

Audit of
Douglas County Treasurer
Motor Vehicle Division
FY 2007/2008 #04

Douglas County
Internal Audit Division
(DCIAD)



DOUGLAS COUNTY INTERNAL AUDIT DIVISION

Honorable John Ewing
Douglas County Treasurer
1819 Farman, Civic Center
Omaha, Nebraska 68183

March 5, 2008

Dear Treasurer Ewing,

We have audited the Douglas County Treasurer Motor Vehicle Division. The period of the audit was January 2, 2008 through February 8, 2008. The audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing (*Institute of Internal Auditors; except Standards 1310-1 through 1312-2*).

Such standards require we plan and perform our audit to adequately assess those operations which are included in our audit scope. The audit included; examining the design and operating effectiveness of internal controls relating to Motor Vehicle Division operations, including operating systems; reviewing compliance with applicable state regulations; and performing other procedures we considered necessary to support report findings and recommendations.

DCIAD found, for the most part, the Motor Vehicle Division is operated efficiently and process controls are operating effectively. Motor Vehicle Division personnel performed their duties in an exemplary manner. An Executive Summary of our findings appears on page 3 of this report.

The purpose of this report is to describe the results of our testing, including internal controls and compliance, and not to provide an opinion on the internal controls or compliance.

We would like to thank you, and your staff, for your cooperation and assistance during this audit.

Carmen Harmon

Ms. Carmen Harmon
Internal Audit Division, Supervisor

Executive Summary

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The primary objective of this audit is to review the design and operating effectiveness of internal controls relating to transactions within the Motor Vehicle Division of the Douglas County Treasurer's office, and to examine information technology applications used for processing transactions.

BackgroundPage 5

The Douglas County Motor Vehicle Division is one of five divisions within the Douglas County Treasurer's office. The Division transacts business at six branch offices located throughout the County.¹ Branch offices accept Motor Vehicle, Real Estate and Personal Property tax payments and employ seventy-three full-time employees.

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Finding #6

The Douglas County Treasurer's Motor Vehicle Division does not have an all-inclusive policy and procedure manual.

¹ 411 N. 84th St. ; 4107 South 24th St.; 7414 North 30th St.; 5730 South 144th St.; 2918 North 108th St.; 1819 Farnam

Objective and Scope

The primary objective of this audit is to review the design and operating effectiveness of internal controls relating to transactions within the Motor Vehicle Division of the Douglas County Treasurer's office; and to examine information technology applications used for processing transactions. The assessment included testing for compliance with certain provisions of State law, regulation, and standards. Financial areas subject to our examination included, but were not limited to; major budgetary accounts and revenues collected.

Statement of Auditing Standards

We conducted our review in accordance with Standards for the Professional Practice of Internal Auditing, Institute of Internal Auditors.² Standards require we plan and perform our review to afford a reasonable basis for our conclusions regarding the organization, program, activity or function under review.

Methodology

We conducted this audit using standard auditing procedures. This included performing a study of the system of internal controls to the extent necessary to plan our test work. The review involved interviewing personnel, reviewing applicable policies and procedures used to process transactions, and testing compliance with applicable state statutes.

Recent legislation that may greatly effect Douglas County Motor Vehicle operations is the passage of the federal Real ID Act. The full impact of the legislation is still unknown.³ Final implementation regulations, released January 11, 2008, declared, "All States submitting requests will receive extensions until December 31, 2009. In addition, States that meet certain benchmarks for the security of their credentials and licensing and identification processes will be able to obtain a second extension until May 10, 2011"⁴ Nebraska has requested, and received, an extension.

² <http://www.theiia.org/guidance/standards-and-practices/>

³ http://www.dhs.gov/xnews/releases/pr_1196872524298.shtm

⁴ http://www.dhs.gov/xprevprot/programs/gc_1172767635686.shtm

Background

The Douglas County Motor Vehicle Division is one of five divisions within the Douglas County Treasurer's office. The Division transacts business at six branch offices located throughout the County.⁵ Branch offices accept Motor Vehicle, Real Estate and Personal Property tax payments and employ seventy-three full-time employees. There are four administrative support employees in the Motor Vehicle Division, including the Motor Vehicle Manager, and an additional seven employees staff a phone bank and answer calls for the office, including calls for Motor Vehicle assistance.

