



Mail-In Renewal Process Audit Report 201920-15

August 20, 2020

Executive Summary

The Department of Highway Safety and Motor Vehicles (Department) processes over five million original and renewal driver licenses and identification cards annually. A convenience (mail or online) method is offered for individuals who have satisfied pertinent requirements for convenience renewals. These customers can renew their driver license, identification card, or extension card for active duty military members, without physically going to a Department or Tax Collector Office.

The purpose of this audit was to review the mail-in convenience renewal process and evaluate its efficiency, effectiveness, and compliance with applicable laws, Department policy, and procedure. Our review included examination of renewal and voter application documentation, the process for accepting and reconciling payments in the Cash Receipt System (CRS) and the Florida Driver License Information System (FDLIS), compliance with the REAL ID Act, and the process for submitting voter registration applications to the Department of State.

Our review determined improving cash handling procedures for convenience renewals would enhance accountability of funds. During our review, we observed cash payments placed in an unsecured basket within an open room until the end of the workday. While cash is stored in a locked box during non-work hours, during work hours cash was left in an unsecured basket for an extended period. We recommend strengthening cash handling procedures for convenience renewals to include provisions for accounting for cash upon receipt and proper safeguarding of funds received.

Our review also determined reverification for REAL ID compliant convenience renewals would strengthen compliance with the REAL ID Act. The current processes for non-in-person renewals of REAL ID licenses does not include reverification of an applicant's social security number and lawful status prior to processing their renewal through the Central Issuance Processing System (CIPS), unless there has been a material change in any personally identifiable information since the previous issuance. Management has advised that the upcoming Phase I of Motorist Modernization will include reverification of social security number and lawful status prior to renewing REAL ID credentials through all methods. We recommend the Bureau of Credentialing Services ensure the reverification of an applicant's social security number and lawful status prior to renewing their REAL ID compliant credential through the convenience renewal process.

Our review further determined formalizing procedures within Processing and Issuance (P&I) would strengthen controls regarding manually processing convenience renewals.



During our review, we noted there were no formal, written procedures that guide the execution and documentation of manually processing convenience renewal applications. Formal written policies and procedures would help promote the quality and consistency of oversight and ensure staff members understand and meet their responsibilities. After audit inquiry, P&I began developing a User Procedure Guide and a User Resource Guide. We recommend the Bureau of Credentialing Services revise and develop existing informal desktop procedures into comprehensive formal procedures to guide the execution and documentation for manually processing convenience driver license renewals.

Additionally, we reviewed access controls for the combination safe in the P&I section which contains an inventory of blank driver license cards and printing supplies for printing credentials. During our review, we determined there is no process in place to change the combination to the safe when a member with access leaves the P&I section. We further reviewed badge access to the P&I section and identified members with inappropriate access. Because the P&I section contains inventory of license cards and printing supplies, management should ensure access to stored inventory remains appropriate. We recommend the Bureau of Credentialing Services implement a process to change the office safe combination whenever members leave the P&I section and periodically review badge access to ensure access remains appropriate.

Background and Introduction

In accordance with Section 322.18, Florida Statutes (F.S.), the Department allows 8-year driver license renewals using a convenience method (mail or online) without reexamination. Mail-in convenience renewals enable customers, who have satisfied established requirements for mail-in renewals, to renew their driver license or identification card by mail without having to go into a Department or Tax Collector Office. This method reduces travel and wait times for customers.

The Department notifies individuals when it is time to renew their driver license by a letter or postcard 90 days prior to the licensee's birthday. These notices are mailed to the individuals' last known addresses. Individuals who receive postcards are only eligible to renew their license in an office. Individuals who receive letters are eligible for mail, online, or in-person renewals.

The determination of an individual's eligibility for a convenience renewal is made by a fully automated process using the Driver's License Production (DLPROD) database. Based on preset parameters, DLPROD will identify customers who should receive a postcard renewal notice, printed for individuals only eligible for in-person renewals, or a letter renewal notice, printed for individuals who are eligible for mail, online, or in-person renewals.



To be eligible for mail-in renewals, customers must not have a commercial driver license, and their expiring credential must have been issued in-person, as convenience renewals are only allowed every other renewal period. Additionally, a licensee who is over 80 years of age may not use a convenience renewal method unless the results of a vision test have been electronically submitted in advance by their physician or optometrist.

