

Audit Report

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**Department of Transportation  
Motor Vehicle Administration**

October 2007

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**OFFICE OF LEGISLATIVE AUDITS**  
**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

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Karl S. Aro  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA  
Legislative Auditor

October 19, 2007

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Department of Transportation – Motor Vehicle Administration (MVA) for the period beginning January 1, 2004 and ending November 30, 2006.

Our audit disclosed that MVA did not have effective policies and procedures to oversee its Ignition Interlock Program (IIP). By requiring enrollees to have ignition interlock devices installed in their vehicles, IIP is intended to help prevent individuals convicted of alcohol-related driving violations from driving while intoxicated. However, MVA failed to take appropriate follow-up action for certain individuals who repeatedly violated the terms of the program, and such individuals were subsequently returned to a normal driving status.

Our audit also disclosed that procedures and controls over driver's licensing transactions and related suspensions and revocations were not sufficient. For example, required documentation (such as proof of residency) was not always obtained for licenses issued, and certain licenses appeared to have been issued improperly, such as to individuals who were deceased. License suspensions and revocations and related appeals were also not processed timely, allowing licensees to retain their driving privileges for longer periods.

MVA's procedures for monitoring licensed vehicle dealerships were not comprehensive to ensure that vehicle titling and registration transactions were properly processed and that the related excise taxes and fees were properly assessed. For example, dealership audits of these activities were not comprehensive, and MVA improperly waived certain penalties assessed for late submission of vehicle excise taxes and related fees by the dealerships.

MVA did not take timely action to enforce State laws that require vehicle owners to maintain insurance coverage for registered vehicles. Although State law requires the immediate suspension of a registration for any vehicle for which the insurance coverage is terminated or lapses, we found that MVA generally waited 115 days to process these suspensions. Furthermore, MVA did not invoice uninsured motorists for the related assessed penalties in a timely manner.

Numerous security and control deficiencies existed with respect to *eMVA Store*, which is operated by a contractor and provides online services to the public. For example, sensitive personal and financial information of *eMVA Store* customers was not adequately protected, critical security events were not adequately monitored, and critical software was out of date. Furthermore, the contractor was not required to receive periodic audits of its online security controls.

Finally, a number of internal control and record keeping deficiencies were noted in areas including the Vehicle Emissions Inspection Program, cash receipts, purchases and disbursements, and equipment.

We determined that MVA's accountability and compliance level was unsatisfactory, in accordance with the rating system we established in conformity with State law. The primary factors contributing to the unsatisfactory rating were the number and significance of our audit findings, and the number of repeat audit findings from our preceding audit report. In this regard, MVA did not sufficiently address 12 of the 22 findings in our preceding audit report.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor

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# Executive Summary

## Legislative Audit Report on Motor Vehicle Administration (MVA) October 2007

As a result of our audit, we determined that MVA's accountability and compliance level was unsatisfactory, in accordance with the rating system we established in conformity with State law.

- **Policies and procedures were not sufficient to address Ignition Interlock Program (IIP) violations. MVA administers the IIP which was established to help prevent individuals convicted of alcohol-related offenses from driving while intoxicated. However, MVA failed to take appropriate follow-up action for certain individuals who violated the terms of the program, such as by failing a blood alcohol test. For example, MVA did not extend the length of the program or reinstate license suspensions or revocations for 11 of 20 enrollees tested who had, on average, 17 violations during a two-year period.**

MVA should modify its policies and procedures to specify that progressively severe corrective action be taken in response to the severity and frequency of violations. MVA should also ensure the proper identification and follow-up of IIP violations.

- **Procedures and controls over driver's licensing transactions were not sufficient and daily supervisory reviews were not always performed, as required. As a result, we noted instances in which required documentation (such as proof of residency) was not obtained. MVA also lacked comprehensive procedures to ensure the driver's license database included complete and accurate social security numbers and for identifying certain possible erroneous or fraudulent licenses. For example, we noted 16 individuals who were issued licenses even though the related social security numbers were associated with deceased individuals.**

MVA should ensure that driver's licensing transactions are properly controlled, that supporting documentation is obtained in accordance with State regulations, and that required supervisory reviews are conducted. MVA should also establish procedures to ensure the propriety of social security numbers and should analyze data to identify possible erroneous or fraudulent licenses.

- **MVA did not process license suspensions and revocations timely and did not take steps to help ensure that related appeals were conducted in a timely manner. In addition, adequate steps were not taken to suspend the driver's licenses of individuals repeatedly in arrears in making child support payments. Licensees retain their driving privileges until the suspensions or revocations are processed and while awaiting the appeals.**

MVA should ensure that suspensions and revocations and related appeals are processed timely and should use more comprehensive procedures to identify individuals who were repeatedly in arrears for child support payments so that their driver's licenses can be suspended.

- **MVA allowed vehicle dealerships to issue temporary tags (vehicle registrations) to ineligible individuals, in violation of State laws.**

MVA should establish procedures to ensure that dealerships discontinue the practice of awarding temporary tags to ineligible individuals.

- **Titling and registration late payment fines totaling \$824,000 due from dealerships were waived without a review of the related documentation, and audits of vehicle titling and registration transactions processed by dealerships were not comprehensive.**

MVA should determine whether the improperly waived fines can be recovered from dealers, and should improve its procedures related to dealership audits.

- **MVA did not take timely action to suspend vehicle registrations when lapses in insurance coverage were identified and the related penalties were not assessed and recovered timely in accordance with State regulations. For example, generally, MVA did not suspend vehicle registrations for 115 days after notifications of the insurance lapses were received and, for 4 of 10 vehicle owners tested, the initial penalties were assessed between 283 and 621 days after MVA was notified of the insurance lapses.**

MVA should establish procedures for the timely suspension of vehicles registrations, and assess and pursue recovery of related penalties in accordance with State regulations.

- **MVA did not have adequate procedures to review the propriety of vehicle inspections and related late fee waivers granted by the Vehicle Emissions Inspection Program (VEIP) contractor.**

MVA should establish procedures to verify the propriety of VEIP late fee and inspection waivers, at least on a test basis.

- **The service provider who hosted *eMVA Store*—which provides online services to the public—was not required to have periodic audits conducted of its online security controls. This is especially significant because numerous security and control deficiencies existed. For example, sensitive personal and financial information of *eMVA Store* customers was unnecessarily stored in clear text on the related servers, the monitoring of critical security events was not adequate, and critical software that supported the *eMVA Store* was out of date.**

MVA should take the recommended corrective actions to improve security over the *eMVA Store*.

- **Internal control and record keeping deficiencies were also noted regarding mainframe information systems security and control, cash receipts, fraud investigations, purchases and disbursements, and equipment. For example, numerous employees had unrestricted access to collections.**

MVA should take the recommended actions to improve controls and record keeping in these areas.



## **Background Information**

### **Agency Responsibilities**

The Motor Vehicle Administration (MVA) is part of the Maryland Department of Transportation and is subject to certain provisions of the Transportation Article of the Annotated Code of Maryland. MVA has jurisdiction over a variety of activities related to the ownership and operation of motor vehicles, including the registration and titling of vehicles. MVA maintains a headquarters location in Anne Arundel County and 24 branch offices throughout the State with a total authorized workforce of approximately 1,600 employees. According to MVA records, during fiscal year 2006, MVA's collections, which primarily consisted of motor vehicle excise taxes and vehicle registration fees, totaled approximately \$1.3 billion.

### **Current Status of Findings From Preceding Audit Report**

Our audit included a review to determine the current status of the 22 findings contained in our preceding audit report dated November 30, 2004. We determined that MVA satisfactorily addressed 10 of these findings. The remaining 12 findings are repeated in this report, two of which were combined into one finding.

### **Federal Audit of the Commercial Driver's License (CDL) Program**

A federal audit report identified numerous deficiencies in MVA's federally regulated CDL program. In February 2007, the Federal Motor Carrier Safety Administration (FMCSA) audited the CDL program and identified 14 violations of FMCSA regulations. The FMCSA made recommendations to correct these 14 violations, and made 23 additional recommendations for improving the CDL program in the State. The violations identified are significant because they could impact the safe operation of commercial motor vehicles in the State. For example, the report noted that MVA did not review certain reports of driving violations received from other states which could disqualify an individual from having a CDL. Also, driver history records provided by MVA to authorized users (employers in other states) did not include information related to probation before judgment dispositions. In May 2007, MVA issued a response to the FMCSA generally agreeing with the findings and recommendations. This response also included specific actions, with estimated completion dates, to address each of the aforementioned 14 recommendations.



## **Findings and Recommendations**

### **Ignition Interlock Program**

#### **Background**

Beginning in 1988, State law allowed the use of an ignition interlock device as an additional penalty to help prevent individuals convicted of alcohol-related driving violations from driving while intoxicated. Furthermore, in 1996, the Maryland Ignition Interlock Program (IIP) was established to formalize the monitoring process. Drivers are enrolled in the program as a result of a court order, administrative hearing order, or MVA Medical Advisory Board recommendation, or may voluntarily enroll in the program in lieu of and/or in conjunction with a reduced driver's license suspension or revocation. The costs of installation and monitoring are paid by the enrollees.

IIP enrollees are required to have an interlock device installed in their vehicles by a certified vendor approved by MVA. The driver must breathe into the interlock device prior to starting the vehicle and, if alcohol is detected at a level higher than the preestablished blood alcohol content (BAC) level in the device of .025 percent, the vehicle will not start. If the vehicle starts, random retests (known as rolling retests) are performed at about 30 minute intervals. These retests, which require the driver to periodically breathe into the device, are designed to prevent the driver from starting the car sober and then proceeding to drink and drive. The interlock device records all attempts made by the driver to start the vehicle, BAC levels, attempts to circumvent the interlock, and refusals to perform the required retests. The data recorded on the interlock device's memory are electronically uploaded, during each enrollee's mandated monthly visits, to the interlock vendor, which then reports the information to MVA via fax or mail. These monthly reports are reviewed by IIP caseworkers to determine whether significant violations have occurred.

The IIP also requires enrollees to have an ignition interlock restriction placed on their driver's licenses. The restriction provides that an offender may only drive a vehicle that is equipped with an ignition interlock. State law and MVA policies and procedures generally provide for MVA to administer the program, which includes monitoring IIP enrollee compliance. In addition, the Department of Public Safety and Correctional Services – Division of Parole and Probation has certain monitoring responsibilities for individuals ordered by the courts to enroll as a condition of probation (such as monitoring individuals for compliance with parole conditions). During the period from January 1, 2004 through December 6, 2006, MVA management advised that 474 individuals were ordered by the courts to enroll in the IIP. In total, as of March 2007, there were 4,336 individuals actively enrolled in the IIP, according to MVA records.

**Finding 1**

**MVA policies and procedures were not sufficient to address IIP violations. As a result, MVA failed to take appropriate follow-up action for certain individuals who violated the terms of the program.**

**Analysis**

MVA policies and procedures for caseworker review of IIP violations were not sufficient to ensure the proper identification and follow-up of Ignition Interlock Program (IIP) violations. Specifically, MVA procedures identified IIP violations and the typical actions to be taken when these violations individually occurred. For example, the procedures generally instructed the caseworkers to send a warning letter to an enrollee for failing the breathalyzer with a high blood alcohol content (BAC) and for refusing a rolling retest; however, the procedures did not specify progressive corrective actions which considered the severity and frequency of the violations. Moreover, the procedures allowed the caseworkers reviewing the violations to make subjective decisions based on related factors (such as case history and type of violation), and caseworker actions were not subject to independent supervisory review.

The policies and procedures also did not require the IIP unit to be notified of pertinent license activity that was recorded in the MVA driving records of IIP enrollees (such as a moving violation) so that it could be considered by the IIP caseworkers. This could be accomplished by placing a “flag” on the driving records of IIP enrollees which would result in automatic notification of such activity to the IIP unit.

