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New Jersey Motor Vehicle Commission
Field Operations

July 1, 2003 to January 31, 2005

Richard L. Fair
State Auditor
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New Jersey Motor Vehicle Commission
Field Operations

Scope

We have completed an audit of the New Jersey Motor Vehicle Commission, Field Operations for the period July 1, 2003 to January 31, 2005. Our audit included financial activities accounted for in the state's General Fund.

The New Jersey Motor Vehicle Commission (commission) was created by the Motor Vehicle Security and Customer Service Act in 2003 and it replaced the Division of Motor Vehicles. The commission is in, but not of, the Department of Transportation. The prime responsibility of the commission is the registration and regulation of all motor vehicles and the licensing of drivers within the state. Our scope was limited to the operations of the commission's 45 motor vehicle agencies and its four regional service centers (RSCs) and to the commission's monitoring of these units. Annual payroll expenditures of the agencies and RSCs were $28 million. Annual revenues of these units were $353 million. The major components of revenue were motor vehicle fees and surcharges.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the commission's programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of the significant condition noted in our prior report on the Department of Transportation, Division of Motor Vehicles, Selected Programs dated February 4, 1999.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 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 commission. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed commission personnel to obtain an understanding of the programs and the internal controls. We visited 16 motor vehicle agencies and two regional service centers where we observed and tested their procedures.

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 populations were sorted and transactions were judgmentally selected for testing.

To ascertain the status of the finding included in our prior report, we identified corrective action, if any, taken by the commission and performed tests on 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 commission’s programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention. We also found that the commission has resolved the significant issue noted in our prior report.
We have also provided MVC with a management letter containing a more detailed discussion of weaknesses relating to employment procedures and driver's license applications.

Background

There are 45 motor vehicle agencies throughout the state which are responsible for issuing Digital Driver Licenses (DDL), driver permits, automobile registrations, titles, and license plates. These agencies, which had been privatized in the 1990s, were returned to state control as of July 2003. There are 1000 employees working at the motor vehicle agencies, and each agency is managed by an agent. The agencies collected $321 million in motor vehicle fees during fiscal year 2004.

The commission operates four regional service centers in Eatontown, Trenton, Wayne, and West Deptford, whose responsibilities include restoring driver licenses, collecting surcharge fees, and assisting victims of identity theft. There are 200 employees working at these centers. The centers collected $32 million in motor vehicle fees during fiscal year 2004.
Monitoring

The Division of Agency Operations is primarily responsible for monitoring the performance of the 45 motor vehicle agencies. This division has 13 field monitors who operate out of their homes and visit the agencies to ensure compliance with commission regulations. The field monitors are required to visit their assigned agencies on a weekly basis and to prepare monthly reports summarizing their daily activity for management.

Our review of Agency Operations' monitoring revealed deficiencies regarding the documentation and frequency of field monitor visits. Field monitors' reports did not indicate the days visited or the tasks performed at the various agencies. There were no reports prepared for three agencies for June 2004 and seven agencies for July 2004. Based on our 16 agency visits, field monitors had not visited four of these agencies on a regular basis and Digital Driver License (DDL) cards marked for destruction had been picked up from one to two months late at nine of the agencies. The development and implementation of revised monitoring procedures subsequent to the deprivatization of the motor vehicle agencies has not been completed. As a result of the reporting deficiencies, Agency Operations management does not have sufficient information to determine whether their field monitors are visiting the agencies on a regular basis and whether they are performing their assigned functions. Problems may exist at the agencies and go undetected and unresolved.

Recommendation

We recommend that the Division of Agency Operations ensure that their field monitors visit the motor vehicle agencies on a regular basis and pick up the DDL cards that are marked for destruction according to schedule. In addition, management should consider developing a more structured reporting document.
Training

All commission employees who handle customer documents are required to receive document fraud training. The commission’s March 30, 2004 Service Assessment Report states that the Document Fraud Training Unit has trained every employee who inspects customer documents.

