

## Dealer Issued Temporary Tags Audit Report 202223-06

January 11, 2024

### Executive Summary

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The Florida Department of Highway Safety and Motor Vehicles (Department) is responsible for regulating the licensing of motor vehicle dealers and oversight of the issuance process for dealer-issued temporary tags. The Bureau of Dealer Services (BDS) is responsible for conducting dealer records inspections which include monitoring of temporary tags. BDS is assisted by the Bureau of Issuance Oversight (BIO) which monitors the issuance of print-on-demand temporary tags in real-time and the Office of General Counsel (OGC) which assists with administrative actions and complaints against dealers determined to be noncompliant with state statute, administrative code, and/or Department policy and procedures.

The purpose of this audit was to review and evaluate the efficiency and effectiveness of the Department's oversight of the dealer temporary license plate issuance process and compliance with applicable laws, and Department policy and procedure.

Our review determined that the Department has policies, procedures, and mechanisms currently in place to exercise oversight and control over dealer-issued temporary tags. However, we noted opportunities for improvement which would strengthen controls and improve oversight efforts:

First, we recommend BDS management review and revise Procedure EP-12 to ensure management's expectations for supervisory oversight and control of high-risk dealer inspections are documented and communicated. We also recommend BDS management review and revise Procedure EP-12 and form HSMV 84015 to ensure instructions for BDS staff correspond to management's expectations for staff completion and supervisory review and oversight and are realistically capable of completion.

Second, we recommend BDS management review and revise Procedure EP-12 to ensure that policy and procedure directives are complete, can be easily referenced, and are presented in a logical, orderly, and systematic manner.

Management agreed with the recommendations and has begun implementing corrective action.



## Background and Introduction

Section 320.605, Florida Statutes (F.S.), states that it is the intent of the Legislature to protect the public health, safety, and welfare of the citizens of the state by regulating the licensing of motor vehicle dealers.

Section 320.27, F.S., authorizes the Department to issue and renew licenses for motor vehicle dealers. It provides the authority for inspection of dealer records by members of the Department, and it also requires dealers to maintain records including:

- The date a temporary tag was issued;
- The date of title transfer;
- The name and address of the purchaser; and
- The vehicle description, identification number or engine number, maker's number (if any), chassis number (if any), and/or other numbers or identification marks.

Section 320.131, F.S., authorizes and empowers the Department to design, issue, and regulate the use of temporary tags. Temporary tags may be issued for a period of 10, 30, or 90 days according to the purpose for which the license plate is issued. No more than two temporary tags can be issued to the same person for the same vehicle.

Temporary tags can either be pre-printed or print-on-demand. Section 320.131, F.S., also authorizes the Department to implement a secure print-on-demand electronic temporary tags registration, record retention, and issue system for use by every Department-authorized issuer of temporary tags; as well as a backup manual issuance method (i.e., pre-printed tags) for use during an outage of Department/provider Electronic Temporary Registration (ETR) electronic filing systems.

Chapter 15C-1, Florida Administrative Code (F.A.C.), provides definitions for temporary tags, authorized duration, and authorized issuers (i.e. motor vehicle dealers). It also describes how pre-printed temporary tags can be purchased/obtained, lot size, and from whom. Requirements for tag completion, documentation/recordkeeping related to issued temporary tags, records retention period (3 years), and conditions for "voided" pre-printed temporary tags are also detailed.

Chapter 15C-7, F.A.C., defines the requirements for licensure, records, maintenance, accessibility, retention, and penalties for motor vehicle dealers. The chapter also details the application process, requirements for office, display space and operation, denial, suspension or revocation, implementation, special requirements for the licensing of a franchise motor vehicle dealer, and unauthorized additional motor vehicle dealerships. This chapter details recordkeeping requirements for motor vehicle dealer transactions that include temporary tag numbers, temporary tag issue dates, and name and address of purchaser for pre-printed and print-on-demand temporary tags.

Chapter 15C-16, F.A.C., addresses the requirements of the Department's ETR and Electronic Filing System (EFS) systems. A "back-up" method of providing temporary tags when print-on-demand tags are unavailable due to technical difficulties (e.g., web or internet access issues) is also authorized. This back-up method is issuing pre-printed and pre-assigned temporary license plate stock to dealers for later use. This chapter also specifies related documentation, reporting, and recordkeeping required for the issuance of pre-printed temporary tags.

## **Fraud Prevention and Detection**

To prevent fraud and misuse of dealer-issued temporary tags (DTT), the Department employs the following:

- Statutory authority to issue and renew licenses to motor vehicle dealers;
- Restricting issuance of DTT to licensed dealers only;
- Oversight and control of the ETR (and vendor) registration and temporary tag issuance process;
- Real-time access to DTT issuance data to rapidly identify potential instances of misuse;
- Requirements for print-on-demand and preprinted temporary tags;
- Limits on the length of time DTTs are valid; and
- Limits on the number of DTTs that can be issued per vehicle and per customer.