The Douglas County Motor Vehicle Division works closely with the State of Nebraska Department of Motor Vehicles (DMV) Driver and Vehicle Records Division. According to their website,⁶ the State of Nebraska Driver and Vehicle Records Division (DVR) has three main areas of responsibilities; (1) Vehicle Titles and Registrations, (2) License Plates and Permits, and (3) Driver Records. "It is the responsibility of DVR to ensure that all requirements are met with regard to the issuance of vehicle titles and registrations and driver's licenses, as determined by the laws of the State of Nebraska. This is accomplished by providing support to the county officials performing these procedures at the local level."⁷ The DVR oversees the design, ordering and distribution of the necessary forms, applications, plates (including specialty plates), and permits issued by the Nebraska Department of Motor Vehicle and their agents, including the Douglas County Motor Vehicle Division. Handicapped parking permits, military driver's license renewals, and duplicate driver's license issuance also fall under the Division's jurisdiction.

The Nebraska state DVR maintains the Nebraska Vehicle Titles and Registration (VTR) Information system. This system is accessed by Douglas County Motor Vehicle Division personnel when initially processing Vehicle Records transactions.⁸

Personnel in the Douglas County Motor Vehicle Division are responsible for the issuance, and renewal, of motor vehicle registrations; issuing certificates of title; vehicle licensing; recording liens; distributing refunds; checking for proper proof of insurance and collecting appropriate fees, in accordance with the provisions of state motor vehicle laws, for state issued drivers licenses, property taxes and wheel tax.⁹

In fiscal year ended June 30, 2007, motor vehicle taxes collected for Douglas County totaled \$14,089,940.¹⁰

The following chart illustrates the amount of motor vehicle taxes collected for Douglas County over the past six years.

⁵ 411 N. 84th St. ; 4107 South 24th St.; 7414 North 30th St.; 5730 South 144th St.; 2918 North 108th St.; 1819 Farnam

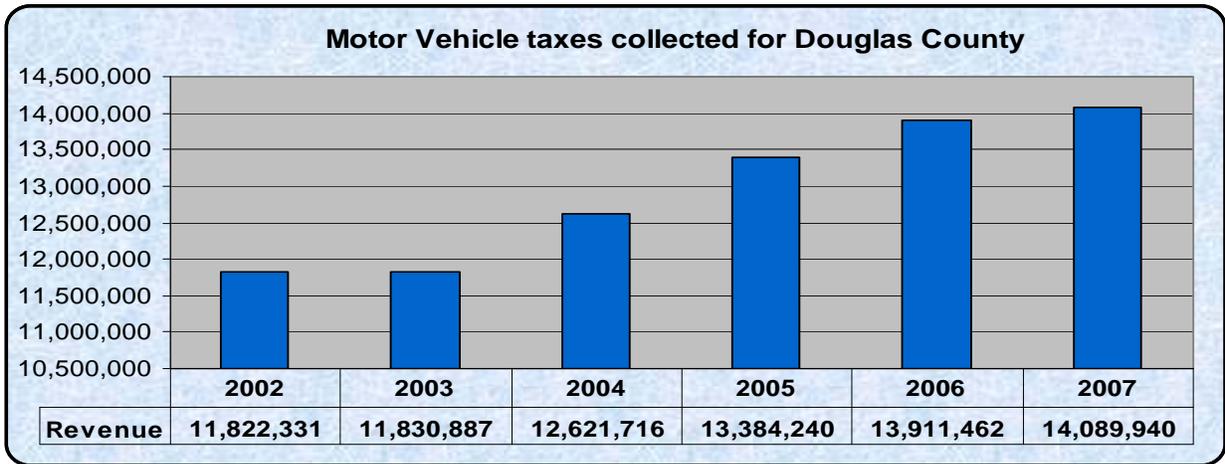
⁶ <http://www.dmv.state.ne.us/>

⁷ <http://www.dmv.state.ne.us/dvr>

⁸ Any record request, including vehicle or driver's license, is processed in adherence to all provisions of the Uniform Motor Vehicle Records Disclosure Act, commonly referred to as the "Privacy Act". This Act protects an individual's record unless the person requesting the record has the permission of the record holder or meets one or more of the exempted uses specified in the Disclosure Act.

