

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, 2010

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Association of Motor Vehicle Administrators
and Affiliates

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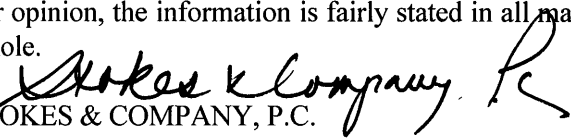
We have audited the accompanying statement of activity for the National Motor Vehicle Title Information System as operated by the American Association of Motor Vehicle Administrators and Affiliates (the Association) for the year ended September 30, 2010. This financial statement is the responsibility 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, 2010 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 June 3, 2011, 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.

June 3, 2011

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, 2010

	Government Grants		CARS Program Department of Transportation	Total
	Development	Operations	Contract	
Revenue				
Grant revenue	\$ 1,380,244	\$ 3,788,824	\$ -	\$ 5,169,068
Interest income	2,655	-	-	2,655
User fees	-	63,526	-	63,526
Contract revenue	-	-	337,000	337,000
Total revenue	1,382,899	3,852,350	337,000	5,572,249
Expenses				
Direct labor	61,128	333,224	3,587	397,939
Fringe expenses	27,851	151,816	1,634	181,301
Contractor labor	760,101	868,600	23,082	1,651,783
Overhead expenses	324,943	518,038	10,832	853,813
Hosting servers	-	1,542,467	-	1,542,467
Data center charges	-	27,030	-	27,030
State support	112,633	-	-	112,633
Other direct costs	-	96,553	-	96,553
General and administrative expenses	86,037	231,368	2,559	319,964
Total expenses	1,372,693	3,769,096	41,694	5,183,483
Excess of revenue over expenses	\$ 10,206	\$ 83,254	\$ 295,306	\$ 388,766

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, 2010

	Developmental and Operations- Government Grants					
	Development		Operations		CARS Program	
	2009-DD-BX-K033	2008-DD-BX-K680	2009-DD-BX-K033	2008-DD-BX-K680	Department of Transportation Contract	Total
Revenue						
Grant revenue	\$ 434,947	\$ 1,380,244	\$ 3,760,132	\$ 3,788,824	\$ -	\$ 5,169,068
Interest income	2,655	2,655	-	-	-	2,655
User fees	-	-	63,526	63,526	-	63,526
Contract revenue	-	-	-	-	337,000	337,000
Total revenue	437,602	1,382,899	3,823,658	3,852,350	337,000	5,572,249
Expenses						
Direct labor	20,271	61,128	330,552	333,224	3,587	397,939
Fringe expenses	9,236	27,851	150,599	151,816	1,634	181,301
Contractor labor	181,323	760,101	860,624	868,600	23,082	1,651,783
Overhead expenses	80,685	324,943	513,497	518,038	10,832	853,813
Hosting servers	-	-	1,542,467	1,542,467	-	1,542,467
Data center charges	-	-	27,030	27,030	-	27,030
State support	112,633	112,633	-	-	-	112,633
Other direct costs	-	-	88,315	96,553	-	96,553
General and administrative expenses	28,323	86,037	229,756	231,368	2,559	319,964
Total expenses	432,471	1,372,693	3,742,840	3,769,096	41,694	5,183,483
Excess of revenue over expenses	\$ 5,131	\$ 10,206	\$ 80,818	\$ 83,254	\$ 295,306	\$ 388,766

