



Motor Vehicle Consumable Inventory Controls Audit Report 201819-21

October 28, 2019

Executive Summary

The Florida Department of Highway Safety and Motor Vehicles (Department) and its agents issue various consumables for the operation of motor vehicles; including titles, permanent and temporary disabled parking placards, metal license plates, pre-printed temporary license plates, print on demand temporary license plates, dealer tags, and registration decals. The proper ordering, secure storage, and proper issuance are vital to the Department.

The Bureau of Issuance Oversight, Inventory Control Unit, primarily oversees inventory management and control, and assists the Department's Audit and Refunds section with inventory reconciliation. The Department's Central Supply section is responsible for the storage and distribution of inventory based on direction from the Inventory Control Unit. The Department's processes for ordering, producing, and distributing motor vehicle consumable inventory also involves tax collector offices from the 67 counties; third party issuance agencies; the Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE); and a third-party vendor.

The objective of this audit was to determine whether the Department's internal control framework for consumable inventory and issuance is adequate and efficient, and that internal controls are in place to reduce risk. Inventory internal controls are the methods designed by management to safeguard assets and to manage resources.

Our review determined additional controls should be implemented to provide for the physical accountability of inventory. The Department's annual inventory includes metal license plates, parking placards and pre-printed temporary license plates, however, title paper, regular registration decals (GDC), print on demand temporary license plate stock, high-occupancy vehicle (HOV) decals, off-highway vehicle (OHV) decals, mobile home and vessel decals are not included. We recommend expanding the current annual inventory process to include a physical inventory of renewal decals, print on demand temporary license plates, and title paper.

We also determined ordering controls for consumable items not tracked in the Florida Real-time Vehicle Information System (FRVIS) should be improved. Orders are placed at the beginning of the fiscal year based on what was ordered the previous year for the same period, without determining how many unissued consumables remain from the prior year or forecasting anticipated renewals.



Implementing a formal process for determining order quantities of consumable items not tracked in FRVIS could prevent stocking large quantities, tying up funds, space, and personnel, and assuming related risks.

We additionally determined ordering and inventory controls over print on demand temporary license plate stock should be improved. Because the Department does not track or monitor print on demand temporary license plate stock orders or inventory levels, the Department does not know the volume of print on demand temporary license plate stock in circulation in the state and does not monitor the distribution process or inventory ordered by the Department's agents. The Department should enhance controls to record and track print on demand temporary license plate stock ordered and delivered to tax collector offices and to Certified Service Providers.

Further, security controls over inventory storage rooms should be improved, and access to areas containing motor vehicle consumable inventory should be periodically reviewed to ensure persons with access remains appropriate. We also recommend storing motor vehicle consumable inventory in secured areas where management can better control and monitor access.

Lastly, written procedures for motor vehicle consumable inventory should be enhanced. While the Department has some policies in place surrounding motor vehicle consumable inventory, the written policies lack standard instructions for ordering inventory, handling voided inventory items, and rotating inventory. Without clear procedures, the Department has less assurance that its agents are correctly handling motor vehicle consumable inventory items. We recommend revising applicable procedures surrounding motor vehicle consumable inventory.

Background and Introduction

The Department and its agents issue various consumables for the operation of motor vehicles; including titles, permanent and temporary disabled parking placards, metal license plates, pre-printed temporary license plates, print on demand temporary license plates, dealer tags, and registration decals. The proper ordering, secure storage, and proper issuance are vital to the Department.

Florida law requires vehicles have license plates and registration decals as proof citizens have paid required taxes and fees on their vehicles. Florida law also requires citizens pay taxes and fees for permanent and temporary disabled parking placards, HOV registration decals, OHV registration decals, vessel and mobile home registration decals. There are approximately 15 million registered vehicles in the state of Florida



that require a license plate, a registration decal, and other types of motor vehicle consumable indicia.

The Bureau of Issuance Oversight, Inventory Control Unit, oversees inventory management and control, and assists the Department's Audit and Refunds section with inventory reconciliation. The Department's Central Supply section is responsible for the storage and distribution of inventory based on direction from the Inventory Control Unit.

The Department's processes for ordering, producing, and distributing motor vehicle consumable inventory also involve several non-state entities; including, tax collector offices from the 67 counties; third party issuance agencies; PRIDE; and a third-party vendor.