⁹ Cashier for Windows application, and all cash handling procedures were partially reviewed during this audit. and no deficiencies were detected.

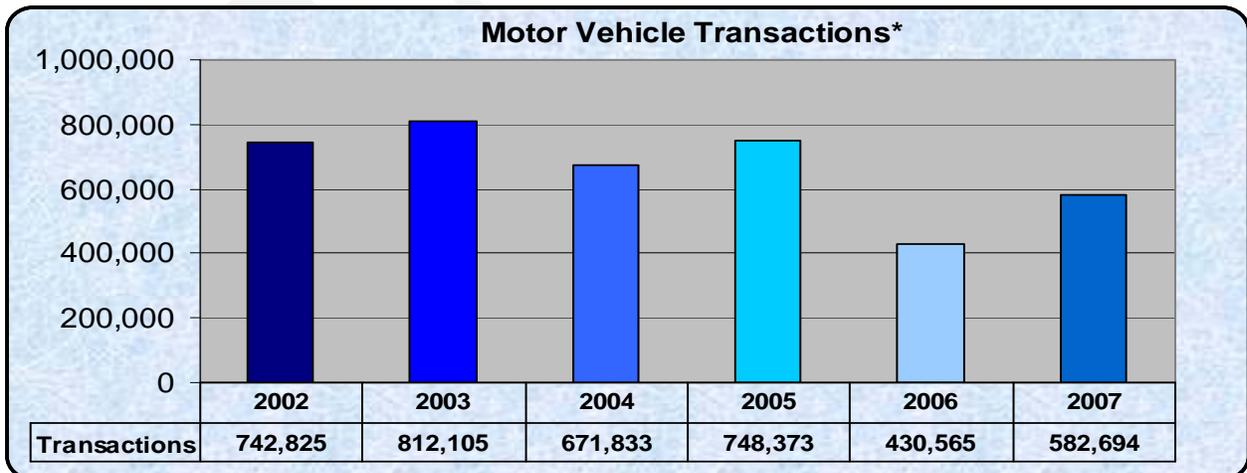
¹⁰ http://www.douglascountyclerk.org/CAFR/10007_OMA-07_FINAL_w-sig_1-2-8.pdf



The Douglas County Treasurer's office also annually collects \$17,500,000 in vehicle titling and registration fees for the State Treasurer;¹¹ and approximately \$17,450,000¹² in wheel tax revenue for the City of Omaha.

In 2006, automobile motor vehicle registrations in Nebraska totaled 1,112,320.¹³ According to the Nebraska Department of Motor Vehicles, 20% of all license plates and 27% of all drivers' licenses distributed annually in the State are issued in Douglas County.

In 2007, the Douglas County Motor Vehicle Division processed 582,694 transactions.¹⁴ The following chart illustrates motor vehicle transaction totals from FY2002 through FY2007¹⁵. A growing number of transactions are conducted by mail. The mail-in registration program began in September, 2007 and there were 11,957 mail-in registrations filed from September 17, 2007 through December 31, 2007.



¹¹ The State Treasurer distributes the money to multiple state government entities.

¹² 2007/2008 City of Omaha Budget, Wheel Tax and Street Cut fees

¹³ Nebraska State Comprehensive Annual Financial Report (CAFR); Information on a calendar basis.

¹⁴ Douglas County 2007 Comprehensive Annual Financial Report

¹⁵ According to the Bureau of Business Research at the University of Nebraska, and the Nebraska Business Forecast Council motor vehicle sales in Nebraska declined 4.6% in 2005, and 3.3% in 2006, and remained stagnant at 0.0% for 2007; however, an increase of 5.2% is expected in 2008.

