

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
FEE AND FINE REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**FINANCIAL AND COMPLIANCE  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006**



**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
FEE AND FINE REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

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**STATE OF NEW HAMPSHIRE  
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DIVISION OF MOTOR VEHICLES**

**Reporting Entity And Scope**

The reporting entity and scope of this audit and audit report is the \$114.6 million of fee and fine revenue collected by the Division of Motor Vehicles of the New Hampshire Department of Safety for the fiscal year ended June 30, 2006. The fee and fine revenue was principally collected by the Division of Motor Vehicles' Bureaus of Driver Licensing (Licensing), Registration, Title and Anti-Theft (Title), and Financial Responsibility. Not included in the scope of this audit and audit report is the revenue collected on behalf of the Division by the New Hampshire Court System and the revenue collected by the Bureau of Road Toll, a bureau of the Division of Motor Vehicles whose revenue is reported by the Department's Division of Administration.

The following report describes certain financial activity of the Division of Motor Vehicles, as it existed during the period under audit. Unless otherwise indicated, reference to the Division, DMV, or auditee refers to the Division of Motor Vehicles. Reference to the Department or DOS refers to the Department of Safety.

**Organization**

The Division of Motor Vehicles is one of seven divisions within the Department of Safety under the direction of the Commissioner of Safety. The Division of Motor Vehicles includes the Bureaus of Licensing, Registration, Title, and Financial Responsibility, which are primarily responsible for the collections of fee and fine revenues for the Division and the Bureau of Highway Patrol and Enforcement, the New Motor Vehicle Arbitration Board, and various other organizations and activities, which collect minimal or no fee and fine revenues.

The main offices of the Division are located at 23 Hazen Drive in Concord. The Division also performs registration, licensing, and title transactions, and collects associated fee and fine revenues at substations and at municipal agents located throughout the State.

At June 30, 2006, the Division employed 212 full-time and five part-time employees in the Bureaus of Licensing, Registration, Title, and Financial Responsibility.

**Responsibilities**

Division responsibilities include overseeing the operation of motor vehicle substations, road testing of drivers, the issue and renewal of driver licenses, the issue and renewal of motor vehicle registrations, vehicle safety inspections, maintaining motor vehicle records and reports, plea-by-mail court fines program, the international registration plan program, emissions program, special projects, Department copy and microfilming services, the pupil transportation program, driver education, and motorcycle rider training program.

### *Bureau Of Licensing*

State rules and regulations require that drivers be licensed to legally operate a motor vehicle in New Hampshire. The Bureau of Licensing is responsible for administering the vision, written, and driver road tests for State residents obtaining their first license and also administering procedures for the periodic renewal of drivers' licenses. Upon request, the Bureau also issues non-driver photo identification cards to residents who are least 16 years old and who do not possess valid driver licenses. The Bureau collects the appropriate licensing fees in accordance with the State motor vehicle laws.

During fiscal year 2006, driver licensing was performed at 17 locations throughout the State, including the Concord Office and 16 substations.

### *Bureau Of Registration*

The Bureau of Registration is responsible for the proper registration of motor vehicles, including collection of vehicle registration fees in accordance with the provisions of the State motor vehicle laws. The Bureau performs registrations at 13 locations throughout the state including the Concord Office and 12 substations. Motor vehicle registrations are also performed by designated municipal agents in their respective cities and towns, subject to the direction and approval of the Department and Division. At June 30, 2006, there were 199 municipal agents (not including town clerks) approved by the Division to process registrations, 98 of which were classified as "on-line" agents.

### *Bureau Of Title*

The Bureau of Title carries out the work and purposes of the certificate of title and antitheft provisions of the State motor vehicle laws. The Bureau is responsible for determining legal ownership of motor vehicles and recording liens, and initiating Division investigations in regards to consumer fraud as evidenced by the submission or non-submission of title applications and supporting documents. The Bureau, along with the Bureau of Registration and the Bureau of Registration's municipal agents, is responsible for collecting the appropriate fees in accordance with the provisions of the State motor vehicle laws.

### *Bureau Of Financial Responsibility*

The Bureau of Financial Responsibility is primarily responsible for the administration of those portions of the motor vehicle statutes that have a direct bearing on operator control and highway safety. This includes receiving, processing, and maintaining records and being in a position to support the public, law enforcement agencies, the court system, and others. Records of motor vehicle violations, accident reports, civil judgments arising from such accidents, persons with or suffering from disabilities that could adversely affect the safe operation of a motor vehicle, the administration of the financial responsibility act, the habitual offender statute, and the general hearings program are maintained by the Bureau. The Bureau is responsible for collecting the appropriate fees, fines, and other amounts in accordance with the provisions of the motor vehicle laws.

## Funding

The revenues of the Division of Motor Vehicles are accounted for in the General and Highway Funds of the State of New Hampshire. Estimated restricted revenue combined with supplemental warrants and balances forward resulted in anticipated fiscal year 2006 restricted revenue of \$6,625,086 in the General Fund and \$0 in the Highway Fund. Fiscal year 2006 estimated unrestricted revenue totaled \$18,020,800 in the General Fund and \$86,955,000 in the Highway Fund.

The actual fee and fine revenues collected by the Division as reported in the General and Highway Funds for the fiscal year ended June 30, 2006 are summarized in the following table and shown graphically on page 4.

### Summary Of Fee And Fine Revenues Collected Fiscal Year Ended June 30, 2006

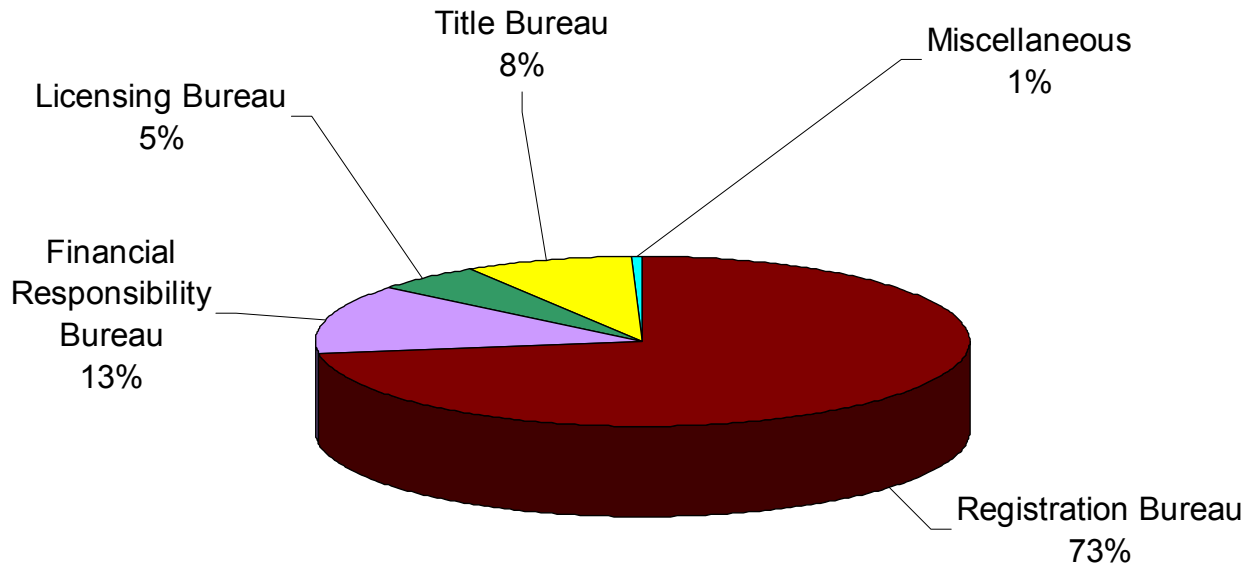
	<u>General Fund</u>	<u>Highway Fund</u>	<u>Total</u>
<b>Unrestricted Revenues</b>	<b>\$ 17,272,902</b>	<b>\$ 85,246,688</b>	<b>\$ 102,519,590</b>
<b>Restricted Revenues</b>	<b>\$ 7,636,739</b>	<b>\$ 4,444,974</b>	<b>\$ 12,081,713</b>
<b>Total Revenues</b>	<b><u>\$ 24,909,641</u></b>	<b><u>\$ 89,691,662</u></b>	<b><u>\$ 114,601,303</u></b>

### Prior Audit

The most recent prior financial and compliance audit of the Division of Motor Vehicles was for the fiscal year ended June 30, 1999. The appendix to this report on page 63 contains a summary of the current status of the observations contained in that report. Copies of the prior audit report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

**Department Of Safety  
Division of Motor Vehicles  
General and Highway Funds  
Combined Fee And Fine Revenues  
Fiscal Year 2006**

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**Fee And Fine Revenues Collected By**

<u>Bureau</u>	<u>General</u>	<u>Highway</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Registration	\$ 8,199,868	\$75,820,951	\$ 84,020,819
Financial Responsibility	12,050,525	2,821,269	14,871,794
Licensing	674,277	5,009,535	5,683,812
Title	3,865,570	5,728,181	9,593,751
Miscellaneous	119,401	311,726	431,127
<b>Total</b>	<b><u>\$24,909,641</u></b>	<b><u>\$89,691,662</u></b>	<b><u>\$ 114,601,303</u></b>



## **Audit Objectives And Scope**

The primary objective of our audit is to express an opinion on the fairness of the presentation of the Combined Schedule of Fee and Fine Revenues Collected - Budget and Actual - General and Highways Funds of the New Hampshire Department of Safety, Division of Motor Vehicles, for the fiscal year ended June 30, 2006. As part of obtaining reasonable assurance about whether the financial schedule is free of material misstatement, we considered the effectiveness of the internal controls in place at the Division of Motor Vehicles and tested the Division's compliance with certain provisions of applicable State laws, rules, and contracts. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Revenues collected and
- Related budgetary accounts.

Our reports on internal control over financial reporting and on compliance and other matters and on management issues and the related observations and recommendations, our independent auditor's report, and the financial schedule of the Division of Motor Vehicles referred to above are contained in the report that follows.

## **Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters**

*To The Fiscal Committee Of The General Court:*

We have audited the accompanying Combined Schedule of Fee and Fine Revenues Collected by the Division of Motor Vehicles of the New Hampshire Department of Safety – Budget and Actual – General and Highway Funds for the fiscal year ended June 30, 2006, and have issued our report thereon dated May 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Division of Motor Vehicles' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the ability of the Division of Motor Vehicles to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in Observations No. 1 through No. 18 of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions noted above, we consider the matters described in Observations No. 1 and No. 2 to be material weaknesses.

## Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Division of Motor Vehicles' financial schedule referred to in the first paragraph is free of material misstatement, we performed tests of the Division's compliance with certain provisions of laws, rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance as noted in Observation No. 19 that is required to be reported under *Government Auditing Standards*. In addition, we noted certain compliance and other matters which, while not required to be reported, are described in Observations No. 20 through No. 24 of this report.

We noted certain other management issues, which are described in Observations No. 25 through No. 27, that we reported to the management of the Division of Motor Vehicles in a separate letter dated May 14, 2007.

This auditor's report on internal control over financial reporting and on compliance and other matters is intended solely for the information and use of the management of the Division of Motor Vehicles and the Fiscal Committee of the General Court and is not intended to be and should not be used by anyone other than these specified parties.

Office Of Legislative Budget Assistant

May 14, 2007

**Internal Control Comments**  
**Material Weaknesses**

**Observation No. 1: The Division Must Gain Better Control Of Its Information In The IDMS**

Division Section: All

*Observation:*

Management information reports generated by the Department's Integrated Data Management System (IDMS) are not effectively utilized as a control to review the financial activity of the Division or as a reliable source of information for planning or other purposes. Apparent limitations in the Division's information systems have resulted in employees and others not having access to reasonable amounts of information and have also resulted in employees discounting as unreliable some information that is provided from the IDMS.

A computerized information system, such as the IDMS, provides for speed and efficiency in operations. However, it also exposes an organization to increased risks when there is not a constant review of operations to ensure that the system, including the employees' use of the system, is operating as intended. This review by management is an essential component of an organization's internal controls and is most effectively performed through the use of system-reported information referred to as management information reports. These reports should track trends in revenues, clerk activity, and other information to inform management of system operations. If used properly, these reports would aid management in locating and correcting errors and frauds, reviewing and comparing clerk performance, estimating and analyzing revenues, scheduling workloads, and also providing information for internal audit review.

As noted in Observation Nos. 2, 11, 19, and 24, the Division was unable to consistently provide accurate information from the IDMS when requested during the course of the audit. For example, the Division was unable to provide information such as the number and dollars of fines paid relative to a certain violation type. It appeared that the Division was unable to obtain reasonable ad-hoc reports and had disturbingly little confidence in pre-designed reports emanating from IDMS.

*Recommendation:*

The Division should not allow itself to remain in the situation where, due to lack of confidence in IDMS reporting, employees discount the value of IDMS reports. The Division must continue to work with its Office of Information Technology (OIT) representatives to catalog, review, verify as accurate, and utilize its current library of management reports. Reports that are not accurate or complete should be removed from production. The Division should also establish reasonable procedures to assist employees in requesting the design and generation of new standard reports to

be placed into production and also to assist employees in requesting and receiving accurate IDMS information from ad-hoc reporting requests.

*Auditee Response:*

We Concur in Part.

