

**REPORT OF THE AUDIT OF
MOTOR VEHICLE AND MOTORBOAT TAXES
AND REGISTRATION FEES COLLECTED AND REMITTED
TO THE COMMONWEALTH OF KENTUCKY
BY EACH COUNTY CLERK**

**For The Year Ended
December 31, 2022**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
SCHEDULE OF MOTOR VEHICLE AND MOTORBOAT TAXES AND REGISTRATION FEES COLLECTED AND PAID TO THE COMMONWEALTH OF KENTUCKY BY EACH COUNTY CLERK	5
SCHEDULE OF VEHICLE REGISTRATION FEES PAYABLE TO THE COMMONWEALTH BY EACH COUNTY CLERK.....	8
NOTE TO SCHEDULES.....	9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULES PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13
SCHEDULE OF FINDINGS AND RESPONSES.....	17

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

Jim Gray, Secretary, Kentucky Transportation Cabinet
Holly M. Johnson, Secretary, Finance and Administration Cabinet
Ray A. Perry, Secretary, Public Protection Cabinet

Report on the Audit of the Schedules

Opinion

We have audited the accompanying Schedule of Motor Vehicle and Motorboat Taxes and Registration Fees Collected and Paid to the Commonwealth of Kentucky by Each County Clerk - Cash Basis for the year ended December 31, 2022, the accompanying Schedule of Vehicle Registration Fees Payable to the Commonwealth by Each County Clerk - Cash Basis for the year ended December 31, 2022, and the related notes to the schedules.

In our opinion, the accompanying schedules present fairly, in all material respects, the cash basis presentation of the motor vehicle and motorboat taxes and registration fees collected and paid, and the registration fees payable to the Commonwealth of Kentucky by each county clerk as of and for the year ended December 31, 2022, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Kentucky Transportation Cabinet and each county clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the schedules, which describes the basis of accounting. The schedules are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Schedules

Management of the Kentucky Transportation Cabinet and each respective county clerk is responsible for the preparation and fair presentation of the elements included in the schedules in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the schedules in the circumstances. Management of the Kentucky Transportation Cabinet along with each respective county clerk is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.



Jim Gray, Secretary, Kentucky Transportation Cabinet
Holly M. Johnson, Secretary, Finance and Administration Cabinet
Ray A. Perry, Secretary, Public Protection Cabinet

Auditor's Responsibility for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of each county clerk's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about each county clerk's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Restriction on Use

This report is intended solely for the information and use of the Kentucky Transportation Cabinet, the Kentucky Finance and Administration Cabinet, and each county clerk, and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the Kentucky Transportation Cabinet's and each respective county clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 of the effectiveness of the Kentucky Transportation Cabinet's and each respective county clerk's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kentucky Transportation Cabinet's and each respective county clerk's internal control over financial reporting and compliance.

Jim Gray, Secretary, Kentucky Transportation Cabinet
Holly M. Johnson, Secretary, Finance and Administration Cabinet
Ray A. Perry, Secretary, Public Protection Cabinet

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report findings:

- 2022-001 The Kentucky Transportation Cabinet's Division Of Motor Vehicle Licensing Did Not Ensure Procedures Were In Place To Prevent Or Detect Inappropriate Changes Of Data In The Automated Vehicle Information System And The Kentucky Automated Vehicle Information System
- 2022-002 The Kentucky Transportation Cabinet And The Commonwealth Office Of Technology Did Not Recover The Kentucky Automated Vehicle Information System During Disaster Recovery Testing

Sincerely,

A handwritten signature in black ink that reads "Farrah Petter". The signature is written in a cursive style with a large, stylized initial 'F'.

Farrah Petter
Assistant Auditor of Public Accounts
Frankfort, Ky

March 29, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF MOTOR VEHICLE AND MOTORBOAT TAXES AND
REGISTRATION FEES COLLECTED AND PAID TO THE
COMMONWEALTH OF KENTUCKY BY EACH COUNTY CLERK

