



EFS and ETR Certified Service Provider Oversight Audit Report 201920-07

January 22, 2020

Executive Summary

Third-party Certified Service Providers (providers) are entities that contract with the Department to provide inquiry and update information to and from the provider's proprietary system to the Florida Highway Safety and Motor Vehicles (Department) systems through the Electronic Filing System (EFS) and Electronic Temporary Registration System (ETR). Providers' systems interface with the Department's EFS and ETR for the purposes of providing access to EFS and ETR to authorized agents. Agents (primarily licensed dealers) use these systems for processing title and registration transactions. The contract between the provider and the Department authorizes the provider to contract with agents for the provision of EFS and/or ETR services.

The purpose of this audit was to evaluate the Department's oversight of EFS and ETR service providers and determine compliance with applicable laws, Department policy, and procedure. We included the contract manager's contract files, the process to become a provider, and the Department's oversight activities in our review.

Our review determined implementing a compliance review program would improve the Department's oversight of the contracts with providers. Currently, monitoring of the contract terms consists of requiring providers to annually affirm in writing that they comply with the terms of the contract, and there is no further review of compliance with contract service delivery or a detailed review of all contract requirements to ensure compliance. While the Bureau of Issuance Oversight is in the beginning stages of developing a compliance review program and is working to enhance the current oversight process, these improvements have not been finalized or approved. Therefore, we recommend fully implementing a compliance review program for providers of EFS and ETR systems to ensure compliance with the contract terms.

We additionally determined improvements could be made regarding monitoring the annual affirmations. During our review, we noted one provider submitted an affirmation statement relating solely to data security controls, rather than compliance with all terms of the contract. Ensuring the annual affirmations received from providers affirm compliance with the terms of the contract would enhance contract oversight.

Department management generally agreed with the recommendations and has begun implementing corrective actions.

Background and Introduction

Third-party Certified Service Providers (providers) are entities that contract with the Department to provide inquiry and update information to and from the provider's proprietary system to the Department systems through the EFS and ETR.

Providers develop a proprietary system to interface with the Department's EFS and ETR for the purposes of providing access to agents. The EFS and ETR provide a means for agents to perform transactions related to motor vehicle title and registration issuance. The systems provide agents with real-time access to vehicle, registration and title information to efficiently process vehicle and temporary tag transactions electronically. Section 320.03(10), Florida Statutes (F.S.), grants the Department regulatory authority over these systems.

The approval to become a provider comes through the Department's Division of Motorist Services, Bureau of Issuance Oversight. The provider must enter into a contract with the Department; demonstrate to the Department that the provider's system at a minimum can successfully process transactions; and provide a performance bond. Providers must ensure their system can provide registration certificates, a listing to the Department of all provider-authorized users of the system, and inquiry capabilities. Providers must also offer support to agents using their system, and ensure access and system data remains secure.

Once initial approval is given, the provider is connected with the Department's Systems Evaluation Unit (SEU) to begin building their proprietary system. The SEU gives the provider access to a testing environment for the provider to use to build their system. The testing environment contains test data only, and no real names or vehicle identification numbers. Providers do not gain access credentials to the Department's actual systems until they have passed structure testing. When the provider has completed their system, a structure test is conducted by the SEU which must be passed with complete accuracy in order to begin processing real transactions. Once structure testing is complete, the provider is authorized to contract with agents for the provision of EFS and/or ETR services and to process live transactions.

At all times, the provider is required to comply with all applicable Florida Statutes and accompanying Department promulgated rules, and all applicable Department specifications, policies and procedures. The Department does not charge entities to become or to operate as providers. Providers do charge agents to use their systems, however the Department does not regulate the charge rates.

Rule 15C-16, Florida Administrative Code (F.A.C.), states the rules and requirements for electronic vehicle issuance systems, including ETR and EFS.



EFS

The EFS provides a means for agents to perform transactions related to motor vehicle title and registration issuance. The system provides users real-time access to vehicle, registration and title information from the Department and grants them access to real-time transaction processing of title and registration applications. The system will also generate applicable documents, including the vehicle registration, and Application for Certificate of Title.