The Department's efforts to monitor and detect potential instances of DTT fraud and abuse occur primarily in the following three ways:

- Continuous monitoring of DTT issuances compared to identified high-risk factors;
- Dealer inspections (onsite or desk audit); and
- Follow-up dealer inspections (onsite or desk audit) to determine if any identified exceptions have been rectified.

The BDS also works closely with BIO which provides real-time access to DTT issuance data by licensed dealers to BDS personnel responsible for detecting potential misuse. BIO personnel coordinate with BDS staff daily to identify potential instances of misuse, and the Department maintains a SharePoint site where DTTs and title transactions per dealer can be reviewed.

## **High-risk Dealer Inspections**

BDS is organized into 10 Regions across the state. Dealer inspections are performed by BDS staff located in each Region. Except for Region 1: Margate, regions are generally comprised of a number of counties. Regions, and their main field office(s), are as follows:

- Region 1: Margate;
- Region 2: Ocala;



- Region 3: Jacksonville;
- Region 4: Orange City;
- Region 5: Orlando;
- Region 6: Tampa;
- Region 7: Tallahassee/Panama City/Pensacola;
- Region 8: Palmetto;
- Region 9: West Palm Beach; and
- Region 10: Miami.

New dealers have a record inspection conducted within 90 days of being licensed if there have been sufficient sales transactions for sampling (i.e., a minimum of 5 sales). Otherwise, the criteria for selecting dealers for inspection is based on a semi-annual uniform risk assessment which includes:

- Receipt of consumer complaints;
- An excessive temporary license plate to title issuance ratio (e.g., 4 to 1);
- An abandoned EFS transaction count over a threshold amount; and
- Title transfer and/or registration transactions over the maximum allowed time period (i.e., 30 days).

The current Department policy and practice is to conduct dealer inspections in accordance with the requirements of Procedure EP-12, *Dealer Record Inspection*. The purpose of this procedure is to provide guidance to Department regional offices on how to conduct and grade the different types of dealer record inspections, which include:

- motor vehicle;
- salvage;
- mobile home; and
- recreational vehicle.

Procedure EP-12 serves as a guide to BDS employees in seeking information needed to determine how, when, and what type of record inspection to perform. It also establishes standard inspection forms and grading criteria. The stated goal for dealer record inspections is:

- to ensure all required records are maintained; and
- that records are readily retrievable in a format that allows Department personnel to verify compliance with statutory and administrative requirements.

The Department utilizes dealer records inspections as an opportunity to provide education to the dealers. Depending on the type and severity of exceptions identified in an inspection, the dealer may be counseled on the appropriate method of operation, and then later re-inspected to confirm compliance.



Dealer-issued temporary tags are only a portion of what is examined by Department personnel during the dealer inspection process.

BDS supervisory and management personnel exercise oversight over completed dealer record inspections; however, the nature and detail of oversight varies from Region to Region based on:

- Staffing availability, specifically:
  - Number of Examiners available to perform inspections;
  - Number of Field Supervisors available to perform reviews; and
  - Availability of Regional Administrators to perform second-level reviews.
- Number of new dealer and high-risk inspections to be completed.

## Department Corrective Action

The Department utilizes a multifaceted approach to deter, penalize, and mitigate identified misuse and/or fraud related to dealer-issued temporary tags.

The Department is empowered to pursue legal (administrative) penalties and fines as well as terminate or suspend a dealer's ability to purchase pre-printed temporary tags, or to issue print-on-demand temporary tags if a dealer is found to be in violation of state statutes, administrative codes, or Department policies.

Generally, the Department utilizes a progressive discipline and oversight program beginning with counseling/educating dealers when deficiencies are identified, increasing over time to more severe penalties such as:

- Suspension/revocation of the ability to issue temporary tags;
- Dealer license suspension;
- Fines; and
- Administrative actions.

For dealers that fail initial inspection, responsible BDS staff:

- conduct follow-up inspections (on-site or desk review);
- institute corrective actions such as counseling and dealer education; and
- initiate punitive actions (including suspension of temporary tag issuance privileges) on a progressive basis based on the circumstances and on a case-by-case basis.

According to the OGC, during calendar year 2022 (January 1, 2022, through December 31, 2022) approximately \$640,000 in fines and penalties had been assessed, and approximately \$550,950 had been collected.



## Findings and Recommendations

Our review determined that the Department has policies, procedures, and mechanisms currently in place to exercise oversight and control over dealer-issued temporary tags. However, we noted opportunities for improvement which would strengthen controls and improve oversight efforts.