Internal Control Activities - Organizational Chart/Job Descriptions

Internal control activities are the policies and procedures that help ensure management directives are carried out and necessary actions are taken to address risks to achievement of the entity's objectives. Internal control activities occur throughout an organization, at all levels, and in all functions. They include, but are not limited to, a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.

Important control documents affecting the management of personnel are an organizational chart and job descriptions. Good internal control practices require organizational charts that clearly define lines of authority and job descriptions that clearly define responsibilities.¹⁶ Employees need clearly established lines of authority and responsibility, to ensure all staff are aware of the duties they are expected to perform.

The organizational chart provided¹⁷ establishes a line of authority for branch management that bypasses all Motor Vehicle Division management staff and establishes a direct line of supervision to the Treasurer's Chief Deputy. Job descriptions for the motor vehicle manager, branch manager, and assistant branch manager, updated in 2006, indicate a direct line of supervision to the Treasurer's Chief Deputy. However, when questioned, branch management responded the line for direct supervision when transacting everyday motor vehicle business¹⁸ was through the Motor Vehicle manager.

Finding # 1

The lines of authority established on the Treasurer's office organizational chart¹⁹, and in some job descriptions, are not followed at branch offices when conducting everyday business activity. Requiring branch management to consult and/or notify the Chief Deputy for all matters involving everyday business, and requiring the Chief Deputy to notify the Motor Vehicle manager of the request, is not an efficient business process flow model; and is unnecessarily cumbersome if a more immediate response from the Motor Vehicle manager is needed.

Recommendation

A more efficient business process flow would allow branch management to contact the Motor Vehicle manager to resolve issues involving everyday business; and allow the Motor Vehicle manager to contact the Chief Deputy when an issue needs upper management attention. Revising the organizational chart, and job descriptions and titles, to clarify this line of authority would remove unnecessary duplication and confusion. These changes would also reflect actual practice.

Management Response

The Treasurer's Office feels the organizational chart addresses the communication issue. The chart includes language that clearly acknowledges communication throughout the operations of

¹⁶ <http://sam.dgs.ca.gov/TOC/20000/20050.htm>

¹⁷ Appendix II

¹⁸ The majority of business conducted in branch offices is motor vehicle related, however some portion of the business is for real estate, property tax payments and collection of fees for other political subdivisions. An exact breakdown of transactions has not been calculated.

¹⁹ An updated version of the original organizational chart submitted has been used for this report.

the organization. The lines of authority address the accountability and performance issues and the explanation allows for day-to-day guidance from Division experts.

We will, however, examine other organizational chart models to determine if there is a model that more accurately reflects the flexibility in communications that we desire in our team approach to operations.

FINAL

Training

There are over 2,300 manufacturer vehicle codes used for various motor vehicle transactions; more than fifty separate forms issued for titling, registrations, and liens; and 56 types of license plates issued by the Douglas County Motor Vehicle Division, as an agent for the State. Hundreds of sections of state statute, and a tax section of the state constitution, govern all processes performed in the Douglas County Motor Vehicle Division; and every year the Nebraska State Legislature passes numerous additional adjustments to existing statutes.²⁰

Extensive training is needed to prepare new Customer Service Technicians (CST) for the front counter at a Douglas County Motor Vehicle (DCMV) branch office. In the past, the DCMV office provided "on the job" training that, by all accounts, was not very efficient and may have contributed to a very high rate of turnover in this area.

In recent years, Motor Vehicle management have developed comprehensive training for new employees, and updated training for experienced CST's. Comprehensive training appears to have improved the effectiveness of new employee, enhanced the proficiency of experienced employees, and turnover in the CST positions has decreased.

Job descriptions provided by Motor Vehicle management listed new employee training and cross training current employee's duties under branch manager primary duties and responsibilities. The assistant motor vehicle manager/training manager was identified as a branch manager on the Oracle Human Resource Management System. No assistant motor vehicle manager or training manager job descriptions were provided.

