

PERFORMANCE AUDIT REPORT

of the

Office of Driver and Vehicle Services

North Dakota Department of Transportation

July 11, 2003

Report No. 3020

July 11, 2003

Honorable John Hoeven, Governor

Members of the North Dakota Legislative Assembly

Transmitted herewith is the performance audit report on aspects of the North Dakota Department of Transportation's Office of Driver and Vehicle Services. This report contains the results of our study of the Motor Vehicle Division and the Drivers License and Traffic Safety Division, along with the results of a review performed by an independent consulting firm. This audit contained a review of the efficiency and effectiveness of the motor vehicle titling and registration program; the efficiency and effectiveness of the driver's license program; compliance with significant laws, rules, regulations, and policies; and organizational structure.

The audit was conducted at the request of the Legislative Audit and Fiscal Review Committee and under the authority of North Dakota Century Code Chapter 54-10. Included in the report are the goals and scope, findings and recommendations, conclusions, and the Department of Transportation responses.

We want to extend our appreciation to the management of the Department of Transportation, and the management and staff of the Motor Vehicle Division, Drivers License and Traffic Safety Division, and the Information Technology Division for their excellent and timely cooperation during this audit.

Sincerely,

Robert R. Peterson
State Auditor

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Executive Summary

Purpose and Authority of the Audit

The performance audit of the Department of Transportation's Office of Driver and Vehicle Services was conducted at the request of the Legislative Audit and Fiscal Review Committee. The purpose of this report is to provide our analysis, findings, and recommendations regarding our review of the motor vehicle and driver's license operations.

Background Information

The Department of Transportation (DOT) is responsible for the motor vehicle and driver's license programs. DOT's Motor Vehicle Division is responsible for titling and registering motor vehicles as well as licensing and regulating dealers and motor carriers. The division has contracted with 16 private entities and county treasurer offices to establish motor vehicle branch offices across the state. The Drivers License and Traffic Safety Division within DOT is responsible for issuing driver's licenses, permits, and non-driver photo identification cards as well as recording all convictions, violations, and court orders onto driver's records with resulting suspensions, revocations, and cancellations. The division uses state employees to operate the 44 driver's license sites across the state.

Results and Findings

We reviewed applicable state and federal laws, management controls, and the activities related to the motor vehicle and driver's license programs. An independent consultant also performed a review of the programs' operating processes, staffing levels, organizational structure, and placement of the program and functions within state government. All recommendations are included in Appendix A. Discussions relating to individual recommendations are included in Chapters 2 through 5 of this report.

Motor Vehicles

Through a review of motor vehicle titling and registration activities, applicable laws and policies, and management controls, improvements can be made to increase the efficiency and effectiveness of motor vehicle operations. DOT should establish policies and procedures for proper monitoring and management of contracts. In addition, detailed management reporting requirements for the motor vehicle computer system should be developed and changes to information on the system should be monitored.

Motor vehicle branch offices located throughout the state should no longer be politically appointed. DOT enters into contracts with the motor vehicle branch offices which require modification, and additional controls should be established to ensure that DOT only pays contractually obligated costs of the motor vehicle branch offices.

Improvements should be made for compliance with motor vehicle titling and registration requirements as well as implementing changes with the use of temporary registration permits. DOT should review the turnaround time related to motor vehicle titles and registrations and workflows should be analyzed to improve efficiency and reduce staffing levels. Also, a review should be performed to determine the benefits of

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combining Bismarck's motor vehicle title and registration work area with the motor carriers' work area. Use of a check recovery system should be reviewed for handling non-sufficient fund (NSF) checks received for motor vehicle fees. In addition, policies and procedures should be established for restricting individuals from making future payments via check when they have previously paid with an NSF check.

Driver's Licenses

Through a review of driver's license operations, applicable laws and policies, and management controls, improvements can be made to increase the efficiency and effectiveness of the driver's license operations. The current number of driver's license sites, days and hours of operations, and number of driver's license examiners require modification and should be reviewed on a periodic basis. Customer satisfaction related to wait times at the driver's license sites should be measured. We noted that changes are needed with the driver's license application processes including obtaining sponsorship of minors, verifying applicant's social security numbers, and taking appropriate action when false information is provided by applicants.

We noted modifications should be made in North Dakota Century Code to allow for an increase in the driver's license life cycle, an increase in the fees collected for tests conducted and documents issued, and a change in the process of surrendering suspended permits and licenses to DOT. When non-driver photo identification cards are revoked, a revocation period should be imposed. We also noted improvements are needed with the turnaround time for citation information from the time it is received by DOT to the time it is entered onto the driver's license master system. The Drivers License and Traffic Safety Division should integrate new technologies to support processing and the division's staffing levels should be reviewed and assessed. Lastly, a review of the placement of the Traffic Safety program within DOT should be conducted.

Motor Vehicles and Driver's Licenses

In the review of information related to both motor vehicles and driver's licenses, similar areas were noted where improvements could be made. Improvements could be made with the handling of telephone calls received for both programs as well as making improvements with the security of equipment at locations outside of Bismarck. Also, North Dakota Administrative Code sections pertaining to both motor vehicles and driver's licenses need to be modified and updated.

Compliance Issues

Through a review of information and tests performed relating to the motor carriers, dealer licensing, and traffic safety programs, improvements are needed with the dealer licensing and motor carrier programs. DOT should only license dealers that it has the authority to license and should establish management controls to ensure that dealer licensing requirements are met prior to issuing licenses. The surety bonds that licensed dealers must have should be changed to increase the bond amount. Finally, DOT should comply with policies and procedures related to motor carriers.

Introduction

Purpose and Authority of the Audit

The performance audit of the Department of Transportation's Office of Driver and Vehicle Services was conducted by the Office of the State Auditor at the request of the Legislative Audit and Fiscal Review Committee at their March 5, 2001 meeting. This request included a review of the driver's license and motor vehicle registration divisions.

A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. The purpose of this report is to provide our analysis, findings, and recommendations regarding our limited review of the Office of Driver and Vehicle Services.

Background Information

The Drivers License and Traffic Safety Division was a division within the North Dakota Highway Patrol until 1987 when it moved to the North Dakota Highway Department. On January 1, 1990, the Highway Department was renamed the Department of Transportation (DOT). At that time, the Motor Vehicle Department, which was a separate department within state government, merged with DOT. In 1991, the Office of Driver and Vehicle Services was created within DOT and is comprised of the Motor Vehicle Division and the Drivers License and Traffic Safety Division.

The Motor Vehicle Division is responsible for all vehicle registration and titling activities and has contracted with 13 private entities and 3 county treasurer offices throughout the state to act on behalf of the division to register vehicles. The motor vehicle branch office locations are identified in Appendix C. The division has five sections:

- **Business:** this section is responsible for maintaining the records on vehicles, imaging all documents, mailroom functions, and accounting functions, such as handling all deposits that are the responsibility of the Motor Vehicle Division.
- **Branch & Dealer Compliance:** this section provides training and helps resolve problems for the branch offices. This section provides training to new dealers and does inspections at dealer locations. Training is also being done for vehicle auctioneers so they are aware of what information has to be disclosed when selling a vehicle. Law enforcement, credit unions and banks, and in-house staff receive training on fraud and what to be aware of when inspecting, granting loans, or registering a vehicle. This section also assists customers at the counter if necessary.
- **Consumer Services:** This section is responsible for all licensing and registration activities for branches, walk-ins, and mail-ins. The central office in Bismarck reviews selected work of the branch offices and will assist the branch offices with paperwork and technical problems. This section also handles all phone calls from the general public regarding titling and registration.

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- Dealer Licensing and Services Administration: this section is responsible for issuing business licenses to dealers. There are five types of dealer licenses available and this section is responsible for taking action when dealers are in noncompliance with requirements.
- Motor Carrier Services Administration: this section is responsible for administering the International Fuel Tax Agreement (IFTA) in North Dakota, the International Registration Plan (IRP) for all heavy vehicles and commercial carriers using North Dakota as a base state, the Single State Registration System (SSRS) for insurance, and the Heavy Vehicle Use Tax (HVUT). The section also licenses intrastate carriers of household goods.

The Drivers License and Traffic Safety Division is responsible for all driver permit, license, and record activities. There are 44 driver's license sites located throughout the state, staffed by state employees to offer driver services. The driver's license site locations are identified in Appendix D. The division has four sections:

- Drivers License Examiner: this section is responsible for administering all written and road tests and issuing licenses, permits, and ID cards.
- Driver Improvement: this section is responsible for maintaining all driver records and actions against them. This includes entering information regarding crashes, citations, DUI's, etc. This section prepares files when a driver requests a hearing regarding suspension or revocation. This section also issues work permits and notifies drivers of suspensions.
- Traffic Safety Program: this section is responsible for developing the annual Highway Safety Plan and administering programs and projects related to traffic safety. This involves soliciting proposals from agencies interested in providing safety programs and contracting out grant funds to successful proposals. The section also oversees the programs by monitoring the progression of the programs, ensuring funds are being spent according to grant guidelines, and providing technical support to the providers.
- Financial Operations & Administrative Support: this section is responsible for all administrative support functions such as answering phones, typing letters, distributing mail, and ordering supplies for the division. Financial responsibilities include paying bills for the division, receiving deposits, and preparing and tracking the budgets for the division and for the annual Highway Safety Plan.

Goals of the Audit

North Dakota Century Code Section 54-10-01 requires our office to conduct performance audits in accordance with generally accepted government auditing standards. The goals of our audit, listed on the following page, include the necessary elements of a performance audit conducted in accordance with generally accepted government auditing standards.

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| | |
|-------------------|--|
| <i>Goal One</i> | Is the driver's license program operating efficiently and effectively? |
| <i>Goal Two</i> | Is the motor vehicle title, license, and registration program operating efficiently and effectively? |
| <i>Goal Three</i> | Are motor carrier, dealer licensing, and traffic safety significant laws, rules, regulations, and policies complied with? |
| <i>Goal Four</i> | Are the organizational structure and programs administered by the Office of Driver and Vehicle Services providing an efficient and effective use of resources? |

To assist us in the areas noted above, a Request for Proposal (RFP) that sought competitive bids from consultants with expertise in the area of driver and vehicle services was sent to selected organizations. The four areas outlined in the *Scope of Services* section of the RFP were:

- Workflow Processes/Benchmarks
- Organizational Structure
- Staffing Levels
- Administration of Programs/Functions

Based on proposals received, a contract was awarded to the consulting firm of MTG Management Consultants, L.L.C.

Scope & Methodology

This audit was conducted in accordance with generally accepted government auditing standards and accordingly includes appropriate performance auditing and evaluation methods. Audit fieldwork was conducted from January 2003 through July 2003. The audit period for which information was collected and reviewed was July 1, 2000 through December 31, 2002. In certain cases, subsequent information was reviewed. This was due, in part, to the inability to obtain certain information within the audit period and to provide updated information regarding current processes and financial areas. Specific methodologies are identified in the respective chapters of this report.

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Two of the goals of this performance audit were to answer the following questions:

“Is the motor vehicle title, license, and registration program operating efficiently and effectively?”

“Are the organizational structure and programs administered by the Office of Driver and Vehicle Services providing an efficient and effective use of resources?”

Through tests and reviews performed, we noted improvements could be made to increase the efficiency and effectiveness of motor vehicle operations. In addition, improvements with staffing levels and program administration were also noted. MTG identified that the placement of the Motor Vehicle Division was appropriate for state government.

In a review of the Vehicle Registration and Titling System (VRTS), areas were noted which require improvement. The Department of Transportation (DOT) should establish policies and procedures to assist in the monitoring and management of contracts, develop detailed management reporting requirements for VRTS, and ensure changes to information on VRTS are properly monitored.

DOT contracts with the motor vehicle branch offices to act on behalf of DOT to process motor vehicle registrations and collect fees. These branch offices should no longer be politically appointed. The contracts entered into with the branch offices require modification and DOT needs to ensure it does not pay branch office costs that it is not obligated to pay. In addition, the process of having the Bismarck office review all new title and title transfer work performed at the branch offices should be eliminated or modified and DOT staffing levels should be reduced. Also, a formal quality improvement process should be established for the branch offices.

DOT's Motor Vehicle Division should establish additional management controls to ensure compliance with laws and policies and make changes to temporary registration permits, as they currently allow individuals to drive vehicles in the state without paying fees or being registered. DOT should review the turnaround time related to motor vehicle titles and registrations. In addition, the motor vehicle title and registration workflow should be reviewed and analyzed to improve efficiency and reduce staffing levels. Also, a review should be performed to combine the motor vehicle title and registration work area in Bismarck with the motor carriers' work area. DOT's Motor Vehicle Division should review the use of a check recovery system for non-sufficient fund (NSF) checks received, as well as establishing policies and procedures for restricting individuals from making future payments via check when they have previously paid with an NSF check.

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The improvements noted on the previous page are discussed in this chapter and improvements of less significance were communicated to management in a separate letter.

To determine whether the motor vehicle titling and registration program was operating efficiently and effectively, we:

- Reviewed the activities related to the titling and registration of motor vehicles;
- Reviewed the documents issued to motor vehicle owners;
- Reviewed laws, policies, and procedures related to motor vehicle operations;
- Reviewed management controls related to the motor vehicle title and registration program;
- Reviewed information related to the Vehicle Registration and Titling System (VRTS); and
- Interviewed selected Department of Transportation staff.

Making Improvements to the Computer System

Through a review of information related to the Vehicle Registration and Titling System (VRTS) and discussions with representatives of DOT, we noted problem areas related to the implementation of VRTS. We also noted increased costs due to implementation and we question whether the benefits the system was to provide have been fully realized. We noted that improvements are needed with DOT's contract monitoring and management procedures. Management reporting requirements need to be developed and modifications to monitoring or tracking changes to VRTS information need to be made.

Improving Contract Management Procedures

The Vehicle Registration and Titling System (VRTS) supports all vehicle registration, titling, financial processing, dealer licensing, and handicap permit placards. The system is used by the Bismarck office as well as 12 of the 16 motor vehicle branch offices. The branch office location in Ellendale and all three county treasurer offices do not have access to VRTS. These four locations issue temporary registrations to customers and forward all work to the Bismarck office for processing. All new title and title transfer work performed at the 16 locations must be forwarded to the Bismarck office for review and approval.

Due to delays in VRTS implementation, the contract completion date of October 1997 was not met. Implementation started in October 2000.

In March of 1995, DOT issued a request for proposal seeking a functional replacement for the existing 25 year old motor vehicle registration system. In June 1996, DOT entered into a contract with Unisys for a contract price of approximately \$2.87 million with a completion date of October 1997. The completion date was first modified to May 1998 and then modified to November 1998. Implementation of the new system was started in October 2000. A more detailed timeline of the system can be seen in Appendix E.

Of the original contract price of \$2,870,912, DOT made a down payment of \$601,000 and financed the remainder of the contract amount through

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the Unisys Leasing Corporation (6.73% interest). The total contract price, original amount plus interest, was \$3,360,775. In addition, there were also costs incurred with the new system for additional temporary employee hours, overtime, and compensation time. We attempted to identify these actual costs incurred, however no information was specifically maintained by DOT. Thus, we worked with DOT to identify reasonable averages and approximate amounts to assign to these costs. Costs related to VRTS are identified in the table below.

| Cost category | Amount |
|---|---------------|
| Pre-Contract Analysis ¹ | \$3,750 |
| Contract Price | 2,870,912 |
| Interest Charges | 489,863 |
| Change Orders ² | 68,566 |
| Increase in DOT Employee Costs ³ | 268,144 |
| Maintenance Agreement ⁴ | 275,000 |
| Contracted Work ⁵ | 160,189 |
| Prior Mainframe System ⁶ | 246,203 |
| Total VRTS Cost | 4,382,627 |
| Unisys Payments Received ⁷ | (898,580) |
| Total Amount Paid by DOT ⁸ | \$3,484,047 |

¹ Amount paid to Wolfe & Associates for their review of Unisys' pre-contract report.

² Change order payments made for additional work requested by DOT.

³ The increase in DOT employee costs is based on averages, estimates, and approximate amounts which exceeded DOT's prior employee costs before VRTS was implemented. This would include additional temporary employees, overtime, and compensation time.

⁴ In June 2001, DOT entered into a maintenance agreement with RSI and made an upfront payment of \$275,000. DOT is currently, through the Attorney General's Office, attempting to recover these costs due to RSI's apparent inability to fulfill the contract.

⁵ Due to problems with RSI, additional costs were incurred by DOT when it had to contract with former RSI employees (estimated cost).

⁶ Prior mainframe costs include the additional estimated costs incurred when the prior system had to be operating longer than expected due to the delay in VRTS being implemented.

⁷ Due to the delays in implementing VRTS, DOT negotiated with Unisys for payment of additional costs incurred. The payment amount was identified by DOT and would also include penalties assessed to Unisys. Based on the information provided by DOT, it appears approximately \$200,000 of costs billed to Unisys were not required to be paid in the negotiated settlement.

⁸ The identified amount of the system is an estimate and the actual cost of the system is higher than the identified amount due to the fact that all costs related to the system were not tracked.

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During the contract term and implementation of VRTS, DOT encountered a number of problems that caused delays and modified the implementation of the system. As a result, a number of backlogs existed with information to be processed. The Information Technology Department (ITD) completed a project quality assurance review of VRTS (report dated January 27, 2000) and our office completed a limited review of the system (letter dated March 16, 2001) at the request of the 2001 House of Representatives Committee on Transportation. Information identified in these reviews include:

Due to delays in VRTS implementation, significant backlogs in processing information existed. To process the backlogs, additional employees were hired, a night shift was implemented, and DOT employees worked additional hours.

- All parties involved with the project appeared to have underestimated the complexity of the project including software development. In addition, DOT employees' learning curve with the new system was not as fast as was anticipated and implementation of the system coincided with DOT's busiest time of the year. Also, conversion of the database took approximately three weeks to complete and no applications were processed during this time. All of these factors apparently combined to cause delays in the completion of the project.
- Significant backlogs existed in the spring of 2001. In March 2001, an estimated 20,500 title and registration transactions needed to be processed. These transactions dated back to October 2000 and were, on average, approximately 83 days old. Also in March 2001, there were approximately 17,000 additional titles waiting to be issued (data entry was complete but DOT had not reviewed certain aspects of the application). These transactions dated back to November 2000 and were, on average, approximately 55 days old.
- Due to the backlogs in processing applications, DOT contacted law enforcement agencies nationwide to alert them to problems and to encourage them not to "ticket" drivers who did not have current tabs on their license plates. DOT also corresponded with lending institutions statewide to provide needed information.
- Due to significant delays in implementation, DOT hired temporary employees to reduce backlogs of applications and implemented a night shift (four hours per night, four nights a week). In addition, DOT employees worked every other Saturday to reduce backlogs and DOT employees from other divisions also provided assistance.
- It appears the scope and cost of the VRTS project were controlled but the schedule was not well defined or closely monitored. Schedule variances were not identified early enough to adopt alternative plans or communicate changes to stakeholders.
- The payment schedule for the contract was not based on deliverables related to development milestones which resulted in payments being made prior to completion.

We conducted a limited review of the benefits of VRTS, and MTG (the hired consultant) also conducted a limited review of information. It appears the turnaround time for processing transactions has been reduced. For example, DOT identified that prior to VRTS (1997) the turnaround time (the time it took DOT to process information) was two to

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three weeks for a renewal registration that was mailed into DOT. Currently, the turnaround time is less than one week. Additional turnaround information is identified in Appendix F.

The request for proposal issued by DOT identified potential benefits and costs of a new system. The proposal identified intangible benefits such as improved customer service and improved employee satisfaction and also identified three tangible benefits. We conducted limited work to determine whether the three tangible benefits were realized by VRTS and results of our review follow:

The expected benefit of a reduction in employees due to implementation of VRTS has not been realized.

- *Reduce number of full-time employees.* When a determination was made to move to a new system, DOT estimated that it would no longer need data input personnel and other staff savings would be realized so seven full-time equivalents were removed from the budget starting with fiscal year 1998. However, based on the work performed by MTG and our office, DOT's use of temporary employees and increase in overtime resulted in an increase in an equivalent staffing level during implementation. For fiscal year 2003, the equivalent staffing level is slightly lower (approximately 2% less) than the level prior to VRTS. Appendix G provides additional information regarding staffing levels. While the full-time equivalent amount was reduced, the additional temporary employee hours and overtime hours have resulted in relatively the same staffing level that existed prior to VRTS. Thus, there appears to have been no benefit in relation to staffing levels with VRTS at this time.
- *Reduce expenditures to the Information Technology Department.* Due to limitations in how ITD costs were tracked prior to the new system, we have no basis to make a comparison as to whether ITD expenditures have been reduced. Therefore, no determination has been made as to whether this benefit has been realized.
- *Increased interest income.* This benefit was to be realized by money being deposited when transactions were entered onto VRTS, whether the transaction was fully completed or not. Prior to VRTS implementation, money was only deposited when transactions were completely processed. While the review conducted by ITD noted that the state is recognizing a benefit for implementing VRTS, we were unable to make a conclusion due to significant changes in interest rates (according to DOT, the prior interest rate was approximately 4.5%; currently it is 0.55%).

