

**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, 2012

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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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, 2012. 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, 2012 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 16, 2013, 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.
STOKES & COMPANY, P.C.
Washington, D.C.

April 16, 2013

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, 2012

	Government Grants			CARS Program Department of Transportation Contract	Total
	Operations	Implementation	Enhancements		
Revenue					
Grant revenue	\$ 4,999,075	\$ 506,963	\$ 61,312	\$ -	\$ 5,567,350
Interest income	-	-	336	-	336
User fees	961,195	-	-	-	961,195
Contract revenue	-	-	-	5,000	5,000
Total revenue	5,960,270	506,963	61,648	5,000	6,533,881
Expenses					
Direct labor	566,928	30,024	8,507	-	605,459
Fringe expenses	254,437	13,475	3,818	-	271,730
Contractor labor	1,059,037	287,391	13,463	-	1,359,891
Overhead expenses	694,245	122,166	9,521	-	825,932
Data center charges	1,473,368	-	-	-	1,473,368
Other direct costs	139,750	-	-	-	139,750
General and administrative expenses	417,102	45,125	3,516	-	465,743
Total expenses	4,604,867	498,181	38,825	-	5,141,873
Excess of revenue over expenses	\$ 1,355,403	\$ 8,782	\$ 22,823	\$ 5,000	\$ 1,392,008

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, 2012

	Government Grants											
	2009-DD-BX-K033				2010-DG-BX-K039				Memorandum of Understanding Enhancements		Department of Transportation Contract	
	Operations	Implementation	Enhancements	Total	Operations	Implementation	Enhancements	Total	Total	Total	Total	
Revenue												
Grant revenue	\$ 96,484	\$ -	\$ -	\$ 96,484	\$ 4,902,591	\$ 506,963	\$ 48,634	\$ 5,458,188	\$ 12,678	\$ 5,567,330	\$ -	\$ 5,567,350
Interest income	-	-	-	-	-	-	-	-	336	336	-	336
User fees	-	-	-	-	961,195	-	-	961,195	-	961,195	-	961,195
Contract revenue	-	-	-	-	-	-	-	-	-	-	5,000	5,000
Total revenue	96,484	-	-	96,484	5,863,786	506,963	48,634	6,419,383	13,014	6,528,881	5,000	6,533,881
Expenses												
Direct labor	-	-	-	-	566,928	30,024	8,507	605,459	-	605,459	-	605,459
Fringe expenses	-	-	-	-	254,437	13,475	3,818	271,730	-	271,730	-	271,730
Contractor labor	-	-	-	-	1,059,037	287,391	13,463	1,359,891	-	1,359,891	-	1,359,891
Overhead expenses	-	-	-	-	694,245	122,166	9,521	825,932	-	825,932	-	825,932
Data center charges	-	-	-	-	1,473,368	-	-	1,473,368	-	1,473,368	-	1,473,368
Other direct costs	-	-	-	-	139,750	-	-	139,750	-	139,750	-	139,750
General and administrative expenses	-	-	-	-	417,102	45,125	3,516	465,743	-	465,743	-	465,743
Total expenses	-	-	-	-	4,604,867	498,181	38,825	5,141,873	-	5,141,873	-	5,141,873
Excess of revenue over expenses	\$ 96,484	\$ -	\$ -	\$ 96,484	\$ 1,258,919	\$ 8,782	\$ 9,809	\$ 1,277,510	\$ 13,014	\$ 1,387,008	\$ 5,000	\$ 1,392,008