The organizational chart provided by management identifies a training manager position; however the job description for the employee identified has not been updated.

Finding # 2

Job titles on the organizational chart provided are inconsistent with job descriptions. For example, the training manager position is not clearly defined and there is no job description for a training manager position.

Recommendation

Updated job descriptions ensure employees are aware of all assigned duties, supervision exercised and received, and the reporting lines of authority. DCIAD recommends the Douglas County Treasurer's office regularly update job descriptions.

Also, as a comprehensive training program continues to develop, the Douglas County Motor Vehicle Division needs to clearly define the position of training manager, and submit proper documentation that reflects the updated position description and responsibilities to the Douglas County Government Human Resources Division.

Management Response

A request for a job study/audit for this position was submitted to the Civil Service Director on February 8, 2008. This issue had been discussed in meetings with the Director over the past several months. Other positions were also submitted for study, as well.

²⁰ All statutory changes are noted in an annual Legislative Guide compiled by Lexis Nexus and reviewed and implemented by the Motor Vehicle Manager.

We acknowledge that current job titles do not adequately reflect the duties that three of our supervisory/management staff perform. A job study is required by Douglas County Human Resources and Civil Service before any titles or job description can be changed.

FINAL

Information Management Systems

The Douglas County Motor Vehicle Division processes a number of transactions throughout the year using three interfaced information systems; (1) the State of Nebraska Vehicle Titling and Registration (VTR) system, (2) the Douglas County Oracle system and (3) the Douglas County Information Management System (IMS) and one computer application, Cashier for Windows. The VTR system is an AS/400 and mainframe system maintained by the Nebraska Department of Motor Vehicle Information Technology Division. The vehicle titling and registration records of 1.5 million licensed Nebraska drivers and state ID card holders are maintained on this system.

In 2006, the Nebraska State Auditor issued a review of internal controls over the AS/400 VTR system, and noted eight (8) control deficiency comments.²¹ Two of the comments discussed the issue of exception and change reports and auditors noted the reports were not regularly reviewed by county Motor Vehicle personnel. Douglas County Internal Audit verified reports in Douglas County are regularly reviewed²² by Motor Vehicle management.²³

Another comment noted the Nebraska DMV did not have procedures in place to verify the portion of fees received from the counties each month was reasonable and accurate. Revenues remitted by the Douglas County Treasurer to the State Treasurer were reviewed for accuracy and all deposits accurately reconciled.

An additional comment in the report, which related to Douglas County Motor Vehicle operations, was the lack of a Disaster Recovery and Business Continuity Plan for the state system. Nebraska Department of Motor Vehicles does not have a written disaster recovery plan, or a business continuity plan, for the county AS/400 system. This has been a comment in state audit reports since 1997. Discussions with state personnel confirmed the State plan for a disaster is total replacement of damaged hardware.²⁴ Data is backed up daily on all systems and adequately secured in several different formats and locations.

Good internal control requires information systems to have a written disaster recovery plan to ensure system recovery and continuity in the event of a disaster. The Douglas County Treasurer Motor Vehicle Division has an Emergency and Operational Procedures Manual that provides recommended actions in case of emergencies but the manual does not include a disaster recovery plan or business continuity plan.

Finding # 3

The Douglas County Treasurer's office does not have a comprehensive written disaster recovery and business continuity plan for all systems and all services.

Recommendation

DCIAD recommends the Douglas County Treasurer discuss the adequacy of disaster recovery and business continuity preparedness for all Motor Vehicle systems and services with the Douglas County Board, and DOT.Comm.²⁵ A comprehensive business analysis should be

²¹ http://www.auditors.state.ne.us/local/pdfSearch/PDF/2005_Motor_Vehicle_Vehicle_Titling.pdf

²² Reports are reviewed and, if necessary, adjusted monthly

²³ Management response to ICQ

²⁴ Email or phone call with Nebraska DMV-IT staff

²⁵ Douglas Omaha Technology Commission (Information Services for Douglas County)

completed for all systems and services; and a comprehensive written disaster recovery and business continuity plan should be compiled.²⁶

DCIAD also recommends the Douglas County Treasurer confer with Douglas County Emergency Management staff to ensure all plans include duties prescribed in the Local Emergency Operations Plan.²⁷

Management Response

The Treasurer's staff is working with other departments of government such as DOT.Comm, the State of Nebraska, and the law enforcement community to formulate disaster recovery policies.

