



Dealer Inspections Audit Report 201819-29

October 3, 2019

Executive Summary

Section 320.27, Florida Statutes (F.S.), requires no person to engage in business as a motor vehicle dealer without obtaining a license in the appropriate classification provided in statute. Section 320.27(3), F.S., requires an applicant for a motor vehicle dealer's license to describe the exact location of the place of business, certify the location provides an adequately equipped office and is not a residence; and sufficient unoccupied space to adequately store all motor vehicles offered and displayed for sale. It also requires the location to be a suitable place where the applicant can in good faith carry on such business and keep and maintain books, records, and files necessary to conduct such business, which will be available at all reasonable hours to inspection by the of Department Highway Safety and Motor Vehicles (Department) or any of its Compliance Examiners (CE).

The Bureau of Dealer Services (BDS) within the Division of Motorist Services (DMS) is responsible for regulating the motor vehicle industry as provided by Section 320.605, F.S., which describes it is the intent of the Legislature to protect the public health, safety, and welfare of citizens of the state by regulating the licensing of motor vehicle dealers and manufacturers, maintaining competition, providing consumer protection and fair trade, and providing minorities with opportunities for full participation as motor vehicle dealers.

To meet the requirements in statute, the BDS licenses approximately 14,000 motor vehicle, auction, mobile home, recreational vehicle dealers, and manufactures each year. In addition to issuing licenses, CE's conduct dealer location inspections and dealer record inspections in ten regions throughout Florida. During the 2017-18 Fiscal Year (FY), BDS conducted 4,483 location inspections and 3,841 records inspections.

The purpose of this audit was to review and evaluate the efficiency and effectiveness of dealer inspections and compliance with applicable laws, and Department policy and procedure. We observed dealer location and dealer records inspections in multiple regions throughout the state. We also reviewed inspection documentation, the risk-based inspection methodology, the purchase and use of the Oracle Field Service Cloud (Oracle), and Bureau of Dealer Services independence statements.

Our review determined the Department entered into a contract for Oracle software licenses without having a defined scope of work and deliverables for its use and integration. The Department procured the software licenses in June 2017, then initiated another requisition in October 2017 for the scope of services and customization



requirements. Additionally, Oracle and the hardware used by the CE's does not currently fulfil all the needs of the BDS due to connectivity and location tracking issues. We recommend the Division of Motorist Services adhere to procedures to ensure the scope of services is developed and included in any future purchasing agreements prior to procurement of software licenses.

Our review also determined that records inspections and location inspections are not completed in accordance with Department procedure. We recommended clarifying the procedures regarding risk-based inspections and methodology to improve the consistency and results of the inspections. We also recommended the BDS update procedure to include management review, oversight, and retention requirements for location inspections. We additionally determined that enhancing conflict of interest policies and procedures would strengthen the BDS's independence.

Background and Introduction

The BDS within the DMS is responsible for regulating the motor vehicle industry as provided by Section 320.605, F.S., which describes it is the intent of the Legislature to protect the public health, safety, and welfare of citizens of the state by regulating the licensing of motor vehicle dealers and manufacturers, maintaining competition, providing consumer protection and fair trade, and providing minorities with opportunities for full participation as motor vehicle dealers.

The BDS is divided into three sections; Dealer Licensing, Motor Vehicle Field Operations, and Manufactured Homes. The headquarters-based Dealer Licensing section assists the Motor Vehicle Field Operations Section in licensing approximately 14,000 motor vehicle, auction, mobile home, recreational vehicle dealers, and manufactures each year. In addition to issuing licenses, the Motor Vehicle Field Operations Section conduct dealer location inspections and dealer record inspections in ten regions throughout Florida. During the 2017-18 FY, BDS conducted 4,483 location inspections and 3,841 records inspections.

Location Inspections

Section 320.27(3), F.S., requires an applicant for a motor vehicle dealer's license to describe the exact location of the place of business, certify the location provides an adequately equipped office and is not a residence, and sufficient unoccupied space to adequately store all motor vehicles offered and displayed for sale. It also requires the location to be a suitable place where the applicant can in good faith carry on such business and keep and maintain books, records, and files necessary to conduct such business, which will be available at all reasonable hours to inspection by the Department or any of its CE's or other employees.



