State of Washington
Joint Legislative Audit and
Review Committee

Performance Audit of the Motor Vehicle and Driver Licensing Functions of the Department of Licensing

Report 99-5

Prepared by PricewaterhouseCoopers for the Joint Legislative Audit and Review Committee

March 24, 1999

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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. As a joint, bipartisan legislative committee, membership consists of eight senators and eight representatives equally divided between the two major political parties.

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State of Washington
Joint Legislative Audit
and Review Committee

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WASHINGTON STATE DEPARTMENT OF LICENSING

Summary

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 for the Washington State Department of Licensing (DOL or Department). The mandated focus of this performance audit is primarily on DOL's motor vehicle and driver licensing functions. PricewaterhouseCoopers conducted this performance audit under contract with JLARC.

There are 21 recommendations in this report. In addition, less significant findings and recommendations were communicated in a management letter dated February 11, 1999. We recommend that DOL report back to JLARC in a timely manner on the progress of addressing the findings and implementing the recommendations contained in this report.

While a primary purpose of this report is to forward recommendations leading to reduced costs, increased effectiveness, and/or system improvements, we also noted various departmental strengths. These strengths include evidence of both the Driver Services and Vehicle Services Divisions' commitment towards pursuing a high level of customer service. This is especially true for vehicle licensing where the vast majority of focus group participants responded that they enjoy the convenience and service of the current system.

DRIVER SERVICES

Overview

The Driver Services (DS) Division licenses more than 4.1 million drivers in the state through 63 field offices and travel units. It maintains records on over 5 million drivers and identification card holders, and in FY97 provided over 2.9 million driving records to authorized individuals, insurance companies, employers, and law enforcement agencies. This division is also responsible for promoting traffic safety through testing, driver awareness education, driver screening, and administration of licensing sanctions. It administers state laws relating to such issues as driving while intoxicated, implied consent, and financial responsibility. It also ensures due process for drivers facing suspension, revocation, or restriction.

In our four customer focus groups we asked a sample of DOL customers to describe the kind of performance they expect to receive from a Licensing Service Office (LSO). These customers said they expect to receive prompt, courteous, consistent service. They would find a wait time of 1 to 15 minutes acceptable for all services. When asked if they received service that met their expectations, 73 percent of the participants believed they had received courteous service, but 69 percent of the people who visited an LSO in the last two years waited 15 or more minutes. Six participants, (10 percent) waited over an hour. Thus, when considering wait times, DOL performance in some instances falls short of customer expectations.

One key indicator of performance within Driver Services is the amount of time that customers wait at an LSO to perform a driver services transaction. DOL has a goal to provide service within an average of 20 minutes or less. Examination of DOL performance data indicated that it is currently meeting this goal with an average time of 19.8 minutes. We conducted a statistical analysis and determined that the addition of staff to LSOs would reduce wait times even further since the availability of counter staff has a significant relation to customer wait time.

Customer-Driven Changes for Driver Licensing Service Offices (LSOs)

While DOL management is committed to providing high levels of customer service and has taken steps to improve the quality of service in LSOs, there are operational obstacles that limit the effectiveness of LSOs. The overall effect of these obstacles is diminished customer service. In addition to customer responses that wait times exceed customer expectations, LSOs have the following performance gaps:

Customer-driven operations lead to success

- Hours are not convenient for customers. Two-thirds of the customers who participated in our focus groups told us that facilities were not open at convenient times and days.
- The exchange of information between DOL and customers is insufficient. 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.
- The systems and processes used to issue disabled placards and identification cards are not efficient. Disabled placards require two separate transactions and two separate systems – one to issue the placard and one to issue the identification card. These procedures are burdensome to staff and cumbersome to customers.

Having enough staff at work in the LSOs is perhaps DOL's greatest challenge to delivering quality service. Two additional organizational factors also make it difficult for staff to meet the needs of LSO customers:

Training is needed across all levels of DS

- LSO staff and management training needs refinement. While field staff we spoke with praised the recent resumption of in-service training, they, along with customers, also recognized that most driver licensing training is on the job. Issues related to training were raised in interviews during seven of our eight LSO site visits. Customers who participated in the focus groups were also queried about how well-trained LSO staff appeared. The themes that emerged from our interviews were that there is not a lot of training for new staff, not enough job-specific training nor management training. Customer service is impacted when staff are not trained adequately. It takes longer for staff to do the job. The ultimate impact of insufficient training is that it slows the process for customers.

- Policies addressing bilingual Licensing Service Representatives (LSRs) need to be addressed. Population forecasts show that the number of Asians and Hispanics will continue to increase in Washington during the coming years. Office of Financial Management (OFM) data also indicates that in 2025 Asians will comprise 8.8 percent of the state and Hispanics will make up 10.2 percent. Current DOL polices surrounding bilingual staff contain limitations that if left unaddressed may make it difficult for the department to support anticipated growth. No strict guidelines for certification or qualification as a bilingual LSR exist. In fact, DS management reports that they are not aware of any certification processes or bilingual proficiency standards within Washington State. DOL has an administrative policy for dual language assignment pay.

In conclusion, DOL has taken a number of steps to improve the performance of its Driver Service Program. Many of the initiatives considered in the past were dependent upon technology. As well, DOL has to consider the needs of its broad customer base which includes law enforcement, the courts, other government agencies, businesses and individuals. Going forward, DOL should prioritize those improvement efforts that directly benefit its individual customers.

VEHICLE SERVICES

Overview

Vehicle licensing is a complex business consisting of hundreds of laws, covering a broad range of activities. The Vehicle Services Division at DOL has primary responsibility for titling, registering, and licensing over 5 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 respective counties in which they operate. Together, the agents and subagents service the vast majority of vehicle and vessel titles and non-title transactions (97 percent in 1997). This model is called a 'hybrid' because of its unique nature of integrating state, county, and private sector resources for providing service. The unique nature of Washington's service delivery mechanism makes it impractical to benchmark performance results with other states.

Potential "Use" Tax Abuses

Controls over the collection of "use" tax questioned

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 we interviewed felt 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. Those conclusions were based on the fact that there is a lack of oversight controls, especially at the state level, to help ensure that licensing clerks abide by DOR's guidelines.

In an effort to either support or refute these concerns, we randomly selected 47 transactions from a day's worth of title transactions from 10 different offices. We found that the licensing clerks processed title transactions without evidence of a required "Declaration of Use Tax" form for all 11 of 11 tested transactions that were subject to use tax collection, and fell outside of DOR's vehicle value parameters.[1]

"Use" tax dollars potentially may not be collected

The potential loss in use tax to the state from one of the 11 noted exceptions was $381, based on a vehicle processed at $100 that an industry guidebook indicated was worth $6750. We use the word "potential" here because vehicles can be properly taxed on dollar amounts well less than vehicle value guide amounts, if indeed the car was purchased for a lower price. Nevertheless, given the large volume of title transactions in a year (approximately two million), the risk associated with this potential is significant.

[1] These 11 transactions were from 7 different offices.

In conclusion, there are very few controls to ensure that vehicle licensing clerks follow existing policies and procedures towards collecting the full amount of use tax due the state. We found no significant oversight controls at the state level to ensure compliance. Our transactions testing shows that indeed DOR's guidelines are not being followed. The lack of controls in turn 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.

Agent/Subagent Monitoring

DOL utilizes a variety of means to assess the performance of vehicle licensing offices. The two primary ones are through DOL's licensing office support teams, the Title and Registration Engineering Corp (TREC teams) and its internal audit unit, which is referred to as the Office of Systems and Program Review (OSPR).

The TREC teams conduct desk reviews of title transactions to monitor certain contractual clauses contained in both the agent and subagent contracts. Specifically, the TREC teams verify that vehicle licensing offices maintain at least a 95 percent accuracy rate over a six month continuous period. The accuracy rate relates to title transactions containing documents that, if missing or processed incorrectly, would invalidate a certificate of ownership as set forth in department policies and procedures. It does not include verifying compliance with DOR's guidelines regarding use tax.

OSPR conducts both special and periodic field reviews or audits of vehicle licensing offices. These audits are primarily compliance-based, mostly addressing inventory counts, exception reports, cash counts, and bank reconciliations. While a review of OSPR audit reports shows the outcome of these efforts in terms of findings and recommendations, it is less clear how effective their recommendations are. This is largely because there are no required corrective action plans detailing specifically how the vehicle licensing office intends to correct deficiencies. Currently, OSPR has the vehicle licensing office personnel acknowledge in writing that they will comply and/or provide recommended documentation. However, a more detailed acknowledgement as to how they plan to comply is not required. We noted several OSPR findings and recommendations which were repeated from audit to audit.

SERVICE DELIVERY ALTERNATIVES

DOL has evaluated a number of alternatives that would expand the way it provides service to customers. In its comprehensive report, "Alternative Approaches to Delivering Agency Services," dated December 20, 1997, DOL presented the expected outcomes, benefits, impacts, cost, and progress of several service delivery alternatives. The report included innovative practices used in other states, techniques cited by the American Association of Motor Vehicle Administrators (AAMVA), and service options requested by DOL customers. Of the 18 alternatives evaluated, 7 of them required credit card acceptance in order to be implemented.

Credit Card Acceptance

Credit cards are a staple in today's economy. Five of the six states that responded to our state benchmarking survey accepted credit cards for payment. In general, it appears that the public expects to be able to use them to conduct business. Eighty-two percent of the participants from the PricewaterhouseCoopers focus groups stated they would use credit cards if they were allowed. Two customer surveys conducted for DOL in the last three years offered similar results. In a 1997 telephone survey for the Business Technology Assessment Project (BTAP), customers were asked their opinions of six suggested improvement alternatives. Fifty-four percent thought being able to use a credit card to pay for a driver or vehicle license or license renewal was an excellent or very good idea.[2]

DOL has analyzed the costs associated with processing credit cards. They include the transaction fee credit card companies charge and costs associated with changing computers to accommodate credit cards. Of the five states that participated in our survey, and that use credit cards, two (Texas and Iowa) charge customers the transaction fee, while the other three

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[2] "Assessment of Customer and Stakeholder Satisfaction and Preferences," Washington State Department of Licensing Business and Technology Assessment Project, February 3, 1998.

absorb the fee. DOL has estimated that it could cost the department about $5 million to pay the credit card companies' transaction fees. One obstacle is that certain credit card companies prohibit the transaction fee from being passed on to the customer. Even if this policy could be waived, Vehicle Services (VS) management believes that DOL needs legislative authority to pass the fees on to the customer. VS management has referred the matter to the Legislative Transportation Committee (LTC) for action.

To date, DOL has not been able to resolve issues associated with doing business by credit card. LTC staff have been involved but little progress has been made. This has resulted in customers, particularly those who would like to have the option of paying their vehicle fees and taxes over time, not being able to do so. Consequently, agents, subagents, and customers must conduct business in person (except for vehicle registration renewals) rather than use the phone or Internet as they prefer.

COLLOCATION

In 1993, the state legislature directed DOL and the Washington State Patrol (WSP) to coordinate with each other when siting facilities, in order to promote collocation. In this context, collocation was originally envisioned to include driver licensing, vehicle licensing, VIN inspections, emissions testing, and DOT permits, all located at a single site. Aside from the projected capital savings of building one facility as opposed to many, another expected benefit of the collocation concept was enhanced customer convenience. Specifically, customers would be able to conduct multiple transactions at one facility (i.e., one stop shopping).

A limited number of residents will benefit from one-stop shopping

While collocation has the ability to save costs due to the principle of economies of scale, it is not likely that it will always do so. As expected, one must trade off the cost of individual leasing arrangements versus the cost of building and maintaining a facility for a specified period of time. The second expected benefit of collocation, namely customer convenience, is much less likely to occur. Specific examples of how one-stop shopping is envisioned include the process by which a customer could get a driver's license, register a vehicle, receive a VIN inspection, and conduct an emissions inspection. Although this benefit appears legitimate on the surface, upon further analysis it is apparent that the number of people who would actually benefit from such a situation may not be as great as initially thought. Aside from this issue, there are other problems associated with the collocation concept:

There have been no standardized definitions of the collocation process

- The definition of the collocation of transportation-related facilities in Washington State has been interpreted to mean different things from both aspects of conceptual understanding and operational implementation.
- There is a lack of a standardized process for determining how collocation should occur.
- Facility siting criteria have not been universally applied.
- There is an inherent difficulty associated with mixing a new service delivery concept (collocation) with a long-standing mix of service delivery methods (i.e. subagents, agents, and DOL).

Aside from the issues discussed earlier, this last point is especially important. The decision to collocate must integrate existing relationships with subagents, agents, and other state agencies to ensure that proper locations are considered. In the absence of a well-coordinated plan from among these stakeholders, it is highly unlikely that collocation will reap the type of benefits that it otherwise could achieve. For example, if agents and subagents are not involved in the choice of location of a collocated site, they may choose not to locate their business within a DOL-owned facility that was purposefully built for their occupancy. Lack of coordination could undoubtedly result in less efficiency and more strained relationships between all parties involved.

COST ALLOCATION

A review of departmental methods to allocate costs to divisions and cost centers show that all indirect costs are either based on full-time equivalent (FTE) employees, or based on "management estimates." Management estimates are more subjective in nature since they are simply estimates relative to the target's actual use of the service. While FTEs and management estimates are appropriate methods for spreading many types of costs, it is doubtful that they should be the sole basis for allocating all indirect costs. In addition, the methodologies for the management estimates were not documented and not always known to the custodians of the models.

We also noted a series of other weaknesses surrounding the Department's cost allocation models:

- There is a lack of supervisory controls over the custodians who run the reports.
- There are no written policies and procedures for operating the systems.
- There has been a lack of cross-training to prevent operating disruptions in the event key staff leave.
- The Department's internal audit unit does not review the processes and results to verify accuracy.

DOL management is aware of these weaknesses and has taken some measures to address them.

RECOMMENDATIONS

This report contains 21 recommendations. Many relate directly to the issues highlighted in this summary. For the remainder, discussion and supporting rationale is included in the body of the report.

AGENCY RESPONSE

We have shared the report with the Department of Licensing (DOL), the Department of Revenue (DOR), and the Office of Financial Management (OFM), and provided them an opportunity to submit written comments. DOL concurs or partially concurs with all recommendations except recommendation 1d calling for DOL to establish a toll-free telephone number, and the overall fiscal impact of Recommendation 1. OFM concurs with all recommendations. In responding to Recommendations 8 and 9 of the preliminary report, DOR concurs with Recommendation 8 and partially concurs with Recommendation 9 (renumbered in the final report as Recommendations 7 and 8). The agencies' responses are provided in Appendix 2.

Thomas M. Sykes
Legislative Auditor

On March 24, 1999, this report was approved by the Joint Legislative Audit and Review Committee and its distribution authorized.

Representative Cathy McMorris
Chair

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.

INTRODUCTION

Chapter One

This performance audit responds to legislation passed in 1997 (ESSB 6061) that called for performance audits of state transportation agencies. This legislation directed the Joint Legislative Audit and Review Committee (JLARC) to conduct several performance audits, including one for the Washington State Department of Licensing (DOL or Department). DOL is considered a "transportation agency," along with the Washington State Department of Transportation (DOT) and the Washington State Patrol (WSP). Legislation specified that the audit of DOL focus on the processes for motor vehicle and driver licensing functions. PricewaterhouseCoopers conducted this performance audit under contract to JLARC.

This audit was chartered in response to 1997 legislation

Consistent with the enabling legislation, PricewaterhouseCoopers conducted this performance audit in accordance with general and performance audit standards regarding qualifications, independence, due professional care, quality control, field work, and reporting prescribed by the U.S. General Accounting Office (GAO) in *Government Auditing Standards (1994 Revision).*

APPROACH

We employed a variety of techniques in conducting this performance audit. These included:

A variety of techniques were used to assess DOL's performance

Interviewing key stakeholders: Stakeholders are individuals or groups who will affect, and be affected by, the performance audit. They include DOL employees, JLARC staff, interacting state agencies, and other applicable parties. In addition to numerous interviews with DOL management and staff, we interviewed representatives from JLARC, the State Auditor's

Office (SAO), the Legislative Transportation Committee (LTC), the Washington Association of County Officials (WACO), the Title and Registration Advisory Committee (TRAC), the Washington Association of Vehicle Subagents (WAVS), the Washington Department of Revenue (DOR), the Washington Office of Financial Management (OFM), the Washington State Patrol (WSP), the Washington Department of Transportation (DOT), General Administration (GA), counties (agents), and private businesses (subagents). The purpose of these stakeholder interviews was to solicit views and concerns about DOL and its environment.

Reviewing documentation: We requested and reviewed various documents that related to the scope of the project. Examples of the types of material that was reviewed include the following: technical reports, budget plans and reports as submitted to OFM, strategic plans, relevant statutes, regulations, and legal opinions, operational status reports, performance measurement contracts and agreements, internal audit reports, personnel policies, human resource plans, job descriptions, staffing plans, and policy and procedure manuals.

Conducting a "best practice" search: A best practice search is a methodology to identify successful practices of other organizations that potentially could benefit DOL. We utilized a variety of sources including: proprietary knowledge-based databases, interviewing and reviewing material from industry leaders such as the American Association of Motor Vehicle Administration (AAMVA) and R. L. Polk, internet searches, and contacting comparable licensing organizations.

Conducting a state survey: We prepared a detailed survey of questions and distributed it to ten states, either of similar size to Washington (five states), or with interesting operating characteristics and a diverse range of laws and regulations (five additional states.) We obtained responses from six of the states and incorporated them into our analyses and conclusions. Of the six states that responded to our survey, three were similar in size to Washington, and three had unique operating characteristics and a diverse range of laws and regulations.

Conducting customer focus groups: We conducted four focus groups throughout the state, one each in the North Seattle metropolitan area, South Seattle metropolitan area, Vancouver, and Spokane. We invited up to 20 participants per meeting site from DOL's database of recently serviced vehicle licensing customers. We prepared a series of questions as a guide for the meetings that were reviewed in advance by a variety of stakeholders. Fifteen people attended each of the four meetings which lasted approximately two hours each. The objective of these meetings was to efficiently gather public comments in a qualitative manner.

Analyzing flowcharts and observing processes: We obtained or prepared various flowcharts of key processes to understand operations and identify issues for further review. We also observed various processes, including field visits to eight driver licensing service offices throughout Washington.

Obtaining, compiling, and interpreting statewide statistics: We assessed a variety of data in an effort to better understand DOL's operating environment, identify trends, and offer models for future use.

Sampling transactions: We sampled 47 vehicle title transactions to gain a better understanding of the transactions and to test for the proper collection of taxes in relation to DOL procedures and DOR guidelines.

AGENCY OVERVIEW

DOL is a complex agency responsible for a myriad of activities

The DOL administers many of Washington's licensing laws, including the regulation of professions, businesses, vehicles, vehicle operators, vehicle dealers, and vehicle manufacturers. According to Title 46 of the Revised Code of Washington (RCW): "the laws administered by the Department have the common denominator of licensing and regulation and are directed toward protecting and enhancing the well-being of the residents of the state."

The Department is an executive branch agency with a director who is appointed by the Governor. There are also five assistant directors who serve at the pleasure of the director and who oversee each of the Department's five divisions: Driver Services, Vehicle Services, Business and Professions, Administrative Services, and Information Services.

The Driver Services Division licenses more than 4.1 million drivers in the state through 63 field offices and several travel units. It maintains records on over five million drivers and identification card holders, and provides over 2.7 million driving records to authorized individuals, insurance companies, employers, and law enforcement agencies. This division is also responsible for promoting traffic safety through testing, driver awareness education, driver screening, and administration of licensing sanctions. It administers state laws relating to such issues as driving while intoxicated, implied consent, and financial responsibility. It also ensures due process for drivers facing suspension, revocation, or restriction.

The Vehicle Services Division has primary responsibility for titling, registering, and licensing over five million motor vehicles, off-road vehicles, mobile homes, campers, trailers, tractors, semi-trailers, rental cars, and 300,000 vessels per year.[3] These services are provided primarily through a network of 39 counties serving as agents to DOL, and 135 private businesses who serve as subagents under contract with the respective county in which they operate. According to DOL's budget submittal for the 1999-2001 Biennium, vehicle licensing activities result in the collection of close to $1 billion dollars per year in motor vehicle excise taxes and fees. In addition, according to DOL, the vehicle licensing offices collected approximately $114 million in use tax during FY98 for the DOR. The division also offers consumer protection by licensing and regulating vehicle dealers and manufacturers. Finally, the division administers fuel tax laws through a multi-state agreement and registers commercial motor vehicles used in interstate commerce through a multi-state and multi-nation agreement.

The Business and Professions Division is responsible for administering 30 different licensing programs covering business, professional, and occupational licensing.

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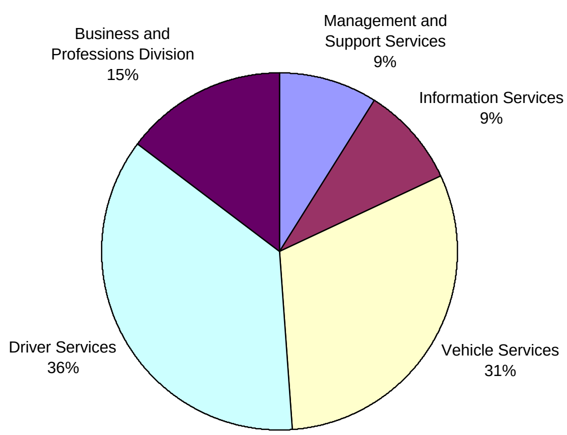
[3] For purposes of this report, we consider the servicing of all these types of vehicles and vessels as "vehicle licensing."

The Administrative Services Division serves as the support link to the programs within the Department and includes: budget, fiscal management and accounting services, forms and records, office services, the mail center, and warehouse supply.

The Information Services Division serves the other departmental divisions and other government organizations by providing computer data processing systems.

The following two pie charts depict the Department's actual allotments in dollars and full-time equivalent (FTE) employees for FY98 as tracked on the Legislative Transportation Committee's fiscal monitoring system.

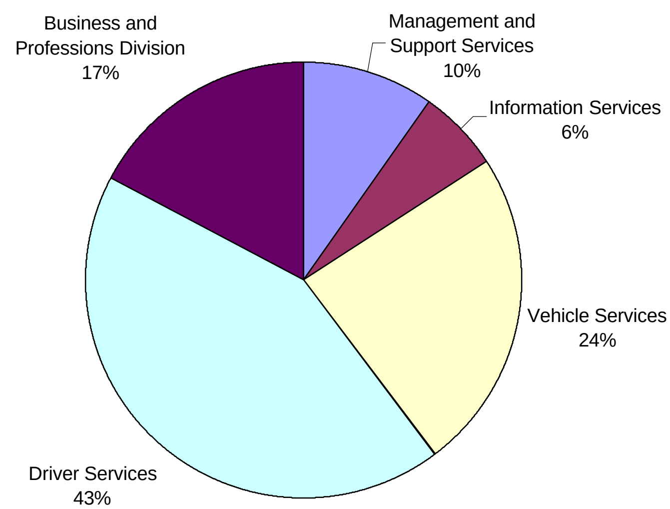
Exhibit 1
DOL Total Fiscal Allotments by Area (June 30, 1998)



Note: Management and Support Services includes the Administrative Services plus the Directors office.

Source: Legislative Transportation Committee.

Exhibit 2
DOL FTEs by Area (June 30, 1998)

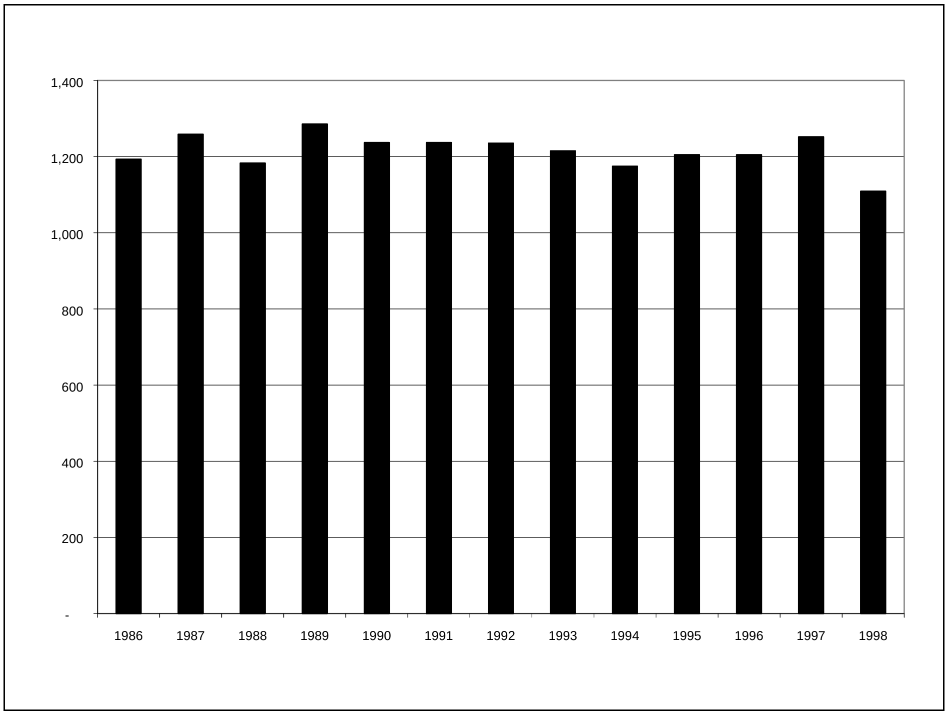


Note: Management and Support Services includes the Administrative Services plus the Directors office.

Source: Legislative Transportation Committee.

The following bar chart depicts total DOL FTE fluctuations over the past ten years.

Exhibit 3
DOL Actual FTE Staffing Levels (1988-October 1998)



Source: Department of Licensing (October 1998).

PROJECT SCOPE

In an effort to maximize the potential for forward-looking recommendations, the scope of this performance audit is on current operations. Some of our recommendations are "cross-cutting" in that they apply not only to DOL, but also to other state departments and the legislative branch. Our last day of fieldwork was December 3, 1998. While the emphasis is on current conditions, we interject a historical perspective at times to enhance the reader's understanding of DOL's operating environment and trends.

Our scope did not include verifying the accuracy of DOL's data or other data sources. While we did apply various tests of reasonableness, the data contained in this report should not be construed as being "audited" by PricewaterhouseCoopers.

Audit scope is primarily geared towards DOL processes in vehicle licensing and driver services

It is important to note that the scope of this performance audit was geared primarily towards DOL processes for motor vehicle and driver licensing functions. We did not conduct detailed audit procedures for all of DOL's operations. Specifically, the Business and Professions Division is not part of the performance audit scope. Further, the licensing and regulation of vehicle dealers and manufacturers was largely outside the scope of this performance audit. Several organizational sub-units such as accounting services, supply, and offices services were not reviewed since they were considered outside the prescribed scope. Refer to Appendix 1 for a more detailed statement of this project's scope and objectives.

In addition to the findings and recommendations contained in this report, we have prepared and submitted a letter to DOL management dated February 11, 1999, communicating less significant findings and recommendations.

DRIVER LICENSING

Chapter Two

This chapter presents the findings from the four audit objectives pertaining to Driver Services (DS):

- Identify material differences in applicable laws and regulations in Washington as compared to other states.
- Evaluate performance of Washington's driver licensing system; particularly, customer service and delivery of day-to-day operations of Licensing Services Offices (LSOs).
- Assess the efficiency of LSOs including organization, staffing, and geographical dispersion.
- Assess the effectiveness of the Hearings and Interviews (H&I) section.

The PricewaterhouseCoopers audit team used a variety of qualitative and quantitative techniques to accomplish these objectives. We conducted interviews with managers, staff, and stakeholders. To validate information reported in these interviews and to better understand DOL's operating context, the team analyzed policies, procedures, prior studies, and surveys. We performed statistical and econometric analyses to assess the efficiency of driver license services. We also held four customer focus groups, surveyed six states, and researched best practices.

LEGISLATIVE OVERVIEW

The Driver Services Division manages a $66 million biennium budget and employs approximately 500 FTEs (as of October 1998). Its mission is to promote traffic safety and to provide information stewardship for the benefit of the general public. DS duties are defined in Title 46 of Revised Code of Washington (RCW). Title 46 mandates a broad range of DOL functions including:

- Driver licensing
- Accidents and driver record keeping
- Financial responsibility
- Rules of the road/DUI
- Commercial Drivers Licenses
- Habitual offenders
- Traffic infractions

The Washington Administrative Code (WAC) supplements the RCW and contains agency regulations and policy. Relevant provisions provide administrative procedures for financial responsibility, hearings, record keeping, privacy and rules for DOL, and driver training schools.

Impact of Recent Legislation

DOL managers and staff reported in interviews that recent changes to the RCW and WAC have impacted workload. The 1995 and 1998 driving under the influence (DUI) law changes expanded sanctions against drunken drivers. This in turn, increased workload such as added screening, probationary licenses, re-testing, and hearings. The Federal Driver Privacy Protection Act, which is acknowledged in the WAC, limits the availability of driver records. This has added administrative procedures; for example, staff must review written requests for abstracts of driver record information. Requiring identification cards along with disabled placards has increased the volume of customers in Licensing Services Offices (LSOs). (Disabled placard policies and issues are discussed later in this chapter.)

Washington in Relation to Other States

Interesting Features

There are notable trends in driver licensing legislation across the country. Overall, states are providing greater flexibility in service and longer renewal periods to good drivers. For example, eighteen states allow drivers without traffic convictions to renew by mail, while other states have extended renewal periods. At the same time, states are using driver laws to limit the mobility of risky drivers. Several states have laws which limit the driving privileges of teens and increase monitoring of elderly drivers.

