

COMMONWEALTH OF PENNSYLVANIA



BUREAU OF AUDITS

REPORT ON

AMERICAN DRIVING RECORDS, INC.

COMPLIANCE WITH AGREEMENT NOS. 730321 & 730321B

For the Period
June 8, 2007 to January 20, 2016

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

TABLE OF CONTENTS

	<u>Page</u>
BACKGROUND	1
AUDITOR’S REPORT	2
FINDINGS AND RECOMMENDATIONS	
Finding No. 1: Inadequate Controls Over the Filing of Affidavits of Intended Use and Customer Listings.....	6
Finding No. 2: Inadequate Controls Over the Use of Personal Information – Customer Agreements	8
Finding No. 3: Customer Listing Deficiencies.....	11
Finding No. 4: Failure to Send Bond and Renewal to PennDOT	13

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

BACKGROUND

American Driving Records, Inc. (ADR), a wholesale data company, provides delivery of motor vehicle records (MVRs) and data services for use in the insurance industry, the vehicle rental/leasing industry, pre-employment screening agencies and employers in all 50 states, Canada, Puerto Rico, and US Virgin Islands. These MVRs include name, address, driver number, zip code, date of birth, class of license, record type, license issue and expiration dates and all violations for the past three-year period for insurance and vehicle leasing/rental customers. For employment, a full history driving record is provided for commercial drivers and a three-year record is provided for non-commercial drivers. By combining data resources with technologies, ADR delivers products intended to mitigate risk, improve business performance, and keep organizations compliant with applicable state and federal regulations.

On August 31, 2012, ADR became a wholly-owned subsidiary of Safety Holdings, Inc. (Safety) upon acquisition from CoreLogic. Safety is a wholly-owned subsidiary of SAMBASafety Holdings LLC, (SAMBA) a privately held Delaware Corporation. PennDOT approved an assignment agreement between ADR and Safety on December 5, 2014 resulting in Safety assuming from ADR the rights, obligations and liabilities under its contracts with PennDOT.

ADR signed contracts (Agreement Nos. 730321 and 730321B) with PennDOT on June 8, 2007 and October 22, 2012, respectively, which allow ADR to provide PennDOT driver records to employers, the insurance industry and, under the 2012 contract, to vehicle rental/leasing companies. PennDOT provides ADR with driver records upon request related to specific driver license numbers.

Mr. Chris Felsburg
Compliance Manager
American Driving Records, Inc.
2860 Gold Tailings Court
Rancho Cordova, California 95670

We have conducted a performance audit to determine if American Driving Records, Inc. (ADR) complied with the terms of Agreement Nos. 730321 & 730321B with the Commonwealth of Pennsylvania Department of Transportation (PennDOT). The scope of our audit was for the period June 8, 2007 through January 20, 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The audit objective, along with the scope, methodology and conclusions for the audit objective, are as follows:

<i>Audit Objective No. 1</i>	To determine if ADR is in compliance with the terms of Agreement Nos. 730321 & 730321B (Agreement) executed with the Pennsylvania Department of Transportation (PennDOT).
-------------------------------------	---

<i>Methodology/Scope</i>	To determine whether ADR complied with the terms of the Agreement, we conducted interviews with ADR staff to understand the services ADR offers and how it uses and safeguards PennDOT personal information. We also interviewed PennDOT personnel to gain an understanding of the process PennDOT uses to provide motor vehicle records to ADR. In order to confirm compliance, we asked for documents from both ADR and PennDOT. Documentation reviewed included Affidavits of Intended Use for both ADR and its customers, customer agreements, end user lists, invoices, original ADR performance bonds and bond renewals. We used these documents to verify existence and examine content for contractual compliance. Also, we requested documentation of ADR's information security measures and examined it to determine if ADR is protecting PennDOT personal information according to the terms of the Agreement.
---------------------------------	--

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

Audit Objective
(Continued)

Conclusions

Customer Agreements

ADR was unable to provide the agreement for nine (9) of the thirty-eight (38) sampled customers. Some of the remaining twenty-nine (29) sampled customer agreements tested for required language did not contain all of the provisions required by the PennDOT agreement. In some cases, the Affidavit for Intended Use contained the provisions; however, when these were not available, it was noted that there was one (1) customer agreement missing the internet provision, six (6) missing the security requirements, and one (1) missing the third party transfer prohibition. None of the employment customer agreements included the provision to restrict the retention of driver information to employee history files.

The revised agreement, SambaSafety Applicable Terms and Conditions (SSATC), did not contain provisions for employment customer retention restrictions, internet prohibition, and use of information. Please refer to Finding No. 2 for further details.

