State of Washington

Joint Legislative Audit and Review Committee

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Department of Licensing Performance Audit
Report 99-5

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

Mandate

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

Background

The Department's Driver Services (DS) Division licenses more than 4.1 million drivers in the state through 63 field offices and travel units. The Department's Vehicle Services Division has primary responsibility for titling, registering, and licensing over five million vehicles and vessels per year. These services are conducted through a network of 39 counties serving as "agents" to DOL and 135 private businesses that serve as "subagents" under contract with the respective counties in which they operate. Together, the agents and subagents service the vast majority of vehicle and vessel title and non-title transactions (97 percent in 1997).

Customer-Driven Changes for Driver Licensing Service Offices

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

Maintaining adequate staff levels at LSOs is perhaps DOL's greatest challenge to delivering quality service. Two additional issues which need to be addressed are staff training and providing access to bilingual Licensing Service Representatives (LSRs).

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

Potential “Use” Tax Abuses

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

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

Collocation

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

Other Issues

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

Recommendations

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

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