



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Rhonda Lahm, Director  
Nebraska Department of Motor Vehicles  
301 Centennial Mall South, 1<sup>st</sup> Floor  
Lincoln, Nebraska 68509

Dear Ms. Lahm:

This letter is provided pursuant to AICPA Auditing Standards AU-C Section 265B.A17, which permits the early communication of audit findings due to their significance and the urgent need for corrective action. The audit work addressed herein was performed as part of the fiscal year ended June 30, 2021, Annual Comprehensive Financial Report (ACFR) and Statewide Single (Single) audits. This communication is based on our audit procedures through June 30, 2021. Because we have not completed our audits of the fiscal year 2021 ACFR or Single, additional matters may be identified and communicated in our final reports.

In planning and performing our audits of the State's financial statements as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the State's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed subsequently, based on the audit procedures performed through June 30, 2021, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

We noted certain internal control or compliance matters related to the activities of the Nebraska Department of Motor Vehicles (Department), or other operational matters, which are presented below for your consideration. The following comments and recommendations, which have been discussed with the appropriate members of the agencies and their management, are intended to improve internal control or result in other operating efficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Comment Number 1 (Monitoring of County Deposits) to be a significant deficiency.

Draft copies of this letter were furnished to the Department to provide management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this letter. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, the auditor does not express an opinion on them. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

The following are our comments and recommendations for the year ended June 30, 2021.

**1. Monitoring of County Deposits**

Ninety-one counties across the State were responsible for collecting both motor vehicle title and registration fees and driver’s license fees. The county treasurers used the Department’s VicToRy system to record those fees, which were remitted to the Nebraska State Treasurer the month following receipt. The Department did not perform a documented reconciliation of the money recorded by the county treasurers in its system to ensure that all fees were remitted properly.

The recording process was automated for fees originally collected in VicToRy. Because driver’s license fees were not collected through VicToRy, however, the county treasurers were required to input manually the amounts collected to ensure that those receipts would be included in the total payment to the State. Due to this being a manual process, the Department should have had procedures to ensure that the driver’s license fee amounts entered into VicToRy were accurate and recorded by the State Treasurer to the proper funds in the accounting system.

Based on the activity recorded in VicToRy, the Department received the following fee amounts during the period July 1, 2020, through May 31, 2021:

<b>Fee Type</b>	<b>Amount</b>
DL Security Surcharge	\$ 809,141
DMV/Driver License	1,403,655
Driver's License & I.D. Cards	1,600,466
Ignition Interlock Device	64,200
Organ Tissue Donor Awareness	18,025
<b>Total</b>	<b>\$ 3,895,487</b>

Good internal controls require procedures for ensuring that driver’s license fees recorded manually in the VicToRy system are accurate and subsequently allotted to the proper funds in the State’s accounting system.

Without such procedures, there is an increased risk of incorrect amounts being remitted to the Department and apportioned incorrectly by the State Treasurer.

We recommend the Department implement procedures for reviewing the accuracy of the fees recorded each month by the county treasurers to ensure that the proper amounts were received and allotted correctly in the State’s accounting system.

*Department Response: A process has been put in place for review and reconciliation of county remittances. Further review of remittances to the driver license system and state accounting system is underway.*

**2. Motor Carrier Services (MSC) Control Issues**

The Department uses the Motor Carrier Services (MCS) system to calculate and track amounts due to Nebraska and other states for the International Registration Plan (IRP), the Unified Carrier Registration (UCR) program registrations, and the International Fuel Tax Agreement (IFTA) collections. During testing of the Department’s change management process for the MCS system, we noted that one developer was responsible for the change management process. This developer was able to perform all change management functions and could develop a change and move it to production without involving anyone else. Additionally, this same person was the only individual trained to support the MCS application. As only one individual can provide support, there is an increased risk of services supported by the application being disrupted for a prolonged period.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-202 (July 2017), “Change control management,” states the following, in relevant part:

*To protect information systems and services, a formal change management system must be established to enforce strict controls over changes to all information processing facilities, systems, software, or procedures. Agency management must formally authorize all changes before implementation and ensure that accurate documentation is maintained.*

NITC Technical Standards and Guidelines, Information Security Policy 8-303(4) (July 2017), “Identification and authorization,” states the following:

*To reduce the risk of accidental or deliberate system misuse, separation of duties must be implemented where practical. Whenever separation of duties is impractical, other compensatory controls such as monitoring of activities, increased auditing and management supervision must be implemented. At a minimum, the audit of security must remain independent and segregated from the security function.*

Good internal controls require procedures to ensure that the Department’s change management process is safeguarded by a segregation of duties. Those same procedures should ensure also that more than one person is able to support the MCS application.

Without such procedures, there is an increased risk that changes to an application might be made without specific management approvals, leading to possible data loss, compromised financial data integrity, or unintended system downtime. Furthermore, relying on one individual’s knowledge for MCS support leaves the system vulnerable to disruption for a prolonged period.

A similar finding was noted during the previous audit.

We recommend the Department implement procedures to ensure an adequate segregation of duties to prevent a user from reviewing his or her own mainframe application changes. Those same procedures should provide also for training additional individuals to be able to support the MCS system.

*Department Response: The agency is in the process of writing a Request for Proposal to modernize the system which processes registrations for the International Registration Plan which will reduce the manual calculations and reduce the possibility of errors and allow for additional controls and additional support for the program.*

### **3. Traffic Safety Information System (TSI) Change Management**

The Department used the Traffic Safety Information System (TSI) to issue driver’s licenses and other permits. For 15 of 25 changes to the TSI system tested, there was no documentation to support that the change was tested before being moved to production.

Additionally, for 15 of the 25 changes tested, no change request form was submitted to the Office of the Chief Information Officer (OCIO) via the service portal to move the change to production. The 15 changes were promoted to production prior to the Department’s implementing a process to submit change request forms to the OCIO. This process began on March 4, 2021, and the 10 changes tested afterward had a documented change request form on file.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-202 (July 2017), “Change control management,” states the following, in relevant part:

*All IT infrastructure and application development changes are required to follow a change management process to ensure the change is approved for release and does not unknowingly add security risks to the state’s environment.*

A good internal control plan requires procedures to ensure that changes to TSI undergo documented testing, prior to promotion to production, to ensure that those changes are in accordance with management’s intentions.

Without such procedures, there is an increased risk of unauthorized, and potentially harmful, changes to TSI.

We recommend the Department implement procedures to ensure that changes to TSI undergo documented pre-production testing.

*Department Response: The department has reinstated a process to document changes to the Traffic Information Safety System.*

#### **4. User Access**

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-502 (July 2017), “Minimum user account configuration,” states the following, in relevant part:

*(1) User accounts must be provisioned with the minimum necessary access required to perform duties. Accounts must not be shared, and users must guard their credentials.*

During testing of the VicToRy and Traffic Safety Information System (TSI) user provisioning processes, the Auditor of Public Accounts (APA) identified weaknesses in the timely removal of user access, as described below.

##### *VicToRy*

The Department implemented a monthly process by which users who had not logged into VicToRy for over 30 days were identified and followed up on with their employers to determine whether those users still required system access. An inactive user status report dated March 24, 2021, listed 41 users who had not logged in within 30 days. The APA tested five of those inactive users and found that the Department had completed no follow-up on them.

Had proper follow-up been done, the Department would have identified and removed the system access of one Lancaster County employee who terminated employment on February 17, 2021. Because no follow-up was performed, however, that user’s access was not removed until April 2, 2021.

A similar finding was noted during the previous audit.

##### *TSI*

The system access of eight terminated users tested was not removed in a timely manner. Those eight users had access as of May 7, 2021, despite having been terminated from 42 to 318 days prior. It was noted also that the user ID of one employee, who had terminated on July 31, 2020, was used to log into the system on January 29, 2021. Lastly, one user was granted access on June 17, 2020, upon accepting a job as a temporary Department employee; however, the employee never started employment, but the access still remained on May 7, 2021.