PRIDE manufactures all metal license plates; validation decals for HOV, OHV, vessel and mobile home; print on demand temporary license plates; pre-printed temporary license plates, temporary and permanent disabled parking permits; preprinted temporary employed plates, and temporarily employed license plates. The Department has a contract with a third-party vendor who produces GDC's and title paper.

Sections 320.03(1) and 328.73, Florida Statutes (F.S.), respectively, provide that county tax collectors are deemed agents of the Department for the purpose of collecting fees, and issuing license plates, registration decals, disabled persons parking permits, and vessel numbers. Section 320.03 (4)(a), F.S., allows license tag agents to have access to the Department's online computer system for the purpose of processing vehicle title and registration transactions for the Department. Tax collectors are responsible for maintaining records, reporting sales, accounting for inventory, and dispersing monies collected to the Department in a timely manner. Each county has a tax collector location that is considered a "host agency" and some larger counties have multiple host agencies. The host agency is considered the main branch within that county and disperses inventory orders to their other county locations.

In order to provide convenient motor vehicle services to citizens of Florida, the Department, through oversight from the county tax collectors, authorizes third party issuance agencies to perform transactions related to motor vehicle title and registration issuance. These include Certified Service Providers which provide access to the electronic filing system (EFS) and electronic title and registration system (ETR) primarily to licensed motor vehicle dealers, and private tag issuance agencies.

Inventory Ordering

Metal license plates are ordered as-needed using the inventory module in FRVIS and orders are sent electronically to PRIDE for manufacturing. PRIDE produces approximately 2 million license plates annually.

Other consumable items are ordered in pre-established quantities each year based on past issuance levels. These items are received in monthly shipments in the Department's Central Supply section, and orders placed by the Department's agents are filled from this stock. The chart below shows the quantity of motor vehicle consumable inventory ordered from PRIDE and a third-party vendor for the 2018-19 Fiscal Year:

Motor Vehicle Consumable Inventory type	Quantity Ordered during 2018-2019 Fiscal Year
Title paper	2.5 million
GDC	24 million
Disabled parking placards	600,000
Print on Demand temporary plates	240,000
HOV decals	15,000
OHV decals	20,000
Mobile Home and Vessel decals	500,000
Real Property Mobile Home decals	30,000

Inventory Distribution

When the Department's agents request inventory, orders are placed either in FRVIS or by email to the Department's Inventory Control Unit. Inventory requests are filled from stock maintained in the Department's Central Supply section (except for metal license plates).

Inventory parameters are set automatically for items requested through FRVIS for each agency based on the actual annual usage. Agencies place a request in FRVIS when the quantity of inventory on hand has dropped below the re-order point. The Department recommends that agents check inventory levels weekly and place order requests by Wednesday. Orders placed in FRVIS are placed in a holding status until Inventory Control Unit staff approve the order.

Inventory for print on demand temporary license plate stock and HOV, OHV, vessel and mobile home renewal decals are placed by emailing an Inventory Requisition form to the Department's Inventory Control Unit.

In most cases, metal license plates are ordered in FRVIS, manufactured, and shipped directly to the requesting agency by PRIDE. However, the Department also maintains a supply of each type of metal license plate in the Central Supply section. In some cases, order requests are filled from the stock of metal plates maintained in the Central Supply



section. In these instances, the requested plates are pulled from the supply shelf, packaged, and mailed to the requesting agency.

Inventory Management Systems

FRVIS is the main system used to account for motor vehicle consumable inventory. Inventory requests for most items are placed in FRVIS by the requesting agency, approved in FRVIS by the Inventory Control Unit, and received through FRVIS to the Central Supply section for packaging and shipment. FRVIS maintains item control numbers for some inventory items and is used for tracking inventory amounts and to review inventory reports.

During the fiscal year, incoming and outgoing consumables are monitored by the Inventory Control Unit, the contract manager, and Central Supply. The Inventory Control Unit uses FRVIS to monitor the number of license plates, title paper, handicap placards, and GDC's issued to field offices. FRVIS has systematic controls in place to help the field offices and Inventory Control Unit members monitor their commodity ordering on a weekly basis. A batch process in FRVIS runs every Sunday and sets ordering limits based on historical issuances.