These segments of the population have been associated with higher rates of accidents than the general population. Other states are using driver licenses to achieve broad public policy objectives, such as reducing DUIs. Some interesting examples of these trends are:

- In Arizona, licenses are valid from issuance until the 60th birthday. A renewed license is issued every twelve years, the cost of which decreases with age. A 16-39 year old pays $25, but a 49 year old pays $15. After 55, licenses are renewed every five years.
- Graduated licenses that limit teen driving privileges (for example, by designating certain times of day teens can drive and the number of passengers accompanying them) are now required for teens in California, Maryland, and Illinois. Two states, New York and New Jersey, have curfews for drivers under 21.
- Fourteen states require senior drivers to be re-tested in order to renew their driving licenses and require more frequent renewals (i.e., have shorter terms).
- New York, New Jersey, and Wisconsin require that licenses of all first-time drivers be probationary, regardless of age.
- Oregon requires driver license applicants to attend alcohol awareness classes.
- Georgia, Mississippi, and West Virginia require that drivers under 18 demonstrate enrollment in school in order to obtain or renew a license.
- Drivers with unpaid parking fines cannot renew their driver licenses in California.
- Parents in Illinois may request to cancel the driver license of 16 and 17 year olds.

Notable Differences

Most of DOL's driver licensing policy is set by statute. License terms, fee amounts, driver examining requirements, driver record contents, and consequences of violations of rules of the road are just some of the details specified in the RCW. In relation to the six surveyed states, Washington's laws seem somewhat more prescriptive. For example, both the RCW and California's Motor Vehicle Code contain sections on examinations for license. California's (section 12803) simply requires the department to conduct an examination of the applicant in the county where the applicant resides. Washington's statutes not only mandate that the director prescribe the content of the driver licensing exam, but also specifies requisite contents. Because statutes dictate DOL policy and procedure so specifically, the agency must oftentimes seek legislation to change the way it conducts business.

Washington's regulations are most different than states across the country in two areas:

- Seventy-four percent of states (36) and the District of Columbia (DC) charge more than Washington to renew a driver license.
- Washington has more privacy measures in place than other states. For example, some states sell driver records to telemarketing firms for private use. Washington's laws deny the use of driving records for that purpose.

DRIVER SERVICES PERFORMANCE: LSO CUSTOMER SERVICE AND OPERATIONS

The Driver Services Division of DOL offers a variety of services to a broad customer base. In fact, over 70 percent of people living in Washington have driver licenses that they obtained from a Licensing Services Office (LSO).[4] In order to evaluate LSO performance we analyzed performance measures, process maps, and first-hand assessments from customers, managers and staff. Through four customer focus groups, and over 35 interviews, we gained valuable insight into DS operations and customer satisfaction. Where possible we compared DOL to the six states that responded to our state benchmarking survey. We used all of this information to identify obstacles to effective operations and to assess the extent to which DOL meets its customers' needs. This section presents the results of our analysis of DS performance measures, performance results, operations, and customer satisfaction.

[4] 5.7 million residents (U.S. Bureau of Census), 4.1 million licensed drivers (DOL).

Driver Services Performance Measures

Successful organizations use performance measures and customer input to indicate levels of performance. They regularly use these tools to assess the quality of service and if necessary, to change processes, procedures, technology or other aspects of the way they conduct business. Performance measures should tell the organization how well it is meeting its goals and indicate the extent to which customers' service needs are being met. Customer comments help an organization understand what they need to do to be successful. As the needs of customers change over time, performance measures should continually be evaluated and improved.

DOL is in the process of improving its performance measurement system. In an attempt to align the measures with its budget and to address limitations of the previous system, the Department recently developed new performance indicators. However, both the old and new set contain the primary measure used by the state driver licensing programs we surveyed – customer wait time. Wait time is a critical indicator of efficiency and customer satisfaction; however, it measures only one aspect of the LSO operation. Furthermore, DOL only tracks the maximum, minimum, and average wait time in its 26 busiest offices. Other measures that DS does not use due to technological and staffing limitations, but that would be useful, include:

- Frequency of customer wait times – which would tell the distribution of wait times during a given time period (e.g., 25 percent of customers waited 20 minutes for renewal).
- Cycle time – which would denote the time it takes customers to obtain the license, or other service they seek, door-to-door.
- Measurements of the other services offered through the LSOs such as ID cards, disabled person parking placards, commercial driver licenses, agricultural driving permits, etc.
- Number of customer comment cards distributed.
- Number of customer comment cards returned and/or letters received.
- Number of and percent change in favorable customer comments.

Industry Benchmarks

After consulting with the Federal Highway Administration (FHWA), the American Automobile Association (AAA) and the American Association of Motor Vehicle Administrators (AAMVA), we were unable to identify any industry standards that would be direct indicators of driver licensing operations. For example, industry benchmarks such as traffic fatalities per mile and per vehicle are interesting indicators of safety, but do not directly describe the level of service at a department of motor vehicles. Thus, we analyzed wait time because it is the quantitative measure that each state we surveyed uses, at least to some degree. As well, wait time is an important indicator of customer satisfaction.

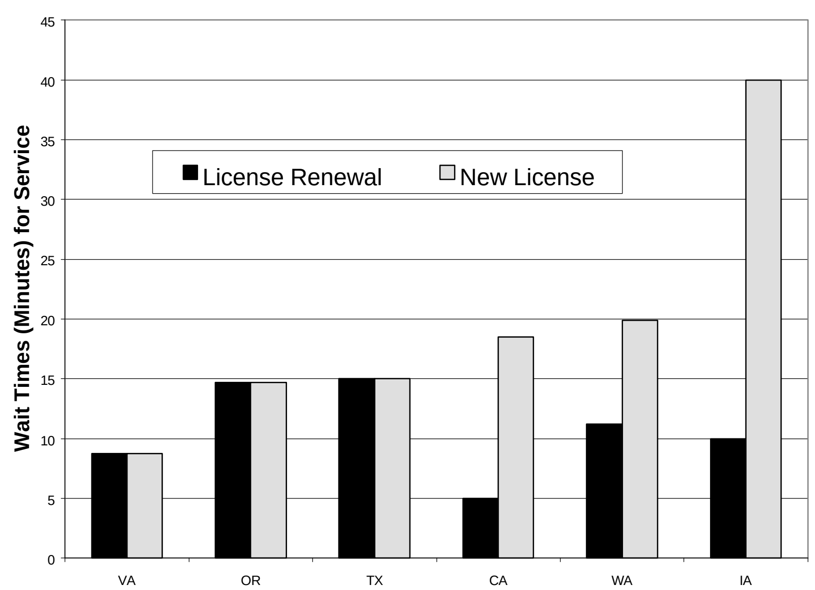
Performance Measures and Other States

We asked the states who participated in our survey what measures they used to assess the quantity and quality of driver service provided. All used customer surveys and/or comment cards. Other measures they reported are:

- Wait times, (WA, VA, TX, OR, IA, CA)
- Supervisor visits to stations (VA)
- Workload/volume indicators such as:
  - Number of driver licenses /identification cards issued (VA, WA)
  - Number of drive tests given (WA)
  - Number of driver control hearings (WA, VA)
  - Number of suspensions and revocations (WA, VA)

We found that with respect to wait times for driver license **renewals**, Washington performs faster than Oregon and Texas but slower than California, Virginia and Iowa. However, there is less than five minutes difference between Washington and the faster or slower states. There is greater variation in wait times for **original licenses**. Washington has an average wait time of 19 minutes 53 seconds. This is half Iowa's wait time of 40 minutes (with testing), and twice as long as Virginia's, 8 minutes: 45 seconds. Exhibit 4 illustrates a comparison of wait times for renewal and original licenses at six states.

Exhibit 4
Wait Times for Renewal and Original Licenses



Source: PricewaterhouseCoopers Benchmarking Survey (1998).

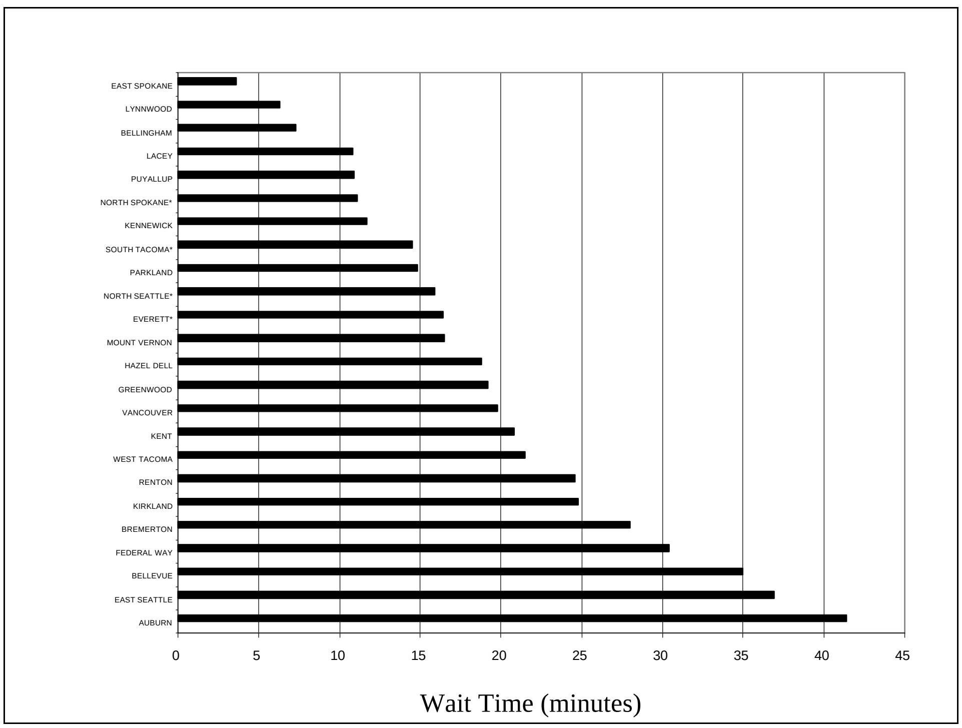
However, there are differences in the driver licensing measures and programs of each of the surveyed states which make it difficult to draw conclusions about Washington's performance based on other states' wait times. Specifically, Oregon, Texas, and Virginia do not separate wait times by type of service, e.g., renewal, original, address change etc. Iowa's original wait time includes testing, but Washington's queuing system does not measure all of the time that a customer must wait to obtain an original license. It only measures the time the customer pulls a ticket to the time they are called to the counter to complete the application for a license. This excludes the wait time associated with the written test, the driving test, photo processing, and lamination. New York did not provide wait times. The remaining survey respondent, California, operates on an appointment system which enables them to control the volume of customers entering the office and thus presumably minimize wait time.

Given these distinctions, and the fact that each state follows different procedures and uses different technology, it is not feasible to draw conclusions on performance only by comparing Washington to other states. To probe performance further, we analyzed wait time in light of customers' expectations and the Department's own performance target of 20 minute wait time for all services. We also considered customer standards, management priorities, and front line staff input to assess DS performance.

Performance in Relation to Internal and Customer Benchmarks

DS management has established an internal performance target of a 20 minute customer wait time for original and renewed driver licenses. The graph below shows that on average, 15 out of 24 LSOs perform better than the target. Current DS performance results indicate an average wait of approximately 20 minutes for an original Washington license and approximately 11 minutes for a renewal. However, wait times at individual LSOs vary significantly as evidenced by Exhibit 5 below.

Exhibit 5
Annual Average Wait Times by LSO (July 1998)



Source: DOL Qmatic Data (July 1998).

In our four customer focus groups we asked a sample of DOL customers to describe the kind of performance they expect to receive from an LSO. These customers said they expect to receive prompt, courteous, consistent service. They would find a wait time of 1 to 15 minutes acceptable for all services. When asked if they received service that met their expectations, 73 percent of the participants believed they had received courteous service. But 69 percent of the people who visited an LSO in the last two years, waited 15 or more minutes. Six participants, (10 percent) waited over an hour. Thus, when considering wait times, DOL performance in some instances falls short of meeting customer expectations.

Cycle Time vs. Wait Time

Wait times do not describe the entire customer experience at an LSO. Cycle times include wait time and transaction time, and reflect the length of time a customer spends obtaining licensing services. In order to determine the cycle time for a customer to actually receive a license from an LSO, we mapped the work flows of major LSO functions; original driver licenses, renewal licenses and disabled placards. We then used transaction times from the Department's queuing measurement system, Q-Matic, to calculate a weighted average time for all offices with Q-Matic systems. We used the weighted average calculation because it reflects the experience that the customer is more likely to have. As a result, these numbers are somewhat higher than the overall system average reported earlier in this section. These times were attributed to each specific task a customer must experience and summed to arrive at customer cycle time in LSOs. We found the following:

- It takes a customer two hours and fifteen minutes to get an original Washington driver's license. Since offices generally offer driving tests by appointment, the customer often has to make two trips to complete the transaction. In the summer months, a customer may have a three-week wait for a driving test appointment.

- Renewing a license takes the customer 32 minutes, but 20 of those minutes (60 percent) are spent waiting. During periods of peak volume it can take twice as long to receive these services.

Factors that Contribute to Wait Time

Several factors contribute to lengthy customer service. The number of staff has the most impact. In addition, phone calls taken at the counter, customers not taking the correct Q-Matic (take-a-number) ticket, and not having the proper documents and information, all serve to increase the time customers spend in the LSO. Process bottlenecks are another factor. For example, when a customer needs to get a Washington State license for the first time, they take a Q-Matic ticket when they enter the LSO. They wait an average of 35 minutes to get called to complete the license application and take the knowledge test.[5] They then take a second ticket and wait to complete the transaction. Depending on one's experience, long wait times could be a factor of variables including the quality of staff, number of customers, the number of available staff, and even the season in which one visits an LSO.

Licensing Service Representative (LSR) Experience

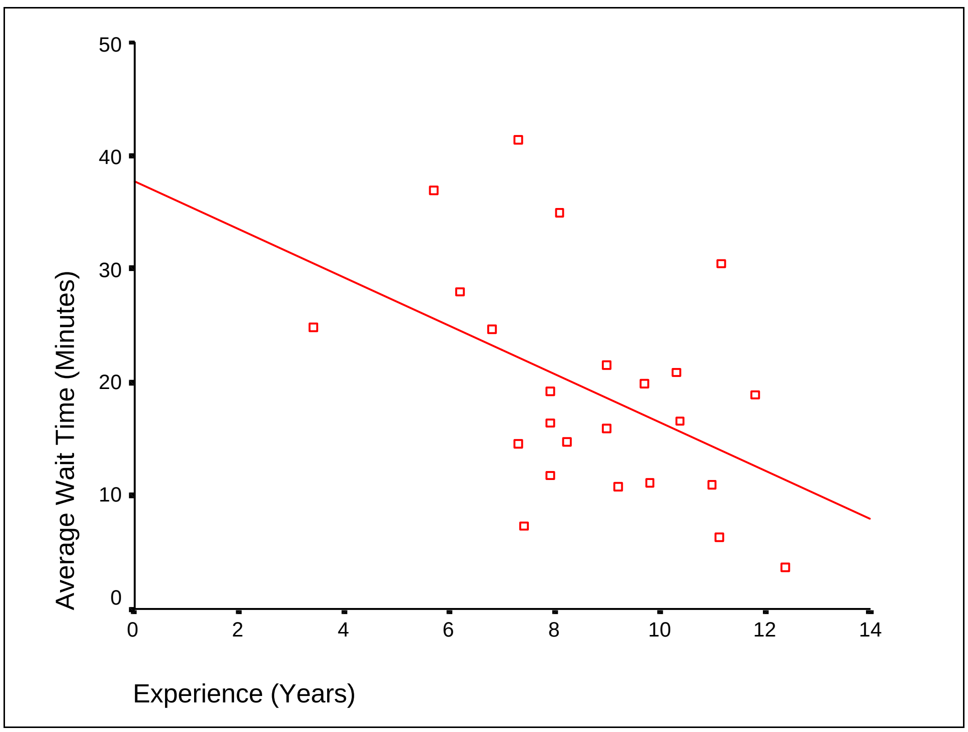
LSOs with higher tenured personnel have lower average wait times

The following exhibit shows the relationship between average customer wait time and Licensing Service Representative (LSR) experience by LSO. It is apparent from this graph that some LSOs have more experienced LSRs, by comparing average tenure, than others. There appears to be a correlation between average LSR experience and customer wait time. Specifically, LSOs with higher average tenure tend to have lower wait times than LSOs with less experienced personnel. A Pearson's correlation statistic was calculated to determine whether or not the relationship between the two variables is statistically significant. Results indicated that there is correlation ($R = -.460$) that is statistically significant at a level of .05. It is not clear from this analysis, however, exactly what is the direct causal factor: Do increased wait times cause more senior personnel to migrate to offices with lower wait times (i.e. lower stress), or are wait times genuinely affected by the experience of the staff? Interviews with personnel at the LSOs indicate that both issues are probably at work here.

[5] See previous section for discussion on weighted average calculation of wait times.

For example, the East Seattle LSO has been perceived to be a “training ground” of sorts in that it is considered to have one of the higher turnovers of all LSOs. Over a three month timeframe during Fall 1998, East Seattle had five employees transfer as compared to no transfers for other LSOs. Part of this turnover is likely caused by the high wait times and difficulty of transactions that employees are faced with. A better distribution of experienced staff across LSO offices could contribute to lower wait times and enhanced mentoring of more junior staff. Admittedly, the equitable distribution of more experienced staff throughout the organization, although potentially impactful, is made difficult due to provisions contained in the current labor union bargaining agreement that allows staff to transfer up to two times in any given year as openings occur in LSOs across the state.

Exhibit 6
Average Wait Time vs. LSR Experience by LSO
(With Trend Line)



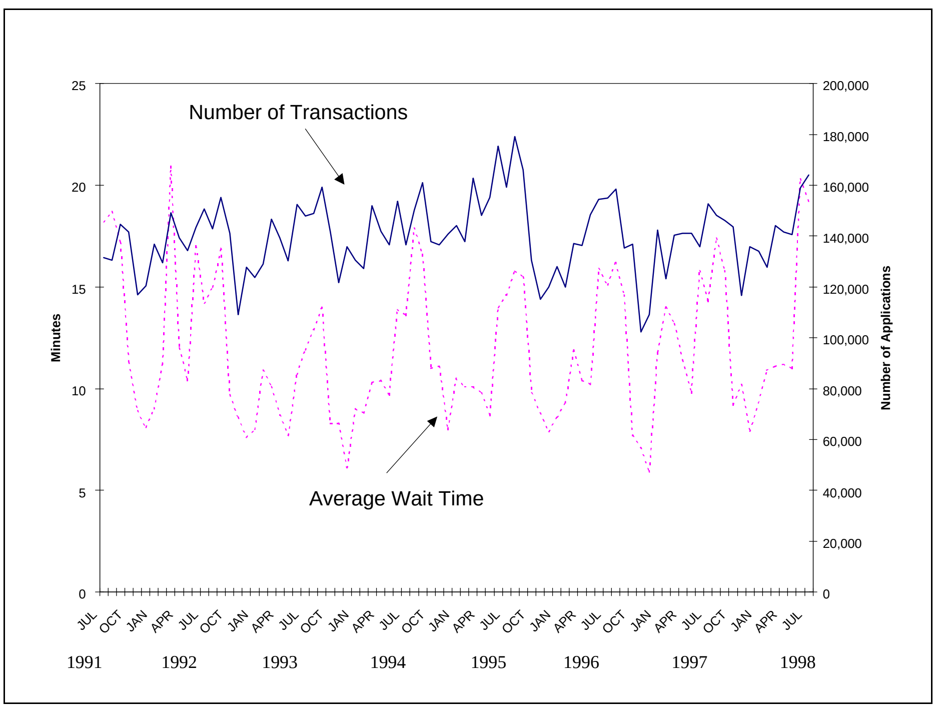
Sources: DOL Q-Matic and LSO Data (1998).

Summer months have significantly higher wait times than other times of the year

Seasonal Fluctuations

Interviews with staff indicated that the summer months are especially busy within the Department. Factors contributing to this include the immigration of part-time agricultural labor to the state, and the fact that employees tend to take their vacations in the summer. Exhibit 7 shows the wait time trends from the Department's Q-Matic report from 1991-1998. It is apparent that driver service activities appear to be much greater during the summer as opposed to the fall, winter, or spring. Quantitatively, the average wait times between the summer and non-summer were found to be statistically different. This implies that the seasonal fluctuations are not happening by chance, but that there are definite underlying conditions. DOL does employ part-time staff to offset seasonal demand, however, staff indicated that it is becoming increasingly more difficult to find staff interested in part-time employment. The following exhibit describes these relationships in greater detail.

Exhibit 7
LSO Monthly Average Wait Times and Total Transactions (1991 - 1998)



Source: DOL Q-Matic Data (1998).

Volume, Staff and Seasons

More available LSRs will decrease wait times

In order to statistically quantify the relationship between policy variables and wait time, a linear regression model using wait times across the population of LSOs (1991-1998) was constructed. The strength of this type of model is that specific statistical relationships can be quantified and used by the Department to decide which policy variables may be the most influential for implementing future change. The model consisted of a dependent variable, average customer wait time, and several independent variables. They include average number of customers waiting, average available staff, total number of applications, the season of the year, and other variables to account for demographic change. The model was run and the data output was examined. First and foremost, the model was found to be significant; meaning that the model was able to capture a significant amount of the variation associated with the description of what influences wait times. Secondly, individual policy variables were analyzed to determine if they were statistically significant. Not surprisingly, the model produced the following results:

- As more staff become available, wait time decreases.
- As the total number of applications increases, wait time increases.
- Summer months (April-September) have longer wait times than non-summer months.

Although these results do appear to be intuitively correct, the important thing this analysis quantitatively supports is a case for the ideas listed above. Secondly, the Department hasn't used this type of technique in the past. It should consider using it in the future, however, for tracking which policy variables affect wait time the most. It should be noted that the Department does not have direct control over some of the exogenous variables that are affecting wait time. For example, DOL cannot eliminate certain seasons of the year, nor can it immediately change the amount of years of experience of LSO personnel. DOL has requested a 10 percent increase in FTEs in its 1999-2001 Biennium Budget to address customer service and wait time issues.

Techniques to Reduce Wait Time

Extended wait times are not unique to Washington. In fact, the states we surveyed indicated that they continually use a variety of methods to improve the efficiency and effectiveness of licensing services. Common steps taken to reduce customer wait times include the use of queuing systems, greeter booths and express lines, as well as the addition of part-time staff during peak operating hours. In addition to these techniques, Washington has designated days for teen driving tests, and offers knowledge testing and skills testing in schools to reduce customer wait times. The surveyed states indicated that these techniques have reduced customer wait times. Virginia and California have reduced wait times by using electronic line management/queuing systems. Virginia uses the latest version of Q-Matic and the greeter gives customers the correct ticket. (DOL has requested funding to implement this system.) Iowa reduced wait times by distributing a "Stop" brochure, offering renewals by mail and having greeters to direct customers to proper area. Oregon incorporates a number of efficiencies to reduce customer wait times. Some of these include express lines for quick transactions, routing phone calls to central locations out of field offices, and voluntary half-hour lunches in some offices so more employees are available during customer lunch hours. New York added part-time staff to offices to fill in at critical peak times. In Texas, large volume offices typically offer extended hours once a week. A limited number of offices have implemented non-automated take-a-ticket procedures as well. Most larger Texas offices staff information desks to expedite application processing by informing customers of requirements such as identification, proof of insurance and registration, etc.

Washington managers indicate they also plan to implement technological innovations to improve driver licensing service. A quality team is currently developing recommendations for establishing a statewide driving test appointment system that would allow a customer to call one location to schedule a driving test. This will eliminate multiple bookings (shopping for the best date/time), and allows customers to ask for specific dates if they are willing to travel to that location. The Improved Driver License (IDL) would replace Washington's photo and negative system with digital images. Driver licenses would be mailed from a central location to reduce fraud. Upgrades of the queuing system (to Q-WIN) and the knowledge testing and conversion of the current counter licensing system to a Windows-based network environment is intended to allow links between all three. The linking of these three systems will allow central system upgrades when there are changes, reduce stress for staff, and reduce wait time for customers. Also, the enhancement of personal computers to Windows 95-98 is needed to prepare for linking and Y2K.

Best Practices

The surveyed states identified the technological tools and best practices that they use, or plan to use, to facilitate driver service functions. Given that each state has unique operating environments, needs, and priorities, the practices vary by state.

- **California** is currently initiating a photo "up front" process with Polaroid, which should reduce fraud, increase photo quality and reduce processing time for driver licenses/IDs.
- **Iowa** has on-line social security number verification, on-line SR 22/6 (an insurance eligibility form), Internet access for driver license renewal, and driver accident reporting. Electronic citations, drunk forms, and police accident reports are also used.
- **New York** has on-line processing of transactions on the Internet and allows credit card payment for most transactions.
- **Oregon** uses electronic data transfers for insurance and convictions.
- **Texas** is piloting an automated queue program and a driver licensing office on wheels to offer services in large employment areas (medical centers, etc.) They also use image retrieval for investigations, consolidation of driver licensing, and image equipment used to process applications.
- **Virginia** plans to install a Polaroid digitized driver's license system in 1999. Additionally, they ensure that all employees have personal computers and routinely review processes for streamlining and potential outsourcing of processes. They also continually enhance automated functions, automate current manual functions, and revise all orders and forms of suspension to ensure they are easily understood.

LSO Operations and Performance

DOL management and staff are committed to providing high levels of customer service and have taken steps to improve the quality of service in LSOs. However, at present, there are operational obstacles that diminish the effectiveness of LSOs. The overall effect of these obstacles is diminished customer service. These findings reflect our analysis of results from the four PricewaterhouseCoopers customer focus groups, the 1995 DOL customer satisfaction survey, the 1997 BTAP customer service study, as well as over 30 management and staff interviews. We also reviewed past reports conducted by and for the Department. In addition to the fact that wait times exceed customer expectations and are exacerbated by current staff levels, LSOs have the following performance gaps:

- Hours are not convenient for customers.
- The exchange of information between DOL and customers is insufficient.
- The systems and processes used to issue disabled placards and identification cards are not efficient.

Having enough staff at work in the LSOs is DOL's greatest challenge to delivering quality service. Two organizational factors also make it difficult for staff to meet the needs of LSO customers:

- LSO staff and management training; and
- Policies and number of bilingual LSRs.

DOL is aware of these limitations at the LSOs; however, in the past they have largely sought to resolve them through enterprise-wide technology solutions. The Improved Driver License (IDL) proposed in the 1999-2001 budget request would potentially offer digital images and would require that licenses be mailed to customers from headquarters. There were other initiatives prior to 1997. For example, the Licensing Application Migration Project (LAMP) would have provided a new information system with integrated vehicle and driver functions. The License Issuance Team Effort (LITE) project would have introduced a new field office system at LSOs. The Business Technology Assessment Project (BTAP) project also was intended to provide technology-based improvements. These projects did not come to fruition, so fundamental LSO problems remain. For example, the 1990 Driver Services Study conducted by the Washington State Commission for Efficiency and Accountability in Government pointed out that "staff levels are not matched to workload fluctuations and inefficient work flow support systems (phones, PCs, work space) increase customer wait times and staff pressure." LAMP and LITE were intended to enhance work flow processes and thus minimize these issues. These problems are discussed throughout this chapter of the report.

Customer-driven operations lead to success

Driver Services Quality teams have introduced improvements such as the customer comment card database, the Teen Rodeo and the East Seattle greeter booth, which earned the Department a Governor's Quality Award. However, quality projects are piloted first and not implemented at all LSOs. According to managers and staff, budgetary limitations have hindered DS from widely implementing projects such as these.

Hours of Operation

"A large part of being a good service provider is ensuring customer convenience."[6] Two-thirds of the customers who participated in our focus groups told us that facilities were not open at convenient times and days. Of those people who did not feel that facilities were open at convenient times and days, the following suggestions were made:

More flexible hours of operation are needed

- Open evenings on certain days
- Open early in the morning
- Stay open longer on Saturdays
- Stay open later than 4:30PM

Customers have said this before. In both the BTAP Customer Satisfaction report and the 1995 DOL Customer Survey conducted by Washington State University (WSU), customers requested longer hours.

[6] "Serving the American Public: Best Practices in One-Stop Customer Service. Federal Benchmarking Consortium Study Report," National Performance Review, November 1997, p.3.

Most LSOs are open Tuesday through Saturday from 8:30 to 4:30 and from 9:30 to 4:30 on Thursday. A few offices (four currently) are open Monday through Saturday. Typically, these same offices are busiest on Mondays and Saturdays and have been understaffed or staffed with temporary personnel on those days. This is partly because full-time staff work five days a week and typically receive two consecutive days off. This situation has resulted in customers waiting longer for service on Mondays and Saturdays. What complicates this situation even more is when full-time staff request leave on Monday or Saturday. Given that the other offices are closed on these two days, it is difficult to find replacements. Simply expanding the hours of operation will not eliminate busy periods altogether. Rather, it will spread customers over a longer period of time, thereby reducing the number and severity of rush periods.

DOL managers and staff recognize that hours do not meet customer needs. In interviews at seven out of eight LSOs, managers and staff described problems with the current hours of operation. These included:

- Six-day offices cannot be adequately staffed within current FTE allocations.
- Opening earlier or later would better accommodate customers.
- They have been unable to get changes to operating hours approved in the past. This failure occurred despite collecting statistics on customer volumes and presenting a business case to management. For example, staff in the Mt. Vernon office began collecting data to support a schedule change in 1993.