For The Year Ended December 31, 2022

County	Usage Tax	Ad Valorem Tax	License Fees
Adair	\$ 2,897,073	\$ 731,147	\$ 716,739
Allen	1,799,925	983,030	558,910
Anderson	2,941,488	1,249,001	644,702
Ballard	1,004,071	467,771	296,486
Barren	6,641,890	2,022,932	1,215,687
Bath	814,194	490,311	299,770
Bell	2,753,039	761,824	446,128
Boone	20,091,038	7,577,449	3,704,358
Bourbon	6,726,175	1,109,330	698,007
Boyd	7,616,471	2,221,515	1,041,741
Boyle	6,062,382	1,334,934	672,071
Bracken	926,629	425,990	228,634
Breathitt	1,037,194	425,861	253,936
Breckinridge	1,472,394	1,085,299	753,726
Bullitt	7,909,735	4,293,368	1,933,782
Butler	1,027,845	2,725,075	577,424
Caldwell	1,635,824	608,476	404,812
Calloway	4,364,222	1,733,786	1,020,302
Campbell	10,482,743	3,998,270	1,695,654
Carlisle	654,235	348,471	224,236
Carroll	2,114,163	462,810	284,034
Carter	3,347,949	1,350,031	753,268
Casey	717,741	670,194	456,199
Christian	7,845,766	2,149,738	1,438,075
Clark	4,146,038	2,018,639	1,001,015
Clay	901,059	693,861	379,596
Clinton	667,746	423,197	320,720
Crittenden	610,834	406,188	246,391
Cumberland	739,956	298,390	207,776
Daviess	12,245,808	4,445,122	2,513,341
Edmonson	1,060,182	668,669	359,844
Elliott	268,949	243,838	129,865
Estill	633,413	527,087	348,987
Fayette	41,520,504	23,187,321	5,916,680
Fleming	2,128,462	731,328	420,684
Floyd	4,163,534	2,991,313	1,103,684
Franklin	7,863,825	2,316,876	1,265,529
Fulton	541,294	199,233	162,208
Gallatin	815,587	442,292	227,084
Garrard	1,158,620	1,008,127	473,733
Grant	5,466,191	1,104,293	652,885

SCHEDULE OF MOTOR VEHICLE AND MOTORBOAT TAXES AND
REGISTRATION FEES COLLECTED AND PAID TO THE
COMMONWEALTH OF KENTUCKY BY EACH COUNTY CLERK
For The Year Ended December 31, 2022
(Continued)

County	Usage Tax	Ad Valorem Tax	License Fees
Graves	\$ 7,269,226	\$ 1,815,098	\$ 1,300,538
Grayson	2,164,444	1,281,914	899,873
Green	559,607	488,591	327,420
Greenup	4,035,076	1,767,244	833,549
Hancock	389,795	438,257	251,550
Hardin	19,032,546	4,808,487	2,609,103
Harlan	1,527,567	905,634	514,067
Harrison	1,624,269	922,741	467,984
Hart	1,042,742	761,904	535,485
Henderson	4,757,596	2,040,755	1,155,340
Henry	1,253,449	791,323	402,245
Hickman	514,323	270,473	184,133
Hopkins	4,772,437	2,043,442	1,228,772
Jackson	618,487	508,035	303,218
Jefferson	96,503,343	40,362,593	14,112,609
Jessamine	15,633,247	2,924,491	1,509,742
Johnson	4,299,573	1,065,426	536,258
Kenton	20,412,627	6,975,957	2,909,982
Knott	1,455,983	623,520	303,060
Knox	4,316,745	1,829,798	968,354
Larue	754,171	676,504	436,277
Laurel	9,609,714	2,662,797	1,672,873
Lawrence	1,374,998	624,972	314,492
Lee	278,088	230,637	146,551
Leslie	500,899	402,565	232,667
Letcher	2,786,417	943,713	499,201
Lewis	1,107,473	470,713	289,698
Lincoln	1,033,161	1,038,109	565,063
Livingston	945,827	494,952	366,872
Logan	3,066,307	1,257,239	952,911
Lyon	802,483	538,118	316,518
McCracken	9,160,291	3,249,052	1,560,130
McCreary	690,816	476,260	367,754
McLean	1,374,502	526,872	407,272
Madison	15,572,186	4,242,876	2,027,737
Magoffin	656,264	492,364	295,811
Marion	1,043,994	893,750	582,270
Marshall	4,761,855	1,988,642	1,109,937
Martin	871,561	464,280	217,250
Mason	1,962,275	749,537	387,796
Meade	3,974,787	1,412,635	778,518

SCHEDULE OF MOTOR VEHICLE AND MOTORBOAT TAXES AND
REGISTRATION FEES COLLECTED AND PAID TO THE
COMMONWEALTH OF KENTUCKY BY EACH COUNTY CLERK
For The Year Ended December 31, 2022
(Continued)

