

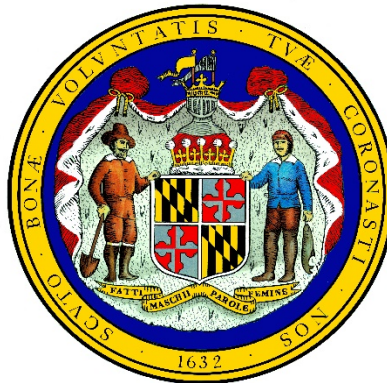
Audit Report

Maryland Department of Transportation Motor Vehicle Administration

May 2024

Public Notice

In compliance with the requirements of the State Government Article Section 2-1224(i) of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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To Obtain Further Information

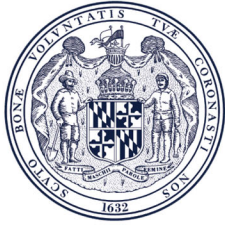
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

May 15, 2024

Gregory A. Hook, CPA
Legislative Auditor

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Department of Transportation (MDOT) – Motor Vehicle Administration (MVA) for the period beginning June 3, 2019 and ending December 31, 2022. MVA's primary purpose is to oversee a variety of activities related to the ownership and operation of motor vehicles, including the registration and titling of vehicles.

Our audit disclosed a cybersecurity-related finding. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the finding from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term "cybersecurity" is defined in the State Finance and Procurement Article, Section 3.5-301(b), and using our professional judgment we have determined that the redacted finding falls under the referenced definition. The specifics of the cybersecurity finding were previously communicated to those parties responsible for acting on our recommendations.

Our audit also included a review to determine the status of the nine findings contained in our preceding audit report. We call your attention to our determination that MVA satisfactorily addressed all prior audit findings.

MDOT's response to this audit, on behalf of MVA, is included as an appendix to this report; however, consistent with the requirements of State law, we have redacted all elements of MDOT's response since they are related to a cybersecurity finding. We reviewed the response to our finding and related recommendations, and have concluded that the corrective actions identified are sufficient to address all issues.

We wish to acknowledge the cooperation extended to us during the audit by MVA. We also wish to acknowledge MDOT's and MVA's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, stylized 'G' and 'H'.

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Motor Vehicle Administration (MVA) is part of the Maryland Department of Transportation and functions under certain provisions of the Transportation Article of the Annotated Code of Maryland. MVA has jurisdiction over a variety of activities related to the ownership and operation of motor vehicles, including the registration and titling of vehicles and the vehicle emissions inspection program (VEIP). MVA maintains a headquarters location in Anne Arundel County and 24 branch offices throughout the State with a total authorized workforce of approximately 1,700 employees. Further, MVA maintains 18 VEIP stations and an additional 10 self-service VEIP kiosks. According to MVA records, during fiscal year 2023, MVA's collections, which primarily consisted of motor vehicle excise tax receipts and vehicle registration fees, totaled approximately \$1.8 billion. According to the State's records, MVA's expenditures totaled approximately \$241.7 million during fiscal year 2023 (see Figure 1).

Figure 1
MVA Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2023		
	Positions	Percent
Filled	1,565	91.7%
Vacant	142	8.3%
Total	1,707	
Fiscal Year 2023 Expenditures		
	Expenditures	Percent
Salaries, Wages and Fringe Benefits	\$140,768,035	58.2%
Technical and Special Fees	359,915	0.2%
Operating Expenses	100,571,524	41.6%
Total	\$241,699,474	
Fiscal Year 2023 Funding Sources		
	Funding	Percent
Special Fund	\$232,332,093	96.1%
Federal Fund	9,367,381	3.9%
Total	\$241,699,474	

Source: State financial and personnel records

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the nine findings contained in our preceding audit report dated September 23, 2020. We determined that MVA satisfactorily addressed these findings.

Findings and Recommendations

Information Systems Security and Control

We determined that Finding 1 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following finding, including the analysis, related recommendations, along with MDOT’s response, have been redacted from this report copy.

Finding 1 Redacted cybersecurity-related finding.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of Transportation (MDOT) – Motor Vehicle Administration (MVA) for the period beginning June 3, 2019 and ending December 31, 2022. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MVA’s financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included the titling and registration, licensing, license suspension and revocation, and insurance compliance processes, as well as procurements and disbursements for MVA's operating expenses, cash receipts, payroll, and information systems security and control. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain payroll support services (such as processing of personnel transactions and maintenance of employee leave records) provided to MVA by MDOT – The Secretary's Office. These support services are included within the scope of our audit of MDOT. Our audit also did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MVA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MVA.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of June 3, 2019 to December 31, 2022, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MVA's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes

established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from MVA's automated systems for the purpose of testing the propriety of licenses issued and motor vehicle registration and titling, as well as certain administrative actions such as license suspensions and revocations. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MVA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MVA, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MVA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. This finding is also considered a significant instance of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MVA that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3.5-301(b), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation.” Based on that definition, and in our professional judgment, we concluded that the finding in this report falls under that definition. Consequently, for the publicly available audit report all specifics as to the nature of cybersecurity findings and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of the cybersecurity finding have been communicated to MVA and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from MDOT, on behalf of MVA, to our finding and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MDOT regarding the results of our review of its response.



Wes Moore
Governor

Aruna Miller
Lieutenant Governor

Paul J. Wiedefeld
Secretary

Office of the Secretary

May 14, 2024

Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore MD 21201

Dear Mr. Hook:

Enclosed please find responses to the audit report from the Office of Legislative Audit for the Maryland Department of Transportation (MDOT) Motor Vehicle Administration (MVA) for the period beginning June 3, 2019, and ending December 31, 2022.

If you have any additional questions or concerns, please contact Ms. Jaclyn D. Hartman, MDOT Assistant Secretary of Transportation Investments, by email at jhartman1@mdot.state.md.us or by phone at 410-865-1005. Of course, you may always contact me directly.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Paul J. Wiedefeld', is written over the typed name and title.

Paul J. Wiedefeld
Secretary

Enclosure

cc: Ms. Samantha Biddle, Deputy Secretary, MDOT
Mr. Rick A. Bilenky, Chief Internal Auditor, MVA
Mr. Jonathan H. Finglass, Internal Auditor, MVA
Ms. Jaclyn Hartman, Assistant Secretary of Transportation Investments, MDOT
Ms. Christine Nizer, Administrator, MVA
Ms. Octavia Robinson, Chief Financial Officer, MDOT
Ms. Dianna Rosborough, Assistant Secretary of Administration, MDOT
Ms. Loyda Sequeira, Chief of Audit and Rail Safety, MDOT

Maryland Department of Transportation Motor Vehicle Administration

Agency Response Form

Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that Finding 1 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the finding, including the analysis, related recommendations, along with MDOT’s responses, have been redacted from this report copy, MDOT’s responses indicated agreement with the finding and related recommendations.

Finding 1 Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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