DOL is currently reviewing its office hours statewide to provide better customer access for driver licensing service. It is not clear why hours were not adjusted during previous administrations. Current managers acknowledge several challenges to altering office operating schedules. These include:

- Staff schedules and labor agreements;
- Impacts on other offices;
- Views of local and state elected officials; and
- The assessment of need – apparently it can be difficult to predict the benefits.

Current DS management indicated that they have changed hours in six offices this year. These changes were largely made to address the difficulty of staffing offices that are open six days a week. Three remote offices had service hour reductions. Hours at Parkland and Bellingham were extended by 30 minutes, and the days changed to ensure six-day service countywide. Vancouver is piloting a Monday–Friday service. DS plans to submit requests to change hours in four more offices to the Director for review. These too revolve around six-day service offices.

A DS administrator indicated that the Department believes it must offer driver licensing services six days a week in certain regional areas. These areas have, or had, an office that was open Monday through Saturday. Any changes to LSO hours of operation in these localities must not reduce service below six days a week. To address this constraint, the Department has to adjust the hours of multiple offices, instead of having a single office open for the continuous six-day timeframe. This is because LTC authorized funds for additional staff to man the four LSOs that are open six days a week.

As illustrated in the following table, overall, Washington has hours of operation that are more limited than the states surveyed. As well, surveyed states offer hours of operation that correspond to differences in customer populations. For example, Virginia and Texas offer different hours in urban versus rural areas. Hours of operation should be set to serve the needs of the customer population. Like Washington, the surveyed states encountered changing customer demands. The following table provides the hours of operation for states that responded to our benchmarking survey:

STATE	Hours of Operation
California	Monday, Tuesday, Saturday: 8am-5pm. Thursday-Friday, 8am-6 or 6:30pm.
Iowa	Hours vary by location and range from 6am to 10pm Monday-Friday, and 8am to 4pm Saturdays.
New York	Hours vary by location and range from 8am to 7pm Monday-Friday.
Oregon	Monday-Friday, 8am-5pm. Saturday, 9am to 5:30pm.
Texas	Monday-Friday, 8am-5pm. Various offices remain open until 7pm once a week.
Virginia	Monday-Friday, 8:30am-4:30pm, Saturday, 8am-12:30pm (rural). Monday–Friday, 8:30am-5:30pm, Saturday, 8am-12:30pm (urban). Monday-Saturday, 10am – 9:30pm (Malls).
Washington	Tuesday-Saturday, 8:30am-4:30pm, except Thursday, 9:30am-4:30pm. Some offices open until 5 or 5:30pm, or Mondays, 8:30am-4:30pm.

Information Exchange

Insufficient information exchange is a barrier to effective operations because it contributes to longer cycle times and sometimes leads to customers having to wait to receive what otherwise might be a quick service.

First, it takes staff longer to process the transactions of those customers who are not prepared. For example, when customers present incorrect documents to prove identity, the LSR must check the documents presented, perhaps consult the supervisor, and then explain what documents are acceptable. The customer may then have to make a second trip. Second, when customers do not understand the choices on the Q-Matic (take-a-number) machine they take more than one, or the wrong ticket. They may not be routed to the LSR who can process their transaction. Service slows for everyone when LSRs have to call out ticket numbers and no one answers. Lastly, customers often have to wait in the queue to ask a question, obtain a form, or learn that they lack the correct documentation to do business. This is because in most offices there is no dedicated person who can answer questions.

DOL provides forms and the Driver Guide on the Internet and inside LSOs. DOL has an information desk/greeter booth in three of its 63 offices. They plan to install additional greeter booths in

FY99. During site visits we observed functioning greeter booths in only one of the offices that was equipped for them—Greenwood. According to DS management, the East-Seattle greeter booth is the model it plans to use to roll-out more booths. The Bellevue office used clear questions on the Q-Matic machine to help customers take the correct ticket. There are brochure racks in most offices but few signs directing customers through office processes.

While DOL uses a number of techniques to inform customers, focus group participants said that the Internet (20 percent of all attendees), the mail (20 percent) and a 1-800 number (18 percent) are the best ways for DOL to provide them information. Focus group participants also said that having someone to answer questions inside the LSO was essential. Additionally customers reported that they find it time-consuming when they experience difficulty locating the information they need to do business with the state. DOL customers who participated in the four focus groups suggested specific service enhancements. The following customer suggestions speak to the point that information exchange is an essential element of enhancing service. PricewaterhouseCoopers focus group participants offered these paraphrased suggestions:

- DOL needs a dedicated person/area to answer questions;
- DOL needs an information board and a price list;
- People should know how much time they have to wait and how many others are in ahead of them in line when they are at the facility.
- There is a need for more public education and information, 1-800 phone numbers, recorded messages, and appointments; often times, we haven't known what is needed to complete a transaction.
- The local white pages phone book needs to be enhanced to describe government services better.

Information Exchange in the Surveyed States

Every state we surveyed has a person who provides customers with information in at least its larger licensing offices. In California, most large offices have a 'start here' and information window and/or lobby monitor. The smaller offices may have a "start here" window when staffing and the facilities allow. New

York uses information booths. Most of the larger offices in Texas have information reception desks and Iowa has them at its full-service offices. Many offices in Oregon have a greeter or receptionist whose primary functions include answering questions, reviewing documents, and distributing forms. The employees ensure the customer has what they need to complete their transaction before taking a seat and waiting to be served. In some instances, customers with quick renewal transactions may be directed to an express line. In Virginia, customers are given their forms and a Q-Matic ticket at the information desk.

Disabled Placards - Systems and Process

Disabled placards currently require two separate transactions and two separate systems: one to issue the placard and one to issue an accompanying identification card. This dual system is burdensome to staff and cumbersome to customers. When LSOs assumed responsibility for disabled placards, staff had little or no training in advance. This function was added in June of 1998, when the legislature required that placard holders also have photo identification cards. None of the surveyed states have this requirement. Furthermore, the volume of customers has exceeded expectations. Driver Examining estimates that 29,617 placards, an average of 7,404 a month, were issued between June and September, 1998. DOL requested and received authorization for 3.5 additional staff to handle an expected increase in workload. Those positions were to be spread across several LSOs. This was based on estimates that DOL would issue 52,800 original, renewal and temporary placards, through the end of the 1999 Biennium (i.e., June '97 to June '99). That is an average of 2,200 per month. Managers at one LSO were told by management they would issue 30 placards a month. In a 15-day span 178 placards were issued.

Service time for disabled placards is too long

LSO staff report that each transaction can take 10 to 20 minutes, not including wait time. According to staff, it is a very unforgiving system:

- If one accidentally hits the escape key, the computer has to be restarted to complete the transaction.
- It can take 20 minutes to correct a mistake.
- If the placard is expired, the system requires three separate paths.
- It takes ten minutes for one document.

The people who come in for placards often cannot stand up and they have to wait while they go through all of the steps. In addition, sometimes they have left their current placards in the car. Without that placard the process is more difficult.

In some offices, customers who need a disabled placard go directly to the counter for assistance. In other offices, they take an "other services" ticket from the Q-Matic machine. This is a catch-all category so the wait time depends on the number of customers who have selected that category. If the applicant has not come to the office personally, the LSR manual instructs staff to call the applicant's doctor to determine the applicant's ability to come to the LSO. This further lengthens the process.

It takes customers, many who have reduced physical ability, too long to get service. The process is neither employee friendly nor customer friendly. Staff do not appreciate that it takes so long to perform the transactions. Customers do not appreciate having to wait for service, then having to wait during the service. One participant in our customer focus group explained his experience obtaining a disabled placard. He had to wait an hour to get the application form he needed. Then he had to return a second time to complete the transaction.

DS management explained that the current process results from the fact that when the new legislation passed, the function had to be implemented quickly. To meet the deadline, a Vehicles Services system was modified for DS use. The quick implementation left little time for staff to be trained in advance.

Disabled Placards in the Surveyed States

Like Washington, the surveyed states require some form of certification of disability. The most significant distinction between disabled placard processes in the six surveyed states, as compared to Washington, is that none of those states require a disabled parking photo identification card. This means that customers do not have as many actions to take in order to legally use the disabled placard. Other key distinctions are as follows:

- California and Virginia charge fees for disabled placards and issue them at DMV offices.
- Iowa allows customers to apply for and obtain temporary and permanent disabled placards by mail.
- New York charges $8.50 for disabled vehicle plates and the parking permits are issued free of charge by each municipality (e.g., city or village clerk).
- Oregon's Department of Health reviews the physician's report and issues a certificate of eligibility to DMV, certifying that the person has a disability that does not impair the person's driving.
- Texas charges $5 for disabled parking placards to defray their costs. The county assessor-collector distributes placards. The first application requires a notarized written statement of disability.

Bilingual Staff

According to data from the Office of Financial Management (OFM), over the past seven years, the percentage of Washington's population for whom English is a second language has increased from just over 4 percent to over 6 percent. These residents use DOL and other state services. In fact, in Everett, LSRs estimate that they give one-third of all driving tests in Spanish. To address the demand for bilingual services, DOL hires LSRs who speak more than one language and pays them 5 percent more than other LSRs. DOL management also has instituted a 'work-around' approach to providing bilingual service. LSRs provide a list of privately employed interpreters who can provide language assistance. DOL is not officially affiliated with the interpreters, but rather provides this as a service to the public.

Quantity of bilingual staff is inadequate

Currently Driver Examining employs 36 staff designated bilingual (less than 12 percent) who are assigned to work in 18 of DOL's 63 offices. Population forecasts show that the number of Asians and Hispanics will continue to increase in Washington during the coming years. OFM data also indicates that by the year 2025, Asians will comprise 8.8 percent of the state and Hispanics will make up 10.2 percent. These numbers suggest that DOL's service population will continue to need bilingual services and the demand for these services will likely increase.

Current DOL polices surrounding bilingual staff contain limitations that, if left unaddressed, may make it difficult for the Department to support anticipated growth. No strict guidelines for certification or qualification as a bilingual LSR exist. In fact, DS management reports that they are not aware of any certification processes or bilingual proficiency standards within Washington State. DOL has an administrative policy for dual language assignment pay (PER.33). It allows the director or designee to authorize assignment pay for dual language for employees who are expected to use a language in addition to English on a regular basis. Some supervisors interpret the policy to mean that an LSR must speak, read, and write a language to qualify for bilingual status with a 5 percent pay increase. Others interpret the policy more leniently. A strict interpretation of this policy eliminates staff who can function in another language from the bilingual designation. The 5 percent assignment pay that bilingual LSRs receive was reported to be a source of resentment among some non-bilingual LSRs, since the DOL policy is open to interpretation. This resentment is exacerbated by the contention that some bilingual LSRs relax licensing requirements for non-English speaking customers. We were apprised during four LSO site visits that both bilingual and mono-lingual LSRs contend that some bilingual LSRs relax licensing requirements for non-English speaking customers. Customers in the North Seattle focus group mentioned that they had heard this as well. DOL's Office of System and Program Review (OSPR) has been unable to substantiate this claim.

The policy that governs the classification and pay increases for the use of LSR bilingual skills does not provide clear guidance. It fails to provide specific criteria and a test to ensure that LSRs can serve customers in a language other than English. The policy requires that bilingual LSRs use a language in addition to English on a regular basis as a job requirement. It fails to describe the level of proficiency or fluency that LSRs need for bilingual classification. This policy does not provide a tool to measure and validate language skill usage. Furthermore, the policy fails to specify the amount of time and degree to which an LSR must use his/her language skill to warrant bilingual classification. This policy's lack of clarity invites interpretation, conjecture, and inconsistency. To better manage the need to hire bilingual staff, some supervisors have developed their own guidelines. The different guidelines increase the inconsistency and confusion around bilingual classification.

Training for LSO Staff and Managers

Training is needed across all levels of DS

DOL has a training program in place. All employees are required to attend a core set of courses. These include an agency orientation and classes on such topics as ethics, customer service, sexual harassment awareness, and defensive driving. However, these classes do not address the technical job skills LSO staff and managers are required to use on a daily basis. Job-specific training for Driver Services employees in LSOs is largely on the job. The exceptions are weekly meetings in each LSO and in-service training that is offered once per year. Furthermore, the majority of training is offered in the Olympia area, and thus less accessible to staff who work in other parts of the state.

Based on our interviews and analysis, the limitations of Driver Services' training are: minimal formal training for new staff, insufficient job-specific training, and insufficient management training. Managers, staff, and even some customers recognize that most driver licensing training is on the job. Issues related to training were raised in interviews during seven out of our eight LSO site visits. Customers who participated in the focus groups were also queried about how well trained LSO staff appeared.

LSRs we interviewed described the LSO training program as follows: When first hired, LSRs attend new employee orientation. Job-specific training consists of reading manuals and learning simple tasks such as camera operation. Then they are introduced to other functions such as counter operations and drive tests. The office supervisor and other LSRs train new staff. Weekly office meetings and in-service training supplement on-the-job learning. In-service training consists of three to four day sessions held in a central location with 20 to 25 attendees. Last year, DOL resumed in-service training for all staff to attend on a rotating basis. Prior to 1997, these classes had only been offered in 1988, 1991, and 1994. Field staff we spoke with praised the resumption of in-service training. Some field staff also reported that the Thursday morning sessions were a useful opportunity to get policy clarifications and to ask questions. DS recently hired a training manager to expand its training program. Each region has a technical trainer who is supposed to serve as a local resource.

LSO managers and staff added that management training is needed as well. For example, some supervisors reported that they had not been trained on how to interpret Q-Matic data and performance reports. Staff report that others need more training in dealing with personnel issues.

Customer service is impacted when staff are not trained adequately. It takes longer for staff to do the job. Staff who are unsure of procedures or policy ask other LSRs questions diverting their attention from customers to help the other staff. Lack of standard training causes inconsistent application of policy since staff use their best judgement. Different LSO managers may interpret policies differently and convey the information to staff differently. The ultimate impact of insufficient training is that it slows the process down for customers. They cannot get the best service and employees are not given time to become adept at their jobs before they are expected to perform them. The Department desires consistency but it gives little training and no time to train staff one on one. Policies are issued via memos, but with infrequent, disparate training, offices interpret and apply policy memos differently.

Training for Driver Services Staff in Other States

California: Provides staff with customer service training, basic driver licensing and registration training is provided depending on the office. This training is provided prior to working in a DMV office. Additional training is provided on the job.

Oregon: Gives all staff approximately three weeks of formal training to prepare them to conduct transactions in DMV field offices. All staff are also trained to conduct driver examinations for both passenger vehicles and motorcycles. Approximately one week is devoted to driver-related transactions. The training is delivered by DMV trainers.

New York: Provides training opportunities throughout the year. One to two weeks in-house training covers how to take pictures and process registrations. As well, New York has contracts with universities and it provides ACCESS computer training.

Texas: Does not currently offer a comprehensive customer service class; however, the department is interested in starting this training. DL technical training for the most part is provided on the job as part of a buddy system. Texas is currently conducting a needs assessment to help tailor a training program.

Virginia: Offers staff on-the-job training where managers certify learning milestones. Virginia is working on revamping their training program to provide formal technical training for employees using a training database so employees could get hands-on practice.

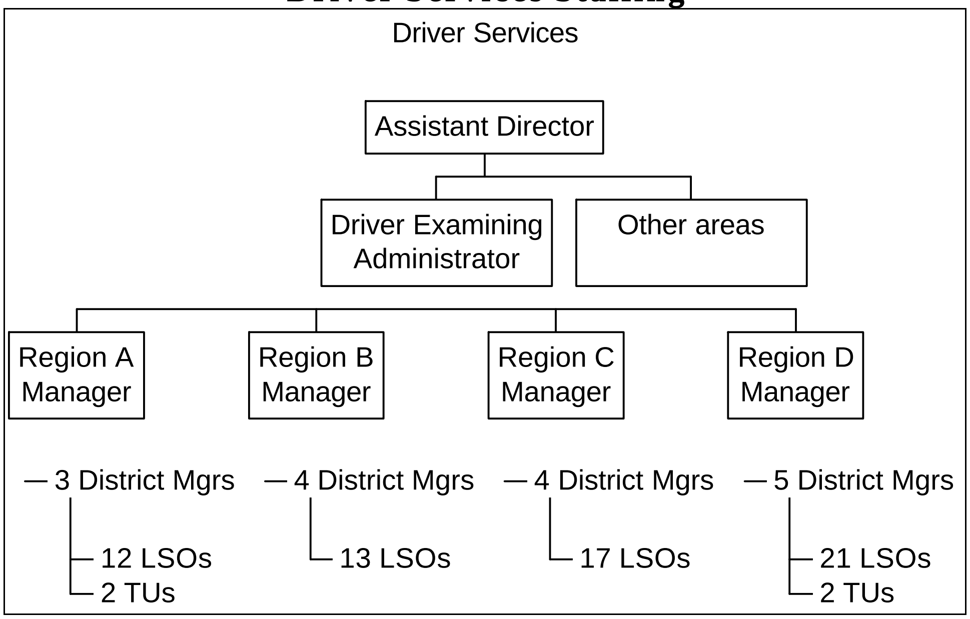
The next section of the report discusses the efficiency of DOL Driver Services. Specific topics that are addressed include a description of the organization, its staffing, and the geographical dispersion of LSOs throughout the state.

DRIVER SERVICES EFFICIENCY: ORGANIZATION, STAFFING, AND GEOGRAPHICAL DISPERSION

Organization and Staffing

The Driver Services Division at the Department of Licensing is divided into four different regions throughout the state, with a total of 63 LSOs and 4 LSO Travel Units (TUs). The following exhibit highlights the reporting structure of the regional offices through Driver Examining and to the Assistant Director.

Exhibit 8
Driver Services Staffing



Source: DOL.

LSOs are staffed by a variety of staff including an LSO supervisor (LSR3), as well as other support staff (LSR2 and LSR1). The organizational reporting structure is well defined as evidenced by organizational charts provided by DOL and interviews that were conducted with DOL staff. Dependent upon the specific LSO studied, the number of staff could vary from one FTE (Forks LSO) to upwards of 12 FTEs (Olympia HQ40 office). Observation of a November 1998 DOL Driver Services staffing report indicates that urban LSOs are more heavily staffed than rural LSOs, which is indicative of heavier transaction volumes. Likewise, examination of the staff balance among regions and LSOs appears to be well balanced relative to transaction workload as indicated by analysis performed in the following section.

Determining an Equitable Distribution of Personnel by use of Geographical Equity Analysis

Driver services, like other types of government services, are public goods. It follows from the definition of a 'public good' that one typical goal of government, among others, is to provide equitable access of the good (or service) to society.[7] Although recognizing such a goal is fairly standard in conducting analyses where the government plays a role in the distribution of services, the definition of what constitutes "equitable" is much less certain. As economists Robert Pindyck and Daniel Rubinfeld point out in an article on the topic of equity and efficiency: "Economists and others disagree both about how to define equity and how to quantify it. Any such view would involve subjective comparisons of utility, and reasonable people could disagree about how to make these comparisons.[8]" Needless to say, there are many ways that equity could be defined, and many types of analyses that could be conducted to determine if equity exists.

For this audit, an analysis was conducted to determine how equitably personnel are distributed throughout the state. Specifically, we looked at whether personnel were distributed proportionately, by county, based on transaction volumes. One way to determine geographical, distributional equity is to analyze the difference between a county's share of DOL Driver Services *full-time equivalent employees* and its share of transaction volume.

To calculate this measure, we used data from DOL and OFM. All percentages are expressed relative to the overall state totals (i.e. relative share of the entire total). In this analysis, any county that is listed on the zero line on Exhibit 9 indicates that the county has an equitable share of personnel relative to its share of transaction volume. Counties to the right of zero have relatively more personnel than transactions, and counties to the left have relatively fewer personnel than what their transaction volume would dictate. Decision rules for the analysis included the following:

1) If a county's share of driver services FTEs is less than the county's share of transactions, then the county has relatively less FTEs than it should otherwise have.

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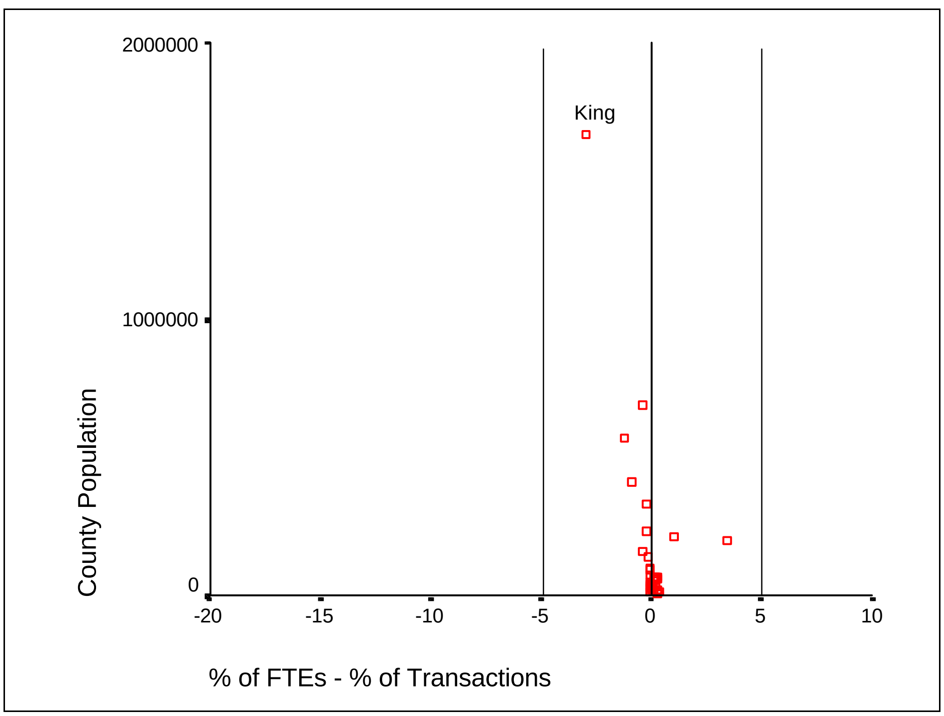
[7] See Edith Stokey and Richard Zeckhauser's: A Primer for Policy Analysis, Norton and Company, 1978, pp. 291-319 for a discussion of the goals and roles of Government in allocating public goods.

[8] Robert S. Pindyck and Daniel L. Rubinfeld, Microeconomics: 3rd Edition, Prentice-Hall, Inc., 1995, p. 570.

2) If a county's share of driver services FTEs is equal to its share of transactions, then equity exists.
3) If a county's share of driver services FTEs is greater than the county's share of transactions, then the county has relatively more FTEs than it should otherwise have.

Our analysis demonstrates that there appears to be an equitable distribution of FTEs throughout the state based upon this type of measure. The following exhibit shows a comparison of county population to the difference between a county's LSO FTE allocation and its transaction volume. All of the counties fall within +/- 5 percent of equity. This implies that residents of both urban and rural areas have equitable access to LSO personnel. To support this argument, a statistical test was used to determine if there were differences between urban and rural locales. The test showed that there are, statistically speaking, no significant differences.

Exhibit 9
Relative Comparison of Driver Examining FTEs to Transactions by County

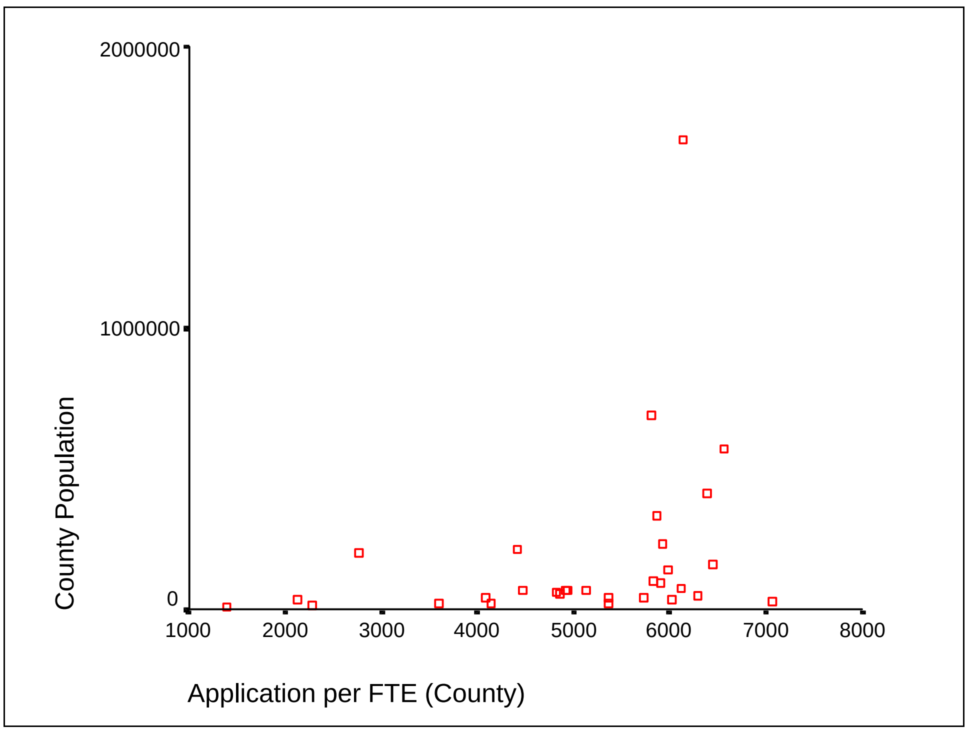


Source: OFM Population Data (1998), DOL FTE and Transaction Data (1998).

LSO personnel are equitably distributed throughout the state

The next figure (Exhibit 10) shows a different method for analyzing the problem. It also presents different results relative to those observed in the previous figure. Instead of using relative proportions like those shown in Exhibit 9, absolute counts were used. Specifically, the number of applications per LSO was divided by the number of FTEs located at the LSO. The quotient is equivalent to the number of applications per FTE (on a county-by-county basis). In Exhibit 10, this data is graphed relative to county population size. It demonstrates that, for the most part, LSOs in larger counties tend to have application to FTE ratios higher than the less populated counties throughout the state. The overall mean number of applications per FTE is approximately 5,100. Relative to the previous analysis it is apparent from this graph that there appear to be substantive differences among the counties.

Exhibit 10
Comparison of Counties by Number of Applications per LSO FTE



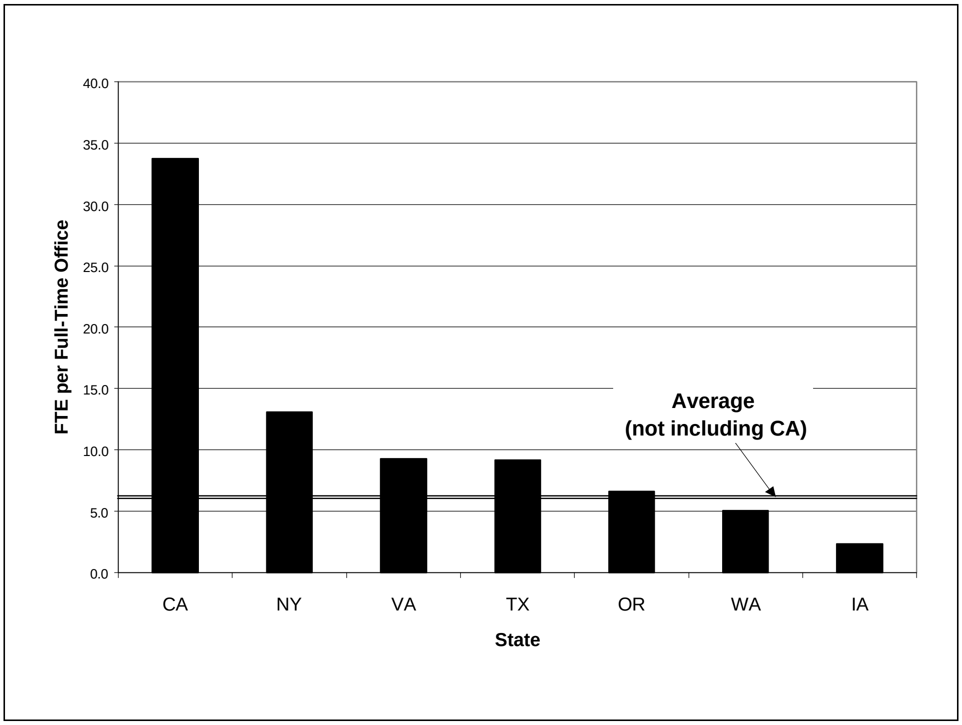
Source: OFM Population Data (1998), DOL FTE and Transaction Data (1998).

One outcome from this analysis is that the Department should continue to review its staffing among the various LSOs throughout the state. Given the differences presented above, it is necessary to determine if the current staffing ratios are appropriate for the amount and type of work that is being accomplished.

Comparison of DOL to other States

Evident from the previous analysis, it appears that DOL has allocated LSO staff in a proportional manner relative to transaction workloads. Another measurement that can be used to assess DOL's staffing ratios is to compare it against other states included in the PricewaterhouseCoopers state survey that was conducted during November 1998. There are two specific measures that were created to compare DOL against other states: 1) Ratio of staff per office, and 2) Ratio of staff per transaction. Data for both graphs was collected from the PricewaterhouseCoopers State Comparison Survey (November 1998). It is apparent from the following graphs that Washington State has less FTEs per full-time open office relative to other comparative states, and slightly less than the average from the states surveyed. Given that California has many more FTEs, the average shown below does not include California and was calculated by averaging the other states.

