

AMERICAN ASSOCIATION OF MOTOR VEHICLE
ADMINISTRATORS AND AFFILIATES

National Motor Vehicle Title Information System
Statement of Activity
and
Independent Auditor's Reports

For the Year ended September 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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American Association of Motor Vehicle Administrators
and Affiliates

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We have audited the accompanying statement of activity for the National Motor Vehicle Title Information System as operated by the American Association of Motor Vehicle Administrators and Affiliates (the Association) for the year ended September 30, 2011. This financial statement is the responsibility of the Association's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the statement of activity for the National Motor Vehicle Title Information System as operated by the American Association of Motor Vehicle Administrators and Affiliates for the year ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2012, on our consideration of the American Association of Motor Vehicle Administrators and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the statement of activity for the National Motor Vehicle Title Information System as operated by the American Association of Motor Vehicle Administrators taken as a whole. The accompanying schedule of expenditures of federal awards for the National Motor Vehicle Title Information System is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.



STOKES & COMPANY, P.C.
Washington, D.C.

April 3, 2012

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
STATEMENT OF ACTIVITY FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Government Grants			CARS Program Department of Transportation Contract	Total
	Operations	Implementation	Enhancements		
Revenue					
Grant revenue	\$ 4,060,279	\$ 404,714	\$ 405,852	\$ -	\$ 4,870,845
Interest income	-	-	877	-	877
User fees	385,582	-	-	-	385,582
Contract revenue	-	-	-	53,084	53,084
Total revenue	4,445,861	404,714	406,729	53,084	5,310,388
Expenses					
Direct labor	487,678	16,424	45,276	1,809	551,187
Fringe expenses	191,217	6,440	17,751	710	216,118
Contractor labor	1,052,449	247,657	201,157	2,553	1,503,816
Overhead expenses	662,761	103,555	101,128	1,942	869,386
Data center charges	1,469,324	-	-	-	1,469,324
Other direct costs	245,878	-	11,568	-	257,446
General and administrative expenses	336,554	30,638	28,972	574	396,738
Total expenses	4,445,861	404,714	405,852	7,588	5,264,015
Excess of revenue over expenses	\$ -	\$ -	\$ 877	\$ 45,496	\$ 46,373

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
STATEMENT OF ACTIVITY FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Government Grants											
	2009-DD-BX-K033				2010-DG-BX-K039				Memorandum of Understanding	Department of Transportation		
	Operations	Implementation	Enhancements	Total	Operations	Implementation	Enhancements	Total	Enhancements	Total	Contract	Total
Revenue												
Grant revenue	\$ 792,723	\$ 61,843	\$ 51,746	\$ 906,312	\$ 3,267,556	\$ 342,871	\$ 333,021	\$ 3,943,448	\$ 21,085	\$ 4,870,845	\$ -	\$ 4,870,845
Interest income	-	-	-	-	-	-	-	-	877	877	-	877
User fees	86,229	-	-	86,229	299,353	-	-	299,353	-	385,582	-	385,582
Contract revenue	-	-	-	-	-	-	-	-	-	-	53,084	53,084
Total revenue	878,952	61,843	51,746	992,541	3,566,909	342,871	333,021	4,242,801	21,962	5,257,304	53,084	5,310,388
Expenses												
Direct labor	71,535	1,735	2,953	76,223	416,143	14,689	41,478	472,310	845	549,378	1,809	551,187
Fringe expenses	28,049	680	1,157	29,886	163,168	5,760	16,263	185,191	331	215,408	710	216,118
Contractor labor	194,029	38,922	30,479	263,430	858,420	208,735	159,662	1,226,817	11,016	1,501,263	2,553	1,503,816
Overhead expenses	112,396	15,824	13,240	141,460	550,365	87,731	83,221	721,317	4,667	867,444	1,942	869,386
Data center charges	331,255	-	-	331,255	1,138,069	-	-	1,138,069	-	1,469,324	-	1,469,324
Other direct costs	75,151	-	-	75,151	170,727	-	7,189	177,916	4,379	257,446	-	257,446
General and administrative expenses	66,537	4,682	3,917	75,136	270,017	25,956	25,208	321,181	(153)	396,164	574	396,738
Total expenses	878,952	61,843	51,746	992,541	3,566,909	342,871	333,021	4,242,801	21,085	5,256,427	7,588	5,264,015
Excess of revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 877	\$ 877	\$ 45,496	\$ 46,373

