

Arizona Department of Transportation

Motor Vehicle Division’s (MVD) Oversight of Third Parties

30-Month Followup of Performance Audit Report 23-105

The August 2023 performance audit found that MVD failed to ensure authorized third-party companies consistently issued vehicle titles, driver licenses, and identification cards only to qualified and/or authorized individuals/entities, increasing public safety risks such as unsafe drivers, vehicle and identify theft, fraud, and terrorism. We made **13** recommendations to MVD.

MVD’s status in implementing 13 recommendations

Implementation status	Number of recommendations
 Implemented	3 recommendations
 Implemented in a different manner	1 recommendation
 In process	9 recommendations

Although we reported in our last followup that MVD had developed written procedures and/or guidance for its third-party quality assurance process in several areas, our work to assess whether MVD had implemented these procedures during this followup identified deficiencies in the procedures themselves and deficiencies in MVD’s implementation of the procedures. Therefore, we will conduct a 42-month followup with MVD on the status of the recommendations that have not yet been implemented.

Recommendations to MVD

Finding 1: MVD failed to ensure third parties consistently issued vehicle titles, driver licenses, and identification cards only to qualified and/or authorized individuals/ entities, putting public safety and welfare at risk

1. MVD should ensure its third-party contract performance measurement attachment includes clearly defined performance requirements, including outlining in the attachment:

- How and when accuracy rates will be calculated and measured.
- Time frames for correcting performance deficiencies.
- How performance findings will be communicated to third parties.

▶ Status: **Implemented at 6 months.**

MVD modified its third-party contract and included performance requirements in a performance measurement attachment. These requirements include how and when accuracy rates will be calculated and measured, time frames for correcting performance deficiencies, and how performance findings will be communicated to third parties. MVD reported that it provided the performance measurement attachment to all third parties in January 2024 and that as of April 2024, all third parties had agreed to the updated attachment. Our review of documentation from a random sample of 15 of MVD's 89 third parties found that all 15 third parties had agreed to the updated performance measurement attachment.

2. MVD should ensure third parties issue vehicle titles, driver licenses, and identification cards only to qualified and/or authorized individuals/entities by developing and implementing written policies, procedures, and guidance for its third-party quality assurance process, including but not limited to:

- a. Procedures and required time frames for monitoring third-party completion of self-reviews.

▶ Status: **Implementation in process.**

MVD developed and implemented written procedures for MVD staff monitoring third-party completion of self-reviews. These procedures include steps MVD staff should take to identify third parties that did not complete a self-review of all selected transactions. Our review during this followup found that MVD staff followed MVD's written procedures for monitoring third-party completion of self-reviews. However, MVD's procedures lack required time frames for MVD staff to monitor third-party completion of self-reviews. Specifically, although MVD reported that its staff should monitor third parties' completion of self-reviews the day after third parties are required to complete them, this time frame is not established in MVD's written procedures or guidance. Absent this documented time frame, MVD is at risk

that its staff do not comply with its expectations, in particular if MVD experiences staff turnover in the future. We will further assess MVD's implementation of this recommendation during our next followup.

- b.** Procedures for selecting transactions completed by third parties for MVD's review, including outlining how and what MVD staff should review, and how to track the results of MVD's review, including documenting any identified errors.

▶ Status: **Implementation in process.**

MVD has developed some written procedures for selecting, reviewing, and tracking its review of third-party transactions. For example, MVD developed procedures outlining how MVD staff should review selected third-party transactions, such as directing MVD staff to compare transaction information that a third party entered in MVD's system against the documentation the third party was required to obtain to complete the transaction. However, our review found that some of MVD's written procedures and guidance are not complete or have not been updated as needed. For example:

- **MVD's written procedures do not include some guidance on how MVD staff select third parties for MVD's review**

MVD's written procedures indicate that MVD staff will conduct random reviews of selected third parties every week. According to MVD, as of February 2025, it randomly selects a quarter of third parties each week and reviews each third party once per month.¹ Our review found that from February 2025 through August 2025, MVD conducted a review of all third parties each month. Additionally, MVD's contract with third parties indicates that MVD may initiate a review for various reasons, such as customer inquiries or identified errors.

