



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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September 6, 2023

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 American Institute of Certified Public Accountants (AICPA) Auditing Standards AU-C Section 265.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, 2023, Annual Comprehensive Financial Report (ACFR) audit. This communication is based on our audit procedures through June 30, 2023. Because we have not completed our audit of the fiscal year 2023 ACFR, additional matters may be identified and communicated in our final report.

In planning and performing our audit of the State's financial statements as of and for the year ended June 30, 2023, 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.

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.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses and significant deficiencies may exist that were not identified.

We noted certain internal control or compliance matters related to the activities of the 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 Department, are intended to improve internal control or result in other operating efficiencies.

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, 2023.

**1. Motor Carrier Services (MCS) 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 a review 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 MCS. 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) (November 2022), "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 MCS.

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 comment was noted during the previous audit.

We recommend that the Department implement procedures to ensure an adequate segregation of duties to prevent a user from implementing unauthorized application changes. Those same procedures should provide also for training additional individuals to support the MCS system.

*Department Response: The Department agrees with the recommendations in the audit and is currently in the process of deploying a modernized system which will address the items mentioned.*

**2. Driver Licensing System (DLS) User Terminations**

The Department maintains the Driver Licensing System (DLS) for issuing driver's licenses and for the collection of fees. During testing of the termination process for user access to the DLS, we noted the following:

- Six of 10 terminated users tested retained access for a range of 123 to 235 calendar days beyond their termination date. In addition, the Department did not have documentation on file to support that a request was made to the Office of the Chief Information Officer to remove the access.
- In addition, one user terminated on September 12, 2022, and a request was made to remove access; however, no documentation was on file to support when the access was actually removed. This terminated user was not included in the active user listing as of April 18, 2023.

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.*

A good internal control plan and sound business practices require procedures to ensure that access to systems is removed in a timely manner after the user’s termination date, and documentation of the request for and completion of such removal is maintained for subsequent review.

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

We recommend that the Department implement procedures to ensure access to systems is removed in a timely manner after the user’s termination date, and documentation of the request for and completion of such removal is maintained for subsequent review.

*Department Response: The Department has initiated an electronic on-boarding and off-boarding program to better manage users and ensure timely termination of access to the Driver License System. The Department will review the program to identify any deficiencies.*

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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 interim 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 purpose. However, this communication is a matter of public record, and its distribution is not limited.



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