California and Utah’s Audit Programs

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California Profile

- Registered Vehicles: 33 Million
- Driver Licenses & ID Cards: 30 Million
- Annual Budget: $1 Billion
- Annual Revenue Collections: $7.6 Billion
- Over 200 Field Office Locations
- Conduct over 600 audits annually
- Six Audit Managers and 39 Audit Staff
• Registered Vehicles: 3 million
• Annual Budget: $18 million
• Annual Revenue Collections: $460 million
• Thirty-seven Branch Office Locations
• Over 700 Third Party Partners
• Conduct over 200 reviews annually
• Audit Manager and three Staff Auditors
WHAT IS YOUR RESPONSIBILITY?
Audit Program

- State assets are protected
- Fiduciary responsibility to ensure policy, procedures, regulations, and statutes are followed
- Financial and management information is reliable
- Organization and programs are operating effectively and efficiently
- Independent and objective assessment of operations
- Audit for financial integrity, program performance, information technology, & compliance
Audit Program

• Meet any financial integrity and state manager’s accountability acts in place in your state.

• Follow Government Auditing Standards (GAS) for all government audits as prescribed by the U.S. Government Accountability Office.

• Follow Generally Accepted Auditing Standards as required by the American Institute of Certified Public Accountants.


• Identify potential problem areas before the state or legislative auditors arrive.

• Ensure that your department is not on the front page of your local newspaper, L.A. Times, N.Y. Times or USA Today.
Audit Program

TYPES OF AUDITS
Audit Program

• Internal Audits
  ➢ Compliance with Government Code
  ➢ Operational policies and regulations

• External Audits
  ➢ International Registration Plan Program
  ➢ Adherence of government, commercial and business partners to agreements
WHO DO WE AUDIT?
Internal Audits

- Field Office & Call Center operations
- Driver License and Vehicle Registration Operations
- Auto Clubs, Driver Safety Offices, and Industry Business Centers
External Audits

• International Registration Plan
  – Mandated to audit 3% of fleets based in your jurisdiction

• Government and Commercial Requesters
  – Government agencies, third party agents, attorneys, insurance carriers/agents, private investigators, etc.

• External Partners
  – Registration Services, first line business partners, car dealerships, etc.
WHAT ARE WE LOOKING FOR?
Internal Audits

- Written desk procedures
- Adherence to policies and procedures
  - Employee vehicle transactions
- Physical Inventory of Accountable/Controlled Items
- Process/Office Efficiency Evaluations
- Separation of duties/functions
- Timely deposit of monies/Bank deposit procedures are followed
- Timely transfer of funds
- Timely changing of safe and keypad combinations when an employee leaves
- Securing and properly destroying of Personally Identifiable Information
- Vehicle Vessel Registration/Driver License
  - Field Office Managers review and retain VR & DL transaction information as required
- Information Systems Controls
  - Employee record change requirements are maintained
External Audits

- **International Registration Plan (California)**
  - Distance traveled does not reflect reported distance traveled
  - Recorded distance includes accrued vehicles not apportioned in the fleet
  - Reported purchase price does not reflect the actual cost of the vehicle

- **Government and Commercial Requesters**
  - Unauthorized use of DMV information
  - Authorized user listing not maintained
  - Lack of log of inquiries and supporting documentation

- **Business Partners (California)**
  - DMV documentation not stored on-site as required
  - Unable to provide required reports
  - Lack of established written policies and procedures
External Audits

• Third Party Business Partners (Utah)
  - Verify controlled inventory and security
  - Adherence to policy and procedures

• Government and Commercial Requesters
  - Unauthorized use of DMV information
  - Authorized user listing not maintained
  - Lack of log of inquiries and supporting documentation

• Business Partners
  - DMV documentation not stored on-site as required
  - Unable to provide required reports
  - Lack of established written policies and procedures
• Lack of written procedures
• Bank deposit procedures not followed
• Lack of separation of duties
• VR/DL application review lists procedures not followed
• Physical inventory not conducted
• System controls not followed
• Unauthorized use of DMV information
• Lack of logs and supporting documentation
Utah Audit Findings

– Employee Misuse of Position
  • Falsifying safety and emission information
  • Selling of replacement decals
  • Altering title documents and obtaining loans
  • Manipulating the system on cash transactions in order to steal funds

– Training Issues

– System Issues

– Unauthorized Use of MV Information
WHAT ARE CONSEQUENCES OF NOT HAVING A RIGOROUS AUDIT PROGRAM?
Audit Program

- Embezzlement
- Fraud
- Collusion
- Bribery
- Negligence
- Loss of grant funds
- Misuse of information
- Identity theft
Audit Program

Thank You!!!