However, MVD's procedures lack additional guidance for selecting third parties for random reviews, such as how many third parties should be randomly selected each week and how frequently each third party should be reviewed. Additionally, MVD's procedures do not outline a process for incorporating customer inquiries or other considerations outlined in the contract when selecting third parties for review, such as procedures for locating information on customer inquiries and when the inquiry would require initiating a review. Without written policies, procedures, or guidance outlining its processes, there is a risk that some third parties may be unfairly or not consistently selected for review.

- **MVD has not updated some of its written procedures and guidance for reviewing third-party transactions when needed**

MVD developed written procedures outlining what MVD staff should review and how to track the results of MVD's review, including any identified errors. For example, MVD's procedures include a form that outlines a list of possible

¹ MVD reviews the same transactions selected for third parties' self-reviews, which consist of a random sample of transactions the third party completed during the previous week. MVD reported that prior to February 2025, it reviewed each third party once every 2 months.

transaction errors that MVD's staff should look for and track when completing their review, such as errors made by third parties when issuing vehicle titles or driver licenses. Additionally, MVD developed a guidance document for staff to use as a reference when completing the form.

However, MVD reported that it does not update the form when State requirements for completing a transaction change. For example, in August 2025, the State removed the requirement for third-party staff completing a driver's license transaction to sign the driver's license application for applicants that are not minors; however, MVD's form and guidance document still indicate that it is an error to not have this signature on all applications. As a result, MVD includes a form in its procedures and uses a guidance document for reviewing and tracking transactions that does not accurately reflect the errors that staff should identify and track, increasing the risk that staff may inaccurately identify a State requirement that was removed as an error and improperly take action against a third party for noncompliance (see recommendation 2e, pages 5 through 10, for more information on MVD's procedures for addressing third-party noncompliance).

According to MVD, updating its form would require it to make changes to some of the automated processes it developed for its third-party quality assurance process, which would require a significant amount of time and could result in the automated processes not functioning correctly. However, because MVD's guidance document is separate from its automated processes, MVD could update its guidance document when State requirements for completing a transaction change so that its staff have accurate guidance for completing the form.

We will further assess MVD's implementation of this recommendation during our next followup.

- c. Procedures and required time frames for communicating the results of MVD staffs' reviews to third parties.

- ▶ Status: **Implementation in process.**

According to MVD, its quality assurance process includes reviewing third parties' compliance with each performance requirement established in its third-party contract (see recommendation 2e, page 6, for more information on the compliance categories that MVD assesses). However, MVD has only developed written procedures and/or time frames for communicating the results for some of the requirements it reviews. For example, MVD developed procedures and time frames for communicating any transaction errors identified from its review to third parties, but its procedures lack time frames for communicating the results of MVD staffs' review of third parties' compliance with error resolution requirements (see recommendation 2e, page 6, for information on this requirement).

MVD's lack of procedures and/or time frames for communicating the results of some of its reviews to third parties could result in inconsistent communication with third

parties and delays in third parties' addressing all areas of identified noncompliance. For example, if MVD is not consistent and timely in its communication with third parties regarding third parties' error resolutions, third parties may be unaware that the action taken to correct an error was insufficient and continue to unknowingly make an error. We will further assess MVD's implementation of this recommendation during our next followup.

- d. Procedures and time frames for following up with third parties to ensure errors and other performance deficiencies are resolved.

- ▶ Status: **Implementation in process.**

Although MVD developed written procedures and time frames for third parties to correct identified errors, such as requiring third parties to correct errors identified in transactions within 10 days, it has not developed time frames for following up with third parties that did not resolve errors within the required time frame. Additionally, MVD's written procedures have not always aligned with its practices, nor has it consistently communicated changes to third parties. For example, although MVD's written procedures had required third parties to develop corrective action plans in response to identified noncompliance, and although MVD continued to communicate this requirement to some third parties in disciplinary letters identifying noncompliance, MVD reported that it stopped enforcing the corrective action plan requirement in January 2024. MVD reported it found that providing 1-on-1 training to noncompliant third parties was more effective at preventing continued noncompliance than requiring corrective action plans (see recommendation 2f, pages 10 and 11, for more information on 1-on-1 trainings).

