



Department of Public Safety OSHP Vehicle Identity Inspections Audit

Audit Period: January 2017 through February 2018

Results Summary:

Objective	Conclusion *
Vehicle Identity Inspection Process	Improvement Needed

* Refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

Fiscal year 2018 funding for the Ohio Department of Public Safety, which includes the Ohio State Highway Patrol (OSHP), totals \$720.8 million. Of the total department funding, \$354 million had been appropriated to OSHP programs, which ultimately represents 49.7% of the Department's FY 2018 budget. Of the Department's estimated 3,832 full-time employees, 2,542, or around 66%, are assigned to the Ohio State Highway Patrol, including 1,600 uniformed personnel ranking from Trooper to Colonel.

Per Ohio Revised Code, the Ohio State Highway Patrol is responsible for enforcing the laws of the state relating to the titling, registration and licensing of motor vehicles. This includes the inspection of vehicles for titling purposes to verify the ownership of all parts and to review all required documentation. The OSHP conducts six types of inspections for titling purposes to ensure the vehicles presented for title match the vehicle description on the title and the VIN. These six inspection types include: vehicle identification number (VIN) verification; salvage title; VIN plate replacement; self-assembled vehicle; court order; and out-of-state. Salvage title inspections represent the most frequent type of inspections conducted by the OSHP, with approximately 98% of the total 40,936 inspections conducted during calendar year 2017 being salvage title inspections. Salvage inspections are not meant to confirm road worthiness or quality of repairs, but are designed to ensure no stolen or contraband parts/vehicles are used on the motor vehicle. In March 2018, OSHP is scheduled to replace the existing inspection system with a new system.

During the audit, OIA identified opportunities for OSHP to strengthen internal controls and improve business operations. OIA conforms with the International Standards for the Professional Practice of Internal Auditing. OIA would like to thank DPS 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 an assurance audit related to the controls over the OSHP's Vehicle Identity Inspection process, including the following inspection types: VIN verification; salvage title; VIN plate replacement; self-assembled vehicle; court order; and out-of-state. The audit period for this review covered inspections conducted during January 2017 through February 2018. This work was completed January through March 2018. The objective of this review was to evaluate the design and effectiveness of controls over the OSHP's Vehicle Identity Inspection Process.



At the time of this review, OSHP was in the process of conducting user acceptance testing of the new inspection system. Therefore, while conducting testing over the inspection process, OIA was also able to observe the new system being used during an inspection, while the system was still in a testing environment. The ability to see the new system in action during an inspection provided OIA with insight into several enhancements OSHP was able to make to the inspection process. These enhancements were considered by OIA when developing our audit observations.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations identified during the course of the engagement would be discussed with individual agency management and would not be part of this report. However, there were no low risk observations identified during this engagement.

During this review, OIA identified several items that, while not exceptions, are areas where OSHP could gain consistency across the various inspection locations. Additionally, as part of this review, OSHP management requested OIA consider opportunities to incentivize public use of the new system's customer interface when scheduling inspections. These recommendations were provided to management in a separate communication entitled 'Other Matters for Management's Attention'.



Observation 1 – Lack of Supporting Documentation and Supervisory Review

Best practices for an inspection process include maintaining underlying support for all examinations performed to allow an external party reviewing the process to come to the same conclusion as the person completing the original inspection. Additionally, supervisory reviews are a tool that can provide agency management with reasonable assurance that inspections are being performed completely, accurately, and timely, in accordance with any governing requirements or policies.

Daily inspections are scheduled via the Department of Public Safety website or by phone at the local OHSP vehicle inspection facility. The Motor Vehicle Inspectors (MVIs) then print the current day's inspection schedule to utilize for tracking the status of each appointment scheduled for the day. The inspection system currently in place does not have the ability to track inspection activity, including inspections scheduled but not performed, failed inspections, or inspections performed due to hardship. The system can only generate data on inspections in which an HP106 was issued (i.e. successful inspections). Little to no information is maintained, electronically or manually, concerning any failed inspections or customers not showing up for appointments.

OIA also noted instances when a customer missed their inspection time or failed the inspection, the receipt (HP105) was still considered valid and returned to the customer for use in scheduling another inspection without consequence. Since the system has very limited tracking and reporting capabilities, Ohio State Highway Patrol (OSHP) Field Operations management has very little insight into the time being spent performing inspections across the nine inspections locations, or the number of times the same HP105 is used to schedule an inspection.

All vehicle inspections are currently processed through the OSHP's Salvage Inspection System which does not allow MVIs to attach supporting documentation to provide a more complete depiction of the events and items reviewed during an inspection. MVIs are required to inspect major vehicle parts (e.g. engine hood, front fenders, doors, etc.) during the inspection which includes a review of receipts for any major vehicle part(s) replaced. MVIs currently complete the inspection process by entering the Vehicle Identification Number (VIN) or VIN derivative information into the system for any parts replaced. All inspections must also include notation of at least three areas of the vehicle that the original VIN or VIN derivative was observed to confirm the identity of the vehicle.

