Department of Public Safety

Bureau of Motor Vehicles – Deputy Registrar Audit

Audit Period: March 1, 2010 through May 7, 2010

Report number: 2010-DPS-03   **Issuance date: June 15, 2010**

Contents

Executive Summary

Background

The Department of Public Safety's Bureau of Motor Vehicles (BMV) is responsible for licensing drivers, registering motor vehicles, and titling. The BMV's goal is to provide prompt, courteous, and efficient service to the public while fulfilling its obligations as set forth in the motor vehicle laws of the State of Ohio.

The funding for the BMV program is used to support licensing, registration, titling services and activities, including but not limited to:

- Registration of approximately 12 million motor vehicles;

- Ensuring the proper collection and distribution of vehicle licensing revenue for over 2,300 taxing districts and other governmental entities. In fiscal year 2008, over $471 million was collected and distributed to more than 2,300 local taxing districts and counties for the purpose of maintaining Ohio's roadways;

- Licensing and regulation of motor vehicle sales, leasing, and salvage industries. Over 21,000 licenses have been issued to motor vehicle dealerships;

- Oversight of 215 deputy registrars (private contractors) and 13 limited authority deputy registrars;

- Operation of two customer service centers, seven reinstatement offices, and two central service operations; and

- Credentialing for approximately 8.7 million individuals who have driver's licenses or state identification cards.

This audit will focus on the process for awarding contracts to establish Deputy Registrar offices and the monitoring of offices.

During the audit, OIA identified opportunities for BMV to strengthen internal controls and improve business operations. A summary , along with detailed observations, have been provided. OIA would like to thank BMV staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform assurance work related to the BMV Program. This work was completed between March 1, 2010 and May 7, 2010. The scope of this audit included the following areas:

- Request for proposal application process
  - Award announcement; and
  - Applicant evaluation and award notification

- Monitoring process
  - Communication of program requirements; and
  - Program oversight and monitoring

The following summarizes the objectives of the audit along with a conclusion on the design and/or effectiveness of management's internal controls.

Objective	Conclusion[1]
Evaluate the design and effectiveness of BMV's RFP development and approval process in relation to the Ohio law for selection of the Deputy Registrars.	**Well Controlled**
Evaluate the adequacy of BMV's selection review process for fairness and the BMV staff training to evaluate request for proposals.	**Well Controlled with Improvement Needed**
Evaluate the design and effectiveness of BMV's controls over approving and notifying the successful Deputy Registrar candidate.	**Well Controlled**
Evaluate the design and effectiveness of BMV's financial and programmatic monitoring of the Deputy Registrars including sufficiency of the policies and procedures, documenting the monitoring efforts, and communication and use of the results.	**Improvements Needed – See Observation 1**

[1] Refer to Appendix A for classification of audit objective conclusions.

Summary of Observations and Recommendations

The Summary of Observations and Recommendations includes only those risks which were deemed high or moderate. Low risk observations and recommendations were discussed with individual agency management and are not part of this report. However, the low risk observations and recommendations were considered as part of the audit objective conclusions above.

Observation	Recommendation	Risk[2]
Supervisory Review and Documentation - There is no supervisory review of the financial review checklists (monitoring tools) once they are completed and the financial reports prepared from those reviews are only reviewed by management if issues are noted in the report. Additionally, there was no documentation that the monitoring tools used by BMV was reviewed and approved by BMV management prior to being implemented. The Field Representatives' conducted reviews of the expenditure review sheet are not evidenced consistent with the informal guidance (memo) provided by BMV management. The District Chiefs/ Assistant Chiefs' conducted reviews of the sheets do not have a standardized process for how to evidence the reviews performed. The Periodic Review Reports are compiled from BMV monitoring efforts on the Deputy Registrars. Of the three Deputy Registrar Periodic Review Reports tested for supervisory approval, one was missing evidence of supervisory review and two were missing evidence of the date of the supervisory review.	BMV management should perform timely reviews of all monitoring efforts performed on Deputy Registrars. The reviews should be evidenced in a manner that documents who performed the review, the date of the approval, and what was reviewed.	**Moderate**

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist BMV in achieving improvements in internal controls, compliance, and operational efficiencies.

[2] Refer to Appendix A for classification of audit observations.