<u>County</u>	<u>Usage Tax</u>	<u>Ad Valorem Tax</u>	<u>License Fees</u>
Menifee	\$ 297,842	\$ 249,996	\$ 183,975
Mercer	2,116,643	1,172,767	589,301
Metcalfe	629,596	389,052	272,944
Monroe	938,379	449,084	370,513
Montgomery	4,149,968	1,331,695	739,655
Morgan	849,057	529,378	359,440
Muhlenberg	3,077,017	1,333,593	935,599
Nelson	6,024,935	2,543,716	1,460,127
Nicholas	573,548	345,241	159,270
Ohio	1,888,278	1,030,405	635,354
Oldham	10,651,398	3,977,695	1,442,245
Owen	1,010,598	566,866	303,317
Owsley	162,959	138,273	110,153
Pendleton	1,518,719	724,010	359,978
Perry	4,234,007	1,257,150	702,749
Pike	5,369,397	2,383,494	1,021,844
Powell	1,124,010	581,416	325,781
Pulaski	14,196,387	3,230,582	2,000,260
Robertson	215,955	143,632	57,548
Rockcastle	700,619	692,358	396,437
Rowan	4,252,849	1,139,308	616,348
Russell	1,646,658	872,003	565,629
Scott	6,889,123	3,395,472	1,248,037
Shelby	6,695,744	2,716,313	1,208,149
Simpson	3,393,217	879,628	564,353
Spencer	1,866,806	1,265,623	514,849
Taylor	4,057,897	1,127,299	704,055
Todd	1,297,090	536,962	488,885
Trigg	2,085,816	809,520	493,823
Trimble	573,027	440,728	223,154
Union	1,664,190	788,009	578,131
Warren	22,923,138	5,775,177	3,128,277
Washington	701,625	607,225	391,755
Wayne	1,068,015	745,223	532,578
Webster	673,767	671,345	445,980
Whitley	4,209,108	1,722,211	872,910
Wolfe	613,802	295,515	233,169
Woodford	2,933,390	1,546,170	669,999
Totals	<u>\$ 569,601,913</u>	<u>\$ 225,798,791</u>	<u>\$ 106,836,154</u>

SCHEDULE OF VEHICLE REGISTRATION FEES
PAYABLE TO THE COMMONWEALTH BY EACH COUNTY CLERK

For The Year Ended December 31, 2022

<u>County</u>	<u>Amount</u>	<u>County</u>	<u>Amount</u>	<u>County</u>	<u>Amount</u>
Adair	\$	Grant	\$	Mason	\$
Allen		Graves		Meade	
Anderson		Grayson		Menifee	
Ballard	131,126	Green		Mercer	
Barren		Greenup		Metcalfe	
Bath		Hancock		Monroe	
Bell		Hardin		Montgomery	
Boone		Harlan		Morgan	
Bourbon		Harrison		Muhlenberg	
Boyd		Hart		Nelson	
Boyle		Henderson		Nicholas	
Bracken		Henry		Ohio	
Breathitt		Hickman		Oldham	
Breckinridge		Hopkins		Owen	5,371
Bullitt		Jackson		Owsley	
Butler		Jefferson		Pendleton	
Caldwell		Jessamine		Perry	
Calloway		Johnson		Pike	
Campbell		Kenton		Powell	
Carlisle		Knott		Pulaski	
Carroll		Knox		Robertson	
Carter		Larue	7,513	Rockcastle	
Casey		Laurel	1,144	Rowan	
Christian		Lawrence		Russell	
Clark		Lee		Scott	
Clay		Leslie		Shelby	
Clinton		Letcher		Simpson	
Crittenden		Lewis		Spencer	
Cumberland		Lincoln		Taylor	
Daviess		Livingston		Todd	
Edmonson		Logan		Trigg	
Elliott		Lyon		Trimble	
Estill	142,696	McCracken		Union	
Fayette		McCreary		Warren	
Fleming		McLean		Washington	
Floyd		Madison		Wayne	
Franklin		Magoffin		Webster	
Fulton		Marion		Whitley	
Gallatin		Marshall		Wolfe	
Garrard		Martin	53,726	Woodford	

NOTE TO SCHEDULES

December 31, 2022

Note 1. Summary of Significant Accounting Policies

A. County Clerk's Fiduciary Duties

Each county clerk acts as a fiduciary agent on behalf of the Commonwealth of Kentucky to collect usage tax, ad valorem tax, and license fees. Each clerk remits 97 percent of usage tax, 96 percent of ad valorem tax, and the applicable state fees collected for license fees collected as required by statute. The remaining amounts collected are maintained by the county clerks as commissions and fees to be used for expenditures related to the operations of the county clerks' offices.