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
STATEMENT OF ACTIVITY FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2011

2009-DD-BX-K033

	Operations Central Sites	Operations Management & Documentation Support	Operations Operations	Operations Consumer Access Operations	Operations 3rd Party Reporting	Operations Law Enforcement Access Development	Operations Program Support	Implementation State Implementation	Enhancements JSI Data Reporting Development	Enhancements Road Map Planning	Enhancements Consumer Access Development	Total
Revenue												
Grant revenue	\$ 463,922	\$ 47,538	\$ 207,212	\$ (67,407)	\$ 14,045	\$ 38	\$ 127,375	\$ 61,843	\$ 26,014	\$ 187	\$ 25,545	\$ 906,312
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
User fees	-	-	-	86,229	-	-	-	-	-	-	-	86,229
Contract revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	463,922	47,538	207,212	18,822	14,045	38	127,375	61,843	26,014	187	25,545	992,541
Expenses												
Direct labor	12,839	8,797	13,176	3,489	1,509	-	31,725	1,735	2,109	90	754	76,223
Fringe expenses	5,034	3,449	5,166	1,368	592	-	12,440	680	827	35	295	29,886
Contractor labor	47,094	19,529	114,671	7,724	4,986	25	-	38,922	14,453	-	16,026	263,430
Overhead expenses	24,869	12,164	50,918	4,816	2,713	10	16,906	15,824	6,656	48	6,536	141,460
Data center charges	328,073	-	-	-	3,182	-	-	-	-	-	-	331,255
Other direct costs	10,894	-	7,595	-	-	-	56,662	-	-	-	-	75,151
General and administrative expenses	35,119	3,599	15,686	1,425	1,063	3	9,642	4,682	1,969	14	1,934	75,136
Total expenses	463,922	47,538	207,212	18,822	14,045	38	127,375	61,843	26,014	187	25,545	992,541
Excess of revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
STATEMENT OF ACTIVITY FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2011

2010-DG-BX-K039

	Operations Central Sites	Operations Management & Documentation Support	Operations Operations	Operations 3rd Party Reporting	Operations Advisory Board Support	Operations Annual Report	Operations Program Support	Operations Consumer Access Operations	Implementation State Implementation	Implementation 3rd Party Consolidator Implementation	Implementation Consumer Access Implementation	Enhancements Law Enforcement Access Development
Revenue												
Grant revenue	\$ 1,747,657	\$ 175,382	\$ 970,709	\$ 143,597	\$ 86,415	\$ 51,145	\$ 274,921	\$ (182,270)	\$ 283,285	\$ 727	\$ 58,859	\$ 65,737
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
User fees	-	-	-	-	-	-	-	299,353	-	-	-	-
Contract revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	1,747,657	175,382	970,709	143,597	86,415	51,145	274,921	117,083	283,285	727	58,859	65,737
Expenses												
Direct labor	93,673	61,238	83,665	13,704	12,678	20,914	118,537	11,734	1,542	-	13,147	4,028
Fringe expenses	36,729	24,011	32,805	5,373	4,971	8,200	46,478	4,601	605	-	5,155	1,579
Contractor labor	162,443	31,981	532,220	69,516	-	357	-	61,903	187,208	486	21,041	38,334
Overhead expenses	112,101	44,876	248,318	33,914	6,756	11,282	63,168	29,950	72,485	186	15,060	16,820
Data center charges	1,127,850	-	-	10,219	-	-	-	-	-	-	-	-
Other direct costs	82,563	-	218	-	55,468	6,520	25,926	32	-	-	-	-
General and administrative expenses	132,298	13,276	73,483	10,871	6,342	3,872	20,812	8,863	21,445	55	4,456	4,976
Total expenses	1,747,657	175,382	970,709	143,597	86,415	51,145	274,921	117,083	283,285	727	58,859	65,737
Excess of revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
STATEMENT OF ACTIVITY FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2011