The improvement in turnaround time of mail-in transactions appears to be attributed to the fact that less data entry is required at the Bismarck office as previous registration work submitted by the branch offices for data entry is now entered at the branch office location. Thus, less transactions are required to be entered at the Bismarck office which allows more time to be spent on mail-in transactions. Customer service has also increased as branch offices now provide customers the actual registration and license plates. Previously, branch offices only provided

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temporary registrations and licenses and customers had to wait for their actual registrations and licenses to be mailed.

Based on a review of information, discussions with DOT, and work performed by the consultant, we noted a number of problem areas related to VRTS being implemented. To ensure DOT does not have similar problems in future projects, the Department should ensure adequate policies and procedures exist for monitoring and managing contracts. While VRTS has apparently improved turnaround time, which should increase customer satisfaction, other benefits that the system was to provide do not appear to have occurred or could not be measured.

Recommendation 2-1

We recommend the Department of Transportation ensure adequate department wide policies and procedures exist for proper monitoring and management of contracts.

Management's Response

We agree with this recommendation.

Developing Management Reporting Requirements

MTG identified that VRTS performance tracking and management reports could be improved to provide more consistent and meaningful information. The system tracks and counts subtransactions, which are the specific processes performed within the system, but it does not track or count the transactions, which are the combined subtransactions included in a single customer visit. In addition, MTG noted that neither the subtransactions nor the transactions are timed. Furthermore, if the same subtransaction is opened to perform multiple processes to complete the subtransaction, it may be counted as two subtransactions. MTG concluded that the reports and inconsistencies make it difficult to effectively and accurately track system and operator performance.

It is difficult to effectively and accurately track system and operator performance on VRTS.

MTG did not find evidence of any reporting requirements developed specifically for VRTS by the Motor Vehicle Division. The vendor reports that are available provide high-level operator productivity information for subtransaction processing but little or no timing information. Some general subtransaction start time data may be available, but it requires time-consuming manipulation of the VRTS report module. MTG concluded that as an automated system, VRTS should provide management with consistent reports that are readily available to track performance and suggest trends.

MTG identified that supervisory staff did not appear to use the information provided by VRTS on a regular basis. During the course of MTG's review, management began to use the high-level reports to track the quantity of subtransactions performed by individuals.

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Recommendation 2-2

MTG recommends the Department of Transportation's Motor Vehicle Division develop detailed management reporting requirements to support the development of improved VRTS management reports. The reports should be available to management in a standard format and MTG suggests that the reports include:

- a) Activity at the transaction and subtransaction levels performed by individual operators;
- b) Timing for performing transactions and subtransactions;
- c) Productive and nonproductive workstation and operator time as applicable;
- d) Average time to perform transactions and subtransactions;
- e) Error tracking and reporting as applicable; and
- f) Work performance trend information (positive and negative).

Management's Response

We agree with this recommendation. The Department of Transportation's Motor Vehicle Division will review the recommendation from MTG regarding the need for additional management reports. The review will determine what additional reports are needed and the cost to develop the additional report creation capability within VRTS. We will seek any needed budget enhancement during the 2005 legislative session.

In reference to the specific reports suggested by MTG, The Department of Transportation's Motor Vehicle Division would note the following:

- a) We already have the ability to track subtransaction levels for individual operators. We question the value of tracking transaction levels for individual employees but will include a further review of this recommendation in our overall review, including the costs associated with expanding the reporting capabilities.
- b) Because we can track subtransaction levels for individual operators, we can determine their average outputs on a daily, weekly, or monthly basis. We will include a further review of this recommendation in our overall review, including the costs associated with expanding the reporting capabilities.
- c) We will include this suggestion in the review.
- d) Because we can track subtransaction levels for individual operators, we can determine their average outputs on a daily, weekly, or monthly basis. We will include a further review of this recommendation in our overall review, including the costs associated with expanding the reporting capabilities.
- e) We agree that error tracking and reporting capabilities should be added to VRTS. We will develop a cost estimate to add this enhancement to VRTS and request the necessary budget enhancement in our 2005-2007 budget submission.
- f) We believe we already have this capability but will put it to better use on a consistent basis.

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Enhancing the Monitoring of a User ID

The motor vehicle branch offices are assigned user ID's to access the Vehicle Registration and Titling System (VRTS). In a review of user ID's, we noted access being granted to the motor vehicle branch offices to allow them to correct errors or edit transactions that have taken place, and there are no controls established to monitor the use of this user ID.

Changes made to existing information on VRTS are not tracked or monitored.

When a branch office requires access to VRTS to edit a transaction they have completed, a phone call is placed to the Bismarck office. The Bismarck office will activate a user ID, this ID will be used by the branch office to make changes, and upon completion of the changes, the branch office is to notify the Bismarck office that the user ID can be deactivated. The Bismarck office does not monitor branch office activation requests for this user ID and does not monitor the corrections made using this user ID. Thus, the ability to control and monitor changes made to VRTS is hindered with the use of this user ID.

Recommendation 2-3

We recommend the Department of Transportation's Motor Vehicle Division modify granting access to users to change existing transaction information on the Vehicle Registration and Titling System by:

- a) Establishing a formal monitoring procedure for tracking access and changes made; or
- b) Providing such change access capabilities with the current user ID's.

Management's Response

We agree with this recommendation. We will provide at least one user ID in each branch office with the ability to make changes to applications they have initiated. This functionality is known as Transaction Management. We will also look into an enhancement to VRTS that would generate a report of all Transaction Management activities.

Making Changes to Motor Vehicle Branch Offices

Within the state, there are 17 locations that a citizen may visit to title and register vehicles. One of these locations (Bismarck) is operated by state employees. The other 16 locations are operated by private entities (13 locations) and county treasurer offices (3). These 16 locations are known as motor vehicle branch offices and DOT has contracted with these offices to act on behalf of DOT to process motor vehicle registrations and collect fees. Based on a review of information related to the motor vehicle branch offices, a change is needed in how contracts are awarded to the branch offices, contract language needs to be modified, and DOT needs to ensure it does not pay for costs that it is not obligated to pay. In addition, a change should be made to the process of having the Bismarck office review all new title and title transfer work performed at the branch offices, and a formal quality improvement process should be established with the branch offices.

Awarding Branch Office Contracts Competitively

North Dakota Century Code Section 39-02-03 identifies that the Director of DOT, subject to the Governor's approval, may designate agencies and establish branch offices as necessary to carry out the laws applicable to motor vehicle registration. MTG found that most contracts to operate the

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motor vehicle branch offices were granted to individuals based on a political appointment according to the Governor's political party. MTG identified that political appointment of branch offices restricts open-bid contracting and limits long-term business improvements. As such, when the Governor changes and/or the political party of the Governor changes, branch contract appointments are typically changed.

Political appointments of branch offices limit long-term business improvements.

MTG noted that one branch office manager identified they had approximately 6 weeks notice of their appointment and the outgoing branch office manager left virtually no inventory and provided no assistance in the transition. MTG notes that the branch offices are also reluctant to invest in long-term improvements because of the relative short time available to achieve an acceptable return on investment. MTG identified that a significant level of business would most likely interest the private sector if it was open to competition and in such a competitive environment, the state could be able to invoke more stringent contractual requirements than those garnered today. Contractors provided with long-term opportunities would be more likely to invest in service improvements and customer satisfaction.

Recommendation 2-4

MTG recommends the Department of Transportation's Motor Vehicle Division evaluate the current process for awarding branch office contracts including the need for a change in North Dakota Century Code and consider competitive contracts for branch office operations. Contracts should be awarded based upon the ability to perform the work, relative experience, vendor performance, and cost considerations.

Management's Response

We are unable to agree or disagree with this recommendation. The Department of Transportation will consult with the Governor regarding this recommendation.

Making Improvements to Branch Office Contracts

Through a review of the contracts DOT enters into with the private entities and the county treasurer offices and discussions with DOT, we noted the following areas:

Branch office contracts require change to comply with NDCC and DOT is paying expenses that they are not contractually obligated to pay.

- The 16 motor vehicle branch offices are authorized to charge customers a fee for their services which is not submitted to DOT (the Bismarck location does not charge such a fee). This charge is in addition to the fees collected for titling and registration which are submitted to DOT. North Dakota Century Code Section 39-02-03 requires DOT to provide a uniform fee schedule to the branch offices. DOT has established a maximum service fee schedule in the contracts entered into with the 16 motor vehicle branch offices. Since this is a maximum schedule, branch offices may determine what to charge. We noted branch offices charging different fees for the same service provided. Thus, there appears to be noncompliance with Century Code and citizens are charged different fees depending upon which branch office site is visited.
- The contracts entered into with the private entities require DOT to pay robbery insurance coverage. However, the contracts entered

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into with the county treasurer offices state that the county will pay for robbery insurance coverage. In review of insurance information, we noted that DOT was paying for robbery insurance for the county treasurer offices.

- The contracts entered into with the private entities and the county treasurer offices identify that the branch offices may have their employees attend DOT sponsored training programs. The contracts state that the cost for this training is the responsibility of the branch office. We noted DOT was paying traveling expenses for employees of the branch offices to attend training programs in Bismarck. The Motor Vehicle Division Director informed us that the branch offices do not pay for any training provided to them (the contracts do state that DOT is responsible for training the branch office managers). This would also include a DOT employee who travels to the motor vehicle branch offices to provide training at DOT's expense.
- The contracts entered into with the private entities and the county treasurer offices state that the branch offices are to be self-sustaining as to all costs and expenses in their operations. Besides DOT paying for training expenses, we also noted that DOT is paying the access and connection costs incurred at 13 branch offices (DOT does not pay for the access costs incurred at the 3 county treasurer office locations). We identified that DOT pays approximately \$109,500 a year for branch office access and connection costs. We determined that DOT incurs expenses of approximately \$260,000 a year for the operations of the branch offices.
- The contracts entered into with the private entities and the county treasurer offices state that the equipment supplied by DOT (at DOT's cost) will remain the property of DOT and that the cost of replacing equipment supplied to the branch offices will be the responsibility of DOT. Thus, the state is providing private entities with state owned equipment, at no cost, which allows the private entities to provide services for which they charge a fee.

Recommendation 2-5

We recommend the Department of Transportation's Motor Vehicle Division conduct a review of the contracts entered into with the motor vehicle branch offices and establish management controls to ensure compliance with North Dakota Century Code and contract requirements. At a minimum, the division should:

- a) Review contract language to ensure it is clear and in compliance with North Dakota Century Code requirements;
- b) Review the requirements of the contracts and establish controls to ensure the division no longer pays for costs that they are not obligated to pay; and
- c) Review the practice of paying the operational and equipment costs of a contracted private firm to conduct work on behalf of the Department of Transportation.

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Management's Response

We agree with this recommendation. In reference to the specific suggestions, the Department of Transportation's Motor Vehicle Division would note the following:

- a) We will seek legislation to specify the authority of the Department of Transportation to set a maximum fee schedule, but that also allows branch offices to charge a fee lower than the maximum if they choose.
- b) We will amend the branch office agreement to more clearly specify when the Department of Transportation will pay for training and when the branch office manager is responsible for training costs.
- c) We will review this practice but believe that most branch office contract holders would be unable to absorb these costs without significant financial impact to their business. In some cases, there is a danger the branch office would close because their profit margin is not large enough to absorb the costs.

Changing the Title Review Process

Prior to the Vehicle Registration and Titling System (VRTS) being implemented, mistakes related to title transactions made by a motor vehicle branch office were returned to the applicable branch office for correction. However, upon implementation of VRTS, DOT appears to have agreed that any mistakes related to new titles and title transfers made by the branch offices would be corrected by the Bismarck office. The rationale for this decision was apparently based on the premise that it would be fair for DOT to perform correction activity due to the increased amount of information being processed by the branch offices. As a result, all new title and title transfer work conducted at the motor vehicle branch offices are reviewed and approved at the Bismarck office. Therefore, titles are not provided to the customer at the branch offices, but must be mailed to the customer from Bismarck after approval.

All new title and title transfer transactions from the branch offices are reviewed by DOT.

In discussions with representatives of DOT regarding the 100% review performed by the Bismarck office of new title and title transfer work performed by the motor vehicle branch offices, we noted the following:

- DOT estimates there is an overall error rate of 5-10% on the new title and title transfer work title transactions. Two types of errors are within this error rate: simple errors, such as misspellings, that can be fixed by a DOT employee in Bismarck without any paperwork being completed; and complex errors, such as incorrect payment or lack of signature, that require correspondence with the customer to correct and may create a liability for the state (such as failing to record a lien). DOT estimates that of the total 5-10% errors, approximately 10-20% are complex or significant errors (approximately 1-2% error rate for all new title and title transfer work). We were unable to determine or verify error rates due to the fact that DOT does not track or document errors being corrected.
- In order to review 100% of new title and title transfer work performed at the motor vehicle branch offices, DOT employs five employees to conduct the reviews. It appears that the five

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employees' sole job responsibility is to conduct this review work as part of their employment with DOT (all five are temporary employees). We identified the salary of these five employees to be approximately \$68,000 per year.

- When errors are identified by the Bismarck office in the review process, there is no documentation regarding corrections being made or what the error was. Branch offices do not appear to be informed of errors being corrected. Thus, there is no system to monitor whether certain branch offices are having higher error rates than other branch offices and without feedback to the branch offices regarding the sources of errors, there is no process for improving the error rate percentage.
- New title and title transfer work that is completed at the Bismarck office is not required to be reviewed. The only review work performed is apparently on the new title and title transfer work originating from the motor vehicle branch offices.

The main reasons for the 100% review of new title and title transfer work performed by the motor vehicle branch offices is due to the potential liability of the state when errors are made and there is no direct supervision over the branch offices. DOT identified that the complex or significant errors being made (approximately 1-2% of the total work performed) can result in a potential loss for the state when a lien is not properly recorded or a vehicle is not properly identified as having damage. The Risk Management Division of the Office of Management and Budget identified 16 claims filed against the state since 1994 for titling errors with a total cost to the state of approximately \$68,400. Of these claims, 11 (totaling approximately \$11,700) were filed since the implementation of VRTS. Therefore, even with a 100% review of new title and title transfer work, errors are still being made.

Recommendation 2-6

We recommend the Department of Transportation's Motor Vehicle Division, in conjunction with the Risk Management Division of the Office of Management and Budget, review the process of having the Bismarck office review and issue all new titles and title transfer work initiated at motor vehicle branch offices and:

- a) Authorize the branch offices to issue new titles and complete title transfer transactions;
- b) Establish accountability in issuing new titles and completing title transfer transactions with the branch offices;
- c) Conduct a limited review of new title and title transfer transactions completed by both the Bismarck office and the branch offices;
- d) Document and report errors identified in the review process to the Bismarck office and branch offices; and
- e) Reduce the number of title review staff.

If branch offices are not given the authority to issue new titles and complete title transfer transactions, the division should conduct statistical sampling of new titles and title transfers, document errors, and report

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errors to the branch offices as well as reduce the number of title review staff.

Management's Response

We agree with this recommendation.

Implementing a Quality Improvement Process

MTG identified there is no clear process for sharing good operational ideas between Bismarck and the motor vehicle branch offices. The Bismarck office has informed individuals that they may submit ideas and comments on the system via e-mail, but the participation is low. The Bismarck office sends branch offices operational suggestions and comments via e-mail, but most appear to be informal and compliance is not enforced. Without a consistent and formal process for sharing ideas, true best practices may not be propagated across the organization.

Recommendation 2-7

MTG recommends the Department of Transportation's Motor Vehicle Division establish a formal program for sharing ideas and recommendations from Bismarck and motor vehicle branch office representatives to improve system operations and efficiencies. This program should include consistent communications and have the goal of continuous quality improvement.

Management's Response

We agree with this recommendation.

Making Changes to the Motor Vehicle Division Operations

In a review of the Motor Vehicle Division's compliance with laws and policies related to motor vehicle titling and registration, we noted the division is not in compliance with North Dakota Century Code requirements and is taking an unreasonable amount of time to take action when notice letters are sent to vehicle owners who are in noncompliance with requirements. In addition, we also noted a need for a change with temporary registration permits that allow individuals to drive vehicles in the state without paying fees or being registered.

Implementing Additional Management Controls

Through a review of information and tests conducted, it was determined additional management controls are necessary to ensure compliance with laws, policies, and procedures. A review of North Dakota Century Code (NDCC) identified areas where the Department of Transportation's Motor Vehicle Division is in noncompliance with state statutes or is lacking sufficient management controls to ensure compliance. Examples include:

- NDCC Chapters 39-04, 39-24, and 39-29.1 state that address changes for owners of the vehicles described in the chapters must be made in writing to the department. The Motor Vehicle Division is accepting address changes over the phone and via electronic means which results in noncompliance with Century Code requirements.
- NDCC Section 39-04-10 states applications for Amateur Radio Operator plates must be submitted by October 1 prior to the year of issuance. DOT is in noncompliance with this section as Amateur

The Motor Vehicle Division is in noncompliance with NDCC requirements.

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Radio Operator plates are issued at any time upon successful application.

- NDCC Section 39-10.3-03 states the registration expiration date for experimental vehicles is to be March 31. The Motor Vehicle Division is registering state agency owned experimental vehicles as official vehicles which results in noncompliance with Century Code. Official vehicles have an expiration date of December 31.
- NDCC Section 39-04-09.1, authorizing the issuance of Lewis and Clark plates, is to be repealed on January 1, 2007. At this time, the Motor Vehicle Division has not determined if Lewis and Clark plates will continue to be used or if a new plate will be issued.
- NDCC Chapters 39-04 and 39-05 identify circumstances where DOT may refuse to register or title a vehicle. These chapters also identify those vehicles that are exempt from registration and titling requirements. The Motor Vehicle Division has not developed written guidelines for the motor vehicle clerks to use regarding grounds for refusing registration and certification of title as identified in Century Code or for those vehicles that are exempt from registration or titling requirements.
- NDCC Section 39-04-12 authorizes the Motor Vehicle Division to provide owners of motor vehicle fleets of one hundred or more vehicles, registration decals that are valid for as many as six consecutive years. The fleet owner must file a corporate surety bond with the department to ensure annual registration will be paid. The Motor Vehicle Division does not require confirmation of the continuation of the surety bond filed by fleet owners upon expiration of the multi-year decal and issuance of a new multi-year decal. In our review, we noted one bond as being filed in 1994. At the time the bond was filed, a six year decal was in effect for 1993 through 1998. Three decals have been issued since then. This fleet owner received a one year decal in 1999, a two year decal for 2000 through 2001, and a two year decal is currently in effect for 2002 and 2003.
- When the Motor Vehicle Division becomes aware of title or registration violations, the division sends the vehicle owner a letter, generally giving the owner 15 days to comply or respond to the noncompliance issue. Once this 15-day period has elapsed, we noted that the Motor Vehicle Division may issue a second notice giving the owner another 15 days to respond or the registration may be suspended. In a review of the notice letters, we noted the Motor Vehicle Division is not monitoring the 15-day requirement as vehicle owners are not providing information within 15 days and DOT is not taking action in a reasonable amount of time after the 15 days has expired. While the letter identifies a 15-day requirement, the division does not adhere to the 15 days. For example, we noted an owner receiving an inordinate amount of time to comply which is detailed below:
 1. April 18, 2002: Motor Vehicle Division sent a letter to an owner requiring compliance within 15 days.

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2. June 5, 2002: Motor Vehicle Division sent the owner another letter giving an additional 15 days to comply. The letter states that if compliance does not occur within 15 days, the division will take legal action to revoke the title and license plates.
3. June 25, 2002: Owner finally complies with requirements (20 days after second letter and 68 days after first notice to comply).