However, by not updating its procedures and consistently communicating accurate information about its processes, MVD risks confusing third parties and MVD staff, potentially leading to delayed resolution of compliance concerns. For example, if a third party is not aware of the change MVD made to its corrective action requirement, the third party may spend time developing a corrective action plan instead of prioritizing MVD's 1-on-1 training. As of March 2026, MVD reported that it has removed the corrective action plan requirement from the letters it sends to third parties and its internal procedures.

- e. Procedures for taking enforcement action in response to third-party noncompliance, including steps to escalate enforcement actions based on repeated/continued noncompliance.

- ▶ Status: **Implementation in process.**

MVD has developed written procedures for taking enforcement actions in response to third parties' noncompliance, including steps to escalate enforcement actions based on repeated noncompliance. Consistent with the American Association of Motor Vehicle Administrators' (AAMVA) recommended practices, MVD's procedures outline a progressive system for escalating enforcement to address

noncompliance.² For example, MVD's procedures require it to escalate enforcement for third parties' repeated noncompliance in 5 compliance categories, such as committing errors when completing transactions, not conducting a self-review of completed transactions, and not attending MVD-required training (see textbox for more information). Additionally, each of the 5 compliance categories are consistent with or similar to those recommended by AAMVA, including establishing a standard third-party transaction accuracy rate, establishing required time frames for correcting performance deficiencies, such as transaction errors, and requiring third-party staff to attend training.

MVD assesses compliance in 5 categories

Self-QA Time Frame: Third parties are required to complete a weekly self-review of transactions that are selected by MVD, such as reviewing that all required information is included on a title. Third parties that do not complete the review or do not provide the results of the review to MVD are considered noncompliant in this category. Self-reviews help ensure transactions are handled correctly, such as ensuring driver licenses and title documents are issued only to qualified or authorized individuals/entities.

Self-QA Monthly Accuracy: Third parties are required to maintain an average accuracy score of 90% each month for the self-reviewed transactions. This score is determined by each third party based on their self-review. If a third party does not maintain an average accuracy score of 90%, the third party would be considered noncompliant in this category.

MVD QA Accuracy: MVD completes a concurrent review of the same transactions that are self-reviewed by third parties to independently determine an accuracy score for the third parties. If a third party assesses themselves with an accuracy score that is at least 5% higher or lower than the accuracy score calculated by MVD, a third party is considered noncompliant. For example, if a third party determines its accuracy score to be 95% and MVD determines the third party's accuracy score to be 85%, the third party would be considered noncompliant in this category.

Error Resolution: If an error is identified within a transaction, such as an incorrect name entered on a title, third parties are required to correct the error within 10 calendar days. If a third party does not resolve an identified error within 10 calendar days or fails to provide MVD with the results of its error resolution efforts, the third party would be considered noncompliant in this category.

Training: MVD requires a representative from each third party to attend periodic training to receive updates or changes in MVD processes, such as changes that affect participation in special license plate programs. Additionally, each third-party representative is required to complete exercises associated with the training. If a representative from a third party fails to attend periodic training and/or complete the associated exercises, the third party would be considered noncompliant in this category.

Source: Auditor General staff review and summary of MVD's procedures.

² American Association of Motor Vehicle Administrators. (2021). Third-party agent administration best practices: Administering, expanding, and establishing a third-party program. Arlington, VA. Retrieved 3/27/2026 from <https://www.aamva.org/getmedia/829b41b3-9442-4994-93c9-ba59fbc3cad8/Third-Party-Agent-Administration-Best-Practices.pdf>

Failure to adhere to these standards is considered contractual noncompliance and a violation of Department rules, and can result in a variety of disciplinary actions for third parties.³ Specifically, MVD’s procedures establish various steps to address third parties’ noncompliance, ranging from issuing a “failure to comply” letter for the first violation and escalating up to “cancellation” for continued violations (see Table 1 on page 8 for more information on the various steps in MVD’s escalation procedures).⁴ Further, the procedures establish disciplinary consequences for third parties placed on probation and suspension, including not being able to expand operations for a year and suspended operations for up to 5 days. Finally, third parties subject to cancellation receive an administrative hearing, and if the cancellation determination is affirmed during the hearing, the third party is required to end operations.⁵

³ Arizona Administrative Code R17-7-204 requires third parties to maintain compliance with all State and federal laws, Department rules, and authorization agreement provisions.

⁴ MVD’s steps for escalating enforcement are consistent with AAMVA’s recommended enforcement actions, which include written warnings, probation, suspension, and termination.