Our review of the records maintained by the Document Fraud Training Unit and our visits to motor vehicle agencies and regional service centers revealed that many of these employees had not received the required training. The unit’s records indicated that only 70 of 321 employees at the 16 test agencies had attended document fraud training classes for the period July 1, 2003 to July 1, 2004. In addition, only 28 of 83 employees at the two test regional service centers had received such training. We did not attempt to determine training attendance prior to this period because fiscal year 2004 represented the time in which the agencies returned to state control and significant changes in procedures were instituted, including a major emphasis on identity verification.

The agents at the motor vehicle agencies stated that the volume of business and their limited staff made it difficult for them to send more than a few employees at one time to a training course in Trenton. Some of the agents further stated that they did not consider attendance at these training courses to be a high priority. In addition, the Document Fraud Training Unit has had problems maintaining full staffing. As a result, there are field employees handling customer documents who have not received the required training.

We also found that the unit does not maintain a training course attendance database. The only
records maintained are attendance sheets. The unit is unable to effectively monitor training by employee, agency, and course, because it is difficult to determine what training employees have received without a database. Some agents stated that the training unit’s records were not accurate, claiming that most of their employees had received training.

However, none of these agencies had documentation to support their claims.

We recommend that the Document Fraud Training Unit develop a database for their training courses. This information should be confirmed on a regular basis with the agencies and regional service centers to ensure that their employees have received training.

Regionalized training sites should be considered for those agencies and RSCs that find it difficult to send employees to Trenton.

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**Review of Driver License Applications**

The commission has instituted a program called the 6 Point Identification Verification Program, which sets forth the documentation that must be presented to obtain a driver license, permit, non-driver identification card, or boat license. These requirements are explained in N.J.A.C. 13:21-8.2. A number of different documents having varying point values may be provided as proof of identity but together these documents must add up to six points. The review of the license application and supporting documentation is performed at the motor vehicle agencies. We identified issues involving the documentation of the license review process and the waiver requirements for the six points of identification.
Documentation of the DDL review process needs to be improved.

Individuals seeking a digital driver’s license (DDL) at a motor vehicle agency are required to complete an application form and provide proof of their identity. Agency personnel are required to indicate which proofs of identity were provided by listing them in the space provided on the application form. They are not required to copy the documents or record the serial numbers of the documents. There is an Identification Check Screen available to all agencies on which identity documents can be recorded and the 6 points calculated, but it is not currently being utilized.

Each agency reviews an individual’s DDL application two to three times before processing the transactions. All of the processed DDL applications are submitted to the commission central office but no meaningful review of the applications is performed there. Although commission management believes that the levels of review at the agencies are sufficient, the lack of documentation may prevent the detection of improper transactions. It is critical that the commission’s controls over the issuance of digital driver’s license be strong because the information entered onto the commission computer system and the license are used to support and document an individual’s identity.

The commission allows its motor vehicle agents to override the six points of identification requirement. Satisfying this requirement can be difficult, especially for the elderly, who might not have access to a birth certificate or civil marriage certificate. However, there are no written procedures that describe the circumstances where this requirement can be waived and what procedures must be followed. As a result, it is difficult to determine whether waivers have been granted properly. It is also possible that individuals who are not entitled to a driver’s license have received one.
We recommend the commission take the following actions:

- Require that the agencies utilize the Identification Check Screen to record all identity documents and their serial numbers and to indicate those employees who performed the review.

- Establish procedures for waiving the six points of identification requirement.

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Security

The security of the motor vehicle agencies needs to be improved.

Employees and customers at the motor vehicle agencies should enjoy a secure environment, and motor vehicle documents should be protected from unauthorized issuance. We noted a number of security weaknesses during our visits to 16 motor vehicle agencies and concluded that security was not adequate at 7 of the 16 agencies. The weaknesses included no police officers or security personnel at seven agencies, no panic buttons at two agencies and one agency where the signal is not sent to the local police, storage rooms left open at eight agencies, access to work areas not adequately protected at six agencies, and a crack in the outside wall of the storage room through which documents could be passed at one agency. As a result of these security weaknesses, motor vehicle workers and documents at the agencies are not adequately protected.