B. Accounting for Vehicle Taxes and License Fees

Receipts of the county clerks for vehicle taxes and license fees are processed through the state's Automated Vehicle Information System (AVIS). Receipts of the county clerks for boat taxes and license fees and disabled placard fees are processed through the state's Kentucky Automated Information System (KAVIS). AVIS and KAVIS produce daily, weekly, and monthly reports which are used in posting and reconciling to the county clerks' ledgers. Usage tax is remitted daily to a state depository bank account. License and transfer fees are remitted weekly to the Kentucky Transportation Cabinet. State ad valorem taxes are remitted monthly to the Finance and Administration Cabinet Department of Revenue.

C. Basis of Accounting

The schedules have been prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting differs from GAAP primarily because revenues and expenditures of the collections of vehicle taxes and license fees are generally recognized when cash is received or disbursed rather than when incurred. The Schedule of Vehicle Registration Fees Payable is a result of additional usage tax, ad valorem tax, license fees due and inventory exceptions which result in billable items as of the calendar year ended.

The amounts presented in these schedules are included in the county clerks' financial statements, which are audited annually in accordance with KRS 43.070 and 64.810.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULES
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Schedules
Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Jim Gray, Secretary, Kentucky Transportation Cabinet
Holly M. Johnson, Secretary, Finance and Administration Cabinet
Ray A. Perry, Secretary, Public Protection Cabinet

We have audited, 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, the Schedule of Motor Vehicle and Motorboat Taxes and Registration Fees Collected and Paid to the Commonwealth of Kentucky by Each County Clerk - Cash Basis for the year ended December 31, 2022, and the Schedule of Vehicle Registration Fees Payable to the Commonwealth by Each County Clerk - Cash Basis for the year ended December 31, 2022, and the related note to the schedules and have issued our report thereon dated March 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the schedules, we considered the Kentucky Transportation Cabinet's and each respective county clerk's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedules, but not for the purpose of expressing an opinion on the effectiveness of the Kentucky Transportation Cabinet's and each respective county clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kentucky Transportation Cabinet's and each respective county clerk's internal control.

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 schedules will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Schedules
Performed In Accordance With *Government Auditing Standards*
(Continued)

Report on Internal Control over Financial Reporting (Continued)

We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, and regulations and other matters, noncompliance with which could have a direct and material effect on the amounts in the schedules. 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*.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Kentucky Transportation Cabinet's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Kentucky Transportation Cabinet's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kentucky Transportation Cabinet's and each respective county clerk's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Farrah Petter
Assistant Auditor of Public Accounts
Frankfort, Ky

March 29, 2023

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2022

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2022-001 The Kentucky Transportation Cabinet's Division Of Motor Vehicle Licensing Did Not Ensure Procedures Were In Place To Prevent Or Detect Inappropriate Changes Of Data In The Automated Vehicle Information System And The Kentucky Automated Vehicle Information System

This is a repeat finding as reported in the Report Of The Audit Of Motor Vehicle And Motorboat Taxes And Registration Fees Collected And Remitted To The Commonwealth Of Kentucky By Each County Clerk For The Year Ended December 31, 2021.

The Kentucky Transportation Cabinet's (KYTC) Division of Motor Vehicle Licensing (MVL) did not ensure adequate measures were in place to prevent an individual from altering a social security number (SSN) in the Automated Vehicle Information System (AVIS) and Kentucky AVIS (KAVIS) in order to avoid paying delinquent tax obligations. In addition, MVL does not conduct or oversee a periodic review of SSN changes in AVIS or KAVIS for appropriateness. This issue was originally identified in calendar year (CY) 2013.

Employees in county clerk offices are allowed to change the SSN associated with a vehicle for valid reasons, including divorces and changing from joint ownership to sole ownership. KYTC stated all county clerks are aware that an individual cannot sell, transfer, or renew a vehicle that has delinquent taxes and that changing a SSN to avoid paying property taxes is illegal. However, there are no controls in AVIS at the point of data entry to restrict changes to SSNs.