⁵ The Arizona Department of Transportation’s Executive Hearing Office conducts administrative hearings regarding Department actions, including those related to third parties. An administrative law judge presides over the hearings.

Table 1**MVD’s procedures require it to take escalated enforcement action against third parties for continued noncompliance**

As of April 2025

Sequence of violations within a rolling 12-month period ¹	Example violation	Resulting enforcement action
First violation	Third party did not provide MVD results of self review (“Self QA Time Frame” compliance category)	Failure to comply
Second violation in the same category	Third party did not provide MVD results of self review (“Self QA Time Frame” compliance category)	Cease and desist
Third violation in the same category	Third party did not provide MVD results of self review (“Self QA Time Frame” compliance category)	Probation
Additional violation in any category, after probation	Third party determines its accuracy score to be 95% whereas MVD determines the third party’s accuracy score to be 85% (“MVD QA Accuracy” compliance category)	Suspension
Additional violation in any category, after suspension	Third party failed to provide MVD with the results of its error resolution efforts (“Error Resolution” compliance category)	Cancellation

¹ According to MVD’s procedures, a third party’s first violation in an individual compliance category within the last rolling 12 months results in “Failure to Comply;” a second violation in the same compliance category within the last rolling 12 months results in “Cease and Desist;” a third violation in the same category within the last rolling 12 months results in “Probation;” a fourth violation within the last rolling 12 months in any category while on Probation results in “Suspension;” and a fifth violation in any category within the last rolling 12 months can result in “Cancellation.”

Source: Auditor General staff review and summary of MVD’s enforcement procedures.

According to MVD-provided enforcement information and consistent with the information reported in our August 2023 performance audit, MVD did not take any probation, suspension, or cancellation enforcement actions in calendar years 2022 or 2023 (see Table 2, page 9). However, our followup work conducted since August 2023 has found that MVD has taken some steps to improve its monitoring and oversight processes, including taking enforcement actions against third parties. Specifically, MVD took 60 and 50 probation, suspension, or cancellation enforcement actions in calendar years 2024 and 2025, respectively.

Table 2**MVD took no probation, suspension, or cancellation enforcement actions against third parties in calendar years 2022 and 2023 but began to do so in calendar years 2024 and 2025**

Calendar years 2022 through 2025
(Unaudited)

Enforcement	2022¹	2023¹	2024¹	2025¹
Probation	0	0	33	23
Suspension	0	0	22	22
Cancellation ²	0	0	5	5
Total per year	0	0	60³	50³

¹ MVD reported there were 95 operating third parties in 2022, 93 in 2023, 89 in 2024, and 89 in 2025.

² Of the 10 third parties that reached cancellation, 2 have ceased operations. As of March 2026, the remaining 8 third parties were still operating pending an administrative hearing, an appeal of the administrative hearing decision, or a Superior Court ruling.

³ There were a total of 33 and 30 unique third parties subject to probation, suspension, and/or cancellation in 2024 and 2025, respectively.

Source: Auditor General staff review of MVD-provided enforcement information.

Our review of a stratified random sample of 4 third parties that MVD took enforcement action against in fiscal year 2025 found that although MVD did not inappropriately escalate enforcement, MVD did not consistently follow its written escalation procedures for 2 of 4 third parties we reviewed.^{6,7} Specifically:

- MVD failed to put a third party on suspension, despite MVD identifying additional noncompliance issues for the third party after placing it on probation. Specifically, MVD put a third party on probation in September 2024 as a result of it having at least 3 separate violations within the “Self QA Time Frame” compliance category, such as for failing to provide MVD with the results of its self-review of transactions. However, because MVD reported an additional violation in the “MVD QA accuracy” compliance category for this third party while it was on probation later in September 2024, MVD should have escalated enforcement by moving the third party to suspension status, as required by its escalation procedures.⁸ Instead, MVD kept the third party on probation.

⁶ We selected a stratified random sample of 4 third parties based on the level of enforcement action reached for each third party during fiscal year 2025.

⁷ Although 2 of the 4 third parties received a letter of concern in 2022 and/or 2023, MVD reported that it did not consider third parties’ previous violations or noncompliance that predated the implementation of its new quality assurance process.