With the exception of the recent completion of the MAAP [Municipal Agent Automation Project] software update, the DMV data processing software is between 15 and 19 years old, with 10 remaining legacy systems lagging several generations behind current technology. Anyone who has a personal computer at home can visualize what it would be like trying to accomplish today's work on a 19-year-old device. The Department, along with OIT, has made requests in each biennial budget for funds to develop a modern, relational database using up-to-date programming languages. However a shortage of funds has always limited the Legislature's ability to respond to these requests. This year we placed a sizeable request in the capital budget for the next three phases of our software updates, (to be known as VISION), that will embrace the driver licensing system, the financial responsibility system and the inventory system. We made the request via the capital budget and we regard this as a justifiable long-term investment. About one-fourth of the amount requested was funded this time.

OIT has resource limitations of its own. Currently only three programmers are assigned and know how to program in the nearly obsolete programming languages of the legacy system. We and OIT will be meeting to discuss current management reports available on the system and determine how they can be revised for accuracy and utility.

*OIT Response:*

OIT has split the small staff of 13 programmers dedicated to the Safety system, between MAAP (the new registration and title system), J-ONE (a new large-scale integrated criminal justice system) and the legacy DMV system over the past five years. The staff for all three is considered small for the amount of maintenance and development work required. J-ONE and MAAP are built, as VISION will be, with modern technology infrastructure to increase audit and reporting ability for the long term.

**Observation No. 2: Cause Of Missing Data Detail Should Be Investigated**

Division Section: All

*Observation:*

The Division and the Department's Division of Administration (DOA) were unable to provide the auditors with detail data related to transactions occurring in July 2005. While detail data was available for the other 11 months of fiscal year 2006, data for detail test items selected from July 2005 business could not be drawn from the Integrated Data Management System (IDMS). At the time the data was determined to be missing, the Division and the DOA were unable to explain

why the data was not available. The fact that the detail data was not recognized as missing until the auditors requested the data is concerning.

*Recommendation:*

Due to the nature of the Division's business and the information contained in the IDMS, it is imperative that data is properly captured and stored and remains available for subsequent use.

- The Division and the DOA should review why the data access problems were not detected prior to the auditors requesting the information, months after the affected period.
- The Division and the DOA should review the IDMS and determine the extent and cause of the apparent data problems evidenced by their inability to access the detail records for July 2005. The Division and the DOA should take appropriate steps to ensure that the conditions that caused the data problems are corrected.

*Auditee Response:*

We Concur.

The Department, along with OIT [Office of Information Technology], investigated the cause of the missing data. The reports in question (GFRDST 5-1 and 5-2) are detail transaction reports for the month of July 2005. Such reports are used by the Division of Administration as a tool for reconciling the daily closeout of revenue deposited with DMV counter clerks' closeout reports.

The reason for the missing data detail was traced to the implementation of the new MAAP [Municipal Agent Automation Project] Registration and Title database that month. Previously, records were purged monthly after being copied to microfiche. Unfortunately, in the normal upheaval that occurs when a major new system is installed, they inadvertently purged some records before they were copied to microfiche for July, and, in a "perfect storm" situation we also experienced a technical problem with that month's microfiche run, leaving the records unavailable.

No records have been purged since the July 2005 inadvertent run and we and OIT have met, and we have established a policy whereby computer operators make no purges until the appropriate Division Director or designee has signed off and microfiche has been completely verified.

*OIT Response:*

In the DMV legacy IDMS system, six months of prior-month data was kept at all times for on-line inquiry history access. By design, a batch job ran monthly to purge the seventh month of data to free disk space after the data was copied to microfiche. In July 2005 the MAAP system was implemented, replacing the legacy registration and title subsystems. MAAP represents a new registration and title on-line interface and system for processing business rules, with certain financial edits and rules processing. However, it performs a real-time call to the legacy IDMS financial subsystem that is used for overall financial balancing of transactions. MAAP was designed to produce financial reports to compare with IDMS financial transaction reports to

enable proper auditing. Since MAAP was installed without purge programs written, it was important for continuity purposes not to run purges on the IDMS side until MAAP was capable of purges. Upon the implementation of MAAP, OIT instituted a policy to discontinue the regularly scheduled DMV financial record purges from the IDMS legacy system. Unfortunately the purge was inadvertently run in February 2006, deleting the July 2005 data despite the policy indicating otherwise. The OIT lead operator has since clarified its computer operations documentation to ensure discontinuation of the purges, reinforcing the prior written policy promulgated before MAAP implementation. No further financial records have been purged since the July 2005 inadvertent run.

Also, coincidentally, the Safety and OIT microfiche copies for that month were misplaced. The only other copy of this data is on the backup tape that is created each month prior to the purge. Currently there is no computer program written to reload this data from tape to the disk drives for on-line access at DMV.

*Auditor Addendum:*

The OIT response raises an additional concern. A backup tape that cannot be reloaded has questionable utility as part of any disaster recovery plan. Generally, backup tapes should be reloaded periodically to test the integrity and reliability of the backup data and to ensure the backup procedures remain effective. Per DMV/OIT, it does not currently have policies and procedures in place to periodically test the backup tapes. Therefore, it cannot be reasonably certain that the backup tapes would prove functional if a system problem or other circumstances necessitated the use of the tapes.

The DMV/OIT should establish and implement policies and procedures for periodically testing backup tapes to remain reasonably confident in its ability to successfully reload and utilize the data on the tapes.

*OIT Update:*

The tape that is in question in this statement has corrupt or non extractable data as it relates to the normal backup and restore programs. This is due to the tape being damaged from mishandling. The State of New Hampshire does not own a special computer program nor have the expertise to recover data from a tape that has been damaged.

As to the finding that OIT does not have a policy/procedure for periodically retrieving and testing archived tapes, OIT will develop, test and implement a policy/procedure to perform on a routine basis, a retrieval and data extraction test to validate that media that is in storage can be retrieved and used in the event of a system failure.

## Other Reportable Conditions

### **Observation No. 3: Formal Risk Assessment Policies And Procedures Should Be Established**

Division Section: All

*Observation:*

The Division does not have formal policies and procedures in place for recognizing and responding to risks potentially affecting its operations.

While the Division does perform activities related to managing risk including performing internal audits of Division operations, the Division does not have formal policies and procedures in place for periodically reviewing its operations for risks that could jeopardize its ability to continue to function as management intends. Currently, when risks are identified the Division may assign its internal audit group to review the risk area and make recommendations; however, there are no formal policies and procedures to continuously review operations for risks. A lack of understanding of risks generally pushes an entity toward a reactive mode when significant risks are realized/occur. A reactive mode may compromise the efficiency and effectiveness of a response due to the lack of prior identification and understanding of the risks and ramifications.

Management's assessment of risks facing the organization is an integral component of internal control. The purpose of an entity's risk assessment is to identify, analyze, and where appropriate, respond to risks and thereby manage risks that could affect the entity's ability to reach its objectives. Effective risk assessment practices should be a core element of management's planning activities. Risk assessment should be an ongoing activity.

An entity faces many risks. Risk can be defined as the threat that an event or action will adversely affect an entity's ability to achieve its objectives. Risk can be classified in many ways. For example:

*External risks* - threats from broad factors external to the entity including changes in the political arena, changes in statutes and rules, and illegal activity external to but affecting the organization.

*Operational risks* - threats from ineffective or inefficient processes for acquiring and providing goods and services, as well as loss of physical, financial, or information assets.

*Information risks* - threats from the use of poor quality information for operational, financial, or strategic decision-making within the entity and providing misleading information to others.

A continuous review of the Division's processes and activities using a risk-based mindset would promote effective planning and assist in resource allocation decision-making. Risks identified should be analyzed to determine whether current internal controls mitigate risk to a level desired by management or whether other actions are required in response to the risk.



*Recommendation:*

The Division should establish risk assessment policies and procedures that formalize its risk assessment process and provide for a regular and continuous risk assessment of its operations. A formal risk assessment process is a necessary tool to assist in the effective management of risks. Identifying risks significant to Division operations and strategies to mitigate those risks should enhance the effectiveness of the Division's planning and resource allocation processes and its control processes.

*Auditee Response:*

We Concur.

Certain risks that are inherent in the outdated software that we are using and because of this, OIT faces increasing difficulty in producing the type of reports that would be part and parcel of a modern risk assessment and detection system. This will be difficult to overcome until the VISION system is fully funded, developed, and operational.

Risk management is an ongoing priority with DMV. We are constantly looking for ways to improve systems for efficiency and evaluating our internal controls. Among the work that has taken place in the past and takes place on an ongoing basis are:

- Audits of bulk data vendors
- Investigation of all public complaints
- In-house legal counsel, our internal audit section and DMV Highway Patrol and Enforcement employees are tasked with examining factors of external risk, possible employee theft, external fraud, and employee safety.
- Privacy training, job training, and formal disciplinary action when errors are discovered address informational risk.
- The MAAP system has dramatically improved operational and informational risks in motor vehicle registrations, and the VISION system, once adequately funded and operational, will do the same for driver licensing.
- Over and short reports from counter clerks and municipal agents that handle cash, checks and credit cards are reviewed by each Bureau and the audit section on a monthly basis.
- There are regular, formal reviews of inventory, facilities and internal controls and MV substations.
- Unannounced audits are regularly performed on randomly chosen counter clerks at Concord and at all substations.
- There are ongoing, unannounced, complete cash audits and reviews of vault controls and procedures.
- Written incident reports are required for any incident occurring at Concord or at a substation such as cash being out of balance, customer problems or any unusual incidents, including recommendations for resolving the problem and preventing a reoccurrence.
- There are continual reviews of invoices processed by the Division of Administration to identify potential improper or incorrect payments.

- A heavy vehicle use tax audit of International Registration Plan records was performed in July 2006, reviewing training, documentation, and proof of proper and timely payments.
- User security reviews of logon and privileges of all MAAP and IDMS data processing systems users were conducted in May 2006 and January 2007. This was completed as a result of a policy in place to review DMV automated systems access every six months.

The 2007 Legislature has authorized the Department to establish the position of Chief of Policy and Planning in the Commissioner's Office, and funded the position. This individual will be developing formal policies including one relating to an agency-wide, formal risk assessment. This policy, when promulgated, will promote effective planning and resource allocation. In developing the policy, we will study the risk assessment policies of the federal government and of other public and private entities for guidance.

*OIT Response:*

The MAAP system has set a standard for financial audit compliance. Not only will the same technical architecture be used when VISION is designed, but similar audit trail capability and reporting flexibility will be designed, mirroring MAAP in concept. The underlying relational database selected for MAAP and VISION provides a foundation for vastly improved database navigation and timely ad hoc reporting capabilities.

**Observation No. 4: Formal Fraud Reporting Policy Should Be Established**

Division Section: All

*Observation:*

The Division has not established a formal fraud reporting policy. The lack of a written policy may delay the reporting of fraudulent activity.

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. Persons outside or inside the organization can perpetrate it for the benefit or to the detriment of the organization. Fraud runs the spectrum from minor employee theft and unproductive behavior to misappropriation of assets, fraudulent financial reporting, and intentional noncompliance with a law or rule leading to an undue benefit.

The attributes of an effective fraud reporting policy include:

- The policy is in writing,
- The policy describes fraudulent activities and the actions required when fraud is suspected or detected,
- The policy is communicated to all employees, and
- Management obtains written assurance from each employee that the policy and related reporting mechanism is understood.

The effectiveness of a fraud reporting policy is enhanced when employees have a clear understanding of fraud indicators and what constitutes a fraudulent act. It is important that the reporting procedure is non-threatening for the reporter and provides for the reasonable protection of all parties.

A similar comment was issued during the fiscal year 1999 audit of the Division.

*Recommendation:*

The Division should establish a fraud reporting policy and provide its employees with formal fraud awareness training. The Division should take measures to ensure that the policy facilitates and encourages reporting and protects all parties involved.

*Auditee Response:*

We Concur in Part.

Standard Operating Procedures (SOP's) providing written expectations to all employees, of the necessary procedures to follow in recognizing and responding to risks potentially affecting Division operations was issued on August 2, 2007. This enhances the verbal communications currently gained from Supervisors during initial On-the-Job training. In addition, each employee will be given the information contained in the SOP, and will be expected to sign the acceptance sheet, similar to the Sexual Harassment and OIT policies stating the employee has received and understands the information contained therein.

**Observation No. 5: Documentation And File Maintenance Practices Should Be Reviewed**

Division Section: All

*Observation:*

Revenue testing revealed instances where amounts posted to Division accounting records could not be supported by source documentation. Documentation problems were noted in 23 of 148 transactions (16%) tested. Problems included illegible documents, missing documents, and inconsistencies in document retention and transaction recording.

The Division has established policies and procedures for maintaining copies of documents supporting financial transactions. Generally, original documents are microfiched and subsequently destroyed.

The following were noted during testing:

- For eight out of 148 transactions selected, the “cash register” printed transaction record (ring lines) and/or other vehicle information on the microfiche was blurred and unreadable.

- In one of 148 transactions selected, an error in the microfiche process obscured the ring line and other application information for the transaction.
- In 14 out of 148 transactions, documentation supporting the transaction was insufficient to establish the appropriateness of the transaction.

We also noted the following instances of inconsistency in the Division procedures and systems:

- Validated receipts are not retained as part of a transaction's audit trail and are destroyed without microficheing or imaging in the Bureau of Financial Responsibility. The Bureaus of Registration and Licensing microfiche validated receipts prior to destruction, maintaining an audit trail for the transaction.
- An inconsistency in coding transactions between the Municipal Agent Automation Project (MAAP) registration system and the Department's Integrated Data Management System (IDMS) database unnecessarily complicates the comparison of information in the two systems. The MAAP system uses 01 and 02 codes to indicate local revenues and State revenues, respectively. The IDMS system uses 01 to indicate State revenue. In comparing information from the two systems, a user is required to recognize the difference in the coding in order to trace transaction information from MAAP to IDMS. According to the Division, this was a previously unrecognized difference.

