

AMERICAN ASSOCIATION OF MOTOR VEHICLE
ADMINISTRATORS AND AFFILIATES

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

For the Period February 1, 2009 through September 30, 2009

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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 period February 1, 2009 through September 30, 2009. 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 period February 1, 2009 through September 30, 2009 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 December 15, 2010, 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.

December 15, 2010

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
STATEMENT OF ACTIVITY FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
FOR THE PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009

	Development	Operations	CARS Program Department of Transportation Contract	Total
Revenue				
Grant revenue	\$ 448,430	\$ -	\$ -	\$ 448,430
Interest income	5,068	-	-	5,068
User fees	-	1,058,589	-	1,058,589
Contract revenue	-	-	209,916	209,916
Total revenue	453,498	1,058,589	209,916	1,722,003
Expenses				
Direct labor	194,501	104,817	16,320	315,638
Fringe expenses	90,232	48,626	7,571	146,429
Contractor labor	318,277	624,326	62,887	1,005,490
Overhead expenses	208,955	269,513	30,070	508,538
Hosting servers	-	22,288	-	22,288
Data center charges	-	1,102,509	-	1,102,509
State support	113,750	-	-	113,750
Other direct costs	8,864	930	-	9,794
General and administrative expenses	70,457	163,821	8,809	243,087
Total expenses	1,005,036	2,336,830	125,657	3,467,523
Excess (deficiency) of revenues over expenses	\$ (551,538)	\$ (1,278,241)	\$ 84,259	\$ (1,745,520)

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 PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009

	2008-DD-BX-K680 Third Party Reporting	Development							Total
		Memorandum of Understanding NMAVTIS Programs	Memorandum of Understanding Consumer Access Development	Memorandum of Understanding State Implementation	Memorandum of Understanding Stand Alone Inquiry	Memorandum of Understanding Batch Inquiry Development	Memorandum of Understanding NMAVTIS State	Memorandum of Understanding Total	
Revenue									
Grant revenue	\$ 220,392	\$ 61,933	\$ -	\$ -	\$ 34,026	\$ 18,328	\$ 113,751	\$ 228,038	\$ 448,430
Interest income	-	5,068	-	-	-	-	-	5,068	5,068
User fees	-	-	-	-	-	-	-	-	-
Contract revenue	-	-	-	-	-	-	-	-	-
Total revenue	220,392	67,001	-	-	34,026	18,328	113,751	233,106	453,498
Expenses									
Direct labor	19,664	126,759	1,485	38,005	5,310	3,278	-	174,837	194,501
Fringe expenses	9,122	58,805	689	17,631	2,464	1,521	-	81,110	90,232
Contractor labor	124,093	-	613	169,161	16,381	8,029	-	194,184	318,277
Overhead expenses	52,976	64,301	965	77,897	8,371	4,445	-	155,979	208,955
Hosting servers	-	-	-	-	-	-	-	-	-
Data center charges	-	-	-	-	-	-	-	-	-
State support	-	-	-	-	-	-	113,750	113,750	113,750
Other direct costs	-	8,864	-	-	-	-	-	8,864	8,864
General and administrative expenses	15,519	19,505	283	22,820	2,452	1,302	8,576	54,938	70,457
Total expenses	221,374	278,234	4,035	325,514	34,978	18,575	122,326	783,662	1,005,036
Excess (deficiency) of revenues over expenses	\$ (982)	\$ (211,233)	\$ (4,035)	\$ (325,514)	\$ (952)	\$ (247)	\$ (8,575)	\$ (550,556)	\$ (551,538)

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 PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009

	Operations							CARS Program Department of Transportation Contract	Total
	Products and Services	Law Enforcement Access	Training	Consumer Access Maintenance	Systems Analysis	Central Sites	Operations		
Revenue									
Grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,430
Interest income	-	-	-	-	-	-	-	-	5,068
User fees	-	-	-	-	-	-	1,058,589	-	1,058,589
Contract revenue	-	-	-	-	-	-	-	209,916	209,916
Total revenue	-	-	-	-	-	-	1,058,589	209,916	1,722,003
Expenses									
Direct labor	17,112	446	131	6,022	31,145	38,676	11,285	16,320	315,638
Fringe expenses	7,939	207	61	2,793	14,449	17,942	5,235	7,571	146,429
Contractor labor	-	4,102	-	22,078	109,192	233,962	254,992	62,887	1,005,490
Overhead expenses	8,681	1,648	67	10,705	53,636	100,692	94,084	30,070	508,538
Hosting servers	-	-	-	-	-	-	22,288	-	22,288
Data center charges	-	-	-	-	-	1,102,509	-	-	1,102,509
State support	-	-	-	-	-	-	-	-	113,750
Other direct costs	-	-	-	9	211	710	-	-	9,794
General and administrative expenses	2,543	483	19	3,137	15,729	112,668	29,242	8,809	243,087
Total expenses	36,275	6,886	278	44,744	224,362	1,607,159	417,126	125,657	3,467,523
Excess (deficiency) of revenues over expenses	\$ (36,275)	\$ (6,886)	\$ (278)	\$ (44,744)	\$ (224,362)	\$ (1,607,159)	\$ 641,463	\$ 84,259	\$ (1,745,520)

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 PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009

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 period February 1, 2009 through September 30, 2009 which corresponds with the American Association of Motor Vehicle Administrator and Affiliates' (AAMVA) and the federal fiscal year and the date the National Motor Vehicle Title Information System (NMVTIS) regulations were published.

