Founded in 1988, we are an interdisciplinary strategy and analysis firm providing integrated, creative and analytically rigorous approaches to complex policy and planning decisions. Our team of strategic planners, policy and financial analysts, economists, cartographers, information designers and facilitators work together to bring new ideas, clarity, and robust frameworks to the development of analytically-based and action-oriented plans.
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Glossary

Agent: For the purposes of entering into the standard contract required under RCW 46.01.140(1), any county auditor or other individual, government, or business entity other than a subagent that is appointed to carry out vehicle registration and certificate of title functions for the Department of Licensing (DOL) (RCW 46.04.014). Agents are sometimes referred to as county auditors in legislation (and in this report) even though King County’s licensing is done by Records and Licensing Services and not the Auditor’s Office.

Customers: Individuals and businesses (including auto dealerships) that own vessels or vehicles that require titling, registration, and other vehicle licensing services.

Subagency: The licensing offices in which vehicle title and registration functions are carried out by a subagent (RCW 46.04.574).

Subagent: A person or governmental entity recommended by a county auditor or other agent and appointed by the director of DOL to provide vehicle registration and certificate of title services under contract with the county auditor or other agent (RCW 46.04.575). The Legislature first authorized subagents (sometimes referred to as appointees) to assist county auditors and DOL with vehicle licensing and titling in 1937.

Vehicle Licensing Office (VLO): The location/facility where the respective agent or subagent carries out the duties set forth in the 2020 Agent and Subagent Contracts. VLO may further be qualified as being an agent VLO or subagent VLO (2020 Agent and Subagent Contracts).

Vehicle Licensing Representative (VLR): An employee at an agent or subagent authorized to provide vehicle and vessel title and registration services. There are both qualified and certified levels of VLR. A qualified VLR has completed licensing proficiency training and passed the authorization test. Qualified VLRs can process vehicle or vessel titling and licensing transactions and sign applications. A certified VLR has conducted an additional 1,800 hours of vehicle and vessel titling and licensing services allowing them to train other operators and review and confirm Quick Title processing. Either term may be further qualified as an Agent VLR or Subagent VLR (2020 Agent and Subagent Contracts).
Executive Summary

INTRODUCTION

What was the purpose of this study?

This study fulfills a directive from the Washington State Legislature to the Joint Transportation Committee (JTC) in 2019 to conduct a study of vehicle licensing subagents in Washington State. The Legislature requested the study consider and make any recommendations on the following:

1. Relevant statutes and rules governing subagents.
2. Oversight provided by county auditors and the Department of Licensing (DOL).
3. Process for selecting subagents, including change of ownership and barriers to entry.
5. History of service fees including how fees are determined.
6. Potential expansion of services provided by subagents.
7. Annual subagent business expenditures since 2010 and identification of materials provided by DOL.
8. Online vehicle registration renewal process and possible improvements.
9. DOL’s ability to provide more licensing services directly.

What was the study approach?

This study had three key components:

1. Workgroup guidance. Throughout the study, we received input from a 17-member Staff Workgroup, including agents, subagents, representatives from DOL, legislative staff, and Office of Financial Management (OFM) staff.
2. Data analysis. We analyzed transaction data from DOL, wage data from the Employment Security Department, rental data from national data sources, property tax records for subagent properties, and subagent websites.
3. Interviews. We interviewed staff at DOL, representatives from county agents, and subagents. We also had conversations with two lobbyists from the Washington Association of Vehicle Subagents (WAVS) and staff from Vitu, an electronic title and registration business that operates in several other states.

What’s missing from this study?

Most analysis took place prior to the COVID-19 pandemic and associated economic downturn, so this study does not incorporate full impacts from the pandemic to the vehicle licensing system.

DOL does not retain data for longer than seven years, making it impossible to fulfill the Legislature’s request to analyze 10 years of data.
KEY CONTEXT ABOUT THE VEHICLE LICENSING SYSTEM

What is the vehicle licensing system?

The current vehicle licensing system exists to carry out vehicle registrations and certificate of title transactions and to collect associated fees. Agents and subagents process transactions on behalf of the State and collect service and filing fees. DOL transfers the fees to the State Treasurer for deposit to the designated State and local accounts. DOL also processes some transactions.

Who are the actors in the system?

The key actors in the system are Washington State DOL, county agent offices, county subagent offices, vehicle licensing representatives, vehicle dealerships, and customers. See the Glossary of terms for descriptions of these actors.

Not all counties use subagents. More populated counties are far more likely to use subagents due to the transaction volume. The top four counties by population (King, Pierce, Snohomish, and Spokane) process 88% of their licensing business through subagents. Ten counties do not have subagents and process local transactions through the county agent (Columbia, Ferry, Garfield, Jefferson, Klickitat, Pacific, San Juan, Skamania, Wahkiakum, and Walla Walla).

Why doesn't the State provide these services directly?

The State originally authorized subagents in 1937, when it would have been inefficient for the State to collect licensing fees directly. At the time, collection of licensing fees required geographic proximity to a population distributed more sparsely across the state. Authorizing counties and subagents to process transactions on behalf of the State was an efficient and rational model that endures today with DOL, agents, and subagents administering the vehicle licensing system.

Today, more people live within a 30-minute drive of a subagent office than within a 30-minute drive of a DOL office. Using drive time as an informal accessibility level of service standard, the subagent system brings a higher level of service to state residents than Washington's existing network of DOL offices, which currently only provide driver license services.

SUBAGENT FINDINGS

What is a subagent?

A subagent collects vehicle licensing and titling fees on behalf of the State and provides associated customer service. Subagencies are neither wholly public nor wholly private businesses: unlike most private businesses, subagents do not operate in an open market. Subagent services are mandated by the State, providing almost guaranteed demand, in part because one cannot simply decide to open a subagency (see next section).

Subagents collect and retain a service fee on each transaction for their services. Fees offset subagents' costs, including labor, office space, equipment, and supplies, and are intended to “keep subagents healthy” with a modest profit.
How does someone open a subagency?

An individual cannot unilaterally open a subagency. Instead, county agents and DOL use criteria related to transaction volume and population growth (see How is a subagent location selected? below) to establish when a new subagency is warranted. County agents use an RFP process to identify and select applicants for new subagencies and also to replace appointees at existing subagents. A subagent review committee makes a recommendation, and the DOL Director has final appointment authority.

Challenges to entry include infrequent openings and lack of access to consolidated information about openings; a complicated titling and registration process with few training opportunities if one is not already working in licensing at DOL, a county agent, or subagency; and upfront costs in the case of new locations.

What is a recommended successor?

At any time during their appointment, a subagent appointee may recommend a successor “who is the subagent’s sibling, spouse, or child, or a subagency employee” by notifying the county agent and filing a copy with the DOL Director. The purpose of the recommended successor is to assist in the efficient transfer of appointments to minimize public inconvenience in the event of death or incapacitation that could lead to the inability of the subagent to fulfill the obligation of their appointment. However, recommended successors must nonetheless apply for appointment via the competitive process.

A subagent may not receive any financial benefit from any party or entity in recognition of a successor nomination.

How is a subagent location selected?

Given the limited number of transactions in the state and a desire for subagencies to at least cover their costs with a reasonable profit, the supply of subagencies remains stable until there is increased demand for services. A county can authorize a new subagency by demonstrating to DOL that there is sufficient demand within a certain geography to justify a new office. Business need for a new subagency is based on applicable demographics such as recent population growth, the number of transactions each month a subagent is expected to process, and the miles between the proposed subagent and other subagents in the surrounding area.

Who provides oversight for subagents? What does it consist of?

New contracts implemented in early 2020 clearly communicate that agents are responsible for oversight of subagents. In turn, DOL oversees agents, and retains the right to monitor, audit, and investigate all agent vehicle licensing representatives (VLR) subagents, and subagent VLRs. These contracts are more prescriptive than past versions regarding steps to ensure uniformity and clearly define the oversight roles and responsibilities for three levels of oversight:

- **Monitor**: the general review of transactions and other activities performed by VLRs. This includes reviews of voided transactions or reversals. Monitoring also includes, but is not limited to, reviewing of service quality, customer service standards, ethical standards, and conduct.
- **Audit:** the formal examination of facilities, equipment, records, actions, practices, and requirements of a subagent related to the performance of the contract. Audits must take place at least once per year and may include, but are not limited to, review of facility and maintenance requirements, the performance and compliance of all title and licensing transactions, policy and procedure, reports, revenue collections and other accounting practices, the safeguarding of equipment, the safeguarding and permissible use of personal and confidential information, and the maintenance of inventories, records, and documents.

- **Investigate:** the act of inquiring and/or examining specific actions or omissions of the subagent or any VLRs acting on its behalf. The investigation may be initiated based on information the agent acquires through its monitoring or auditing functions, or through an outside source. Agent may expand the scope of an investigation or conduct an audit if it discovers additional actions that require further exploration.

**What protections are in place to prevent fraud?**

Policies, procedure, and the subagent contract all include protections intended to prevent fraud, including:

- Required internal monitoring and oversight for vehicle licensing offices (VLO).
- Regular monitoring and oversight by county agents.
- Credit card security practices, including separation of the DRIVES system and the credit card transaction system.
- Fraud reporting requirements for VLRs who witness fraud by dealers or other VLRs.
- Background checks for new hires.

**What are the key features of the subagent business?**

- **No single subagent dominates the state’s business.** The subagent with the largest share of revenue has 3.0% of the statewide market in terms of dollars. Fees collected range from a low of $14,118 (representing a partial year of operation) to a high of $1.9 million annually, with half of subagents collecting less than $386,291 and half collecting more. These fees represent gross receipts and are used to cover costs of labor, space, utilities, and other business costs.

- **By volume, registrations are most of subagents’ business.** On average, the subagent business mix is roughly two-thirds registrations and one-third titles with a small percentage (1%) of Quick Title work.

- **Subagencies process over 98% of dealership transactions in Washington State.** Car dealers are a concentrated source of in-person title work, occasionally including higher-cost Quick Titles or registration service fees bundled with the title transaction. Dealership transactions account for roughly 16% of service fees earned system-wide and 19% of service fees earned by subagents system-wide. Among subagents, there is variation in how much revenue comes from dealerships, ranging from 0.0% to 53.1% of all revenue in a subagency.

- **The subagent share of transactions is increasing.** From 2013 to 2019, the subagent market share increased from 64% to 78% of transactions by volume, and in conjunction the county market share decreased. Service fees collected by counties and by DOL are deposited in the ferry system Capital
Vessel Replacement Account (CVRA), so the shift of transactions from counties to subagents also shifts service fee revenue from the ferry capital account to subagents.

- **In 2019, DOL’s DRIVES system recorded 10.75 million service fees**, which generated $82.5 million in service fee revenue. By dollar amount, subagents collected 80% of this total, county agents/auditors collected under 20%, and DOL collected less than 3%.

**How are subagent fees set?**

The service fee is set in State statute and is the same regardless of location. The current service fee is at its highest point since 1980 in both real and nominal terms, and the historical pattern shows periods of real declines and jumps in years that the fee is adjusted.

In interviews, most subagents expressed some frustration that there is currently no schedule for fee increases that accounts for inflation or fee review process that would consider the impact of policy changes such as minimum wage increases.

**RECOMMENDATIONS**

The following recommendations focus on improving the structure of the vehicle licensing system. This a summary version and the full text is available on page 72.

1. **Clarify the Goals of the System and the State Interest**

   The VLS system has a long history in Washington. Much has changed over the years with increased technology, and it is likely that more transactions will eventually be conducted online. DOL and the Legislature should clarify the intent of the system and the implications of funding the Capital Vessel Replacement Account (CVRA) through these services. Goals may have been aligned earlier on, but technological changes and the introduction of funding the CVRA through transactions handled by agents and DOL have caused misalignment in the system and eventually the licensing system could be significantly disrupted with online solutions. Clarifying the overarching goal and State interest in the delivery system will facilitate making system improvement decisions and in the face of a technological or other disruption help figure out the best response.

2. **Reduce Barriers to Entry**

   With about 135 subagents operating in the state with a relatively stable transaction base, there are few opportunities to open a new subagency even for those with years of experience in vehicle licensing. However, from January 2015 to March 2019, there were 32 openings so there is some turnover. Though opportunities will remain limited under the current system and could decrease if more transactions move online or there are other changes in the market, there are improvements that could be made.

   - Create a central distribution site for all RFPs in the state and provide technical assistance to potential bidders. Greater promotion of the opportunities combined with support might increase the number of applicants.

   - Develop strategies to broaden and diversify the pipeline, such as recruiting from related sectors (title clerks, etc.) who may be interested in owning their own business, or working with local small business resources, including Chambers of Commerce or Small Business Administration offices.
3. Encourage Online Transactions and Consistent Technology

COVID-19 is likely to accelerate interest in moving more transactions online, including title work and the dealer and fleet business. Given financial constraints that counties will face as a result of COVID-19, now might be the time to refer all online transactions to subagents who can staff accordingly, while county agents would retain the filing fee. There are implications to the CVRA with this change.

One reason more renewals are not done online is that around 60% of vehicle owners renew on or after the expiration date. It was not the goal of this study to determine customer experiences and motivations, but one possible reason for this could be the lump sum payment requirement for licensing services. If payment plans could be made available, it is possible more renewals might move online. Payment plans have an added benefit of providing options to those who may be struggling economically. As noted earlier, DOL will issue a report to the Legislature on this topic on December 1, 2020.

The State should explore implementing payment plans as a more affordable payment might encourage more online renewals and would help households struggling to pay fees, which in some counties can be substantial.

Titles

Work should be done to explore moving more title transactions online, starting with revising RCW 46.12.665 to allow for electronic submission of odometer disclosure statements since the CFR already allows for electronic odometer disclosures.

4. Change the Process for Service Fee Updates

Service fees are set by the Legislature and intended to “keep the vehicle subagents and county auditors healthy.” In interviews, most subagents expressed frustration that there is currently no schedule for fee changes that accounts for inflation or fee review that would consider the impact of policy changes such as minimum wage increases. The Legislature has expressed frustration that they have no visibility into expenses and/or profit margins of businesses providing services on behalf of the State. There is no consistent and complete information on how profitable these subagencies are other than the fact that they continue to operate. This one-time examination of reported and estimated expenses suggests significant variation in margins. Under a flat fee, agencies able to maintain high transaction volume per employee, operate in a relatively high volume and low-cost location, and otherwise manage expenses almost certainly profit more. Though a push for increases is driven by those that need it, all subagents benefit including those who already experience healthy or better margins. There may be a point at which consumers push back or the Legislature decides not to raise fees.

A “subagent health”-based policy for fee increases requires a definition of healthy and a mechanism for provision of consistent and valid expense information (perhaps through contract requirements, or an audit process for businesses over a certain revenue threshold). Alternatively, providing expense data could be voluntary, but required for fee updates.

As revenue opportunities for subagents are limited by overall licensing volume, there is a rationale to provide subagents with predictable revenue increases. If this were pursued an update mechanism could take many forms, but the essential features are a threshold that triggers a set response to change fees.

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1 EH8 1789, 2019
5. Revise Licensing Certification Requirements

Among the Staff Workgroup and several subagents and agents, there was consensus that 1,800 hours is no longer the right training requirement to become a certified vehicle licensing representative. There is significant disparity in the amount of experience a trainee gains depending on county or location. The Training Subcommittee is exploring moving to a skills-based certification and continuing education requirement.

- Develop a transaction-based, skills-based certification process and reexamine and revamp VEH.19. This should include an online or DRIVES based training module to facilitate transaction experience somewhere other than at the counter for low volume VLOs. This recommendation would not require a change in statute.

6. Explore Alternate Service Delivery Models

A full review of alternate service delivery models and practices in other states was outside the scope of this study. However, we wanted to outline a few alternate models. These models would need to be evaluated against the goals above, once clarified, as well as for possible financial impacts to the State, counties, small businesses, and customers.

- Maintain the same service fees statewide for mail and internet transactions but allow subagencies (or county agents) to set the service fees for in-office transactions to account for any market differences due to labor, rent, and other costs.
- A level of service definition might lead to a different compensation structure – for example, one based on availability rather than volume.
- Prioritize consistent availability, lower barriers to entry, and improved equity among subagents by having the State maintain subagency locations and pay occupancy costs.

There would be considerable costs to implementing a new model relative to status quo. It seems more likely that a disruption related to online service delivery will occur and it might be more practical to prepare for that eventuality relative to the State interest and system goals (once defined) to understand how best to respond.
Introduction

The Washington State Legislature directed the Joint Transportation Committee (JTC) to conduct a 2019 study of vehicle licensing subagents in Washington State. State law (RCW 46.01.140) requires County Auditors (agents) or appointed subagents to conduct vehicle and vessel licensing operations on behalf of the State, under contract with the Department of Licensing (DOL). Subagents are private business owners who contract with agents to conduct licensing operations at locations around the state. There are currently 135 subagents operating in 29 of Washington’s 39 counties. Counties without subagents fulfill vehicle licensing functions through their auditor’s office, or the Records and Licensing Service Division in the case of King County.

The Legislature requested the study consider and make any recommendation on the following:

1. Relevant statutes and rules governing subagents.
2. Oversight provided by County auditors and DOL.
3. Process for selecting subagents, including change of ownership and barriers to entry.
5. History of service fees including how fees are determined.
6. Potential expansion of services provided by subagents.
7. Annual subagent business expenditures since 2010 and identification of materials provided by DOL.
8. Online vehicle registration renewal process and possible improvements.
9. DOL’s ability to provide more licensing services directly.

BACKGROUND

The JTC released a study titled Vehicle Titling and Registration Processes and Opportunities for Improvements in 2014. At that time there were concerns about the volume and handling of paper documents, antiquated processes and retentions requirements, and a perception of dual regulation of subagents by Auditors and DOL. Since then, DOL has modernized many of its systems including implementing DRIVES which updated the vehicle licensing system in 2016 and ameliorated several of these concerns. In addition to the legislative objectives listed above, this study provides a status update on the recommendations made in the 2014 JTC study.

The Legislature passed HB 1789 in 2019 raising the service fee retained by subagents and the filing fee deposited to county general funds. These fees are set in statute and can only be changed by the Legislature. Historically, fees were adjusted every four to five years, but it had been 8 years since the last service fee adjustment and more than 20 years since the last filing fee adjustment. Before this latest increase, 11 counties were receiving state assistance because their cost of service provision exceeded the revenue they collected. Subagents testified that it was increasingly difficult to absorb cost increases in rent, salaries, and business and occupation taxes.

Questions raised during the Legislature’s consideration, amendment, and ultimate passage of EHB 1789 led to the commissioning of this study in the 2019 transportation budget, ESHB 1160, §204(4).
STUDY APPROACH

The study was guided by a 17-member Staff Workgroup (see sidebar). The group included representatives from the three parts of the VLS system – DOL, agents, and subagents – as well as state legislative staff and OFM staff.

The consulting team reviewed relevant statutes and DOL policies and processes to describe the legal and administrative context subagents operate within, the subagent selection process, and the history of subagent service fees. To gain a better understanding of how policies and procedures are operationalized and thoughts on recommendations for possible process improvements and service expansion, we interviewed staff at DOL, representatives from 11 agents (including county auditors offices and King County Records and Licensing Division), and 21 subagents representing 24 subagencies (three interviewees own two subagencies each (see Appendix A: List of Interviewees). We also interviewed two lobbyists from the Washington Association of Vehicle Subagents (WAVS) and staff from Vitu, an electronic title and registration business that operates in several other states, including California and Oregon.2

To understand transaction volume and trends over time we used data from DOL, which included full calendar years 2013 to 2019.3

The Legislature’s request for a summary of business expenses for each subagent proved more challenging as there was no way to compel them to submit their financial information and even if they had, there would have certainly been inconsistencies in how items were reported. In an alternative approach, we used our interviews with subagencies to understand major cost drivers and trends over time and then compiled several sources of data to develop generalized costs for various typologies of subagencies.

Data sources included subagent employee wage data from the Employment Security Department and rent data from CoStar, a private real estate data subscription service.

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Staff Workgroup Members

Joint Transportation Committee -
Paul Neal and David Ward

Washington State Department of Licensing -
Jaime Grantham and Jill Johnson

Office of Financial Management –
Veronica Jarvis (through 5/31) and Erik Hansen

Washington Association of County Officials – Tim Gresham

House Democratic Caucus -
David Bremer

Senate Democratic Caucus - Hannah McCarty

House Republican Caucus - Dana Quam

Senate Republican Caucus -
Martin Presley

House Transportation Committee -
Beth Redfield

Senate Transportation Committee -
Bryon Moore

Benton County Auditor - Brenda Chilton

Douglas County Auditor - Thad Duvall

King County Licensing - Eddie Cantu

Thurston County Records and Licensing -
Jared Krause

Washington Association of Vehicle Subagents (WAVS) - Amy Hair and Char Winzler

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2 Vitu applied to become a subagent in Mason County in 2019. The County Auditor selected them over the “recommended successor” (see page 23 for discussion recommended successors) but the DOL Director ultimately appointed another applicant. More information on the RFP selection process starts on 34.

3 DOL retains records for seven years.
The Vehicle Licensing System

The Legislature first authorized subagents to assist county auditors and DOL with vehicle licensing and titling in 1937. The collection of licensing fees within the infrastructure available at that time required geographic proximity. Authorizing counties and subagents to process transactions on behalf of the State was an efficient and rational model and endures today with DOL, agents, and subagents administering the vehicle licensing system. This includes carrying out vehicle registrations and certificate of title functions, collecting the associated fees. DOL then transfers the fees on to the State Treasurer for deposit to the designated state and local accounts (JTC Transportation Resource Manual, 2019; RCW 46.68.030).

For example, an agent or subagent in King County collects the vehicle licensing fees, including registration fees, weight fees, and title transfer fees, among others, and forwards all fees collected to DOL. Exhibit 1 shows an invoice for a 2019 Subaru Impreza.

**Exhibit 1. Sample Invoice**

<table>
<thead>
<tr>
<th>Filing</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Filing</td>
<td>$4.50</td>
<td></td>
</tr>
<tr>
<td>Title Filing</td>
<td>$5.50</td>
<td></td>
</tr>
<tr>
<td>Plate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plate Reflectivity</td>
<td>$4.00</td>
<td></td>
</tr>
<tr>
<td>Original Issue Plate</td>
<td>$20.00</td>
<td></td>
</tr>
<tr>
<td>Registration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registration License</td>
<td>$30.00</td>
<td></td>
</tr>
<tr>
<td>License Plate Technology</td>
<td>$0.25</td>
<td></td>
</tr>
<tr>
<td>Dept. of Licensing Service</td>
<td>$0.50</td>
<td></td>
</tr>
<tr>
<td>Vehicle Weight</td>
<td>$25.00</td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registration Service Fee</td>
<td>$8.00</td>
<td></td>
</tr>
<tr>
<td>Title Service Fee</td>
<td>$15.00</td>
<td></td>
</tr>
<tr>
<td>Title</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Medical Services</td>
<td>$6.50</td>
<td></td>
</tr>
<tr>
<td>Vehicle Title Application</td>
<td>$15.00</td>
<td></td>
</tr>
</tbody>
</table>

*Notes: Filing fees are shown in green (and retained by the County regardless of where the transaction takes place except for 50 cents which is distributed to DOL then redistributed equally out to counties. Service fees are shown in red (retained by the subagent or if collected by the County or DOL deposited into the ferry system capital vessel replacement account. The DOL Service fee shown in blue goes to the Motor Vehicle Fund and is distributed to the DOL Services Account.*

See Exhibit 5 for more details on fees retained by the agents and subagents.
A CHOICE OF SERVICE PROVIDERS

Washington residents can choose to pay licensing fees via:

▪ Agents (county auditors, or Records and Licensing Services in the case of King County) – 41 locations in all 39 counties (Benton County and Pacific County have two offices each).
▪ Subagents – 135 locations in 29 counties.
▪ Mail/Online – Registration renewals and select other services available via mail or the DOL License eXpress website: [www.dol.wa.gov/licenseexpress.html](http://www.dol.wa.gov/licenseexpress.html).

Registration tabs can be mailed out or residents can select which agent or subagent they would like to use for an in-person pick-up.

The Transaction & Service Fee Revenue Analysis section provides a detailed look at 2019 licensing transactions and trends over time. However, it is important to understand up front that subagents account for 78% of the statewide service fees by volume and 80% by dollar amount. Agents (counties) account for under 20% of statewide service fees, and DOL collects less than 3%.

Subagents provide convenience and a high level of customer service due to the distribution of office locations across the state. Exhibit 2 shows the location of agents and subagents in Washington. It also displays population density and, as might be expected, regions with more than one subagent are those with greater population density.

Using driving time as an informal level of service standard, the subagent system brings a higher level of service. As of 2019, Washington State had an estimated 7.5 million residents. The majority (65%) of Washington’s population resides in an incorporated city or town. Geographic distribution of population within unincorporated areas of Washington is not well documented, so this report uses incorporated population as a proxy and the actual number of people living outside a 30-minute drive time is greater than reported here.
Notes: Only cities/towns beyond a 30 minute drive time from an agent or subagent are shown on the map. This map reflects agents and subagent open as of April 30, 2020.


Only 26 cities or towns are beyond a 30-minute driving distance from an agent or subagent (see Exhibit 3). These communities are in eastern King and Snohomish counties, western Lewis and Grays Harbor counties, and some areas in rural Eastern Washington. Together, these 26 towns had a recorded population of 25,465 in 2019 (OFM, 2019).
Exhibit 3. Drive Times to Agents and Subagents

Notes: Only cities/towns beyond a 30 minute drive time from an agent or subagent are shown on the map. This map reflects agents and subagent open as of April 30, 2020.


By comparison, drive times to Washington’s 55 DOL offices are shown in Exhibit 4 and illustrate that 75 cities and towns are beyond a 30-minute drive time away. Based on population, the addition of subagents brings services within a reasonable range for roughly 95,000 people, plus some unknown number in unincorporated regions.

While DOL does not currently provide in-person vehicle licensing services, the study proviso asked for any recommendations on the agency’s ability to provide more services directly. Aside from staffing, space, and equipment changes that would be needed (discussed later in this report), this map indicates that use of existing DOL offices would not provide the same service coverage area as the existing network of agents and subagents. As part of the Workgroup process, DOL noted that if asked to provide more licensing services directly they would likely require customers to use more online services and have new documents mailed out to them (e.g. tabs, plates, etc.). This shift would likely require an increase in state funding and DOL staff to directly process vehicle license transactions (county 40), and provide accounting, mailroom, customer service, and other support.
Exhibit 4. Drive Times to DOL Driver Licensing Offices

Notes: Only cities/towns beyond a 30 minute drive time from a DOL office are shown on the map. DOL’s 55 offices currently provide driver licensing services only.

Sources: DOL, 2019; BERK, 2020.
AGENT & SUBAGENT ORGANIZATIONAL STRUCTURE & DUTIES

Counties (agents) use criteria in VEH.8 Appointment and Resignation of Agents and Subagents to establish when a new subagency is warranted. If DOL, approves the new subagency, the agent uses an RFP process to identify and select applicants (called appointees if successful). The DOL Director has final appointment authority. Agents provide oversight of subagents and DOL provides oversight of the agents (see page 30 for more detail on oversight). RCW 46.01.140 directs agents and subagents to:

- Provide all services authorized by the director for vehicle certificates of title and vehicle registration applications and issuance under the direction and supervision of the county auditor or agent and the director including, but not limited to:
  - Title transactions – including collecting required fees and taxes
    - Process reports of sale
    - Process transitional ownership transactions
  - Vehicle registration transactions – including collecting required fees and taxes
    - Mail out vehicle registrations to internet payment option customers until directed otherwise by legislative authority
    - Issue registrations and temporary ORV use permits for off-road vehicles as required under chapter 46.09 RCW
    - Issue registrations for snowmobiles as required under chapter 46.10 RCW
  - Sell Discover Passes if authorized by the Director

While State law authorizes and defines the roles and activities of the vehicle licensing system, most of the policies and procedures are set by DOL. The 2020 contracts between DOL and agents, and agents and subagents, are included as Appendix D. The contract includes a Statement of Work for both agents (under contract to DOL) and subagents (under contract to an agent). In addition to these contracts, DOL publishes policies and procedures related to vehicle and vessels operations using the naming convention VEH.#. The same number is used for the policy and the procedure, which are published separately. For example, VEH.4 Preventing Fraud – Policy and VEH.4 Preventing Fraud – Procedures include definitions and guidance on transaction fraud detection and prevention. DOL also publishes other direction in resource materials sent via email or in the DRIVES help manager, which provides further definition and serves as an operations manual.

DOL, agents, and subagents use the Department’s DRIVES system to input and access information related to vehicle and vessel licensing. Version DRIVES R1, which updated legacy vehicle licensing technology systems, was completed in December of 2016. DOL provides agents and subagents with secure workstations linked to DRIVES and provides IT support for the system.

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4 For more detail on appointment of subagents see Subagent Selection Process starting on page 23.
The Subagent Business

This section addresses questions about the role of subagents, differences in business size (by volume) and mix of transactions, the statewide membership association, business challenges, and potential for expansion of services.

SUBAGENTs: PRIVATE OR PUBLIC?

