Executive Summary

A rebuilt vehicle is a motor vehicle that has been repaired or rebuilt after incurring damage to one or more major component parts through crash or other means. Section 319.14, Florida Statutes, (F.S.), states that a person may not sell a rebuilt vehicle until the Department of Highway Safety and Motor Vehicles (Department) has conducted a physical examination of the vehicle to assure the identity and ownership of the vehicle and all major component parts, and has branded on the certificate of title that the vehicle has been rebuilt.

To meet the requirements of Section 319.14, F.S., the Department conducts inspections of rebuilt vehicles prior to titling. Rebuilt vehicle inspections require a two-step process—a documentation review followed by a physical inspection of the vehicle. An applicant for a rebuilt title must provide satisfactory proof of vehicle ownership as well as ownership or purchase of parts replaced or repaired.

In 2013, Section 319.141, F.S., authorized a Pilot Rebuilt Vehicle Inspection Program (PRVIP), and required the Department to set standards and certify private sector inspection facilities to conduct rebuilt inspections in Miami-Dade and Hillsborough County. Accordingly, the Department certified eight private businesses in the Miami area that submitted applications and met program requirements. No entities from Hillsborough County applied to participate in the program. The pilot program was reviewed in 2015 and extended by the Legislature through June 30, 2018.

During the 2016-17 Fiscal Year, a total of 71,342 rebuilt vehicle inspections were conducted (36,017 by the Department’s field offices and 35,325 by PRVIPs) generating approximately $2,900,000 in total revenue.

The purpose of this audit was to review and evaluate the vehicle rebuilt program and determine compliance with applicable laws, Department policy, and procedure. Overall, our review determined the Department has adequate controls in place for the vehicle rebuilt inspection program. In an effort to strengthen existing controls, we recommend Motorist Services management:

- Increase monitoring effectiveness by implementing a method to track common issues occurring at PRVIPs;
- Strengthen the Department field office’s monthly quality assurance review by implementing a standard quality assurance review process; and
• Provide additional safeguards over Department assets by limiting members’ access to the office safe.

Background and Introduction

Section 319.14, F.S., defines rebuilt vehicle as a motor vehicle built from salvage or junk. A rebuilt vehicle has been repaired or rebuilt after incurring damage through crash or other means. In most cases, rebuilt vehicles are comprised of many vital parts, both mechanical and non-mechanical that have been repaired, salvaged from other vehicles, or purchased new.

Prior to being rebuilt, the vehicle may have been declared a total loss by an insurance company. Total loss vehicle refers to the decision made by an insurer to pay the insured for the vehicle that has been damaged, destroyed, or wrecked rather than paying for its repair. According to Section 319.30, F.S., if a vehicle has a manufacturer’s model year of seven years or newer, had a value of at least $7,500 prior to the incident, and sustained damage that resulted in the insurance company paying to replace rather than repair the vehicle, that vehicle could be rebuilt as long as the cost to repair the damage is less than 90% of the current vehicle value. If a vehicle has a manufacturer’s model year older than seven years, has a retail cost of less than $7,500, and has been damaged, wrecked, or burned to the extent that the only residual value is as a source of parts or scrap metal, then the vehicle is not eligible to be rebuilt and must be issued a certificate of destruction. The insurance company makes this determination as part of their claims process.

Section 319.14, F.S., states that a person may not sell a rebuilt vehicle until the Department has conducted a physical examination of the vehicle to assure the identity and ownership of the vehicle and all major component parts, and has branded on the certificate of title that the vehicle has been rebuilt. Major component parts are defined in Section 319.30, F.S., as any fender, hood, bumper, cowl assembly, rear quarter panel, trunk lid, door, deck lid, floor pan, engine, frame, transmission, catalytic converter, airbag, truck bed, or any bed which mounts to a truck frame.

An applicant for a rebuilt title must provide satisfactory proof of vehicle ownership as well as documentation of parts replaced or repaired to rebuild the vehicle. The Department conducts vehicle inspections to determine whether what appears to have been repaired on the vehicle corresponds to submitted supporting documentation. The rebuilt inspection process does not include a mechanical safety or structural integrity inspection of the rebuilt vehicle.
Rebuilt Inspection Services

The Bureau of Dealer Services within the Division of Motorist Services conducts rebuilt vehicle inspections prior to the branding and titling of a rebuilt vehicle. The Department has established 10 regions with office locations throughout the state to serve the needs of applicants and licensed dealers. Each regional office is staffed by compliance examiners whose functions in part include rebuilt vehicle inspections.