Other items, such as HOV, OHV, vessel and mobile home decals, and print on demand temporary license plate stock are received in My Florida Market Place but are not tracked in any system. GDC's and title paper are ordered from a third-party vendor and marked as received in My Florida Market Place.

The Department is in the process of implementing a more efficient tracking system for title paper. Previously, title paper was manually tracked using excel spreadsheets. As of May 29, 2019, title paper control numbers are captured within the inventory system of FRVIS and can be tracked and accounted for by all users. Under the new process, requesting agencies place orders for title paper in FRVIS. The Bureau of Issuance Oversight uses FRVIS to track title paper distribution and monitor title paper usage.

Inventories and Year-End Audits

Department procedures require tax collector offices and other agents to conduct an annual physical inventory for regular license plates, special license plates, specialized license plates, disabled parking placards, temporary license plates, temporary employed license plates, and personalized plates. Department Procedure BA-6 outlines standard guidelines for conducting year end license plate inventory, adjusting the inventory, transferring of inventory, obsolete inventory, stolen inventory, inventory returns, payment and refunds of inventory and missing inventory. Annual inventory reports are turned in to the Department, and members of the Audit and Refunds section



in the Bureau of Accounting conduct audits to ensure inventory for these specified items is accurate for each agency.

In most instances, inventory used is reconciled against FRVIS transaction reports daily by office managers. Additionally, members in the Bureau of Accounting's Audit and Refunds section annually reconcile transactions to inventory used for temporary tags, parking placards, and metal license plates. However, the Department does not require its agents to report inventory counts for title paper, GDC's, print on demand temporary license plate stock, HOV decals, OHV decals, vessel and mobile home decals or to reconcile inventory used against transaction reports.

Inventory is considered "unaccounted for" if it is not in the office and has not been issued to a customer. If any inventory items are determined unaccounted for after conducting the physical inventory, a payment is required for the missing inventory. The Department's Bureau of Accounting will send a bill to the tax collector for the cost of the unaccounted for items. If inventory is missing and is believed to be stolen, law enforcement is contacted, and a police report filed. Additionally, written follow-up regarding the status of the inventory is required to be submitted to the Inventory Control Unit and the Bureau Chief of Accounting.

Findings and Recommendations

Our audit identified the following issues which require management attention:

Physical Accountability of Inventory

Finding No. 1: Additional controls should be implemented to provide for the physical accountability of inventory.

Section 320.03 (3), F.S., requires each tax collector to keep a full and complete record and account of all validation stickers, mobile home stickers, or other properties received by him or her from the Department, or from any other source. Additionally, Procedure BA-6, requires every agency and the Central Supply section to submit a FRVIS inventory report reflecting a count of inventory on hand for license plates, parking placards and pre-printed temporary plates on an annual basis.

The Department's annual inventory includes conducting a physical count of metal license plates, parking placards and pre-printed temporary license plates; however, title paper, GDC's, print on demand temporary license plate stock, HOV decals, OHV decals, mobile home and vessel decals are not included.



Our review also determined controls should be implemented to ensure the Department's agents maintain and report accurate inventory counts of properties received by them from the Department, or from any other source. The Department only requires its agents to conduct an annual inventory on metal license plates, parking placards, and pre-printed license plates. The Department does not require its agents to report inventory counts for title paper, GDC's, print on demand temporary license plates, HOV decals, OHV decals, mobile home and vessel decals.

While a physical count of the inventory of title paper, decals, and print on demand temporary license plate stock is not conducted statewide, the Inventory Unit does track inventory received at general headquarters. The Department also tracks consumables requested and sent to its agents during the year. However, tracking the inventory received and orders filled does not provide for assurance over the levels of inventory maintained by the Department or its agents.

Detailed inventory records are necessary to help provide for the physical accountability of inventory in the event a loss was to occur or to ensure the Department is not maintaining excessive inventory levels. Such items can be misappropriated if not routinely inventoried.

Recommendations

We recommend the Division of Motorist Services coordinate with the Division of Administrative Services to expand the current inventory process and include conducting a physical inventory of title paper, decals, and print on demand temporary license plate stock.

