

COMMONWEALTH OF PENNSYLVANIA



BUREAU OF AUDITS

REPORT ON

HIRERIGHT, LLC

COMPLIANCE WITH AGREEMENT NO. 7303248

**For the Period
January 1, 2016 through December 31, 2016**

HireRight, LLC
Wholesale Data Provider
Program Agreement No. 7303248
For the Period January 1, 2016 through December 31, 2016

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HireRight, LLC
Wholesale Data Provider
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BACKGROUND

HireRight Solutions, Inc. and HireRight, Inc. executed a five-year agreement with the Commonwealth of Pennsylvania Department of Transportation (PennDOT), Agreement No. 7303248 on July 1, 2015, which allowed them to receive and distribute Pennsylvania driver record information to employers and insurance companies. Later in 2015, HireRight Solutions, Inc. and HireRight, Inc. combined to become one corporation named HireRight, LLC (HireRight).

Through Pennsylvania Interactive (PAI), PennDOT's Designated Connection Provider, HireRight accesses the PennDOT Real-time Driver Records (RDR) system to request driver records for its customers using the subaccount number provided to each PennDOT approved customer. According to Agreement No. 7303248, PennDOT provides HireRight with the following categories of driver information: underwriting and issuing motor vehicle insurance, vehicle leasing, and employment of non-commercial and commercial drivers. A three-year record is provided for underwriting, issuing motor vehicle insurance, and vehicle leasing purposes, while a three or ten-year record is provided for non-commercial employment purposes. For employment of commercial drivers and non-commercial drivers with commercial learner permits, PennDOT provides a full history driver record.

HireRight is a background screening company for employers. It pioneered Internet-based background screening in 1997. Beginning as DAC services in 1981, HireRight has served the transportation industry for over 30 years. HireRight specializes in the trucking industry and provides driver records to assist employers in complying with the U.S. Department of Transportation's (USDOT) annual requirement to review employees' driver records for the past twelve months and the USDOT Federal Motor Carrier Safety Administration's requirements to review a full driver record for new hires.

AUDITOR'S REPORT

Ms. Kim Bishop
Senior Product Manager
HireRight, LLC
14002 E. 21st Street, Suite 1200
Tulsa, OK 74134

We have conducted a performance audit to determine if HireRight LLC (HireRight) complied with the terms of Agreement No. 7303248 with the Commonwealth of Pennsylvania Department of Transportation (PennDOT). The scope of our audit was for the period January 1, 2016, through December 31, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objectives, along with the scope, methodology and conclusion for each audit objective, are as follows:

Audit Objective No. 1

Determine if HireRight maintained a record of each end user that requested PennDOT driver information from January 1, 2016, through December 31, 2016.

Methodology/Scope

We requested a list of end user requests of PennDOT information from January 1, 2016, through December 31, 2016, from HireRight. From this list of record requests, we developed a list of end users. We reviewed the list for the required information to include name, address and telephone number. We also asked PennDOT for a list of HireRight record requests by end user for the same period. From PennDOT's list, we developed a list of end users. We compared the HireRight list of end users to the PennDOT list of end users to determine completeness. Then we asked HireRight to explain the internal controls that are in place to ensure that a complete record of end users of PennDOT information is maintained.

Conclusion

HireRight maintained a record of each end user that requested PennDOT driver information from January 1, 2016, through December 31, 2016.

***Related Findings and
Recommendations***

None.

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Audit Objective No. 2 Determine if HireRight obtained PennDOT approval of customers prior to providing customers with information and obtained PennDOT approval of subcontractors.

Methodology/Scope We obtained from HireRight a list of record requests which HireRight sent to PennDOT from January 1, 2016, through December 31, 2016. This list included the end user name and the date for each request. From this list, we derived a customer list and selected a sample of eighty (80). We then asked PennDOT to provide the date it approved each of the customers in our sample. To determine if the approval date preceded the date of information being released to each customer, we compared the approval date to the date information was released.

We also requested that HireRight provide a list of subcontractors with access to PennDOT records from January 1, 2016, through December 31, 2016. Since HireRight stated there were no subcontractors, no further testing was performed.

We asked HireRight to explain the internal controls in place to ensure that HireRight obtained PennDOT written approval of customers prior to providing them any PennDOT information. In addition, we asked HireRight to describe the internal controls in place to ensure PennDOT approval is received prior to allowing a subcontractor to assist in the performance of Agreement No. 7303248.

Conclusion HireRight obtained PennDOT approval of seventy-nine (79) of the eighty (80) customers tested prior to providing those customers with PennDOT information. Testing was not performed for one (1) customer, since PennDOT and HireRight could not provide the approval date. PennDOT assigned a subaccount number for this customer, indicating that the customer had been approved. Agreement No. 7303248 does not require the Contractor to maintain the approval date, so this does not create a compliance issue. HireRight does not use subcontractors in the performance of the Agreement, therefore no PennDOT approval of subcontractors was required.

