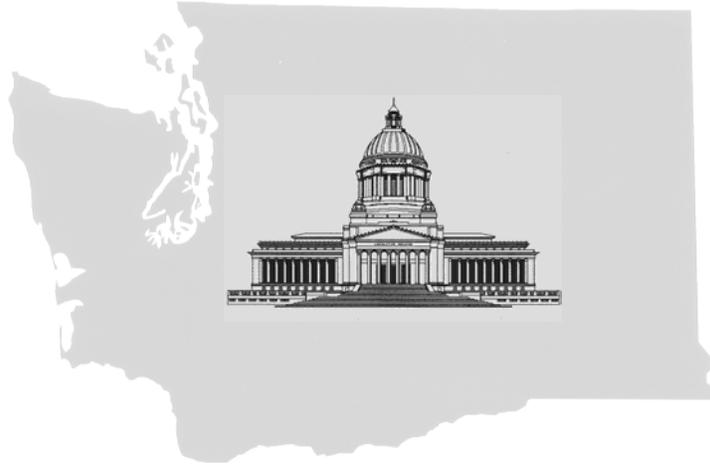


**State of Washington
Joint Legislative Audit and Review Committee (JLARC)**



**Follow-Up: 1999 Department of Licensing
Performance Audit**

Briefing Report 01-8

June 27, 2001

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in alternative formats for persons with disabilities.*

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Established by Chapter 44.28 RCW, the Joint Legislative Audit and Review Committee (formerly the Legislative Budget Committee) provides oversight of state funded programs and activities. This joint bipartisan legislative committee consists of eight senators and eight representatives equally divided between the two major political parties.

Under the direction of the Legislative Auditor, committee staff conduct performance audits, program evaluations, sunset reviews, and other policy and fiscal studies. Studies focus on the efficiency and effectiveness of agency operations, impact of state programs, and compliance with legislative intent. As appropriate, recommendations to correct identified problem areas are included. The Legislative Auditor also has responsibility for facilitating implementation of effective performance measurement throughout state government.

**FOLLOW-UP: 1999
DEPARTMENT OF LICENSING
PERFORMANCE AUDIT**

BRIEFING REPORT 01-8

DIGEST

JUNE 27, 2001



STATE OF WASHINGTON

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FOLLOW-UP: 1999 MOTOR VEHICLE AND DRIVER LICENSING FUNCTIONS

Summary

The 1999 Performance Audit of the Motor Vehicle and Driver Licensing Functions of the Department of Licensing was conducted by the firm of PriceWaterhouseCoopers, under contract to the Joint Legislative Audit and Review Committee (JLARC). This follow-up report focuses on selected issues deemed to be of greatest interest to JLARC members; including, 1) issues pertaining to customer service, 2) what was referred to in the audit as “potential use tax abuses,” and 3) performance measures (relating to DOL’s Vehicle Services Division). Summary findings include:

- In the area of customer service, there have been mixed results. Overall performance, as measured by average customer wait times statewide, is relatively unchanged. The Department reports, however, that it has been successful in reducing wait times at selected offices that had particularly high average wait times; in some cases by significant amounts.

The Department has implemented some recommendations from the audit, such as: equipping more offices with information desks; developing a workload and performance assessment tool; and providing for the use of credit cards for some transactions. It has not fully implemented others, including providing for increased hours at its licensing offices, and improved training for newly hired staff.

- The Department has responded positively to the use tax issue. This is the tax due when someone purchases a used vehicle from a private party. The concern was that the state may not have been collecting the full amount of use tax it was due, because licensing clerks were not routinely checking a vehicle’s reported purchase price against industry standards of fair market value. The Department has complied with the audit’s recommendation to automate this process, and reports that collections have increased over \$4 million as a result.
- Finally, although the Vehicle Services Division has revised its performance measures, it still needs to develop customer satisfaction type measures that can be used to assess overall program effectiveness.

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Part 1

June 18, 2001 JLARC Audit Team Follow-Up
Report on 1999 Performance Audit of the Motor
Vehicle and Driver Licensing Functions of the
Department of Licensing.



State of Washington Joint Legislative Audit and Review Committee

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June 18, 2001

TO: Members of the Joint Legislative Audit and Review Committee

FROM: ^{RK} Robert Krell, Principal Management Auditor
Ron Perry, Staff Coordinator

RE: ^{RP} Follow-Up Report on 1999 Performance Audit of the Motor Vehicle and Driver Licensing Functions of the Department of Licensing

SUMMARY

The 1999 Performance Audit of the Motor Vehicle and Driver Licensing Functions of the Department of Licensing was conducted by the firm of PriceWaterhouseCoopers, under contract to the Joint Legislative Audit and Review Committee (JLARC). This follow-up report focuses on selected issues deemed to be of greatest interest to JLARC members; including, 1) issues pertaining to customer service, 2) what was referred to in the audit as "potential use tax abuses," and 3) performance measures (relating to DOL's Vehicle Services Division). Summary findings include:

- In the area of customer service, there have been mixed results. Overall performance, as measured by average customer wait times statewide, is relatively unchanged. The Department reports, however, that it has been successful in reducing wait times at selected offices that had particularly high average wait times; in some cases by significant amounts.

