

OFFICE OF THE STATE INSPECTOR GENERAL

Motor Vehicle Dealer Board

Performance Audit

July 2025



Michael C. Westfall, CPA
State Inspector General
Report No. 2026-AUD-001



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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July 31, 2025

The Honorable Glenn Youngkin
Governor of Virginia
P.O. Box 1475
Richmond, VA 23219

Dear Governor Youngkin,

The Office of the State Inspector General (OSIG) contracted with CohnReznick LLP, to conduct a performance audit of Motor Vehicle Dealer Board. The final report is attached and MVDB's corrective action plan is attached as Appendix 2.

OSIG would like to thank Melanie Lester, Interim Executive Director, and her staff for their cooperation and assistance during this audit.

Sincerely,

Michael C. Westfall, CPA
State Inspector General

cc: The Honorable John Littel, Chief of Staff to Governor Youngkin
Justin Vélez-Hagan, Deputy Chief of Staff to Governor Youngkin
Kate Stockhausen, Assistant Deputy Chief of Staff to Governor Youngkin
W. Sheppard Miller, Secretary of Transportation
John Lawson, Deputy Secretary of Transportation
Senator Lamont Bagby, Chair, Senate Transportation Committee
Delegate Karrie Delaney, Chair House Transportation Committee
Melanie Lester, Interim Executive Director, Motor Vehicle Dealer Board

Gerald Lackey, Commissioner, Department of Motor Vehicles
Diane Schember, Internal Audit Director, Department of Motor Vehicles
Staci Henshaw, Auditor of Public Accounts

This report is to remain confidential. Any requests for distribution should be referred to OSIG.

**Performance Audit of the
Motor Vehicle Dealer Board**

Audit Report No. 0687752-2035-25

Report Date: July 11, 2025

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Report Acronyms

The following is an alphabetical list of acronyms used in the report

DMV – Department of Motor Vehicles
MOU – Memorandum of Understanding
MVDB – Motor Vehicle Dealer Board
MVTRF – Motor Vehicle Transaction Recovery Fund
OSIG – Virginia Office of the State Inspector General

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Executive Summary

CohnReznick LLP (CohnReznick) was engaged by the Virginia Office of the State Inspector General (OSIG) to conduct a performance audit of the Motor Vehicle Dealer Board (MVDB) for the period July 1, 2023, through December 31, 2024.

Objectives

The objectives of the audit were as follows:

- Evaluate the adequacy of enforcement and resources dedicated to oversight activities of MVDB.
- Evaluate the tools and system utilized by MVDB to track and analyze licensing metrics. This includes:
 - Electronic databases and reporting mechanisms for management.
 - Identify and track all new and used car dealerships in accordance with Code of Virginia requirements.
- Determine if services described in the Memorandum of Understanding (MOU) between MVDB and the Department of Motor Vehicles (DMV) are being satisfactorily rendered.

Methodology

CohnReznick conducted this audit in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to performance audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*). Those standards require that CohnReznick plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. CohnReznick believes that the evidence obtained provides reasonable basis for the findings and conclusion based on the audit objectives.

Audit Findings

Based on the procedures performed, we identified five findings. Specifically, we identified:

- The MVDB's Random Inspections Are Not Performed Timely.
- The MVDB Should Enforce Corrective Actions When Non-Compliance of the Code of Virginia is Identified.
- The MVDB Should Maintain Documentation Evidencing the Completion of Dealership Inspections.
- The MVDB Is Not Tracking When Dealership Inspections Are Completed.
- There Are No Formalized Metrics Established Between the DMV and MVDB to Determine If Services Are Being Satisfactorily Rendered.

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What We Recommend and Management's Comments

We made 12 recommendations to the MVDB to enhance MVDB's compliance with its regulatory requirements and policies and procedures. The MVDB's response to the audit report, including the corrective action plan, are attached to this report in entirety.

Background

The 1995 General Assembly of the Commonwealth of Virginia adopted legislation to shift the regulation and oversight of the new and used motor vehicle dealer industry from the Department of Motor Vehicles (DMV) to the Motor Vehicle Dealer Board (MVDB). In 2015, the General Assembly adopted legislation that moved the oversight and regulation of motorcycle, trailer and recreational vehicle dealerships from the DMV to the MVDB. Virginia has over 3,200 franchise and independent dealerships¹.

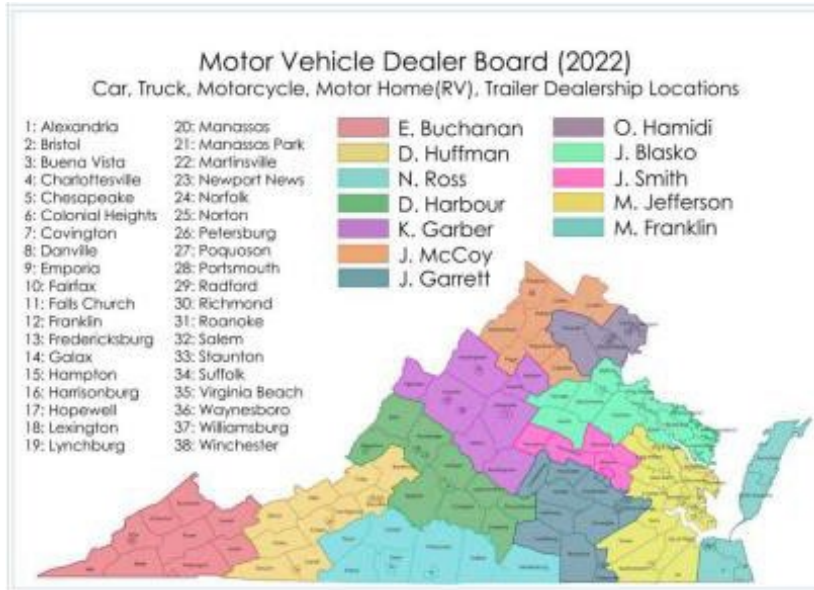
The primary focus of the MVDB, as mandated by the Code of Virginia (Chapter 15 of Title 46.2), is to regulate new and used car, motorcycle, trailer and recreational vehicle dealerships. This includes certifying and licensing dealerships and salespersons. Additionally, the Board administers the Motor Vehicle Transaction Recovery Fund (MVTRF), handles consumer complaints regarding the dealerships, monitors dealer advertising and conducts administrative hearings.

