

Department of Public Safety

Selected Programs

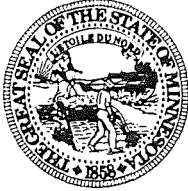
Fiscal Year 1995 Statewide Audit

April 1996

This document can be made available in alternative formats, such as large print, Braille, or audio tape, by calling 296-1235.

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

96-15



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann H. Rest, Chair
Legislative Audit Commission


Members of the Legislative Audit Commission

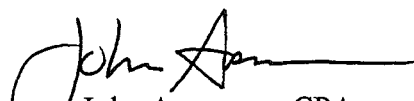
Mr. Michael Jordan, Commissioner
Department of Public Safety

We have audited selected areas of the Department of Public Safety for the fiscal year ended June 30, 1995, as further explained in Chapter 1. The work conducted in the department is part of our Statewide Audit of the State of Minnesota's fiscal year 1995 financial statements. The Comprehensive Annual Financial Report for the year ended June 30, 1995 includes our report, issued thereon dated December 1, 1995. Therefore, we emphasize that this has not been a complete audit of the Department of Public Safety. The following Summary highlights the audit objectives and conclusions. We discuss our concerns more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that the Department of Public Safety complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the Department of Public Safety is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Public Safety. This restriction is not intended to limit the distribution of this report, which was released as a public document on April 12, 1996.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: January 12 1996

Report Signed On: April 4, 1996

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155

612/296-4708

Department of Public Safety

Selected Programs Fiscal Year 1995 Statewide Audit

Public Release Date: April 12, 1996

No. 96-15

Background

The Department of Public Safety's principal responsibility is to maintain a safe environment for the citizens of Minnesota. To do this, the department administers and enforces laws relating to drivers, vehicles, traffic, liquor sales, drug abuse prevention, gambling, natural and man-made disasters, criminal activities, and fire risks. The Department of Public Safety's revenues, as shown on the Statewide Accounting System for fiscal year 1995, totaled \$852 million. Deputy registrars (170 statewide offices) collected approximately 88 percent of these receipts. Michael Jordan is the current commissioner of the department.

Selected Audit Areas and Conclusions

The audit focused on selected programs administered by the Department of Public Safety for the year ended June 30, 1995. Our audit scope was limited to those areas material to the state of Minnesota's Comprehensive Annual Financial Report for fiscal year 1995. The areas audited included the motor vehicle excise tax system (\$347.5 million) and the license fee revenue system (\$416.2 million).

We concluded that the Department of Public Safety's excise tax and license fee revenues are presented fairly on the state of Minnesota's Comprehensive Annual Financial Report for fiscal year 1995. We also concluded that the Department of Public Safety complied with material state laws and regulations related to these revenue systems.

We found the internal controls over these revenues are generally adequate; however, the department needs to make some improvements in its computer access controls for the Motor Vehicle System. In addition, we found that some improvements are needed in controls over the receipts collection and reconciliation processes for excise taxes and license fees.

Contact the Financial Audit Division for additional information.

296-1235

Department of Public Safety

Table of Contents

	Page
Chapter 1. Introduction	1
Chapter 2. Motor Vehicle System Computer Access Controls	3
Chapter 3. Excise Taxes and License Fees	11
Agency Response	15

Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Renee Redmer, LPA	Audit Manager
Tony Toscano	Auditor-in-Charge
Chris Buse, CPA, CISA	Director of Information Systems Audits
Pat Ryan	Auditor
Fubara Dapper, CPA	Auditor
Anna Lamin	Intern

Exit Conference

We discussed the results of the audit with the following Department of Public Safety staff on March 18, 1996:

Don Davis	Deputy Commissioner
Deborah Montgomery	Assistant Commissioner
Katherine Burke Moore	Director, Driver and Vehicle Services
Frank Ahrens	Director, Fiscal and Administrative Services
Jack Livingston	Chief Information Officer

Department of Public Safety

Chapter 1. Introduction

The Department of Public Safety's principal responsibility is to maintain a safe environment for the citizens of Minnesota. To do this, the department administers and enforces laws relating to drivers, vehicles, traffic, liquor sales, drug abuse prevention, gambling, natural and man-made disasters, criminal activities, and fire risks. The Department of Public Safety also provides education and public assistance services to Minnesota's citizens. Michael Jordan is the current commissioner.

The Driver and Vehicle Services Division collects excise taxes on vehicle sales and distributes these receipts to the state's General and Local Government Trust Funds. Driver and Vehicle Services also collects license fees for vehicle registrations and deposits these fees in the Highway User Tax Distribution Fund, which further distributes the proceeds to other fund types for expenditure. Deputy registrars located throughout the state and the Public Safety Prorate Section collect receipts for excise taxes and license fees. The Department of Public Safety's revenues, as shown on the statewide accounting system for fiscal year 1995, totaled \$852 million. Deputy registrars (170 statewide offices) collected approximately 88 percent of these receipts. Our 1995 audit scope focused on selected revenues of the department as shown in Table 1-1. These financial activities were material to the state's financial statements.