### Supervisor Review

**Finding No. 1:** Ensuring supervisors review completed dealer records inspections according to the expectations of management would strengthen controls, compliance, and oversight.

BDS Procedure EP-12, *Dealer Record Inspection*, prescribes the process for supervisory review and oversight of completed dealer inspections – including dealer-issued temporary tags. This process includes date stamping completed inspection forms when received in the regional office, circling in red pen all checkmarks in “No” columns, determining if a follow-up inspection is required, and initialing the report if no follow-up is required.

For a sample of 36 dealers with completed inspections (both passed and failed), we noted the following:

- None of the completed inspection forms were date stamped, and only 5 (14 percent) of 36 included circled (or underlined) “No” checkboxes.
- The policy does not specify where the reviewer will initial the report. Only 9 (25 percent) of 36 completed inspection forms included reviewer initials (or name) in the “graded by” section.
- Only 28 (78 percent) of 36 completed inspection forms included Yes/No checkboxes selected in the “Follow-up” section.

Additionally, review requirements as stated in Procedure EP-12 did not conform to the format and/or structure of the dealer inspection report (HSMV 84015). For example:

- The “Yes” and “No” checkboxes are not organized into columns; and, in some instances, a box checked “No” does not necessarily correspond to a deficiency.
- The form does not specify where the reviewer will initial the report. The form includes a small space labeled “graded by” on the first page of the form.
- The “Follow-up” “Yes” and “No” checkboxes are not located in the upper right-hand corner of the report. This requirement as stated does not correspond to the format of the dealer inspection report.

BDS management has reduced assurance and limited documentation that regional supervisors are exercising control and oversight of the dealer records inspection process. Reduced oversight and control of the dealer records inspection process –



which includes dealer-issued temporary tags – adversely impacts the Department’s oversight and control of temporary tag issuance. Supervisory review and oversight activities should reflect specific BDS management expectations for effective oversight and control of high-risk dealer inspections.

## Recommendations

We recommend BDS management review and revise Procedure EP-12 to ensure management’s expectations for supervisory oversight and control of high-risk dealer inspections are documented and communicated.

We also recommend BDS management review and revise Procedure EP-12 and form HSMV 84015 to ensure instructions for BDS staff correspond to management’s expectations for staff completion and supervisory review and oversight and are realistically capable of completion.

## Management Response

BDS has a subgroup of Regional Administrators (RA's) who routinely review applicable procedures and submit recommendations for changes through the chain of command.

The RA working group will be tasked with reviewing and updating Policy EP-12 as well as HSMV form 84015. The RA's will be meeting in Tallahassee in early 2024 for annual training. The proposed revisions and updates will be finalized at that time. The BDS expects this update to be completed and implemented by June 30, 2024.

## *Dealer Record Inspection Procedure*

**Finding No. 2:** BDS management could strengthen controls and improve process oversight for dealer-issued temporary tags by updating Procedure EP-12.

HSMV Management Policy 11.12 *Management Control* details management’s responsibility for internal control processes. Specifically, managers are responsible for establishing policies, procedures, and systems to be used to minimize, mitigate and/or limit risks by establishing practical controlling processes that require and encourage members to carry out their duties and responsibilities in a manner which fosters a favorable control environment; as well as maintain the effectiveness of these processes by fostering continuous improvement.

BDS Procedure EP-12, *Dealer Record Inspection*, details the process for completing dealer inspections – including dealer-issued temporary tags. The current condition of Procedure EP-12 *Dealer Record Inspection* does not conform to the expectations for



policies, practical controlling processes, effectiveness, and continuous improvement established by Management Policy 11.12.

For example, Procedure EP-12 is organized into sections labeled by Roman numerals. Section V begins on page EP-12-08, then Sections VI, VII, and VIII are skipped, with Section IX beginning on page EP-12-18.

Also, Procedure EP-12, Section XIII, Operational Instructions and Record Keeping (A) skips from sub-section 7 (page EP-12-24) to sub-section 11 (page EP-12-25); with no sub-sections 8, 9, or 10 included.

Additionally, Procedure EP-12, Section V, Conducting the Records Inspection Using HSMV Form 84015 Dealer Record Inspection Report (C)(3) contains a reference to "... See section VIII for more detailed information." Section VIII does not exist (see above); however, the information this part refers to is included in Section XIV, Reports (page EP-12-25).

Consequently, BDS management has reduced assurance that Department staff responsible for conducting dealer inspections (which includes dealer issued temporary tags), and supervisors responsible for oversight, have adequate and effective policy and procedure direction reflecting management's expectations for performance. This reduced assurance adversely impacts achievement of the Department's goals and objectives and the Department's oversight and control of dealer issued temporary tags.