⁸ MVD determined that the third party’s accuracy score was approximately 53%, whereas the third party determined its accuracy score to be approximately 99%. MVD identified a variety of transaction errors as part of its review, including missing ownership documents, incorrect odometer reading, and issues related to the buyer and seller signatures on title documents. Missing ownership documents was considered a “high-risk” error as part of MVD’s previous quality assurance procedures (see recommendation 6 for more information).

MVD ultimately escalated enforcement to suspension status later in September 2024 and cancellation status in November 2024 because this third party had 2 additional violations in the “MVD QA Accuracy” compliance category.⁹

- MVD failed to put a different third party on suspension, despite MVD identifying additional noncompliance issues for this third party after placing it on probation. Specifically, MVD put a third party on a 12-month probation in January 2024 after conducting a compliance inspection and identifying various violations, including for failing to properly store title inventory and not having functioning security cameras.¹⁰ Although MVD subsequently identified violations for this third party in the “Self QA Time Frame” and “Error Resolution” compliance categories in February and September 2024, respectively, MVD did not move the third party from probation to suspension status.¹¹ In fact, MVD did not move this third party to suspension status until it identified 2 additional violations in the “Self-QA Time Frame” and “MVD QA Accuracy” compliance categories later in September 2024.¹²

Failure to escalate enforcement actions consistent with its procedures undermines MVD’s ability to consistently and fairly regulate third parties and could contribute to third parties’ continued noncompliance. We will further assess MVD’s implementation of this recommendation during our next followup.

- f. Procedures for requiring additional training for third parties that require further guidance on its third-party quality assurance process or the minimum standards, such as for third parties that have repeat transaction errors or noncompliance with MVD’s quality assurance process.

▶ Status: **Implementation in process.**

During our initial followup, MVD had developed written procedures requiring third parties to review training videos and other training materials as a step in addressing noncompliance with MVD’s quality assurance process. However, MVD subsequently modified its training approach for third parties to offer 1-on-1 trainings based on MVD’s assessment of individual third parties’ needs, including reviewing the entire quality assurance process with third parties. MVD began tracking these 1-on-1 training sessions beginning in September 2024, and according to its tracking log, MVD provided 33 training sessions to 29 third parties from September 2024 through October 2025. However, MVD has not yet developed written policies and procedures

⁹ MVD determined that the third party’s accuracy score was approximately 48% for 1 violation. MVD identified a variety of transaction errors as part of its review, including an odometer reading that did not match source documents. An odometer reading not matching the source documents was considered a “high-risk” error as part of MVD’s previous quality assurance procedures (see recommendation 6, pages 14 and 15 for more information). For the subsequent violation, MVD determined that the third party’s accuracy score was approximately 89%, whereas the third party determined its accuracy score to be 100%.

¹⁰ Although these violations fell outside of the 5 compliance categories, MVD’s contract with third parties indicates that MVD reserves the right to take any corrective action it deems necessary and appropriate.

¹¹ MVD determined that the third party failed to comply with the reporting requirements associated with its self-review of transactions and failed to provide MVD with the results of its error resolution efforts.

¹² For the “MVD QA Accuracy” compliance category violation, MVD determined that the third party’s accuracy score was approximately 89%, whereas the third party determined its accuracy score to be 100%.

for providing these training sessions, including written guidance on when the sessions would be required. We will further assess MVD's implementation of this recommendation during our next followup.

- g.** Procedures outlining MVD management's review of its third-party quality assurance process to ensure time frames are met and identified performance deficiencies are corrected.

▶ Status: **Implementation in process.**

Since our last followup, MVD developed an internal training guide and procedures outlining some of the key steps in its quality assurance process, including a section indicating that monthly reports should be provided to senior MVD leadership. The monthly reports include various metrics on the accuracy of third-party transactions, as well as information on third parties that have had compliance issues, such as those on probation or suspension. The reports also include information on the enforcement escalation process and status for individual third parties, including identifying the sequence of violations that lead to MVD's enforcement actions.

Although MVD's training guide and procedures do not explicitly outline how MVD management should use the information in the monthly reports, such as ensuring that third parties' performance deficiencies are corrected, MVD's procedures indicate that senior MVD leadership should discuss third parties on probation or suspension, the current status of hearing requests, or third parties that have served suspensions during monthly meetings. Additionally, our observation of an April 2026 meeting found that MVD leadership reviewed the materials provided in the monthly reports, such as the accuracy rates for third-party transactions and the number of third parties on probation, suspension, and cancellation, and discussed how to ensure the escalation process moved forward in a timely manner for various third parties.