The MVDB's staff is divided into two functional areas: Field Operations and Main Office Board Operations. The Field Operations department consists of a supervisor, based out of Richmond, and twelve field representatives located throughout the Commonwealth of Virginia. The field representatives are divided into six districts and are responsible for inspecting dealerships and educating dealership personnel, salespersons and consumers related to dealer licensing laws. Additionally, field representatives also handle consumer complaints and assist law enforcement with investigations. Enforcement becomes necessary only after continued and blatant disregard for Virginia's motor vehicle laws by licensed dealerships.

¹ Motor Vehicle Dealer Board Biennial Report (2024)

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The MVDB's field representatives perform various inspections to verify statutory requirements throughout a dealership's existence. The MVDB will conduct an opening inspection prior to the dealership receiving its license. Random inspections are unannounced inspections to verify compliance with the Code of Virginia. Follow up inspections are inspections resulting from violations identified during a random inspection. Board mandated inspections arise from issues brought before the MVDB such as repeated violations by the dealership. Finally, closing inspections occur 30 days before the dealership ceases its operations.

Horizon is the MVDB's system of record to document the results of inspections. There are 15 questions that guide an opening inspection, random inspection, follow up inspection, and board mandated inspection, which are derived from a requirement in the Code of Virginia. The closing inspection checklist only has four questions. The field representative can answer Yes, No, or Not Applicable to these questions. If a question is No, the MVDB requires the field representative to document why the requirement was not met. Horizon also includes the dealer's insurer, the name of the representative from the dealer who was interviewed, inspection results, regulator action taken (if any), and overall comments from the inspection.

Opening Inspection

The field representative verifies if a dealer satisfies the statutory requirements defined in the Code of Virginia within five days of license approval. The field representative will conduct an on-site inspection with the dealership. The Code of Virginia requires the following to exist for a dealership:

- Does the dealership sign contain the trade name in letters no less than six inches in height (§46.2-1534)?
- Are business hours posted and maintained in compliance with the statute (§46.2-1533)?

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- Is the sales, service, and office space at least 250 sq. ft. devoted exclusively to the dealership (§46.2-1510)?
- Is the dealership properly equipped, and has the designated space for the display of at least 10 vehicles (§46.2-1510)?
- Is the dealer certificate properly displayed in a conspicuous place (§46.2-1515)?
- Is the list of salesperson(s) current and conspicuously displayed (§46.2-1518)?
- Is the processing fee sign conspicuously displayed in a public sales area (§46.2-1530)?

Upon successful completion of the opening inspection, the field representative will provide a copy of the inspection report to the dealer and issue a license to the dealer.

Random Inspection

Conducted at the discretion of the MVDB staff, these unannounced inspections are to ensure dealerships remain compliant with the Code of Virginia. The field representatives will randomly select dealerships to conduct random on-site inspections. The MVDB does not have a formalized requirement for the frequency of random inspections; however, the MVDB's target is to conduct a random inspection once every 18 months for all dealerships. The Code of Virginia requires the following to exist for a dealer:

- Does the dealership sign contain the trade name in letters no less than six inches in height (§46.2-1534)?
- Are business hours posted and maintained in compliance with the statute (§46.2-1533)?
- Is the sales, service, and office space at least 250 sq. ft. devoted exclusively to the dealership?
- Is the dealership properly equipped, and has the designated space for the display of at least 10 vehicles (§46.2-1510)?
- Is the dealer certificate properly displayed in a conspicuous place (§46.2-1515)?
- Is the list of salesperson(s) current and conspicuously displayed (§46.2-1518)?
- Is the processing fee sign conspicuously displayed in a public sales area (§46.2-1530)?
- Are all employee and sales records, vehicle inventory records and titles, etc. properly completed and maintained for five years (or by computer with proper approval) (§46.2-1529)?
- Are copies (front and back) of titles maintained for completed sales (§46.2-1529-46.2-1530)?
- Are odometer records maintained in original or duplicated form for five years (§46.2-1532)?
- Are all plate records in proper order (§46.2-1542, §46.2-1550.2, §46.2-1559)?
- Are plates used as authorized and are written records maintained (§46.2-1548, §46.2-1550)?
- Are all salespersons licensed and employees of the dealership and not independent contractors (§46.2-1537)?
- Are all vehicles sold at retail safety inspected and records maintained (§46.2-1539)?

Board Mandated Inspection

Board mandated inspections arise from issues brought before the MVDB. The reason, date, and time of the inspection are determined during the MVDB meetings, with written notice sent to the dealer via certified mail. Failure to comply with or pass the inspection may result in consequences, including but not limited to suspension.

Closing Inspection

§46.2-1545 of the Code of Virginia requires dealerships planning to cease operations to provide at least 30 days' notice to the MVDB before their intended closing date. This period allows for the dealer to deplete their inventory, finalize any pending deals, and for a field representative to coordinate the closing inspection, during which the field representative will collect all licensing materials, including the dealer certificate, salesperson licenses, dealer plates, and other required items. The Code of Virginia requires the following to exist when a dealership closes:

- Is the dealer certificate surrendered (§46.2-1545)?
- Is the salesperson's license collected (§46.2-1545)?
- Are the dealer plates missing (§46.2-1545)?
- Where will records be maintained (§46.2-1529)?