To a member of the public walking through the doors of a subagency they may see a cross between a government office and a private business. It is neither fully public nor fully private. In the 29 counties where agents have opted to contract with subagents in addition to providing services at county offices, interactions with the public are transacted by private employees. However, these private employees are providing a public service mandated by statute with service fees set by the Legislature. Accordingly, the subagent selection process and business conduct are subject to government oversight.

Interviews with subagents asked them to define what they do in a few sentences and revealed several themes in how they view their businesses:

- Over half of interviewees included the concept of customer service in their definitions, including public education about licensing and titling policies and procedures.
- Nearly half described a subagency as a private business.
- Interviewees commonly described subagents as state contractors providing a service for the state or serving as the face of DOL to the public.

Contracting with a private business to provide a government service is unusual in Washington and has some unique challenges. Unlike most private businesses, subagents do not operate in an open market. Opportunities to open or take over a subagency are limited for two reasons.

- Supply. Given the limited number of transactions in the state and a desire for subagencies to at minimum cover their costs with a reasonable profit, the supply of subagencies is typically stable until such time that agents see increased demand for services due to population growth, transaction volume, or other changing community needs. VEH.8 Appointment and Resignation of Agents and Subagents includes minimum transaction numbers based on proximity of the nearest vehicle licensing offices needed to demonstrate the need for a new office.
- Licensing Familiarity. A subagency is not a turnkey business. Outside of working at an existing subagency (or working at an agent or at DOL) there is no way to gain experience on DOL’s DRIVES system and licensing title and registration rules take time to become familiar with.

Ten individuals or partnerships own two subagencies each, accounting for 20 of the 135 in Washington.

Seven subagents are public/community entities, including five Chambers of Commerce (Anacortes, Bainbridge, Concrete, North Mason, and Sedro Wooley); the Town of Ione (population 447); and Yelm Community Services, a nonprofit social services provider.
SUBAGENCY VARIATION

Subagents collect and retain a service fee on each transaction for their services. The service fee is set in statute and is the same regardless of location. Accordingly, gross revenue differs across the state due to differences in transaction volumes. Exhibit 5 depicts the current filing and service fees by transaction type and service provider.

**Exhibit 5. Current Filing and Service Fees**

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Filing or Service Fee</th>
<th>Recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title Transaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOL or County Agent</td>
<td>Filing: $5.50</td>
<td>County of filing</td>
</tr>
<tr>
<td></td>
<td>Service Fee: $15.00</td>
<td>CVRA</td>
</tr>
<tr>
<td>Subagent</td>
<td>Filing: $5.50</td>
<td>County of filing</td>
</tr>
<tr>
<td></td>
<td>Service Fee: $15.00</td>
<td>Subagent</td>
</tr>
<tr>
<td>Registration Transaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOL or County Agent</td>
<td>Filing: $4.50</td>
<td>County of filing</td>
</tr>
<tr>
<td></td>
<td>Service Fee: $8.00</td>
<td>CVRA</td>
</tr>
<tr>
<td>Subagent</td>
<td>Filing: $4.50</td>
<td>County of filing</td>
</tr>
<tr>
<td></td>
<td>Service Fee: $8.00</td>
<td>Subagent</td>
</tr>
</tbody>
</table>

Notes: * Filing fees go to the County treasury except for 50 cents which is distributed to DOL then redistributed equally out to all counties. ** Deposited into Ferry System Capital Vessel Replacement Account which is used for the construction or purchase of ferry vessels and to pay the principal and interest on bonds authorized for the construction or purchase of ferry vessels, beginning with January 1, 2015, transactions. Total estimated revenue for the CVRA is $39.8 M in 2019-21.


Exhibit 6 provides a snapshot of the degree of variation among the 135 subagencies operating in calendar year 2019 with the minimum, median, mean and maximum transaction volume, service fee revenue, and market share. Service fee volume by office ranges from 2,342 to 235,530 with half collecting less than 49,993 and half collecting more. The biggest subagent has 3.0% of the statewide market in terms of dollars. The amount of fees collected range from a low of $14,118 (representing a partial year of operation) to a high of $1.9 million with half of subagents collecting less than $386,291 and half collecting more.
Exhibit 6. Range of Subagent Offices by Transaction Volume and Revenue, 2019

<table>
<thead>
<tr>
<th></th>
<th>Statewide Subagent Total</th>
<th>Subagent Minimum¹</th>
<th>Subagent Median</th>
<th>Subagent Mean</th>
<th>Subagent Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume of Fees Collected</strong></td>
<td>8,343,194</td>
<td>2,342</td>
<td>49,993</td>
<td>60,899</td>
<td>235,530</td>
</tr>
<tr>
<td><strong>Amount of Fees Collected</strong></td>
<td>$66,083,184</td>
<td>$14,118</td>
<td>$386,291</td>
<td>$482,359</td>
<td>$1,978,492</td>
</tr>
<tr>
<td><strong>Market Share by Volume</strong></td>
<td>0.0%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>2.8%</td>
<td></td>
</tr>
<tr>
<td><strong>Market Share by Dollars</strong></td>
<td>0.0%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>3.0%</td>
<td></td>
</tr>
</tbody>
</table>

Note: ¹ Minimum reflects a subagency that was only open for 5 months of 2019.

**Business Distribution by Fee Type**

The distribution of subagent business by fee type varies by subagent. Exhibit 7 displays that variance listing the mean, median, minimum and maximum for each fee type. On average, the subagent business mix is roughly two-thirds registrations and one-third titles with a small percentage of Quick Title work.

**Exhibit 7. Range in Percent of Subagent Fees Collected by Fee Types, 2019**

![Histogram of subagent fees collected by fee types, 2019. The x-axis represents the percent of service fee revenue from registrations or titles, while the y-axis represents the number of subagents. The bars show the distribution of fees, with a clear peak in the middle for both registrations and titles, indicating a balanced mix.](image-url)
Subagents provided these services to residents through three methods or “channels”: 1) in-office visits; 2) by mail; and 3) on-line transactions.

**Quick Titles.** DOL began issuing Quick Titles (expedited processing for a higher fee), including via subagents, for a $50 service fee in 2012. After a 2014 legislative policy change, offices need two certified operators to be eligible to offer Quick Titles. HB 2674, enacted in 2014, removed restrictions on which subagents could issue Quick Titles authorizing all subagents to do so in accordance with DOL requirements related to security standards and inventory protections for blank title certificates. The earlier restrictions required counties to issue Quick Titles for six months and required county approval before their subagents could issue Quick Titles. Prior to this change 22 agents and 15 subagents provided Quick Title service. In 2019, 88 subagents provided Quick Title services. Twenty-four (24) counties (with two locations each in Benton and Pacific counties) offer Quick Title services.

Effective in 2016 (RCW 46.68.025), the distribution of Quick Title service charges was revised. One-quarter, or $12.50 of the $50 Quick Title fee, is retained by the subagents when collected by subagents. Half of the fee goes to the state motor vehicle fund, and the other one-quarter is retained by the county. Half the fee goes to the county if an agent collects the service fee.

**Business Channels**

While subagents have all three channels of transactions open to them, the mix of transactions varies by subagent. Exhibit 8 analyzes that variance by identifying the mean, median, minimum and maximum for each channel. For all subagents, at least 50% of all their transactions take place in person at their office.
Exhibit 8. Range in Percent of Subagent Fees Collected by Transaction Channel, 2019


This mix is for all transactions. The mix shifts when controlled by type of transaction.
Business Distribution: Internet Renewals

The type of transaction has a significant impact on which channel is used. The share of registrations and renewals transacted online has grown over time and currently represents about one third of this work (Exhibit 9). Internet transactions are nearly all registration renewals, as title work cannot be transacted on-line though it is possible to do other activities like replacement tabs. This is why internet transactions account for about 26% of overall subagent business (see Exhibit 19) but 32% of registration transactions. Effective April 1, 2019, title and registration activities done in the same transaction pay both service fees. Since titles cannot be done online, this caused a dip in the percent of registration service fees collected via online processing between 2018 and 2019. According to DOL, about 60% of registration renewals are completed after tabs have expired, which may explain why online transactions have remained so stable. Once a customer decides to renew an expired tab, they want it immediately and will go in person to get it.

It is also worth noting that transactions that start online are counted as online even though many will be completed in an office when someone goes to pick up their tabs in person rather than waiting for them to arrive by mail.

Exhibit 9. Share of Registration Work Processed Online (vs. mail-in or in-office)


Barriers to Online Titles

Title transactions are currently not available online primarily because RCW 46.12.665 requires a written odometer disclosure statement that is signed by both the transferee and the transferor. DOL is currently reaching out to other states to understand how they approach online titling and odometer disclosures. To start, the RCW would need to be changed to allow for electronic submissions. 49 CFR § 580.5 - Disclosure of odometer information refers to both physical and electronic titles.
Business Distribution: Dealer transactions

Auto dealers are a concentrated source of title work which cannot currently be done over the internet due to budget and policy constraints with the current DRIVES system configuration. Some dealers require Quick Titles, and occasionally registration service fees are bundled with the title transaction. Dealership transactions account for roughly 16% of service fees earned system-wide and 19% of service fees earned by subagents system-wide. Subagencies process the vast majority (over 98%) of dealership transactions in Washington State. Among subagents, there is variation in how much revenue comes from dealerships. It can range from 0.0% to 53.1% of all revenue in a subagency. Four subagents report zero dealer business. Dealer work is concentrated on the other end of the spectrum, where fifteen individual subagencies account for over 50% of the dealer revenue in the state. The greatest share of the statewide dealer revenue received by any one agency is 6.9%.

Dealer work requires dedicated staff and often additional workstations as subagents compete on speed. In addition to quick turn-around, dealership title clerks (the main contact for subagents) may leave a dealership providing an opportunity for another subagent to pick up the business.

Exhibit 10. Range in Percent of Subagent Fees Collected by Dealership Services, 2019

<table>
<thead>
<tr>
<th></th>
<th>Subagent Minimum</th>
<th>Subagent Median</th>
<th>Subagent Mean</th>
<th>Subagent Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer service fees</td>
<td>0.0%</td>
<td>10.1%</td>
<td>13.6%</td>
<td>53.1%</td>
</tr>
</tbody>
</table>


Several interviewees described the seasonal nature of licensing and titling business. While dealer business is steady year-round, the public at large seeks more licensing and titling in spring and summer for recreational vehicles and to prepare for summer travel.
WASHINGTON ASSOCIATION OF VEHICLE SUBAGENTS (WAVS)

The Washington Association of Vehicle Subagents (WAVS) was formed in 1980. According to its website: "The mission of WAVS is to promote subagents providing licensing services; to develop and maintain good working relations with our partners at the Department of Licensing, the County Auditors and the Licensing Supervisors; to educate the lawmakers about our vital functions serving the citizens of Washington and the benefits to the state having private businesses provide these services; to negotiate favorable contracts with DOL; to lobby the WA state legislature for the improvement, enhancement, and/or protection of the licensing system on behalf of subagents; and to insist on the highest principles of business practice as outlined in our Code of Ethics."

While we could not find a list of all members, several subagent interviewees noted they are not members primarily due to membership cost. Some agents expressed reservations about an association representing businesses performing a public service where the primary inventory is supplied by the government lobbying the government and contributing to political campaigns. However, they also noted that the Legislature sets the fees. WAVS members pay dues representing a cost for some subagents and this information is included in the Expenditures section. Members may also make political contributions representing additional costs.

BUSINESS CHALLENGES

Workstations. Some subagents explained that they prefer not to offer Quick Titles or conduct dealer work. Both types of transactions can require use of more than one workstation and these subagents don’t have the workstation capacity to conduct these transactions and/or expect volume would be low.

There is some confusion in the field about getting approval for a new workstation as interviewees described needs that they believed were ineligible but DOL noted would be approved including:

▪ Backend work such as data entry, training, or researching the value of vehicles for appropriate collection of use tax.

▪ Pulling reports and other tasks related to the monitoring processes in the 2020 subagent contract.

Staff retention. In interviews, several subagents reported little to no turnover, especially once staff become certified. Many subagents have employed staff for multiple decades. There were a few exceptions to the overall low turnover:

▪ Subagents with more than ten employees in large metro areas noted turnover was more common.

▪ Some larger subagents noted turnover had increased prior to the 2019 fee increase because wages had stagnated sufficiently to make other employment opportunities more attractive.

▪ Other interviewees noted that change, such as the DRIVES implementation, can produce turnover.

▪ Subagents in small communities struggle to hire and retain talented young staff.

▪ Others described losing staff to the County Auditor’s office due to better benefits and work hours (no evenings or Saturday service).

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5 WAVS website is available at: https://wavs-wa.org/
**Competition.** Subagents reported two primary areas in which they compete.

- **Skilled staff.** Several interviewees described competing with other subagents to recruit and retain skilled staff. In some cases, staff were “poached” from other subagents. Some also described competing with county auditors for skilled staff.

- **Dealership transactions.** Many subagents view dealerships and large batch transactions as the most profitable part of the business, despite the higher level of staffing, workstations, and speed these transactions require. Subagent tactics for attracting and retaining dealership work include offering complementary in-kind incentives like courier services and shipping and fast turnaround times.

Smaller subagencies were less likely to consider other subagents as competition for customers. In many cases, this is because these subagencies are in less populated communities and the next closest subagent is so far away that customers are unlikely to travel the distance.

**WaTech⁶ and DOL equipment delays.** Once a subagent is appointed WaTech and DOL are responsible for delivery and installation of key infrastructure. WaTech subcontracts out to install the internet connection to the building and DOL installs the router, the vehicle licensing system workstations, and the credit card machines (provided by a third-party vendor).

Several interviewees described a long gap between receiving their appointment and equipment installation. In a few cases, this took months longer than anticipated, requiring subagents to pay several months of rent without income. One agent expressed confusion as to why this can’t be improved given the important partnership between subagents and DOL.

**Diversification.** Owning a subagency is not without some business risk:

- Transaction volumes are low in some markets.

- Fees intended to “keep subagents healthy” are set by the Legislature and not the owner.

Collocating with another business or offering other services can offset these risks. Interviews revealed that subagents vary with respect to operating additional businesses out of their subagency location.

- **No other business.** Some interviewees choose not to operate other businesses out of their subagency to exclusively focus on subagency services.

- **Related services.** Other interviewees offer related services primarily as a community service. These services often bring little to no profit for subagencies, and include notary, copy, and fax services and sales of hunting and fishing licenses and small retail items.

- **Significant additional business.** Some interviewees offer subagency services alongside a larger business, such as an auto dealership, pharmacy, grocery store, or insurance agency. One such owner described his subagency as an auxiliary business.

- **Lease space.** At least one interviewee generates income by leasing space in the building she owns. According to county assessor records, at least 33 subagents own their buildings, but it’s unknown whether they have additional space to lease out.

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⁶ Washington Technology Solutions (WaTech) is "the consolidated technology services agency" (RCW 43.105.006) for Washington state, providing enterprise IT services, support, strategy and security for public agencies and municipalities.
POTENTIAL EXPANSION OF SERVICES

A few subagent interviewees noted that they were not interested in providing additional services, as they want to avoid diverting their attention from the complexities of vehicle licensing and titling law. However, many subagents expressed interest in providing additional services on behalf of the State, including:

- Collecting unpaid toll and HOT lane fees.
- Collecting unpaid traffic fines or court fines.
- Issuing driver abstracts.
- Renewing driver’s licenses.

DOL noted that much of this work would require agents and subagents to undergo extensive background checks (different from the requirements to access DRIVES) since the system contains driver social security numbers and other sensitive information that comes with much higher security requirements. Drives license renewals would require access to the same system as license originations. Another potential complication is that counties oversee all services that subagents provide.

There is reportedly a lot of customer interest in being able to process toll payments, as tab renewals cannot be completed if the customer has outstanding toll payments. However, this would need to be explored with WSDOT. There is also customer interest in enabling payment plans, something that was explored in the 2020 Legislative session for other government payments. Through HB 2322 DOL will report back on proposed vehicle registration payment plans to the Legislature on December 1, 2020.

Workgroup members noted that this is complicated due to existing systems and how/when service fees to agents and subagents would be paid and could take multiple years to implement. However, online licensing and vehicle registration systems operating in other states offer payment plans.7

Eight subagent VLOs participated in the Washington State Transportation Commissions 2018-2019 Road Usage Charge pilot project by providing odometer readings via a smartphone odometer photo app for those pilot participants that selected that reporting method. The current WSTC work plan also calls for some VLOs to participated in a small-scale test of mileage reporting methods.

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7 See for example: https://www.etags.com/blog/etags-california-renewal-service/ and https://driver.vitu.com/faq-main
(When will I be charged for my vehicle?)
Subagent Selection Process

BECOMING A SUBAGENT

As noted earlier, the subagency is a private business collecting vehicle license fees on behalf of the State. Unlike a wholly private business, an individual cannot unliterally open a subagency. RCW 40.01.140 provides parameters to the agent on appointing subagents to the county:

(a) Use an open competitive process including, but not limited to, a written business proposal and oral interview to determine the qualifications of all interested applicants; and

(b) Submit all proposals to the director with a recommendation for appointment of one or more subagents who have applied through the open competitive process. If a qualified successor who is an existing subagent’s sibling, spouse, or child, or a subagency employee has applied, the county auditor must provide the name of the qualified successor and the name of one other applicant who is qualified and was chosen through the open competitive process.

Agents follow these parameters and the policy and procedures contained in VEH.8 Appointment and Resignation of Agents and Subagents, Section F. Conducting the Open Competitive Process, which outlines additional criteria about where and what to post and for how long (see text box). Agents may also follow public procurement processes specific to their individual county.

The DOL website has information on how to become a subagent (see Exhibit 11). The website makes clear that opportunities are limited and interested parties should reach out to the agent to see if there is an active RFP in the county where they are interested in operating a subagency. Conversations with agents might yield more information about likelihood of an opening, needed skillsets, and other factors, but gaining such insights likely depend on who answers the call. Some study participants suggested that DOL should post open RFPs on its website to provide greater visibility into opportunities for those that might be interested.

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VEH 8. Section F: Conducting the Open Competitive Process

Begin the open competitive process within nine months of receiving approval for a new or replacement subagent office. Use the RFP Procurement Guidelines to aid in the process of accepting applications and business proposals.

Solicit applications and business proposals for the new subagent as follows: online (county website, social media) or through a traditional newspaper. The advertisement must include the following:

- The designated service area
- Affirmative Action statement: “The Department of Licensing provides Equal Opportunity when appointing subagents. We encourage all qualified persons to apply, including members of protected groups under applicable state and federal law.”
- The deadline to submit the application
- Advertise for a minimum of 30 calendar days.
- Send notice of the advertisement to the Washington Association of Vehicle Subagents (WAVS) president.

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8 RCW 46.01.140 also uses the term “Recommended Successor.”
Outside of working at an existing licensing outlet (subagent, agent, or DOL) there is currently no way to train on DOL’s DRIVES system. However, applicants have been appointed with little to no experience. Typically, these appointees take over an existing subagency with experienced staff who can continue operations while the new appointee gets up to speed.

Exhibit 11. How to Become a Subagent

Source: Department of Licensing website, accessed March 27, 2020. Available at: https://www.dol.wa.gov/subagentinfo.html

RFP Process

An RFP process is required to add a new subagency location or replace an existing appointee. The agent requests approval from the DOL Director to begin the open competitive process for one or more subagents. With the Director’s approval, the county begins the open competitive process.

Opening a new subagency

To justify a opening a new office, an agent must demonstrate to DOL that there is sufficient demand, typically due to population growth or transaction volume. As shown earlier, no single subagency has a share of transaction volume that exceeds 3%.

VEH.8 Appointment and Resignation of Agents and Subagents outlines that business need for a new subagency is communicated through documentation of:

- Applicable demographics (recent population growth or expected changes in population, trends, traffic patterns, business or housing developments, etc.).
- Number of monthly transactions subagent is expected to process.
- Miles between the proposed subagent and other subagents in the surrounding area and map showing location in the area.

Exhibit 12 shows the minimum number of transactions thresholds based on proximity to the nearest licensing office that are used to demonstrate the need for another subagency.
Exhibit 12. Transaction Thresholds

<table>
<thead>
<tr>
<th>Distance to Nearest Licensing Office</th>
<th>Monthly Transaction Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 5 miles</td>
<td>Over 1,500</td>
</tr>
<tr>
<td>5 miles or more</td>
<td>1,001-1,499</td>
</tr>
<tr>
<td>10 miles or more</td>
<td>501-1,000</td>
</tr>
<tr>
<td>15 miles or more</td>
<td>301-500 (15-25 daily average)</td>
</tr>
<tr>
<td>25 miles or more</td>
<td>201-300 (10-15 daily average)</td>
</tr>
<tr>
<td>40 miles or more</td>
<td>200 or less (fewer than 10 daily)</td>
</tr>
</tbody>
</table>

Sources: DOL, VEH.8, 2016; BERK, 2019.

If the request does not meet the policy criteria, the requestor can submit mitigating circumstances such as:

- Information regarding the most common traffic patterns or major commute routes that would justify the site (Is the traffic flow conducive to a new office?).
- US Census Bureau documentation of a significant population increase in the proposed area (Does the population or number of registered vehicles in the area justify a new office?).
- Information from the county about anticipated volume of new building or housing developments in the area.
- Information regarding anticipated enrollment at schools located in and around the area.
- Services the proposed subagent would offer to attract customers, in addition to providing vehicle and vessel titling and licensing services.
- Reasons for not relocating an existing subagent.
- A description of where the transactions would come from for the service area.

County Agent Interview Perspectives

- A few agents commented that determining whether a new office is needed is not that rigorous and no one in the system proactively monitors data or trends around population growth or vehicles per household.
- Another auditor believes the county should decide when to open a new subagent versus when to add workstations at an existing subagency. In a location experiencing growth, expanding an existing subagency limits the risk of adding an entirely new business and does not necessitate oversight of another subagent.
Replacing an existing subagent

Once a subagent is appointed, the contract renewal process occurs on a five-year schedule. Contracts are typically extended but the agent does have the right not to extend.

Replacing a retiring subagent does not require the justification process detailed under Opening a new subagency, as the need for the subagency is already established. In this case, an agent may also decide there is insufficient volume and/or there are enough alternatives within a reasonable distance for customers to justify not replacing a subagency (and providing oversight) and can let the authorization lapse. If the agent wants to maintain the location, then a competitive RFP process is started. Even if an existing subagent has recommended a successor (see Recommended Successor section below), the recommended successor must apply via the competitive process.

Agents have the discretion to request a temporary appointment of a subagent if the business’ sole remaining appointee dies, retires, or becomes incapacitated. A temporary appointment allows an agent to keep an office open while conducting the open competitive process to replace the subagent.

Subagent Selection

Following the open competitive process, the agent submits all proposals to the Director of DOL with a recommendation for appointment of one or more subagents who have applied through the process. The submittal must include:

- The number of applicants and how many were interviewed.
- A summary of the screening and interview process used to select the recommended applicants.
- A list of who participated on the oral interview panel and their area of expertise.
- An explanation of why the previous subagent’s recommended successor was not selected—if applicable.
- A map of the proposed location showing distance to existing subagents.

DOL uses a Subagent Review Committee (SRC), as defined in VEH.1 (see text box). The SRC uses the standards stated in VEH.8 procedures to review agent requests for establishing new subagent offices and requesting appointment of subagents. The DOL Director has final approval authority.

It is more common that the selection process is used to replace an appointee at an existing subagency than to appoint a new subagent.

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Subagent Review Committee Members

- DOL Assistant Director
- DOL Deputy Director
- DOL Vehicle and Vessel Operations Administrator
- Two subagents (and two alternates) representing large and small counties
- Two agents (and two alternates) representing large and small counties

Alternates are included because agent and subagent representatives cannot review recommendations for their own counties, or for counties in which they were part of the interview panel.
After the DOL Director appoints a new subagent, the agent is responsible for training the successful appointee. One agent noted that it would be helpful to have formalized guidelines around the specific roles and responsibilities for both agents and subagents in the event an auditor comes into elected office with little experience.

In interviews, subagents described how they first became involved in subagent business. Most subagents listed at least one of the four following factors:

1. Responded to an RFP advertisement.
2. Has/had a family member who is also an appointee.
3. Has/had a connection to the county auditor, either as a former employee or otherwise.
4. Worked at another subagency. A few interviewees also mentioned having worked at an auto dealer or other business affiliated with a subagency before becoming a subagent.

Recommended Successor

The ability for a subagent to recommend their successor was established through SSB 5274 in 2001. RCW 46.01.140 notes a subagent may recommend a successor “who is the subagent’s sibling, spouse, or child, or a subagency employee.” It notes that the recommended successor must participate in the open competitive process. Ahead of this change, DOL had moved away from making subagency appointments in perpetuity. This generated interest amongst subagents in passing the business on to relatives or staff and whether there could be an option to sell the business interest. An option to sell was not granted, and subagents settled on the recommended successor concept. This required some negotiation with county auditors as subagents proposed automatic appointment of a recommended successor rather than the open competitive process that was ultimately implemented.

A subagent may name a recommended successor at any time during his or her appointment by notifying the county agent and filing a copy with the DOL Director. Subagents may do this without resigning as the purpose is for the county auditor or agent to know the wishes of the subagent in the event of death or incapacitation that could lead to the inability of the subagent to fulfill the obligation of his or her appointment.

Subagent Interview Perspectives

- Several interviewees mentioned they employ family members.
- Some described being employed by a family member before opening their own subagency.
- Family employment can serve as a transition for family members interested in entering or exiting subagent business. Some subagents employ younger family members who eventually respond to an RFP to become the appointee or open a subagency elsewhere. Others employ older family members who have decades of licensing and titling experience.
- Subagents who don’t employ family members may have long-time employees who are well suited to take over the business.
As outlined in RCW 46.01.140, the subagent may:

▪ Send a letter to the agent showing intent to retire within 12 months and naming a recommended successor.

▪ Send a letter of recommendation to the agent, anytime during appointment as a subagent, to propose subagent appointee as recommended successor.

▪ Withdraw letter of intent to retire at any time prior to an open competitive process.⁹

The agent is required to:

▪ Receive and consider the letter of recommendation for a successor from the subagent.

▪ Notify the subagent in writing, within 60 days, whether the recommended successor will be considered in the open competitive process. Include any deficiencies relating to the subagent or the recommended successor.

▪ Send a copy of the written response to the vehicle and vessels operations (VVO) Administrator.

RCW 46.01.140 Section 5 on Subagent Successorship outlines the prohibition on receiving any compensation in exchange for naming a successor and states that the intent of the policy is consistent customer service and not creation of a business interest.

(b) A subagent may not receive any direct or indirect compensation or remuneration from any party or entity in recognition of a successor nomination. A subagent may not receive any financial benefit from the transfer or termination of an appointment;

(c) The appointment of a successor is intended to assist in the efficient transfer of appointments to minimize public inconvenience. The appointment of a successor does not create a proprietary or property interest in the appointment;

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⁹ This was contested in Vehicle/Vessel LLC v Whitman County 122 Wn. App. 770, 777, 95 P.3d 394 (2004).
RFP Results

Of the 32 RFPs released since 2015, 3 were for new subagencies and 28 replaced an existing subagent. Exhibit 13 below summarizes the RFPs issued by county and by year for 2015 to 2020 (through March). The 32 RFPs were issued in 17 of the 29 counties that use subagents.

**Exhibit 13. RFPs Issued by County and by Year (2015 – 2020 YTD)**

<table>
<thead>
<tr>
<th>Year</th>
<th>RFPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6</td>
</tr>
<tr>
<td>2016</td>
<td>6</td>
</tr>
<tr>
<td>2017</td>
<td>10</td>
</tr>
<tr>
<td>2018</td>
<td>3</td>
</tr>
<tr>
<td>2019</td>
<td>5</td>
</tr>
<tr>
<td>2020 (YTD)</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
</tr>
</tbody>
</table>

*Note: Counties shaded dark grey have no subagents.*


If a qualified recommended successor applies, the agent must provide both the name of the qualified successor and the name of one other qualified applicant identified through the RFP process (assuming there is more than one applicant). Agents noted they must take a recommended successor into “high consideration.” They also pointed out that RFP expectations around identifying suitable office space (for a new subagency) and creating a staffing plan combined with familiarity with vehicle licensing likely limits the pool of applicants with no experience. If an agent were to select someone with no licensing experience, it could take six months to get that business open with negative customer service implications. If a community had no local subagent office for several months, customers would go elsewhere and the new subagency would have to win them back once they opened.

As shown in Exhibit 14 and Exhibit 15, the number of applicants has ranged from one to nine. Over half of the RFP processes (19 of 32) included a recommended successor.

- 16 of these 19 resulted in the recommended successor being appointed.
- Nine of the 19 RFPs (47%) with a recommended successor had one applicant, while the share was slightly lower for those with no recommended successor in the mix (30% or 4 of 13 RFPs).
- One RFP in Mason County received nine applications and resulted in the county auditor not selecting the recommended successor. The DOL Director then selected a different applicant than recommended by the county auditor which was also not the recommended successor (see Exhibit 14).
Exhibit 14. Summary of RFP Results with a Recommended Successor

Grey bar indicates recommended successor was not chosen.