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, 2010

	Development										
	2009-DD-BX-K033 Consumer Access Development	2009-DD-BX-K033 State Implementation	2009-DD-BX-K033 Road Map Planning	2009-DD-BX-K033 JSI Data Consolidator	2009-DD-BX-K033 Total	Memorandum of Understanding Stand Alone Inquiry	Memorandum of Understanding 3rd Party Reporting	Memorandum of Understanding Batch Inquiry Development	Memorandum of Understanding State Implementation	Memorandum of Understanding Total	Development Total
Revenue											
Grant revenue	\$ 55,130	\$ 739,691	\$ 12,362	\$ 138,114	\$ 945,297	\$ 199,821	\$ 44,624	\$ 68,611	\$ 121,891	\$ 434,947	\$ 1,380,244
Interest income	-	-	-	-	-	2,655	-	-	-	2,655	2,655
User fees	-	-	-	-	-	-	-	-	-	-	-
Contract revenue	-	-	-	-	-	-	-	-	-	-	-
Total revenue	\$ 55,130	\$ 739,691	\$ 12,362	\$ 138,114	\$ 945,297	\$ 202,476	\$ 44,624	\$ 68,611	\$ 121,891	\$ 437,602	\$ 1,382,899
Expenses											
Direct labor	1,904	27,307	3,880	7,766	40,857	11,100	4,136	5,035	-	20,271	61,128
Fringe expenses	868	12,441	1,768	3,538	18,615	5,058	1,884	2,294	-	9,236	27,851
Contractor labor	34,652	458,930	2,744	82,452	578,778	118,204	24,272	38,847	-	181,323	760,101
Overhead expenses	14,522	190,844	3,212	35,880	244,258	51,420	11,593	17,672	-	80,685	324,943
Hosting servers	-	-	-	-	-	-	-	-	-	-	-
Data center charges	-	-	-	-	-	-	-	-	-	-	-
State support	-	-	-	-	-	-	-	-	112,633	112,633	112,633
Other direct costs	-	-	-	-	-	-	-	-	-	-	-
General and administrative expenses	3,384	45,094	758	8,478	57,714	12,150	2,739	4,176	9,258	28,323	86,037
Total expenses	\$ 55,130	\$ 734,616	\$ 12,362	\$ 138,114	\$ 940,222	\$ 197,932	\$ 44,624	\$ 68,024	\$ 121,891	\$ 432,471	\$ 1,372,693
Excess of revenues over expenses	\$ -	\$ 5,075	\$ -	\$ -	\$ 5,075	\$ 4,544	\$ -	\$ 587	\$ -	\$ 5,131	\$ 10,206

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, 2010

Operations											
2008-DD-BX-K680	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033	2009-DD-BX-K033
Third Party Reporting	NMVTIS Program Support	3rd Party Reporting	Documentation Support	Law Enforcement Access	Consumer Access Maintenance	Central Sites	Operations	Total	Operations Total	CARS Program Department of Transportation Contract	Total
\$ 28,692	\$ 433,343	\$ 67,535	\$ 194,443	\$ 1,573	\$ 94,179	\$ 2,259,284	\$ 709,775	\$ 3,760,132	\$ 3,788,824	\$ -	\$ 5,169,068
-	-	-	-	-	63,526	-	-	63,526	63,526	-	2,655
-	-	-	-	-	-	-	-	-	-	337,000	337,000
28,692	433,343	67,535	194,443	1,573	157,705	2,259,284	709,775	3,823,658	3,852,350	337,000	5,572,249
2,672	172,865	6,888	50,481	235	22,290	48,969	28,824	330,532	333,224	3,587	397,939
1,217	78,757	3,138	22,999	107	10,155	22,310	13,133	150,999	151,816	1,634	181,301
7,976	8,596	21,499	57,977	727	30,652	325,352	415,821	860,624	868,600	23,082	1,651,783
4,541	99,585	12,065	50,309	408	24,147	151,791	175,192	513,497	518,038	10,832	853,813
-	-	-	-	-	-	1,542,467	-	1,542,467	1,542,467	-	1,542,467
-	-	-	-	-	-	25,226	1,804	27,030	27,030	-	27,030
-	-	-	-	-	-	-	-	-	-	-	112,653
8,238	37,535	19,799	-	-	-	999	29,982	88,315	96,553	-	96,553
1,612	25,985	4,146	11,888	96	5,706	138,460	43,475	229,756	231,368	2,559	319,964
26,256	423,323	67,535	193,654	1,573	92,930	2,255,574	708,231	3,742,840	3,769,096	41,694	5,183,483
\$ 2,436	\$ 10,020	\$ -	\$ 789	\$ -	\$ 64,755	\$ 3,710	\$ 1,544	\$ 80,818	\$ 83,254	\$ 295,306	\$ 388,766

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, 2010

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, 2010 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, 2010, the account balance was \$670,205, which included NMVTIS expenses that had not yet been transferred for expenses incurred prior to September 30, 2010. \$420,205 of the cash was not federally insured as of September 30, 2010. 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 \$2,655 of interest for the year ended September 30, 2010.

