

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF

BUREAU OF MOTOR VEHICLES,
BUREAU OF MOTOR VEHICLE COMMISSION, AND
ALL INDIANA LICENSE BRANCHES
STATE OF INDIANA

July 1, 2008 to June 30, 2009



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AGENCY OFFICIALS

Office

Official

Term

Commissioner of the Bureau
of Motor Vehicles and
Chairman of the Bureau of
Motor Vehicles Commission

Ronald L. Stiver
Andy Miller

10-16-06 to 01-04-09
01-05-09 to 01-13-13



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INDEPENDENT ACCOUNTANT'S REPORT

**TO: THE OFFICIALS OF THE BUREAU OF MOTOR VEHICLES, THE BUREAU OF
MOTOR VEHICLES COMMISSION, AND ALL INDIANA LICENSE BRANCHES**

We have reviewed the processes and records of the Bureau of Motor Vehicles, the Bureau of Motor Vehicles Commission, and all Indiana license branches for the period July 1, 2008 to June 30, 2009. The Bureau of Motor Vehicles, Bureau of Motor Vehicles Commission, and all Indiana license branch's management are responsible for the processes and records.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the processes and records of the Bureau of Motor Vehicles, the Bureau of Motor Vehicles Commission, and all Indiana license branches. Accordingly, we do not express such an opinion.

In planning and performing our review we considered the internal controls over financial reporting in order to determine our review procedures and not to provide assurance on the internal control over financial reporting. Accordingly, we do not provide assurance on the effectiveness of the internal control over financial reporting.

Based on our review, nothing came to our attention that caused us to believe that the processes or records are not adequate based on the Accounting and Uniform Compliance Guidelines Manual for State Agencies and their own policies and procedures.

STATE BOARD OF ACCOUNTS

December 17, 2009

INTRODUCTION

This comprehensive review combines the findings relating to the Bureau of Motor Vehicles (BMV), the Bureau of Motor Vehicles Commission (BMVC), all Indiana license branches, and Partial Service branches. These entities have significant interrelated operations.

Operationally, the license branches function as the primary site for issuing driver licenses, titles, new auto and watercraft registrations, and issuing of Indiana license plates. Registration renewals can be conducted through a number of venues, including branches, partial service branches, mail-in, online through myBMV.com, and Self-Service Terminals located in 36 sites through the state. The fees for drivers' license, titles, registrations, and plates and the associated taxes are collected through these transactions and locations. All sites utilize the Support Tracking and Record Support (STARS) computer system to process agency transactions. During the fiscal year, the number of automobile dealerships who can perform certain title and registration transactions onsite increased to just less than 250. These entities cannot access STARS, but perform computerized transactions through a third party.

The system used by the license branches to provide the above services has been developed and is maintained by the BMV. The BMV is responsible for accurate and timely distribution of the fees and taxes collected. In addition, the BMV supports the training and continuing operations within the branches; contracts for services and products; serves as a resource for county officials with excise tax questions; and performs numerous other duties.

The BMVC has been established by Indiana Code. The Commission consists of five individuals appointed by the Governor to serve four-year terms and the Commission Chairperson who is the Commissioner of the BMV. Except for the Commissioner, members are not required to devote full-time to their commission duties. Commission duties include developing and updating bureau policy; establishing standards for the operation and maintenance of license branches; and submitting budget proposals for the commission, the bureau, and the branches.

BUREAU OF MOTOR VEHICLES, BUREAU OF MOTOR VEHICLE COMMISSION,
AND ALL INDIANA LICENSE BRANCHES
REVIEW RESULTS AND COMMENTS
June 30, 2009

CONTROLS OVER DISTRIBUTIONS

In reviewing the System Tracking and Record Support (STARS) computer system, we could not identify what we considered proper controls to assure that collections from branches were properly distributed in a timely manner. Due to the lack of these controls, collections from branches were allowed to accumulate. During the audit period, the Information Technology Department (ITD) and the Finance Department identified \$31,339,256.78 and distributed it properly. However, \$356,598.26 was distributed using a prorated formula based on prior collections. Based on our review of a 'new distribution process' implemented in March of 2009, management now has policies in place which allow distributions to be made timely and accurately.

We recommended that the BMV continue to develop internal controls to assure that collections are properly recorded, classified, and distributed.

Standardized processes that support the unit's business processes should operate accurately, efficiently, and completely. The system should accurately calculate, summarize, categorize, and update accounting information. The system should allow for effective and efficient reconciliation of subsidiary ledgers to control ledgers, and detail transactions to summary totals. The system should automatically identify erroneous input, prevent concurrent file updates, and generate control totals to ensure completeness of processing. The system should also include standard controls such as tables which ensure only valid values can be posted, suspense files to identify transactions that fail system edits, effective error messages, appropriate restore points, and methods to prevent or detect out-of-balance conditions. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Pages 16:4)

CONTROLS OVER COMPUTER PROCESSING CHANGES

A programming error allowed an overstatement of sales tax collected. Subsequently, the BMV distributed an incorrect amount to the Bureau of Motor Vehicles Commission Account. The BMV recognized this error and brought it to the attention of all affected parties.

The over-payments totaled \$10,072,641 for the fiscal year that ended June 30, 2009, and \$15,651,500 for the fiscal year ending June 30, 2010. Reimbursement was made in full for the fiscal year ending June 30, 2010. No reimbursement was made for the amount over paid during the 2009 fiscal year.