REAL ID

In 2005, the REAL ID Act was passed by Congress to establish minimum security standards for state-issued driver licenses and identification cards. The REAL ID Act also prohibits federal agencies from accepting non-REAL ID driver licenses and identification cards when accessing federal facilities, boarding federally regulated aircraft, and entering nuclear power plants. By October 1, 2021, all states must issue REAL ID compliant credentials and individuals must have obtained a REAL ID compliant credential, or acceptable alternative such as a U.S. passport, if they wish to fly on commercial aircrafts or access federal facilities. According to the U.S. Department of Homeland Security, compliant states can continue to issue non-compliant driver licenses and identification cards if the cards clearly state on their face and in the machine-readable zone that the card is not acceptable for official purposes.

The Department has been issuing REAL ID compliant credentials since 2010 and is considered a REAL ID compliant state. Renewal notices mailed to Florida drivers provide guidelines for obtaining REAL ID compliant credentials. Currently, approximately 93.5% of licensed Florida drivers are REAL ID compliant.

As stated in Title 6 CFR § 37.25(b)(1), the Department may conduct non-in-person renewals of REAL ID credentials. Prior to renewing REAL ID driver licenses or ID cards via a convenience method, the Department must reverify a renewal applicant's social security number and lawful status through the Department of Homeland Security Social Security Online Verification (SSOLV) and Systematic Alien Verification for Entitlements (SAVE) processes.

National Voter Registration Act

The National Voter Registration Act of 1993 requires that states offer voter registration opportunities at state motor vehicle agencies. An application for a driver license (including any renewal application) and the application for voter registration can be completed simultaneously. The completed voter registration portions of the driver license application are transmitted via two methods: an image file of scanned forms is sent electronically to the Department of State each day, and the physical copies of forms unable to be scanned are mailed daily to county Supervisor of Elections offices statewide.



Processing Mail-in Renewals

Processing mail-in convenience renewal applications takes a coordinated effort between three primary areas within the Department: the mailroom, Accounts Receivable (AR), and P&I. The following sections describe these areas and processes which are involved in processing convenience renewal applications:

Mailroom Process

A contracted service provider processes all incoming and outgoing Department mail. Approximately 500 mailed-in convenience renewal applications are received in the mailroom each day. Convenience renewals are manually opened and separated into different categories; including convenience renewals, mature driver renewals, cash payment renewals, problem renewals (such as the renewal application was mailed without accompanying payment or the required documentation was not provided), and P&I renewal issues (ID cards or military). Mailroom staff use high-volume scanning equipment and software to scan all received convenience renewal applications, supporting documents, and check or money order payments.

When renewal applications are received with an accompanying cash payment, the cash is placed in a basket and recorded on a cash form by the mailroom staff supervisor at the end of each workday. After the cash payments have been recorded, the cash is placed into a locked box until pick-up by AR section staff the following day. Payment in the form of a check or money order is scanned and electronically deposited to the bank via a daily batch process.

All batches of mail-in renewal applications and payments are forwarded to the AR section for processing and then forwarded to the P&I section for the issuance of the license or ID card.

Accounts Receivable Process

The Bureau of Accounting's AR section reconciles payments received in relation to convenience renewal transactions. The AR section retrieves separate batches of convenience renewal applications with payments. The cash payment applications and problem applications (no payment or proper documentation provided) are handled manually in CRS. A CRS report is printed by the batch number and date so the itemized data can be reconciled to the physical application. This data includes the batch number, CRS number, customer name, driver's license number, amount paid and the payment type.

AR members manually total checks and money orders and verify they match the original amount calculated by the mailroom staff. The AR supervisor uses FDLIS and CRS



reports to reconcile the fees collected from convenience renewals to ensure the revenue matches.

All checks and money orders which have been scanned and electronically deposited are placed in a secure filing cabinet for 60 days. The checks/money orders will then be shredded. All cash payments received are kept in a locked safe until the deposit is made by the mailroom carrier the following day. The deposit slip is then returned to the AR section to indicate the deposit was completed.

Processing and Issuance

The Bureau of Credentialing Services' P&I section manages all convenience renewals and motor-voter applications to ensure they are handled in a timely and appropriate manner. Additionally, applications and documents which cannot be successfully scanned through the mailroom imaging system are processed manually by P&I. If a vision form is attached to the application, it will go to the Vision section for verification before being processed by P&I. A P&I member reviews each application, verifies any requested address changes, and updates the information in the Department's Motorist Maintenance system.

When processing manual renewals through P&I and managed through FDLIS, the social security number is reverified. The legal presence is not re-verified because no documents are presented within P&I. Customers receiving convenience renewal letters have already been confirmed as a U.S. Citizen or Immigrant (Lawful Permanent Residents) and they are not required to present those documents for subsequent issuances since they have already been scanned.