In addition, other MVA policies and procedures instructed caseworkers not to review violation reports for court-ordered IIP participants, indicating that these reviews are the responsibility of the Department of Parole and Probation (DPP). However, State law provides for MVA to do such monitoring and to issue reports of the results of this monitoring to DPP.

As a result, MVA failed to properly monitor and take adequate follow-up action when individuals violated the terms of the IIP. Our review of 20 individuals enrolled in the IIP, as of May 2005, disclosed that 11 had between 5 and 43 significant violations as defined by MVA policies—including failing blood alcohol tests and refusing mandatory rolling retests—and minimal follow-up actions were taken. On average, there were 17 violations noted by these enrollees during the period from December 2004 through November 2006. MVA did not extend the length of the IIP or remove any of these 11 individuals from the program (that is, reinstate the license suspension or revocation) and never issued a warning letter to 8 of these individuals who, collectively, had 133 significant

violations. Those individuals who had completed the term of the IIP were sent a letter of congratulations that they had “successfully completed the program” and were returned to a normal driving status. (See Exhibit A for an example).

In addition, 2 of these 11 individuals had moving violations (speeding) while on the program in vehicles that did not have ignition interlock devices installed; however, because of the deficiency in the MVA policy described above, the IIP unit was not aware of these violations, and both of these individuals continued in the IIP.

The failure to take appropriate corrective action is significant because serious violators are allowed to continue to drive and participate in the IIP, and ultimately are returned to normal driving status. In this regard, we identified one individual who caused and was convicted of an alcohol-related motor vehicle accident resulting in a fatality; the accident occurred about one year after this individual had been notified of successful completion of the program. This individual had numerous violations (for example, refusing to take mandatory rolling retests and failing a breathalyzer analysis) while enrolled in the IIP, for which virtually no follow-up action was taken.

#### **Recommendation 1**

**We recommend that MVA modify its policies and procedures to ensure the proper identification and follow-up of IIP violations. Specifically, we recommend that the procedures specify that progressively severe corrective action (for example, warning letters, extension of the term of the IIP, suspension or revocation of the driver’s license) be taken in response to the severity and frequency of the violations. In addition, we recommend that the procedures require the flagging of the driving records of individuals on the IIP to automatically notify the IIP unit of pertinent license activity that may constitute a violation of the IIP. We also recommend that the procedures include provisions for the monitoring of violation reports of court-ordered IIP participants, and that DPP be notified of the results of such monitoring for these participants. Finally, we recommend that MVA monitor the IIP to ensure that these policies and procedures are adhered to.**

**Finding 2**

**MVA did not ensure that individuals who were assigned to the IIP by the Medical Advisory Board had the device installed, and MVA did not have procedures to ensure that it was notified of all IIP violations.**

**Analysis**

While MVA had established procedures to ensure that most individuals assigned to the IIP had interlock devices installed on their vehicles, such procedures were not in place for individuals assigned to the IIP by MVA's Medical Advisory Board (MAB). Our test of ten individuals assigned to the IIP by the MAB, disclosed that, for one of the individuals who was assigned in July 2006, MVA had no evidence that the interlock device had been installed as of April 2007 and no follow-up action was taken by MVA. This individual was subsequently issued a new license with no restrictions. According to MVA records, as of March 2007, there were approximately 2,100 IIP enrollees who had been assigned by the MAB.

MVA also lacked procedures to adequately account for IIP violation reports received from the IIP vendors. On a monthly basis, IIP vendors submitted reports of interlock device activity for IIP enrollees that included violations during the month. Such notifications were done on a case-by-case basis. However, MVA did not log the reports and did not ensure that reports had been received for all enrollees.

**Recommendation 2**

**We recommend that MVA establish procedures to ensure that the interlock device is installed in the vehicles of all individuals assigned to the IIP by MAB, and that it take appropriate follow-up action when individuals fail to have the interlock devices installed, as required. We also recommend that MVA establish procedures to ensure that it receives, from the applicable vendor, a monthly report of interlock activity for each enrollee.**

**Driver Licensing****Background**

MVA is responsible for issuing commercial and non-commercial licenses, license renewals, corrected licenses, learner's permits, and personal identification cards. MVA uses a computerized driver licensing system that includes an electronic license application process and that automatically verifies applicant social security numbers with a database maintained by the federal Social Security Administration (SSA). According to MVA's records, during calendar year 2006,

MVA processed approximately 1.1 million licensing transactions, which included 478,000 new driver's licenses; related revenue totaled approximately \$38 million during fiscal year 2006.

### **Finding 3**

**Procedures and controls over driver licensing transactions were not sufficient to ensure that only proper licenses were issued.**

#### **Analysis**

MVA had not established adequate procedures and controls over driver licensing transactions. Specifically, our review disclosed the following conditions:

- MVA did not always obtain required documentation to support the propriety of the licenses issued. Specifically, our test of 35 licenses processed during the audit period disclosed that, for 10, complete documentation—such as to establish proof of residency and identity—was not obtained, as required.
- According to MVA procedures, foreign-born applicants who presented an out-of-state driver's license were not required to also present another primary source of identity (such as social security card or U.S. passport); rather these applicants were allowed to present two secondary sources of identity (such as utility bill and marriage certificate). However, State regulations require two primary sources of identification for these applicants.
- Although MVA had an established policy requiring daily supervisory reviews of licensing transactions, based on our tests, such reviews were not always being performed. Specifically, tests conducted at six MVA branches over a 12-day period disclosed that two branches had not performed the reviews for two and seven of the days, respectively. Such verifications are critical since MVA employees who processed licensing transactions generally could individually issue them. A similar condition was noted in our preceding audit report.
- Supervisory personnel, who generally reviewed and approved system overrides required to complete certain licensing transactions, could also process these licensing transactions; as a result, improper driver's licenses could be issued without detection. A system override is required to complete a licensing transaction if, for example, the applicant's documented personal information does not exactly match the corresponding information maintained on SSA's records. In this regard, our review of all overrides processed during April 2006 at three MVA branches disclosed that, at one branch, eight transactions were initiated and approved by the same supervisory employee. A similar condition was noted in our preceding audit report. Additionally,

overrides were not always approved. For example, our review of overrides processed during fiscal years 2005 and 2006 at three MVA branches disclosed that one branch had approved virtually none of the overrides on four of the five days tested. During April 2006, these three branches processed almost 3,400 system overrides for licensing transactions.

### **Recommendation 3**

**We recommend that MVA modify its licensing procedures to ensure that all required documentation is obtained before processing and issuing licenses, and that these procedures are in accordance with State regulations. In addition, we again recommend that MVA ensure that driver licensing transactions are reviewed and approved daily, at least on a test basis, by supervisory personnel and that employees responsible for approving system overrides not be permitted to process the related licensing transactions. Finally, we recommend that MVA review the aforementioned transactions that were processed without independent approval and ensure that the licenses were issued properly.**

### **Finding 4**

**MVA lacked comprehensive procedures to ensure the driver's license database included complete and accurate social security numbers and to identify certain possible erroneous or fraudulent licenses.**

### **Analysis**

MVA lacked comprehensive procedures to ensure the completeness and accuracy of driver's license social security number (SSN) data and did not adequately analyze available data to identify possible erroneous or fraudulent licenses. Specifically, our review disclosed the following conditions:

- Comprehensive procedures were not in place to ensure that the same SSN was not included in multiple driver's license records. In this regard, our review disclosed that, as of February 2007, MVA's driver's license database included approximately 280 driving records that contained SSNs recorded on at least one other driving record. MVA's automated driver licensing system is designed to automatically verify SSNs presented by license applicants with a database maintained by the federal SSA. However, MVA did not always verify the propriety of SSNs with the SSA as required by MVA policy. For example, our test of 19 of the aforementioned driving records with SSNs on more than one driving record disclosed that, for 14 of the records tested, the SSN had not been verified with the SSA. Similar conditions were noted in our preceding audit report.

- SSNs provided by license applicants were not always recorded in MVA’s driver’s license database. Our test of 20 licensees that did not have SSNs recorded in MVA’s driver’s license database disclosed that 15 actually had their SSNs recorded on their applications. A similar condition was noted in our preceding audit report.
- MVA did not adequately analyze available data to identify possible errors or fraudulent licenses and personal identification cards (ID cards). Specifically, birth dates recorded in the database were not reviewed to identify questionable license activity. In this regard, our review of the dates of birth recorded in the database identified approximately 130 licenses and ID cards issued to individuals with ages ranging from 102 to 348 years. Furthermore, while MVA performed several procedures to ensure licenses were not issued to deceased individuals, such procedures were not comprehensive. Specifically, using first and last names, MVA periodically compared its driver’s license records with the death records maintained by the Department of Health and Mental Hygiene—Division of Vital Records; however, this comparison did not include a match of SSNs. In this regard, our comparison, using SSNs, of MVA records of licenses issued during calendar years 2004 through 2007 with these death records identified 16 licenses that were issued subsequent to the licensees’ dates of death.

Transportation Article, Section 16-106 of the Annotated Code of Maryland requires that each license applicant who has a SSN provide the number to MVA when applying for a Maryland driver’s license. As of February 2007, there were approximately 4.5 million driving records on the database.

**Recommendation 4**

**We again recommend that MVA establish comprehensive procedures to ensure the propriety and completeness of SSNs in the driver’s license database. We also again recommend that MVA investigate and resolve all instances of duplicate SSNs recorded, including the duplicate numbers disclosed by our audit. In addition, we recommend that MVA more fully analyze licensing data, investigate any possible fraudulent licenses (including those noted above), and refer any potential fraud to appropriate law enforcement entities.**

## **License Suspensions and Revocations**

### **Background**

MVA's Administrative Adjudication Division is responsible for processing license suspensions and revocations. The Division receives information daily, from the State's district and circuit courts and from other State and local entities, that impacts driver's licenses. Although the majority of this information is submitted electronically, license suspensions and revocations are based on manual analyses of the information received. The majority of suspensions and revocations occur as a result of licensees accumulating excessive numbers of points and/or being convicted of committing specific driving-related offenses (for example, DUI or DWI). License suspensions also result from other offenses such as failure to pay court-ordered child support and outstanding arrest warrants. In addition, a temporary suspension may be issued by a police officer at the time of a violation (known as 'administrative per se') which results in an immediate suspension ranging from 45 to 360 days, unless appealed.

When MVA has determined that a license should be suspended or revoked, a letter of notification is sent to the individual; this letter advises the licensee of the right to appeal MVA's decision. An individual who intends to appeal the decision is required to contact the Office of Administrative Hearings within 15 days of MVA's notification. For any licensee who does not request an appeal, MVA's decision to suspend or revoke the license is automatically imposed. According to its records, during calendar year 2006, MVA processed 179,234 suspensions and revocations.

### **Finding 5**

**Driver's license suspensions and revocations were not always processed in a timely manner.**

### **Analysis**

MVA did not adequately ensure that all driver's license suspensions and revocations were processed in a timely manner. Specifically, our review disclosed the following conditions:

- MVA did not always impose license suspensions and revocations in a timely manner. We were advised that it was MVA's policy to defer the processing of license suspensions and revocations for 60 days after receiving notifications of convictions, in order to permit licensees ample time to appeal. However, MVA processed 14 of the 20 suspensions and revocations tested from 11 to 23 days after the aforementioned 60-day period.

- Procedures were not adequate to help ensure that hearings related to appeals of MVA license suspension and revocation decisions were conducted in a timely manner. Such appeals are heard by the Office of Administrative Hearings (OAH). According to an August 2006 report provided by OAH (which we did not test), there were approximately 800 suspension and revocation decisions, that had been filed from 91 days to 520 days previously, that had not been closed on OAH reports; of these cases, 90 were more than 180 days old. In response to this condition in our preceding report, MVA implemented certain monitoring procedures and significant improvement has been noted; nevertheless, many appeals are still not being held timely.

The timely processing of suspensions and revocations, and the timely conduct of appeal hearings, are critical since licensees are allowed to retain their driving privileges until the suspensions or revocations are processed and while awaiting the outcome of their appeals. Similar conditions were noted in our preceding audit report.