- 3.** MVD should develop and implement training on its quality assurance policies and procedures for all applicable MVD staff who support the third-party quality assurance process to ensure adherence to established oversight policies, procedures, and guidance.

▶ Status: **Implementation in process.**

MVD has developed training on some of its third-party quality assurance procedures, such as its procedures for ensuring third parties resolve errors. Additionally, MVD tracks whether staff have attended the training, and as of November 2025, all applicable MVD staff had completed the training MVD has developed. However, MVD has not developed training for other key aspects of its quality assurance process. For example, MVD has not developed training for MVD's review of third-party transactions, including selecting transactions for review, or for taking enforcement action in response to third-party noncompliance. Without training on all steps of MVD's third-party quality assurance process, MVD staff may lack sufficient knowledge to fulfill their responsibilities in MVD's quality assurance process or may not consistently or fairly implement MVD's quality assurance procedures.

We will further assess MVD's implementation of this recommendation during our next followup.

4. MVD should develop and implement training for all third parties or their authorized representatives, and verify their completion of the training, including:
 - a. Initial training on the quality assurance process, quality assurance expectations, and available enforcement actions to address noncompliance.

▶ Status: **Implemented at 6 months.**

In January 2024, MVD held an initial training for third parties and/or their authorized representatives on its quality assurance process that included quality assurance expectations and available enforcement actions to address noncompliance. MVD verified that all third parties absent from the January 2024 training had completed a followup training by April 2024.

- b. Ongoing training when necessary because of changes in law, policies, and procedures, and ensure any new information is incorporated into initial training for new third parties or their authorized representatives.

▶ Status: **Implementation in process.**

We reported in our last followup that MVD had implemented this recommendation by holding regular meetings to discuss quality control errors or other information that needed to be communicated with third parties, updating online training resources for third parties, and providing training updates to third parties regarding policy and guidance changes in March, April, and May 2024. As part of our work to assess MVD's implementation of the remaining recommendations during this followup, we found that MVD had continued to implement some of these practices, including communicating certain policy changes to third parties via email and through an online policy portal accessible to third parties called "MVD One Source."

However, during this followup, we identified that MVD has not always adequately communicated changes in its quality assurance process to third parties. Specifically, as explained in recommendation 2d, MVD discontinued enforcing the requirement outlined in its procedures that third parties should develop corrective action plans to address noncompliance but continued to communicate to some third parties that the corrective action plans were required.

Additionally, MVD developed a procedure in August 2024 for implementing and communicating key changes to its processes, procedures, and forms that is intended to ensure the changes are legal, approved, and include perspectives from customers, including those changes made in MVD One Source; however, we received concerns during our followup that MVD may not consistently communicate changes to its procedures or requirements to third parties, thereby impacting third parties' ability to maintain compliance with all standards or requirements. Although MVD officials reported that MVD has followed its procedure for communicating

all changes to third parties, with the exception of changes that it considers minor, such as correcting spelling errors, MVD reported that it has not maintained a log of all changes that have been made to MVD One Source; therefore we were unable to verify that all relevant changes to MVD One Source have been communicated to third parties. Consequently, we will further assess MVD's implementation of this recommendation during our next followup, including whether it has documented and communicated all changes to third parties.

5. MVD should conduct an initial analysis of transactions the third parties were provided for self-review dating back to February 2022 to assess third-party compliance with statutory minimum quality standards and MVD's quality assurance process, and continue to complete a monthly analysis thereafter up until MVD implements a revised third-party quality assurance process as described in Recommendation 2, and:

- Identify the lowest performing third parties.
- Conduct a comprehensive review of the transactions processed by those identified third parties, and work with those identified third parties to resolve transaction errors.
- Work with its Assistant Attorney General to take appropriate enforcement action against third parties that are not complying with the statutorily required minimum quality standards and MVD's quality assurance process.