Related Findings and Recommendations None.

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Audit Objective No. 3

Determine if HireRight, its customers, and its subcontractors completed and filed Affidavits of Intended Use and HireRight provided PennDOT with a list of customers with affidavits to PennDOT in 2016.

Methodology/Scope

We requested from PennDOT the 2016 Affidavit of Intended Use filed by HireRight and the date PennDOT received it. Then, we reviewed the affidavit for completeness. From HireRight, we requested end user Affidavits of Intended Use which were in effect during 2016 for the eighty (80) customers in our sample. Since HireRight could not provide nine (9) of the requested affidavits, we obtained those affidavits from PennDOT. While reviewing the affidavits for completeness, we discovered that some of the customer names on the affidavits did not match HireRight's records. Therefore, we requested that HireRight explain the customer name differences. In addition, we inquired of PennDOT and HireRight when it appeared that HireRight was using the same PennDOT assigned subaccount number for more than one customer.

Since HireRight stated it did not have any subcontractors, testing on subcontractor affidavits was not necessary.

Also from PennDOT, we requested the annual list filed by HireRight which included customers and subcontractors with an Affidavit of Intended Use on file during 2016 and the date the list was received by PennDOT.

We inquired of HireRight if there were internal controls over the completion and filing of its own Affidavit of Intended Use, the Affidavits of Intended Use of its end users, and the filing of the annual list of customers and subcontractors with affidavits on file with PennDOT.

Conclusion

HireRight completed and filed its annual Affidavit of Intended Use on a timely basis. The affidavit was not complete because HireRight failed to check any of the boxes to indicate for what purposes requested information would be used. In addition, the affidavit form provides mutually exclusive purpose selections and is not written in a way that permits companies that request records for multiple purposes to fairly attest.

HireRight was able to provide affidavits for seventy-one (71) of the eighty (80) customers sampled. HireRight was not able

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Audit Objective No. 3
(Continued)

Conclusion
(Continued)

to provide affidavits for nine (9) of the eighty (80) sampled customers. PennDOT was able to provide the affidavits for these nine (9) customers, which confirmed the fact that HireRight did file the affidavits for those customers prior to the customers receiving PennDOT driver records. However, HireRight did not comply with Agreement No. 7303248 since it did not keep the affidavits on file while the customers maintained access to Pennsylvania driver record information and for three (3) years thereafter.

Two (2) of the eighty (80) sampled customer subaccount numbers were being used by more than one customer. This was done without PennDOT's knowledge. Both additional users of the two (2) subaccount numbers were not approved by PennDOT and did not have affidavits on file. Therefore, two (2) unapproved customers using subaccount numbers from our sample received PennDOT driver records prior to having completed an Affidavit of Intended Use.

Additionally, HireRight was using the incorrect subaccount number when requesting PennDOT driver records on behalf of one (1) customer. Rather than using the subaccount number assigned to the customer by PennDOT, HireRight used a subaccount number which PennDOT assigned to a different HireRight customer that did not request any PennDOT driver records during the audit period.

Ten (10) of the affidavits covering eighty (80) of the sampled customers were not complete. Furthermore, the affidavits provided for eight (8) customers included a customer name which differed from the customer name in HireRight's reporting system.

As HireRight stated, it used no subcontractors in performance of the agreement. Therefore, no testing of subcontractor affidavits was performed.

HireRight did provide PennDOT with a list of customers with affidavits on file in 2016.

Based on the testing of sampled customers, HireRight does not have adequate internal controls over the completion/filing of

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Audit Objective No. 3
(Continued)

Conclusion
(Continued)

Affidavits of Intended Use by its customers. HireRight's controls did not ensure that customer affidavits were completed correctly, contained the correct customer name, and were maintained on file by HireRight as required by Agreement No. 7303248.

Related Findings and
Recommendations

See Finding No. 1

Audit Objective No. 4

Determine if HireRight entered into written agreements with its customers, subcontractors, insurance companies, insurance companies' agents and other agents of HireRight or its customers.

Methodology/Scope

We asked HireRight to explain the internal controls in place to ensure that it executes written agreements with its end users. Then we documented the controls and determined whether they were adequate. We requested written agreements from HireRight for a sample of eighty (80) customers to test for the existence and completeness of written agreements. After discovering the written agreements provided were executed at various times during and following the audit period, we requested and tested additional written agreements to cover the audit period. We also inquired about the differences between the customer name in HireRight's system and the customer name on the written agreements.

No procedures were performed for subcontractor agreements.

Conclusion

HireRight did not demonstrate that it entered into written agreements with all end users, since HireRight was not able to provide a written agreement for one (1) of the eighty (80) customers tested. There were also discrepancies between the customer names listed in HireRight's reporting systems and the customer names included in the written agreements.