BUREAU OF MOTOR VEHICLES, BUREAU OF MOTOR VEHICLE COMMISSION,
AND ALL INDIANA LICENSE BRANCHES
REVIEW RESULTS AND COMMENTS
June 30, 2009
(Continued)

We recommended that the BMV continue to develop internal controls to assure that collections are properly recorded, classified, and distributed.

Standardized processes that support the unit's business processes should operate accurately, efficiently and completely. The system should accurately calculate, summarize, categorize and update accounting information. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Pages 16:4)

DISTRIBUTION OF INTERNET COLLECTIONS

The Bureau of Motor Vehicles offers a \$5 discount as an incentive to users who renew their registrations online. Based on BMV's own policy, their intent was to forego the \$5 going to the Commission Account. A computer processing error allowed four funds to not receive the statutory amounts due to them. During the same time frame, the Commission Account did receive the \$5 they intended to forego.

During the audit, we identified this error and brought it to the attention of the BMV. The Information Technology Department identified 140,940 transactions where collections had been incorrectly classified and distributed. Out of the \$5 left in the Commission Account, in our opinion, the Motor Vehicle Highway Fund should have received an additional \$3.95 per transaction during this time frame which totals \$556,713; the Indiana State Police Building Fund should have received \$.25 per transaction which totals \$35,235; the Spinal Cord and Brain Injury Fund should have received \$.30 per transaction for a total of \$42,282; and the Technology Fund should have received \$.50 per transaction for a total of \$70,470. These funds were fully reimbursed.

We recommended that the BMV continue to develop internal controls to assure that collections are properly recorded, classified, and distributed.

Standardized processes that support the unit's business processes should operate accurately, efficiently and completely. The system should accurately calculate, summarize, categorize and update accounting information. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Pages 16:4)

BUREAU OF MOTOR VEHICLES, BUREAU OF MOTOR VEHICLE COMMISSION,
AND ALL INDIANA LICENSE BRANCHES
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2009, with Andy Miller, Commissioner of the Bureau of Motor Vehicles and Chairman of the Bureau of Motor Vehicles Commission; and Scott Waddell, Deputy Commissioner of the Bureau of Motor Vehicles. The official response has been made a part of this report and may be found on pages 8 and 9.



STATE OF INDIANA

Mitchell E. Daniels, Jr., Governor

Andrew J. Miller, Commissioner
Bureau of Motor Vehicles
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Janaury 4, 2010

Mr. Bruce Hartman
State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204

Dear Mr. Hartman:

This letter serves as our response to the December 17, 2009, State Board of Accounts (SBOA) Review Report for the Bureau of Motor Vehicles (BMV) and the Bureau of Motor Vehicles Commission (BMVC) covering the period beginning on July 1, 2008 and ending on June 30, 2009. On behalf of the BMV/C management team and all BMV/C employees, I want to express my appreciation to the SBOA audit team for their professionalism and constructive observations and recommendations, with particular commendation to Ms. Kathleen Morton of the SBOA for her dedicated years of public service and her devoted work with the Bureau.

The report serves to confirm the ongoing efforts of the BMV/C, by stating that "nothing came to our attention that caused us to believe that the processes or records are not adequate". Specific examination of the three audit findings results in the same conclusion: all have been satisfactorily remedied.

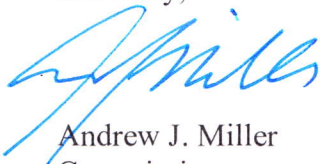
- 1) **CONTROLS OVER DISTRIBUTIONS:** Although this particular situation was caused by a glitch in STARS, tremendous progress has been made overall with this all encompassing software system. This specific problem was corrected and is now being controlled by the implementation of the daily distribution process in March 2009.
- 2) **CONTROLS OVER COMPUTER PROCESSING CHANGES:** This issue was caused by a minor STARS programming change which resulted in an unexpected consequence in a non-related area. This difficult to see "non-transactional" problem was discovered and corrected within a reasonable time period, without impacting any local units besides the BMVC itself.
- 3) **DISTRIBUTION OF INTERNET COLLECTIONS:** This finding was caused entirely by an incorrect sequential programming distribution order. It was discovered and edited within a 45 day period. All funds have been subsequently reimbursed to the appropriate parties.

Thus, we are confident that the FY09 Audit results accurately reflect the performance of the Agency and the hard work and commitment of the BMV/C associates throughout the state.

The Vision (Promise) of the Bureau of Motor Vehicles states: *We are committed to providing responsive service, accurate records and customers' choices that are fast, secure and easy to use.* The agency strives to achieve this goal by enhancing the customer experience and utilizing a common sense approach to conducting the business of government. Development of user friendly services, such as the myBMV website as an alternative to traditional branch visits, serves to both enhance customer satisfaction and lower bureau costs. This combined with the agencies top priority of information security, has produced the results of improved overall performance, validated by industry recognition when the BMV was presented with the *2008 International Award for Customer Service Excellence* from the American Association of Motor Vehicle Administrators (AAMVA).

Please accept my personal gratitude for the diligent audit process, and know that we look forward to continued collaboration with the SBOA and upholding the BMV's Promise to the constituents of the State of Indiana.

Sincerely,



Andrew J. Miller
Commissioner