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Methodology

CohnReznick applied various methodologies during the audit to appropriately perform and conclude upon the objectives of the audit. We conducted this engagement in three phases, planning, fieldwork and reporting.

Planning

- Conducted interviews with the MVDB and DMV staff and management to gain an understanding of the policies, procedures and controls subject to audit.
- Reviewed and evaluated the MVDB's policies and procedures.
- Summarized the results of our planning activities, including major risks identified, within a planning memorandum.
- Designed testing procedures to address each audit objective within an audit program.

Please refer to Appendix 1 of this report for the complete list of procedures performed.

Fieldwork

We performed fieldwork activities to verify we obtained sufficient, appropriate evidence that would provide a reasonable basis for findings and conclusions based on the audit objectives. Our procedures included:

- Observed the MVDB field representatives conduct inspections of dealerships and update the inspection reports in Horizon.
- Analyzed data from Horizon of opening inspections, random inspections, closing inspections, follow up inspections, and board mandated inspections conducted for the period July 1, 2023, through December 31, 2024. During the period, there were 395 opening inspections, 3,266 random inspections, 353 follow up inspections, 426 closing inspections, and 18 board mandated inspections.
- Selected a random sample of the following inspections to determine if the inspections complied with the Code of Virginia and the MVDB policies and procedures:
 - Opening inspections: 39
 - Random inspections: 45
 - Follow up inspections: 33
 - Closing inspections: 39
 - Board mandated inspections: 3
- Obtained and reviewed the MOU between the DMV and MVDB to determine if services are being satisfactorily rendered.
- Conducted inquiries with the DMV and MVDB to understand how management determines if the services outlined in the MOU are being satisfactorily rendered.

Refer to Appendix 1 for the complete procedures performed to accomplish each audit objective.

Reporting

At the conclusion of fieldwork, we provided a summary of our results to the MVDB to ensure that the MVDB was aware of our findings and had the opportunity to submit additional documentation or other information in response to the exceptions identified.

Results of the Audit

Based on the procedures performed, opportunities exist to strengthen the policies, procedures, and controls of the MVDB related to its enforcement processes. These opportunities are represented by five observations discussed in the findings section of this report and the following eleven recommendations outlined below:

1. The MVDB should implement policies and procedures to ensure that random inspections are conducted for each dealership every 18 months. The MVDB should consider conducting the inspections at dealerships more frequently based on the risk and severity of non-compliance identified during previous inspections.
2. MVDB Headquarters should monitor its field representatives and implement reporting mechanisms to ensure random inspections are performed timely and in accordance with the MVDB's policies and procedures.
3. The MVDB should evaluate the number of field representatives devoted to conducting random inspections to determine if additional resources are required to conduct more frequent oversight of dealerships.
4. If an instance of non-compliance is identified during an inspection, the MVDB should develop policies and procedures to document the protocol if violations of the Code of Virginia are identified. If the MVDB exercises judgement when violations occur, management should document its rationale.
5. The MVDB should provide training to the field representatives to ensure that the field representatives adhere to the MVDB's policies and procedures.
6. The MVDB should implement policies and procedures to ensure all relevant documentation supporting the inspection is retained for a reasonable period. Specifically, MVDB should:
 - a. Increase its oversight of the field representatives to ensure that the inspections occurred, and the required documentation was maintained.
 - b. For opening inspections, the MVDB should revise its policies and procedures to maintain the background checks, including the results. Furthermore, the MVDB should create a centralized repository to maintain all required documentation.
 - c. For random inspections, the MVDB should retain documentation to confirm the inspection occurred and be able to readily produce the documentation if requested.
7. MVDB should formally document and maintain the records associated with the inspections in accordance with the Code of Virginia. The MVDB should develop a quality assurance function to determine if the field representatives are completing inspections timely and in accordance with the Code of Virginia.
8. The MVDB should enhance the reporting capabilities of Horizon to include the date the field representative completed the inspection. If the MVDB is unable to modify Horizon to track when inspections are completed, the MVDB should implement manual processes and controls to ensure the inspections are completed in accordance with the Code of Virginia.

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9. For closing inspections, the MVDB should enforce the Code of Virginia §46.2-1545 that dealerships communicate within a 30-day period if the business will cease its operations.
10. The MVDB and the DMV should create metrics such as preparing monthly reports from the DMV on services performed (e.g., number of tests and applications processed, number of holds placed on dealerships) to establish an acceptable measure of services being satisfactorily rendered.
11. The MVDB and the DMV should implement policies and procedures to periodically monitor and document whether services between the MVDB and DMV are being rendered and follow-up if the services are not satisfactorily being rendered.

CohnReznick thanks the Commonwealth, the MVDB and its employees whose assistance and availability were vital during the audit. Please contact us if you have any questions or comments regarding any of the information contained in the performance audit report.



CohnReznick LLP
Bethesda, MD
July 11, 2025

Findings

Finding #1 The MVDB's Random Inspections Are Not Performed Timely

The MVDB is not performing random inspections of all dealerships every 18 months to determine if the dealership complies with the Code of Virginia. Based on our inquiries with the MVDB, management stated there is an informal goal for its field representatives to conduct random inspections for each dealership every 18 months; however, management does not have policies and procedures requiring a random inspection for all dealerships every 18 months. Management stated that the MVDB does not have enough field inspectors to perform random inspections for each dealership every 18 months.

As a result of not performing timely random inspections, there is an increased risk that dealerships in the Commonwealth of Virginia are not complying with the Code of Virginia. Additionally, there is an increased risk that dealerships have ceased to operate as a business, have not reported its closure to the MVDB, and are using dealership plates that should be inactive. MVDB's goal to perform random inspections over all dealerships every 18 months is reasonable to mitigate the risk that dealerships are not complying with the Code of Virginia.

