



**Department of Legislative Services
Office of Legislative Audits**

**Maryland Department of
Transportation
Motor Vehicle Administration (MVA)**

Report Dated November 22, 2017



Department of Legislative Services Office of Legislative Audits

Audit Overview

- MVA oversees a variety of activities related to the ownership and operation of motor vehicles, including the registration and titling of vehicles, and issues driver's licenses and personal identification cards.
 - Our audit focused primarily on MVA's procedures and controls for fulfilling these responsibilities, as well as the procedures and controls over procurements and disbursements, cash receipts, payroll, and information systems security.
 - Our report included 12 findings and concluded that MVA had satisfactorily addressed 8 of the 9 findings in the preceding audit report. The remaining finding is repeated in this report (Finding 8).
 - MVA maintains its headquarters in Anne Arundel County and 24 branch offices. Fiscal year 2016 collections, which primarily consisted of motor vehicle excise tax receipts and vehicle registration fees, totaled \$1.7 billion.
 - As of August 25, 2016, there were approximately 4.8 million active driver's licenses and identification cards.
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Key Findings

- An internal MTA investigation revealed that 270 fraudulent federally non-compliant driver's licenses and identification cards (collectively known as products) had been issued. However, the scope of MVA's investigation was limited and we found several hundred additional products that may have been issued improperly.
 - MVA lacked adequate procedures to ensure that
 - for four information technology service contracts valued at approximately \$57.2 million the hours billed were reasonable, all deliverables were received, or contract terms were complied with;
 - certain driving records were being reviewed for possible administrative action, such as license suspension or revocation;
 - differences between recorded collections and amounts deposited at branch offices were adequately investigated; and
 - collections received from county offices for vehicle registration renewals they processed were received timely, adequately controlled, and deposited.
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Licensing Issuance (Finding 1)

An internal investigation revealed that MVA issued 270 fraudulent federally non-compliant driver's licenses (DL) and identification cards (ID), referred to as products, to walk-in applicants based on counterfeit documents.

However, the scope of the investigation was limited. Our expanded review identified an additional 329 products that may have been issued improperly.

Applicants for a non-compliant DL and ID card are required to make an appointment to obtain the product and present a letter from the Comptroller of Maryland, which reflects a control number unique to the individual as evidence of Maryland income tax filings for the previous two years. The MVA investigation

- covered the period from October 13, 2015 to March 7, 2016 and included two employees at one branch location;
 - identified internal control deficiencies that allowed the 270 products to be issued to walk-in applicants; and
 - noted that, for walk-in applicants, the Driver's Licensing System did not identify if the Comptroller number had been previously used.
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Licensing Issuance (Finding 1 – cont.)

OLA determined that internal control deficiencies identified by MVA in its investigation were not corrected timely:

- MVA continued to allow walk-in candidates to apply for a non-compliant DL or ID card, and
- did not institute verification procedures for walk-in applicants to identify if a Comptroller number had been previously used.

OLA's expanded analysis extracted data for all 4.8 million active products as of August 2016 and identified 82,660 that were obtained using a Comptroller number. Results of OLA's analysis of products issued using a Comptroller number disclosed 329 individuals who may have improperly received federally non-compliant DL or ID cards:

- 225 individuals used 62 Comptroller numbers including one Comptroller number that was used 16 times, and
 - 104 additional individuals used a Comptroller number where the first and/or last names did not match the Comptroller's records.
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Licensing - Suspension/Revocation (Finding 3)

MVA did not ensure that all driving records were being reviewed, as required, for possible administrative action resulting from traffic offenses incurred. Our tests disclosed records for which the required administrative action was not taken.