Agents wishing to participate in EFS must first contact one of the currently certified providers, and must provide verification to the provider that criminal history checks are performed on all principal or prospective users. Entities requesting authorization to become an EFS agent must sell products that must be titled or registered; provide title and registration services; and enter into a contract with a provider.

Next, the prospective agent must submit an application to the Department. Prior to giving its approval, the Department will review the application and ensure the entity is in good standing with the Department's Bureau of Dealer Services, has no users with felony convictions, and is current on all applicable tax payments and licenses, among other criteria. Once approved, the Department will notify the agent, provider, and the tax collector. Tax collectors are responsible for appointing EFS agents in their county.

The county tax collector is also responsible for reviewing and approving EFS title and registration transactions processed by participating EFS agents. Providers, provider employees, EFS agents, and EFS agent employees are tracked in the EFS system.

ETR

The ETR system provides a means for agents to issue temporary license plates or for the temporary transfer of a metal license plate from one vehicle to another. The system provides users real-time access to vehicle and registration information and grants access to real-time transaction processing of Temporary Registration Applications. Access to and use of the ETR by providers, provider employees, agents, and agent employees is tracked through the ETR system.

As authorized by the Department, providers may enter into formal written agreements with authorized agents who wish to perform ETR services. All formal written agreements executed between the provider and agent must incorporate the terms and conditions contained in the provider's contract with the Department. Agents wishing to participate in the ETR must contact one of the currently certified providers to gain access, and must provide verification to the provider that criminal history checks are performed on all principal or prospective users.

Rule 15C-16, F.A.C., requires that every motor vehicle dealer shall report all temporary plate transfers via the ETR system, a tax collector's officer, or a license plate agency.

Contract Monitoring Requirements

The contract between the Department and the provider states that the Department's Contract Manager will perform monitoring duties during the term of the contract; including reviewing compliance with contract service delivery and requirements. The contract also provides that the Department may make any inspections necessary to determine if the contract requirements are met. According to the contract terms, the Department may terminate any provider's ability to use the systems for any violation of statute or rule, or for any action that jeopardizes the integrity of the EFS/ETR.

Providers are required to submit an annual affirmation to the Department verifying compliance with contract terms. The Department may also request providers to submit an attestation from a currently licensed Certified Public Accountant to include that the internal controls over personal data have been evaluated and are adequate to protect the personal data from unauthorized access, distribution, use, modification, or disclosure. Once requested, the attestation must be received by the Department within 120 days.

Findings and Recommendations

Contract Compliance Review

Finding No. 1: Implementing a compliance review program would improve contract oversight.

According to the contract between the Department and the providers, the Department's contract manager will perform monitoring duties during the term of the contract. These monitoring duties should include review of compliance with contract service delivery and review of all contract requirements. Additionally, the contract provides the Department may make any inspections necessary to determine if the contract requirements are met.

Monitoring of the contract terms consists of requiring the providers to submit an annual affirmation statement, affirming that they comply with the terms of the contract. When asked about what additional oversight or monitoring activities were conducted to ensure providers were complying with the contract terms, Motorist Services indicated the annual affirmation statement serves to verify compliance with all the requirements of the contract, and at this time there is no further review of compliance with contract service delivery or a review of all contract requirements to ensure compliance.

The Bureau of Issuance Oversight is working on implementing compliance reviews of providers of EFS and ETR systems. They are in the beginning stages of developing an



on-site compliance review program and determining what the program would entail and have developed draft compliance checklists which would aid in conducting their review for both EFS and ETR providers. The compliance checklists include specific contract requirements to verify, and examples of documentation to request to determine compliance with the contract requirements. Additionally, the Bureau of Dealer Services is revising the current compliance checklist used to evaluate dealers during a records inspection. The revised checklists will include verifying compliance of certain EFS and ETR contract terms, including verifying authorized users have cleared a background check. The checklists have not been finalized or approved at the time of our audit.