Two (2) of the eighty (80) sampled customer subaccount numbers were being used by more than one customer without PennDOT's knowledge. An agreement was provided for only one (1) of these customers. Therefore, one (1) unapproved customer using a subaccount number from our sample received

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Audit Objective No. 4
(Continued)

Conclusion
(Continued)

PennDOT driver records prior to executing an agreement with HireRight.

All of the written agreements HireRight provided were complete. However, predecessor entities that later merged to become HireRight executed five (5) of the customer agreements, and HireRight did not provide updated or amended agreements for these customers. Additional internal controls are needed to ensure that HireRight executes, updates and retains written agreements with all customers and the name on the customer agreement matches the name in HireRight's reporting system.

No subcontractor agreements were tested because HireRight did not use subcontractors in the performance of the agreement. Our audit procedures did not detect the existence of any subcontractors.

Related Findings and
Recommendations

See Finding No. 1

Audit Objective No. 5

Determine if HireRight's Customer Agreements expressly incorporate the terms and conditions of Agreement No. 7303248.

Methodology/Scope

We reviewed the customer agreements and Affidavits of Intended Use for a sample of eighty (80) HireRight customers. The written agreements are required to include the following language provisions: limiting the sale or transfer of PennDOT information to a third party; limiting the use of any driver record to authorized purposes; prohibiting advertising and direct mailings; prohibiting customers from creating or updating files to develop their own source of driver record information; prohibiting customers from retaining, storing, combining, and/or linking in PennDOT information with any other data on any database; prohibiting customers from publishing PennDOT personal information on the Internet; maintaining safeguards and procedures to ensure the security and protection of PennDOT information; and restricting record retention based on purpose. Because HireRight executed new agreements with some of its customers during the audit period, we tested each of the customer agreements in effect during the

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Audit Objective No. 5
(Continued)

Methodology/Scope
(Continued)

audit period for these customers. We also reviewed additional agreements after notifying HireRight of missing language for some customers because the agreements did not cover the entire audit period. When we discovered multiple customers were using the same subaccount number, we included the written agreements for these two (2) additional customers in our review.

Conclusion

Of the eighty-two (82) customers tested, HireRight could not produce a customer agreement for one (1) customer, an affidavit for a second customer, and neither the customer agreement nor affidavit for a third customer.

This resulted in three (3) customers not having written agreements that expressly incorporate all the terms and conditions of Agreement No. 7303248. The customer without a customer agreement did not have language limiting record retention or prohibiting the customer from creating or updating a file to be used to develop their own source of driver record information. The customer without an affidavit did not have language prohibiting advertising and direct mailings. The customer with neither an affidavit or customer agreement had none of the eight (8) required language provisions that we tested.

While eighty (80) of the eighty-two (82) HireRight customers tested were covered for the prohibition on advertising and direct mailings in their Affidavits of Intended Use, the customer agreements executed by HireRight for seventy-eight (78) customers did not contain language restricting the customer from using the PennDOT information for direct mail advertising. The missing required language indicates a weakness in HireRight's internal controls over its written agreements.

Related Findings and
Recommendations

See Finding No. 2

Audit Objective No. 6

Determine if HireRight's Subcontractor Agreements expressly incorporate the terms and conditions of Agreement No. 7303248.

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Audit Objective No. 6
(Continued)

Methodology/Scope No audit procedures were performed as HireRight stated it did not use subcontractors in the performance of Agreement No. 7303248.

Conclusion HireRight did not have subcontractor agreements as it did not use subcontractors in the performance of Agreement No. 7303248.

Related Findings and Recommendations None.

Audit Objective No. 7

Determine if during 2016, HireRight maintained in full force and effect a bond or escrow account according to the provisions of section 18 of Agreement No. 7303248.

Methodology/Scope From PennDOT, we requested a copy of the original bond and the bond renewal for 2016, along with the date the renewal was received. We also asked PennDOT for a copy of the annual revenue review filed by HireRight during 2016, documentation related to PennDOT's approval of the annual revenue review, and any adjustment request, if applicable, with the date received. Because PennDOT did not have the exact receipt date of the bond renewal, in the form of a Continuation Certificate, we requested that HireRight provide the date it delivered the bond renewal to PennDOT. We compared the dates of the bond renewal and the revenue review to determine if they were received within the time frame allowed in the Agreement. In addition, we asked HireRight to explain its internal controls over the bond computation, renewal and reporting process.

Conclusion HireRight maintained a bond for the benefit of PennDOT for the entire audit period. HireRight sent PennDOT the bond renewal verification certificates within five (5) days of issuance during the audit period. HireRight did accurately perform the annual review of the prior year revenue and provided it to PennDOT for approval; however, it was sent to PennDOT ten (10) days prior to the renewal of the bond rather than the required fifteen (15) days prior to the renewal of the bond. No adjustment to the bond amount was required.