Table 1-1
Selected Financial Activities
Year Ended June 30, 1995

Motor Vehicle Excise Tax Revenue	\$347,523,584
Motor Vehicle License Fee Revenue	\$416,192,047

Source: State of Minnesota's Comprehensive Annual Financial Report.

The primary objective of the Statewide Audit is to render an opinion on the state of Minnesota's financial statements included in its Comprehensive Annual Financial Report for fiscal year 1995. This includes whether the financial statements of the state present fairly its financial position, results of operations, and changes in cash flow in conformity with generally accepted accounting principles. As part of our work, we are required to gain an understanding of the internal control structure and ascertain whether the state complied with laws and regulations that may have a material effect on its financial statements.

To address this objective, we interviewed key department employees, reviewed applicable policies and procedures, and tested representative samples of financial transactions.

Our work in the Department of Public Safety is completed as part of our audit to express an opinion of the state's fiscal year 1995 financial statements. The Comprehensive Annual Financial Report for the year ended June 30, 1995 includes our report, issued thereon dated December 1, 1995. The Minnesota Financial and Compliance Report on Federally Assisted

Department of Public Safety

Programs for the year ended June 30, 1995 will include our reports on the supplementary information schedule, internal control structure, and compliance with laws and regulations. We anticipate issuing this report in June 1996.

In addition to preparing those standard reports, we have also developed some audit findings and recommendations. In Chapter 2, we discuss our findings regarding the controls in place over access to the agency's Motor Vehicle System. In Chapter 3, we discuss our findings related to excise taxes and license fees.

Chapter 2. Motor Vehicle System Computer Access Controls

Chapter Conclusions

Security liaisons at the Department of Public Safety are limiting access to critical Motor Vehicle System computer resources and data. However, some employees in the department's Information Systems Management Office have more clearance than they need to perform their job duties.

Several employees in the Information Systems Management Office also have the authority to make security decisions. We feel that this is an inappropriate job responsibility for these employees. The department could remedy this problem by making system owners responsible for all security decisions.

Finally, the department needs to start saving the detailed transactions which update the Motor Vehicle System. The department also needs to develop a disaster recovery plan.

The Motor Vehicle System is one of many large systems running on the state's two central mainframe computers. The Department of Administration's Intertechnologies Group (Intertech) operates the mainframe computers and manages the data center. Programmers at the Department of Public Safety maintain the Motor Vehicle System software.

Intertech and the Department of Public Safety jointly administer security for the Motor Vehicle System. This joint responsibility is in conformance with Minn. Stat. Section 16B.40, Subd. 8, which states:

In consultation with the attorney general and appropriate agency heads, the Commissioner [of Administration] shall develop data security policies, guidelines, and standards, and shall install and administer state data security systems on the state's centralized computer facility consistent with state law to assure the integrity of computer based and all other data and to assure confidentiality of the data, consistent with the public's right to know. Each department or agency head is responsible for the security of the department's or agency's data.

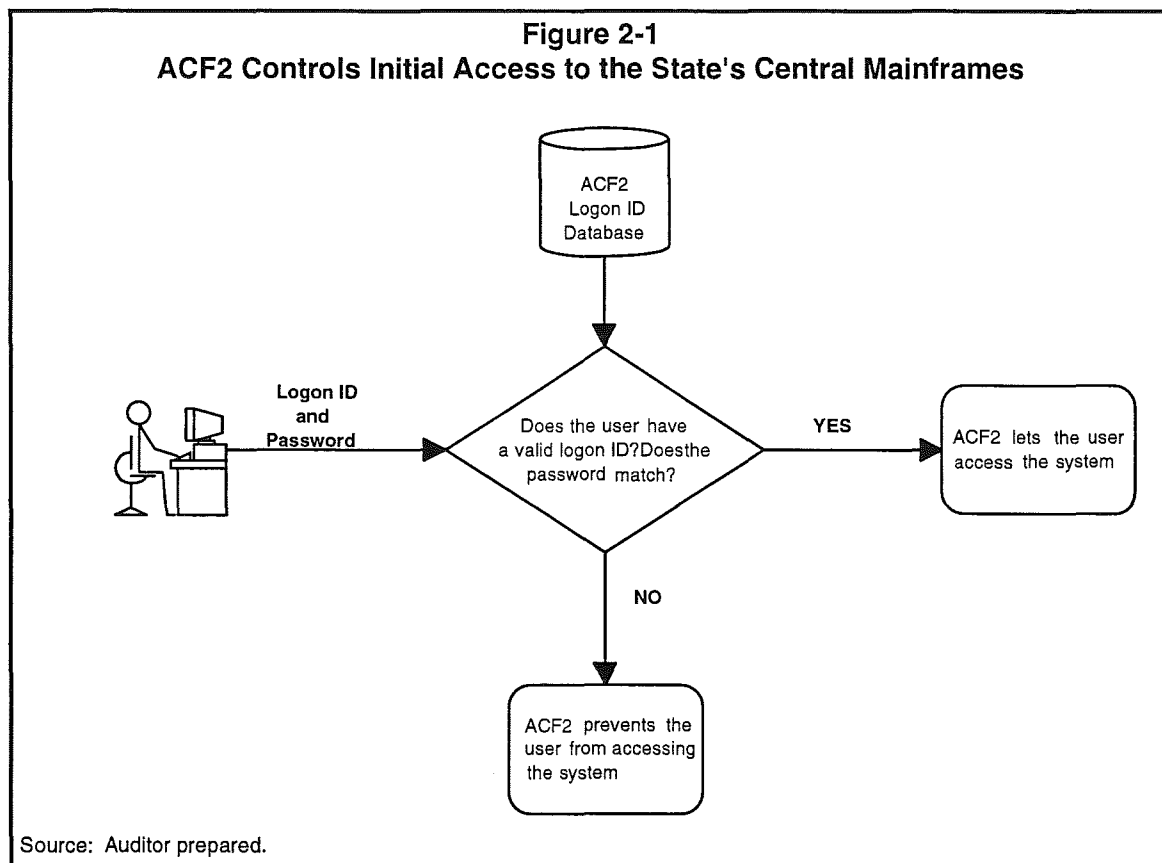
A software package called ACF2 controls access to the state's two central mainframe computers. ACF2 protects against unauthorized destruction, disclosure, modification, or use of data and computer resources. The software acts as an extension to the computer's operating system and protects all data by default. ACF2 will not permit a user to access data or use a computer resource, such as a Motor Vehicle System on-line screen, unless a security officer or the data owner explicitly authorizes that access.

