

STATUS OF RECOMMENDATIONS

Information System Audit

VEHICLE REGISTRATION AND TITLING SYSTEM (VRTS)

Report Dated August 27, 2009

Project Code SAI801-09

March 27, 2012

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TRANSMITTAL LETTER

March 27, 2012

Honorable Jack Dalrymple, Governor
Members of the North Dakota Legislative Assembly
Francis G. Ziegler, P.E., Director, Department of Transportation

A fundamental objective of the Office of the State Auditor's work is to bring about improvements through recommendations. To achieve this, our recommendations need to be timely and effectively implemented. The Legislative Audit and Fiscal Review Committee (LAFRC) has requested the Office of the State Auditor to perform follow-up work after presentation of audit reports to the Committee. The LAFRC has also requested the Office of the State Auditor report those agencies which have not implemented audit recommendations.

The Office of the State Auditor has conducted an audit follow-up on the information system audit of the Vehicle Registration and Titling System (VRTS), issued August 27, 2009. The North Dakota Department of Transportation was contacted and limited testing was performed. Our conclusions are based on limited tests, and there is a possibility that more substantial testing might have changed our conclusions.

This report addresses the recommendations that have been fully implemented, and those that have not been implemented.

As a result of the follow-up review, three recommendations were determined to be fully implemented, and three were determined to be not implemented. The following pages identify these recommendations and the Department of Transportation's responses.

Respectfully submitted,

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

Robert R. Peterson

State Auditor

RECOMMENDATIONS FULLY IMPLEMENTED

Annual review of access rights

Original Condition:

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.

Action Taken:

Process has been implemented and completed.

Summary of Testing:

We reviewed the procedures developed by the Department of Transportation and evidence of the latest annual review.

Excess superuser access

Original Condition:

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.

Action Taken:

Limited access update for super-users has been completed.

Summary of Testing:

We reviewed superuser access and noted it was appropriate.

Log use of temporary account

Original Condition:

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.

Action Taken:

A tracking system has been created to monitor this user account.

Summary of Testing:

We noted a tracking system was created and reviewed a report showing the number of times the temporary account had been unlocked for each branch.

RECOMMENDATIONS NOT IMPLEMENTED

During our audit follow-up, the Department of Transportation noted the following three recommendations are interrelated and will not be implemented until the Department has implemented a reconciliation process. Accordingly, we will present the three recommendations, followed by our summary of testing and future action to be taken for all three recommendations.

No reconciliation of untransferred revenue in clearing account

Original Condition:

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 State 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.

Action Taken:

Reconciliation of the motor vehicle clearing account is a very complex undertaking. The primary system involved in the processing of the related transactions is the Vehicle Titling and Registration System (VRTS). This system is extremely complex and it is used to process a multitude of unique transactions that are allocated to many separate funds as directed by our legislature. The reconciliation problems that have been encountered likely stem from procedural and/or information technology issues as related to the VRTS system. To successfully resolve this issue, NDDOT has assembled a large, multi-disciplinary task force. Currently, individuals with accounting, auditing, Motor Vehicle, and information technology expertise are actively pursuing a solution. Each unique category of transaction is being researched, mapped and traced through the VRTS system in a test environment. As discrepancies are revealed through this process, procedural and/or information technology solutions will be developed, implemented, and further tested to ensure that a satisfactory solution is put in place.

Errors in Distribution Report

Original Condition:

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.

Action Taken:

We are continuing to research and monitor solution as part of reconciliation process.

Distribution of refunds

Original Condition:

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.

Action Taken:

We are continuing to research and monitor solution as part of reconciliation process.

Summary of Testing:

We reviewed the procedures being used by the Department of Transportation to implement this solution and the responsibilities assigned to different team members.

Future Action to Be Taken:

The Department of Transportation should continue to work towards implementation of a reconciliation process that will ensure all funds are properly accounted for and distributed.

Agency Response:

The task force that has been established to find a solution to the reconciliation finding and related issues will continue to examine the VRTS system and the related procedures until all issues are resolved.