

**DEPARTMENT OF HIGHWAY SAFETY  
AND MOTOR VEHICLES**

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**Operational Audit**



## **EXECUTIVE DIRECTOR OF THE DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES**

Pursuant to Section 20.24, Florida Statutes, the head of the Department of Highway Safety and Motor Vehicles is the Governor and Cabinet, which consists of the Governor, Attorney General, Chief Financial Officer, and Commissioner of Agriculture. Pursuant to Section 20.05(1)(g), Florida Statutes, the Governor and Cabinet are responsible for appointing the Executive Director of the Department. During the period of our audit, Julie L. Jones served as Executive Director.

The audit team leaders were Ryan Nolan, CPA, and Suzanne Sullenberger, CPA, and the audit was supervised by Jennifer Reeves, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at [davidvick@aud.state.fl.us](mailto:davidvick@aud.state.fl.us) or by telephone at (850) 412-2817.

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**DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES**

**SUMMARY**

This operational audit of the Department of Highway Safety and Motor Vehicles (Department) focused on the Department’s oversight of the specialty license plate program, the International Fuel Tax Agreement (IFTA), the International Registration Plan (IRP), and selected information technology (IT) controls and also included a follow-up on the findings noted in our report No. 2011-073. Our audit disclosed the following:

**Finding No. 1:** The Department did not always document that appropriate actions were taken for overdue specialty license plate audit and attestation reports, and did not follow up when certain expenditures from specialty license plate proceeds exceeded the limits established by State law.

**Finding No. 2:** The Department did not always verify the status of new applicants for IFTA licenses through the IFTA Clearinghouse database prior to issuing IFTA licenses.

**Finding No. 3:** Improved information technology access controls were needed for the Florida Real Time Vehicle Information System, Cash Receipts System, and the IFTA and IRP Clearinghouses.

**Finding No. 4:** Department controls for ensuring the timely cancellation of purchasing cards upon an employee’s separation from Department employment continue to need enhancement.

**BACKGROUND**

The mission of the Department of Highway Safety and Motor Vehicles (Department) is to provide highway safety and security through excellence in service, education, and enforcement. Department responsibilities include highway safety and law enforcement programs; title and registration services for motor vehicle, mobile home, and vessel owners; driver license and identification card programs; and various consumer protection programs. For the 2012-13 fiscal year, the Legislature appropriated over \$400 million to the Department and authorized approximately 4,500 Department positions.

**FINDINGS AND RECOMMENDATIONS**

**Finding No. 1: Review of Specialty License Plate Audit Reports and Attestations**

Pursuant to State law,<sup>1</sup> the Department is responsible for overseeing the State’s specialty license plate program. Specialty license plates are available to any motor vehicle owner or lessee at an annual fee ranging from \$15 to \$25. As of June 2013, approximately 120 specialty license plates were available for purchase. Each specialty license plate must meet the criteria established in State law<sup>2</sup> and be approved by the Legislature. During the period July 2011 through February 2013, the Department collected and distributed specialty license plate fees totaling approximately \$57.5 million to designated recipient organizations including nonprofit organizations and State agencies.

State law<sup>3</sup> provides that all organizations that receive specialty license plate annual use fee proceeds are responsible for ensuring that the proceeds are used in accordance with State law. State law<sup>4</sup> requires that organizations that are not

<sup>1</sup> Section 320.08056, Florida Statutes.

<sup>2</sup> Section 320.08053, Florida Statutes.

<sup>3</sup> Section 320.08062(1)(a), Florida Statutes.

<sup>4</sup> Section 320.08062(1)(b) and (c), Florida Statutes.

subject to the Florida Single Audit Act (FSAA) are to annually attest<sup>5</sup> that such proceeds were used in compliance with the requirements of State law. The annual attestation is to be submitted to the Department within 9 months after the end of the organization's fiscal year. Additionally, State law requires that all organizations that receive specialty license plate proceeds and are subject to the FSAA submit an audit report to the Department in accordance with the Rules of the Auditor General.<sup>6</sup> Those rules require that the audit report be submitted to the Department within 45 days after the organization receives the audit report, but no later than 9 months after the organization's fiscal year end.