Department of Public Safety

The Functions of ACF2

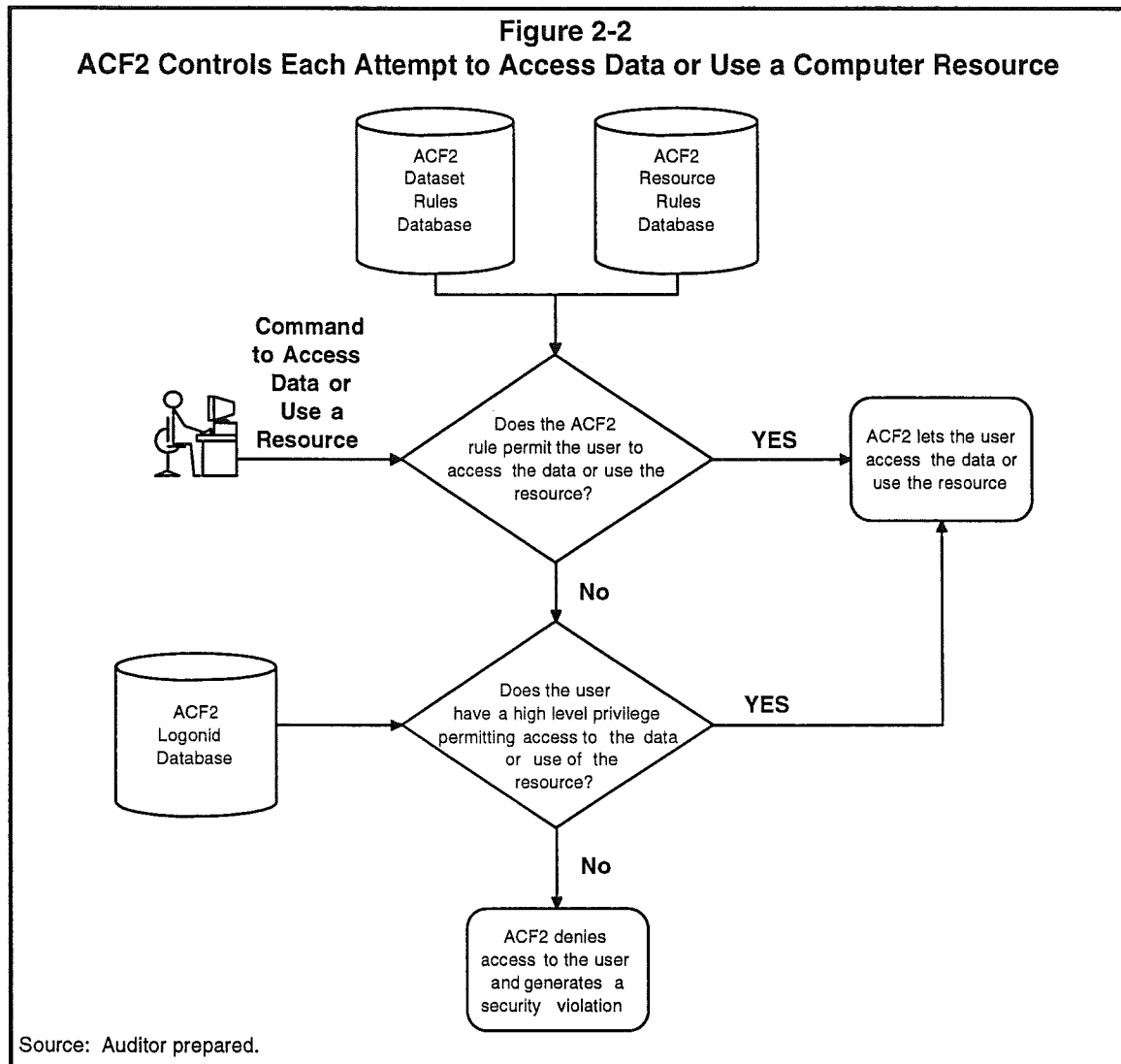
ACF2 controls access at two levels. The software secures initial access to the system and it secures access to data and resources within the system.