Related Findings and Recommendations See Finding No. 3

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Audit Objective No. 8

Determine if HireRight maintained safeguards and procedures to ensure security and protection of PennDOT information from January 1, 2016, through December 31, 2016.

Methodology/Scope

We conducted an interview with HireRight staff to gain an understanding of how HireRight uses and safeguards PennDOT personal information. Specifically, we asked how HireRight complies with the following provisions of the Agreement: restrictions on disclosure of PennDOT driver record information; restrictions on advertising; prohibition on development of own source of driver record information; prohibition on combining with a database; prohibitions against publication of driver record information on the Internet; data security requirements; and record retention requirements. After discovering that some customers were using a third-party software provider to access and store PennDOT records, we asked HireRight additional questions about its relationship to the third party and the prohibition on combining with a database. In addition, we requested and reviewed the agreement between HireRight and the third party.

We also asked HireRight to explain its internal controls over data security. To further assess internal controls, we reviewed HireRight's 2016 SOC 2 Type 1 report and a SOC 2 Type 2 report for 2016-2017. We analyzed HireRight's responses and the SOC report results to determine if HireRight complied with the language in its agreement with PennDOT. Also, we asked if HireRight was aware of any instances where there was a violation of Paragraphs 6 through 13 of Agreement No. 7303248.

Conclusion

While HireRight did maintain many safeguards and procedures to ensure security and protection of PennDOT information, from January 1, 2016, through December 31, 2016, HireRight failed to provide executed written agreements for all customers receiving PennDOT information. HireRight also failed to expressly incorporate all the terms and conditions of Agreement No. 7303248 in its written agreements with its customers as one of its safeguards, indicating an internal control weakness. Additionally, HireRight transferred PennDOT information to customers through a third-party software platform which was integrated with HireRight's reporting systems without PennDOT's knowledge or consent.

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Audit Objective No. 8
(Continued)

Related Findings and
Recommendations

See Finding No. 4

Audit Objective No. 9

Determine if HireRight Customers/Agents maintained safeguards and procedures to ensure the security and protection of PennDOT information from January 1, 2016, through December 31, 2016.

Methodology/Scope

We sent letters to a sample of eighty (80) HireRight customers to inquire as to how they safeguarded PennDOT driver record information received through HireRight. We reviewed each response and sent follow-up questions if clarification was needed. One of the inquiries related to how the customer used the PennDOT driver record information. We compared the responses to the customers' permitted uses in Agreement No. 7303248 to test for compliance. We requested that HireRight send a definition of each code in HireRight's transaction reports, used to indicate the purpose of the record request, such as employment, verification, or insurance. Then we examined the purpose codes listed for the record requests for each of the customers in our sample. We compared each customer's response as to how they used PennDOT driver records to the purpose codes indicated in the customer's record requests to evaluate whether the customers used the records for the stated purpose.

Conclusion

The HireRight customers tested maintained safeguards and procedures to ensure the security and protection of PennDOT information from January 1, 2016, through December 31, 2016.

Related Findings and
Recommendations

None.

Audit Objective No. 10

Determine if HireRight Subcontractors maintained safeguards and procedures to ensure the security and protection of PennDOT information from January 1, 2016, through December 31, 2016.

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Audit Objective No. 10
(Continued)

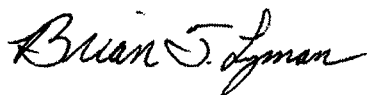
<i>Methodology/Scope</i>	No procedures were performed.
<i>Conclusion</i>	No testing procedures were performed because HireRight stated that it does not use subcontractors in the performance of Agreement No. 7303248. Our audit procedures did not detect the existence of any subcontractors.
<i>Related Findings and Recommendations</i>	None.

Internal Controls

In planning and performing our audit, we considered internal controls that are significant within the context of our audit objectives 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 reporting on our audit objectives, but not to provide assurance on HireRight's internal controls. Any significant control deficiencies that came to our attention during the audit are included in the findings section of this report.

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

This report is intended solely for the information and use of HireRight, the Commonwealth of Pennsylvania Department of Transportation 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

January 19, 2018

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FINDINGS AND RECOMMENDATIONS

Finding No. 1 - Inadequate Controls over Affidavits and Agreements

HireRight was not able to provide customer Affidavits of Intended Use filed with PennDOT for nine (9) of the eighty (80) sampled customers. It is worth noting that HireRight was not able to provide copies of each of the customer affidavits when PennDOT requested copies of affidavits in 2016. Ten (10) of the eighty-one (81) affidavits covering the (80) sampled customers were not complete. (We tested eighty-one (81) affidavits because one (1) customer had two (2) affidavits to cover the entire audit period.) The missing information included the following: business type, DOT number, location of records address, date of company signature, and notary seal.

In addition, HireRight was unable to provide a customer agreement for two (2) customers.

