

**MANAGEMENT LETTER OF THE  
NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
VEHICLE TITLING AND REGISTRATION SYSTEM**

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# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Ms. Beverly Neth, Director  
Department of Motor Vehicles  
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Dear Ms. Neth:

We have reviewed the Nebraska Department of Motor Vehicles' (DMV) internal control structure over the AS/400 Vehicle Titling and Registration (VTR) system. The review also included documenting policies and procedures established by counties over their use of VTR in the registration, titling, balancing, and distribution processes. The review also included testing of general documents filed with the State Treasurer and testing of motor vehicle registrations to ensure taxes and fees were in compliance with State statutes.

In connection with our review described above, we noted certain internal control matters related to the activities of the VTR system. These comments and recommendations, which have been discussed with the appropriate members of DMV's management and county officials, are intended to improve internal control or result in other operating efficiencies.

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comments presented for the current year. All other prior year comments and recommendations have been satisfactorily resolved.

Our comments and recommendations are shown on the following pages.

## 1. VTR System Access

The accounting records for each office of the county are the responsibility of the elected county official. As such, good internal control requires that only the county officials who are responsible for the records be able to manipulate the data within the system.

We noted DMV staff has supervisor access to all counties' data fields in the State. This means DMV has access to live data on the VTR system. For the four counties reviewed, it was noted the User ID listing included many DMV staff with access to all functions within the VTR system. DMV personnel feel the programmers need access to live data in order to assist county employees with any problems they may encounter. This was a comment in our March 1997 Advisory Letter.

The User ID authorization was obtained for one of the four counties tested and it was noted there were four individuals from other State agencies who have supervisor access to the VTR system. There were three employees from the Nebraska Game and Parks Commission and one employee from the Nebraska Department of Revenue who have access to the treasurer's supervisor function in the VTR system. With supervisor access on the VTR system these individuals have the ability to alter transactions recorded by the County Treasurer.

DMV staff and the staff from other State agencies have the ability to alter or create a registration within the VTR system which may be fraudulent in nature. They also have the ability to alter registrations which have been processed by a county.

We recommend DMV implement procedures to ensure only county employees involved in the vehicle title and registration process have access to live data on the VTR system. We also recommend DMV implement procedures to ensure personnel from other State agencies who have access to the VTR system only have the ability to inquire on data within the system.

*DMV's Response: The access to the Supervisor function that was available to the Department of Revenue staff has been removed.*

*The DMV disagrees with the remainder of this recommendation. The Department of Motor Vehicles fully understands the risk associated with allowing access to live data. However, compensating internal controls and the need to accomplish critical business functions must be measured against the risk. In the case of VTR, the DMV has established compensating controls that track all user access within VTR. All of this information is fully auditable and readily available via audit reports produced by the system.*

*The DMV Driver and Vehicle Records Help Desk staff receive approximately 7,700 phone calls per month; approximately 2,200 of those calls are from county personnel who need some assistance with a motor vehicle title or registration transaction. If the DMV were to remove access to live data from the Help Desk staff, we would remove any ability we have to assist the counties in a meaningful and useful fashion. It is not an exaggeration to state that thousands of*

*Nebraskans would experience a great deal of frustration and difficulty in obtaining the desired service from the counties and DMV. In addition, there are other critical business process functions that require that the DMV staff have access to live data: such as data retrieval for law enforcement, adding purged title records back in to the system, updating old title records that contain only partial data, and error correction for specialty plates, titles and registrations. Removal of live data access would prohibit the DMV staff from carrying out several critical business functions.*

*The Nebraska Game and Parks Commission has the statutory responsibility for motor boat registrations and renewals. The Game and Parks staff that have access to live data are no different than the county staff that have access to live data. Game and Parks is a user of VTR that requires full access to live data. The DMV should not be required to remove the ability of the Game and Parks staff to carry out its statutory duty.*

**APA's Response: We agree the Nebraska Game and Parks Commission should have access to carry out its statutory authority for motor boat registrations and renewals, but access to live data involving motor vehicle registrations and renewals which are not within their statutory authority should not be allowed. DMV states in their response to Comment Number 4, "It is the DMV's position that the review of fees and taxes remitted should be the direct responsibility of locally elected official." We would again recommend access by other than authorized county officials should not be allowed.**

## **2. User IDs**

Good internal control requires procedures to maintain the integrity and availability of information; protect the physical security of information; and to reduce the risks of sabotage, vandalism, and destruction of computer systems.