State law requires that a licensee be notified and provided an opportunity to appeal a determination made by MVA to suspend or revoke his or her driver's license; such hearings are generally required to be scheduled within 45 days of the notification, during which time the suspension or revocation is stayed.

#### **Recommendation 5**

**We again recommend that MVA ensure that suspensions and revocations are processed timely (that is, no later than 60 days after receiving notifications of convictions). Additionally, we again recommend that MVA, in conjunction with the OAH, establish a process to help ensure that hearings related to appeals of license suspensions and revocations are conducted timely as required by State law.**

#### **Finding 6**

**MVA did not take adequate steps to suspend the driver's licenses of certain individuals repeatedly in arrears in making child support payments.**

#### **Analysis**

MVA did not take adequate steps to suspend the driver's licenses of certain individuals repeatedly in arrears in making child support payments. MVA received periodic listings of child support violators from the Department of Human Resources – Child Support Enforcement Administration (CSEA) and conducted automated comparisons to match the soundex (driver's license) numbers with the related MVA records to initiate suspensions. While soundex numbers were generally included in the listings, in those instances when they

were not, MVA attempted to electronically match the child support violators with MVA records by matching the names and birth dates. Any names that could not be matched by one of these methods were reported to CSEA on a monthly rejection report for subsequent follow-up by CSEA. However, MVA did not use the social security numbers (SSNs) provided by CSEA in the match process. In this regard, our review of the October 2006 rejection report disclosed that 178 of the 1,432 individuals rejected by MVA as "non-matches" had a matching SSN and, therefore, should have been suspended at that time.

MVA management acknowledged that SSNs could be used as a means to match child support violators to related MVA licensing data. According to CSEA records, during fiscal year 2006, MVA imposed 24,074 driver's license suspensions related to non-payment of child support and CSEA collected \$22.8 million under this program.

#### **Recommendation 6**

**We recommend that, when soundex numbers are not available, MVA use available SSNs to match child support violators reported by CSEA to related MVA records so that the related driver's licenses can be identified and suspended. We also recommend that MVA investigate the aforementioned 178 individuals that we identified during our review, and take appropriate action.**

#### **Finding 7 (Policy Issue)**

**MVA needs to address excessive delays in the judicial process, which resulted in penalties—such as license suspensions—being postponed for extended periods.**

#### **Analysis**

MVA did not monitor the timeliness of the judicial process for driving violations and did not attempt to address significant delays. During our review of suspensions and revocations processed by MVA, we noted that the conviction dates for driving violations were often several months or years after the violations had occurred. As a result, penalties (such as suspensions or revocations of driving privileges) were also delayed for extended periods, during which time these individuals were permitted to drive. (Further delays could occur as a result of appeals to the Office of Administrative Hearings, as addressed in Finding 5 of this report.)

For example, our test of 14 suspensions or revocations related to repeat DWI offenses disclosed that, for 10 of the cases, the convictions occurred from 178 to 844 days after the violations. Furthermore, these significant delays do not include

the time for MVA to process the suspensions or revocations after it had received the notifications of the convictions, nor did these delays include time for any subsequent appeals of the suspension or revocation decisions.

A similar condition was noted in our preceding audit report. MVA management advised us that it is aware of the delays but it does not believe it has the authority and/or responsibility to address them. While the delays may primarily be judicial scheduling issues, we continue to believe that MVA, as the entity responsible for licensing drivers in the State, has an obligation to monitor the timeliness of such proceedings and to work in conjunction with the management of the Judiciary to address this issue. We also believe that these delays (including those involving the Office of Administrative Hearings) should be periodically reported to the appropriate legislative committees; however, MVA had not reported the delays to the appropriate legislative committees.

#### **Recommendation 7**

**We again recommend that MVA monitor the timeliness of the judicial process for driving violations. We further again recommend that MVA work, in conjunction with Judiciary, to address this issue. Finally, we again recommend that MVA periodically report delays in the conviction and appeal processes to the appropriate legislative committees.**

## **Vehicle Titling and Registration**

### **Background**

State law provides that MVA shall assess an excise tax of five percent on the purchase price of vehicles for which a Maryland certificate of title is issued, in addition to assessing registration and titling fees. All vehicle dealerships are licensed by MVA and are responsible for collecting these excise taxes and related fees as vehicles are sold, and for subsequently remitting such collections to MVA within 30 days of the vehicle delivery dates. The law further provides that MVA may impose fines, not to exceed \$1,000, on dealerships for each title transaction in violation of the law (such as, for untimely remittance of taxes and fees).

MVA has contracted with two vendors to maintain an electronic vehicle registration and titling (ERT) system, which is used to interface between participating dealerships and MVA. The vendors are paid by the dealers and are responsible for the electronic transfer of taxes and fees collected by the participating dealerships to MVA. The dealerships that do not use the ERT system manually complete title and registration forms and submit them to an MVA branch for processing.

According to MVA records, as of May 2007, approximately 2,160 licensed vehicle dealerships collected and remitted excise taxes and titling and registration fees to MVA, of which approximately 1,100 participated in the ERT program, including 312 out-of-state dealerships; during fiscal year 2006, MVA collected vehicle excise taxes and related fees totaling approximately \$1.2 billion.

#### **Finding 8**

**MVA allowed vehicle dealerships to issue temporary tags (vehicle registrations) to ineligible individuals, in violation of State laws.**

#### **Analysis**

MVA allowed vehicle dealerships to issue temporary tags (vehicle registrations) to ineligible individuals, in violation of State laws. Typically, temporary tags are issued for 60-day periods. We were advised by MVA management that MVA branches are prohibited from issuing temporary tags to those individuals who are prohibited by State laws from obtaining permanent tags (for example, because of unresolved insurance lapses). However, no such restriction was placed on dealerships and, as a result, ineligible individuals were granted temporary registrations until their expirations, at which time the permanent registrations would be denied.

State laws that prohibit the registration of vehicles to these individuals do not differentiate between permanent and temporary registrations. In this regard, we contacted one large ERT dealership and it advised us that it routinely issues temporary tags when the system denies requests for permanent registrations. According to MVA records, during fiscal year 2006, there were 417,428 temporary tags issued to dealerships for customer issuance.

#### **Recommendation 8**

**We recommend that MVA establish procedures to ensure that dealerships discontinue the practice of awarding temporary tags to ineligible individuals.**

#### **Finding 9**

**MVA waived dealership late payment fines, totaling approximately \$824,000, without a review of the related documentation, and system reports were not adequate to identify certain other late payments.**

#### **Analysis**

MVA waived approximately \$824,000 in late payment fines during a nine-month period without a review of the related documentation. In addition, automated late payment reports were not adequate to identify certain other late payments. Specifically, our review disclosed the following conditions:

- MVA waived all late payment fines due from ERT dealerships during the period from July 2005 through March 2006 without reviewing the related documentation. Based on MVA records, we estimated that these waived fines totaled \$824,000. The waivers were awarded during this time to allow the transition of a change in the ERT system. Specifically, the system was revised to require vehicle delivery dates to be entered into the ERT system by the dealerships. Previously, this date defaulted to the date of data entry. Because this date is used to determine the timeliness of the remittance of taxes and fees collected, MVA decided to waive all late payment fines during this transition period rather than risk improperly assessing dealership fines.

However, our test of 25 of the waived late payment fines, totaling \$5,531, disclosed that all of the fines were legitimate. That is, based on supporting documentation, in all instances the dealerships had submitted the payments late. Therefore, we believe that MVA should have assessed the fines and allowed the dealerships to provide documentation to support any identified late transactions that resulted from data entry errors.

- Automated reports used by MVA to identify dealership late payments and to assess related fines did not include out-of-state dealerships. In addition, if ERT dealerships failed to record vehicle delivery dates in the system, the transactions were not identified on the automated reports; as of May 2007, there were 312 out-of-state dealerships participating in ERT. Similar conditions regarding deficiencies with the automated reports were noted in our preceding audit report.

#### **Recommendation 9**

**We recommend that MVA determine whether the aforementioned improperly waived fines from the dealers can be recovered and take appropriate action. In addition, we again recommend that MVA modify its late payment reporting system to identify late payments by out-of-state dealers. Finally, we recommend that MVA modify the automated system to require dealers to enter delivery dates or, at least, to identify transactions with no dates so that they can be manually reviewed.**

#### **Finding 10**

**Audits of licensed vehicle dealerships were not comprehensive to help ensure the proper assessment and collection of vehicle excise taxes and related fees.**

#### **Analysis**

Audits of licensed vehicle dealerships were not comprehensive. MVA's internal auditing unit conducts periodic audits of new and used vehicle dealerships

licensed by MVA, primarily to ensure that they process vehicle titling and registration transactions, including the assessment of excise taxes and related fees, in accordance with applicable State laws. Our review of the policies and procedures for conducting these audits disclosed the following conditions:

- MVA's audit prioritization and scheduling process did not include approximately 700 licensed dealers and, as a result, these dealers were not subject to audit. Furthermore, critical factors used to determine the frequency of the audits (such as sales volume) were incomplete and outdated. For example, such factors were generally based on information obtained during the previous dealership audits, which may have occurred three or more years previously. As a result, these audits may not be conducted at appropriate intervals.
- As of June 2007, MVA had not conducted audits of the 312 licensed out-of-state dealerships participating in the ERT program. (These dealerships were among the aforementioned 700 dealerships that were not included in MVA's audit schedule.) While MVA had conducted on-site reviews of tag accountability at 17 of these out-of-state dealerships during the audit period, the reviews did not include other significant procedures, such as verifying that excise taxes remitted were accurate and that related information was properly recorded in the ERT system.
- MVA did not always increase its testing of vehicle sales transactions when errors were identified during the audits, as required by an April 2006 memo issued by the director of its internal auditing unit. This memo required the auditor to test an additional 30 transactions when two or more discrepancies with taxes due of \$25 or more were noted in the initial test. However, we noted that MVA did not extend testing for five of the six audits we reviewed in which two or more errors were initially identified. For example, during one dealership audit, MVA determined that the dealership had under-assessed the excise taxes due on the related vehicle sales for 19 of 33 transactions tested. Despite the high rate of occurrence (58 percent), additional testing was not performed to determine the full extent to which the dealership was in violation of State laws and regulations governing the collection and remittance of excise taxes and fees to MVA.

Because of these auditing deficiencies, there was reduced assurance that the excise taxes and titling and registration fees assessed by vehicle dealerships were proper and were remitted timely. Similar conditions were noted in our preceding audit report.

### **Recommendation 10**

**We again recommend that MVA ensure that all dealerships are included in the audit prioritization and scheduling process and that MVA periodically audit all vehicle dealerships, including out-of-state dealerships participating in the ERT program. We also again recommend that MVA include in its audit prioritization process all relevant factors and current data to ensure that vehicle dealership audits are performed at appropriate intervals. We further again recommend that, when initial tests of dealership sales transactions disclose excessive numbers of errors, MVA extend its testing procedures to better determine the extent to which the dealership may have violated applicable State laws.**

## **Insurance Compliance**

### **Background**

State law provides that the owner of a motor vehicle that is registered in the State shall maintain the required insurance coverage for the vehicle during the registration period. In addition, the law requires insurance providers to notify MVA of all lapses in vehicle insurance coverage, and for MVA to suspend the registrations of those vehicles for which lapses are reported until the required coverage is replaced and the vehicle owner submits related supporting documentation to MVA. The law further requires MVA to notify the vehicle owner of the registration suspension and for the owner to surrender to MVA the vehicle registration (vehicle license plates) within 48 hours of such notification.