<table>
<thead>
<tr>
<th>County</th>
<th>Closed Office</th>
<th>Applicants</th>
<th>County Chose Recommended Successor?</th>
<th>DOL Director Appointed</th>
<th>Appointed</th>
<th>Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mason</td>
<td>Mountain View Licensing</td>
<td>9</td>
<td>No</td>
<td>Third Alternative</td>
<td>6/3/2019</td>
<td>Shelton Tabs and Titles</td>
</tr>
<tr>
<td>Thurston</td>
<td>Grand Mound Licensing</td>
<td>4</td>
<td>No</td>
<td>County Recommendation</td>
<td>8/26/2016</td>
<td>South County Licensing</td>
</tr>
<tr>
<td>Snohomish</td>
<td>Mail Zone Auto License Center</td>
<td>3</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>3/3/2018</td>
<td>Mail Zone Auto License Center</td>
</tr>
<tr>
<td>King</td>
<td>Federal Way Auto License Agency</td>
<td>2</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>9/28/2015</td>
<td>Federal Way Auto License Agency</td>
</tr>
<tr>
<td>Pierce</td>
<td>Parkland Auto Licensing, Inc.</td>
<td>2</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>3/7/2017</td>
<td>Parkland Auto Licensing, Inc.</td>
</tr>
<tr>
<td>Snohomish</td>
<td>Whitfield Auto Licensing</td>
<td>2</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>12/16/2019</td>
<td>Whitfield Auto Licensing</td>
</tr>
<tr>
<td>Thurston</td>
<td>Hawks Prairie Licensing</td>
<td>2</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>2/14/2020</td>
<td>Hawk’s Prairie Auto and Boat Licensing</td>
</tr>
<tr>
<td>Whatcom</td>
<td>Bellingham Auto Licensing</td>
<td>2</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>8/20/2019</td>
<td>Auto Licensing of Bellingham</td>
</tr>
<tr>
<td>Whitman</td>
<td>Vehicle Vessel LLC.</td>
<td>2</td>
<td>No</td>
<td>County Recommendation</td>
<td>8/3/2016</td>
<td>Pullman Vehicle Vessel Licensing, Inc.</td>
</tr>
<tr>
<td>Yakima</td>
<td>Robinson Licensing</td>
<td>2</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>7/31/2017</td>
<td>Robinson Licensing</td>
</tr>
<tr>
<td>Clark</td>
<td>Auto License Services</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>2/9/2015</td>
<td>Auto License Services</td>
</tr>
<tr>
<td>Grant</td>
<td>Petersen Vehicle Licensing</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>9/10/2018</td>
<td>Petersen Vehicle Licensing</td>
</tr>
<tr>
<td>King</td>
<td>Puget Sound License Agency</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>2/8/2017</td>
<td>Rainier Vehicle and Vessel Licensing, LLC.</td>
</tr>
<tr>
<td>Lewis</td>
<td>D&amp;A Licensing</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>12/21/2017</td>
<td>Timber Town Licensing</td>
</tr>
<tr>
<td>Pierce</td>
<td>Thompson Licensing</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>7/20/2017</td>
<td>Eatonville Licensing</td>
</tr>
<tr>
<td>Snohomish</td>
<td>Beverly’s Auto Licensing, Inc.</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>7/1/2019</td>
<td>Beverly’s Auto Licensing, Inc.</td>
</tr>
<tr>
<td>Thurston</td>
<td>M&amp;L Auto Licensing</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>1/21/2015</td>
<td>M&amp;L Auto Licensing</td>
</tr>
<tr>
<td>Yakima</td>
<td>Wray’s, Inc.</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>1/28/2016</td>
<td>Wray’s, Inc.</td>
</tr>
<tr>
<td>Yakima</td>
<td>Cascade Licensing Agency, Inc.</td>
<td>1</td>
<td>Yes</td>
<td>Recommended Successor</td>
<td>2/8/2017</td>
<td>Cascade Licensing Agency, Inc.</td>
</tr>
</tbody>
</table>

Exhibit 15. Summary of RFP Results without a Recommended Successor

<table>
<thead>
<tr>
<th>County</th>
<th>Closed Office/New Office</th>
<th>Applicants</th>
<th>Appointed</th>
<th>Replacement or New Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pierce</td>
<td>Quik Stop Licensing II</td>
<td>8</td>
<td>3/7/2016</td>
<td>Tacoma License &amp; Title</td>
</tr>
<tr>
<td>Cowlitz</td>
<td>Sherman Licensing Services</td>
<td>5</td>
<td>12/21/2015</td>
<td>Lewis River Auto Licensing, Inc.</td>
</tr>
<tr>
<td>Whatcom</td>
<td>Sunset Cost Cutter</td>
<td>5</td>
<td>2/18/2015</td>
<td>Ferndale Auto Licensing</td>
</tr>
<tr>
<td>Stevens</td>
<td>Suncrest Licensing</td>
<td>3</td>
<td>6/22/2016</td>
<td>Lakeside Licensing</td>
</tr>
<tr>
<td>Whitman</td>
<td>Kerry Schanzenbach</td>
<td>3</td>
<td>8/14/2018</td>
<td>Smiths’ Country Store, Inc.</td>
</tr>
<tr>
<td>Cowlitz</td>
<td>New office</td>
<td>3</td>
<td>4/6/2017</td>
<td>Castle Rock Auto Licensing, Inc.</td>
</tr>
<tr>
<td>Kittitas</td>
<td>New office</td>
<td>3</td>
<td>5/17/2017</td>
<td>Ellensburg Licensing, LLC.</td>
</tr>
<tr>
<td>Franklin</td>
<td>New office</td>
<td>2</td>
<td>3/18/2015</td>
<td>Westside Auto Licensing</td>
</tr>
<tr>
<td>Okanogan</td>
<td>Vehicle Licensing and Services</td>
<td>2</td>
<td>12/21/2017</td>
<td>Methow Valley Licensing</td>
</tr>
<tr>
<td>Lincoln</td>
<td>Rux Insurance</td>
<td>1</td>
<td>3/1/2016</td>
<td>Schmidt Insurance Services, Inc.</td>
</tr>
<tr>
<td>Okanogan</td>
<td>Methow Valley Licensing</td>
<td>1</td>
<td>10/23/2019</td>
<td>Methow Valley Licensing</td>
</tr>
<tr>
<td>Snohomish</td>
<td>Canyon Park Licensing</td>
<td>1</td>
<td>2/2/2020</td>
<td>Canyon Park Licensing</td>
</tr>
<tr>
<td>Yakima</td>
<td>Riders True Value Hardware</td>
<td>1</td>
<td>7/31/2017</td>
<td>Riders True Value Hardware</td>
</tr>
</tbody>
</table>

Note: For all 13 RFPs, the DOL Director appointed the applicant recommended by the county.


Challenges to Entry

Interviewees described several challenges to entering the subagent business, including:

- **Infrequent openings.** RFPs are rarely released, limiting entry or expansion opportunities.
- **Access to information.** There is no single place where statewide RFPs are posted. County advertisement of and outreach for RFPs is limited.
- **Required level of licensing familiarity.** Licensing and titling law are complicated. Appointees without prior subagent experience encountered an uphill battle to gain a working knowledge of the rules, regulations, and DRIVES interface.
- **Upfront costs for new locations.** One interviewee spent $100,000 to set up a new subagency.
TRAINING

VEH. 19 Training and Certification of VLRs outlines the requirements. A new employee (or appointee) without vehicle or vessel titling and licensing experience or with previous licensing experience not certified under the policy must obtain:

- At least three months of training at a subagency to complete all training requirements listed in VEH. 19 and pass a certification test (with a score of 80% or higher) to become qualified.
- Ahead of the certification test, trainees complete training related to: IT Security Awareness; DOL Fraud Prevention; Licensing Proficiency; and DRIVES.

A qualified VLR can process vehicle or vessel titling and licensing transactions and sign applications according to WAC 308-56A-275. Once qualified, an additional 1,800 hours of vehicle and vessel titling and licensing services are currently required to become a certified VLR.

The certification process was created 10-15 years ago at the request of agents and subagents. At the time, the 1,800 hours was agreed upon by both agent and subagent groups as an estimated amount of time it took an operator to become proficient. While DOL uses one-year as a training benchmark for other positions, an hours-based requirement was selected to accommodate large numbers of part-time employees in the subagent business. The reasoning behind the requirement was that employees move among offices and consistent training should be the goal. Since the business has seasonal variation due to agriculture demands and boating and RV activities, for example, it can take time to get exposure to certain transaction types.

By DOL policy, the certified proficiency level is used to deem someone experienced enough to be a trainer, as well as review and confirm Quick Title processing.

More than a decade later, there seems to be a desire among DOL, agents, and subagents to update training requirements to be skills-based rather than hours-based. This would require the DRIVES system to be used for training transactions (something not currently available even to DOL). If this were possible, it would also support ongoing training of VLRs and help to keep skills current, given that the volume and type of transactions can vary significantly between offices.
Oversight Provided by DOL and Agents

Agents enter into five-year contracts with DOL and subagents enter into contracts with agents. Current agent contracts end on December 31, 2024 regardless of when they were signed. Contracts are not the same as an appointment so a contract renewal will not trigger an open competitive process (see Subagent Selection Process) The 2014 JTC report noted confusion around subagent supervision and a perception of dual oversight by both DOL and the agents.

- New contracts were implemented in early 2020 to clearly define the oversight roles and responsibilities for all three levels: monitor, audit, and investigate. Exhibit 16 summarizes the oversight responsibilities of DOL over agents and agents over subagents outlined in the new contracts.

The new contracts came into effect around the time our interviews took place, so many interviewees expressed uncertainty and/or cautious optimism around the revised oversight practices. Subagents, particularly those that operate VLOs in two counties were concerned that processes might not be uniform.

The new agent contract with DOL clearly communicates that agents are responsible for oversight of subagents and is more prescriptive as to what the steps are to ensure uniformity. The contract clarifies that an agent is responsible for oversight of its subagents and responsible to DOL, though DOL still retains the right to monitor, audit, and investigate all agent VLRs, subagents, and subagent VLRs.

DOL is not a party to the Subagent Agreement. The Agent is responsible for its Subagent’s compliance with this Agreement and shall further ensure that the Subagent follows the Department’s reporting formats and procedures as specified by the Department (Agent Agreement, 2020, page 12).

Some agents continue to find the chain of responsibility somewhat confusing in that agents are responsible for subagents, but DOL retains the oversight rights. Other agents are more comfortable with the oversight role as they feel they have a better understanding of the strengths, weaknesses, and operating context of their subagents.

Larger counties have had policies and procedures in place for several years and collaborated with DOL on the new ones. These counties note that DOL policies are not always scalable and require adaptation for agents that oversee more than 10 subagencies. For example, one agent noted that DOL often imposes uniform work flows even though the number of subagencies overseen by agents ranges from 1 to 21. Auditing financials at multiple subagencies requires reviewing numbers input into any number of systems used by different subagents, including software like QuickBooks and handwritten records.

There is some concern among all parties (e.g. DOL, agents, and subagents), that processes outlined in the new contracts will take more resources (staff time) and the revised oversight responsibilities have overhead and personnel implications for both large and small counties.

One agent noted that they are not inclined to replace subagents that close to reduce their oversight overhead expenses. Similarly, in interviews, several subagents explained that they anticipate needing an additional workstation to accomplish the additional tasks required for audits under the 2020 contract.
Reports. Both the agent and subagent can generate a variety of reports (see textbox) from the DRIVES system to monitor trends or check for irregular activity. Some interviewees request feedback on their aggregate annual performance from their agents. This could include comparisons with other subagencies and recommendations for improvements. Agents can look across offices to see if any standout for errors. In the case of errors, agents work with the subagents to provide training to cure problems. In more serious cases, such as fraudulent activity, agents would work with DOL to shut down an office if needed.

Other Changes. DOL requires an accuracy rate of 95% on title transactions, which some felt was too low. The new contract emphasizes the goal of 100% while leaving the floor at 95%. Page 20 notes, “All transactions are properly executed, documented, and entered into DOL’s DRIVES system with an accuracy level of one hundred percent (100%), not to fall below ninety five percent (95%)” (Subagent Contract, 2020).

Most subagents interviewed expressed appreciation for staff at DOL and county auditors’ offices, though most noted there is room for improvement. Many interviewees described receiving inconsistent information from different staff members at DOL or the agent’s office, and some explained that it can be challenging to find support from individuals with enough licensing and titling experience to provide nuanced information. Some subagents expressed a preference for working with either staff at DOL or their auditor’s office.

---

Sample Reports

- Value exceptions
- Rejected titles
- Daily activity report
- Non-standard activity
- Daily fees
- Re-opened cash drawers
- Office over/under
- Unapplied cashiering payment
- Unpaid/partially paid activities
### Exhibit 16. Summary of Oversight from 2020 Contracts

<table>
<thead>
<tr>
<th>Monitor</th>
<th>DOL Oversight of Agents</th>
<th>Agent Oversight of Subagents</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ DOL may monitor agent performance under this Agreement at any time.</td>
<td>▪ Agent may monitor the subagent and/or subagent VLRs performance at any time.</td>
<td></td>
</tr>
<tr>
<td>▪ Monitoring is the general review of transactions performed by the agent or on behalf of the agent, and includes reviewing service quality, customer service standards, and ethical standards and conduct.</td>
<td>▪ Monitoring is the general review of transactions and other activities performed by the subagent VLRs. Monitoring also includes, but is not limited to, reviewing of service quality, customer service standards, ethical standards, and conduct.</td>
<td></td>
</tr>
<tr>
<td>▪ Monitoring is performed as part of DOL’s general routine practices, and as directed by Policy and Procedure.</td>
<td>▪ Monitoring is performed as part of general routine practices, and as directed by Policy and Procedure.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ DOL shall audit the agent’s performance under this Agreement at least once per year. DOL may perform additional audits as necessary.</td>
<td>▪ Agent shall audit the subagent performance under this Agreement at least once per year. Agent may perform additional audits as necessary.</td>
<td></td>
</tr>
<tr>
<td>▪ Audits are the formal examination of facilities, equipment, records, actions, practices, and requirements of an agent related to performance of this Agreement. Audits may include, but not be limited to, review of facility and maintenance requirements, the performance and compliance of all title and licensing transactions, Policy and Procedure, reports, revenue collections and other accounting practices, the safeguarding of equipment, the safeguarding and permissible use of Personal and Confidential Information, the maintenance of inventories, records, and documents, and Subagent and Subagent VLR compliance and oversight.</td>
<td>▪ Audits are the formal examination of facilities, equipment, records, actions, practices and requirements of a subagent related to the performance of this Agreement. Audits may include, but not limited to, review of facility and maintenance requirements, the performance and compliance of all title and licensing transactions, Policy and Procedure, reports, revenue collections and other accounting practices, the safeguarding of equipment, the safeguarding and permissible use of Personal and Confidential Information, and the maintenance of inventories, records, and documents.</td>
<td></td>
</tr>
<tr>
<td>▪ Agent must follow established DOL process and procedure for subagent audits. Agent does not have the ability to establish new audit standards or policies beyond those outlined by DOL.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investigate</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ DOL may, at its sole discretion, investigate the agent’s performance under this Agreement.</td>
<td>▪ Agent may investigate the subagent’s performance under this Agreement.</td>
<td></td>
</tr>
<tr>
<td>▪ Investigation is the act of inquiring into and/or examining specific actions or omissions of the agent or any VLRs acting on its behalf. The investigation may be initiated based on information DOL acquires through its monitoring or auditing functions, or through an outside source. DOL may expand the scope of an investigation or conduct an audit if it discovers additional actions that require further exploration.</td>
<td>▪ Investigation is the act of inquiring and/or examining specific actions or omissions of the subagent or any VLRs acting on its behalf. The investigation may be initiated based on information the agent acquires through its monitoring or auditing functions, or through an outside source. Agent may expand the scope of an investigation or conduct an audit if it discovers additional actions that require further exploration.</td>
<td></td>
</tr>
<tr>
<td>▪ DOL’s investigation into an agent does not need to be equally performed among all agents statewide.</td>
<td>▪ Agent’s investigation into a subagent does not need to be equally performed among all subagents.</td>
<td></td>
</tr>
</tbody>
</table>

PREVENTING FRAUD

DOL defines fraud as any deceptive or misleading statement, concealment, or act made by a customer, agent, subagent, their employees, or DOL employees (VEH.4). This includes, but is not limited to the following:

- Knowingly or negligently concealing a material fact.
- Knowingly or negligently making a false statement.
- Altering a document.
- Forging another person’s name or credentials as one’s own.
- Using a false or fictitious name or address.

DOL aims to prevent fraud through policy, procedures, and contracts.

Policy and Procedure

Fraud reporting requirements. VEH.4 Preventing Fraud in Transactions provides guidance on how to respond to potential fraudulent documents or transactions, with a primary focus on customer fraud. The procedure’s focus on internal fraud directs a VLR to report any fraudulent activity being committed by personnel in their VLO or by dealers.

Credit card security. All VLOs that accept credit cards use VitalChek equipment provided by DOL. Customers interact directly with the VitalChek reader and VLRs do not handle customers’ credit cards. The VitalChek credit card transaction system is standalone and separate from DRIVES, which stores no credit card information. Subagents run a daily report through VitalChek that issues a check for the total sum of credit card transactions completed in a day. The only credit card information stored in DRIVES is whether transaction payment occurred by card.

An update to VEH.3 Operating Standards for Agents and Subagents, effective July 8, 2019, requires all VLOs to complete a monthly inspection of their credit card terminal and the area around the terminal for tampering and devices that are recording card information. DOL and county agents check for compliance with this during an audit.

Oversight and monitoring. As noted above, subagents and auditors are responsible for oversight and monitoring. Fraudulent transactions typically leave a trace, such as a high rate of voided or reversed transactions. As part of regular monitoring requirements, each VLO must review all voids and reversals. Agents can look for patterns at the VLR level such as high numbers of reversals, and in such a case can elevate the situation to an investigator at DOL for further examination.

Contract

Background checks. The new subagent contract requires background checks for all new employees using DOL systems (which includes workstations). VEH.30 Requesting Access to DOL Systems outlines the policy and notes that the background check process must include the agent or subagent do the following:

- Submit request through Washington State Patrol Washington–WATCH.
- Determine if access will be requested based on results using at least the following criteria:
  - Nature or gravity of any offenses identified.
- Time since conviction or completion of any sentences served.
- Nature and number of any previous convictions.
- Relationship between any convictions or traffic violations and the job.

  Retain the background check results as directed in the VLO - Retention and Destruction article.

The 2020 contract goes on to say that if an agent or subagent chooses to use a background check other than WATCH, it must be approved by DOL, but does not list allowable alternatives. Background checks are only required for new access or change in access. They are not required for existing employees unless they move to another subagency under different ownership. VEH.30 states “Existing VLRs will need a background check if they change employers and move to a different office not owned by the owner of the current office they work for.” None of the 21 subagents interviewed for this study conducted background checks before this requirement.

Although background checks can provide important information about prospective employees’ past actions, they cannot guarantee that an individual will not commit fraud given an opportunity. This makes protections like credit card security critical. If a subagent knowingly hires a person with fraud on their background check, the subagent’s VLO may be subject to a Level III Breach of Contract.

**Level III Breach of Contract.** DOL issues a Level III Breach if it determines the nature of the breach is so severe and/or continual that it constitutes grounds for termination of the Agreement. Prohibited fraudulent activities under Level III include, but are not limited to:

- Offering a bribe, accepting a bribe or soliciting a bribe in the course of Agent business.
- Charging or soliciting payment of, fees other than those prescribed by law; making “kickbacks” of fees or reimbursement, refunding or not charging fees, or making any economic inducement for the purpose of soliciting or increasing service volume of the Agent.
- Receiving, accepting, taking, seeking, soliciting, or giving directly or indirectly, anything of economic value, such as a gift, gratuity, favor or incentive to or from any person or organization in relation to the conducting of business and Agent or Subagent business under terms of this agreement.
- Making false or fraudulent written statements.
- Failing to properly safeguard confidential information, or the willful misuse or distribution of such information.
- Committing any act of fraudulent or dishonest dealing or crime in relation to the ability to perform duties under this Agreement.
- Failing to provide reasonable oversight to prevent fraud, illegal acts, or Agreement breach of Subagent(s) and VLRs.
- Employing or maintaining the employment of any person who has been convicted of a felony, a misdemeanor or gross misdemeanor related to the performance of services provided for in this Agreement.
If DOL determines a Level III breach, DOL and the subagent follow this process:

1. **Notice of Breach**: The written Notice of Level III Breach will be issued to the Agent in a timely manner, no later than thirty (30) calendar days after DOL’s determination that the conduct constituted a Level III Breach. Depending on the nature and severity of the breach, DOL may also elect to immediately suspend the Agent’s ability to perform transactions under this Agreement.

2. **Agent Response**: Agent must provide a written response to DOL within five (5) calendar days from the issue date the Notice of Level III Breach.

3. **Termination Meeting**: DOL will arrange for a Termination Meeting to take place within fourteen (14) calendar days of the date of the Agent’s response to the notice of the Level III Breach.

4. **Final Decision**: Upon conclusion of the Termination Meeting or waiver of said meeting, DOL will issue a written Final Decision, which must include the basis for the decision, and must be issued within ten (10) calendar days of the Termination Meeting or waiver.

5. **Appeal**: Agent has the right to appeal a Final Decision of DOL that results in a suspension or a termination.

DOL allows agents the discretion of whether to pursue civil or criminal charges against a former or current subagent. If an agent chooses to pursue charge, the agent reaches out to law enforcement in the jurisdiction in which the fraud occurred and notifies the Washington State Auditor’s Office.
Service Fees

Subagents collect vehicle licensing revenue on behalf of the State as well as service fees and filing fees. See Exhibit 1 for an example of these taxes and fees. Service fees are set by the legislature and intended to “keep the vehicle subagents and county auditors healthy.” Filing fees are also set by the legislature and intended to offset county costs of providing licensing services directly or through oversight of subagents. The data and information in this section only addresses service fees.

HISTORY

The first service charge appears in 1980 and does not distinguish between title and other transactions. Effective in 1991, the service charge is two-tiered and higher for title transactions. The current service fee is at its highest point since 1980 in both real and nominal terms and the historical pattern shows periods of real declines and jumps in years that the fee is adjusted (see Exhibit 17).

Exhibit 17. Subagent Service Charge History (1980-2019; nominal and inflation-adjusted)

In 2014, the Legislature adopted E2SHB 1129, assessing service fees on all transactions. Before this service fees were charged only on subagent transactions and not on transactions handled by agents or DOL. Individuals preferring to work with a subagent due to location or other reasons paid a service fee. As of 2015, subagents still retain the service fees they collect, but service fees paid to a county or DOL are deposited in the ferry capital vessel replacement account (CVRA). This account can only be used for the construction or purchase of ferry vessels and to pay the principal and interest on bonds authorized for the construction or purchase of ferry vessels. This change is referred to as “fee equalization”

Total estimated revenue for the CVRA from service fees is $31.3M in 2019-21 of a total $39.8M estimated revenue to that account.

Sources: Washington Laws 1980, c 114 § 2; Washington Laws 1985 c 380 § 12; Washington Laws 1987 c 302 § 1; SHB 1704 (1990); SB 6476 (1996); SSB 5274 (2001); SB 5518 (2005); ESB 5061 (2011); RCW 46.17.040; BERK, 2019.

10 EHB 1789, 2019
Effective April 1, 2019 vehicle or vessel owners getting both a title and registration in the same transaction pay both the title and non-title service fees. Previously they would only pay the title fee.

AMENDING FEES

In interviews, most subagents expressed some frustration that there is no schedule for fee increases that accounts for inflation or a fee review process that would consider the impact of policy changes such as minimum wage increases. Some noted that lobbying for fee increases creates skeptics among legislators, but there is no clear alternative under the current process. There are at least two precedents for a fee review process. There have been fee increases in the timeframe these processes were active, but it is not clear if there is a relationship between this work and the service fee increases.

From 1991 to 2010, the Registration Advisory Committee (§ 46.01.320) existed to “foster communication between the county auditors, subagents, DOL and the legislature.” This committee recommended fee structure revisions, cost sharing, and the development of standard contracts but was not involved in the subagent selection process. It was chaired by the DOL Director, and comprised of three DOL staff, two county auditors, two subagents, and two members from each of the Senate and House Transportation Committees.

From 1996 to 2016, the DOL Director was to prepare an annual comprehensive analysis and evaluation of agent and subagent fees to make recommendations to the Senate and House Transportation Committees (Sec. 138. RCW 46.01.325 and 2005 c 319 s 116). These annual reports summarized macro-economic trends and commented on how changes to DOL processes affected subagent workflow, but they did not comment on or explore the costs of doing business for subagents in terms of labor, rent, or other expenses. Washington 1996 Session Law defined the scope of the evaluation:

Fee revision recommendations may be made more frequently when justified by the annual analysis and evaluation, and requested by the title and registration advisory committee.

(2) The annual comprehensive analysis and evaluation must consider, but is not limited to:

(a) Unique and significant financial, legislative, or other relevant developments that may impact fees;

(b) Current funding for ongoing operating and maintenance automation project costs affecting revenue collection and service delivery;

(c) Future system requirements including an appropriate sharing of costs between the department, agents, and subagents;

(d) Beneficial mix of customer service delivery options based on a fee structure commensurate with quality performance standards;

(e) Appropriate indices projecting state and national growth in business and economic conditions prepared by the United States department of commerce, the department of revenue, and the revenue forecast council for the state of Washington.

11 Washington 1996 Session Law
Most of the 21 interviewees expressed satisfaction with the current fee structure and agreed that the fee increase in 2019 helped office viability. While some interviewees found the prior fee structure viable, others noted that they may not have stayed in business without the change. Many subagents used part of the fee increase to raise employee wages which helped with staff retention (in what had been a strong economy). Others used part of the fee increase to provide new or improved employee benefits, to provide employees with shift pay to incentivize weekend work, or to remodel business facilities.
Transaction & Service Fee Revenue Analysis

We used data from DOL’s vehicle system DRIVES and VfsTrans (a legacy system) to understand transaction volume and trends over time. The transaction counts and service fees are for transactions processed from January 1, 2013 through December 31, 2019, the maximum timeframe available due to DOL’s seven year retention schedule. The two vehicle systems record data differently and some adjustments had to be made to generate consistent estimates across years and systems. As an example, VfsTrans did not record service fees related to DOL’s electronic lien and title (ELT) program, while DRIVES did. The resulting data appears to show an increase in DOL online transactions post-2016, when the actuality is that additional data is captured on already existing transactions.

The data include finalized vehicle and vessel transaction and service fees processed in an Auditor/Subagent/DOL office. The number of transactions differs from the number of times a service fee was collected in part because in 2013-2014 Auditors and DOL did not charge service fees. In other words, for a given transaction, whether a service fee was charged and the amount of the fee charged changes depending on the date, the type of transaction, and where the transaction was handled.

2019 SNAPSHOT

In 2019, DOL’s DRIVES system recorded 10.75 million service fees, which generated $82.5 million in service fee revenue. Subagents account for 78% of the statewide service fees by volume and 80% by dollar amount. County agents/auditors account for under 20% of statewide service fees, and DOL collects less than 3%.

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12 Due to DOL’s record retention requirements we were unable to review the 10-year period called for in the proviso.
13 The ELT program allows DOL and a lienholder/lending institution to exchange vehicle and title information electronically. Title information is sent from DOL electronically to the lienholder’s ELT service provider.
Exhibit 18. Distribution of Licensing Business by Fee Type (Volume and Service Fee Amounts), 2019

Service Fee Volume (000s)

<table>
<thead>
<tr>
<th></th>
<th>Registration Service Fee</th>
<th>Title Service Fee</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subagent</td>
<td>6,276</td>
<td>1,984</td>
<td>8,258</td>
</tr>
<tr>
<td>Auditor/Agent</td>
<td>1,898</td>
<td>204</td>
<td>2,094</td>
</tr>
<tr>
<td>DOL</td>
<td>299</td>
<td>204</td>
<td>503</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>8,437</strong></td>
<td><strong>2,198</strong></td>
<td><strong>10,635</strong></td>
</tr>
</tbody>
</table>

Note: Effective in 2016 (RCW 46.68.025) one-quarter, or $12.50 of the $50 Quick Title fee is retained by the subagents when collected by subagents. No additional Quick Title service fee is charged when transacted at a county agent/auditor. Quick Title transactions conducted by county agents/auditors are not reflected in these exhibits.

Other Activities Service Fees such as Reports of Sale, Permits, Duplicate Registrations and Tab Replacements not shown.

In-office transactions account for 70% of service fee volume and three-quarters of service fees by dollar amount and subagents conduct the vast majority of this business. Internet is the second most common followed by mail-in renewals at less than 5% of statewide business by volume and dollar amount. Mail-ins are largely conducted by the counties as mail in renewal notices are pre-addressed to these offices.

Exhibit 19. Distribution of Licensing Business by Channel (Volume and Service Fee Amounts), 2019

Service Fee Volume (000s)

Service Fees Collected ($ M)

Use of subagents varies across the state. More populated counties are far more likely to use subagents. The top four counties by population (King, Pierce, Snohomish, and Spokane) process 88% of their licensing business through subagents, while the four least populated counties (Columbia, Ferry, Garfield, and Wahkiakum) do not use subagents at all. Six additional counties also have no subagents: Klickitat, Jefferson, Pacific, San Juan, Skamania, and Walla Walla.