Rebuilt vehicle inspections cost $40 and require a two-step process—a documentation review followed by a physical inspection of the vehicle. The documentation review includes an examination of a properly endorsed certificate of title or manufacturer’s statement of origin, a rebuilder’s affidavit, a photograph of the vehicle taken before repairs began, receipts for all repairs and major component parts, and proof that rebuilding of the vehicle was reported to the National Motor Vehicle Title Information System (NMVTIS).

Through the physical inspection of the vehicle, compliance examiners determine whether what appears to have been repaired on the vehicle is consistent with the description and photographs in the provided documentation. Emphasis is placed on verifying proof of ownership of the vehicle, the vehicle’s identification number, and origin of replacement parts. As only certain major parts have identifying serial numbers, compliance examiners must rely on receipts to verify the origin of parts repaired/replaced.

Compliance examiners check the vehicle for all repairs as stated in the supporting documentation, as well as any parts not documented in the paperwork that look like they may have been replaced or repaired. They also verify vehicle identification numbers located on the vehicle dashboard and various other locations to ensure the vehicle’s identity. If the vehicle passes inspection, a rebuilt decal with a unique number is adhered to a non-removable part (usually the driver’s side door frame) of the vehicle signifying the vehicle as being rebuilt. The inspections are intended to prevent stolen vehicles from obtaining a rebuilt title and to prevent stolen vehicle parts from being used to rebuild vehicles. If Department staff encounters a stolen vehicle or vehicle rebuilt with stolen parts, the case is referred to a law enforcement agency for further investigation. During the 2016-17 Fiscal Year, 25 cases (from both Department field offices and PRVIPs) were referred to law enforcement for further investigation.

To complete the inspection process, compliance examiners enter the rebuilt decal number into the vehicle record and a rebuilt brand is added to the title and remains indefinitely. The $40 inspection fee and any applicable title fees are charged to the customer and the transaction is completed. Rebuilt decals are reconciled monthly, including voids, to ensure all decals trace back to a FRVIS transaction. During the
2016-17 Fiscal Year, Department field offices conducted approximately 36,017 rebuilt vehicle inspections.

**Pilot Rebuilt Motor Vehicle Inspection Program**

In 2013, Section 319.141, F.S, authorized the private rebuilt program, and required the Department to set standards and certify private sector inspection facilities to conduct rebuilt inspections in Miami-Dade and Hillsborough counties. Accordingly, the Department established program standards and certified eight private businesses in the Miami area that submitted applications and met program requirements. No entities from Hillsborough County applied to participate in the program. Each of the PRVIP operators entered into a Memorandum of Understanding with the Department, effective through June 30, 2015. Subsequently, the pilot program was extended by the Legislature through June 30, 2018.

The Department conducts monitoring activities to ensure that all PRVIP participants are operating in compliance with Florida Statute and Department policy. Unannounced site visits are conducted bi-weekly and consist of checking a sample of transactions to ensure all required documentation is maintained to support the transaction, including receipts for replaced/repaired parts and NMVTIS verifications. Each PRVIP is equipped with a video surveillance system, and the Department verifies through video footage that the physical inspections were conducted. Site visits also include verification of accurate rebuilt decal inventory and secure storage. Each PRVIP examiner is required to complete an initial three day training course at a Department certified PRVIP school, and must recertify annually by taking an eight hour recertification course. A review of current training and certification documentation is included in the bi-weekly review.

If an issue is identified during the bi-weekly review, the PRVIP is notified at that time. When the next review is conducted, the Department examiner looks to see if the same issue is still occurring, or if the PRVIP has taken corrective action.

PRVIPs are authorized to charge their own fees in addition to the Department’s $40 inspection fee, and electronically submit the Department’s fees daily. The Department reconciles revenue transactions on a weekly basis to verify all inspection fees have been collected and submitted.

During the 2016-17 Fiscal Year, PRVIPs conducted approximately 35,325 rebuilt vehicle inspections.
Findings and Recommendations

Overall, our review determined the Department has adequate controls in place for the vehicle rebuilt inspection program and the PRVIP program. In an effort to strengthen existing controls, we recommend the following to Motorist Services Management:

**PRVIP Monitoring**

**Finding No. 1:** Implementing a method to track common issues occurring at PRVIPs could increase monitoring effectiveness.