State law also authorizes MVA to assess a penalty fee when a vehicle's insurance terminates or otherwise lapses during the registration period, unless documentation is provided that justifies the lack of coverage (such as evidence from a repair facility that the vehicle was out of service). The penalty fee assessed is \$150 for each uninsured vehicle for a period of 1 to 30 days and, thereafter, an additional \$7 per day; the maximum penalty is \$2,500 for a 12-month period. The law further states that, after the violation date, and until the penalty is paid, MVA may not issue or renew a registration for any vehicle that is owned or co-owned by the violator.

The period for which a penalty is assessed begins with the lapse date reported by the insurance provider and ends with one of the following dates: the date insurance coverage was resumed, the date the vehicle owner surrendered the registration and license tags for the uninsured vehicle, or the date the vehicle registration expired. MVA's records indicate that, during calendar year 2006, collections applicable to uninsured motorist penalty fees, including collections of the Department of Budget and Management's Central Collection Unit (CCU),

totaled \$87 million. Deficiencies relating to the assessment and collection of uninsured motorist penalty fees have been included in MVA's audit reports since 1989.

**Finding 11**

**MVA did not take timely action to suspend vehicle registrations when lapses in vehicle insurance coverage were identified, and procedures were not in place to ensure that insurance lapses were properly processed.**

**Analysis**

MVA did not have adequate procedures for processing notifications of lapses in vehicle insurance coverage to ensure that vehicle registrations were processed timely and properly. Our audit disclosed the following conditions:

- Although State law requires MVA to immediately suspend the registration of any vehicle for which the related insurance is terminated or otherwise lapses, it was MVA's practice to wait between 70 and 115 days to do so. For example, MVA generally waited 45 days before it sent the first of two written notifications to the applicable vehicle owners, during which time it reviewed any new insurance policy information provided by insurance providers. Furthermore, each of the notifications granted vehicle owners up to 30 days to respond (a total of 60 days), and the registrations were suspended 10 days later.

While vehicle owners may require some minimal time to remit insurance information to MVA, we believe that deferring the suspensions of related vehicle registrations for almost four months (that is, up to 115 days) is not in accordance with the spirit of the law. In response to a similar condition in our preceding audit report, MVA obtained an advice of counsel that stated a suspension should be processed no later than 45 days after the insurance company notifies MVA of the lapse.

- Prior to April 2006, MVA did not recover evidence of registrations (that is, license plates) from uninsured vehicles when the vehicle owners failed to respond to related notifications. Furthermore, recovery efforts subsequent to this time have been limited primarily to larger subdivisions. According to MVA Management, license plates were recovered from about 10 percent of the uninsured vehicles during fiscal year 2007. State law requires that, if an owner fails to surrender a vehicle registration within 48 hours of a notification of suspension of registration, MVA shall attempt to recover evidence of registration. A similar condition was noted in our preceding audit report.

- Independent supervisory reviews were not performed to ensure the proper processing of insurance lapse information. Lapses of insurance reported to MVA were assigned to staff employees for processing. These employees had the authority to close certain cases (for example, if the lapse was only a few days) without conducting an investigation and without obtaining supervisory approval. In addition, MVA did not confirm, at least on a test basis, the propriety of documentation submitted by motorists to document the existence of insurance coverage and/or to document that no lapse in insurance occurred. As a result, there was a lack of assurance that all insurance lapses were properly processed. Similar conditions were noted in our preceding audit report.

#### **Recommendation 11**

**We recommend that MVA suspend vehicle registrations for uninsured vehicles no later than 45 days after notification by an insurance company, as required by the advice of counsel that it received. We also recommend that MVA attempt to recover the license plates from vehicle owners who fail to surrender them within 48 hours of the notification of suspension to MVA. Furthermore, we again recommend that independent supervisory reviews be performed to ensure the proper processing of insurance lapse information. Finally, we again recommend that MVA consider obtaining confirmation directly from the applicable third party to substantiate the propriety of insurance documentation submitted by vehicle owners, at least on a test basis.**

#### **Finding 12**

**MVA failed to assess and pursue recovery of uninsured motorist penalties in a timely manner and related waivers of such penalties were not always issued in accordance with State regulations.**

#### **Analysis**

MVA failed to assess and pursue recovery of uninsured motorist penalties in a timely manner and related waivers of such penalties were not always issued in accordance with State regulations. Specifically, our review disclosed the following conditions:

- MVA did not assess and/or pursue recovery of uninsured motorist penalties in a timely manner. Specifically, MVA's procedure was to wait until an event occurred (such as notification of new insurance coverage for the vehicle or the expiration of the vehicle registration) before assessing any uninsured motorist penalties so that the final penalty amount could be calculated. As a result, up to two years could pass from the date of the insurance lapse (the duration of

the normal registration period) before a motorist receives the related uninsured motorist penalty assessment. Our test of 10 vehicle owners who had uninsured motorist penalties referred to CCU during fiscal year 2007 disclosed that, for 4 owners, the initial assessments were made between 283 and 621 days after MVA was notified of the lapses. Furthermore, even when the assessments were timely, MVA did not refer the accounts to CCU in a timely manner. For example, for the other 6 cases of the 10 tested above, the delinquent debts were forwarded to CCU approximately 250 days after the related assessments. A similar condition regarding referrals to CCU was noted in our preceding audit report.

While CCU was aware of MVA's assessment practice, this is not consistent with the normal State collection process which generally requires that an initial demand for payment be made when the debt is incurred and thereafter at 30 day intervals, and that outstanding debts be referred to CCU for further collection activity within 75 days of the initial demand. We believe that the penalties should be assessed and invoiced on a periodic basis throughout the insurance lapse period to provide timely notification to the uninsured motorist, and that the accounts should be forwarded to CCU in a timely manner.

- Our test of 26 insurance penalty waivers, totaling \$97,580, disclosed that 9 waivers, totaling \$25,890, were not issued in accordance with State regulations. Specifically, the 9 waivers were awarded based on certified statements from the vehicle owners that the vehicles were not driven during the lapse periods. However, State regulations require that a waiver granted for inoperable vehicles be based on a certified statement from a third party (such as a repair facility). Additionally, there was no documentation that MVA attempted to determine whether the vehicles had been driven (such as by reviewing the driver records for violations) as required by MVA procedures. In this regard, our review disclosed that one of the vehicles, with penalties totaling \$4,956, had been issued two citations for moving violations during the period certified as not being driven. A similar condition was noted in our preceding audit report.

### **Recommendation 12**

**We recommend that MVA assess uninsured motorist penalties in a timely manner. In this regard, we recommend that MVA work with CCU to develop a better method of assessing and collecting uninsured motorist penalties. In addition, we again recommend that MVA adhere to CCU regulations for referring delinquent accounts for collection assistance. We further recommend that MVA ensure that waivers of such penalties are issued in accordance with State regulations, review the aforementioned improperly-issued waivers, and take appropriate corrective action.**

## Vehicle Emissions Inspection Program (VEIP)

### **Finding 13**

**MVA lacked adequate controls over waivers of vehicle inspections and related late fee penalties granted to vehicle owners by the VEIP contractor.**

### **Analysis**

MVA lacked adequate controls over waivers of vehicle inspections and related late fee penalties granted to vehicle owners by the private contractor managing the vehicle emissions inspection program (VEIP). Specifically, MVA generally did not review and approve late fee penalty waivers that were granted to vehicle owners by the VEIP contractor (such as when the vehicle was inoperative). In this regard, while MVA's internal audit unit performed periodic audits of the contractor, only two such audits were conducted during the audit period. A recent audit, conducted in October 2006, identified 87 waivers totaling \$5,130 processed at one VEIP station in June 2006, for which adequate supporting documentation was not on file to support the fee waivers. According to MVA records, during calendar year 2006, 56,400 program late fees, totaling approximately \$3.7 million, were waived.

We further noted that MVA did not verify the propriety of inspection waivers (waivers from performing the inspection) awarded by the VEIP contractor. According to MVA records, during calendar year 2006, approximately 76,000 inspection waivers were awarded by the contractor. State law provides for waivers to be awarded to disabled individuals, to senior citizens over the age of 70, and for vehicles that fail the emissions test for which the owner attempted to fix the vehicle without success.

MVA contracted with a private company to operate and manage VEIP. The VEIP contractor receives a monthly management fee of \$1.7 million (\$20.4 million annually) regardless of the number of inspections performed or the amount of fees collected. The related contract provides that the contractor shall collect and retain program inspection fees (\$14 per vehicle) and credit the fees collected against the monthly management fee to determine the amount owed to or by MVA. According to MVA records, during calendar year 2006, program inspection fees and late fees totaled approximately \$19.9 million and \$7.1 million, respectively; approximately 1.5 million vehicles were inspected during fiscal year 2006.

### **Recommendation 13**

**We recommend that MVA establish procedures to verify the propriety of late fee waivers and inspection waivers awarded by the VEIP contractor, at least on a test basis.**

## **Information Systems Security and Control – Mainframe Applications**

### **Background**

The Department of Transportation – Office of Transportation Technology Services (OTTS) provides computing resources to MVA. Specifically, OTTS operates a mainframe computer for MVA applications, which include the Titling and Registration Information System and the Driver’s Licensing Processing System. MVA’s Office of Information Resources (OIR) provides the related information technology services. OIR’s staff operates and maintains various applications, servers, and networks throughout MVA’s numerous locations, including its headquarters and its branch offices throughout the State.

### **Finding 14**

**Access and monitoring controls over critical mainframe production files need improvement.**

### **Analysis**

Access and monitoring controls over critical mainframe production files need improvement. Specifically, we noted the following conditions:

- Fifty-five MVA and Department of Transportation – Office of Transportation Technology Services (OTTS) userids had unnecessary, logged direct modification access to the daily outstanding arrest warrant interface file. Using information received daily from law enforcement agencies, this file updates the MVA system, which suspends (by flagging) the driver’s licenses and vehicle registrations of individuals with outstanding arrest warrants. Improper modification access to this interface file could allow individuals with such warrants to continue to maintain valid driver’s licenses and vehicle registrations.
- The procedures for the review, investigation, and follow-up of direct file accesses against critical files (such as the driver’s license file), as recorded on an important daily security report, were inadequate. Changes to critical mainframe files identified on this report either were not reviewed at all or were reviewed on a cursory basis. Specifically, reviews were performed for only two or three days of activity each week and were limited to entries with unfamiliar names and entries selected at random. As a result, unauthorized changes made to critical production files might not be detected by management. A similar condition was noted in our two preceding audit reports.

- MVA did not receive from OTTS the mainframe security report, which identifies all additions, deletions, and changes to access rules over critical mainframe files. In this regard, MVA requested OTTS to make changes to access rules; however, no independent employee at OTTS or MVA reviewed and approved these changes. Consequently, there was a complete lack of assurance as to the propriety of any changes that were made to the access rules.

#### **Recommendation 14**

**We recommend that MVA implement appropriate access and monitoring controls over critical mainframe production files. Accordingly, we made detailed recommendations to MVA which, if implemented, should provide the necessary access and monitoring controls.**

### **Information Systems Security and Control - *eMVA Store***

#### **Background**

The MVA website on the Internet has links to the *eMVA Store*, which provides online services to the public. Online payments made via the *eMVA Store* website totaled approximately \$62 million in fiscal year 2006. Listed below are some of the key online services available through the *eMVA Store* as of February 9, 2007.

- Payment of an administrative fee (such as for an unpaid parking ticket)
- Renewing a vehicle's registration
- Obtaining a copy of a driving record
- Purchasing a county pride sticker
- Ordering a replacement title
- Ordering a duplicate registration card
- Ordering a bay and agriculture license plate

Payment for these services can be made via credit card or electronic check (eCheck). The eCheck payment option allows MVA to electronically withdraw the amount of the transaction sales price from the customer's checking account.

MVA uses a contractual information systems service provider, operating at an offsite location, to maintain the infrastructure, critical servers, and software that support the *eMVA Store*. In this regard, the Department of Budget and Management (DBM) has issued *Information Technology Security Policy and Standards* for State executive branch agencies, which also applies to information technology operations performed by contractors on behalf of these agencies.