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, 2009, the account balance was \$692,967, of which \$61,822 was for NMVTIS expenses that had not yet been transferred for expenses incurred prior to September 30, 2009. \$442,967 of the cash was not federally insured as of September 30, 2009. 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 \$5,068 of interest from February 1, 2009 through September 30, 2009.

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, 2009. 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 PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009

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 a national division and four regional divisions.

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, 2009.

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, a Memorandum of Understanding and AAMVA resources. Grant revenue represents the federal funding for the expenses claimed by AAMVA for the period February 1, 2009 through September 30, 2009. Interest income represents the interest earned on the bank account held for the funds received subject to the 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 Department of Justice Grant 2008-DD-BX-K680.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009

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

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 Memorandum of Understanding and AAMVA resources.

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 Department of Justice Memorandum of Understanding and AAMVA resources.

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 AAMVA resources.

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 and AAMVA resources.

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 and AAMVA resources.

NMVTIS State represents pass through funding for the States and is funded by Department of Justice Memorandum of Understanding and AAMVA resources.

Operations represents the ongoing operation of the NMVTIS program which is funded by user fees and AAMVA resources.

Products and services provides for management development of new NMVTIS products and services.

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

Training support is provided to jurisdictions.

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

Systems Analysis provides for system analysis and documentation updates for NMVTIS.

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

Operations provides 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 PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009

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

Department of Transportation represents the development and operational support of the National Highway Traffic Safety Administration's CARS program which is funded by a contract with the NHTSA.

CARS represents the development and operational support for the NHTSA CARS program.

NOTE D – DEPARTMENT OF JUSTICE FINANCIAL MONITORING AND TECHNICAL ASSISTANCE VISIT

In April 2009 the Grants Financial Management Division performed a financial monitoring and technical assistance site visit. During the visit, AAMVA's policies and procedures in place to control the financial aspects of two Department of Justice (DOJ) Edward Byrne Justice Assistance Grants (2007DDBXK076 and 2008DDBXK680) were examined. Grant 2007DDBXK076 was completed prior to February 1, 2009. The financial monitoring and technical assistance site visit identified three recommendations:

1. At the time of the site visit, AAMVA explained that it did not solicit for services for any particular grant, instead AAMVA used their established provider contractors to select contractors to work on certain projects/programs. DOJ policies and procedures require a competitive procurement for all grant awards.
2. AAMVA did not obtain approval for costs that were not included in the original grant budget for grant 2007DDBXK076.
3. DOJ financial guidelines preclude paying more than \$56.25 per hour for outside contractors, unless a specific exemption is granted. The justification for an exemption must be formally requested and approved. Merely providing a budget that lists specific contractor rates is not sufficient. The DOJ auditor found that AAMVA's contractor rates exceeded the guideline and no exemption was received. If DOJ does not approve an exemption, then AAMVA would be liable for repayment of any contractor amounts which exceeded the guideline.

AAMVA provided written responses and the U.S. Department of Justice, Office of Justice Programs, Office of the Chief Financial Officer considered the recommendations officially closed.

NOTE E – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 15, 2010.



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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 period February 1, 2009 through September 30, 2009, and have issued our report thereon dated December 15, 2010. 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. 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.

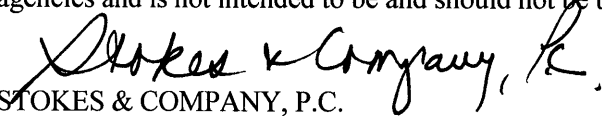
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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 as items 2009-A and 2009-B in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statement 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.

December 15, 2010



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO 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 period February 1, 2009 through September 30, 2009. 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.

As described in item 2009-D in the accompanying schedule of findings and questioned costs, 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. As described in item 2009-E in the accompanying schedule of findings and questioned costs, 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.

In our opinion, except for the non-compliances described in the preceding paragraph, the Association complied, in all material respects, with the requirements referred to above that are applicable to the National Motor Vehicle Title Information System for the period February 1, 2009 through September 30, 2009.

Internal Control Over Compliance

The 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings described in the accompanying schedule of findings and questions as items 2009-C through 2009-E to be material weaknesses.

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.

December 15, 2010

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
 NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009

<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 Competitive Grant Program	2008-DD-BX-K680	16.751	\$ 220,392
Department of Justice Office of Justice National Motor Vehicle Title Information System	Memorandum of Understanding	16.N/A	<u>228,038</u>
Total expenditures of federal awards			<u>\$ 448,430</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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009**

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? ___ yes X 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: Qualified

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>
16.751	Department of Justice Office of Justice 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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009**

Section II - Financial Statements Audit Findings

Significant Deficiencies

2009-A: Expense Classifications

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

Criteria: Internal controls should be in place that allow for proper approval of the timesheets and invoices.