DMV indicated a list of active and nonactive users was being distributed to all counties on a regular basis; however, during our visits to four counties, the county officials indicated they had not received the lists. It was further clarified the Department of Administrative Services (DAS) – Information Management Services Division (IMS) was responsible for sending the list. DAS - IMS noted a list is sent, but it is sent to a State contact person. This was a comment in our March 1997 Advisory Letter.

Failure to maintain adequate control over User IDs could result in unauthorized individuals gaining access to the VTR system and loss or misappropriation of State funds.

We recommend DMV work with DAS - IMS to implement procedures to monitor access authorizations to ensure that User ID access is current and periodically updated.

*DMV's Response: The DMV disagrees that it has the ability to "ensure" that Department of Administrative Services (DAS) – Information Management Services (IMS) implement procedures to monitor User ID access.*

*The DAS – IMS Mid-Range Systems Support Group manages the AS/400 computers installed in the courthouses in all counties across the State. The Mid-Range staff maintains the operating*

*system, on-line program delivery and database environments for each of the AS/400's. The User ID process pertains to all county AS/400 functions, not just those related to VTR.*

*The DMV does not control the User ID process and therefore cannot ensure that DAS – IMS is maintaining adequate controls over User ID's.*

**APA's Response: Our recommendation is for DMV to work with DAS-IMS because the procedure is not working at this time. Additional information could be provided by DMV to help the process, having current ID's should be a concern for everyone involved with the VTR system.**

### **3. Disaster Recovery Plan**

Good internal control requires information systems to have a written disaster recovery plan to ensure the VTR system can be operable in the event of a disaster.

DMV does not have a written disaster recovery plan in place for the VTR system. DMV noted they are waiting because DAS - IMS is preparing a uniform recovery plan for all county AS/400 systems. This was a comment in our March 1997 Advisory Letter.

Without a written disaster recovery plan the counties have an increased risk of not being able to access the VTR system to complete daily transactions in the event of a disaster.

We recommend DMV implement a written disaster recovery plan to ensure the VTR system is operable in the event of a disaster.

*DMV's Response: This recommendation has been included in previous audit reports. Each time the DMV has responded that the DAS – IMS Mid-Range Systems Support Group is responsible for the AS/400 computer system (see User ID comment above). Accordingly, DAS – IMS is also responsible for a disaster recovery plan for the AS/400 system. The Nebraska Information Technology Commission recently approved the format for disaster recovery plans. The DMV is currently drafting an internal disaster recovery plan that is scheduled to be completed by September 1, 2006.*

### **4. Monitoring of County Receipts**

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Sound business practice requires procedures to ensure amounts collected by outside sources are correctly reported.

DMV does not have procedures in place to verify the portion of fees received from the counties each month is reasonable. DMV collects money from the counties for the issuance of vehicle registrations, titles, and plates. Counties also collect additional fees for the issuance of vehicle registrations, titles, and plates which are deposited into several different funds of other agencies as determined by State statutes. The counties remit the fees collected monthly to the State Treasurer's Office. Counties are audited annually. This was a comment in the June 30, 2005 Nebraska Department of Motor Vehicles' attestation report.

During our review of the deposit documents sent to the State Treasurer from the counties, it was noted the figures used on one of the deposit documents tested did not correspond with the reports generated from the VTR system. Upon further review it was determined this error was due to the county treasurer inputting the wrong line item from the VTR report on the deposit document.

Without procedures to ensure the counties are remitting the correct fee amounts to the State Treasurer, there is an increased risk for loss or misuse of State funds.

We recommend DMV implement procedures to ensure the fees remitted by the counties are reasonable.