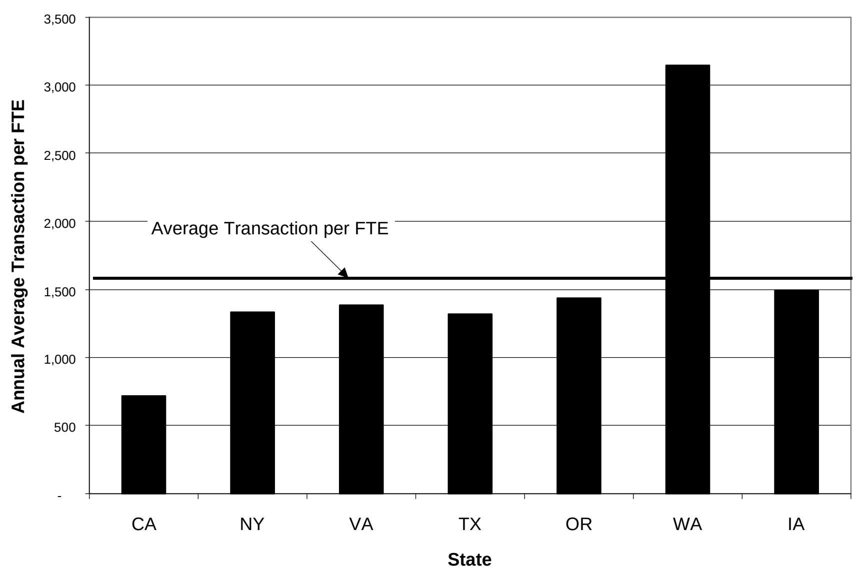
Exhibit 11
FTE per Full-Time Office by State



Source: PricewaterhouseCoopers State Comparison Survey (November 1998).

The following graph demonstrates the estimated average number of license transactions per Driver Services FTE per year. These ratios were calculated by taking the average number of renewals per year and dividing by the number of FTEs in each state's Driver Services division. It is apparent from these figures that Washington tends to process almost twice as many renewal transactions per staff relative to the average number processed by the states surveyed.

Exhibit 12
Driver Services FTE per Transaction



Source: PricewaterhouseCoopers State Comparison Survey (November 1998).

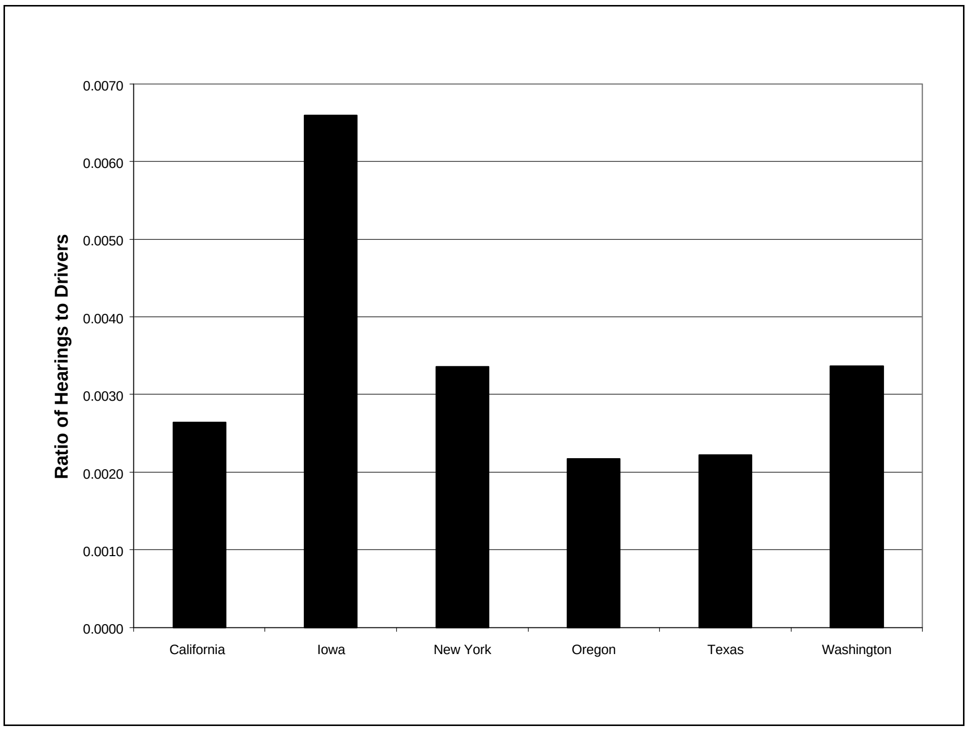
HEARINGS AND INTERVIEWS

Hearings and Interviews (H&I) administers the state laws which provide drivers their right to appear at an interview and/or hearing to contest any Department proposal to administratively suspend, revoke, or restrict their driving privilege. Staff process requests and fees, schedule interviews and hearings, and provide appropriate notice of impending action.

H&I staff are also responsible for presiding over formal administrative hearings when a driver contests a proposed driver's license suspension. They conduct fact-finding interviews with drivers prior to administrative suspension action against the driving privilege. Staff also conduct driver awareness/ improvement interviews with drivers who accumulate an unsafe driving record. Drivers may appeal hearing decisions to the Superior Court.

We calculated and analyzed the performance measures and results for H&I. Results show that H&I conducted an average of 555 interviews and 523 hearings each month in FY98. Overall, the number of DUI hearings has increased steadily since FY96. Five of the six state survey respondents also have hearings/interview processes. Washington has a higher volume of hearings per driver than Oregon, Texas, and California, and about the same as New York. Iowa conducts over twice as many hearings as Washington despite a comparable number of licensed drivers.

Exhibit 13
Number of Hearings per Driver by State (1998)



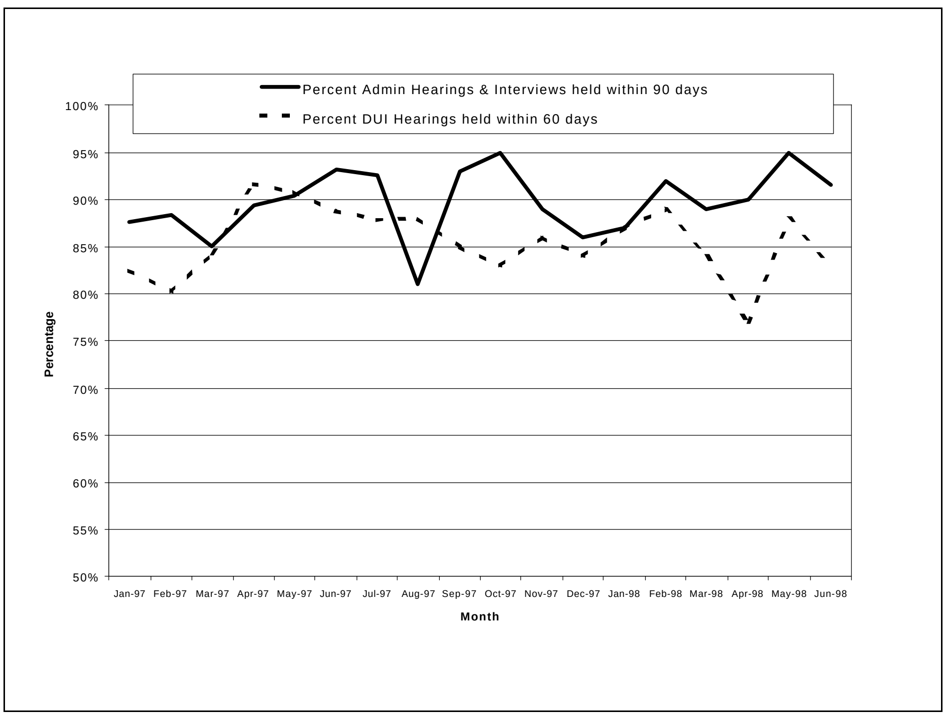
Source: PricewaterhouseCoopers State Survey (November, 1998).

To evaluate performance, one typically considers performance results, internal performance targets and/or external benchmarks. However, the H & I section has not defined performance targets and does not use external benchmarks. (A performance target is the value of the performance measure to which an organization strives. It indicates the degree or frequency that the desired result is achieved.) Without performance targets and external reference points to compare against (i.e., benchmarks) it is not feasible (or fair) to make an overall assessment of H&I. We note that two of the performance measures that H&I uses have quantitative goals.

- The percent of time DUI hearings are conducted within 60 days is required by law.
- The percent of time administrative interviews and hearings are conducted within 90 days was established as a reasonable timeframe.

Exhibit 14 below shows H&I's progress toward achieving these two goals:

Exhibit 14
Percentage of Time that Hearings and Interviews are Conducted within Targeted Goals



Source: DOL.

The percent of time hearings were held within 60 days ranged from 77-92 percent in the January 1997 to June 1998 period, with an average of approximately 86 percent. The lowest range point significantly increased from 52 percent (July 1995-December 1996) to 77 percent this period. However, the highest range point decreased from 99 percent to 92 percent. In addition, the average increased slightly this period from 85 percent to 86 percent. The percent of time interviews were held within 90 days ranged from 81-95 percent between January 1997 and June 1998, with an average of approximately 90 percent. Although the lowest range point significantly increased from July 1995-December 1996 to 81 percent, the highest range point decreased this period from 98 percent to 95 percent. The average also decreased this period from 91 percent to 90 percent.

H&I staff regularly keep tallies of activity but it is not clear how they use the data for process improvement. As part of our analysis, we used the raw data to calculate aggregate performance measures for FY96 and FY98. Without targets and external benchmarks, we are unable to conclude definitively about overall performance. For example, H&I could set a target of 95 percent for the percent of time that it wants to conduct hearings within the timeframe.

Other States' Performance Measures for Hearings and Interviews

Washington's performance measurement system for H&I is not unique. Of the six states surveyed, five have fully operational hearings and/or interviews processes. Oregon, California and Texas provided performance measures. California studies drivers who have accumulated poor driving records (e.g., points, DUIs, etc.,) to determine the effectiveness of the H&I process in terms of citations. They do not have process measures. Texas also uses outcome measures. These include the number of driver improvement actions and repeat offender arrest rate. Only Oregon provided performance targets, with 100 percent of implied consent hearings held within 30 days of arrest, and 85 percent of APA hearings held within 90 days of the request.

RECOMMENDATIONS

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.

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.

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.

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.

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.

MOTOR VEHICLE LICENSING

Chapter Three

This chapter examines the motor vehicle licensing function in Washington State. We begin by providing a brief background of existing legislation. We then assess the service delivery mechanism and agency performance.

LEGISLATIVE OVERVIEW

Vehicle licensing is a complex business

Vehicle licensing is a very complex business consisting of hundreds of laws, covering a broad range of activities. Most laws that DOL administers are found in the Revised Code of Washington (RCW), primarily Title 46. These laws require residents of Washington State to register their vehicles with DOL in order to operate them on public roadways. New state residents have a 30-day grace period from the date they become residents to obtain Washington State vehicle registration.

Before residents can be issued vehicle license number plates and a registration certificate, they must apply for a title or provide satisfactory evidence that such a certificate of ownership covering a specific vehicle has been previously issued. A physical examination of the VIN number by the Washington State Patrol (WSP) is mandatory if the vehicle was previously registered in any other state or country, or if it has been rebuilt after surrender of the certificate of title to DOL. The certificate of title must be transferred whenever the registered owner and/or legal owner changes (e.g., the sale of the vehicle). Whenever a vehicle is sold, the seller must report the sale to DOL within five days, and the purchaser must transfer the title and registration within 15 days of the sale.

Vehicle registrations (i.e. vehicle license renewals) must be renewed on an annual basis if the vehicle is to be used on public roadways. To renew a vehicle license, an applicant must satisfy all listed standing, stopping, and parking violations incurred on the vehicle while the vehicle was registered in the applicant's name. Finally, a vehicle license cannot be renewed or originally issued for any vehicle that is required to be inspected under Washington's Emission Control Program (chapter 70.120 of the RCW), unless the application is accompanied by a valid certificate of compliance issued by the Department of Ecology (DOE). An emission inspection is required every two years, or when there is a private party change of ownership, in parts of Clark, King, Pierce, Snohomish, and Spokane counties. Refer to Chapter 4 of this report for a summary of activities and the frequency with which they occur.

In addition to state laws and regulations, there are various federal laws that also impact DOL's operations in such areas as the issuance of secure titles, documenting vessels, odometer disclosure, and public disclosure of information.

Common Fees and Taxes

There are a wide variety of fees and taxes associated with vehicle licensing activity. The most common fees pertain to titling applications, VIN inspections, original and annual registration renewals, general filings, subagent services, and emergency medical services. In addition to these fees, there are several other less common fees, including those for temporary permits, vehicle trip permits, licensing exemptions, licensing recreational vehicles, and special license plates.

Complaints about vehicle tax rates exist throughout the state

While fees relating to vehicle licensing activity are prevalent in Washington, it is the associated taxes that perhaps draw more public attention due to their larger dollar amounts. Complaints about vehicle related taxes, primarily the excise tax, were commonly voiced at all of our four customer focus groups. There are two primary types of vehicle related taxes; an excise tax, and a sales and use tax.

Vehicle excise tax is a value tax charged at the time of registration for the privilege of using a vehicle on Washington public roads. The tax is collected along with other licensing fees on an annual basis corresponding with vehicle registration. In most cases, the annual amount of the excise tax is 2.2 percent of the vehicle's value. The vehicle value is determined by a depreciated scale of manufacturer's suggested retail price (MSRP), before options, for the year, make, and model of the vehicle. The depreciable scale is based on the year of service of the vehicle. In addition to the 2.2 percent state excise tax, the Regional Transit Authority (RTA) District excise tax surcharge of 0.3 percent applies to vehicle renewals of registered owners in RTA zones. Washington State voters in the Central Puget Sound RTA District passed RTP Proposition #1 in November 1996 that created this additional tax.

Sales and use tax is usually triggered when ownership legally changes. This is one type of tax referred to as either "sales" or "use" tax depending on the circumstances. Sales tax is due on the purchase of any vehicle through a Washington dealer or whenever a vehicle is purchased for business purposes from another business. The dealer or business collects the sales tax and remits it directly to the Department of Revenue (DOR). Use tax, on the other hand, is due when a vehicle is acquired from a private party. Use tax is collected by DOL, agents, or subagents on behalf of DOR. It is based on either the sales price of the vehicle or the fair market value of the vehicle. Use tax is collected on vehicles at the tax rate indicated for the owner's place of residence. The tax rate is the same for that established for retail sales tax under RCW 82.08.020. It can be composed of a local tax, transit tax, and state tax. Therefore, similar to aggregate sales tax rates, use tax rates vary, typically ranging from 7.0 percent to 8.6 percent, depending on local jurisdictions.

Recent Legislation

There have been many pieces of recent legislation that have significantly impacted DOL's operations. Some of these include:

- Motor vehicle excise tax credit of up to $30 for some vehicles became effective January 1, 1999. Referendum 49 authorizes DOL to provide a credit of up to $30 for private individuals purchasing Year 2000 vehicle license renewal tabs in July 1999 or later. The excise tax credit only applies to the motor vehicle excise tax portion of vehicle licensing fees for certain vehicles. It cannot be applied to local fees.

- Disabled persons' parking became effective June 11, 1998. The bill requires a photo identification card be issued with each permanent placard issued. To implement this requirement, the issuance of permanent placards was moved from vehicle licensing offices to driver licensing service offices (LSOs).
- Funding trauma care became effective January 1, 1998. The bill requires vehicle dealers to collect an emergency medical services fee upon the retail sale or lease of new or used vehicles.
- Standardizing license plates became effective July 27, 1997. This bill requires nearly all license plates to be issued on a standard background, beginning with January 2001 registrations. Nearly all license plates not on this design will need to be replaced when registration is purchased.

Legislative changes pose challenges for DOL

Legislative changes pose various challenges for DOL. A key challenge is securing the resources necessary for successful implementation. DOL's budget submittal for the 1999-2001 Biennium included over $3.3 million to standardize license plates. This was by far the largest decision package submitted to OFM by DOL in terms of dollars.

Washington in Relation to Other States

In general, Washington's laws, regulations, and fees are consistent with most other states throughout the country. The following exceptions are noted:

1. A high state sales and use tax ranging from 7.0 percent to 8.2 percent, or 8.6 percent, if it includes a RTA zoned local jurisdiction. According to a recent AAMVA survey,[9] only a few other states had rates surpassing 7.0 percent.
2. One of the highest annual registration costs in the country with a 2.2 percent excise tax based on depreciated MSRP.
3. One of a few states in the country that does not charge a personal property tax on vehicles and vessels. However, counties do charge a property tax on some vehicles such as mobile homes. Washington imposes an annual excise tax in

[9] 1997-98 edition of "The Fast Tract to Vehicle Services Facts" American Association of Motor Vehicle Administrators (AAMVA).

lieu of personal property tax. In addition, Washington has no state income tax.

4. No proof of insurance is required at time of registration. However, DOL has recently enacted a policy requiring that proof of insurance be displayed prior to taking a drivers test.
5. Washington was the only reporting state to an AAMVA survey[10] that did not charge a fee for vehicle information records, other than nominal charges for photocopying, microfilm copies, and computer printouts. However, the state does seek to collect cost reimbursement for programming costs on a contractual basis for larger requests.
6. Washington utilizes counties and private businesses as vehicle licensing service providers. While most states do not use other governments and private businesses, some do to varying degrees.

There are several effects from the above noted differences. The first three are related in that they involve taxes. The high state rates of sales and use tax, as well as excise tax, leads to increased activity in public inquiries, complaints, and public incentives towards non-compliance according to several vehicle licensing offices. These effects appear to be more pronounced for those offices located near bordering states such as Oregon and Idaho. These dynamics reportably increase workload demands and eventual costs, most of which are absorbed by the local counties and subagents as a cost of conducting vehicle licensing activities.

The proof of insurance issue represents a trade-off between public safety and inconveniences. While requiring proof of insurance at the time of registration would likely reduce public costs associated with uninsured medical coverage and enhance public safety by keeping uninsured vehicles off the road, it would also increase process times and the amount of documentation for titling and registration purposes.

The impacts of the fifth item are mainly lost revenue streams to the state which is addressed later in this chapter. Likewise, the impacts of the sixth item are discussed later in this chapter.

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[10] Ibid.

SERVICE DELIVERY

Washington vehicle licensing customers have choices as to where and from whom they can receive service. Customers can either go directly to a DOL vehicle licensing office located in Olympia, Morton, Spokane, or Parkland; go to a county licensing office; or go to a private business that provides vehicle licensing services. While DOL is charged with statewide administration of vehicle licensing activity, legislation allows the Director of DOL to appoint county auditors to carry out provisions of Title 46 RCW. County auditors are referred to as "agents" under contract with DOL. County auditors are also responsible for recommending to the DOL the appointment of private businesses as subagents, if they so desire, to assist them in carrying out provisions of Title 46 RCW. The subagents are subject to approval and final appointment by DOL's Director and are under contract with the applicable county auditor. Currently, all 38 county auditors and one county vehicle licensing department (King County) in Washington are appointed agents. In addition, the counties have a total of seven annex offices. There are also 135 subagents, bringing the total number of vehicle licensing offices to 185. Together, the agents and subagents service the vast majority of vehicle and vessel titles and non-title transactions (97 percent in 1997).

Agents and subagents service the vast majority of vehicle licensing transactions

The agent and subagent contracts require the DOL to provide agents and subagents with equipment, communication lines, ongoing maintenance, and inventory (vehicle plates, tabs, decals and forms) to operate DOL's automated Vehicle Field System (VFS). All services are provided at no cost to the agents and subagents. All capital equipment furnished by DOL under the contracts remains the property of DOL. The contracts require DOL to provide training to the agents and subagents and to monitor their performance. Agent and subagent licensing clerks have complete access to the VFS for the purpose of inquiry as well as to update the files for licensing, registration, and titling transactions.

Service Delivery in Other States

While Washington truly has a unique public-private decentralized model in utilizing all counties, and at the counties' option, subagents, there are several other states who use other governments and/or private businesses in varying capacities and degrees. Fourteen other states were identified[11] and contacted for further information. Of these 14 states, 43 percent use private businesses, 21 percent use other governments, and the remaining 36 percent use a combination to assist with the state's mandates for vehicle licensing. The states that utilize private businesses cite a variety of types including automobile clubs (like AAA), banks, registered vehicle dealers, rental agencies, and other private businesses. Noted governments used include towns and city clerks in addition to county governments. However, no other state had a model identical to Washington's.

No other state utilizes a model identical to Washington's

While no other state utilizes a model identical to Washington's, we noted several similarities with those states who use other organizations to assist them with their vehicle licensing functions. A majority of the 14 states indicated that there is a service fee passed on to the customer for the convenience of utilizing non-state delivery mechanisms. These fees ranged from $1 to $25 per title and/or registration transaction. A majority of the states also provide training (both initial and on-going), various supplies such as forms and documents, and computer system hardware and software. Only one of the 14 states paid for the salaries of the non-state vehicle licensing personnel. This state did not pass on a service fee to the customer.

The vast majority of the 14 states we spoke with feel that their service delivery mechanism is working well. They cite the public's positive satisfaction ratings of extended service offerings, reduced processing and wait times, and the efficiencies gained in providing the services at a reduced state cost. Several states emphasized the cost savings aspect in terms of reduced FTEs and office costs for the state. They conclude that it is a "win-win" situation as the state saves money and the customer is better served.

[11] Ibid.

Although the vast majority of the 14 states spoke positively about their models, they also noted some weaknesses. One of the more prevalent weaknesses is the increased challenge towards ensuring quality work and legal compliance. Another common weakness noted is higher employee turnover with non-state personnel leading to increased training costs.

In conclusion, many of the strengths and weaknesses noted by other states also apply to Washington. Washington is also similar to other states in that they pass a nominal service fee to the customer for convenience. Like the other 14 states, Washington utilizes contracts to formalize terms. One key difference is that most of the 14 states utilize contracts with expiration dates. Some states cited this as a strength towards enhancing compliance and serving as a natural point to verify bonding requirements, personnel background checks, and training programs. The agent-subagent contracts in Washington do not have expiration dates.

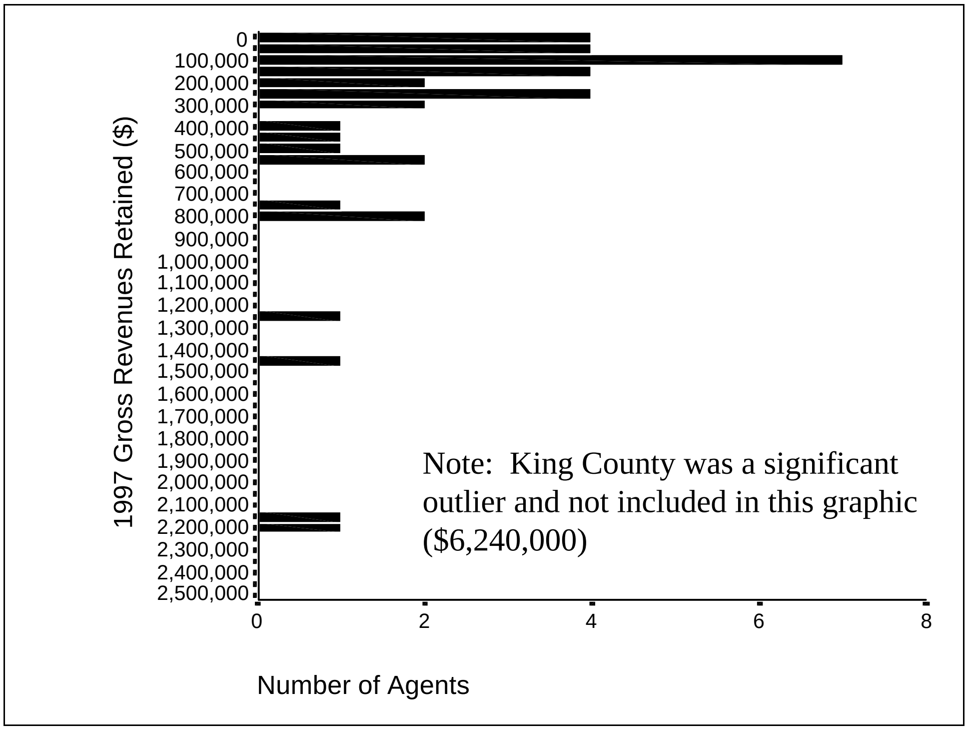
Assessment

DOL employs a hybrid model for service delivery

Washington employs a market-driven hybrid model for service delivery using a combination of DOL, county, and subagent personnel. In this context, a market-driven hybrid model refers to a model of providing licensing services whereby there are: 1) different suppliers (agent, subagent, DOL), and 2) a free-choice on the part of consumers with respect to which method of service they choose to use.

Many counties have grown reliant on the revenue streams to their general funds from vehicle licensing activities, while others have been subsidized by the state to provide vehicle services. In 1997, the average county agent retained approximately $540,000 in gross revenues from licensing services. Retained gross revenues are the dollar amount retained by the county from conducting transactions. As evidenced in Exhibit 15 on the following page, all of the counties with the exception of one, King County, were under the $2 million amount in retained gross revenues. King County had in excess of $6.2 million in retained gross revenue in 1997.

Exhibit 15
Distribution of Gross Revenue Retained by County Agents (1997)

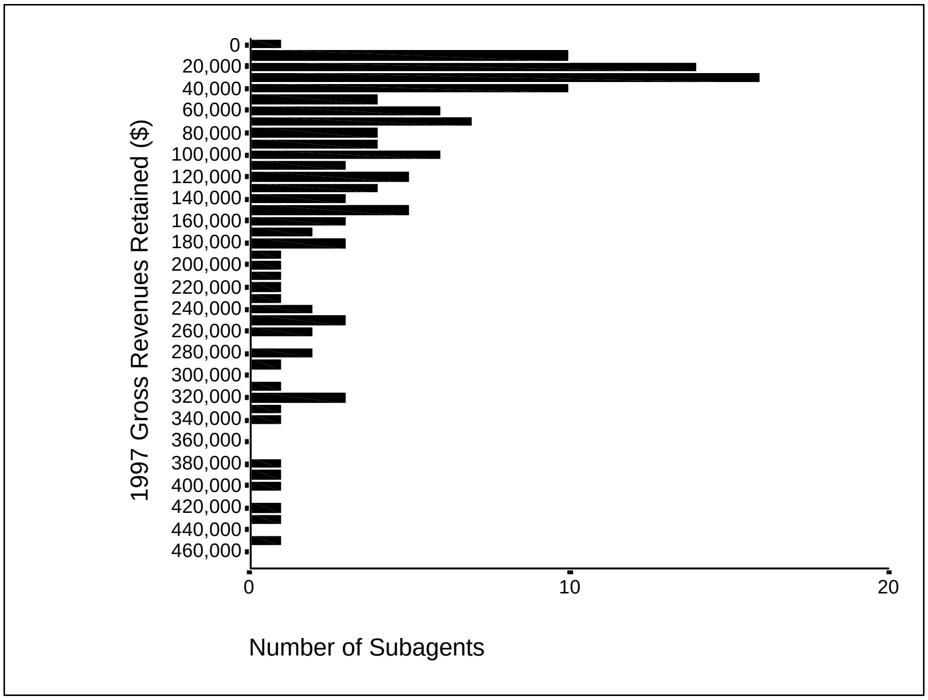


Source: Vehicle Services Division (1998).

Like the county agents, many subagents rely on the revenue stream generated from vehicle title and licensing fees as well. The following exhibit shows the distribution of subagencies by retained gross revenues in 1997. The average amount retained during the year by a subagency was approximately $114,000. As evidenced by the chart, some subagencies appear to have taken in substantial revenue amounts in excess of $100,000. Most of these subagencies were located in urban areas like King County. For example, the average subagent in King County had average retained gross revenues of approximately $250,000 (more than double the statewide average).

The average gross revenue for a subagency was $114,000 for 1997

Exhibit 16
Distribution of Gross Revenue Retained by Subagents (1997)



Source: Vehicle Services Division (1998).

Although transaction volume has increased, the number of agents and subagents has not

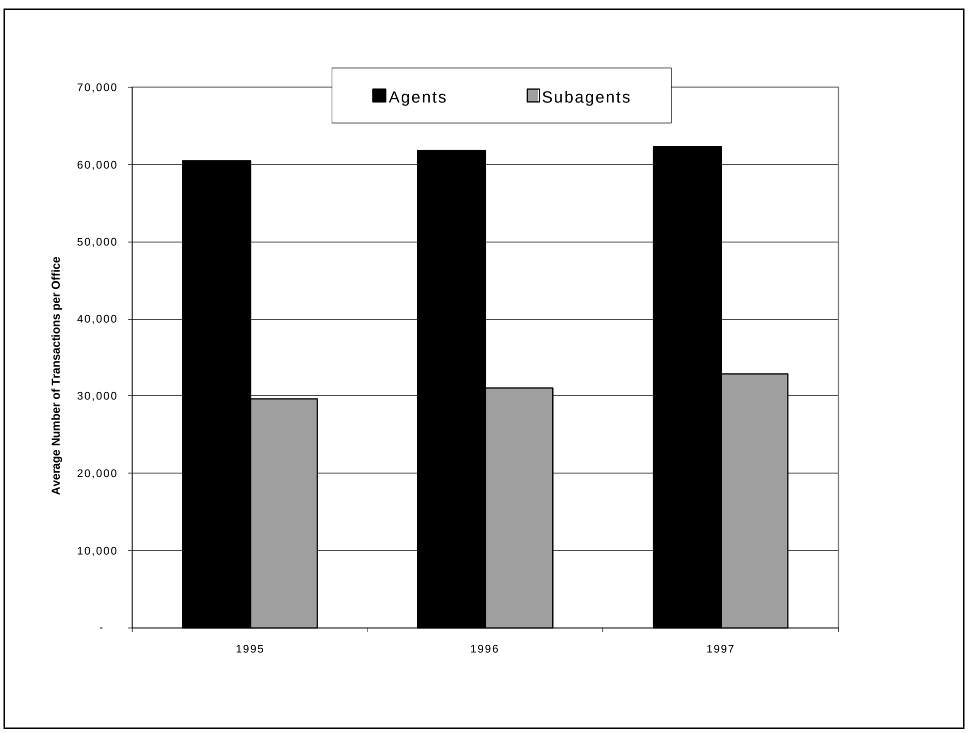
As a result of these significant revenue streams, associations like the Washington Association for Vehicle Subagents (WAVS) and the Washington Association of County Officials (WACO) have been formed to express the interests of county officials and subagents. In addition, legislation in 1992 created an advisory committee called the Title and Registration Advisory Committee (TRAC) for the purpose of fostering communication between the legislature, DOL, county auditors, and subagents. Various stakeholders belong to TRAC, including two each from WACO and WAVS. TRAC is chaired by a DOL designee and had its first meeting in July 1993.