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, 2012

	2009-DD-BX-K033			2010-DG-BX-K039								
	Operations	Operations		Operations	Operations Management & Documentation Support	Operations	Operations	Operations	Operations Management & Documentation Support	Operations	Operations Consumer Access Operations	Operations
	Operations	Consumer Access Operations	Total	Central Sites		Operations	3rd Party Reporting	Central Sites		Operations		3rd Party Reporting
Revenue												
Grant revenue	\$ 10,255	\$ 86,229	\$ 96,484	\$ 694,370	\$ 49,845	\$ 368,103	\$ 97,401	\$ 1,560,871	\$ 113,106	\$ 940,420	\$ 233,190	\$ 153,870
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
User fees	-	-	-	-	-	-	-	-	-	-	827,213	-
Contract revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	10,255	86,229	96,484	694,370	49,845	368,103	97,401	1,560,871	113,106	940,420	1,060,403	153,870
Expenses												
Direct labor	-	-	-	29,727	13,937	40,945	5,942	63,120	44,725	144,934	48,644	9,016
Fringe expenses	-	-	-	13,342	6,255	18,376	2,667	28,328	20,072	65,046	21,831	4,047
Contractor labor	-	-	-	65,393	8,308	167,387	50,533	148,705	10,328	414,646	84,410	81,904
Overhead expenses	-	-	-	40,044	10,522	83,700	21,835	88,665	27,736	230,612	57,184	35,062
Data center charges	-	-	-	423,903	-	-	3,891	1,035,670	-	-	-	9,904
Other direct costs	-	-	-	11,199	-	-	-	55,002	-	-	-	-
General and administrative expenses	-	-	-	58,127	3,887	30,917	8,453	141,381	10,245	85,182	21,122	13,937
Total expenses	-	-	-	641,735	42,909	341,325	93,321	1,560,871	113,106	940,420	233,191	153,870
Excess of revenues over expenses	\$ 10,255	\$ 86,229	\$ 96,484	\$ 52,635	\$ 6,936	\$ 26,778	\$ 4,080	\$ -	\$ -	\$ -	\$ 827,212	\$ -

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, 2012

2010-DG-BX-K039

	Operations Advisory Board Support	Operations Annual Report	Operations Program Support	Operations Business Support	Operations Annual Report	Operations Advisory Board Support	Operations Consumer Access Operations	Implementation State Implementation	Implementation State Implementation	Implementation Consumer Access Implementation	Implementation Consumer Access Implementation	Implementation 3rd Party Consolidator Implementation	Implementation Consumer Access Implementation
Revenue													
Grant revenue	\$ 43,100	\$ 2,931	\$ 111,948	\$ 201,814	\$ 31,382	\$ 63,483	\$ 236,737	\$ 86,842	\$ 256,724	\$ 107,843	\$ 4,436	\$ 3,956	\$ 47,162
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-
User fees	-	-	-	-	-	-	133,982	-	-	-	-	-	-
Contract revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	43,100	2,931	111,948	201,814	31,382	63,483	370,739	86,842	256,724	107,843	4,436	3,956	47,162
Expenses													
Direct labor	7,288	335	45,780	82,496	14,387	13,414	2,238	543	6,733	17,989	68	-	4,691
Fringe expenses	3,271	151	20,546	37,024	6,457	6,020	1,004	244	3,022	8,073	31	-	2,105
Contractor labor	-	-	-	-	-	-	27,423	52,395	160,760	45,567	2,847	2,616	23,206
Overhead expenses	3,899	179	24,488	44,127	7,695	7,175	11,322	19,634	62,955	26,446	1,088	966	11,077
Data center charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Other direct costs	22,326	-	65	19,887	-	31,271	-	-	-	-	-	-	-
General and administrative expenses	3,664	66	9,051	18,280	2,843	5,765	4,182	7,252	23,254	9,768	402	357	4,092
Total expenses	40,448	731	99,930	201,814	31,382	63,645	46,169	80,068	256,724	107,843	4,436	3,939	45,171
Excess of revenues over expenses	\$ 2,652	\$ 2,200	\$ 12,018	\$ -	\$ -	\$ (162)	\$ 324,570	\$ 6,774	\$ -	\$ -	\$ -	\$ 17	\$ 1,991