The Department has implemented some recommendations from the audit, such as: equipping more offices with information desks; developing a workload and performance assessment tool; and providing for the use of credit cards for some transactions. It has not fully implemented others, including providing for increased hours at its licensing offices, and improved training for newly hired staff.

- The Department has responded positively to the use tax issue. This is the tax due when someone purchases a used vehicle from a private party. The concern was that the state may not have been collecting the full amount of use tax it was due, because licensing clerks were not routinely checking a vehicle's reported purchase

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Re. Department of Licensing Performance Audit (1999): Follow-up Report

price against industry standards of fair market value. The Department has complied with the audit's recommendation to automate this process, and reports that collections have increased over \$4 million as a result.

- Finally, although the Vehicle Services Division has revised its performance measures, it still needs to develop customer satisfaction type measures that can be used to assess overall program effectiveness.

BACKGROUND

The 1999 Audit: The 1997-99 Transportation Budget directed the Joint Legislative Audit and Review Committee (JLARC) to contract for several transportation related performance audits, including one of the motor vehicle and driver licensing functions of the Department of Licensing (DOL). The audit was conducted by PriceWaterhouseCoopers, under contract to JLARC, and was completed in March 1999.

The audit found that while DOL was generally meeting its mandate of protecting and enhancing the well-being of state residents, there were areas where operational efficiency and effectiveness could be enhanced and improvements made. Major areas of findings and recommendations included:

- There are operational obstacles that limit the efficiency of Licensing Service Offices, and consequently, the Department should seek customer-driven changes for those offices; and
- There are few oversight controls to ensure that licensing clerks follow guidelines related to collecting the full amount of "use tax" due to the state (the tax due when someone purchases a used vehicle from a private party). The lack of controls heightens the risk of public abuse in underreporting the purchase price of vehicles, leading to a potentially significant loss of tax revenue to the state.

The audit also examined a wide variety of other issue areas, including capital and lease management practices, information services, interagency coordination, and cost allocation. In total, the audit contained 21 recommendations, covering most of these issue areas.

Because of their perceived interest to JLARC Committee members, this follow-up report focuses only on three issues; the two noted above, as well as the issue of performance measures within the Vehicle Services Division.¹

¹ In January 2000, JLARC staff presented an overview of this audit to the Senate Transportation Committee, at that Committee's request. As part of that effort, JLARC asked DOL to prepare a report on the status of its efforts to implement *each* of the recommendations contained in the original audit.

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CUSTOMER SERVICE ISSUES

Consistent with the original audit, this section looks at customer service issues primarily from the perspective of Drivers Licenses Services.

Key Audit Findings and Recommendations: The audit found that while DOL management was committed to providing high levels of customer service, there were a number of operational obstacles that limited the effectiveness of its Licensing Service Offices (LSOs), and contributed to diminished customer service. Based primarily on comments received through a series of four focus groups, the following specific weaknesses were identified:

- wait times that exceed customer expectations;
- hours that are not convenient for customers; and
- ineffective information exchanges between DOL and its customers.

In terms of actual performance measures, the audit noted that DOL's goal was to provide service at its LSOs within an average of 20 minutes or less, and that it was meeting that goal by averaging 19.8 minutes. Because of differences in how other states measure average wait times, the audit was unable to draw conclusions as to how this level of performance compared to other states. However, because focus group participants had indicated that wait times of only up to 15 minutes were acceptable (and because 69 percent reported having waited longer than that), the audit found this level to be below "customer expectations."

The audit also examined the issue of how staff were deployed among the LSOs, and noted that "maintaining adequate staffing levels" was perhaps DOL's greatest challenge. In response to these findings, the audit made the following recommendations:

Recommendation 1 (part): *To better meet customer needs at its Licensing Services Offices, the Department of Licensing should: a) provide for expanded hours; [and] b) establish information desks at all high-volume offices. [Note: this latter item was intended to address what the audit referred to as "ineffective information exchanges" between DOL and its customers.]*

Recommendation 3: *The Department of Licensing should review its staffing of Licensing Services Offices, focusing on whether the current number of staff are sufficient, whether they are equitably distributed, and whether temporary or part-time staff should be used to offset seasonal demand.*

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What's Happened Since The Audit In Terms of Performance: In terms of measurable performance, Exhibit 1 below shows three different indicators over the last three fiscal years.

Exhibit 1

Driver Services Performance Indicators For Licensing Services Offices* Fiscal Years 1999, 2000 and 2001 (Based on July through April Totals)

Indicator	FY 1999	FY 2000	FY 2001
Average Wait Time (all transactions)	16.4 minutes	16.0 minutes	16.2 minutes
Percentage of LSOs With Average Wait Times Less Than 20 Minutes	73.0 %	74.5 %	72.3%
Percentage of LSOs With Average Wait Times More Than 30 Minutes	10.7%	10.3%	8.3%

* Includes only the larger LSOs—from 26 to 30, depending on year—for which “Q-matic” data is available.
Source: JLARC, based upon DOL provided data.

As can be seen, statewide, there's been relatively little change in the indicators since FY 1999, when the audit was conducted. Average wait time is down very slightly. The percentage of LSOs with average wait time less than 20 minutes – which continues to be one of DOL's performance goals – is essentially unchanged. One positive sign, however, is that the percentage of LSOs with average wait times of more than 30 minutes has decreased from 10.7 to 8.3 percent.