A similar comment was issued during the fiscal year 1999 audit of the Division.

*Recommendation:*

The Division should review its documentation and file maintenance practices and determine whether current practices are adequate to provide for management's desired degree of support for amounts posted to the accounting records.

*Auditee Response:*

We Concur.

Once the new VISION system is fully funded and operational, the scanning capability in the Bureau of Driver Licensing will validate documents as authentic or fraudulent. DMV eventually plans to image all documents electronically, allowing for much more accessible file information and clearer images. The current printers used to validate transactions are obsolete and do not print very clearly. We are currently working to find a suitable and affordable alternative. The Reprographics Bureau, which is within the Division of Administration, does our filming, however the filming process can only record what the camera sees and if the original is of poor quality, so will the image be.

VISION, when implemented, will also address the inconsistency mentioned in the coding of transactions between MAAP and the legacy IDMS system, because with VISION, IDMS will no longer be utilized, eliminating inconsistencies created by most partial system conversions. The above inconsistency was a temporary inconvenience similar to a conversion Chart of Accounts when implementing a new accounting system.

We will be meeting with OIT to jointly assess what can be done within the constraints of the current IDMS system to more timely detect data access problems and enhance our ability to access all detail records whenever needed. DMV wants very much to upgrade its current system of saving document information and looks forward to the necessary funding to accomplish the much needed replacement of obsolete systems including more modern methods of archiving documents.

*OIT Response:*

Document imaging is a burgeoning data processing concept that has many benefits. However, the planning, budgeting, technological complexity and implementation issues frequently cloud project success unless planned and managed properly. The Department of Safety and OIT recognize the need for a redesign, upgrade and expanded use of document imaging at Safety. That said, funding continues to be an obstacle to addressing new equipment and software in this area. It has been part of the VISION project scope for some time.

**Observation No. 6: Policies And Procedures Manuals Should Be Updated Or Established As Necessary**

Division Section: Registration, Licensing, Financial Responsibility

*Observation:*

Policies and procedures manuals for clerks in the Registration, Licensing, and Financial Responsibility sections were either not current or nonexistent during fiscal year 2006. A current policies and procedures manual was on file for clerks in the Title section.

- The Bureau of Financial Responsibility does not have a policies and procedures manual for clerks to use as guidance, if necessary, when processing daily transactions.
- While the Bureau of Registration has a current reference manual for users of its Municipal Agent Automation Project (MAAP) registration system, the Bureau continues to rely on a manual for the Integrated Data Management System (IDMS) that was noted as being out of date during the fiscal year 1999 audit. While the IDMS manual will eventually become irrelevant upon the replacement of that system, the IDMS will continue to be a critical Division and Department information system for the foreseeable future. The Bureau of Registration does have a policies and procedures manual for issuing boat registrations, but this manual is not considered current as it was last revised in 2000.
- The Bureau of Licensing has a policies and procedures manual in place but the manual is not comprehensive as it lacks guidance on how to process all types of licensing transactions in the Bureau.

While the Division offers a number of training activities and periodically issues Standard Operating Procedures to its employees, comprehensive and current policies and procedures manuals would provide documented assistance and guidance to employees, which could be referenced as needed during daily operations. Policies and procedures manuals also promote

consistency in processing transactions according to management's plan and can be especially helpful to an organization for use as a training tool.

A similar comment was issued during the fiscal year 1999 audit of the Division.

*Recommendation:*

As noted in the 1999 audit, the Division should make relevant, comprehensive, and current policies and procedures manuals available to all employees and municipal agents. The manuals should provide policies and procedures that promote consistency in processing transactions and support management's goals and objectives. The Division should ensure that sufficient ancillary supporting policies and procedures are available to supplement operator and reference manuals for Division systems.

While it is recognized that maintaining such manuals is a time consuming task, updated manuals could increase efficiency, as employees become better educated and experienced in the Division's procedures and the number of errors and supervisor inquiries made by clerks due to the lack of knowledge in the Division policies and procedures decreases.

*Auditee Response:*

We Concur.

The Division intends to continually upgrade, improve, and add to the present policy and procedures manuals in every Bureau. This is perpetually on the list of items to continue expanding and improving.

Numerous policies and procedures, both formal and informal, already exist in each of the designated Bureaus. Many formal policies and procedures have been written and implemented since the previous audit, including an entirely new manual for the Driver Education program. Detailed administrative rules have been made available to all employees on the DMV file server, as well as bound copies. A separate bound compilation of all the statutes that apply to DMV is available for reference in each Bureau. Extensive training, flow charts, rules and forms are provided by the DMV Attorney on the Driver Records Privacy Act. A comprehensive MAAP Manual has been issued to all users of the MAAP registration and title system. The Registrations Bureau, in addition to the MAAP manual, has a new employee user manual, a vault procedure, boating registration manual, an International Registration Plan manual, and overweight vehicle procedures manuals. The Financial Responsibility Section has 20 written procedures for its employees. The Bureau of Driver Licensing has issued 15 formal policies and copies of all the administrative rules pertaining to driver licensing.

Other Bureaus are adding to their policies as time permits and our goal is to have a complete manual for each Bureau. This is a never-ending process of documentation and improvement.

## **Observation No. 7: Controls Over Changes To Driver Records Should Be Improved**

Division Section: Financial Responsibility

### *Observation:*

Certain employees in the Bureau of Financial Responsibility have system access authority sufficient to allow them to change operator/driving records without supervisory approval or review.

During fiscal year 2006 eight employees in the Bureau of Financial Responsibility had sufficient levels of database permissions to, by themselves, delete citations from operator records. According to Bureau personnel, approximately 30-40 citations are deleted daily in the Bureau. Reasons cited as examples for citation deletions included: conviction originally entered on an incorrect operator's record, charge subsequently dismissed based on outcome of hearing, court error, and clerk error. According to the Bureau, citation deletions are reviewed only on an as-needed basis. There is no control system in the database to require supervisory approval prior to deleting a citation on an operator's record.

Allowing such critical records to be changed without providing for a reasonable control process increases the risk of error or fraud occurring and not being detected.

### *Recommendation:*

The Division should review the adequacy of its controls over the deletion of citations from operator records.

The Division should consider further limiting the number of employees with the access authority to delete citations and institute a review and approval control over the process.

### *Auditee Response:*

We Concur in Part.

Of the 44 full-time and four part-time employees of the Financial Responsibility Section, only eight have permissions to delete violations (PBM) and convictions (violation history), as stated in the Observation. This is considered a "high" permission and given only to employees whose primary tasks or responsibilities require this capability. The eight employees who have these high permissions hold very responsible positions such as Supervisor or Team Leader and have extensive work experience with us. Depending on the unit the person works in, permissions are further limited to specific tasks based on his or her job requirements. For example, someone who can delete a conviction or violation cannot delete information relating to suspensions. Only two employees have authorization to delete records based on a court order.

We have requested OIT to develop enhancements to the existing reports, to gain additional capabilities and better monitor and identify deletion transactions, including requiring listing a

reason to support each deletion, and a new report for use by supervisors and in periodic audit reviews that would contain the user number, violation/citation reference, and a reason code.

We will also develop a policy, in conjunction with OIT, built around the work order request, being sure there are checks and balances to control the ability to delete records as well as reporting on what records have been deleted and by whom. Our forthcoming risk management policy will also require periodic review of who has various levels of permission to delete records, to determine that the permission is still required for the particular job.

*OIT Response:*

OIT and DMV enforce a policy of review of all MAAP and legacy DMV system access every six months, according to industry best practice.

**Observation No. 8: Controls Over The Recording Of Cash Received In The Mail Should Be Strengthened**

Division Section: Financial Responsibility

*Observation:*

Bureau of Financial Responsibility procedures for recording cash received through the mail could be strengthened. Cash received in the mail is not recorded when initially received by the first person in the cash receipts process. In addition, the initial recording of cash received through the mail is hand written in a logbook by the second person in the cash receipts process. The manual logbook does not provide for an efficient audit trail for cash transactions processed by the Bureau.

While the receipt of cash in the mail is not a significant aspect of the Bureau's activity, as most payments are in the form of checks, cash is received through the mail on a regular basis. Passing cash receipts between employees prior to an initial recording of the cash increases the risk that the accountability for the cash will not be established.

*Recommendation:*

The Bureau of Financial Responsibility should strengthen its controls over the recording of cash received in the mail.

Cash should be recorded immediately upon receipt by the first person in the cash receipts process to establish accountability and to reduce the risk that cash could be lost or stolen without detection.

The initial record of cash receipts should be in a form that allows for an efficient and effective use of the audit trail.



*Auditee Response:*

We Concur.

In response to the LBA Audit findings regarding the receipt of cash in the Plea-by-Mail (PBM) section of Financial Responsibility (FR), a more formal process was implemented to replace the “steno pad” which was being used for these cash receipts. This new procedure was established immediately after the process was discussed with LBA, and consists of the Supervisor of Cash Terminal Operations (SCTO) recording the cash payments received in an Excel password protected spreadsheet. At the time of receipt, the SCTO enters the following information: Date the cash was received, the purpose for the payment (traffic citation/complaint, MVR, accident report, etc), the amount of money received, the first and last name of the individual shown on the item received, the date of birth of the individual shown, and the FR Clerk User number of the individual assigned the task of processing the transaction.

This “log” is saved on the shared server. The form is password protected. The form can be reviewed and/or be printed out. (NOTE: Financial Responsibility receives between 150-300 various payments in the mail each day {approximately 3,600 each month}. This number includes approximately 26 cash payments each month. These cash payments account for roughly 0.7% of the total payment transactions received by mail.)

In discussing this cash receipt procedure in greater detail with the FR Supervisor and Assistant Supervisor, it was decided that the following procedure would be followed, in order that our cash receipts internal controls could be strengthened as much as it was feasible.

- The mail is received and distributed to several clerks, many of which process PBM [plea-by-mail] payments on a regular basis.
- When a clerk opens mail that has cash payments in it, the cash payment will be logged on a “FR [Financial Responsibility] Cash Receipt Log” with the clerk’s user number. The information entered on the log will include the Payor’s first name, last name and DOB [date of birth], the internal FR code identifying the purpose of the payment, and the dollar amount received. The cash and the “FR Cash Receipt Log” will be taken to the Supervisor of Cash Terminal Operations (SCTO) or the FR Cash Terminal Operator II (CTO II). The SCTO/CTO II then will initial receipt of each item listed and the cash total on the log. The clerk bringing the cash will keep the original signed FR Cash Receipt Log, and leave a copy with the SCTO/CTO II.
- The SCTO/CTO II will assign the items to be processed to a specific CTO/Clerk, whose user number will be entered on the FR Cash Receipt Log. The CTO/Clerk shall initial each item listed to confirm the receipt of each item to process, and the amount of money received. The CTO/Clerk will note the transaction number for each item processed on the corresponding entry on the FR Cash Receipt Log. A photocopy will be made. The CTO/Clerk will keep the original, and the SCTO/CTO II will retain the copy.
- These cash transactions are included with all other transactions processed by the CTO/Clerk and are accounted for in the day’s Close Out.

- The SCTO or the SCTO designee (CTO II) will maintain this information in an Excel spreadsheet located on the “H” drive. The Excel spreadsheet maintained by the SCTO can be matched against the daily cash reports of the CTO/Clerk.

### **Observation No. 9: Segregation Of Duties Should Be Improved Over Prepaid Account Transactions**

Division Section: Registration, Title, Financial Responsibility

#### *Observation:*

The Division’s bureaus have developed various practices for processing revenue transactions paid from customer prepaid accounts that are not consistently applied within the Division and do not appear to consistently provide for a proper segregation of incompatible duties.

The Integrated Data Management System (IDMS) does not have a research function that would allow Division clerks to look up information on customers’ prepaid accounts. Due to a lack of established policies and procedures to the contrary, some Division clerks regularly work around this limitation by processing a no-fee transaction in IDMS to obtain the otherwise unavailable information necessary to process transactions funded by prepaid account balances.

Clerks in the Bureau of Financial Responsibility process a no-fee transaction under the prepaid account’s credit identification code after processing the customer’s transaction. This no-fee transaction will reveal the information associated with the prepaid account and ultimately allows the clerk to access the prepaid account. No-fee ring lines are printed in the clerk’s work as a result of these no-fee transactions. If the clerk knew the credit memo number associated with the prepaid account, then this no-fee transaction would not have to occur, the clerk could simply key in the credit memo number. There is no supervisory approval required when a clerk uses a no-fee transaction and a credit memo against a prepaid account to fund a customer’s payment.

The Bureau of Licensing clerks perform prepaid account transactions as cash transactions and then have the business office staff issue a short slip for the amounts. The business office subsequently clears the short slips with funds from the prepaid accounts. Prepaid account transactions processed in this bureau appear relatively controlled through the business office’s involvement.

The Bureau of Registration clerks call the business office to obtain the credit memo number. If the business office does not respond timely, no-fee transactions are keyed to obtain the prepaid account information in a manner similar to the Bureau of Financial Responsibility’s practice. It appears that most Bureau of Registration prepaid account transactions are processed with the no-fee process. There is no supervisory approval required when a clerk uses a no-fee transaction and a credit memo against a prepaid account to fund a customer’s payment.

The Bureau of Title keeps a copy of credit memos associated with prepaid accounts, making the no-fee transaction unnecessary in most cases. There is no supervisory approval required for a clerk's use of a prepaid account to fund a transaction.