If a county clerk believes fraud has occurred, they may request the Department of Revenue (DOR) review transaction activity. DOR then requests a transaction activity report from the Commonwealth Office of Technology (COT) and reviews it for unusual activity. Any potentially inappropriate activity is provided to the Auditor of Public Accounts (APA) for further review. This process only occurs on request and there is no periodic review for unreported unusual activity. MVL is not involved in this review.

There are more stringent controls in place in KAVIS, which is gradually replacing AVIS and is partially implemented. Vehicle registrations have not transitioned to KAVIS yet, but KYTC is developing necessary controls to prepare for this transition. When the taxpayer provides a driver's license number, SSN, or Federal Employer Identification Number (FEIN), KAVIS validates the individual's information via KYTC's driver's license database. When individuals are verified this way, they are known as 'DL Verified' and their information becomes unalterable by clerks. However, if a Visa or Green Card Number is entered instead, no verification occurs, and clerks are able to alter the customer information. Any alterations are logged, including who made the change and the date and time. As with changes in AVIS, there is no periodic review of these KAVIS changes for appropriateness.

KYTC, DOR, COT, and the county clerk offices all have roles in the vehicle registration process. However, as owner of the data in AVIS and KAVIS, KYTC's MVL did not ensure this data was correct and protected from unauthorized changes. Furthermore, the planned implementation of KAVIS Module 4 is scheduled for July 2023. As such, MVL does not plan to pursue programming changes to AVIS, which would disrupt the development of KAVIS.

MVL was not aware of any claims of SSN changes or suspicious activity involving SSN during CY 2022. As such, KYTC could not fully implement the corrective actions they provided in their response to the prior year finding. KYTC indicated, in their response to the prior year finding, MVL would contact DOR to determine the process for monitoring SSN changes made within AVIS. Upon development, MVL would schedule periodic reviews with DOR regarding any suspect activity and would follow up with any counties with reported activity to determine the validity of the SSN changes.

Failure to ensure controls are in place at the point of data entry to prevent altering SSNs, and a lack of a periodic review process for changes that do occur, could result in violations of KRS 186.021(1).

SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2022
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2022-001 The Kentucky Transportation Cabinet's Division Of Motor Vehicle Licensing Did Not Ensure Procedures Were In Place To Prevent Or Detect Inappropriate Changes Of Data In The Automated Vehicle Information System And The Kentucky Automated Vehicle Information System
 (Continued)

KRS 186.021(1) states, "...a county clerk shall not issue a replacement plate, decal, or registration certificate as provided in KRS 186.180, or a registration for renewal to any person who on January 1 of any year owned a motor vehicle on which state, county, city, urban-county government, school, or special taxing district ad valorem taxes are delinquent."

House Bill 284 of the 2022 Regular Session amended KRS 186A.060 to require customers to provide his or her Kentucky-issued personal identification card number, Kentucky-issued driver's license number, or social security number, when titling or registering a vehicle in Kentucky. This bill does not take effect until January 1, 2024; therefore, it did not have an impact on county clerks during CY 2022.

We recommend MVL:

- Continue providing regular communication to county clerks explaining the appropriate reasons for making changes to Social Security Numbers.
- Work with DOR and COT to develop a process to periodically review SSN changes in AVIS until KAVIS is fully implemented. A process to periodically review changes to non-verified customers in KAVIS should also be developed and implemented as soon as any vehicle registrations begin processing in KAVIS.
- Appropriately restrict the users' ability to change SSNs when KAVIS modules related to vehicle registrations are implemented.

Kentucky Transportation Cabinet's Response: *There are no controls in AVIS that restrict a County Clerk from changing an SSN, to complete a transaction in AVIS. Also, none of the users in MVL can change an SSN in AVIS. With the impending implementation of KAVIS, KYTC/MVL has no plans to do any programming to restrict SSN changes by the County Clerks.*

In the event a County Clerk feels an SSN has been changed and that change has led to fraudulent behavior, they contact DOR for assistance. MVL has no way to change SSNs or research SSNs in our AVIS system.

HB 284 was just passed which will require customers to present a Kentucky issued state identification card or a Kentucky issued driver's license when titling or registering a vehicle in Kentucky. In some instances, a green card or a VISA will also be accepted when titling or registering a vehicle in Kentucky. ITINs are no longer accepted by the majority of County Clerks.