It might be noted that the average wait time shown in Exhibit 1 for FY 1999 is substantially less than the 19.8 figure cited in the audit. Presumably this is because that figure was based on a smaller number of months; most likely summer months, when wait times are longer. It is interesting to note that the average wait time figures shown above are much closer to the 15 minute “customer acceptance threshold” cited in the audit, and well within DOL's goal of 20 minutes.

In response to the above findings, DOL noted that in seeking to reduce customer wait times, it chose to focus first on seven offices that had average wait times that exceeded 20 minutes. It reports that it has been successful in reducing wait times in six of those offices, in some cases by significant amounts; e.g., from 42.6 to 18.2 minutes at the East Seattle office, and from 31.9 to 17.6 minutes at the Bellevue office.²

Figures compare wait time averages for May 1999 and May 2001.

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DOL also reports that it has made considerable progress on another of its customer service initiatives; that being to reduce the number of offices with “drive test backlogs” of more than 10 days. During the five-month period of January through May 2000, the average number of offices with backlogs of more than 10 days was 11.4. For the same time period in 2001, the average number had been reduced to 1.2.

What’s Happened Since the Audit in Terms of Implementation of Recommendations:

- ***Hours have not been expanded at the Licensing Services Offices.*** Recommendation 1a was that DOL should provide for expanded hours at its LSOs, in order to better meet customer needs. The basis for the recommendation was that two-thirds of focus group participants reported that facilities were not open at convenient times and day. Among the suggestions for improvement were that LSOs stay open after 4:30 pm, and longer on Saturdays. (The audit had previously noted that “most LSOs” were open Tuesday through Saturday from 8:30 to 4:30, with a few being open Monday through Saturday.) Based on information provided by DOL, which compares September 1998 open times to April 2001 open times:
 - ✓ The number of LSOs open on Mondays has decreased from 16 to 13;
 - ✓ The number of LSOs open all day on Saturday has decreased from 38 to 23;
 - ✓ The number of LSOs open after 4:30 pm, at least one day per week, has increased from 15 to 33 [note: unlike the other items noted here, this is viewed as a positive change];
 - ✓ The total number of open hours, among all LSOs combined, decreased by 1.5 percent – 48 LSOs recorded no change, while 8 increased hours and 12 decreased hours; and
 - ✓ The total number of open hours on Saturday decreased 9.4 percent.

In response to the above, DOL noted that:

[a]lthough the statistics might indicate that the agency is less accessible to our customers through reduced overall hours and a reduction in the number of offices open all day on Saturday, we believe this is misleading. Neither those changes nor the number of offices open Mondays are indicative of a reduction in services. On the contrary, we believe our hours reflect a better indication of customer needs.

DOL noted, for example, that closing some offices earlier allowed others to close later and still others to open on Saturday. As noted above, however, more offices reduced hours than increased hours. Also, the number of offices open on Saturday for even a partial day only increased by one – from 46 to 47.

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- *The number of LSOs with information desks or “customer service booths” has increased from three (at the time the audit was conducted) to twelve*, according to information provided by DOL. Recommendation 1b was that such facilities be installed in all “high-volume offices,” although what constituted a high-volume office was not specified. The intent of the recommendation was to improve information flow between DOL and its customers as a means of reducing waiting time.
- *DOL has developed and continually utilizes a “workload and performance measurement tool” for assessing staffing levels, needs, and performance at its LSOs.* Recommendation 3 was that DOL review staffing levels to assess overall efficiency. According to DOL, use of this tool has resulted in the reassignment of 5.5 FTEs.

Other Customer Service Related Issues: Two other notable audit areas related to customer service include training, and the use of credit cards. Each of these is briefly addressed below, including pertinent recommendations and a status update on DOL’s implementation activities. In addition, DOL has reorganized portions of its Drivers Examining field staff, and this is also referenced.

Training: In the context of the Drivers Services Division, the audit noted that “*customer service is impacted when staff are not trained adequately [and that] it takes longer for staff to do the job.*” Among the limitations noted were minimal formal training for new staff and insufficient management training. Based on this, the audit recommended:

Recommendation 4 [part]: *The Department of Licensing should expand its Driver Services training program so that: a) new hires receive comprehensive, hand-on training, [and] b) managers and staff have access to job specific training.*

Status: Based on conversations and written correspondence with DOL staff, the agency has not fully implemented the recommendation. On the plus side, it has implemented an in-service training program for supervisors. However, because of competing priorities (such as the Intermediate Drivers License program), it has not made significant progress in providing comprehensive training to new hires; although it continues to develop and refine training modules for this purpose. DOL also reports that it has worked to ensure that its staff is adequately trained by improving and updating the manual used by its Licensing Service Representatives.

Use of Credit Cards: At the time the audit was conducted, DOL did not allow the use of credit cards as a payment option for any transactions. The audit considered this to be a major customer service issue, noting that credit cards are considered a staple in today’s economy, and that the public wants the convenience associated with their use. The audit

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also noted that many service delivery alternatives, such as internet transactions, require it. Two major obstacles to using credit cards were identified: 1) the additional costs associated with transaction fees charged by credit card companies, and 2) the Vehicle Services Division's position that authorizing legislation was potentially required.