These weaknesses have resulted from a variety of factors. The commission has encountered difficulties in implementing the LEASE (Law Enforcement Agency Security Enhancement) program. This program provides $105,000 annually for each agency to have a uniformed police officer on site for 48
hours weekly. Some local police departments have elected not to participate, claiming the funds are inadequate. There has also been insufficient follow up by the commission central office regarding security deficiencies. Another contributing factor is the lack of concern by agency personnel for proper security procedures. Although similar security findings have been reported in the most recent audit reports prepared by the commission’s Internal Audit unit for six of the seven agencies which we identified as deficient, commission management and agency personnel have not initiated corrective action.

**Recommendation**

We recommend that the commission consider alternative sources of security personnel for those agencies not covered by local police. Assessment of the current security situation for the agencies should be completed and deficiencies should be remedied as soon as possible. Agency personnel should follow security guidelines.

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**Reconciliations**

License, registration, and title transactions at the motor vehicle agencies are recorded and summarized on a computer system known as the Agency System. At the end of each day, agency personnel are required to compare the amount of their daily collections to the Agency System summary. This summary indicates what should have been collected if all transactions were posted accurately to the system and proper collections were received. If the difference between actual collections and system totals exceeds $50, the agencies are required to perform reconciliations and document the efforts they took to reconcile. We found the reconciliation procedures at 6 of the 16 test agencies were unsatisfactory. We reviewed 100 cases from these six agencies where daily collections differed from the
system totals by at least $50 and found that the agencies did not adequately explain the differences for 78 of the cases. The unexplained differences ranged from $50 to $370.

It is difficult for the agencies to explain shortages and overages because of the payment process. Many transactions are paid by cash, making them difficult to trace, and there are no individual cash drawers at most agencies. Some agencies devote more effort in trying to resolve these differences. Proper reconciliations should identify the reasons for differences, which could be theft, failure to collect the proper payment, or errors in the preparation of deposits. When reconciliations are not performed, the commission's and the agencies' management cannot take the appropriate steps to rectify the problems.

**Monitoring of agency reconciliations should be improved.**

The Division of Agency Operations and the Security and Investigations unit are responsible for monitoring agency cash shortages, but they were unable to provide documentation of their follow-up procedures. The agencies submit daily reports to Agency Operations, where a daily spreadsheet summarizing the agency reconciliations is prepared. Agency Operations management is supposed to identify agencies with patterns of cash shortages from these spreadsheets and request that the agencies provide an explanation. However, management did not maintain documentation of these communications and was therefore unable to substantiate what follow-up actions had occurred. The Security and Investigations unit is supposed to receive the daily spreadsheets from Agency Operations and the daily reports from the agencies when their differences exceed $50. Although we determined that Security and Investigations does investigate agency cash differences, their follow-up procedures are usually not documented. In addition, their effectiveness is limited by the fact that Agency
Operations and the agencies do not submit all necessary information to them on a regular basis.

We recommend that the motor vehicle agencies prepare the appropriate documentation for all differences greater than $50 and devote more effort to explaining the differences. The Agency Operations and Security and Investigations units should document the steps they perform to identify and investigate patterns of differences.

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**Overtime**

Motor vehicle agency employees work overtime, primarily because the agencies are open an extra three hours one night a week and four hours every Saturday. Our tests of 323 overtime payments revealed the following exceptions. We found that the supporting documentation maintained by the agencies for overtime hours worked did not agree to the hours paid for 42 payments. In addition, we noted that timekeepers posted their own overtime hours in 28 instances without supervisory approval. Payments for the unsupported overtime and unapproved overtime totaled $13,300 and $20,500, respectively.

