



# OFFICE OF MANAGEMENT & BUDGET

## *Office of Internal Audit and Program Integrity*

One Capitol Hill  
Providence, RI 02908-5890

Office: (401) 574-8170  
Fax: (401) 574-9255

---

December 31, 2025

Thomas Verdi, Director  
Rhode Island Department of Revenue  
One Capitol Hill  
Providence, RI 02908

Dear Director Verdi:

The Office of Internal Audit and Program Integrity (OIAPI) has completed its audit of the Division of Motor Vehicles (DMV) in-person payment processing procedures. OIAPI reviewed and evaluated the effectiveness of controls surrounding compliance with relevant laws, regulations, and policies to assist in identifying any processing inefficiencies. The audit was conducted in accordance with the authority granted to our office, as outlined in Rhode Island General Laws § 35-7.1-1.

The recommendations included herein have been discussed with members of management, and we considered their response to the audit findings and recommendations in the preparation of this report. OIAPI will follow up on the implementation of the recommendations included in this report.

We would like to express our sincere appreciation to the Division of Motor Vehicles staff for the cooperation during this audit.

Respectfully,

Andrew  
Manca

Digitally signed by  
Andrew Manca  
Date: 2025.12.31 15:40:23  
-05'00'

Andrew Manca  
Chief of Internal Audit and Program Integrity

Cc: Internal Audit Advisory Group  
The Honorable Marvin Abney, Chairman, House Committee on Finance  
The Honorable Louis P. DiPalma, Chairman, Senate Committee on Finance  
Steven Whitney, Senate Fiscal Advisor  
Sharon Reynolds Ferland, House Fiscal Advisor

# Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

## Contents

Introduction .....	1
Background .....	1
Objective and Scope .....	2
Methodology .....	3
Findings, Recommendations, and Management’s Response .....	4
FINDING #1: Outdated and Incomplete Payment Processing Policy.....	4
FINDING #2: Noncompliance with Drawer Summary Report Review Procedures.....	7
FINDING #3: Absence of Confidentiality/Non-Disclosure Agreements for AAANE .....	9
FINDING #4: Inadequate Review and Monitoring of Dealer Payment Submissions .....	10
FINDING #5: Lack of Oversight Policy for Third-Party Partners.....	11
FINDING #6: Reliance on Unreliable Armored Courier Services.....	13
FINDING #7: Inconsistent Background Check and Confidentiality Requirements for Third-Party Partners .....	14

# Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

## Introduction

The Office of Internal Audit and Program Integrity (OIAPI) conducted an audit of the Rhode Island Division of Motor Vehicles in-person payment processing procedures. The objective of this audit was to evaluate the adequacy of internal controls over state revenue collection and determine whether the agency's procedures are properly designed to safeguard state resources and ensure compliance with applicable policies and procedures.

Presented below are the background, objective, scope, methodology, findings, recommendations, and management's response.

## Background

The Rhode Island Division of Motor Vehicles (DMV) operates under the Rhode Island Department of Revenue and serves as the State's primary agency for motor vehicle-related services. DMV is responsible for administering the State's motor vehicle laws, including, but not limited to, motor vehicle registration, testing and licensing of motor vehicle operators, and enforcement of laws relating to the issuance, suspension, and revocation of motor vehicle registrations and drivers' licenses. DMV also maintains driver records, oversees safety and emissions inspection programs, and regulates motor vehicle dealers within the State. Its responsibilities also include collecting related fees. In Fiscal Year (FY) 2025, DMV generated over \$253 million in revenue.

To support these operational responsibilities, DMV uses a financial management system (FMS) to record daily transactions, process payments, and generate Drawer Summary Reports (DSRs). Staff use DSRs to record cash, credit card slips, checks, money orders, and start-up cash for the next business day. All cash, checks, and credit card receipts are entered into the FMS. The FMS serves as the primary source for transaction and reconciliation data across all DMV locations and third-party partners.

Cash collected at DMV branches is transported to the bank by armored courier service based on their scheduled routes. The DMV finance team reviews and approves journal entries for daily transactions, which are then deposited into the State's general fund. The Rhode Island Office of the General Treasurer provides final approval of the journal entries and confirms that the deposited amounts reconcile with the recorded entries.

For service accessibility, DMV offers online services, including license renewals, registration updates, and appointment scheduling. DMV locations are open for in-person transactions by appointment only. There are four DMV branch locations:

- Cranston Branch (Headquarters)
- Middletown Branch
- Wakefield Branch
- Woonsocket Branch

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

Each branch employs multiple Customer Service Representatives (CSRs) who are responsible for processing payments and maintaining accurate transaction records. Each CSR and cash handler including supervisor, Cashier Office staff, and finance management, signs an affidavit acknowledging responsibility for all payments. OIAPI completed a walkthrough at three branch locations: Cranston, Wakefield, and Woonsocket. During the walkthrough, there were approximately eight CSRs at the Woonsocket branch, six at the Wakefield branch, and 25 at the Cranston branch (across multiple offices within the branch). Staff rotations occur daily, and both CSRs and supervisors may “float” among branches based on operational needs.

Payment-handling activities across DMV locations are governed by the Cash Processing Policy. This policy establishes uniform procedures for receiving, securing, verifying, and depositing funds at both Headquarters and branch locations. It defines roles and responsibilities for CSRs, supervisors, and the Cashier Office to ensure accountability and segregation of duties. Because DMV collects substantial cash, check, and credit card revenues daily, adherence to these policies is critical to ensure safeguarding of State funds and accurate financial reporting.

DMV also has agreements with third party vendors to assist in registry services, specifically AAA Northeast (AAANE), Legatus Solutions Corporation (Legatus), and 25 Rhode Island auto dealers. Each entity has formal agreements with DMV that allow limited access to DMV’s financial management system to perform specific motor vehicle transactions.

- AAA Northeast offers certain registry services for members only across nine locations.
- Legatus Solutions Corporation supports DMV’s International Registration Plan (IRP) services, which manage commercial vehicle registrations that operate across multiple U.S. and Canadian jurisdictions. The IRP allows trucking companies to pay registration fees based on mileage traveled in each jurisdiction, and Legatus helps the DMV run and manage this program. They maintain an office in Cranston.
- Auto dealers perform registry transactions only for vehicles sold through their affiliated Rhode Island locations.

All registry services funds from AAANE, Legatus, and dealers are deposited in an account designated by DMV.

### Objective and Scope

The objective of this audit was to assess the effectiveness of internal controls governing in-person payment handling operations and to determine whether cash receipts, deposits, and related financial activities are accurate, complete, and compliant with applicable laws, regulations, and internal policies. The audit evaluated the adequacy of segregation of duties, the physical security of cash and storage areas, and the sufficiency of oversight, training, and documentation practices. The review also examined procedures for investigating and reporting discrepancies, as well as monitoring and reporting mechanisms.

The audit encompassed all processes related to the acceptance, recording, safeguarding, and reconciliation of cash and other payment forms, including checks, money orders, and credit

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

cards. The review included the issuance of receipts and supporting documentation, daily reconciliations, deposit preparation, secondary and supervisory reviews. Additionally, the audit evaluated access controls for physical cash-handling areas and financial management systems, staff training and awareness, and adherence to internal and State requirements.

As part of the review, the audit also verified that all employees involved in payment-handling activities had reviewed and signed DMV's Cash Processing Policy, acknowledging their understanding of related responsibilities and controls. Further, the audit examined the controls governing third-party vendor access to DMV's financial management system. This included verifying that the third-party vendors had completed Bureau of Criminal Identification (BCI) background checks and executed all required confidentiality and data security agreements prior to being granted system access.

Additionally, OIAPI reviewed the implementation of prior audit recommendations to confirm that previously identified control improvements had been implemented and remain effective. This review included recommendations from the December 2013 audit of DMV cash-controls, specifically those related to the flag decal process. Under RIGL § 31-3-76, the "flag decal" refers to the optional American-flag license plate decal that vehicle owners in Rhode Island may purchase when registering or renewing their motor-vehicle registration.<sup>1</sup>

The audit's scope covered payment activities across all DMV branches, AAANE, Legatus, and dealerships responsible for receiving and depositing funds. Testing included examination of supporting documents including, but not limited to, transaction records, reconciliation reports, and deposit logs over a 12-month review period from July 1, 2024, through June 30, 2025. OIAPI reviewed 60 days of transactions totaling 240 samples, with each day consisting of multiple Drawer Summary Reports. In addition, OIAPI reviewed the roles, responsibilities, and compliance of both DMV employees and vendor personnel involved in payment handling, including their adherence to background check, policy acknowledgment, and access control requirements.

### Methodology

This audit focused on the procedures, documentation, and controls in place for in-person payment handling, from the acceptance of payments to the recording, reconciliation, and deposit of funds. OIAPI also reviewed how DMV monitors the accuracy, completeness, and timeliness of transactions, as well as compliance with internal policies and applicable laws. By understanding the workflow and identifying any deviations from established protocols, the audit aimed to support process improvements and ensure the safeguarding of State funds.

OIAPI performed the following:

- Examined the end-to-end payment-handling process, including policies, procedures, and system controls governing the receipt, recording, verification, and deposit of cash, checks, money orders, and credit card payments.

---

<sup>1</sup> <https://webserver.rilegislature.gov/Statutes/TITLE31/31-3/31-3-76.htm>

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

- Verified the accuracy and completeness of daily cash receipts and supporting documentation through review of Drawer Summary Reports and other transaction records.
- Evaluated segregation of duties across cash receipt, recording, and reconciliation functions, including secondary and supervisory reviews.
- Assessed physical and system access controls for payment-handling areas, safes, and financial systems.
- Reviewed staff training, acknowledgments of DMV's Cash Processing Policy, and adherence to required procedures for both DMV employees and third-party vendors, including completion of background checks and confidentiality agreements.
- Conducted site observations and surprise walkthroughs to observe real-time adherence to payment-handling procedures and identify any potential control weaknesses.
- Interviewed payment-handling personnel, supervisors, and relevant third-party staff to gain insight into operational procedures, responsibilities, and oversight practices.
- Reviewed reconciliation processes, timeliness of deposits, and procedures for investigating and reporting discrepancies.
- Conducted sample testing of transactions across DMV branches, AAANE, Legatus, and participating dealers to assess adherence to established controls and policies.
- Evaluated audit trails, recordkeeping practices, and monitoring activities.

### Findings, Recommendations, and Management's Response

#### **FINDING #1: Outdated and Incomplete Payment Processing Policy**

Payment-handling activities across DMV locations are governed by the Cash Processing Policy which was last revised on July 15, 2024. This policy establishes procedures for receiving, securing, verifying, and depositing funds at both headquarters and branch locations. The policy is meant to define roles and responsibilities for all staff who handle cash, ensuring consistency, accountability, and segregation of duties.

The Cranston headquarters (HQ) serves as the central control and reconciliation hub for all DMV funds. The Cashier Office manages daily cash receipts, reconciles Drawer Summary Reports (DSRs), and prepares bank deposits. Other branches follow standardized payment-handling procedures for verification, secure storage, and reporting to HQ. At branches outside of HQ, supervisors are responsible for daily cash-box verification, end-of-day balancing, securing funds in locked safes, and preparing deposit slips. The following sub-findings highlight specific areas where the Cash Processing Policy does not adequately address current branch operations or payment-handling responsibilities.

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

### Finding #1A: Policy Does Not Reflect Branch Structure Differences

OIAPI noted that branch structure differences are not reflected in the policy. Only HQ has a dedicated Cashier Office; branch offices do not. Current policies do not account for this structural difference, leaving unclear how payment handling responsibilities, reconciliation, and review procedures should be performed at these branches. Some provisions are not applicable to branch locations. For example, branch supervisors assume Cashier Office responsibilities.

During review, OIAPI summarized the differences in payment-handling procedures and responsibilities between headquarters and branch locations. The following table Figure 1 provides examples of these differences.

Figure 1: Differences in Payment Handling Procedures and Responsibilities between Headquarters and Other Branch Locations

Process/Function	Headquarters (Cranston)	Other Branches
Cashier Office Presence	On-site Cashier Office	No Cashier Office
Review Process	Cashier Office performs centralized reconciliation and deposit preparation.	Supervisor completes reconciliation, ensures documentation is attached before forwarding to HQ.
Reconciliation and General Ledger Recording	Cashier Office reviews and reconciles the bags of funds submitted by CSRs. Enters the amounts received into the State's general ledger.	Supervisor completes independent review and reconciliation of the bags submitted by CSRs. Enters the amounts received into the State's general ledger and submits to Cashier Office HQ for final review.
Cash Box Verification	Supervisor receives cash from Cashier Office and acknowledges receipt with a signature.	Supervisor verifies cash box contents and signs for receipt.
Write-Offs and Exception Handling	Cashier Office reviews write-offs and supporting documentation for accuracy.	Supervisor completes write-offs, verifies them with CSR, attaches required documentation, and forwards to Cashier Office HQ.

### Finding #1B: Cashier Responsibilities and Reconciliation Procedures Are Unclear

Current policies do not define the Cashier Office responsibilities such as the reconciliation process, deposit slip preparation, and who is required to sign or verify these documents. DMV

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

noted that the Cashier Office is required to review and sign a copy of the DSR the following morning and to complete a reconciliation sheet that requires signatures from two senior cashiers.

OIAPI noted that the reconciliation sheets prepared by the Cashier Office during the 60 days reviewed were not signed by the cashier responsible for preparing it. Because the reconciliation sheet lacks a cashier's signature, OIAPI cannot determine whether the deposit slip was prepared by someone other than the cashier who completed the reconciliation.

### Finding #1C: Policy Not Updated to Reflect Procedural Changes

OIAPI identified a third signature line on some DSRs while it was missing in others. DMV stated that as of May 2025, a third signature line was added to the DSR for the second reviewer to confirm successful document scanning and uploading to the electronic file system. This system is used to centralize all documents related to each transaction. However, DMV's Cash Processing Policy and related procedures have not been updated to reflect this change. Consequently, branches have applied the third signature line inconsistently. OIAPI selected 60 samples from FY 2025 and identified exceptions that occurred after the third signature line was implemented in May 2025.

- Nine DSRs at HQ did not include a signature on the third line.
- Six DSRs at the other branches did not include a signature on the third line.

### Finding #1D: Physical Cash Storage Procedures Are Not Defined

OIAPI observed that the Cash Processing Policy does not provide procedures for the temporary storage of physical cash that has been counted, reconciled, and scheduled for armored courier pickup. During the initial walkthrough at headquarters, OIAPI noted unsecured cash left on a table inside the "vault" area rather than stored within a secured safe. Although multiple controlled-access points and security cameras surround the vault, leaving cash outside of a locked safe increases the risk of loss, theft, or unauthorized access.

The lack of written procedures specifying where cash must be stored, how it should be safeguarded prior to deposit, and who is responsible for securing it contributes to the physical control weakness observed. Establishing written guidance would ensure consistent secure handling of funds across branches and staff.

Because the policy revision and approval process does not occur concurrently with procedural or operational changes, guidance is outdated, incomplete, and inconsistent across branches. Outdated and incomplete policies can result in inconsistent implementation of procedures across branches and create uncertainty regarding who holds responsibility for payment-handling documentation. These gaps increase the likelihood that errors or irregularities in reconciliation and deposit preparation will go undetected. Over time, they can weaken internal controls and oversight, ultimately elevating the risk of cash loss or misappropriation due to insufficient guidance on proper security and storage.

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

### *RECOMMENDATIONS:*

1A: Update the DMV Cash Processing Policy and related manuals to:

- Clearly define responsibilities, review processes for headquarters versus branch locations.
- Specify how payment-handling, reconciliation, and sign-off responsibilities differ when no Cashier Office is present.
- Clarify how supervisors at branches assume tasks typically performed by the Cashier Office at HQ.

1B: Update the DMV Cash Processing Policy and related manuals to:

- Define Cashier Office responsibilities, including, but not limited to, reconciliation steps, deposit slip preparation, and required signatures.
- Implement oversight or periodic monitoring to ensure reconciliation sheets are properly completed and signed.

1C: Update the DMV Cash Processing Policy and related manuals to:

- Include the third signature line requirement for DSRs, specifying the responsible reviewer and the purpose.

1D: Establish written guidance for secure storage of cash scheduled for armored courier pickup, including use of safes.

1E: Communicate and train staff on updated procedures to ensure consistent understanding and implementation across all branches and establish monitoring to confirm compliance.

### *MANAGEMENT'S RESPONSE:*

Each of these recommendations are being addressed through updating the existing cash policy and creating policies for Branch Supervisors and Cashier Office in Cranston HQ. The DMV will include reviewing/updating these policies annually as part of its broad policy review.

### *RESPONSIBLE PARTY:*

Assistant Director Financial and Contract Management

### *ANTICIPATED COMPLETION DATE:*

Updates and training to be completed by March 31, 2026

## **FINDING #2: Noncompliance with Drawer Summary Report Review Procedures**

DMV procedures require CSRs to record daily transactions at the end of each business day. This includes recording cash denominations, checks, and credit card transactions in the financial management system (FMS). Any related documents must also be uploaded to DMV's

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

electronic file system. A DSR must then be generated, printed, and signed by the CSR initiating the review process. A second reviewer, either another CSR or a supervisor, must verify the accuracy of the count and sign as the second reviewer. This step is mandatory to ensure verification of the “black bag” which contains cash, checks, credit card slips, money orders, vouchers from that business day, and the “blue bag,” which contains the CSR’s \$75 start-up cash fund. By signing, both staff acknowledge that all funds received for that day are in the “black bag” and have been properly reviewed and verified in accordance with policy.

During OIAPI’s on-site walkthrough visits, the following exceptions were identified:

- At the Woonsocket branch, a second reviewer CSR signed the DSR without verifying the scanned documents in the electronic file system.
- At the Wakefield branch, a CSR failed to print the DSR before seeking review, and the second reviewer did not identify the error. Both employees reviewed the funds collected against FMS without the required documentation. When the auditor brought this to the supervisor’s attention, the supervisor directed the CSRs to follow proper protocols and complete the process in compliance with policy.

To further assess the consistency of review procedures across all locations, OIAPI analyzed a sample of DSRs from headquarters and branch offices. Figure 2 summarizes the exceptions identified by location and type. OIAPI identified multiple exceptions during the 60-day review period, as outlined in Figure 2.

Figure 2: Total Exceptions Identified in Drawer Summary Reports by Location

Location	Missing Initial Reviewer Signature	Missing 2 <sup>nd</sup> Reviewer Initials (Denomination Verification)	Missing 2 <sup>nd</sup> Reviewer Signature	Missing Cashier/Supervisor Signature
Headquarters	4 DSRs	150 DSRs	60 DSRs	2 DSRs (Cashier)
Other Branches	0	260 DSRs	50 DSRs	21 DSRs (Supervisor)

While CSRs receive initial training upon hire, OIAPI noted that there is no routine refresher or recertification. The lack of ongoing training contributes to inconsistent application of review procedures across locations.

The deficiencies resulted from inadequate adherence to established review procedures and insufficient oversight to ensure reviewers are performing required verification steps. Failure to properly conduct and document the second review increases the risk of undetected errors or omissions in transaction records. This could result in incomplete financial documentation,

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

inaccurate daily cash reconciliations, and potential loss or misstatement of funds. It also diminishes accountability and weakens internal control over payment-handling operations.

### *RECOMMENDATIONS:*

- 2A: Reinforce staff training on the DSR review process, emphasizing the verification and completion of all required signatures, and consistent application of policy requirements.
- 2B: Implement a supervisory review or periodic monitoring process to ensure continued adherence to established procedures and timely identification of noncompliance.

### *MANAGEMENT'S RESPONSE:*

Both of these recommendations are being addressed through updated cash policies. The Drawer Summary Reports will be monitored daily and CSRs notified via email when required signatures are missing. This will be done by the Cashier Office in Cranston and by Branch Supervisors in the branches.

### *RESPONSIBLE PARTY:*

Assistant Director Financial and Contract Management

### *ANTICIPATED COMPLETION DATE:*

Updates and training to be completed by March 31, 2026

## **FINDING #3: Absence of Confidentiality/Non-Disclosure Agreements for AAANE**

The AAANE contract stipulates that “employees who provide Registry Services shall execute a Confidentiality/Non-Disclosure Agreement in the form to be provided by the DMV.” This requirement is intended to ensure that all individuals with access to DMV data and systems formally acknowledge and adhere to confidentiality and data protection obligations.

OIAPI reviewed 10% of the total population of AAANE employees who have access to DMV’s FMS. During the review, DMV was unable to provide executed Confidentiality/Non-Disclosure Agreements for the selected employees. Additionally, when requested, DMV was unable to confirm that AAANE had been provided with the DMV’s official Confidentiality/Non-Disclosure Agreement form, as specified in the contract. DMV reported that AAANE conducts an “annual electronic acknowledgment of confidentiality through its employee handbook process.” However, DMV was unable to provide documentation to substantiate this practice; therefore, the required provisions in the contract were not fully executed. This exposes DMV to potential non-compliance with contractual provisions, increased vulnerability to unauthorized disclosure of confidential information, and reputational risk.

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

### *RECOMMENDATIONS:*

- 3A: Provide AAANE with the official DMV Confidentiality/Non-Disclosure Agreement form, as required by the contract. Verify that AAANE complies with all contractually required acknowledgments for services related to DMV registry operations.
- 3B: Establish a documented process to ensure that all AAANE employees providing Registry Services execute the DMV-issued agreement prior to being granted access to DMV systems or data.
- 3C: Retain copies of all executed agreements in a centralized and accessible repository to demonstrate compliance with contractual and confidentiality requirements.

### *MANAGEMENTS' RESPONSE:*

Each of these recommendations are being addressed. The DMV will create a Confidentiality/Non-Disclosure Agreement for AAANE employees. The NDA will be distributed to AAANE for current employees to sign. Going forward, new AAANE employees will be required to sign the NDA before they begin training on DMV transactions. Executed NDAs will be kept on file with DMV Administration.

### *RESPONSIBLE PARTY:*

Chief of Legal Services, DMV

Administrator of Legal Services, DOR

### *ANTICIPATED COMPLETION DATE:*

March 31, 2026

## **FINDING #4: Inadequate Review and Monitoring of Dealer Payment Submissions**

According to the Online Dealers Deposit Procedures issued by DMV, dealerships are required to remit one deposit per week to the DMV Cashier Office and comply with the deposit rule outlined in the dealer agreement. Under this rule, all funds collected by a dealer that are owed to the State are considered State property and must be deposited into the designated State bank account within seven business days of collection. The procedures further outline requirements for preparing, submitting, and reconciling deposit-related records such as checks, deposit slips, and revenue reports. The policy requires specific documents that dealers must submit including DSRs. Each weekly deposit must include all transactions processed during the prior Monday–Saturday workweek.