Transaction data indicates that the vast majority of title and non-title vehicle licensing transactions are performed by subagents and agents. Subagents conducted approximately 58 percent of transactions, agents serviced 39 percent, and DOL facilities comprised roughly 3 percent of all transactions during calendar year 1997. These relative percentages were fairly consistent from

1993-1997, even though the total number of transactions increased by approximately 14 percent during the same timeframe. The mix of title to non-title has remained constant during the recent past with a distribution of 27 percent title and 73 percent non-title work.

Although transactions increased from 1993-1997, the total number of agents and subagents did not keep pace at the same rate. In fact, the number of subagents in 1997 was actually less than the number in 1993. This caused the average number of transactions per agent and subagent to increase over the time studied. The following exhibit shows the trends for such increases.

Exhibit 17
Average Number of Transactions per Agent and Subagent (1995-1997)



Source: DOL Vehicle Services Data (1998).

When queried about this trend, an official representing one highly populated county specifically stated that it has not sought out additional subagencies because it did not want to hamper the profitability of existing subagencies. From the county's perspective, it was important to avoid any type of fraudulent or abusive practices that may result from such competition. The types of fraudulent activities that were hypothesized to occur include non-compliant or illegal activities, such as using a float, backing-out transactions, or accepting credit cards (when, in fact they are not acceptable under the current regulations). More specifically, the county felt that a strategy of fewer, profitable subagents would be less likely to result in fraudulent practices relative to a strategy that would include more, less-profitable subagencies. We were not able to quantify the potential for such abuses in our analysis.

Customer Service Focus

Customers are satisfied with service delivery

Customers enjoy the current service delivery mechanism. Responses to recent focus groups conducted by PricewaterhouseCoopers and other customer surveys reflect that convenience and speed are the primary customer concerns. During focus groups, approximately 70 percent of the participants indicated that they were very satisfied with subagent and agent services and 93 percent were somewhat satisfied or very satisfied. The majority of participants felt that staff were friendly, courteous, and well trained. Approximately 77 percent of the focus group participants felt that the vehicle/boat licensing facilities were open on convenient days and at convenient times, and 86 percent indicated that the vehicle licensing facilities were located in convenient areas.

Other surveys were conducted by the Title and Registration Task Force (1991), the Washington State University (WSU) Social and Economic Sciences Research Center (1995), and the Business and Technology Assessment Project – BTAP (1997). In all cases, the level of service provided in the current delivery system was rated very high. In the Title and Registration Task Force survey, 82 and 80 percent of the participants rated overall quality of service as excellent or good for county auditor offices and subagents, respectively. Eighty-seven percent of the respondents in the WSU survey, who reported using a small business for vehicle licensing, rated their service as very convenient or somewhat convenient. The BTAP survey indicated that 84 percent of vehicle licensing customers rated their most recent visit highly in terms of customer satisfaction.

Economic Aspects of the Hybrid Model

Customers pay a service fee for utilizing subagents and a filing fee on all subagent and agent transactions. The subagents retain the service fees and the counties receive the filing fees. Subagent fees were last increased July 1, 1996; filing fees on vehicle titles and registrations were increased on fees due January 1, 1997; and filing fees on vessel titles and registrations were increased on fees due July 1, 1997. The law currently requires an annual comprehensive analysis of agent and subagent fees, compared to government expenditure indices. Fee revision recommendations will be made by TRAC to the Legislative Transportation Committee (LTC) every third year beginning in 1999 or more often, if justified by the annual analysis.

Subagent service fees are worth it to consumers

Even with an additional service fee, customers find that the convenience and access to subagencies is worth the extra fee of $7.50 for title transactions and $3.00 for non-title transactions. PricewaterhouseCoopers focus group participants and survey data indicates the public enjoys the convenience and service of the current system. For example, 83 percent of focus group participants indicated that the subagent service fees were warranted. From the state's perspective, as well, the subagent and agent model has worked well since customer service is high and the state incurs relatively minimal cost.

As demonstrated earlier in this chapter, the average gross revenue retained by agents and subagents is approximately $540,000 and $114,000, respectively. While most counties collect filing fees exceeding their administration costs, some do not. In the counties that do not, the state subsidizes reimbursable cost to agents for conducting vehicle service transactions. In 1997, for example, reimbursable costs to county auditors were less than 0.6 percent of the revenues taken in. The types of counties that were reimbursed for costs tended to be rural with smaller populations (relative to urban centers).

Cost-Effectiveness of the Current System

Another important policy aspect of the current system is that it appears to be a much more cost-effective method than if DOL were to perform all vehicle service activities. DOL has conducted detailed cost estimates of the cost of the current system as part of its role in the Title and Registration Advisory Committee (TRAC) Service Delivery Subcommittee. Although Pricewaterhouse Coopers has not validated all of the specific cost data included in the analysis, we have thoroughly reviewed the cost-benefit methodology that the TRAC used in conducting its analysis. From an economics perspective, the methodology appears to be sound and captures the significant cost and benefit information.

The TRAC analysis compared the costs of the current service model to the costs that would be incurred if DOL provided all services. Even after considering the additional filing fees associated with subagent transaction, the existing service model was found to be more cost effective than if all activities were provided by DOL. A rough order of magnitude estimate on the savings was approximated at close to $2 million.

Subagent Selection Criteria

DOL follows established subagency selection criteria

Criteria for the appointment of new subagents is defined in DOL policies. These policies also describe the replacement of existing subagents, changes in subagent appointments, the termination of agents and subagents, and the surrender of appointments as licensing agents/subagents. DOL utilizes a five-step process for appointment of new subagents:

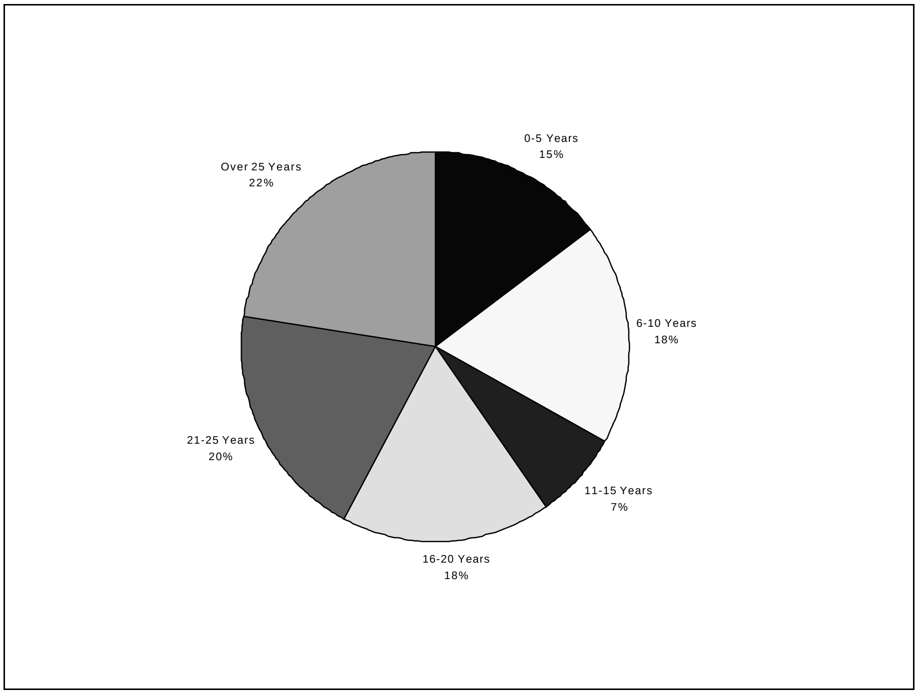
1. Agent submits a written request to DOL.
2. A subagency review team is formed comprised of several key individuals from DOL and external organizations such as county auditors, WACO, and WAVS.
3. Subagent selection process is conducted by agent.
4. DOL appoints the new subagent as recommended by the county.
5. New subagent office is established through a contract between the agent and the subagent.

A key to the subagency appointment process is the fact that an agent must initiate a request for a new subagency; DOL does not initiate the process. In selecting new subagents, DOL considers several factors germane to the economic success of a new subagency. New subagencies are selected based upon distance from existing subagencies, projections in expected transaction volume, and population growth data. Review of recent submissions from county agents indicated that demographic projections and stated processes were adequately followed per DOL policies. Limited data from 1989-1995 indicated that DOL had not provided appointments for all subagent applications. According to minutes of the subagent review team, the ratio of accepts to declines was approximately 12:5. Reasons for declination were primarily focused on the concern of a lack of economic viability for establishing a subagency.

For the most part, once subagents have been appointed, they have continued their business for a fairly long period of time. The following exhibit shows the percentage of existing subagents by terms of continuous service. This chart shows that the majority of subagents, roughly 60 percent, have been in continuous service for greater than 15 years. Likewise, greater than one-fifth of the existing subagents have been in business for greater than 25 years compared to 15 percent that have been in business less than five years. Roughly speaking, the mean continuous service time is greater than 15 years for the current population of subagents.

60 percent of current subagents have been in business for at least 15 years

Exhibit 18
Subagents by Continuous Service



Source: Washington State DOL, October, 1998.

Review of recent subagent appointments indicates that DOL appears to have successfully followed its criteria in selecting subagents from among the applications provided. Likewise, a review of the distribution of subagencies throughout the state indicate that all of the counties, with the exception of King County, have an equitable distribution of subagencies relative to the volume of transactions that are being conducted.

Potential Areas of Concern

Because DOL does not initiate the subagent selection process (the counties do), essentially, there are 39 different models that exist within the state for determining how many subagencies should be located. As previously indicated, some counties, such as King County, tend to choose fewer subagencies (on a transaction volume basis) than other counties do. The questionable rationale for this decision was based upon the hypothesis that profitable subagencies are less likely to commit fraudulent acts due to competition with other subagencies. We also heard through interviews with counties that new subagents have a relatively tough time (economically) compared to subagents that have already been in existence for awhile because of two factors: 1) new subagents have to compete with existing subagents, and 2) it takes time for a geographical area to increase in population to support a new subagent. While these two factors are noted, there are a host of other market dynamics which ultimately affect the competition and survival of subagent offices. A final aspect of concern with the existing system of agents and subagents is that it is a decentralized service delivery mechanism that does not lend itself to a standardized approach toward oversight or uniform training.

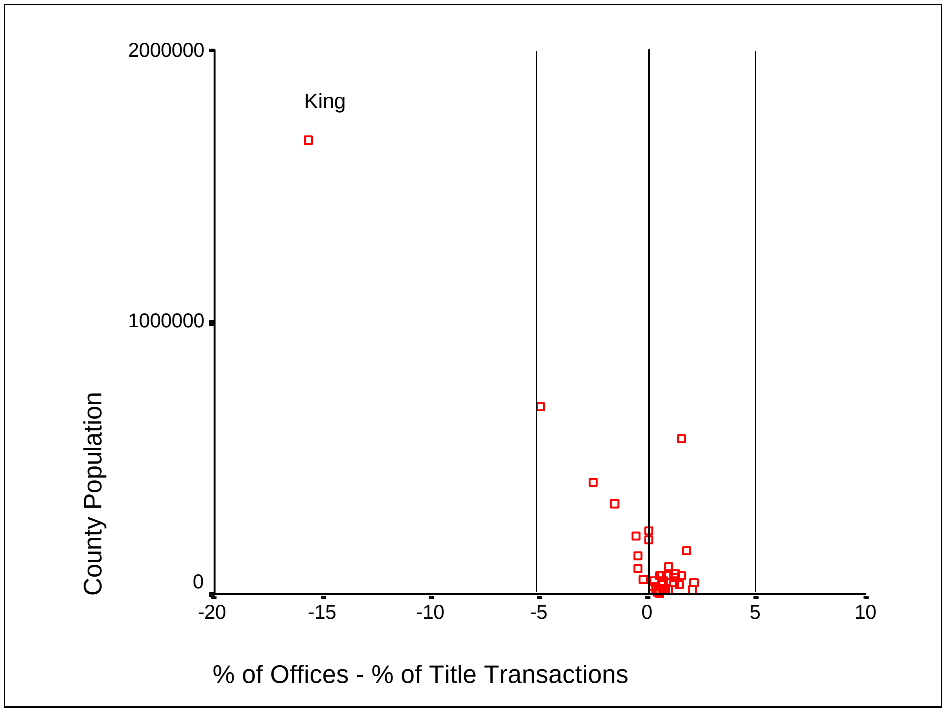
Equity Analysis

Similar to the equity analysis that was performed in Chapter 2 of this report with respect to LSO facilities and LSO personnel, one way to compare counties in a relative sense is to show the difference between a county's subagency allocation and its transaction volume. The following exhibit demonstrates this relationship. All percentages are expressed relative to the overall state totals. In this graph, any county that is listed on the zero line indicates that the county has a proportionate share of offices relative to its transaction volume. Counties to the right of zero have relatively more offices than transactions and counties to the left have fewer offices.

Analysis of this specific aspect of the hybrid delivery model indicates that, with the exception of one county, subagencies appear to be proportionately distributed (within +/- 5 percent) with respect to transaction volume of vehicle licensing services. Statistical analysis of King County indicated that its differential is significantly different than the other counties throughout the state. A statistical analysis was also performed to determine if there were significant differences between urban county LSOs and rural counties. The outcome from this analysis, when not including King County in the analysis, is that there is no statistical difference between highly populated counties and smaller populated counties. This lends credibility to the statement that the current model of distribution is considered to be proportionate, with the exception of King County.

With the exception of King County, DOL criteria provide for an equitable distribution of subagencies throughout the state

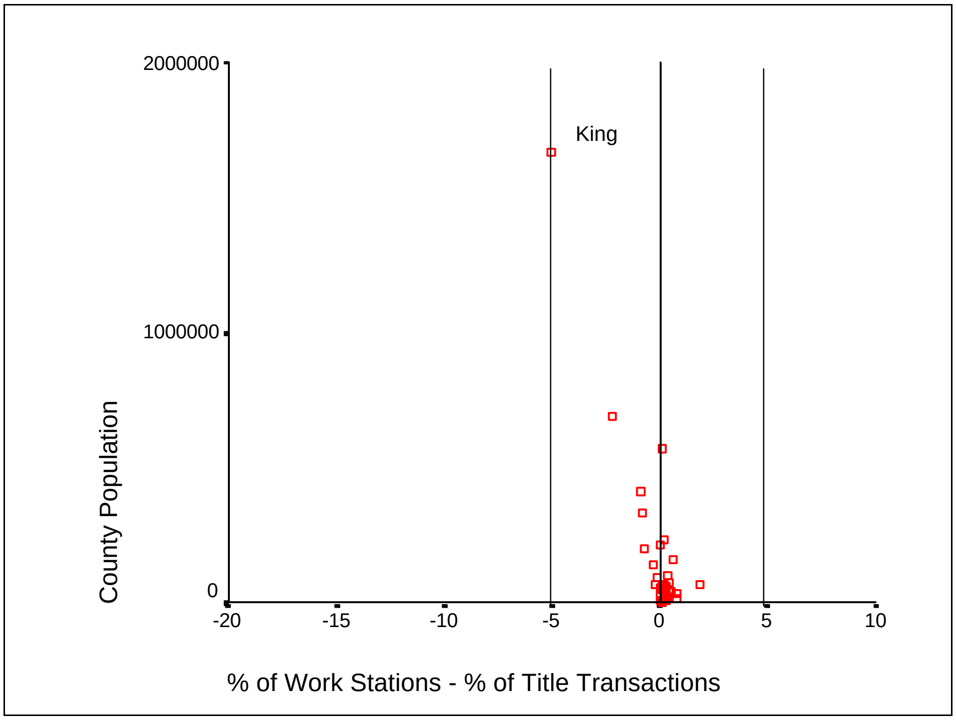
Exhibit 19
Comparison of the Allocation of Subagencies vs. Relative Title Transaction Workload



Source: OFM Population Data (1998) and DOL office and Transaction Data (1998).

A similar analysis for the allocation of vehicle workstations demonstrates that there appears to be a proportionate distribution of workstations throughout the state. The following exhibit shows a comparison of county population to the difference between a county's workstation allocation and its transaction volume. All percentages are expressed relative to the overall state totals. Like the previous analysis, in this graph, any county that is listed on the zero line indicates that the county has an equitable share of workstations; in other words, its transaction volume percentage matches its workstation allocation percentage. Counties to the right of zero have relatively more workstations than transactions and counties to the left which have fewer workstations. Compared to the previous exhibit, King County is seen to have a proportionate distribution (within +/- 5 percent) of VFS workstations relative to its overall transaction volume.

Exhibit 20
Comparison of the Allocation of Workstations vs. Relative Title Transaction Workload



Source: OFM Population Data (1998) and DOL Office and Transaction Data (1998).

VFS workstations appear to be equitably distributed throughout the state

The single, major impact to the state in relation to the analysis presented above is that there does not appear to be a proportionate distribution of subagencies within King County. Although the number of workstations appears to be proportionately distributed within King County, there is still a concern with respect to the proximity of offices to the population. Specifically, more offices strategically placed throughout the county would likely reduce relative social costs to the public (transportation time, for example). Like the information presented in Chapter 2, one goal of state government is to provide equal access to service. It is not clear that the current service delivery system is doing so with respect to King County, nor does it currently have the ability to do so. As previously indicated, the subagent appointment process begins with the submission of an application package by a county. DOL does not initiate the process.

AGENCY PERFORMANCE

Although agents and subagents provide the vast majority of vehicle licensing service, it is the Department that is responsible for overall administration. In simple terms, there are three broad functions DOL's Vehicle Licensing Division performs. One is the support of field operations, which is largely composed of the agent and subagent licensing offices. The second is a monitoring role to ensure licensing office compliance with the laws, regulations, policies, and procedures. And the third is directly providing service to a variety of external customers, including the vehicle licensing public, law enforcement agencies, and other parties in search of public information. We will first focus on the support and monitoring of vehicle licensing offices.

Support and Monitoring of Vehicle Licensing Offices

Agent and subagent relations with DOL have improved

As previously identified, we met with several stakeholders, including representatives from WACO, WAVS, agents and subagents. A primary concern from both agents and subagents was maintaining their revenue streams from vehicle licensing activity. Most counties rely on associated revenue for funding various county operations such as law enforcement and criminal justice. Subagents rely on the revenue as a means of business livelihood. While several expressed some skepticism towards these revenue streams continuing, they also acknowledged that relations with the Department have generally improved citing current Vehicle Services Division management, TRAC, user group meetings, and DOL's field support system of Title and Registration Engineering Corp (TREC) teams as key reasons for the improvement.

Other concerns voiced by agents and subagents were high rates of customer complaints regarding disabled placard which are no longer being issued at vehicle licensing offices and the fact that DOL does not accept credit cards. We have addressed this first concern in Chapter 2. The second concern will be addressed in Chapter 4.

Potential Use Tax Abuses

Controls over the collection of "use" tax questioned

Another concern voiced by several agents and subagents (four of the eight we interviewed) centered on the perceived high risk of public abuse of use tax collection. These vehicle licensing offices feel that there are few controls over the enforcement of DOR guidelines designed to collect the full amount of use tax due 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.

The criteria regarding use tax is very clear. DOL's directive on this matter specifies that vehicle licensing offices are to represent the DOR in collecting use tax. In addition, vehicle licensing offices are to follow instructions from the DOR and DOL regarding such matters, making every reasonable effort to collect the proper amount of tax in a courteous and efficient manner. Use tax is based on either the sales price of a vehicle acquired from a private party, or the fair market value of the vehicle, unless the reported price falls outside of reasonable parameters established by the DOR (i.e., at least $200 and within $2,000 of industry benchmarks). Licensing clerks are instructed to manually check the fair market value of the vehicle for tax purposes using either the Kelley Blue Book or National Automobile Dealer's Association (NADA) Used Car Guide. This step, when taken, adds process time, thus potentially aggravating the customer. If the customer's reported sales price falls outside the DOR guidelines, the licensing clerk is to refer them to DOR to obtain a "Declaration of Use Tax" form.

In an effort to either support or refute the concerns of the agents and subagents, we randomly selected 47 transactions from a day's worth of title transactions (9,238 title transactions on November 13, 1998). A sample of this size is statistically accurate at a 75 percent confidence level with a margin of error equal to +/- 5 percent. This means that 75 percent of the time we would expect a random sample of 47 transactions to yield a number of incorrect transactions (i.e., exceptions) that is within +/– 5 percent of the true mean number of incorrect transactions. We found that the licensing clerks processed title transactions without evidence of a

A significant amount of "use" tax dollars potentially is not being collected

"Declaration of Use Tax" form for all 11 of 11 tested transactions that were subject to use tax collection and fell outside of DOR's dollar parameters. Eight of the exceptions were for values under $200, two of these eight also violated the $2,000 parameter. Therefore, there were five transactions found where the claimed vehicle value was more than $2,000 below the most conservative value identified through the NADA Used Car Guide for the applicable year, make, and model. The potentially lost use tax for the state from those five exceptions was calculated at $582. In one case, only $8.20 was collected on a vehicle processed at $100 that the NADA Used Car Guide indicated was worth $6,750.

It is also important to note that the dollar amounts expressed in our testing simply represent potential losses to the state since vehicles can be properly taxed on dollar amounts well less than vehicle value guide amounts if indeed the car was purchased for a lower price. According to DOL's operating guide instructions, "The customer's declared value must be the purchase price of the consideration paid. It's a gross misdemeanor to willfully misrepresent the purchase price or consideration paid." Vehicles can be exchanged and appraised significantly lower than vehicle value guide amounts due to damage or the need for major repairs.

Confusion exists over who should conduct training and how much

In conclusion, there are very few controls to ensure that vehicle licensing clerks follow existing policies and procedures towards collecting the full amount of use tax due the state. We found no significant oversight controls at the state level to ensure compliance. Our transactions testing shows that DOR's guidelines are not being followed. The lack of controls in turn 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.

Licensing Clerk Training

Finally, another concern voiced by some agents and subagents revolved around the training of licensing clerks. There is some confusion regarding who should do the training (the county or the state) and how much. Current contracts between the counties and the state indicate that "DOL and agent shall share the responsibilities for education and training of agents and subagent personnel in the operations and functions relating to the licensing of vehicles and vessels." However, the contracts between the agents and subagents do not identify any training to be conducted by DOL. Further, Title 46 RCW requires that the contracts "specify the amount of training that will be provided by the state, the county auditor, or subagents." We found no current contracts where the amount of training was specified. Finally, it is apparent that counties interpret their training responsibilities as agents differently. Some have training programs to certify new licensing clerks while others do not. The lack of standardization and confusion over roles impedes the objective of ensuring that all licensing clerks are properly and fully trained. Although the majority of customer focus group participants felt that vehicle licensing staff were well trained, several participants at three of the four meeting locations also felt that staff should be more competent and/or could benefit from more training.

Agent and Subagent Reviews and Audits

DOL is diligent in responding to complaints

DOL utilizes a variety of means to assess the performance of vehicle licensing offices. The Department makes a careful effort to respond to incoming complaints from all sources, including the telephone, mail, and the Internet. A customer service unit (CSU) within the Vehicle Services Division handles the vast majority of complaints. Those complaints which are deemed more serious or more difficult to resolve are forwarded to the TREC teams for follow up. Although DOL has no systematic means to track complaints by office, a perceived high number of complaints to a specific TREC team can trigger further monitoring action, including a special field review. On a more formal basis, DOL conducts desk reviews of title transactions and periodic field reviews (otherwise referred to as "audits") of vehicle licensing offices.

The TREC teams conduct desk reviews of title transactions to monitor certain contractual clauses contained in both the agent and subagent contracts. Specifically, the TREC teams verify that vehicle licensing offices maintain at least a 95 percent accuracy rate over a six month continuous period. The accuracy rate relates to title transactions containing documents that, if missing or processed incorrectly, would invalidate a certificate of ownership as set forth in Department policies and procedures.

The accuracy rate does not include verifying compliance with DOR guidelines regarding use tax.

DOL's internal audit unit, otherwise referred to as the Office of Systems and Program Review (OSPR), conducts both special and periodic field reviews or audits of vehicle licensing offices. These audits are primarily compliance-based, mostly addressing inventory counts, exception reports, cash counts, and bank reconciliations. Although OSPR is widely referred to as DOL's internal audit arm, the vast majority of their vehicle licensing efforts are geared towards monitoring vehicle licensing offices, as opposed to monitoring internal Department operations. Currently, OSPR is staffed with seven FTEs, four of which are dedicated to vehicle licensing activity. The typical periodic audit cycle of vehicle licensing offices is four to six years. The Department has prioritized the importance of these field audits as evidenced by their recent budget request for an additional auditor in an effort to reduce the audit cycle time.

DOL internal auditors do not require detailed corrective action plans

While a review of OSPR audit reports shows the outcome of these efforts in terms of findings and recommendations, it was less clear how effective their recommendations are, largely because there are no required corrective action plans detailing specifically how the vehicle licensing office intends to correct deficiencies. Currently, OSPR has the vehicle licensing office personnel acknowledge in writing that they will comply and/or provide recommended documentation. However, a more detailed acknowledgement as to how they plan to comply is not required. We noted several OSPR findings and recommendations which were repeated from audit to audit.

Farm Vehicle Exemptions

Farm vehicles may be exempt from traditional vehicle licensing taxes and fees depending on the vehicle type and how it is used. The vehicle owner, or lessee, may apply for license plate and registration exemption by completing an application and certifying that the vehicle will be used within legal limitations.

DOL has policies and procedures in place to monitor compliance with the application process; however, they have little means towards ensuring that exemptions are complied with after the application process. Most of these policies and procedures center around the vehicle licensing clerk who must process the application and obtain the proper signatures. In addition, the TREC units verify accuracy of the title transactions in the same manner they review a sample of all title transactions. It is important to note that while the Department is responsible for ensuring proper application and signatures, they have no significant enforcement role other than to write non-compliance letters when such matters come to their attention, primarily by law enforcement agencies. In conclusion, DOL's policies and procedures surrounding the application process appear adequate. However, it is largely up to other agencies, such as law enforcement, to identify noncompliant practices.

Agency Service to External Customers

The Vehicle Services Division provides several services to external customers in addition to the general vehicle licensing public. These services typically relate to the sharing of vehicle licensing database information which involve numerous stakeholders including: law enforcement agencies, industry associations, process vendors, parking lots, insurance companies, private investigators, and other governments.

There are a variety of disclosure related laws based in both federal and state statutes. One such law is the federal Driver's Privacy Protection Act of 1994. This Act applies to the release of personal information from driver and vehicle records. It generally forbids the release of personal information from state motor vehicle records except for purposes expressly set out in the Act. While this Act imposed added responsibilities on state motor vehicle administrators across the country, it had minimal impacts in Washington since the state already had restrictive public disclosure laws in place.

DOL is constantly challenged with maintaining a balance between public access to information and protecting the personal privacy of individuals. Requests for information are documented through contracts that spell out the legal uses of the information and any consideration paid to the Department for the information. Although state law prohibits DOL from selling data for a profit, it can recoup costs associated with specific requests.

These costs typically involve programming time, documentation cost, production control costs, and various processing costs. DOL staff recently completed an analysis capturing key contract information, including payment amounts. A review of this analysis shows that DOL is often not charging external customers the full amount of costs associated with the requests. It is apparent that DOL has not been charging or collecting reimbursements from external customers in a consistent manner. Some contracts include charges for monthly access while other similar contracts are virtually cost-free, with the exception of initial one-time setup costs. While the potential of loss revenue is a relatively small amount when compared to DOL's operating budget, the inconsistent billing treatments makes the Department susceptible to claims of unfair business practices and potential public relations challenges.

DOL does not consistently charge external customers for information

Another noted deficiency is the lack of an automated reporting system to track public disclosure contract activity, terms, and associated costs for billing purposes. At times, DOL's accounting department has been unaware of potential billing activity because they did not know about the contract terms. This limits the full recovery of revenue collections for the DOL. Vehicle Services Division staff are aware of this weakness and have made an effort to address this through manual spreadsheets. However, we suggest the Department develop an automated system for tracking contract activity and terms to both better monitor contracts and provide necessary information to the accounting unit for billing purposes. Likewise, the accounting unit needs to inform the contracts people when payments are not received so collective action can take place.

Better communication and tracking tools are necessary between contracts and accounting activity

Finally, another key challenge facing DOL and many other vehicle licensing organizations around the country is how to ensure that database information is used only for intended and legal purposes, and not for unsolicited contacting of businesses. DOL does not currently devote any audit resources towards ensuring that possible abuses are detected and stopped. Many current contracts also do not contain an audit clause. The Department is aware of this weakness and has begun drafting contracts to include an audit clause. Additional measures are also needed to help ensure that DOL is adequately meeting its stewardship responsibilities by providing public access to information while protecting the personal privacy of individuals.