**Finding 15**

**MVA's contract for hosting the MVA website and the *eMVA Store* did not include provisions for periodic audits of online security, resulting in potential vulnerability of sensitive information.**

**Analysis**

MVA's contract for hosting the MVA website and the *eMVA Store* did not include provisions for periodic audits of online security, resulting in potential vulnerability of sensitive information. MVA entered into a memorandum of understanding (MOU) with an information systems service provider to maintain the MVA website and *eMVA Store*. The provider's duties included the processing of online transactions (such as vehicle registration renewals) and, as a result, the capture of sensitive information (such as credit card numbers and bank account information). However, the MOU did not provide for annual independent audits of online security controls to ensure, for example, that sensitive information was properly safeguarded. Lack of such audits is significant because, as noted in the following findings in this report, numerous information systems security and control deficiencies existed, including the potential vulnerability of sensitive information.

**Recommendation 15**

**We recommend that MVA ensure that the MOU with the aforementioned information systems service provider includes provisions for annual independent audits of online security controls. We also recommend that MVA ensure that such audits are conducted and that any significant deficiencies identified are promptly corrected.**

**Finding 16**

**Sensitive personal and financial information of *eMVA Store* customers was unnecessarily stored in clear text on *eMVA Store* related servers.**

**Analysis**

*eMVA Store* customers' sensitive personal and financial information was unnecessarily stored in clear text on *eMVA Store* related servers maintained by the service provider. Specifically, we noted the following conditions:

- Credit card customers' names, account numbers, and account expiration dates, as well as drivers' names and license numbers, were unnecessarily stored in clear text in log files on one critical *eMVA Store* server. Our limited review identified approximately 269,000 credit card transactions and 64 instances of driver information being retained in log files on this server. Security for

public application credit card data has been addressed by the Payment Card Industry's (PCI) Security Standards Council. According to PCI's best practices, cardholder data should not be stored unless absolutely necessary; if partial information needs to be retained, cardholder data storage should be kept to a minimum, such data should be truncated, and it should be stored in an unreadable format.

- Customer bank account and driver's license information were unnecessarily stored in clear text on another critical *eMVA Store* server. Specifically, our selective review of some, but not all, of this server's files disclosed that they contained the customer names, bank account numbers, bank routing numbers, driver's license numbers, dates of birth, addresses, vehicle tag numbers, and vehicle information numbers. The files reviewed by us contained approximately 42,500 records with customers' bank account information and 468,000 records with driver's license information.

This sensitive personal and financial information residing on these two servers is commonly sought by criminals for use in identity theft. Accordingly, appropriate information system security controls need to exist to ensure that this information is safeguarded and is not improperly disclosed. The significance of these conditions is elevated due to the lack of other effective controls cited in this report.

#### **Recommendation 16**

**We recommend that MVA work with its service provider to ensure that customers' sensitive information is adequately secured. Specifically, the service provider should remove existing sensitive customer information from its systems, or should encrypt and appropriately protect all such sensitive information, and/or retain only partial information.**

#### **Finding 17**

**Security measures to protect critical *eMVA Store* application servers were not adequate.**

#### **Analysis**

Adequate security measures did not exist to protect the critical *eMVA Store* application server from external and internal exposures. Specifically, we noted that web application security tools were not used to help safeguard the *eMVA Store* application. In this regard, a web application vulnerability scanner had not been used to help determine the existence of potentially serious web application security vulnerabilities within the *eMVA Store* application.

On December 1, 2006, we used a nationally recognized web application software vulnerability scanner to scan the *eMVA Store* web application for web-based vulnerabilities. This scan identified 63 instances of potential web-based vulnerabilities that, if exploited, could compromise the data stored in the *eMVA Store*. We provided MVA with the detailed results of our scan.

Furthermore, a web application firewall (WAF) was not used to help protect the *eMVA Store* application. WAFs examine and compare web traffic to programmed security policies and rules, and only allow traffic through the firewall that passes the security policies and rules. Security experts recommend that organizations consider adoption of such WAFs for protecting critical applications.

Security experts have identified web-based applications as an area targeted for increased security attacks and exploits. Increasingly, a greater focus is being placed on security for such applications.

#### **Recommendation 17**

**We recommend that MVA, with the *eMVA Store* service provider, review the detailed results of the aforementioned scan, independently verify the authenticity of the reported findings, and address all verified, significant vulnerabilities. We also recommend that MVA require the *eMVA Store* contractor to periodically use a web application software vulnerability scanning tool to assess the *eMVA Store* for vulnerabilities. Furthermore, we recommend that generated scanning results be followed up, resolved, documented, and retained for subsequent audit verification. Finally, we recommend that MVA consider the acquisition and use of a web application firewall to help protect its critical web-enabled systems.**

#### **Finding 18**

**Critical software, which supported the *eMVA Store*, was out of date.**

#### **Analysis**

Critical software, which supported the *eMVA Store*, was either no longer supported by the vendor or had not been updated for critical software patches and fixes. Specifically, we noted the following conditions:

- The firewall used to protect the *eMVA Store* critical servers was a software firewall operating on a server. The firewall software vendor discontinued support for the installed firewall software, effective February 28, 2003. As a result, the firewall software was in use for a period of over four years, during which time patches, fixes, and general software updates did not exist.

- The vendor for the operating system software for the aforementioned server discontinued support for the installed operating system software effective December 31, 2004. As a result, the operating system software on this server was in use for a period of over two years during which time patches and fixes and general software updates did not exist.
- As of November 2006, the operating system software and the web server software on another *eMVA Store* server (that is, the web application server) had not been updated to fix numerous security concerns. For example, the operating system had not been updated since October 14, 2004, and our review of a national vulnerability database disclosed that 37 high or medium risk severity vulnerabilities were identified for this operating system software.

As a result of these conditions, the firewall used to protect the *eMVA Store* critical servers, and the servers themselves, were vulnerable to security exploits. Industry practices for supported products include fixes for security problems and software errors (such as security patches and hot fixes). Accordingly, installations are advised to operate security software products which continue to receive ongoing vendor support. Furthermore, DBM's *Security Policy and Standards* requires that critical devices have software patches and updates installed on a timely basis to correct significant security flaws.

#### **Recommendation 18**

**We recommend that MVA ensure that the *eMVA Store* service provider complies with the aforementioned *Security Policy and Standards* and updates the software on all critical *eMVA Store* devices and keeps such software up to date.**

#### **Finding 19**

**Monitoring and control over critical *eMVA Store* components were not adequate.**

#### **Analysis**

Monitoring and control over critical *eMVA Store* components were not adequate. Specifically, we noted the following conditions:

- Service provider personnel advised us that they only performed manual reviews of the *eMVA Store* web server's log files on a monthly basis. In addition, documentation did not exist to substantiate that these reviews were performed. Daily reviews of these log files using automated tools would improve reliability.

- The *eMVA Store* web application server operating system's log settings were configured to retain only two days worth of logged information. In addition, service provider personnel advised us that they reviewed these logs on a monthly basis and that the review process was not documented. As a result, the vast majority of logged information was not subject to review.

As a result of these conditions, MVA was not in compliance with DBM's *Security Policy and Standards*, which requires that each agency establish a review process of security audit logs at least once each business day using automated tools to facilitate the review where possible.

### **Recommendation 19**

**We recommend that MVA require its *eMVA Store* service provider to log and retain (for a reasonable period) critical security events for its key *eMVA Store* servers. We also recommend that reviews of these logs be performed (using automated tools where possible) on a timely basis, and that such reviews be documented and retained for subsequent verification.**

### **Finding 20**

**Access to the *eMVA Store* critical servers and database was not properly restricted.**

### **Analysis**

Access to the *eMVA Store*'s critical servers and database was not properly restricted. Specifically, we noted the following conditions:

- Critical network devices on the *eMVA Store* network, which were used to filter network traffic to the *eMVA Store* critical servers, did not adequately restrict such traffic from both internal and external users. For example, we determined that access rules on one such device allowed 23 service provider employees unnecessary access to these critical servers.
- A default user group, which includes all users (such as the service provider's employees and the general public) who have access to the *eMVA Store* web application server (which housed sensitive credit card data), had unnecessary file modification access to several critical operating system files on this server. These unauthorized changes could result in the disclosure/alteration or destruction of sensitive information.
- A default administrative database account had full access to the *eMVA Store* database. Since this account, by default, includes local server administrators, all local administrators on the database server had full administrative access to

this database. In addition, any attacker able to achieve local administrator privileges would automatically have full administrative access to this database and could perform unauthorized modifications to critical data.

#### **Recommendation 20**

**We recommend that access to all critical components of the *eMVA Store* system be limited to personnel whose job duties require such capabilities.**

#### **Finding 21**

**Controls over the use of a third party to process *eMVA Store* credit card payments were inadequate.**

#### **Analysis**

Controls over the use of a third party to process *eMVA Store* credit card payments were inadequate. As previously noted, payments to the *eMVA Store* can be made via credit card. MVA and its *eMVA Store* service provider use a nationally-recognized third party to process all credit card transactions. Specifically, we noted the following conditions:

- The *eMVA Store* contractual information systems service provider did not maintain one account for *eMVA Store* credit card payment processing and a separate account for service management of those transactions. The one account that was maintained, and its related password, were stored in clear text on log files on the *eMVA Store* web server. If the *eMVA Store* server was compromised, there is increased risk of discovery of this one account, and its password which, if obtained, would allow an attacker to alter the MVA's credit card verification and payment settings. These credit card verification and payment settings are established and maintained through use of the service management account. We were advised by the third-party firm that processes credit card payments that separate accounts should be established for credit card processing and for service management to limit security risks, and that the service management account and password should not be stored on a publicly accessible server.
- Even though the firm that processes credit card transactions allows merchants (including MVA) to specify the Internet addresses which should have access to the service management account, MVA did not exercise this option. Use of the MVA service management account should be limited to specific Internet addresses, which would enhance security over who could attempt to use this account.

- The firm that processes credit card transactions allows merchants to electronically prevent the processing of refunds (that is, credits); however, MVA did not exercise this option on the *eMVA Store*. In the event that the website application was compromised, attacker(s) could potentially make unauthorized changes to the application to generate credit transactions that would otherwise not be possible based upon the application's original design.

### **Recommendation 21**

**We recommend that MVA use separate accounts for application (that is, credit card) processing and for service management. Additionally, we recommend that the service management and application processing accounts and passwords not be stored on a publicly accessible server or in clear text. We also recommend that MVA notify the third-party firm processing credit cards of the specific Internet addresses that should have access to the service management account. Finally, we recommend that MVA amend the service management option to prevent the processing of refunds for the *eMVA Store*.**

## **Cash Receipts**

### **Finding 22**

**Procedures and controls over collections need improvement.**

### **Analysis**

Procedures and controls over collections need improvement. According to its records, MVA's cash collections throughout the State, which primarily related to vehicle titling and registration transactions, totaled \$582 million during fiscal year 2006 (excluding electronic funds transfers). During our audit, we reviewed the procedures and controls over cash receipts collected by mail at MVA headquarters, which totaled \$96 million during fiscal year 2006, and certain cash collection procedures and controls at three branch locations, which collected cash receipts totaling \$114 million during fiscal year 2006. Our review disclosed the following conditions:

- Numerous employees at the four locations reviewed, including MVA headquarters, had unrestricted access to collections. For example, at one branch, seven employees had unrestricted access to the building and knew the combination to the safe. Consequently, there was a lack of accountability should funds be misappropriated. In this regard, we noted three instances during our audit period in which collections, totaling approximately \$2,000, were missing from a safe and MVA was unable to determine who was responsible for the missing funds.