Recommendation 2-8

We recommend the Department of Transportation's Motor Vehicle Division implement additional management controls for registering and titling vehicles and establish an employee policy and procedure manual. At a minimum, the division should:

- a) Comply with North Dakota Century Code or introduce legislation to have it changed;
- b) Determine, prior to January 1, 2007, if Lewis and Clark plates will continue to be used or if a new plate will be issued;
- c) Develop written guidelines regarding grounds for refusing registration and certification of title and exemptions from registration or titling requirements;
- d) Require proof of the existence of a current surety bond before issuing multi-year decals to fleet owners; and
- e) Follow up in a timely manner on notices sent to vehicle owners regarding noncompliance issues to ensure all vehicles are properly registered and/or titled.

Management's Response

We agree with this recommendation. In reference to the specific suggestions, the Department of Transportation's Motor Vehicle Division would note the following:

- a) We will introduce legislation to remove outdated language in the Century Code where appropriate.
- b) This is a legislative decision that will need to be reviewed in the 2005 session. At the same time, the Department of Transportation will seek guidance from the Governor about whether or not to budget for a general issuance of license plates in 2005.
- c) We will develop written guidelines specifically related to refusing applications and exemptions from titling and licensing requirements.
- d) We will create a new bond form that specifies the continuity of the bond and that also specifies the bond cannot be cancelled without prior notice by certified mail to the Department of Transportation's Motor Vehicle Division. We will require that fleet owners provide us with the updated bond before their registrations are renewed.
- e) We will establish procedures to ensure that, in all cases, actions regarding noncompliance to registration or titling procedures are completed in a timely manner.

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Making Changes to 30-Day Registration Permits

30-day registration permits allow owners to operate vehicles without registering or paying registration fees.

North Dakota Century Code Section 39-04-36 provides for the issuance of a 30-day registration permit to allow the new owner of a vehicle adequate time to obtain a new registration. The registration permit allows the new owner to operate the vehicle for 30 days after the date of acquisition.

The permits are available at the Motor Vehicle Division, its branch offices, and law enforcement agencies. The permit is not required to be filled out by anyone but the new owner. The owner may request a blank permit, fill it in him or herself, and display it on their vehicle. The permit has a space for date permit issued and date of acquisition; however, no verification is required for these dates.

Although North Dakota Century Code mandates the issuance of the permits, it does not set forth guidelines for preventing misuse of the permits. In addition, the Motor Vehicle Division has not established policies or procedures to minimize the risk of issuing more than one permit per owner per eligible vehicle. The current process for issuing registration permits gives individuals the opportunity to avoid registering their vehicles and paying the appropriate registration fees.

Recommendation 2-9

We recommend the Department of Transportation's Motor Vehicle Division:

- a) **Review the process of allowing registration permits to be issued for motor vehicles for which no registration fees are being collected and no registration information is being tracked; and**
- b) **Introduce legislation to change the requirements regarding the availability of the permits or establish policies and procedures for identifying whom the permits were issued to.**

Management's Response

We agree with this recommendation. In reference to the specific suggestions, the Department of Transportation's Motor Vehicle Division would note the following:

- a) **The intent of the legislature has been that the forms be very widely available and has mandated that the form be printed on the back of every registration card. We will conduct a review to determine an appropriate procedure to track and monitor the use of the temporary permits, as well as any costs and staffing needs associated with the procedure.**
- b) **If necessary, we will introduce legislation to create a new procedure and a budget request to cover any increased costs associated with the procedure.**

Making Improvements to Workflows

Based on the review performed by MTG, areas were identified where improvements could be made to motor vehicle processes. MTG identified that a three week turnaround time for motor vehicle titling and registration documents should be evaluated. In addition, the Motor Vehicle Division should conduct a process redesign effort to improve efficiency and ensure that well-trained and skilled employees are placed

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in the most critical areas. MTG also identified that there were opportunities to improve the productivity of Bismarck title and registration processing and reduce staffing levels.

Evaluating Acceptability of a 3-Week Turnaround Time

In MTG's review of the Vehicle Registration and Titling System (VRTS), they noted that large backlogs have been minimized. MTG concluded that the large transaction backlogs for non-public service counter processing (e.g., mail-in titles and registration renewals) that existed when VRTS initially became operational have been eliminated and now the typical turnaround time for licensing documents is only 1½ weeks. This was a reduction by one-half of the pre-VRTS turnaround time (prior to VRTS there was an approximate 3-week turnaround time). Improved customer services were also implemented, including plate-with-owner legislation (further explained in Appendix B). These improvements are now available with a nominal decrease (approximately 2%) of the total annual staffing level that was used in fiscal year 1997.

Staff savings could result if the turnaround time was maintained at pre-VRTS levels.

According to MTG, while these improvements identify a strength of VRTS, it also presents an opportunity for the division to examine the potential staff savings if the turnaround time was maintained at 3 weeks. The current goal set by the Motor Vehicle Division for turnaround of customer documentation at the Bismarck office is a two-week maximum. This includes the time to return all documents mailed to or dropped off at the Bismarck office by the public, branch offices, or dealers, but does not include public service counter transactions. The turnaround time for documentation obtained in person at the public service counters in Bismarck or at a branch office is the actual time it takes to perform the transaction.

Recommendation 2-10

MTG recommends the Department of Transportation's Motor Vehicle Division evaluate the acceptability of a 3-week maximum turnaround to its customers. If this is deemed acceptable, the division should redesign its business processes to reduce staffing while providing a 3-week turnaround.

Management's Response

We disagree with this recommendation. If enacted, it would decrease the level of service provided to North Dakota citizens. The legislature has consistently told us that we need to provide the highest level of service we can. The savings that may be generated through implementation of this recommendation will be fairly small and we do not believe the savings would be worth the decreased level of service that is proposed. At the same time, we believe our current level provides great customer service and does not need to be increased.

State Auditor's Concluding Remarks

Prior to implementation of VRTS, the turnaround time was three weeks. Currently, even though the turnaround time is a week and a half, DOT continues to inform customers that the turnaround time will be three weeks. If a three week turnaround time was actually followed as customers are informed, a potential reduction in staffing levels could be achieved. Without conducting a formal evaluation or study in this area,

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DOT has no assurance that the current level of customer service is more than what customers actually expect or that the cost incurred to obtain this level of service is reasonable or justified.

Improving Work Flow Efficiency

In the work performed by MTG, they noted that process flows and work instructions were not well documented within the Motor Vehicle Division. They noted that operators in all work areas performed work based on personal or institutional knowledge. Little or no documentation exists outlining procedures or providing work instructions for staff reference.

MTG also identified that no workflow process diagrams were available, and it was apparent to MTG that VRTS was implemented without the development of work process flows. This suggested that development of the current processes may have been constrained by the capabilities and functions of VRTS, instead of designed based on business requirements and efficiency.

During the course of the review, MTG worked with the division to develop high-level workflows of the current processes. These workflows provided a documented reference for discussion and formed the foundation for the staffing analysis. In the future, these workflows will support consistent training and a baseline from which to measure improvements.

Workflow within the Bismarck office requires change.

In documenting the process flow of tracking the materials through the facility, it became obvious to MTG that the movement was not efficient. The current workflow performed within the Bismarck office moves from various areas throughout the facility. Extra time is required to move work and research information. Staff separation also presents challenges for supervision and required communication. The physical layout and placement of work areas requires significant movement of documentation. While the facility may restrict an optimal production flow, improvements could be implemented in a number of areas. The most apparent problem is the location of the mail-in data processing for titles. This is located 50 to 75 feet outside the general vehicle licensing area. In addition, the area is near the mail sorter and can be very noisy, making it difficult to concentrate.

When MTG documented the current workflow processes and performed timing analysis on the major transactions, they noted two of the most time consuming process areas in the motor vehicle work flow utilized temporary employees. MTG supports the assignment of permanent staff (who are thought to be the best trained and most dedicated employees) to the most time-consuming critical business processes.

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Recommendation 2-11

MTG recommends the Department of Transportation's Motor Vehicle Division conduct a detailed business process redesign effort, with the goal to reevaluate the existing business requirements with a focus to improve efficiency and document work flows and processes. This process should include a workflow analysis with the movement of documents at the Bismarck office and ensure that well-trained and skilled employees are placed in the most critical areas.

Management's Response

We disagree with this recommendation. Although the Department of Transportation will undertake an internal review of workflows within the Department of Transportation's Motor Vehicle Division, we do not agree that a detailed review is necessary. We believe the recommendation contemplates a level of effort beyond agency expertise and current personnel resources. This would necessitate the hiring of a vendor to do a comprehensive review to look at workflows within the Department of Transportation's Motor Vehicle Division. We believe the cost of hiring a vendor would not result in enough savings to justify the expense, especially given the fact that our physical space limits our options for the layout of our workflow.

Increasing Staff Productivity

MTG's review of workflow timing and staffing analysis revealed opportunities to improve the productivity of the Bismarck title and registration processing. MTG conducted an analysis of the major workflows performed to support the title and registration processes. Timing to perform each process was measured and multiplied by the total number of annual transactions to estimate the staffing level required to process the work. Based on this analysis, MTG calculated that the current processes in place allow the organization to achieve an approximate 75% level of productivity. This suggests that the current workflow processes produce delays and other inefficiencies, so that 25% of productive work time is not utilized. MTG does recognize that 100% productivity is unrealistic.

Workflow improvements could result in staffing levels being reduced.

MTG identified that workflow improvements are available, so that 85% productivity should be achievable. At this level of productivity, the Motor Vehicle Division may be able to reduce its current assigned staffing level for the Bismarck office title and registration workload by 10 to 15% (two to three individuals), if adequate workflow improvements are implemented.

Recommendation 2-12

MTG recommends the Department of Transportation's Motor Vehicle Division perform a detailed business process reengineering analysis of its workflow processes and personnel to increase the present level of productivity achievable.

Management's Response

We disagree with this recommendation. Although the Department of Transportation will undertake an internal review of current Department of Transportation Motor Vehicle Division productivity levels, we do not agree that a detailed review is necessary. We believe the recommendation contemplates a level of effort beyond agency expertise

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and current personnel resources. It would necessitate the hiring of a vendor to do a comprehensive business process reengineering analysis in the Department of Transportation's Motor Vehicle Division. We believe the cost of hiring a vendor would not result in enough savings to justify the expense.

We do not disagree with the raw productivity numbers, but are troubled with the perception that could arise from MTG's conclusion that 25 percent of productive work time is not utilized. This is no reflection on MTG, but is the nature of time trials. And perception often becomes reality.

We are concerned that there may not have been a broad enough sampling to be truly representative of the time it takes to process applications that might, on average, be more complex than those processed during the timings that were taken. The methodology also does not take into account that many employees, in addition to processing applications, also provide services to customers that do not produce a customer transaction or extend the time it takes to complete a transaction (answering questions, providing advice, researching records, writing letters, etc.). Looking at the "big picture," we are productive and are providing superior customer service.

State Auditor's Concluding Remarks

DOT's response states that they have concerns regarding the sampling of transactions. MTG took a reasonable sample of transactions and in our opinion, the methodology used was reasonable. The results of the work was provided to DOT who agreed with the timing information and DOT was provided an opportunity to identify additional information that would contradict MTG's conclusions in this matter. No additional information was provided. Also, MTG used employees that worked on specific customer transactions and excluded those employees who did not produce a customer transaction.

Combining Motor Vehicle and Motor Carrier Work Areas

The motor carriers' area operates separately from the general motor vehicles area and includes a separate public service counter. There are three systems used for the motor carriers' applications (International Fuel Tax Agreement, International Registration Plan, and Single State Registration System) in addition to using VRTS. Separate work areas are provided to perform the data processing on the three separate systems and MTG noted that duplicate data input is required.

MTG concluded that higher productivity is limited by redundant data entry and multiple service locations. The separate counter area and location require additional staff trained to specifically perform the applicable motor carrier processes. MTG identified that some of the title and registration staff were shared with motor carriers for VRTS and other limited and periodic data entry operations.

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Recommendation 2-13

MTG recommends the Department of Transportation's Motor Vehicle Division review combining the motor carriers' work area with the vehicle title and registration work area. If this is found to be feasible, the change should be implemented as combining these areas may provide an opportunity to gain efficiencies through economies of scale.

Management's Response

We disagree with this recommendation. We believe the skills and training needed to complete the tasks in the Motor Carrier section are significantly different than those in other areas of the Department of Transportation's Motor Vehicle Division. This makes cross-training or shared work responsibilities difficult. Mixing motor carrier customers with non-motor carrier customers at one public service counter will most likely slow service to non-motor carrier customers.

It should be noted the work space for the Motor Carrier section is immediately adjacent to the vehicle title and registration work area. It should also be noted the Motor Carrier public counter is approximately 10 feet from the public counter used by non-motor carrier customers, and there is not physical space available to the Department of Transportation's Motor Vehicle Division to have one public counter large enough to serve the customer volumes now served at the two counters.

The Department of Transportation's Motor Vehicle Division is currently in the process of reviewing the development of an updated processing system in the Motor Carrier section that would eliminate the redundant data entry identified by MTG. It should also be noted the Motor Carrier section is now fully responsible for entering data they generate into the VRTS system.

Making Changes to NSF Checks Received

Through a review of information, tests performed, and interviews conducted with Department of Transportation (DOT) representatives, we determined that changes are needed to the policies and procedures surrounding non-sufficient fund (NSF) checks that are received for payment of motor vehicle title and registration fees. We noted that the Motor Vehicle Division could benefit from using a check recovery service similar to one used by the Drivers License and Traffic Safety Division. Also, policies and procedures should be established to restrict individuals who have previously submitted an NSF check from making future payments via check.

Using a Check Recovery Service

Payments for motor vehicle title and registration fees can be received at either the Bismarck office or one of 16 motor vehicle branch offices located throughout the state. The processes followed for a non-sufficient funds (NSF) check are as follows:

- If a check received at the Bismarck office is returned to DOT due to NSF, DOT will automatically re-submit the check a second time for payment. If the check is returned a second time NSF, DOT will attempt recovery using its own staff. DOT estimated that

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approximately one quarter of a full-time equivalent employee's time is being used to attempt recovery of NSF checks.

- If a check received at a branch office is returned to the branch office NSF, the branch office is to re-submit the check a second time for payment. If the check is returned a second time NSF, the branch office will send the check to the Bismarck office. The branch office will receive the full amount of the check from the Bismarck office and DOT will attempt recovery using its own staff. If DOT is unable to collect on the check, the branch office is required to refund the service fee portion of the check to DOT.

DOT assesses a \$10 fee for NSF checks and if the check is in excess of \$100, an additional \$10 fee is charged to defray the cost of using the Highway Patrol to attempt to collect on this check. DOT can also suspend the motor vehicle registration when a check is returned NSF.

In calendar year 2002, we noted over \$105,000 returned to DOT due to NSF checks. This amount is not the total amount of NSF checks received for motor vehicle title and registration fees as the NSF checks that clear when they are submitted a second time are not included in this total. We were unable to determine the number of NSF checks that were collected when they were submitted the second time. Therefore, the annual amount of \$105,000 is understated. DOT's policy is to write off NSF checks after a year has elapsed and no collection has been made. We noted approximately \$35,000 had been written off in calendar year 2002. We noted checks being written off that were received in 1999. According to DOT, this was due to VRTS system implementation as resources were used for implementation, which did not leave sufficient resources to write these older checks off.

The Motor Vehicle Division attempts to collect NSF checks using DOT employees.

In discussions with DOT representatives, we noted that the Drivers License and Traffic Safety Division uses a check recovery service. The contract for this service identifies that all returned checks are sent to the vendor for collection and checks are not resubmitted for payment. The Drivers License and Traffic Safety Division receives the full face value of the check and the vendor assumes all liability for collection of the check.

Recommendation 2-14

We recommend the Department of Transportation's Motor Vehicle Division review and analyze the use of a check recovery service and if it is determined to be beneficial, enter into a contract with a check recovery service.

Management's Response

We agree with this recommendation. We will conduct the review outlined in this recommendation, including a review of the contract currently utilized by the Department of Transportation's Drivers License and Traffic Safety Division.

Chapter 2 Motor Vehicle

Making Changes to NSF Check Policies and Procedures

Through a review of NSF check information, we noted individuals who had previously submitted an NSF check for motor vehicle title and registration fees, were allowed to pay additional motor vehicle fees via check. We did identify that certain individuals did use an additional NSF check to pay their motor vehicle fees. Therefore, the same individual was allowed to submit more than one NSF check.

DOT is accepting checks from individuals who have previously submitted NSF checks.

We did not identify any policies or procedures related to accepting checks from individuals who have previously submitted multiple NSF checks to pay motor vehicle title and registration fees. Individuals who have previously written NSF checks to DOT are not being identified to the Bismarck office and the motor vehicle branch offices. Therefore, an individual who has an existing outstanding NSF check would be allowed to pay motor vehicle title and registration fees with another check.

Recommendation 2-15

We recommend the Department of Transportation's Motor Vehicle Division establish policies and procedures related to how individuals who have made payment for motor vehicle title and registration fees with non-sufficient fund checks will be restricted from making future payments via check.

Management's Response

We agree with this recommendation. We will conduct a study to determine the feasibility of this recommendation. If it is determined to be feasible, we will seek any necessary legislative authority and any funding necessary for implementation.

Driver's License

Introduction

Two of the goals of this performance audit were to answer the following questions:

“Is the driver’s license program operating efficiently and effectively?”

“Are the organizational structure and programs administered by the Office of Driver and Vehicle Services providing an efficient and effective use of resources?”

Through tests and reviews performed, we noted improvements could be made to increase the efficiency and effectiveness of driver’s license operations. In addition, improvements with staffing levels and program administration were also noted. MTG identified that the placement of the driver’s license program within the Department of Transportation (DOT) was appropriate for state government.

We concluded that the current number of driver’s license sites, days and hours of operations, and number of driver’s license examiners at the sites should be modified, as well as being monitored on a periodic basis. An analysis should also be conducted to measure customer satisfaction with the “wait times” at the driver’s license sites. We noted changes were needed with the driver’s license application process which include: obtaining sponsorship for all minors; verifying applicant’s social security numbers; and taking appropriate action when false information is provided on applications.

Requirements in North Dakota Century Code should be modified to allow for an increase in the driver’s license life cycle, an increase in the fees collected for tests conducted and documents issued, and a change in the process of surrendering permits and licenses that have been suspended. A revocation period should be imposed when non-driver photo identification cards are revoked. In addition, changes should be made to improve the turnaround time for citation information being received and entered onto the driver’s license master system. New technologies should be integrated to support processing and staffing levels within the Drivers License and Traffic Safety Division should be reviewed and assessed. Lastly, a review of the placement of the Traffic Safety Program within DOT should be conducted.

The improvements noted above are discussed in this chapter and improvements of less significance were communicated to management in a separate letter.

To determine whether the driver’s license program was operating efficiently and effectively, we:

- Reviewed the activities conducted by the driver’s license examiners;
- Reviewed the documents issued at driver’s license sites;
- Reviewed costs incurred related to activities conducted and documents issued;

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- Reviewed laws, policies, and procedures related to driver's license operations;
 - Reviewed management controls related to the driver's license program; and
 - Interviewed selected Department of Transportation staff.
-

Making Improvements to the Driver's License Sites

Through a review of the driver's license sites' hours of operations, travel schedules, and cost information, there are changes that can be made to increase the efficiency of the operations of the driver's license sites. We noted that improvements with the current operations need to be made in order to increase efficiency, as well as the establishment of a formal, periodic monitoring tool to ensure that operations remain efficient. MTG identified a need to study customer waiting times at the driver's license sites.

Driver's License Sites Identified

The Department of Transportation (DOT) has established 44 driver's license sites across the state. Three different types of driver's license sites exist which are:

There are 44 driver's license sites across the state, all operated by state employees.

- Major Sites: The eight major sites are located in the eight major cities in the state. These sites are fully automated and are open five days a week with the exception of two sites.
- Automated Field Sites: The 20 automated field sites are located in various locations across the state. An automated site has the same capabilities as a major site in that it generates documents for the customer and updates driver records. Driver's license examiners from the major sites travel to the automated sites which are open at various times during the month (every Tuesday, the first and third Wednesday of every month, the third Monday of every month, etc.).
- Non-Automated Field Sites: The 16 non-automated field sites are located in various locations across the state. A non-automated site does not generate documents for the customer and is not able to update a driver record at the site. Instead, customers receive a temporary permit or license and must wait for the actual permit or license to be mailed. The activities that take place at a non-automated site are manually documented. This information is then entered into the driver's license master system at the major site and documents are printed and mailed to customers. Driver's license examiners from the major sites travel to the non-automated sites which are open at various times during the month (second Monday of every month, fourth Wednesday of every month, fourth Wednesday of every other month, etc.).