Chapter 15C-7, Florida Administrative Code (F.A.C), *Motor Vehicle Dealers*, details the requirements for records, maintenance, accessibility, retention and penalties for motor vehicle, mobile home, and recreational vehicle dealers. The chapter also explains the application process for a motor vehicle dealer license, requirements for office, display space and operation, denial, suspension or revocation, implementation, special requirements for the licensing of a franchise motor vehicle dealer, and unauthorized additional motor vehicle dealerships.

DMS Procedure DLR-03, *Dealer Location Inspections*, establishes the procedures for conducting a location inspection of an applicant's proposed dealer location.

When an applicant contacts a Dealer Services' Regional Office for a location inspection, they are provided with a Pre-Site Inspection Checklist and are instructed to contact the regional office with the completed form to schedule a location inspection. When the regional office receives the completed Pre-Site Inspection Checklist, the field supervisor will schedule a designated date and time for a CE to conduct a location inspection within Oracle.

The CE will use HSMV Form 84053, *Motor Vehicle, Mobile Home, and Recreational Dealer Site Inspection Checklist* to complete the inspection. This form can be completed electronically via Oracle or if the CE is not able to connect to Oracle, a paper copy will be completed on-site and uploaded electronically into Oracle and the Department's Florida Real time Vehicle Information System (FRVIS). This checklist includes the same questions as the Pre-Site Inspection Checklist. If during the inspection there are any deficiencies noted, the CE will note them on the checklist. The CE will also explain the deficiency to the applicant, so they may correct the issue. Each time an inspection is failed, it should be noted on the original form with the applicant's signature and the CE's initials. The original form should be maintained in the regional office files for reference. Once a proposed dealer location has been inspected and found to meet all statutory and administrative code requirements, the CE and applicant must sign and date the form.

All location inspections, including re-inspections, are transferred into FRVIS from Oracle where a location inspection number will be generated. If a CE re-inspects a failed location, a new location inspection number must be generated in FRVIS, so the BDS can keep an accurate count of how many times the site was visited for statistical reporting.

Records Inspections

Section 320.27, F.S., requires motor vehicle dealers to maintain motor vehicle books and records of vehicles sold and those on hand, which shall be available to the Department for inspection during reasonable hours.



There are multiple ways a dealer may be subject to a records inspection. All newly established dealers are required by Department Procedure EP-12, to have a records inspection conducted within 90 days of being licensed. Additionally, quarterly risk-based reports are required to be distributed to the regions based on high, medium, and low risk-based categories. A dealer may also be subject to a records inspection based on a complaint received from the public, a consumer, or another dealer. If a dealer fails a records inspection, they may be subject to a follow-up inspection within 60 days. If necessary, a third follow-up would be scheduled after 30 days.

The BDS uses HSMV Form 84015, *Dealer Records Inspection Report*, to conduct the records inspection. This form may be completed electronically via Oracle or if not able to connect to Oracle, a paper copy will be completed onsite and manually entered into Oracle and FRVIS.

The records inspection is divided into seven sections that include verifying proper title and ownership paperwork for vehicles listed for sale, maintaining proper records for vehicles purchased and sold, maintaining accurate record of temporary tags, verifying trade-in information to ensure liens are properly paid off, reviewing a listing of dealer plates, determining bona fide employees of the dealer, and reviewing required statutes governing the dealer.

CE's are required to obtain information for each section of the inspection, including reviewing a minimum of five vehicles each for vehicles listed for sale, and vehicles purchased and sold by the dealer. Upon the conclusion of the inspection, the CE must review any comments or areas of noncompliance with the dealer. The CE's are authorized to offer suggestions to assist the dealer with recommendations to improve their record keeping system. All suggestions and recommendations must be included on the comments section of the inspection report.

If the dealer fails, they are subject to a follow-up inspection. During a follow-up, it is at the discretion of the CE to perform a complete records inspection, or to solely focus on the areas of noncompliance that were noted in the previous inspection. If a dealer fails a records inspection, comments must be included in FRVIS notating the specific reasons of the failure. Like location inspections, all records inspection results are logged in FRVIS and an inspection number is generated.

