Office of the State Auditor

Audit Report

Department of Law and Public Safety
Division of Motor Vehicle Services

July 1, 1993 to March 31, 1995
# Table of Contents

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Scope</td>
<td>2</td>
</tr>
<tr>
<td>Objectives</td>
<td>2</td>
</tr>
<tr>
<td>Methodology</td>
<td>2</td>
</tr>
<tr>
<td>Conclusions</td>
<td>3</td>
</tr>
<tr>
<td>Document Handling</td>
<td>4</td>
</tr>
<tr>
<td>Motor Vehicle Agent Contracts</td>
<td>5</td>
</tr>
<tr>
<td>Departmental Response</td>
<td>6</td>
</tr>
</tbody>
</table>
The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Service

We have completed an audit of the Department of Law and Public Safety, Division of Motor Vehicle Services for the period July 1, 1993 to March 31, 1995.

We found that the financial transactions included in our testing were related to the division’s programs, were reasonable and were recorded properly in the accounting systems. However, we did note areas where improvement is needed. Private motor vehicle agencies were operated in fiscal year 1994 and 1995 without signed contracts and we noted a lack of coordinated control regarding the disposition of various motor vehicle documents. Details of the findings and recommendations are included in our report.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1.6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair  
State Auditor
Scope

We have completed an audit of the Division of Motor Vehicle Services for the period July 1, 1993 to March 31, 1995.

Total expenditures of the agency during the twenty-one month audit period were $201 million. The prime responsibility of the Division of Motor Vehicle Services is the registration and regulation of all motor vehicles and the licensing of drivers within the state. Revenues of the division totaled $836 million during our audit period and the major component of revenue was motor vehicle fees. On July 22, 1995, the division was transferred to the Department of Transportation.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the division's programs, were reasonable and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements were verified by interview and observation and through our samples of financial transactions. We also read the budget message, reviewed financial trends and interviewed agency personnel to obtain an understanding of the programs and the internal control structure.
A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample transactions were randomly or systematically selected and certain accounts were selected for further review and analysis.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the agency and walked through the system to determine if the corrective action was effective.

**Conclusions**

We found that the financial transactions included in our testing were related to the objectives of the agency, were reasonable and were properly recorded in the accounting system. We also found that the agency has resolved the significant issues noted in our prior report dated April 11, 1994 except for issuance of contracts to private motor vehicle agents.

Details of this and other findings and recommendations follow.
Document Handling

In addition to processing licenses and registrations, the division is responsible for the maintenance and destruction of documents that contain personal driver and registration information. This information can be found on applications for licenses, registrations, and titles; documents which are damaged in the production process; as well as on documents received and reissued for error corrections by regional service centers and private motor vehicle agencies. Documents which have been returned as undeliverable are also maintained at the division. Some of these documents are held by the division as back-up to data on the comprehensive computer system, others are processed for destruction.

Finding

The division’s procedures were not sufficient to control the handling, storage and destruction of returned, damaged or other documents related to licenses and vehicle registrations. Our review disclosed the following:

- Returned documents are stored in accessible areas.
- Documents are not voided or invalidated at the time corrected documents are issued.
- There were no procedures in place to track or control documents or applications returned as undeliverable.
- There were no procedures for controlling documents which were damaged during the processing stage.
- The division did not have facilities to destroy documents in its possession.

We found that some of the units involved in the process had developed their own procedures for processing these documents and other units believed that other sections were responsible for final processing. As a result there is the potential that confidential information may be lost, misappropriated or otherwise compromised.

Recommendation

We recommend that the division develop comprehensive procedures to control the handling, storage and destruction of all returned, damaged or other documents related to licenses and vehicle registrations.
Motor Vehicle Agent Contracts

Finding

Payments to private motor vehicle agents were not supported by signed contractual agreements. Our review noted this condition in 1994 but management has not addressed this issue. Additionally, it was noted that no contracts were in force with motor vehicle agents established under the privatization which took effect July 1, 1995. Private motor vehicle agents are independent contractors who provide services pursuant to unexecuted pro forma contracts. Agent compensation is based on the number of authorized transactions processed during a given contract period. The lack of signed contracts increases the risk of misunderstanding and litigation.

Recommendation

We recommend that the division execute signed contractual agreements with all private agents.