Recommendation 14 [excerpted]: *The Department of Licensing should . . . determine if new legislation is needed for implementing credit cards. If so, the legislature should pass legislation to allow DOL to accept credit cards. DOL should negotiate with credit card companies regarding transaction fees.*

Status: The 1999 Legislature passed legislation allowing the acceptance of credit cards. Effective May 29, 2001, DOL launched a program allowing certain types of vehicle tabs to be renewed over the internet, using credit cards. Driver license transactions, however, still cannot be processed with a credit card.

Reorganization: DOL reports that it has reorganized its Driver Examining Division for more effective operations. In doing so, it has eliminated eight management positions, and has implemented "performance agreements" with management personnel. DOL also reports that performance measures and workload models have become a priority training item for field management.

POTENTIAL USE TAX ABUSES

Key Findings and Recommendation: A major finding of the audit was that because of a lack of effective controls, the state may not have been collecting the full amount of "use tax" it was legally due. Use tax is the tax due when someone purchases a vehicle from a private party. It is identical in amount to – and is often confused with – *sales tax*, which is the tax collected when a vehicle is purchased from a dealer.³

The audit noted that several stakeholders had expressed concern that licensing clerks did not comply with existing guidelines to manually check reported purchase prices against average fair market value (as established by a recognized industry standard such as Kelly Blue Book). A review of a sample number of transactions confirmed that the existing guidelines were not routinely being followed. The audit found no significant oversight controls at the state level to ensure compliance, and concluded this "heightens the risk of public abuse in underreporting the purchase price of vehicles, leading to a potentially significant loss of tax revenue to the state."

³ Technically, use tax is based on the *value* of a vehicle, rather than its purchase price. Typically, however, the purchase price has served as a proxy measure of its actual value.

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Based on these findings, the audit recommended the following:

Recommendation 7 [part]: *To minimize potential use tax abuses, the Department of Licensing in cooperation with the Department of Revenue, should: a) modify its Vehicle Field System so that all title transactions that trigger a “use” tax are automatically checked against an acceptable industry-based source.”*

What’s Happened Since the Audit:

- ***In cooperation with the Department of Revenue, DOL implemented a Use Tax Automated Valuing System (AVS) in July 2000, and estimates that collection amounts have increased over \$4 million as a result.***

- ✓ Consistent with the recommendation, the system automatically accesses an electronic database – one that is updated on a regular basis with data transferred from a contract vendor– to determine a vehicle’s average fair market value. If the reported purchase price is no more than \$2,000 less than the average fair market value, the use tax will be based on the reported purchase price. If, however, the reported price is more than \$2,000 below the average fair market value, additional documentation will be required from the purchaser in order to allow basing the tax on the purchase price.⁴ If such documentation is not provided, the assessed tax will be based on the average fair market value as determined by the AVS.

- It should be noted that pursuant to policies adopted by the Department of Revenue,⁵ the “findings” of the AVS system are *not* used to establish the amount of use tax due for vehicles that have an average fair market value of \$3,000 or less. Thus, if a vehicle has an average fair market value of \$2,900, but the purchaser reports they bought it for only \$500, that claim will not be questioned, and the amount of tax assessed will be based on the \$500 amount.

DOL staff report that, according to Department of Revenue estimates, approximately one-half of all used vehicles purchased have an average fair market value of less than \$3,000.

⁴ A number of different types of documentation are accepted, including a “Declaration of Buyer and Seller” form which must be signed by both parties stating the purchase price and condition of the vehicle.

⁵ The Department of Revenue is the agency responsible for establishing use tax policies and guidelines. The Department of Licensing, including its agents and subagents, serve as agents to the Department of Revenue in collecting the use tax.

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- ✓ Data provided by DOL staff show that total use tax collections, during the first 10 months the system was in effect, increased by \$6 million (5.8 percent), from \$103 million during the first 10 months of FY 2000 to \$109 million during the same time period in FY 2001. Based on statistical modeling, DOL staff estimate that \$4.2 million of the increase can be directly attributed to the new system. This \$4.2 million accounts for 70 percent of the total \$6 million increase, and represents an increase of 4 percent in total use tax collections. (It should be noted that this estimate has not been independently verified by JLARC staff.)
- ✓ As noted, the system does permit vehicle purchasers to submit other types of documentation to support their claim that the vehicle's average fair market value is less than that identified through the AVS. Between January and March 2001, approximately 17 percent of all use tax transactions involved the filing of such documentation (38,739 instances out of 228,210 transactions).

[This rate of what might be termed "exceptions" should be viewed in the context that the system only "comes into play" in the approximately 50 percent of all use tax transactions where the average fair market value of a vehicle is \$3,000 or less. In other words, while there were approximately 228,000 use tax transactions in the January through March period, there were only about 114,000 transactions where the AVS system was utilized. Looked at from this perspective, the 38,739 instances noted above would represent an exception rate of approximately 34 percent.]

VEHICLE SERVICES PERFORMANCE MEASURES

Key Findings and Recommendations: The audit examined DOL's Vehicle Services Division performance measurement system, and identified a number of problem areas, among them: too many performance measures (176), which tend to dilute their significance; too great of a focus on output or volume-type measures; and performance targets that appeared "overly simplistic." The audit also noted that there was an absence of customer satisfaction measures that could be used to assess program effectiveness.⁶

⁶ It must be emphasized that these findings relate only to DOL's *Vehicle Services Division*. The Driver Services Division does have performance measures that can be readily used to help assess overall performance.