Oracle

In the Fall of 2018, BDS began using Oracle to standardize the scheduling and consistency of record and location inspections. BDS contracted with DLT Solutions for Oracle in the summer of 2017 to obtain software licenses and then in October 2017, to customize the software and configure it to the needs of the Department. During the



customization phase, DLT Solutions was able to create mobile forms in Oracle identical to HSMV Form 84053 (location inspection) and HSMV Form 84015 (records inspection).

CE's received new mobile tablets with air cards to conduct their inspections within Oracle. Oracle allows the CE's to electronically view their schedule, which is created by supervisory staff. Each inspection has an estimated time frame, to include the travel time to and from the dealer. When starting the route to an inspection, the CE should begin the inspection in Oracle. Upon arrival to the dealer site, the CE should enter all the required information within the software on the tablet. When finalized, the CE should sign off and end the inspection, giving the duration from start to finish. Once submitted, the results are automatically transferred to FRVIS, noting the pass or fail of the dealer.

Findings and Recommendations

Oracle Contract

Finding No. 1: The Department should ensure contracts for software licenses are entered once scope of work and deliverables are clearly defined for its use and integration.

Chapter 287.056, (1)(a), F.S., requires agencies to purchase commodities and contractual services from purchasing agreements which must include a provision specifying the scope of work that clearly establishes all tasks the contractor is required to perform.

In May 2017, the Department agreed to procure Oracle from DLT Solutions and in June 2017, purchased Oracle software licenses based on an Alternate Contract Source (ACS) which had a scope and terms of service for the purchase of the software licenses. The ACS language did not have a defined scope of service for the software to be customized and integrated with FRVIS. The Department made an advance payment of \$210,317.77 on June 27, 2017, for the software licenses for the 2017-18 FY using available end of year funds.

Between June and October 2017, BDS and ISA developed the scope of services and customization requirements for the software's use and integration with FRVIS. An additional purchase order and requisition of \$220,435.00 was completed on October 20, 2017, to provide the scope of services and customization of the Oracle software and integration with FRVIS. The Department made an advance payment of \$215,596.19 on June 27, 2018, for the software licenses for the 2018-19 FY using available end of year funds.



Due to integration delays caused by a lack of a scope of services which defined the customization and integration requirements, the program was not deployed in the field until October 2018, approximately 14 months after initial purchase of the software licenses.

Recommendations

We recommend the Division of Motorist Services adhere to procedures to ensure the scope of services is developed and included in any future purchasing agreements prior to procurement of software licenses.

Management Response

The Division of Motorist Services agrees that the scope of work and deliverables should be clearly defined prior to procurement for any contracts for software licenses. The Division of Motorist Services also believes that procedures to ensure the scope of services is developed and included in purchasing agreements currently exist and are sufficient. However, due the abbreviated timeframe required for the Oracle contract procurement an insufficient amount of time was available to properly adhere to the current procedure. The Division of Motorist Services will take steps to ensure that any future purchasing agreements have the time needed to adhere to the required procurement procedure.

Oracle Usage

Finding No. 2: The Bureau of Dealer Services should review the use of Oracle and its hardware.

Oracle is an application that was procured to replace a paper process with an electronic process which automates multiple functions.

According to the contracts' scope of services, the application will provide electronic scheduling of inspections, monitoring of CE inspection activities using global positioning system (GPS) data, supervisor managing of inspection activities, electronic completion and storage of inspections, and creation of a software interface to allow information to be extracted from and updated to the Department's dealer license system.

While shadowing CE's performing location and records inspections in four regions we noted the CE's had connectivity issues using their tablets and Oracle for approximately half of the inspections. One of the CE's lost connectivity at the end of an inspection. After unsuccessfully trying to reconnect for approximately 15 minutes the CE left the location to perform another inspection, resulting in all the inspection information being



lost. We also noted a CE was using his personal cell phone as a hot spot due to connectivity issues.

While observing inspections in region 3, we noted the record inspections were completed on paper forms and then later input into Oracle. CE's and region management noted this was done because of repeated connectivity issues using the tablets and Oracle. Further discussions with the CE's in regions 3, 5, 6, and 7 noted repeated connectivity issues with the tablets and Oracle, especially in rural locations.

