

PROJECT CODE
SAI801-09

VEHICLE REGISTRATION
AND TITLING SYTEM

Information System Audit

For the Fiscal Year ended June 30, 2009

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of State Audit

**LEGISLATIVE AUDIT AND FISCAL REVIEW
COMMITTEE MEMBERS**

Senator Randel Christmann – Chairman
Representative RaeAnn G. Kelsch – Vice Chairman

Representatives

Rick Berg
Merle Boucher
Jeff Delzer
Patrick R. Hatlestad
Jerry Kelsh
Keith Kempenich
Gary Kreidt
Louis Pinkerton
Chet Pollert
Bob Skarphol
Benjamin A. Vig
Lonny Winrich

Senators

Joan Heckaman
Jerry Klein
Judy Lee

TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	2
Significant Recommendations	2
Background Information	3
Financial Summary	3
Objectives, Scope, and Methodology	4
Are security roles designed to provide access based on a demonstrated need to view, add, change, or delete data?	5
Summary of Audit Work Performed	5
Audit Findings	5
Annual review of access rights	5
Excess superuser access	5
Log use of temporary superuser account	5
Auditor's Opinion.....	6
Are the correct Fees charged in accordance with N.D. Century Code?	7
Summary of Audit Work Performed	7
Auditor's Opinion.....	7
Is all revenue collected distributed to the funds accurately?	8
Summary of Audit Work Performed	8
No reconciliation of untransferred revenue in clearing account	8
Errors in Distribution Report	8
Distribution of refunds.....	8
Auditor's Opinion.....	9



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

TRANSMITTAL LETTER

August 27, 2009

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Francis G. Ziegler, Director, ND Department of Transportation

Transmitted herewith is the information system audit of the Vehicle Registration and Titling System (VRTS) for the fiscal year ended June 30, 2009. This audit resulted from the statutory responsibility of the State Auditor under NDCC § 54-10-01.

VRTS is used to account for all transactions and revenue for the Motor Vehicle Division of the Department of Transportation.

VRTS was selected for this audit because it is considered a high-risk information system. VRTS is considered "high-risk" because it is the primary system used by the Department of Transportation for vehicle registrations and titling. The term "high-risk" does not necessarily indicate that the system has problems, but indicates a higher potential for significant problems to occur.

Inquiries or comments relating to this audit may be directed to Donald LaFleur, Information Systems Audit Manager, by calling (701) 328-4744. We wish to express our appreciation to the Department of Transportation for the courtesy, cooperation, and assistance provided to us during this audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bob Peterson".

Robert R. Peterson
State Auditor

EXECUTIVE SUMMARY

The purpose of this report is to provide our analysis, findings, and recommendations regarding our audit of the Vehicle Registration and Titling System (VRTS). While primarily an information system audit, we also addressed operational issues related to the system and its operation.

VRTS is used to account for all transactions and revenue for the Motor Vehicle Division of the Department of Transportation.

Significant Recommendations

We reviewed **security** roles to ensure they had been properly designed and superuser accounts to determine if they were necessary. We had the following findings:

- There were users who have unnecessary superuser access.
- There is no annual review of user access.
- There is no log kept to document the use of the temporary account.

We reviewed the process for **distributing revenue** to the proper funds. We had the following findings:

- The Department of Transportation is unable to reconcile untransferred revenue in the North Dakota Motor Vehicle Money Market Account to verify that the revenue should remain there and not be transferred.
- The Vehicle Registration and Titling Distribution Report has errors in it.
- Refunds are not always being distributed in the same way the revenue was originally distributed.

BACKGROUND INFORMATION

System Overview

The Motor Vehicle Division is responsible for the issuance of licenses and titles for all vehicles as required by law, and the maintenance of registration and title records for law enforcement agencies and others authorized to access these records. The division registers 800,000 vehicles per year and issues 230,000 titles. The division protects the public by licensing and regulating vehicle dealers and by identifying proof of ownership through a title issuance process. The Motor Vehicle collects and distributes approximately \$170,000,000 per year in registration fees and taxes.

The Vehicle Registration and Titling System is used to account for all transactions and revenue for the Motor Vehicle Division of the Department of Transportation.

Financial Summary

Indicated below is a summary of motor vehicle revenue processed through the Vehicle Registration and Titling system for the fiscal year ended June 30, 2009.

Motor Vehicle Revenues	
Motor Vehicle Excise Tax	\$83,736,891.78
Misc. License/Fees	\$78,788,396.63
Pro-Rata Fee - Lieu Mi. Tax	\$2,817,603.25
Public Transportation Fee	\$2,412,263.00
Unified Carrier Registration	\$1,521,938.00
New & Used Dealer Fees	\$157,202.00
Vets Cemetery Plates	\$30,770.00
Handicapped Parking Fee	\$12,981.00
Total	\$169,478,045.66

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit of the Vehicle Registration and Titling System for the fiscal year ended June 30, 2009 was to answer the following questions:

1. Are security roles designed to provide access based on a demonstrated need to view, add, change, or delete data?
2. Are the correct fees charged in accordance with century code?
3. Is all revenue collected distributed to the funds accurately?