We obtained the population of random inspections conducted and compared the date of the most recent inspection to the date of the previous inspection. We analyzed dealerships that did not have a random inspection within 18 months. We identified 948 of a total 3,278 dealerships that did not have a random inspection performed within 18 months. The months between inspections were as follows:

Months Between Inspection	Count
Between 19-23 months	527
Between 24-35 months	342
Between 36-47 months	39
Greater than 48 months	40
Total	948

Recommendations:

1. The MVDB should implement policies and procedures to ensure that random inspections are conducted for each dealership every 18 months. The MVDB should consider conducting the inspections at dealerships more frequently based on the risk and severity of non-compliance identified during previous inspections.
2. MVDB Headquarters should monitor its field representatives and implement reporting mechanisms to ensure random inspections are performed timely and in accordance with the MVDB's policies and procedures.
3. The MVDB should evaluate the number of field representatives devoted to conducting random inspections to determine if additional resources are required to conduct more frequent oversight of dealerships.

Management Response:

The MVDB acknowledges the importance of conducting inspections to ensure dealership compliance with Virginia Code. In 2022, the agency established a goal to inspect each dealership at least once every 18 months—an enhancement from the prior 36-month target. This goal incorporates into the target all inspections, not just random inspections, with one exception - inspections for newly licensed dealerships – original inspections.

To monitor progress toward this objective, the field representative supervisor utilizes the Horizon enforcement system to monitor inspection scheduling and completion. While this process is currently manual, the system provides essential visibility into inspection results and scheduling.

The agency is actively evaluating resource needs to determine whether additional field staff are required to meet inspection frequency goals. As of now, field personnel represent 52% (13 of 25) of the agency’s workforce. The agency operates independently, funded solely by fees paid by the licensed dealers. These fees cover all operating; no general or federal funds are appropriated. Any proposed increase in staffing would require approval by the agency’s governing Board.

The MVDB is committed to strengthening its inspection program while maintaining responsible balance between oversight and available resources.

Finding #2 The MVDB Should Enforce Corrective Actions When Non-Compliance of the Code of Virginia is Identified.

The MVDB philosophy is to enforce the laws, regulations, and policies through education efforts. When findings are identified during a field inspection, the MVDB may provide educational warnings to allow the dealership to resolve the finding and have a follow-up inspection conducted within six months. If educational efforts do not produce the desired outcomes, the MVDB will resort to its enforcement authority. If non-compliance is identified during the follow-up inspection, the field representative can request a regulatory letter, or the field representative supervisor can determine if a regulatory letter will be sent based on the inspection report.

During our testwork over dealership inspections, we identified the following:

- For four inspections tested, the field representative determined a Code of Virginia requirement was not met, but a regulatory letter was not sent. MVDB's policies and procedures do not specify when a regulatory letter should be issued if non-compliance is identified during an inspection.
- For three inspections tested, the field representative determined that a Code of Virginia requirement was not initially met. However, corrective action was taken during the inspection to remediate the deficiency. For one inspection, a subsequent follow-up inspection was conducted. The MVDB does not have formalized policies and procedures to address the remediation of deficiencies identified during an inspection.

As a result of not having documented policies and procedures, there is an increased risk that the MVDB is not consistently enforcing the Code of Virginia requirements.

Recommendations:

1. If an instance of non-compliance is identified during an inspection, the MVDB should develop policies and procedures to formally document the standardized protocol if violations of the *Code* are identified. If the MVDB exercises judgement when violations occur, management should document its rationale.
2. The MVDB should provide training to the field representatives to ensure that the field representatives adhere to the MVDB's policies and procedures.

Management Response:

The MVDB is committed to strengthening the consistency and transparency of its enforcement actions when violations are identified during inspections. Currently, field representatives document violations and recommend appropriate actions in the inspection report. These reports are reviewed by the supervisor, who determines whether further action is warranted. If so, the case is forwarded to the appropriate personnel for enforcement.

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To enhance this process, the MVDB will develop a formal policy that outlines the protocol for handling violations identified during inspections. This policy will define the steps to be taken following an inspection, including documentation requirements and escalation pathways. It will also require that any exercise of discretion by management or supervisory personnel—such as decisions not to pursue a violation—be supported with written rationale.

In addition, the MVDB will implement training for all field representatives to ensure consistent adherence to the new policy.

Finding #3 The MVDB Should Maintain Documentation Evidencing the Completion of Dealership Inspections

During our testwork over opening inspections, random inspections, and closing inspections, we determined that the MVDB did not sufficiently maintain documentation, or could not produce all required documentation, to provide evidence that inspections were properly completed.

Specifically, we identified the following:

Opening Inspections

We selected a random sample of 39 opening inspections and identified the following exceptions:

- For 28 opening inspections, the MVDB did not maintain evidence to verify whether the dealer's salesperson(s) requested a background check.
- For eight opening inspections, the salesperson(s) requested a background check, but the MVDB could not provide a copy of the completed background check. The Code of Virginia §46.2-1575 provides grounds where a license or certificate of dealer registration may be denied, suspended or revoked if key information relevant to the dealership's application is not provided. Further:
 - The MVDB's policies and procedures do not specify if the results of a background check should be maintained.
 - Horizon does not track if a dealer has completed a background check and if the MVDB reviewed the results of the background check.
 - MVDB did not provide documented evidence of the background check review.
- For 19 opening inspections, the MVDB did not provide the initial dealer application.
- For 36 opening inspections tested, the MVDB did not maintain documentation of the factory warranty and a copy of the servicing agreement. Per section §46.2-1509 of the Code of Virginia, "if the applicant is a dealer in new motor vehicles with factory warranties, a copy of a current service agreement with the manufacturer or with the distributor, requiring the applicant to perform within a reasonable distance of his established place of business, the service, repair, and replacement work required of the manufacturer or distributor by such vehicle warranty. All of these matters shall be considered by the Board in determining the fitness of the applicant to engage in the business for which he seeks a license or certificate of dealer registration."
- For one opening inspection, the liability of insurance form was not properly signed/authorized at the time of application.
- For one opening inspection, the field representative answered "Not Applicable" to required inspection criteria for an opening inspection. The field representative did not document why the requirement was not applicable.