2010-DG-BX-K039

	Enhancements 3rd Party Reporting Development	Enhancements JSI Data Reporting Development	Enhancements JSI Data to States	Enhancements Road Map Planning	Enhancements Consumer Access Development	Total	Memorandum of Understanding	CARS Program Department of Transportation Contract	Total
Revenue									
Grant revenue	\$ 142,647	\$ 2,700	\$ 33,253	\$ 60,688	\$ 27,996	\$ 3,943,448	\$ 21,085	\$ -	\$ 4,870,845
Interest income	-	-	-	-	-	-	877	-	877
User fees	-	-	-	-	-	299,353	-	-	385,582
Contract revenue	-	-	-	-	-	-	-	53,084	53,084
Total revenue	142,647	2,700	33,253	60,688	27,996	4,242,801	21,962	53,084	5,310,388
Expenses									
Direct labor	14,399	1,012	5,686	13,956	2,397	472,310	845	1,809	551,187
Fringe expenses	5,646	397	2,229	5,472	940	185,191	331	710	216,118
Contractor labor	74,914	396	14,312	16,329	15,377	1,226,817	11,016	2,553	1,503,816
Overhead expenses	36,350	691	8,509	13,688	7,163	721,317	4,667	1,942	869,386
Data center charges	-	-	-	-	-	1,138,069	-	-	1,469,324
Other direct costs	540	-	-	6,649	-	177,916	4,379	-	257,446
General and administrative expenses	10,798	204	2,517	4,594	2,119	321,181	(153)	574	396,738
Total expenses	142,647	2,700	33,253	60,688	27,996	4,242,801	21,085	7,588	5,264,015
Excess of revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 877	\$ 45,496	\$ 46,373

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America. The financial statement is presented for the year ended September 30, 2011 which corresponds with the American Association of Motor Vehicle Administrator and Affiliates' (AAMVA).

2. Cash

Cash consists of cash held in an interest bearing demand deposit account. In December 2006, AAMVA and the Department of Justice entered into a Memorandum of Understanding whereby AAMVA received and deposited \$1,559,237 to ensure the viability of the NMVTIS program. As AAMVA incurs expenses for specific NMVTIS programs, funds are transferred to AAMVA's operating account to reimburse AAMVA for expenses incurred. As of September 30, 2011, the account balance was \$178,315, which included NMVTIS expenses that had not yet been transferred for expenses incurred prior to September 30, 2011. All of the cash was federally insured as of September 30, 2011. Management has never experienced a loss on any of its cash deposits and transfers money into investments that will not be used in current operations.

The account earned \$877 of interest for the year ended September 30, 2011.

3. Revenue recognition

Revenue from cost-type grants and contracts is recognized on the basis of reimbursable costs incurred during the period. Revenue from user fees and services is recognized as the services are performed. Revenues billed or collected for which the service or function has not been fulfilled are reflected as deferred revenue.

4. Indirect expenses

AAMVA maintains three indirect cost pools, fringes, overhead and general and administrative. The indirect rates are billed at actual or provisional rates on cost-reimbursable grants. Final indirect rates are subject to audit by the Department of Transportation (DOT), AAMVA's cognizant agency. Such an audit would result in final indirect rates that could result in a liability for indirect costs billed in excess of the actual rates or could result in additional billings for actual rates in excess of provisional rates billed. The Department of Transportation has yet to audit the indirect rates for the fiscal year ended September 30, 2011. Management believes that cost disallowances, if any, arising from a DOT audit would not have a material effect on the NMVTIS programs.

5. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE B - ORGANIZATION

AAMVA is an international not-for-profit corporation organized for the purpose of encouraging uniformity and reciprocity among states and developing educational and training programs related to motor vehicle laws and regulations. The Federal Highway Administration has recognized and designated AAMVA as the operator of the Commercial Drivers License Information System, an information system mandated by the Commercial Motor Vehicle Safety Act of 1986. The Department of Justice has recognized and designated AAMVA as the operator of National Motor Vehicle Title Information System since 1992.

AAMVA is comprised of five not-for-profit corporations, a national parent corporation and four regional subsidiary corporations. The parent corporation is the controlling entity, requiring the oversight and consolidation of all financial activities of itself and the four regional corporations.

AAMVA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is, however, subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax law. No such taxes are due for the year ended September 30, 2010.

The Regions (which are composed of four distinct geographical areas so designated by AAMVA) are incorporated as Virginia not-for-profit corporations. The Regions were organized to support and carry out the educational purposes of AAMVA within their respective regions (specifically in the form of annual conferences). As such, the regions qualify as "supporting organizations" as described in section 509(a)(3) of the Internal Revenue Code.