Due to the connectivity issues noted while observing inspections in the field we requested further information regarding the purchase and implementation of the tablets and Oracle software. The Department procured Oracle software licenses in June 2017. ISA worked on setting up the program and integrating connectivity between Oracle and FRVIS from November 2017 to April 2018. Between December 2017 and February 2018, the Department purchased 92 Dell Latitude tablets to be used by the CE's with the Oracle software. The tablets were purchased directly from Dell for a total cost of \$146,411.98, per the recommendation of DLT Solutions.

After purchase, it was discovered the tablets' Windows operating system does not enable full functionality of the Oracle software application, which was designed for use with iOS or Android operating systems.

Testing of the software and tablets was performed by the Systems Evaluation Unit in May 2018 to ensure it met the needs of the BDS. Testing involved using the tablets and mobile phones to perform mock inspections and noted issues relating to network configuration, and location tracking.

In September of 2018, a pilot of the tablets and Oracle was conducted primarily in region 3. During the pilot, it was noted the tablets had connectivity issues and the GPS did not work as intended. Instead it used cell tower positioning for location information. The software went live in all regions in October 2018.

Recommendations

We recommend the Bureau of Dealer Services in coordination with Information Systems Administration develop solutions to the connectivity and functionality issues noted.

Management Response

We agree with the recommendation. Connectivity and functionality issues have caused the electronic dealer inspection system to operate far below optimal levels. The Bureau of Dealer Services has already begun working jointly with both Information Systems Administration (ISA) and Oracle to address the functionality issues and field-testing



connectivity options to improve use of the Oracle system in the field. If these issues cannot be resolved to our satisfaction, we will discontinue use of the Oracle product.

Record Inspections

Finding No. 3: Record Inspections should be completed in accordance with Department Procedure.

Sections 320.27(6), 320.771(9), and 320.77(8), F.S., require dealers to keep information regarding motor vehicle, mobile home, or recreational vehicle transactions. These laws require every licensee to keep a book or record in either paper or electronic form as prescribed or approved by the Department and explains what documentation must be maintained within these records. Additionally, Department Procedure EP-12 explains the process for completing records inspections and defines the records requirements with which dealers must comply.

We requested a sample of 140 records inspections between four regions which were completed during the 2018-19 FY. However, 32 of 140 (22.9%) inspections were either not provided or were not the correct inspection.

Our review of the 108 records inspections¹ received noted almost all had some fields which were either missing information or listed uncertain. Department procedure does not specifically define that each field within the inspection is required to be completed or that sections which are not applicable are noted as such; but without notation that a section is not applicable it is not known whether the section was intentionally left blank.

During the review, we also noted Section IV of the records inspection includes *Trade-In Information*. Only four of 108 records inspections had VIN numbers included in this section or noted there were no trade-ins. The section asks if the dealer has proof the liens were paid off according to statute; however, without listing the VIN numbers, a reviewer cannot search for the vehicle in FRVIS to determine if the vehicle still had a lien. There were 15 vehicles listed as trade-ins that we reviewed. Our review noted:

- 1 of 15 (6.7%) trade-ins had a lien from 2005 that was never satisfied in FRVIS;
- 1 of 15 (6.7%) trade-ins were unable to be found in FRVIS due to the VIN being incomplete; and
- 13 of 15 trade-ins were either satisfied in FRVIS or did not have a lien.

¹ Our review had a total of 73 fields per inspection.



Recommendations

We recommend the Bureau of Dealer Services develop a standard for accurately and completely reporting the information within each record inspection.

We also recommend the Bureau of Dealer Services define the record retention and storage requirement for all records inspections.

Management Response

The dealer records and dealer site inspection forms developed by the Bureau of Dealer Services are used for a variety of inspection purposes many of which do not require the full completion of every section of the inspection forms. The Division of Motorist Services agrees that an incomplete inspection form can lead to confusion for any future internal or external review of completed forms. The Bureau of Dealer Services will revise bureau procedures to insure the completion of all relevant sections and fields, include instruction on the use of the available comment fields for appropriate notation of form fields or sections left intentionally blank, and provide supplemental training to the supervisory staff responsible for the review of the inspection forms to insure consistent document review.

The Bureau of Dealer Services will also revise bureau procedures to define the record retention and storage requirement for all records inspections. These updates will be completed by November 30, 2019.

With regards to the 32 records inspections that were either not provided, or were not the correct inspection, 26 of these inspections were from one regional office and the Bureau of Dealer Services is taking steps to address proper records retention with that office.