We also recommend the Division of Motorist Services coordinate with the Division of Administrative Services to expand the current inventory process and work with its agents to conduct a physical inventory of title paper, decals, and print on demand temporary license plate stock.

Management Response

The Division of Motorist Services agrees with the recommendation relating to title paper. While we agree there exists a risk relating to decals and print on demand temporary license plate stock, a statewide physical inventory of decals and print on demand temporary license plate stock is not warranted. This is especially true given the generic nature and low value of these items, the ease and speed law enforcement across the country can authenticate these items in real-time using Nlets (NCIC/FCIC), and the significant cost required conducting a physical inventory each year at more than 350 motor vehicle offices and thousands of dealerships across the state.



However, the Division of Motorist Services will improve oversight by formalizing ordering methodologies and the manner in which we monitor the orders placed by tax collectors agents throughout the year. Additionally, we will coordinate with the Division of Administrative Services to expand the current inventory process and document the physical counts of the items held at central supply. Lastly, we will use the data collected to search for trends suggesting theft or misuse, to conduct quality assurance reviews or, if necessary, conduct a physical inventory of these items at a discrete location in the field. These improvements will be implemented by June 30, 2020.

Ordering Controls

Finding No. 2: Ordering controls for consumable items not tracked in FRVIS should be improved.

The Department's Purchasing and Contracts Manual states keys to facilitate efficient purchasing include just-in-time inventory; the practice of contracting with a stocking dealer or manufacturer to deliver goods at intervals determined by management to minimize inventory costs. Other inventory management forecasts and strategies can be implemented to stockpile a reasonable amount of inventory and to reduce stocking large quantities, tying up funds, space, personnel, and assuming related risks.

The Department places orders at the beginning of the fiscal year for consumable items not tracked in FRVIS based primarily on what was ordered the previous year for the same period. The Department issues a purchase request with a set, periodic delivery schedule such that equal quantities are delivered each month. If necessary, orders can be adjusted throughout the year to compensate for changes. The current ordering process includes reviewing the quantities received in Central Supply and the orders shipped to the Department's agents but does not include conducting a documented inventory count to determine how many unissued consumables remain from the prior year or adjusting quantities based on anticipated renewals.

Vessel and mobile home decals are not tracked in FRVIS, and the decal colors change each year, cycling through four colors: green, red, blue, and orange. Green is the color used for 2019, and red decals, the color used for 2020 renewals, will be predominately issued beginning around October 2019.

We noted an order placed on July 22, 2019, for 300,000 green vessel/mobile home decals for \$30,750 to be delivered in monthly shipments over a period of five months beginning October 1, 2019 through February 1, 2020. When asked why it was necessary to receive green decals in January and February 2020, when most customers would be renewing for the 2020 calendar year and would need a different color decal, management indicated they could be used when the green decals cycle back in use in 2023.



Recommendation

We recommend the Bureau of Issuance Oversight develop and implement a formal process for determining order quantities of consumable items not tracked in FRVIS, taking into consideration current stock levels and projected renewals.

Management Response

The Division agrees with this recommendation and will formalize the current process as discussed above by June 30, 2020.

Print on Demand Temporary License Plates

Finding No. 3: Ordering and inventory controls over print on demand temporary license plate stock should be improved.

FRVIS allows the Department to issue print on demand temporary license plates that are valid for 30 days. Print on demand temporary license plate stock is special paper of a certain thickness and coating that is formatted with spaces to print certain vehicle information. Each piece of print on demand temporary license plate stock contains a control number in the bottom right corner. The Department orders print on demand temporary license plate stock from PRIDE.

The Department supplies tax collectors with print on demand temporary license plate stock. Tax collectors order print on demand temporary license plate stock by contacting the Department's Inventory Control Unit via email. They specify the amount needed, and Inventory Control Unit staff forward the request to the Department's Central Supply section, which fills the order from inventory storage and ships it to the requesting agency office. Outside of this shipping process, the Department does not track or monitor print on demand temporary license plate stock orders or inventory levels.