Exhibit 20. Distribution of County Service Fee Volume and Service Fees Collected by County Population, 2019

<table>
<thead>
<tr>
<th>Service Fee Volume</th>
<th>Service Fees Collected ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Pop. &gt; 1 m (1)</td>
<td>$0.0 M $10.0 M $20.0 M $30.0 M</td>
</tr>
<tr>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>County Pop. 500k-1 m (3)</td>
<td>87%</td>
</tr>
<tr>
<td>County Pop. 250-500k (4)</td>
<td>8.5%</td>
</tr>
<tr>
<td>County Pop. 100-250k (4)</td>
<td>75%</td>
</tr>
<tr>
<td>County Pop. 70-100k (7)</td>
<td>66%</td>
</tr>
<tr>
<td>County Pop. 40-70k (7)</td>
<td>45%</td>
</tr>
<tr>
<td>County Pop. 20-40k (5)</td>
<td>30%</td>
</tr>
<tr>
<td>County Pop. 10-20k (4)</td>
<td>10%</td>
</tr>
<tr>
<td>County Pop. under 10k (4)</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

Note: Number of counties in each size band appear in parentheses next to population.

2013-2019 TRENDS

**Subagent share of transactions is increasing.** Washington's residents value subagent services. Prior to 2015 residents paid an additional service fee to use a subagent while no fees were charged at the county or DOL. Despite the extra cost, in 2014 residents chose to patronize subagents for 64% of all transactions presumably due to greater convenience in the form of longer hours, including Saturdays, and locations closer to work or home.\(^{14}\)

From 2013 to 2019\(^ {15}\) subagent market share increased from 64% to 78% of transactions. Exhibit 21 illustrates the introduction of auditor/agent and DOL service fees in 2015, generating significant revenues for the ferry capital replacement account. It also illustrates, as noted above, the accompanying shift in the distribution of transaction volumes towards subagents. This shift is likely due to a combination of factors, including the change in the relative price for the same service due to fee equalization; ongoing statewide efforts to shift work to subagents, including listing the nearest subagent or agent as the first option online; and individual auditor decisions to actively shift work to their subagents to focus on oversight and other work, a trend that may continue with county budget shortfalls due to COVID-19.

This exhibit also shows that registrations made up 79% of transaction volume in 2019.

**Exhibit 21. Transaction Volume by Office Type and Fee Type, 2013-2019**

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Notes: Service fee collected amounts are not adjusted for inflation. Increase in DOL transaction volume is partially due to ELT transactions being reflected in DRIVES and not the legacy system.


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\(^{14}\) Subagents conducted 64% of total transactions in 2013 and 2014 before gaining a larger market share after implementation of fee equalization in 2015. Although we have no data from 2010 through 2012, we assume for purposes that the 64% market share provides an order of magnitude for the pre-2015 subagent market share.

\(^{15}\) The proviso directed that our analysis include data from 2010 onwards. However, DOL's seven-year record retention schedule means that we could only access data from 2013 forward.
Exhibit 22 illustrates the dollar value of service fees collected from 2013 to 2019 by office type and by fee type. During this time period, a number of policy changes affected the total volume of service fees available to be charged in the state, and the mix of fees. Prior to 2015, DOL and Agents did not charge service fees. It was also optional to renew registration at the time of title transfer, or to conduct a separate registration transaction when it expired later. If a customer chose to renew at the time of transfer, the subagent or agent did not collect a separate registration service fee. If they chose to postpone renewal until closer to the expiration date, the subagent or agent might have an opportunity to capture a second service fee, though there was no guarantee the customer would return for the second transaction.

After 2015, it was mandatory to renew registration at the time of a title transfer and pay only the title transfer fee. In effect, subagents and agents lost the potential for a separate registration service fee from the same customer. Legislative change in April 2019 allowed them to charge both the title and registration service fee in new title transactions, netting more possible service fees than the pre-2015 period. A portion of the increase in service fees collected from 2018 to 2019 came from this change, as suggested by the increase in transaction volume and distribution shift toward registrations. However, another large portion of increase in service fees collected between 2018 and 2019 is due to the overall service fee increase.

Exhibit 22. Service Fees by Office Type and Fee Type, 2013-2019

Note: Service fee collected amounts are not adjusted for inflation. Increase in DOL transaction volume is partially due to ELT transactions being reflected in DRIVES and not the legacy system.


Service Fees Contribute to Ferry Vessel Replacement Account. Services fees collected by counties and by DOL are deposited in the ferry vessel replacement account. This change occurred as part of the fee equalization bill of 2015. As shown in Exhibit 22, in 2016 the ferry capital account collected $13.9 million in service fees. That number fell over the next few years as subagent market share increased. The total amount increased again in 2019 to $14.5 million with the service fee increase.
As subagent market share increases, county market share decreases, shifting service fee revenue from the ferry capital account to subagents. If the market share shift trend continues then we would expect service fee revenue to continue to shift away from the vessel replacement account to the subagents.

**Total subagent revenue** has grown at an average annual rate of 7.4% after adjusting for inflation between 2013 and 2019. Much of that growth was experienced between 2018-2019 due to the fee increase. Excluding 2019, revenue growth was equivalent to an annual average growth rate of 3.7% after inflation (see Exhibit 23).

Exhibit 23. Subagent Revenue, 2013-2019

![Subagent Revenue Chart]


Exhibit 24 shows Agent revenue over the same period as a point of comparison. Subagents and agents together conduct 97% of the transactions in the licensing system. Agent revenue has been declining since they began collecting service fees in 2015 reflecting efforts to move transaction volume to subagents. This downward trend was temporarily offset with the 2019 fee increase. While an important public service, licensing is not typically a net positive line of business for most county agents. Some county offices require substantial state reimbursement support to sustain operations and many prefer that subagents conduct most licensing in their county.

In absolute dollar terms and in percentages, individual subagents offices experienced different levels of revenue growth in the 2013-19 time period. Exhibit 25 shows that the majority of offices had total dollar amount of revenue growth between $0 and $250,000 in this time frame. A few exceptions lost revenue (likely reflecting offices closing or transitioning), and on the other end of the spectrum, revenue gains of over $500,000. Pre-2019 growth rates show that most offices, on average, were experiencing modest after-inflation revenue gains in the range of 1-4%. Minimum (negative) growth rates reflect offices closing or transitioning out. Maximum growth rates largely reflect smaller offices or offices starting up with a high growth rate calculated off small base revenue.


Exhibit 26. Distribution of Subagent Office Revenue Trends, 2013-2019 (adjusted for inflation)

<table>
<thead>
<tr>
<th></th>
<th>Growth Rate 2013-19</th>
<th>Growth Rate 2013-15</th>
<th>Growth Rate 2015-18</th>
<th>Growth Rate 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min</td>
<td>(17.4%)</td>
<td>(40.5%)</td>
<td>(8.8%)</td>
<td>(61.6%)</td>
</tr>
<tr>
<td>Median</td>
<td>7%</td>
<td>1%</td>
<td>3%</td>
<td>27%</td>
</tr>
<tr>
<td>Mean</td>
<td>8%</td>
<td>2%</td>
<td>4%</td>
<td>30%</td>
</tr>
<tr>
<td>Max</td>
<td>54%</td>
<td>59%</td>
<td>69%</td>
<td>373%</td>
</tr>
<tr>
<td>Std Dev</td>
<td>0.07</td>
<td>0.09</td>
<td>0.09</td>
<td>0.33</td>
</tr>
</tbody>
</table>

Expenditures

One of the requirements of the budget proviso commissioning this study was an analysis of subagency expenditures over time. We interviewed subagents about their major cost drivers and used a few data sources to understand variations in costs by geographic region and transaction volume. A brief description of each source is below, and greater detail is in Appendix C: Expenditure Methodology.

- **Employment Security Department (ESD), Quarterly Census of Employment and Wages (QCEW):** quarterly business-reported data to ESD on number of hours worked and lump sum in wages paid, by employee. Our data sharing agreement allows reporting analysis at the aggregate level.

- **CoStar Commercial Real Estate Rent data:** collected asking and starting triple net rents by city and county geographies over a five-year period. CoStar uses a range of methods to collect data and provides these data as a paid service. We estimated taxes, insurance, and maintenance at one-third of asking rent since the reported rents are triple net.

- **Postage:** applied USPS priority mailing prices to the annual DOL transaction volumes; according to DOL’s vehicle licensing office procedure VEH 6, agents and subagents must send documents to DOL by mail within two business days of the transaction.

While labor, space, and postage were the three largest expenditure areas reported by subagents during our interviews, subagencies have additional costs, both required and voluntary. These costs are outlined in Other Costs on page 65 below.

**SUBAGENCY BUSINESS TYPES**

As noted earlier in this report, roughly a quarter of subagencies have other businesses onsite that are included in the wages reported to ESD. Together, the subagencies engaged in non-licensing business activities have hundreds of employees and these non-licensing employees span a range of pay scales and duties. To focus on expenditures related to licensing, we categorized the subagencies by business type as shown in Exhibit 27. From the 125 ESD-matched subagencies, we categorized 92 subagencies as primarily licensing subagencies and used this subgroup for our analysis below whenever possible.
**Exhibit 27. Subagencies Matched in ESD QCEW by Business Type, 2010-2019**

**Annual ESD Matched Subagencies**

- 2010: 90
- 2011: 100
- 2012: 110
- 2013: 120
- 2014: 130
- 2015: 140
- 2016: 150
- 2017: 160
- 2018: 170
- 2019: 180

**2010-2019 Mean ESD Matched Subagencies**

- 104 Annual Mean
- 125 Total

<table>
<thead>
<tr>
<th>Year</th>
<th>Primarily Licensing</th>
<th>Professional Services</th>
<th>Governmental &amp; Nonprofit</th>
<th>Financial &amp; Dealership</th>
<th>Grocery</th>
<th>Retail</th>
<th>Other &amp; Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>2011</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>2012</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
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<td>2013</td>
<td>10</td>
<td>2</td>
<td>3</td>
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<td>6</td>
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<td>2014</td>
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<td>3</td>
<td>6</td>
<td>6</td>
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<td>2015</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>6</td>
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<tr>
<td>2016</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>6</td>
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<td>2017</td>
<td>10</td>
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<td>3</td>
<td>6</td>
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<td>2018</td>
<td>10</td>
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<td>3</td>
<td>6</td>
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<tr>
<td>2019</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

**Sources:** BERK, 2020 using: DOL Legacy and DRIVES, 2020; ESD QCEW, 2020.

**GEOGRAPHIC VARIATION**

Anticipating that there would be variation in costs by geography, we used the *regional economic analysis zones* as a starting point and combined some areas due to similarity in costs or to avoid identifying individual businesses. For this analysis, we used nine regions shown in Exhibit 28.

**Exhibit 28. Economic Regions**

**Sources:** Washington Regional Economic Analysis Project, 2020; BERK, 2020.
LABOR EXPENDITURES

As with many service businesses, subagents reported that labor costs are their primary business expense. Subagents noted that increases in the minimum wage over the past five years were challenging to keep up with as even if they already paid above the new minimum, the increases created upward pressure in a competitive labor market. Multiple subagents interviewed emphasized that competitive wages are essential to employee retention. As discussed in Training on page 40, vehicle licensing representatives (VLRs) currently require 1,800 hours of licensing services to become certified, a substantial investment in employees that make replacement more difficult.

The labor analysis in this section is for wages, not total compensation. With respect to the subagent business, the Legislature sets the fees that can be assessed, and the Legislature does not require provision of benefits. Based on subagent testimony from the last session and interviews with subagents for this study, many subagents do not provide benefits such as health, vision, life and dental insurance, paid leave, or retirement accounts. Reasons stated included:

- High cost of benefits for small businesses without negotiating power;
- Insufficient profit to provide them; and
- Uncertainty about the schedule for fee.

Some subagents noted they do not want to add a benefit only to have to take it away after several years without an increase. One subagent suggested that VLO employees should receive benefits from the State similar to DOL employees. They noted that even if subagents needed to help pay for this coverage, the State has better negotiating power around rates.

Exhibit 29 shows the state minimum wage in nominal and real (2019 dollars) terms and the mean and median wages paid by primarily licensing subagencies from 2010 to 2019. These are the mean and median wages of matched VLRs, that is the matched operators from the DOL DRIVES and the ESD QCEW data sets.
Exhibit 29. Primarily Licensing Subagencies: Mean and Median VLR Wages Compared to Washington State Minimum Wage, 2010-2019

Nominal Dollars (As Reported)

<table>
<thead>
<tr>
<th>Year</th>
<th>WA State Minimum Wage</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$8.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$8.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$9.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$9.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$9.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$9.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$9.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$11.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$11.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$12.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2019 Dollars (Inflation Adjusted)

<table>
<thead>
<tr>
<th>Year</th>
<th>WA State Minimum Wage</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$10.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$10.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$10.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$10.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$10.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$10.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$10.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$11.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$11.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$12.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: As of 2021, Washington State Labor & Industries will use the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to make annual adjustment to the minimum wage.


As shown in Exhibit 29, the mean and median wages for all matched VLRs were above minimum wage.
As shown in Exhibit 29, the mean and median wages for all matched VLRs were above minimum wage. While VLR wages have risen at about the same rate as the state-wide minimum wage in normal dollars, wages fell in spending power until 2018 (inflation-adjusted 2019$). Wages started increasing in 2018; subagents reported to us in interviews that wages were increased in response to the 2019 fee increase. Whether wages increased in 2018 from anticipation of fee increases, pressure from minimum wage increases, or some other factor cannot be determined from these data. However, wages continued to rise after the 2019 fee increase, suggesting that some part of the fee increase was passed on to employees.

We analyzed these data by categorizing the matched subagencies by number of transactions into four groups – fewest, fewer, more, and most annual licensing transactions. Exhibit 30 contains a comparison of mean wages for all matched subagencies by transaction volume quartiles compared to the state minimum wage.

**Exhibit 30. All Matched Subagencies: Mean VLR Wages within Transaction Volume Quartiles Compared to Washington State Minimum Wage, 2010-2019 (Nominal$)**

![Graph showing mean VLR wages for subagencies by transaction volume quartiles compared to Washington State Minimum Wage, 2010-2019](image)


Mean VLR wages for subagencies with the fewest transactions (first quartile) are higher than those with the most transactions (fourth quartile). These low volume subagencies also have the fewest VLRs, often one to three at any time.

Businesses where licensing is not the only revenue stream tend to pay higher wages. This could be due to lower overhead costs that are absorbed into a larger organization. Analyzing just the primarily licensing subagencies shows the extent to which non-primarily licensing businesses influence the mean wages within the low volume subagencies; the fewest transactions (first quartile) is the lowest paying group after removing businesses who offer licensing as an “add-on” service, as shown in Exhibit 31.

Exhibit 32 shows mean hourly wages for primarily licensing subagencies by region.

Exhibit 32. Primarily Licensing Subagencies: Mean Hourly Wage by Regional Economic Zone and Statewide Comparison, 2010-2019 (Nominal$)

Like wages in other sectors, mean VLR wages vary by region with the highest mean wages paid in the Seattle-King, Olympic, and Puget Sound regions. The variation of typical wages is greater within those areas paying lower wages. Over the ten-year period, the mean difference between the minimum and maximum hourly regional wages was $6.26 and in 2019, the difference was $7.04.

**OCCUPANCY: SPACE AND ASSOCIATED COSTS**

Interviewed subagents reported space as their second largest major cost. Assessor records show that at least 33 subagents own their space which can help to lock in monthly costs and, in some cases, may include additional space that can be leased. However, occupying the space is foregone income from renting the space and represents an economic cost. Other subagencies are collocated within another business, like a grocery store, or a public service, like a Chamber of Commerce.

If the subagency is new, there are significant up-front costs that may take several years to recover, including rent and tenant improvements, utilities, and cabling.

**POSTAGE**

DOL requires that agents and subagents mail physical documentation for titles, Quick Titles, and disabled parking permits within two business days (VEH.6). As subagencies processed almost 2,000,000 titles and Quick Titles in 2019 and each transaction requires verification documents, the subagencies collectively spent a couple hundred thousand dollars on postage in 2019.

Most interviewees estimated this cost between $3,000 to $10,000 annually, and many observed that costs have risen recently, corresponding to the increase in transactions. DOL estimated the average annual postage cost for subagents is $4,000, or approximately $16 per mailing day. Between both what was reported by subagents and DOL, subagents are spending more than necessary on postage on average, typically double what could be spent using USPS Priority Mail regional rate postage for commercial customers or First-Class Mail for lower volume subagencies. Postage rates have not kept up with inflation in general, but transaction volumes have increased, increasing postage costs (and subagency revenues).

**OTHER COSTS**

**Equipment, Supplies, and Other Costs**

As a governmental contractor, subagents receive many of the required supplies and equipment from DOL, although some supplies and services are purchased directly by the subagents.

*Materials Provided by DOL*

DOL provides a full DRIVES workstation including a PC, monitor, and printer, installation and technical support (VEH.9 and VEH.16). DOL provides the internet to enable connection to DOL systems. DOL also provides some of the required office supplies including license plates, paper, forms, toner, and emblems.
Materials, Services, and Other Costs of Business Purchased by Subagents

Other supplies and services are purchased by subagents themselves and some also make community donations. Other costs include:

- Site preparation including electrical and data line wiring and cabling (VEH.9 and VEH.16).
- Internet for subagency email communications, website or other non-DRIVES uses.
- Postage supplies, as needed. For higher volume subagencies, USPS provides Priority Mail packaging free of charge; these materials would require a higher postage rate than what would otherwise be needed by lower volume subagencies.
- Office supplies not provided by DOL, such as staples.
- Equipment not provided by DOL, such as a copy machine.
- Bank fees for maintaining a DOL Trust account for the deposit of daily fees.
- Insurance to cover DOL equipment.
- Local, state, and federal taxes, such as Business & Occupation and federal income taxes.
- Advertising, such as mailers or signage.
- Community sponsorship and donations (political or otherwise).
- WAVS Membership and political contributions. Not all subagents are WAVS members and not all WAVS members make political contributions. Average campaign contributions are less than $1,500 according to Public Disclosure Commission data.

For our analysis, these costs are largely incidental (supplies), voluntary (advertising and sponsorship), or unknown (federal income tax depends on the business structure); we used a percentage of overall costs as these costs are largely proportional to the size of the licensing portion of the business.
TOTAL EXPENDITURES

Exhibit 33 shows reported wage and estimated occupancy, postage, and miscellaneous expenses by region. The expense of all nine regions are on the same scale for comparison.

Exhibit 33. Primarily Licensing Subagencies: Mean Expenses by Economic Zone, 2019-2019 (Nominal$)

Notes: The number of subagencies within each region is noted in parentheses after each region name. Expenses are shown on the same scale for comparison and are the annual mean within each region. In 2018, a new subagency opened in the Eastern region that conducts a substantial number of transactions.


Matching the patterns of the wage data, mean expenses vary significantly by region. Occupancy costs are greater in the Puget Sound and Seattle-King, aligning with both the markets costs and that most of the high transaction volume subagencies are in these regions.

Across all nine regions, expenditures have generally increased in nominal terms. Wages make up the largest expense category for most regions; for subagencies with fewer transactions, non-wage expenses make up a more significant proportion of expenditures.

Net Revenues

Subagency licensing revenues are known from DOL legacy system and DRIVES data. By subtracting known and estimated expenses, we calculated the net revenues for all matched subagencies. Net revenues do not represent profit; profit is some portion of net revenues. The costs accounted for in this study include wages, space, postage, and a percentage for miscellaneous. There are other known costs, for example, net revenues calculations do not include benefits, and which we were told during interviews vary considerably between subagencies. Some only began or restarted providing benefits with the fee
increase in 2019. As we analyzed the collected data, we encountered data issues that limit the ability to draw conclusions beyond the trend analysis requested by the Legislature; see Appendix C: Expenditure Methodology for more information.

For almost a quarter of subagencies, we know that licensing revenues represent only a portion of the businesses’ overall revenues. For some subagencies, we know that licensing revenues represent a minority portion of their revenues (e.g., banks, grocery stores, auto dealerships). To control for this issue, we used the primarily licensing subagencies category.

For the primarily licensing subagencies, Exhibit 34 shows the annual distribution of subagencies by net revenues as a percent of licensing revenues (i.e., dividing net revenues by licensing revenues).

**Exhibit 34. Primarily Licensing Subagencies: Estimated Net Revenues as Percent of Revenues, 2010-2019**

As shown by Exhibit 34, before the 2019 fee increase, some subagencies were operating with negative net revenues. As net revenues are not profits and some costs are estimates, we cannot say that these subagencies were losing money, only that they were operating with expenses very close to revenues.

The Subagent Business section beginning on page 20 shows that the 2019 median revenue across all 137 subagencies was $386,000; half of subagencies have revenues less than that, some substantially less. Building on the revenue analysis, Exhibit 35 and Exhibit 36 below show a breakdown of the matched and unmatched subagencies by revenue amounts. In 2019, 18 subagencies had licensing revenues of less than $100,000, compared to 35 subagencies in 2013. Subagencies are a service industry requiring employees to operate, and after accounting for occupancy and other operating costs, less than $100,000 for jobs that require training and 1,800 hours of experience for certification does not leave much in reserves for other costs and issues that might arise.
Exhibit 35. Vehicle Licensing Subagencies Categorized by Total Licensing Revenues, 2013 (N = 139, 2013$)


Exhibit 36. Vehicle Licensing Subagencies Categorized by Total Licensing Revenues, 2019 (N = 140, 2019$)


As discussed throughout this study, the Washington State Legislature found in 2019 that “[i]t is the intent of the legislature to make fee adjustments to keep the vehicle subagents and county auditors healthy,” without defining healthy. Before the 2019 fee increase, some primarily licensing subagencies were likely losing money and others were operating near expenses (net revenues of less than 10% of licensing revenues).

\[16\] RCW 46.17.040 Intent (3), included in EHB 1789 Chapter 417, Laws of 2019
The 2019 fee increase addressed the needs of these subagents but did so by increasing fees across the state when most subagents were already covering costs. This flat fee approach produces winners and losers (or those who win less), but to date, over 130 subagencies remain in operation though margins vary significantly across the state. Reducing this variation would require the Legislature to define healthy, require standardized expenditure information from subagents, and require a mechanism to rebalance revenues (either use a variable fee system or centralize all fees with DOL to then reimburse subagents). All these changes would add complexity and likely create new issues.

As 135 private operators, the subagencies vary in business practices, operating environments, local costs, and staffing. Some subagencies are part of a larger business that can afford to pay employees higher wages as overhead costs are shared across the business as a whole (e.g., space costs). Exhibit 37 compares differences between three common types of subagency business models.

**Exhibit 37. Subagency Typology**

<table>
<thead>
<tr>
<th>Small Community, Low Volume – Primarily Licensing</th>
<th>Large Community, High Volume – Primarily Licensing</th>
<th>Low Volume – Licensing as Add-on Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1-2 employees</td>
<td>10 plus employees</td>
</tr>
<tr>
<td>Transactions</td>
<td>&lt;10,000 annual transaction (2013-19 averaged 5,950)</td>
<td>&gt;125,000 annual transactions (2013-2019 averaged 145,000)</td>
</tr>
<tr>
<td>Typical Revenues</td>
<td>2013-2018 average: $55,000, 2019: $79,000</td>
<td>2013-2018 average: $1,000,000, 2019: $1,600,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>Wages less predominant</td>
<td>Sensitive to wages</td>
</tr>
</tbody>
</table>

Future Risks and Disruptions

- The COVID-19 pandemic and related recession has already had a significant impact on county budgets. A few auditors reported reducing operations to half days in the last recession and one noted they might discontinue licensing if they lost significant revenue to prioritize other services.

- Vehicle sales including to dealers and fleet operators are down significantly since the start of COVID-19 and sales overall have declined this year. Third quarter sales for the US auto industry overall are estimated to be down 11%, though that is an improvement from the 39% decline in the second quarter. Like other sectors in the economy, demand is primarily at the high end of the market.

- COVID-19 may accelerate a move to online transactions for vehicle and fleet sales and lender transactions and increase demand from consumers. As noted earlier, not all transactions can be done online in Washington currently.

- Companies with electronic vehicle title and registration services were identified by interviewees as a potential threat to Washington’s vehicle licensing model. If these services captured all dealer business, some subagents believe it would cause some subagencies to close. Others feel that DOL is scaffolding a model not unlike travel agents - some people will continue to use them, but things are moving online and eventually it will look different and it is likely to be a private vendor and not the State that will facilitate and innovate with respect to online transactions.
Recommendations

This section outlines findings and recommendations on areas for improvement across the VLS system. As noted earlier, recommendations from the 2014 JTC study *Vehicle Titling and Registration Processes and Opportunities for Improvements* were related to concerns about the volume and handling of paper documents, antiquated processes and retentions requirements, and a perception of dual regulation of subagents by agents and DOL. The 2020 contracts between DOL and agents and between agents and subagents clarify oversight responsibilities and should eliminate possible dual regulation. Similarly, the implementation of DRIVES in 2017 ameliorated several of the technology and process concerns. Appendix B provides a comprehensive status update on the 2014 JTC study recommendations for DOL.

TOPLINE FINDINGS

- Subagents complete most licensing and titling transactions, most are open six days per week, and they handle significant walk-in business. It would require a significant state investment in infrastructure and capacity to provide the same level of service through DOL. As most of the subagents interviewed for this study do not offer full benefits to employees, it is likely that providing the same level of service using public employees would be more expensive. It is also worth noting that since the start of the pandemic, most subagents remained open while many county agent offices were closed.
- The subagent system has evolved through incremental policies and fee changes since 1937, but the fundamental model has remained intact.
- Fees are set by the Legislature with an intent to “keep the vehicle subagents and county auditors healthy.” However, fees are not on an update schedule, allowing inflation to reduce real revenues, and they do not reflect policy changes that affect revenues and/or expenses (e.g., minimum wage increases).
- Revising/restructuring the model for vessel/vehicle licensing would have significant implications for county budgets, as well as the state ferry capital vessel replacement account (CVRA).
- Title transactions cannot be done online, and registration renewals have been fairly stable at about one-third online. This is in part because around 60% of customers do not renew their registration until it has expired, and they need to use their vehicle or vessel.
- There has been significant investment of time in process and oversight improvements since the 2014 JTC report with a significant change at the beginning of 2020 with new base contracts. Impacts of those changes are yet to be determined at the time of this report, although we did identify some additional process improvements.
- There are a variety of subagency types in terms of transaction volume (which is where revenue comes from) and local costs of doing business and net revenue varies accordingly.

The following recommendations focus on improving the structure of the vehicle licensing system.
1. Clarify the Goals of the System and the State Interest

The VLS system has a long history in Washington. Much has changed over the years with increased technology, and it is likely that more transactions will eventually be conducted online. DOL and the Legislature should clarify the intent of the system and the implications of funding the CVRA through these services. Questions include:

- **Is the goal to provide Washington residents and businesses with a convenient network of vehicle licensing service at the lowest cost to the State?**
  - A large share of transactions currently must be conducted in-office either because they are titles or because approximately 60% of people do not renew registrations until close to expiration. The current system of privately-run subagents is a low-cost solution for the State so long as customers choose to (or are required to) complete transactions in an office. More people live within a 30-minute drive of a subagent office than within a 30-minute drive of a DOL office. If benefits (insurance and paid time off) are included, average subagent compensation is likely below that of DOL licensing employees. The only cost to the State is “foregone” service charges and staffing and infrastructure for management and oversight of the system (though county agents provide the majority of subagent oversight).
  - If this is a goal, see also the discussion about level of service and 3. **Encourage Online Transactions and Consistent Technology** (page 75) to further improve customer convenience. Customers, including dealers, increasingly expect online services. The State could also consider contracting with one or more vendors rather than a network of diverse businesses to reduce the number of audit relationships, which might further lower public costs.

- **Is there a standard “level of service” or availability of in-person services the State wants to set for even the most remote regions? Should residents in every corner of the state pay the same service fees, despite differences in underlying costs?**
  - A level of service standard sets expectations for “convenience” per the question above. It may be about distance to a physical point of service or hours availability. This definition can help allocate and prioritize resources across the state and create more predictability for customers.
  - The State may eventually need to seriously explore alternative service delivery models or support where a subagent business is not independently viable, but level of service dictates that a service point is required. See 6. **Explore Alternate Service Delivery Models** (page 78).
Is the goal to sustain a network of small businesses providing services on behalf of the State?

- The current system largely achieves this by supporting this delivery model and not exploring electronic vehicle title and registration service options used by other states, as noted above. The Legislature has also named an intent to keep subagents healthy, however healthy has not been defined. Analysis shows that the flat fee produces winners and losers (or those who win less) and margins vary significantly across the state. Reducing this variation would require the legislature to define healthy, require standardized expenditure information from subagents, and develop a mechanism to rebalance revenues (either use a variable fee system or centralize all fees with DOL to then reimburse subagents). All these changes would add complexity and create new issues.

- If the State is committed to sustaining the network, several other recommendations are aimed at ensuring the health of these small businesses and incrementally improving upon the system that has been in place from 1937. See 2. Reduce Barriers to Entry (page 75) for these suggestions.