The staff is also reviewing and composing policy regarding work place violence, which will address training and response issues related to work place emergencies that also include weather-related matters.

²⁶ Douglas County Treasurer General Policy Notice 5-07-A Protocol for Computer System Failure

²⁷ http://www.nema.ne.gov/content/e_plan_pdf/content/e_plan_pdf/Douglas_eLEOP.pdf

Information Management System Security

During this audit, DCIAD reviewed all systems and applications utilized for motor vehicle transactions. As a component of system security all information systems utilized by the Douglas County Motor Vehicle Division compel a sign-on with a password requirement.

For the State Vehicle Titling and Registration (VTR) system the Douglas County Treasurer's office Motor Vehicle Division is responsible to approve any individual who needs a user ID to gain access to the State system.

DCIAD contacted the Nebraska Department of Motor Vehicle and obtained a list of all current user ID's. There were 200 individuals on the list provided. Several of the individuals listed were no longer current employees of Douglas County.

After discussion with Douglas County Motor Vehicle management, DCIAD determined that while County system access was terminated for all employees at the time of their departure, the State was not notified to terminate access.

Finding # 4

The Nebraska State Department of Motor Vehicles was not contacted and asked to terminate VTR system access for former Douglas County employees.

Recommendation

DCIAD recommends the Douglas County Treasurer's office Motor Vehicle Division implement a formal process to notify, in a timely manner, the Nebraska Department of Motor Vehicle Information Systems staff when an employee's system access status changes. At this time, all access is current within the system.²⁸

Management Response

When a Treasurer's staff member separates employment, all county access is suspended immediately, per policy, and January 31, 2008, an email was sent to the State DMV with a request to remove former employees from the state authorized list. Current Treasurer's policy has been amended to include notifying the State DMV. A copy of this policy (Conclude System Access upon Employee Termination, GPN-01-30-08) has been provided to DCIAD.

Finding # 5

All systems utilized by the Douglas County Motor Vehicle Division use a sign on and password security system for system access. Branch office customer service technicians physically secure cash drawers when leaving their areas for any period of time during the day but are not required to lock out their system access. Leaving system access open to unauthorized users could compromise system security. System policy notice (#02-98) requires all customer service technicians to sign off on all systems when leaving at the end of the day. This is a prior audit finding.²⁹

²⁸ After contacting Nebraska Division of Motor Vehicle Information System staff, forty-five user ID's were removed from the users list.

²⁹ FY 1999/2000 - #02 Review of Staff Compliance with Policies and Procedures of the Douglas County Treasurers office

Recommendation

DCIAD recommends that all customer service technicians lock out of their computer access when leaving their area for any period of time. Branch computers use a Windows-based application that can be easily locked and unlocked.³⁰

Management Response

The Treasurer's Systems staff will review this and implement the timeout feature for an unattended terminal. After consulting with System staff, a formal policy concerning locking out a terminal will be drafted and implemented.

It should be noted and acknowledged that terminals are used by all of the branch staff. Individual programs have password features that restrict use, even though the terminal may be opened.

³⁰ Discussion with system administrator , January 25, 2008

Written Policies and Procedures

Policies and procedures are a set of documents that describe an organization's policies for operation and the procedures necessary to fulfill the policies. A policy is a predetermined course of action established as a guide toward approved objectives of an organization. Procedures are detailed instructions explaining how to implement policy and perform a specific task.

Recently, the Douglas County Treasurer Motor Vehicle Division has developed, and organized, extensive training material for many positions within the division including instructional material for customer service technician job procedures. An additional policy and procedures manual was provided, by Motor Vehicle management, containing approved and issued policy directives.