During review, OIAPI found the following exceptions:

- Four DSRs were missing
- 21 DSRs did not contain a signature
- One deposit was delayed for five business days beyond the submission timeframe

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

DMV is not consistently reviewing or verifying the completeness and accuracy of dealer-submitted deposit documentation. The lack of review has allowed incomplete and delayed submissions to occur without timely correction.

Without proper review and oversight, there is an increased risk of errors, loss, or misappropriation of funds. Incomplete or delayed deposit records also hinder timely reconciliation and reduce accountability over dealer deposits.

### *RECOMMENDATIONS:*

4A: Ensure review process is performed to verify that all submission packets are complete, signed, and submitted timely in accordance with policy requirements.

4B: Provide refresher training to dealers on documentation and timeliness requirements.

### *MANAGEMENT'S RESPONSE:*

4A: The DMV will address this finding by updating the Cash Policy for the Cashier Office to include: 1. a check list for the Cashier Office to ensure that all documents are included and 2. steps to take for missing or incomplete backup.

4B: The DMV will conduct annual refresher training with dealers to address deficiencies.

### *RESPONSIBLE PARTY:*

4A: Assistant Director Financial and Contract Management

4B: Chief of Motor Vehicle Support Services

### *ANTICIPATED COMPLETION DATE:*

4A: March 31, 2026

4B: May 31, 2026, and annually thereafter.

## FINDING #5: Lack of Oversight Policy for Third-Party Partners

Management is responsible for designing, implementing, and maintaining effective internal controls to achieve objectives related to the reliability of financial reporting and compliance with applicable laws and regulations, and to ensure that financial statements are free from material misstatement.

DMV engages third-party partners, AAA Northeast (AAANE), Legatus, and 25 auto dealerships, to process in-person DMV transactions, including the collection of cash and check payments. While DMV has an internal policy for handling payments from dealers, no formal policy exists for AAANE and Legatus.

AAANE performs services such as driver's license renewals and vehicle registration renewals on behalf of DMV. On the fifth business day following the date on which services are provided, AAANE wires collected funds to a designated bank account provided by DMV. AAANE also emails DMV electronic bank transfer receipts, DSRs, and a spreadsheet reconciling all AAANE

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

offices with the corresponding FMS extract report. DMV then reviews, verifies, and journals the deposit in the State's accounting system. Legatus follows a similar process, with funds and documentation submitted within seven calendar days.

During review, OIAPI found exceptions while reviewing AAANE documents:

- Missing signatures: DSRs lack the second reviewer's signature indicating that the second review was non-existent.
- Inconsistencies in recording shortages: Shortage amounts were noted at the bottom of DSRs, whereas others were recorded on separate documents.

Although AAANE's processes for collecting and remitting funds are defined in the agreement, DMV does not have a formal policy for its own oversight of AAANE's payment handling, reconciliation, and reporting activities. DMV oversight procedures are not documented within internal control framework. The absence of a written policy has resulted in inconsistent monitoring practices, limited accountability for review steps, and reliance on informal staff knowledge rather than standardized procedures.

The absence of formal policies and standardized procedures for payment handling increases the risk of:

- Inconsistent monitoring or verification of third-party partners' financial controls.
- Delays or discrepancies in daily reconciliation and fund transfer verification from third-party partners to the Office of the General Treasurer.
- Insufficient accountability for DMV's own oversight of vendor-operated cash management processes.
- Potential noncompliance with State financial management and internal control requirements, despite contractual obligations.

### **RECOMMENDATIONS:**

5A: Develop and implement a formal written policy and procedural manual for DMV oversight of all third-party partners authorized to perform DMV services and handle State funds. The policy should include:

- Defined roles and responsibilities for DMV staff in monitoring and reviewing vendor activities.
- Requirements for daily remittance, reconciliation, and reporting timelines.
- Documentation standards, including, but not limited to, electronic bank transfer receipts, reconciliation spreadsheets, FMS reports.
- Periodic review and monitoring procedures to ensure consistent compliance and accountability.

## Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing

December 31, 2025

### *MANAGEMENT'S RESPONSE:*

This finding will be addressed in the Cash Policy for the Cashier Office.