Detailed Observation and Recommendation

Observation 1 – Supervisory Review and Documentation

As a best practice, supervisory reviews should be conducted to help ensure proper processes are followed and are completed timely. The performance of reviews should be evidenced by the supervisor to provide documentation that the process has been performed and approved.

1. The Deputy Field Advisor completes financial reviews of all deputy registrars when the following events arise: 1) in the final year of their contracts, 2) when issues were reported as a result of the expenditure review process, and 3) when issues were reported in prior financial reviews. These reviews are documented using a financial review checklist from which a financial review report is compiled. There is no supervisory review of the financial review checklists once they are completed by the Deputy Field Advisor and the financial review reports are only reviewed my management if issues are noted in the report. When a review of a financial report is conducted by management, the review is not evidenced.

2. The Deputy Field Advisor has created a template that is used to conduct the financial reviews and a template the deputy registrars complete as a part of the expenditure reviews. Both of the templates include sections on business credit cards, utilities payments, and rent payments. When the templates were created they were reviewed by the BMV Central Operations Administrator, the BMV Field Services Administrator, and the BMV Field Services staff. There was no documentation of this review and there is no documentation of the approval of the templates before they were implemented.

3. The Deputy Registrars complete an expenditure review sheet that is used by the BMV to monitor the payment of the Deputy Registrar's major expenses categories. The Field Representatives spot check items reported on the expenditure review sheet. The completed expenditure review sheet is sent to the District Chief or Assistant Chief for review. All expenditure review sheets are subsequently submitted to the BMV Field Services Administrator. The Field Representatives' review is not evidenced consistent with the informal guidance (memo) provided by BMV management. The District Chiefs'/Assistant Chiefs' review does not have a standardized process for how to evidence their reviews.

4. The Periodic Review Reports that are compiled from BMV monitoring efforts on the Deputy Registrars are maintained on the Department of Public Safety (DPS) server in an electronic format. Included are all review comments, when the report was completed and given to the Deputy Registrar, rebuttal deadline, and date reviewed by the District Assistant Chief. The Deputy Registrar Periodic Review Reports have a specific area to

evidence the supervisory review. Of the three Deputy Registrar Periodic Review Reports tested for supervisory approval, one was missing evidence of supervisory review and two were missing evidence of the date of the supervisory review.

The lack of comprehensive and consistent review processes increases the risk that management's objectives may not be achieved.

Recommendation
BMV management should perform timely reviews of all monitoring efforts performed on Deputy Registrars. The reviews should be evidenced in a manner that documents who performed the review, the date of the approval, and what was reviewed.

Management Response
A form will be created that will document the reviewer, the date of the review, the date the review was assigned, what items were reviewed and the form will be approved by management upon completion of the review. Staff has begun designing the form that will be available prior to September 2010.

Additionally, we will be more diligent in documenting the procedures for conducting reviews and we will establish a policy for the supervisory review process. The necessary policies and training for supervisory staff will be implemented by the September 1, 2010 deadline. |

Risk	Remediation Owner	Estimated Completion Date
Moderate	Carolyn Y. Williams, Registrar	September 2010

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Appendix A – Classification of Audit Objective Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Major Improvements Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.
Improvements Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Well-controlled with Improvements Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	State Audit Committee, Senior Management, Department Management
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	State Audit Committee, Senior Management, Department Management
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Department Management, Senior Management (Optional), State Audit Committee (Not reported)

Appendix B – Audit Follow-up Procedures

OIA will periodically follow-up on management's plans to remediate high and moderate risk audit observations. Follow-up activities may generally be broken down into three categories:

Detailed Detailed follow-up is usually more time-consuming and can include substantial audit customer involvement. Verifying and testing procedures implemented as well as substantiating records are examples. The more critical audit observations usually require detailed follow-up.

Limited Limited follow-up typically involves more audit customer interaction. This may include actually verifying procedures or transactions and, in most cases, cannot be accomplished through memos or telephone conversations with the audit customer but requires onsite observation or testing.

Informal This is the most basic form of follow-up and may be satisfied by review of the audit customer's procedures or an informal telephone conversation. Memo correspondence may also be used. This is usually applicable to the less critical observations.

Low risk audit observations will not result in an OIA audit follow-up, although these observations will be factored into the continuous risk assessment process for future OIA engagements.