Within 90 days of receipt of an audit report or attestation, the Department is to determine whether recipients of specialty license plate annual use fee proceeds complied with State law.<sup>7</sup> If the Department determines that an organization did not comply or failed to use the revenues in accordance with State law, the Department is to discontinue the distribution of the revenues to the organization until the Department determines that the organization is in compliance with State law. If an organization fails to comply within 12 months after the annual use fee proceeds are withheld by the Department, the proceeds are to be deposited into the Highway Safety Operating Trust Fund to offset Department costs related to the issuance of specialty license plates.

State law<sup>8</sup> establishes for each specialty license plate the allowable and unallowable uses of the annual use fee proceeds. For example, for 48 specialty license plates, State law limits the amount of proceeds that can be spent for promotion and marketing costs. Those limits range from 5 to 25 percent. State law prohibits the use of proceeds for administrative costs for 77 specialty license plates and places limits, ranging from 5 to 15 percent, on another 42 specialty license plates. One plate (Scouting Teaches Values - Boy Scouts of America) does not have any statutory restrictions on the use of proceeds for administrative costs.

To facilitate the receipt and review of the audits and attestations, the Department maintained a list of all organizations that received specialty license plate annual use fee proceeds, including the fiscal year end of each organization. Department personnel were to periodically review the list and contact organizations with overdue audit reports or attestations. Upon receipt, the Department's Office of Inspector General was to review the audit reports for compliance with the FSAA requirements and Rules of the Auditor General, and the Department's Specialty License Plate Office was to review the attestations for compliance with Department requirements.

During the period July 2011 through February 2013, approximately 227 organizations were required to submit an annual audit report or attestation to the Department. As part of our audit, we examined records related to the Department's receipt and review of 15 audit reports and 32 attestations due from 42 organizations. The reported expenditures made from specialty license plates proceeds totaled approximately \$10.6 million. Our examination found that the Department did not always document that appropriate actions were taken for overdue audit reports or attestations and did not follow up when certain expenditures from specialty plate proceeds exceeded the limits established by State law. Specifically:

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<sup>5</sup> Section 320.08062(1)(b), Florida Statutes, specifies that the attestation is to be made annually in the form and format determined by the Department. The Department requires the use of the *Specialty License Plate Revenue, Expenditure, and Compliance Affidavit* form (*Affidavit*). The *Affidavit* provides for the reporting of a beginning and ending balance, a list of all proceeds received from the Department, and a categorical listing of expenditures. The *Affidavit* must be signed by the head of the organization and be notarized.

<sup>6</sup> Chapter 10.650, Rules of the Auditor General.

<sup>7</sup> Section 320.08062(2), Florida Statutes.

<sup>8</sup> Section 320.08058, Florida Statutes.

- The Department did not document that timely follow-up actions were taken for 2 audits and 2 attestations not submitted within 9 months of the organizations' fiscal year end. The number of days that the 2 audit reports and 2 attestations were submitted late by the 3 applicable organizations ranged from 87 to 133 days. The expenditures reported from specialty license plates proceeds in these audit reports and attestations totaled approximately \$1.3 million.
- The Department did not document for 5 attestation reviews, related to three organizations, the actions taken by Department staff to follow up with the organizations when the reported expenditures exceeded the limits established by State law. Specifically, 4 of the attestations, related to two organizations, submitted during the period July 2011 through February 2013 reported promotion and marketing expenditures totaling \$70,516 which exceeded the 10 percent limit established by State law by \$45,758. For the other attestation, the organization reported administrative expenditures totaling \$10,626, although administrative costs were not allowable by State law.