Enhancing the Efficiency of Driver's License Sites

For an 18 month time period (July 1, 2001 through December 31, 2002), we collected cost information regarding the 44 driver's license sites. To determine the costs for each site, we used a combination of actual costs incurred and estimated costs provided by DOT. In addition, a reasonable allocation method was used to allocate certain costs to each of the sites. Using this information, we noted over \$3 million of costs

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which we allocated to each of the 44 driver's license sites. For the same 18 month time period, DOT provided information regarding the documents issued and the number of activities conducted at each of the driver's license sites. Documents and activities are defined as:

- Documents issued include the number of driver's licenses, permits, and non-driver photo identification cards printed and provided to customers. For the 18 month time period, DOT issued approximately 282,000 documents.
- Activities include the number of written, vision, and road (driving) tests conducted by the driver's license examiners, as well as the number of non-driver photo identification cards printed. For the 18 month time period, DOT conducted approximately 350,000 activities.

Using the above information, we determined the cost per document issued, as well as the cost per activity at each of the driver's license sites. Information related to these costs is identified in Appendix H. Since the analysis for both the cost per document issued and the cost per activity resulted in similar conclusions, the information below will focus on cost per activity only. The table below identifies selected information related to the cost per activity.

| Table 2 | | | |
|---|----------------|----------------|----------------|
| Cost per Activity by Driver's License Site Category | | | |
| Site Category | Minimum | Maximum | Average |
| Major Site | \$6.34 | \$10.98 | \$7.54 |
| Automated Field Site | \$8.57 | \$32.04 | \$13.99 |
| Non-Automated Field Site | \$12.76 | \$31.60 | \$17.01 |

There are driver's license sites that have high costs per activities compared to other driver's license sites. For example:

- The Williston site's cost per activity (\$10.98) is 73% higher than the cost at the Fargo major site (\$6.34). There are two automated field sites (Wahpeton at \$8.57 and Grafton at \$10.66) that have a lower cost per activity than Williston.
- The cost per activity for the Stanley automated field site is higher than all 16 non-automated field sites. In addition, the Stanley cost per activity is over 3.5 times more than the cost at the Wahpeton automated field site (lowest automated site).
- The cost per activity for the Hebron and Mott non-automated field sites is more than double the cost at the Hettinger, Hazen, Cavalier, and Cooperstown non-automated sites (four lowest non-automated sites).

Certain driver's license sites are not as efficient or productive compared to other sites.

For the same 18 month time period (July 1, 2001 through December 31, 2002), an analysis was performed regarding the documents issued per

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hour per driver's license examiner as well as the activities conducted per hour per examiner. Information related to this analysis is identified in Appendix I. Since the analysis for both the documents issued per hour per examiner and the activities conducted per hour per examiner, resulted in similar conclusions, the information below will focus on activities only. The table below identifies selected information related to activities conducted per hour per examiner for each hour that the site is open.

| Site Category | Minimum | Maximum | Average |
|--------------------------|----------------|----------------|----------------|
| Major Site | 1.45 | 3.67 | 2.99 |
| Automated Field Site | 2.12 | 7.11 | 3.61 |
| Non-Automated Field Site | 1.33 | 3.80 | 2.55 |

There are driver's license sites that appear to conduct a relatively low amount of work when compared to other sites. For example,

- The activities per hour per examiner at the Fargo major site are 2.5 times more than the amount for the Williston major site (lowest major site at 1.45). In addition, all 20 automated sites have a higher activities per hour per examiner amount than the Williston site. If Williston were to double their activities per hour per examiner, the site would have the second lowest amount of activities per hour per examiner of the major sites. Williston is one of only two sites that are open almost 10 hours per day (one hour per day longer than both Fargo and Bismarck which are the two busiest sites in the state).
- The major site's average activities conducted per hour per examiner amount is more than double the amount at the Hebron (1.33) and Mott (1.38) non-automated sites.

The high cost per activity and low activities conducted per hour per examiner are an indication that certain sites may not be as efficient or productive as other sites. In a review of the number of examiners that travel to the field sites, certain driver's license sites appear to have more examiners at the site than may be necessary. For example, two examiners travel to the Watford City automated site which has the lowest activities per hour per examiner (2.12) of all other automated sites. If one examiner went to Watford City, their activities per hour per examiner would increase to 4.24. There are four automated sites that have a higher activities per hour per examiner amount.

In 1994, DOT's internal audit department conducted a special review on the driver's license sites to study the elimination of driver's license sites while automating others. In 1994, there were 15 sites that were

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In 1994, DOT's own study recommended closing sites and having only 26 automated sites.

automated and 28 sites that were non-automated (43 total sites). The study recommended that 17 sites be closed and 11 sites be automated, for a total of 26 automated sites throughout the state. The report notes that the 26 automated sites would be located to serve all customers within a 50-mile traveling distance. In a review of the study and a comparison to the current 44 driver's license sites, we noted that DOT did automate all 11 sites that the study had recommended. However, of the 17 sites recommended to be closed, only one was actually closed. While one site was closed, DOT has added two additional sites since 1994, both of which are non-automated sites. Two of the non-automated sites recommended for closing were not only left open but were changed to automated sites.

Recommendation 3-1

We recommend the Department of Transportation's Drivers License and Traffic Safety Division review cost information, work performed per examiner per hour information, and other information identified in this audit and either close certain sites or make significant changes to the sites that are high in cost and/or have low productivity and outputs. If significant changes are made rather than closing sites, the division should consider:

- a) The hours of operation for the driver's license sites;
- b) The number of days driver's license sites are open;
- c) The number of examiners sent to each field site; and
- d) Making non-automated field sites automated.

Management's Response

We agree with this recommendation. However, this is a political issue. Legislators do not want sites to close within their jurisdictions. A major study was done in 1994 with the same conclusion: close outlying, nonproductive sites. Even so, in 1997, due to political pressure, two additional sites were added. This is also being addressed in the Department of Transportation's Strategic Business Plan, Objective 1.7. To address specific areas in Recommendation 3.1, we have looked at, and will continue to study, the (a) hours of operation and (b) days the sites are open. Changes are made periodically based on collected data. It would not be cost-effective to have Minot's examiners going back and forth to Williston. In response to (c), we need to send two examiners to each site for security and audit reasons. One examiner must remain at the test site while the other conducts road tests; the site cannot be left unattended. Finally, we can't see the feasibility of (d) as this would be cost-prohibitive.

State Auditor's Concluding Remarks

DOT's response states that it "would not be cost-effective to have Minot's examiners going back and forth to Williston." This is a misleading statement as the report does not state nor do we imply that examiners from Minot should travel to Williston. DOT's response also states that they do not see the feasibility of making non-automated sites automated as this would be cost-prohibitive. We identified that certain non-automated sites conducted more activities and issued more documents than certain automated sites. This is not cost productive and raises questions as to whether certain automated sites really should be

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automated and whether certain non-automated sites should be automated.

Recommendation 3-2

We recommend the Department of Transportation's Drivers License and Traffic Safety Division establish a monitoring system to periodically review and analyze the productivity or outputs and costs at each driver's license site. The system should be used to determine whether sites are operating efficiently and effectively, whether the number of days and hours of operation are appropriate, and whether the number of examiners sent to each site is reasonable.

Management's Response

We agree with this recommendation. As stated and provided during interviews with audit personnel and as documentation provided shows, we monitor sites monthly and review this data on a yearly basis. We are aware of which sites have low productivity and should be closed. Again, this is a political issue.

State Auditor's Concluding Remarks

DOT's response states that it monitors sites monthly and reviews this data on a yearly basis. While DOT did provide productivity information, there was no documentation provided that showed productivity information per examiner or information related to costs of activities conducted and documents issued at the driver's license sites. All of this information should be included in the monitoring process of the driver's license sites. Furthermore, we question whether DOT's current monitoring is adequate as we identified a number of areas for improvement with the operations of the driver's license sites. For example, the lowest productivity at a major driver's license site was at Williston which is open an hour longer than the two busiest major sites (Fargo and Bismarck). Thus, the extra hour that the Williston site is open is not justified by the amount of activity taking place which should have been identified and corrected by DOT if their current monitoring process was adequate.

Reviewing Customer Waiting Times

MTG noted that 44 driver's license sites throughout the state allow residents to drive short proximities for service. Well-staffed and well tooled business operations also limit the amount of time residents spend obtaining services. In addition, customer service policies call for counter transactions to be completed within 20 minutes from the time that customers enter the office, according to Drivers License and Traffic Safety Division management. As a result, North Dakota residents enjoy a very high level of customer service when obtaining or renewing driver licenses or receiving a related service. In fact, during their visit to six sites throughout the state, MTG staff did not observe any customers who expressed frustration or criticism of their licensing office experience.

Due to peak staffing, low staff efficiency levels exist.

In order to consistently deliver this level of service, MTG noted DOT has staffed its locations for peak-level transactions; that is, staffing is maintained at a level that requires the resident to wait minimal amounts of time during peak periods. MTG experience indicates that this is a common experience that is consistent with customer-driven licensing

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offices which are based on peak-based staffing models. However, MTG does identify that the peak staffing approach may result in a significant loss of productivity as a considerable amount of staff time is not being used productively in order to provide quick service to residents in 44 communities around the state. Staff have low efficiency levels because of limited counter transactions during quiet times; if no clients visit, limited productivity results.

Recommendation 3-3

MTG recommends the Department of Transportation's Drivers License and Traffic Safety Division conduct a study to measure customer satisfaction with wait times at driver's license sites. Particular areas that should be reviewed include:

- a) Acceptable transaction times; and
- b) Acceptable customer driving distances to licensing sites.

Management's Response

We agree with this recommendation. The Department of Transportation's Strategic Business Plan is addressing this issue and surveys will be done. In 1998, the Drivers License and Traffic Safety Division contracted with UND to conduct a similar survey of customer satisfaction. To lengthen wait times goes against the goals set by the Department of Transportation's Drivers License and Traffic Safety Division in our attempt toward superior customer service. We continue to strive for quicker service and satisfied customers.

Improving the Application Process

We noted improvements could be made to the driver's license application process. We reviewed a sample of driver's licenses, permits and non-driver photo identification cards issued; we also reviewed laws related to applications; and held discussions with DOT and other state government officials. We noted that sponsorship for minors is not always obtained through the application process and social security numbers being provided by applicants are not verified by DOT to ensure the number is accurate. In addition, we also noted false information was provided by an applicant on the application form and DOT took no apparent action when they became aware of this.

Ensuring Sponsorship is Obtained for Minors

North Dakota Century Code Section 39-06-08 requires that an application of any minor for an instruction permit or operator's license must be signed by the father, mother, legal guardian, or another responsible adult. In a review of a sample of applications, we did note that DOT did obtain sponsorship for minors when the minor completed an application for the first time (typically completed for their permit). However, no sponsorship is being obtained after this and we did note minor's completing additional applications in which sponsorship is not being obtained. For example:

**Sponsorship is not
obtained with all minor
applications.**

- A permit given to a minor is valid for one year. When this year expires, the minor is required to obtain a different permit. The minor visits a driver's license site, completes an application, and is issued another permit. DOT does not require sponsorship for this

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application which appears to result in noncompliance with NDCC Section 39-06-08. In addition, since the first application was completed with sponsorship and the second application is completed without sponsorship, we question whether or not any sponsorship actually exists for the minor.

- When an individual has a valid permit and visits a driver's license site to take the road (driving) test, the individual does not complete an application. The scorecard used by the driver's license examiner to score the road test is the only document supporting that a road test was taken. This scorecard does require a parent or legal guardian to sign if the applicant is under the age of 16. Thus, there appears to be no sponsorship for minors of the ages 16-17 when they pass their road test. The sponsorship that was previously obtained was for a permit, and it appears such sponsorship would not carry over to the driver's license.

Due to the fact that it is questionable as to whether sponsorship actually exists for certain minors, a potential liability issue may exist for the state.

Recommendation 3-4

We recommend the Department of Transportation's Drivers License and Traffic Safety Division comply with North Dakota Century Code requirements and obtain sponsorship for all permits and licenses issued to minors.

Management's Response

We agree with this recommendation. But this appears to be a legal interpretation issue. We are in compliance based on our interpretation of the law. The outside legal community has not questioned our interpretation and considers the original document, with the sponsorship signature, to be legally binding. We have a withdrawal procedure in place to revoke driving privileges when withdrawal of sponsorship is requested. We will consider asking the next legislative assembly for clarification, as well as making sponsorship responsibilities clearer on our application form.

State Auditor's Concluding Remarks

DOT's response states that this area is a legal interpretation. NDCC requires sponsorship on applications completed by minors and DOT is not doing this. We informed DOT that if their legal counsel had a different interpretation of NDCC to contact us. We were never contacted with justification of an additional interpretation other than the current process is the way it has always been done. In addition, DOT states that the outside legal community has not questioned their interpretation. This statement is apparently made based on the fact that DOT has not been sued over this issue. This does not constitute agreement with the outside legal community.

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Verifying Social Security Numbers of Applicants

NDCC Section 39-06-07 identifies that every application must state the full name, date of birth, sex, social security number, residence and mailing address, and briefly describe the applicant. Per review of application forms used by DOT, the information required by Century Code appears to be collected. However, there appears to be no verification of the accuracy of the social security number being provided.

Social security numbers provided by applicants are not verified.

The 1999 Legislative Session added the requirement to state law that applications obtain the social security number of applicants. This requirement appears to have been added to assist the Child Support Enforcement Program. The child support program uses social security numbers of noncustodial parents (those with an obligation to pay child support) to compare to social security numbers on the driver's license master system. This comparison is conducted for locate purposes, as well as for an enforcement technique (a noncustodial parent's driver's license can be suspended for lack of payment). We did note one application in which an applicant provided a false social security number which was not properly identified until the individual whose social security number was used visited a driver's license site (this is further addressed in the next subsection entitled *Taking Action with False Information on Applications*). Without verification of the social security number, there is little assurance that the social security number is correct and the process of matching numbers in the driver's license system for child support purposes is not effective and hampers the process.

Recommendation 3-5

We recommend the Department of Transportation's Drivers License and Traffic Safety Division verify social security numbers provided on applications for licenses and permits.

Management's Response

We agree with this recommendation. The Department of Transportation's Drivers License and Traffic Safety Division was visually verifying social security numbers at renewal; however, due to a legislative directive in 2001 (found at NDCC 39-06-19(3)) this process was discontinued. With the award of special federal grant funding, we are in the process of going online with the Social Security Administration, which should be operational by the end of this year. This should aid in our verification of social security numbers without inconveniencing the customer.

Taking Action with False Information on Applications

In a review of driver's license applications, it was noted that the social security number included on one application was not on the driver's record within the driver's license master system. Based on a review of information within the system and discussions with a representative of DOT, it appears that the social security number provided on the application was not the applicant's actual number. This was identified by DOT when another applicant came to a driver's license site with the same social security number which was verified as being correct. The individual who provided the false social security number continues to have their driving privileges without furnishing additional information to DOT.

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DOT must determine whether incorrect information provided by an applicant was knowingly provided.

Within NDCC Section 39-06-40, a list of items that result in a Class B misdemeanor are identified. One of these items is to knowingly make a false statement or to conceal a material fact or otherwise commit a fraud in the application for a driver's license, permit, or non-driver photo identification card. When a record of conviction or other satisfactory evidence is received of a violation of NDCC Section 39-06-40, DOT is to immediately revoke the driver's license, driving privileges, permit, or non-driver photo identification card. Since DOT was unable to determine if the applicant that provided a false social security number had done so inadvertently or had knowingly made such a false statement, additional work should have been conducted to make such a determination. Therefore, action which may have been required to be taken pursuant to state law, may not have been properly taken.

Recommendation 3-6

We recommend the Department of Transportation's Drivers License and Traffic Safety Division take appropriate action when information on an application is identified as being inaccurate to determine whether an error has been inadvertently made, or whether a false statement was knowingly made or fraudulent information was included in the application. If it is determined that an individual knowingly made a false statement or committed fraud on the application, the division should immediately revoke the individual's driving privileges.

Management's Response

We agree with this recommendation. We will tighten up on current procedures to make sure they are followed at all times.

Making Changes to North Dakota Century Code

Through a review of the driver's license life cycle (time period for when a license is obtained to when the license must be renewed as it expires) and comparison to other states, we noted that the current four year life cycle is low. Also, through a review of the fees collected by the Department of Transportation (DOT) for driver's license activities and documents, we noted that the fees were low in comparison to other states and in certain cases, the fee collected was less than the cost incurred with the activity conducted or document issued. Lastly, we noted a requirement related to suspended licenses being surrendered to DOT that has become outdated and creates additional work for DOT that does not appear to add value to the suspension process.

Allowing for an Increase in the Driver's License Life Cycle

The driver's license life cycle in North Dakota is four years and pursuant to NDCC Section 39-06-19, the expiration date of a driver's license is at midnight on the person's date of birth. This means that licensed drivers are required to visit a driver's license site every four years to complete a renewal application, take a vision test, and have a new photo taken. The four year cycle has been in existence since 1976.

In comparison to other states, the four year life cycle of a driver's license appears low.

Through a review of information from a sample of 10 states, we determined the average life cycle of a driver's license was 5.2 years. Three of the 10 states had a life cycle the same as North Dakota's (4 years); four had life cycles of 5 years; two had life cycles of 6 years; and

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one had a life cycle of 8 years. Additional work is required when customers are required to visit a driver's license site on a more frequent basis which requires additional resources to be applied when they could be reduced or used in other areas.

Recommendation 3-7

We recommend the Department of Transportation's Drivers License and Traffic Safety Division take the appropriate action to change the requirements in North Dakota Century Code to allow for an increase in the driver's license four year life cycle.

Management's Response

We disagree with this recommendation. We disagree because of safety concerns, particularly with our aging population. We will continue to evaluate the life cycle, with an emphasis on safety. Also, the new regulations on the USA PATRIOT Act of 2001, at 49 CFR 383.141(d), require states to adopt, at a minimum, a 5-year renewal cycle for a hazardous materials endorsement for a CDL. The renewal cycle cannot be longer than 5 years. It does not make sense to have different renewal periods for types of licenses. Law enforcement, when presented with the suggestion to switch to a five-year license, objected because of the readability of the license after that period of time. Many of the states with longer life cycles have gone to those extended periods because of very lengthy lines at their licensing sites (which we do not have), and have not put an emphasis on safety.

State Auditor's Concluding Remarks

DOT's response states that it does not make sense to have different renewal periods for different types of licenses. The report never states that there should be a difference in life cycles of licenses and we concur that this could cause confusion. However, since a five year maximum is available, even increasing the current four year cycle by one year should result in a reduction of costs and provide for staff savings as the number of activities should decrease.

Allowing for an Increase in Fees

When DOT conducts a test or issues a document, a corresponding fee is charged pursuant to fee requirements in North Dakota Century Code. In a review of the fee amount required in law, we noted a number of fees had not been changed for a long period of time. For example, the \$10 fee charged for a four year driver's license and the \$5 fee charged for either a road (driving) or written test have been unchanged since 1987.

The fees collected for road tests given do not cover the costs of such tests.

In a review of salary and benefit cost information and using estimated times provided by DOT to administer tests, we determined that the \$5 fee collected for road tests does not cover the salary/benefit cost incurred with administering these tests. For example, it costs DOT approximately \$8.19 to conduct the road test for a Class D license which means DOT incurs costs of \$3.19 per test which are not covered by the fee collected. Also, it costs DOT approximately \$20 to \$26 to conduct the road test for a Class A license which means DOT incurs costs of \$15 to \$21 per test which are not covered by the fee collected.

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In a comparison to 10 other states, we determined the average Class D (or equivalent) license fee per year from the other states was \$3.92 which is 56.8% higher than North Dakota's \$2.50 per year (\$10 fee for a four year license). Only one state (South Dakota) had a lower per year fee than North Dakota. For a Class A license (or equivalent), the average license fee per year from the other states was \$7.04 which is 87.7% higher than North Dakota's \$3.75 per year (\$15 fee for a four year license). Again, only South Dakota had a lower per year fee than North Dakota.

Recommendation 3-8

We recommend the Department of Transportation's Drivers License and Traffic Safety Division take the appropriate action to change the requirements in North Dakota Century Code to allow for an increase in the fees collected for tests conducted and documents issued.

Management's Response

We agree with this recommendation. Increasing the fees has been discussed in every recent legislative session, but no action has been taken. The Department of Transportation's Drivers License and Traffic Safety Division has and will continue to recommend a fee increase each legislative session. This will become more important for the 2005 session, as our current drivers license system contract expires June 30, 2006, and the cost of any new contract will be higher (per card) than we now pay.