To ensure that overtime pay is accurate, timekeepers should not post their own time and there should be adequate documentation of hours worked. The commission has not established uniform timekeeping policies and procedures for the motor vehicle agencies. As a result, employees may receive overtime pay for hours not worked.

We recommend that the commission establish and disseminate uniform timekeeping policies and procedures for the motor vehicle agencies that provide for the proper reporting and review of overtime.

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**Motor vehicle agency timekeeping procedures for overtime need to be improved.**

**Recommendation**
Fixed Assets

Treasury Circular Letter 91-32-OMB requires state agencies to maintain fixed asset records and to update them annually. The commission’s Inventory Control Unit informed all motor vehicle agencies on August 24, 2004 that they were responsible for conducting an inventory of all fixed assets with a value of $100 or greater.

Our review of fixed asset records disclosed that they were not complete and up-to-date at 9 of the 16 agencies tested. The reports included numerous items that could not be located and did not include some of the agencies’ new equipment. Many items of equipment at the agencies lacked asset tags. The inadequate record keeping resulted from the fact that a low priority has been assigned to fixed assets at the motor vehicle agencies. Failure to have assets tagged and records maintained increases the risk of assets being lost or stolen and not being detected. However, all assets were located when we sampled new purchases at the agencies.

We recommend that the commission enforce the policy outlined in Treasury Circular Letter 91-32-OMB and the Inventory Control Unit letter.

Administrative Hearings

When a driver’s license is suspended, the driver is notified that he can request a hearing with a Driver Improvement Analyst (DIA) at a regional service center to discuss the suspension. The DIAs have the ability to reduce the period of a driver’s suspension, with a supervisor’s approval, but there are no formal written procedures establishing criteria for such reductions. As a result, individuals with similar circumstances can receive varying reductions. In
addition, suspensions that should not be reduced may be reduced.

Criteria for reductions in driver suspensions should be established to provide standards for the DIAs and ensure uniform treatment of driver suspensions. The commission has recognized the need for written guidelines and created a task force to develop uniform procedures. The task force has completed their work and the guidelines should be adopted by February 2005.

**Recommendation**

We recommend that the commission adopt the guidelines explaining the criteria for a reduction in a driver’s suspension and ensure that all regional service centers implement the guidelines.
March 23, 2005

Mr. James B. Patterson
Assistant State Auditor
Office of the State Auditor
Office of Legislative Services
125 South Warren Street
P.O. Box 067
Trenton, New Jersey 08625-0067

Re: New Jersey Motor Vehicle Commission Field Operations

Dear Mr. Patterson:

The Commission appreciates the efforts of your staff in the thorough audit performed of the Motor Vehicle Commission - Field Operations and for the courteous and professional manner in which your staff worked with the Commission. The Commission response to your findings is as follows:

Monitoring
Recommendation: “We recommend that the Division of Agency Operations ensure that their field monitors visit the motor vehicle agencies on a regular basis and pick up the DDL cards that are marked for destruction according to schedule. In addition, management should consider developing a more structured reporting document.”

Response: The Commission has implemented the following corrective actions, which will address the issues raised in the audit. Field monitor assignments were recently adjusted to three agencies per monitor in order to allow for more frequent visits on a regular basis. Agency Operations has developed a new reporting format and now all field monitors are required to submit detailed written reports of their visits which include issues regarding staffing, volume of transactions, and facility issues (including janitorial). In addition, all monitors must submit a weekly activity report for each of their assigned agencies; itineraries are also provided on a weekly basis to track the number of visits to each agency weekly. Meetings are held between Agency Operations management and field monitors every 4-6 weeks; in addition, separate one-on-one meetings are held when necessary. The field monitors are now collecting DDL cards marked for destruction monthly and progress will be noted on the monthly report. More frequent collections will be made as needed.
Training
Recommendations: “We recommend that the Document Fraud Training Unit develop a database for their training courses. This information should be confirmed on a regular basis with the agencies and regional service centers to ensure that their employees have received training.”

“Regionalized training sites should be considered for those agencies and RSCs that find it difficult to send employees to Trenton.”