After interviewing key OSHP personnel, it was identified that there were no supervisory reviews performed during the audit period over the MVI work to ensure inspections were being performed and processed per the OSHP policy and procedures manual. After OIA's initial meeting with the OSHP Motor Vehicle Inspection's Commander, supervisory observation of inspections was



implemented. Additionally, there is no monitoring or supervisory review of the inspection schedule to ensure all inspections performed for the day were included on the schedule.

OIA noted that OSHP is in the process of implementing a new vehicle inspection system utilizing iPads which should correct several of the issues noted above. OIA participated in several inspections using the iPad to observe the new system while it was still in the test environment. However, until the new system has been implemented and validated, the risks noted below exist.

Failure to perform a periodic supervisory review of inspection results increases the possibility of: inspections being passed or denied inappropriately and going undetected; inconsistency in the inspection process which could cause confusion for customers; and, unauthorized or improper inspections occurring. Additionally, failing to maintain underlying support adds another layer of risk that inspection results cannot be substantiated. The inability to track the amount of time currently spent completing the various inspections increases the risk of establishing unrealistic expectations on the MVIs to conduct quicker inspections, which in turn increases the risk of stolen parts not being identified. Furthermore, failing to track the number of missed appointments and failed inspections could skew an individual MVI's daily activity. Providing customers with the ability to utilize the same HP105 receipt multiple times until it results in a passed inspection not only creates a backlog in the inspection schedule, but also results in missed revenue opportunities for the department.

Recommendation

Prior to the new system going live, require supervisors at each inspection location to perform periodic reviews as inspections are occurring to ensure they are being conducted appropriately. OSHP management should determine the appropriate number of reviews to be conducted and the frequency of these reviews. Evidence should be maintained to support the completion of these reviews.

In the new system, consider capturing, or continue with the already existing test environment plan to capture, the following information:

- Underlying support for vehicle inspections performed. This evidence could include, but is not limited to: photocopies of receipts for replacement parts, VIN information observed, and pictures of any defects or imperfections noted during the inspection. Including underlying support for the inspection performed would allow other MVIs and supervisors to get a better understanding of any issues or changes that were made to a vehicle.
- Pictures of all receipts and for at least three of the VIN confirmations performed during the inspection to ensure parts are truly being confirmed by the MVIs. Pictures/evidence of why an inspection failed should also be maintained, along with any applicable notes.
- Images of damage noted but was not repaired by the customer, as this could help with future salvage inspections.



Ensure the new system has adequate reporting capabilities. Reports should include, but are not limited to:

- Tracking of all inspection types (e.g. salvage inspection, out of state inspections, self-assembled inspections, etc.) to help monitor each facility and the number of cancellations, failures, direct appointments, etc.
- Trending reports that track average inspection times which could indicate inefficiencies in an inspection process at any facility or between MVIs.
- Exception reporting to indicate when an inspection took an unreasonable amount of time to complete (too little or too much), an HP106 was issued but did not correspond with an appointment in the system, and inspections started by one MVI and completed by another MVI.

These reports should be monitored on a routine basis and used by OSHP Field Operations management as a tool to identify MVI training needs and/or performance issues across the Vehicle Identity Inspection program. Through these trend reports, management can also determine what is/is not working with the new process and update it as appropriate.

Create and/or update policies and procedures to reflect the new process, including any new system features and/or iPad details. Detail how to complete an inspection and the documentation required to be maintained electronically. Require periodic review of completed inspections by inspection supervisors at each location. The policy should outline the frequency and level of review required, along with a way to evidence the completion of the review. Policies and procedures should be reviewed and updated on a periodic basis by management to ensure they still reflect current processes and requirements.

Management Response

First line supervisors will be required to perform at least three random periodic reviews each month for every Motor Vehicle Inspector (MVI). The review will be documented by listing the supervisor as a co-inspector in the application. This will make it possible to report on and audit the reviews. Policies will be updated to reflect this requirement.

With the new Inspection Program deployment, inspectors will be required to take photos of supporting documentation, receipts for replacement parts, VIN information observed, and any damage, defects, or imperfections identified during the inspection. These pictures will be maintained with the source records, and will be available for supervisory review and audit.

Included with the deployment of the new inspection application, each inspection will be independent. This means when a vehicle fails an initial or subsequent inspection, all information regarding the failure(s) will produce a form HP-106F that outlines the reasons for failure. This form will be given to the presenter, to reference necessary deficiencies, and the system will retain this information. Where an inspection passes, the presenter will be presented with a form



HP-106 which will notify the title office that the vehicle has passed and a new title can be issued. All inspection details and data will be kept on file as required by the record retention schedule.

A reporting tool will be available in the new application to ensure tracking of all inspections, including, but not limited to:

- Type of inspection
- Cancellations
- Missed appointments
- Pass and fail rates
- Average time per inspection
- Number of inspections per MVI
- Other statistical and trend reporting

Any deficiencies identified that would require remediation or further training will be addressed directly with the identified employee and their supervisor.

OSP's effected policies will be updated to reflect this recommendation. The responses listed will be in effect by September 3, 2018.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Motor Vehicle Inspection Commander	September 2018

* Refer to Appendix A for classification of audit observations.

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 your department in achieving improvements in internal controls, compliance, and operational efficiencies.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement 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.
Major Improvement 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.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
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.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee