

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

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

YEAR ENDED SEPTEMBER 30, 2019

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
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YEAR ENDED SEPTEMBER 30, 2019**

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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 which were agreed to by management of the American Association of Motor Vehicle Administrators and Affiliates (AAMVA) and the Department of Justice (DOJ) (the specified parties) related to AAMVA's compliance with the requirements of the National Motor Vehicle Title Information System (NMVTIS) that AAMVA operates, for the year ended September 30, 2019. AAMVA's management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in Attachment I either for the purpose for which this report has been requested or for any other purpose.

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

This agreed-upon procedures engagement was conducted 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, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. The agreed-upon procedures do not constitute an audit (or a review) of financial statements or any part thereof, the objective of which is the expression of an opinion (or conclusion) on the financial statements or a part thereof. 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.

The purpose of this report is solely to describe the procedures and findings related to the National Motor Vehicle Title Information System (NMVTIS) that AAMVA operates for the year ended September 30, 2019. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 29, 2020

**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, 2019, and Schedule B – Schedule of Specified Revenues and Expenses for the year ended September 30, 2019, as described in our engagement letter with the American Association of Motor Vehicle Administrators and Affiliates (AAMVA) dated August 6, 2019, 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, 2019.
2. Obtain the year-end bank reconciliations and bank statements. Compare the bank reconciliation to the balances per the bank statements and general ledger.
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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ATTACHMENT I

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. See AAMVA binder for policy.
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, 2019, and compare it to the general ledger detail generated from the accounting system.
3. Select a sample of two additions and disposals during the year and compare the transactions to approved invoices, receipts or other supporting documents.
4. Recalculate depreciation expense and accumulated depreciation utilizing AAMVA's policy and compare it to the amounts recorded

Results and Findings:

In completing procedure C.2. and C.4. we noted the beginning accumulated depreciation was overstated by \$3,191 and depreciation expense was overstated by \$463 in the schedules of fixed asset accounts and depreciation expense related the NMVTIS program as of and for the year ended September 30, 2019. We found no other 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, 2019, and compare it to the general ledger detail generated from the accounting system.
2. Selected one month and recalculate the addition to the Open Credit – Consumer Access account by obtaining the consumer access revenue for the month and multiplying it by 50% to determine the amount of credits the members are eligible to receive. Then reperform the allocation of credits to each jurisdiction based on each jurisdiction's consumer access transactions.

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ATTACHMENT I

SPECIFIED ASSETS AND LIABILITIES (CONTINUED)

D. OPEN CREDIT - CONSUMER ACCESS (CONTINUED)

Results and Findings:

In completing procedure D.2. we noted that methodology for calculating open credit for consumer access was modified beginning in January 2019. Under the updated methodology, for jurisdictions that had fewer than 5,000 transactions, the open credit is calculated by multiplying the actual number of transactions by \$0.75 instead of 50% sharing.

Based on the calculation described, allocation of the total open credit amount for the month by jurisdiction is not a feasible calculation due to the variety of rate tiers and certain transactions within jurisdictions not being subject to generating credits for the jurisdictions. As a result, a detailed recalculation for the selected month (April 2019) was performed without exception.

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 restrictions related to NMVTIS as of and for the year ended September 30, 2019, and compare it to the general ledger detail generated from the accounting system.
2. Compare additions to net assets with donor restrictions to NMVTIS program income for the year.
3. Compare releases of net assets with donor restriction to approval form DOJ.

Results and Findings:

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

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, 2019, and compare it to the general ledger detail generated from the accounting system.

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ATTACHMENT I

SPECIFIED REVENUE AND EXPENSES (CONTINUED)

F. STATE USER FEES, CONSUMER ACCESS FEES, AND LEASED LINE FEES (CONTINUED)

2. Perform the following:
 - a. State user fees – Obtain from AAMVA the state user fee cap and compare 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 compare the amounts billed to the recomputed fees for the respective state.
 - b. Consumer Access Fees – Select a sample of 12 billings (one from each month) and compare 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, 2019, and compare it to the general ledger detail generated from the accounting system.
2. Select six employees with the highest direct labor cost charged to the NMVTIS program and select six pay periods per employee. Compare the number of hours charged to the NMVTIS programs to the electronic timesheets approved by the employees' supervisors, and compare the authorized salary of the employees against Human Resources' schedule of authorized salaries and payroll reports.