Response: The Commission is in the process of creating a computerized database of all Document Fraud Training (both classes and attendees). This information will be reviewed with Agency Operations on a monthly basis and employees who miss training or cannot attend will be documented and rescheduled. Regionalized training will occur in Fiscal Year 2006.

Review of Driver License Applications
Recommendations: “We recommend the Commission take the following actions:

- Require that the agencies utilize the Identification Check Screen to record all identity documents and their serial numbers and to indicate those employees who performed the review.
- Establish procedures for waiving the six points of identification requirements.

Response: The Commission revisited the current and correct practice of completing and maintaining the document identification sheets; further, all sheets are to be made available for review and audit. We are working closely with the Internal Audit Unit to identify additional ways to address exceptions.

Security
Recommendations: “We recommend that the Commission consider alternative sources of security personnel for those agencies not covered by local police. Assessment of the current security situation for the agencies should be completed and deficiencies should be remedied as soon as possible. Agency personnel should follow security guidelines.”

Response: The Commission is committed to providing on site security at the agencies and steps are being taken to improve security. Eleven additional investigators will be tasked with visiting and reviewing security at the agencies. These eleven will be deployed to those agencies without police security coverage. Thirty-one agencies presently have a local police presence that have the ability to arrest on the spot. At the February 2005, agency managers meeting the agents were advised that they must follow security procedures and the agents were subsequently provided with written procedures concerning agency security.
Reconciliations

Recommendations: “We recommend that the motor vehicle agencies prepare the appropriate documentation for all differences greater than $50 and devote more effort to explaining the differences. The Agency Operations and Security and Investigations units should document the steps they perform to identify and investigate patterns of differences.

Response: The Commission continues to address the documentation with agency managers at the monthly agents meeting and will continue to provide guidance and instruction to agency managers regarding reconciliation and documentation. The current agency computer system does not allow for further monitoring with regard to daily business reconciliation; however, the Commission is exploring ways to tighten procedures for documentation of shortages and accountability. In the interim, and as part of the re-defined field monitor duties, Agency Operations will be reviewing each agencies’ documentation concerning reconciliations more frequently; and management will review all work, as well as daily reports, on a more frequent basis. Security and Investigations and Internal Audit have also revised the documentation procedure in the investigation process.

Overtime

Recommendations: "We recommend that the Commission establish and disseminate uniform timekeeping policies and procedures for the motor vehicle agencies that provide for the proper reporting and review of overtime."

Response: Commission-wide policies for overtime were introduced at the agency manager’s meeting held in February 2005. In addition, the Division of Administration is reviewing all timekeeper records to ensure that appropriate records are being kept.

Fixed Assets

Recommendations: "We recommend that the Commission enforce the policy outlined in Treasury Circular Letter 91-32-OMB and the Inventory Control Unit letter."

Response: The Commission accepts the recommendation regarding fixed assets and is already implementing corrective action. Agency managers have been advised of the requirements in a memorandum from the Division of Administration. Procedures are routinely posted the MVC Intranet site and the inventory control procedure shall be posted in March 2005. In addition, the Division of Administration is pursuing an inventory control system to be used agency-wide.
Administrative Hearings
Recommendations: We recommend that the Commission adopt the guidelines explaining the criteria for a reduction in a driver's suspension and ensure that all regional service centers implement the guidelines.

Response: The Commission has already revised and implemented new guidelines. In December 2004, guidelines were utilized in all regional service centers standardizing practices surrounding pre-hearing conference scheduling and hearing processes. Revised guidelines were formulated and approved in February 2005; all Regional Service Centers are now utilizing the new pre-hearing conference guidelines. The guidelines allow for flexibility based upon the driver's overall record, recent record, and a driver's specific stated need for their license. This flexibility is in concert with the Affordability and Fairness Task Force, which will study and make recommendations of motor vehicle suspensions and fines.

Sincerely,

Sharon A. Harrington, Chief Administrator
Motor Vehicle Commission