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, 2010. 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, 2010

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 is a subsidiary of the American Association of Motor Vehicle Administrators and has fifty-nine jurisdictional members. It was organized to support and carry out the educational purpose of AAMVA, specifically, the International Registration Plan. As such, it constitutes a "supporting organization" as described in section 509(a)(3) of the Internal Revenue Code.

NOTE C – NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM PROGRAMS

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

Development represents efforts by AAMVA to develop applications and enhancements to the NMVTIS program which are funded through Department of Justice grants and a Memorandum of Understanding. Grant revenue represents the federal funding for the expenses claimed by AAMVA for the year ended September 30, 2010. Interest income represents the interest earned on the bank account held for the funds received subject to the Memorandum of Understanding.

Consumer Access Application Development and Enhancements is an application that provides consumers access to NMVTIS data via third party portal providers and is funded by the Department of Justice Grant 2009-DD-BX-K033.

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, 2010

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

State Implementation support is the project for costs of bringing states onboard the NMVTIS application and is funded by Department of Justice Memorandum of Understanding and the Department of Justice Grant 2009-DD-BX-K033.

Road Map Planning captures costs associated with initiation and planning for new NMVTIS initiatives and is funded by the Department of Justice Grant 2009-DD-BX-K033.

JSI Data Consolidator captures the costs to develop the JSI Direct Reporting Service for junk yards, salvage yards and insurers to report directly into NMVTIS and is funded by the Department of Justice Grant 209-DD-BX-K033.

Stand Alone Inquiry Development and Enhancements is an application for jurisdictions to inquire NMVTIS data and is funded by Department of Justice Memorandum of Understanding.

Third Party Reporting Development and Enhancement is an application to receive and process data from consolidators who receive data from reporting entities for Junk, Salvage and Insurers data and is funded by the Memorandum of Understanding.

Batch Inquiry Development and Enhancements is an application for jurisdictions to inquire NMVTIS data in a batch mode and is funded by Department of Justice Memorandum of Understanding.

Operations represent the ongoing operation of the NMVTIS program which is funded by user fees and the Department of Justice Grant 2009-DD-BX-K033.

Third Party Reporting Development and Enhancement is an application to receive and process data from consolidators who receive data from reporting entities for Junk, Salvage and Insurers data and is funded by the Department of Justice Grant 2008-DD-BX-K680 and 2009-DD-BX-K033.

Program Support is the overall program management. It includes program leadership with vendors, users and stakeholders; conducting strategic/operation policy analysis and development as well as communications and outreach and is funded by Department of Justice Grant 2009-DD-BX-K033.

Documentation Support provides for general documentation updates and system analysis and is funded by the Department of Justice Grant 2009-DD-BX-K033.

Law Enforcement Access Applications Support and Development provides for law enforcement to inquire NMVTIS data.

Consumer Access operations and maintenance is provided for consumers to get access to NMVTIS data via third party portal providers.

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

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

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, 2010

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

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 \$295,306 in revenue in excess of contract expenses for the year ended September 30, 2010 (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) official 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 \$295,306.

NOTE D – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 3, 2011.



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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, 2010, and have issued our report thereon dated June 3, 2011. 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 2010-A, 2010-B and 2010-C to be material weaknesses.

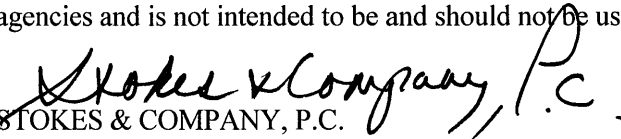
A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-D 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.

June 3, 2011



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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 compliance of the National Motor Vehicle Title Information System (NMVTIS) 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 are applicable for the year ended September 30, 2010. 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, 2010.