Changing the Requirements of Surrendering a Suspended Permit/License to DOT

An individual who has had their permit or license suspended, cancelled, or revoked is required to surrender the permit or license to the Department of Transportation (DOT). North Dakota Century Code Section 39-06.1-14 requires DOT to extend the period of suspension or revocation by one day for each day that an individual fails to surrender the suspended permit or license to DOT.

Surrendering a suspended license to DOT adds no apparent value to the suspension process.

Based on discussions with DOT representatives and the North Dakota Highway Patrol, at one time the requirement that suspended permits or licenses be surrendered to DOT did add value to the suspension process, as the permit or license identified that the individual was eligible to drive in the state. However, with changes in technology that now allow law enforcement to automatically check a driver's record, the process of surrendering a suspended permit or license appears to create additional work for DOT that does not add value to the suspension process. DOT incurs costs to obtain permits or licenses, store the permit or license once it is received, and mail the permits or licenses back to the individuals.

Apparent weaknesses surrounding permits and licenses and the suspension process raises questions as to the effectiveness of surrendering a suspended permit or license. An individual who has had their permit or license suspended may submit a letter to DOT stating that they have lost the document and DOT is required to begin the suspension time period on the date of such a letter. DOT identified that some of these individuals do not obtain a duplicate permit or license

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once the suspension period has ended. This indicates that the individual does not care to have one or had never lost the document. Also, the fact that an individual actually possesses the permit or license does not necessarily mean that they are eligible to hold the document. For example, an individual may inappropriately obtain a duplicate permit or license by stating the document is lost when it actually isn't. Now the individual holds two documents – one that they can submit to DOT for the suspension period to begin and one to maintain in their possession.

Recommendation 3-9

We recommend the Department of Transportation's Drivers License and Traffic Safety Division take appropriate action to change the requirements in North Dakota Century Code related to the surrender of licenses that have been suspended. The changes in Century Code should:

- a) Remove the requirement that all licenses that have been suspended be surrendered to the Department; and
- b) Grant authority to the Director of the Department to establish criteria for when suspended licenses should be surrendered.

The Department of Transportation should communicate the changes made to all law enforcement officials and agencies.

Management's Response

We agree with this recommendation. The Department of Transportation's Drivers License and Traffic Safety Division will recommend legislation to change the ND Century Code to reflect this recommendation. But, key to making such a change work is getting all law enforcement to check the status of every driver who is stopped.

Establishing a Revocation Period

Through a review of North Dakota Century Code (NDCC) requirements related to non-driver photo identification cards and discussions with DOT representatives, we noted that a revocation period is not imposed when non-driver photo identification cards are revoked. A non-driver photo identification card is issued to individuals after a driver's license examiner verifies identification of the individual. The cards, which appear similar to a driver's license document, are used for identification purposes.

Misuse of a non-driver photo identification card should result in revocation of the card for a period of time.

NDCC Section 39-06-40 states when DOT receives a record of conviction or other satisfactory evidence of an individual possessing a fictitious or fraudulently altered driver's license, permit, or non-driver photo identification card, DOT is to immediately revoke the person's driver's license, driving privileges, permit, or non-driver photo identification card. The period of revocation is at the discretion of the director, but it is not to exceed six months. While DOT has established a revocation period for driver's licenses and permits under this section (60 days for a first offense and 90 days for a second offense), no such revocation period is imposed for offenses related to non-driver photo identification cards. Therefore, an individual who has had their non-driver photo identification card revoked can obtain another card the following day. Non-driver photo identification cards are altered to

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change the date of birth of an individual to make it appear that the individual is older than they are so that they may buy cigarettes, purchase alcohol, etc. According to DOT representatives, non-driver photo identification cards will typically be altered rather than a driver's license, as driving privileges would be revoked for misuse of a driver's license.

Recommendation 3-10

We recommend the Department of Transportation's Drivers License and Traffic Safety Division establish policies and procedures to enforce a revocation period for non-driver photo identification cards that have been revoked.

Management's Response

We agree with this recommendation.

Making Changes to Driver Improvement Services

Within the Drivers License and Traffic Safety Division of DOT, the Driver Improvement Services section has been established to process information related to driver's records, such as processing traffic citations, providing driver abstracts and work permits, verification of driver insurance, and other related functions. This section is commonly referred to as the "central office." In our review of suspensions, revocations, and cancellations, we noted an unreasonable turnaround time from when citation information was received by DOT to when it was entered onto the driver's license master system. MTG noted that new technologies could be integrated to improve how transactions are processed.

Improving the Turnaround Time with Citation Information

DOT receives citation information related to drivers of motor vehicles and they must enter this information onto the driver's license master system to update the driver records. The citation information entered onto the system can result in the central office having to take the appropriate action to suspend, revoke, or cancel driving privileges.

Citation information received by DOT is not always being entered into the computer system in a reasonable amount of time.

In a limited review of citation information, it was noted that an unreasonable amount of time had elapsed from when citation information was received by DOT to when the information was entered onto the system. For example, conviction information received November 13, 2000, was entered into the system on February 5, 2001, (84 days) and conviction information received December 13, 2001, was entered on February 28, 2002 (77 days). The conviction information for both of these instances resulted in a suspension of a driver's license. Therefore, an extended period of time elapsed from when the driver's record should have identified a suspension to when the record actually was updated to reflect the suspension.

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Recommendation 3-11

We recommend the Department of Transportation's Drivers License and Traffic Safety Division establish formal policies and procedures for monitoring the turnaround time for citation information being received to when it is entered on the driver's license master system. At a minimum, this should include:

- a) Establishing an acceptable number of days for turnaround which is communicated to all employees;
- b) Implementing a formal monitoring procedure; and
- c) Having a corrective action plan when the acceptable number of days is not being met.

Management's Response

We agree with this recommendation. We will document our current procedures and make changes where necessary. We are currently at what we believe are acceptable turnaround times and strive to maintain these standards.

Integrating New Technology

MTG noted that the staff in the central office use a wide variety of tools to complete transactions with the general public and businesses, including the telephone, postal service, e-mail, facsimile machine, and the dial-up credit card authorization machine. The staff have developed business processes that rely on these tools and, as a result, core functions are being completed and customers are being served.

New technology could minimize delays in completing transactions.

MTG observed delays on several occasions in the completion of transactions due to staff waiting for certain technologies to become available in order to complete their work. Most notable were the facsimile and credit card authorization machines. A number of transactions depend upon these machines; when more than one transaction is being processed simultaneously by one or more staff, a delay occurs and staff have to unnecessarily wait to complete their work. Such delays were most notable with the processing of driver abstract and crash report/insurance verification transactions. The impact of these delays could be lost staff time and limited productivity.

Recommendation 3-12

MTG recommends that a business process review be conducted of the Department of Transportation's Drivers License and Traffic Safety Division's central office functions to identify alternative ways that technology can be used to support transactions. Particular emphasis should be placed on:

- a) Optimizing the use of existing PC technologies, given that PCs can fax documents and validate and process credit card transactions; and
- b) Providing additional credit card authorization machines.

Management's Response

We agree with this recommendation. The Department of Transportation's Drivers License and Traffic Safety Division has reviewed the possibility of faxing and processing credit card transactions via individual PCs. We even have the technical capability via electronic document management system (EDMS); however, due to staffing and

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financial limitations, this has not been implemented. We will review this again and also investigate getting additional credit card machines.

Making Improvements to Current Staffing Levels

The central office staff within DOT's Drivers License and Traffic Safety Division is responsible for a wide range of licensing support functions, spanning from processing reinstatements to providing driver abstracts to inputting citations into driver records. MTG's review has determined this group is staffed at a very lean level, considering a productivity factor of 85%. MTG identified the following information related to central office staff:

- The primary form of staff training is through on-the-job training and studying the central office manual;
- Few staff have been added recently;
- Many of the personnel performing the central office transactions have specialized knowledge of the transaction(s) they are performing; and
- While most staff have an understanding of other functions being performed around them, very few have in-depth, specialized knowledge of other transactions.

It is the opinion of MTG that this area and the lack of full cross-training puts the central office at risk for continued operation if one or more key personnel were to unexpectedly be absent. This is because the capacity needed for backup staffing using personnel who are fully trained on specific transactions is so limited. MTG concludes that the combination of low staffing levels, limited training, and succession planning could impact business continuity if this should occur. As previously identified, MTG and our office did note relatively low productivity levels of driver's license examiners (see subsection entitled *Making Improvements to the Driver's License Sites*). MTG identifies that examiners could be used to alleviate or compensate for the relatively low staffing level of the central office.

The staffing level within the central office is relatively low.

Recommendation 3-13

MTG recommends that the entire operations of the Department of Transportation's Drivers License and Traffic Safety Division be assessed and:

- a) Identify additional tasks that driver's license examiners could perform during non-peak times or when no customers are present, including assistance with central office transaction processing;
- b) Develop a formal cross-training program for central office functions; and
- c) Analyze the staffing levels of the central office staff for key functions to ensure adequate business continuity.

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Management's Response

We agree with this recommendation. In response to (a), our Bismarck driver's license examiners do presently perform other functions during non-peak times or when no customers are present. As for (b), cross-training is ongoing, but needs to be documented. In addition, each section and individual has a procedural manual that is updated regularly. Having these individual procedural manuals allows an employee unfamiliar with that employee's job duties to process tasks accordingly. The Department of Transportation's Drivers License and Traffic Safety Division continually analyzes the staffing levels at central office and the licensing sites to ensure business continuity.

Reviewing the Placement of the Traffic Safety Program

The North Dakota Traffic Safety Program is located within the Drivers License and Traffic Safety Division of DOT and the program coordinates traffic safety initiatives across many state agencies, including those in the licensing, transportation, law enforcement, and education fields. Based on interviews conducted by MTG, it appears the program is performing functions common to a Traffic Safety Program and has achieved the expected results. However, MTG noted that the placement of the program within the Drivers License and Traffic Safety Division is not consistent with industry practices. MTG identified other states' programs are located in the Department of Safety, Department of Public Safety, Office of Traffic Safety, and State Police. MTG indicates that such placement in DOT, while working, should not be within a state agency function (such as driver licensing) that it serves. Most traffic safety functions maintain an independent status since they serve a larger community that includes law enforcement, transportation, and K-12 education. The Traffic Safety Program needs to have a governance structure that allows for problem identification, goal and initiative setting, and unbiased distribution of federal traffic safety grant funding.

Recommendation 3-14

MTG recommends that further study be conducted of the Traffic Safety Program's placement in the Drivers License and Traffic Safety Division to determine whether the program could achieve better programmatic results if it were an independent office.

Management's Response

We disagree with this recommendation. The Department of Transportation's Drivers License and Traffic Safety Division feels that having the Traffic Safety Program within the division complements rather than detracts from the program's effectiveness. North Dakota does not share the number of citizens that other states have. We are a small, rural state when comparing people to actual square miles. There is definitely an interrelationship between our traffic safety endeavors and statistics gleaned from our alcohol-related suspensions, crashes, injuries, and deaths. In addition, with limited staff, financial and administrative personnel are shared. The current structure works for us. Other locations have been tried over the years and this one seems to work best; we will continue to evaluate structures for the most effective program.

Issues Related to Motor Vehicles and Driver's Licenses

Introduction

Through the work performed in accomplishing the goals identified in Chapters 2 and 3 of this report, areas of improvement were noted that related to the Motor Vehicle Division as well as the Drivers License and Traffic Safety Division. MTG, the hired consultant, identified a need for improvement with the handling of calls received by both divisions as well as improvements regarding the security of equipment at branch offices and driver's license sites. In addition, we determined rules pertaining to both motor vehicles and driver's licenses need to be modified and updated.

Making Improvements with Call-Tracking

Through the work performed by MTG, they identified a need for improvement with telephone calls being received by both the Motor Vehicle Division and the Drivers License and Traffic Safety Division. Information identified by MTG is below.

Telephone calls received are not tracked or monitored.

- Within the Motor Vehicle Division, consumer calls and questions are not tracked to enable research of trends or problem areas. The division has no automated call or incident tracking system that would allow it to develop and implement proactive service improvements. It is difficult, if not impossible, to evaluate true performance of the call center organization without some level of documented call-tracking information.
- The Drivers License and Traffic Safety Division has a telephone queuing device that routes incoming telephone calls to appropriate staff. These calls are sent directly to staff with expertise in the business area to which they pertain.
- Drivers License and Traffic Safety Division management indicated that customer service policies require all central office staff to receive telephone calls from the public and staff must answer them by the third ring. Most central office staff are supposed to spend a very limited amount of time each day answering telephone calls and have extensive, direct contact with the public. Based on MTG and division management estimates, only 10 percent of all central office staff (1 full-time equivalent) have responsibility for performing core business functions that have such contact with the public.
- MTG's observation of central office staff revealed that some staff regularly processed a volume of telephone calls that exceeded the time they have been allocated for such support. A sample of insurance verification transactions performed over a portion of 2 days by MTG indicated that staff processing of transactions was interrupted as many as 16 times by telephone calls from the public during one transaction alone. As a result, staff time dedicated to processing specific transactions is being lost to additional telephone calls.

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Recommendation 4-1

MTG recommends the Department of Transportation conduct a study regarding call-tracking at the Motor Vehicle Division and the Drivers License and Traffic Safety Division. The study should cover the following areas:

- a) Implementation of a call-tracking program to monitor and prioritize calls and to track questions, problems, resolutions, and responses;
- b) Evaluation of the time Drivers License and Traffic Safety Division central staff spends on telephone support;
- c) Evaluation of a joint call center for the two divisions to reduce costs; and
- d) Review of customer service policies related to the level of customer telephone support.

Management's Response

We agree with this recommendation. We will look at the feasibility of a call-tracking program. To help both our employees and customers, the Department of Transportation's Drivers License and Traffic Safety division, some time ago, went to an automated system to handle the large volume of calls received daily. We agree that a joint call center with the Department of Transportation's Motor Vehicle and the Drivers License and Traffic Safety Divisions would be one way to free up overloaded employees; however, we feel that we are restricted by financial and staffing resources. It is not understood how this would reduce costs, but we would be willing to review this possibility. We are always open to recommendations that would enhance our turnaround time in processing transactions for our internal and external customers; we will remain customer-service orientated. We would be willing to review and/or implement any staff or technology changes appropriate, relative to the level of customer telephone support, as long as the level of customer service is not compromised.

State Auditor's Concluding Remarks

DOT's response states that they do not know how this recommendation would reduce costs. Since the call center should provide improvements in call handling procedures, there should be a savings in staff time which DOT acknowledges could happen. In addition, an improved call center will assist in tracking information, identifying common problem areas, and assist in measuring the performance of the call center; all of which should result in improved customer service.

Increasing Security of Motor Vehicle Branch Offices and Driver's License Sites

MTG visited four Motor Vehicle branch offices and five automated Drivers License sites throughout the state. MTG noted physical security at both the branch offices and driver's license sites appeared to be weak. MTG determined that night security included only locked doors and none of the facilities included alarm systems.

MTG notes that the State of North Dakota has made a considerable investment in the technology used to provide its customers with a wide range of on-site services throughout the state. Significant loss of state-owned equipment and registration, titling, and licensing documents could

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occur due to insufficient security practices. Lack of business continuity planning could negatively affect customer services for long periods.

Recommendation 4-2

MTG recommends the Department of Transportation develop a set of acceptable standard security procedures for all motor vehicle branch offices and driver's license sites, as well as developing a business continuity plan that identifies emergency operation plans in case of loss of operations of one or a combination of branch offices or sites.

Management's Response

We agree with this recommendation. In 1999, the Department of Transportation had all divisions develop contingency plans to identify emergency operation plans in case of loss of operations. These are updated periodically and will be merged with state government's overall continuum plan which is being developed. The Department of Transportation's Strategic Plan provides for studying security issues and a plan will be available soon.

We will work with the motor vehicle branch office managers to tighten internal security procedures in each office and develop reasonable minimum business security requirements for inclusion in the next branch office agreement. We will develop a business continuity plan for branch operations. Short of a state-wide catastrophic disaster, motor vehicle registration and title services are not dependent on all branch offices remaining open. The Department of Transportation's Motor Vehicle Division is, utilizing the current branch office system, able to provide service to customers within a reasonable driving distance of their homes even when a branch office is temporarily closed. We are also able to provide service via mail, fax, Internet, and in person at our Bismarck office. Under current law, no customer needs to go to a branch office; all services can be accomplished by mail.

State Auditor's Concluding Remarks

DOT's response states that the current branch office system allows customers to be within a reasonable driving distance even when a branch office is temporarily closed. This is an indication that there may be more motor vehicle branch offices than are required. In addition, if 17 motor vehicle branch offices allows for a reasonable driving distance for customers, we question the necessity of having 44 driver's license sites across the state when 17 locations apparently provide a reasonable driving distance for customers.

Updating North Dakota Administrative Code

In a review of North Dakota Administrative Code (NDAC) sections related to driver's licenses as well as motor vehicles, we identified sections that appear to be out-dated, contradictory, and require change. For example:

- NDAC Chapter 37-09-01 requires a damage disclosure statement prior to the transfer of a motor vehicle title for damage of \$3,000 or more in one occurrence on all current year models and those models manufactured in the four years previous to the current

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Issues Related to Motor Vehicles and Driver's Licenses

NDAC sections appear out-dated and contradictory.

model year. On the other hand, North Dakota Century Code (NDCC) Section 39-05-17.2 requires a damage disclosure statement for vehicles less than 8 model years old with damage of \$8,000 or 40% of the pre-damage retail value, whichever is greater.

- In a list of documents that can be used as proof of name and birth date for driver's license identification, NDAC Section 37-03-01-03 identifies that a North Dakota pistol permit with a photo, full name, and date of birth can be used as proof of identification. There no longer is a pistol permit issued in North Dakota (a concealed weapons permit is now issued).
- NDAC Section 37-03-01-03 states that all original or duplicate applications for a license or non-driver photo identification card must furnish proof of name and birth date. This section identifies 11 documents that can be used as proof of name and birth date. In a review of the Drivers License Examiners Manual, it was noted that the list of documents provided in the manual for verifying proof of name and date of birth did not match the information in NDAC. For example, Administrative Code identifies that birth certificates from the U.S. Department of Justice and U.S. Department of Defense can be used as proof of name and date of birth. The Examiners Manual does identify these two documents but also identifies birth certificates from the Department of State which is not identified in Administrative Code.

State agencies are responsible for keeping their Administrative Code updated and current. Our review of Administrative Code determined that DOT is in noncompliance with certain requirements and has not kept their sections current.

Recommendation 4-3

We recommend the Department of Transportation take the appropriate steps to review all North Dakota Administrative Code sections pertaining to driver's license and motor vehicles and initiate action to update the Administrative Code. If sections are not modified, the Department of Transportation must establish controls to ensure compliance with current sections.

Management's Response

We agree with this recommendation. The Department of Transportation will review all pertinent North Dakota Administrative Code sections for relevance and need. Updates will be made where required. Many of the provisions are also in the Century Code and rules may no longer be needed; these rules will be repealed.

Compliance Issues

Introduction

One of the goals of this performance audit was to answer the following question:

“Are motor carrier, dealer licensing, and traffic safety significant laws, rules, regulations, and policies complied with?”

Through a review of significant requirements related to motor carriers, dealer licensing, and traffic safety and tests performed, it appears the requirements related to the Traffic Safety Program are generally complied with. However, we noted improvements are required with dealer licensing and motor carriers. The Department of Transportation (DOT) should only license dealers that it has the authority to license and should establish management controls to ensure that dealer licensing requirements are met. In addition, we noted that the surety bond amounts for licensed dealers need to be increased. Lastly, we noted that DOT should comply with policies and procedures related to motor carriers.

The improvements noted above are discussed in this chapter and improvements of less significance were communicated to management in a separate letter.

To determine whether significant requirements related to motor carriers, dealer licensing, and traffic safety were complied with, we:

- Reviewed laws, regulations, rules, policies, and procedures pertaining to the individual programs;
- Reviewed management controls surrounding laws, rules, regulations, and policies; and
- Interviewed selected DOT staff.

Improving Dealer Licensing

Through a review of laws and a sample of dealer applications, we determined there are changes necessary regarding the licensing of dealers. We noted that the Department of Transportation (DOT) should discontinue licensing dealers it does not have authority to license and establish management controls related to dealers that it does have authority to license. We also noted a need to increase the surety bond amounts for licensed dealers.