Also, the Douglas County Treasurer's office facilities manager has compiled an Emergency and Operational Procedures Manual designed to," provide an outline of various recommended actions in the event of an emergency."³¹

During this audit DCIAD reviewed many of these documents and determined they were comprehensive, however, with information in several different locations it was difficult to ascertain comprehensive procedures and assess compliance.

Finding # 6

The Douglas County Treasurer's Motor Vehicle Division does not have an all-inclusive policy and procedure manual.

Recommendation

Establishing a comprehensive policy and procedures document would clarify, and improve, employees understanding of management's objectives. An example of an organizing template has been provided in Appendix I.³²

When experienced employees leave, well-written and organized procedures protect the institutional knowledge of an organization and benefit replacement employees. The Division should also set up a schedule for periodic reviews to ensure existing policies are updated, or removed, when no longer needed.

An additional step in this process is preparing a succession plan. Succession planning is the process of identifying and preparing suitable employees, through mentoring, training and job rotation, to replace key employees when needed. A careful and considered plan of action ensures the least possible disruption to the person's responsibilities and therefore the organization's effectiveness.

The Douglas County Motor Vehicle Division should continue to develop control documents that help employees gain an understanding of management's objectives and prepare the division for an external audit assessment of internal controls over processes.

Management Response

³¹ Emergency and Operational Procedures Manual; page 3

³² http://en.wikipedia.org/wiki/Policies_and_Procedures

The Treasurer's Office currently has a policy manual that is organized by division. A reference table will be added to list current policy to be revised each time a new policy is issued. It will be reviewed each year by the entire staff to ensure that the branches have current and consistent policies.

The procedure manuals are developed and revised within each division and maintained at that level. The Treasurer's office will look at combining the policies and procedures for each of the divisions into one comprehensive manual.

The Treasurer's office does have a succession plan for motor vehicle branch operations. Managers, Assistants, and Third in Command positions are tested and selected to fill the management process for each branch. When a Branch Manager is absent, the Assistant Manager takes over and the Third in Charge is detailed as an assistant. The authority is clearly delineated to the staff. A paper trail is prepared that is included in the employee's file when this occurs.

Further, throughout the organization, (where possible) efforts are underway for cross training employees to perform other duties within their division. The Treasurer's staff believes in preparing all of the staff for advancement within the office and also encourages over-all office job knowledge so that positions are easily covered when vacancies occur.