ACF2 uses unique logon IDs and passwords to control access to the system. All users must enter their logon ID and password to access one of the state's central mainframes. ACF2 compares this user information to data stored in its logon ID database. The software denies access to users with unknown logon IDs or incorrect passwords. It also denies access to users with canceled or suspended logon IDs. Figure 2-1 illustrates how ACF2 uses logon IDs and passwords to control initial access to the system.



ACF2 uses rules to control access to data and computer resources. ACF2 makes either an allow or deny decision each time a user tries to access data or use a computer resource, such as a Motor Vehicle System on-line screen. In general, users cannot access any data or use computer resources unless permitted by a rule. However, some users with powerful "privileges," such as the security privilege, can bypass ACF2's rule validation process.

Intertech's security officers write the rules that ACF2 uses to make its allow or deny decisions. They also may grant privileges to some users who need them to fulfill their job responsibilities. Figure 2-2 illustrates how ACF2 uses rules and privileges to control access to data and computer resources.



Audit Scope and Objectives

In this chapter, we examine procedures for controlling access to Motor Vehicle System data and computer resources. The following are our specific audit objectives:

- Is the department only giving employees access to the specific computer resources that they need to fulfill their job responsibilities?
- Is the department limiting access to Motor Vehicle System data to only those employees who need access?

To answer these questions, we interviewed three of the department's security liaisons and reviewed ACF2 security records. We also interviewed members of Intertech's Security Services Team.

Department of Public Safety

Controlling Access to the Motor Vehicle System

Writing ACF2 rules for the Motor Vehicle System is a joint effort between Intertech and the Department of Public Safety. The department's security liaisons communicate access decisions to Intertech. Intertech then writes ACF2 rules to implement those security decisions. Currently, the department has 13 security liaisons. Most of these liaisons communicate access decisions for specific systems, such as the Motor Vehicle or Drivers License Systems. However, four security liaisons have authority to communicate access decisions for all systems.

We recently released a report (No. 96-7) summarizing the results from our annual audit of the Department of Administration. This report pointed out certain weaknesses in the system used to communicate access decisions and write access rules. Those weaknesses are apparent at the Department of Public Safety. However, they are not unique to the department. Rather, they are a statewide problem that need to be addressed initially by the Department of Administration. Nonetheless, it is important to recognize that Minn. Stat. Section 16B.40, Subd. 8, clearly makes agencies responsible for the security of their own data.

We identified two particular weaknesses in statewide access controls (see Chapter 2 of the Department of Administration audit report for further information):

- The state does not have any training guidelines for agency security liaisons. We found some security liaisons who do not have a sufficient understanding of ACF2 to make informed security decisions. Intertech's Security Services Team is not in a position to understand the technical intricacies of all systems residing on the state's two central mainframes. It also cannot judge what clearance agency employees need to fulfill their job responsibilities. Therefore, Intertech must rely on decisions made by agency security liaisons. This reliance may result in problems, however, when decentralized agency security officers and security liaisons have not been properly trained.
- Intertech does not give agency security liaisons the necessary clearance to manage their own ACF2 rules. Agency security liaisons rely on members of Intertech's Security Services Team to write ACF2 access rules. However, these security liaisons cannot view the rules to verify the accuracy and completeness of Intertech's work. Under this system, rule writing and communication errors can occur and remain undetected.

We found effects of these two systemic weaknesses at the Department of Public Safety. The three security liaisons we interviewed had never seen their ACF2 security rules or taken any formal training. In fact, the liaison responsible for reviewing the department's daily ACF2 security reports did not understand some of the reports. Also, some Motor Vehicle System ACF2 access rules had weaknesses that had not been detected. For example, one ACF2 rule gives every Public Safety employee clearance to read all Motor Vehicle System data. This clearance gave a large group of employees the ability to view or make unauthorized copies of protected information. Another rule gave employees from the Office of the Legislative Auditor clearance to update or delete Motor Vehicle System data. Auditors typically only need clearance to read data. Finally, some temporary Motor Vehicle System access rules were not written with

Department of Public Safety

expiration dates. Therefore, some users who only needed temporary clearance, instead had permanent access.