ADR Affidavit of Intended Use

ADR filed an Affidavit of Intended Use annually with PennDOT between 2011 and 2014. ADR abided by the first affirmation of the Affidavits of Intended Use by only requesting driver records on behalf of customers that had been approved by PennDOT. Also, ADR did not use PennDOT personal information for marketing nor did it publish personal information on the internet, upholding that portion of the second affirmation.

Affidavits of Intended Use

ADR could not demonstrate that each of its customers completed an Affidavit of Intended Use. Furthermore, some customers did not complete the Affidavits of Intended Use per the instructions. Please refer to Finding No. 1 for further details.

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

Audit Objective
(Continued)

Conclusions
(Continued)

Annual List of Customers with Affidavits of Intended Use
Between 2007 and 2014, ADR did not provide PennDOT with an annual list of customers for which ADR had Affidavits of Intended Use on file. Please refer to Finding No. 1 for further details.

Customer Listings

ADR's provided listing did not match PennDOT's approved listing on a customer by customer basis. Concerns were observed related to data input as well as assignment of individual subaccount codes for each customer. Please refer to Finding No. 3 for further details.

Payment Provisions

Sample testing revealed that ADR paid the required fees for all requests for PennDOT information, maintained a positive balance, and PennDOT did not make any upward or downward adjustments to ADR's monthly payment.

Performance Bond

ADR did not send a copy of its \$300,000 bond obtained on August 31, 2012 or any renewal verification certifications to PennDOT. Please refer to Finding No. 4 for further details.

Data Security

During our audit period there was an information security assessment (2013) and an audit (2015) conducted on SambaSafety, the business name of Safety Holdings, Inc. The assessment identified that controls were not adequately documented, formalized or structured in an integrated framework. Also, there was a lack of or incomplete security and IT procedures. As a result, Safety Holdings implemented or initiated several projects to address the concerns. The audit disclosed some low to medium risks which were brought to the attention of SambaSafety. These risks were immediately corrected and deemed resolved by the third party auditor.

Related Findings and
Recommendations

See Finding No. 1 through Finding No. 4

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

Internal Controls

In planning and performing our audit, we considered internal controls that are significant within the context of our audit objective and assessed whether such controls had been properly designed and implemented. Based on our assessment of the internal controls, we determined audit procedures for the purpose of testing and reporting on our audit objective, but not to provide assurance on ADR's internal controls. Any significant control deficiencies that came to our attention during the audit are included in the findings section of this report.

ADR's response to our findings and recommendations is described in the findings section of this report. We did not audit their response.

This report is intended solely for the information and use of ADR, PennDOT and Office of the Budget management and is not intended to be and should not be used by anyone other than these specified parties.



Brian T. Lyman, CPA
Director, Bureau of Audits

June 7, 2017

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inadequate Controls Over the Filing of Affidavits of Intended Use and Customer Listings

ADR was unable to provide fifteen (15) of the thirty-eight (38) requested customer Affidavits of Intended Use. Of the twenty-three (23) customer Affidavits ADR was able to provide, ten (10) were missing a copy of their insurance certificate and/or license, one (1) was submitted for insurance purposes but the customer agreement stated the driver information was obtained for employment purposes, and one (1) was not notarized.

In addition, between 2007 and 2014 ADR did not annually provide a list of its customers to PennDOT. PennDOT confirmed that ADR did provide a customer list in August of 2015.

Section 2(b), Maintenance of Records, in Agreement No. 730321 and Section 2(c), Maintenance of Records, in Agreement No. 730321B between PennDOT and ADR states: “The Contractor agrees to have each of its customers and subcontractors complete an “Affidavit of Intended Use” on a form prescribed by the Department. The Contractor agrees to keep the “Affidavits of Intended Use” for its customers and subcontractors on file at a central location during such party’s access to Pennsylvania driver record information under this Agreement and for three years thereafter. The contractor will provide the Department annually a complete list of all their employees, customers and subcontractors for which they have an ‘Affidavit of Intended Use’ on file. Upon request of the Department, the Contractor will provide copies of the ‘Affidavits of Intended Use’ to the Department.”

The Affidavit of Intended Use form requires each customer to list and attach a copy of their insurance certificate or license.