In response to our audit inquiries, Department management indicated that Department staff primarily conducted follow-up on overdue audit reports and attestations by telephone, and consequently, no documentation of these efforts was available. Department management also indicated that review procedures would be updated to specifically address the verification of statutorily approved administration and marketing expenditure amounts. Department management explained that the excessive or unallowed expenditures may have been due to improper classification by the reporting organizations, but, also acknowledged that appropriate follow-up actions were not completed. In the absence of documented, timely, and appropriate follow-up actions for overdue audit reports and attestations and for reported expenditures that are not allowed or are in excess of established limits, Department management lacks assurance that specialty license plate annual use fee proceeds are used as specified by State law and cannot demonstrate that only those organizations that are in compliance continued to receive distributions of specialty license plate proceeds.

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**Recommendation:** We recommend that Department management take steps to ensure that timely and appropriate actions are taken and documented when organizations that receive specialty license plate proceeds do not timely submit required audit reports or attestations and when certain expenditures from the specialty license plate proceeds exceed the limits established by State law.

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### **Finding No. 2: International Fuel Tax Agreement (IFTA) Licensure Procedures**

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As provided by State law,<sup>9</sup> the State is a party to the International Fuel Tax Agreement (IFTA), a multijurisdictional program regulating interstate motor carriers. The IFTA addresses the administration and collection of fuel use taxes paid by motor carriers and is designed to ensure the equitable distribution of fuel use taxes paid based upon the actual miles driven by motor carriers in each member jurisdiction. Pursuant to the IFTA, a motor carrier with interstate operations can register vehicles and be licensed for fuel tax reporting purposes in one base state. The Department is responsible for issuing IFTA licenses to motor carriers in good standing upon receipt of a completed application and all required supporting documentation.

Pursuant to the IFTA *Articles of Agreement*, the Department may not issue an applicant an IFTA license if the applicant had an IFTA license under revocation by another member jurisdiction. The *Articles of Agreement* established the IFTA Clearinghouse to maintain and administer licensee demographic and transmittal data and to provide a mechanism for participating members to exchange, view, and retrieve data. The IFTA Clearinghouse includes licensee demographic

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<sup>9</sup> Chapters 207.0281, Florida Statutes.

data such as name, address, IFTA license number, and license status. Department procedures<sup>10</sup> for processing a new IFTA license application required that staff utilize the IFTA Clearinghouse database to determine whether the applicant had previously been licensed in another jurisdiction and, if so, the status of the applicant’s license in that jurisdiction.

The Department utilizes the Florida Real Time Vehicle Information System (FRVIS) to account for motor carrier operations, including those related to the IFTA program. According to Department records, the Department was responsible for overseeing 12,923 IFTA accounts during the 2012 calendar year. Table 1 provides the amount of Department-reported IFTA fuel tax revenues for the 2010-11, 2011-12, and 2012-13 fiscal years.

**Table 1**  
**IFTA Revenues by State Fiscal Year**

2010-11	2011-12	2012-13
\$18,566,332	\$14,735,538	\$10,954,133

Source: Department records.

According to Department records, during the 2011 and 2012 calendar years the Department issued a total of 6,412 new IFTA licenses. As part of our audit, we examined Department records related to 40 IFTA license applications processed during the period July 2011 through February 2013. Of the 40 applicants, 10 were new applicants. Our audit procedures disclosed that, contrary to Department procedures, Department staff did not always verify the new applicants’ license status in other jurisdictions through the IFTA Clearinghouse. Instead, Department personnel relied upon applicant representations made on the application regarding licensure in other jurisdictions. Specifically, we found that Department staff utilized the IFTA Clearinghouse only if the applicant indicated previous licensure and that none of the new applicants included in our testing had been subject to an IFTA Clearinghouse check as the applicants did not indicate previous licensure in other jurisdictions.

Although, subsequent to our audit inquiry, the Department verified that none of the new applicants included in our testing had any previous licensure in other jurisdictions, absent verification of an applicant’s license status through the IFTA Clearinghouse prior to license issuance, the risk is increased that the Department may issue licenses to ineligible applicants, contrary to the requirements of the IFTA *Articles of Agreement*.