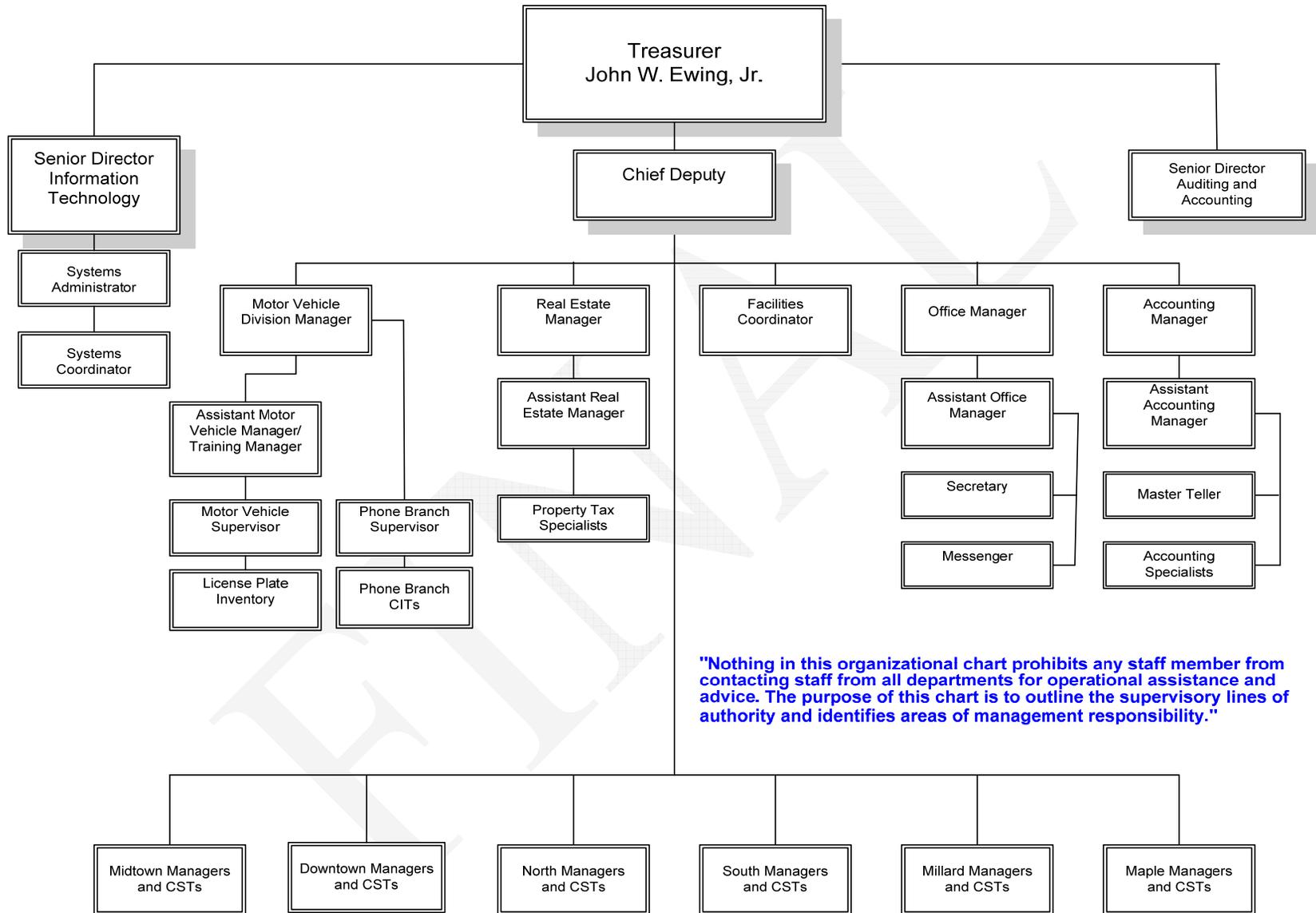
The Treasurer's staff utilizes CST's for the annual Tax Lien Sale in order to expose the CST staff to another part of the operation. New CST trainees are also exposed to Real Estate training to facilitate additional understanding of the Treasurer's Office total operations.

A TEMPLATE AND A WRITING FORMAT

TITLE OF POLICY or PROCEDURE	Document No.	
	Effective Date	
	Revision Date	
	Revision No.	
	Page No.	
Approval:		
1.0	<u>Purpose</u>	Describes objective(s) for writing a policy or procedure.
2.0	<u>Revision History</u>	Shows list of document changes to this document.
3.0	<u>Persons Affected</u>	Identifies the users of this document.
4.0	<u>Policy</u>	Describes the general organizational attitude of the company.
5.0	<u>Definitions</u>	Defines abbreviations, acronyms, forms, words infrequently used and technical terms.
6.0	<u>Responsibilities</u>	Summarizes the roles and responsibilities of all individuals involved with this document.
7.0	<u>Procedures</u>	Defines and outlines the rules, regulations, methods, timing, place, and personnel responsible for accomplishing the policy as stated in the <i>Policy</i> section above.

Appendix I

* http://en.wikipedia.org/wiki/Policies_and_Procedures



"Nothing in this organizational chart prohibits any staff member from contacting staff from all departments for operational assistance and advice. The purpose of this chart is to outline the supervisory lines of authority and identifies areas of management responsibility."

Appendix II*

* Organizational Chart as submitted by Treasurer's office 2/7/2008

DCIAD Staff participants in Douglas County Treasurer Motor Vehicle Division audit,
FY 2007/2008 - #04

Kate Witek
Internal Audit Analyst
Primary Auditor

Carmen Harmon
Internal Audit Supervisor

Audit FY 2007/2008 - #04 was released on March 5, 2008