It is unclear why ADR provided customer Affidavits to PennDOT which were not properly completed according to PennDOT’s instructions or why ADR could not provide certain Affidavits. ADR stated that “...these PA affidavits exist as these clients have PA codes issued by PENNDOT based on the affidavit.” ADR also noted that the company revamped its system of obtaining and maintaining documents during 2008 and integrated pre-2008 items into the system; however, some older items were not scanned, labeled, or filed properly. It is also unclear why ADR did not annually provide PennDOT with a complete list of customers for which they had an Affidavit of Intended Use on file.

If ADR customers are not completing Affidavits of Intended Use as required, there is an increased risk that customers are not aware of the restrictions on the use of personal information obtained from PennDOT. This increases the likelihood that the use of the personal information will not be consistent with the terms of ADR’s contract with PennDOT. Furthermore, PennDOT does not know which customers have completed Affidavits of Intended Use, if ADR does not provide an annual list as required by Agreement Nos. 730321 & 730321B.

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inadequate Controls Over the Filing of Affidavits of Intended Use and Customer Listings (Continued)

Recommendation

ADR should obtain completed Affidavits of Intended Use for each of its customers and ensure that said documents are completed in accordance with PennDOT's instructions. Also, ADR should provide PennDOT annually with a list of its customers for which it has an Affidavit on file.

Audited Entity Response

Beginning in December 2016, ADR worked extensively with Terry Blount (Driver & Vehicle Information Manager, PENNDOT Driver & Vehicle Information Section) over the course of several months to ensure that each active ADR customer has an updated Affidavit of Intended Use on file with PENNDOT. ADR will send an updated customer list to PENNDOT annually (December of each year) to ensure that the lists for ADR and PENNDOT match.

Auditor Conclusion

We commend ADR's immediate efforts to address the issues related to the completion of Affidavits of Intended Use. In addition, we are pleased that ADR plans to provide PennDOT annually with a list of all customers for which they have an Affidavit of Intended Use on file.

Our finding and recommendation remain as stated above.

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Controls Over the Use of Personal Information – Customer Agreements

ADR was unable to provide nine (9) of the thirty-eight (38) requested customer agreements. Of the twenty-nine (29) customer agreements provided, which were executed between March 2002 and January 2013, some did not contain all of the provisions required by PennDOT's agreements with ADR (730321 & 730321B). Some of the missing provisions were included in the Affidavits of Intended Use completed by the customers. However, the provision restricting the retention of driver information to employee employment history files was not included in either the customer agreement or the Affidavit of Intended Use for any of ADR's customers that used the information for employment purposes. When Affidavits of Intended Use were not available, missing agreement provisions were noted for required internet prohibitions (one customer), security requirements (six customers), and third party transfer prohibitions (one customer).

Additionally, the revised agreement provided by ADR, "SambaSafety Applicable Terms and Conditions" (SSATC), did not contain all of the provisions required by PennDOT's current Agreement (730321B) with ADR. The SSATC did not contain a provision instructing customers using information for employment purposes to retain records only in an employee's employment history file, the Internet prohibition provision, or the Use of Information provision, which also requires "vehicle leasing/rental companies to certify that they have a signed release form from the subject of record".

Section 2(d), Use of Information, "The Contractor agrees that it shall enter into written agreements with any and all customers, and that those agreements shall include a provision that expressly states that the customer shall not sell, assign, or otherwise transfer any information or portions of information obtained pursuant to this Agreement to any third party. Customer agreements shall also expressly limit the use of any obtained driver record, in whole or in part, to insurance or employment purposes, and vehicle leasing/rental companies that certify that they have a signed release from the subject of record."

Section 2(f), Contractor Databases, "The Contractor and its customers will be the sole users of driver record information supplied by the Department. Driver record information supplied by the Department shall not be used to create or update a file to be used by the Contractor, its customers, or subcontractors to develop their own source of driver record information. Driver record information shall not be retained, stored, combined, and/or linked in with any other data on any database by the Contractor, its customers, or subcontractors for any reason. The contractor and their customers who obtain driver information for insurance purposes are permitted to retain driver record information only for as long as is necessary to conduct insurance business or as may be required by law. Employers may retain the information only in the employee's employment history file. Subcontractors are not permitted to retain any driver record information."

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Controls Over the Use of Personal Information – Customer Agreements (Continued)

Section 2(g), Internet Prohibition, “The Contractor agrees not to disseminate or publish on the Internet the personal information obtained from the Department or to allow any other person to disseminate or publish the personal information on the Internet without the written approval of the Department.”