Agency security liaisons and Intertech need to work together to remedy these problems. Intertech needs to give agencies sufficient access to manage their own ACF2 rules. Intertech also needs to develop statewide training standards for agency security liaisons. Agency security liaisons, on the other hand, need to gain a better understanding of ACF2 and start actively managing their rules. Collectively, these efforts should help Intertech and state agencies administer security more effectively.

Despite these weaknesses, the Department of Public Safety has attempted to limit access to critical Motor Vehicle System resources and data. Most people use on-line screens to access or update Motor Vehicle System data. The department designed unique security groups for each major type of system user. In total, the department created 33 different security groups. We reviewed these groups and concluded that the access given to most types of users was appropriate. However, as discussed in finding 1, some computer programmers from the department's Information Systems Management Office have more clearance than necessary for their job duties. Also, as discussed in Finding 2, the department gave some employees from the Information Systems Management Office the authority to make security decisions.

1. Some computer programmers have more clearance than they need to fulfill their job responsibilities.

The Department of Public Safety designed a special security group for its computer programmers. This special group had clearance to run every on-line transaction in the Motor Vehicle System. The department also gave its programmers unfettered and continuous access to all Motor Vehicle System data. We do not feel that this level of access is appropriate or necessary. In fact, it exposes important and sensitive data to an unnecessary risk of loss or misuse.

Computer programmers do not typically need access to actual production data or resources. Rather, they work with test data and resources in a special test environment. On some occasions, programmers need access to production data or resources to perform maintenance functions. However, these occasions are rare and do not merit giving the programmers continuous and unrestricted access. We feel that it would be more appropriate to only give programmers the access they need to perform their normal job duties. The department could then control all other special access requests on a case by case basis.

Recommendation

- *The Department of Public Safety should only give computer programmers the clearance they need to perform their normal job duties.*

Department of Public Safety

2. Four employees in the Office of Information Systems Management perform an inappropriate job duty.

Four employees in the Office of Information Systems Management have broad authority to make security decisions. With this authority, they can make and communicate security decisions for all major computer systems owned by the department. In our opinion, this is an inappropriate job responsibility. We feel that data owners should make all security decisions. The Office of Information Systems Management simply provides programming and computer-related services for data owners.

The Driver and Vehicle Services Division owns all Motor Vehicle System data. This division captures, processes, and uses the data to fulfill its business mission. The division has three ACF2 security liaisons for the Motor Vehicle System. We feel that it would be more appropriate for these security liaisons to make and communicate all Motor Vehicle System access decisions.

Recommendation

- *The Department of Public Safety should only let data owners serve as ACF2 security liaisons.*

Other Issues

This section discusses several other issues which came to our attention during our review of Motor Vehicle System access controls. Finding 3 is a prior audit recommendation that the department has not implemented. This finding discusses why it is important to start saving detailed electronic transactions. Finding 4 discusses why the Department of Public Safety needs to develop a disaster recovery plan.

3. PRIOR FINDING PARTIALLY RESOLVED. Internal controls over computerized motor vehicle records need improvement.

The Department of Public Safety does not save detailed electronic transactions after updating motor vehicle records. The department uses a database management system to maintain most motor vehicle records. Employees enter these transactions using computer terminals or an electronic scanner. The transactions can change or delete existing records in the database or add new ones. The department deletes these detailed transactions shortly after updating the database. Without these transactions, it is extremely difficult to correct errors or diagnose problems in the future.

Computer systems should be designed with controls to prevent or detect errors before updating records. In reality, though, it is virtually impossible to foresee every type of error that might occur. Therefore, transaction history files are an important internal control in a computerized environment.

Recommendation

- *The department should save transaction history files after updating its database.*

Department of Public Safety

4. The Department of Public Safety does not have a disaster recovery plan.

The Department of Public Safety does not have any written disaster recovery procedures. Therefore, should a disaster occur, the department may have difficulty recovering some critical business functions.

A disaster recovery plan provides a road map to recover critical business functions within an acceptable time period. Disaster recovery plans do more than provide a strategy to restore computer operations. They also address other needs which may occur in a time of crisis, such as personnel, facilities, and supplies. It is important to periodically test and maintain disaster recovery plans.

Intertech has a disaster recovery plan for the state's central computer facility. Intertech periodically tests this plan by restoring mainframe computing capabilities at a remote location. However, the Department of Public Safety has not participated in these tests. Therefore, the department may have difficulty recovering its computer systems that run on the state's central mainframes. Other computer systems located at the Department of Public Safety may also be difficult to recover.

Recommendation

- *The Department of Public Safety should perform disaster recovery planning for its critical business functions.*

Department of Public Safety

This page intentionally left blank.

Chapter 3. Excise Taxes and License Fees

Chapter Conclusions

The Department of Public Safety collects excise taxes on the sale of vehicles in the state. The department also collects prorate excise taxes for vehicle additions from interstate carriers. Internal controls over these revenues are generally adequate; however, the department needs to confirm the accuracy of taxes collected from interstate carriers. The department's Prorate Section cashier and 20 prorate deputy registrars located throughout the state collect excise taxes from interstate carriers. We found that the cashier and the registrars do not consistently check the accuracy of the excise tax calculations to ensure that it receives the proper amounts. Public Safety collected approximately \$347.5 million in excise taxes in fiscal year 1995, \$3.9 million of which was prorate excise taxes.