In conclusion, while we noted signs that quality and compliance problems do exist at some vehicle licensing offices and in servicing external customers, the overall extent was not determined. What is evident is that management controls should be strengthened to mitigate risks of both vehicle licensing quality problems and legal compliance. Specifically, DOL's internal audit unit (OSPR) needs to devote more resources to audit internal operations such as the TREC teams, contract billings and compliance, complaint handling, and other functions central to the Department's mission of best servicing the customer while maintaining public safety.

Focus on Customers and Quality

Vehicle Services Division is on the cutting-edge

The Vehicle Services Division has a history of being proactive in pursuing cutting-edge industry trends to better serve customers. For example, Washington State was the second state in the country to offer an electronic lien and titling system in 1992. The system allows for the electronic exchange of lien and title information between the lienholder and DOL (i.e., paperless titles). Currently, DOL has 13 financial institutions on-line through the use of vendors. The Department is continuing to reengineer this process by considering utilizing service bureaus to further reduce customer costs. Electronic licensing serves as a "win-win" situation for both the Department and the participating financial institutions. It reduces DOL workload by forgoing processing a manual title until the lien is relieved, and it also potentially reduces FTEs and storage space for the financial institutions. Other examples of utilizing industry trends is the development of various web sites and Internet tools to enhance customer service.

Key managers within the Vehicle Services Division are very prominent on a national and international basis. For example, the division's administrator over the Title and Registration Unit has been very active with AAMVA as she currently chairs two working groups on electronic liens and electronic commerce. She is also the international chair of AAMVA's Vehicle Registration and Title Unit and has led several workshops across the country.

The exposure and experience gained by the Department through these efforts are very valuable.

PERFORMANCE MEASURES

The Department is relatively new at developing and reporting official performance measures according to DOL management and staff.

Measurement Types and Functional Areas

We categorized the Department's performance measures by type. A complete measurement break down by function and type is provided in the following exhibit. While the Vehicle Services Division has a total of 176 performance measures, the vast majority of them address outputs.

Exhibit 21
Performance Measures by Function and Measurement Type

Function	Volume/ Output	Input	Outcome/ Effectiveness	Efficiency	Transaction Speed	Total
Title and Registration	**88**	**10**	**4**	**0**	**5**	**107**
Dealer Services	**27**	**2**	**3**	**4**	**0**	**36**
Prorate/Fuel Tax	**8**	**3**	**6**	**3**	**2**	**22**
Administration	**11**	**0**	**0**	**0**	**0**	**11**
Total	**134**	**15**	**13**	**7**	**7**	**176**

Data Source: Same as previous table “Summary of Performance Measures by Function.” Various reports provided by management and staff.

Function Definitions:

- Volume/Output - the work done or quantities produced by the agency but without qualitative or cost inferences.
- Inputs - quantities of resources, selected populations and workloads that represent the factors flowing into the organization and the measurement system.
- Outcome/Effectiveness - measures which reveal the extent to which results have been achieved or customer/program objectives have been met.
- Efficiency - measures that provide cost relationships between outputs produced and the resources used to produce them.
- Transaction Speed - Measures of quality and timeliness that help assess the operations of key business processes.

Analysis

Vehicle Services mix of performance measures should be improved

Although there is a mix of measurement types, the majority are volume measures. When comparing Prorate and Fuel Tax measures to other Vehicle Service functions, they are the only division using all measurement types. Our analysis indicates Title and Registration lacks efficiency measures, Dealer Services lacks transaction speed measures, and the Administration Division only has volume measures. A healthy balance exists in the measurement set when volume measures do not dominate and when outcome, input, efficiency, and transaction speed measures are developed in line with strategic objectives and performance goals. Additionally, Vehicle Services lacks customer satisfaction measures used to assess program effectiveness.

Measures reported for the biennium budget years of 1995-97 are not linked to performance strategies. In addition, many of the reported measures relate to efficiency and volume as opposed to assessing overall program effectiveness. In FY97-99 the Department developed its vehicle services strategy to include the development of effectiveness measures. This strategy states the Vehicle Services Division will "accurately and efficiently title and register vehicles and vessels to properly reflect ownership and to collect revenue and fees." However, similar to FY95-97, many of the measures analyzed from FY97-99 simply report on volumes, not necessarily the accuracy and efficiency of operations. Thus, limited measures exist in the current official measurement set which accurately depict DOL inputs compared to the cost of producing outputs.

In the 1999-01 Biennium budget submittal to OFM, Vehicle Services reassigned how measures will be reported. Each decision package provided in the budget now has a strategy and supporting goals linked to the measure. For example, one such decision package has a strategy to "increase compliance with statutory requirements by mitigating risks associated with Vehicle Licensing activities at Agent and Subagent locations." The corresponding goal is to "optimize cost, accuracy, access, and speed of services to customers." However, none of the measures reported in the 1999-01 Biennium budget provide information on the cost, speed, or timeliness of services to customers.

Weak controls over performance data

We noted additional weaknesses in Vehicle Service performance measures. Many of the measures are manually tracked and pass through several owners, thus increasing the risk of eventual reporting inaccuracies. Typically, data is manually gathered by staff and provided to managers. Managers then place these figures in reports and provide them to the Program Budget Specialist. The Program Budget Specialist in turn retypes these figures into one of three automated tracking systems. There are a lack of identified supervisory controls and no internal audit activity to verify accuracy of the performance data.

Another weakness is that many performance targets appear overly simplistic. The majority of unofficial measures used by management have a standard turnaround time of three days as a target. These targets have not changed over the past three years and it is not clear if they challenge employees. Finally, no one appeared to understand the basis from which these targets were established.

We also noted inconstancies and deficiencies regarding the use of performance indicators. This includes the means by which measurement outcomes and goals are communicated with staff, the use of measures to reward performance, the tracking of results to industry benchmarks, and the use of measurement results to assess training needs among staff. Based on interview discussions with management and staff, the Vehicle Services Division is not aware of any benchmark studies or best practices of vehicle licensing performance measures in other states.

The unique nature of the state's service delivery model does not lend itself to traditional benchmarking

The unique nature of Washington's service delivery model does not easily accommodate traditional benchmarking means such as cost per title transaction or transactions per FTE since cost and FTE data is not collected from agents and subagents. The Department does not have a standard means to gather this data given the decentralized nature of Washington's model. Much of the control and oversight of vehicle licensing offices with regard to costs and FTEs rests with the agents and subagents themselves.

Industry Measures

Performance measures received from the surveyed states indicate that most states use cycle time, volume, and input measures as well as some outcome and effectiveness measures. The types of measures the states cite as most important to assessing the performance of vehicle licensing services include:

- Customer satisfaction survey results;
- Turn-around time for permits, title issuance and registration renewals;
- Customer wait time;
- Number and percentage of completed transactions; and
- Cost to produce a vehicle registration transaction.

Again, it is important to point out that many of the traditional industry standards do not readily apply to Washington due to its unique service delivery mechanisms. This made it impractical for us to benchmark Washington in relation to other states.

Of the states responding to our survey, Oregon was the only one to provide a measurement set that included graphical representation, measurement descriptions, projections, and performance analysis linked to their biennium budget. Two of Oregon's innovative graphs portray the relationships of two measure sets: 1) customer satisfaction ratings to wait time satisfaction; and 2) cost per transaction to transactions per hour. Oregon collects their customer satisfaction ratings through a monthly survey of 400 customers. Oregon is continuing to strive towards the development of a complete measurement set incorporating program effectiveness measures across major areas including vehicle ownership and the design of licensing service delivery options. Although Oregon has a very different service delivery mechanism and cannot be readily compared to Washington, DOL should consider creative measures and presentation techniques such as those used by Oregon.

Prorate and Fuel Tax Activity

Among the most significant legislative changes facing DOL is "tax-at-the-rack" legislation which became effective on January 1, 1999, to mirror the federal fuel tax system. This legislation changes the point of taxation from the dealer/distributor level to the terminal rack/supplier level. DOL management expects this legislation to reduce the current number of fuel taxpayers from approximately 30,000 to approximately 400 (50 suppliers, 100 importers/exporters, and 250 dyed fuel users). DOL staff, in conjunction with staff from DOR, were instrumental in writing this legislation to facilitate uniform tax reporting and collection in the petroleum industry. In addition, tax-at-the-rack is expected to greatly aid in reducing fuel tax evasion as reported by LTC's Fuel Tax Evasion Study Oversight Committee in a report dated April 30, 1996.

Tax-at-the-rack is a mission critical element

DOL management widely recognizes that successful implementation of the tax-at-the-rack program is mission critical to the organization and the state as a whole. DOL has been proactive in informing stakeholders (special fuel users, distributors, dealers, and suppliers) of the changes through numerous workshops, direct correspondence, and two mass mailings to over 30,000 identified parties since June 1998. It is apparent that DOL has prioritized and directed a great amount of energy towards successful implementation.

One noted weakness is that DOL's Prorate and Fuel Tax Unit has not yet developed performance measures or indicators to gauge the success of implementing tax-at-the-rack legislation. For example, there is no systematic data collection system to gauge customer satisfaction or inquiries in an effort to assess program success and to identify issues. It will be important for the Department to assess results in a timely manner to proactively react to issues as they arise.

Finally, the issue of who should have responsibility over the prorate and fuel tax functions, DOL or DOR, has been raised. There are a host of positives and negatives associated with placement. The most common argument to align prorate and fuel tax activity with DOR is that the tax administration functions are similar to the tax-related work done by DOR, thus creating efficiency opportunities. However, it is important to note that DOL's Prorate and Fuel Tax Unit performs both licensing and tax administrative functions. A key argument against these functions residing with DOR is that DOR's expertise is not licensing and the licensing and tax functions are too interdependent to effectively separate. In conclusion, the prorate and fuel tax functions are truly unique with no dominant best fit. However, considering that the effective date of "tax-at-the-rack" legislation is upon us and the wide-scale preparation already completed by DOL, we believe they should continue to maintain responsibility of the prorate and fuel tax functions, subject to future reviews.

RECOMMENDATIONS

Based on the findings presented in this chapter, we forward the following recommendations:

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.

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.

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.

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.

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.

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.

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.

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.

SERVICE DELIVERY ALTERNATIVES REVIEW

Chapter Four

This chapter presents the results of our review of previous work done by and for DOL pertaining to alternative approaches to delivering services. It includes the service delivery alternatives DOL has considered and a discussion of the implementation obstacle that prevents DOL from making further progress—credit card acceptance. We also provide descriptive information about the experience other states have had with similar alternatives as provided in response to our state survey and best practices research through the American Association of Motor Vehicle Administrators (AAMVA).

DOL SERVICE DELIVERY ALTERNATIVES

DOL has evaluated a number of alternatives that would expand the way it provides services to customers. In its comprehensive December 20, 1997, report, "Alternative Approaches to Delivering Agency Services," DOL presented the expected outcomes, benefits, impact, cost, and progress of several service delivery alternatives. The report included innovative practices used in other states, techniques cited by AAMVA, and service options requested by DOL customers. The next step to bring the alternatives customers want to fruition is a solution to the issues surrounding credit card acceptance.

The seven alternatives presented in Exhibit 22 are current alternative approaches in progress. The 11 alternatives presented in Exhibit 23 were contingent upon legislation, funding, staff increases and/or major technological enhancements. These were considered future alternatives. Of the 18 alternatives evaluated, seven require credit card acceptance in order to be implemented and four have been completed. Overall, the alternatives seem to be reasonable options that reflect current industry trends in providing services to customers.

Exhibit 22

CURRENT SERVICE DELIVERY ALTERNATIVES	STATUS
• Expansion of DOL's web site to provide additional information and services to the public	Completed
• Access to agency information through an automated, interactive-capable phone system	Completed
• Electronic funds transfers (EFT) payment options for taxpayers and vendors	Requires credit card acceptance
• Drive-up windows at new Licensing Service Offices	Completed
• Electronic commerce options	Requires credit card acceptance
• Process limousine and for-hire vehicle transactions at vehicle licensing offices	Systems changes requested
• Combining licensing service offices, i.e., collocating driver and vehicle licensing and vehicle inspection service facilities	Partially completed (See Chapter 5)

Source: Information provided by DOL.

DOL has completed three of its current alternatives. Its web site has been enhanced to provide additional information such as maps, forms, and frequently asked questions. Drive-up windows have been constructed at the two new LSOs, though they are not in use. Three other alternatives have not been completed. Electronic funds transfers and electronic commerce require credit card acceptance and coordination with other state agencies. Limousine and for-hire vehicle transaction processing depends on modifications to the vehicle licensing system, which have been referred to ISD. DOL has worked to combine driver and vehicle licensing offices. Issues surrounding collocation are discussed in Chapter 5 of this report.

DOL also considered future service delivery alternatives. These are service options that involve capital projects, significant technology enhancements or expansions, legislative authority, and additional funding and/or staff. It is important to note that no major technology projects (outside of those mandated by legislative change) were allowed to begin until DOL systems were Year 2000 compliant. The following service delivery alternatives were explored:

Exhibit 23

POTENTIAL SERVICE DELIVERY ALTERNATIVES	STATUS
• Accept over-the-counter credit or debit card payments for licensing and titling transactions	Requires credit card acceptance
• Telephone renewals for vehicle registrations	Requires credit card acceptance
• Internet licensing transactions, including license renewals, change of address, information to public disclosure customers	Requires credit card Acceptance
• Kiosks to conduct licensing transactions	cancelled
• E-forms for business license transactions	Requires credit card acceptance
• Expand the number of renewal only "express offices" located where customers conduct other business e.g., grocery stores, campuses, downtown business areas	In progress
• Increase the number of driver licensing mobile units to take services to remote areas of the state	on hold
• Provide the option of mail-in renewals for driver licenses – every other renewal	No legislation requested
• Provide the option of internet driver license renewal for every other renewal	No legislation requested
• On-line credentials for interstate motor carriers	Requires major technology changes
• Trade name searches on the Internet	Requires major technology changes

Source: Information provided by DOL.

DOL has analyzed the future alternative service delivery options and made progress on one. Currently, there is one renewal-only LSO and two more will be opened this fiscal year in Yakima and Vancouver. Plans for kiosks have been abandoned because the state strategy has changed to emphasize Internet service options instead. However, using the Internet to conduct licensing transactions, as well as telephone renewals, over-the-counter credit card transactions, and electronic forms require the acceptance of credit cards. The Department has analyzed the costs, benefits, and systems modifications necessary for these alternatives; yet there are unresolved issues surrounding credit card acceptance that leave customers without these options.

Once the legislature and Office of Financial Management (OFM) develop a policy which would allow DOL to accept credit cards, DOL estimates it would take at least an additional 12 months to offer customers these payment options. We were not informed by DOL management of any plans to implement the remaining four alternatives.

Customer Perspectives

The service delivery alternatives that customers who attended our focus groups value most are:

- Conducting transactions by mail
- Private business as licensing office
- Using the Internet to conduct business

The 1995 DOL customer survey by Washington State University asked customers which ways they would like to access DOL services. The responses were as follows:

- 83 percent by mail
- 68 percent by touch-tone phone
- 43 percent with credit cards
- 41 percent by ATM
- 38 percent by personal computer
- 21 percent credit card payments over the phone
- 12 percent by Internet
- 7 percent by interactive TV

Given that one of the main objectives of expanding service delivery options is to benefit customer service, it follows that the Department should prioritize those alternatives which customers prefer. Offering a variety of service delivery options to the customer is an important means of delivering quality customer service. The common requirement for implementing these alternatives is credit card acceptance.

Credit Card Acceptance

Credit cards are a staple in today's economy. People expect to be able to use them to conduct business. Eighty-two percent of the focus group participants stated they would use credit cards if they were allowed. Two customer surveys conducted for DOL in the last three years offered similar results. In a 1997 telephone survey for the Business Technology Assessment Project (BTAP), customers were asked their opinions to six suggested improvement alternatives. Fifty-four percent thought being able to use a credit card to pay for a driver or vehicle license or license renewal was an excellent or very good idea.[12]

DOL has analyzed the costs associated with processing credit cards. They include the transaction fee credit card companies charge and costs associated with changing computers to accommodate credit cards. DOL has estimated that it could cost the Department about $5 million to pay the credit card companies' transaction fees. (This estimate did not include any potential cost savings that may result from telephone or Internet transactions.) One obstacle is caused by the fact that certain credit card companies prohibit the transaction fee from being passed on to the customer. Even if this policy could be waived, Vehicle Services (VS) management believes that DOL needs legislative authority to pass the fees on to the customer. VS management has referred the matter to the Legislative Transportation Committee (LTC) for action.

To date, DOL has not been able to resolve issues associated with doing business by credit card. LTC staff have been involved but little progress has been made. This has resulted in customers, particularly those who would like to have the option of paying their vehicle fees and taxes over time, being unable to. They are thus unable to ease the impact of the tax burden. Agents, subagents and customers must do business in person, except for vehicle renewal transactions, rather than use the phone or Internet as they prefer.

Other States and Best Practices

Several alternatives being considered in Washington are in use in other states. This section contains the information we gathered in the state survey and through researching best practices

[12] "Assessment of Customer and Stakeholder Satisfaction and Preferences," Washington State Department of Licensing Business and Technology Assessment Project, February 3, 1998.

including AAMVA sources.[13] It is intended to present information about which states use innovative techniques to extend service to customers. Where possible, we include the benefits states reported. Note that the alternatives that pertain to business licensing are not included, as survey respondents did not have responsibility for business licensing. The six states that participated in the state survey are: California, Iowa, New York, Oregon, Texas, and Virginia.

Credit Cards

Five of the six states that responded to our state survey accept credit cards for payment. Two, Texas and Iowa, charge customers the transaction fee. The remaining three absorb the transaction fee. California charges a $3 customer convenience fee. New York cautioned that appropriate setup in each program area was critical to absorb credit card transaction fees. For most states, the fact that customers received an additional payment option and could be served without a visit to a field office is the greatest benefit. Other specific benefits reported are:

- **Texas:** The counties that accept credit cards do this to make it more convenient for their customers. The customer pays any additional fee due for the credit card transaction fee.

- **Virginia:** Acceptance of credit cards has increased the ability to transcend public sector constraints and to operate and deliver customer service in the same manner as a business in the private sector. One specific customer service initiative realized due to the acceptance of credit cards payments is the implementation of a vehicle registration renewal program via touch-tone telephone. Other initiatives include the future use of the Internet for vehicle registration and driver license renewals, and allowing customers to obtain copies of their records. Using their credit or debit cards, customers can perform a host of other transactions by calling the Customer Information Services and completing their transactions by phone. Examples include complying with an order of suspension and obtaining driver and vehicle records. Hundreds of customers are able to comply with orders of

[13] American Association of Motor Vehicle Administrators (AAMVA), "No Need to Reinvent the Wheel," 1997, 1998.

suspension without having to visit a DMV office or mail in their payment for clearance.

- **Indiana**: Credit card payment is a customer service enhancement which provides the customers with an additional payment option. Customers may use their Visa, Master Card, or Discover card to spread their payment process over a few months. This program has assisted with the reduction in the amount of returned items as well as more timely payment of fees.

Internet and Web Site Use

Each of the surveyed states provides customer information on a web site. Indiana offers directions and basic maps to customer service offices, unlike Washington which has detailed, interactive maps. For the most part, the surveyed states use the Internet to provide information to customers. Massachusetts and Maryland allow vehicle renewals using the Internet. Virginia plans to implement Internet vehicle and driver license renewals in April 1999.

Interactive-Capable Phone System

All surveyed states, excluding Texas and its Driver Services program, use an automated interactive phone system with customers.

- **New York:** Provides phone numbers for each section of the office, office hours, and customers can order a general "how to" license or registration packet through the automated system.

- **Virginia:** Any customer who dials the telephone number for their local DMV Customer Service Center (CSC) reaches an automated menu of choices for general (non-recorded specific) information or the option to speak with a customer service agent. Through the interactive telephone system customers can receive information on office locations and hours of operation, insurance requirements, basic titling and licensing information, driver's license and identity requirements, emissions requirements, etc. A centralized call center responds to 10,000+ daily inquires from customers who need record specific information or who do not want to use the automated system. Customers can also leave address change information through the automated system.

Touch-Tone Telephone Vehicle Registration Renewal

Of the states surveyed, New York, Texas, and Virginia provide for telephone vehicle registration renewal.

- **Virginia:** Using a touch-tone phone and a credit card, Virginia's DMV customers can renew their vehicle registration in less than five minutes any time of the day, seven days a week. The caller is greeted and guided through the renewal process by an automated attendant and uses the keys of his or her touch-tone telephone to enter renewal info. Decals and the registration card are mailed to the customer the next day.

Drive-Up Windows

California, Oregon, Texas, and Virginia use a limited number of drive-up windows for vehicle service transactions. Oregon allows customers to obtain trip permits, accept address changes, accident reports, and other documents as well. Though costly to build, the advantage is that customers with quick transactions do not have to enter the office to conduct business.

Limousine and For-Hire Vehicle Transactions

All six respondents to the state survey indicated that limousine and for-hire vehicle transactions can be performed at vehicle licensing offices.

Collocating Driver and Vehicle Licensing and Inspection Service Facilities

Texas and Iowa were the only states we surveyed that, like Washington, do not provide driver and vehicle services at the same locations. However, Iowa does have a driver license station located in the same building as a motor-carrier office.

Kiosks

None of the survey respondents offer kiosks as a service delivery alternative. However, like Washington, California, Oregon, and Texas allow licensing transactions to be conducted at locations other than motor vehicle/licensing services offices; for example, travel clubs and grocery stores. Many large counties in Texas use subcontractors such as grocery stores for registration renewals, title services for full or limited services, and motor vehicle dealers. The county tax assessor-collectors are responsible for issuing vehicle registrations. Each county is designed for their unique operations within the county. At the majority of subcontractor sites (especially grocery stores), transactions are not entered into the system until the county receives the paperwork. The items, however, are issued immediately to the customers at these locations.

Express Offices

Two survey respondents make use of offices that accommodate driver license renewals and other brief transactions. Oregon has seven express offices that are located in or near shopping malls. New York has express offices in New York City for driver license renewals, duplicates, and reciprocity for new residents, but no transactions involving written or road tests.

Maryland, Maine, and Illinois are three other states with express offices.[14] Benefits reported include comments that the setting has been popular with the public. According to AAMVA, "these offices provide quick and easy service that are a welcome alternative to overcrowded full-service branches." The average customer in an Illinois express office is in and out of the door in about 10 minutes or less.

Mail-In Driver License Renewal

Eighteen states allow drivers without traffic convictions to renew licenses by mail at least every other renewal period.[15] This allows customers to avoid coming to an office to conduct business, which

[14] American Association of Motor Vehicle Administrators (AAMVA), "No Need to Reinvent the Wheel," 1997, 1998.
[15] Ibid.

saves them time. Likewise, it reduces the volume of customers in driver services offices, which would likely shorten wait times. Five of the six states we surveyed permit mail-in renewals for drivers with good records, and the sixth plans to implement the option in April 1999. In Iowa, drivers between the ages of 18 and 65 may do so for alternating renewal cycles.

- **Illinois:** Between January 1, 1997, when the program began, and February 23, 1998, almost 447,000 Illinois State citizens had taken advantage of this convenient renewal method. To be eligible for "Safe Driver Renewal," a driver must be between the ages of 21 and 75 with a clean record. Motorists with drunk driving arrests are not eligible. Motorists using the program do not have to undergo a vision screening, as previously required. Safe Driver Renewal program changed state law to extend the time between mandated vision tests from four years to eight years. Currently, less than one-half of 1 percent of motorists fail the vision screening test.[16]

- **Idaho:** Idaho started a renewal program in July 1995. The program allows a person between the age of 21 and 70 to renew a license by mail every other renewal cycle if they have no medical conditions and no suspensions. This means a trip to the DMV only once every eight years.

- **Iowa:** The state's web page describes renewal by mail as "a natural fit with people's ever-changing, busy lifestyles." According to the web page, it is convenient, easy to use, and works well for approximately 65 percent of Iowa's drivers." There is an additional $2 processing fee.

Mobile Units

Three of the six surveyed states use driver licensing mobile units to take services to remote areas of the state. California has travel crews at periodic intervals. Texas has 59 mobile units that serve 142 locations on a weekly schedule. Virginia has three mobile customer service centers that handle both driver and vehicle functions. As is the case in Washington, these offices bring licensing services to rural and remote areas in the states.

[16] "Illinois Safe Driver Renewal." www.sos.state.il.us/depts/drivers/programs

RECOMMENDATION

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.

COLLOCATION

Chapter Five

In 1993, the legislature directed DOL and the Washington State Patrol (WSP) to coordinate with each other when siting facilities, in order to promote collocation whenever possible. The term “collocation” has been interpreted to mean different things from both aspects of conceptual understanding and operational implementation. Aside from definitional problems, there are a number of other issues that are also problematic. This chapter examines how DOL has collocated its facilities and reviews some of the more pressing issues associated with the concept.

HISTORICAL OVERVIEW

In Washington State, the concept of collocating transportation agency facilities was first discussed in the late 1980s when the state legislature, in conjunction with the Office of Financial Management (OFM), determined that ownership of facilities was more cost effective than renting facilities from the private sector. This conclusion, as a blanket statement, was later refuted by the Joint Legislative Audit and Review Committee (JLARC).[17] The types of benefits that OFM and the legislature foresaw included a savings of capital construction costs, an appreciation of land value, and the tangible ownership of a capital facility. This concept of ownership of facilities, as opposed to leasing, was later teamed with the collocation concept; thus, producing a capital plan involving multiple transportation agencies (DOL, WSP, DOT, and DOE) sharing the same facility and parking areas.

[17] “Capital Planning and Budgeting: Study of Leasing Versus Ownership Costs,” JLARC, 1995.

DOL embraced collocation prior to the legislature's formalization of the program in 1993

Even though collocation was not formally funded as a capital program until the 1993-1995 Biennium, DOL had already incorporated the collocation concept into its strategic planning process. Influence for early inclusion was primarily based upon DOL's discussions with the Legislative Transportation Committee (LTC) staff and chair, and the emphasis from LTC that collocation would be the future method for service delivery. In this context, collocation was originally envisioned to include: driver licensing, vehicle licensing, VIN inspections, emissions testing, and DOT permits; all located at a single site. Aside from the projected capital savings of building one facility as opposed to many, LTC also emphasized that the collocation concept would benefit customers because of the nature of "one-stop shopping" that could result: customers could conduct multiple transactions at the same site at the same time.

In the 1993-95 Biennium, the legislature approved RCW 46.01.330 that mandated coordination between the WSP and DOL for the siting of facilities. The coordination between WSP and DOL was expected to result in the collocation of driver licensing, vehicle licensing, and VIN inspection facilities, whenever possible. The RCW also directed DOL and WSP to explore the incorporation of other state services, such as vehicle emission testing and DOT transportation permits, into the collocation of facilities. The RCW goes on to say: "In those instances where the community need or the agencies' needs do not warrant collocation, this section shall not apply." Unfortunately, the statute offered no guidelines for defining "community" or "agency" needs. Also, the RCW didn't specifically define whether or not collocation was focused upon the siting of additional facilities or the incorporation of replacement facilities.

DOL Collocation Efforts

Since the 1993 Biennium, DOL has identified four facilities that were intended to be used for collocation of both driver and vehicle services. They are located at Union Gap, Vancouver, Claremont, and Morton. Of the four, Morton, and Claremont contain vehicle licensing offices. Of these two, DOL staff operate the Morton vehicle licensing office. Of the four, DOL constructed two of the facilities – Vancouver and Union Gap. At Claremont, a subagent provides vehicle licensing services in a separate, leased space within the same building. A fifth collocated site located at Parkland is also in operation. Parkland is unique in the sense that DOL did not identify it as a proposed site. Parkland houses both driver and vehicle services.

DOL siting policy offers subagents and agents the first right of refusal

During the past five years, DOL interpreted the RCW as a requirement for collocating driver and vehicle services. According to DOL staff, this interpretation was based upon their discussions with LTC staff. Along these lines, DOL's capital planning since 1993 reflects the construction of facilities that were intended to house both driver and vehicle activities. It is this latter point that has caused consternation during the recent past. Although DOL has been historically responsible for the siting and staffing of driver services LSOs, it has not been the primary provider of vehicle licensing transactions. In 1997, for example, DOL processed only 3 percent of all vehicle services transactions, while counties and subagents processed 39 percent and 58 percent, respectively.

Because of the unique hybrid system and autonomy of subagencies and agencies in transacting business, DOL has followed a policy of offering subagencies and counties a first right of refusal to provide vehicle licensing at a collocated facility. In cases where the subagents or agents have refused, DOL has either staffed the facility itself or vehicle licensing services do not exist, even though the capital plan included space for the vehicle services portion. Even with established criteria, legislators, county auditors, and subagents have expressed concerns regarding DOL's siting and service delivery decisions. Four recent cases that have occurred during the past two years include Parkland, Union Gap, Spokane, and Wenatchee.[18] Such concerns were raised as recently as this past year in the state legislature, when legislation was introduced to clarify vehicle licensing siting requirements. The legislation, SB 6540, clarified the issue of siting by requiring DOL to apply its existing rules for siting vehicles service subagencies when considering the establishment of a site for vehicle licensing services. [19]

[18] DOL did not request, and in fact proposed elimination of any plans, to construct a collocated facility in Wenatchee. The Wenatchee project was placed in the budget by LTC staff because the WSP had land available.
[19] This legislation did not pass.

EMPIRICAL EVIDENCE

Differing Examples of Collocation

No common standard exists for what constitutes a collocated site

What makes the collocation issue a difficult one to analyze is that there are different examples of how collocation has occurred at DOL, and it is not clear that there has been one case that can be looked to as the typical example. The following table highlights the different examples of collocation that currently exist with respect to the type of services that have been offered. What is similar across all of the locations is that DOL has a driver services LSO. The remainder of the services differ.