Is the goal to increase opportunities to transact online?

- Other states have increased abilities to process transactions remotely for customer convenience, lessening the need for in-person service points. To do so in Washington would require legislative changes. Some requirements for in-person transaction, like the written odometer disclosure on title transactions, are in RCW 46.12.665 (the Code of Federal Regulations allows for electronic disclosures). This shift would also require technological investments in DRIVES/License eXpress (both owned and maintained by DOL) and/or partnering with a private vendor to increase online capabilities. See 6. Explore Alternate Service Delivery Models (page 78) for additional changes needed.

- The State is unlikely to achieve 100% online transactions in the near future, both because of statute governing some transactions and equity and accessibility issues. However, the more transactions are conducted online, the fewer are done in-person, lessening the need for and viability of subagent businesses (if DOL or agents were to fulfill online orders to maximize CVRA revenue). Should this happen, the State might need to support subagents if it continues to want counter service by subsidizing subagencies, creating a different financial model (see page 78), and/or accepting longer drive times for those required to conduct in-person transactions.

Is a goal to maximize revenue to the CVRA given that VLS were forecast to contribute about $31.3 million of the $39.8 million of revenue to the account in 2019-2021?

- If maximizing CVRA revenue is a goal, the State should invest in more online transactions as described above and in 3. Encourage Online Transactions and Consistent Technology (page 75). It would also need to make efforts to direct transactions to agents and DOL as these provide revenue to the CVRA, including continuing to address mail renewal notices to the county agent offices. As mentioned above, moves toward online services will make subagent businesses less viable if DOL or agents fulfill these orders.

- Another approach would be to include an allocation to the CVRA regardless of where the transactions takes place. Changes to the distribution to the CVRA would need to be addressed in statute and could necessitate changes in service or filing fees.
These goals may have been aligned earlier on, but technological changes have caused misalignment in the system and eventually the licensing system could be significantly disrupted with online solutions. Clarifying the overarching goal and State interest in the delivery system will make system improvement decisions easier and in the face of a technological or other disruption help figure out the best response.

2. Reduce Barriers to Entry

With about 135 subagents operating in the state with a relatively stable transaction base, there are few opportunities to open a new subagency even for those with years of experience in vehicle licensing. However, as shown earlier, from January 2015 to March 2019, there were 32 openings so there is some turnover. Though opportunities will remain limited under the current system and could decrease if more transactions move online or there are other changes in the market, there are improvement that could be made.

Increase Outreach and Assistance for Interested Subagency Applicants.

- Create a central distribution site for all RFPs in the state and provide technical assistance to potential bidders. Greater promotion of the opportunities combined with support might increase the number of applicants.
- Develop strategies to broaden and diversify the pipeline, such as recruiting from related sectors (title clerks, etc.) who may be interested in owning their own business, or working with local small business resources, including Chambers of Commerce or Small Business Administration offices.

Improve communication and more timely installation of equipment from DOL.

For new appointees, cabling and workstation and other installation of equipment by WaTech and DOL can take several months. Since the RFP process requires that applicants secure a location, installation delays can cost several months of rent and sometimes salary if appointees want to retain staff. Other subagents described poor communications and delayed delivery and installation of equipment from DOL as a primary challenge to further growth.

Given the upfront costs and importance to the State of continued customer service, better coordination and more timely communication and implementation by DOL and WaTech related to cabling and workstation installation is recommended.

3. Encourage Online Transactions and Consistent Technology

Online transactions currently make up 26% of the licensing business, and subagents fulfill 66% of these transactions. Interviewed subagents reported that many transactions start online and are fulfilled in person at a subagency. These transactions are still tracked in DRIVES as fulfilled online, making it impossible to know the exact number, but at least some of the online transactions are considered online-initiated and in-person fulfilled.

COVID-19 is likely to accelerate interest in moving more transactions online, including title work and the dealer and fleet business. Some agents expressed a desire to retain some online renewal services, while others prefer to refer online renewals to subagents to focus on oversight. Those in favor of retaining services stated that they need to keep skills current to facilitate training (see 4. Change the Process for Service Fee Updates for another way to address). Others noted that given limited resources and that counties receive the filing fee regardless of whether an agent or a subagent fulfills the request, transactions should move to subagents.
Given financial constraints that counties will face as a result of COVID-19, now might be the time to refer all online transaction to subagents who can staff accordingly, while county agents would retain the filing fee. There are implications to the CVRA with this change.

**Registrations**

One reason more renewals are not done online is that around 60% of vehicle owners renew on or after the expiration date. It was not the goal of this study to determine customer experiences and motivations, but one possible reason for this could be the lump sum payment requirement for licensing services. If payment plans could be made available, it is possible more renewals might move online. Payment plans have an added benefit of providing options to those who may be struggling economically. As noted earlier, DOL will issue a report to the Legislature on this topic on December 1, 2020.

The State should explore implementing payment plans as a more affordable payment might encourage more online renewals and would help households struggling to pay fees, which in some counties can be substantial.

**Titles**

Work should be done to explore moving more title transactions online, starting with revising RCW 46.12.665 to allow for electronic submission of odometer disclosure statements since the CFR already allows for electronic odometer disclosures.

**Minimum Standards**

As contractors of the State for vehicle licensing services, DOL might want to implement some minimum standards across VLOs. For example, there is at least one subagency that does not accept credit card payments and many that do not have a website.

4. Change the Process for Service Fee Updates

Service fees are set by the Legislature and intended to “keep the vehicle subagents and county auditors healthy” though healthy is not defined. In interviews, most subagents expressed frustration that there is currently no schedule for fee changes that accounts for inflation or fee review that would consider the impact of policy changes such as minimum wage increases. With the State’s minimum wage now tied to the CPI-W, there may be an opportunity to align the two processes.

The Legislature has expressed frustration that they have no visibility into expenses and/or profit margins of businesses providing services on behalf of the State. There is no consistent and complete information on how profitable these subagencies are other than the fact that they continue to operate. This one-time examination of reported and estimated expenses suggests significant variation in margins. Under a flat fee, agencies able to maintain high transaction volume per employee, operate in a relatively high volume and low-cost location, and otherwise manage expenses almost certainly profit more. Though a push for increases is driven by those that need it, all subagents benefit including those who already experience healthy or better margins. There may be a point at which consumers push back or the legislature decides not to raise fees.

A “subagent health”-based policy for fee increases requires health be defined and a mechanism for consistent and valid expense information (perhaps through contract requirements, or an audit process for

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17 EHB 1789, 2019
businesses over a certain revenue threshold). Alternatively, providing expense data could be voluntary, but required for fee updates.

As revenue opportunities for subagents are limited by overall licensing volume, there is a rationale to provide subagents with predictable revenue increases. This update mechanism could take many forms, but the essential features are a threshold that triggers a set response to change fees (Exhibit 38).

Exhibit 38. Possible Fee Update Thresholds and Responses

<table>
<thead>
<tr>
<th>Thresholds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target profit margin</td>
</tr>
<tr>
<td>Time</td>
</tr>
<tr>
<td>Inflation indices</td>
</tr>
<tr>
<td>- State minimum wage</td>
</tr>
<tr>
<td>- CPI, implicit price deflator, etc.</td>
</tr>
<tr>
<td>Expenses</td>
</tr>
<tr>
<td>- Wages, compensation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automatic update</td>
</tr>
<tr>
<td>- Tied to an index</td>
</tr>
<tr>
<td>- Response to reported changes in costs</td>
</tr>
<tr>
<td>Review</td>
</tr>
<tr>
<td>- JTC or appointed body</td>
</tr>
<tr>
<td>Outside body (similar to the Utilities and Transportation Commission)</td>
</tr>
</tbody>
</table>


The bullets below provide more explanation on how these triggers might work:

- **Establish a Target Profit Margin.** Borrowing from the Washington Utilities and Transportation Commission process for waste-haulers, establishing a target profit margin would create a threshold whereby a subagent qualifies for a fee increase if its profit margin falls below the margin. Alternatively, it could establish a set level for subagents collectively to qualify for an increase based on some aggregate count of agencies below the profit margin threshold. This option requires increased transparency of costs, standardization of what costs are applicable to the calculation of a profit margin, and reconciliation of statewide differences in the nature of subagency businesses. For example, some municipal and general store-based subagencies would not be profitable businesses if stand-alone but provide services as a public good or as a suite of other services. Others are stand-alone businesses that would not exist without some profit.

- **Set a Fee Update Schedule.** Rather than accounting for economic conditions, a simple alternative would be to create a regular update schedule, during which the Legislature considers updating fees or some minimal increase is triggered. As fees are paid by consumers, the implications to this need to be considered carefully.

- **Index to the State Minimum Wage.** Given that the largest cost for subagents is labor, indexing fee increases to wage increases is an intuitive way to build in cost adjustments. The starting point would
be crucial when rolling out an index for fee increases. As noted already, subagents are currently operating at a wide range of net incomes and compensation practices, though average pay is well above the state minimum.

- **Create an Inflation Trigger.** Similar to a change in expenses threshold or target project margin, set a trigger for when inflation reduces the last fee increase. The results could either be done automatically or with a committee that reviews annually to understand changes in costs.

- **Set a Change in Expense Threshold.** Based on changes to subagent costs, establish a threshold at which changes in expenses would trigger either fee increases or review. This would require subagents to share financial information, similar to WSDOT’s audit of its private contractors. This would also require a contract amendment and State resources to support financial audits of businesses ranging in size from less than $50,000 to $1.9M in net revenue. Audits can be costly to implement.

**Disabled Placards**

Several interviewees expressed a desire to be compensated for providing disabled placards, as these transactions often require considerable staff time and effort. If the State does not wish to pass these costs on to the consumer, they could consider reimbursing subagents and agents for time spent on these transactions.

5. **Revise Licensing Certification Requirements**

Among the Staff Workgroup and several subagents and agents, there was consensus that 1,800 hours is no longer the right training requirement to become a certified vehicle licensing representative. There is significant disparity in the amount of experience a trainee gains depending on county or location. The Training Subcommittee is exploring moving to a skills-based certification and continuing education requirement.

- Develop a transaction-based, skills-based certification process and reexamine and revamp VEH.19. This should include an online or DRIVES based training module to facilitate transaction experience somewhere other than at the counter for low volume VLOs. This recommendation would not require a change in statute.

6. **Explore Alternate Service Delivery Models**

A full review of alternate service delivery models and practices in other states was outside the scope of this study. However, we wanted to outline a few alternate models. These models would need to be evaluated against the goals above, once clarified, as well as for possible financial impacts to the State, counties, small businesses, and customers. Other models include:

- Maintain the same service fees statewide for mail and internet transactions but allow subagencies (or county agents) to set the service fees for in-office transactions to account for any market differences due to labor, rent, and other costs. This service fee would then be a true “convenience charge” under the ideal that subagents provide better customer service and availability.

- A level of service definition might lead to a different compensation structure – for example, one based on availability rather than volume. A county agent could contract with subagents to require a certain number of operating hours a week, up to a set transaction volume with a possibility of
overage payments if volume exceeds or meets certain thresholds. This would prioritize customer convenience and revenue predictability for subagents.

▪ Prioritize consistent availability, lower barriers to entry, and improved equity among subagents by having the State maintain subagency locations and pay occupancy costs. The subagent would operate like a concessionaire in that space, providing only the labor. Customers would have service continuity, start-up costs barriers would be reduced potentially increasing the pool of applicants, and the system would be more equitable because the service fee for volume is essentially covering just labor (and not occupancy, which varies). This structure could include co-location at a driver licensing office, if there is space, or the State could rent space as subagents do now. The State would not incur costs related to new installations.

There would be considerable costs to implementing a new model relative to status quo. It seems more likely that a disruption related to online service delivery will occur and it might be more practical to prepare for that eventuality relative to the State interest and system goals (once defined) to understand how best to respond.
### Appendix A: List of Interviewees

#### COUNTY AGENT INTERVIEWS

- Benton – Brenda Chilton, Auditor
- Clallam – Shoona Riggs, Auditor; Sandy Williams, Chief Deputy Auditor
- Clark – Greg Kimsey, Auditor
- Douglas – Thad Duvall, Auditor
- Jefferson – Brenda Huntingford, Chief Deputy Auditor
- King – Eddie Cantu, Licensing Manager; Iva So'oto, Subagent Liaison; Elizabeth Soltero, Customer Service Specialist IV
- Mason – Paddy McGuire, Auditor; Marie Stevenson, Licensing Manager
- Pierce – Julie Anderson, Auditor; Casey Kaul, Recording/Licensing Manager
- Snohomish – Carolyn Weikel, Auditor (now retired)
- Spokane – Vicky Dalton, Auditor
- Thurston – Mary Hall, Auditor; Jared Krause, Licensing and Recording Manager
- Walla Walla – Karen Martin, Auditor (by email)

#### SUBAGENT INTERVIEWS

- Auto Licensing of Ferndale and Bellingham Auto Licensing – Cale Reynolds
- Battle Ground Auto License – Sharon Sorenson
- Bel Red Auto License – Maurice Wendel
- C & L Auto Licensing – Patti Tabor
- Camano Island Licensing – Barbara McNaughton
- Canyon Park Licensing – Mark Pfouts
- Cascade Licensing Agency – Shane Cox
- Castle Rock Auto Licensing and Shelton Tabs and Titles – Amy Hair
- Ellensburg Licensing – Brian Cullinane
- Federal Way Licensing Services – Jan Novack
- Lakeside Licensing and North Spokane Auto Licensing – Diane Skocilich
- Licensing Etc. – Tammy Butler
- Othello Licensing Services – Donna Hall
- Port Orchard License Agency – Randy Lais
- Pullman Vehicle Vessel Licensing – Molly Johnson
- Schmidt Insurance Services – Jackie McLaughlin
- Smiths’ Country Store – Heather Smith
- South County Licensing – Denise Oster
- Town of Ione – Sandy Hutchinson
- Vashon Vehicle Licensing – Dick Franklin
- Winzler Vehicle Licensing – Char Winzler and Sam Winzler

Interviewee Locations

OTHER INTERVIEWS

- Arizona Department of Motor Vehicle Division, Robert Smith, Third Party Program Manager
- Washington State Auto Dealers Association, Vicki Fabre, Executive Director; Bryan Imai General Counsel
Appendix B: Update on 2014 Recommendations

Vehicle Titling and Registration Processes and Opportunities for Improvements produced by the JTC in 2014 contained many recommendations related to the Department of Licensing. Below is the full list of recommendation with a status update.

Streamline licensing processes. Require DOL to work with Auditors and Subagents to:

1. Convene a Lean event or other process improvement method to evaluate opportunities to reduce paperwork requirements and consider whether statewide consistency in paperwork requirements is warranted.
2. Explore ways to reduce mailing costs, including alternative means or carriers to transmit documents.

Work remains related to mailing title work to headquarters. At the time of the 2014 report considerable work was underway related to the technology modernization project (DRIVES) so this was not pursued and remains on the list. The costs of introducing scanners to the current managed print contracts have been looked at with estimates at $3M since all current printers would need to be replaced with multi-function devices. The soonest discussions could start is in roughly three years when contract negotiations begin ahead of the current contract expiration in five years.

DRIVES has now been successfully implemented and the Plate Replacement Program which required a lot of postage has been eliminated by legislation. Members of the Staff Workgroup expressed interest in exploring transmitting title work electronically to DOL.

3. Explore more efficient inventory delivery from DOL to Auditors and Subagents.

VEH.11 specifies that the inventory limit is not more than a 60-day supply. The new agent contract addresses DOL providing that inventory to the agent and the subagent contract addresses the agent providing inventory to the subagent. Aside from current policy and the updated contracts, this has not been an area of focus.

Improve training and communication

4. Improve DOL staff training to ensure the Vehicle and Vessel Operations (VVO) support group provides consistent and timely answers, and consistent training is provided to Auditors and Subagents.
5. Smaller counties would benefit from more frequent training opportunities.
6. Auditors should periodically visit Subagents, and DOL should periodically visit Auditors and Subagents.
7. DOL should increase face-to-face interactions with Auditors and Subagents.
8. DOL should provide consistent fraud detection training for Auditors and Subagents and utilize them to identify potential fraud issues.

Significant efforts have been made related to training and subagent/auditor support since the 2014 study. Standardized classroom training has been rolled out for new hires in VVO and all policies and procedures are now documented. DOL developed computer-based training and videos related to fraud detection – how to identify it and what to do if you find it, as well as ongoing continuing education during annual trainings on current trends and results from investigations. DOL has also committed to provide
accurate and consistent information. To support this, they have instituted internal processes for staff information sharing and improving the common resources shared by VVO and offices. Additionally, they have been explicit about communicating how to escalate an issue if you feel you are not getting consistent or accurate information. According to DOL, feedback has been very positive.\textsuperscript{18}

**Improve processes**

9. **Auditors should work with Subagents and DOL to develop guidelines for Auditor supervision of Subagents.**

The new contract outlines the role of auditor’s in supervising subagents and was also intended to address the perception of dual oversight of subagents by both auditors and DOL. This has raised other concerns about consistency, particularly for subagents that work in more than one county.

Consistency is being addressed by completing policy and procedure addressing “monitoring” and “auditing” activities that will have application for all Agents and Subagents in Washington state. It is expected to be phased in over a one to two-year period but under current conditions (COVID-19) full implementation may take longer.

10. **Auditors, Subagents and DOL should meet at least annually for training, and to discuss opportunities for process improvements.**

DOL now holds trainings at two annual conferences. WAVS holds an Annual Conference the third weekend in May. In conjunction with WAVS Conference, DOL provides a Saturday training called “DOL User Group.” All Agent employees and Subagents are invited to this User Group meeting and video and presentation materials are provided online for those unable to attend.

Washington State Association of County Auditors (WSACA) provides an Annual Licensing Conference each year usually in September. DOL provides a User Group meeting in conjunction with the Licensing Conference and/or fully participates in the conference agenda. Subagents are invited to attend this conference. Presentations and materials are provided online for those who were not able to attend. This helps both Agent and Subagent employees meet the 10-hour ongoing education requirement to maintain certification.

All licensing employees who perform Title Work are required to be working toward obtaining Licensing Certification.

11. **Consider efficiency opportunities associated with elimination of periodic plate replacement.**

This was related to an old requirement around plate replacement. Statute was changed and as of January 1, 2015 you are no longer required to replace license plates every seven years. Rather, when a vehicle changes ownership, the new owner will need to replace the plates. More frequent plate replacement was a driver of mailing costs, so this change was helpful.

12. **DOL should improve response times for calls to the Vehicle Support Center and consider using Live Chat or Instant Messaging.**

Following the launch of DRIVES, DOL focused on increasing responsiveness and set up an email address option to save phone calls for more urgent or complex topics.

DRIVES implementation budget allowed DOL to increase staff to provide the additional help necessary to

\textsuperscript{18} Interview with Jaime Grantham and Jill Johnson on February 5, 2020.
successfully operationalize a new statewide system. Once DRIVES was implemented, staffing levels have been rolled back somewhat due to budget constraints. Agents on the workgroup noted that response times have gone up a little but the quality of help is getting better as everyone learn DRIVES together.

Several agents commented that DOL is understaffed which diminishes customer service resulting in longer wait times at their current staffing. There were also comments that responses from staff can be inconsistent which adds to confusion in the field.

13. **DOL will research issues regarding signature requirements for title work.**

There were specific requirements for signatures when releasing interest in a vehicle that were confusing and not in alignment with other signature requirements (i.e. signing exactly how the name appeared on the title, printed signatures versus cursive). In 2015, WAC 308-56A-270 was changed to simplify the signature requirements and align with other statutes by saying the department will accept any memorandum, signature stamp, mark, or sign made with intent to authenticate any instrument or writing.

**Modernize technology**

14. **DOL should consider a BTM (DRIVES) newsletter to Auditors and Subagents to keep them informed of design, implementation and training opportunities.**

15. **BTM may address current issues regarding the need for a dedicated terminal data line for titling and registration work, and provide opportunities for significant reductions in paper transactions**

These were related to the implementation of DRIVES. DOL sent updates leading up to and after the launch of the system and continues to send email communications about system changes. As noted above, more work is needed related to reduction in paper transactions.

A few auditors noted that DRIVES has improved many aspects of licensing however, there are aspects of the process which take longer using the system.
Appendix C: Expenditure Methodology

QUARTERLY CENSUS OF EMPLOYMENT AND WAGES (QCEW)

Through a data sharing agreement, we obtained Quarterly Census of Employment and Wages (QCEW) data from the Washington State Employment Security Department (ESD). Given the sensitivity of these data, we obtained and analyzed them under strict protocols to maintain confidentiality. A primary requirement was that the data be summarized and presented in the aggregate and that no information could be identifiable at the individual or business level.

The QCEW provides data at the employee level on number of hours worked and lump sum in wages paid. These data were matched with subagents using DOL transaction volume data as shown in Exhibit 39 below. We were able to match 61% of the vehicle licensing subagencies in the ESD data and 69% of the vehicle licensing representatives (VLRs).

Exhibit 39. Data Matching Across Sources Used in this Study

<table>
<thead>
<tr>
<th>Source</th>
<th>Years Available</th>
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Note: DOL switched to DRIVES between 2016 and 2017. At this time, DOL implemented a system where every VLR is provided a unique username based on their name and vehicle licensing office number (site-specific). Unique usernames were used consistently beginning in 2017.


For each employee, there is information on how many hours were worked and the lump sum in wages paid. Employers do not report hourly wages to ESD; reported hourly wages presented were estimated by dividing the reported amount paid by the reported number of hours. If employees are paid overtime or bonuses, this will appear in the lump sum wage amount; there is no way to determine why an individual’s hourly wage is unusual in any given quarter.

There are inaccuracies in the data that limit how our results should be used. The data set provided by ESD contained hundreds of thousands of records; within that, we corrected a couple thousand identified issues. As a percent, the identified issues would not round to 1%. For example, employee names or SSN were sometimes inconsistent over time, especially near the beginning or end of an employee’s tenure.

Additionally, we cannot tell how accurately individual employers attempt to report their information but suspect that there is variance across employers. For example, there are employers included in the data that report the same number of hours worked every quarter for years for some employees.

These data issues do not make analysis impossible but warrant caution when interpreting the results. Our analysis aimed to show the trends in expenditures through time, and for that purpose, we are confident in our results.
As discussed in the body of the report, we categorized the matched subagents based on type of business. In most cases, these categorizations could be made based on the business name (e.g., Timberland Bank); for a small group of subagencies, we researched the business using their email address, website, UBI, and business listings. Two subagencies could not be confidently categorized of the 125 because both had gone out of business; these were placed with one other subagency that did not fit into the other categories into an “Other/Unknown” category.

We calculated mean wage data for VLRs by matching against VLR names in the DOL DRIVES data with the name listed in the ESD data. As the DOL usernames include the office number, we then searched for non-matched individuals at each company. Often, these were due to differences in first name shortenings (e.g., Beth for Elizabeth) or number of characters included in the last name. We compared active pay periods with transactions logged in DRIVES before manually matching.

**COSTAR COMMERCIAL REAL ESTATE RENTAL DATA**

CoStar is a private subscription real estate information and analytics provider. CoStar provided us with 2015, 2016, 2017, 2018, and 2019 lease data for class B and C commercial spaces less than 3,500 sq. ft. for 23 markets fully covering Washington state. We decided on the class and space parameters based on our review of all 135 then-current subagencies using street-view imagery and information collected during subagent interviews.

Data included NNN (triple net) asking rent per SF (square foot); NNN starting rent per SF, and NNN effective rent per SF. CoStar collects these data from a variety of means, but the starting rent is the most difficult information to get as these are recorded in the leases themselves. As these data are more difficult to gather, there is considerable variability in the starting rent costs because they are based on a smaller sample. In markets with larger starting rent samples, asking rent and starting rents were typically within 10% of each other and without a pattern to the signs of the residual (neither starting rent nor asking rent were consistently higher or lower).

Based on input from a real estate market expert, the additional costs from rental-related taxes, insurance, and maintenance were estimated at one-third of NNN asking rent. When discussed in the body of the report, we referred to the estimated asking rent plus addition costs as the “occupancy” costs. We also extrapolated 2013 and 2014 occupancy cost estimates.

We know from tax records that at least 33 subagencies (24%) operate in buildings owned by the subagent of record. However, when we estimated expenditure costs, foregone rental revenue is an economic cost, so while not an out-of-pocket expenditure, these are expenses.

**POSTAGE**

DOL provided us with annual transactions. USPS maintains archived version of “Notice 123,” the official changes to postage rates. From this, we were able to gather historic rates and effective dates. Additionally, we collected the size and packaging requirements for First-Class and Priority Mail. DOL provided us with estimates of the number of pages included for each mailed title and Quick Title transaction; from that, we were able to estimate paper thickness per transaction, the weight per transaction, and the number of transactions that could fit in each mailing option.

We estimated the average number of transactions per day to find the expected daily postage cost for shipping days. We know from DOL and subagent interviews that there is seasonality and weekly changes in the number of transactions, but these differences will average out over the course of year.
Appendix D: 2020 Contracts
# COUNTY LICENSING AGENT AGREEMENT

**BETWEEN**

DEPARTMENT OF LICENSING AND

XXX

**DOL Reference No.**

Agent Reference No.

## General Information

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### Purpose (brief description)

This is a standardized Agreement for use by the Department of Licensing when contracting for services with a County Licensing Agent as set forth in RCW 46.01.140.

## Agent

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## Department of Licensing (DOL)

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## Attachments

The Agreement consists of the following attachment(s) and document(s) incorporated herein or by reference:

- Attachment A – Statement of Work
- Attachment B – Data Security Requirements
- Attachments C – Title VI Compliance
- Attachment D – Listing of Policy and Procedure
- Subagent Contract Template – incorporated herein

**ALL WRITINGS CONTAINED HERIN:** This Agreement, together with the attachments, exhibits, and all other documents incorporated herein contains the entire agreement of the parties as now written and agreed upon. No other understanding, oral or otherwise, regarding the subject matter of this Agreement has any effect. The parties executing this Agreement affirm they have the authority to bind their respective entities herein. This Agreement is effective upon mutual execution of the parties.

<table>
<thead>
<tr>
<th>Agent Signature</th>
<th>Date</th>
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<th>Date</th>
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## Name / Title

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<tr>
<td>Evelyne Lloyd</td>
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**OPTIONAL APPROVAL AS TO FORM:** County Prosecuting Attorney Signature

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<tr>
<th>Name / Title:</th>
<th>AAG Approval on File.</th>
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## Print Name

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THIS AGENT AGREEMENT (hereinafter “Agreement”) is between the Washington State Department of Licensing (hereafter referred to as “DOL” or “Department”) and the County Licensing Agent listed on the first page (hereafter referred to as “Agent”). DOL and Agent also may be individually referred to as Party, or jointly referred to as Parties.

In consideration of the mutual terms and conditions herein, the Parties hereby agree as follows:

BACKGROUND INFORMATION

1. PURPOSE OF THIS AGREEMENT
The Director of DOL (Director) has the general authority per Chapter 46.01 RCW and Chapter 88.02 RCW for supervising and controlling the issuance of vehicle and vessel titles and registrations, and the collection of related fees and taxes. RCW 46.01.130, grants the Director the ability to appoint and contract with Agents to perform licensing services on DOL’s behalf.

The purpose of this Agreement is to provide for the appointment of the County Auditor or other designated individual as an Agent of DOL, and to establish the performance requirements, terms, conditions, and restrictions of that Agent.

2. DEFINITIONS
The terms used in this Agreement have the following meanings:

Confidential Information means information that may be exempt from disclosure to the public or other unauthorized persons under either Chapter 42.56 RCW or other local, state, or federal statutes, and data defined as more sensitive than “public” and requires security protection. Confidential Information includes, but is not limited to, vehicle legal owner, credit card information, Personal Information, law enforcement records, agency security data, and banking profiles.

Director means the Director of the Department of Licensing.

DRIVES means DOL’s technology system for processing of vehicle and vessel transactions and collection of State revenues pursuant to this Agreement.

Personal Information means information that identifies an individual, including an individual’s photograph, social security number, driver identification number, name, address (but not the five-digit zip code), telephone number, or medical or disability information. Personal Information is a form of Confidential Information, a term used in accordance with Data Security Requirements.

Policy and Procedure means DOL’s policies and procedures that describe how the Agent, Agent Vehicle License Representatives, Subagent, and Subagent Vehicle License Representatives shall carry out the work under this Agreement.

Property means any equipment, supplies or inventory supplied by DOL to Agent or to Subagent as a third party provider for use at VLOs.

Subagent or Appointee means the appointed individual(s) who provide(s) services for vehicle certificates of title and vehicle registration applications and issuance under the direction and supervision of the Agent under separate agreement, for the purposes of performing the duties
pursuant to this Agreement. This definition is consistent with the meaning established in RCW 46.01.140.

**Vehicle Licensing Representative (VLR)** means a specified employee authorized to provide vehicle and vessel title and registration services, and collect related fees and taxes as set forth in this Agreement. Such term may further be qualified as being an Agent VLR or Subagent VLR.

**Vehicle Licensing Office (VLO)** means the location/facility where the respective Agent or Subagent carries out the duties set forth in this Agreement. Such term may further be qualified as being an Agent VLO or Subagent VLO.