Location Inspections

Finding No. 4: Location Inspections should be completed in accordance with Department Procedure.

Section 320.27(3), F.S., defines the requirements for a suitable motor vehicle dealer location where the applicant can in good faith carry on such business and keep and maintain books, records, and files necessary to conduct such business, which will be available at all reasonable hours to inspection by the Department or any of its CE's or other employees.



Rule 15C-7.003, F.A.C, defines the requirements for office, display space and operation, signage, and additional businesses at the same location as the motor vehicle dealership. Additionally, Department Procedure DLR-03 explains the process for completing location inspections and defines the locations requirements with which dealers must comply.

We requested a sample of 64 dealer location inspections throughout four regions from the BDS; however, 9 of 64 (14.1%) requested location inspections were not provided. Location inspections for 7 of the 9 dealers were requested from region 3 but were not provided because region 3 does not keep location inspection information over six months unless a dealer license application is submitted. Location inspections for 2 of the 9 dealers were requested from region 6 but were not received.

Our review of the 55 dealer location inspections received noted 25 of 55 (45.5%) inspections had fields which were missing information or listed as uncertain. Noncompliance with even one question on the inspection can disqualify a dealer from being eligible for a Dealer License.

Recommendations

We recommend the Bureau of Dealer Services update procedure DLR-03 to include management review, oversight, and retention requirements for location inspections.

We also recommend CE's complete location inspections in accordance with Procedure DLR-03.

Management Response

As with the records inspection forms, the dealer site inspection form developed by the Bureau of Dealer Services is used for a variety of inspection purposes many of which do not require the full completion of every section of the inspection forms.

To avoid future confusion the Bureau of Dealer Services will update procedure DLR – 03 to include instruction for appropriate notation of form fields or sections left intentionally blank and to further clarify management review and oversight requirements and standardize record retention methods and requirements. These updates will be completed by November 30, 2019.

Risk-Based Inspections and Methodology

Finding No. 5: Clarifying procedures for risk-based inspections and methodology would improve the consistency and results of the inspections.



DMS Procedure EP-12, *Dealer Records Inspection*, explains the high, medium, and low risk-based selection for dealer record inspections. The procedure requires quarterly reports for risk-based dealers and identifies seven risk factors, any of which can designate a dealer as high-risk.

Our review of the high-risk dealer inspection methodology noted the risk-based dealer inspections are only conducted once per year, not quarterly as required by procedure. Additionally, the risk-based selection conducted in May 2018 used one high risk criteria (temp tag to title ratio) and one medium risk criteria (3 or more consumer complaints). For the risk-based selection conducted in May 2019, three high risk criteria were used.

We also reviewed a sample of dealers included in the May 2018 high-risk assessment and noted 53 of 61 (87%) high-risk records inspections were not conducted in accordance with Department procedure.

- Inspections were not conducted for 2 of 5 dealers in Region 3;
- Inspections were not conducted for 26 of 27 dealers in Region 5;
- Inspections were not conducted for 25 of 25 dealers in Region 6; and
- Inspections were conducted for all four dealers in Region 7.

During discussions with field management regarding high risk inspections we noted several did not recall receiving the high-risk assessment in May 2018.

Recommendations

We recommend the Bureau of Dealer Services clarify their procedure concerning the risk-based inspection process and ensure they are being assigned and conducted according to the enhanced procedure.

Management Response

The Bureau of Dealer Services will update the risk-based inspection procedure to clarify use of risk criteria, inspection assignment, and processing. A new inspection assignment and processing report has been developed to ensure monitoring of progress and completion of high-risk inspections. The procedure will also be revised to accurately reflect a six-month inspection cycle rather than the incorrect three-month cycle currently listed in procedure. These updates will be completed by November 30, 2019.

Compliance Examiner Independence Statements

Finding No. 6: Enhancing conflict of interest policies and procedures would strengthen



BDS's Independence.

DMS, Procedure ADMIN 18, *Annual Independence Statement*, states it is the responsibility of the immediate supervisor of any field member that deals with motor vehicle dealers to ensure all members read, sign, and date an Independence Statement when hired, and, annually read, sign and date an Independence Statement during a member's performance evaluation.