KAVIS locks down SSN once the driver license is validated. This appropriately restricts the user's ability to change the SSN. This functionality is in effect for all customers in KAVIS and will impact every customer once KAVIS goes live with the remaining module.

2022-002 The Kentucky Transportation Cabinet And The Commonwealth Office Of Technology Did Not Recover The Kentucky Automated Vehicle Information System During Disaster Recovery Testing

This is a repeat finding as reported in the Report Of The Audit Of Motor Vehicle And Motorboat Taxes And Registration Fees Collected And Remitted To The Commonwealth Of Kentucky By Each County Clerk For The Year Ended December 31, 2021.

SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2022
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2022-002 The Kentucky Transportation Cabinet And The Commonwealth Office Of Technology Did Not Recover The Kentucky Automated Vehicle Information System During Disaster Recovery Testing
 (Continued)

The calendar year 2022 audit revealed the Kentucky Transportation Cabinet's (KYTC) Kentucky Automated Vehicle Information System (KAVIS) did not undergo Disaster Recovery (DR) testing.

KYTC's infrastructure is consolidated with the Commonwealth Office of Technology (COT). As such, responsibilities associated with disaster recovery are separated. KYTC is responsible for identifying critical systems to be included in DR testing and working with COT to remediate any issues that arise. COT is responsible for backing up, testing, and recovering KAVIS data in the event of a disaster. COT performs regular backups and has developed a formal disaster recovery plan (DRP).

KAVIS was tested from a DR standpoint in February 2019; however, it was not successfully recovered at that time. No other testing has been attempted for KAVIS.

Due to failed DR efforts and unavailable COT resources in prior years, specifically with KAVIS, the KAVIS Team has not participated in DR testing or services since February 2019. KYTC stated that COT piloted Amazon Web Services (AWS) in relation to DR services for about a year with another state agency. It was confirmed that all work associated with AWS has been terminated. However, COT stated that KYTC plans to test KAVIS in a 2023 COT DR exercise.

The goal of a disaster recovery plan is to improve preparedness for extended system outages at minimal cost using available resources. Failure to implement a complete disaster recovery plan increases the possibility of loss due to excessive recovery time, costs, and disruption of processing capabilities in the case of a disaster or extended system outage. Disasters can cause short or long-term disruptions in services and, specific to KYTC, could cause the loss of critical customer data.

CIO-113: Contingency Planning Policy, which became effective July 16, 2019, "requires that IT systems and services acquisition adhere to, at a minimum, the moderate-level control standards outlined in the NIST 800-53 Revision 4 Contingency Planning (CP) control family, in accordance with CIO-091 Enterprise Information Security Program." Section CP-10 System Recovery and Reconstitution specifically states, "Provide for the recovery and reconstitution of the system to a known state within [Assignment: organization-defined time period consistent with recovery time and recovery point objectives] after a disruption, compromise, or failure."

According to KRS 42.726:

(2) *The roles and duties of the Commonwealth Office Technology shall include but not be limited to:*

...

- (c) *Developing strategies and policies to support and promote the effective applications of information technology within state government as a means of saving money, increasing employee productivity, and improving state services to the public, including electronic public access to information of the Commonwealth;*
- (d) *Developing, implementing, and managing strategic information technology directions, standards, and enterprise architecture, including implementing necessary management processes to assure full compliance with those directions, standards, and architecture.*

We recommend KYTC work with COT to ensure disaster recovery testing of KAVIS is conducted as soon as possible. Results of this testing should be thoroughly documented and maintained. Also, staff involved in the DRP processes should receive training to ensure they are aware of their assigned responsibilities.

SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2022
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2022-002 The Kentucky Transportation Cabinet And The Commonwealth Office Of Technology Did Not Recover The Kentucky Automated Vehicle Information System During Disaster Recovery Testing
(Continued)

Kentucky Transportation Cabinet's Response: Disaster recovery is important for system availability. In the past DR testing efforts had not been successful due to factors that included available infrastructure support resources. A major release of KAVIS will be promoted to production this year. The KAVIS team will meet with COT post successful production go-live for DR planning and testing. Testing will impact all stakeholders of KAVIS as it be performed on the live system. DR testing in the simulated environment fails. KAVIS full functionality is dependent on its interfaces. Most enterprise services, like NAS, email, and internet are not available in the simulated environment.