The Department of Public Safety uses the Motor Vehicle System to calculate license fees due from vehicle owners in the state. The department uses the VISTA system to calculate the license fees due from interstate carriers. Internal controls over license fees is generally adequate except that the department needs to improve its receipts reconciliation process. License fees are collected by cashiers in the central office and deputy registrars throughout the state. The department deposits license fees into the State Treasury and posts the amounts to the individual customer's accounts in the Motor Vehicle and VISTA systems. However, the department does not reconcile the fees posted to the systems with the deposits in the State Treasury to ensure the accurate recording of receipts. The department collected approximately \$416.2 million in license fees in fiscal year 1995.

The Department of Public Safety collects excise taxes on vehicles purchased in the state. In fiscal year 1995, the department deposited \$347.5 million in excise taxes in the State Treasury as shown in the Statewide Accounting System. The Prorate Section cashier and 20 prorate deputy registrars collect prorate excise taxes from interstate carriers. The prorate excise tax is assessed interstate carriers for the addition of vehicles to existing fleets. The amount of tax assessed a carrier is based on the purchase price of the vehicle, a 6.5 percent excise tax rate and the carrier's Minnesota mileage percentage. Registrars forward excise tax collections to the department's Prorate Section for processing.

The Department of Public Safety collects license fees from vehicle owners throughout the state and from interstate carriers. In fiscal year 1995, the department collected \$416.2 in license fees as recorded on the Statewide Accounting System. Department cashiers and deputy registrars located throughout the state collect license fees and deposit the receipts in the State Treasury.

Department of Public Safety

The department posts the fees collected to individual customer's accounts in the Motor Vehicle and Vehicle Information System for Tax Apportionment (VISTA) systems.

Audit Scope and Objectives

Our audit objectives were to gain an understanding of the internal control structure and ascertain whether the department properly collected and deposited license fees and excise taxes in the State Treasury. In addition, we determined if the department complied with the material state laws and regulations governing the collection of these receipts.

Audit Procedures and Results

We tested excise tax transactions processed by deputy registrars, department cashiers and the Prorate Section. Internal controls over these revenues are generally adequate; however, the department needs to confirm the accuracy of prorate excise taxes collected from interstate carriers. The Prorate Section cashier and the registrars located throughout the state collect excise taxes from interstate carriers. We found that the cashier and the registrars do not consistently check the accuracy of the excise tax calculations to ensure the collection of proper amounts. Finding 5 discusses our concern with the accuracy of the excise tax calculations for interstate carriers.

We also tested license fees collected by the registrars, department cashiers, and the Prorate Section. We found that the internal controls over these revenues is generally adequate except that the department needs to improve its receipts reconciliation process. The department is not reconciling the license fees deposited in the State Treasury to the Motor Vehicle and VISTA systems to ensure the accuracy of amounts posted to customers' accounts. Finding 6 discusses our concern about the lack of a reconciliation between the amounts recorded on the Statewide Accounting System and the amounts recorded on the department's internal systems.

5. PRIOR FINDING NOT RESOLVED: The Department of Public Safety did not properly check the accuracy of the prorate excise tax calculations.

The Prorate Section and the registrars did not consistently review the excise tax reports for the correct calculation of taxes paid by the interstate carriers. The Prorate Section and the registrars are responsible for verifying the accuracy of the excise tax collections from interstate carriers. Carriers pay excise taxes based on a formula containing three factors:

1. The purchase price of the vehicle;
2. Minnesota mileage percentage (the percentage of miles driven in Minnesota as compared to the total miles driven by the carrier); and
3. The excise tax rate which is currently 6.5 percent.

Carriers submit mileage information annually to the Prorate Section. The Prorate Section inputs this information on its computerized system, Vehicle Information System for Tax Apportionment (VISTA). The Department of Public Safety guidelines (handbook for deputy registrars) require the registrars to verify the accuracy of data provided by carriers when paying excise taxes for additional vehicle purchases. A critical factor in the formula is the Minnesota mileage percentage that carriers report on the Interstate Motor Carrier Excise Computation Form. The department

Department of Public Safety

also requires the registrars to review the purchase price of additional vehicles for reasonableness. Registrars should examine either a dealership invoice showing the purchase price or information contained in the NADA Commercial Truck and Trailer Blue Book.

The Prorate Section and the registrars did not properly verify the tax calculations on the excise tax reports (Interstate Motor Carrier Excise Computation Forms). We tested 40 prorate excise tax transactions and found nine errors, an error rate of 22.5 percent. The errors ranged from \$22 to \$2,804. The errors caused both overpayments and underpayments of the carriers' taxes. The Prorate Section and the registrars made six errors by not using the correct Minnesota mileage percentage in the tax calculation. The other errors resulted from erroneous mathematical calculations and an incorrect coding.