International Registration Plan, Inc. (IRP) is a Virginia not-for-profit corporation. IRP was a subsidiary of the American Association of Motor Vehicle Administrators and has fifty-nine jurisdictional members as of September 30, 2011.

The International Registration Plan is a registration reciprocity agreement among states of the United States and provinces of Canada providing for payment of license fees between various jurisdictions. The unique feature of this agreement is that license fees are paid to various jurisdictions but allow for only one license plate and one credential issued for each vehicle when registered throughout this agreement.

International Registration Plan, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is, however, subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax law. To date, International Registration Plan, Inc. has not engaged in any such activities.

International Registration Plan, Inc. separated from the American Association of Motor Vehicle Administrators effective October 1, 2011.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE C – NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM PROGRAMS

NMVTIS activity consists of Operations, Implementation, Enhancements and a Department of Transportation contract.

Operations includes the core infrastructure, programs and applications completed and implemented and is funded by user fees and the Department of Justice Grants 2009-DD-BX-K033 and 2010-DG-BX-K039

Central Site Operations provides for management, software and production support of the NMVTIS Central Site Application.

Management and Documentation Support provides for overall IT program management, general documentation updates and system analysis.

Operations provide the day-to-day help desk and operational support of NMVTIS.

Consumer Access Operations provides the day-to-day help desk and operational support of NMVTIS consumer access.

Third Party Reporting Operations provides the day-to-day help desk and operational support of NMVTIS to junk yard, salvage yards and insurers.

Program Support provides program and policy support for all NMVTIS program areas, grant management, relationship management with DOJ and vendors, outreach and awareness.

Advisory Board Support provides logistical, planning and secretarial support to the Board.

Annual Report coordinates the collection and preparation of the annual report on NMVTIS.

Implementation includes ongoing implementation initiatives such as adding new states or new consumer access provider or new JSI consolidators and is funded by the Department of Justice Grants 2009-DD-BX-K033 and 2010-DG-BX-K039.

State Implementation supports new states implementing NMVTIS and states reengineering their titling system.

Third Party Reporting Consolidator supports testing and implementation of new data consolidators for JSI data reporting.

Consumer Access Implementation supports testing and implementation of new consumer access providers.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE C – NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM PROGRAMS (continued)

Enhancements includes the implementation and/or development of additional features or functionality to the base system platform and is funded by the Department of Justice Grants 2009-DD-BX-K033 and 2010-DG-BX-K039 and a memorandum of understanding. Interest income represents the interest earned on the bank account held for the funds received subject to the Memorandum of Understanding.

Law Enforcement Development captures the costs associated with enhancements to the Law Enforcement application.

Third Party Reporting Development captures the costs associated with enhancements to the application that supports NMVTIS reporting by junk yards, salvage yards and insurers via the data consolidators.

Road Map Planning captures costs associated with initiation and planning for new NMVTIS initiatives.

Consumer Access Development captures the costs associated with the functionality enhancements to the Consumer Access application.

JSI Direct Reporting Development captures the costs to develop and enhance the JSI Direct Reporting Service for junk yards, salvage yards and insurers to report directly into NMVTIS.

JSI Data to States captures the costs to develop and enhance the ability of states to access JSI data.

The Memorandum of Understanding includes third party reporting development, state web inquiry development and batch inquiry development.

AAMVA operates a contract (CARS) with the U.S. Department of Transportation whereby AAMVA has developed and maintained a stand-alone website for the Department of Transportation which interfaces with the NMVTIS database. The contract is a fixed price contract and AAMVA has recognized \$45,496 in revenue in excess of contract expenses for the year ended September 30, 2011 (the CARS income). AAMVA has, for purposes of this financial statement, taken the position that the DOT contract for CARS represents a firm fixed price contract vehicle between AAMVA and DOT and, as such, there is no legal basis to consider any income derived by AAMVA under this agreement as NMVTIS program income. As a result, AAMVA has not identified the CARS income as NMVTIS program-related income and, accordingly, AAMVA has determined that it is not contractually required to defer CARS income for the benefit of the NMVTIS program. Notwithstanding this position, and based on AAMVA's understanding of conceptual discussions that it has had with the U.S. Department of Justice (BJA) officials during 2009 and 2010, AAMVA has provided a discretionary, one-time, extra-contractual contribution to the NMVTIS program for an amount equal to the net program income derived from the DOT CARS program of \$53,084.

NOTE D – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 3, 2012, which is the date the financial statements were available to be issued.