Section 2(i), Required Security, “The Contractor, its customers, and subcontractors shall at all times maintain safeguards and procedures to ensure the security and protection of information furnished by the Department and shall take all necessary steps to prevent the divulgence or use of such information in any form or manner not expressly permitted by this Agreement. This security shall include written agreements between Contractor and its customers and subcontractors expressly incorporating the terms and conditions of Section 2 of this Agreement and the keeping of driver record information in a controlled access area. Storage arrangements shall be subject to inspection or audit by the Department. The Department expressly reserves the right to amend this Agreement to provide for the implementation of additional security measures as shall be determined to be necessary in the sole discretion of the Department.”

It is unclear why ADR could not provide certain Customer Agreements. ADR did note that four (4) of the customer agreements that could not be provided were “older accounts.” ADR also noted that the company revamped its system of obtaining and maintaining documents during 2008. As a result, pre-2008 items were not scanned, labeled or filed properly.

It is also unclear why some of the previous or current Customer Agreements did not replicate PennDOT’s use of information, internet, and security provisions, or why none of the Customer Agreements for employment purposes stated that the customer should only retain driver records in the employee’s employment history file.

Without written agreements, there is an increased risk that ADR customers are not aware of the restrictions on the use of personal information obtained from PennDOT. This increases the likelihood that the usage of personal information will not be consistent with the terms of ADR’s contract with PennDOT. The absence of required customer agreement language increases the potential that personal information obtained from PennDOT will be divulged or used in a manner not expressly permitted by the Agreement.

Recommendation

We recommend that ADR enters into written agreements with each of its customers and that these agreements are maintained in such a manner that they are available upon request. We also recommend that ADR update its agreements to include all provisions required by its Agreement with PennDOT.

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Controls Over the Use of Personal Information – Customer Agreements (Continued)

Audited Entity Response

In January 2017 ADR updated our customer agreements to include all of the requirements listed in our contract with PENNDOT.

Auditor Conclusion

We commend ADR's immediate efforts to address the issues cited in this finding. Specifically, we are pleased that they have updated their customer agreement to include all requirements listed in their contract with PennDOT as we recommended.

However, ADR's response failed to indicate whether they have entered into written agreements with each of its customers. In addition, ADR's response failed to indicate whether their written agreements are now maintained in such a manner that they would be available upon request.

Our finding and recommendation remain as stated above.

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Customer Listing Deficiencies

ADR was unable to provide a complete and accurate listing of its customers. ADR submitted a listing of customers provided data in the three years prior to January 20, 2016. This listing contained 1,623 company names associated with 1,422 unique subaccounts which matched 1,414 PennDOT provided customer subaccounts. Some of the subaccount numbers had to be visually matched because of data entry issues such as spacing or typing errors. The other eight (8) subaccounts did not match any of the PennDOT provided customer subaccounts. Two of those were identified with either a NULL or NONE in the subaccount field. Forty-one (41) customers were impacted by this nomenclature. We were able to identify a PennDOT provided subaccount for only four (4) of these customers. ADR indicated the remaining thirty-seven (37) customers with no approved subaccount identification had received driver records through ADR seventy-five (75) times in the three-year period prior to January 20, 2016.

ADR provided customer listing also associated eighty-five (85) subaccounts with more than one customer. The number of customers associated with these subaccounts varied between two (2) and twenty-four (24). In some cases, names or addresses were not identical; others had no apparent common features. While most of the companies associated with the same subaccount numbers appeared to be closely related, we could not make a definitive determination whether they would operate under the same Federal Identification Numbers (FINs).

Section 2(b), Maintenance of Records, in Agreement No. 730321 and Section 2(c), Maintenance of Records, in Agreement No. 730321B between PennDOT and ADR states: “The contractor will provide the Department annually a complete list of all their employees, customers and subcontractors for which they have an “Affidavit of Intended Use” on file.”

Section 2(j), End User Requestor Information, in Agreement No. 730321 and Agreement No. 730321B between PennDOT and ADR states: “The Contractor is Required to maintain a record of the end user for each request for driver information submitted to the Department. Upon the request of the Department, the Contractor will provide the name, address and telephone number of the end user. The Contractor is required to submit end user information electronically to the Department with each driver record request.

It is unclear why ADR was unable to provide an accurate and complete customer listing. ADR noted that it entered the assigned codes when received from PennDOT into the ADR system and acknowledged the possibility that there could be typos on either the PennDOT or ADR side. ADR also stated that it is company policy to have each separate legal entity apply for a separate code.

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Customer Listing Deficiencies (Continued)

If ADR is unable to provide an accurate and complete listing of their customers, the risk is increased that they also cannot identify the specific data that has been provided to each customer. In addition, when the actual customer is not specifically identified as in the situation where multiple customers are identified to the same subaccount number, there is an increased risk that these parties have not signed customer agreements or Affidavits of Intended Use, thereby making it more likely that they will not comply with restrictions that should be identified in these documents.