Although none of the errors individually were material, we are concerned about the lack of verification of the data used in calculating the excise taxes paid by interstate carriers. The department should take steps to ensure that the Prorate Section and registrars are verifying the propriety of the data used in calculating interstate carriers' excise taxes. Some possible solutions could include training, closer supervision and review, or a periodic comparison of staff error rates to a preestablished standard.

Recommendations

- *The Department of Public Safety should take the steps necessary to ensure that prorate excise tax transactions are accurately processed.*
- *The Department of Public Safety should correct the nine erroneous excise tax payments.*

6. PRIOR FINDING NOT RESOLVED: The Department of Public Safety did not reconcile the license fee receipts between its internal computer systems and the Statewide Accounting System.

The Department of Public Safety is not confirming the accuracy of its motor vehicle license fee receipts. The department deposits motor vehicle license fees into the State Treasury and records the receipts on the Statewide Accounting System. Employees post these fees to individual customer's accounts in the Motor Vehicle System or the Vehicle Information System for Tax Apportionment (VISTA). However, the department does not reconcile its deposits to the sum of the amounts posted to individual customer's accounts. As a result, inaccurate or unauthorized amounts posted to customer's accounts could go undetected. Missing or improperly coded deposits could also go undetected under this system. The department could find these and other potential errors by reconciling amounts posted to its computerized accounting records to the actual deposits in the Statewide Accounting System.

Recommendation

- *The Department of Public Safety should reconcile its computerized accounting records to the actual cash receipts deposited in the State Treasury and recorded on the Statewide Accounting System, currently the Minnesota Accounting and Procurement System (MAPS).*

Department of Public Safety

This page intentionally left blank.

OFFICE OF THE COMMISSIONER
445 Minnesota Street
Suite 1000
North Central Life Tower
St. Paul, MN 55101-2156
TDD ONLY: (612) 297-2100
Fax: (612) 297-5728
Telephone (VOICE): (612) 296-6642



STATE OF MINNESOTA
DEPARTMENT OF PUBLIC SAFETY

March 29, 1996

James R. Nobles
Legislative Auditor
Centennial Building
St. Paul, MN 55155

Dear Mr. Nobles:

At the March 18, 1996 audit exit conference, we were provided a copy of the Department of Public Safety's preliminary audit report and a cover letter. Renee Redmer had requested that a written response to the findings and recommendations be sent to you. Comments on the recommendations are in the order presented in your preliminary report. Below you will find our response to your preliminary audit report for the Department of Public Safety for the fiscal year ended June 30, 1995. Jack Livingston will be responsible for the implementation of our response to findings number one, two, and four. Katherine Burke Moore will be responsible for the implementation of our response to findings number three, five and six.

FINDING NUMBER ONE:

Some computer programmers have more clearance than they need to fulfill their job responsibilities.

RECOMMENDATIONS:

The Department of Public Safety should only give computer programmers the clearance they need to perform their normal job duties.

RESPONSE:

We conceptually agree with the recommendations; however, Office of Technical Support Service(OTSS) programmers assigned to DVS accounts need maximum security clearance to DVS programs and data for the following reasons: first, OTSS is critically short of programmers that can support DVS system activity, and implementing a process that would start and stop access to specific systems functionality would take time that is necessary to provide support to the systems. Second, all OTSS programmers that support DVS systems operate in both a systems maintenance and a systems development mode. In these roles, it is very often necessary for these programmers to track potential problems through many levels and modules of the various DVS systems. In many cases, it is not possible to predict what modules or data files have to be analyzed in order for the programmers to perform their work.

S.F. 2702, Transportation funding bill, provides for additional funding for OTSS that will be used to hire additional computer programmers. When we know the outcome of this funding bill, we will re-visit the issue of programmer access to DVS functions and look to implementing more conventional security access procedures.

FINDING NUMBER TWO:

Four employees in the Office of Information System Management perform an inappropriate job duty.

RECOMMENDATION:

The Department of Public safety should only let data owners serve as ACF2 security liaisons.

RESPONSE:

The lack of required technical staffing in all areas of the Department outside of OTSS, requires that OTSS personnel perform certain security functions. The personnel of OTSS are logical extensions of the various Divisions of the Department, and as such can be considered part of the "actual" owners of the data. It should be noted that all work done by OTSS is only performed as a result of requests made by the Divisions, and the status of the work being performed is reported back to the Divisions on a regular basis.

FINDING NUMBER THREE:

PRIOR FINDING PARTIALLY RESOLVED. Internal controls over computerized motor vehicle records need improvement.

RECOMMENDATION:

The department should save transaction history files after updating its database.

RESPONSE:

A work order to program the motor vehicle records system to maintain motor vehicle transactions is on the programming priorities list of DVS and OTSS. The department will start saving transaction history files electronically when necessary programming is completed. A program will be developed that will capture this data and archive these files for future reference. Our plans are to have the programming project completed by January, 1997. Our plans are based on the assumption that additional resources are made available in FY 1997 for computer programmers and we are able to hire new programmers by July, 1996.