A good internal control plan and sound business practices require procedures to ensure that terminated users have their VicToRy and TSI access removed in a timely manner.

Without such procedures, there is an increased risk of unauthorized access to the Department’s applications.

We recommend the Department strengthen procedures for ensuring that terminated users – especially those identified in its monthly inactive users reports – have their VicToRy and TSI access removed in a timely manner.

*Department Response: The DMV is working with the OCIO to implement an automated on-boarding and off-boarding process to ensure system access occurs in a timely manner.*

#### **5. Nebraska Information Technology Commission (NITC) Information Security Policy**

The Nebraska Information Technology Commission’s (NITC) nine members are appointed by the Governor with the approval of the Legislature. Neb. Rev. Stat. § 86-516(6) (Reissue 2014) directs the NITC to “[a]dopt minimum technical standards, guidelines, and architectures upon recommendation by the technical panel.”

NITC Technical Standards and Guidelines, Information Security Policy 8-209 (July 2017), “State and agency security planning and reporting,” requires State agencies to have an Information Security Plan, a System Security Plan, and a Plan of Action and Milestones Report on file. The NITC has established specific elements to be included in its Information Security Strategic Plan (8-210), System Security Plan (8-211), and Plan of Action and Milestones Report (8-212).

As a result, the APA tested some of those key elements of the NITC Technical Standard and Guidelines to verify compliance by the Department. Though having various documents that contained some of the necessary elements, the Department lacked documentation to support that it met all required elements, as described below.

The APA noted that the following requirements were not met regarding the System Security Plan (8-211):

- A detailed diagram showing the flow of sensitive information, including CONFIDENTIAL and RESTRICTED information, was lacking.
- A review of security controls and assessment results that have been conducted within the past three years was not noted.

The Department also lacked a Plan of Action and Milestones report (8-212).

In addition to the NITC Technical Standards and Guidelines noted above, good internal controls require procedures to ensure that all elements of the System Security Plan (8-211), as well as a complete Plan of Action and Milestones report (8-212), are on file, as mandated by the NITC Information Security Policy.

Without such procedures, there is an increased risk of failure to maintain formal plans that describe fully the current controls in place for protecting information at a level commensurate with the sensitivity level of the Department’s systems.

A similar finding was noted during the previous audit.

On July 8, 2021, the NITC significantly changed the aforementioned policies. NITC Information Security Policy 8-209 now states the following:

*Pursuant to the terms of certain federal data exchange agreements, state agencies may be required to maintain the following documentation:*

- (1) Information security strategic plan (section 8-210);*
- (2) System security plan (section 8-211); and*
- (3) Other information security*

*For agencies not subject to federal data exchange agreements, these planning documents are considered guidelines and recommended as best practice.*

The revised policy 8-209 eliminates the prior requirement for maintenance of a Plan of Action & Milestones Report (8-212). Additionally, the NITC policy revisions have altered the contents of both the Information Security Strategic Plan and the System Security Plan. During the fiscal year ended June 30, 2021, the Department did not have any Federal data exchange agreements requiring the documentation identified in 8-209.

While there have been significant changes to the NITC Technical Standards and Guidelines with regard to security planning and reporting, we recommend the Department review the revisions and formally document compliance with these updated requirements, specifically formally documenting a risk assessment and tracking how the Department is addressing those risks, even if not required by Federal data exchange agreements, as the NITC still recommends this as best practice.

*Department Response: The department has reached out to the Office of the Chief Information Officer and other state agencies for assistance in developing these plans.*

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Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Department and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Department.

This communication is intended solely for the information and use of the Department, the Governor and State Legislature, others within the Department, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not suitable for any other purposes. However, this communication is a matter of public record, and its distribution is not limited.



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