*DMV's Response: The county clerks and treasurers collect and distribute nearly \$625 million of boat and motor vehicle fees and taxes annually using the VTR system. The counties are required to submit the fees and taxes collected on a monthly basis to the State Treasurer. The counties account for the fees and taxes via a document titled the General Document. The State Treasurer then distributes the collected fees and taxes to 21 different state funds. In addition, the counties make direct distribution to 1,679 different county and local funds. The DMV is neither obligated by statute, nor by business process to review the reporting and distribution of the collected fees and taxes. The DMV has always reviewed for accuracy that portion of the collected fees that flow to the DMV.*

*The DMV disagrees that it has any responsibility to review any other fees remitted by the counties for reasonableness. It is the DMV's position that the review of fees and taxes remitted should be the direct responsibility of locally elected official, the State Treasurer, the entity receiving the distribution of fees and taxes and/or the entity conducting the annual audit of the counties.*

## **5. Internal Control Over VTR System**

Good internal control requires an entity establish and maintain both preventative (such as requiring supervisor approval) and detective (such as reconciling reports) controls in order to ensure fees are not inappropriately manipulated. Good internal control requires a proper segregation of duties so no one individual is in a position to both perpetrate and conceal errors or irregularities.

We noted employees at the county level have the ability to access the open fees screen for new and renewal registrations. Within the open fees screen, employees are able to change the following fees: registration fee, plate fee, handling fee, specialty plate fee, title fee, lien fee, tire fee, wheel tax, motor vehicle fee, and inspection fee. Additionally, employees are able to change the following tax rates: State sales tax, city sales tax, and county sales tax. We also noted employees at the county level have the ability to change the tax flag field, allowing an employee to exempt any individual from tax. Changes would be noted on daily reports, but due to the number of transactions in certain counties, the ability to review each transaction is impossible.

There is an increased risk fee fields could be manipulated without approval of an authorized individual and an increased risk for loss of State funds.

We recommend DMV implement procedures to ensure fees are not changed without supervisor approval and/or reports are created to locate and account for certain types of changes. We also recommend county officials review daily VTR reports to ensure transactions are reasonable.

*DMV's Response: There are multiple statutory and business process reasons why employees at the county level need the ability to access the open fee screens and tax flag fields.*

*The DMV does not understand what practical corrective measure that the State Auditor is recommending that the DMV take in this instance. In the text of #5 the Auditor acknowledges that the DMV has established a daily report within VTR that locates and accounts for certain types of changes. The text states: "[C]hanges would be noted on daily reports, but due to the number of transactions in certain counties, the ability to review each transaction is impossible." The recommendation of the Auditor is that the DMV "implement procedures to ensure fees are not changed without supervisor approval **and/or** reports are created to locate and account for certain types of changes." (emphasis added) If the supervisor at the county is too busy to create and review a daily report of changes, then it stands to reason that the same supervisor would not be able to review and approve each and every employee counter transaction that might require a change. The first part of the recommendation does not appear to have a practical implementation strategy and the second part of the recommendation is already being done by the DMV.*

*The DMV agrees with the recommendation that county officials should conduct a daily review of VTR reports to ensure transactions are reasonable.*

**APA's Response: Reports are generated and should be reviewed by the counties, but allowing all of these fee and tax screens to be changed without supervisor authority, only increases the risk for unauthorized changes to be made and go undetected.**

## **6. Manual Change Function**

Good internal control requires an adequate segregation of duties to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities.

Users who have access to the manual change function on the VTR system are able to change all information on a registration including all taxes and fees. This function also allows the user to change information on a completed registration. During our review of four counties, we noted multiple employees had access to the manual change function on the VTR system.

We also noted the system has a Manual Change Audit Listing report which records all changes made through the manual change function. The Manual Change Audit List acts as a compensating control for any changes made, but only if the county officials are reviewing the report. The county officials are encouraged by DMV to print out the listing and review it. During our review of four counties, we noted only one county was reviewing the report on a monthly basis. The counties noted no review is done because the report contains nonfinancial information and is too time consuming to review. This was a comment in our March 1997 Advisory Letter.

Without procedures to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities there is an increased risk for loss or misuse of State funds.

We recommend DMV review the Manual Change Audit Listing and work with county officials to ensure the information provided is in a beneficial format. We also recommend county officials review the Manual Change Audit Listing on a routine basis.