The processes used by the Division indicate that there is an inconsistency in the intended controls for these four bureaus. As noted above, the standard practice for the Bureau of Licensing incorporates a segregation of duties through the involvement of the business office. The standard practice for the Bureaus of Registration, Financial Responsibility and Title makes no provision for a segregation of incompatible duties for prepaid transactions and allows the clerks to process no-fee transactions or refer to copies of credit memo documents to access account information without supervision. It is unclear whether this inconsistency is intended or has developed through practice without plan.

*Recommendation:*

The Division, in conjunction with the Department's business office, should establish policies and procedures for processing transactions involving prepaid accounts. Appropriate segregation of duties should be established between the custody of the accounts and posting transactions against the accounts. Division clerks should not be encouraged or allowed to develop workarounds, avoiding control procedures.

*Auditee Response:*

We Concur.

This problem is directly related to the limitations of the IDMS financial systems. In reality the term, "Prepaid Account" refers not to an account with an available balance for a particular company to charge against, but rather the Business Office creates a credit memo when the companies submit funds to the Business Office. When a transaction is charged against that credit memo, the memo is closed and if funds remain, a new one is generated, with a unique identification number.

We agree that no-fee ring lines and the creation of short slips is not the way we wish to process these transactions. As it is, they are recorded against the ID number of the individual whose records are provided, not the authorized party that is requesting them, so the credit memo information for the authorized party does not readily appear.

We are in the process of developing procedures that will allow clerks to process transactions against a company's account in a way that will eliminate no-fee ring lines. Instead of fee settling the clerks will go to the IDMS miscellaneous revenue screen and access "Prepaid Account" by entering the account ID number that is provided by the authorized party when they request the transaction. The clerk will then exit the miscellaneous revenue screen without confirming a transaction, and return to the "fee settle" screen. Upon returning to that screen in IDMS the "Prepaid Account" data will be used to fee-settle for the transaction.

We will continue to investigate other possibilities within the IDMS system and further financial systems as well as opportunities for further segregation of duties to provide more checks and balances when dealing with these types of transactions.

### **Observation No. 10: Control Over License Applicant Documents Should Be Formalized**

Division Section: Licensing

#### *Observation:*

Controls intended to ensure that licensing clerks accept only correct and authentic forms of identification prior to issuing original operator licenses are not consistently applied. The controls are intended to allow for a subsequent supervisory review of source documents to ensure that inadequate or fraudulent documents are not being used to misrepresent an applicant's legal or other status.

Formal Division policies direct licensing clerks to retain photocopies of documents provided by non-U.S. citizens applying for original operator licenses. All non-U.S. citizens applying for original operator licenses must apply at the Concord Office.

While there are no formal policies directing licensing clerks to retain photocopies of documents for U.S. citizens, informal Division policy directs licensing clerks to retain photocopies of identification documents for these applicants as well.

During fiscal year 2006, licensing clerks at the Concord Office and at 12 of the 16 licensing substations made copies of each applicant's identification documents as directed by formal and informal Division policy. Licensing clerks at four of the 16 Division licensing substations did not make copies of applicant identification documents, reportedly because the clerks did not have ready access to a convenient photocopier.

The Licensing Bureau management was aware that the lack of convenient copiers prevented this control procedure from being universally applied. However, as of March 2007, the Division had not made copiers available to the licensing clerks at all substations.

#### *Recommendation:*

The Division should review its controls over the acceptance of identification documents for license applicants.

If the Division determines that it is appropriate to retain copies of identification documents for subsequent review and validation purposes, then all substations should be given the resources needed to perform the control procedure and compliance with the control procedures should be enforced.

If it is determined that the control provided by retaining copies of identification documents is not required in all instances, then the Division should determine whether copies of documents should be retained in selected instances or not retained at all.

If the practice of retaining copies of all documents is to be continued, or if it is determined that it is appropriate to retain copies in selected instances, formal policies and procedures should be established to assist the clerks in determining how to implement the control.

*Auditee Response:*

We Concur.

At the time this question first arose during the audit, we did not have convenient copiers available to our licensing clerks in all substations, as noted. Since that time, appropriate equipment has been ordered to accommodate the remaining substations.

We are currently in the process of issuing a request for proposal for a new Licensing software system (VISION) to replace the obsolete system we are currently using. Along with implementation of this new Licensing system, we intend to scan all necessary documents for all licensees. This system will not only allow for better access and review of these required support documents, but will also verify authenticity at the time they are scanned. The new Licensing system will greatly improve our operational functions, as well as our internal controls.

**Observation No. 11: Documentation For Processing No-Fee Motor Vehicle Record Transactions Should Be Improved**

Division Section: Financial Responsibility

*Observation:*

The computer application used by the Bureau of Financial Responsibility to process no-fee motor vehicle operator record transactions provided to fee-exempt entities does not document the transaction in the database record of clerk activity. The lack of a recorded transaction prevents supervisory review of no-fee activity and is inconsistent with the methods used by the other Division Bureaus for processing and recording no-fee transactions.

Generally, the Bureau of Financial Responsibility sells copies of motor vehicle operator records for \$10 per copy. The Bureau does waive the fee for operator records provided to governmental agencies for certain purposes.

The application used by the Bureau allows the clerk to input a “y” (yes) or “n” (no) to indicate whether or not a customer should be charged a fee. If the clerk enters “n”, the system will print an operator record document but the issuance of the record does not become part of the clerk’s recorded business for the day. The applications used by other Division Bureaus do record no-fee transactions in a clerk’s record of business. Because the method used by the Bureau of Financial

Responsibility does not record all records issued, supervisors cannot determine and review the no-fee activity for signs of improper activity.

The Division was unable to provide statistics on the number of motor vehicle operator records issued without fees during fiscal year 2006.

A similar audit comment relative to no-fee processing in the Title Bureau was included in the fiscal year 1999 audit of the Division. That prior audit comment is fully resolved.

*Recommendation:*

All no-fee transactions should be documented and subject to a review and approval process.

The Division should review the method used by the Bureau of Financial Responsibility to process no-fee motor vehicle record transactions to determine whether the continued use of the current method is appropriate.

The Division may determine that the controls provided by the methods used by the other Division Bureaus to record no-fee transactions would provide valuable information and additional transaction controls as well as improve consistency in processing Division transactions.

*Auditee Response:*

We Concur.

The existing audit trail for no-fee transactions consists of a daily report and the use of DSMV #505 forms for government agencies and military recruiters. These forms, as well as annulment petitions and relief of filing requests (all of which are no-fee) are all imaged for a permanent audit trail. The detail transaction register in the Business Office lists a date and time for each transaction, for each clerk, for each day's work. This voluminous report is available from OIT via an overnight request through the Business Office.

The software used in this operation is very outdated. Subject to funding, once the VISION project is completed a new system for Financial Responsibility will be in place. Meanwhile, we have submitted an OIT work request to change the screen used by the Financial Responsibility Section (FR) when requesting records, identifying the customer and giving a reason code whenever a no-fee transaction is recorded. We have also requested a new management report that will detail all transactions, including those by check, by user ID, to be reviewed by FR supervisory personnel and available for spot internal audits.

## **Observation No. 12: Controls Over Fee Adjustments Should Be Improved**

Division Section: Licensing

### *Observation:*

The Division is not utilizing available controls to review for errors or frauds that could be perpetrated through the inappropriate use of fee-adjusted transactions.

Management information reports of fee-adjusted transactions processed by Division clerks and supervisors at the Licensing Bureau are not being utilized to: 1) aid management in locating and correcting errors and fraud, 2) review and compare clerk performance, and 3) otherwise provide information for internal audit review. The Division could not demonstrate that fee-adjusted transactions are subject to periodic review by individuals who are not involved in performing or approving those transactions. While fee-adjusted transactions were limited primarily to the Licensing Bureau, there was some fee adjustment activity in the Boat and International Registration Program (IRP) Sections of the Registration Bureau.

Based on discussions with Division and Department personnel, it appears that the responsibility to review available reports of fee adjustments has not been clearly assigned and is not being consistently performed.

The apparent lack of management review of fee-adjusted transactions is especially concerning, as a similar comment was noted in our fiscal year 1999 audit of the Division. That comment was founded in part to the Department's detection in 1999 of a significant fraud perpetrated by a Division clerk who used fee-adjusted transactions to hide the theft of cash. While it was apparent that the Division had taken some positive steps since the prior audit to mitigate its risks related to fee-adjusted transactions, a management level review of reported fee-adjusted transactions is not being performed.

### *Recommendation:*

The Division should improve its controls over transactions that are fee-adjusted by clerks. The Division should ensure that appropriate levels of Division and/or Department management review reports that provide information on fee adjustments.

The Division should establish procedures to ensure that fee adjustment reports are reviewed on a periodic basis to: 1) aid management in locating and correcting errors and fraud, 2) review and compare clerk performance, and 3) provide information for internal audit review.

### *Auditee Response:*

We Concur.

We are currently in the process of issuing a request for proposal for a new Licensing software system (VISION) to replace the obsolete system we are currently using. The new system will not

only allow us to implement new technology hardware, allowing for superior quality pictures of licensing applicants, but it will also provide a much higher level of internal control of DMV funds, similar to those realized with the implementation of Municipal Agent Automation Project (MAAP) system in Registration. There will be reason codes for each “fee adjustment”, and where practical, any necessary fee adjustments would be automatically calculated within the system, based on the circumstances of the transaction. A significant improvement in the reporting capability for management will also be realized with the new licensing software, enabling more systematic and timely reviews of activities.

Work orders have been submitted to OIT to change the fee adjustment process for both Boat and International Registration Plan (IRP) registrations.

### **Observation No. 13: Closeout Control Procedures Should Be Consistently Applied**

Division Section: Registration

#### *Observation:*

Clerks and supervisors at the Division substations do not consistently apply Division controls intended to establish accountability over the daily closeout of clerk activity.

Division Standard Operating Procedure, Subject: *Cash Drawer Start Up/Closeout* directs, in part, that both the employee and the supervisor shall count the employee’s cash bag and that both the employee and the supervisor shall initial all closeout forms at the close of each business day.

Division clerks in the Concord Office have their daily deposits verified by a supervisor when the clerk closes out their drawer for the day. The supervisor and clerk initial the clerk’s closeout form to evidence that the deposit was verified and that the clerk agrees with the count performed by the supervisor. During fiscal year 2006, the control procedure of documenting the verification of daily clerk closeouts was not followed consistently at the substations.

The fact that the control procedure was not consistently complied with during fiscal year 2006 and that the lack of compliance was not noted and corrected indicates that the control monitoring efforts of the Division could be improved.

#### *Recommendation:*

The Division should review the control procedure required by its above-mentioned standard operating procedure to determine whether it remains an appropriate control. If the Division determines that the control procedure continues to be an appropriate accountability control activity, the Division should re-emphasize to its clerks in Concord and especially at the substations the need to comply with the control. The Division should also establish appropriate control monitoring activities to remain reasonably confident that the clerks maintain compliance with established controls.



The Division should not allow clerks to reasonably consider that compliance with controls is voluntary and not an activity required by management.

*Auditee Response:*

We Concur.

In an attempt to comply with the 1999 audit observation, DMV worked with the assistance of the Director of State Personnel to create additional positions entitled Supervisor of Cash Terminal Operations. We intended to have one in each substation as well as positions in Concord. We requested these positions in Safety's FY 08-'09 budget request, but none were approved in the budget that was just passed.

We will review our current closeout procedure to determine its efficacy and reinforce with the clerks the need to comply with this control, and will renew our request for Cash Terminal Supervisors during the next budget cycle.

**Observation No. 14: Monthly Reconciliations Should Be Performed Timely**

Division Section: All

*Observation:*

The Department's business office was not current with its reconciliation controls over information contained in its Integrated Data Management System (IDMS) during fiscal year 2006.

The Department's business office performs a monthly reconciliation between the financial activity posted to IDMS and the State's accounting system (NHIFS) as one of the Department's primary financial control procedures. During fiscal year 2006, the Department's business office performed the reconciliations between IDMS and NHIFS from 11-24 weeks after the respective month end. As a general rule, to make the control provided by a reconciliation most efficient and effective, the reconciliation should be completed as soon as practical after the period end and prior to the end of the subsequent period.

The primary reason given by the Department's Division of Administration (DOA) for the lack of timely IDMS and NHIFS reconciliations during fiscal year 2006 was the implementation of the Municipal Agent Automation Project (MAAP). The MAAP implementation required the Division to temporarily move all on-line municipal agents to an off-line status, which resulted in a significant increase in the number of transactions that needed to be keyed by the Division. The combined effect of this increased keying effort resulting from the implementation of MAAP and the normal keying required by off-line municipal agent work described in Observation No. 26 contributed to the delayed reconciliations between IDMS and NHIFS.

The effect of not performing the reconciliations in a timely manner is the increased risk that errors or other discrepancies that may exist in the financial information may not be detected and corrected in a timely manner causing increased effort to ultimately resolve the errors or other discrepancies and also increasing the risk that information provided from the systems may not be accurate.

*Recommendation:*

The Department should reconcile the information contained in IDMS and NHIFS in a timely manner.

The DOA and the Division should more fully analyze the causes for the delays in reconciling the information and take appropriate action to minimize the delay.

*Auditee Response:*

We Concur.

Both the Division of Administration and DMV are keenly aware of the need for timely monthly reconciliations, as evidenced by our response to inquiries during the audit and incorporated into this Observation.

Off-line local Agents create unnecessary difficulties in reconciliations and lead to redundant data entry. Once we are able to get all Agents on-line as recommended in Observation No. 26, this Observation will no longer be an issue. We have already made significant progress in improving our operation and internal controls. We and the Division of Administration will continue to collaborate to reduce the number of out-of-balance transactions and thus speed up the reconciliation process.