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Random Inspections

We selected a sample of 39 random inspections and identified the following exceptions:

- For one of 39 inspections tested, the MVDB did not have a record that the random inspection occurred. Upon further investigation, the MVDB was able to locate the records for the inspection as the name of the dealership changed.

Follow-Up Inspections

We selected a random sample of 33 follow-up inspections and identified the following exceptions:

- For one follow-up inspection, the field representative indicated that the requirement to inspect if all salespersons were licensed was not applicable. The Code of Virginia §46.2-1537 requires that all salespersons are licensed and employees of the dealership and not independent contractors. The field representative did not document why the dealership was exempt from this *Code* requirement.
- For one follow-up inspection, the field representative did not document in the overall results that the dealership did not comply with the Code of Virginia requirement §46.2-1529 which requires the dealership to maintain all employee and sales records, vehicles inventory records, and titles for five years.
- For two follow-up inspections, the dealership requested to store records off-site the same day as the inspection. The field representative did not document in Horizon if MVDB Headquarters approved the request. The MVDB's policies and procedures do not specify if the field representative should subsequently verify the records were properly retained. In accordance with, Code of Virginia §46.2-1529, "...The Board may, on written request by a dealer, permit his records to be maintained at a location other than the premises of the licensed location for good cause shown."

Closing Inspections

We selected a random sample of 39 closing inspections and identified the following exceptions:

- For one follow-up inspection, the MVDB did not have a record that the closing inspection occurred.

As a result of not adequately maintaining the required documentation, there is an increased risk that the inspections do not comply with the Code of Virginia and/or the MVDB's policies and procedures.

Recommendations:

1. MVDB should implement policies and procedures to ensure all relevant documentation supporting the inspection is retained for a reasonable period. Specifically, MVDB should:

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- a. Increase its oversight of the field representatives to ensure that the inspections occurred, and the required documentation was maintained in accordance with the MVDB policies and procedures.
- b. For opening inspections, the MVDB should revise its policies and procedures to maintain the background checks, including the results. Furthermore, the MVDB should create a centralized repository to maintain all required documentation.
- c. For random inspections, the MVDB should retain documentation to confirm the inspection occurred and be able to readily produce the documentation if requested.

Management Response:

The MVDB uses Global Search to retain documentation for each dealer, and all field representatives have access to this system. To improve documentation practices, MVDB will enhance its procedures to ensure that a complete and timely Global Search record is maintained for 100% of opening inspections.

For opening inspections, field representatives collect and upload documents including the MVDB-10 application, insurance documentation, and zoning certificates. Background check results, obtained through approved vendors, are available to MVDB at any time; however, the agency will revise its policies and procedures to require that copies of the background check results are retained as part of the inspection record in Global Search.

For random inspections, the completed inspection report currently serves as the primary documentation of the visit. While no additional documentation is routinely required, MVDB maintains a shared folder where field representatives can upload supporting documents—particularly in cases where violations are found and subject to appeal. MVDB will evaluate opportunities to formalize the retention of basic supporting evidence confirming the occurrence of random inspections, even when no violations are found.

In addition, MVDB will assess options for establishing a centralized repository structure to improve consistency in how documentation is maintained and retrieved across all types of inspections.

Finding #4 The MVDB Is Not Tracking When Dealership Inspections Are Completed

Horizon is the MVDB's system of record to document the results of inspections. There are 15 questions that guide an opening inspection, random inspection, follow up inspection, and board mandated inspection, which are derived from a requirement in the Code of Virginia. The closing inspection checklist only has four questions. The field representative can answer Yes, No, or Not Applicable to these questions. If a question is No, the MVDB requires the field representative to document why the requirement was not met. Horizon also includes the dealer's insurer, the name of the representative from the dealer that was interviewed, inspection results, regulator action taken (if any), and overall comments from the inspection.

During our testwork over opening inspections, random inspections, follow-up inspections, closing inspections, and board mandated inspections, we determined that the MVDB is not monitoring to confirm when dealership inspections are completed. We noted that Horizon does not have the reporting capabilities to determine when the inspections were completed. Furthermore, we determined that the MVDB does not have manual processes or controls in place to verify the timely completion of inspections.

Specifically, we noted the following:

Opening Inspections

- Horizon does not have the capability to report when the field representative completed the inspection. Per the MVDB Field Representative Opening Inspection Guide, the field representative must document the completion of an opening inspection in Horizon within five days from the date of the inspection.

Random Inspections

- Horizon does not have the capability to report when the field representative completed the random inspection. Per the MVDB Field Inspections Standard Operating Procedures, the field representative has 60 days to perform an inspection from the date that the inspection was requested by the MVDB.

Closing Inspections

- The MVDB does not enforce the Code of Virginia §46.2-1545 requirement, which states that no dealer, unless their license has been suspended, revoked, or canceled, shall cease business without a 30-day advance notification to the DMV and the MVDB. The closing inspection checklist does not require the field representative to determine if the dealership provided this notice to the MVDB.
- There are no required fields in Horizon to document where the records will be maintained in accordance with the Code of Virginia §46.2-1529.

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Recommendations:

1. MVDB should formally document and maintain the records associated with the inspections in accordance with the Code of Virginia. The MVDB should develop a quality assurance function to determine if the field representatives are completing inspections timely and in accordance with the Code of Virginia.
2. The MVDB should enhance the reporting capabilities of Horizon to include the date the field representative completed the inspection. If the MVDB is unable to modify Horizon to track when inspections are completed, the MVDB should implement manual processes and controls to ensure the inspections are completed in accordance with the Code of Virginia.
3. For closing inspections, the MVDB should enforce the Code of Virginia §46.2-1545 that dealerships communicate within a 30-day period if the business will cease its operations.