Without adequate oversight and monitoring activities, the Department may not have reasonable assurance that the providers are complying with the terms of the contracts. Without verification processes to promote accountability, there is little incentive for providers to comply with the terms of the contract.

Recommendation

We recommend the Division of Motorist Services fully implement a compliance review program for providers of EFS and ETR systems to ensure compliance with EFS and ETR contract terms.

Management Response

The Division agrees with this recommendation and will formalize and implement a compliance review program for providers of EFS and ETR systems ensuring compliance with the EFS and ETR contract terms by June 30, 2020.

Affirmation Statements

Finding No. 2: Improving the monitoring of affirmations would enhance contract management oversight.

According to the contract between the Department and the providers, the providers will submit an annual affirmation verifying compliance with all of the requirements of the contract. The contract also specifies that the affirmation should be submitted no later than 30 days after the anniversary of the contract and failure to timely submit the affirmation should result in the immediate termination of the provider's access to Department systems.

During our review of the annual affirmations, we noted one provider submitted an affirmation statement relating solely to data security controls. While the contract manager has a thorough process to ensure providers submit annual affirmations as required, the affirmations that were submitted were not thoroughly reviewed to ensure



they contained language that the provider complied with all terms of the contract, and not just data security controls.

Currently, annual affirmation statements are the primary oversight control used by the Department. Without affirmation statements verifying compliance with all of the requirements of the contract, there is little assurance that providers are complying with the contract terms.

Recommendation

We recommend the Division of Motorist Services ensure the annual affirmations received from providers of EFS and ETR systems affirm compliance with the terms of the contract.

Management Response

The Division agrees with this recommendation and will formalize and implement a thorough review process of the annual affirmations received from EFS and ETR system providers ensuring compliance with the EFS and ETR contract terms by June 30, 2020.



Purpose, Scope, and Methodology

The purpose of this audit was to evaluate the Department's oversight of EFS and ETR service providers and determine compliance with applicable laws, Department policy, and procedure.

The scope of this audit included oversight activities and documentation for the 2018-2019 Fiscal Year.

The methodology included:

- Reviewing applicable Florida statutes and Administrative Code;
- Reviewing applicable Department Policies and Procedures;
- Interviewing Motorist Services staff members;
- Reviewing the processes for approving companies that apply to become providers;
- Reviewing the oversight activities performed to ensure providers maintain contract compliance;
- Reviewing the contract manager's contract files;
- Reviewing the providers annual affirmation statements;
- Reviewing the process for requiring and receiving third party attestations;
- Reviewing the process for ensuring end-users are adequately background checked by providers; and
- Reviewing procedures for instances of noncompliance with the contracts and the consequences for noncompliance.



Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
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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
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Approved by:

A handwritten signature in blue ink that reads "Mike Stacy".

Mike Stacy, Acting Inspector General

ATTACHMENT - Management Response



Terry L. Rhodes
Executive Director

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MEMORANDUM

DATE: January 21, 2020
TO: Erin Mook, Acting Audit Director
FROM: Robert R. Kynoch, Division Director **RK**
SUBJECT: Management Response to the EFS and ETR Certified Service Provider Oversight Audit (201920-07)

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

Finding No. 1: Contract Compliance Review

Implementing a compliance review program would improve contract oversight.

Recommendation: We recommend the Division of Motorist Services fully implement a compliance review program for providers of EFS and ETR systems to ensure compliance with EFS and ETR contract terms.

Management Response

The Division agrees with this recommendation and will formalize and implement a compliance review program for providers of EFS and ETR systems ensuring compliance with the EFS and ETR contract terms by June 30, 2020.

Finding No. 2: Affirmation Statements

Improving the monitoring of affirmations would enhance contract management oversight.

Recommendation: We recommend the Division of Motorist Services ensure the annual affirmations received from providers of EFS and ETR systems affirm compliance with the terms of the contract.

Management Response

The Division agrees with this recommendation and will formalize and implement a thorough review process of the annual affirmations received from EFS and ETR system providers ensuring compliance with the EFS and ETR contract terms by June 30, 2020.

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