Some convenience renewals are printed within the P&I section (for example: if near the expiration date) and mailed. Approximately 300 mail-in renewals are printed and mailed monthly from the P&I section. After the P&I member corrects and processes the remaining renewal applications for the day, a data file containing the remaining licenses to be printed is sent to CIPS, which prints and prepares to mail the convenience renewal within 24 to 48 hours. The CIPS system is a secure credential printing service provided by a contracted vendor.

Findings and Recommendations

Documenting and Securing Cash Payments

Finding No. 1: Improving cash handling procedures for convenience renewals would enhance accountability of funds.



The Mail Service Agreement states that when any inbound cash is received, it must be received and opened. The amount of monies received should be logged on a cash receipt form. Once logged, all mail with cash will be bundled together along with the completed cash receipt form and delivered to the appropriate personnel in the Bureau of Accounting.

We reviewed the procedures surrounding cash received via convenience renewals and observed cash payments for convenience renewals are placed in an unsecured basket within an open room until the end of the workday. At the end of the workday, the mailroom staff supervisor records the cash received on a cash received form and places the cash and associated renewal documentation in a locked box for the evening. The following workday, the cash and renewal documents are collected by the Department's Accounts Receivable staff.

While cash is stored in a locked box during non-work hours, during work hours cash is left in an unsecured basket for an extended period before being counted and logged on a cash receipt form at the end of the workday. Department procedures do not include requirements for the secure storage of cash between receipt (via opened mail containing cash) and recording the amount received on the cash receipt form.

Recommendation

We recommend the Division of Administrative Services strengthen cash handling procedures for convenience renewals to include provisions for accounting for cash upon receipt and proper safeguarding of funds received.

Management Response

This finding is responded to by the Division of Administrative Services (DAS), which manages the mail processing contract executed between the Department and its mail services provider.

As correctly noted in the audit, the mail services contract requires inbound cash to be received, logged, bundled, and delivered to the Bureau of Accounting. These activities are performed by mailroom staff who are employed by the contracted service provider. Mailroom personnel undergo two background checks in their hiring process - one conducted by the contracted service provider, and a more rigorous background check conducted by the Department. If a prospective employee cannot pass the Department background check, they are not permitted to be staffed in the mail room. One of the reasons why a prospective hire would fail the Department background check is a past conviction for one or more specified fiduciary or financially related crimes.



Mailroom staff are staged in a large open area. All desks are visible from anywhere in this open area and surveillance cameras are staged in the mailroom to record mail room activities. Only one of the contracted service provider's employees is assigned to process cash payments during the day. To DAS's knowledge, there have been no instances of cash missing from the mailroom during and prior to the audit period. Regardless, DAS agrees that improving cash handling procedures in the mail room related to convenience renewals would enhance accountability of funds.

To this end, DAS has discussed with the contracted service provider's management the development of procedures for better documentation of cash received and for locked storage of cash between the time of receipt and nighttime processing for delivery to Accounting personnel. A safe has already been installed in which cash will be locked-up upon receipt and the contracted service provider has recently modified its cash handling procedures to ensure that cash is logged upon initial receipt/opening of the envelope, locked-up during the day, and accounted for at day's end. A copy of this procedure will be provided to the OIG following review and approval by DAS.

Real ID Compliance

Finding No. 2: Ensuring reverification for REAL ID compliant convenience renewals would strengthen compliance with the REAL ID Act.

For non-in-person renewals of REAL ID licenses, The REAL ID Act, under Title 6 CFR, Part 37.25 (b)(1), requires the reverification of applicants' social security number and lawful status prior to renewal.

The current processes for non-in-person renewals of REAL ID licenses do not include reverification of an applicants' social security number and lawful status prior to a renewal that processes through CIPS. While Phase I of Motorist Modernization will include reverification of social security numbers and lawful statuses prior to renewing REAL ID credentials through all methods, currently applicants' social security numbers and lawful statuses for convenience renewal applications are not re-verified through CIPS unless there has been a material change in any personally identifiable information since prior issuance.

Recommendation

We recommend the Bureau of Credentialing Services ensure the reverification of applicants' social security numbers and lawful statuses prior to renewing REAL ID compliant credentials through the convenience renewal process.



Management Response

Phase I of Motorist Modernization will include the re-validation of social security number and legal presence prior to the issuance of a credential. This should be in place in early 2021.

Formalizing Procedures

Finding No. 3: Formalizing procedures within P&I would strengthen controls regarding manually processed convenience renewals.