Internal Control Over Compliance

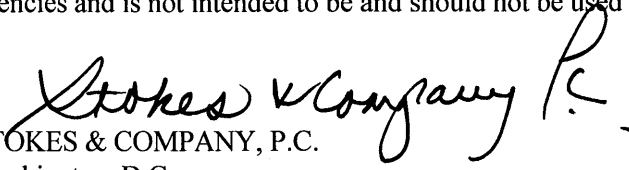
Management of the Association is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs described in the accompanying schedule of findings and questioned costs as item 2010-E to be a material weakness.

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 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.

June 3, 2011

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, 2010

<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	16.580	\$ 4,705,429
Department of Justice Office of Justice Edward Byrne Memorial Competitive Grant Program	2008-DD-BX-K680	16.751	28,692
Department of Justice Office of Justice National Motor Vehicle Title Information System	Memorandum of Understanding	16.N/A	<u>434,947</u>
Total expenditures of federal awards			<u>\$ 5,169,068</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, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness identified? X yes ___ no

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness identified? X yes ___ 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? X yes ___ no

NMVTIS programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.580 16.751	Department of Justice Office of Justice Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program Edward Byrne Memorial Competitive Grant 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, 2010**

Section II - Financial Statements Audit Findings

Control Deficiencies

Deficiency 2010-A relates to federal grants and Deficiencies 2010-B, 2010-C and 2010-D are unrelated to federal grants.

2010-A: Communications Regarding Grants

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

Criteria: Internal controls should be in place that allow for communication between all parties involved.

Effect: When communications between those obtaining grants, the accounting department and the granting agency is incomplete, the Association will not always have a clear understanding of the accounting requirements for revenue recognition of new grants.

Recommendation: The Association should 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.

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

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.

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.

**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, 2010**

Section II - Financial Statements Audit Findings (continued)

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.

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.

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.

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.

**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, 2010**

Section III – Federal Award Findings and Questioned Costs

DEPARTMENT OF JUSTICE AND DEPARTMENT OF TRANSPORTATION

2010-E: Edward Byrne Memorial State and Local Assistance – CFDA No. 16.580
National Motor Vehicle Title Information System – CFDA No. 16.N/A
Year ended 9/30/10

Control Deficiency: As discussed in Finding 2010-A, communications between those obtaining grants, the accounting department and the granting agency were incomplete. Because communications between all parties involved were not complete, the Association did not always have a clear understanding of the accounting requirements relating to revenue recognition for new grants. The Association should establish processes to ensure that communications between all parties involved is complete in order to give the accounting department the knowledge it needs to accurately recognize amounts in the financial statements.

<u>Questioned Cost</u>	CFDA No. 16.580	<u>\$ 72,900</u>
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This is an isolated instance where an expense outside the grant period was billed to the government. This has been corrected prior to the issuance of the 09/30/10 financial statements and the expense was excluded from the schedule of federal expenditures.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2010**

DEPARTMENT OF JUSTICE

2009-A: Expense Classifications

Condition: Timesheets and vendor invoices are not being properly reviewed at time of approval.

Recommendation: The organization's management should enforce the policies that require the complete review and approval of timesheets and vendor invoices.

Current Status: The recipient has performed the corrective action.

2009-B and 2009-C: Timeliness of Recording and Reporting Financial Information

Condition: Grant billings were not always prepared in a timely manner, in some instances being processed and recorded several months after the related costs were incurred.

Recommendation: The organization should establish processes to ensure that grant billings are processed, approved and recorded in a timely manner.

Current Status: The recipient has performed the corrective action.

2009-D: Procurement policy

Condition: The Association did not comply with the requirement that all procurement transactions should be conducted in a manner to provide, to the maximum extent practical, open and free competition.

Recommendation: AAMVA should establish procedures to follow their procurement policies for individual grant awards to ensure that fair and free completion has occurred and there are no impediments that restrain trade.

Current Status: The recipient has performed the corrective action.

2009-E: Prior approval required for contractors paid in excess of \$56.25 per hour

Condition: The Association did not comply with the requirement that prior written approval is required from the awarding agency for independent contractors to be paid in excess of \$56.25 per hour.

Recommendation: AAMVA should establish procedures to ensure that prior approval requirements are identified at the start of a grant and that prior approval of all expenses is obtained as required.

Current Status: The recipient has performed the corrective action.