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While the audit noted that Washington's relatively unique service delivery system⁷ made it difficult to apply traditional performance measures, it suggested that more creative measures be considered such as those used in Oregon (customer satisfaction ratings derived from monthly surveys). Based on its findings, the audit recommended the following:

Recommendations13 [part]: *The Vehicle Services Division should revise its performance measurement system as follows: a) reduce the number of measures, and focus them on core processes and objectives; b) ensure diversity as to types of measures; and . . . set reasonable yet challenging targets.*

While it is not explicitly stated, we interpret the recommendation's phrasing as referring, at least in part, to the need to develop customer satisfaction measures that can be used to assess program effectiveness.

What's Happened Since the Audit:

- ***Although the Vehicle Services Division has revised its performance measures at least twice since the audit, there are still no customer satisfaction type measures that can be used to assess overall program effectiveness.***

DOL staff report that the Vehicle Services Division has revised its performance measures at least twice since the audit, the last time being in April of 2000. Our review of the current measures, as they apply to the Title and Registration Section – which provides the services that most directly affect the state's citizens – indicates there are still no “bottom-line” type measures pertaining to customer satisfaction or overall effectiveness. Moreover, the measures are typically not formatted in a traditional manner, and most do not include traditional target levels of performance. The following are examples of current measures:

- [Pertaining to the program to allow vehicle owners to renew their vehicles with payment by credit card over the internet] *Was the application implemented on time and within budget?*
- [Pertaining to the Automated Valuing System referenced earlier in this report] *Implement Phase 1 of the [system].*
- [Pertaining to a program to improve customer service by providing for electronic filing of Sellers Reports at all licensing offices] *Make programming changes necessary to [further implement the program].*

⁷ In Washington, most vehicle licensing services, including titling, registration, and the issuance of annual “license tabs,” are provided through a network of 39 county auditor offices that serve as “agents” to DOL, and 146 private businesses that serve as “subagents” under contract to the counties in which they operate. The audit found this system to be relatively unique among the states.

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Given the changes occurring in the Vehicle Services Division, especially in regard to providing services online, it will be useful for DOL to evaluate the effectiveness of these services. Establishing appropriate performance measures will be an important step in that accountability process.

DOL reports that the Vehicle Services Division will begin using customer comment cards to address the issue of customer satisfaction, and that it begin tracking this information beginning July 1, 2001. The Department has also contracted with Washington State University to conduct a statewide survey regarding services provided by the agency, that will include a number of customer satisfaction-type questions.

Part 2

June 15, 2001 Department of Licensing Response
to Follow-Up Report on the 1999 Performance Audit
of the Motor Vehicle and Driver Licensing
Functions of the Department of Licensing.



STATE OF WASHINGTON

DEPARTMENT OF LICENSING

PO Box 9020 • Olympia, Washington 98507-9020

RECEIVED

JUN 15 2001

JLARC

DATE: June 15, 2001

TO: Tom Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: Fred Stephens, Director 

SUBJECT: Response to Follow-Up Report on the 1999 Performance Audit of the Motor Vehicle and Driver Licensing Functions of the Department of Licensing

I would like to thank you again for the opportunity to comment on the draft Follow-Up Report on the 1999 Performance Audit and for incorporating some of our comments into the final draft. While I certainly appreciate the active role you have allowed us to play in shaping this document, I still do not believe it accurately reflects the progress the Department of Licensing has made since the audit was issued in 1999.

Average Wait Time — We've eliminated the extreme problems and will now go after statewide reductions

The issue of service delivery in our License Services Offices (LSOs) is very important to all of us here at DOL because we know our reputation is based on the daily successes and challenges of our front-line staff. When I first came to DOL, I heard enough horror stories about two-hour wait times from our customers to know taking care of these extreme problems was the first hurdle the agency had to clear. Shaving even an entire minute from the 1999 statewide average wait time of 16.4 minutes would be a hollow victory if customers in a few of our offices were left to endure average wait times as high as 42.6 minutes, and extreme waits of two hours.

The agency's commitment to making long lasting customer service improvements across the state required us to set long-term goals and priorities. In the area of wait times, our first priority was to focus on improving the LSOs with the longest wait times first. The slight reduction in average wait time from 16.4 to 16.2 minutes reflects this strategy, but doesn't paint the whole picture.

Our efforts to reduce wait times in the seven offices where average wait times exceeded 20 minutes was a major success and positions the agency to better attack and lower the statewide average. The results in these seven offices:



AVERAGE CUSTOMER WAIT TIME (IN MINUTES) FOR ALL TRANSACTIONS

OFFICE	May 99	May 00	May 01
Auburn	13.3	23.1	12.3
Bellevue	31.9	16	17.6
East Seattle	42.6	28.8	18.2
Kent	38.0	36.5	22.3
Greenwood	17.4	19.7	21.7
Renton	33.1	19.7	11.9
Union Gap	19.5	28	17.9

Internally, we know our strategy is working because we don't hear about two-hour wait times like we used to. In the near future, thanks to the resources provided by the legislature in response to the 1999 audit report, the statewide average wait time will drop even more as innovative new programs like the Improved Driver's License, the five-year renewal cycle, and the integration of automated driver testing machines and Q-matic systems with the driver field system are fully implemented. Remarkable and steady declines in the number of offices with drive test backlogs greater than 10 days have also been reported from our LSOs. In the first quarter of 2000, an average of 9.7 offices recorded a backlog exceeding 10 days. This year, that average fell to 1.7 offices, and most recently in May, no office had a backlog that long.