- As of January 2007, written logs of collections placed in safes at one of the four locations had not been completed since September 2006. The logs are to be signed by the employee and the supervisor, and are to be used to establish accountability in the event that an employee's funds are misplaced or misappropriated.
- MVA did not always take adequate disciplinary actions for cashier shortages and overages in accordance with MVA policy. Specifically, our test of MVA's monitoring of 17 employees at several MVA branches who had numerous shortages and overages during the period from January 2004 through June 2006 disclosed that disciplinary action taken for 10 of the employees was not in accordance with MVA's *Cashier Shortage and Overage Policy*. This *Policy* requires that disciplinary action be progressive and cumulative.
- MVA did not adequately follow up on a February 12, 2004 deposit bag, containing \$15,741 that was identified as missing in March 2004. MVA's internal audit unit conducted a review of the missing deposit bag, but because of existing internal control deficiencies, the unit was unable to identify the disposition of the deposit or the employee responsible for the missing funds. We were advised that, while the internal audit unit referred the matter to MVA's Investigative and Security Services Unit, this Unit never conducted a review of the missing deposit because branch management advised the Unit that the deposit bag had been found subsequent to the internal audit. However, the Unit did not obtain documentation to support the subsequent deposit of these funds and the branch could not provide us with such documentation. As a result, there is a lack of assurance as to the disposition of the funds.

## **Recommendation 22**

**We recommend that MVA establish procedures that ensure the accountability of funds. In addition, we recommend that all branch locations maintain complete and accurate signature logs to establish accountability over collections in branch safes. We also recommend that MVA follow its *Cashier Shortage and Overage Policy* and take appropriate disciplinary action when overages and shortages are identified. Furthermore, we recommend that MVA review the aforementioned overages and shortages and determine whether additional action is warranted. Finally, we recommend that MVA determine the disposition of the aforementioned missing deposit bag and take appropriate corrective action, if warranted.**

## Fraud Investigations

### **Finding 23**

**MVA did not always sufficiently investigate possible fraudulent activity and did not always refer such activity to the required State officials.**

### **Analysis**

MVA did not always sufficiently investigate possible fraudulent activity and did not always refer evidence of possible criminal conduct to the appropriate State officials, as required. We reviewed ten internal investigations, conducted by MVA's Investigative and Security Services Division, of possible criminal or unethical conduct by MVA employees. We noted three instances in which the investigations resulted in the termination and/or prosecution of the employees. However, in all ten investigations, additional testing was not conducted beyond the specific transactions that were the subject of the initial investigations, to determine the existence of any additional fraudulent transactions. This is significant because several cases were not prosecuted due to the small dollar amount of the specific transactions investigated.

Our review of these investigations also disclosed that MVA did not always refer evidence of possible criminal conduct by these employees to the Office of the Attorney General – Criminal Division and/or the Governor's Chief Counsel, as required by Governor's Executive Order 01.01.2003.13. (This Executive Order was recently rescinded and replaced by Executive Order 01.01.2007.01, with similar provisions). For example, as of April 24, 2007, MVA had not referred evidence concerning an allegation it received in July 30, 2004 that an employee had issued fraudulent inspection certificates. In addition, we noted another case where an employee allegedly used her status as an MVA employee to perpetuate identity theft; however, MVA did not notify the applicable State officials. These two individuals no longer work for MVA. A similar condition regarding the failure to refer cases to appropriate State officials was noted in our preceding audit report.

### **Recommendation 23**

**We recommend that MVA expand testing for internal investigations when evidence of possible criminal conduct by MVA employees is identified. In addition, we again recommend that MVA comply with applicable disclosure requirements and refer all evidence of possible criminal or unethical conduct by employees, including the aforementioned incidents, to appropriate State officials.**

## Purchases and Disbursements

### **Finding 24**

**Proper internal controls were not established over purchasing and disbursement transactions.**

#### **Analysis**

MVA did not fully use the available security features of the Maryland Department of Transportation's Financial Management Information Systems (FMIS) to restrict user access and to prevent unauthorized disbursement transactions. Specifically, seven employees could process certain purchasing and disbursement transactions without independent online approvals. In addition, two of these employees could also release the disbursements to the Comptroller of the Treasury – General Accounting Division for payment. As a result, these employees could process unauthorized transactions which may not be readily detected. According to the State's accounting records, during fiscal year 2006, MVA used FMIS to process approximately \$46 million in transactions. A similar condition was noted in our preceding audit report.

#### **Recommendation 24**

**We again recommend that MVA fully use the available FMIS security features by establishing independent online approval requirements for all critical purchasing and disbursement transactions.**

## Equipment

### **Finding 25**

**MVA did not complete physical inventories or investigate missing equipment as required.**

#### **Analysis**

MVA did not complete physical inventories or investigate missing equipment as required. Specifically, MVA had not conducted a complete physical inventory of its equipment, including sensitive items, since 2004. Although MVA began performing a physical inventory in September 2006, as of June 2007, MVA had not completed the inventory.

MVA also did not investigate missing items noted during its 2004 physical inventory. During that inventory, MVA noted that 8,967 items (including sensitive items such as computer equipment), with a value of approximately \$10.5 million, were missing. Although MVA received authorization from the

Department of General Services (DGS), and subsequently deleted these items from the inventory records, we were advised by MVA management that no investigation was performed after the initial attempt to sight the equipment during the physical inventory. In this regard, we were advised that, during the September 2006 inventory, MVA located about half of the items that had been written off as missing.

The DGS *Inventory Control Manual* requires physical inventories of sensitive equipment items be taken at least once each year and that inventories of non-sensitive equipment items be taken at least once every three years. The *Manual* further requires agencies to investigate missing property and to properly safeguard and account for all State property.

**Recommendation 25**

**We recommend that MVA comply with the requirements of the *Inventory Control Manual*.**

## **Audit Scope, Objectives, and Methodology**

We have audited the Motor Vehicle Administration (MVA) for the period beginning January 1, 2004 and ending November 30, 2006. The audit was conducted in accordance with generally accepted government auditing standards.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MVA's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the current status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of MVA's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain payroll support services provided by the State Highway Administration to MVA. These payroll support services are included within the scope of our audit of the State Highway Administration. In addition, we did not audit MVA's federal financial assistance programs for compliance with federal laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies. We also did not review MVA's Commercial Driver's License (CDL) Program for compliance with federal laws and regulations because it is regulated and monitored by the Federal Motor Carrier Safety Administration.

Our audit scope was limited with respect to MVA's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during a portion of the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all MVA cash transactions prior to July 1, 2005 were accounted for and properly recorded on the related State accounting records as well as the banks' records.

MVA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MVA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MVA that did not warrant inclusion in this report.

As a result of our audit, we determined that MVA's accountability and compliance level was unsatisfactory. The primary factors contributing to the unsatisfactory rating were the number and significance of our audit findings, and the number of repeat audit findings from our preceding audit report. Our rating conclusion has been made solely pursuant to the aforementioned law and rating guidelines approved by the Joint Audit Committee. The rating process is not a practice prescribed by professional auditing standards.

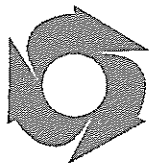
The Department's response, on behalf of MVA to our findings and recommendations, is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Department regarding the results of our review of its response.

## Exhibit A

Below is a schedule of significant violations committed by one individual while in the Ignition Interlock Program (IIP), as noted in Finding 1, for which no corrective action or follow-up (for example, warning letter) was taken by MVA. Rather, after serving the IIP 12-month term, this individual was sent a letter of congratulations for successfully completing the program and was returned to a normal driving status. The source for this information is monthly IIP vendor monitoring reports.

<b>September 2, 2005</b>	Administrative Hearing – Placed on IIP for 12 months
<b>September 26, 2005</b>	Installation of IIP device
<b>October 4, 2005</b>	Failed Breathalyzer – High Blood Alcohol Content (BAC)
<b>October 11, 2005</b>	Failed Breathalyzer – High BAC
<b>October 12, 2005</b>	Rolling Retest Refused
<b>November 1, 2005</b>	Failed Breathalyzer – High BAC
<b>November 9, 2005</b>	Rolling Retest Refused
<b>November 9, 2005</b>	Rolling Retest Refused
<b>November 13, 2005</b>	Failed Breathalyzer – High BAC
<b>November 18, 2005</b>	Rolling Retest Refused
<b>November 18, 2005</b>	Rolling Retest Refused
<b>November 18, 2005</b>	Rolling Retest Refused
<b>November 18, 2005</b>	Rolling Retest Refused
<b>November 18, 2005</b>	Rolling Retest Refused
<b>December 2, 2005</b>	Rolling Retest Refused
<b>December 22, 2005</b>	Rolling Retest Refused
<b>December 22, 2005</b>	Rolling Retest Refused
<b>December 30, 2005</b>	Rolling Retest Refused
<b>January 11, 2006</b>	Rolling Retest Refused
<b>January 12, 2006</b>	Rolling Retest Refused
<b>January 12, 2006</b>	Rolling Retest Refused
<b>January 19, 2006</b>	Failed Breathalyzer – High BAC
<b>January 26, 2006</b>	Rolling Retest Refused
<b>February 6, 2006</b>	Failed Breathalyzer – High BAC
<b>February 13, 2006</b>	Issued a citation for exceeding the speed limit in a vehicle that did not contain an interlock device
<b>February 21, 2006</b>	Rolling Retest Refused
<b>February 27, 2006</b>	Rolling Retest Refused
<b>February 27, 2006</b>	Rolling Retest Refused
<b>March 13, 2006</b>	Failed Breathalyzer – High BAC
<b>March 13, 2006</b>	Rolling Retest Refused
<b>March 24, 2006</b>	Rolling Retest Refused
<b>April 6, 2006</b>	Rolling Retest Refused
<b>April 19, 2006</b>	Failed Breathalyzer – High BAC
<b>April 24, 2006</b>	Rolling Retest Refused
<b>May 12, 2006</b>	Rolling Retest Refused
<b>May 19, 2006</b>	Rolling Retest Refused
<b>May 23, 2006</b>	Rolling Retest Refused
<b>July 27, 2006</b>	Failed Breathalyzer – High BAC
<b>July 28, 2006</b>	Rolling Retest Refused
<b>August 2, 2006</b>	Failed Breathalyzer – High BAC
<b>August 16, 2006</b>	Failed Breathalyzer – High BAC
<b>September 1, 2006</b>	Failed Breathalyzer – High BAC
<b>September 7, 2006</b>	Failed Breathalyzer – High BAC
<b>September 11, 2006</b>	Failed Breathalyzer – High BAC
<b>September 15, 2006</b>	Congratulations letter mailed advising successful completion of program effective September 26, 2006
<b>September 18, 2006</b>	Failed Breathalyzer – High BAC
<b>September 26, 2006</b>	Interlock restriction removed from license record
<b>September 28, 2006</b>	Interlock Device removed by the vendor

## APPENDIX



**Maryland Department of Transportation**  
The Secretary's Office

October 19, 2007

**Martin O'Malley**  
Governor

**Anthony G. Brown**  
Lt. Governor

**John D. Porcari**  
Secretary

**Beverley K. Swaim-Staley**  
Deputy Secretary

Mr. Bruce A. Myers, CPA  
Legislative Auditor  
Office of Legislative Audits  
Department of Legislative Services  
Room 1202  
301 West Preston Street  
Baltimore MD 21201

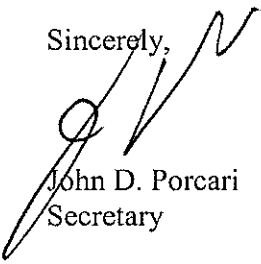
Dear Mr. Myers:

Enclosed please find the Department's response to the draft Legislative Auditor's Report dated October 2007 for the period January 1, 2004 through November 30, 2006, for the Motor Vehicle Administration (MVA). Additionally, an electronic version of this document has been sent to your office via e-mail (file name: MVAFinalDraftOctober2007) to [response@ola.state.md.us](mailto:response@ola.state.md.us).

The Maryland Department of Transportation will work closely with the MVA to address the deficiencies identified in this audit through an aggressive corrective action plan.

If you or your staff have any questions or need additional information, please do not hesitate to contact me or Mr. David L. Fleming, Chief Financial Officer. Mr. Fleming can be reached at 410-865-1035.