*DMV's Response: The DMV agrees with the Auditor's comments in text of #6 as follows: "[W]e noted the system has a Manual Change Audit Listing report which records all changes made through the manual change function. The Manual Change Audit List acts as a compensating control for any changes made, but only if the county officials are reviewing the report."*

*DMV maintains that all information currently contained in the Manual Change Audit List is critical data that should be reviewed for potential impact to revenues.*

*The DMV agrees with the recommendation that county officials should conduct a routine review of the Manual Change Audit Listing.*

**APA's Response: DMV should work with the counties because we noted that some counties are not reviewing the Manual Change Audit Listing which then eliminates the compensating control. If DMV feels all information currently included on the Manual Change Audit Listing is critical data, DMV should communicate this to the counties so everyone involved understands the reasons. Certain counties were not reviewing the Manual Change Audit Listing because they felt it was too time consuming and the report contained nonfinancial information.**

## **7. Bad Check Procedures**

Good internal control requires procedures be in place to ensure bad checks are accounted for on the VTR system.

During our review of the four counties selected for testing, we noted the counties were not following the same procedures to account for bad checks written for title and registration fees. It was also noted the reports generated from the VTR system would not always agree if the same report was generated at a later date. After discussing this with the counties, it was determined the majority of the time this variance was from voiding prior month's registrations or titles because of uncollectible bad checks.

Without procedures to account for bad checks there is an increased risk of loss or misuse of State funds.

We recommend DMV implement procedures to ensure reports from the VTR system are not altered after the fact in regard to bad checks.



*DMV's Response: The DMV disagrees that it has the responsibility to ensure reports from the VTR system are not altered after the fact in regard to bad checks. The DMV does not have the statutory authority to dictate accounting practices to locally elected officials.*

**APA's Response: Each county is required by statute to use the VTR system and the general documents filed with the State Treasurer are generated from the system. If all counties are required to use the VTR system, the counties should be required to use the system in a consistent matter for all transactions.**

## **8. System Alerts**

Good internal control requires the VTR system to have checks in place and for DMV to have written procedures to ensure irregular registrations are assessed the correct fees.

During our review of the registrations selected from four counties we noted one registration issued with the incorrect plate year. This vehicle had not been registered since 2003. In order for the VTR system to assess the proper fees the vehicle storage questions needed to be answered. When a renewal registration has lapsed 12 months or more the VTR system generates an alert message informing the clerk the vehicle storage questions may need to be answered. The clerk completing this registration did not complete these questions. Therefore, the vehicle was not issued new plates and the assessed fees were incorrect because of the time lapse between the registration in 2003 and the registration in 2006.

Without proper system procedures there is an increased risk for loss or misuse of State funds.

We recommend DMV implement procedures to ensure the VTR system will not allow an employee to pass the VTR system alerts without addressing all questions.

*DMV's Response: The DMV does not understand why this recommendation is included in this report. It was acknowledged at the exit interview that this was an isolated incident involving a county staff member who had been on the job for less than two weeks. This is more a matter of inexperience, than the lack of internal controls in the system.*

*The very definition of a system alert is that it alerts the user to a possible problem. It is then up to the user to follow the correct procedure and register the vehicle properly. In this single instance the system alerted the user to a problem, the user choose to ignore the alert and proceeded to improperly registering the vehicle.*

*The system worked as it was reasonably designed to work. As a practical matter, there are numerous legitimate statutory reasons why a county employee might reasonably ignore a system alert and proceed with a transaction. The DMV cannot design VTR to stop the titling and/or registration of a vehicle each and every time a system alert is required to be addressed.*

*VTR does contain what we refer to as "show stopper alerts" that do prohibit the employee from proceeding with the transaction. However, these types of alerts are reserved for use only when the transaction being attempted is prohibited by law.*

**APA's Response: This comment is included in the report because the motor vehicle registration was incorrect. DMV's response discusses the lack of experience and system alerts, but the employee, with or without experience, can and did register a vehicle incorrectly and it went undetected.**

It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to DMV to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time.

This report is intended for the information of the Nebraska Department of Motor Vehicles. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

May 11, 2006



Deann Haeffner  
Deputy State Auditor