### *RESPONSIBLE PARTY:*

Assistant Director Financial and Contract Management

### *ANTICIPATED COMPLETION DATE:*

March 31, 2026

## FINDING #6: Reliance on Unreliable Armored Courier Services

DMV relies on armored courier service, which is contracted by the Rhode Island Office of the General Treasurer, to pick up cash from branch locations and deliver it to the bank. Timely and secure pickups are critical to ensure cash deposits are accurately and promptly processed into the State's general fund.

During OIAPI's on-site walkthrough, DMV noted the following issues:

- Early arrivals where cash deposits were not yet ready for pickup at multiple locations.
- Late pickups, resulting in delays in cash being delivered to the bank.
- Limited coverage at some DMV sites, resulting in fewer pickup opportunities.

DMV's reliance on current service model increases the risk of delayed deposits, incomplete reconciliation, and potential cash handling errors.

### *RECOMMENDATION:*

6A: Work with the Office of the General Treasurer to evaluate alternative solutions to ensure same-day deposit recording and reduced missed pickups.

### *MANAGEMENT'S RESPONSE:*

The Office of the General Treasurer is in final negotiations with the vendor and expects to have the new contract in Q1 of 2026. Once the new contract is finalized the DMV will work with the Office of the General Treasurer to have its vendor supply and install smart safes at all locations.

### *RESPONSIBLE PARTY:*

Assistant Director Financial and Contract Management

### *ANTICIPATED COMPLETION DATE:*

TBD, dependent on the Office of the General Treasurer executing a new contract.

December 31, 2025

## FINDING #7: Inconsistent Background Check and Confidentiality Requirements for Third-Party Partners

DMV requires background checks (BCIs), confidentiality agreements, or similar documentation from certain third-party partners as part of granting system access or handling DMV-related information. These practices help ensure that external personnel with access to DMV data or systems are appropriately vetted and bound by confidentiality expectations. Applying such requirements consistently across all third-party vendors helps maintain a uniform standard of control over system access and data protection.

OIAPI found that DMV does not require Legatus employees to undergo BCIs or sign confidentiality or non-disclosure agreements, even though these individuals have limited access to DMV's financial management system. Despite the lack of requirement, when OIAPI requested, DMV was able to provide BCIs for three out of four sampled Legatus employees. However, for the fourth employee, the BCI record was provided approximately three weeks after OIAPI's request. Additionally, DMV confirmed that this employee has been employed at Legatus since October 2022 but was unable to provide the initial BCI at the time of hire. DMV determined that Legatus employees' limited access does not necessitate additional BCI or confidentiality agreements.

Inconsistent application of background checks and confidentiality requirements increases the risk that vendor personnel may access or handle DMV information without adequate vetting or clear obligations regarding confidentiality. This inconsistency also reduces DMV's ability to ensure a uniform level of oversight and control across all third-party partners with system access.

### **RECOMMENDATIONS:**

- 7A: Apply uniform requirements for background checks and confidentiality or non-disclosure agreements to all third-party vendor personnel with any level of system access.
- 7B: Obtain and retain documentation of BCIs at the time of hire for all vendor staff.
- 7C: Reassess current vendor access to confirm that only individuals who meet the established requirements maintain access to DMV systems.

### **MANAGEMENT'S RESPONSE:**

While background checks have already been performed for all Legatus employees, the DMV will contractually require that all Legatus employees provide a background check and sign a confidentiality /non-disclosure agreement. Additionally, the DMV will incorporate into any future agreement with a third-party vendor to perform functions that require access to DMV systems the requirements that all individuals performing such functions provide a background check and sign a confidentiality /non-disclosure agreement.

**Office of Internal Audit and Program Integrity Report: DMV In-Person Payment Processing**

December 31, 2025

*RESPONSIBLE PARTY:*

Chief of Legal Services, DMV

*ANTICIPATED COMPLETION DATE:*

March 31, 2026