Setting Office Hours Strategically

The effort to improve customer service in our LSOs doesn't stop at improving wait times. Improving our customer's access to our services is another top priority where we made progress that is not evident in the Follow-up Report.

The statistics indicating the agency is less accessible to our customers due to reduced overall hours and a reduction in the number of offices open all day on Saturday are misleading. In an effort to make our services available when people use them, the agency began closely studying traffic pattern data gathered both manually and with the Q-matic systems in our LSOs. With this hard data in hand, the agency started setting office hours strategically and deploying our limited FTE resources accordingly. This new method allows the agency to confidently set office hours that make sense for each individual office based on local service demands. To help clarify this point, we are looking forward to presenting some of the data used to make decisions to change Saturday office hours at our upcoming JLARC meeting.

Creating Vehicle Services Performance Measures

As noted in the Follow-up Report, the Vehicle Services Division (VS) faces unusual challenges in developing customer service performance measurements and has been continually updating the performance measures it uses to meet these challenges. While the audit did not identify this as a significant problem area, DOL treated it as such and immediately began addressing the issue.

Mr. Tom Sykes

June 15, 2001

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Three separate, service-specific customer satisfaction surveys are already in place to measure the diverse services offered by VS. A fourth, designed to measure the performance of the agency's network of agents and subagents, is currently being delivered to these groups. The division will begin tracking customer satisfaction from these multiple surveys July 1, 2001. In addition, Washington State University was recently contracted to conduct an agency-wide survey on behalf of DOL with many questions included to gauge customer satisfaction. This survey will enhance the division-specific surveys and provide a valuable baseline for future performance measurements.

Overall, the management at DOL is committed to revolutionizing the agency's efficiency and service delivery methods. We are making changes to the way we do business in our offices, and we are taking advantage of the Internet to make our most common services available around the clock.

Thank you again for the opportunity to provide these comments. I look forward to the JLARC meeting and the discussion regarding our accomplishments over the last couple of years.

FS:jm

Appendix

Department of Licensing Performance Audit 99-5
Report Digest and

Recommendations



Joint Legislative Audit and Review Committee

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Department of Licensing Performance Audit Report 99-5

The Department of Licensing (DOL or the Department) is generally meeting its mandate of protecting and enhancing the well-being of state residents. However, operational efficiency and effectiveness can be enhanced in a number of ways. The Department should seek customer-driven changes for its Driver Licensing Service Offices. Greater oversight controls is another pertinent theme, especially with vehicle licensing activity. DOL should work with the Department of Revenue to address potential public use tax abuses. Finally, customers want to use credit cards and several service delivery alternatives, such as Internet transactions, that hinge on credit card acceptance. The Department should work aggressively to resolve this issue.

Mandate

Legislation passed in 1997 (ESSB 6061) directed the Joint Legislative Audit and Review Committee (JLARC) to conduct several performance audits of transportation agencies including one of the Washington State Department of Licensing. The mandated focus of this performance audit is primarily on the Department's motor vehicle and driver licensing functions. PricewaterhouseCoopers conducted this performance audit under contract with JLARC.

Background

The Department's Driver Services (DS) Division licenses more than 4.1 million drivers in the state through 63 field offices and travel units. The Department's Vehicle Services Division has primary responsibility for titling, registering, and licensing over five million vehicles and vessels per year. These services are conducted through a network of 39 counties serving as "agents" to DOL and 135 private businesses that serve as "subagents" under contract with the respective counties in which they operate. Together, the agents and subagents service

the vast majority of vehicle and vessel title and non-title transactions (97 percent in 1997).

Customer-Driven Changes for Driver Licensing Service Offices

Although DOL's management is committed to providing high levels of customer service and has taken steps to improve the quality of service in Licensing Service Offices (LSOs), there are operational obstacles that limit the effectiveness of LSOs. The overall effect of these obstacles is diminished customer service. Among the operational weaknesses are: customer wait times exceeding expectations, inconvenient LSOs hours, and ineffective information exchanges between DOL and its customers. Insufficient information exchange is a barrier to effective operations because it contributes to longer cycle times (the total time it takes customers to obtain service) and sometimes leads to customers having to wait to receive what otherwise might be a quick service.

Maintaining adequate staff levels at LSOs is perhaps DOL's greatest challenge to delivering quality service. Two additional

issues which need to be addressed are staff training and providing access to bilingual Licensing Service Representatives (LSRs).

Another key customer-driven issue is the establishment of credit cards as a payment option. Customers want the convenience, and several service delivery alternatives such as Internet transactions require it. DOL should work aggressively to address this issue.

Potential "Use" Tax Abuses

A primary concern voiced by several stakeholders centered on the perceived high risk of public abuse of the state's "use" tax collection function. Staff from several vehicle licensing offices indicated that there are few controls over the enforcement of Department of Revenue (DOR) guidelines designed to collect the full amount of "use" tax due to the state. Their conclusions were that licensing clerks seldom check the sales receipt or fair market value claimed on a vehicle transaction, since there are a lack of oversight controls, especially at the state level, to help ensure that licensing clerks abide by DOR's guidelines.