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
American Association of Motor Vehicle Administrators
and Affiliates

We have audited the Statement of Activity for the National Motor Vehicle Title Information System as operated by the American Association of Motor Vehicle Administrators and Affiliates (the Association) for the year ended September 30, 2011, and have issued our report thereon dated April 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-A and 2011-B to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2011-C to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's statement of activity is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



STOKES & COMPANY, P.C.
Washington, D.C.

April 3, 2012



CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION

GOVERNMENTAL AUDIT
QUALITY CENTER

EMPLOYEE BENEFIT PLAN
AUDIT QUALITY CENTER

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
American Association of Motor Vehicle Administrators and Affiliates

Compliance

We have audited the National Motor Vehicle Title Information System’s (NMVTIS) compliance as operated by the American Association of Motor Vehicle Administrators and Affiliates (the Association) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the NMVTIS Program for the year ended September 30, 2011. The National Motor Vehicle Title Information System programs as operated by the Association are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the National Motor Vehicle Title Information System is the responsibility of the Association’s management. Our responsibility is to express an opinion on the Association’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the National Motor Vehicle Title Information System occurred. An audit includes examining, on a test basis, evidence about the Association’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Association’s compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the National Motor Vehicle Title Information System for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with requirements that could have a direct and material effect on the National Motor Vehicle Title Information System in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, the Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


STOKES & COMPANY, P.C.
Washington, D.C.

April 3, 2012

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
 NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Justice Office of Justice Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2009-DD-BX-K033 2010-DG-BX-K039	16.580	\$ 4,849,760
Department of Justice Office of Justice National Motor Vehicle Title Information System	Memorandum of Understanding	16.N/A	<u>21,085</u>
Total expenditures of federal awards			<u>\$ 4,870,845</u>

* Significant accounting policies

This schedule is prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the statement of activity.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
 NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unqualified
Internal control over financial reporting:		
Material weakness identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	
Significant deficiency identified not considered to be material weakness?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no	

Federal Awards

Internal control over major programs:		
Material weakness identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no	
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no	
Type of auditor's report issued on compliance for NMVTIS programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no	

NMVTIS programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.580	Department of Justice Office of Justice Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
16.N/A	Department of Justice Office of Justice Memorandum of Understanding

Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
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**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section II - Financial Statements Audit Findings

Control Deficiencies

Deficiencies 2011-A, 2011-B and 2011-C are unrelated to federal grants.

2011-A: Product and Services Invoicing (reported in prior year finding 2010-B)

Condition: Monthly invoice preparation and review by non-accounting personnel was not done with attention to sufficient detail to identify significant changes from one month to the next and for actual services performed.

Criteria: Internal controls should be in place that allow for a preparation and review process that is done with sufficient detail to identify errors timely.

Effect: When invoices are not prepared or reviewed with attention to sufficient detail, errors may not be detected and customers could be billed incorrectly by large amounts.

Recommendation: The Association should establish processes to ensure that invoices prepared and reviewed by non-accounting personnel is done with attention to sufficient detail to identify errors timely.

Management Response: Management understands the specific requirements and agrees with the condition found. A corrective action plan will be submitted.

2011-B: Regional Accounting and Reporting (reported in prior year finding 2010-C)

Condition: The accounting and reporting of the four regions of the Association is incomplete and performed without appropriate segregation of duties and effective monitoring. Financial statements are, in some cases, not prepared and/or provided to the Association's accounting department or the applicable regional board of directors.

Criteria: Internal controls should be in place that allow for complete and accurate accounting and reporting of the regional financial activity.

Effect: When accounting and reporting is not complete or performed without appropriate segregation of duties and effective monitoring, financial reports could be inaccurate.

Recommendation: The Association's accounting department is charged with the management and oversight of accounting and related compliance and, as such, should be charged with the preparation of accounting and presentation of regional financial results in accordance with GAAP.

Management Response: Management understands the specific requirements and agrees with the condition found. A corrective action plan will be submitted.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED SEPTEMBER 30, 2011**

Section II - Financial Statements Audit Findings (continued)

2011-C: Property and Equipment (reported in prior year finding 2010-D)

Condition: Complete and accurate inventories of computer equipment are not maintained and reconciled to the financial records on a regular basis.

Criteria: Internal controls should be in place that allow for routine reconciliations of computer equipment with financial records.