Additionally, the print on demand temporary license plate stock that is ordered by Certified Service Providers and provided to their EFS/ETR agents is not regulated. Of the nine currently approved Certified Service Providers, six order print on demand temporary license plate stock directly from PRIDE. After the Department approves a company to be a Certified Service Provider, the Department notifies PRIDE that the newly approved company is allowed to order print on demand temporary license plate stock. After notifying PRIDE, the Department is not involved any further in the order or distribution process and does not monitor the inventory levels ordered or distributed by these Certified Service Providers. The remaining three Certified Service Providers have secured their own paper source for print on demand temporary license plate stock which has been approved by the Department. The Department does not have any



further oversight in the order or distribution process and does not monitor the inventory levels ordered or distributed by these Certified Service Providers.

Although the print on demand temporary license plate stock is essentially “blank”, there is a control number in the bottom corner of the template, however, the control numbers are not tracked in any Department inventory system. The quantity of print on demand temporary license plate stock distributed to tax collector offices is not tracked and the quantity of print on demand temporary license plates ordered by the Certified Service Providers is also not tracked.

Without controls in place to regulate print on demand temporary license plate stock inventory, the Department cannot ensure inventory is properly accounted for. Such items can be misappropriated if not routinely inventoried and variances promptly investigated and resolved.

Recommendations

We recommend the Division of Motorist Services enhance controls to record and track print on demand temporary license plate stock ordered and delivered to tax collector offices.

We further recommend the Division of Motorist Services enhance controls to monitor print on demand temporary license plate stock ordered by Certified Service Providers.

Management Response

While the Division of Motorist Services agrees there exists a risk relating to print on demand temporary license plate stock, a statewide physical inventory of print on demand temporary license plate stock is not warranted. This is especially true given the generic nature and low value of these items, the ease and speed law enforcement across the country can authenticate these items in real-time using Nlets (NCIC/FCIC), and the significant cost that would be incurred to conduct a physical inventory each year at thousands of office and dealerships across the state. Additionally, the stock, which does not contain a plate number, is not valuable until it is transformed into a valid, 30-day temporary plate when an alpha numeric sequence is assigned to it in FRVIS. At this point, the temporary license plate is linked to a vehicle and is run through a printer in a tag office or dealership that is authorized to access FRVIS for this purpose.

However, the Division of Motorist Services will use data currently available to search for trends suggesting theft or misuse, to conduct quality assurance reviews or, if necessary, to conduct a physical inventory of the stock at a discrete location in the field which will be implemented by June 30, 2020.



Security Controls

Finding No. 4: Security controls over inventory consumables storage rooms should be improved.

Chapter 15C-16.010 (2)(a)(b), 16.013(2)(i), F.A.C., requires agencies to take precautions to keep inventory as secure as possible. Inventory must be placed in a secured location until issued to a customer. Only certain individuals should have access to these locations. Additionally, Department procedure BA-6 requires inventory to be secured at all times.

At the Department's headquarters building, motor vehicle consumable inventory is primarily stored in the Central Supply section, in a room referred to as "the vault". The vault consists of an outer room and an inner room, both of which have key-pad locks that are self-contained and not connected to the Department's access badge system. While there is not a documented formal process for providing members with the code, the Bureau of Office Services stated they change the key-pad code when a member who had the code separates from the Department. The Central Supply section supervisor is responsible for granting access and changing the code to the vault as needed. For rooms accessible by key-pad entry, it is difficult to ensure the code is only provided to members who require it for their job duties, and to ensure the code is changed appropriately as members separate from the Department. Having a key-pad access to the vault does not allow for tracking persons entering the room.

The Central Supply section also stores overflow consumable inventory in another location, and the International Fuel Tax Agreement and International Registration Plan (IFTA/IRP) section maintains consumable inventory in their locations. These rooms are accessible by badge access connected to the Department's building access system.

While reviewing access listings to these locations, we identified individuals that were not listed as Department members in People First, and members that do not work in the designated areas. After consulting with the Department security manager, supply manager, and IFTA/IRP section managers to determine whether the individual's access to these areas was appropriate, the Department security manager provided revised access listings in which approximately 500 members were removed from the access listings. Additionally, we observed the outer vault door open while conducting fieldwork interviews.



Recommendations

We recommend the Division of Motorist Services coordinate with the Division of Administrative Services to periodically review access to areas containing motor vehicle consumable inventory to ensure persons with access remains appropriate.