Effect: When timesheets and invoices are not properly reviewed at time of approval, expenses could potentially be charged to the wrong programs and/or support services.

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

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

2009-B: 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.

Criteria: Internal controls should be in place that allow for more timely processing, approval and recording of grant billings.

Effect: When grant billings are not processed, approved and recorded in a timely manner, the organization and the granting agency do not have sufficient information to monitor the expenditures within a reasonable time.

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

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009**

Section III – Federal Award Findings and Questioned Costs

Federal Award Findings

DEPARTMENT OF JUSTICE

2009-C: Edward Byrne Memorial Competitive Grant Program – CFDA 16.751
Memorandum of Understanding – CFDA 16.N/A
Period February 1, 2009 through September 30, 2009

Significant Deficiency: As discussed in Finding 2009-B, 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. Because timely processing and recording is not being performed, the organization and granting agency do not have sufficient information to monitor the expenditures within a reasonable time. The organization should establish processes to ensure that grant billings are processed, approved and recorded in a timely manner.

2009-D: Edward Byrne Memorial Competitive Grant Program – CFDA 16.751
Memorandum of Understanding – CFDA 16.N/A
Period February 1, 2009 through September 30, 2009

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.

Criteria: Internal controls should be in place that provide, to the maximum extent practical, open and free competition.

Effect: As required by the U.S. Department of Justice Office of Justice programs, 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.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE PERIOD FEBRUARY 1, 2009 THROUGH SEPTEMBER 30, 2009**

Section III – Federal Award Findings and Questioned Costs (continued)

Federal Award Findings (continued)

DEPARTMENT OF JUSTICE

2009-E: Edward Byrne Memorial Competitive Grant Program – CFDA 16.751
Memorandum of Understanding – CFDA 16.N/A
Period February 1, 2009 through September 30, 2009

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.

Criteria: Internal controls should be in place to identify if any restrictions exist that require prior approval of expenditures.

Effect: The Association was reimbursed by the government for contractor labor at rates in excess of the hourly rate requiring prior approval by the Department of Justice.

Questioned Costs	CFDA No 16.751	\$49,094
	CFDA No 16.N/A	\$ 9,259

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.

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

Neil D. Schuster
President and CEO

Charles O'Donnell, Chair of the Board
Registrar of Motor Vehicles
New Brunswick Department of Public Safety

December 15, 2010

The American Association of Motor Vehicle Administrators respectfully submits the following corrective action plan for the year ended September 30, 2009.

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

Audit Period: February 1, 2009 – September 30, 2009

The findings from the September 30, 2009 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

2009 - A Expense Classifications

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

Action Taken: Corrective action has been taken. We concur with the recommendation and in October 2009 took steps to implement new resource management and time entry systems, which provide for automated time entry, review and approval which management believes will provide a greater level of control regarding timesheet approval and related expense categorizations. Additionally, additional processes have recently been established to ensure similar time approval of contractor (vendor) labor and financial/billing review processes are being established to ensure the appropriate coding of vendor related expenditures.

2009 - B Timeliness of Recording and Reporting Financial Information

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

Action Taken: Corrective action has been taken. A new project accounting & billing platform has been implemented and deployed which provides for automated and immediate development of invoices. Processes have also been put in place to establish clear accountability and timelines for review and approval of all invoices.

An International Safety Association of Motor Vehicle and Law Enforcement Administrators

FINDINGS - FEDERAL AWARD PROGRAM AUDITS

DEPARTMENT OF TRANSPORTATION

2009 - C Edward Byrne memorial Competitive Grant program – CFDA 16.751
Memorandum of Understanding – CFDA 16.N/A
Period February 1, 2009 through September 30, 2009

Significant Deficiency: As discussed in Finding 2009-B, 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. Because timely processing and recording is not being performed, the organization and granting agency do not have sufficient information to monitor the expenditures within a reasonable time. The organization should establish processes to ensure that grant billings are processed, approved and recorded in a timely manner.

Action Taken: Corrective action has been taken. A new project accounting & billing platform has been implemented and deployed which provides for automated and immediate development of invoices. Processes have also been put in place to establish clear accountability and timelines for review and approval of all invoices.

2009-D Edward Byrne memorial Competitive Grant program – CFDA 16.751
Memorandum of Understanding – CFDA 16.N/A
Period February 1, 2009 through September 30, 2009

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.

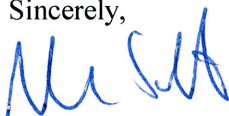
Action Taken: Management understands the specific requirements and implemented a new policy on June 10, 2009.

2009 - E Edward Byrne memorial Competitive Grant program – CFDA 16.751
Memorandum of Understanding – CFDA 16.N/A
Period February 1, 2009 through September 30, 2009

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.

Action Taken: Corrective action has been taken. Management has established a centralized program control function which has responsibility for ensuring that appropriate and executed legal agreements are in place prior to expenses being incurred on any grants or related activities.

Sincerely,



Marc Saitta
Chief Financial Officer