*OIT Response:*

127 Municipal Agents are now on-line out of 203, and 60 of 76 off-line agents have signed up for MAAP.

**Observation No. 15: Reconciliation Of International Registration Plan Fees Should Be Performed**

Division Section: Registration

*Observation:*

The International Registration Plan (IRP) fees due New Hampshire and other jurisdictions, as determined by the Vehicle Information System for Tax Apportionment (VISTA) software program, are not reconciled to the actual fees recorded in the Division's database accounting

system and resulting financial reports. During fiscal year 2006 the Division collected \$8.6 million of IRP fees. This same issue was noted in the prior 1999 audit of the Division's revenues.

The IRP program is a reciprocity agreement for the registration of vehicles, typically trucks involved in interstate commerce. The IRP program provides for an allocation of vehicle registration fees to the member districts (member states and provinces of Canada) on the basis of miles operated by the registered vehicle in the various jurisdictions.

The Division, and many other participating IRP jurisdictions, uses VISTA to process IRP registrations. VISTA includes the fee structures of the member states and provinces and calculates the total registration fee due New Hampshire and the amount due each state and province based on the mileage reported by the owner of the vehicle. The portions of the fee due the Division and the other jurisdictions are then input into the Division accounting system.

The lack of a reconciliation between VISTA and the Division's database accounting records increases the risk that an error or fraud in the IRP fee collection and/or recording activities would not be detected in a timely manner.

*Recommendation:*

The Division should periodically reconcile IRP registration revenue as recorded by VISTA to IRP registration revenue as recorded in the Division database accounting system and resulting financial reports.

The reconciliation should be performed by someone independent of VISTA and the posting of the fee revenue to the database accounting system.

*Auditee Response:*

We Concur.

Over the last year, there have been several reconciliations done between the VISTA data, and the data entered into the Integrated Data Management System (IDMS) DMV database. This has not been done on a consistent periodic basis, as noted in the Observation. We are currently in the process of devising the best forms and procedures to be used, so that this reconciliation can be performed on a quarterly, or even a monthly basis.

DMV has requested that IRP be a subsystem of MAAP. Once this is accomplished, along with the implementation of VISION which will replace the current IDMS financial system, the entire Department of Safety financial structure will be modernized. With these enhancements, the current "double-entry" of data into two systems will no longer be necessary. That will eliminate the requirement to perform these time-consuming manual reconciliations, allowing for efforts to be expended in other significant areas.

## **Observation No. 16: Change Control Procedures Should Be Adhered To**

### *Observation:*

Division Section: All

Department change controls for user-requested changes to the Integrated Data Management System (IDMS) are not being consistently and completely documented.

In two out of eleven change requests reviewed (18%), the requestor did not sign the change request document. While in one of the noted instances the requestor did later sign the document as the user acceptance tester, the original requestor did not sign the other change request document, apparently due to oversight that was not detected in the change control process.

Strong data system change controls are vital to the controlled development and operation of automated information systems. In order to be effective, all stages of the change process should be documented to ensure that all changes are properly sourced, authorized, designed, tested, and accepted prior to being moved into production. Failures in the change control system can allow unexpected changes to occur in the system with potentially catastrophic results.

A similar comment was issued during the fiscal year 1999 audit of the Division.

### *Recommendation:*

The Department should review the performance of its change control processes to determine whether the errors noted above are indicative of a significant weakness in the operation of its database change controls. As provided for in the change control process, requests for changes to the database should be completely documented, including a signature of the requestor. Requests that are not fully documented should not proceed.

Management should regularly monitor controls to ensure that all controls related to database changes are in place and operating as intended.

### *Auditee Response:*

We Concur.

Because of the finding on this issue in the 1999 audit, DMV management assigned the Assistant to the Director of Motor Vehicles as liaison to OIT [Office of Information Technology] and this person reviews all work orders before they are sent in for implementation. If proper signatures are not affixed to the form, it is not forwarded and OIT will not accept it for processing.

The Commissioner's Office will work with OIT to reinforce the department-wide policy requiring any table changes to be signed by the requesting Division Director or his or her immediate subordinate. Prior to making table changes not emanating from that source, OIT will notify the Division involved and receive the Director's written approval.

*OIT Response:*

In 1999, the Department of Safety through its then Information Technology Division, established a standard work order form for IT [Information Technology] requests and a formal business-user driven Steering Committee to prioritize IT requests. The work flow since then has included procedures for user sign-off by authorized business user management made up of a limited list of authorized approval personnel from each Division. These signed, authorized requests are required for all programming request and table updates.

**Observation No. 17: Controls Over Computer Access Privileges Should Be Improved**

Division Section: Registration, Title, Financial Responsibility

*Observation:*

The Division has not established formal control procedures to promote the timely revision of employee computer access privileges for employees who change employment status.

Division supervisors apparently do not consistently fill out and submit employee computer access privilege change documentation to the Office of Information Technology (OIT) in a timely manner when a Division employee changes employment status, including changing job responsibilities or terminating employment. It also appears that the procedures used to have user access permissions updated varies among the Division bureaus and sections. Some bureaus directly notify Information Technology personnel of the needed changes and other bureaus report changes to Division management for notification to be made to the Information Technology personnel.

Four out of the 201 individuals (2%) that were listed on the User Security reports at June 14, 2006 as having user access privileges on the Municipal Agent Automation Project (MAAP) and/or Integrated Data Management System (IDMS) systems were no longer employed by the Division. Two employees had previously worked in the Bureau of Registration, one employee had worked in the Bureau of Title, and the other worked in the Bureau of Financial Responsibility. The range of time the access remained out of date for these four individuals ranged from one month to more than nine months.

Controlling computer access privileges, including ensuring that employee access is appropriately limited to current job responsibilities, should be regarded with the same concern as controlling keys to the door of the office. Just as employees are required to immediately relinquish keys when their job responsibilities no longer require access, employee access to data systems should be immediately terminated when the access to the information is no longer appropriate.

A similar comment was issued during the fiscal year 1999 audit of the Division.

*Recommendation:*

Controls over computer access privileges should be improved. The Division should establish policies and procedures for the maintenance of employee privileges to computer systems including the timely granting and removing of employee privileges based on changes in job responsibilities and employment status. Providing consistency in the processes among the various bureaus and sections of the Division will aid in the operation and control of the process including allowing for more efficient monitoring activities.

*Auditee Response:*

We Concur.

The Commissioner's Office is currently reviewing the agency's computer use policy, with the advice and assistance of OIT. When an employee leaves our employ their access code to the building where they work is immediately deleted, in an effort to deny them access to computer terminals, files, etc. We will now require OIT confirmation of the request to delete the employee, signed and dated by the OIT employee who made the appropriate change. The new policy will also address how to handle instances of persons who may be on extended leave.

The DMV Bureau of Registration and a member of our internal audit team, since the audit, has done random reviews on all individuals with computer access privileges to ensure that everyone with these privileges is currently employed by us and has a need to access the computer. These reviews are performed quarterly and the process will be implemented Division-wide.

*OIT Response:*

OIT has established a policy with Safety Human Resources to delete the account access of former employees. We will work with Safety management in their review of this policy to determine what if any enhancements are necessary to ensure higher system security.

**Observation No. 18: Notification Of Duplicate Registrations Should Be Made To Customers Re-Registering Boats**

Division Section: Registration

*Observation:*

The Bureau of Registration does not notify customers of a potential refund opportunity if a customer registers a boat twice during the same registration period.

The Boat section of the Bureau of Registration currently does not consistently notify a customer if the customer re-registers a boat. If a customer misplaces a boat registration decal or registration form, they often re-register the boat, even though the rules allow for the issuance of a duplicate registration form and/or decal for a reduced fee.

If a customer attempts to re-register a boat at the Concord Office building or other on-line site, the customer may be advised of the reduced-fee option. If the re-registration occurs at an off-line boat agent, the re-registration status will not be noticed until the transaction is later keyed at the Concord Office. The proceeds from the registration are keyed into the IDMS system but the customer is not notified that they have registered the same boat twice. No refund is made unless the customer realizes the error and sends back the unused boat decal, as well as a written request for a refund.

During the keying of a re-registration transaction, the registration information in the database will not be updated with the most recent decal number, presenting an inconsistency between the database used for enforcement activity and the actual registration document and decal on the vessel. This inconsistency increases the risk that law enforcement personnel could challenge the validity of the registration.

Common business practice is to notify customers when there are errors or apparent misunderstandings resulting in overpayments. State agency practice should be consistent with common business practice.

*Recommendation:*

The Division should follow common business practice and notify its customers of the availability of refunds for transactions that have been made in error.

To minimize the instances of unintended re-registrations, the Division should consider advertising on its web site and at its registration points the options available for lost registration and decals and procedures for requesting refunds when appropriate.

The Division should review whether it is appropriate to continue to allow for a known discrepancy between the registration numbers on the registration document and decal and the numbers in the database for re-registered vessels.

*Auditee Response:*

We Concur.

In-house counsel has done a legal review and can find no statutory authority to give refunds for boat registration fees, such as exists with motor vehicle registrations. Current policy has allowed for this on an exceptional basis when a customer discovers that they have double-registered and contacts us with a valid request. These requests occur only infrequently, and the usual cause is that the spouse thinks the other spouse has not registered, goes to a different agent and registers the same boat again.

We will review the current policy and submit legislation for the necessary statutory authority to make such refunds. Because boats are currently registered by agents, principally marinas around the state, 60% of who are off line, it is difficult to spot a duplicate registration. There are numerous problems caused by being off line including late transmittal, incomplete information

and undecipherable writing and out-of-state residencies that make it difficult to match duplicate registrations, and if a duplicate is spotted the decal must be removed from inventory and reversing entries made to six different revenue accounts. We would like to eventually eliminate off-line Boat Agents so that all transactions can be traced more quickly and better management reports made available.

Meantime, we will submit a work order to OIT [Office of Information Technology] requesting a possible software fix that will stop the transaction and alert us at the point of data entry if the registration appears to be a duplicate, so that we can contact the customer.



## State Compliance Comments

### **Observation No. 19: Clarification Of Application Of Penalty Assessment Statute Should Be Obtained**

Division Section: Financial Responsibility

*Observation:*

The Division did not appear to collect certain motor vehicle fine revenues in compliance with amounts established in statute during fiscal year 2006.

The Uniform Fine Schedule is a list of common motor vehicle operator violations and associated fines and fees assessed for those violations. A copy of the Uniform Fine Schedule is attached to each motor vehicle operator violation “ticket” issued by State and local police and provides guidance to the police officer and violator on the cost of common violations.

RSA 188-F:31, I, directs “Every court shall levy a penalty assessment of \$2 or 20 percent, whichever is greater, on each fine or penalty imposed by the court....”

Prior to a change in practice effective July of 2005, penalty assessment amounts were added to the fines, whether the fines were cited in statute or were established by common court practice, prior to their listing on the Uniform Fine Schedule. Effective July 2005, the fines cited in statute for certain violations were increased. In incorporating these increased fines onto the Uniform Fine Schedule, the Division, in consultation with the Administrative Office of the Courts (AOC), changed prior practice, and considered the statutory fine amount to include the penalty assessment amount. No penalty assessment amounts were added to these fines on the Uniform Fine Schedule.

The Division cited apparent legislative intent in supporting its decision not to include a penalty assessment additive to the statutory fine amount. It was evident from documented communications between the Division and AOC that the decision to consider the statutory fines to be inclusive of penalty assessments was the subject of some discussion and varying opinion. It is unclear that the Division’s final interpretation of legislative intent is more persuasive than the plain reading of RSA 188-F:31, I, which appears to require levying a penalty assessment amount on each fine or penalty. It was also apparent from the record of the communications that there was some confusion as to how violations are selected for inclusion on the Uniform Fine Schedule.

The Division could not provide data on the amount of revenue it collected related to specific violations and fines, including fines established in statute.

*Recommendation:*

The Division should collect motor vehicle fines in accordance with amounts established in statute. The Division should seek legislative clarification on the imposition of penalty assessment amounts as additives to statutory fines.

The Division should work with the AOC to establish policies and procedures for the maintenance of the Uniform Fine Schedule, including policies and procedures for recommending the addition and removal of violations included on the schedule and for recommending legislative changes to fine amounts included on the schedule.

*Auditee Response:*

We Concur in Part.

We believe we made a diligent effort to determine the correct amount of the fines as passed by the Legislature.

In the past, court fines for pleas by mail were set by the Supreme Court. Subsequently, the Legislature changed the law to provide that these fines would be set by statute, and a fine schedule was enacted into law. Then, for FY 06, the fine schedule was revised upward by the Legislature. Contrary to usual practice, the new fines were made effective on July 1 rather than on January 1 of the following year. This made time of the essence to have new fine schedules and tickets printed and distributed to the courts and law enforcement, as the increased fines were part of Legislative revenue estimates for the biennium.

The Department went through a painstaking process to be sure the fines as established by the Legislature were reflected in the new fine schedule. A question arose whether the fines enacted were inclusive or exclusive of the Penalty Assessment. After conferring with the LBA and the Administrative Office of the Courts we felt sure that they did in fact include the Penalty Assessment.

In tracing back the history of the new fine schedule, we determined they were based on a proposed higher fine schedule that the Administrative Office of the Courts had contemplated enacting several years prior. Our Assistant Commissioner was one of the individuals who, at the request of the AOC, reviewed that fine schedule at the time, and he confirmed that the proposed schedule at that time had included the Penalty Assessment.