Sincerely,

  
John D. Porcari  
Secretary

Enclosures

cc: Honorable Steven J. Deboy, Sr., House Co-Chairman, Joint Audit Committee  
Honorable Nathaniel J. McFadden, Senate Co-Chairman, Joint Audit Committee  
Members of Joint Audit Committee  
Mr. David L. Fleming, Chief Financial Officer, Office of Finance, Maryland Department of Transportation  
Mr. John T. Kuo, Administrator, Motor Vehicle Administration  
Mr. Joseph J. Lambdin, Director, Office of Audits, Maryland Department of Transportation  
Ms. Beverley K. Swaim-Staley, Deputy Secretary, Maryland Department of Transportation

**Maryland Department of Transportation  
Motor Vehicle Administration  
Draft Audit Report Responses  
Period January 1, 2004 to November 30, 2006**

**Ignition Interlock Program**

**Finding #1**

**MVA policies and procedures were not sufficient to address IIP violations. As a result, MVA failed to take appropriate follow-up action for certain individuals who violated the terms of the program.**

**Response:**

The MVA concurs with the auditors' recommendations and has already begun to make enhancements to the Ignition Interlock Program (IIP). As of January 1, 2007, procedures were updated to ensure that appropriate action is taken when violation reports are received. All monitor reports are received in the Driver Wellness and Safety Intake Unit where they are scanned and indexed in the Document Imaging Work System. An Ignition Interlock Case Manager retrieves the monitor report and reviews it to determine the type of violation and generate the proper letter. Participants are sent three warning letters. If a fourth violation is received the participant is removed from the program. A Supervisor in the Ignition Interlock Unit will verify and sign off on Successfully Completed Program letters and the approval will be noted in case files.

A special attention flag is now placed on the driving record of each person referred to the IIP. When an entry is placed on the driving record a copy of that record is routed to the IIP. If the driving record indicates a moving violation the case manager determines if the violation was in a vehicle equipped with an ignition interlock device. If it is, no action is taken. If the case manager is unable to determine if the violation was in an interlock equipped vehicle the participant is mailed a letter asking for verification that that vehicle had an interlock device installed. If the participant shows proof that the vehicle did have an interlock, no action is taken. If the participant is unable to show proof that the vehicle had an interlock device a letter is sent advising the participant that sanctions are being imposed.

The IIP is being notified by Parole and Probation, Drinking Driver Monitor Program (DDMP) of everyone ordered to participate in IIP by the Courts. Appropriate restrictions are placed on the participants' driving record and normal monitoring procedures are instituted. A Memorandum of Understanding has been developed to ensure a mutual understanding between DDMP and MVA, and to define the relationships, responsibilities and expected performance of MVA and DDMP including notifications to DDMP of results of monitoring.

For quality assurance purposes, the Manager of Safety and Support Programs, Driver Wellness and Safety Division is randomly selecting 10 cases per week (approximately 5%) and reviewing for adherence to established procedures. Progressive disciplinary action is being taken for noncompliance. The Manager of the Driver Wellness and Safety Division also reviews a copy of the quality assurance verifications. The reviews will be documented and retained for audit purposes.

**Maryland Department of Transportation  
Motor Vehicle Administration  
Draft Audit Report Responses  
Period January 1, 2004 to November 30, 2006**

**Finding #2**

**MVA did not ensure that individuals who were assigned to the IIP by the Medical Advisory Board had the device installed, and MVA did not have procedures to ensure that it was notified of all IIP violations.**

Response:

The MVA concurs with the auditors' recommendations. New procedures have been established as of August 1, 2007, which require that, following review by a nurse, case manager or Medical Advisory Board, the signed interlock installation form is scanned into the Document Imaging Workflow System (DIWS) and forwarded to the Ignition Interlock Program case manager. The ignition interlock case manager monitors the case for 30 days to make sure a restricted driver license has been issued and an ignition interlock device installed. If the person has an interlock device installed and the restricted driver license issued, the case manager will monitor compliance every 30 days as required.

If after 30 days the person has not had an interlock device installed and a license issued, the case manager will notify the Nurse/Case Manager/Medical Advisory Board. The interlock restriction will remain active until such time as the person complies with the Ignition Interlock requirements. Credit for the restriction begins only when an interlock device is installed and a restricted driver license is issued.

To account for ignition interlock violations reported by vendors, the MVA is developing a standardized electronic transmission of information processed from the ignition interlock vendors to the MVA. This electronic process will enable the Administration to more aggressively monitor participants in the Ignition Interlock Program (IIP). The first step in this process is to develop a standard data set for all ignition interlock vendors. Discussions on this procedure are scheduled for completion on November 7, 2007. In the interim, every report received from ignition interlock vendors is scanned and logged into DIWS and reviewed by a case manager. The review will be documented.

For quality assurance purposes, the manager of the IIP randomly selects 10 cases per week (approximately 5%) and reviews for adherence to established procedures. This process began on July 23, 2007, and documentation will be retained for audit purposes. The percentage of cases could be adjusted based on results. Progressive disciplinary actions are taken for noncompliance to established procedures. The manager of the Driver Wellness and Safety Division also reviews the quality assurance information to ensure compliance.

**Maryland Department of Transportation  
Motor Vehicle Administration  
Draft Audit Report Responses  
Period January 1, 2004 to November 30, 2006**

**Driver Licensing**

**Finding #3**

**Procedures and controls over driver licensing transactions were not sufficient to ensure that only proper licenses were issued.**

Response:

The MVA concurs with the auditors' recommendations. The MVA has reviewed current requirements to establish proof of identity and residency and we are seeking regulatory changes related to change of address and out-of-country applicants, which was published in the Maryland Register on October 12, 2007. Additionally, we have begun an extensive review of the MVA's current policies, standards and procedures to ensure consistency with current law and regulations. As these policies and procedures are reviewed and updated, they will be reissued to all branch offices.

The MVA has reissued the applicable procedure Quality Control – DLS (Driver Licensing System) Transactions and is requiring additional monitoring by appropriate staff to ensure that the appropriate numbers of quality control checks are performed each day within the branch offices. To ensure that the override process is effectively monitored, the Reconciling Overrides Procedure will be reissued in October 2007, prohibiting a supervisor from approving overrides performed by that supervisor. To enforce the procedure, a computer program change will be made to the override report to ensure that the individual who completes that transaction is different from the individual who approves the transaction. These program improvements will be instituted in the next DLS deployment, scheduled for April 2008.

In addition, two employees in the Statewide Compliance Office will regularly review and monitor the overrides for all of the branch offices. These employees have access to the DLS overrides and reports for the branch offices and they will be monitoring the overrides statewide. The appropriate staff for each district also will be monitoring the status of overrides in his/her district. The transactions identified by the auditors will also be reviewed and appropriate action taken, if necessary.

**Maryland Department of Transportation**  
**Motor Vehicle Administration**  
**Draft Audit Report Responses**  
**Period January 1, 2004 to November 30, 2006**

**Finding #4**

**MVA lacked comprehensive procedures to ensure the driver's license database included complete and accurate social security numbers and to identify certain erroneous or fraudulent licenses.**

Response:

The MVA concurs with the auditors' recommendations. During calendar year 2006, the MVA conducted a comprehensive review of the issue concerning duplicate social security numbers. Several processes were identified as possible contributors to the duplication of social security numbers in the MVA database and procedures were developed and disseminated to branch managers and assistant branch managers. The MVA began to track the number of duplicate social security numbers weekly and identified branches creating new duplicates so that appropriate action could be taken within those branch offices. As a result, the incidents of newly created duplicate or blank social security numbers have decreased. This review is ongoing.

Additionally, the MVA has an established procedure already in place for identifying, reviewing and resolving duplicate social security numbers. A report is generated weekly and is reviewed for accuracy by staff within the Quality Control and Records Section of the Driver Services Division. Some of the reasons that cause these duplicate records are when the last name changes because of marriage, a misspelling of the name entered into the system or the individual returns to the State and does not notify the MVA that they have an existing record. When it is determined that a duplicate social security number is not the same individual, the customer may be contacted, if appropriate, to resolve the issue. To further enhance completeness of data, in July 2007, the MVA enhanced the driver licensing system to capture the applicant's certification that the applicant does not have a social security number.

The MVA receives death information electronically from the Department of Health and Mental Hygiene, Office of Vital Statistics and determines if the individuals identified in the report are licensed in Maryland. The MVA will make programming changes to match death records on the social security number. The estimated completion date for the system enhancement is March 2008.

In order to reduce the number of errors and instances of fraud in transactions, the MVA will conduct training with branch offices to emphasize the importance of selecting the appropriate individual from the database when issuing a product and to instruct branch staff to review the image file to ensure the correct person is selected when processing a transaction. In addition, the Investigative and Security Services Division will review all twenty applications identified during the 2006 Legislative Audit relating to individuals reported deceased prior to the date a MVA product was issued. MVA will review the referenced transactions to ensure that driver licenses were issued appropriately.

**Maryland Department of Transportation  
Motor Vehicle Administration  
Draft Audit Report Responses  
Period January 1, 2004 to November 30, 2006**

**License Suspensions and Revocations**

**Finding #5**

**Driver's license suspensions and revocations were not always processed in a timely manner.**

**Response:**

The MVA partially concurs with the auditor's recommendations. The MVA implemented controls to ensure that driver's license suspension and revocation determinations are reviewed and approved by designated supervisory personnel. Specifically, Supervisory/Management staff document the number of cases that are given to and returned by each clerk, conduct a review of all cases that are determined to require no action, and deliver the remainder of the cases to the appropriate unit for processing. As a second verification, an independent clerk will process the data entry noting why the action is being taken and the duration of the suspension. When there is a discrepancy, the case is forwarded to the supervisor or management for review. In all of the cases where no action is taken, the supervisor reviews each case, notates on a listing the reason for the no action, date, and initial. The added controls play a major part in the additional time that is required to send the notice of suspension or revocation. The MVA cannot accurately process these cases within its current policy of 60 days because of the number of steps that must be taken to complete this action, along with the necessary auditing functions. **The MVA is committed to applying the suspension or revocation within 75 days following receipt of the conviction.**

The MVA receives an Aging Case Report from the Office of Administrative Hearings (OAH) that provides statistical data on the number of cases that are 0-220 days old and detailed information on cases that are 221 days or older. The detailed report notifies the MVA on the reason for the delay in scheduling the hearing. According to OAH, the main reasons for the delays are postponements that have been requested by the defendant as a matter of due process, or for a continuance from an administrative law judge to received additional information, which is not within the control of the MVA. We will continue to monitor the Aging Case Report and take action if there are any cases where the hearing was not held in a timely manner for any other reason.

**Maryland Department of Transportation  
Motor Vehicle Administration  
Draft Audit Report Responses  
Period January 1, 2004 to November 30, 2006**

**Finding #6**

**MVA did not take adequate steps to suspend the driver's licenses of certain individuals repeatedly in arrears in making child support payments.**

Response:

The MVA concurs with the auditors' recommendations. We will work with the Child Support Enforcement Administration to develop program enhancements that use the social security number as the primary matching criteria. The estimated completion date for this system enhancement is March 2008. The MVA will review the referenced 178 cases and take appropriate action.

**Finding #7 (Policy Issue)**

**MVA needs to address excessive delays in the judicial process, which resulted in penalties – such as license suspensions - being postponed for extended periods.**

Response:

The MVA partially concurs with the auditors' recommendations. The MVA agrees that the prompt application of suspensions or revocations is important for public safety. However, the MVA does not have the authority over or control of the judicial process. It is important to note that there are many reasons for the delays that occur between the time a driver is charged and when that charge is adjudicated, including constitutional rights as well as procedural protections of all individuals including those charged with alcohol related offenses.

In an effort to comply with the intent of the recommendation, the MVA has sent a letter to the Chief Judge of the District Court noting excessive delays and documenting the average length of time from a violation to a conviction. The Chief Judge can take any appropriate action based on the information the MVA provides.