We also noted the following discrepancies related to HireRight's controls over its affidavits and customer agreements:

- The customer name did not match between the Affidavit of Intended Use, the customer agreement, and HireRight's reporting system for five (5) of the eighty (80) sampled customers (Customers No. 1 through 5 in the chart below).
- The customer name did not match between the Affidavit of Intended Use and HireRight's reporting system for three (3) of the eighty (80) sampled customers (Customers No. 6 through 8 in the chart below).

In the chart, a 'YES' indicates that the customer name on the affidavit or customer agreement matches the customer name listed in HireRight's reporting system. A 'NO' indicates the customer name on the affidavit or customer agreement does not match the customer name listed in HireRight's reporting system.

	Affidavit of Intended Use	Customer Agreement
Customer #1	NO	NO
Customer #2	NO	NO
Customer #3	NO	NO
Customer #4	NO	NO
Customer #5	NO	NO
Customer #6	NO	YES
Customer #7	NO	YES
Customer #8	NO	YES

Two (2) of the eighty (80) sampled customer subaccount numbers assigned by PennDOT were each being used by HireRight to request driver records for multiple customers even though PennDOT approved and assigned only one (1) customer to each subaccount number. PennDOT has no record of receiving Affidavits of Intended Use from HireRight for two (2) of the additional

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FINDINGS AND RECOMMENDATIONS

Finding No. 1 - Inadequate Controls over Affidavits and Agreements (Continued)

customers, which indicates that PennDOT did not approve these two (2) customers. HireRight executed a customer agreement with only one (1) of the additional customers, leaving the other customer without an affidavit and a customer agreement prior to the receipt of driver records. Furthermore, HireRight requested and received PennDOT driver records on behalf of one (1) customer, using a subaccount number assigned to a different HireRight customer. The subaccount number which was used incorrectly by HireRight appears to be inactive, as the customer assigned to the subaccount number did not request or receive any PennDOT driver records during 2016.

Agreement No. 7303248 - Section 6 Approval of Customers: "The Contractor agrees that it shall obtain Department approval of a customer prior to providing the customer any information or portions of information obtained pursuant to this Agreement."

Agreement No. 7303248 - Section 7 Use of Information: "The Contractor agrees that it shall enter into written agreements with any and all customers..."

Agreement No. 7303248 - Section 12 Required Security: "This security shall include written agreements between Contractor and its customers, insurance companies, the insurance companies' agents, any other agents of the Contractor or its customers, and subcontractors expressly incorporating the terms and conditions of this Agreement...."

Agreement No. 7303248 Section 8(b) Affidavits of Intended Use: "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" on file at a central location during such party's access to Pennsylvania driver record information under this Agreement and for three years thereafter."

Agreement No. 7303248 - Section 8(b) Affidavits of Intended Use: "Upon the request of the Department, the Contractor will provide copies of the "Affidavits of Intended Use" to the Department by January 31st."

Agreement No. 7303248 - Section 13 End User Requestor Information: "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."

DL-9105 (10-13) Instructions for Completing the Affidavit of Intended Use - No. 5: "You are required to complete, notarize and file a new Affidavit of Intended Use whenever information about your company changes. (name, address, ownership, telephone, website, etc.)"

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FINDINGS AND RECOMMENDATIONS

Finding No. 1 - Inadequate Controls over Affidavits and Agreements (Continued)

Printed on the bottom portion of PennDOT customer approval faxes, "MUST HAVE a SUB-ACCT# for EACH FEDERAL EMPLOYER ID# of every company that business is requesting driving histories for!!![sic]"

We were not able to determine why HireRight could not locate nine (9) Affidavits of Intended Use and two (2) customer agreements or why the affidavits were incomplete. HireRight stated that the name differences were due to HireRight's naming convention for customers belonging to a family of companies and inconsistent updates upon a company changing their name. In regard to HireRight requesting and receiving driver records for multiple customers under one (1) subaccount number, HireRight indicated that in one instance it considered each of the companies to belong to the same family of companies. In the other instance, HireRight indicated that this was due to HireRight failing to notify PennDOT that one of the companies was receiving records as an independent customer, since it was no longer the subsidiary of the parent company. We were not able to confirm that there was ever a parent/subsidiary relationship between these two entities.

In the event of a data breach, HireRight may not be able to identify the actual customer who received PennDOT driver information based on the customer names and/or subaccount numbers currently listed in the reporting system. The incorrect customer names on the affidavits and customer agreements and the missing affidavits and customer agreements lead to uncertainty that the company receiving the PennDOT driver records has agreed to the restrictions of use. Providing PennDOT driver information to unapproved customers under a PennDOT-approved customer subaccount number may result in an improperly vetted company obtaining the records and utilizing them for unauthorized purposes. Furthermore, incomplete Affidavits of Intended Use could potentially result in customers obtaining driver records without a valid reason.