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**Recommendation:** We recommend that Department management ensure that all applicants’ IFTA licensure status in other jurisdictions is verified through the IFTA Clearinghouse prior to issuance of an IFTA license.

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**Finding No. 3: Information Technology Access Controls**

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Information technology (IT) access controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. During our audit, we identified the need for enhancements to the Department’s IT access controls related to the FRVIS, Cash Receipts System, and the IFTA and IRP Clearinghouses. To avoid the possibility of compromising Department information, specific details of these matters are not disclosed in this report. However, the appropriate Department personnel have been notified of these issues.

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<sup>10</sup> Department Procedure MS-Exam-001, *Entering a new account application for the International Fuel Tax Agreement (IFTA)*.

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**Recommendation:** We recommend that the Department ensure that appropriate IT access controls are implemented for the FRVIS, Cash Receipts System, and the IFTA and IRP Clearinghouses.

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#### **Finding No. 4: Purchasing Card Cancellations**

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As a participant in the State's Purchasing Card (PCard) Program, the Department is responsible for ensuring that appropriate controls are in place, including procedures providing for the timely cancellation of PCards upon a cardholder's separation from Department employment. The Department established PCard guidelines which provided that a cardholder's supervisor was to immediately notify the Department's PCard Program Administrator when a cardholder separated from employment and that the PCard Program Administrator was responsible for canceling the PCard. To facilitate the supervisors' timely notification of employment separations to applicable staff, including the PCard Program Administrator, the Department established the Personnel Alert System. According to the Department's PCard guidelines, the cardholder's supervisor was also responsible for collecting the cardholder's PCard, cutting it in half, and forwarding the pieces to the PCard Program Administrator for disposal.

In our report No. 2011-073, finding No. 11, we reported that the Department did not always ensure that PCards were timely canceled upon a cardholder's separation from Department employment. As a part of our follow-up procedures, we examined Department records for 86 cardholders who separated from Department employment during the period July 2011 through February 2013 to evaluate the timeliness of the PCard cancellations. Our audit tests disclosed that for 62 of the 86 cardholders, or 72 percent, the number of days that had elapsed from the dates of employment separation to the dates of PCard cancellation ranged from 2 to 333 days and averaged 19 days. In response to our audit inquiry, Department management indicated that the delays were caused by personnel changes. Additionally, Department management indicated that the Personnel Alert System did not function properly from approximately September 2012 through June 2013.

Although our audit tests did not disclose any charges made subsequent to the cardholders' separation from Department employment for the 62 PCards that were not timely canceled, absent timely cancellation of PCards, the risk of unauthorized purchases is increased.

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**Recommendation:** We again recommend that Department management take appropriate actions to ensure the timely cancellation of PCards when cardholders separate from Department employment.

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#### **PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the findings noted in our report No. 2011-073.

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#### **OBJECTIVES, SCOPE, AND METHODOLOGY**

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2013 through July 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on the oversight of the specialty license plate program, the International Fuel Tax Agreement (IFTA), the International Registration Plan (IRP), and selected information technology (IT) controls. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies noted in our report No. 2011-073.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit we:

- Reviewed Department policies and procedures and interviewed Department personnel to determine whether the Department had established controls relevant to the oversight of the specialty license plate program. To evaluate the effectiveness of the established controls, we:

- Examined records related to ten specialty license plates to determine whether applicable fees were charged in accordance with State law, calculated correctly, and properly recorded in the State's accounting records.
- Examined records related to the Department's review of annual physical plate inventories and year-end audits conducted by tax collector offices in ten counties as of September 2011 and September 2012 to assess for compliance with Department-established procedures.
- Examined records related to ten distributions of specialty license plate funds, totaling \$108,837, to specialty license plate organizations and other State agencies during the period July 2011 through February 2013 to determine whether the distributions were supported by appropriate documentation and complied with applicable laws.
- Examined Department records for 15 audit reports and 32 attestation reports submitted by specialty license plate organizations during the period July 2011 through February 2013 to evaluate the Department's follow-up actions for missing or late submissions and noncompliance with applicable expenditure restrictions. Additionally, we:
  - Examined the audit reports, including the Schedule of Expenditures of State Financial Assistance, to evaluate compliance with Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code.
  - Examined the attestation reports to evaluate whether the reported revenues were supported by State accounting records.
  - Reviewed Department records to evaluate the completeness of the list of organizations used by Department personnel to track submission of required audit or attestation reports.
- Reviewed the methodology and examined records related to the Department's calculation of specialty license plate program administrative costs for compliance with applicable laws, reasonableness, mathematical accuracy, and adequate supporting documentation.
- Examined procedures and records related to the Department's monitoring of the number of specialty license plate sales and pre-sale voucher sales, and the procedures for discontinuing plates, to assess compliance with the requirements of State law.
- Reviewed Department procedures and records pertaining to specialty license plate organization requests for re-design of a specialty license plate to determine compliance with the requirements of State law.
- Reviewed applicable laws, rules, regulations, and Department policies and procedures, and interviewed Department personnel to ascertain whether the Department had established controls relevant to the International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) programs.
- Obtained an understanding of the Department's IFTA and IRP program controls, assessed the risks of those controls, evaluated whether the controls were in place, and tested the effectiveness of the controls. To evaluate the effectiveness of the established controls, we:
  - Examined Department records for 40 IFTA and 40 IRP applications received during the period July 2011 through February 2013 to evaluate whether the Department timely approved or denied the applications.  
Examined Department records for 40 motor carrier audits completed during the period July 2011 through February 2013 to evaluate whether the audits were conducted in accordance with the methodology required by the IFTA and IRP audit manuals.
  - Examined Department records for three IRP annual reports and two IFTA annual reports to evaluate whether the reports were timely submitted, mathematically accurate, complete, and supported by appropriate records.
  - Examined Department records for 18 monthly transmittals of IFTA and IRP program data submitted by the Department to IFTA Inc., and IRP Inc., during the period July 2011 through February 2013 to

- evaluate whether the transmittals were timely submitted, mathematically accurate, complete, and supported by appropriate records.
- Examined Department records for 40 quarterly tax returns submitted by IFTA licensees to the Department during the period July 2011 through February 2013 to evaluate the Department's controls for timely reviewing the quarterly tax returns for completeness and mathematical accuracy, and determining whether the returns were properly supported.
  - Examined Department records for 100 IRP registrants and 50 IFTA registrants to identify instances in which the suspension, cancellation, or revocation of licenses may have been applicable to evaluate the timeliness and appropriateness of the Department's actions
- Reviewed Department records, interviewed Department personnel, observed established processes, and performed analytical procedures to evaluate whether the Department:
- Maintained appropriate controls related to the assignment of IFTA decal numbers.
  - Maintained appropriate controls related to renewing carrier credentials when the carrier's credentials had been revoked, suspended or canceled; tax returns had not been filed; or taxes, penalties, and interest due had not been paid.
  - Maintained appropriate controls for reconciling mileage reported by carriers participating in the IRP and IFTA programs.
  - Maintained appropriate controls related to IRP and IFTA accounts with no federal employment identification numbers.
  - Maintained appropriate controls over reporting performed by carriers through the Commercial Vehicle Information Systems and Networks.
- Performed analytical procedures to evaluate whether the Department completed the required number of audits of the records supporting the registration application and tax returns for fuel taxes, as required by the IFTA and the IRP.
- Reviewed applicable laws, rules, regulations, and Department policies, procedures, and records and interviewed Department personnel to gain an understanding of Department IT general controls and selected Florida Real Time Vehicle Information System (FRVIS), Cash Receipts System (CRS), and IFTA and IRP Clearinghouse application controls.
- Obtained an understanding of Department IT controls, assessed the risks of those controls, evaluated whether selected general and applications IT controls were in place, and tested the effectiveness of the controls.
- Performed analytical procedures to determine whether the Department timely removed user access to FRVIS, the CRS, the IFTA Clearinghouse, and the IRP Clearinghouse, when a user was terminated or separated from employment or access to the systems was no longer required. Also, inquired of Department personnel and reviewed Department records to determine whether the Department periodically reviewed user access privileges for appropriateness.
- Examined Department records for 25 FRVIS users, 25 CRS users, 14 IFTA Clearinghouse users, and 14 IRP Clearinghouse users, during the period July 2011 through February 2013, to evaluate whether the Department:
- Maintained documentation evidencing that the level of access granted was appropriate for user job responsibilities.
  - Maintained documentation evidencing that access was properly approved.
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Department operations.