Recommendation

ADR should do periodic comparisons of its customer base with a listing of those approved by PennDOT and reconcile any differences. It is also recommended that ADR ensure that a subaccount code is assigned to each customer upon entering this information into its database. Finally, each subaccount code should only have one customer assigned to it. Should a customer's information change, a separate code should be assigned and this should be reported to PennDOT.

Audited Entity Response

ADR will send an updated customer list (including codes) to PENNDOT annually (December of each year) to ensure that the lists for ADR and PENNDOT match.

Auditor Conclusion

We commend ADR's immediate efforts to address the issues cited in this finding. Specifically, we are pleased that ADR is planning to send an updated list (including codes) to PennDOT annually to ensure that their list matches the list that PennDOT maintains.

However, ADR's response failed to indicate whether they plan to ensure that a subaccount code is assigned to each customer upon entering this information into its database. In addition, ADR's response failed to indicate whether they plan to ensure that each subaccount code would, in the future, have only one customer assigned to it, and whether a separate code would be assigned and reported to PennDOT should a customer's information change.

Our finding and recommendation remain as stated above.

American Driving Records, Inc.
Wholesale Data Provider
Program Agreement Nos. 730321 & 730321B
For the Period June 8, 2007 to January 20, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Failure to Send Bond and Renewal to PennDOT

While ADR did maintain a \$300,000 bond for the benefit of PennDOT for the entire audit period, it did not send a copy of the bond dated August 31, 2012 or the renewal verification certificates to PennDOT.

Agreement No. 730321 - Section 7: Performance Bond and Agreement No 730321B – Section 6: Performance Bond/Escrow Account states: "...A copy of the bond and each bond renewal shall be provided to the Department within five business days of issuance."

It is unclear why ADR did not provide the bond or renewal verification certificates to PennDOT.

Without notification of bond and renewals, PennDOT would not be aware of ADR maintaining a performance bond throughout the term of Agreement Nos. 730321 & 730321B.

Recommendation

Upon requesting and obtaining bonds or renewal verification certificates from its insurer, ADR should forward these to PennDOT in a timely manner.

Audited Entity Response

ADR's bond with PENNDOT is continuous. ADR is in the process of obtaining an updated bond certification from our insurance company. ADR will provide updated paperwork when we receive our bond and forward updated paperwork along with ADR customer list in December of each year.

Auditor Conclusion

We commend ADR's immediate efforts to address the issues cited in this finding. Specifically, we are pleased that ADR is in the process of obtaining an updated bond certification from their insurance company. In addition, we are pleased that ADR is planning to provide this updated paperwork to PennDOT on an annual basis.

Our finding and recommendation remain as stated above.

Safety Holdings Audit Findings

Finding No. 2, Inadequate Control Over the Filing of Affidavits of Intended Use-Customer Agreements

- Submit updated agreements with required provisions for the customers on the email attachment Safety Holdings Request for Customer Agreements.
- **ADR Response:** In January 2017 ADR updated our customer agreements to include all of the requirements listed in our contract with PENNDOT. Customer contracts prior to January 2017 do not yet have this language.

Finding No. 3, Customer Listing Deficiencies

- How does ADR plan to ensure that a subaccount code is assigned to each customer upon entering this information into its database? What is the current status and/or anticipated completion date?
- **ADR Response:** Beginning in December 2016, ADR worked extensively PennDOT over the course of several months to ensure that each active ADR customer has an updated Affidavit of Intended Use on file with PENNDOT. ADR will send an updated customer list to PENNDOT annually (December of each year) to ensure that the lists for ADR and PENNDOT match.
- How does ADR plan to ensure that each subaccount code would only have one customer assigned to it, and whether a separate code would need to be assigned and reported to PennDOT should a customer's information change? What is the current status and/or anticipated completion date?
- **ADR Response:** ADR requires a new subaccount code for each separate Federal Tax ID number. Additionally, ADR will be sending annual reminder notifications to all PA customers that if any information on their current PA affidavit changes, they are required to apply for a new sub-account code.

Finding No. 4, Failure to Send Bond and Renewal to PennDOT

- Please confirm that ADR will provide updated bond renewal/continuation certificate to PennDOT within 5 business days of its issuance.
- **ADR Response:** Confirmed. ADR's bond with PENNDOT is continuous. ADR recently sent an updated bond to PennDOT for 2017.