MVA will provide any reports regarding delays as requested by the legislative committee.

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**Vehicle Titling and Registration**

**Finding #8**

**MVA allowed vehicle dealerships to issue temporary tags (vehicle registrations) to ineligible individuals, in violation of State laws.**

Response:

The MVA concurs with the auditors' recommendation. The MVA will assist the Dealers Association and electronic vehicle registration and titling system vendors in complying with existing policies and procedures by providing training relating to temporary tags at the dealer seminars and orientations. On September 25, 2007, a communication bulletin was sent to all Maryland dealerships highlighting MVA's policy that prohibits dealerships from issuing temporary or permanent registrations plates to customers with flags on their records.

**Finding #9**

**MVA waived dealership late payment fines, totaling approximately \$824,000 without a review of the related documentation, and system supports were not adequate to identify certain other late payments.**

Response:

The MVA partially concurs with the auditors' recommendations. The MVA does not concur with the recommendation to collect the late titling fees not assessed as mentioned in the auditors' finding. The MVA has the authority to make an administrative judgment to waive or reduce late titling fines due to mitigating circumstances and therefore, there was no violation of State statute, regulations or policies. In addition, the MVA has a late titling database to assist in tracking the dealer occurrences. The MVA will review all late fee waivers to ensure compliance with these procedures.

The MVA does not concur with the recommendation to include the assessment of late title fines for Virginia dealers. A study conducted in August of 2005 determined that it was not cost effective to assess fines for out-of-state dealers. It is also important to note that Virginia, for example, does not assess late title fines on Maryland dealers. In addition, there is no statutory requirement referencing out-of-state dealers.

The MVA concurs with the recommendation to modify the automated system to require dealers to enter delivery dates. During the third quarter of 2005 changes were made to both the MVA and ERT vendor software to mandate the delivery date. This change requires the dealership representative to manually enter the delivery date into the ERT system. Delivery date is now a mandatory field.

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**Finding #10**

**Audits of licensed vehicle dealerships were not comprehensive to help ensure the proper assessment and collection of vehicle excise taxes and related fees.**

Response:

The MVA concurs with the auditors' recommendations. The audit database was updated to reflect all dealerships included in the Business Licensing and Consumer Services (BLCS) database. Effective July 1, 2007, the BLCS is sending to Internal Auditing a monthly update that includes dealership additions and deletions. These steps will ensure that all dealerships are included in the audit prioritization scheduling process. The MVA has updated the audit database with the sales volume of all dealerships and will utilize the information, along with other current data to perform audits at appropriate intervals. The Internal Auditing Division will include the verification of excise tax remittances for out-of-state dealers during the twice-a-year accountability audits. Finally, the Internal Auditing Division will expand testing when excise tax is due.

**Insurance Compliance**

**Finding #11**

**MVA did not take timely action to suspend vehicle registrations when lapses in vehicle insurance coverage were identified and procedures were not in place to ensure that insurance lapses were properly processed.**

Response:

The MVA concurs with the auditor's recommendations. However, the current statute was enacted at the time when the Insurance Compliance Division conducted random verifications of vehicles, requiring manual proof of insurance. The MVA has submitted proposed legislation to address the requirements of the current statute.

The Automated Compulsory Insurance System is designed to continuously verify insurance. The MVA receives notifications of terminations and new insurance information from insurance companies. The automated system matches new insurance information with cancellations, effectively closing approximately 70% of cases without the vehicle owner being notified. This has resulted in fewer cases being created, thereby reducing customer complaints and administrative costs associated with mailing correspondence and staff needed to process customer inquiries.

To address this audit finding, the MVA will immediately flag the registration upon case creation. This action will prevent renewal of registration and/or registration of a newly purchased vehicle. If the owner fails to respond, a suspension notification is mailed 20 days after the flagging letter.

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Response (continued):

The MVA Investigative and Security Services Division (ISSD) attempts to recover tags based on information retrieved from the MVA database. The ISSD prioritizes tag recovery cases based upon available resources.

The MVA will perform independent reviews, on a test basis, to ensure the proper processing of insurance lapse information.

The MVA concurs with the audit recommendation to perform independent reviews of insurance coverage reported through direct confirmation from the insurance provider. Operations Statewide Compliance Unit will perform this review. Operational guidelines will be in place by December 2007.

**Finding #12**

**MVA failed to assess and pursue recovery of uninsured motorists penalties in a timely manner and related waivers of such penalties were not always issued in accordance with State regulations.**

Response:

The MVA concurs with the auditors' recommendations. The MVA contacted the Director of the Central Collection Unit (CCU) concerning debt referral to CCU before the event occurs (such as notification of new insurance coverage for the vehicle or the expiration of the vehicle registration). The MVA was advised that CCU regulations require all debts referred for collection must be for a total amount due.

The MVA has taken action referring delinquent accounts to CCU in a timely manner. The MVA will ensure that proper procedures are in place to ensure that waivers of such penalties are issued in accordance with State regulations, including the improperly issued waivers noted by the auditors. In addition, the system has been modified to ensure action of referring delinquent accounts in a timely manner.

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**Vehicle Emissions Inspection Program (VEIP)**

**Finding #13**

**MVA lacked adequate controls over waivers of vehicle inspections and related late fee penalties granted to vehicle owners by the VEIP contractor.**

Response:

The MVA concurs with the auditors' recommendation. Since 2004, an accounting firm has conducted an independent review of procedures of the Maryland VEIP. Additionally, by December 2007, MVA will have a process in place to review on a test basis, the propriety of late fee overrides and inspection waivers.

**Information Systems Security and Control – Mainframe Applications**

**Finding #14**

**Access and monitoring controls over critical mainframe production files need improvement.**

Response:

The MVA concurs with the auditors' recommendations. Beginning October 15, 2007, the MVA Security Coordinator will monitor daily Dataset Access Journal. Any repeat entries will be periodically verified on a random basis. All other entries will be verified when the journals are reviewed. Additionally, beginning October 15, 2007, the MVA Security Coordinator will receive and monitor the daily Rule Modification Log. A random selection of rules for access to the critical transactions (those that allow the user to change the database) will be monitored for each days work. These will be compared to the documents submitted to the Office of Transportation Technology Services Security Officer.

**Information Systems Security and Control – eMVA Store**

**Finding #15**

**MVA's contract for hosting the MVA website and the eMVA Store did not include provisions for periodic audits of online security, resulting in potential vulnerability of sensitive information.**

Response:

The MVA concurs with the auditor's recommendations. As of August 30, 2007, the Memorandum of Understanding between the MVA and the information systems service provider has been updated to include provisions for audits of online security controls, as well as providing a monthly status report that identifies any control deficiencies or questionable activities on the

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Response (continued):

logs. Status of deficiencies and issues are monitored through resolution, documented and retained for audit purposes.

Additionally, the MVA has plans underway to transition the hosting of all of its applications from the current service provider to the MVA infrastructure. This will occur by January 2008.

The MVA employed a third party to perform a forensic scan on the eMVA Store servers. No indication of compromise was found.

**Finding #16**

**Sensitive personal and financial information of eMVA Store customers was unnecessarily stored in clear text on eMVA Store related servers.**

Response:

The MVA concurs with the auditors' recommendation. As of August 30, 2007, the service provider has modified MVA e-commerce transactions to mask all but the last four digits of the credit card number and has also masked the checking account number. The service provider has also implemented a process to encrypt all necessary files and logs and to remove all unnecessary files and logs.

The MVA employed a third party to perform a forensic scan on the eMVA Store servers. No indication of compromise was found.

**Finding #17**

**Security measures to protect critical eMVA Store application servers were not adequate.**

Response:

The MVA concurs with the auditors' recommendations. As of August 30, 2007, the eMVA Store applications have been modified to remove application vulnerabilities. An additional firewall has been installed between the web and database servers. The service provider conducts periodic scans and supplies the results to MVA in the monthly status reports. Status of deficiencies and issues are monitored through resolution, documented and retained for audit purposes.

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**Finding #18**

**Critical software, which supported the *eMVA Store*, was out of date.**

Response:

The MVA concurs with the auditors' recommendation. As of August 30, 2007, the service provider has patched all servers with the latest security patches, and has developed a timeline compliant to State of Maryland standards by patching the operating systems when new security vulnerabilities are found and patched by operating system vendors. An additional firewall has been installed between the web and database servers.

**Finding #19**

**Monitoring and control over critical *eMVA Store* components were not adequate.**

Response:

The MVA concurs with the auditors' recommendations. As of August 30, 2007, the service provider has increased logging retention and schedules routine log analysis of logs using a commercial software product. To assist further investigation, the service provider includes unusual findings in MVA's monthly status report, which will be documented and retained for audit purposes.

**Finding #20**

**Access to the *eMVA Store* critical servers and database was not properly restricted.**

Response:

The MVA concurs with the auditors' recommendations. As of August 13, 2007, the service provider restricted access to servers and databases to essential personnel.

**Finding #21**

**Controls over the use of a third party to process *eMVA Store* credit card payments were inadequate.**

Response:

The MVA concurs with the auditors' recommendations. As of June 14, 2007, a separate account for application processing and for service management was established. The service management and application processing accounts and passwords are not being stored on a publicly accessible server or in clear text. The third-party firm processing credit cards was notified of the specific Internet addresses for access to the service management account. Additionally, the service management option to prevent the processing of refunds for the *eMVA Store* was disabled.

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**Cash Receipts**

**Finding #22**

**Procedures and controls over collections need improvement.**

**Response:**

The MVA concurs with the auditors' recommendations. A full review of the collection process will be conducted to ensure that all branch offices maintain a signature log in the closeout room area. The appropriate Operations staff will monitor the use of the signature logs and report any deviation of its use to the appropriate District Manager. In addition, Operations Management will take the necessary steps to ensure that there are proper controls in place for limiting the access to the safe room area where collections are secured.

The MVA is following the Cashier Overages and Shortages Policy and will take appropriate disciplinary action when overages and shortages are identified. The MVA Cashier Overages and Shortages Policy has been redistributed to all Operations Management personnel. In addition, all employees must sign for a copy of the policy and acknowledge that they have read and understand its contents.

With regard to the missing bank bag noted by the auditors, the MVA asserts that all standard practices were followed and was confirmed by our Internal Auditing Unit. The MVA could not determine at what point the bag was misplaced. The MVA officials believe the theft occurred at the bank, a claim the bank disputes. Most of the transactions were paid by checks, which were fully recovered.

The MVA will review the cases mentioned in the audit report pertaining to overages and shortages and take the appropriate action, if necessary. This will be completed by year-end.

As a result of this incident, the Investigation and Security Services Division manual of procedures now contains a specific requirement that mandates a formal written report in all cases where a theft is alleged and then withdrawn, or in any case where allegations are set forth and then withdrawn.

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**Fraud Investigation Unit**

**Finding #23**

**MVA did not always sufficiently investigate possible fraudulent activity and did not always refer such activity to the required State officials.**

Response:

The MVA concurs with the auditors' recommendations. The MVA will expand testing in all cases when evidence of criminal conduct is identified.

The cases discussed in the audit report have been forwarded to the Office of the Attorney General. The MVA has instituted internal control measures to ensure all sustained cases of employee misconduct are forwarded pursuant to the Governor's Executive Order.

**Purchases and Disbursements**

**Finding #24**

**Proper internal controls were not established over purchasing and disbursement transactions.**

Response:

The MVA concurs with the auditors' recommendation. Appropriate changes to MVA employee security profiles and approval paths have been made to ensure proper internal control.

**Equipment**

**Finding #25**

**MVA did not complete physical inventories or investigate missing equipment as required.**

Response:

The MVA concurs with the auditors' recommendation. The MVA is conducting a physical inventory of fixed assets, which includes the re-tagging of sensitive fixed assets as well as capital assets, as a major step in controlling the MVA's fixed assets. This re-tagging process should be completed by March 2008.

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