We reviewed DMS, Procedure ADMIN 18, *Annual Independence Statement*, and determined it does not include requests for secondary employment, and includes instructions for rotating CE zones, although examiners are no longer assigned zones.

We also reviewed a sample of 45 members' annual independence statements from BDS Regions 3, 5, 6, and 7 and determined 4 of 45 (9%) members signed their statement after audit inquiry. During review of the independence statements we noted while it specifies a direct financial interest in an inspected entity would be a personal impairment, it does not include any language regarding receiving a personal gain.

Recommendations

We recommend the Division of Motorist Services review and update procedure ADMIN-18 to include removing rotating compliance examiner zones and adding requests for secondary employment.

We also recommend the Bureau of Dealer Services periodically review and update procedure ADMIN-18 as necessary.

We further recommend Bureau of Dealer Services communicate responsibilities concerning independence to Regional Administrators.

We additionally recommend the Bureau of Dealer Services strengthen the annual independence statements and include language restricting members from receiving any personal gain from entities they directly or indirectly inspect.

Management Response

The Bureau of Dealer Services procedure ADMIN-18 will be updated to remove references to Compliance Examiner zones and add the Department's current request for secondary employment forms and procedure. These updates will be completed by November 30, 2019.

Effective immediately the Bureau of Dealer Services will implement a bi-annual review of all Bureau of Dealer Services procedures to ensure all information is current.



The Bureau of Dealer Services will revise and strengthen the annual independence statements to include language restricting members from receiving any personal gain from entities they directly or indirectly inspect. This update will be completed by October 31, 2019 and revised, signed copies of the statements will be completed by all staff members by November 30, 2019. Responsibilities concerning independence will be communicated and discussed with the Regional Administrators as well as all bureau staff.

Purpose, Scope, and Methodology

The objective of this audit was to review and evaluate the efficiency and effectiveness of dealer inspections and compliance with applicable laws, Department policy and procedure.

The scope of this audit included dealer location inspections and dealer records inspection for the 2018-19 Fiscal Year.

The methodology included:

- Reviewing applicable Florida Statutes and Administrative Code;
- Reviewing applicable Department policy, and procedure;
- Reviewing BDS's risk assessment methodology;
- Reviewing the Oracle Field Service Cloud;
- Reviewing the Department's contract with DLT Solutions;
- Reviewing a sample of records and location inspections;
- Interviewing BDS management, compliance examiners, and ISA members; and
- Observing records and location inspections.



Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
Jennifer Langston, Acting Chief of Staff
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Rick White, Deputy Director of Motorist Services
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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:
John Brancale, Auditor
Sean Shrader, Auditor


Under the supervision of:
David Ulewicz, Audit Director

Approved by:


Mike Stacy, Acting Inspector General



ATTACHMENT - Management Response



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MEMORANDUM

DATE: September 30, 2019

TO: David Ulewicz, Audit Director

FROM: Robert Kynoch, Director, Division of Motorist Services RK

SUBJECT: Management Response to the Dealer Inspections Audit (201819-29)

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

Finding 1- Oracle Contract

The Department should ensure contracts for software licenses are entered once scope of work and deliverables are clearly defined for its use and integration.

Recommendation

We recommend the Division of Motorist Services adhere to establish procedures to ensure the scope of services is developed and included in any future purchasing agreements prior to procurement of software licenses.

Management Response

The Division of Motorist Services agrees that the scope of work and deliverables should be clearly defined prior to procurement for any contracts for software licenses. The Division of Motorist Services also believes that procedures to ensure the scope of services is developed and included in purchasing agreements currently exist and are sufficient. However, due the abbreviated timeframe required for the Oracle contract procurement insufficient time was available to properly adhere to the current procedure. The Division of Motorist Services will take steps to ensure that any future purchasing agreements have the time needed to adhere to the required procurement procedure.

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Finding 2- Oracle Usage

The Bureau of Dealer Services should review the use of Oracle and its hardware.

Recommendation

We recommend the Bureau of Dealer Services in coordination with Information Systems Administration develop solutions to the connectivity and functionality issues noted.