Testing of vehicle licensing transactions showed that DOR's guidelines are not being followed. This noncompliance, resulting from a lack of controls, increases the risk that the public will underreport the purchase price of vehicles resulting in a loss of "use" tax revenue to the state.

Collocation

While the benefits of collocating various state transportation services appear warranted, it is apparent that a relatively small number of people would actually benefit considering the incompatible time frames of services. Although the Department of Licensing has pursued the legislature's intent to collocate, siting criteria have not been consistently applied and there is confusion as to what "collocation" actually means.

Other Issues

The report also addresses several other issues: strategic planning, capital and lease management practices, information services, interagency coordination, and cost allocation.

Recommendations

The full report contains a total of 21 recommendations, including the five below that are considered to be particularly significant.

- To better meet customer needs at its Licensing Services Offices, DOL should: a) provide for expanded hours; b) establish information desks at all high-volume offices; c) implement an expanded customer comment card process; and d) establish a toll-free telephone number.
- DOL should expand its Driver Services training program so that: a) new hires receive comprehensive, hands-on training, b) managers and staff have access to job-specific training; and c) adequate backup coverage can enable staff to attend training.
- To minimize potential "use" tax abuses, DOL, in cooperation with the Department of Revenue, should: a) modify its Vehicle Field System so that all title transactions that trigger a "use" tax are automatically checked against an acceptable industry-based source; and b) incorporate review procedures conducted by both its Title and Registration Engineering Corps (TREC teams) and internal audit unit to help ensure compliance.
- DOL should seek additional resources to increase monitoring of both its own internal operations, as well as the operations of vehicle licensing agencies and subagencies.
- The legislature should clarify its intent regarding collocation, including: a) identifying the specific goal of collocation; b) specifying what is meant by community and agency "needs;" and c) specifying whether collocation should apply to new or existing facilities, or both.

RECOMMENDATIONS

Summary

Recommendation 1

To better meet customer needs at its Licensing Services Offices, the Department of Licensing should: a) provide for expanded hours; b) establish information desks at all high-volume offices; c) implement an expanded customer comment card process; and d) establish a toll-free telephone number.

Legislation Required:	No
Fiscal Impact:	There could be moderate costs associated with increased staffing at greeter booths in busy offices and to modify/enhance the Q-Matic system (used to manage customers waiting in line). There could also be nominal costs associated with providing better customer information and implementing comment cards. Implementing a 1-800 number will require greater operating budget outlays. However, these recommendations should also result in staff time savings.
Completion Date:	June 30, 2000

Recommendation 2

The Department of Licensing (DOL) should develop a bilingual certification procedure for its staff who receive assignment pay for using a language other than English as part of their daily duties. DOL should further establish guidelines governing both the amount of bilingual language work that is expected to be performed in order to qualify for merit pay, and the minimum language competencies that are expected to be possessed by those who qualify for such pay.

Legislation Required:	No
Fiscal Impact:	There may be some training and other costs associated with implementing an improved policy. Costs may be shared with the Department of Personnel.
Completion Date:	December 31, 1999

Recommendation 3

The Department of Licensing should review its staffing of Licensing Services Offices, focusing on whether the current number of staff are sufficient, whether they are equitably distributed, and whether temporary or part-time staff should be used to offset seasonal demand.

Legislation Required:	No
Fiscal Impact:	Increased cost to hire more staff.
Completion Date:	June 30, 2000

Recommendation 4

The Department of Licensing should expand its Driver Services training program so that: a) new hires receive comprehensive, hands-on training, b) managers and staff have access to job-specific training; and c) there is adequate backup coverage so that staff can attend training.

Legislation Required:	No
Fiscal Impact:	Moderate additional costs for providing hands-on initial training to staff and additional classes throughout the state.
Completion Date:	Ongoing

Recommendation 5

The Department of Licensing should refine its procedures and supporting technology related to the issuance of disabled placards by: a) establishing a separate Q-Matic category for disabled placards; b) providing placard forms at the information booth; c) modifying the application form and distributing it to medical professionals; and e) modifying the database system used to manage disabled placards.

Legislation Required:	No
Fiscal Impact:	Moderate costs associated with enhancing technology and Q-Matic to categorize disabled parking placard customers.
Completion Date:	December 31, 1999

Recommendation 6

In order to ensure equitable access of vehicle licensing services to the public, the statute should be amended to give the Department of Licensing greater control over the allocation of subagencies and workstations.

Legislation Required:	Yes
Fiscal Impact:	No significant impact.
Completion Date:	1999 or 2000 Legislative Session

Recommendation 7

To minimize potential use tax abuses, the Department of Licensing in cooperation with the Department of Revenue, should: a) modify its Vehicle Field System so that all title transactions that trigger a "use" tax are automatically checked against an acceptable industry-based source; and b) incorporate review procedures conducted by both its Title and Registration Engineering Corps (TREC teams) and internal audit unit to help ensure compliance.

Legislation Required:	No
Fiscal Impact:	Will increase DOL's operating expenditures. There is also a potential to increase use tax revenue to the state.
Completion Date:	December 31, 1999

Recommendation 8

The Department of Licensing should seek, in conjunction with the Department of Revenue (DOR), stronger criteria for licensing clerks to follow regarding "use" tax. DOR's guidelines could be made much stronger by incorporating them into rule or state statute.