Results and Findings:

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

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ATTACHMENT I

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, 2019, and compare it to the general ledger detail generated from the accounting system.
2. Select a sample of one month and recalculate the jurisdiction revenue sharing by multiplying consumer access revenue for the month by 50% to determine the amount of credits to each jurisdiction based on each jurisdiction's consumer access transactions. Multiply the consumer access revenue by 50% to determine the estimated jurisdictional revenue sharing for the year and compare it to the actual jurisdictional revenue sharing.

Results and Findings:

In completing procedure H.2. we noted the methodology for calculating jurisdictional sharing was modified beginning in January 2019. Under updated methodology, for jurisdictions that had fewer than 5,000 transactions, the share is calculated by multiplying the actual number of transactions by \$0.75 instead of 50% sharing.

Based on the calculation described, recalculation of the jurisdiction revenue sharing by multiplying the consumer access revenue by 50% is not feasible. As a result, a detailed recalculation for the selected month (April 2019) was performed without exception.

In addition, to determine the estimated jurisdictional revenue sharing we took the consumer access revenue for October, November, and December 2018 and multiplied it by 50% to determine the estimated jurisdiction revenue sharing for those months. We applied the updated calculation methodology for January-September 2019 month. We added the two calculations to arrive at the estimated annual jurisdictional revenue sharing amount for the year ended September 30, 2019. We compared our recalculation to the reported revenue sharing amount and identified a \$137 difference.

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

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ATTACHMENT I

SPECIFIED REVENUE AND EXPENSES (CONTINUED)

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, 2019, and compare it to the general ledger detail generated from the accounting system.
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, 2019, and coded to the correct account type and program described on the invoice.

Results and Findings:

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

J. INDIRECT EXPENSES

Procedures:

1. Obtain from AAMVA a listing of indirect expenses allocated to the NMVTIS program for the year ended September 30, 2019, and compare it to the general ledger detail generated from accounting system.
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.
 - b. Obtain the underlying overhead cost pool for the selected months and select and expense category to compare the amounts to the accounting system.

Results and Findings:

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

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 SYSTEM (NMVTIS) PROGRAM
 SCHEDULE OF SPECIFIED ASSETS, LIABILITIES, AND NET ASSETS
 SEPTEMBER 30, 2019**

SCHEDULE A

ASSETS

Cash and Cash Equivalents	\$ 1,754,000
Property and Equipment, Net:	
Software	2,780,042
Less: Accumulated Depreciation	(2,672,656)
Work-In-Progress	51,351
Total Property and Equipment, Net	158,737

LIABILITIES

Security Deposits	52,500
Open Credits - Consumer Access	5,049,728
Unearned Consumer Access Fee	143,837
Total Liabilities	5,246,065

NET ASSETS

Net Assets With Donor Restrictions - Beginning of Year	1,598,358
Fiscal Year 2019 Program Income	5,086,750
Net Assets Released from Restriction	(4,931,108)
Net Assets With Donor Restrictions - End of Year	\$ 1,754,000

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 SCHEDULE OF SPECIFIED REVENUES AND EXPENSES
 YEAR ENDED SEPTEMBER 30, 2019**

SCHEDULE B

REVENUE

State User Fees	\$ 5,599,998
Consumer Access Fees	3,928,625
Less: Jurisdiction Revenue Sharing	(1,878,620)
Net Consumer Access Fees	2,050,005
Application Set-Up Fees	31,000
Interest Income	11,822
Total Revenue	7,692,825

EXPENSES

Labor	2,364,726
Data Center Expenses	768,829
Technology Support Costs	533,232
Depreciation	428,620
State Support	397,763
Consulting	208,346
Network Infrastructure and Computer Expenses	92,158
Travel	9,841
Other Expenses	15,175
Total Direct Expenses	4,818,691
Indirect Costs	3,230,376
Total Expenses	8,049,067
EXCESS OF REVENUES/(EXPENSES)	\$ (356,242)