The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations (COSO), discusses documented policies and procedures as control activities to establish clear responsibility and accountability.

During our review of driver license convenience renewal processing, we noted there were no formal, written procedures that guide the execution and documentation of manually processing convenience renewal applications.

The existing desktop procedure explains steps to process the driver license renewals when scanning, updating information when address changes are needed in Motorist Maintenance, and returning refunds to individuals who are not eligible for processing; however there were detailed steps missing from the procedures, such as after the address changes have been made, there is no statement regarding what to do next with the applications/voter forms and who is responsible to submit the renewal file electronically in Motorist Maintenance.

During the course of our review, P&I began a process of developing a User Procedure Guide and a User Resource Guide.

Recommendation

We recommend the Bureau of Credentialing Services develop existing informal desktop procedures into comprehensive formal procedures to guide the execution and documentation for manually processing convenience driver license renewals.

Management Response

The Bureau of Credentialing Services, in coordination with the Contract Management Unit, initiated the review of the documented desktop procedures to identify areas for improvement. There are a few additional tasks necessary to validate the procedures. These will be finalized prior to the end of the year.



Access Controls

Finding No. 4: Enhancing access controls within the P&I section would improve security and accountability.

The Driver License Operations Manual, LIR20 Inventory Management System, states consumable inventory should be stored overnight in a secure area when not in use.

We reviewed access controls for the safe in the P&I section which contains an inventory of blank driver license cards and printing supplies for printing credentials. During our review, we determined there is not a process in place to change the combination to the safe when a member with access leaves the P&I section. We inquired with P&I management to determine when the last time the combination to the safe was changed and learned it had not been changed since the current supervisor has been in her position that she could recall.

Additionally, we reviewed badge access to the P&I section and identified members who did not work in the P&I section but who had access to the area. Of the 42 members with access, after consulting with management, we determined 25 members' access was inappropriate. While all were removed after audit inquiry, the P&I section does not have a periodic process in place to review members who have badge access to the P&I section.

Recommendations

We recommend the Bureau of Credentialing Services implement a process to change the office safe combination whenever members leave the P&I section.

We also recommend the Bureau of Credentialing Services in coordination with Bureau of Office Services periodically review access to the P&I section to ensure persons with access remains appropriate.

Management Response

The Bureau of Credentialing Services will develop and implement a process to change the office safe combination whenever a member is terminated or every two years, whichever occurs first. This process will be completed and implemented on or before September 1, 2020.

The Bureau of Credentialing Services will request a monthly badge access report from the Department's Bureau of Office Services. The Program Manager within the Bureau of Credentialing Services will review this report to verify that those approved to have



access are the only ones with access. The Chief of Credentialing Services will be responsible for signing off on these audits and maintaining them for quality assurance.

Purpose, Scope, and Methodology

The objective of this audit was to evaluate the efficiency and effectiveness of the mail-in renewal process and compliance with applicable laws, Department policy, and procedure.

The scope of this audit included license renewal applications received by mail and associated processes from July 1, 2018 through December 31, 2019.

The methodology included:

- Reviewing applicable Federal Statutes, Florida Statutes, and Florida Administrative Code;
- Reviewing applicable Department policies and procedures;
- Reviewing how the Department receives and processes convenience renewal applications;
- Determining if convenience renewal applications scanned and processed reconcile to revenue received and deposited;
- Reviewing a sample of convenience renewal applications to determine whether reconciliations were completed, and whether any discrepancies were resolved;
- Reviewing the Department's process for handling cash payments received for mail-in driver license renewal applications;
- Determining if the Department's cash handling controls are sufficient and whether there is adequate separation of duties;
- Reviewing a sample of convenience renewals paid in cash and trace funds received in the mailroom to bank deposits prepared by Accounting;
- Determining how manually processed convenience renewals are accounted for and tracked;
- Reviewing security controls over blank license cards and supplies in P&I;
- Reviewing the REAL ID Act and Help America Vote Act; and
- Interviewing Department members.



Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
Jennifer Langston, Chief of Staff
Robert Kynoch, Director of Motorist Services
Terry Stepp, Deputy Director, Customer Service Delivery
Oscar Tolmos, Chief, Credentialing Services
Kevin Bailey, Director of Administrative Services
Lisa Bassett, Chief Administrative Officer, Support Services

Melinda M. Miguel, Chief Inspector General
Sherrill F. Norman, Auditor General

Statement of Accordance

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

Project Team

Engagement conducted by:
Kim Butler, Auditor
Bethany Vickerman, Auditor

Under the supervision of:
Erin Mook, Audit Director

Approved by:

A handwritten signature in blue ink, appearing to read "Mike Stacy", written over a horizontal line.