Management Response:

The MVDB currently uses the Horizon enforcement system to monitor the scheduling and status of inspections. Field representatives receive system notifications for most types of inspections; however, Horizon does not generate automated alerts for random inspections. Inspection due dates are visually tracked within Horizon through a color-coded system, indicating urgency based on proximity to due dates. Horizon does not log the completion timestamp, only the results of the completed inspection. The agency will update its policies and procedures to formally document how the timeliness of inspection completion is monitored and verified, including the role of supervisors and use of the Horizon system.

While the MVDB cannot anticipate when a dealer may abandon operations, the agency will propose the development and implementation of a policy – pending Board approval – to deter uncommunicated dealership closures and strengthen post-abandonment enforcement mechanisms. Under this proposal, all applicants for dealer licensure would be required to agree to specific terms as a condition of licensure. These terms would authorize the MVDB to assess and enforce penalties in cases where a dealership ceases operations without providing the required 30-day notice, in accordance with Virginia Code §46.2-1545.

This policy would serve the following purposes:

Post-Abandonment Enforcement: Enable the MVDB to document violations and apply penalties to a dealer's record even after an unnotified closure has occurred.

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Future Business Restrictions: Allow the MVDB to consider such violations when evaluating future license applications, thereby preventing individuals with a record of abandonment from re-entering the industry in the Commonwealth.

If approved, the MVDB will formalize this requirement within its licensure framework and incorporate it into future policy guidance to ensure clear expectations and consistent enforcement.

Finding #5 There Are No Formalized Metrics Established Between the DMV and MVDB to Determine If Services Are Being Satisfactorily Rendered

We obtained and reviewed the Memorandum of Understanding (MOU) between the MVDB and DMV. The MOU documents the services the DMV will perform to the MVDB to contribute to the efficiency and productivity of state government services. The DMV provides financial, administrative, and support services to the MVDB. The key services outlined in the MOU are accounting and financial reporting, budget preparation, human resources services, processing of tests and applications, and dealership inspections.

We inquired with staff and management of the MVDB and DMV to determine if services between the MVDB and DMV are being satisfactorily rendered. While there was no indication that services were not being rendered, the DMV and MVDB do not have formalized metrics to monitor if services are being satisfactorily rendered.

Without formalized metrics, processes, and/or controls to monitor if services are being satisfactorily rendered, the MVDB and DMV increase the risk of key services not being adequately performed such as delays in processing new dealership applications and closing of dealerships.

Recommendations:

1. The MVDB and the DMV should create metrics such as preparing monthly reports from the DMV on services performed (e.g., number of tests and applications processed, number of holds placed on dealerships) to establish an acceptable measure of services being satisfactorily rendered.
2. The MVDB and the DMV should implement policies and procedures to periodically monitor and document whether services between the MVDB and DMV are being rendered and follow-up if the services are not satisfactorily being rendered.

Management Response:

The MOU between MVDB and DMV has the following checks/balances in place for the negotiated services.

<u>MVDB / DMV MOU</u>			
<i>Services</i>	<i>Confirmation Method</i>	<i>Frequency</i>	<i>Form</i>
Accounting & Financial Reporting	FAACS Reconciliation	Annual	Report
	Appropriation Reconciliation	Annual	Report
	Oracle v. Cardinal Reconciliation	Annual	Report
Budget Preparation & Documentation	MVDB Executive Report	Monthly	Report

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Human Resources Services	Integrated in DMV processes	As Needed	Upon Request & paid via IAT*
Payroll	Integrated in DMV processes	Daily	Cardinal & paid via IAT*
Printing & Mail Services	Integrated in DMV processes	Monthly	Invoice
Automated dealer/salesperson System	MVDB Revenue Transfer	Monthly	Report
Processing of Tests	Integrated in DMV processes	Monthly	Invoice
Dealership inspections & License Plates	MVDB Revenue Transfer	Monthly	Report

**IAT = Interagency transfer voucher*

Appendix 1: Audit Procedures by Audit Objective

Procedure #	Procedure Summary
Audit Objective 1 - Evaluate the adequacy of enforcement and resources dedicated to oversight activities of MVDB.	
1	Evaluate the number and percentage of inspections by inspection type that were not completed timely and evaluate the reason for the delays (i.e. resource constraints, etc.).
2	Conduct walkthroughs with Field Representative locations for an opening and random inspection and perform the following procedures: • Obtain an understanding of the process for conducting inspections to ensure compliance with the Code of Virginia requirements. • Determine if inspections are performed consistently across Field Representative locations or if the process for conducting an inspection varies by location. • If virtual and in-person inspections are performed for each type of inspection (i.e. Pre-Opening/Opening Inspections, Random Inspection, Offsite/Temporary Supplemental Locations, Change of Location Inspection, Board Mandated Inspection and Closing Inspection), understand how MVDB determines which dealerships will be subject to virtual inspections (i.e. what constitutes an excellent inspection record) or in-person inspections. • Determine if the inspection complied with the Code of Virginia requirements. • Meet with MVDB to understand how it updates its system, Horizons, for new licenses, offsite/temporary supplemental locations, change of location inspections, and closing dealers.
3	Select a sample of opening inspections and perform the following procedures: • Obtain a system generated report of dealerships that applied for new licenses during the audit period (July 1, 2023, through December 31, 2024). • Document the sampling methodology. • For a sample of opening inspections: ○ Obtain the new dealer license application package stored on the MVDB document retention system. ○ Reperform the review of a new dealer application package to validate the process aligns with the procedures mapped out in the Standard Operating Procedures (SOP) provided. ○ Verify a background check was performed by MVDB. ○ Determine when the inspection occurred and when Horizons was updated. • Determine if the Field Representative submitted the opening inspection