Recommendation

We recommend that HireRight implement controls to ensure that affidavits are completed correctly and that affidavits and customer agreements are executed and maintained on file for the required time period. We further recommend that HireRight implements controls to ensure that the correct customer name is reported on customer Affidavits of Intended Use, customer agreements, and HireRight's reporting system. These controls should include verification of the company name on the Affidavit of Intended Use and customer agreement, and confirmation of the customer's name in HireRight's reporting system each time HireRight is notified of a customer name change or a customer signs a new Affidavit of Intended Use or customer agreement. Furthermore, HireRight must file a separate affidavit, seek PennDOT approval, and execute a customer agreement with every customer receiving driver record information.

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FINDINGS AND RECOMMENDATIONS

Finding No. 1 - Inadequate Controls over Affidavits and Agreements (Continued)

Audited Entity Response

Corrective Action Plan

1. HireRight is implementing additional quality assurance processes to help ensure we file a separate PA Affidavit of Intended Use seeking PennDOT's approval and execute a customer agreement with every unique customer receiving PA driver record information.
2. HireRight is implementing additional quality assurance review of paperwork completed by all new PA MVR customers to help ensure PA Affidavits of Intended Use are completed correctly prior to sending to PA Interactive/Penn DOT for approval.
3. HireRight is implementing quality assurance review of paperwork completed by all new PA MVR customers to help ensure HireRight customer agreements contain the correct language and are completed correctly.
4. HireRight is implementing quality assurance review of paperwork completed by all new PA MVR customers to help ensure the company name matches on the PA Affidavit of Intended Use, HireRight agreement and HireRight's reporting system. Any identified variances will require timely correction by the customer.
5. HireRight will require customers to provide new PA Affidavits of Intended Use and, as applicable, updated HireRight agreements/paperwork in relation to HireRight receiving notice of changes to applicable customers' entity name, address, phone number and/or website. Current PA sub account code will be noted on new PA Affidavit. HireRight will forward relevant documentation to PA Interactive/PennDOT as appropriate.
6. HireRight has implemented enhanced and redundant storage requirements and backup practices for PA Affidavits of Intended Use and related HireRight customer agreements.
7. Hire Right is implementing a random internal audit process of current customers to confirm company names match on the PA Affidavit of Intended Use, HireRight agreements and in HireRight's computer system. HireRight will work with customers to obtain updated paperwork/information as necessary to address deficiencies identified through the audit process.

All corrective action steps will be implemented by March 1, 2018, if not already completed.

Anticipated completion date: Ongoing Process

Individual responsible for corrective actions: HireRight's Senior Product Manager

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Wholesale Data Provider
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For the Period from January 1, 2016 through December 31, 2016

FINDINGS AND RECOMMENDATIONS

Finding No. 1 - Inadequate Controls over Affidavits and Agreements (Continued)

Comments on Audit Findings:

1. Customer utilizing the subaccount of another company, clarification on Company A, Company B (Company C). These two companies are part of a family. An account name change resulted in Company A's PA subaccount being applied to Company C, the parent company. HireRight did not have record of the original PA subaccount that was assigned to Company B. HireRight was notified by PennDOT on December 7th, 2017, that this was originally assigned for employment purposes and was now correct and reassigned to a subaccount number for insurance purposes. We now have three affidavits completed by each of these entities. HireRight recently received a new PA Affidavit from Company C, DBA as Company B. The FEIN # matches the FEIN# for Company B that was provided on the PA Affidavit completed in 2000. We are currently working with the customer to determine what name they want on their HireRight account that is currently set up as Company C. HireRight will work with PennDOT to determine if a new PA subaccount is needed, or if they can continue using Company B's corrected subaccount number that was originally assigned in 2000 and corrected by PennDOT in December 2017.
2. Customer utilizing the subaccount of another company, clarification on Company D and Company E. These are part of a family. HireRight was unable to locate the original PA Affidavit of Intended Use provided by Company D. New PA Affidavits were completed by both Company D and Company E in early 2017.

HireRight responded to the discrepancy sent on December 5th, 2016, explaining that Company E was no longer owned by Company D. HireRight has since learned that this was incorrect information as Company D still owns 90% of Company E. HireRight will work with PennDOT to obtain a new PA subaccount assigned to Company E.

Auditor Conclusion

We commend HireRight's immediate efforts to address the issues cited in this finding.

Our finding and recommendation remain as stated above.

HireRight, LLC
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FINDINGS AND RECOMMENDATIONS

Finding No. 2 - Lack of Required Language Provisions

We reviewed the written agreements provided for eighty-two (82) HireRight customers who received PennDOT personal information to determine if the written agreements included the language provisions required by Agreement No. 7303248. For testing purposes, written agreements included the customer agreements that HireRight executed with each customer and the Pennsylvania Affidavit of Intended Use which each customer filed with HireRight.