The fine schedule passed by the Legislature contained indivisible dollars and cents amounts that corresponded to the percentage amount of the Penalty Assessment on top of a base fine, rather than being expressed in even dollars. This in our minds confirmed that the intent was that the amounts as enacted by the Legislature included the Penalty Assessment. Finally, we confirmed that the amounts we placed in the fine schedule were consistent with the amounts on which the Legislative revenue estimates were based.

We agree that there should be a better way of verifying future changes to the fine schedule and would hope to be more involved in the process. It should be noted that changes such as this often occur as part of the “trailer bill” to the budget, as this one did, and there is little in the way of testimony to refer to when seeking to discern legislative intent.

### **Observation No. 20: Administrative Rules Should Be Kept Current**

Division Section: All

#### *Observation:*

Essentially all of N.H. Admin Rules Saf-C 3200 (*Official Motor Vehicle Inspection Requirements*) and Saf-C 2000 (*Dealer Registration Rules*) expired on June 22, 2006 and August 17, 2006, respectively. While the Division reports it is in the process of revising these rules, the revised rules have not been submitted for adoption in a timely manner, resulting in a period where affected procedures are no longer covered by rules and could be reasonably challenged.

RSA 21-P:14 requires the Commissioner of Safety to adopt a number of administrative rules under RSA 541-A and RSA 260:5. Per RSA 541-A:17, no rule shall be effective for a period of longer than 8 years. RSA 541-A:19 provides that an agency may adopt interim rules for a number of reasons including to continue its rules which would otherwise expire prior to the completion of the readoption of the rules by the agency.

#### *Recommendation:*

The Division should adopt and maintain current administrative rules as required by statute.

The Division should anticipate the expirations of its current rules to ensure that timely action is taken in response to approaching deadlines. Rules that require substantial revisions or other efforts resulting in reasonable expectations of delayed readoption should be submitted for adoption of interim rules or other procedures to provide continued coverage of rules pending adoption of final rules. Rules covering critical Division responsibilities, such as the inspection of motor vehicles, should not be allowed to expire.

#### *Auditee Response:*

We Concur.

We agree that administrative rules should not be allowed to lapse. In an agency the size of DMV, which has the majority of administrative rules for the Department of Safety, there is need for a full-time person assigned to this complex task, which currently is managed by in-house legal counsel, who also has many other duties.

The two rulemaking proceedings in question were begun well over a year in advance but because of the magnitude of issues involved and the need to reach out and meet with the numerous

outside parties these rules affected, it turns out a year was insufficient for a complete review. Although the interim rulemaking process was used in both of these cases, interim rules can only be used, according to statute, to extend existing rules once.

The Commissioner's Office plans to task the new Chief of Policy and Planning, once hired, to implement a spreadsheet that will be used to track the expiration date and current status of all rules.

**Observation No. 21: The Division's Organizational Structure Should Be As Described In Statute**

Division Section: All

*Observation:*

According to RSA 21-P:9, II, the administration of the motor vehicle road toll law is to be "under the control of the director of motor vehicles." However, in practice, motor vehicle road toll is budgeted under, and is organizationally part of, the Department's Division of Administration.

The actual structure of an organization should reflect the organization described in statute. An organizational structure not in compliance with statute could cause confusion to those both within and outside of the State. Responsibilities, including supervision, oversight, and/or control of that function as required by statute could become unclear by statutory organization and structure being different from budgetary organization and structure.

A similar comment was issued during the fiscal year 1999 audit of the Division.

*Recommendation:*

The Department's actual organizational structure should follow the organizational structure outlined in statute. If the Department determines that the structure outlined in statute is not the most effective and efficient, the Department should request legislation to amend the statute.

*Auditee Response:*

We Concur.

The Office of the Commissioner in fact introduced legislation (HB 282) in the 2007 session to rectify this anomaly between the Budget Act, which is law, and RSA 21-P. The legislation was retained by the House Transportation Committee, and we look forward to resolving the issue in 2008.

## **Observation No. 22: The Division's Practice Of Providing Fee Exemptions To Certain Entities For Motor Vehicle Records Should Be Reviewed And Formalized**

Division Section: Financial Responsibility

### *Observation:*

The Division does not have a standard operating procedure that addresses the issuance of non-fee motor vehicle records.

The Bureau of Financial Responsibility does not consistently charge or waive fees for copies of driving records it issues to requesting parties. When asked, the Bureau could not document the statute, rule, or other authority for waiving fees to government agencies for records drawn out of the IDMS. The Division described its general practice as: if the record is requested by a governmental entity, is related to an ongoing criminal investigation, or investigation for the welfare of a child, no fee would be charged, but if a government agency requested a record to evaluate a prospective employee for hiring purposes, a fee would be charged.

- RSA 263:42, II, states, the fee “[f]or every certified copy of a registration, license, or driving record, \$10.”

The copies of motor vehicle records issued by the Bureau of Financial Responsibility originate in the Department's Integrated Data Management System (IDMS). While RSA 263:42, VIII, provides a fee exemption for records originating in the problem driver pointer system (PDPS), the Division could not reference a similar statutory fee exemption for records originating in the IDMS.

Bureau of Financial Responsibility employees, lacking formal policies and procedures, determine whether to charge or waive a fee on a case-by-case basis, which results in an inconsistent application of the statute and the potential for increased transaction processing errors and other inefficiencies.

### *Recommendation:*

The Division should review current statutes and rules and determine whether it has clear authority for waiving fees for copies of records issued from its information systems, especially the IDMS. If appropriate, the Division should request changes to its statutes and rules to ensure the authority meets the Division's and the State's needs.

Once authority for charging and waiving fees is established, the Division should implement relevant policies and procedures to provide employees with criteria and other guidance for making consistent fee-related decisions.

### *Auditee Response:*

We Concur.

Currently, we are exempting certain governmental entities from charges for obtaining copies of records for law enforcement investigations, court prosecutions, and child welfare investigations. We will seek in the next legislative session to amend RSA 263:42, II to track with RSA 263:42, VIII and make it clear that such fee exemptions are allowable and better define what constitutes a public entity. We will also investigate why New Hampshire records, that are available to other states through the PDPS, appear to require an IDMS query when seeking in-state information, and work with OIT and the national database to resolve this apparent anomaly.

### **Observation No. 23: Statutory Fee Should Be Charged**

Division Section: Registration

#### *Observation:*

The Division did not charge the statutory fee for the exchange of special walking disability plates for currently issued regular plates during fiscal year 2006.

RSA 261:88, III, provides that, “Upon request and for a fee of \$1.50 per plate, the director shall exchange special plates for regular plates currently issued to an applicant who qualifies for special plates.” During fiscal year 2006, the Division charged applicants \$4.00 per plate, the normal plate manufacturing fee provided for in RSA 261:147. Reportedly, it was the Division’s view that the fee in RSA 261:88, III, had not been revised due to oversight so the higher fee, which the Division presumed to be the intended fee, was charged.

#### *Recommendation:*

The Division should charge special plate exchange fees in accordance with RSA 261:88, III.

If the Division believes the fee in RSA 261:88, III, was not previously amended due to oversight, the Division should consider requesting a change to the statute.

The Division should review its procedures for identifying and responding timely to statutes in apparent need of legislative revision or amendment to eliminate conflict or other confusion.

#### *Auditee Response:*

We Concur.

We believe RSA 261:88, III, was inadvertently not updated when the Legislature updated RSA 261:75. We will seek clarifying legislation in the 2008 Legislative session, and review our procedures for responding to the annual changes that occur in the Motor Vehicle Code.

**Observation No. 24: The Bureau Of Title Should Assess Penalties In Accordance With Statute**

Division Section: Title

*Observation:*

The Division did not impose the penalty fee authorized in RSA 261:20, II, in accordance with timeframes set out in RSA 261:4, II, and RSA 261:20, II, during fiscal year 2006. The Division's practice was to assess a penalty on a dealer if the title documents were not forwarded to the Bureau within 30 days from a vehicle's date of sale. The Division's practice assessed a penalty fee 10 days early in instances where the dealer sold a vehicle for which the title was in the possession of a lienholder at the time of sale.

Per RSA 261:4, II, "... the dealer shall within 10 days of the date of sale mail or deliver to the department the application and other supporting documents as required by the director, except when the title is in the possession of a lienholder at the time of sale in which event the dealer shall have 20 days from the date of sale to mail or deliver to the department the application and other supporting documents as required by the director."

Per RSA 261:20, II, "If an application, certificate of title or other document required to be mailed or delivered to the department ... is not delivered to the department within 20 days from the time it is required to be mailed or delivered [30 days from the sale date for vehicles with a clear title and 40 days from the sale date for vehicles with a title subject to a prior lien], the department shall collect, as a penalty, an amount equal to the fee required for the transaction."

During fiscal year 2006, the Division assessed the penalty 30 days from the vehicle's date of sale, regardless of whether a lienholder had possession of the title at the time of sale. The effect was to charge the \$25 late filing penalty ten days earlier than provided for in statute on titled vehicles subject to prior liens.

The Division was unable to provide amounts or other statistics to determine the number and significance of title penalties that were assessed ten days early during fiscal year 2006.

*Recommendation:*

The Division should assess penalties as provided by statute.

If the Division determines that the timeframes provided in statute do not meet its current needs, the Division should seek to have the statutes amended.

*Auditee Response:*

We Concur.

This oversight of the wording expressed in RSA 261:4, II led to the Title Bureau assessing all dealers after 30 days, as stated. This situation was corrected immediately on September 6, 2006, as soon as the discrepancy was brought to the attention of DMV management, and has been handled correctly since that time. DMV will continue to monitor and audit compliance with this law.



## **Auditor's Report On Management Issues**

*To The Fiscal Committee Of The General Court:*

We have audited the accompanying Combined Schedule of Fee and Fine Revenues Collected by the Division of Motor Vehicles of the New Hampshire Department of Safety – Budget and Actual – General and Highway Funds for the fiscal year ended June 30, 2006, and have issued our report thereon dated May 14, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement.

In planning and performing our audit of the Combined Schedule of Revenues Collected – Budget and Actual – General and Highway Funds of the Division of Motor Vehicles, we noted issues related to the operation of the Division of Motor Vehicles that merit management consideration but do not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and were not issues of noncompliance with laws, rules, regulations, and contracts.

Those issues that we believe are worthy of management consideration but do not meet the criteria of reportable conditions or noncompliance or other matters are included in Observations No. 25 through No. 27 of this report.

This auditor's report on management issues is intended solely for the information of the management of the Division of Motor Vehicles and the Fiscal Committee of the General Court and is not intended to be and should not be used by anyone other than these specified parties.

May 14, 2007

Office Of Legislative Budget Assistant

## Management Issues Comments

### **Observation No. 25: The Division Should Demonstrate Primary Responsibility For Its Information Technology Systems**

Division Section: All

#### *Observation:*

The Division has not demonstrated primary responsibility for its information technology (IT) operations and has allowed perceived resource limitations in the State's Office of Information Technology (OIT) to impact Division operations.

As of May 9, 2007, the Department and Division had not established a memorandum of agreement (MOA) with OIT regarding IT services provided to the Department and Division. OIT performs essentially all higher-level Department and Division IT functions. The lack of a formal service agreement between the Department, the Division, and OIT increases the risk that the rights and responsibilities of each party to the operating relationship will become unclear and subject to avoidable dissatisfaction and dispute, including expected level of available and provided services and the related costs for those services.

During the course of the audit, the Division expressed concerns with the level of OIT services and the impact of that service on the operations of the Division. The Division indicated it is "dealing with a significant lack of resources in OIT", "OIT is not under the management of the Division", "risks involving 'misleading information to others' due in part to extremely limited resources on OIT and the consolidation of OIT..." As an example of untimely service, the Division related that it recently received a request from OIT to verify that an IT service originally requested in 2003 should remain in the IT work order queue as a currently needed service – four years after the service was originally requested.

While the Division is only one segment of the Department, it is arguably the Department's largest consumer of IT services. At May 9, 2007, OIT reported there were 191 items on the Division's IT outstanding work order listing. OIT indicated the number of items was not unusual for an organization of the Division's size and complexity.

#### *Recommendation:*

The Department and Division should demonstrate primary responsibility for the Division's IT systems. The Department and Division should regard OIT as a service organization and, like all other service organizations, establish a formal agreement outlining concurrence on services and support to be provided as well as costs to be incurred.

If the Division determines that the level of agreed-to service is not sufficient, then the Division should endeavor to obtain the additional services necessary for the secured and efficient operation of the Division.

*Auditee Response:*

We Concur.

DMV has a good partnership with OIT. OIT and DMV meet together on a weekly basis to review operations and ongoing projects. OIT has an “embedded” staff from its Agency Software Division housed at Safety. The Assistant Commissioner of Safety sits as a member of the statewide OIT Advisory Council. As with many government functions at all levels of government, personnel and resources are limited and we are working with some obsolete systems. We do exercise ownership and control over our IT resources and OIT regards us as their customer. We also sit on a Department-wide team that meets monthly with OIT and negotiates priorities.

*OIT Response:*

OIT promotes to the highest level, the concept of Safety determining automation work request priorities. This is accomplished through the monthly Steering Committee meetings and more specifically for DMV in a weekly scheduled project status and issues meeting with the DMV Director. These meetings have proven invaluable.

**Observation No. 26: All Municipal Agents Should Transact Business On-Line**

Division Section: Registration, Title

*Observation:*

Motor vehicle registrations issued by off-line municipal agents continue to cause delays in the Division’s recording of revenues and motor vehicle registration information into the Integrated Data Management System (IDMS).