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Procedure #	Procedure Summary
	report in Horizon within 5 days, per MVDB policy. Evaluate the percentage of inspections by category that were not completed timely and evaluate if the delays were due to resource constraints or other factors. • Determine if the inspection complied with the Virginia Code. If violations were identified, determine if there was an explanation.
5	Select a sample of closing inspections and perform the following procedures: • Obtain a system generated report of dealerships that applied for closing during the audit period (July 1, 2023, through December 31, 2024). • Document our sampling methodology. • For a sample of closing inspections: ○ Obtain the closing inspection report from Horizons. ○ Reperform the review of a new closing dealer application package to validate the process aligns with the procedures mapped out in the Standard Operating Procedures (SOP) provided. ○ Determine when the inspection occurred and when the system, Horizons, was updated. • Evaluate the percentage of inspections by category that were not completed timely and evaluate if the delays were due to resource constraints or other factors. • Determine if the inspection complied with the Virginia Code. If violations were identified, determine if there was an explanation.
6	Evaluate if MVDB management verifies that an inspection has occurred to ensure compliance with the policy deadlines and identify if there is a backlog of inspections during the audit period.
7	Meet with MVDB personnel to understand the resources dedicated to enforcement and whether there are adequate resources devoted to enforcement. Compare the resources devoted to inspections and compare to other entities similar to MVDB by inspecting budgets and the number of dealerships in the state.
8	For board mandated inspections, determine if the inspections were conducted by the date mandated by the board. For inspections not completed timely, inquire with MVDB to understand why the inspection was delayed and its protocol for communicating the status to the Board.
9	For follow up inspections, determine if the follow up inspection complied with the Virginia Code, determine if the Field Representative properly filled out Questions 1-15. Form included Insurance information and comments correspond to the answers provided for Questions 1-15

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Procedure #	Procedure Summary
Audit Objective 2 - Evaluate the tools and system utilized by MVDB to track and analyze licensing metrics. This includes:	
a. Electronic databases and reporting mechanisms for management. b. Identify and track all new and used car dealerships in accordance with Code of Virginia requirements.	
1	Perform walkthroughs with MVDB personnel to include the following: • Understand how MVDB uses tools/systems to receive notification if a dealership applied for inspections related to Pre-Opening/Opening, Closing, Combination/Acquisition, Offsite/Temporary Supplemental Locations, Change of Location and Board Mandated. • Obtain an understanding if the new online system under development has been implemented during the period subject to audit (July 1, 2023, through December 31, 2024) or when it is scheduled to be implemented. If the system has been implemented, determine how the system changed the MVDB's process to track and analyze licensing metrics and its oversight activity. • Obtain system generated reports utilized by the MVDB to track and analyze its licensing metrics. For a sample of inspections, determine if the database/system was updated timely and that the list was complete by selecting a random sample of 25 dealers from the MVDB website and verifying the dealership was included on the report. • Determine the DMV's role over the application process and what review MVDB is performing over the applications before approving an opening inspection.
Audit Objective 3 - Determine if services described in the MOU between MVDB and the Department of Motor Vehicles (DMV) are being satisfactorily rendered.	
1	Obtain and review the Memorandum of Understanding (MOU) between MVDB and DMV.
2	Perform a walkthrough with MVDB staff to understand what services are detailed in the MOU and what metrics are utilized to determine if services are satisfactorily rendered.



COMMONWEALTH *of* VIRGINIA

Motor Vehicle Dealer Board

Mr. Michael C. Westfall
Office of the State Inspector General
P.O. Box 1151
Richmond, VA 23218

Inspector General Westfall,

On behalf of the Motor Vehicle Dealer Board (MVDB), I would like to thank your staff for the thorough and thoughtful audit of our inspection and oversight processes. I appreciate the time, effort, and diligence invested by your team in identifying areas where the MVDB can strengthen its compliance framework and enhance its operational effectiveness.

The recommendations outlined in your report align closely with the MVDB's ongoing commitment to ensuring the integrity of motor vehicle sales in the Commonwealth and improving public trust through consistent enforcement of the Virginia Code. The findings provide valuable insight and support our efforts to modernize processes, improve documentation standards, and increase transparency and accountability across all levels of our inspection program.

We have begun implementing several of the recommended changes and are developing additional measures to address the remaining recommendations. These efforts include:

Inspection Timeliness and Oversight: We have reaffirmed our goal of inspecting each dealership at least once every 18 months. Management continues to use the Horizon enforcement system to monitor inspection timeliness, and enhancements to documentation practices are underway.

Policy Development and Documentation Standards: We are drafting formal policies to guide the consistent handling of violations, including protocols for documenting management judgment when discretion is exercised. These policies will ensure clear expectations and defensible decision-making.

Field Representative Training: Targeted training programs are being designed to ensure field representatives are well-informed of updated procedures and documentation requirements. This training will reinforce accountability and procedural compliance.

Dealer Closure Enforcement: The MVDB is developing a policy-subject to Board approval-to address dealership abandonment without required notice. This policy will authorize post-abandonment enforcement and establish conditions that may restrict future licensure for non-compliant individuals.

Centralized Documentation and Retention: We are working to ensure all inspection documentation is consistently retained in Global Search and are evaluating additional centralized solutions to streamline recordkeeping and retrieval.

We are confident that the implementation of these improvements will further strengthen the MVDB's regulatory framework and enhance our ability to serve the dealer community. The Board's primary focus is to educate dealers on the laws and regulations governing their industry, with the goal of ensuring they possess the knowledge necessary to promote professionalism and compliance. Consistent with our "education first" philosophy, the Board and its staff prioritize outreach and guidance to encourage voluntary compliance. When educational efforts do not achieve the desired outcomes, the MVDB remains committed to exercising its enforcement authority in a fair, consistent, and professional manner.