- Interviewed Department personnel and reviewed established policies and procedures to obtain an understanding of Department internal controls related to wireless communications and other devices and the Florida Single Audit Act.
- Evaluated Department actions taken to correct the deficiencies noted in our report No. 2011-073. Specifically:
  - Interviewed Department personnel and reviewed Department policies and procedures applicable to the regulation of motor vehicle dealers to evaluate whether recommended changes to the policies and procedures had been implemented.
  - Obtained and examined the annual statement of independence forms, required effective February 2011, for two compliance examiners to evaluate whether forms had been completed in accordance with established procedures.
  - Examined the documentation for the management reviews of two regions to evaluate the adequacy of the Department's procedures for completing the reviews.
  - Examined Department records to evaluate the sufficiency of two Dealer Records Inspection Reports and related supporting documentation. Also, evaluated whether the Department had implemented procedures to improve the documentation of the rationale for selecting dealers for inspection.
  - Reviewed the Department's procedures for issuing emergency suspension orders for motor vehicle licenses when the dealer fails to maintain the required surety bond or garage liability insurance, and examined Department suspension records to evaluate the timeliness of the Department's actions.
  - Interviewed Department personnel and examined Department records and reports to gain an understanding of the process for identifying motor vehicle dealers with frequent and severe violations and taking corrective actions regarding these dealers.
  - Reviewed Department procurement and invoice procedures and applicable records to evaluate whether controls had been established to promote compliance with applicable laws, rules, and regulations for procurements and expenditures; ensure that procurements had been appropriately reviewed and approved; that eligible discounts were taken; and that bank fees were appropriately reviewed.
  - Examined Department records to identify employees who had been assigned purchasing cards and separated from Department employment during the period July 2011 through February 2013. Performed analytical procedures to evaluate the timeliness of the Department's cancellation of the former employee's purchasing cards.
  - Evaluated the timeliness of the Department's cancellation of FLAIR access privileges for five former employees.
  - Examined Department records to evaluate whether security awareness training was timely provided for ten new employees.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions.

**AUTHORITY**

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

In a response letter dated February 17, 2014, the Executive Director of the Department provided responses to our audit findings and recommendations. The Executive Director's response is included as **EXHIBIT A**.

EXHIBIT A  
MANAGEMENT'S RESPONSE

**Julie L. Jones**  
Executive Director

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**Rick Scott**  
Governor

**Pam Bondi**  
Attorney General

**Jeff Atwater**  
Chief Financial Officer

**Adam Putnam**  
Commissioner of Agriculture

February 17, 2014

David W. Martin, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Thank you for the opportunity to respond to the preliminary and tentative findings and recommendations from your operational audit of the Department of Highway Safety and Motor Vehicles. We appreciate the efforts of your staff and in accordance with Section 11.45(4)(d), Florida Statutes, we have included our response to the recommendations made in your report.

The Department of Highway Safety and Motor Vehicles is committed to providing highway safety and security through excellence in service, education, and enforcement. The results of your report will be used as part of the Department's continuous efforts to improve operations.

If you have any questions regarding our response, please contact David Ulewicz, Audit Director at (850) 617-3104.