Management Response

We agree with the recommendation. Connectivity and functionality issues have caused the electronic dealer inspection system to operate far below optimal levels. The Bureau of Dealer Services has already begun working jointly with both Information Systems Administration (ISA) and Oracle to address the functionality issues and field-testing connectivity options to improve use of the Oracle system in the field. If these issues cannot be resolved to our satisfaction, we will discontinue use of the Oracle product.

Finding 3- Record Inspections

Record Inspections should be completed in accordance with Department Procedure.

Recommendations

We recommend the Bureau of Dealer Services develop a standard for accurately and completely reporting the information within each record inspection.

We also recommend the Bureau of Dealer Services define the record retention and storage requirement for all records inspections.

Management Response

The dealer records and dealer site inspection forms developed by the Bureau of Dealer Services are used for a variety of inspection purposes many of which do not require the full completion of every section of the inspection forms. The Division of Motorist Services agrees that an incomplete inspection form can lead to confusion for any future internal or external review of completed forms. The Bureau of Dealer Services will revise bureau procedures to insure the completion of all relevant sections and fields, include instruction on the use of the available comment fields for appropriate notation of form fields or sections left intentionally blank, and provide supplemental training to the supervisory staff responsible for the review of the inspection forms to insure consistent document review.

The Bureau of Dealer Services will also revise bureau procedures to define the record retention and storage requirement for all records inspections. These updates will be completed by November 30, 2019.



With regards to the 32 records inspections that were either not provided, or were not the correct inspection, 26 of these inspections were from one regional office and the Bureau of Dealer Services is taking steps to address proper records retention with that office.

Finding 4- Location Inspections

Location Inspections should be completed in accordance with Department Procedure.

Recommendations

We recommend the Bureau of Dealer Services update procedure DLR-03 to include management review, oversight, and storage requirements for location inspections.

We also recommend CE's complete location inspections in accordance with Procedure DLR-03.

Management Response

As with the records inspection forms, the dealer site inspection form developed by the Bureau of Dealer Services is used for a variety of inspection purposes many of which do not require the full completion of every section of the inspection forms.

To avoid future confusion the Bureau of Dealer Services will update procedure DLR – 03 to include instruction for appropriate notation of form fields or sections left intentionally blank and to further clarify management review and oversight requirements and standardize record retention methods and requirements. These updates will be completed by November 30, 2019.

Finding 5- Risk-Based Inspections and Methodology

Clarifying procedures for risk-based inspections and methodology would improve the consistency and results of the inspections.

Recommendation

We recommend the Bureau of Dealer Services clarify their procedure concerning the risk-based inspection process and ensure they are being assigned and conducted according to the enhanced procedure.

Management Response

The Bureau of Dealer Services will update the risk-based inspection procedure to clarify use of risk criteria, inspection assignment, and processing. A new inspection assignment and processing report has been developed to ensure monitoring of progress and completion of high-risk inspections. The procedure will also be revised to accurately reflect a six-month inspection cycle rather than the incorrect three-month



cycle currently listed in procedure. These updates will be completed by November 30, 2019.

Finding 6- Compliance Examiner Independence Statements

Enhancing conflict of interest policies and procedures would strengthen BDS's Independence.

Recommendations

We recommend the Division of Motorist Services review and update procedure ADMIN-18 to include removing rotating compliance examiner zones and adding requests for secondary employment.

We also recommend the Bureau of Dealer Services periodically review and update procedure ADMIN-18 as necessary.

We further recommend Bureau of Dealer Services communicate responsibilities concerning independence to Regional Administrators.

We additionally recommend the Bureau of Dealer Services strengthen the annual independence statements and include language restricting members from receiving any personal gain from entities they directly or indirectly inspect.

Management Response

The Bureau of Dealer Services procedure ADMIN-18 will be updated to remove references to Compliance Examiner zones and add the Department's current request for secondary employment forms and procedure. These updates will be completed by November 30, 2019.

Effective immediately the Bureau of Dealer Services will implement a bi-annual review of all Bureau of Dealer Services procedures to ensure all information is current.

The Bureau of Dealer Services will revise and strengthen the annual independence statements to include language restricting members from receiving any personal gain from entities they directly or indirectly inspect. This update will be completed by October 31, 2019 and revised, signed copies of the statements will be completed by all staff members by November 30, 2019. Responsibilities concerning independence will be communicated and discussed with the Regional Administrators as well as all bureau staff.