One (1) customer did not have a written agreement prohibiting the customer from creating or updating a file to be used to develop their own source of driver record information or restricting record retention based on purpose, while another customer did not have a written agreement prohibiting advertising and direct mailings. Additionally, one (1) customer did not file an Affidavit of Intended Use or execute a written customer agreement with HireRight which resulted in the customer not having a written agreement with the following language provisions: limiting the sale or transfer of PennDOT information to a third party; limiting the use of any driver record to authorized purposes; prohibiting advertising and direct mailings; prohibiting customers from creating or updating files to develop their own source of driver record information; prohibiting customers from retaining, storing, combining, and/or linking in PennDOT information with any other data on any database; prohibiting customers from publishing PennDOT personal information on the Internet; maintaining safeguards and procedures to ensure the security and protection of PennDOT information; and restricting record retention based on purpose.

The customer agreements for seventy-eight (78) of the eighty-two (82) customers did not prohibit customers from using PennDOT information for direct mail advertising or any other types of mailings. The customer agreements only prohibited the customer from allowing others to use PennDOT information in direct mail advertising. The affidavits filed by seventy-seven (77) of these customers did include language prohibiting direct mail advertising.

Agreement No. 7303248 - Section 7 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."

Agreement No. 7303248 - Section 7 Use of Information: "Customer agreements shall also expressly limit the use of any obtained driver record, in whole or in part, to authorized purposes."

Agreement No. 7303248 - Section 9(a) Restriction Against Publication: "Except as provided for in Paragraph 7, under no circumstances shall the Contractor use or permit others to use any information provided by the Department for direct mail advertising or any other type or types of mail or mailings."

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FINDINGS AND RECOMMENDATIONS

Finding No. 2 - Lack of Required Language Provisions (Continued)

Agreement No. 7303248 - Section 9(b) Restriction Against Publication: "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."

Agreement No. 7303248 - Section 9(b) Restriction Against Publication: "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."

Agreement No. 7303248 - Section 10 Contractor Databases: "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."

Agreement No. 7303248 - Section 10 Contractor Databases: "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."

Agreement No. 7303248 - Section 10 Contractor Databases: "The Contractor and its customers that obtain driver information for insurance or vehicle leasing purposes are permitted to retain driver record information only for as long as is necessary to conduct insurance or vehicle leasing business or as may be required by law. Employers may retain the information only in the employee's employment history file."

Agreement No. 7303248 - Section 12 Required Security: "The Contractor, its customers, agents (including, but not limited to, agents of insurance companies), 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."

HireRight could not provide a customer agreement for one (1) customer, and the Affidavit of Intended Use filed by the customer did not contain language limiting record retention or prohibiting the customer from creating or updating a file to be used to develop their own source of driver record information. For a second customer, HireRight could not provide the Affidavit of Intended Use, and the customer agreement did not contain the language prohibiting advertising and direct mailings. For a third customer, HireRight could not provide either the agreement or the Affidavit of Intended Use, resulting in the customer missing all eight (8) required language provisions during the course of our compliance test.

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FINDINGS AND RECOMMENDATIONS

Finding No. 2 - Lack of Required Language Provisions (Continued)

The absence of required 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

Since the current customer agreements include each of the language provisions, except for the prohibition on direct mail advertising, we recommend that HireRight executes an addendum to the customer agreements related to direct mail advertising. Alternatively, HireRight could execute new agreements with its customers that incorporate all required language provisions. Either of these measures will help ensure that customers agree to comply with all the restrictions contained in Agreement No. 7303248. Furthermore, HireRight must ensure that it has entered into written agreements with all customers, and that it is able to provide copies of the written agreements upon request.

Audited Entity Response

Corrective Action Plan

1. Since learning of this previous inadvertent verbiage omission, HireRight has revised relevant paperwork to include language restricting the customer from using the PennDOT information for direct mail advertising.
2. HireRight will require all PA MVR customers with identified deficiencies to execute updated paperwork as appropriate.

All corrective action steps will be completed by March 1, 2018.

Individual responsible for corrective actions: HireRight's Senior Product Manager

Comments on audit findings with regard to the Corrective Action Plan set forth immediately above:

1. HireRight requires relevant customers to complete the PA Affidavit of Intended Use wherein item # 1 in the document requires that the customer only use relevant PA information for employment purposes (or insurance if applicable) - see the following screenshot example.

1. I swear and affirm that any requested information will be used for employment purposes only.

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FINDINGS AND RECOMMENDATIONS

Finding No. 2 - Lack of Required Language Provisions (Continued)

2. HireRight requires relevant customers to complete the PA Affidavit of Intended Use wherein item # 7 in the document prohibits customers from using PennDOT data for direct mail advertising - see the following screenshot example.

7. I swear and affirm that the information obtained from the Department will not be used for direct mail advertising or any other type or types of mail and mailings.