Unannounced site visits to all eight PRVIP’s are conducted on a bi-weekly basis. There are two compliance examiners assigned to monitoring PRVIPs. These examiners rotate visits between the 8 PRVIPs and create a report after each visit.

Site visits consist of checking a sample of transactions for completion. If something is identified while the Department examiner is conducting the bi-weekly review, the PRVIP is notified at the time of the review and if applicable, corrects or provides reasoning for the error on-site. When the next review is conducted, the Department examiner looks to see if the same issue is still occurring, or if the PRVIP has taken corrective action. Notes are made on a bi-weekly report and are reviewed and maintained by the Miami regional administrator.

While the current process to monitor corrective action appears to be sufficient for each individual PRVIP, there is not a process or system in place to allow Department management to track common issues occurring at more than one PRVIP. A system to gather historical data and identify systemic or recurring issues would increase the effectiveness of PRVIP oversight and monitoring. Identified areas of concern could be incorporated into annually provided training.

**Recommendation**

We recommend the Bureau of Dealer Services implement a method to track common issues occurring at PRVIPs.

**Management Response**

The Bureau of Dealer Services agrees with this finding, and consequently, has revised Dealer Services Procedure EP-06, Inspections of Rebuilt Motor Vehicles, Mobile Homes and Recreational Vehicles and Assembled from Parts Vehicles, to address this issue.
The South District Program Manager will by the fifth working day of each month report to the Bureau Chief’s office any discrepancies found in the biweekly oversight reviews conducted during the previous month.

**Field Office Quality Assurance Reviews**

**Finding No. 2:** Implementing a standard quality assurance review process for Department field offices would strengthen the efficiency and effectiveness of the monthly quality assurance review process.

Division of Motorist Services Procedure EP-06 states that a monthly quality assurance review will be conducted by the regional administrator, field supervisor, or designee. A random number of transactions shall be selected and reviewed to identify the accuracy of the documentation and to ensure the transaction and documentation was completed properly. The internal checklist shall be used and completed to conduct the quality assurance review. The regional administrator will report to the program manager each month the number of completed transactions reviewed, the number of errors and the percentage that it represents.

We reviewed documentation of the last three quality assurance reviews from the Jacksonville, Miami, and West Palm Beach field offices. Each office has their own way of deciding the number of transactions to review and how to best document the items reviewed. Some offices were reviewing a percent of monthly transactions, while others were reviewing a specified number of transactions each month. The Tallahassee office has implemented a secondary review process for all inspections on a weekly basis; however, this review is not documented. Additionally, we noted that all four offices were not reporting the review results to the Program Manager each month as required.

As directed, each regional administrator is documenting their review as they deem appropriate in order to meet the requirements of the Division of Motorist Services Procedure EP-06. Because each office is conducting quality assurance reviews as they deem appropriate, there is no standard to ensure that all necessary information is being reviewed during the process.

**Recommendations**

We recommend the Bureau of Dealer Services implement a standardized process for conducting quality assurance reviews as required by procedure.

We also recommend that the Bureau of Dealer Services ensure field offices are reporting quality assurance review results as required by procedure.
Management Response

The Bureau of Dealer Services agrees with this finding, and consequently, has revised Dealer Services Procedure EP-06, Inspections of Rebuilt Motor Vehicles, Mobile Homes and Recreational Vehicles and Assembled from Parts Vehicles, to address this issue.

A monthly quality assurance review will be conducted by the Regional Administrator, Field Supervisor, or designee. A random number of transactions, minimum of ten percent or ten transactions, whichever is greater, shall be selected and reviewed to identify the accuracy of the documentation to ensure the transactions and documentation were completed properly. The internal checklist (attached in the policy) shall be used and completed by each region to conduct the review. The Regional Administrator will report to the Program Manager by the fifth working day of each month the number of completed transactions reviewed, the number of errors and the percentage that it represents.

Safe Access

Finding No. 3: Limiting members’ access to the office safe would provide additional safeguards over Department assets.

Best practices suggest that to minimize exposure to misappropriation, businesses should establish a policy to limit authorized members with access to business assets.

We observed vehicle rebuilt inspections at four Motorist Services Field Offices: Tallahassee, Jacksonville, West Palm Beach, and Miami. During our observation of the West Palm Beach field office, we noted that while rebuilt decals are maintained in a locked safe in a locked room, everyone in the office has access to the room and the safe. Also stored in this location is blank title paper, petty cash, and assembled from parts decals.