**Work** means all licensing activities to be performed by Agent under this Agreement and pursuant to RCW 46.01.130 and RCW 46.01.140.

**TERMS AND CONDITIONS**

3. **APPOINTMENT AND AGREEMENT WITH AGENT**

   In accordance with Chapter 46.01 RCW, Director hereby appoints Agent to be a limited purpose agent of DOL and contracts with Agent to provide all services authorized by Titles 46 and 82 RCW for the purpose of licensing and titling vehicles and vessels, collecting vehicle and vessel fees, excise taxes, and other fees and taxes, in addition to all other functions outlined in this agreement.

   The actual performance of duties is to be carried out by specified employees of the Agent, called Vehicle License Representatives (VLRs). All terms, conditions, and restrictions in this Agreement that directly apply to the Agent, also apply to the VLRs.

   Agent accepts the appointment and agrees to perform all duties set forth in this Agreement in accordance with the terms, conditions, and requirements herein.

   Agent’s appointment automatically continues with any extension of this Agreement, but terminates upon the expiration or termination of this Agreement.

4. **TERM OF AGREEMENT**

   This Agreement begins on January 1, 2020, and ends on June 30, 2025, unless terminated sooner or extended as provided herein. This Agreement may be extended for additional periods of time at the mutual agreement of the Parties.

5. **SCOPE OF WORK**

   The scope of functions, duties, and services to be performed by the Parties is set out in Attachment A – Statement of Work. Each party shall furnish the necessary personnel, equipment, materials, and/or services and otherwise do all things necessary for or incidental to the performance of the functions set forth in Attachment A.

   Agent will provide the licensing services (Work) as described in this Agreement including contracting with and overseeing the Work of its Subagents. DOL will provide the necessary Property to support the Agent in performing their work. DOL will be acting as a third-party provider at Agent’s direction in providing services, equipment, supplies and inventory to Agent’s Subagents.
6. COMPLIANCE WITH POLICY AND PROCEDURE

All work performed pursuant to this Agreement, whether by Agent or Agent VLRs, shall be performed in a manner that fully conforms to this Agreement, its attachments and to Policy and Procedure.

This requirement is ongoing throughout the term of this agreement and applies to future Policy and Procedure as implemented and/or amended by DOL. A list of all applicable Policy and Procedure is attached as Attachment D. Additional Policy and Procedure will be deemed as being fully incorporated into this agreement upon the Agent receiving notice of the same.

DOL will provide notice if it amends Policy and Procedure. Agent or designee shall be provided the opportunity to review all proposed amendments to the Policy and Procedure as provided by DOL before adoption. DOL will consider, and where feasible, adopt Agent feedback. Upon Agent receiving such notice, Agent will responsible for forwarding notice of amended Policy and Procedure to their Subagents.

Agent will track Agent and Agent VLR’s review of the established Policy and Procedure.

7. COMPENSATION

Agent will charge, collect, and retain fees only as authorized by statute, which includes retaining a portion of the fees collected by its Subagents. Agent VLRs must process and collect all applicable vehicle and vessel licensing and titling fees and taxes per DOL Policy and Procedure using DOL’s DRIVES system. Agent will not be compensated or reimbursed by DOL, except as set forth in RCW 46.68.220.

8. SAFEGUARDING PERSONAL INFORMATION

Information received and/or accessed in connection with this Agreement may include Personal Information. Agent shall comply with all local, federal, and state laws and regulations, as currently enacted or revised, regarding data security and electronic data interchange of such Personal Information. Agent shall further safeguard and protect all Personal Information against any unauthorized disclosure, use, or loss as set forth in Attachment B - Data Security Requirements. These safeguarding requirements apply to all Personal Information regardless of whether such information came from DOL or from the general public.

Agent has a continuing obligation to ensure all of its Agent VLRs, Subagents, and Subagent VLRs fully understand and comply with all safeguarding requirements.

9. DATA OWNERSHIP

All Data contained in the DOL DRIVES system, is the property of DOL, including Data entered into the system by Agent or its Subagent. This Agreement grants a license to the Agent to access and use that Data pursuant to the Permissible Uses and other requirements contained herein. This grant of license does not provide Agent with any ownership rights to the Data. At all times, DOL remains the sole owner of the Data.

10. PERMISSIBLE USE

Any data containing Personal Information accessed pursuant to this Agreement is for official use only. The Permissible Use of Personal Information is solely for the purposes of carrying out the duties authorized under this Agreement and as set forth in Title 46 RCW and Chapter 88.02 RCW. Use of Personal Information for any other purpose is strictly prohibited. This prohibition includes, but is not limited to:

(a) Disclosing Personal Information to any public persons, or public and private entities,
including local, state and federal governments and/or state agencies other than DOL. If entities, including law enforcement agencies seek data containing Personal Information, Agent must inform such entity to directly request the information from DOL.

(b) Using Personal Information for unsolicited business contact, or other commercial purpose is prohibited unless specifically authorized by DOL or otherwise as directed by law.

(c) In accordance with Governor’s Executive Order 17-01, using the Data for purposes of targeting or apprehending persons for violation of federal civil immigration laws, except as required by federal or state law or otherwise authorized by the Governor.

Agent has a continuing obligation to ensure that all of its Agent VLRs, Subagents, and Subagent VLRs fully understand and comply with all Permissible Use requirements.

11. OVERSIGHT: MONITOR, AUDIT, AND INVESTIGATE

DOL will monitor, audit, and investigate the actions and performances of the Agent. For purposes of this section, the actions and performances of the Agent inherently include the actions and performances of the Agent’s VLRs, Subagents, and Subagent VLRs who are performing services under this Agreement and/or the Subagent Agreement. DOL has equal rights to monitor, audit and investigate all of the Agent’s VLRs, Subagents, and Subagent VLRs and the Agent will assist DOL in such matters as requested.

Notwithstanding DOL’s rights as stated above, the Agent shall monitor, audit, and investigate its own performance and the performance of its VLRs, Subagents, and Subagent VLRs. Agent shall maintain an annual audit schedule for each of its Subagents. Agent will make the audit schedule available to DOL upon request. Any DOL audit or investigation on the Agent may include whether the Agent is engaging in proper oversight and responsive action concerning its VLRs, Subagents, and Subagent VLRs’ performance of activities.

(a) Levels of Oversight:

1) Monitor: DOL may monitor Agent performance under this Agreement at any time. Monitoring is the general review of transactions performed by the Agent or on behalf of the Agent, and includes reviewing service quality, customer service standards, and ethical standards and conduct. Monitoring is performed as part of DOL’s general routine practices, and as directed by Policy and Procedure.

2) Audit: DOL shall audit the Agent’s performance under this Agreement at least once per year. DOL may perform additional audits as necessary. Audits are the formal examination of facilities, equipment, records, actions, practices, and requirements of an Agent related to performance of this Agreement. Audits may include, but not be limited to, review of facility and maintenance requirements, the performance and compliance of all title and licensing transactions, Policy and Procedure, reports, revenue collections and other accounting practices, the safeguarding of equipment, the safeguarding and permissible use of Personal and Confidential Information, the maintenance of inventories, records, and documents, and Subagent and Subagent VLR compliance and oversight.

3) Investigate: DOL may, at its sole discretion, investigate the Agent’s performance under this Agreement. Investigation is the act of inquiring into and/or examining specific actions or omissions of the Agent or any VLRs acting on its behalf. The investigation may be initiated based on information DOL acquires through its monitoring or auditing functions, or through an outside source. DOL may expand the scope of an investigation or conduct an audit if it discovers additional actions that require further exploration. DOL’s investigation into an Agent does not need to be equally performed among all Agents statewide.
(b) **Access to DOL**
For purposes of any monitoring, investigation, or audits, Agent shall grant DOL full access to the Agent’s facilities, documents, records and other related matters in relation to the performance of this Agreement. Agent shall further facilitate the inspection and production of requested records and documents. Agent must also require its Subagents to provide open access to its facilities and records, to the same extent as required of the Agent herein.

(c) **DOL Written Report:**
DOL will provide the Agent with a written report detailing the results of any investigation or audit that provides deficiency findings. The Agent will have sixty (60) calendar days to review and/or respond to the written report.

(d) **Responsive Action:**
Agent will immediately address all discrepancies and violations detailed in any audit or investigation report provided by DOL. DOL will work with Agent in good faith on all deficiency findings and will assist with additional training opportunities where applicable.

12. **BREACH; SUSPENSION; TERMINATION; DAMAGES**
Agent’s noncompliance with any terms, conditions, restrictions, or required performances of this Agreement may be deemed a breach. This includes the noncompliance of its VLRs; it also includes the noncompliance of its Subagents and/or Subagent VLRs only if such noncompliance is not addressed by the Agent. For purposes of this Agreement, there are three established levels of breach, each defined below.

DOL, at its sole discretion, determines the level of the breach and appropriate response based on the nature, frequency, materiality, and severity of the actions or omissions that caused the breach. Breaches provided are listed in order of increasing severity and are not intended to be all-inclusive, nor is there any requirement that the type of action taken start at the lowest level and be sequential. This determination is solely at DOL’s discretion although for a Level II or Level III Breach. DOL must allow Agent the opportunity to fully address a Level II or III Breach before DOL’s final decision is made.

(a) **LEVEL I BREACH - Warning**
DOL will issue a Level I Breach when DOL determines the nature of the breach is relatively minor, and the issue is best resolved by providing a warning.

**Notice of Breach:** The written notice of Level I Breach will be issued to the Agent in a timely manner, but no later than thirty (30) calendar days after DOL makes the determination that the improper conduct constituted a Level I Breach. The written notice will be delivered to the Agent in person, by mail, or via email using the current contact information for the Agent Agreement Manager. The written notice must specify that it is a “Level I Breach” and will include the specific provision(s) of the Agreement that are in breach. The notice may also include specific direction to resolve breach. DOL must keep a formal record of the date and subject matter of each warning, and any corrective action required therewith.

(b) **LEVEL II BREACH – Formal Corrective Action**
DOL will issue a Level II Breach when DOL determines the nature of the breach is significant and/or continual enough to require formal corrective action.

**Notice of Breach:** The written notice of Level II Breach will be issued to the Agent in a timely manner, but no later than thirty (30) calendar days after DOL makes the determination that the improper conduct constituted a Level II Breach. The notice will be delivered to the Agent in
person, by mail, or email using the current contact information for the Agent Agreement Manager. The notice will specify that it is a “Level II Breach” and will include the specific provision(s) of the Agreement that are in breach. The Agent or the Agent’s Agreement Manager is required to provide written acknowledgment of receipt within five (5) calendar days from receiving the notification.

Agent Response: Agent must provide a written response to DOL within fifteen (15) calendar days from the issue date the Level II Breach notice. Agent’s response must include the action(s) taken (or to be taken) by the Agent in order to correct and resolve each breach. DOL will review the Agent’s response and determine whether the Agent’s actions provide a proper resolution to the breach.

Corrective Action: If DOL determines the agent’s remedy is insufficient, DOL will prescribe its own corrective action plan. DOL will provide written approval of the remedy, or its own corrective action plan, within ten (10) calendar days from receiving the Agent’s response. Agent’s failure to respond to a Level II Breach notice, or its noncompliance with approved remedy or corrective action plan, is grounds for a Level III Breach.

When DOL deems the corrective action complete and each breach is fully cured, DOL will provide written notice of cure to the Agent.

(c) LEVEL III BREACH – Termination for Cause
DOL will issue a Level III Breach when DOL determines the nature of the breach is so severe and/or continual that it constitutes grounds for termination of the Agreement.

1) Level III Breach – Prohibited Activities
The following represents a non-inclusive list of prohibited activity and/or behavior that is strictly disallowed and would be cause for a level III Breach as related to Agent and Agent VLRs:

- Offering a bribe, accepting a bribe or soliciting a bribe in the course of Agent business.
- Charging or soliciting payment of, fees other than those prescribed by law; making “kickbacks” of fees or reimbursement, refunding or not charging fees, or making any economic inducement for the purpose of soliciting or increasing service volume of the Agent.
- Receiving, accepting, taking, seeking, soliciting, or giving directly or indirectly, anything of economic value, such as a gift, gratuity, favor or incentive to or from any person or organization in relation to the conducting of business and Agent or Subagent business under terms of this agreement.
- Making false or fraudulent written statements.
- Using or being under the influence of alcohol, marijuana, narcotics, or prescribed or non-prescribed controlled substances to the point it impairs performance under the terms of this Agreement. The use, possession, distribution, dispensing, or manufacture of alcohol, marijuana, or controlled substances in the work site or work vehicles.
- Failing to properly safeguard confidential information, or the willful misuse or distribution of such information.
- Failing to properly remedy inappropriate conduct by Agent VLRs, Subagent or Subagent’s VLRs after DOL has provided Agent and/or Agent has provided subagent notification, regardless of whether such notice was in lieu of a warning, reprimand, or suspension.
- Committing any act of fraudulent or dishonest dealing or crime in relation to the ability to perform duties under this Agreement.
- Failing to provide reasonable oversight to prevent fraud, illegal acts, or Agreement breach of Subagent(s) and VLRs.
- Misusing the public trust pertaining to the position of an Agent, Subagent and/or VLRs.
- Abandoning the business.
- Employing or maintaining the employment of any person who has been convicted of a felony, a misdemeanor or gross misdemeanor related to the performance of services provided for in this Agreement.

**Notice of Breach:** The written Notice of Level III Breach will be issued to the Agent in a timely manner, no later than thirty (30) calendar days after DOL’s determination that the conduct constituted a Level III Breach. The notice will be delivered to the Agent in person, by mail, or via email to the current contact information for the Agent, and the Agent’s Agreement Manager. Both Agent and the Agent’s Agreement Manager must be provided notice of the Level III Breach; although it only needs to be provided once if the same individual serves both roles. The notice must specify that it is a Level III Breach and include the specific provision(s) of the Agreement that have been breached.

**Agent Response:** Agent must provide a written response to DOL within five (5) calendar days from the issue date the Notice of Level III Breach. Agent’s response must include an explanation of the circumstances of the breach and the action(s) taken (or to be taken) if any by the Agent in an attempt to resolve the breach if possible or lessen its impacts. If the Agent does not provide a timely written response, this Agreement may be suspended until such time that the Agent provides a written response. DOL will then provide for a Termination Meeting with the Agent, as described below.

**Immediate Suspension:** DOL, depending on the nature and severity of the breach, may also elect to immediately suspend the Agent’s ability to perform transactions under this Agreement. If DOL chooses to suspend this Agreement, DOL must include in its notice how the actions of the Agent (or its VLRs) could cause immediate harm or damage to the State of Washington, DOL, and/or the public at large. Agent must then provide notice to the public that its office is temporarily closed.

2) **Level III Breach - Termination Meeting:**
DOL will arrange for a Termination Meeting to take place within fourteen (14) calendar days of the date of the Agent’s response to the notice of the Level III Breach, unless DOL and Agent mutually agree upon another date. The Termination Meeting will take place in-person unless the parties agree to a telephonic or web-based meeting. The purpose of the Termination Meeting is to determine the following:

i. Whether the Agent agrees or contests, in whole or in part, to the underlying factual elements of the breach, as presented by DOL;

ii. Whether DOL needs to engage in further investigation to determine whether the breach was caused, permitted, and/or allowed by the Agent based on facts presented;

iii. Whether a temporary suspension of the Agreement will be maintained or implemented during any additional period of investigation, corrective action, and/or decision making;

iv. Whether additional meetings are required to determine the ongoing level of compliance; and

v. Whether the Agent should be given the opportunity to cure the breach through corrective action, and/or whether the Agreement should be immediately terminated,
suspended for a set period, or whether the matter should be reduced to a Level II Breach.

Agent waives their right to a Termination Meeting by not appearing at the designated time and place of the meeting.

Final Decision: Upon conclusion of the Termination Meeting or waiver of said meeting, DOL will issue a written Final Decision, which must include the basis for the decision, and must be issued within ten (10) calendar days of the Termination Meeting or waiver. If termination is confirmed, then the Final Decision will immediately terminate this Agreement upon issuance. If a different outcome is determined, then the parties will follow the requirements as set forth in the Final Decision.

(d) APPEAL PROCESS
Agent has the right to appeal a Final Decision of DOL that results in a suspension or a termination. The appeal is made by initiating a court action in Superior Court. A Level I and Level II breach, or a temporary suspension during any investigative or corrective action period are not subject to appeal.

13. NON-BREACH TERMINATIONS; POST-TERMINATION PROCEDURES
Termination for Convenience: Either Party may terminate or suspend this Agreement for convenience by providing at least one-hundred twenty (120) calendar days’ written notice. Any such termination/suspension must be set in writing and executed by the authorized signatory of the Party.

Administrative Termination: If either Party’s authority to actively engage in this Agreement is compromised, suspended, or terminated, whether by a lack of funding, or by any other governmental issue, including changes in statute, administrative codes, or the agency’s policies, that party may terminate or suspend this Agreement for convenience. The terminating/suspending Party is to provide as much notice as possible to the other party, and to any affected Subagents when such termination or suspension appears eminent.

Termination Effect on Subagent Agreements: Should this Agreement be suspended or terminated for any reason, the Agent’s appointment would automatically cease, as would all Agent licensing activities authorized under this Agreement. Subagent agreements will be equally suspended or terminated, except that such Subagent Agreements may be assigned to DOL until such time that the Agent is reinstated or a new agent is appointed. The assignment of the Subagent Agreements is at the discretion of DOL, and must be equally offered to all Subagents of that Agent.

Post-Termination Procedures: After termination of this Agreement for any reason, and except as otherwise directed by DOL, Agent must settle all outstanding liabilities and claims arising from any work under this Agreement and return all equipment and supplies as required herein.

The Parties will also perform all Agent VLO Closure procedures as noted in the Statement of Work – Attachment A, Section 7.

14. INSURANCE
DOL Coverage: DOL certifies it is self-insured under the State’s self-insurance liability program, as provided by RCW 4.92.130, and shall pay for losses for which it is found liable.

Self-Insurance Coverage: If Agent, as a governmental agency, is self-insured under a self-insurance liability program that provides equal or greater coverage than the requirements set forth below, then Agent may maintain such program as an alternative to the below requirements.
Insurance Requirements: Agent must maintain at its own cost and expense commercial general liability insurance, including personal injury and contractual liability of no less than $1,000,000 per occurrence and a general aggregate limit of no less than $2,000,000.

- The insurance policy must be issued by an insurance company authorized to do business within the state of Washington, and except for professional liability insurance, must name the Department of Licensing and the state of Washington as additional insureds under the policy(s).
- Prior to performance of work under this Agreement, and upon each insurance renewal thereafter, Agent must furnish to DOL a self-insurance letter or Certificate(s) of Insurance (COI) executed by the duly authorized representative of each insurer. DOL, at its discretion, has the right to request updated copies of COI, but failing to request the COI does not relieve Agent of its affirmative duty to provide it.
- All policies of the Agent provided in compliance with this Agreement must be primary with respect to its operations as to any other insurance programs afforded to or maintained by DOL or state of Washington.

Subagent Insurance: Agent must ensure that Subagent(s) comply fully with all insurance requirements stated in their Agent/Subagent Agreements. Failure of Subagent(s) to comply with insurance requirements does not limit Agent’s liability or responsibility.

15. AGREEMENT ALTERATIONS AND AMENDMENTS
This Agreement may only be amended by mutual agreement of both parties. Such amendments are not binding until they are in writing and signed by personnel authorized to execute the same for each respective party.

Notwithstanding the above paragraph, and pursuant to RCW 46.01.140, Policy and Procedure may be unilaterally amended and/or implemented by DOL. Agent will remain subject to the Policy and Procedure as amended, and will be responsible for providing its Subagents notice and copies of any amendments.

16. AUTHORIZED SIGNATORIES
   DOL: The authorized signatory for DOL is the Director, or his/her designated delegate as appointed in writing. No assumed or implied authority is allowed for such purposes.
   Agent: The authorized signatory is the Agent or its delegate as appointed in writing.

17. AGREEMENT MANAGEMENT
   The Agreement Manager(s) for each party is indicated on the first page of this Agreement. Each respective Agreement Manager is a primary contact person for all communications, billings, and notices regarding the accounting, compliance, breach, and performance issues of this Agreement. Notices and communications may be provided by hand delivery, U.S. postal services, or electronically via email to the last address/email on record. Additionally, delivery of a notice to the named Agent will also suffice as providing proper notice.

   Each Party has a continuing obligation to provide the other party with the current name, phone number, and email address of that Party’s respective Agreement Manager and Signatory. This is an affirmative duty that must be maintained current. Notice of changes to the Agreement Management should be made in writing, sent via mail or email, and provided in advance of the change, or as soon thereafter as possible.

   Agent must provide DOL with a fully executed copy of each Subagent Agreement. When there is a change in any Subagent Agreement management, the Agent’s Agreement Manager must
update DOL in writing of such changes.
Each party bears the consequences of a missed communication or notice, if delivery of such matter was not received due to that party’s failure to provide updated Agreement management information.

18. ASSIGNMENT AND USE OF SUBAGENTS
In accordance with RCW 46.01.140, Agent may contract with Subagents to perform duties authorized under RCW 46.01.140(4). A copy of the standard Subagent Agreement template is incorporated herein by this reference. No other subcontracting or assignments of this agreement are allowed, unless previously approved in writing by DOL.

DOL is not a party to the Subagent Agreement. The Agent is responsible for its Subagent’s compliance with this Agreement and shall further ensure that the Subagent follows the Department’s reporting formats and procedures as specified by the Department.

Where DOL identifies incidents of non-compliance by a Subagent, DOL may terminate this Agreement with the Agent pursuant to Section 14. In no event shall the existence of a Subagent Agreement operate to release or reduce the liability of the Agent to DOL for any breach in the performance of the Agent's or Subagent's duties.

Selection of Subagent: Agent must use an open competitive process as set forth in RCW 46.01.140. Only upon completion of an open competitive process, and upon the completion of a criminal background check on all Subagent Appointees, the Agent will make a recommendation to the DOL Director for appointment of the Subagent.

Appointment of Subagent: The Director of DOL has final appointment authority for all Subagents. Agent may not enter into the Subagent Agreement with the Subagent until DOL provides written notice of the Director’s appointment for that Subagent. If Agent terminates its Subagent Agreement, DOL’s appointment for that Subagent is automatically cancelled.

19. DISPUTES
The parties agree the services of this Agreement concern the best interest of the public, therefore all disputes under this Agreement are to be resolved as amicably and as timely as possible.

Good Faith Efforts: The parties agree to in good faith promptly resolve any dispute, controversy or claim arising out of or relating to this Agreement, through negotiations between senior management of the parties. If the dispute cannot be resolved within 30 calendar days of initiating such negotiations, the parties may agree upon an alternative dispute resolution process. Unless the parties agree that submission to alternative dispute resolution would be futile, this provision is a prerequisite to either party filing an original action in superior court.

Continued Performance: Pending dispute resolution or court action, both parties will continue to carry out their respective responsibilities under this Agreement.

Exception for Breach: The dispute process herein does not apply to any determination of Breach, corrective action, or a suspension or termination for cause, which is disputed as set forth in Section 13 D.

20. GOVERNING LAW AND VENUE
The laws of the state of Washington govern this Agreement. In the event of a lawsuit or other legal action involving this Agreement, the venue will be Thurston County Superior Court.

Order of Precedence: In the event of an inconsistency in this Agreement, unless otherwise
provided herein, the inconsistency is to be resolved by giving precedence in the following order:

1) Applicable federal and state statutes and regulations
2) Terms and Conditions of this Agreement
3) Statement of Work, Attachment A
4) Data Security Requirements, Attachment B
5) Title VI Requirements, Attachment C
6) DOL Policy and Procedure, Attachment D

21. LIMITATION OF LIABILITY
DOL will not be responsible for any financial and/or material loss to the Agent or any Subagent for
downtime of business, equipment, communication lines or DOL operating systems during normal
operating hours. DOL may not be held liable for any errors which occur in compilation of Data, nor
may DOL be held liable for any delays in furnishing amended Data.

22. INDEMNIFICATION AND HOLD HARMLESS
Each Party is responsible for the actions and omissions of itself and its own officers, and
employees acting within the scope of its authority, and shall hold the other party harmless against
all losses, and claims for damages resulting from its own negligent acts and/or omissions, arising
out of or resulting from its performance of this Agreement.

DOL understands that it cannot hold Agent responsible for noncompliance to the extent that such
noncompliance was caused by DOL’s failure to first perform its own obligations as stated herein.
The Agent further agrees to indemnify, defend and hold the DOL harmless from damages caused
solely by the acts or omissions of the Agent's Subagents relating to matters associated with this
Agreement; this includes but is not limited to, Safeguarding DOL Information, Ownership/Rights in
Data and Permissible Use sections of this Agreement.

23. INDEPENDENT CAPACITY OF PARTIES
Each party, including its directors, executives, and employees, is a separate and independent
self-governed entity acting under its own authority. For the purpose of this Agreement, Agent is
an independent contractor and employees of Agents, Agent VLRs, Subagent(s) and Subagent
VLRs may not be considered as being employees, contractors, or subcontractors of DOL.

24. LEGAL COMPLIANCE
Agent shall comply with all applicable local, state, and federal laws, rules, and regulations. Such
compliance includes, but is not limited to, all applicable licensing requirements of the state of
Washington, all civil rights and non-discrimination laws, the Americans with Disabilities Act (ADA)
of 1990, and all federal and state employment laws, including Title VI requirements as set forth on
Attachment C. Failure to comply with this provision may be grounds for termination of this
Agreement regardless of any effect such non-compliance may have on the subject matter of this
Agreement.

25. RECORDS MAINTENANCE
Each party shall maintain books, records, documents, and other evidence that fully reflect all
transactions made by them pursuant to this Agreement. This includes records that reflect the receipt,
retention, and disbursement of all fees and taxes, and all costs expended in the performance of the
duties and services herein. This includes, but is not limited to, all banking deposit and withdrawal
slips, reconciliation statements, and other documents whether in paper or electronic form.
Agent shall maintain all records, documents, and other evidence as it relates to the receipt, usage, and/or maintenance of all supplies, inventory, and equipment provided under this Agreement.

Agent shall maintain records of all other matters concerning compliance with this Agreement, and as further directed by Policy and Procedure.

Agent shall retain all records in accordance with the state retention schedules, applicable to DOL as a state agency. If Agent, pursuant to its own retention schedules, is ever subject to a longer retention period, then the longer period applies. It is the Agent’s responsibility to make sure it is following the proper retention schedule before destroying any records.

26. RECORDS DISCLOSURE – PUBLIC REQUESTS
DOL and Agent shall each respectively comply with all current or future public records disclosure laws applicable to them as governmental agencies. This is to include but not limited to Chapters 46.12, 19.255, and 42.56 RCW, administrative rules regulating disclosure, and the right of privacy and confidentiality of information.

If Agent receives a request for record disclosure of Confidential Information that is held in DOL’s system, Agent shall notify DOL within twenty-four hours.

Agent shall fully cooperate, comply, and produce all records requested by DOL pursuant to any public disclosure request made upon DOL. The timelines for the production and/or disclosure of records will be established by DOL relative to each independent disclosure request. Agent must provide all requested information in a timely manner. If Agent fails to do so, Agent will be liable for any associated penalties or fees caused by the delay.

27. SEVERABILITY
If any provision of this Agreement is held invalid, such invalidity shall not affect the other provisions of this Agreement which can be given effect without the invalid provision, if such remainder conforms to the requirements of applicable law and the fundamental purpose of this Agreement, and to this end the provisions of this Agreement are declared to be severable.

28. OWNERSHIP AND TREATMENT OF PROPERTY
All supplies, inventory, and equipment (Property) furnished by DOL to Agent and/or subsequently furnished to a Subagent, remains the Property of DOL and DOL retains full title and all rights associated with ownership. Agent shall ensure that supplies, inventory, and equipment do not become security for any debt, or fixtures at Agent’s location.

Any Property furnished to Agent or Subagent shall, unless otherwise approved by DOL, be used only for the performance of this Agreement. Agent shall surrender to DOL all Property upon completion, termination or expiration of this Agreement or any Subagent Agreement.

Agent may be responsible for loss or damage of Property due to negligence, regardless whether such property was furnished to the Agent or one of its Subagents; this requirement does not affect Agents right or ability to collect damages from the Subagent as applicable. Upon such damage or loss, Agent and shall take all reasonable steps to protect Property from further damage.

29. SURVIVORSHIP
Notwithstanding the expiration or termination of this Agreement, the terms, conditions and warranties contained in this Agreement concerning the Safeguarding Personal Information, Permissible Use, and retention of data, survive such completion, cancellation or termination of this Agreement.
30. WAIVER

An omission by either party to exercise its rights under this Agreement does not preclude that party from subsequently exercising such rights, and does not constitute a waiver of any rights.
ATTACHMENT A – Agent Statement of Work (SOW)

The purpose of this attachment is to describe the licensing services (Work) to be performed by the Agent and establish the support services to be provided by DOL. It includes the manner in which the Agent will perform its actions, including by not limited to the timing, quality assurance, and customer service levels associated with such performance.

All Agent work must be performed by the Agent or the Agent VLR’s, or a properly appointed and contracted Subagent. Any actions, whether performed by the Agent, Agent’s VLRs, Subagents or Subagents’ VLRs, are actions deemed to be performed on behalf of the Agent, and the Agent remains responsible for the compliance of all such actions in accordance to the terms and conditions to this Agreement.