Mike Stacy, Acting Inspector General

ATTACHMENT - Management Response



Terry L. Rhodes
Executive Director

2900 Apalachee Parkway
Tallahassee, Florida 32399-0500
www.flhsmv.gov

MEMORANDUM

DATE: August 14, 2020
TO: Erin Mook, Audit Director
FROM: Oscar Tolmos, Chief of Credentialing Services, Division of Motorist Services
Lisa Bassett, Chief Administrative Officer, Division of Administrative Services
SUBJECT: Management Response to the Mail-In Renewal Process Audit (201920-15)

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

Finding 1: Documenting and Securing Cash Payments

Improving cash handling procedures for convenience renewals would enhance accountability of funds.

Recommendation

We recommend the Division of Administrative Services strengthen cash handling procedures for convenience renewals to include provisions for accounting for cash upon receipt and proper safeguarding of funds received.

Management Response

This finding is responded to by the Division of Administrative Services (DAS), which manages the mail processing contract executed between FLHSMV and its mail services provider.

As correctly noted in the audit, the mail services contract requires inbound cash to be received, logged, bundled, and delivered to the Bureau of Accounting. These activities are performed by mail room staff who are employed by the contracted service provider. Mail room personnel undergo two background checks in their hiring process - one conducted by the contracted service provider, and a more rigorous background check conducted by FLHSMV. If a prospective employee cannot pass the FLHSMV background check, they are not permitted to be staffed in the mail room. One of the reasons why a prospective hire would fail the FLHSMV background check is a past conviction for one or more specified fiduciary or financially related crimes.

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Mail room staff are staged in a large open area. All desks are visible from anywhere in this open area and surveillance cameras are staged in the mail room to record mail room activities. Only one of the contracted service provider's employees is assigned to process cash payments during the day. To DAS's knowledge, there have been no instances of cash missing from the mail room during and prior to the audit period. Regardless, DAS agrees that improving cash handling procedures in the NKB mail room related to convenience renewals would enhance accountability of funds.

To this end, DAS has discussed with the contracted service provider's management the development of procedures for better documentation of cash received and for locked storage of cash between the time of receipt and nighttime processing for delivery to Accounting personnel. A safe has already been installed in which cash will be locked-up upon receipt and the contracted service provider has recently modified its cash handling procedures to ensure that cash is logged upon initial receipt/opening of the envelope, locked-up during the day, and accounted for at day's end. A copy of this procedure will be provided to the OIG following review and approval by DAS.

Finding 2: *REAL ID Compliance*

Ensuring reverification for REAL ID compliant convenience renewals would strengthen compliance with the REAL ID Act.

Recommendation

We recommend the Bureau of Credentialing Services ensure the reverification of applicants' social security numbers and lawful statuses prior to renewing REAL ID compliant credentials through the convenience renewal process.

Management Response

Phase I of Motorist Modernization will include the re-validation of SSN and legal presence prior to the issuance of a credential. This should be in place in early 2021.

Finding 3: *Formalized Procedures*

Formalizing procedures within P&I would strengthen controls regarding manually processing convenience renewals.

Recommendation

We recommend the Bureau of Credentialing Services develop existing informal desktop procedures into comprehensive formal procedures to guide the execution and documentation for manually processing convenience driver license renewals.

Management Response

The Bureau of Credentialing Services, in coordination with the Contract Management Unit, initiated the review of the documented desktop procedures to identify areas for improvement. There are a few additional tasks necessary to validate the procedures. These will be finalized prior to the end of the year.



Finding 4: Access Controls

Enhancing access controls within the P&I section would improve security and accountability.

Recommendations

We recommend the Bureau of Credentialing Services implement a process to change the office safe combination whenever members leave the P&I section.

We also recommend the Bureau of Credentialing Services in coordination with Bureau of Office Services periodically review access to the P&I section to ensure persons with access remains appropriate.

Management Response

The Bureau of Credentialing Services will develop and implement a process to change the office safe combination whenever a member is terminated or every two years, whichever ever occurs first. This process will be completed and implemented on or before 09/01/2020.

The HSMV Bureau of Credentialing Services will request a monthly badge access report from the Department's Bureau of Office Services. The Program Manager within the Bureau of Credentialing Services will review this report to verify that those approved to have access are the only ones with access. The Chief of Credentialing Services will be responsible for signing off on these audits and maintaining them for quality assurance.