Access to the safe for all members allows compliance examiners to get decals for inspections as needed. While convenient, it does not align with best practices for safeguarding assets.

Recommendation

We recommend the Bureau of Dealer Services limit members with safe access to an absolute minimum number who require access to perform their responsibilities.
Management Response

The Bureau of Dealer Services agrees with this finding and will re-evaluate safe access in each of its regional offices.

Purpose, Scope, and Methodology

The purpose of this audit was to review and evaluate the rebuilt vehicle program and determine compliance with applicable laws, Department policy, and procedure.

The scope included the rebuilt vehicle and inspection process and the Department’s oversight of rebuilt inspections conducted in accordance with the Pilot Rebuilt Motor Vehicle Inspection Program.

The methodology included:

- Reviewing applicable statutes, rules, and procedures;
- Observing inspections at a sample of Department and PRVIP locations;
- Reviewing methodology used to conduct physical inspections;
- Reviewing the controls used in oversight of the PRVIP;
- Reviewing transactions to ensure proper receipt and processing of fees collected;
- Reviewing the quality assurance reviews conducted by a sample of regional field offices administrators;
- Reviewing the process for tracking rebuilt decals;
- Analyzing crash data statistics for rebuilt vehicles; and
- Interviewing appropriate Department staff.
Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
Diana Vaughn, Deputy Executive Director
Jamie DeLoach, Chief of Staff
Robert Kynoch, Director of Motorist Services
Rick White, Deputy Director of Motorist Services
Palmer Brand, Bureau Chief of Dealer Services

Eric Miller, Chief Inspector General
Sherrill F. Norman, Auditor General

Statement of Accordance

Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles’ Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

Project Team

Engagement conducted by:
Erin Mook, Auditor
Keaton Wilson, Auditor

Under the supervision of:
David Ulewicz, Audit Director

Approved by:

Julie M. Leftwich, Inspector General
MEMORANDUM

DATE: November 28, 2017
TO: David Ulewicz, Audit Director
FROM: Rick White, Deputy Director of Motorist Services
SUBJECT: Management Response to the Rebuilt Vehicle Inspection Program Audit (201617-24)

The following is our response to the findings and recommendations presented in the report:

Finding 1- PRVIP Monitoring

Implementing a method to track common issues occurring at PRVIPs could increase monitoring effectiveness.

Recommendation

We recommend the Bureau of Dealer Services implement a method to track common issues occurring at PRVIPs.

Management Response

The Bureau of Dealer Services agrees with this finding, and consequently, have revised Dealer Services Procedure EP-06 (Inspections of Rebuilt Motor Vehicles, Mobile Homes and Recreational Vehicles and Assembled from Parts Vehicles) Page 9 Section VIII F to address this issue.

F. The South District Program Manager will by the fifth working day of each month report to the Bureau Chief’s office any discrepancies found in the biweekly oversight reviews conducted during the previous month.

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Finding 2- Field Office Quality Assurance Reviews

Implementing a standard quality assurance review process for Department field offices would strengthen the efficiency and effectiveness of the monthly quality assurance review process.

Recommendations

We recommend the Bureau of Dealer Services implement a standardized process for conducting quality assurance reviews as required by procedure.

We also recommend that the Bureau of Dealer Services ensure field offices are reporting quality assurance review results as required by procedure.

Management Response

The Bureau of Dealer Services agrees with this finding, and consequently, have revised Dealer Services Procedure EP-06 (Inspections of Rebuilt Motor Vehicles, Mobile Homes and Recreational Vehicles and Assembled from Parts Vehicles) Page 9 Section VIII E to address this issue.

E. A monthly quality assurance review (QA) will be conducted by the Regional Administrator (RA), Field Supervisor (FS) or designee. A random number of transactions, minimum of ten percent or ten transactions, whichever is greater, shall be selected and reviewed to identify the accuracy of the documentation to ensure the transactions and documentation were completed properly. The internal checklist (Attachment H) shall be used and completed by each region to conduct the QA review. The RA will report to the Program Manager (PM) by the fifth working day of each month the number of completed transactions reviewed, the number of errors and the percentage that it represents.

Finding 3- Safe Access

Limiting members’ access to the office safe would provide additional safeguards over Department assets.

Recommendation

We recommend the Bureau of Dealer Services limit members with safe access to an absolute minimum number who require access to perform their responsibilities.
Management Response

The Bureau of Dealer Services agrees with this finding and will re-evaluate safe access in each of its regional offices.