Legislation Required:	Possibly
Fiscal Impact:	None.
Completion Date:	2000 Legislative Session

Recommendation 9

The Department of Licensing (DOL) should clarify and standardize training requirements for all vehicle licensing clerks, and enforce compliance through its audit processes. Specifically, contracts between the Department and counties, and the counties and subagents, should explicitly define training roles and minimum amounts of licensing clerk training. In addition, DOL should require that all vehicle licensing clerks successfully complete a standardized training program as evidenced by examination.

Legislation Required:	No
Fiscal Impact:	Nominal increase to DOL's operating budget.
Completion Date:	Ongoing

Recommendation 10

The Department of Licensing should seek additional resources to increase monitoring of both its own internal operations, as well as the operations of vehicle licensing agencies and subagencies.

Legislation Required:	No
Fiscal Impact:	Will increase DOL's operating budget assuming a permanent increase of one to two FTEs.
Completion Date:	Ongoing

Recommendation 11

The Department of Licensing should develop and apply an agency-wide policy and procedure for consistently charging external customers for processing costs associated with database information requests.

Legislation Required:	No.
Fiscal Impact:	Should enhance DOL's revenue stream.
Completion Date:	June 30, 1999

Recommendation 12

The Department of Licensing should strengthen current contractual restrictions on the use of database information by adding audit clauses to all such contracts, and requiring that all associated audit costs be borne by the contractor.

Legislation Required:	No
Fiscal Impact:	No significant impact since most costs would be passed on to external customers.
Completion Date:	December 31, 1999

Recommendation 13

The Vehicle Services Division should revise its performance measurement system as follows: a) reduce the number of measures, and focus them on core processes and objectives; b) ensure diversity as to types of measures; c) align measures in accordance with their strategy and budget; d) set reasonable yet challenging targets; and e) provide for periodic reporting of results.

Legislation Required:	No
Fiscal Impact:	No significant impact.
Completion Date:	Ongoing

Recommendation 14

The Department of Licensing (DOL) should meet with members of the Legislative Transportation Committee to determine if new legislation is needed for implementing credit cards. If so, the legislature should pass legislation to allow DOL to accept credit cards. Simultaneously, DOL should negotiate with credit card companies regarding transaction fees.

Legislation Required:	Possibly
Fiscal Impact:	The fiscal impact of this recommendation depends on the legislation that passes. However, additional technology and staff costs to implement credit card acceptance is expected. DOL estimates that it would cost the Department approximately \$500,000 for initial programming and hardware changes. Some costs

associated with credit card acceptance will be offset by cost savings and/or a service fee to customers.

Completion Date: Within twelve months after 2000 Legislative Session

Recommendation 15

The Department of Licensing should use its existing policies (VEH.8B and the Geographical Area Audit) when establishing a need for vehicle and driver licensing services together.

Legislation Required: No
Fiscal Impact: May help facilitate future savings.
Completion Date: Ongoing

Recommendation 16

The legislature should clarify its intent regarding collocation, including: a) identifying the specific goal of collocation; b) specifying what is meant by the terms community and agency "needs;" and c) specifying whether collocation should apply to both new and existing facilities.

Legislation Required: Yes
Fiscal Impact: May help facilitate future savings.
Completion Date: 1999 or 2000 Legislative Session

Recommendation 17

The Department of Licensing, other agencies, and affected stakeholder groups should collectively develop written agreements governing how collocation will occur in the future. The agreements should detail specific milestones, cost-benefit analysis methods and projected timelines for completion.

Legislation Required: No
Fiscal Impact: May help facilitate future savings.
Completion Date: June 30, 1999

Recommendation 18

Department of Licensing should develop and coordinate a Ten-Year Capital Plan.

Legislation Required: No
Fiscal Impact: May help facilitate future savings.
Completion Date: December 31, 1999

Recommendation 19

The Department of Licensing should: a) reevaluate the strategies and initiatives in its Information Services Division (ISD) Strategic Plan to determine the extent to which they advance department-wide goals; b) revise the plan to reflect this consistency and c) develop a small number of performance measures that will directly track progress toward ISD strategies.

Legislation Required:	No
Fiscal Impact:	There may be nominal costs associated with setting up a database on the Department's network in order to exchange ideas and feedback between business areas and ISD.
Completion Date:	This should take about four months to develop the communication plan and medium; however, resources may not be immediately available towards this given the priority of Y2K modifications.

Recommendation 20

To better manage the transition of the Information Services Division's (ISD) organizational structure, the Department of Licensing (DOL) should develop a process to provide for regular communication between the business areas of the Department and ISD. It should further direct that the Information Technology Steering Committee play a greater role in agency decisions regarding ISD and ensure that technology solutions represent the needs of DOL.

Legislation Required:	No
Fiscal Impact:	No significant impact.
Completion Date:	December 31, 1999

Recommendation 21

The Department of Licensing's Information Services Division should establish a process to assess the timeliness and quality of user support including specific processes to track requests for technology assistance and outcomes.

Legislation Required:	No
Fiscal Impact:	There may be relatively small technology and resource costs to establish a user support tracking and analysis process.
Completion Date:	It should take between 6 and 12 months to get a process in place and the technology to enable it. However, resources may not be immediately available to do this given the priority of Y2K modifications.