- Certain cases in which the drivers had previously accumulated 8 or 12 points on their driving records were being incorrectly excluded from MVA's review to determine potential administrative action.
 - For example, for 10 days tested, we determined that 34 of 427 traffic offense convictions were not subject to the review process.
 - Our review of 31 excluded driving records disclosed 8 that required administrative action to be taken against them, such as license suspension, revocation, or an extension of an existing suspension or revocation. For example, 2 drivers who were serving a 30-day suspension subsequently accumulated more points which should have resulted in a 90-day suspension.
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Contract Monitoring (Finding 5)

MVA's procedures did not ensure that the most favorable rates were obtained for one Information Technology (IT) contract. Also MVA's procedures for IT contract monitoring were not effective in ensuring that hours billed and paid for were reasonable, all deliverables were received, and contract terms were complied with.

We examined four IT contracts with a collective value of \$57.2 million and related payments totaling \$40.2 million as of May 11, 2017.

Most Favorable Rates for Certain Labor Categories Were Not Obtained From One Vendor

- A \$21.4 million IT contract was procured using a competitive sealed proposal process when lower rates for certain required labor categories could have been obtained through a Consulting and Technology Services master contract maintained by the State's Department of Information Technology. Over the course of the contract term, which continues through June 2023, the higher contract rates could potentially cost MVA an additional \$272,000.
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Contract Monitoring (Finding 5 – cont.)

Effective Contract Monitoring Was Not Established

- For two contracts valued at \$17.8 million, MVA did not establish comprehensive task orders to direct the work and to allow effective contract monitoring.
- For three contracts totaling \$46.6 million, MVA lacked sufficient evidence that deliverables were properly completed and received.
- For two contracts totaling \$28.6 million, MVA did not review the qualifications of new contractor employees and did not approve these employees.

Review of Invoices was Insufficient

For two contracts valued at \$17.8 million, MVA did not adequately review the invoices to ensure compliance with contract terms and rates. For example, for one of these contracts, the task order proposals and related invoices totaling \$1.1 million for two software modifications were based on a flat fee; however, the contract generally required such tasks to be performed on a time and materials basis for established labor categories and to be supported by timesheets.



Cash Receipts (Findings 7 and 8)

- MVA did not have adequate procedures to ensure that differences between fees collected and recorded on MVA's automated system and amounts deposited by branch offices were adequately investigated and resolved, and related documentation was not always maintained. We reviewed three branch offices with receipts totaling \$184.4 million in fiscal year 2016. In addition, investigations of bank chargeback transactions were not always adequately performed and were not subject to supervisory review (**Finding 7**).
 - Collections received at MVA headquarters for vehicle registration renewals processed at 12 county offices were not adequately controlled. Checks received from county offices were not always immediately recorded and restrictively endorsed and duties were not properly segregated to ensure all collections received were deposited and recorded. MVA also did not ensure that the funds and supporting documentation due from the county offices were received timely (**Finding 8**).
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Other Findings

- MVA had not established adequate controls over its inventory stock of blank driver's licenses and identification cards (**Finding 2**).
 - MVA did not ensure that supervisory reviews of driving record transactions, such as suspensions and revocations, were adequately performed (**Finding 4**).
 - MVA did not adequately control electronically submitted vendor bids (**Finding 6**).
 - Effective controls were not established over critical virtual servers and numerous employee workstations were not properly secured (**Findings 9 and 10**).
 - Employees responsible for reviewing and approving changes to critical data in the Ignition Interlock Program had access capability allowing them to change these data, such as the period a driver was required to be in the Program (**Finding 11**).
 - MVA did not adequately monitor corporate purchasing card purchases and did not always comply with related State policies and procedures (**Finding 12**).
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Conclusions

MVA should

- establish comprehensive procedures to ensure the proper issuance of federally non-compliant driver's licenses and identification cards, investigate the results of OLA's expanded analysis of licenses and cards improperly issued, and take appropriate action;
 - take the recommended steps to properly monitor all contracts and ensure costs are reasonable, invoices are consistent with contract terms, and comprehensive task orders are established;
 - establish procedures to ensure that supervisory review of driving record transactions are performed and that all driving records with accumulated 8 or 12 points are reviewed and that appropriate administrative action is taken; and
 - implement the recommended actions to improve controls of information security, cash receipts, corporate purchasing cards, inventory stock of blank driver's licenses and identification cards, and other exception areas.
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