Discontinuing the Licensing of Certain Dealers

In our review of North Dakota Century Code, we noted that the law did give DOT the authority to license dealers of new and used motor vehicles, mobile homes, motorcycles, and trailers. However, NDCC does not appear to grant DOT the authority to license dealers of snowmobiles, all-terrain vehicles, and low speed vehicles. DOT was requiring these types of dealers to complete applications and was issuing the dealers a license. A formal Attorney General’s Opinion was requested for clarification of DOT’s authority to license dealers. The opinion, dated June 9, 2003, states, in part:

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DOT required dealers of snowmobiles, all-terrain vehicles, and low speed vehicles to be licensed when DOT had no such statutory authority.

“ . . . while snowmobiles, all-terrain vehicles, and low speed vehicles must be registered, and dealers of these vehicles may obtain dealer registration numbers for vehicles they own, there is no statutory authority for the Department of Transportation to license dealers of these kinds of vehicles.”

While DOT does not have authority to license such dealers, there should be an additional review performed to determine whether or not DOT should be given authority in this area. There are a number of dealers around the state that sell snowmobiles and all-terrain vehicles and it would appear to be in the best interest of the state to protect its citizens by having such dealers meet certain criteria (such as being bonded).

Recommendation 5-1

We recommend the Department of Transportation's Motor Vehicle Division:

- a) Comply with North Dakota Century Code and the Attorney General's Opinion and discontinue licensing dealers of snowmobiles, all-terrain vehicles, and low speed vehicles; and
- b) Conduct a review of the advantages and disadvantages of licensing snowmobile, all-terrain vehicle, and low speed vehicle dealers and present such information to the 2005 Legislative Session for their consideration.

Management's Response

We agree with this recommendation. In reference to the specific suggestions, the Department of Transportation's Motor Vehicle Division would note the following:

- a) We have already made the necessary changes to implement the Attorney General's opinion.
- b) At the Department of Transportation's request, the interim Transportation Committee is currently conducting a study of the laws related to the licensing of ATV and snowmobile dealers. We have asked them to expand the study to include low-speed vehicles.

Implementing Management Controls for Licensing Dealers

The 2001 Legislative Session modified North Dakota Century Code (NDCC) requirements related to the licensing of new and used motor vehicles. A number of changes were made, dealers were required to meet certain requirements to be licensed, and DOT can fine dealers for noncompliance. For example, new and used motor vehicle dealers are required to have a permanent enclosed building of at least 250 square feet, the business and primary motor vehicle display lot must cover at least 2,500 square feet, and the business sign must be at least 32 square feet in size and have the name of the dealership in letters at least 10 inches high. The new requirements were effective January 1, 2002.

Through a review of a sample of 50 applications for the licensing of dealers of new and used motor vehicles, mobile homes, motorcycles, and trailers for the 2002 and 2003 calendar years, we noted a number of areas where sufficient management controls do not exist and we noted

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noncompliance with legislative intent. Information identified through testing and discussions with DOT representatives included:

**DOT licensed dealers
when licensing criteria
was not met.**

- The application process established by DOT for licensing dealers for calendar years 2002 and 2003 relied on the dealers to certify they met the requirements within Century Code. Thus, DOT relied on self-compliance for the application process. We noted certain dealers that identified they were in compliance with requirements when, in fact, they were not.
- DOT established a practice that all dealers would be licensed regardless of the information submitted on the applications and regardless of the fact that DOT was aware the dealers were not in compliance with licensing requirements.
- A surety bond was not properly obtained from a new motor vehicle dealer before the dealer was licensed as is required by NDCC Section 39-22-05.
- DOT renewed a used motor vehicle dealer license even though the dealer identified on the application that they had only three vehicle sales in the previous year. Per NDCC Section 39-22-18, DOT is not to renew the dealer license of an applicant who has made less than four motor vehicle sales in the previous year.
- DOT has limited assurance that new and used motor vehicle dealers have a continuous garage liability policy before the dealer was licensed. NDCC Section 39-22-19, requires that the applicant provide proof to DOT of a continuous policy of garage liability insurance before a dealer license is issued. For calendar years 2002 and 2003, DOT only required dealers to identify insurance information (such as the insurance company name and policy number) on the application form.
- Federal identification numbers or, in the case of an individual, the social security number were not obtained from new and used motor vehicle dealers in the application process. NDCC Section 39-22-14 requires applicants to provide such information on the application.
- DOT has limited assurance that new motor vehicle dealers have a contract or franchise in effect with a manufacturer or distributor. NDCC Section 39-22-16 requires an applicant for a new motor vehicle dealer license to furnish proof satisfactory to DOT that the applicant has a bona fide contract or franchise in effect with a manufacturer or distributor. Rather than receive or review a copy of a contract or franchise agreement, the application form only required dealers to list the make of vehicle they were franchised for.
- DOT renewed dealers even though their applications were received after December 31. Century Code establishes the expiration date of dealers' licenses to be December 31.
- Surety bond documentation provided by dealers was noted as being in existence for long periods of time. For example, of the 30 new and used motor vehicle dealers tested, 11 dealers had surety bond documentation that was over 13 years old (average of 8.6 years).

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Of the 10 trailer dealers tested, 3 dealers had surety bond documentation that was over 19 years old (average of 10.1 years).

While tests were not conducted to determine whether dealers met all requirements (such as having a building a certain size, a sign that was a certain size, etc.), a limited review of dealer names and dealers with addresses in the surrounding area identified dealers that did not meet licensing requirements. A DOT representative did identify they are aware that licensed dealers are not meeting licensing requirements.

When the changes were made to the new and used motor vehicle dealer licensing requirements by the 2001 Legislative Session, a new requirement was established for the spending authority of the licensing fees and fees collected from dealers found to be in noncompliance. NDCC Section 39-22-05.1 states that these fees could only be used for enforcement of the motor vehicle licensing laws. According to DOT representatives, the 2001 Legislative Session did not provide spending authority to use the money. Therefore, the enforcement techniques established by DOT were very limited due to their interpretation that spending authority did not exist. DOT appears to have made no effort to go to the emergency commission to obtain spending authority once a significant amount of funds were obtained. Over \$330,000 was collected in licensing fees and fees for enforcement in fiscal years 2002 and 2003. Based on discussions with DOT representatives, it would appear that the balance would continue to grow as collections may exceed spending.

DOT established very limited enforcement techniques for licensing dealers due to their interpretation that they received no spending authority for the fees collected (over \$330,000 in the biennium).

Recommendation 5-2

We recommend the Department of Transportation's Motor Vehicle Division ensure compliance with North Dakota Century Code and establish management controls related to the licensing of new and used motor vehicle, mobile home, motorcycle, and trailer dealers. At a minimum, the division must:

- a) Discontinue the practice of licensing dealers when the division has sufficient evidence that the dealer is in noncompliance with licensing requirements;
- b) Assess fines for noncompliance with dealer licensing requirements when authorized by law;
- c) Discontinue the practice of relying on self-compliance with dealer licensing requirements and obtain assurance that dealers are in compliance with requirements through an initial verification of all dealers followed by periodic reviews;
- d) Require new motor vehicle dealers to provide sufficient proof of a contract or franchise in effect with a manufacturer or distributor;
- e) Require new and used motor vehicle dealers to provide sufficient proof of continuous garage liability insurance;
- f) Treat applications for renewals received after December 31 as an application for an initial license;
- g) Periodically verify that surety bonds of dealers are valid; and
- h) Establish policies and procedures related to dealer licensing.

Chapter 5 Compliance Issues

Management's Response

We agree with this recommendation. In reference to the specific suggestions, the Department of Transportation's Motor Vehicle Division would note the following:

- a) Revised review procedures will be implemented to reduce the possibility of human error.
- b) We agree with this suggestion as we are already doing this under a law passed in 2001 and will now be stepping up enforcement.
- c) We are currently in the process of developing an RFP to contract with a vendor to perform annual on-site inspections of new and used motor vehicle dealers to verify ongoing compliance with the applicable statutes. The Department of Transportation's Motor Vehicle Division will hire temporary employees to complete the on-site review prior to the 2004 renewal period, as it is anticipated the RFP will not be completed and a vendor selected in time to complete the necessary reviews this year.
- d) We will seek legislation specifically requiring applicants for a dealer license to provide us with an annual verification of franchises or contracts in effect.
- e) We agree with this suggestion and will study the best method of ensuring compliance.
- f) We will seek legislation to clarify a procedure to be followed when applications for renewal of a dealer's license are received after December 31.
- g) We will seek legislation to require prior notice to the Department of Transportation's Motor Vehicle Division from the bonding company before they cancel a dealer's bond. We will also seek funding to establish a program to periodically review the status of bonds on file with the Department of Transportation's Motor Vehicle Division.
- h) We will establish a policies and procedures manual for the Dealer Licensing section.

Increasing Surety Bond Amounts

To be a licensed dealer of new and used motor vehicles, mobile homes, motorcycles, and trailers, North Dakota Century Code requires the dealers to have and maintain a surety bond for a specified amount. In a review of the history of the surety bond amounts and a limited comparison to the surrounding three states, the amounts appear low and require change.

Certain dealer surety bond amounts have not been modified since the 1970's.

The surety bond amount of \$25,000 for a new and used motor vehicle dealer has been in effect since 1989. Dealers of mobile homes, motorcycles, and trailers are required to have a surety bond of \$10,000. This amount dates back to 1971 for mobile home dealers and 1977 for trailer dealers. With the increase in prices of motor vehicles, mobile homes, motorcycles, and trailers since surety bond amounts were last modified, the bond amounts are low.

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In a limited comparison to the bond amounts with the surrounding states of Minnesota, Montana, and South Dakota, we noted North Dakota's bond amounts were lower. For example, in Minnesota a new and used motor vehicle dealer bond amount is \$50,000, twice the amount of North Dakota's. In addition, while South Dakota only requires a \$10,000 corporate bond for new and used motor vehicle dealers, it does require a \$300,000 public liability insurance policy.

Recommendation 5-3

We recommend the Department of Transportation's Motor Vehicle Division take the appropriate action to change the requirements in North Dakota Century Code to allow for an increase in the surety bond amounts for licensed dealers of new and used motor vehicles, mobile homes, motorcycles, and trailers.

Management's Response

We agree with this recommendation. We will explore the South Dakota procedure, as well as procedures in other states, to see if they could be applicable in North Dakota.

Complying with Motor Carrier Policies and Procedures

In a review of policies and procedures as well as tests performed, we noted that the Motor Carrier Services Section within the Motor Vehicle Division was in noncompliance with certain requirements. Motor Carrier Services is responsible for administering the International Fuel Tax Agreement (IFTA), the International Registration Plan (IRP), and the Single State Registration System (SSRS) within the state of North Dakota. Each of these programs is defined in Appendix B.

Through tests performed on a sample of 30 motor carriers registered under SSRS and 15 motor carriers registered under IFTA and IRP, we identified the following:

- IRP policies and procedures require registration payments to be transmitted to the proper jurisdictions within 30 days following the month the application was completed. We noted one instance (6.7% error rate) in which a transmittal was made a month after the 30 day requirement.
- SSRS policies require motor carriers to file proof of insurance. No proof of insurance was identified with any of the SSRS applications. DOT uses a federal website to determine whether carriers are insured but does not include this information in the carrier files.
- SSRS policies and procedures require applicants to submit their application between August 1 and November 31. We noted 11 applications (36.7% error rate) were not received within the required time period.
- IFTA and SSRS policies and procedures require a physical address be obtained from an applicant. We noted one IFTA applicant (6.7% error rate) and two SSRS applicants (6.7% error rate) provided only post office box numbers on the application.

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Recommendation 5-4

We recommend the Department of Transportation's Motor Vehicle Division's Motor Carrier Services Section comply with the International Fuel Tax Agreement (IFTA), International Registration Plan (IRP), and Single State Registration System (SSRS) policies and procedures including requirements related to:

- a) Transmitting IRP payments to other jurisdictions in a timely manner;
- b) Keeping a copy of the motor carriers insurance on file for SSRS applicants;
- c) Requiring SSRS applicants to file their applications between August 1 and November 31, or make such changes to the policies and procedures that would allow applications to be received outside of this time period; and
- d) Requiring IFTA and SSRS applicants to provide a full, physical address.

Management's Response

We agree with this recommendation. In reference to the specific suggestions, the Department of Transportation's Motor Vehicle Division would note the following:

- a) Steps will be taken to lessen the possibility of human error.
- b) We will implement this suggestion when we begin the 2004 renewal process.
- c) We will change the SSRS policies and procedure manual to remove the November 31 filing deadline.
- d) We agree with this suggestion, but note the incident described in the audit report is clearly not an ongoing condition. A further review of this incident shows the acceptance of postal box addresses in these two cases instead of a physical address was the result of a human error. Steps will be taken to lessen the possibility of human error.

Additional Information

Issues Requiring Further Study

Government Auditing Standards requires disclosure of significant issues identified during an audit that were not reviewed in depth. These are issues which are not directly related to the audit objectives or that the auditors did not have the time or resources to expand the audit to pursue. We noted two issues related to the accident reports that are received by the Department of Transportation's Drivers License and Traffic Division.

North Dakota Century Code Chapter 39-08 identifies the requirements related to an accident report that is to be completed for traffic accidents and submitted to the Department of Transportation (DOT). In our discussions with DOT representatives regarding accident reports (also known as crash reports), we noted the following two areas:

- North Dakota Century Code identifies that the section of the accident report identifying the investigating officer's opinion as to fault or responsibility for the accident is confidential and not open as a public record except upon affirmation by a party to the accident, a party's legal representative, or an insurer of any party to the accident. In discussions with representatives of DOT, they identified that while DOT does not provide this section of the accident report to requesting parties except as authorized by law, law enforcement agencies are providing such information to a requesting party. Apparently, law enforcement agencies provide the entire copy of an accident report upon request without regard to confidentiality issues. A North Dakota Attorney General's Office Opinion issued in 1996 stated that access to the portion of an accident report deemed confidential may not be obtained from local law enforcement officials.
- Accident reports were required to be filed with DOT within five days after investigation of the accident. According to representatives of DOT, law enforcement officials interpreted this requirement to mean five days after the investigation of the accident was completed. Thus, an unreasonable amount of time was apparently elapsing from the date the accident occurred to when an accident report was being submitted to DOT. Accident report information is used to enter citation information onto the driver's license master system. Therefore, a delay as to when citation information could be entered was apparently being encountered. The 2003 Legislative Session changed the requirement regarding the submission of accident reports to DOT. Rather than requiring the report to be submitted within five days after investigation of the accident, the current law requires the report to be submitted to DOT within ten days after the accident.

A review could be performed to determine if law enforcement agencies are inappropriately providing copies of full accident reports, the effect or impact of providing such information, and whether a change is needed with state law. In addition, a review could also be performed to

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determine whether law enforcement agencies are submitting accident reports in accordance with new requirements in law.

Noteworthy Accomplishments

Government Auditing Standards states that “Auditors should report noteworthy accomplishments, particularly when management improvements in one area may be applicable elsewhere.” The following information related to the Drivers License and Traffic Safety Division was noted as noteworthy accomplishments.

- The Drivers License and Traffic Safety Division has implemented an Electronic Document Management System (EDMS). This system allows paper documentation received to be scanned into a computer system. This allows a reduction in the amount of file storage space needed as paper documents are disposed shortly after they have been scanned into the system. EDMS also allows users to access information in a more efficient manner as information can be reviewed while at their workstation rather than having to retrieve information from a storage cabinet or file.
- The Drivers License and Traffic Safety Division received national recognition from the American Association of Motor Vehicle Administrators (AAMVA) for the “Boost, Then Buckle” campaign developed in conjunction with the North Dakota Department of Health. This campaign was developed to increase the use of booster seats of children from 40 to 80 pounds.
- The Drivers License and Traffic Safety Division has received two awards related to motorcycle safety from the Motorcycle Safety Foundation.

Additional Observations

In the review performed by the consultant, MTG identified areas that were indicative of commendable performance by the Office of Driver and Vehicle Services.

- Within the Motor Vehicle Division, consistent workflow is maintained by staging work for completion during slack time. Overflow work is coordinated between work areas to maintain a consistent workflow. For example, specific work for individuals at the public service counters is placed in baskets to be performed when no walk-in customers are present. This type of work distribution is prevalent throughout the organization and the process is particularly valuable in maintaining productivity at the public service counter where customer volumes are inconsistent, but staff must be available to serve when required.
- Motor vehicle titling and registration backlogs have been minimized. Typical turnaround time for licensing documents is 1½ weeks. This is significantly better than the approximate 3-week time frame stated to customers to receive documents. Daily workloads are typically completed and move through the major process work areas on a daily basis. Elimination of the backlog and consistent delivery of

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Additional Information

motor vehicle licensing documents to customers will improve customer satisfaction. Greater confidence in delivery may also increase use of service alternatives such as mail-in and on-line renewal.

- The Motor Vehicle Division staff members are cross-trained and work well as a team. Staff members have been trained to perform multiple tasks. When individuals complete work in a specific area, they quickly move to help in other areas as required. Given the relative inconsistency of the workload from day to day, cross-training and coordinated teamwork allows the division to consistently process the workload.
- Timing at the public service counter revealed that the Bismarck office provides faster customer service than motor vehicle branch offices. The average timing for all transactions was found to be performed approximately 23 percent faster at Bismarck than the branch offices. Faster customer service reduces wait time and generally improves customer satisfaction.
- MTG conducted unscheduled reviews of the Drivers License and Traffic Safety Division's central office transaction queuing system and found that work queued for staff attention in such areas as insurance verification and reinstatements was minimal, and in some cases, nonexistent. Particular focus was spent on insurance verification and citation processing. No insurance verification work had been sitting more than 1½ weeks before being initiated. MTG's experience indicates that less than 2 weeks for either of these items to be in backlog is considered acceptable.
- MTG identified that each licensing examiner is personally trained by the chief driver licensing examiner and is able to perform all licensing service functions. This approach ensures consistent training delivery to all staff as well as offers the licensing operation considerable staffing flexibility.
- MTG visited six driver's license sites as well as the central office processing area and observed that many staff demonstrate a high level of proficiency in their work. Driver's license examiners observed during peak periods were able to effectively manage multiple transactions at one time; this was particularly noted in the Fargo office, where several examiners were simultaneously managing as many as four transactions each. Uninterrupted, central office staff were also able to process a large number of transactions quickly.

In tests performed related to compliance with significant laws, rules, policies, and procedures, we noted that DOT is complying with significant requirements related to the Traffic Safety Program. In addition, we noted compliance with significant requirements related to the suspension, cancellation, and revocation of driver's permits and licenses.

Appendices

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List of Recommendations

- Recommendation 2-1** We recommend the Department of Transportation ensure adequate department wide policies and procedures exist for proper monitoring and management of contracts.
- Recommendation 2-2** MTG recommends the Department of Transportation's Motor Vehicle Division develop detailed management reporting requirements to support the development of improved VRTS management reports. The reports should be available to management in a standard format and MTG suggests that the reports include:
- a) Activity at the transaction and subtransaction levels performed by individual operators;
 - b) Timing for performing transactions and subtransactions;
 - c) Productive and nonproductive workstation and operator time as applicable;
 - d) Average time to perform transactions and subtransactions;
 - e) Error tracking and reporting as applicable; and
 - f) Work performance trend information (positive and negative)
- Recommendation 2-3** We recommend the Department of Transportation's Motor Vehicle Division modify granting access to users to change existing transaction information on the Vehicle Registration and Titling System by:
- a) Establishing a formal monitoring procedure for tracking access and changes made; or
 - b) Providing such change access capabilities with the current user ID's.
- Recommendation 2-4** MTG recommends the Department of Transportation's Motor Vehicle Division evaluate the current process for awarding branch office contracts including the need for a change in North Dakota Century Code and consider competitive contracts for branch office operations. Contracts should be awarded based upon the ability to perform the work, relative experience, vendor performance, and cost considerations.
- Recommendation 2-5** We recommend the Department of Transportation's Motor Vehicle Division conduct a review of the contracts entered into with the motor vehicle branch offices and establish management controls to ensure compliance with North Dakota Century Code and contract requirements. At a minimum, the division should:
- a) Review contract language to ensure it is clear and in compliance with North Dakota Century Code requirements;
 - b) Review the requirements of the contracts and establish controls to ensure the division no longer pays for costs that they are not obligated to pay; and
 - c) Review the practice of paying the operational and equipment costs of a contracted private firm to conduct work on behalf of the Department of Transportation.