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, 2012

2010-DG-BX-K039

	Enhancements Low Enforcement Assess Development	Enhancements 3rd Party Reporting Development	Enhancements JSI Data Reporting Development	Enhancements JSI Data to States	Enhancements 3rd Party Reporting Development	Enhancements Road Map Planning	Enhancements Consumer Assess Development	Enhancements GSA Branding	Enhancements GSA Branding	Total	Memorandum of Understanding	CARS Program Department of Transportation Contract	Total
Revenue													
Grant revenue	\$ 4,106	\$ 12,270	\$ 110	\$ 1,045	\$ 21,737	\$ 2,109	\$ 772	\$ 4,099	\$ 2,386	\$ 5,458,188	\$ 12,678	\$ -	\$ 5,567,350
Interest income	-	-	-	-	-	-	-	-	-	-	336	-	336
User fees	-	-	-	-	-	-	-	-	-	961,195	-	-	961,195
Contract revenue	-	-	-	-	-	-	-	-	-	-	-	5,000	5,000
Total revenue	4,106	12,270	110	1,045	21,737	2,109	772	4,099	2,386	6,419,383	13,014	5,000	6,533,881
Expenses													
Direct labor	-	-	-	-	8,162	-	-	70	275	605,459	-	-	605,459
Fringe expenses	-	-	-	-	3,663	-	-	31	124	271,730	-	-	271,730
Contractor labor	1,572	5,470	-	-	2,613	-	-	2,622	1,186	1,359,891	-	-	1,359,891
Overhead expenses	581	2,020	-	-	5,330	-	-	1,005	585	825,932	-	-	825,932
Data center charges	-	-	-	-	-	-	-	-	-	1,473,368	-	-	1,473,368
Other direct costs	-	-	-	-	-	-	-	-	-	139,750	-	-	139,750
General and administrative expenses	214	746	-	-	1,969	-	-	371	216	465,743	-	-	465,743
Total expenses	2,367	8,236	-	-	21,737	-	-	4,099	2,386	5,141,873	-	-	5,141,873
Excess of revenues over expenses	\$ 1,739	\$ 4,034	\$ 110	\$ 1,045	\$ -	\$ 2,109	\$ 772	\$ -	\$ -	\$ 1,277,510	\$ 13,014	\$ 5,000	\$ 1,392,008

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, 2012

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, 2012 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, 2012, the account balance was \$162,485, which included NMVTIS expenses that had not yet been transferred for expenses incurred prior to September 30, 2012. All of the cash was federally insured as of September 30, 2012. 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 \$336 of interest for the year ended September 30, 2012.

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, 2012. 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, 2012

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, 2012.

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.

AAMVA and its affiliates adopted an accounting policy required under U.S. generally accepted accounting principles, *Accounting for Uncertainty in Income Taxes*, that requires that uncertain tax positions be evaluated and the potential impact of an unfavorable outcome of a tax authority's assessment of such uncertain tax position be reflected in the financial statements. From time to time, management must assess the need to accrue or disclose a possible loss contingency for proposed adjustments from various federal and state tax authorities who may audit the organization in the normal course of business. AAMVA and its affiliates have evaluated its tax reporting and have not reflected any contingent liability for any such potential assessment.

In the event there were any proposed adjustments, any associated penalties and interest would be separately reported. The organization is no longer subject to examinations by relevant tax authorities for years prior to fiscal year ended September 30, 2009.

**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, 2012**

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, 2012
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 \$5,000 in revenue in excess of contract expenses for the year ended September 30, 2012 (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 \$5,000.

NOTE D – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 16, 2013, which is the date the financial statements were available to be issued.



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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, 2012, and have issued our report thereon dated April 16, 2013. 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

Management for the Association is responsible for establishing and maintaining effective 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.

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.


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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
American Association of Motor Vehicle Administrators and Affiliates
Page Two

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*.

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 16, 2013



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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, 2012. 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, 2012.

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 16, 2013

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, 2012

<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	\$ 5,554,672
Department of Justice Office of Justice National Motor Vehicle Title Information System	Memorandum of Understanding	16.N/A	<u>12,678</u>
Total expenditures of federal awards			<u>\$ 5,567,350</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, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness identified? ___ yes X no

Significant deficiency identified
not considered to be material weakness? ___ yes X no

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness identified? ___ yes X no

Significant deficiency identified
not considered to be material weakness? ___ yes X 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? ___ yes X 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? ___ yes X no

**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, 2012**

Section II - Financial Statements Audit Findings

Control Deficiencies

There were no financial statement findings required to be reported.

Section III – Federal Award Findings

NONE