Sincerely,

Julie L. Jones  
Executive Director

JLJ/jl  
Enclosure

**EXHIBIT A (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Department of Highway Safety and Motor Vehicles**  
**Response to the Auditor General's Operational Audit**  
**Preliminary and Tentative Audit Findings**

**Finding No. 1: Review of Specialty License Plate Audit Reports and Attestations**

The Department did not always document that appropriate actions were taken for overdue specialty license plate audit and attestation reports, and did not follow up when certain expenditures from specialty license plate proceeds exceeded the limits established by State law.

**Recommendation**

We recommend that Department management take steps to ensure that timely and appropriate actions are taken and documented when organizations that receive specialty license plate proceeds do not timely submit required audit reports or attestations and when certain expenditures from the specialty license plate proceeds exceed the limits established by State law.

**Agency Response**

In response to the audit recommendation, the Department's Bureau of Issuance Oversight enhanced internal staff training on statutory requirements for submission of specialty plate annual reports or attestations. Additionally, regular reviews are being conducted to ensure compliance with Section 320.08062(2), Florida Statutes, by Bureau management in an effort to ensure all future contact with specialty organizations are timely and appropriately documented.

In September 2013, the Bureau of Issuance Oversight updated its affidavit review procedures to include additional steps for verifying the level of statutorily approved administrative and marketing expenditures. A training aid focusing on reporting requirements, definitions, and procedures was created and posted to the Department's public website and presented to participants at the annual Specialty Plate Meeting on September 26, 2013. Additionally, following the meeting, the Bureau sent the new training aid to all specialty plate organizations in the state.

The Bureau of Issuance Oversight is dedicating an additional permanent position in the affidavit review section. As the number of specialty plates continues to increase, augmentation of this critical review area is essential to the Department's success in meeting the statutory requirements.

**Finding No. 2: International Fuel Tax Agreement (IFTA) Licensure Procedures**

The Department did not always verify the status of new applicants for IFTA licenses through the IFTA Clearinghouse database prior to issuing IFTA licenses.

**Recommendation**

**EXHIBIT A (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Department of Highway Safety and Motor Vehicles**  
**Response to the Auditor General's Operational Audit**  
**Preliminary and Tentative Audit Findings**

We recommend that Department management ensure that all applicants' IFTA licensure status in other jurisdictions is verified through the IFTA Clearinghouse prior to issuance of an IFTA license.

**Agency Response**

In response to the audit recommendation, the Bureau of Commercial Vehicle and Driver Services is ensuring that all applicants' IFTA licensure status is verified through the IFTA Clearinghouse and documenting in writing that the verification has occurred. Bureau management is conducting regular reviews to ensure that the verifications are being conducted and appropriately documented.

**Finding No. 3: Information Technology Access Controls**

Improved information technology access controls were needed for the Florida Real Time Vehicle Information System, Cash Receipts System, and the IFTA and IRP Clearinghouses.

**Recommendation**

We recommend that the Department ensure that appropriate IT access controls are implemented for the FRVIS, Cash Receipts System, and the IFTA and IRP Clearinghouses.

**Agency Response**

Information technology and operational staff are refining the business requirements for addressing the confidential recommendations related to IT Access Controls that will further strengthen specific security-related controls in the areas discussed. The Department recognizes integrity, confidentiality, and availability of the Department's data and information technology resources as a key responsibility in maintaining automated systems.

**Finding No. 4: Purchasing Card Cancellations**

Department controls for ensuring the timely cancellation of purchasing cards upon an employee's separation from Department employment continue to need enhancement.

**Recommendation**

We again recommend that Department management take appropriate actions to ensure the timely cancellation of PCards when cardholders separate from Department employment.

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**EXHIBIT A (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Department of Highway Safety and Motor Vehicles**  
**Response to the Auditor General's Operational Audit**  
**Preliminary and Tentative Audit Findings**

**Agency Response**

Although charges were not made subsequent to any of the cardholder's separation from the Department for the 86 PCards that were audited, we understand the overall goal is to cancel separating or separated employee PCards as soon as possible to prevent the possibility of unauthorized purchases. We will continue to enhance our internal processes to ensure that PCard cancellations are timely.