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Recommendation 2-6

We recommend the Department of Transportation's Motor Vehicle Division, in conjunction with the Risk Management Division of the Office of Management and Budget, review the process of having the Bismarck office review and issue all new titles and title transfer work initiated at motor vehicle branch offices and:

- a) Authorize the branch offices to issue new titles and complete title transfer transactions;
- b) Establish accountability in issuing new titles and completing title transfer transactions with the branch offices;
- c) Conduct a limited review of new title and title transfer transactions completed by both the Bismarck office and the branch offices;
- d) Document and report errors identified in the review process to the Bismarck office and branch offices; and
- e) Reduce the number of title review staff.

If branch offices are not given the authority to issue new titles and complete title transfer transactions, the division should conduct statistical sampling of new titles and title transfers, document errors, and report errors to the branch offices as well as reduce the number of title review staff.

Recommendation 2-7

MTG recommends the Department of Transportation's Motor Vehicle Division establish a formal program for sharing ideas and recommendations from Bismarck and motor vehicle branch office representatives to improve system operations and efficiencies. This program should include consistent communications and have the goal of continuous quality improvement.

Recommendation 2-8

We recommend the Department of Transportation's Motor Vehicle Division implement additional management controls for registering and titling vehicles and establish an employee policy and procedure manual. At a minimum, the division should:

- a) Comply with North Dakota Century Code or introduce legislation to have it changed;
- b) Determine, prior to January 1, 2007, if Lewis and Clark plates will continue to be used or if a new plate will be issued;
- c) Develop written guidelines regarding grounds for refusing registration and certification of title and exemptions from registration or titling requirements;
- d) Require proof of the existence of a current surety bond before issuing multi-year decals to fleet owners; and
- e) Follow up in a timely manner on notices sent to vehicle owners regarding noncompliance issues to ensure all vehicles are properly registered and/or titled.

Recommendation 2-9

We recommend the Department of Transportation's Motor Vehicle Division:

- a) Review the process of allowing registration permits to be issued for motor vehicles for which no registration fees are being collected and no registration information is being tracked; and

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- b) Introduce legislation to change the requirements regarding the availability of the permits or establish policies and procedures for identifying whom the permits were issued to.

- Recommendation 2-10** MTG recommends the Department of Transportation's Motor Vehicle Division evaluate the acceptability of a 3-week maximum turnaround to its customers. If this is deemed acceptable, the division should redesign its business processes to reduce staffing while providing a 3-week turnaround.
- Recommendation 2-11** MTG recommends the Department of Transportation's Motor Vehicle Division conduct a detailed business process redesign effort, with the goal to reevaluate the existing business requirements with a focus to improve efficiency and document work flows and processes. This process should include a workflow analysis with the movement of documents at the Bismarck office and ensure that well-trained and skilled employees are placed in the most critical areas.
- Recommendation 2-12** MTG recommends the Department of Transportation's Motor Vehicle Division perform a detailed business process reengineering analysis of its workflow processes and personnel to increase the present level of productivity achievable.
- Recommendation 2-13** MTG recommends the Department of Transportation's Motor Vehicle Division review combining the motor carriers' work area with the vehicle title and registration work area. If this is found to be feasible, the change should be implemented as combining these areas may provide an opportunity to gain efficiencies through economies of scale.
- Recommendation 2-14** We recommend the Department of Transportation's Motor Vehicle Division review and analyze the use of a check recovery service and if it is determined to be beneficial, enter into a contract with a check recovery service.
- Recommendation 2-15** We recommend the Department of Transportation's Motor Vehicle Division establish policies and procedures related to how individuals who have made payment for motor vehicle title and registration fees with non-sufficient fund checks will be restricted from making future payments via check.
- Recommendation 3-1** We recommend the Department of Transportation's Drivers License and Traffic Safety Division review cost information, work performed per examiner per hour information, and other information identified in this audit and either close certain sites or make significant changes to the sites that are high in cost and/or have low productivity and outputs. If significant changes are made rather than closing sites, the division should consider:
- a) The hours of operation for the driver's license sites;
 - b) The number of days driver's license sites are open;
 - c) The number of examiners sent to each field site; and

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List of Recommendations

d) Making non-automated field sites automated.

- Recommendation 3-2** We recommend the Department of Transportation's Drivers License and Traffic Safety Division establish a monitoring system to periodically review and analyze the productivity or outputs and costs at each driver's license site. The system should be used to determine whether sites are operating efficiently and effectively, whether the number of days and hours of operation are appropriate, and whether the number of examiners sent to each site is reasonable.
- Recommendation 3-3** MTG recommends the Department of Transportation's Drivers License and Traffic Safety Division conduct a study to measure customer satisfaction with wait times at driver's license sites. Particular areas that should be reviewed include:
- a) Acceptable transaction times; and
 - b) Acceptable customer driving distances to licensing sites.
- Recommendation 3-4** We recommend the Department of Transportation's Drivers License and Traffic Safety Division comply with North Dakota Century Code requirements and obtain sponsorship for all permits and licenses issued to minors.
- Recommendation 3-5** We recommend the Department of Transportation's Drivers License and Traffic Safety Division verify social security numbers provided on applications for licenses and permits.
- Recommendation 3-6** We recommend the Department of Transportation's Drivers License and Traffic Safety Division take appropriate action when information on an application is identified as being inaccurate to determine whether an error has been inadvertently made, or whether a false statement was knowingly made or fraudulent information was included in the application. If it is determined that an individual knowingly made a false statement or committed fraud on the application, the division should immediately revoke the individual's driving privileges.
- Recommendation 3-7** We recommend the Department of Transportation's Drivers License and Traffic Safety Division take the appropriate action to change the requirements in North Dakota Century Code to allow for an increase in the driver's license four year life cycle.
- Recommendation 3-8** We recommend the Department of Transportation's Drivers License and Traffic Safety Division take the appropriate action to change the requirements in North Dakota Century Code to allow for an increase in the fees collected for tests conducted and documents issued.

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List of Recommendations

- Recommendation 3-9** We recommend the Department of Transportation's Drivers License and Traffic Safety Division take appropriate action to change the requirements in North Dakota Century Code related to the surrender of licenses that have been suspended. The changes in Century Code should:
- a) Remove the requirement that all licenses that have been suspended be surrendered to the Department; and
 - b) Grant authority to the Director of the Department to establish criteria for when suspended licenses should be surrendered.
- The Department of Transportation should communicate the changes made to all law enforcement officials and agencies.
- Recommendation 3-10** We recommend the Department of Transportation's Drivers License and Traffic Safety Division establish policies and procedures to enforce a revocation period for non-driver photo identification cards that have been revoked.
- Recommendation 3-11** We recommend the Department of Transportation's Drivers License and Traffic Safety Division establish formal policies and procedures for monitoring the turnaround time for citation information being received to when it is entered on the driver's license master system. At a minimum, this should include:
- a) Establishing an acceptable number of days for turnaround which is communicated to all employees;
 - b) Implementing a formal monitoring procedure; and
 - c) Having a corrective action plan when the acceptable number of days is not being met.
- Recommendation 3-12** MTG recommends that a business process review be conducted of the Department of Transportation's Drivers License and Traffic Safety Division's central office functions to identify alternative ways that technology can be used to support transactions. Particular emphasis should be placed on:
- a) Optimizing the use of existing PC technologies, given that PCs can fax documents and validate and process credit card transactions; and
 - b) Providing additional credit card authorization machines.
- Recommendation 3-13** MTG recommends that the entire operations of the Department of Transportation's Drivers License and Traffic Safety Division be assessed and:
- a) Identify additional tasks that driver's license examiners could perform during non-peak times or when no customers are present, including assistance with central office transaction processing;
 - b) Develop a formal cross-training program for central office functions; and
 - c) Analyze the staffing levels of the central office staff for key functions to ensure adequate business continuity.

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- Recommendation 3-14** MTG recommends that further study be conducted of the Traffic Safety Program's placement in the Drivers License and Traffic Safety Division to determine whether the program could achieve better programmatic results if it were an independent office.
- Recommendation 4-1** MTG recommends the Department of Transportation conduct a study regarding call-tracking at the Motor Vehicle Division and the Drivers License and Traffic Safety Division. The study should cover the following areas:
- a) Implementation of a call-tracking program to monitor and prioritize calls and to track questions, problems, resolutions, and responses;
 - b) Evaluation of the time Drivers License and Traffic Safety Division central staff spends on telephone support;
 - c) Evaluation of a joint call center for the two divisions to reduce costs; and
 - d) Review of customer service policies related to the level of customer telephone support.
- Recommendation 4-2** MTG recommends the Department of Transportation develop a set of acceptable standard security procedures for all motor vehicle branch offices and driver's license sites, as well as developing a business continuity plan that identifies emergency operation plans in case of loss of operations of one or a combination of branch offices or sites.
- Recommendation 4-3** We recommend the Department of Transportation take the appropriate steps to review all North Dakota Administrative Code sections pertaining to driver's license and motor vehicles and initiate action to update the Administrative Code. If sections are not modified, the Department of Transportation must establish controls to ensure compliance with current sections.
- Recommendation 5-1** We recommend the Department of Transportation's Motor Vehicle Division:
- a) Comply with North Dakota Century Code and the Attorney General's Opinion and discontinue licensing dealers of snowmobiles, all-terrain vehicles, and low speed vehicles; and
 - b) Conduct a review of the advantages and disadvantages of licensing snowmobile, all-terrain vehicle, and low speed vehicle dealers and present such information to the 2005 Legislative Session for their consideration.
- Recommendation 5-2** We recommend the Department of Transportation's Motor Vehicle Division ensure compliance with North Dakota Century Code and establish management controls related to the licensing of new and used motor vehicle, mobile home, motorcycle, and trailer dealers. At a minimum, the division must:
- a) Discontinue the practice of licensing dealers when the division has sufficient evidence that the dealer is in noncompliance with licensing requirements;

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- b) Assess fines for noncompliance with dealer licensing requirements when authorized by law;
- c) Discontinue the practice of relying on self-compliance with dealer licensing requirements and obtain assurance that dealers are in compliance with requirements through an initial verification of all dealers followed by periodic reviews;
- d) Require new motor vehicle dealers to provide sufficient proof of a contract or franchise in effect with a manufacturer or distributor;
- e) Require new and used motor vehicle dealers to provide sufficient proof of continuous garage liability insurance;
- f) Treat applications for renewals received after December 31 as an application for an initial license;
- g) Periodically verify that surety bonds of dealers are valid; and
- h) Establish policies and procedures related to dealer licensing.

Recommendation 5-3

We recommend the Department of Transportation's Motor Vehicle Division take the appropriate action to change the requirements in North Dakota Century Code to allow for an increase in the surety bond amounts for licensed dealers of new and used motor vehicles, mobile homes, motorcycles, and trailers.

Recommendation 5-4

We recommend the Department of Transportation's Motor Vehicle Division's Motor Carrier Services Section comply with the International Fuel Tax Agreement (IFTA), International Registration Plan (IRP), and Single State Registration System (SSRS) policies and procedures including requirements related to:

- a) Transmitting IRP payments to other jurisdictions in a timely manner;
- b) Keeping a copy of the motor carriers insurance on file for SSRS applicants;
- c) Requiring SSRS applicants to file their applications between August 1 and November 31, or make such changes to the policies and procedures that would allow applications to be received outside of this time period; and
- d) Requiring IFTA and SSRS applicants to provide a full, physical address.

Glossary

Activities (Driver's License)

Activities, as they relate to the Drivers License and Traffic Safety Division, include written, vision, and road (driving) tests conducted by the driver's license examiners as well as the issuance of non-driver photo identification cards.

Backlog

A backlog is an accumulation of unfinished work or unfilled orders. The Motor Vehicle Division experienced a backlog of motor vehicle registration and titling applications during the conversion to VRTS.

Call Center

A call center is a call-tracking program that routes incoming telephone calls to appropriate staff. The program can be designed to monitor and prioritize calls and track questions, problems, resolutions, and responses.

Central Office

The Driver Improvement Services Section of the Drivers License and Traffic Safety Division is commonly referred to as the Central Office. The Driver Improvement Services Section processes information related to driver's records such as processing traffic citations, providing driver abstracts and work permits, verification of driver insurance, and other related functions.

Documents (Driver's License)

Documents issued by the Drivers License and Traffic Safety Division include driver's licenses, permits, and non-driver photo identification cards printed and provided to customers.

Driver's License

A driver's license is the document issued to an individual who has been given the privilege to operate a motor vehicle upon all streets and highways within the state without being required to obtain any other license to exercise such privilege by any county, municipal or local board, or body having authority to adopt local police regulations. A driver's license may also be referred to as an operator's license. There are five classes of licenses each of which provides driving privileges for certain types of vehicles.

Class A: Any combination of vehicles with a gross vehicle weight rating of more than twenty-six thousand pounds, provided the gross vehicle weight rating of the vehicles being towed is in excess of ten thousand pounds.

Class B: Any single vehicle with a gross vehicle weight rating of more than twenty-six thousand pounds, and any such vehicle towing a vehicle not in excess of ten thousand pounds.

Class C: Any single vehicle with a gross vehicle weight rating of twenty-six thousand pounds or less or any such vehicle towing a vehicle with a gross vehicle weight rating not in excess of ten thousand pounds comprising: vehicles designed to transport sixteen or more passengers, including the driver; and vehicles used in the transportation of hazardous materials which requires the vehicle to be placarded.

Class D: Any single vehicle with a gross vehicle weight rating of twenty-six thousand pounds or less or any such vehicle towing a vehicle with a gross vehicle weight rating not in excess of ten thousand pounds.

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Class M: Any motor vehicle having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground, but excluding motorized bicycles, tractors, and vehicles on which the operator or passengers, or both, ride within an enclosed cab. A Class M vehicle may not be operated under a class A, B, C, or D license.

Drivers License and Traffic Safety Division

The Drivers License and Traffic Safety Division is a division within the Office of Driver and Vehicle Services of the Department of Transportation. Responsibilities of the division include:

- Issue permits, licenses, renewals, and ID cards;
- Record all convictions, violations, and court orders, with resulting suspensions, revocations, and cancellations;
- Crash report evaluation;
- Traffic safety programs; and
- Motorcycle safety education programs.

Driver's License Life Cycle

The driver's license life cycle is the length of time the license is valid. The current life cycle in North Dakota is four years.

Driver's License Master System

The Driver's License Master System is the computer system used for the issuance of permits, licenses, and ID cards. It also provides for the maintenance of all driver records including all violation and suspension activity.

Driver's License Site

The Department of Transportation (DOT) has established 44 driver's license sites across the state. Three different types of driver's license sites exist which include:

- Major Sites: The 8 major sites are located in the 8 major cities in the state. These sites are fully automated and all but two are open five days a week.
- Automated Field Sites: The 20 automated field sites are located in various locations across the state. An automated site has the same capabilities of a major site in that it generates documents for the customer and updates to driver records are done at the site.
- Non-Automated Field Sites: The 16 non-automated field sites are located in various locations across the state. A non-automated site does not generate documents for the customer and is not able to update a driver record at the site. Instead, customers receive a temporary permit or license and must wait for the actual permit or license to be mailed. The activities that take place at a non-automated site are entered into the driver's license master system at the major site and documents are printed and mailed to customers.

Appendix B Glossary

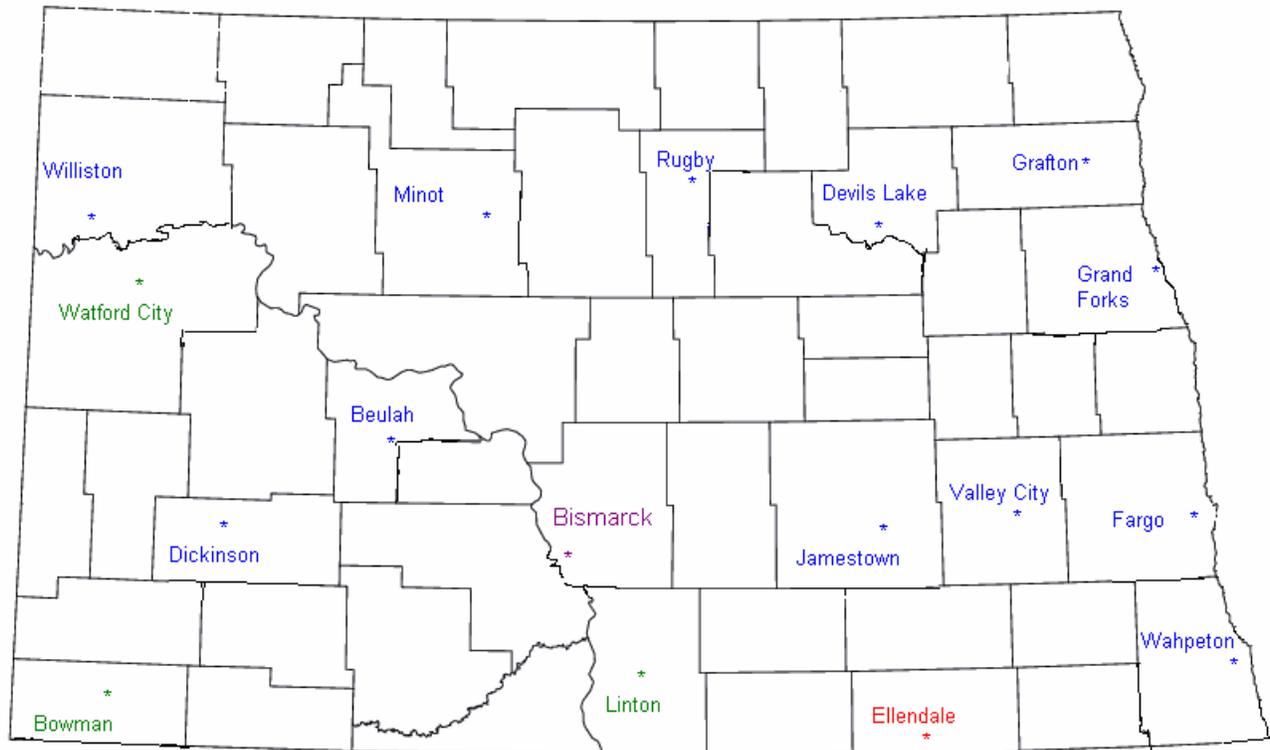
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| International Fuel Tax Agreement (IFTA) | The International Fuel Tax Agreement (IFTA) allows North Dakota based carriers to pay fuel taxes to all jurisdictions based on the number of miles traveled and fuel purchased within the borders of that state. Fuel taxes due are then transferred to the respective jurisdiction. |
| International Registration Plan (IRP) | The International Registration Plan (IRP) allows North Dakota based carriers to license their vehicles in multiple jurisdictions. A percentage of the registration fees due to other jurisdictions is transferred to those jurisdictions on a monthly basis. The percentage is based on the number of miles traveled within all jurisdictions in the previous fiscal year and the other jurisdiction's registration fees. |
| Motor Carrier | A vehicle which is designed, used, or maintained to transport persons or property. |
| Motor Carrier Services Administration | Motor Carrier Services Administration is a section within the Motor Vehicle Division which is responsible for administering the International Fuel Tax Agreement (IFTA) in North Dakota, the International Registration Program (IRP) for all heavy vehicles and commercial carriers using North Dakota as a base state, the Single State Registration System (SSRS) for insurance, and the Heavy Vehicle Use Tax (HVUT). The section also licenses intrastate carriers of household goods. |
| Motor Vehicle Branch Offices | In addition to its Bismarck office, the Department of Transportation (DOT) has contracted with 13 private vendors and 3 county treasurer offices to establish 16 motor vehicle branch offices throughout the state to act on behalf of DOT in processing motor vehicle registrations and collecting fees. Twelve of the private vendors have access to VRTS. The county treasurer offices and one private branch office do not have access to VRTS. These four locations issue temporary registrations to customers and forward all work to the Bismarck office for processing. |
| Motor Vehicle Division | <p>The Motor Vehicle Division is a division within the Office of Driver and Vehicle Services of the Department of Transportation. Responsibilities of the division include:</p> <ul style="list-style-type: none">• Vehicle titles and registrations;• Registration and regulation of vehicle dealers and motor carriers;• Issuance of mobility-impaired parking certificates; and• Collection and distribution of fees for DOT and other state government agencies. |
| MTG | MTG Management Consultants, L.L.C. are the consultants contracted with by the North Dakota Office of the State Auditor to complete specific objectives for the performance audit. |

Appendix B Glossary

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|---|--|
| Non-Driver Photo ID Card | The Department of Transportation will issue upon request a non-driver color photo identification card to any North Dakota resident who fulfills the requirements cited in North Dakota Century Code. Identification cards issued will be considered sufficient identification whenever identification is required but do not give the holder the privilege of driving. |
| NSF Check | A non-sufficient funds (NSF) check is one that was written on a closed checking account or an account that did not have sufficient funds to cover the amount of the check. |
| Plate-with-Owner Legislation | Plate-with-owner legislation was passed in 1995 with an effective date of December 1, 1997. This legislation states a vehicle owner shall remove the license plates from the vehicle before transferring or assigning ownership of that vehicle to another individual. |
| Registration (Motor Vehicle) | Registration is the process by which a vehicle owner identifies the vehicle to and registers it with the Motor Vehicle Division. A registration card is then issued to the owner. |
| Sponsorship | The application of any minor for an instruction permit or operator's license must be signed by the father, mother, or legal guardian, or, in the event there is no parent or legal guardian, then by another responsible adult who is willing to assume the obligation imposed under North Dakota Century Code Chapter 39-06. |
| Single State Registration System (SSRS) | The Single State Registration System (SSRS) allows North Dakota based carriers to purchase permits. These permits enable them to transport certain commodities through jurisdictions in accordance with the Interstate Commerce Commission. |
| Title (Motor Vehicle) | A title is the document issued by the Motor Vehicle Division which identifies ownership of the vehicle. |
| Traffic Safety Program | The Traffic Safety Section within the Drivers License and Traffic Safety Division is responsible for the Traffic Safety Program. This program defines statewide highway traffic safety problems which result in property damage, bodily injury, and fatalities; establishes goals and objectives; and develops programs to address the problem areas noted. |
| Turnaround Time (Motor Vehicle) | Turnaround time is the time it takes the Motor Vehicle Division to complete a transaction from the time an application is received from a customer to the time a document is returned to the customer. |
| Vehicle Registration and Titling System (VRTS) | The Vehicle Registration and Titling System (VRTS) supports all vehicle registration, titling, financial processing, dealer licensing, and handicap permit placards. The Internet applications of this system include on-line registration renewal, special letter plates, and address changes. |

Motor Vehicle Branch Office Locations

The Motor Vehicle Division has a main office located in Bismarck and 16 branch offices located throughout the state. Of the 16 offices, 13 are maintained through contracts with private vendors and 3 are maintained through contracts with county treasurer offices. Twelve of the private branch offices are automated and have access to the Vehicle Registration and Titling System (VRTS). One private branch office and the three county treasurer offices are not automated and do not have access to VRTS. The map below identifies the location of the main office and the branch offices.