1. FACILITY REQUIREMENTS – Agent Vehicle Licensing Office (VLO)

1.1(a) Agent Facility Selection and Set up – Agent Requirements:

If Agent’s VLO is already set up and operating, the requirements of this section are deemed as being complete. However, if Agent moves its location, adds more equipment to its current location, or sets up additional locations, the Parties shall adhere to the following requirements.

Agent must select a facility with adequate open space, seating, and outdoor parking to accommodate the number of people who enter Agent’s facility for vehicle or vessel transaction purposes.

Agent must provide to DOL a site floor plan setting forth the positioning of furniture, electrical service, customer service areas, and general open areas. The configuration of the Agent’s VLO must be approved by DOL.

Agent must select a facility that can provide the necessary electrical outlets and data/phone/internet cabling to properly accommodate all DOL electrical and internet requirements for full business operations.

- If the VLO does not have adequate available electrical outlets and/or structured cabling, Agent shall have additional outlets and/or structured cabling installed at Agent’s expense.

Agent must work with DOL to approve all VLR and Subagent workstation allocations as described in Policy and Procedure.

Agent must make any and all modifications to the site in order to meet DOL specifications and facilitate installation of equipment.

Agent must provide and maintain all office furniture in good working order.

Agent must retain DOL’s equipment in the same place as installed.

- If Agent intends to remodel, it must provide a site plan for the remodel to DOL for approval. Agent’s remodel must also meet all other requirements of this section.

1.1(b) DOL Consultation on Subagent Facility Selection and Set-Up Requirements:

To the extent that Agent is contracting with a Subagent, the acceptance and configuration of the Subagent’s VLO must be approved by DOL before Agent can provide its approval to the Subagent. It is the Agent’s obligation to obtain the approval from DOL for all related matters stated below in sections 1.3 through 1.5. If DOL does not provide full approval, Agent may
not provide its approval to the Subagent. Agent may also work with DOL to determine if corrections can be made to obtain DOL’s approval.

Agent must also work with DOL to obtain DOL’s approval for revisions to a site plan prior to the Agent approving the same. This includes site plans for remodels.

1.2 Facility Approval and Installation:
DOL must approve or decline all proposed Agent or Subagent site plans submitted by Agent within fourteen (14) calendar days of submission. If DOL declines a site plan, DOL must provide adequate justification and explanation for the denial.

DOL will coordinate the completion of the site’s data connection and all equipment required for the site to be operational within sixty (60) calendar days of the final approval of the Agent’s site plan. If the site is not structurally ready for the installation of data lines at that time, DOL will install the same within a reasonable time based on when the site accommodates such installation.

DOL, or an authorized contractor on behalf of DOL, will provide, install, and test equipment for the Agent and for each Subagent in accordance with standards for functional connectivity. If the Agent relocates or requires a reconfiguration of the workstations, DOL or an authorized contractor on behalf of DOL, will relocate, reinstall, and retest the equipment and functionality at the expense of the Agent.

- Agent may request permission from DOL to install its own data connection. If DOL approves this option, all set-up and recurring costs related to the installation of the data connection will be the responsibility of the Agent.

1.3 Equipment Installation:
DOL will provide and install all necessary equipment for the Agent and for the Subagent for whom DOL is the third party provider, based on the number of workstations as approved in each respective site plan. DOL will also test for functional connectivity of the equipment to verify that it fully accesses DOL’s DRIVES system. Agent understands and agrees that all equipment provided by DOL will remain the sole property of DOL.

If Agent or Subagent relocates, or requires a reconfiguration or increase of equipment, Agent will request the same from DOL pursuant to Policy and Procedure.

If Agent or a Subagent needs to make employee accommodation modifications to equipment or software, Agent must obtain the approval of DOL prior to making such modifications. Agent will bear the costs for making such modifications, and will reimburse DOL for all such costs it experiences.

Agent, Agent VLRs, Subagents, and Subagent VLRs are prohibited from the following:
- Removing any state tags or other identifying labels from equipment, removing the equipment from the premises where it is installed.
- Connecting any additional equipment to the communications line;
- Modifying, adding, or removing parts from equipment, unless authorized by DOL.
- Use or adding of external drives, software programs or packages to the equipment, hard drives or computer systems. Allowing any equipment provided by DOL to be deemed as becoming a fixture at the facility where it is located.
- Encumbering or allowing any lien or security interests to be placed on the supplies, inventory or equipment.

1.4 Equipment Maintenance Obligations:
DOL shall be responsible to provide all maintenance, repair, and replacement of DOL’s equipment. However, if the repair, replacement, or maintenance is caused by the improper
actions of the Agent or its Subagents, then Agent will reimburse DOL for all related expenses.

DOL will provide maintenance services for equipment within twenty-four (24) hours or the next business day, following notification to DOL by Agent of a malfunction of the equipment.

DOL will not be responsible for any financial and/or material loss to the Agent or any Subagent for down time of equipment, communication lines or DOL operating systems during normal operating hours.

1.5 VLO Facility Operations:
Agent must maintain its VLO as a clean, sanitary, and safe environment for the public to include, but not limited to, meeting all city, county, state and federal requirements for building safety and fire codes.

Agent must post its hours and days of operation in an outward facing manner so that it is easily viewable to the public. If Agent’s facility is closed on a normal day of operation, Agent will follow the notification requirements set forth in Policy and Procedure.

2. SUPPLIES AND INVENTORY

2.1 DOL Obligations:
DOL will provide the Agent with the supplies and inventory to be used by the Agent, its VLRs and Subagents in the performance of the functions required under this Agreement.

Agent will not be responsible for loss or damage to the inventory or supplies during transportation or removal by DOL or their representatives.

The amount of supplies and inventory to be given to the Agent, for use by Agent and Subagent, will be determined by Policy and Procedure.

All inventory, furnished by DOL under this Agreement, and retained by the Agent or Subagent, remains the property of DOL, and DOL maintains full title and rights associated with sole ownership.

2.2 Agent Obligations:
Agent shall maintain, protect, and use the supplies and inventory provided under this Agreement in accordance with Policy and Procedure. All usage must be for purposes of carrying out the functions of this Agreement.

Agent is responsible for loss of or damages to the supplies and inventory while in the care and custody of the Agent and/or Subagents.

Agent shall issue to Subagent the DOL-provided supplies needed to perform its duties under its Subagent Agreement. Supplies provided from DOL to the Subagent will be inventoried and controlled by the Agent, as provided by Policy and Procedure.

2.3 Maintenance of All Supplied Property:
Agent shall provide basic care of all Property in order to avoid damage.

Agent shall notify DOL immediately of any malfunction in the equipment or communications lines of the Agent or any Subagent. Agent will make this notification by contacting the DOL field support unit. Agent shall thereafter ensure the DOL representative has full, free, and safe access to the equipment and communications lines as necessary to perform maintenance, between the hours of 8:00 a.m. and 5:00 p.m., on any weekday that is not a state holiday or mandated temporary layoff day.

Agent shall reimburse DOL for any and all costs incurred for the repair, replacement, and/or
maintenance of any Property due to the failure of Agent’s or one of its Subagent’s to provide basic care of such Property or when the Property is damaged or otherwise malfunctions through misuse, fault, or neglect of Agent or one of its Subagents.

3. TRANSACTION FUNCTIONS

3.1 Establishing User Accounts:
Agent will request Agent and Subagent VLR access to DOL systems by providing DOL with the required information as directed in Policy and Procedure.

Agent will conduct a background check for each Agent VLR as directed in Policy and Procedure prior to requesting access, unless the background check is waived as set forth below. If the results of the background check do not conform to the requirements set forth in Policy and Procedure, Agent will not request access.

The background check requirement for Agent VLRs will be waived if the Agent’s county office is precluded from requiring background checks. If Agent meets waiver requirements, conditions will be set forth in a written and executed memorandum of understanding between the parties. This waiver does not apply to any Subagent VLRs.

DOL will establish and issue user accounts to Agent and Subagent VLRs upon receipt of the Agent’s request with the information required per Policy and Procedure.

All login and access information is for individual use only. Each VLR must protect their passcodes and access information from disclosure and may not allow other individuals to use their access. Each VLR is individually responsible for all activity on their individual account.

Whenever an Agent or Subagent removes a VLR from its office, Agent will provide notice to DOL immediately, but no later than two (2) business days of the removal. DOL will then delete all logon and access credentials for that individual.

3.2 Performance of Transaction Functions:
Agent and its VLRs shall provide all authorized services for vehicle and vessel transactions as authorized in statute and further directed in Policy and Procedure.

3.3 Quality Service Assurance:
Agent shall ensure that:
- All services are performed accurately and properly in accordance with state law, Policy and Procedure, and in accordance with this Agreement;
- All customer services are performed in a professional, courteous, and ethical manner that is consistent with Policy and Procedure.
- All transactions are properly executed, documented, and entered into DOL’s DRIVES systems to achieve an accuracy level of one hundred percent (100%), not to fall below ninety-five percent (95%).
  - Accuracy level relates to the completeness of the transaction, whereby if any documents, cash handling, or computer entries, were incomplete, missing, altered, or processed incorrectly, or where taxes or fees due were waived, reduced, overridden, or altered without proper supporting documentation or approval.

If Agent becomes aware of any invalid or improper transaction, Agent must immediately notify the customer as applicable, and cause the transaction to be corrected as quickly as possible. Agent shall also perform such corrective non-fee transactions for any customer at its facility, even if the original transaction was conducted at a different facility.
4. BANKING AND REVENUE ACCOUNTABILITY
Agent is responsible for the collection, retention, and payment of all revenue generated through the performance of transactions under this Agreement; this includes all Subagent transactions. Agent shall provide for such collection, retention and payment as follows:

4.1 Establishing an Account:
If Agent has an established banking account which is currently in use and approved by DOL, then Agent does not need to establish a new account. Otherwise, Agent shall establish a non-interest bearing checking account with a public depository bank or credit union that is authorized by the Washington State Treasurer’s Office to accept public deposits and Automated Clearing House (ACH) electronic fund activities. The account shall be titled as the DOL Agency Account.

Agent shall complete and sign an ACH authorization form allowing fund transfers by the DOL Chief Financial Officer (CFO).

Agent shall fill out a signature card, which must include the following data:
(a) Bank or credit union name
(b) Account number
(c) Agent name
(d) Agent signature(s)

Agent shall also reserve space on the signature card for DOL’s CFO to add his/her name, title, and signature. Each signature card must authorize DOL and the Agent to withdraw funds.

Agent shall keep each signature card and ACH authorization form current and available for review as requested. If Agent wishes to change its account, it must get preapproval from DOL and follow Policy and Procedure before using that account.

All above requirements are to be completed at least thirty (30) calendar days prior to the use of any account.

DOL is responsible for ensuring that Agent’s bank account and ACH authorization remains as set forth above. It is also DOL’s responsibility to make sure that all payments to, and withdrawals from the DOL Agency Account is in accordance with state law and Policy and Procedure.

4.2 Separation of Funds:
Agent shall use the DOL Agency Account, as established in Section 4.1, only for the deposit, transfer, and withdrawal of revenue generated through the performance of transactions under this agreement. If Agent engages in additional business at its location, the retention and deposit of other moneys must be done separately. Agent may not deposit funds received for non-DOL business into the DOL account.

Agent shall ensure all payments received for DOL licensing activities are kept in a dedicated cash drawer used only for licensing transactions.

Agent shall record, report, and track DOL account activities separate from non-DOL account activities.

4.3 Accepting Payments:
Agent shall only accept payments through tender per Policy and Procedure.

4.4 Deposit and Withdraw of Funds:
Agent shall deposit and withdraw money only as set forth in Policy and Procedure.
4.5 Lost Revenues:
In the event of theft, burglary, misplacement, or destruction of revenue collected by Agent or Subagent the Agent is responsible for ensuring customers are notified. Agent is responsible for all costs related to the recovery of revenue.

(a) Agent must report all theft or burglary to DOL and local law enforcement.

(b) Agent must provide documentation of any insurance claim for loss and also provide any criminal investigation number per Policy and Procedure.

(c) Report loss of revenue to SAO.

5. EDUCATION AND TRAINING
5.1. Designation of Training Requirements – DOL Actions:
DOL is required to establish training requirements and education necessary for Agent, Agent VLRs, Subagents, and Subagent VLRs.

- The trainings may be developed directly by DOL, outside sources, or in collaboration with Agents and other related stakeholders.

- The trainings may include a testing component to determine whether the trainee has sufficient understanding of the material and meets minimum requirements for maintaining access to DOL systems.

DOL will also provide support service functions to assist Agent, Subagents, and VLRs to meet performance obligations during normal DOL business hours and provide any additional information as needed.

5.2. Fulfillment of Training Requirements – DOL Actions:
DOL will notify Agent of all training requirements including an updated list of required trainings and their due dates. The training may be performed live by in-person instruction, written communication, web-based, electronically through a computer-based format, or by using other training methods.

DOL will provide initial training to Agent and further provide ongoing training for continuing education. DOL will provide Agent with reasonable notice and flexible opportunities to receive training.

DOL will monitor and track all Agent VLRs to ensure that each VLR receives and completes the training within the required timelines.

5.3. Fulfillment of Training Requirements – Agent Actions:
Agent shall attend and receive all required trainings. This obligation remains in effect, even if the Agent does not perform VLR obligations and/or have active access to DOL system. If Agent wishes to have a designee carry out its training duties, Agent must first get written approval from DOL.

Agent shall provide all training to its Subagents and Subagent VLRs as requested by DOL.

Agent will ensure all Agent VLR’s, Subagents, and Subagent VLRs complete the required trainings by the designated timelines. Any non-completed training must be reported to DOL.

Agent shall track the training of all Subagent VLRs, and provide written verification of all completed trainings to the Agent prior to the timelines associated with each training.

Agent shall notify DOL to suspend or terminate VLR access for non-compliance with training requirements.
6. NOTICE REQUIREMENTS
Required Notice to DOL:
Agent has an affirmative duty to notify DOL if Agent becomes aware of any of the following:
- If any Agent VLR or Subagent VLR is no longer acting as a VLR for the Agent or Subagent.
- If any Agent VLR or Subagent VLR engages in any Prohibited Activity as provided in Section 13 – Level III Breach Prohibited Activities or other actions that may cause the Agent or Subagent to be in a Level III Breach.
- If Agent, Agent VLRs, Subagents, or Subagent VLRs ever use the Confidential Information in a manner that violates and/or exceeds the Permissible Uses as stated herein.

7. AGENT VLO CLOSURE
Upon the expiration or termination of this Agreement or upon the closure of the Agent business, Agent shall permit and/or facilitate the following:
(a) Agent shall preserve all records, monies, supplies, inventory, and equipment, and keep the same secure until they are audited and/or otherwise in the possession of DOL. DOL will immediately perform an audit on all of the Agents business practices related to this Agreement.
(b) Agent shall cooperate and permit DOL to conduct an audit on all of Agent's transactions, operations, accounting, inventory, and equipment related to this agreement.
- Prior to the audit, Agent is prohibited from altering, removing, destroying, or otherwise manipulating equipment, documents, records, files, negotiable items including money, and any other materials in any manner not related to the proper fulfillment of services under this Agreement.
(c) Agent will permit DOL to take possession of all remaining supplies, inventory, and equipment, provided under this Agreement.
(d) Agent will permit DOL to take possession of all vehicle and vessel title and licensing related fees and taxes collected,
(e) Agent shall pay all applicable fees owing to DOL.
ATTACHMENT B - Data Security Requirements

1. Data Classification
   The classification of the data shared is considered:
   - [ ] Category 1 – Public Information
   - [ ] Category 2 – Sensitive Information
   - [x] Category 3 – Confidential Information
   - [ ] Category 4 – Confidential Information Requiring Special Handling

2. Access Security
   Access to the Data will be restricted to authorized users by requiring a login using a unique user ID and complex password or other authentication mechanism which provides equal or greater security. Passwords must be changed on a periodic basis and the sharing of user ID and passwords is strictly prohibited.

3. Data Storage
   Agent agrees that any and all Data will be stored, processed, and maintained solely on designated computing equipment and that at no time will Data be processed on or transferred to any portable storage medium.

4. Data Transmission
   Agent agrees that any and all electronic transmissions or exchanges of system and application data with DOL and/or any other parties expressly designated by DOL shall take place via secure means. Data that is transferred by and/or resides on assigned DOL equipment is considered secure.

5. Distribution of Data
   Agent shall ensure no Data of any kind shall be transmitted, exchanged, or otherwise passed to other contractors/vendors or interested parties except on a case-by-case basis as specifically agreed to in writing by DOL. Agent further agrees not to release, outside their control, screen prints or other printed documents that are not designated for the customer. All hard copies not necessary for business use must be destroyed as referenced in the Data Disposal section.

6. Data Disposal
   Unless otherwise specified in the Agreement, Agent agrees that upon termination of this Agreement it shall erase, destroy, and render unrecoverable all DOL data and certify in writing that these actions have been completed within 30 days of the termination of this Agreement or within 7 days of the request of an agent of DOL, whichever shall come first. At a minimum, media sanitization is to be performed according to the standards enumerated by NIST SP 800-88 Guidelines for Media Sanitization.

7. Security Breach Notification
   Agent agrees to comply with all applicable laws that require the notification of individuals in the event of unauthorized release of DOL data or other event requiring notification. In the event of a breach of any of Agent’s security obligations, or other event requiring notification under applicable law, Agent agrees to the following:
   - a) Notify DOL by telephone and e-mail of such an event within 24 hours of discovery:
     DOL Help Desk, phone: (360) 902-0111; email: hlbhelp@dol.wa.gov
   - b) Assume responsibility for costs and for cooperating with DOL on all matters necessary for informing all such individuals, as directed by DOL, and in accordance with applicable state and federal laws.
   - c) Mitigate the risk of loss and comply with any notification or other requirements imposed by law or DOL.
ATTACHMENT C - Title VI Compliance

During the performance of this Agreement, the Agent, for itself, its assignees, and successors in interest agrees as follows:

1. Compliance with Regulations: The Agent (hereinafter includes consultants) will comply with the Acts and the Regulations relative to Nondiscrimination in Federally-assisted programs of the U.S. Department of Transportation, Federal Motor Carrier Safety Administration (FMCSA), as they may be amended from time to time, which are herein incorporated by reference and made a part of this Agreement.

2. Nondiscrimination: The Agent, with regard to the work performed by it during the agreement term, will not discriminate on the grounds of race, color, national origin, sex, age, disability, income-level, or LEP in the selection and retention of subcontractors, including procurements of materials and leases of equipment. The Agent will not participate directly or indirectly in the discrimination prohibited by the Acts and the Regulations as set forth in Appendix E, including employment practices when the agreement covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21.

3. Solicitations for Subcontracts, Including Procurements of Materials and Equipment: In all solicitations, either by competitive bidding, or negotiation made by the Agent for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential subcontractor or supplier will be notified by the Agent of the contractor's obligations under this Agreement and the Acts and the Regulations relative to Non-discrimination on the grounds of race, color, national origin, sex, age, disability, income-level, or LEP.

4. Information and Reports: The Agent will provide all information and reports required by the Acts, the Regulations and directives issued pursuant thereto and will perm it access to its books, records, accounts, other sources of information, and its facilities as may be determined by the Recipient or the FMCSA to be pertinent to ascertain compliance with such Acts, Regulations, and instructions. Where any information required of a Agent is in the exclusive possession of another who fails or refuses to furnish the information, the Agent will so certify to the Recipient or the FMCSA, as appropriate, and will set forth what efforts it has made to obtain the information.

5. Sanctions for Noncompliance: In the event of a Agent's noncompliance with the Non-discrimination provisions of this Agreement, the Recipient will impose such contract sanctions as it or the FMCSA may determine to be appropriate, including, but not limited to:
   a. withholding payments to the Agent under the Agreement until the Agent complies; and/or
   b. cancelling, terminating, or suspending an Agreement, in whole or in part.

6. Incorporation of Provisions: The Agent will include the provisions of paragraphs one through six in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. The Agent will take action with respect to any subcontract or procurement as the Recipient or the FMCSA may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if the Agent becomes involved in, or is threatened with litigation by a subcontractor, or supplier because of such direction, the Agent may request the Recipient to enter into any litigation to protect the interests of the Recipient. In addition, the Agent may request the United States to enter into the litigation to protect the interests of the United States.
ATTACHMENT C - Title VI Compliance (Continued)

During the performance of this Agreement, the Agent, for itself, its assignees, and successors in interest (hereinafter referred to as the "Agent") agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

(a) Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin), as implemented by 49 C.F.R. § 21.1 et seq. and 49 C.F.R. § 303;
(b) The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
(c) Federal-Aid Highway Act of 1973, (23 U.S.C. § 324 et seq.), (prohibits discrimination on the basis of sex);
(e) The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 et seq.), (prohibits discrimination on the basis of age);
(f) Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
(g) The Civil Rights Restoration Act of 1987, (102 Stat. 28.), ("....which restore[d] the broad scope of coverage and to clarify the application of title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and title VI of the Civil Rights Act of 1964.");
(h) Titles II and III of the Americans with Disabilities Act, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§12131 -- 12189) as implemented by Department of Justice regulations at 28 C.F.R. parts 35 and 36, and Department of Transportation regulations at 49 C.F.R. parts 37 and 38;
(i) The Federal Aviation Administration's Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
(j) Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
(k) Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
(l) Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq.), as implemented by 49 C.F.R. § 25.1 et seq.
ATTACHMENT D – Listing of Policy and Procedure

VEH.1 - Definitions in Policy

VEH.2 - Handling Personalized License Plates

VEH.3 - Operating Standards for Agents and Subagents
  - Revision Memo 184-001 (07/03/19)
  - Revision Memo 088-001 (02/22/18)
  - Revision Memo 053-001 (03/29/18)
  - Revision Memo 054-002 (02/23/18)
  - Revision Memo 018-003 (01/18/18)

VEH.4 - Preventing Fraud in Transactions
  - Revision Memo 054-002 (02/23/18)
  - Revision Memo 018-003 (01/18/18)

VEH.6 - Preparing and Distributing Documents
  - Revision Memo 362-002 (12/28/18)
  - Revision Memo 047-001 (02/16/18)
  - Revision Memo 022-003 (01/22/18)

VEH.7 - Establishing and Maintaining Bank or Credit Union Accounts
  - Revision Memo 082-001 (03/23/18)

VEH.8 - Appointment and Resignation of Agents and Subagents

VEH.9 - Allocating the DRIVES Workstation

VEH.10 - Handling and Processing Checks
  - Revision Memo 047-001 (02/16/18)

VEH.11 - Processing Inventory
  - Revision Memo 116-001 (04/26/18)
  - Revision Memo 047-001 (02/16/18)

VEH.13 - Operating Hours for DRIVES

VEH.14 - Requesting a Refund
  - Revision Memo 190-002 (07/09/18)
  - Revision Memo 017-001 (01/17/18)

VEH.15 - Reporting Robbery, Burglary, Theft, and Embezzlement

VEH.16 - Using DOL Equipment and System Security

VEH.17 - Applying Standards of Conduct

VEH.18 - Producing an Affidavit in Lieu of Title for Ownership in Doubt
  - Revision Memo 102-003 (04/12/18)
  - Revision Memo 064-001 (03/05/18)
VEH.19 - Training and Certification of Vehicle Licensing Representatives (VLRs)
VEH.20 - Requesting Approval to Issue Quick Titles and Taking Corrective Action
VEH.22 - Adding Free Form Text in DRIVES
  o Revision Memo 291-002 (10/18/18)
VEH.23 - Applying for Allowable Cost Reimbursement
VEH.24 - Auditing Vehicle Licensing Offices
VEH.25 - Voids and Reversals
  o Revision Memo 060-001 (03/01/18)
VEH.27 - Non-Discrimination in Service Delivery and Facility Access

DRIVES Help Articles
DRIVES VLO Articles
VLO Communications
SUBAGENT AGREEMENT BETWEEN THE
XXXX COUNTY LICENSING AGENT
AND XXXXX (SUBAGENT)

General Information
Start date: January 1, 2020
End date: December 31, 2024

Purpose (brief description)
This is a standardized Agreement for use by a County Vehicle Licensing Agent when contracting for services with a Vehicle Licensing Subagent, as set forth in RCW 46.01.140.

Subagent
Appointee Name(s) 
dba
Address
Mailing Address (if different)
Agreement Manager
Telephone
Fax
Agreement Manager Mailing Address (if different from above)
Email

County Agent
Agent Name
Email
Address
Mailing Address (if different)
Agreement Manager
Telephone
Fax
Agreement Manager Mailing Address (if different from above)
Email

Attachments
This Agreement consists of the following attachment(s) and all document(s) incorporated herein or by reference:
Attachment A -- Statement of Work
Attachment B -- Data Security Requirements
Attachment C -- Title VI Compliance Requirements
Attachment D -- Listing of Policy and Procedure

ALL WRITINGS CONTAINED HEREIN: This Agreement, together with the attachments, exhibits, and other documents incorporated herein contains the entire agreement of the parties as now written and agreed upon. No other understandings or agreements, oral or otherwise, regarding the subject matter of this agreement has any effect. The parties executing this agreement affirm they have the authority to bind their respective entities. This Agreement is affective upon mutual execution of the parties.

Subagent Authorized Signature
Date
Agent Signature
Date

Additional Subagent Signature, (if required)
Name: TITLE:

Additional Subagent Signature, (if required)
APPROVED AS TO FORM ONLY (Optional) County Prosecuting Attorney
Print Name
Date
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THIS SUBAGENT AGREEMENT is entered into by the designated Agent on behalf of the «County» County Auditor’s Office (hereafter called “Agent”) and each Subagent named on page one of this Agreement, individually and collectively doing business as «SubAgent_DBA_Name» (hereafter collectively called “Subagent”). Agent and Subagent may be individually referred to as Party, or jointly referred to as Parties.

In consideration of the terms and conditions contained herein, the Parties hereby agree as follows:

BACKGROUND INFORMATION

1. PURPOSE OF THIS AGREEMENT
   Agent, pursuant to its appointment by the Director of the Department of Licensing (DOL), has the authority under Chapter 46.01 and Chapter 88.02 RCW for supervising and controlling the issuance of vehicle and vessel titles and registrations, and the collection of related fees and taxes, as well as the right to contract with subagents to perform such licensing services on the Agent’s behalf. Subagent, pursuant to its appointment by the Director of DOL, has the authority to contract with the Agent to provide those licensing services described herein.

   The purpose of this Agreement is to provide standardized terms and conditions under which the Parties will perform their vehicle and vessel title and registration activities and other duties pursuant to this Agreement and to Title 46 RCW and Chapter 88.02 RCW.

2. DEFINITIONS
   The terms used in this Agreement have the following meanings:

   **Appointee** means each individual to this Agreement appointed as the Subagent.

   **Confidential Information** means information that may be exempt from disclosure to the public or other unauthorized persons under either chapter 42.56 RCW or other local, state, or federal statutes and data defined as more sensitive than “public” and requires security protection. Confidential Information includes, but is not limited to, vehicle legal owner, credit card information, Personal Information, law enforcement records, agency security data, and banking profiles.

   **DOL** means the Department of Licensing, the state agency that administers laws relating to the licensing and regulation of vehicles and vessels pursuant to Title 46 RCW.

   **DRIVES** means DOL’s technology system for processing of vehicle and vessel transactions and collection of State revenues pursuant to this Agreement.

   **Personal Information** means information that identifies an individual, including an individual’s photograph, social security number, driver identification number, name, address (but not the five-digit zip code), telephone number, or medical or disability information. Personal Information is a form of Confidential Information, a term used in accordance with Data Security Requirements.
Policy and Procedure means DOL’s policies and procedures that describe how the Agent, Agent Vehicle License Representatives, Subagent, and Subagent Vehicle License Representatives shall carry out the work under this Agreement.

Property means any equipment, supplies or inventory supplied by DOL to Agent or to Subagent as a third-party provider for use at VLOs.

Vehicle Licensing Representative (VLR) means a specified employee authorized to provide vehicle and vessel title and registration services, and collect related fees and taxes as set forth in this agreement. Such term may further be qualified as being an Agent VLR or Subagent VLR.

Vehicle Licensing Office (VLO) means the location/facility where the respective Agent or Subagent carries out the duties set forth in this Agreement. Such term may further be qualified as being an Agent VLO or Subagent VLO.

Work means all licensing activities to be performed by Subagent under this Agreement and pursuant to RCW 46.01.130 and RCW 46.01.140.

TERMS AND CONDITIONS

3. APPOINTMENT AND AGREEMENT WITH SUBAGENT

In accordance with Chapter 46.01 RCW, and upon the approval by Director of DOL, Agent hereby appoints all Subagent Appointee(s) to be a limited propose Subagent of the Agent, and hereby contracts with said Appointee(s) to provide all services authorized by Titles 46 and 82 RCW for the purpose of licensing and titling vehicles and vessels, collecting vehicle and vessel fees, excise taxes, and other fees and taxes, in addition to all other functions outlined in this agreement.

The actual performance of duties is to be carried out by specified employees of the Subagent, called Subagent Vehicle License Representatives (VLRs). All terms, conditions, and restrictions in this Agreement that directly apply to the Subagent, also apply to the Subagent VLRs.