3. HireRight's General Affidavit of Intended Use contains two separate provisions prohibiting relevant customers from using MVR information in any manner prohibited by law - see the following screenshot examples:

As an officer authorized to bind the below referenced Company, under penalty of perjury, I attest that my Company and I shall not obtain, resell, transfer, or use the information in any manner prohibited by law. I

1. **Certifications of Intended Use and Permissible Purposes.** In addition to acknowledging the terms and conditions in this Certification and prior to accessing the data, the Company must complete and return to HireRight an Affidavit of Intended Use. Company warrants and represents that its use of any information in the MVRs will be strictly limited to the uses permitted by applicable law and shall seek to obtain MVRs only for the purpose(s) set forth on the Affidavit of Intended Use. Company acknowledges that it may be subject to criminal and civil liability for use inconsistent with the Affidavit of Intended Use and for any use of the MVRs in violation of this Agreement and applicable state and federal laws.

4. HireRight's standard customer service agreement template includes a restriction against HireRight's customers using HireRight reports for any purpose not permitted in the agreement.

As discussed on our January 19, 2018, call with the PA Office of the Budget, HireRight is providing these additional comments to illustrate the various ways in which our relevant customers are made aware of (and agree to) the restrictions against utilizing PA data for direct mail or advertising purposes.

Auditor Conclusion

We commend HireRight's efforts to address the issues cited in this finding.

Our finding and recommendation remain as stated above.

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FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Late Filing of Annual Review of Revenue

HireRight sent the prior year review of annual revenue figures to PennDOT ten (10) days prior to the renewal of the bond rather than the required fifteen (15) days prior to the renewal of the bond.

Agreement No. 7303248 - Section 18 Performance Bond/Escrow Account: "At its sole cost, and for the entire term of this Agreement, the Contractor agrees to obtain and maintain in full force and effect a bond or an escrow account for the benefit of the Department in the amount of ten percent (10%) of the annual payments due the Department from the Contractor under this Agreement or \$300,000, whichever is greater. On an annual basis, the Contractor shall review the annual revenue for the prior year and forward the total as calculated to the Department for its approval. The results of the review must be forwarded to the Department at least 15 days prior to renewal of the bond."

PennDOT informed HireRight via email that it would be acceptable for HireRight to send its prior year revenue review with other year-end reporting items, even though it may result in late filing.

Late filing allows less time for PennDOT's review and approval process. This may result in the bond being renewed prior to PennDOT determining whether an adjustment to the bond amount is required.

Recommendation

We recommend that HireRight establishes controls and procedures to ensure it files the annual review of revenue with PennDOT in the time frame specified in Section 18 of Agreement No. 7303248.

Audited Entity Response

HireRight has implemented an annual recurring internal meeting scheduled 30 days prior to bond expiration date, to provide adequate time pull PA Revenue Report and to forward to PennDOT on or before the required deadline.

The corrective action step has been implemented.

Individual responsible for corrective actions: HireRight's Senior Product Manager

Auditor Conclusion

We commend HireRight's immediate efforts to address the issues cited in this finding.

Our finding and recommendation remain as stated above.

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FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Lack of PennDOT Approval for Third-Party Software Integration

HireRight linked PennDOT driver record information with data on separate databases through its integration with a third-party software platform. This integration involved HireRight delivering PennDOT driver records directly into the platform without PennDOT's knowledge or consent. This integration allows HireRight customers to request and receive PennDOT driver records through the third-party software, and the driver records are then stored in the customer's personal database that resides on the third party's web-based platform.

Agreement No. 7303248 - Section 10 Contractor Databases: "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."

HireRight indicated that it was not privy to the specific data retention practices in place between the third party and its clients that utilize the software integration. HireRight did not believe that the software integration with this third party would require PennDOT approval, because the customers had signed Affidavits of Intended Use and agreements with HireRight.

This non-compliance with Agreement No. 7303248 could result in misuse and divulgence of PennDOT driver record information. Additionally, other third parties may have similar integrations with HireRight customers or have access to the driver records without PennDOT's approval.

Recommendation

We recommend that HireRight notify PennDOT of the software integration with this third party and any other entities immediately. This will allow PennDOT the ability to determine the best course of action that needs to be taken to ensure the security of driver information.

Audited Entity Response

HireRight held a conference call with PennDOT staff on November 1, 2017, to discuss HireRight's integration with relevant third-parties, including the third-party software platform referenced in the audit, as it pertains to PennDOT MVR data. HireRight also inquired as to PennDOT's preferred process for providing approval for integration partners going forward. HireRight is currently awaiting additional feedback/guidance from PennDOT related to this topic.

Timetable for performance of corrective action steps: Awaiting additional feedback/guidance from PennDOT.

Individual responsible for corrective actions: HireRight's Senior Product Manager

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FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – Lack of PennDOT Approval for Third-Party Software Integration
(Continued)**

Auditor Conclusion

We commend HireRight's immediate efforts to address the issues cited in this finding.

Our finding and recommendation remain as stated above.