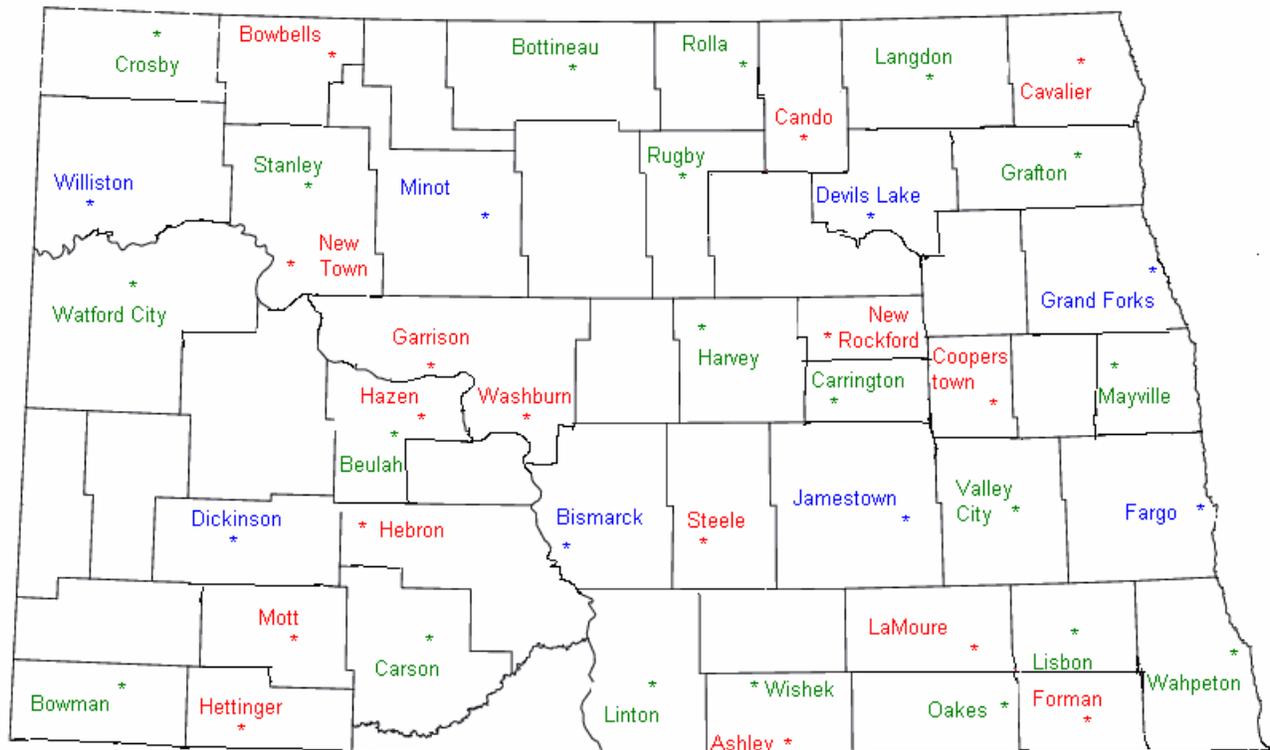


- Main office
- Private branch office with VRTS access
- Private branch office without VRTS access
- County treasurer office (no VRTS access)

Driver's License Site Locations

The Department of Transportation (DOT) has established 44 driver's license sites across the state. Three different types of driver's license sites exist which include:

- **Major Sites:** The 8 major sites are located in the 8 major cities in the state. These sites are fully automated and all but two are open five days a week.
- **Automated Field Sites:** The 20 automated field sites are located in various locations across the state. An automated site has the same capabilities of a major site in that it generates documents for the customer and updates to driver records are done at the site. Driver's license examiners from the major sites travel to the automated sites which are open at various times during a month.
- **Non-Automated Field Sites:** The 16 non-automated field sites are located in various locations across the state. A non-automated site does not generate documents for the customer and is not able to update a driver record at the site. Instead, the activities that take place at a non-automated site are entered into the driver's license master system at the major site and documents are printed and mailed to customers. Driver's license examiners from the major sites travel to the non-automated sites which are open at various times during a month.



- Major driver's license sites
- Automated driver's license sites
- Non-automated driver's license sites

VRTS Timeline

The table below identifies information related to the Vehicle Registration and Titling System (VRTS) that was developed based on information provided by and through discussions with representatives of the Department of Transportation (DOT).

| Date | Event |
|----------------------|--|
| January 1991 | A DOT internal audit report on the motor vehicle titling and registration system recommended that a consultant review the operations and identify the appropriate system development to maximize the use of all available resources. |
| January 1992 | A consultant completed a system study and recommended the system be reviewed to allow on-line processing within the motor vehicle area. |
| March 1992 | The Office of Management and Budget's Information Services Division completed a management review which concluded that the Motor Vehicle Division should consider rewriting the motor vehicle system. |
| August 1993 | DOT's Information and Administrative Services Division completed a study on the motor vehicle system which concluded that the existing 25-year-old system had outgrown its ability to keep pace with changing business requirements. |
| June 1994 | DOT's Motor Vehicle Division Process Re-Engineering Committee Report completed and stated that DOT should determine the type of business the organization is in and what work process was needed to efficiently complete the business. |
| March 1995 | Request for Proposal issued which sought only a functional solution and few limitations or constraints were placed on prospective vendors. |
| August 1995 | Successful bidder selected (Unisys Corporation as the prime contractor with Revenue System Inc. (RSI) as the application contractor). |
| March 1996 | Pre-Contract Analysis Report completed by Unisys. Also, an independent review of the analysis report was completed by Wolfe & Associates (cost \$3,750). |
| June 1996 | VRTS contract signed (\$2,870,912) with a completion date of October 1997. Leasing contract entered into with Unisys Leasing Corporation (interest payments totaled \$489,863). Down payment of \$601,000 made. |
| December 1996 | Notice of Assignment from Unisys Leasing to Koch Financial. |
| July 1997 | Lease payment of \$919,925 made. Fiscal year 1998 budget had seven full-time equivalents removed due to expected savings of the new system. |
| October 1997 | Information Services Division presented information on major projects to the Legislative Information Technology Committee. |
| December 1997 | Additional terms and conditions were entered into. Koch Financial informed to withhold payments to Unisys. |
| February 1998 | Unisys provides formal notice that it will not complete project on time. |
| March 1998 | DOT presented information on VRTS to the Legislative Information Technology Committee. |
| April 1998 | Additional terms and conditions were entered into to cover costs and damages incurred due to delays in implementation. DOT presented information on VRTS to the Legislative Information Technology Committee. |
| June 1998 | DOT letter to Unisys requesting a statement in writing as to the status of the project and its completion as well as requesting weekly status reports. |
| July 1998 – May 1999 | Various meetings and correspondence between Unisys and DOT regarding concerns and unresolved topics. |
| September 1999 | Unisys contract amended to provide replacement of outdated hardware and extend hardware warranties. |
| July 1999 | Lease payment of \$919,925 made. |

Appendix E
VRTS Timeline

| Date | Event |
|-------------------------------|--|
| November 1999 | DOT presented information on VRTS to the Legislative Information Technology Committee. |
| January 2000 | Information Technology Department Project Quality Assurance Review Report completed. |
| February 2000 – November 2000 | DOT presented information on VRTS to the Legislative Information Technology Committee at five separate meetings over this time period. |
| July 2000 | Change order payment of \$15,750 made. |
| October 2000 | VRTS implemented. |
| November/December 2000 | Significant backlogs incurred due to problems with VRTS implementation. |
| January 2001 | Agreement that VRTS application is acceptable and 12-month warranty commenced on October 2000. |
| February 2001 | Additional temporary employees hired, a night shift is implemented, and DOT employees work additional time to reduce backlogs. |
| May 2001 | Change order payment of \$52,816 made. |
| July 2001 | Lease payment of \$919,925 made. |
| June 2001 | DOT and Unisys agree that Unisys has completed its responsibilities of VRTS contract except for warranty. DOT enters into a support maintenance agreement with RSI for \$275,000. Backlogs substantially cleared up. |

Motor Vehicle Turnaround Times

The table below identifies the turnaround time for certain motor vehicle transactions prior to the Vehicle Registration and Titling System (VRTS), through the implementation phase of VRTS, and to current operations. The table was compiled by MTG, the hired consultant, based on information provided by the Department of Transportation. MTG notes that the current goal set by the Motor Vehicle Division for turnaround of customer documentation at the Bismarck office is a two week maximum. This includes the time to return all documents mailed to or dropped off at the Bismarck office by the public, motor vehicle branch offices, or dealers but does not include public service counter transactions. The turnaround time for documentation obtained in person at the public service counters in Bismarck or at a motor vehicle branch office is the actual time it takes to perform the transaction, if the customer waits.

| | Pre-VRTS (1997) | VRTS Implementation (1997–2000) | Initial VRTS (Feb 2001) | Operations (June 2001) | Current (June 2003) |
|-----------------------------------|--------------------|---------------------------------------|----------------------------|---------------------------|------------------------|
| Mail-in Renewals ¹ | 2–3 weeks | 2–3 weeks | 2–3 weeks | 2–3 weeks | < 1 week |
| Mail-in Non-Renewals ² | 3 weeks | 3 weeks | 4–5 weeks | 3 weeks | 1–2 weeks |
| Branch Documents ³ | 4 weeks | 4 weeks | 6–8 weeks | 4 weeks | 1–2 weeks |

¹ Includes motor vehicle registrations received by DOT through the mail.

² Includes all other motor vehicle registration or titling transactions DOT receives through the mail (new registrations, title transfers, mobility impaired parking applications, etc.).

³ Includes the new title and title transfer work performed at all motor vehicle branch offices as well as all processing work needed to be completed from non VRTS branch offices.

Motor Vehicle Division Staffing Levels

The table below identifies approximate full-time equivalent (FTE) and temporary annual staffing levels assigned for the Motor Vehicle Division from fiscal year 1997 through fiscal year 2003. The table data is based on actual and estimated information provided by the Department of Transportation (DOT) with very limited reviews performed by MTG and the Office of the State Auditor. The information identifies that the staffing equivalency is slightly lower after the Vehicle Registration and Titling System (VRTS) was implemented than existed prior to implementation. VRTS was scheduled to be operational in July 1997 and, because it was expected to eliminate data entry and other manual processes, seven FTEs were eliminated from the fiscal year 1998 budget. Five of these FTE's were eliminated due to anticipated data entry reduction (these were individuals who worked in DOT's information technology department). Two of the FTE's were eliminated due to anticipated work reductions in the motor vehicle area (e.g. reduced paper files). In anticipation of the reduction in FTE, DOT informed us that the seven employees were moved to other DOT positions in fiscal year 1997. DOT then entered into a contract with a temporary service agency to conduct data entry work that was previously done by the eliminated FTE positions. DOT continued to use temporary service agencies until May 2002.

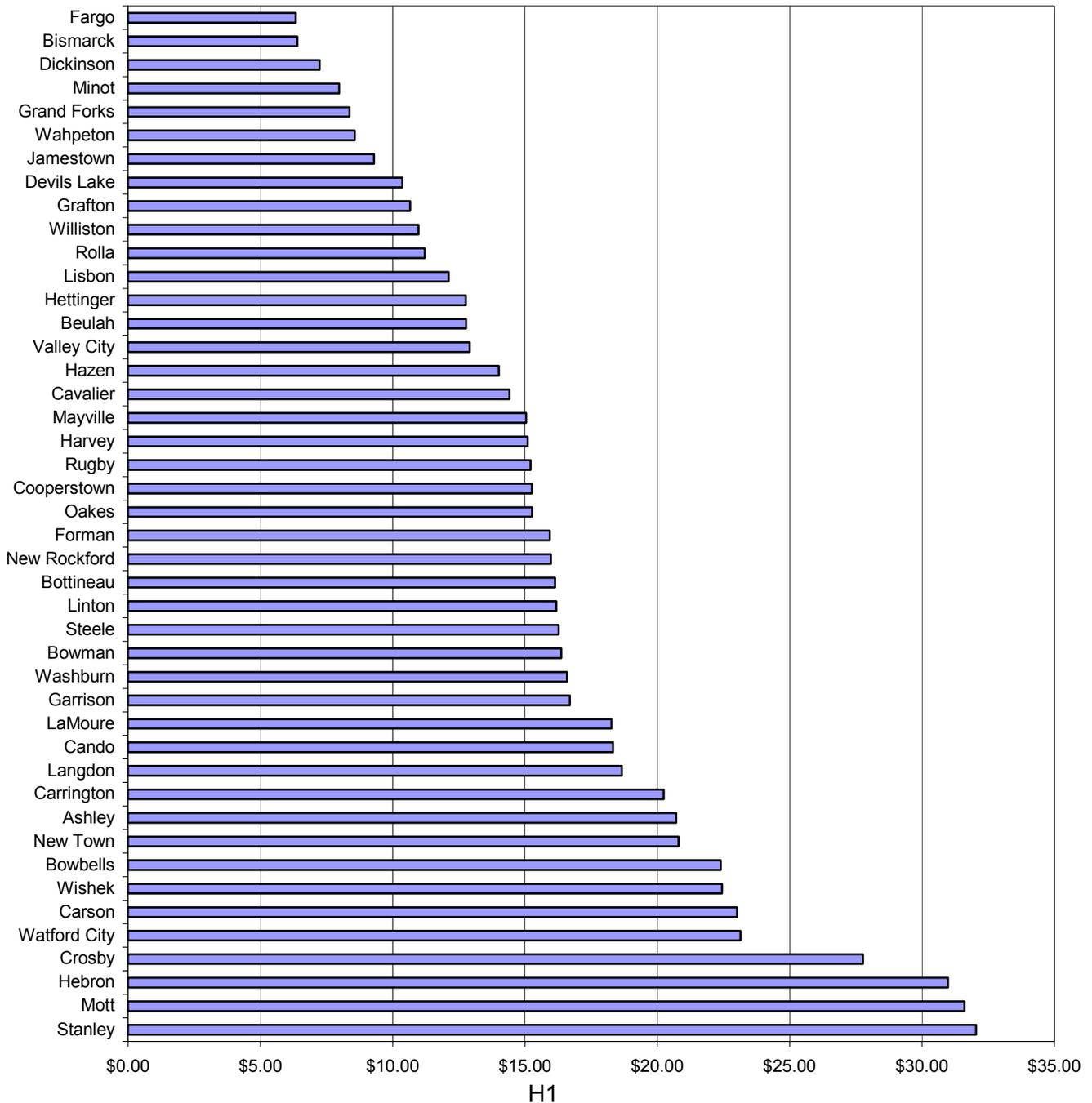
| | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 |
|---|---------|---------|---------|---------|---------|---------|---------|
| Average FTE ¹ | 39.8 | 38 | 38 | 38 | 38 | 38 | 38 |
| FTE Extra Hours | 4,258 | 4,476 | 3,306 | 1,460 | 9,258 | 3,103 | 1,865 |
| FTE Staff Equivalent ² | 2.8 | 3.0 | 2.2 | 1.0 | 6.2 | 2.1 | 1.2 |
| DOT Temporary Staff Hours ³ | 8,512 | 12,551 | 12,367 | 14,697 | 18,611 | 24,706 | 26,343 |
| Temporary Contracted Hours ⁴ | 14,000 | 12,000 | 12,000 | 12,522 | 12,007 | 8,948 | 0 |
| Total Temporary Hours | 22,512 | 24,551 | 24,367 | 27,219 | 30,618 | 33,654 | 26,343 |
| Temporary Staff Equivalent ⁵ | 13.4 | 14.6 | 14.5 | 16.2 | 18.2 | 20.0 | 15.7 |
| Total Staffing | 56.0 | 55.6 | 54.7 | 55.2 | 62.4 | 60.1 | 54.9 |

- ¹ The Motor Vehicle Division staffing level included 40 FTE's prior to contracting with Unisys to provide VRTS. In addition, five FTE's that were responsible for data entry of motor vehicle title and registration information were located in DOT's information technology department (45 total FTE). In anticipation of a reduction of seven FTE for fiscal year 1998, DOT informed us that the seven employees were moved to other DOT positions in fiscal year 1997. Thus, the average FTE amount for this fiscal year is an allocated amount for the 7 FTE positions (equals 1.8) plus the 38 FTE positions that remained.
- ² The equivalent FTE staff has been calculated based on 1,496 hours of productive work time available for FTE staff per year. Productive work time considers time for training, holidays, breaks, and other leave that is deducted from 2,080 annual work hours available.
- ³ DOT temporary staff hours include the temporary hours and overtime hours of DOT employees that are not in FTE positions.
- ⁴ Temporary contracted hours include the number of hours worked by individuals that were provided by a contracted temporary service agency. The amounts for FY 1997 through 1999 are estimated amounts, as this information was not tracked by DOT. Beginning in May 2002, DOT no longer uses a temporary service agency as additional temporary staff has been hired.
- ⁵ The equivalent temporary staff has been calculated based on 1,683 hours of productive work time available for temporary staff per year. Productive work time considers time for training, holidays, breaks, and other leave that is deducted from 2,080 annual work hours available.

Cost per Activity for the Driver's License Sites

The graph below identifies the cost per activity at each of the 44 driver's license sites. We collected cost information for July 1, 2001 through December 31, 2002. To identify the costs for each site, we used a combination of actual costs incurred and estimated costs identified by the Department of Transportation (DOT). In addition, a reasonable allocation method was used to allocate certain costs to each of the sites. For the same 18 month time period, DOT provided information regarding the number of activities conducted at each of the driver's license sites. Activities are defined as the number of written, vision, and road (driving) tests conducted by the driver's license examiners as well as the number of non-driver photo identification cards printed.

Cost per Activity at Driver's License Sites



Activities per Hour per Examiner at Driver's License Sites

The graph below identifies the number of activities conducted per hour per examiner for each hour that each of the 44 driver's license sites was open. This information is based on data from July 1, 2001 through December 31, 2002. Activities include the number of written, vision, and road (driving) tests conducted by the driver's license examiners as well as the number of non-driver photo identification cards printed.

Activities per Hour per Examiner at Driver's License Sites