Current DOL Collocated Sites and Types of Services Provided

Site	Driver Services	Vehicle Services	WSP VIN	Emission	DOT
Claremont	Yes	Yes[4]	No	No	No
Morton	Yes	Yes[3]	Yes[1]	N/A	Yes
Parkland	Yes	Yes[3]	Yes	No	No
Union Gap	Yes	No	Yes	N/A	No
Vancouver	Yes	No	Yes	Yes[2]	No

Notes:
1: VIN inspections at Morton are done on a part-time basis.
2: Emission facility is located on adjacent property.
3: DOL staff provide vehicle services at Morton and Parkland.
4: Subagent staffs the vehicle services function and is physically separated from the DOL driver services office.

DOL has placed its Ten-Year Capital Plan on hold pending clarification of legislative intent with respect to the definition of collocation

The importance of this issue is that a lack of a common standard has made it difficult for DOL to adequately plan for future capital activities.[20] Given the five examples listed above, it is not clear if the Department should plan for collocation defined as drivers and vehicle licensing services, or if it should plan for a different type of mix. This issue has been so important to DOL that it has not submitted its Ten Year Capital Plan because of the uncertainty of the definition of collocation. Specifically, it has requested clarification of legislative intent on the issue. The absence of a

[20] This issue was specifically identified by DOL as part of the TRAC Subcommittee. TRAC approved and forwarded recommendations to the legislature on December 18, 1998.

Capital Plan, like other strategic planning documents, has potential long-term impacts in that the Department may not be taking the right steps toward accomplishing a strategic vision with respect to collocation. This is not to imply that the Department hasn't continued to plan or to execute a short-term plan; it has. Rather, the point here is that the definition of collocation must be resolved to ensure that the Department is making effective short-term decisions in support of a long-term strategy.

Why don't all of the facilities have vehicle licensing services?

Higher than expected leasing costs and requirements for separate common facilities have precluded agents and subagents from occupying collocated facilities

Perhaps one of the most obvious observations from examination of the table above is that all of the DOL collocated facilities do not include one of the important functions of the DOL service mix: namely, vehicle licensing services. In two of the three cases above where vehicle licensing is available, DOL staff provides the vehicle licensing services. In the third case, Claremont, a private subagent provides services but does so under the condition that it has a separate entrance and separate break rooms, bathrooms, and lobby area from the DOL LSO area.

In Vancouver, DOL initiated options for providing driver and vehicle licensing services during 1996. The Department purposefully designed the facility with an area for vehicle licensing services and expected that either the county agent or a subagent would occupy the space. Preliminary discussions were held with the Clark County Auditor regarding the agent's interest in providing an additional subagency. Ultimately, Clark County decided not to pursue either agency or subagency service based upon economic reasons. Part of the reason for declining to occupy the space was based upon DOL's request that the agent/subagent lease the office space and a portion of the common area. This resulted in a higher overall occupancy cost for the agent and subagent compared to current costs. Like the Vancouver facility, the Union Gap facility had been designed for incorporation of both driver and vehicle licensing activities, but the agent and subagent did not relocate due to issues regarding greater than anticipated rental costs and the need for separate common facilities that had not been designed into the facility plan.

Examining the activities that have surrounded the incorporation of agents and subagents into the collocation process, it is apparent that DOL was not able to secure commitments from either group at critical stages of the decision-making process. This is not to imply that DOL could not have done so. A better process definition that would have included more detailed discussion and documented agreements may have facilitated subagent and agent relocation at the collocated facilities.

How have agency siting criteria been applied?

Established DOL criteria have not been consistently applied against the siting of collocated facilities

Per DOL policy, whenever a driver LSO and vehicle licensing service is newly sited, there are two specific criteria that must be applied. One is related to driver licensing services and is called the Geographical Area Audit (GAA), the other is Vehicle Services Policy and Procedure VEH.8B. These criteria were applied in consideration of the Morton, Claremont, and Vancouver site locations. In the case of Parkland, the results of the siting analysis were not adhered to when the decision was made to include vehicle licensing. Observation of the Parkland facility indicates that there is already a subagent located approximately one mile from the site and another about four miles away. According to VEH.8B, the close proximity of subagents within these limits would have invalidated the choice of the site. Discussions with DOL indicated that DOL was not actively involved in the site selection because of the fact that the site was already owned by the Washington State Patrol.

The Union Gap facility presented a different scenario of how the criteria were applied but not in conjunction with the existing site location. Although the GAA was applied to the Union Gap facility, VEH.8B was not. The vehicle licensing criteria had been applied to a previously selected site in Yakima, but a change in sites had been made based primarily upon the fact that DOT owned land in Union Gap. Business priorities for Driver Services were also part of the decision. According to DOL, the decision to change sites was made after discussions had already been initiated with the Yakima County Auditor and prospective subagents. The current Union Gap facility, which opened in November 1998, would not qualify under VEH.8B for establishing a new vehicle licensing service facility due to the fact that there is a subagent located within one-half mile from the site.

Another siting issue that has arisen with respect to DOL's collocation efforts has been the difficulty of finding collocated sites that fit interagency siting criteria. As indicated on page 7 of the 1994 "Report on Collocation of Capital Facilities," WSP, DOE, and DOL have different siting criteria. The report states that:

Different siting criteria exist among the transportation agencies

- *WSP has a long standing policy of locating its facilities near highways and interstates which are easily accessible to the motoring public.*
- *DOE attempts to locate its facilities convenient to customers in the five counties subject to emission testing.*
- *DOL has developed criteria for siting its facilities based on demands for services and customer convenience.*
- *DOT considers siting criteria, such as proximity to radio reception, all weather road surface, prevailing winds, and security issues.*

As indicated in cases like the Parkland collocation site, WSP criteria were met but DOL vehicle licensing criteria were not. Currently, there is no process that exists for addressing how criteria siting can be adjusted to accommodate all needs.

THEORETICAL COSTS AND BENEFITS

Since the early 1990s, when DOL was tasked to consider the collocation of its facilities with other transportation-related agencies, there have been specific justifications for why collocation is considered to be a beneficial concept. Two specific benefits that have been listed include the following:

Existing financial models are valid tools for assessing the financial worthiness of collocating

- Collocation can save capital infrastructure costs.
- Collocation provides one-stop shopping for consumers.

Saving Infrastructure Costs

Because of the principle of economies of scale, collocation has the ability to save costs. This is not to imply, however, that collocation will always save money. As expected, one must trade off the cost of individual leasing arrangements vs. the cost of building and maintaining a facility for a specified period of time. As indicated in Chapter 6 of this report, the state currently requires that all agencies conduct a cost-benefit analysis by use of the lease vs. purchase model. This model, although typically used on an agency-by-agency basis, has the capability to be adjusted and used for analysis that considers several agencies that propose to collocate. It is necessary to use this tool for future collocation activities to ensure that cost savings will occur.

Who really benefits from one-stop shopping?

The potential for conducting multiple transactions at the same facility at the same time appears to be very limited for existing state residents

The second benefit of collocation that has been expressed is the benefit to customers, given the perceived nature of one-stop shopping of transportation services. Specific examples of how one-stop is envisioned include the process by which a customer could get a driver's license, register a vehicle, receive a VIN inspection, and conduct an emissions inspection. Although this benefit may appear legitimate at first blush, upon further analysis, it is apparent that the number of people who would actually benefit from such a situation may not be as great as initially thought.

For example, the types of transportation-related services that may be required by customers are, for the most part, never accomplished at the same time or in the same frequency. The following chart highlights different types of activities and their frequency:

Activity	Frequency of Requirement	Provider
Driver test	Varies, most drivers, once	DOL
Driver renewal	Once every four years based on birthday	DOL
ID card	Once every five years	DOL
Vehicle titling	When ownership changes	DOL, county agent, subagent
Vehicle renewal	Once per year based on when license plate tabs expire	DOL, county agent, subagent
Emission test	Once every two years (certain counties, certain vehicles)	Private contractor chartered by DOE
VIN inspection (out of state)	When vehicle is first titled in WA	WSP
VIN inspection (other)	Varies	WSP
VIN inspection (special)	When titling a vehicle that has been reported as destroyed	WSP
DOT permit	Depends	DOT and its agents, some vehicle agents and subagents

Full-benefit of one-stop shopping is limited to new residents of the state – they comprise 3 percent of all drivers

It is clear from this chart, that most people within the state will rarely conduct more than one transaction at a given time. Given the staggered schedules of most of these activities, there is a low probability that a typical resident of the state would conduct driver and vehicle licensing at the same time. For the most part, the type of person who benefits most from one-stop shopping would be the new resident to the state because of the fact that they would require many of the services that collocation addresses: VIN inspection, driver license, vehicle licensing, and possibly an emissions test. Examination of the number of new drivers within the state indicates, however, that they constitute a relatively small percentage of the overall transactions. For example, in 1996, the number of new drivers to the state as a percentage of total drivers in the state was 3.2 percent. This was down from a peak of 4.6 percent in 1990. Given that new residents will be the primary beneficiaries of a one-stop shopping benefit, it is clear that there are very few people within the state who could potentially take advantage of such services.

How do customers feel about collocation?

Customer perceptions of the worthiness of collocation are mixed

Looking at recent data, it is not really clear whether consumers would prefer to have collocated facilities instead of the current service delivery model. For the most part, the results are mixed. There are several contemporary sources for describing the desires of customers with respect to the current service delivery mix of DOL, agents, and subagents. The 1991 Title and Registration Study indicated that the public liked the convenience and service of the current system of agents, subagents, and DOL. The 1998 BTAP report indicated that customers were highly satisfied with the service that had been received at both drivers and vehicle licensing offices, even though 84 percent agreed with the idea that it was good to have vehicle and driver licensing offices in the same vicinity. PricewaterhouseCoopers focus groups indicated less support for the collocation concept: 50 percent of the participants were opposed to a collocated concept defined as having vehicle and driver services together. Even more (59 percent) were opposed to a collocation concept that included drivers, vehicles, emissions testing, and VIN inspections together. For the most part, qualitative comments at PricewaterhouseCoopers focus groups included the following themes:

- People would not be willing to pay more, wait longer, or drive much further for collocated service.
- The current service delivery model allows for more efficient handling of transactions than what collocation could accomplish.
- Collocation doesn't seem beneficial because consumers have different times when drivers and vehicles activities must be accomplished.

- Benefits of collocation would be dependent upon how the facilities were structured (separate walls/doors for services, different waiting areas).

Is collocation of transportation-related agencies a good concept?

If the primary argument for collocation is based upon the concept of one-stop service, it is fairly clear that not many people will actually benefit from the activity. If capital infrastructure costs are considered, then there is the opportunity that benefits may result; however, this is not to say that collocation will always result in a financial savings. Financial models, like the one currently employed by the state for lease vs. purchase activities, must be used to determine if collocation meets a financial litmus test. Finally, the collocation decision must integrate existing relationships with subagents, agents, and other state agencies to ensure that proper locations are considered.

RECOMMENDATIONS

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.

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.

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.

CAPITAL AND LEASE MANAGEMENT PROGRAM

Chapter Six

Significance

Capital and lease planning is perhaps one of the more important aspects that any organization will undertake. Facilities provide the foundation from which services are conducted. Not only must facilities be accessible to the public, but they should also provide a safe environment from which an organization can serve its customers. Likewise, facilities can be a significant portion of the financial operations of an organization. In line with these types of purposes and significance, it is necessary for an organization to have a plan for how, when, and where it intends to locate. Like other types of planning, capital planning must encompass future projections of where service may be needed and with whom (i.e. other agencies) service may be conducted. Although this latter thought was explored in the previous report section describing collocation, there are many ties that will be discussed here in order to show the relationships between the DOL capital planning process and its collocation partners.

DOL executes two major capital planning functions

DOL undertakes two major capital planning functions. One function is focused upon procuring acceptable and competitive leasing arrangements with the private sector for its LSOs. The other involves capital projects where collocated services are sited and considers both drivers and vehicle licensing. With the exception of a handful of facilities that were intended to be collocated driver and vehicle services, all LSO facilities are currently leased from private sector organizations. In executing its capital planning DOL relies heavily upon two other organizations: General Administration (GA) and the Office of Financial Management (OFM). GA is responsible for assisting DOL with land purchases, lease development and negotiations, real estate matters, and architectural assistance. OFM provides

DOL with capital budgeting instructions, it reviews the DOL capital budget, uses the state purchase vs. lease model, and provides approval for ten-year leases.

LEASE VERSUS PURCHASE MODEL

DOL, like other state agencies, uses a financial model to determine whether it should lease or purchase a facility. Use of the model is required for all state agencies that plan on building or purchasing facilities, and is referenced by OFM in its Capital Plan Instructions. JLARC developed the model with the assistance of other state agencies (OFM and GA) and stakeholders in the mid-1990s to allow agencies the ability to conduct a life-cycle cost analysis that compared the alternative of leasing vs. purchase. Purchase, in this context, refers to any acquisition method that is an alternative to continuing leases in short-term or current structure.

Lease vs. purchase model is a valid financial tool

Review of the model indicates that it incorporates sound financial principles and allows agencies flexibility in conducting sensitivity analysis of important variables like interest rate, acquisition costs, and land value. Discussions with GA staff about the validity of the model indicate that it has been widely incorporated by state agencies for use in buy vs. lease and long-term vs. short-term lease decisions. Of those documented decisions across all state agencies where the model has been used since its inception, GA staff indicated that approximately 20 percent of the outcomes were for construction or purchase; the remaining 80 percent of the decisions recommended that a lease should occur.

DOL, in conjunction with GA and OFM review, has employed the model in its decisions for the construction of facilities that were planned for collocation. Examples of decisions where the model has been applied include the Vancouver and Union Gap facilities. In both cases, the model indicated that it would be more cost-effective for DOL to build as opposed to lease. Like all models, it is important to understand that the financial outcomes of the model are based upon the assumptions that are incorporated into the analysis. Key parameters that DOL must continue to scrutinize in the future as it uses the model include assumptions regarding the quality of alternative facilities, occupancy tenure, and the type of discount rates that should be used to capture opportunity cost and risk. In all cases, it is important that the Department conduct its planning with the use of sensitivity analysis in mind.

CAPITAL PROGRAM

Departmental emphasis on how to conduct capital projects has changed since the early 1990s

During the 1990s, the DOL capital program has been primarily focused upon the construction of facilities associated with collocation. In the 1993-95 Transportation budget, DOL received authorization from the legislature to lease-develop with an option to purchase facilities in five locations: Vancouver, West Spokane, Lacey, Union Gap, and Wenatchee.[21] The authorization was reapproved in the 1995-97 Transportation budget due to delays experienced in the acquisition processes.

During the 1990s, DOL's emphasis, with respect to how to conduct capital projects, has changed significantly. During the earlier part of the 1990s, the focus was primarily upon accomplishing lease-purchase initiatives. In this context, lease-purchase refers to DOL first leasing a building and then later buying it. In commercial terms, this is also referred to as leasing with an option to buy later. This was typically used for new building construction in cases where the builder was a private contractor. The benefit of this method was that DOL could renegotiate facility improvement items if they arose during early occupation of the facility. General timeframes for leasing were approximately one year with an option to buy later.

DOL's vision toward conducting capital planning changed around the 1997 timeframe when it decided that public works was a more efficient and effective process. Experience with lease-purchase indicated that turnaround times for leases and contracting work were slower than DOL anticipated due to problems with private developers and slower than expected negotiation times. Construction of the Vancouver facility marked the first DOL facility built through public works; overall, DOL staff appeared to be satisfied with the decision to pursue public works.

[21] DOL did not request, and in fact proposed elimination of any plans, to construct a collocated facility in Wenatchee. The Wenatchee project was placed in the budget by LTC staff because the WSP had land available.

Spokane and Wenatchee projects were cancelled and Lacey has been put on hold

Around the same timeframe that the Vancouver project was progressing, the Spokane capital project was not. The project was terminated by the 1997 State Legislature due to concerns raised by legislators regarding the planned location. According to DOL staff, standard siting criteria prescribed by the Geographical Area Audit (GAA) were incorporated. Prior to canceling the development of the site, DOL had already begun the process for procuring real estate at the proposed site. Cancellation of the project required reimbursement from DOL to the land developer for costs that were incurred during “good faith” negotiations.

In 1998, DOL requested clarification from the legislature regarding the collocation of future facilities. Specifically, DOL desired to receive direction as to whether drivers and vehicle services were required for a collocation activity. Because of the need for clarification, the Lacey project was put on hold at DOL’s request. Although the project is still authorized, the funding for the project was removed from the budget during the 1998 Legislative Session. Of the first five locations originally proposed by DOL in 1993, only two of the facilities were constructed and occupied: Vancouver and Union Gap.

DOL Ten-Year Capital Plan is on hold pending clarification of legislative intent on the issue of collocation

Aside from the Lacey project being put on hold, DOL’s request for clarification of legislative intent had even more important ramifications for the Department’s Capital Planning. Specifically, DOL does not have a Ten-Year Capital Plan developed for the most recent biennium and does not feel that it can propose an adequate plan without first receiving guidance from the legislature as to the future intent of collocation. DOL received concurrence from OFM and legislative staff regarding the decision to defer preparation of the plan pending such clarification. The ramifications for not having a Ten-Year Capital Plan are significant in the long-term. Although DOL continues to plan, it is necessary to resolve this issue to ensure that DOL’s near-term actions are properly aligned with a strategic plan for the future. As previously indicated, the plan provides for future direction and is tied to the Department’s strategic plan with respect to the allocation of capital funding. Resolution of the issue in an expedient manner is of great importance for the success of future DOL capital initiatives.

LEASING PROCESS AND PLANNING

The average DOL lease contract across the state for an average facility size of 3,300 square feet is approximately $3,400 per month. Both cost and size vary greatly, dependent upon geographical location. For example, DOL pays about twice as much more for an office at Seattle-Greenwood as it does for an office in Ilwaco on a dollar-per-square-foot basis. As of 1998, GA has provided DOL guidance on lease renewal rates for assisting the Department with determining a fair market value for leasing.

DOL involves many internal stakeholders in the leasing process

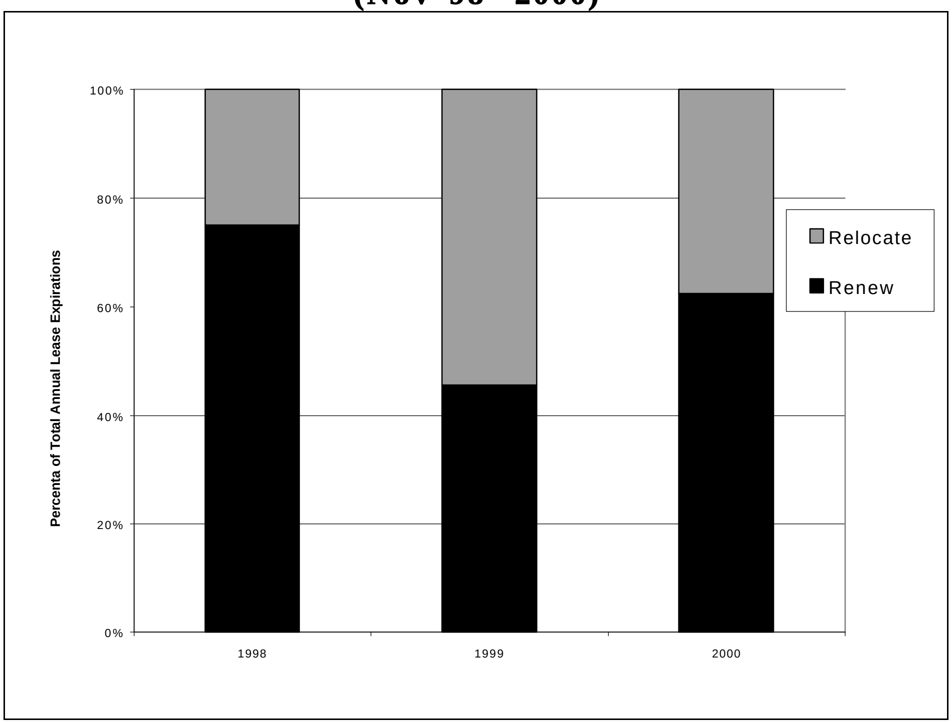
There are two general types of leasing activities that DOL conducts: the renewal of existing LSO leases and leasing at new LSO locations. Each case requires a different process, and likewise, involves different criteria. In both cases, the leasing process begins with the DOL Office Services unit compiling a list of upcoming expiring leases and forwarding it to the Driver Services Division for review.

After conference among several key individuals (the LSO supervisor, District manager, Regional manager, and Driver Services), a decision is made as to whether the lease should be renewed or if a new site should be found. Variables that are considered in the decision to renew or find a new site include the site location relative to local demographics, safety, convenience, and customer service. For the most part, relocations are usually based upon program need, although DOL has relocated for reasons that dealt with unsatisfactory relationships with the lessor. Currently, the average leasing contract is approximately five years. This is the same duration that is standard for most state agencies per General Administration (GA) guidelines. It is apparent from DOL leasing data that the number of lease expirations will range from 8 to 18 per year from 1998 through 2003. The year 2001 is expected to be the busiest year during the timeframe.

Approximately half of lease actions between November 1998 - 2000 will involve LSO relocation

As previously indicated, there are several reasons for DOL desiring to relocate to a new facility as opposed to renewing existing leases. The most common reasons tend to be increases in rent and relocation to match growth patterns in metropolitan areas. This latter reason encompasses: increases in traffic, traffic gridlock preventing timely drive tests, and changes in the customer base. When space requests for relocations are made, DOL projects growth and space needs for a ten-year forecast. The following exhibit shows the mix of renewals and relocations that DOL is currently projecting for the near future. It is apparent from the graph that roughly half of the expiring leases from November 1998 through the Year 2000 will entail relocation of LSOs:

Exhibit 24
Projected Renewal and Relocation of DOL LSO Facilities (Nov '98 - 2000)



Source: DOL Lease Information (1998).

After DOL has determined that it will relocate to a new facility, a space request (SR) is prepared and sent to the Division of Property Development (DPD) at GA. Unlike lease renewals, GA requests that DOL provide an 18-month advance notification that it will be terminating an existing lease in favor of a relocation.

After GA receives a SR, GA real estate agents work with DOL staff to secure a site and negotiate competitive lease rates. Overall, both the renewal and new lease processes appear to be working according to plan, based upon review of the processes and discussions with staff.

EFFECTIVENESS OF DOL'S CAPITAL AND LEASE MANAGEMENT PLANNING

DOL appears to have a sound approach toward leasing and procuring facilities in an efficient manner. It has well-defined processes for determining when lease renewals are expected to expire and utilizes Washington State agencies like GA in the negotiation of the most efficient rates possible. DOL has also utilized the lease vs. purchase model for its capital decisions that involved collocation and has coordinated its decisions with GA and OFM as well. The only area for improvement that was noted in the review of the capital and lease procedures was related to the absence of a coordinated Ten-Year Capital Plan. This is not to imply that the Department has not continued to plan in its absence; it has. The main point here is that a documented and coordinated Ten-Year Capital Plan will ensure that its near-term decisions are aligned and congruent with a long-term vision.

RECOMMENDATION

Recommendation 18

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

INTERAGENCY COORDINATION

Chapter Seven

As a transportation agency, DOL has numerous opportunities to interact and coordinate its activities with other transportation agencies, including the Washington State Patrol (WSP) and the Department of Transportation (DOT). This chapter explores the issue of interagency coordination between DOL and its partnering agencies.

CURRENT ACTIONS AND ANALYSIS

Interagency Programs and Processes

Interagency actions defined by programs and processes

Both the WSP and the DOT interact with DOL on a frequent basis to ensure that the public is well served. Examples of frequent interaction can be divided into two general categories: programs and processes. *Programs* refer to unique activities that have been developed by a joint venture between DOL and at least one of the other agencies; *processes* refer to day-to-day interactions that require interagency coordination. In the latter case, critical processes are highlighted below and have been selected based upon their importance to both public safety and customer satisfaction.

Examples of recent programs include the following:

- Collision Reporting and Statistical History, or CRASH (DOL, WSP, DOT)
- Commercial Vehicle Information Systems and Networks, or CVISN (DOL, WSP, DOT)
- Road Rage (DOL, DOT, WSP)
- Interagency Committee on Alcoholism (DOL, DOT, other agencies)
- DUI Training (DOL, WSP, other agencies)

In cases like CRASH and CVISN, DOL has developed and coordinated project agreements for establishing timelines and project responsibilities.

Examples of critical processes that exist include the following:

- Provide black and white photos for WSP and law enforcement
- Provide on-line access to driver records for courts, Office of the Administrator of the Courts (OAC), Department of Social and Health Services (DSHS), prosecutors' offices, city attorneys, law enforcement, WSP ACCESS
- Collect fee charged to customer for having the WSP conduct a vehicle inspection
- Issue DOT permits for large trucks where gross weight is an issue
- Provide data to law enforcement agencies through License Information for Law Enforcement (LIFE) Service System and on line specifically to WSP

Indicators of Effectiveness

To DOL's credit, recent surveys like the February 1998 Business Technology and Assessment Project (BTAP) determined that:

- Information customers (partners) are very positive about DOL and its ability to meet their information needs.
- Nearly all information customers surveyed find that DOL provides accurate information in a format that meets their needs.

Overall, 87 percent of information customers surveyed rated DOL's service as excellent or very good.

Role of Strategic Planning

Strategic planning is important for the health and posterity of an organization. In some cases, strategic planning is approached as an institutional activity confined to internal boundaries. In others, planning is expanded and involves the input and incorporation of ideas from partnering stakeholders. It is this latter case that is specifically emphasized by the Baldrige criteria as a trait of high-performing organizations. (The Baldrige criteria are discussed in greater depth later in this chapter.) Currently, DOL does not always actively seek input from other agencies up-front, including WSP or DOT, into its strategic planning process. The current planning process mentions programs like CVISN that are interagency related, and DOL shares copies of its strategic plan with other agencies like WSP, but this has typically occurred after planning has been completed. Given the many critical interrelationships that are required among DOL and its partners to ensure the highest service to the public, it is imperative that such agencies cooperate on both strategic and operational levels. Without such knowledge sharing, it is virtually impossible to seamlessly execute policies that affect multiple stakeholders.

Inviting and incorporating other agency perspectives into the DOL strategic planning process is imperative

Performance Measures

There are two types of performance measures that the Baldrige criteria refer to in order to develop better partnering relationships: measures that focus on partner satisfaction and metrics that are related to performance standards. Overall, DOL does not actively use performance measures to ensure that its partners are satisfied with DOL services. At the present time, DOL does not maintain performance measures assessing the partner satisfaction of either WSP or DOT. However, there are some plans for developing such measures in the future. One example is the License Information for Law Enforcement (LIFE); the communications section within DOL that responds to all law enforcement inquiries. LIFE has developed a satisfaction survey which has been distributed to internal customers as a test. If the test proves to be successful, expectations are for LIFE to distribute the survey on a regular basis to a sample of all Washington Central Computerized Enforcement Service System (Access) users.

For the most part, performance measures are defined in contracts and agreements that exist between agencies, and quantitative measures are defined by existing RCWs. An example of this latter case is the amount of time limits imposed in the abandoned vehicle laws. A recent example of where performance standards have been actively identified among the agencies was through the CRASH project. CRASH is designed to facilitate and expedite the collection and distribution of accident reports and data. DOL, DOT, and WSP have participated in designing and implementing the project. Recently, CRASH team working groups have reached agreement on performance standards for the agency.

Feedback

Feedback to and from other agencies tends to be accomplished through informal methods

Feedback to and from other agencies like WSP and DOT does exist, but it tends to be through mostly informal methods. One example of where informal feedback is likely to occur in a programmatic sense among the three agencies is through the use of the Information Technology in Transportation (IT^2) Committee. Although the IT^2 was originally envisioned to address technology issues like CRASH and CVISN, these meeting topics do often range beyond IT and would be best categorized as informal feedback.

Likewise, staff and managers deal with state agencies on a daily basis to implement procedures that cross agency boundaries. For example, Vehicle Services staff contact vehicle identification number (VIN) specialists of the WSP when dealing with a suspected VIN fraud. DOL issues DOT permits for large trucks where gross weight is an issue and often communicates with that agency on procedures.

In a more formal sense, DOT and WSP have been involved with DOL in legislatively mandated work study groups, such as the CVISN project, and have partnered with DOL in the implementation of such projects. The agencies also work in groups that involve two or all three with other agencies such as the Fuel Tax Fraud Task Force and the Criminal Justice Information Act Committee. Future expectations are that under CRASH, performance measures feedback will be given to WSP by DOL. Another example of formal interagency feedback is the process by which revenue forecasting is accomplished. There is a standing Interagency Revenue Task Force chaired by DOT that meets regularly to review assumptions for the Transportation Economic and Revenue Forecasts.

Using the Baldrige Criteria for Determining Quality

The Federal Government established the Malcolm Baldrige Award for recognizing organizations and companies that typified high-performing, customer-driven institutions. Organizations that have used the assessment have coordinated their strategic plans, customer focus, and critical success factors with the purpose of attempting to improve their performance.

Baldrige criteria are appropriate for assessing partnering relationships

Perhaps one of the more critical elements of the Baldrige criteria is the focus upon the relationships that organizations have with their partnering organizations. In this context, a partner refers to both customers and suppliers that an organization like DOL must interact with to ensure successful service to the public. Relative to this definition, both the WSP and DOT are considered to be key partners that DOL interfaces with to ensure quality service to the public.