We also recommend the Division of Administrative Services and the Division of Motorist Services store motor vehicle consumable inventory in areas secured by badge access to better control and monitor access to areas containing motor vehicle consumable inventory.

Management Response

Division of Administrative Services' Bureau of Office Services will install programmable card readers on all four doors where these consumable items are stored by April 1, 2020. These programmable card readers give the Department the ability to assign and control access rights to members as well as conduct audits to determine who accesses the area(s) at any given time/date.

Procedures for Motor Vehicle Consumable Inventory

Finding No. 5: Written procedures for motor vehicle consumable inventory should be enhanced.

Department procedure RS-52, *Tax Collector- Inventory*, states the purpose of the policy is to provide basic information and instructions for county tax collectors, license plate managers, and supply clerks to order, verify receipt of inventory, and pickup of inventory.

While the Department has some policies in place surrounding motor vehicle consumable inventory, the written policies lack standard instructions for ordering inventory, handling voided inventory items, and rotating inventory.

Department procedure RS-52, *Tax Collector- Inventory*, states the license plate agency should only place an order in FRVIS when the quantity of inventory on hand has dropped below the re-order point; however, the policy does not explain how or when the re-order points are established, or how to place an order for items not currently accounted for in FRVIS. Additionally, Department procedure TL-46, *Fast Title Issuance of Certificates of Title and Title Accounting Guidelines*, states that requests for certificates of title supply stock are to be faxed or emailed directly to the Inventory Control Unit; however, with the implementation of the title tracking function, orders for title supply stock are now made through FRVIS.



During our review of controls regarding voided inventory items, we noted there were no written guidelines for handling voided print on demand temporary license plates. We further noted there is not a standard, documented process for rotating inventory in the Department's Central Supply section to ensure that idle inventory is appropriately interchanged on a regular basis.

Without clear procedures, the Department has less assurance that Department members, tax collectors, Certified Service Providers, and other agents are correctly handling motor vehicle consumable inventory items.

Recommendation

We recommend the Division of Motorist Services revise applicable procedures surrounding motor vehicle consumable inventory to include at a minimum:

- specific guidance for ordering different types of motor vehicle consumable items;
- handling voided print on demand temporary tags; and
- rotating inventory to ensure idle inventory is appropriately interchanged on a regular basis.

Management Response

The Division agrees with this recommendation and will revise its procedures by June 30, 2020.

Purpose, Scope, and Methodology

The purpose of this audit was to evaluate whether the Department's inventory control framework for consumable inventory and issuance is adequate and efficient, and that internal controls are in place to reduce inventory related risk.

The scope will include inventory records, physical inventory, policies and practices relating to inventory and controls during the 2018-19 Fiscal Year.

The methodology included:

- Reviewing applicable Florida Statutes, Florida Administrative Code, Department policies, and procedures;
- Reviewing the ordering, receiving, and distribution processes for each consumable item;
- Reviewing the Department's Inventory Unit, Central Supply section and the IFTA/IRP section inventory processes;



- Reviewing security controls over motor vehicle consumable inventory storage rooms;
- Interviewing appropriate Department personnel; and
- Reviewing other applicable documentation.



Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
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Kevin Bailey, Director of Administrative Services
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Mitch Fenton, Bureau Chief of Office Services
Steve Burch, Bureau Chief of Accounting

Melinda M. Miguel, Chief Inspector General
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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
Kim Butler, Auditor

Under the supervision of:
David Ulewicz, Audit Director

Approved by:


Mike Stacy, Acting Inspector General

ATTACHMENT - Management Response



Terry L. Rhodes
Executive Director

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MEMORANDUM

DATE: October 25, 2019

TO: Erin Mook, Lead Senior Auditor

FROM: Robert Kynoch, Director of Motorist Services

SUBJECT: Management Response to the Motor Vehicle Consumable Inventory Controls Audit (201819-21)

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

Finding No. 1: *Physical Accountability of Inventory*

Additional controls should be implemented to provide for the physical accountability of inventory.

Recommendations

We recommend the Division of Motorist Services coordinate with the Division of Administrative Services to expand the current inventory process and include conducting a physical inventory of title paper, decals, and print on demand temporary license plate stock.