Additionally, Department staff responsible for conducting dealer inspections, and supervisors responsible for oversight, cannot be expected to comply (or held accountable) with policy requirements that are confusing, contradictory, nor easily discernable.

## **Recommendation**

We recommend BDS management review and revise Procedure EP-12 to ensure that policy and procedure directives are complete, reflect management's expectations for performance, can be easily referenced, and are presented in a logical, orderly, and systematic manner.

## **Management Response**

This recommendation will be adopted concurrently with recommendation #1. It should be noted that EP-12 was revised in May 2023 to correct the numbering deficiencies within the procedure outline.





## **Purpose, Scope, and Methodology**

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The purpose of this audit was to review and evaluate the efficiency and effectiveness of the Department's oversight of the dealer temporary license plate issuance process and compliance with applicable laws, Department policy and procedure.

The scope of this audit included the administration and management of the Department's oversight of the dealer temporary license plate issuance process for the period of January 1, 2022, through December 31, 2022.

The methodology included:

- Reviewing applicable statutes, rules, manuals, and procedures;
- Interviewing appropriate Department staff;
- Reviewing a sample of completed dealer inspection forms and related documentation;
- Reviewing Department Tableau and SQL reports and dashboards detailing dealer temporary tag issuance; and
- Onsite fieldwork at Motorist Services regional field offices including interviews of BDS personnel and collection of dealer inspection documentation.

## **Acknowledgement**

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We would like to thank all Department and BDS personnel who assisted during the audit and express our appreciation for their cooperation during our review.



## Distribution, Statement of Accordance, and Project Team

### Distribution

Dave Kerner, Executive Director  
Jennifer Langston, Chief of Staff  
Robert Kynoch, Deputy Executive Director  
Jessica Espinosa, Deputy Director, Program Operations, Motorist Services  
Brett Saunders, Chief, Bureau of Dealer Services, Motorist Services

Melinda M. Miguel, Chief Inspector General  
Sherrill F. Norman, Auditor General

### Statement of Accordance

Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

### Project Team

Engagement conducted by:  
Calvin Grissett, Auditor

Under the supervision of:  
Erin Mook, Audit Director

Approved by:

A handwritten signature in blue ink that reads "Mike Stacy".

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Mike Stacy, Inspector General


## ATTACHMENT - Management Response



Dave Kerner  
Executive Director

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### MEMORANDUM

DATE: January 4, 2024  
TO: Erin Mook, Audit Director  
FROM: Brett D. Saunders, Chief   
Bureau of Dealer Services  
SUBJECT: Management Response to the Dealer Issued Temporary Tags Audit (202223-06)

The following is our response to the findings and recommendations presented in the report.

#### Finding 1

Ensuring supervisors review completed dealer records inspections according to the expectations of management would strengthen controls, compliance, and oversight.

#### Recommendations

- We recommend BDS management review and revise Procedure EP-12 to ensure management's expectations for supervisory oversight and control of high-risk dealer inspections are documented and communicated.
- We recommend BDS management review and revise Procedure EP-12 and form HSMV 84015 to ensure instructions for BDS staff correspond to management's expectations for staff completion and supervisory review and oversight and are realistically capable of completion.

#### Management Response

The Bureau of Dealer Services (BDS) has reviewed the preliminary findings submitted by the Office of the Inspector General (OIG) contained within Audit Report 202223-06. BDS does not object to any of the findings and submits the following in response to recommendation #1: BDS has a subgroup of Regional Administrators (RA's) who routinely review applicable procedures and submit recommendations for changes through the chain of command.

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The RA working group will be tasked with reviewing and updating Policy EP-12 as well as HSMV forms 84015. The RA's will be meeting in Tallahassee at HQ in early 2024 for annual training. The proposed revisions and updates will be finalized at that time. The BDS expects this update to be completed and implemented by June 30, 2024.

## **Finding 2**

BDS management could strengthen controls and improve process oversight for dealer-issued temporary tags by updating Procedure EP-12.

## **Recommendations**

- We recommend BDS management review and revise Procedure EP-12 to ensure that policy and procedure directives are complete, reflect management's expectations for performance, can be easily referenced, and are presented in a logical, orderly, and systematic manner.

## **Management Response**

This recommendation will be adopted concurrently with recommendation #1. It should be noted that EP-12 was revised in May 2023 to correct the numbering deficiencies within the procedure outline.

In closing, the Bureau of Dealer Services would like to submit the following: During January through November 2022, a total of **72** licensed dealers were suspended from the ETR/EFS system for possible abuse. During this same period in 2023, a total of **183** licensed dealers were suspended from the ETR/EFS system. This represents an increase of 39% compared to the same period in 2022.