Municipal agents currently have the option to either process Division transactions on-line with the Division or process transactions off-line. Municipal agents processing transactions on-line enter registration and title information through the Municipal Agent Automation Project (MAAP) system. The MAAP system interfaces with the Division’s (IDMS).

As noted in the 1999 audit of the Division, a significant number of municipal agents continue to process transactions off-line of the Division system. The Division is required to key off-line municipal agent work into the MAAP system and often encounters issues in keying, requiring research and contacting the municipal agent or vehicle owner for resolution. For example, the name and information on a vehicle title must precisely match the information on the vehicle registration. For on-line municipal agents, if title and registration information does not match, the municipal agent would be required to resolve the discrepancy prior to processing the transaction on MAAP. For off-line municipal agents, the registration and/or title are sent to Concord or a designated Division substation to be keyed and the mismatched information does not become apparent until an automated edit check flags the contrary information as it is keyed. The resulting

failure of the system to accept the transaction requires the transaction to be held unrecorded until the vehicle owner is notified of the problem, generally by mail, and corrected information is provided. This delay in processing the transaction into the IDMS can result in a person unwittingly driving with an invalid registration. If an officer stops the motor vehicle owner/operator, a query by the officer of the IDMS record could result in the officer suspecting the vehicle as having stolen registration stickers. In addition, because revenue from municipal agent activity cannot be distributed out of the Division holding account until the underlying transactions have been successfully entered into IDMS, delays in keying municipal agent work delays the distribution of revenue out of the holding account and into Division revenue source accounts.

As of the date of inquiry (August 23, 2006), there was a two to three month delay in balancing off-line municipal agent accounts.

At the time of the 1999 audit, 12 of the Division's 185 municipal agents were on-line. At June 30, 2006, 98 of the Division's 199 municipal agents were on-line and 101 municipal agents continued to process registrations and titles off-line.

*Recommendation:*

The Division should continue in its efforts to encourage municipal agents to process registration and title transactions on-line. The Division should review its experience with getting municipal agents on-line and determine how to expedite the process. The Division should work with the municipal agents to relieve, as much as possible, the concerns the municipal agents have in moving to on-line processing in order to continue to gain their cooperation in making the process of registering and titling motor vehicles more efficient for the Division and the citizens of New Hampshire.

*Auditee Response:*

We Concur.

The DMV wholeheartedly agrees with this Observation. In fact, we would appreciate any encouragement and help, from whatever source possible, to help us make this happen. This push by DMV to enforce only On-line Agents can be very politically sensitive, as have other issues we tried to enforce in the past. It therefore becomes even more important that we elicit whatever help we can in order to fully implement this improved processing procedure throughout the State.

Efforts the DMV has made to encourage Municipal Agents to go On-line include offering one-on-one demos of the MAAP software for cities and towns who wish to come to Concord, and setting up a booth at the Town Clerk Annual Convention, to demo and explain MAAP to the participants.

Because many towns are using "vendor" software, there have been some additional complications and hurdles in order to implement On-line agency transactions in a number of

towns going On-line. These have been overcome, and the new issues that arise are being resolved as quickly as possible.

DMV actions to “encourage” the desired total transition to On-line Agents, consist of: sending a letter in December 2005 to all Off-line MA’s notifying them that if they wish to continue as a Municipal Agent for DMV, they would be required to officially commit to becoming an On-line Agent by January 1, 2007. There was another letter on May 5, 2006 from DMV, requesting that all Off-line MA’s commit to the On-line process, and complete the questionnaire that was attached to the original letter, as well as this follow-up letter. Since the mailing of the second DMV letter, OIT has more recently sent out their own follow-up letter, along with a request to fill out the survey answering necessary planning questions and confirming the interest of these Agents to go On-line. As of this date, there are approximately 20 towns which have not yet made a commitment. There were some legislators who were very supportive of this On-line effort, but unfortunately they are no longer in the legislature.

It is the recommendation of the DMV, that any town or city wishing to be a Municipal Agent, must be On-line by 12/31/07. OIT and DMV have devoted 6 years to this one project, and we strongly feel this needs closure, so that we can move on to other critical projects which have been pending for some time, due to MAAP.

### **Observation No. 27: On-Line Registration Process Should Be Promoted**

#### *Observation:*

Not all State residents are able to renew their existing license plates and registrations on-line. At June 30, 2006, 16 communities participated in the Division’s Citizens Online, Maintaining Plates Annually, Swiftly & Simply (C.O.M.P.A.S.S.) on-line vehicle registration program.

The C.O.M.P.A.S.S. program was enacted by the Division as a first-effort at allowing citizens to efficiently register their cars, including paying town registration fees, and to renew their license plates, including paying their State plate fee, using a web-based on-line registration and payment process. Using C.O.M.P.A.S.S. completely eliminates the need for residents to visit town and State offices to accomplish the annual registration process and also reduces the counter clerk and keying activity required of the clerks in the town. When fully integrated into the Division registration system (MAAP), keying by the Division will also be largely eliminated. Residents who use C.O.M.P.A.S.S. receive their registration documents and plate decals through the mail. Per RSA 261:141-b, residents using C.O.M.P.A.S.S. to register and license their vehicles are charged an additional \$5 per registration.

Per discussion with the Division, the Division’s further development and promotion of C.O.M.P.A.S.S. has been secondary to the Division’s efforts to encourage more municipal agents to process registrations on-line. While getting more municipal agents to process registration activity on-line gains efficiency for the State, getting more participation in an effective and efficient e-commerce registration program will gain efficiency for the State, the municipalities, and the residents able to use the program.

*Recommendation:*

The Division should recognize the overall efficiency and customer service potential in providing an on-line registration process to the citizens of New Hampshire and increase its efforts to develop and promote an e-commerce registration solution. The Division should develop a plan for making an effective and efficient on-line registration process widely available in the near term.

In promoting its on-line registration program, the Division should emphasize how the expanded use of C.O.M.P.A.S.S. or other well-designed e-registration program could enable a more efficient vehicle registration process for the State's residents and also help to relieve customer service demand on the Division and municipal counter clerks processing vehicle registrations.

The Division should perform an analysis to determine the relative costs and benefits of using a well-designed e-commerce registration program. In that analysis the Division should consider potential savings in personnel, facility, and cash handling and deposit processing costs as well as the additional credit card transaction costs in evaluating the cost benefit of an e-commerce solution. If the Division determines the \$5 statutory fee is a counterproductive disincentive to the use and further development of an e-commerce registration process, the Division should request an appropriate revision to the statute.

*Auditee Response:*

We Concur.

The COMPASS system was developed at the same time as we were implementing MAAP and since the consultants on the MAAP project were working under a contract with tight time constraints and huge cost overruns would result if delays in the project were the fault of DMV rather than the vendor, we were unable to devote as much time and attention to COMPASS as we would have liked.

The issue of a centralized, on-line registration process is very sensitive, politically. Towns and cities mostly prefer to have registration renewals go through the local Town or City Clerk, for several reasons. The Clerks, as elected officials, like to remain in close contact with their constituents. They feel that having customers appear in person at the town offices to register their vehicles has other advantages to the towns such as presenting the opportunity to collect overdue taxes, dog licenses, parking tickets, etc. Fears have also been expressed that once the State implements total "one-stop shopping" the next step might be to keep the town's portion of the registration fee, that often helps absorb the cost of staffing in the Clerk's office and use it to make up for State budget shortfalls.

Currently, we offer personal demonstrations of the MAAP software to cities and towns and staff a booth at the annual Town Clerk convention, to encourage as many towns as possible to go on-line with MAAP. Our goal is to have all agents on-line by the end of this year.

We agree that the logical next step is COMPASS or a similar one-stop, on-line system based on this technology. We can only promote COMPASS in those communities that have agreed to participate, so far this has been a small number. The DMV Director is increasing her outreach efforts with the Town and City Clerks. We are trying to build a strong enough partnership that these local officials and communities will gain the confidence that the State has no desire to usurp their revenue stream and that it is in their best interest to join with us in promoting the convenience of on-line registration renewals to their citizens.

*OIT Response:*

We concur with the Safety response. The implementation of COMPASS during MAAP development was painstaking and forced us to design COMPASS with some manual, effectively duplicate, keying, in the design to accomplish the data transfer into the then yet to be accomplished MAAP system. Expanding COMPASS is not a practical business decision at this time until some automation improvements can be accomplished.

## **Independent Auditor's Report**

*To The Fiscal Committee Of The General Court:*

We have audited the accompanying Combined Schedule of Fee and Fine Revenues Collected by the Division of Motor Vehicles of the New Hampshire Department of Safety – Budget and Actual – General and Highway Funds for the fiscal year ended June 30, 2006. This financial schedule is the responsibility of the Division of Motor Vehicles' management. Our responsibility is to express an opinion on this financial schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division of Motor Vehicles' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial schedule only presents the fee and fine revenues collected by the Division of Motor Vehicles. Accordingly, this financial schedule does not purport to, and does not, constitute a complete financial presentation of either the Division of Motor Vehicles or the State of New Hampshire in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, this financial schedule is prepared on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.



In our opinion, the financial schedule referred to above presents fairly, in all material respects, the fee and fine revenue collected by the Division of Motor Vehicles for the fiscal year ended June 30, 2006, on the basis of accounting described in Note 1.

The supplemental schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial schedule referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedule and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedule taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2007, on our consideration of the Division of Motor Vehicles' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of Legislative Budget Assistant

May 14, 2007

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
FEE AND FINE REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**COMBINED SCHEDULE OF FEE AND FINE REVENUES COLLECTED  
BUDGET AND ACTUAL-GENERAL AND HIGHWAY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Favorable/ (Unfavorable) Variance</b>
<b><u>Revenues</u></b>			
<b><u>Unrestricted Revenues</u></b>			
Financial Responsibility Bureau	\$ 11,196,500	\$ 11,037,742	\$ (158,758)
Title Bureau	4,186,000	3,865,570	(320,430)
Registration Bureau	2,638,300	2,369,590	(268,710)
Licensing Bureau	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-
<b>Total Unrestricted Revenues</b>	<b><u>\$ 18,020,800</u></b>	<b><u>\$ 17,272,902</u></b>	<b><u>\$ (747,898)</u></b>
<b><u>Restricted Revenues</u></b>			
Registration Bureau	\$ 5,594,633	\$ 5,830,278	\$ 235,645
Licensing Bureau	912,451	674,277	(238,174)
Financial Responsibility Bureau	-0-	1,012,783	1,012,783
Miscellaneous	118,002	119,401	1,399
Title Bureau	-0-	-0-	-0-
<b>Total Restricted Revenues</b>	<b><u>\$ 6,625,086</u></b>	<b><u>\$ 7,636,739</u></b>	<b><u>\$ 1,011,653</u></b>
<b>Total Revenues</b>	<b><u>\$ 24,645,886</u></b>	<b><u>\$ 24,909,641</u></b>	<b><u>\$ 263,755</u></b>

The accompanying notes are an integral

Highway Fund			Combined Totals (Memo Only)		
<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
\$ 2,844,700	\$ 2,821,269	\$ (23,431)	\$ 14,041,200	\$ 13,859,011	\$ (182,189)
6,225,000	5,728,181	(496,819)	10,411,000	9,593,751	(817,249)
70,048,300	71,375,977	1,327,677	72,686,600	73,745,567	1,058,967
7,115,000	5,009,535	(2,105,465)	7,115,000	5,009,535	(2,105,465)
722,000	311,726	(410,274)	722,000	311,726	(410,274)
<u>\$ 86,955,000</u>	<u>\$ 85,246,688</u>	<u>\$ (1,708,312)</u>	<u>\$ 104,975,800</u>	<u>\$ 102,519,590</u>	<u>\$ (2,456,210)</u>
\$ -0-	\$ 4,444,974	\$ 4,444,974	\$ 5,594,633	\$ 10,275,252	\$ 4,680,619
-0-	-0-	-0-	912,451	674,277	(238,174)
-0-	-0-	-0-	-0-	1,012,783	1,012,783
-0-	-0-	-0-	118,002	119,401	1,399
-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ -0-</u>	<u>\$ 4,444,974</u>	<u>\$ 4,444,974</u>	<u>\$ 6,625,086</u>	<u>\$ 12,081,713</u>	<u>\$ 5,456,627</u>
<u>\$ 86,955,000</u>	<u>\$ 89,691,662</u>	<u>\$ 2,736,662</u>	<u>\$ 111,600,886</u>	<u>\$ 114,601,303</u>	<u>\$ 3,000,417</u>

part of this financial schedule.

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
FEE AND FINE REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**NOTES TO THE FINANCIAL SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial schedule of the Division of Motor Vehicles has been prepared on the cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Financial Reporting Entity**

The Department of Safety, Division of Motor Vehicles is an organization of the primary government of the State of New Hampshire. The accompanying financial schedule reports the revenues collected by the Division's Bureaus of Licensing, Registration, Title, and Financial Responsibility. Not included in this financial schedule is the revenue collected on behalf of the Division by the New Hampshire Court System and the revenue collected by the Bureau of Road Toll, which is reported by the Department's Division of Administration.

The revenues collected by the Division of Motor Vehicles are accounted for and reported in the General and Highway Funds in the State of New Hampshire's Comprehensive Annual Financial Report (CAFR).

**B. Basis Of Presentation - Fund Accounting**

The State of New Hampshire and the Division of Motor Vehicles use funds to report on their financial position and the results of their operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

*Governmental Fund Types*

General Fund

The General Fund accounts for all financial transactions not specifically accounted for in any other fund. By law, and with certain exceptions, all revenues of governmental funds are paid daily into the State Treasury. All such revenues, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

## Highway Fund

The Highway Fund is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. Under the State Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the State from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes.

