



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
auditors.nebraska.gov

December 18, 2024

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

Dear Ms. Lahm:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 18, 2024. In planning and performing our audit of the financial statements, we considered the State's system of internal control over financial reporting (internal control) as a basis for designing 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.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the Nebraska Department of Motor Vehicles (Department) or other operational matters that are presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the Department's management, is 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.

Our consideration of internal control was for the limited purpose described in the first 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Draft copies of this management letter were furnished to the Department to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this management letter. *Government Auditing Standards* require the auditor to perform limited procedures on the responses. The response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2024.

**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 collection of registration fees to carry goods between states and for the allocation of fuel taxes based on miles driven in each state. MCS is used to support the International Registration Plan (IRP), the Unified Carrier Registration (UCR) program registrations, and the International Fuel Tax Agreement (IFTA). During a review of the Department’s change management process for the MCS system, we noted that one developer was responsible for the entire process, including the ability to develop a change and move it to production without any type of secondary review. Additionally, this same person was the only individual trained to support MCS, which increases the risk for prolonged service disruptions if the developer is unavailable.

A similar comment has been reported since the fiscal year 2011 Annual Comprehensive Financial Report (ACFR) audit, without any corrective actions implemented by the Department.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-202 (July 2023), “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.*

A proper system of internal controls requires procedures to ensure a proper segregation of duties exist over the Department’s change management process, and more than one individual is capable of supporting MCS.

Without such procedures, there is an increased risk of unauthorized changes to the system, 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.

We recommend that the Department implement procedures to ensure an adequate segregation of duties exists to prevent any one user from processing changes without additional review and approval thereof. We also recommend the Department ensure more than one individual is trained to provide support to the MCS system.

*Department Response: The DMV acknowledges the audit finding regarding Motor Carrier Services (MCS) system control issues and recognizes the importance of segregation of duties and system redundancy. The Department of Motor Vehicles is addressing this through a modernized system set to launch in May, which will strengthen controls via structured change management, multi-user reviews, and cross-training. These measures will reduce risks related to unauthorized changes, data integrity, and service disruptions. We appreciate the audit’s recommendations and are committed to improving our operations and security.*

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It should be noted that this letter is critical in nature, as it contains only our comment and recommendation and does not include our observations on any strengths of the Department.

Our audit procedures were designed primarily to enable us to form an opinion on the Basic Financial Statements. Our audit procedures were also designed to enable us to report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* 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.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of State's internal control over financial reporting or compliance.

This communication is intended solely for the information and use of management, 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.



Kris Kucera, CPA, CFE  
Assistant Deputy Auditor