Effect: When routine reconciliations of computer equipment with financial records are not performed, it could result in the misappropriation of computer equipment not being detected in a timely manner.

Recommendation: The Association should establish processes to ensure computer equipment physical inventory is regularly reconciled with financial records.

Management Response: Management understands the specific requirements and agrees with the condition found. A corrective action plan will be submitted.

Section III – Federal Award Findings

NONE

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2011**

Findings 2010-A/2010-E: Communications regarding grants

Condition: Communications between those obtaining grants, the accounting department and the granting agency was incomplete.

Recommendation: The auditor recommended that the recipient establish processes to ensure that communications between all parties involved is complete in order to give the accounting department the knowledge of the requirements for revenue recognition.

Current Status: The recipient has performed the corrective action.

Finding 2010-B: Product and Services Invoicing

Condition: Monthly invoice preparation and review by non-accounting personnel was not done with attention to sufficient detail to identify significant changes from one month to the next and for actual services performed.

Recommendation: The Association should establish processes to ensure that invoices prepared and reviewed by non-accounting personnel is done with attention to sufficient detail to identify errors timely.

The condition was identified again in the year ended September 30, 2011 and is identified as Finding 2011-A.

Finding 2010-C: Regional Accounting and Reporting

Condition: The accounting and reporting of the four regions of the Association is incomplete and performed without appropriate segregation of duties and effective monitoring. Financial statements are, in some cases, not prepared and/or provided to the Association's accounting department or the applicable regional board of directors.

Recommendation: The Association's accounting department is charged with the management and oversight of accounting and related compliance and, as such, should be charged with the preparation of accounting and presentation of regional financial results in accordance with GAAP.

The condition was identified again in the year ended September 30, 2011 and is identified as Finding 2011-B.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
YEAR ENDED SEPTEMBER 30, 2011**

2010-D: Property and Equipment

Condition: Complete and accurate inventories of computer equipment are not maintained and reconciled to the financial records on a regular basis.

Recommendation: The Association should establish processes to ensure computer equipment physical inventory is regularly reconciled with financial records.

The condition was identified again in the year ended September 30, 2011 and is identified as Finding 2011-C.



Neil D. Schuster
President and CEO

Lynne B. Judd, Chair of the Board
Administrator, Division of Motor Vehicles
Wisconsin Department of Transportation

April 3, 2012

The American Association of Motor Vehicle Administrators respectfully submits the following corrective action plan for the year ended September 30, 2011.

Name and address of independent public accounting firm: Stokes & Company, P.C., 1201 15th Street, N.W.,
Suite 340, Washington, DC 20005

Audit Period: October 1, 2010 – September 30, 2011.

The findings from the September 30, 2011 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDING – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2010 – A Product and Services Invoicing

Recommendation: The Association should establish processes to ensure that invoices reviewed and prepared by non-accounting personnel is done with attention to sufficient detail to identify errors timely.

Action Taken: Management agrees with the recommendation. A number of initiatives are underway to improve the products and Services billing processes at AAMVA. In April 2011 all products and Services billing functions were transferred into the Finance organization. Additionally, management, with the assistance of a 3rd party accounting services firm has completed an assessment of all P&S billing practice that has yield recommended changes to streamline processes and improve related internal controls. The 3rd party accounting services firm will be retained to assist in the implementation of improved internal controls. This project is scheduled to be completed in the second quarter of 2012.

2010 – B Regional Accounting and Reporting

Recommendation: The Association's accounting department is charged with the management and oversight of accounting and related compliance and, as such, should be charged with the preparation of accounting and presentation of regional financial results in accordance with GAAP.

Action Taken: Corrective action has been taken. Effective no later than June 1, 2012 Regional accounting will be performed by the AAMVA accounting department utilizing AAMVA's SL Dynamics accounting system. This will allow for the preparation of Regional financial statements in accordance with GAAP.

An International Safety Association of Motor Vehicle and Law Enforcement Administrators

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2010 - C

Property and Equipment

Recommendation: The Association should establish processes to ensure computer equipment physical inventory is regularly reconciled with financial records.

Action Taken: AAMVA agrees with the recommendation. T Management has taken steps to address the issue through the development of applicable policies and procedures that will be implemented by July 2012. A physical inventory of computer equipment and related reconciliation of the ledger and sub-ledger will be completed by 9/30/12.

Sincerely,



Marc Saitta
Chief Financial Officer