FINDING NUMBER FOUR:

The Department of Public Safety does not have a disaster recovery plan.

RECOMMENDATION:

The Department of Public Safety should perform disaster recovery planning for its critical business functions.

RESPONSE:

We are currently working on the creation of a Disaster Recovery Plan that will encompass all technical systems and areas of the Department. Our progress in this area has been hindered by the delay in implementing the new Unisys Message Switching System (LEMS); but with the coming completion of LEMS development work, and the final definition of the systems that must be included, we will be positioned to create a Disaster Recovery Plan over the next few months.

FINDING NUMBER FIVE:

PRIOR FINDING NOT RESOLVED: The Department of Public Safety did not properly check the accuracy of the prorated excise tax calculations.

RECOMMENDATION:

The Department of Public Safety should take the steps necessary to ensure that prorated excise tax transactions are accurately processed.

The Department of Public Safety should correct the nine erroneous excise tax payments.

RESPONSE:

In further review of the nine transactions, we agree that five of the transactions were in error; however, four of the transactions need further explanation. The transactions in error have been corrected and the proper tax has been collected or refunds made.

One of the carriers paid the full 6.5% Motor Vehicle Excise Tax. The law states that carriers may opt for the Minnesota Carrier Direct Pay (MCDP) provision, but it is not mandatory on the part of the carrier. The carrier may pay the full 6.5% excise tax. We do not consider this to be an error.

Another carrier had two fleets, the incorrect mileage was not used.

A third carrier wrote the wrong dollar amount on the form; however, the division recognized that two trade-ins were listed incorrectly and collected the correct tax from that carrier.

A cash register ring that was incorrectly voided out of sales tax and should have been out of motor vehicle tax.

To solve the computation errors: A program was created by running a VISTA report based on the mileage for renewal. The program takes the Minnesota miles and the total miles, downloads the mileage to the PC program, and then computes that carrier's mileage percentage out to seven places. The employee enters the purchase price and the PC program computes the sales tax due.

Motor Vehicle Deputies are handled in the following manner: Deputies are required to call DVS central office to obtain the mileage percentage and the amount of the sales tax the carrier owes. The DVS employee handling the call will look up the tax obligation through the MCDP program and will print a copy of the documentation. The printed document from the MCDP program will be compared to the paperwork from the deputy as a further means of verifying the accuracy of the tax collections.

The last issue involved excise tax collected based on the purchase price of additional vehicles. In reviewing the definition of "purchase price" in Minnesota statutes, section 297B.01, subdivision 8, it is the purchase price upon which the excise tax is calculated. If the purchase price of the vehicle is nominal (not reasonable), the Department will refer to the NADA Commercial Truck and Trailer Blue Book for value to determine excise tax due. To assist all employees and Deputies in determining whether a value should be considered nominal, we will create a listing of various commercial vehicles and a corresponding reasonable value ranges using the commercial blue book. We will also provide this procedure to the deputies. To assure consistency, when the deputies are presented a purchase price that is nominal, they will be required to call DVS central office. At that time, the commercial blue book will be reviewed for further information required to accurately calculate excise tax.

FINDING NUMBER SIX:

PRIOR FINDING NOT RESOLVED: The Department of Public Safety did not reconcile the license fee receipts between its internal computer systems and the Statewide Accounting System (now replaced by MAPS).

RECOMMENDATIONS:

The Department of Public Safety should reconcile its computerized accounting records to the actual cash receipts deposited in the State Treasury and recorded on the Statewide Accounting System, currently the Minnesota Accounting and Procurement System (MAPS).

RESPONSE:

Historically the difficulty in reconciling the fees deposited in the State Treasury to the fees posted to customer accounts have resulted from the incompatibility of first SWA and now MAPS with the various systems that have been used to compute and record customer payments. Previous attempts to acquire and implement registration/billing system that would be compatible with SWA or MAPS have not proved successful. This is partially due to the fact that the

deposits include transactions that are not part of the registration/billing system and also due to the fact that the ultimate destination of some of the fees collected and deposited is not determined until some time after the deposit has been made. It appears at this time, the the most timely solution may well be to create receipt codes in the MAPS system that will more accurately identify the correct source of the funds deposited and allow tracking of transfers of funds when the correct final destination is determined. The Office of Fiscal & Administrative Services will make changes to the receipt codes in MAPS for implementation at the beginning of Fiscal Year 1997. The second step will be to create a registration/billing system that produces reports specifically for the purpose of reconciliation. Our expectation would be to have that system in place by registration year 1998.

If there are any questions or concerns feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael Jordan".

Michael Jordan
Commissioner, Department of Public Safety

CC: Deborah Montgomery
Frank Ahrens
Jack Livingston
Katherine Burke Moore

F:\frank\fwf\95audit.wp