VIN Example Highlights Areas for Improvement

One example of where interagency strategic planning would have benefited DOL has been the issue of VIN inspections. In the recent 1999-2001 Biennium Budget Request, WSP proposed to eliminate the use of the VIN inspections program and statutory references in Chapter 46.12 RCW requiring a vehicle inspection. The proposal was based upon an Office of Financial Management (OFM) request for agencies to identify potential General Fund reductions. Eventually, the proposal may require DOL to amend and repeal its existing rules. Recent assessments of the proposal by DOL have indicated that WSP’s proposed policy conflicts with the DOL mission of protecting public safety. Likewise, if the WSP’s proposal is granted and if the legislature still requires some form of VIN inspection in the future by another state agency, it is not clear that DOL could conduct such inspections. In order to conduct VIN inspections, DOL may require a significant increase in FTEs and funding for infrastructure.

In reality, DOL may never be formally tasked to conduct the same VIN inspections that WSP plans on relinquishing. However, this does not dismiss the fact that there was a lack of coordination between WSP and DOL prior to WSP's budget submission. Given the potential impact upon DOL from regulatory, financial, and workload perspectives, it would have seemed appropriate for one agency to discuss the proposal with the other prior to being formally submitted. Increased interagency planning could significantly mitigate the risk of similar surprises in the future.

CONCLUSIONS

As indicated by the BTAP, partner perceptions of DOL service appear to be positive with respect to the type of information that is being shared. This is not to imply, however, that improvements cannot be made; likewise, the BTAP assessment was a snapshot in time that didn't consider time-series trends. As the Baldrige criteria clearly articulate, quantification of measures and the formalization of feedback are two processes important to continuous improvement. Currently, DOL does not quantify the satisfaction of its partners and does not extensively use formal mechanisms for soliciting feedback. Both aspects would be extremely helpful to DOL as it continuously improves its work processes and performance.

STRATEGIC PLANNING

Chapter Eight

STRATEGIC PLAN AND PROCESS

DOL recently developed a new strategic plan in response to legislation that called for performance-based budgeting. This plan is a positive step forward relative to previous attempts at planning. For example, the 1996 Strategic Initiatives Plan (SIP) was largely a list of departmental initiatives and projects based on the Licensing Application Migration Project (LAMP). The new strategic plan contains the components required by the Office of Financial Management (OFM) and is consistent with federal government best practices. DOL's mission, vision, and goals clarify the agency's legislative mandate and the plan identifies a concept for the future. However, as is not uncommon for a first effort, the plan has limitations. It does not include critical success factors, performance measures are insufficient, and the Department lacks an effective mechanism to communicate the strategic plan internally.

DOL has recently developed a new strategic plan

DOL's mission statement is broad in scope and encompasses its legislative mandates:

- We are an agency that protects the public safety and welfare in all areas we license and regulate, and ensures the fair, timely and efficient collection of state revenues.

DOL's vision is intended to express where the organization would like to go. The 1996 Strategic Initiatives Plan did not specify the vision which currently is to:

- Be a recognized leader in common sense, fair licensing and regulation; and quality customer service;

- Have knowledgeable, valued staff who promote public safety and encourage public responsibility;
- Be a trusted steward of personal data; and
- Effectively integrate technology to achieve the mission.

DOL presents four goals that speak to its desired working environment, outcomes, and responsibilities. They are to:

- Provide an environment for employees that fosters competence, commitment, and opportunity;
- Increase public safety, consumer protection, and public responsibility;
- Protect personal privacy; and
- Optimize the cost, accuracy, access, and speed of services to its customers.

The mission, vision, and goals in the current plan refine past efforts. As well, goals and strategic direction necessarily change over time. One key difference from the 1996 SIP is that the current mission statement re-affirms the Department's role in promoting public safety in areas it licenses. The mission in the 1996 SIP focused on high quality customer service without addressing the agency's purpose. The mission statement in the 1996 SIP was "The Department of Licensing will provide consistent, high quality customer service in an innovative common sense environment."

Assessment of the DOL Strategic Plan and Process

The DOL plan lacks critical success factors

The Strategic Plan does not identify the few key things that DOL must accomplish to consider itself successful. The plan addresses topics such as providing customer service, enhancing technology, and promoting safety, but it is not clear what activities or outcomes must occur for DOL to be effective Without a succinct list of the actions DOL must regularly do well, staff and readers may have difficulty translating the mission, goals, and values into meaningful actions. A critical success factor (CSF) is an action that must occur for an organization to achieve its goals. For example, restricting access to driver records is an action that needs to happen to fulfill the goal: “to protect personal privacy.” Another example of a CSF would be to exceed customer quality of service expectations for driver licenses. This kind of information would give staff a sense of the priority actions required of them to advance high-level agency strategy.

Critical success factors are also an important facet of a strategic plan because they link the organization's mission to its performance measures. It is imperative that DOL's performance measures be focused on its most important activities—its critical success factors. Performance measures are developed to help an organization assess how well it is meeting its mission. Consequently, the metrics should be linked to department strategy to ensure that the right signals are sent to management and staff. Several performance measures could be developed using the example CSF: "Exceed customer quality of service expectations for driver licenses." These include: customer survey scores, number of complaint letters, number of congratulatory letters, etc. Another benefit of performance measures is that they are powerful tools for communicating goals to stakeholders (both internal and external). Chapter 6 of this report highlights the need for DOL to incorporate inputs from external stakeholders (i.e. partners) into its strategic planning process.

Performance measures should be focused on critical activities

This year, each DOL division developed strategies, initiatives, and measures to plan how the programs support overall agency goals. Each DOL division identified measures and presented them with each strategic initiative. Although this activity was an important part of DOL's plan, there are still opportunities to strengthen the measures. As DS management acknowledged in the Driver Services strategic plan, DOL has performance measures that only measure parts of the operation. DOL measures are often submitted to satisfy management or to control agencies, but it is not clear that the metrics are widely used or understood throughout the entire organization. (Performance measures are discussed further in Chapters 2 and 8 of this report.)

Staff must comprehend and embrace DOL goals in order to achieve the agency's vision

Based on interviews with DOL staff, managers and stakeholders, external stakeholders such as OFM and LTC seem to understand DOL's strategic plan, whereas internal stakeholders do not. Given that employees have a crucial role in implementing the agency's goals and achieving its vision, it is important that they comprehend and embrace the Department's strategic plan. Many managers and staff we interviewed stated that goals and objectives are not clear. For example, in some LSOs, customer service – interpreted as leniency – was emphasized. In others, traffic safety was stressed. If DOL staff do not understand the agency's strategic direction, it is likely that they will not be able to advance it. Similarly, staff and managers have to understand how to make decisions that are consistent with strategy.

The limitations in DOL's strategic plan are primarily due to the Department's lack of experience with this type of planning methodology. Again, this is the first plan written in accordance with performance-based budgeting legislation and standards. We expect that, given the current results of its first iteration, the Department will continue to improve on this process. Likewise, there have been several factors that may have affected the communication of the strategy to date. These include recent leadership changes and the termination of the Licensing Application Migration Project (LAMP). Both situations have altered the direction that the Department has taken during the recent past. These changes partially explain why staff members do not fully understand the strategy. However, to continue on the road of continuous improvement, DOL will have to communicate its vision and goals throughout all levels of the organization and ensure that all understand and can implement it. As well, recognizing that strategic planning is an ongoing process, the Department should include critical success factors in subsequent iterations.

INFORMATION SERVICES DIVISION REVIEW

Chapter Nine

The Information Services Division (ISD) manages the computer hardware, software, and networks for DOL business functions. These include the technology to administer and regulate drivers, to title and register vehicles, to register business and professionals, and to support administrative activities. ISD also maintains electronic interfaces with DOL business partners including the courts, law enforcement, credit bureaus, and other state agencies. This audit included a limited review of ISD. Through interviews, analysis of management documents, and best practices research we evaluated the strategic information systems plan (SISP), organizational structure, and effectiveness of hardware and software problem resolution. Our SISP review was limited to the ISD strategic plan presented in conjunction with DOL's strategic plan in the 1999-2001 budget submission.

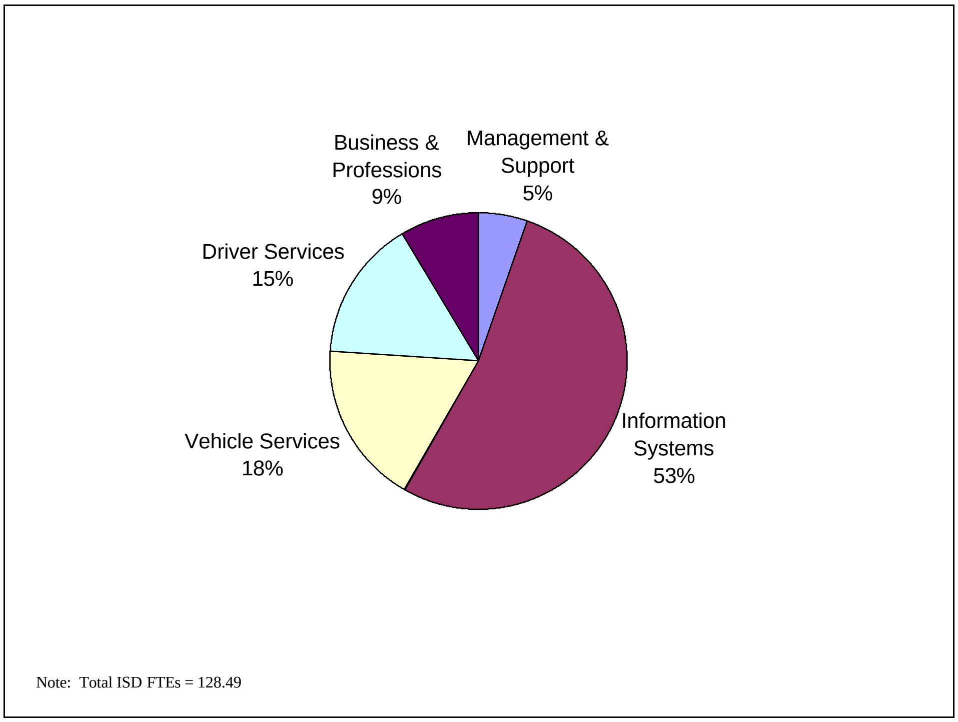
ISD ORGANIZATIONAL STRUCTURE

Seventy ISD staff:

- Implement desktop computers and manage and install local and wide-area networks;
- Support the mainframe and midframe computers which house the state's drivers and vehicles systems;
- Acquire technology products and services; and
- Provide management services to all DOL divisions.

ISD recently reorganized its staff into four broad groups. One is responsible for program technology for the five DOL divisions, Year 2000 projects (Y2K), the Wang replacement project and planning and architecture. The second operates the mainframe, provides centralized support for the agency and provides acquisitions, desktop, and technology support to users. The other two groups handle administration and agency security, respectively. This structure is a move away from a divisional and project focus toward one that leverages technology services and staff across the organization.

Exhibit 25
ISD FTE Allocation by Division



Source: DOL (1998).

In the past, staff served one division – for example, Vehicle Services – and provided technology services from design, development, implementation, to day-to-day support. Now all of the division-specific desktop support functions reside in a centralized group. That same group is also responsible for all technology purchases. As depicted in Exhibit 25 above, each division funds ISD operations and staff. In some interviews, DOL staff expressed displeasure with losing the direct support of ISD staff who understood their business needs. There were also concerns that they had less input in technology purchase decisions, despite the fact that these purchases are funded by divisional budgets. ISD has also taken steps to limit the software on users' computers. At the same time, centralization is intended to offer uniform standards, consistent hardware, potential cost savings, and economies of scale. It also gives technology staff the opportunity to gain different skills. ISD managers expect that customer support can be enhanced by having system experts lead the various platforms.

Research shows there is no one perfect model. The key is how the model is managed. The ideal organizational structure is one that delivers the services customers need and maximizes the benefits of a common technology infrastructure. We reviewed the organizational structures of IS departments in other Washington State agencies and in the motor vehicles/licensing departments in peer states. Each is different. According to the Gartner Group, many corporate IT organizations are moving to a more centralized structure. Gartner cautions that "It is critical that organizations understand the implications of centralized and decentralized control and ensure that technology strategy is aligned with business strategy. The challenge in developing an effective organizational structure lies in establishing governance for decision making and teamwork between related functions."[22]

The termination of LAMP has had a tremendous impact on DOL. The project consumed the agency and upon termination a new course had to be developed. ISD lost approximately 50 staff. In fact, five of the six top managers have been in their current positions less than two years. The critical priority after LAMP was bringing DOL systems into Y2K compliance. Now that significant progress has been made on Y2K enhancements, ISD management looked to ways to serve the agency with reduced staff and pre-LAMP technology. The more centralized organizational structure was viewed as a way to share expertise and systems across the agency.

[22] Gartner Group, "The Five Pillars of IS organizational Effectiveness," Nov. 1998 pp.10, 12, 18.

Inconsistencies in the Information Services Division Strategic Plan

A strategic information systems plan is a link between an organization's information services (IS) strategy and its business strategy. It is a vehicle to effectively integrate IS into the organization.[23] At DOL there are inconsistencies between the ISD Strategic Plan and the business goals specified in the DOL Strategic Plan. Both documents were prepared as part of the 1999-2001 budget submission process. The DOL plan presented four agency goals. The ISD plan referred to six agency goals. The plan describes projects that ISD intends to complete, but does not explain the business purpose or how these projects advance DOL's business goals. For example, one initiative proposes to develop a Windows NT production environment. While Windows NT may have demonstrable benefits, to the agency, the strategic plan does not identify those benefits nor explain how such a platform would support DOL business strategy.

The ISD plan contains 32 performance measures. Just over half are quantifiable. Eight are descriptions of the initiatives rather than measures. For example, "defined governance structure for making technology investment decisions" is identified as a measure for the goal "effectively integrate technology to achieve the department mission" and the strategy "develop a technology infrastructure to support DOL business strategies." While a defined governance structure is a desirable outcome, it fails to measure DOL's success in achieving its goal or strategy. Other measures are not clearly defined so that the results can indicate progress toward the goal.

A plan that integrates strategy, quality, and information technology can significantly increase customer focus, execution skill, and business productivity.[24] When IS strategies are not aligned with business goals, money is potentially invested in technology that does not deliver what the agency needs. Likewise, it is possible that the IS organization operates in a

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[23] Price Waterhouse Software Management Methodology: Strategic Information Systems Plans p.12.
[24] Salinger, Tony, "Linking Strategy, Quality, and IT," Handbook of Business Strategy, p.237.

different direction that the agency overall. When IS strategic plans are inconsistent they are not useful.

ISD management indicated that the division is actively participating in the Department of Information Services' (DIS) Portfolio-Based IT Management and Oversight program. Portfolio-Based Management provides agencies with a process for making IT investments based on agency business requirements and is intended to include fundamental elements of effective IS strategic planning. The ISD strategic plan presented in the budget was developed to accommodate DOL's roll-out of the current strategic planning model. Management also noted that plans were assembled in a relatively short period of time. This may explain the limitations of the ISD plan. It also appears that the technology initiatives were developed before the Department's strategic elements were in place. Some of the technology initiatives are recommendations from the BTAP project.

By combining the strategic aspects of both information management and performance measurement, managers will have powerful tools to improve mission performance and reduce costs. [1]

PROBLEM MANAGEMENT PROCESSES

ISD's recent budget request calls attention to a backlog of over 40,000 hours in System Software Requests (SSR). These SSR's are requests to change, correct, or enhance DOL systems. They accumulated during LAMP because that system would have made many of the older systems obsolete; and thus, changes to them unnecessary. After LAMP, many of those changes became necessary again. However, changes for Y2K and legislation were the priority. ISD has grouped the changes into projects and made a schedule to implement them. This backlog causes users to do without needed system functionality or corrections.

Our audit task was to "examine whether hardware and software problems are effectively resolved in a timely manner." Typically, this would involve a review of hotline call logs and problem report logs. However, ISD does not consistently track this information. Though staff and managers did not indicate any issues with day-to-day technology support, problem management is a critical function within technology organizations. ISD has issue and SSR tracking systems. The Vehicles Systems manager indicated that their SSR tracking system does monitor resolution time frames and he factors time into decisions to prioritize the work. ISD does not have a complete process in place to track and manage problem reports and resolution.

It is likely that because computer help is delivered from a variety of sources and because ISD had several mission critical projects to complete, systematic problem management was not top priority. ISD does not track or monitor calls, for example, to the LAN support desk or the vehicles hotline. However, effective problem management helps to identify staffing needs and gives ISD managers information on how well customers needs are being met. This is valuable information for determining organizational improvements and software, hardware, or application changes. A model problem management process involves the following:

- Call tracking and management;
- Problem evaluation and resolution;
- Change requests and tracking;
- Dispatch and escalation;
- Processes to refer calls (that fall outside the IT-supported products and services); and
- Follow-up and reporting.[25]

The Oregon, Texas, and Virginia DMV's each have technology help desks for users to call.

RECOMMENDATIONS

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.

[25] Ibid, p.37.

Recommendation 20

To better manage the transition of the Information Services Division (ISD's) 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.

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.

COST ALLOCATION

Chapter Ten

DOL allocates cost using two distinct models, or stages. One model is referred to as the biennium overhead model that is run every two years to align costs with funding sources for budget purposes. This model was last run during calendar year 1997. The second model generates a monthly cost accounting report, otherwise known as the Business Management Reporting System (BMRS), which allocates costs to divisions and cost centers. It is intended for internal uses. Both models use BMRS which provides the retrospective data to apply to current appropriation levels for the biennium overhead model run. The models allocate the Department's two overhead divisions (Administrative Services Division and the Information Services Division) to the three line divisions (Driver Services Division, Vehicle Services Division, and the Business and Professions Division).

A review of departmental allocation methods to allocate costs to divisions and cost centers showed that all indirect costs are either allocated based on full-time equivalent (FTE) employees or allocated based on "management estimates." Management estimates are more subjective in nature since they are simply estimates relative to the target's actual usage of the service. While FTEs and management estimates are appropriate methods for spreading many types of costs, it is doubtful that they should be the sole basis for allocating all indirect costs. In addition, the methodologies for the management estimates were not documented and not always known to the custodians of the models. The Department should re-examine their allocation methods to challenge them if they truly are the best methods for identifying, accumulating, and distributing costs in an equitable, effective, efficient, and consistent manner. An effort should be made to utilize management estimates only in those cases where no other obvious and cost-effective distribution methodology exists. Decision makers of management estimates should document their rational and be prepared to have it challenged by auditors such as OSPR staff.

We also noted a series of other weaknesses surrounding the Department's two cost allocation models. The first identified weakness is a lack of supervisory controls over the custodians who run the reports. Second, there are no written policies and procedures for operating the systems. Third, there has been a lack of cross-training to prevent operating disruptions in the event key staff leave. Fourth, the Department's internal audit unit does not review the processes and results to verify accuracy. Finally, many of the intended users of the monthly cost accounting reports – the executive managers who make key decisions – are critical of the reports for various reasons, leading largely to their abandonment of the reports. Management is aware of these weaknesses and have assembled key staff for working group meetings to better understand the Department's cost accounting systems in an effort to address known problems. Management has correctly linked some of these weaknesses to BMRS. The Department is currently re-evaluating BMRS to better bridge the two current models and to address these weaknesses.

The Department needs to continue with its efforts to address known problems. These efforts should include developing a written policies and procedures manual, installing supervisory controls, creating a cross-training program, and having OSPR periodically review the processes and results consistent with recognized criteria from OFM and OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments." Although OMB Circular A-87 legally applies to state governments when federal funds are received, this also provides useful criteria in guiding state-based allocation plans. It will be important for DOL to revive the organizational confidence in a cost allocation system if managers are expected to use it. Without this internal "buy-in," it is doubtful that DOL's budgeting, accountability, and management objectives can be fully achieved.

APPENDIX 1

Scope and Objectives

The consulting firm shall objectively and systematically examine the motor vehicle and driver licensing functions of the Department of Licensing, including the related services provided by the Department's administrative and information services divisions, for the purpose of developing recommendations leading to reduced costs, increased effectiveness, and/or system improvements.

SCOPE OF WORK

A. Specific Performance Audit Tasks

At a minimum, the performance audit shall include the following specific tasks: [Note: the specific tasks which must be addressed are those shown in bold-face type. The questions listed in regular type under each task are included for purposes of illustration.]

1. Motor Vehicle Licensing

a. Identify material differences in the applicable laws, regulations, and fees in Washington as compared to those in other states, and generally assess the impact of those differences on the Department's overall workload and costs.

How do laws and regulations in Washington generally compare to those in other states? What features, if any, might be considered unique or unusual, and what impact do they have on workloads and costs? Are there potential statutory or regulatory changes that could result in greater efficiencies or reduced costs?

b. Evaluate the overall performance of the motor vehicle licensing system in Washington, focusing on customer service and cost-effectiveness.

Is the Department efficiently and effectively fulfilling its statutory responsibilities? How effective is the system in meeting the needs of its customers? How satisfied are the system's customers? What are appropriate performance measures or industry standards, and how does Washington compare to other states on those measures or standards? What factors explain differences in performance levels?

c. Assess the efficiency and cost-effectiveness of the Department's use of county auditors and subagents in the motor vehicle licensing process.

Does the Department's use of county auditors (agents) and subagents provide for the most efficient and cost-effective method of service delivery? What are the criteria for selecting subagents? Does the Department have the optimum number of subagents, and are they located in optimum locations? Is the accuracy and quality of the work performed by subagents comparable to that performed by the Department's own employees? How are business-related costs allocated between the Department and the subagents? Do other states use a similar system of agents and subagents, and if so, are there material differences in how the programs operate?

d. Generally assess the efficiency and effectiveness of the Department's Prorate and Fuel Tax Division in carrying out its statutory responsibilities.[26]

Would moving the division to the Department of Revenue result in operational efficiencies, particularly in light of the recent passage of SHB 2659, which implements a new fuel tax structure? In what agency is the fuel tax collection function located in other states?

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[26] This division has primary responsibility for determining and collecting apportioned license fees for interstate commercial vehicles, fuel taxes, and excise taxes from licensed distributors for motor vehicle, aircraft and marine fuels used or distributed in the state of Washington, and auditing fuel tax accounts.

e. Review the Department's processes related to the granting of vehicle licensing exemptions for farm vehicles.

Does the Department appropriately screen requests for exemptions, and verify information received? Does it monitor compliance once an exemption has been granted?

2. Driver Licensing

a. Identify material differences in the applicable laws and regulations in Washington as compared to those in other states, and generally assess the impact of those differences on the Department's overall workload and costs.

How do driver licensing laws and regulations in Washington generally compare to those in other states? What features, if any, might be considered unique or unusual, and what impact do they have on workloads and costs? Are there potential statutory or regulatory changes that could result in greater efficiencies or reduced costs?

b. Evaluate the overall performance of the driver licensing system in Washington, focusing on customer service and the day-to-day operations of the Licensing Services Offices.

Is the Department efficiently and effectively fulfilling its statutory responsibilities? How effective is the system in meeting the needs of its customers? How satisfied are the system's customers? What are appropriate performance measures or industry standards, and how does Washington compare to other states on those measures or standards? What factors explain differences in performance levels?

c. Assess the overall efficiency of the Department's Licensing Services Offices, including organization, staffing, and geographical dispersion.

Are the Licensing Services Offices staffed and organized in such a way as to achieve maximum efficiency and result in optimum customer satisfaction? Are there an appropriate number of Licensing Services Offices, and are they located in optimum locations?

d. Review, and as appropriate comment on, previous work done by and for the Department pertaining to alternative approaches to delivering services.

Have past reviews of alternative service delivery methods generally been adequate? (Examples of alternative service delivery methods previously examined include payment through credit card or electronic fund transfer, license renewals by telephone or via the internet, drive-up windows in Licensing Services Offices, renewal-only "express" offices, and collocation of facilities.) Are there particular alternatives which should or should not be pursued further? What should be the relative priority among the different alternatives? Are there innovative programs operating in other states that should be considered for replication in Washington?

e. Assess the general effectiveness of the Hearings and Interviews Section of the Driver Services Division.

What are appropriate measures and targets for reviewing the performance of this office, and how does it fare when reviewed against those measures and targets?

3. Cross-Cutting Issues

a. Review and assess the Department's strategic planning documents and processes.

Are the Department's mission statement, vision statement, and goals consistent with legislative intent? Are they agreed upon by most system stakeholders? Are its performance objectives and measures appropriate and adequate? Are the performance measures used in requesting and evaluating budget proposals?

b. Conduct a limited review of the Department's data systems and organizational structure with respect to information services.

Is the existing organizational structure conducive to efficient operations? Could efficiencies or cost savings be achieved through integration of the existing vehicle and driver license data systems, or portions thereof?

c. Assess the efficiency and cost-effectiveness of the Department's capital and lease management program.

How effective has the Department been in securing necessary office and customer service facilities for the least possible cost?

d. Review the legislature's policy decision to encourage transportation agencies (including the Departments of Licensing and Transportation, and the Washington State Patrol) to collocate their facilities when possible in order to improve service delivery and achieve cost savings, and evaluate DOL's efforts in this area to date. Evaluate the Department's activities related to collocating its motor vehicle and driver licensing facilities with other related agencies.

How practical is the overall policy, and is it in the best interests of the state's citizens? What are the cost implications of collocation? How effective has the Department been in its collocation efforts to date? What particular factors, if any, have hindered collocation efforts? How is overhead split among agencies in existing collocation projects? Short of collocation, are there facility siting strategies the Department could follow, in concert with other agencies, to maximize customer convenience?

e. Assess how well the Department coordinates its motor vehicle and driver licensing functions with related programs and activities of the Department of Transportation and the Washington State Patrol.

Are there opportunities for improving customer service, or achieving either operational improvements or cost reductions through increased interagency coordination?

f. Assess the Department's practices and processes for allocating overhead and indirect agency costs among its various divisions and programs.

Are the Department's practices equitable?

B. General Performance Audit Issues

The original mandate for the transportation performance audits (ESSB 6061) included the following objectives, which were subsequently deleted by the Governor's veto. Nevertheless, they remain the original legislative intent. In addressing the specific audit tasks referenced above, the following objectives shall also be addressed, ***as appropriate***:

1. For each function, activity or program, identify associated costs and full-time equivalent staff;

2. Determine the extent to which the particular activity or function is specifically authorized in statute or is consistent with statutory direction and intent;

3. Consider whether the purpose for which the program was created is still valid based on the circumstances under which the program was created versus those that exist at the time of the audit;

4. Determine whether the function, activity, or program is achieving the results for which it was established;

5. Identify alternatives for delivering the program or service, either in the public or private sector;

6. Identify the costs or implications of not performing the function;

7. Determine the frequency with which other states perform similar functions, as well as their relative funding levels and performance;

8. Identify any duplication of services with other government programs or private enterprises or gaps in services;

9. In the event of inadequate performance by the program, identify the potential for a workable, affordable plan to improve performance;

10. Identify, to the extent possible, the causes of any program's failure to achieve the desired results and identify alternatives for reducing costs or improving service delivery, including transferring functions to other public or private sector organizations; and

11. Develop recommendations relating to statutes that inhibit or do not contribute to the agency's ability to perform its functions effectively and efficiently, and whether specific statutes, activities, or programs should be continued, abandoned, or restructured.

AGENCY RESPONSES

Appendix 2

- **Department of Licensing**
- **Office of Financial Management**
- **Department of Revenue**

To link to this appendix, click here.

Reader's Note:

The preliminary version of this report contained 23 recommendations. Two of those (Recommendations 4 and 20 in the preliminary report) were deleted by the auditors prior to publication of this final report.

The response from the Department of Licensing reflects the updated numbering. The response from the Department of Revenue (DOR) does not. Therefore, DOR's references to Recommendations 8 and 9 should be interpreted as referring to Recommendation 7 and 8 of this final report.

ACRONYM LIST

APPENDIX 3

AAMVA	American Association of Motor Vehicle Administrators
ACCESS	Central Computerized Enforcement Service System
BTAP	Business and Technology Assessment Project
CVISN	Commercial Vehicle Information Systems and Networks
CRASH	Collision Reporting and Statistical History
CSF	Critical Success Factor
CSU	Customer Service Unit
DOE	Department of Ecology
DOL	Department of Licensing
DOR	Department of Revenue
DOT	Department of Transportation
DPD	Division of Property Development
DS	Driver Services
DUI	Driving Under the Influence
FTE	Full-time Equivalent in Terms of Staffing Positions
GA	General Administration
GAA	Geographical Area Audit
GAO	General Accounting Office
H&I	Hearing and Interviews
IS	Information Services
ISD	Information Services Division
IT	Information Technology
IT^2	Information Technology in Transportation
JLARC	Joint Legislative Audit and Review Committee
LAMP	Licensing Application Migration Project
LAN	Local Area Network
LIFE	License Information for Law Enforcement
LITE	License Issuance Team Effort
LSO	Licensing Service Office
LSR	Licensing Service Representative
LTC	Legislative Transportation Committee
MAIS	Major Automated Information System
MSRP	Manufacturer's Suggested Retail Price

NADA	National Automobile Dealer's Association
NPR	National Performance Review
OFM	Office of Financial Management
OMB	Office of Management and Budget
OSPR	Office of Systems and Program Review
RCW	Revised Code of Washington
ROI	Return on Investment
RTA	Regional Transit Authority
SAO	State Auditor's Office
SR	Space Request
SSR	System Software Request
STEP	Vehicle System Used for Disabled Placards
T&R	Title and Registration
TRAC	Title and Registration Advisory Committee
TREC	Title and Registration Engineering Corp.
VFS	Vehicle Field System
VIN	Vehicle Identification Number
VS	Vehicle Service Division
WACO	Washington Association of County Officials
WAVS	Washington Association for Vehicle Subagents
WSP	Washington State Patrol
WSU	Washington State University
Y2K	Year 2000