▶ Status: **Implemented in a different manner at 6 months.**

Our August 2023 performance audit found that third parties lacked documentation confirming individuals were qualified and/or authorized to obtain a vehicle title, driver license, or identification card for 25 of 130 transactions from March through October 2022 that we reviewed. In August 2023, the Department reported that it had reviewed the 25 transaction errors mentioned in our report and that these errors were related to missing documentation for 13 vehicle transfers and 12 driver licenses. The Department also reported that it had worked with third parties to collect applicable documentation. Our review of MVD records and data found that MVD had reviewed all 25 transactions and worked with the third parties to collect additional documentation confirming individuals were qualified and/or authorized to obtain a vehicle title, driver license, or identification card.

In March 2024, the Department's internal audit staff completed an audit of MVD's third parties that included identifying MVD's lowest-performing third parties and assessing the self-reviews conducted by these third parties. The audit also included selecting and reviewing third-party transactions, including transactions related to issuing driver licenses and identification cards and vehicle titles and registrations. The Department selected 240 transactions for review from third-party self-reviews conducted between February 2022 and May 2023 for 5 third parties, including 3 low-performing third parties with error rates above 15 percent. Of the 240 transactions it reviewed from these 5 third parties, the Department identified 35 transactions that were inaccurately reported as error-free, of which 33 were processed by the 3 low-performing third parties. The 35 transactions with errors were related to vehicle titles and registrations, and none were related to driver licenses or identification cards.

According to the Department, the 35 transaction errors did not impact whether the individuals were qualified or authorized to receive the title or registration. For example, transaction errors included processing a vehicle title without documenting the seller's address. As such, MVD provided training to all third parties on its quality assurance process that included training related to common transaction errors MVD has identified.

MVD also took enforcement action against the 3 low-performing third parties, including sending notices of probation and a corrective action letter, which notifies third parties that have not met performance requirements that further noncompliance will result in disciplinary action. According to MVD, as of July 2024, 2 of the low-performing third parties had served suspensions and were on probation. According to MVD policy, if either of these third parties receives a violation during their probation, the Department will begin to pursue cancellation of their contracts. In addition, according to MVD data, MVD has taken enforcement actions against other third parties that did not comply with the statutorily required minimum quality standards and MVD's quality assurance process. Further, the Department reported that it has referred 3 notices of intent to suspend third parties to the Arizona Attorney General's Office.

As reported in our initial followup, as of May 2024, MVD had performed weekly analyses of the accuracy of third-party transaction self-reviews. Our review during this followup found that from February 2025 through August 2025, MVD conducted a review of all third parties each month (see recommendation 2b, pages 3 and 4, for more information on MVD's review of the accuracy of third-party transaction self-reviews).

6. MVD should identify and implement changes to align its third-party quality assurance process more closely with its quality assurance process for MVD field offices, including conducting a staffing and workload analysis, and taking action as needed to ensure sufficient staffing resources are allocated to third-party oversight.

▶ Status: **Implemented at 30 months.**

MVD has taken various steps to align its third-party quality assurance process more closely with its quality assurance process for MVD field offices. As we reported in our initial followup, MVD performed a workload analysis in March 2024 and identified that it needed additional staff to more closely align the weekly number of third-party transactions that MVD staff review with the weekly number of MVD field office transactions that MVD staff review. MVD has since hired 5 additional staff to independently review transactions as a part of the quality assurance processes for both MVD field offices and third parties.

Additionally, as we reported in our August 2023 audit report, MVD had previously categorized transaction errors by risk level, such as high and low risk. For example, missing ownership documentation for a vehicle title or registration transaction was considered a "high risk" error. As part of developing and implementing a new quality assurance process after our audit, MVD discontinued classifying transaction errors by risk level and reported doing so would help ensure that all types of errors are identified and corrected, not just those determined to be high risk. MVD also reported that this

change more closely aligned its third-party quality assurance process to its quality assurance process for MVD field offices, which does not classify transaction errors by risk level.

Further, MVD implemented additional changes to align its third-party quality assurance process more closely with the quality assurance process for MVD field offices, including:

- Using a standard statistical formula for selecting a representative sample of MVD field office transactions and third-party transactions for review.
- Using the same rubric to review transactions for both MVD field offices and third parties to identify errors, such as an incorrect name entered on a title.
- Implementing a process by which both MVD field offices and third parties can dispute transaction errors identified by MVD quality assurance staff.