

**AMERICAN ASSOCIATION OF MOTOR VEHICLE
ADMINISTRATORS AND AFFILIATES**

**AGREED-UPON PROCEDURES PERFORMED ON THE
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM**

YEAR ENDED SEPTEMBER 30, 2021



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**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
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YEAR ENDED SEPTEMBER 30, 2021**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

Board of Directors and Management
American Association of Motor Vehicle Administrators
and Affiliates
Arlington, Virginia

We have performed the procedures enumerated in Attachment I related to American Association of Motor Vehicle Administrators and Affiliates' (AAMVA) compliance with the requirements of the National Motor Vehicle Title Information System (NMVTIS) that AAMVA operates, for the year ended September 30, 2021. AAMVA's management is responsible for its compliance with those requirements.

AAMVA and the Department of Justice (DOJ) have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of applying procedures and reporting associated findings related to AAMVA's compliance with specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are described in Attachment I.

We were engaged by AAMVA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on AAMVA's compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of AAMVA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of AAMVA and DOJ and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 11, 2022



**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
AGREED-UPON PROCEDURES APPLIED TO NATIONAL MOTOR VEHICLE TITLE
INFORMATION SYSTEM (NMVTIS) PROGRAM**

ATTACHMENT I

PROCEDURES, RESULTS, AND FINDINGS

Our procedures applied to the NMVTIS Program and the attached Schedule A – Schedule of Specified Assets, Liabilities, and Net Assets as of September 30, 2021, and Schedule B – Schedule of Specified Revenues and Expenses for the year ended September 30, 2021, as described in our engagement letter with the American Association of Motor Vehicle Administrators and Affiliates (AAMVA) dated August 11, 2021, and the related results and findings are as follows:

A. GENERAL

Procedures:

1. Inquire of AAMVA's Chief Financial Officer (CFO) and Controller to identify revenues and expenditures of the NMVTIS program.
2. Obtain AAMVA's management representation that AAMVA has complied with laws, regulations and the provisions of contracts and grant agreements associated with its NMVTIS program.
3. Inquire and observe if NMVTIS' revenues and expense are separately identified and tracked within AAMVA's accounting system or records.
4. Inquire and observe if individual accounts or cost centers are established to control the NMVTIS funds.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

SPECIFIED ASSETS AND LIABILITIES

B. CASH AND CASH EQUIVALENTS

Procedures:

1. Obtain a schedule from AAMVA of cash and cash equivalents related to NMVTIS as of and for the year ended September 30, 2021.
2. Obtain the year-end bank reconciliations and bank statements. Agree the bank reconciliation to the balances per the bank statements and general ledger within \$5,000.
3. Inspect the year-end bank reconciliation for reconciling items over \$60,000 and observe the clearance of these items in the subsequent month's bank statement.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

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INFORMATION SYSTEM (NMVTIS) PROGRAM**

ATTACHMENT I (CONTINUED)

SPECIFIED ASSETS AND LIABILITIES (CONTINUED)

C. WORK-IN-PROCESS AND FIXED ASSETS

Procedures:

1. Obtain AAMVA's policy for capitalizing and depreciating work-in-process and fixed assets.
2. Obtain a schedule from AAMVA of work-in process, fixed assets, and depreciation expense related to NMVTIS as of and for the year ended September 30, 2021 and agree it to the general ledger detail generated from the accounting system within \$5,000.
3. Select a sample of two additions and disposals during the year and agree the transactions to approved invoices, receipts or other supporting documents within \$5,000.
4. Recalculate depreciation expense and accumulated depreciation utilizing AAMVA's policy and agree it to the amounts recorded within \$5,000.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

D. OPEN CREDIT - CONSUMER ACCESS

Procedures:

1. Obtain a schedule from AAMVA of Open Credit – Consumer Access accounts related to NMVTIS as of September 30, 2021 and agree it to the general ledger detail generated from the accounting system within \$5,000.
2. Selected one month and agree the addition to the Open Credit – Consumer Access amount to the jurisdictional revenue sharing amount recalculated in step H.2.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

E. NET ASSETS WITH DONOR RESTRICTIONS

Procedures:

1. Obtain a schedule from AAMVA of net assets with donor restriction related to NMVTIS as of and for the year ended September 30, 2021 and agree it to the general ledger detail generated from the accounting system within \$5,000.
2. Agree additions to net assets with donor restriction to NMVTIS program income for the year within \$5,000.
3. Agree releases of net assets with donor restriction to approvals from DOJ within \$5,000.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

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AGREED-UPON PROCEDURES APPLIED TO NATIONAL MOTOR VEHICLE TITLE
INFORMATION SYSTEM (NMVTIS) PROGRAM**

ATTACHMENT I (CONTINUED)

SPECIFIED REVENUE AND EXPENSES

F. STATE USER FEES, CONSUMER ACCESS FEES, AND LEASED LINE FEES

Procedures:

1. Obtain a schedule from AAMVA of fees and revenue associated with the NMVTIS program for the year ended September 30, 2021 and agree it to the general ledger detail generated from the accounting system within \$5,000.
2. Perform the following:
 - a. State user fees – Obtain from AAMVA the state user fee cap and agree to the amount recorded. Recalculate the allocation of state user fees among the states based on information from the U.S. Department of Transportation on the number of registered vehicles per state to determine the allocation of state user fees. Divide the prorated state user fees by twelve months to determine the monthly billing. Select five monthly billings and four annual payments and agree the amounts billed to the recomputed fees for the respective state within \$5,000.
 - b. Consumer Access Fees – Select a sample of 12 billings (one from each month) and agree it to the underlying invoice. Recalculate the invoiced amount by multiplying the number of VIN searches made by each company for the respective month with the applicable rates.
 - c. Leased Line Fees – Select a sample of one leased line fee transaction and recalculate the charges based on the type of line subscribed to by the customer.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