Thank you again for your valuable guidance and partnership in our continuous improvement efforts. We look forward to keeping you updated on our progress and welcome any further feedback as we implement these changes.

Sincerely,



Melanie Lester
Interim Executive Director

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Appendix 2: Corrective Action Plan

FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
1. The MVDB's Random Inspections Are Not Performed Timely	1. The MVDB should implement policies and procedures to ensure that random inspections are conducted for each dealership every 18 months. The MVDB should consider conducting the inspections at dealerships more frequently based on the risk and severity of non-compliance identified during previous inspections. 2. MVDB Headquarters should monitor its field representatives and implement reporting mechanisms to ensure random inspections are performed timely and in accordance with the	MVDB has reaffirmed our goal of inspecting each dealership at least once every 18 months. Management will continue to use the Horizon enforcement system to monitor inspection timeliness. The field representative supervisor will continue to utilize the Horizon enforcement system to monitor inspection scheduling and completion. MVDB will focus on strengthening its inspection program while maintaining a responsible balance between oversight	Implemented	July 1, 2025	Field Representative Supervisor

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FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	MVDB's policies and procedures. 3. The MVDB should evaluate the number of field representatives devoted to conducting random inspections to determine if additional resources are required to conduct more frequent oversight of dealerships.	and available resources. The MVDB is actively evaluating resource needs to determine whether additional field staff are required to meet inspection frequency goals. The agency operates independently, funded solely by licensing fees paid by the licensed dealers. Any proposed increase in staffing requires approval by the agency's governing Board.			
2. The MVDB Should Enforce Corrective Actions When Non-Compliance of the	1. If an instance of non-compliance is identified during an inspection, the MVDB should develop	The MVDB will develop a formal policy that outlines the protocol for handling violations	New or updated MVDB Violations Policy and Procedure.	June 30, 2026	Agency Analyst & Field Representative Supervisor

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Code of Virginia is Identified.	policies and procedures to formally document the standardized protocol if violations of the <i>Code</i> are identified. If the MVDB exercises judgement when violations occur, management should document its rationale. 2. The MVDB should provide training to the field representatives to ensure that the field representatives adhere to the MVDB's policies and procedures.	identified during inspections. This policy will define the steps to be taken following an inspection, including documentation requirements and escalation pathways. It will also require that any exercise of discretion by management or supervisory personnel, such as a decision not to pursue a violation, must be supported with written rationale.			
3. The MVDB Should Maintain Documentation Evidencing the Completion of Dealership Inspections	MVDB should implement policies and procedures to ensure all relevant documentation supporting the inspection is retained for a reasonable period. Specifically, MVDB should:	The MVDB will enhance its procedures to ensure that a complete and timely Global Search record is maintained for 100% of opening inspections.	New or updated MVDB policies and procedures for document retention on Background Checks, Initial Applications, and	June 30, 2026	Field Representative Supervisor & Operations Manager

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	Increase its oversight of the field representatives to ensure that the inspections occurred and the required documentation was maintained. For opening inspections, the MVDB should revise its policies and procedures to maintain the background checks, including the results. Furthermore, the MVDB should create a centralized repository to maintain all required documentation. For random inspections, the MVDB should retain documentation to confirm the inspection occurred and be able to readily produce the documentation if requested.	The agency will revise its policies and procedures to require that copies of the background check results are retained as part of the inspection record in Global Search. MVDB will assess options for establishing a centralized repository structure to improve consistency in how documentation is maintained and retrieved across all types of inspections.	Inspections.		
4. The MVDB Is Not Tracking When Dealership Inspections Are	1. MVDB should formally document and maintain the records associated	The MVDB will update its policies and procedures to formally document	New or updated MVDB Inspection policies	June 30, 2026	Field Representative Supervisor

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Completed	with the inspections in accordance with the Code of Virginia. The MVDB should develop a quality assurance function to determine if the field representatives are completing inspections timely and in accordance with the Code of Virginia. 2. The MVDB should enhance the reporting capabilities of Horizon to include the date the field representative completed the inspection. If the MVDB is unable to modify Horizon to track when inspections are completed, the MVDB should implement manual processes and controls to ensure the inspections are	how the timeliness of inspection completion is monitored and verified, including the role of supervisors and use of the Horizon system. The MVDB will implement manual processes and controls to ensure the inspections are completed in accordance with the Virginia Codes. The MVDB will propose to the governing Board for approval the development and implementation of a policy to deter uncommunicated dealership closures			

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	completed in accordance with the Virginia Code of Regulations. 3. For closing inspections, the MVDB should enforce the Virginia Code of Regulation §46.2-1545 that dealerships communicate within a 30-day period if the business will cease its operations.	and strengthen post-abandonment enforcement mechanisms.			
5. There Are No Formalized Metrics Established Between the DMV and MVDB to Determine If Services Are Being Satisfactorily Rendered	1. The MVDB and the DMV should create metrics such as preparing monthly reports from the DMV on services performed (e.g., number of tests and applications processed, number of holds placed on dealerships) to	The MOU between MVDB and DMV currently has checks/balances in place for the negotiated services. The MVDB will monitor and set up a review schedule. The MVDB will collaborate with	MOU will be reviewed between the MVDB and DMV. Both agencies will collectively agree on revisions for the current MOU.	June 30, 2026	Executive Director

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FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	establish an acceptable measure of services being satisfactorily rendered. 2. The MVDB and the DMV should implement policies and procedures to periodically monitor and document whether services between the MVDB and DMV are being rendered and follow-up if the services are not satisfactorily being rendered.	DMV to implement policies and procedures to periodically monitor and document whether services between the MVDB and DMV are being rendered and follow-up if the services are not satisfactorily being rendered.			