This audit was conducted in accordance with *Standards for Information Systems Auditing* issued by the Information Systems Audit and Control Association and *Government Auditing Standards* issued by the Comptroller General of the United States.

ARE SECURITY ROLES DESIGNED TO PROVIDE ACCESS BASED ON A DEMONSTRATED NEED TO VIEW, ADD, CHANGE, OR DELETE DATA?

Summary of Audit Work Performed

We obtained and reviewed a list of the Vehicle Registration and Titling System's roles and their access rights. We reviewed these roles to ensure the access they provided was consistent with their stated purpose. We reviewed default accounts to ensure they were being locked in a timely manner. We reviewed policies and procedures for adding, changing, and deleting user access. We reviewed user access. We tested superuser accounts to determine if the access was necessary and appropriate. We reviewed the roles to ensure there were no unused roles.

Audit Findings

Annual review of access rights

In reviewing user access to the Vehicle Registration and Titling System, we noted terminated employees who still had access. Terminated employees' access should be removed to minimize security risk to the system. While the Department of Transportation has procedures for removing user access, they are not conducting an annual review of access rights to catch oversights.

Recommendation:

We recommend that the Department of Transportation implement procedures to review access at least annually.

Agency Response:

Process has been implemented and completed for 2009.

Excess superuser access

Good internal controls require that you grant access rights based on a demonstrated need. A superuser account is an account that has access to all or nearly all functions, or can modify security. Unnecessary superuser access increases the risk that errors and irregularities could occur. We noted superuser accounts that we considered to be inappropriate.

Recommendation:

We recommend the Department of Transportation limit superuser access to only those individuals with a demonstrated need for superuser access.

Agency Response:

Limited access update for super-users has been completed.

Log use of temporary account

A temporary account has been setup for use by motor vehicle branch personnel to fix problems. Use of this account is granted by calling the Department of Transportation help desk; however no log is kept to document usage of this account. Without a log it is not possible to track who used the account to make changes.

Recommendation:

We recommend the Department of Transportation implement proper procedures to monitor usage of the temporary account.

Agency Response:

Going forward a tracking system will be created to monitor this user account.

Auditor's Opinion

In our opinion, security roles provide access based on a demonstrated need to view, add, change, or delete data, except as noted above.

ARE THE CORRECT FEES CHARGED IN ACCORDANCE WITH N.D. CENTURY CODE?

Summary of Audit Work Performed

We compared fees in the Vehicle Registration and Titling System to century code. We reviewed how fees are determined for transactions. We tested a sample of transactions to ensure the correct fees were charged.

Auditor's Opinion

In our opinion, the Department of Transportation is charging fees in accordance with century code.

IS ALL REVENUE COLLECTED DISTRIBUTED TO THE FUNDS ACCURATELY?

Summary of Audit Work Performed

Revenue from vehicle registration and titling transactions is first deposited in a clearing account and then transferred to the appropriate funds at the end of the month. We reviewed the process for transferring the revenue and reconciliations of the clearing account. We tied VRTS tables to the Transaction Detail Report and Distribution Report.

No reconciliation of untransferred revenue in clearing account

The Department of Transportation is unable to reconcile untransferred revenue in the North Dakota Motor Vehicle Money Market Account to verify that the revenue should remain there and not be transferred. North Dakota century code requires agencies to monthly report to the state treasurer the amount of fees and profits received and to pay the amount of such fees and profits to the treasurer (NDCC § 54-06-08). Without a proper reconciliation of the amount remaining in the clearing account, it is difficult to identify and correct mistakes in the transfer process.

Recommendation:

We recommend the Department of Transportation ensure money remaining in their motor vehicle clearing account each month is properly accounted for.

Agency Response:

We are currently reviewing the VRTS processing to determine options for balancing the monies in the work queue that have not been distributed. We are working on updating our current reconciliation process to include a process of reconciling pending items to the money remaining in the clearing account after the distribution of funds is complete.

Errors in Distribution Report

There were errors in the Vehicle Registration and Titling System Distribution Report. There were fees that were not properly accounted for and therefore did not get distributed from the clearing account.

Recommendation:

We recommend the Department of Transportation ensure the accuracy and validity of the Distribution Report.

Agency Response:

We will continue to research distribution process and validity. Items discovered during audit have already been corrected.

Distribution of refunds

In some cases refunds are distributed according to the new allocations and not the same way as the original revenue being refunded was allocated. This was caused by the Department of Transportation changing older allocation to match the new distributions; refunds that use the old codes were then allocated based on the new distributions rather than being distributed in the same way the revenue was distributed.

Recommendation:

We recommend the Department of Transportation ensure that distributions for refunds are the same as the original revenue.

Agency Response:

The NDDOT concurs with the finding and will develop a methodology to properly allocate refunds.

Auditor's Opinion

In our opinion, revenue is being distributed to the funds accurately, except as noted above.

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of State Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2241