G. DIRECT LABOREXPENSE

Procedures:

1. Obtain a listing of direct labor costs prepared by AAMVA associated with the NMVTIS program for the year ended September 30, 2021 and agree it to the general ledger detail generated from the accounting system within \$5,000.
2. Select two employees with the highest direct labor cost charged to the NMVTIS program and select six pay periods per employee. Agree the number of hours charged to the NMVTIS programs to the electronic timesheets approved by the employees' supervisors, and agree the authorized salary of the employees against Human Resources' schedule of authorized salaries and payroll reports within \$5,000.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

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ATTACHMENT I (CONTINUED)

SPECIFIED REVENUE AND EXPENSES (CONTINUED)

H. JURISDICTIONAL REVENUE SHARING

Procedures:

1. Obtain from AAMVA a schedule of NMVTIS jurisdictional revenue sharing for the year ended September 30, 2021 and agree it to the general ledger detail generated from the accounting system within \$5,000.
2. Recalculate monthly jurisdictional revenue sharing amounts. For the jurisdictions with less than 5,000 revenue sharing-eligible transactions by \$0.75 cents. For the jurisdictions with 5,000 or more of revenue sharing-eligible transactions, recalculate by applying 50% to the corresponding billing rate. Inspect rate tiers and inquire with management regarding the rate approval and change process.
3. Recalculate annual jurisdictional revenue sharing amount by adding all the monthly amounts.
4. Select a sample of one month and agree the recalculated amount to the detailed schedule of jurisdictional revenue sharing obtained in step H.1.

Results and Findings:

We found no other exceptions as a result of the performance of these procedures.

I. CONSULTING, DATA CENTER EXPENSE, AND OTHER DIRECT COSTS

Procedures:

1. Obtain from AAMVA a schedule of NMVTIS program expenses for the year ended September 30, 2021 and compare it to the general ledger detail generated from the accounting system within \$5,000.
2. Obtain contract labor detail reports, data center expenses, indirect expenses, timesheets, etc., and inquire of AAMVA the manner in which expenses are charged to the program.
3. Inspect support for expenses over \$60,000. Observe that invoices were approved, were for expenses incurred during the year ended September 30, 2021, and coded to the correct account type and program described on the invoice within \$5,000.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

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ATTACHMENT I (CONTINUED)

SPECIFIED REVENUE AND EXPENSES (CONTINUED)

J. INDIRECT EXPENSES

Procedures:

1. Obtain from AAMVA a listing of indirect expenses allocated to the NMVTIS program for the year ended September 30, 2021 and compare it to the general ledger detail generated from accounting system within \$5,000.
2. Inspect AAMVA's indirect cost allocation methodology and determine whether the allocation of indirect expenses is consistent with AAMVA's cost allocation policy by comparing the two policies.
3. Select a sample of two months' allocations and perform the following:
 - a. Recalculate the actual indirect cost charged to the NMVTIS programs and agree it to the total amount charged within \$5,000.
 - b. Obtain the underlying overhead cost pool for the selected months and select and expense category to compare the amounts to the accounting system \$5,000.

Results and Findings:

We found no exceptions as a result of the performance of these procedures.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
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 SYSTEM (NMVTIS) PROGRAM
 SCHEDULE OF SPECIFIED ASSETS, LIABILITIES, AND NET ASSETS
 SEPTEMBER 30, 2021**

SCHEDULE A

ASSETS

Cash and Cash Equivalents	\$ 1,138,680
Property and Equipment, Net:	
Software	2,780,042
Less: Accumulated Depreciation	<u>(2,780,042)</u>
Total Property and Equipment, Net	-

LIABILITIES

Security Deposits	52,500
Open Credits - Consumer Access	5,833,437
Deferred Revenue	<u>237,771</u>
Total Liabilities	6,123,708

NET ASSETS

Net Assets With Donor Restrictions - Beginning of Year	847,524
Fiscal Year 2021 Program Income	5,578,212
Net Assets Released from Restriction	<u>(5,287,056)</u>
Net Assets With Donor Restrictions - End of Year	<u>\$ 1,138,680</u>

This schedule is prepared by the American Association of Motor Vehicle Administrators and Affiliates.

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 AGREED-UPON PROCEDURES APPLIED TO NATIONAL MOTOR VEHICLE TITLE INFORMATION
 SYSTEM (NMVTIS) PROGRAM
 SCHEDULE OF SPECIFIED REVENUES AND EXPENSES
 YEAR ENDED SEPTEMBER 30, 2021**

SCHEDULE B

REVENUE

State User Fees	\$ 5,600,001
Consumer Access Fees	4,373,189
Less: Jurisdiction Revenue Sharing	<u>(2,084,448)</u>
Net Consumer Access Fees	2,288,741
Application Set-Up Fees	63,000
Interest Income	<u>1,236</u>
Total Revenue	7,952,978

EXPENSES

Labor	3,447,543
Data Center Expenses	1,086,181
Technology Support Costs	631,694
Consulting	86,134
Network Infrastructure and Computer Expenses	96,694
Travel	(402)
Other Expenses	<u>11,939</u>
Total Direct Expenses	5,359,783
Indirect Costs	<u>3,823,458</u>
Total Expenses	<u>9,183,241</u>

EXCESS OF EXPENSES

\$ (1,230,263)