

August 17, 2023

Lindsey Perry, CPA, CFE
Auditor General
2910 N 44.th Street, Suite 410
Phoenix, Arizona 85018-7571

Subject: Motor Vehicle Division's (MVD) Oversight of Authorized Third Parties

Dear Ms. Perry:

Attached is the Arizona Department of Transportation's response to the performance audit of the Motor Vehicle Division's oversight of authorized third parties.

We appreciate being given the opportunity to respond.

If you have any questions, please do not hesitate to contact my office.

Sincerely,



Jennifer Toth
Director

Enclosure

Finding 1: MVD failed to ensure third parties consistently issued vehicle titles, driver licenses, and identification cards only to qualified and/or authorized individuals/entities, putting public safety and welfare at risk

Recommendation 1: MVD should ensure its third-party contract performance measurement attachment includes clearly defined performance requirements, including outlining in the attachment:

- How and when accuracy rates will be calculated and measured.
- Time frames for correcting performance deficiencies.
- How performance findings will be communicated to third parties.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The department will work with legal counsel to create the appropriate amendments to ATP contracts and those updates will be added to ATP contracts on renewal.

Recommendation 2: MVD should ensure third parties issue vehicle titles, driver licenses, and identification cards only to qualified and/or authorized individuals/entities by developing and implementing written policies, procedures, and guidance for its third-party quality assurance process, including but not limited to:

Recommendation 2a: Procedures and required time frames for monitoring third-party completion of self-reviews.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: New draft procedures have been documented and are in pilot phase. Upon completion of the pilot, all procedures will be formally adopted.

Recommendation 2b: Procedures for selecting transactions completed by third parties for MVD's review, including outlining how and what MVD staff should review, and how to track the results of MVD's review, including documenting any identified errors.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: New draft procedures have been documented and are in pilot phase. Upon completion of the pilot, all procedures will be formally adopted.

Recommendation 2c: Procedures and required time frames for communicating the results of MVD staffs' reviews to third parties.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: New draft procedures have been documented and are in pilot phase. Upon completion of the pilot, all procedures will be formally adopted.

Recommendation 2d: Procedures and time frames for following up with third parties to ensure errors and other performance deficiencies are resolved.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: New draft procedures have been documented and are in pilot phase. Upon completion of the pilot, all procedures will be formally adopted.

Recommendation 2e: Procedures for taking enforcement action in response to third-party noncompliance, including steps to escalate enforcement actions based on repeated/continued noncompliance.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The department will review options for enforcement actions both internally and with the AGs office to determine what actions are available and appropriate. These actions will be documented and the contracts will be updated during the annual renewal as needed.

Recommendation 2f: Procedures for requiring additional training for third parties that require further guidance on its third-party quality assurance process or the minimum standards, such as for third parties that have repeat transaction errors or noncompliance with MVD's quality assurance process.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: MVD will require and monitor performance improvement plans for ATPs that fail to meet minimum standards, including additional training and monitoring measures.

Recommendation 2g: Procedures outlining MVD management's review of its third-party quality assurance process to ensure time frames are met and identified performance deficiencies are corrected.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: This review is now occurring in our monthly business reviews for the pilot. Upon completion of the pilot, all procedures, including an escalation process, will be formally adopted.

Recommendation 3: MVD should develop and implement training on its quality assurance policies and procedures for all applicable MVD staff who support the third-party quality assurance process to ensure adherence to established oversight policies, procedures, and guidance.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The department will formalize and document its training.

Recommendation 4: MVD should develop and implement training for all third parties or their authorized representatives, and verify their completion of the training, including:

Recommendation 4a: Initial training on the quality assurance process, quality assurance expectations, and available enforcement actions to address noncompliance.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ATPs are responsible to train their employees. MVD does and will continue to provide resources to facilitate that training, both for initial training and updates as changes occur. Specifically, MVD will provide training material for the new Quality Assurance program and will require ATPs to confirm completion.

Recommendation 4b: Ongoing training when necessary because of changes in law, policies, and procedures, and ensure any new information is incorporated into initial training for new third parties or their authorized representatives.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: MVD will maintain and document updates to this training as it does with other training materials provided to both internal staff and ATPs. Since training materials are taken from a central source, the current material will always be what is available to ATPs. Additionally, ATPs will be made aware of the updates through topical webinars and other means.

Recommendation 5: MVD should conduct an initial analysis of transactions the third parties were provided for self-review dating back to February 2022 to assess third-party compliance with statutory minimum quality standards and MVD's quality assurance process, and continue to complete a monthly analysis thereafter up until MVD implements a revised third-party quality assurance process as described in Recommendation 2, and:

- Identify the lowest performing third parties.
- Conduct a comprehensive review of the transactions processed by those identified third parties, and work with those identified third parties to resolve transaction errors.
- Work with its Assistant Attorney General to take appropriate enforcement action against third parties that are not complying with the statutorily required minimum quality standards and MVD's quality assurance process.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The department will reevaluate the lowest performers, taking into consideration the prior unreviewed transactions. The department will take a deeper look at those third parties going forward and will work to resolve outstanding errors, taking disciplinary action as necessary.

Recommendation 6: MVD should identify and implement changes to align its third-party quality assurance process more closely with its quality assurance process for MVD field offices, including conducting a staffing and workload analysis, and taking action as needed to ensure sufficient staffing resources are allocated to third-party oversight.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Changes have been drafted and are in pilot phase. Upon completion of the pilot, all changes will be formally adopted. Staffing needs will be continually reassessed as the program formalizes and budget requests will be made as needed.