We also recommend the Division of Motorist Services coordinate with the Division of Administrative Services to expand the current inventory process and work with its agents to conduct a physical inventory of title paper, decals, and print on demand temporary license plate stock.

Management Response

The Division of Motorist Services agrees with the recommendation relating to title paper. While we agree there exists a risk relating to decals and print on demand temporary license plate stock, a statewide physical inventory of decals and print on demand temporary license plate stock is not warranted. This is especially true given the generic nature and low value of these items, the ease and speed law enforcement across the country can authenticate these items in real-time using Nlets (NCIC/FCIC), and the significant cost required conducting a physical inventory each year at more than 350 motor vehicle offices and thousands of dealerships across the state.

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However, the Division of Motorist Services will improve oversight by formalizing ordering methodologies and the manner in which we monitor the orders placed by tax collector agents throughout the year. Additionally, we will coordinate with the Division of Administrative Services to expand the current inventory process and document the physical counts of the items held at central supply. Lastly, we will use the data collected to search for trends suggesting theft or misuse, to conduct quality assurance reviews or, if necessary, conduct a physical inventory of these items at a discrete location in the field. These improvements will be implemented by June 30, 2020.

Finding No. 2: *Ordering Controls*

Ordering controls for consumable items not tracked in FRVIS should be improved.

Recommendation

We recommend the Bureau of Issuance Oversight develop and implement a formal process for determining order quantities of consumable items not tracked in FRVIS, taking into consideration actual stock levels and projected renewals.

Management Response

The Division agrees with this recommendation and will formalize the current process as discussed above by June 30, 2020.

Finding No. 3: *Print on Demand Temporary License Plates*

Ordering and inventory controls over print on demand temporary license plate stock should be improved.

Recommendations

We recommend the Division of Motorist Services enhance controls to record and track print on demand temporary license plate stock ordered and delivered to tax collector offices.

We further recommend the Division of Motorist Services enhance controls to monitor print on demand temporary license plate stock ordered by Certified Service Providers.

Management Response

While the Division of Motorist Services agrees there exists a risk relating to print on demand temporary license plate stock, a statewide physical inventory of print on demand temporary license plate stock is not warranted. This is especially true given the generic nature and low value of these items, the ease and speed law enforcement across the country can authenticate these items in real-time using Nlets (NCIC/FCIC), and the significant cost that would be incurred to conduct a physical inventory each year at thousands of office and dealerships across the state. Additionally, the stock, which does not contain a plate number, is not valuable until it is transformed into a valid, 30-day temporary plate when an alpha numeric sequence is assigned to it in FRVIS. At this point, the temporary license plate is linked to a vehicle and is run through a printer in a tag office or dealership that is authorized to access FRVIS for this purpose. However, the Division of Motorist Services will use data currently available to search for trends suggesting theft or misuse, to conduct quality assurance reviews or, if necessary, to



conduct a physical inventory of the stock at a discrete location in the field which will be implemented by June 30, 2020.

Finding No. 4: *Security Controls*

Security controls over inventory consumables storage rooms should be improved.

Recommendations

We recommend the Division of Motorist Services coordinate with the Division of Administrative Services to periodically review access to areas containing motor vehicle consumable inventory to ensure persons with access remains appropriate.

We also recommend the Division of Administrative Services and the Division of Motorist Services store motor vehicle consumable inventory in areas secured by badge access to better control and monitor access to areas containing motor vehicle consumable inventory.

Management Response

Division of Administrative Services' (DAS) Bureau of Office Services (BOS) will install programmable card readers on all four doors where these consumable items are stored by April 1, 2020. These programmable card readers give FLHSMV the ability to assign and control access rights to members as well as conduct audits to determine who accesses the area(s) at any given time/date.

Finding No. 5: *Procedures for Motor Vehicle Consumable Inventory*

Written procedures for motor vehicle consumable inventory should be enhanced.

Recommendation

We recommend the Division of Motorist Services revise applicable procedures surrounding motor vehicle consumable inventory to include at a minimum:

- specific guidance for ordering different types of motor vehicle consumable items;
- handling voided print on demand temporary tags; and
- rotating inventory to ensure idle inventory is appropriately interchanged on a regular basis.

Management Response

The Division agrees with this recommendation and will revise its procedures by June 30, 2020.