### **C. Measurement Focus And Basis Of Accounting**

The Combined Schedule of Revenues Collected – Budget and Actual – General and Highway Funds is reported on the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues are recognized when collected.

### **D. Budgetary Data**

#### *General Budget Policies*

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes annual budgets for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary fund types with the exception of the Capital Projects Fund.

The Capital Projects Fund budget represents appropriations for individual projects, which extend over several fiscal years. Fiduciary-type funds are not budgeted.

The New Hampshire biennial budget is composed of the initial operating budget, supplemented by additional appropriations. These additional appropriations and estimated revenues from various sources are authorized by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances. As shown on the Schedule of Budgetary Components - General Fund on page 59, and Highway Fund on page 60, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward, and transfers.

Budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with the prior approval of the Joint Legislative Fiscal Committee and the Governor and Council. Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or are legally defined as non-lapsing accounts. Capital Projects Fund appropriations are scheduled to lapse two years from the date appropriated unless extended or designated as non-lapsing by law.

*Variances - Favorable/(Unfavorable)*

The variance column on the Combined Schedule of Revenues Collected - Budget and Actual - General And Highway Funds highlights differences between budget and actual revenues. Variances are caused by actual revenue exceeding budget, generating a favorable variance, or actual being less than budget, generating an unfavorable variance.

**E. Interpretation Of Combined Totals (Memo Only) Column**

A total column has been included in the Combined Schedule of Revenues Collected - Budget and Actual - General and Highway Funds. The total column represents an aggregation of individual account balances and is presented for informational purposes.

**NOTE 2 – UNRESTRICTED REVENUES – LICENSING BUREAU**

Driver licensing revenue collected during fiscal year 2006 was approximately 37% of fiscal year 2005 driver licensing revenue. The reduced level of revenue during fiscal year 2006 was due to a statutory change from a 4-year to a 5-year driver license renewal cycle, effective in fiscal year 2002. This change resulted in essentially no license renewal revenue being collected during fiscal year 2006.

**NOTE 3 - RESTRICTED REVENUES – REGISTRATION BUREAU**

Included in the \$4.4 million reported in the Highway Fund for the Registration Bureau is \$2.1 million initially collected by the Division of Motor Vehicles and subsequently distributed to jurisdictions outside New Hampshire under the International Registration Plan (IRP) program.

The IRP program is a reciprocity agreement for the registration of vehicles, typically trucks involved in interstate commerce. The IRP program provides for the allocation of vehicle registration fees to the member jurisdiction (member states and provinces of Canada) on the basis of miles operated by the registered vehicle in the various jurisdictions.

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
FEE AND FINE REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**SCHEDULE OF BUDGETARY COMPONENTS  
GENERAL FUND FEE AND FINE REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Operating Budget</u>	<u>Supplemental Appropriation Warrants</u>	<u>Balances Brought Forward</u>	<u>Net Transfers In/(Out)</u>	<u>Budget</u>
<b><u>Revenues</u></b>					
<b><u>Unrestricted Revenue</u></b>					
Financial Responsibility Bureau	\$ 11,196,500	\$ -0-	\$ -0-	\$ -0-	\$ 11,196,500
Title Bureau	4,186,000	-0-	-0-	-0-	4,186,000
Registration Bureau	2,638,300	-0-	-0-	-0-	2,638,300
Licensing Bureau	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-	-0-
<b>Total Unrestricted Revenues</b>	<b><u>\$ 18,020,800</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 18,020,800</u></b>
<b><u>Restricted Revenues</u></b>					
Registration Bureau	\$ 5,537,693	\$ 56,940	\$ -0-	\$ -0-	\$ 5,594,633
Licensing Bureau	904,144	8,307	-0-	-0-	912,451
Financial Responsibility Bureau	-0-	-0-	-0-	-0-	-0-
Miscellaneous	70,892	10,415	36,695	-0-	118,002
Title Bureau	-0-	-0-	-0-	-0-	-0-
<b>Total Restricted Revenues</b>	<b><u>\$ 6,512,729</u></b>	<b><u>\$ 75,662</u></b>	<b><u>\$ 36,695</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 6,625,086</u></b>
 <b>Total Revenues</b>	 <b><u>\$ 24,533,529</u></b>	 <b><u>\$ 75,662</u></b>	 <b><u>\$ 36,695</u></b>	 <b><u>\$ -0-</u></b>	 <b><u>\$ 24,645,886</u></b>

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
FEE AND FINE REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**SCHEDULE OF BUDGETARY COMPONENTS  
HIGHWAY FUND FEE AND FINE REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Operating Budget</u>	<u>Supplemental Appropriation Warrants</u>	<u>Balances Brought Forward</u>	<u>Net Transfers In/(Out)</u>	<u>Budget</u>
<b><u>Revenues</u></b>					
<b><u>Unrestricted Revenues</u></b>					
Financial Responsibility Bureau	\$ 2,844,700	\$ -0-	\$ -0-	\$ -0-	\$ 2,844,700
Title Bureau	6,225,000	-0-	-0-	-0-	6,225,000
Registration Bureau	70,048,300	-0-	-0-	-0-	70,048,300
Licensing Bureau	7,115,000	-0-	-0-	-0-	7,115,000
Miscellaneous	722,000	-0-	-0-	-0-	722,000
<b>Total Unrestricted Revenues</b>	<b><u>\$ 86,955,000</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 86,955,000</u></b>
<b><u>Restricted Revenues</u></b>					
Registration Bureau	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Licensing Bureau	-0-	-0-	-0-	-0-	-0-
Financial Responsibility Bureau	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-	-0-
Title Bureau	-0-	-0-	-0-	-0-	-0-
<b>Total Restricted Revenues</b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>
 <b>Total Revenues</b>	 <b><u>\$ 86,955,000</u></b>	 <b><u>\$ -0-</u></b>	 <b><u>\$ -0-</u></b>	 <b><u>\$ -0-</u></b>	 <b><u>\$ 86,955,000</u></b>



**STATE OF NEW HAMPSHIRE - DEPARTMENT OF SAFETY  
FEE AND FINE REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**SCHEDULE OF FEE AND FINE REVENUES COLLECTED - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Unrestricted Revenues**

Financial Responsibility Bureau	
Court Fines: Plea-By-Mail	\$ 9,692,150
Court Admin. Fees: Plea-By-Mail	1,070,100
Penalty Assessment Fees	<u>275,492</u>
<b>Total Financial Responsibility Bureau</b>	<b>11,037,742</b>
Title Bureau	
Certificate Of Title Fees	3,773,851
Title Fines	<u>91,719</u>
<b>Total Title Bureau</b>	<b>3,865,570</b>
Registration Bureau	
Initial Plate Fund	2,136,322
Dealer License Fees	213,000
Other	<u>20,268</u>
<b>Total Registration Bureau</b>	<b>2,369,590</b>
<b>Total Unrestricted Revenues</b>	<b><u>17,272,902</u></b>

**Restricted Revenues**

Registration Bureau	
Vanity Plate Fees	2,326,003
Boating Registration Fees	1,546,216
Conservation Plate Fund	1,099,796
Boat Permit Fees	741,955
Motorcycle Registration Fees	73,786
Other	<u>42,522</u>
<b>Total Registration Bureau</b>	<b>5,830,278</b>
Licensing Bureau	
Motorcycle Instruction Fees	337,685
Motor Vehicle Operator License Fees	265,107
Motorcycle License Fees	<u>71,485</u>
<b>Total Licensing Bureau</b>	<b>674,277</b>
Financial Responsibility Bureau	
Motor Vehicle Records	709,818
License Reinstatement Fees	<u>302,965</u>
<b>Total Financial Responsibility Bureau</b>	<b>1,012,783</b>
<b>Total Miscellaneous</b>	<b><u>119,401</u></b>
<b>Total Restricted Revenues</b>	<b>7,636,739</b>
<b>Total Revenues</b>	<b><u>\$ 24,909,641</u></b>

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
FEE AND FINE REVENUES COLLECTED BY THE DIVISION OF MOTOR  
VEHICLES**

**SCHEDULE OF FEE AND FINE REVENUES COLLECTED - HIGHWAY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Unrestricted Revenues**

Financial Responsibility Bureau

License Restoration Fees	\$ 2,382,565
Registration Restoration Fees	274,225
Other Motor Vehicle Fines	164,479

**Total Financial Responsibility Bureau** **2,821,269**

Title Bureau

Certificate of Title	5,728,181
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**Total Title Bureau** **5,728,181**

Registration Bureau

Motor Vehicle Registration Fees	60,505,269
IRP-NH Based Collections	6,506,067
Inspection Stickers	3,700,486
Overweight Vehicle Application Fees	599,655
Inspection Station Fees	63,825
Validation Stamp Deposit	675

**Total Registration Bureau** **71,375,977**

Licensing Bureau

Motor Vehicle Operators Fees	4,888,405
Non-Driver ID Card Fees	121,130

**Total Licensing Bureau** **5,009,535**

**Total Miscellaneous** **311,726**

**Total Unrestricted Revenues** **85,246,688**

**Restricted Revenues**

Registration Bureau

Reflectorized Plate Fees	2,176,649
IRP Collections For Other Jurisdictions	2,137,172
Veteran Plate Fees	87,425
Conservation Plate Manufacturing Fees	43,728

**Total Registration Bureau** **4,444,974**

**Total Restricted Revenues** **4,444,974**

**Total Revenues** **\$ 89,691,662**

## APPENDIX

### CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary, as of May 14, 2007, of the current status of the observations and other issues and concerns contained in the audit report of the Division of Motor Vehicles for the year ended June 30, 1999. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

	<u>Status</u>		
<i>Internal Control Comments</i>			
<i>Reportable Conditions</i>			
1. Formal Fraud Deterrence And Detection Program Should Be Established	●	●	○
2. Formal Fraud Reporting Policy Should Be Established <i>(See Current Observation No. 4)</i>	○	○	○
3. Management Information Reports Should Be Better Utilized To Review Division Activity <i>(See Current Observation Nos. 11 and 12)</i>	●	○	○
4. Clerk Procedure Manuals Should Be Updated Or Established As Necessary <i>(See Current Observation No. 6)</i>	●	○	○
5. System And User Documentation Should Be Updated Or Established As Necessary <i>(See Current Observation No. 6)</i>	●	○	○
6. Clerk Access to Database Functions Should Be Limited <i>(See Current Observation No. 17)</i>	●	○	○
7. Clerks Should Not Fee Adjust Their Own Work	●	●	●
8. Computer Access Controls Should Not Be Bypassed	●	●	●
9. Processing No-Fee Transactions Should Be Better Documented	●	●	●
10. Database Design Should Promote Accurate, Complete, And Efficient Transaction Postings	●	●	●
11. Requests For Changes To The Division's Database Should Be Completely Documented <i>(See Current Observation No. 16)</i>	○	○	○
12. Refunds Policy Needs To Be Established	●	●	●
13. Clerk Close-Out Procedures Need To Be Monitored And Enforced	●	●	●
14. Accountability For Receipts Delivered To The Vault Should Be Improved	●	●	●
15. Close-Out Documentation For Concord Office Clerks Should Be Made Consistent	●	●	●
16. Controls Over Access To The Vault Need To Be Reestablished	●	●	○
17. Procedures To Process Atypical Receipts Timely Need To Be Established	●	●	●
18. Unprocessed Checks Should Be Secured	●	●	●
19. Control Processes Need To Be Secured To Remain Effective	●	●	●
20. Controls Over Petty Cash Should Be Enhanced	●	●	●

- |   |   |   |   |
|---|---|---|---|
| 21. Employees Should Not Have Access To State Funds During Off-Duty Hours   | ● | ● | ○ |
| 22. Security Of Change Funds Should Be Reviewed   | ● | ● | ● |
| 23. Registration Procedures Should Be Revised To Make Accounting For Plate And Decal Inventory A Reliable Control Process                                 | ● | ● | ● |
| 24. Procedures For Recording The Issuance Of Overweight Trailer Decals Should Be Revised  | ● | ● | ● |
| 25. Inventory Status Of Registration Decals And Inspection Stickers Should Be Recorded In A Timely Manner   | ● | ● | ● |
| 26. International Registration Plan (IRP) Fees Calculated By VISTA Should Be Reconciled To Recorded Fee Revenue ( <i>See Current Observation No. 15</i> ) | ○ | ○ | ○ |
| 27. Procedures To Ensure Receipt Of International Registration Plan (IRP) Revenues Due The Division Could Be Improved                                     | ● | ● | ○ |
| 28. The Division Should Use Analytic Procedures To Review Revenues And Division Operations For Reasonableness ( <i>See Current Observation No. 1</i> )    | ○ | ○ | ○ |
| <b><i>State Compliance Comments</i></b>   |   |   |   |
| 29. The Division's Organizational Structure Should Be As Described In Statute ( <i>See Current Observation No. 21</i> )                                   | ○ | ○ | ○ |
| <b><i>Management Issues Comments</i></b>  |   |   |   |
| 30. The Division Should Encourage More Municipal Agents To Process Transactions On-Line ( <i>See Current Observation No. 26</i> )                         | ● | ○ | ○ |
| 31. The Division Should Consider Developing A Formal Customer Service Plan  | ● | ● | ○ |
| 32. Documentation And File Maintenance Practices Should Be Reviewed ( <i>See Current Observation No. 5</i> )  | ○ | ○ | ○ |

**Status Key**

**Count**

Fully Resolved	●	●	●	16
Substantially Resolved	●	●	○	5
Partially Resolved	●	○	○	5
Unresolved	○	○	○	6