Subagent accepts the appointment and agrees to perform all duties set forth in this Agreement in accordance with the terms, conditions, and requirements herein.

Subagent further agrees that:

- All materials submitted by Subagent through the open competitive process were true and correct and are incorporated herein by this reference.
- The Subagent rights under this agreement cannot be construed as being greater than any rights granted to the Agent by DOL.
- The rights and responsibilities set forth in this Agreement are consistent with the Standard Agreements for all Subagents.

Subagent’s appointment automatically continues with any extension of this agreement, and terminates upon the expiration or termination of this Agreement.

4. TERM OF AGREEMENT

This Agreement begins on the date of execution by both parties, and ends on December 31, 2024, unless terminated sooner or extended as provided herein. This Agreement may be extended for additional periods of time upon the written mutual agreements of the Parties.

If the Agent does not anticipate extending this Agreement at the expiration of any set term, then Agent should provide Subagent with at least ninety (90) days’ notice of such intent.
5. **SCOPE OF WORK**
   The scope of functions, duties, and services to be performed by the Parties is set out on Attachment A – Statement of Work. Each party shall furnish the necessary personnel, equipment, materials and/or services and otherwise do all things necessary for or incidental to the performance of the functions as set forth in Attachment A.

   Subagent will provide the licensing services (Work) as described in this Agreement. Agent will provide necessary Property to support Subagent in performing their work. Agent has contracted with DOL to provide some services, equipment, supplies and inventory on Agent’s behalf directly to Subagent. DOL will be acting as a third-party provider at Agent’s direction.

6. **COMPLIANCE WITH POLICY AND PROCEDURE**
   All work performed pursuant to this Agreement, whether by Subagent or Subagent VLRs, shall be performed in a manner that conforms to this Agreement, its attachments, and DOL’s and Agent’s Policy and Procedure. This requirement is ongoing throughout the term of this Agreement and applies to all future policies and procedures as implemented and/or amended by DOL and Agent. A list of all applicable DOL Policy and Procedure is attached as Attachment D. Additional Policies and Procedures will be deemed as being fully incorporated into this agreement upon the Subagent receiving notice of the same.

   Pursuant to Agent’s agreement with DOL, Agent will be afforded the opportunity to review all proposed changes to and additional policies and procedures as provided by DOL before adoption. Upon Agent receiving such notice Agent shall forward the notice to the Subagent, unless DOL has already provided such notice.

   Subagent shall track Subagent and Subagent VLR’s review of the established Policies and Procedures.

7. **COMPENSATION**
   Subagent will charge, collect, and retain fees as authorized by statute. Subagent VLRs must process and collect all applicable vehicle and vessel licensing and titling fees and taxes per DOL Policy and Procedure using DOL’s DRIVES system.

8. **SAFEGUARDING PERSONAL INFORMATION**
   Information received and/or accessed in connection with this Agreement may include Personal Information. Subagent shall comply with all local, federal, and state laws and regulations, as currently enacted or revised, regarding data security and electronic data interchange of such Personal Information. Subagent shall further safeguard and protect all Personal Information against any unauthorized disclosure, use, or loss as set forth in Attachment B - Data Security Requirements. These safeguarding requirements apply to all Personal Information regardless of whether such information came from DOL, the Agent, or the general public.

   Subagent has a continuing obligation to ensure all Subagent VLR’s fully understand and comply with all Safeguarding requirements.

9. **DATA OWNERSHIP**
   All Data contained in the DOL DRIVES System is the property of DOL, including Data entered in the System by Subagent. This Agreement grants a license to the Subagent to access and use that Data pursuant to the Permissible Uses and other requirements contained herein. This grant
of license does not provide Subagent with any ownership rights to the Data. At all times, DOL remains the sole owner of the Data.

10. PERMISSIBLE USE
Any data containing Personal Information accessed pursuant to this Agreement is for official use only. The Permissible Use of Personal Information is solely for the purposes of carrying out the lawful functions authorized under this Agreement and as set forth in Title 46 RCW and Chapter 88.02 RCW. Use of Personal Information for any other purpose is strictly prohibited. This prohibition includes, but is not limited to:

(a) Disclosing Personal Information to any public/private persons, or public/private entities, including local, state and federal governments and/or state agencies other than DOL or Agent. If entities, including law enforcement agencies seek data containing Personal Information, Subagent, must refrain from disclosing such information to the outside agency, but may inform such agency to directly request the information from DOL.

(b) Using Personal Information for unsolicited business contact, or other commercial purpose is prohibited unless specifically authorized by DOL or otherwise as directed by law.

(c) In accordance with Governor’s Executive Order 17-01, using the Data for purposes of targeting or apprehending persons for violation of federal civil immigration laws, except as required by federal or state law or otherwise authorized by the Governor.

Subagent shall ensure that all of its VLR’s fully understand and comply with all Permissible Use requirements.

11. OVERSIGHT: MONITOR, AUDIT, AND INVESTIGATE
Agent will monitor, audit, and investigate the actions and performances of the Subagent. For purposes of this section, the actions and performances of the Subagent inherently include the actions and performances of the Subagent VLRs who are performing services under this Agreement. Agent has equal rights to monitor, audit and investigate all of Subagent’s VLR’s. Additionally the parties agree that DOL has the right to monitor, audit, and investigate Subagent and all of Subagent’s VLRs, and that the Subagent shall assist Agent or DOL in these matters as requested.

Notwithstanding the Agent’s rights as stated above, the Subagent shall monitor, audit, and investigate its own performance, as well as the performance of its VLRs. Any Agent audit or investigation on the Subagent may include whether the Subagent is engaging in proper oversight and responsive action concerning its VLRs.

(a) Levels of Oversight:

1) Monitor: Agent may monitor the Subagent and/or Subagent VLRs performance at any time. Monitoring is the general review of transactions and other activities performed by the Subagent VLRs. Monitoring also includes, but is not limited to, reviewing of service quality, customer service standards, ethical standards, and conduct. Monitoring is performed as part of general routine practices, and as directed by Policy and Procedure.

2) Audit: Agent shall audit the Subagent performance under this Agreement at least once per year. Agent may perform additional audits as necessary. Audits are the formal examination of facilities, equipment, records, actions, practices and requirements of a Subagent related to the performance of this Agreement. Audits may include, but not limited to, review of
facility and maintenance requirements, the performance and compliance of all title and licensing transactions, Policy and Procedure, reports, revenue collections and other accounting practices, the safeguarding of equipment, the safeguarding and permissible use of Personal and Confidential Information, and the maintenance of inventories, records, and documents. Agent must follow established DOL process and procedure for Subagent Audits. Agent does not have the ability to establish new audit standards or policies beyond those outlined by DOL.

3) Investigate: Agent may investigate the Subagent’s performance under this Agreement. Investigation is the act of inquiring and/or examining specific actions or omissions of the Subagent or any VLRs acting on its behalf. The investigation may be initiated based on information the Agent acquires through its monitoring or auditing functions, or through an outside source. Agent may expand the scope of an investigation or conduct an audit if it discovers additional actions that require further exploration. Agent’s investigation into a Subagent does not need to be equally performed among all Subagents.

(b) Access to Agent
For purposes of any monitoring, investigation, or audits, Subagent will grant Agent and/or DOL access to the Subagent’s facilities, documents, records and other matters related to its performance of this Agreement. Subagent will facilitate the inspection and reproduction of records and documents requested by Agent.

(c) Agent Written Report:
The Agent will provide the Subagent with a written report detailing the results of any investigation or audit that produces deficiency findings. The Subagent will have sixty (60) calendar days to review and respond to the written report.

(d) Responsive Action
Subagent will immediately address all discrepancies and violations detailed in any audit, investigation, or monitoring report. Agent will work with Subagent in good faith on all deficiency findings and will assist with additional training opportunities where applicable.

12. BREACH; SUSPENSION; TERMINATION FOR CAUSE
Subagent’s noncompliance with any terms, conditions, restrictions, or required performances of this Agreement may be deemed as a breach. This includes the noncompliance of Subagent VLRs. For purposes of this Agreement, there are three established levels of breach, each defined below.

Agent determines the level of the breach based on the nature, frequency, materiality and severity of the actions or omissions that caused the breach. Breaches provided are listed in order of increasing severity and are not intended to be all-inclusive, nor is there any requirement that the type of action taken start at the lowest level and be sequential. This determination is solely at Agent’s discretion, although for a Level II or Level III breach, Agent must provide the Subagent with the opportunity to address such matters before Agent’s final decision is made.

(a) LEVEL I BREACH - Warning
Agent will issue a Level I Breach when Agent determines the nature of the breach is relatively minor, and the issue is best resolved by providing a warning.

Notice of Breach: The written notice of Level I Breach will be issued to the Subagent in a timely manner, but no later than thirty (30) calendar days after the Agent makes the
determination that the improper conduct constituted a Level I Breach. The written notice will be delivered to the Subagent in person, by mail, or via email using the current contact information for the Subagent Agreement Manager. The written notice must specify that it is a “Level I Breach” and will include the specific provision(s) of the Agreement that are in breach. The notice may also include specific direction to resolve the breach. The Agent must keep a formal record of the date and subject of the warning, and any corrective action required therewith.

(b) LEVEL II BREACH – Formal Corrective Action
Agent will issue a Level II Breach when the Agent determines the nature of the breach is significant and/or continual enough to require formal corrective action.

Notice of Breach: The written notice of Level II Breach will be issued to the Subagent in a timely manner, but no later than thirty (30) calendar days after the Agent makes the determination that the improper conduct constituted a Level II Breach. The notice will be delivered to the Subagent in person, by mail, or via email using the current contact information for the Subagent Contract Manager. The notice will specify that it is a “Level II Breach” and will include the specific provision(s) of the Agreement that are in breach. The Subagent or the Subagent’s Agreement Manager must provide written acknowledgment of receipt within five (5) calendar days of receiving the notification.

Subagent Response: Subagent must provide a written response to Agent within fifteen (15) calendar days from the issue date of the Level II notice. Subagent’s response must include the action(s) taken (or to be taken) by the Subagent in order to correct and resolve each specified breach. Agent will review the Subagent’s response and determine whether the Subagent’s actions provide a proper resolution to the breach.

Corrective Action: If Agent determines the Subagent’s remedy is insufficient, Agent will prescribe its own corrective action plan. Agent will provide written approval of the remedy, or its own corrective action plan, within ten (10) calendar days from receiving Subagent’s response. Subagent’s failure to respond to a Level II Breach notice, or its non-compliance with the approved remedy or corrective action plan, is grounds for a Level III Breach.

When the Agent deems the corrective action complete and each breach is fully cured, Agent will provide written notice of cure to the Subagent.

(c) LEVEL III BREACH – Termination for Cause
Agent will issue a Level III Breach when the Agent determines the nature of the breach is so severe and/or continual that it constitutes grounds for termination of the Agreement.

1) Level III Breach – Prohibited Activities
The following represents a non-inclusive list of prohibited activity and/or behavior that is strictly disallowed and would be cause for a level III Breach as related to Subagent and Subagent VLRs:

- Offering a bribe, accepting a bribe or soliciting a bribe in the course of Subagent business.
- Charging or soliciting payment of, fees other than those prescribed by law; making “kickbacks” of fees or reimbursement, refunding or not charging fees, or making any economic inducement for the purpose of soliciting or increasing service volume of the Subagent.
- Receiving, accepting, taking, seeking, soliciting or giving directly or indirectly, anything of economic value, such as a gift, gratuity, favor or incentive to or from any person or
organization in relation to conducting Subagent business under terms of this agreement.

- Making false or fraudulent written statements.
- Using or being under the influence of alcohol, marijuana, narcotics, or prescribed or non-prescribed controlled substances to the point it impairs performance under the terms of this Agreement. The use, possession, distribution, dispensing, or manufacture of alcohol, marijuana, or controlled substances in the work site or work vehicles.
- Failing to properly safeguard confidential information, or the willful misuse or distribution of such information.
- Failing to properly remedy inappropriate conduct by Subagent or Subagent’s VLRs after DOL has provided Agent and/or Agent has provided subagent notification, regardless of whether such notice was in lieu of a warning, reprimand, or suspension.
- Committing any act of fraudulent or dishonest dealing or crime involving in relation to the ability to perform duties under this Agreement.
- Failing to provide reasonable oversight to prevent fraud, illegal acts, or Agreement breach of Subagent(s) and VLRs.
- Misusing the public trust pertaining to the position of a Subagent or a Subagent VLR.
- Abandoning the business.
- Employing or maintaining the employment of any person who has been convicted of a felony, a misdemeanor or gross misdemeanor related to the performance of services provided for in this Agreement.

Notice of Breach: The written notice of Level III Breach will be issued to the Subagent in a timely manner, but no later than thirty (30) calendar days after the Agent’s discovery and determination that the conduct constituted a Level III Breach. The notice will be delivered to the Subagent in person, by mail, or via email to the current contact information for the Subagent (Appointee), and the Subagent’s Agreement Manager. Both Subagent (Appointee) and the Subagent’s Agreement Manager must be provided notice of the Level III breach; although it only needs to be provided once if the same individual serves both roles. The notice must specify that it is a Level III Breach and include the specific provision(s) of the Agreement that have been breached.

Subagent Response: The Subagent (either an Appointee or Agreement Manager) is required to provide written acknowledgment of receipt notification of the Level III Breach within five (5) calendar days of receiving the notification. If the Subagent does not provide timely notice, this Agreement may be suspended until such time that the Subagent provides notice. Agent will then provide for a Termination Meeting with the Subagent, as described below.

Immediate Suspension: Agent, depending on the nature and severity of the breach, may also elect to immediately suspend the Subagent’s ability to perform transactions under this agreement. If Agent chooses to suspend this Agreement, Agent must include in its notice how the actions of the Subagent (or its VLR’s) could cause immediate harm or damage to the State of Washington, DOL, the Agent’s office, and/or the public at large. Agent will immediately notify DOL to suspend all VLR user access. Subagent must then provide notice to the public by posting a notice on the business’s main door indicating the office is temporary closed, and also indicating the address(s) of a nearby office(s).
2) **Level III Breach - Termination Meeting:**
Agent will arrange for a Termination Meeting to take place within fourteen (14) calendar days from the date of Subagent’s response to the notice of the Level III Breach, unless Agent and Subagent mutually agree upon another date. The Termination Meeting will be in-person unless all parties agree to use a telephonic or web-based meeting. The purpose of the Termination Meeting is to determine the following factors:

i. Whether the Subagent agrees or contests, in whole or in part, to the underlying factual elements of each breach, as presented by Agent;

ii. Whether Agent needs to engage in further investigation to determine if the breach was caused, permitted, and/or allowed by the Subagent based on facts presented.

iii. Whether a temporary suspension of the Agreement will be maintained or implemented during any additional period of investigation, corrective action, and/or decision making.

iv. Whether additional meetings are required to determine the ongoing level of compliance.

v. Whether the Subagent should be given the opportunity to cure the breach through corrective action, and/or whether the Agreement should be immediately terminated, suspended for a set period, or whether the matter should be reduced to a Level II Breach.

Subagent may waive its appearance at the Termination Meeting by providing written notice to Agent prior to the meeting.

**Final Decision:** Upon conclusion of the Termination Meeting or waiver of said meeting, Agent will issue a written final decision which must include the basis of the decision, and must be issued within ten (10) calendar days of the meeting or waiver. If termination is confirmed, then the Final Decision will immediately terminate this Agreement upon issuance. If a different outcome is determined, then the parties will follow the requirements as set forth in the decision.

(d) **APPEAL PROCESS**
Subagent has the right to appeal a Final Decision of an Agent that results in a suspension or a termination. A Level I and Level II Breach, or a temporary suspension during any investigative or corrective action period are not subject to appeal.

**Notice of Appeal Initiation:** Subagent initiates its appeal by sending a written “Notice of Appeal” to the Agreement Manager of the Agent, and to DOL’s Vehicle and Vessel Operations Administrator. DOL, pursuant to Policy and Procedure, will forward copies of the “Notice of Appeal” to the President of the Washington Association of Vehicle Subagents (WAVS), and the President of the Washington State Association of County Auditors (WSACA).

**Notice of Appeal Content:** The “Notice of Appeal” must include four matters:

- the specific determination that is being appealed,
- the reason the appeal is being made (why Subagent feels the final decision is improper),
- the Subagent’s statement of facts and evidence that supports its basis for its appeal, and
- the specific relief or alternative final decision that is being sought.
Failure to properly include all four of the above content may result in the Subagent’s appeal being rejected by the Review Board, prior to further application of the review process.

**Time Limit for Appealing:** Subagent must submit its written “Notice of Appeal” to the Agent within thirty (30) calendar days of receiving the Agent’s written Final Decision on the Level III Breach. Failure to submit the appeal within the allowed time will result in a waiver of Subagent’s right to appeal.

**Agent’s Determination not Stayed by Appeal:** The suspension or termination of this Agreement is not stayed during the pendency of an appeal. Agent, and/or DOL may also still perform an audit and secure all equipment and supplies as set forth in Attachment A, § 7.

**Binding Decision:** The Review Board’s Final Decision is permanent and binding on all parties and may not be subject to further appeal or review.

(e) **APPEAL REVIEW BOARD**

At the direction of DOL, the President of WAVS and WSACA chairs will convene a Review Board to consider the merit of any appeal or dispute. DOL will be responsible to coordinate scheduling and location for the Review Board proceedings and notification to the Agent and Subagent.

Members of the Review Board must not have prior involvement with the specific allegation(s) to be ruled upon or have a conflict of interest. Members of WSACA and WAVS serving on the review board must be in good standing and not be the subject of an open appeal or open termination proceeding, and may not be from the same county as the Subagent being reviewed.

**Composition of Review Board:** The Review Board will be comprised of the following persons:

- A representative from WSACA appointed by WSACA in accordance with WSACA policy.
- A representative of WAVS appointed by WAVS in accordance with WAVS policy.
- The Director of DOL or the Director’s designee.

The review board will self-select a chairperson for purposes of the review.

**Quorum:** All three (3) members of the Review Board are required to constitute a quorum.

**Location of the Review Process:** The Review Board shall conduct the review process in the county in which the termination, suspension or dispute took place, unless another mutually agreeable venue is selected.

**Time of Review Board Review Process:** The review process is to take place within thirty (30) calendar days of the date the “Notice of Appeal” was received by Agent, unless an alternative mutually agreeable date is selected.

**Burden of Proof:** The burden of proof is on the Agent to show that by a standard of preponderance of evidence that the Subagent engaged in noncompliant action(s) that caused a breach of the Agreement, and that such actions justify the final disposition as determined by the Agent.

**Review Board Procedure Evidence:** Documentary evidence may be submitted in addition to witness testimony. No later than ten (10) calendar days prior to the scheduled review proceeding, Agent and Subagent must submit to the review board, and to the other party, a list of all witnesses, and all documentary evidence that will be introduced and/or used at the hearing.
The Rules of Evidence do not apply, but the Review Board will consider only relevant evidence, and will determine the substantive weight and credibility of such evidence.

Review Board members may ask questions of any witness in an orderly fashion at any time in the proceeding.

Recording of the review process is not required but may be allowed at the discretion of the Review Board and with express written permission from all being recorded.

Review Board members may not have discussions with DOL, Agent or Subagent or their representatives, regarding the substantive merits of the allegation(s) to be discussed during the review process. If one member of the Review Board violates this provision, the remaining members will determine whether to maintain or to remove that member and appoint a replacement within twenty-four (24) hours.

Length of Presentation: At the beginning of the review process, the Review Board will announce how much time each Party is allotted to present their case, starting with the Respondent Agent. In addition, the Respondent Agent will be allowed an additional short period for rebuttal. If any party fails to appear, the review process will proceed.

Remedies: The Final Decision of the Review Board must be agreed upon by at least two (2) members of the Review Board in order to become final. The Review Board may announce its decision orally at the conclusion of the hearing, but must issue a final written decision that includes the basis and reasoning of its decision to the Parties within ten (10) calendar days after the conclusion of the review process. The Review Board may uphold the Agent’s Final Decision, reverse the Final Decision, impose other sanctions or corrective action, or remand to the Agent for additional investigation. The Review Board’s decision will be the Final Decision under this Agreement.

13. NON-BREACH TERMINATIONS; POST TERMINATION PROCEDURES

   Termination by Mutual Agreement: The parties may terminate or suspend this Agreement by mutual decision. Any such termination/suspension must be set in writing and executed by the authorized signatory of each party.

   Termination for Withdrawal of Authority: If Agents authority to actively engage in this Agreement is compromised, suspended, or terminated, whether by a lack of funding, or by any other governmental issue, including changes in statute, administrative codes, changes in DOL’s authorization, or agency policies, the Agent may terminate or suspend this Agreement for convenience with a minimum of thirty (30) days’ notice. The Agent is to provide the Subagent with as much notice as possible. This type of termination must apply equally to all Subagents in the county.

   Post-Termination Procedures: After termination of this Agreement for any reason, Subagent must settle all outstanding liabilities and claims arising from any work under this Agreement and return all equipment and supplies as required herein. Agent will also perform all VLO Closure actions as noted in the Statement of Work – Attachment A, Section 7.

14. INSURANCE

   Insurance Requirements: Subagent shall maintain at its own cost and expense commercial general liability insurance including personal injury and contractual liability not less than $1,000,000.00 per occurrence and a general aggregate limit of not less than $2,000,000.00
• The insurance policy must be issued by an insurance company authorized to do business within the state of Washington. Agent and DOL must be included as additional insured, for full policy limits, on Subagent’s commercial general liability insurance policy.

• Prior to performance of any work under this Agreement, and upon each insurance renewal thereafter, the Subagent must furnish Agent the Certificate(s) of Insurance (COI) and endorsements showing compliance with the insurance requirements herein. Agent, at its discretion, has the right to request updated copies of COI, but failing to request the COI does not relieve Subagent of its affirmative duty to provide it. Agent must receive 30 days written notice of cancellation or alteration of a policy.

• Subagent waives all rights against the Agent, DOL, and the State of Washington for recovery of damages to the extent that such damages are, or would be, covered by general liability or umbrella insurance maintained pursuant to this Agreement. All insurance provided in compliance with this Agreement must be primary as to any other insurance programs afforded to or maintained by Agent.

Renters Insurance: If Subagent leases commercial space as its VLO, Agent may require Subagent to obtain renters insurance in an amount that minimally covers all costs of supplies, inventory, and equipment. Agent’s election to require renter’s insurance must be applied equally to all Subagents in that county.

15. AGREEMENT ALTERATIONS AND AMENDMENTS
This Agreement may only be amended by mutual agreement of both parties. Such amendments are not binding until they are in writing and signed by personnel authorized to execute the same for each respective party.

Notwithstanding the above paragraph, and pursuant to RCW 46.01.140, Policy and Procedure may be amended by DOL. Subagent will remain subject to the Policy and Procedure as amended.

Pursuant to RCW 46.01.140, agreements between Agents and Subagents need to be Standardized Agreements developed by DOL. In order to maintain standardization, any amendment executed by the Parties, without the prior written approval of DOL is a violation of statute and therefore void.

16. AUTHORIZED SIGNATORIES
Agent: The authorized signatory for the Agent is the County Agent, or his/her delegate as appointed in writing.

Subagent: Each individual identified as a Subagent Appointee, listed on the first page of this agreement is an authorized signatory. The execution by any Appointee is binding against all Subagents.

17. AGREEMENT MANAGEMENT
The respective Agreement Manager(s) for each party is indicated on the first page of this Agreement. Each respective Agreement Manager is the primary contact person for all communications, billings, and notices regarding the accounting, compliance, breach, and performance issues of this Agreement. Notices and communications may be provided by hand delivery, by U.S. postal services, or electronically via email to the last stated email address of an Agreement Manager. Additionally, delivery of a notice to a Subagent Appointee will also suffice as giving notice to all Subagents.
Each Party has a continuing obligation to provide the other party with the current name, phone number, and email address of that Party’s respective Agreement Manager and signatory. This is an affirmative duty that must be maintained current. A notice of change to the Agreement Management should be set in writing, and provided in advance of the change, or as soon thereafter as possible.

Each party bears the consequences of a missed communication or notice, if delivery of such matter was not received because of that party’s failure to provide updated Agreement Management information.

18. ASSIGNMENT AND USE OF SUBCONTRACTORS
This Agreement may not be assigned by either Party.

Subagent may not enter into subcontracts for any work or services related to the subject matter of this Agreement without the prior written approval of the Agent. This clause does not include contracts of employment between the Subagent and personnel employed to work for the Subagent.

19. DISPUTES
The parties agree the services of this Agreement concern the best interest of the public, therefore all disputes under this Agreement are to be resolved as amicably and as timely as possible.

Good Faith Efforts: The parties agree to in good faith promptly resolve any dispute, controversy or claim arising out of or relating to this Agreement, through negotiations between senior management of the parties. If the dispute cannot be resolved within 30 calendar days of initiating such negotiations, the parties may agree upon an alternative dispute resolution process. Unless the parties agree that submission to alternative dispute resolution would be futile, this provision is a prerequisite to either party filing an original action in superior court.

Continued Performance: Pending dispute resolution or court action, both parties will continue to carry out their respective responsibilities under this Agreement.

Exception for Breach: The dispute process herein does not apply to any determination of Breach, corrective action, or a suspension or termination for cause, which is disputed as set forth in Section 13 D.

20. GOVERNING LAW AND VENUE
This Agreement is governed by the laws of the state of Washington. Venue of any lawsuit filed by any party against the other party arising in whole or in part of this Agreement must be in the Superior Court of the County where the Agent is located.

Order of Precedence: In the event of an inconsistency in this Agreement, unless otherwise provided herein, the inconsistency shall be resolved by giving precedence in the following order:

1) Applicable federal and state statutes and regulations
2) Terms and Conditions of this Agreement
3) Statement of Work, Attachment A
4) Data Security Requirements, Attachment B
5) Title VI Compliance, Attachment C
6) DOL Policy and Procedure, Attachment D
21. **LIMITATION OF LIABILITY**
DOL, as a third party provider, will not be responsible for any financial and/or material loss to the Agent or any Subagent for down time of business, equipment, communication lines or DOL operating systems during normal operating hours. DOL may not be held liable for any errors which occur in compilation of Data, nor may DOL be held liable for any delays in furnishing amended Data.

22. **INDEMNIFICATION AND HOLD HARMLESS**
Each party is responsible for the actions and omissions of itself and its own employees and officers acting within the scope of its authority, and shall hold the other party harmless against all claims for damages resulting from its own acts and/or omissions, arising out of or resulting from its performance of this Agreement.

Agent understands that it cannot hold Subagent responsible for noncompliance to the extent that such noncompliance was caused by the Agent’s or by DOL’s failure to first perform specified third party actions as stated herein.

23. **INDEPENDENT CAPACITY**
Each party, including its directors, executives, and employees, is a separate and independent legal entity that is solely acting under its own authority. All owners, directors, and/or employees of Subagent are the independent personnel of the Subagent and are not employees of the Agent.

24. **LEGAL COMPLIANCE**
Subagent shall comply with all applicable local, state, and federal laws rules and regulations. Such compliance includes, but is not limited to, all applicable licensing requirements of the state of Washington, all civil rights and non-discrimination laws, the Americans with Disabilities Act (ADA) of 1990, and all federal and state employment laws, including Title VI requirements as set forth on Attachment C. Failure to comply with this provision may be grounds for termination of this Agreement regardless of any effect such non-compliance may have on the subject matter of this Agreement.

25. **RECORDS MAINTENANCE**
Each party shall maintain books, records, documents, and other evidence that fully reflect all transactions made by them pursuant to this Agreement. This includes records that reflect the receipt, retention, and disbursement of all fees and taxes, and all costs expended in the performance of the duties and services described herein. This includes, but is not limited to, all banking deposit and withdrawal slips, reconciliation statements, and other documents whether in paper or electronic form.

Subagent shall maintain all records documents and other evidence as it relates to the receipt, usage, and/or maintenance of all supplies, inventory, and equipment provided under this Agreement.

Subagent shall also maintain records of all other matters concerning compliance with this Agreement, and as further directed by Policy and Procedure.

26. **RECORDS DISCLOSURE – PUBLIC REQUESTS**
Subagent may not publicly release any records or information under this agreement pursuant to a public records request (Chapter 42.56 RCW). If Subagent receives a public records request, Subagent will immediately forward the request to Agent and DOL within
twenty-four (24) hours. All requested records and information may only be released to Agent or DOL.

Subagent shall fully cooperate, comply, and produce all records requested by Agent or DOL pursuant to any public disclosure request submitted to the Agent or DOL. The timelines for the production and/or disclosure of records will be established by the Agent or DOL relative to each independent disclosure request. Subagent must provide all requested information in a timely manner. If Subagent fails to do so, it will be liable for any associated penalties or fees caused by their delay.

27. SEVERABILITY
If any provision of this Agreement is held invalid, such invalidity shall not affect the other provisions of this Agreement which can be given effect without the invalid provision, if such remainder conforms to the requirements of applicable law and the fundamental purpose of this Agreement, and to this end the provisions of this Agreement are declared to be severable.

28. OWNERSHIP AND TREATMENT OF PROPERTY
All supplies, inventory, and equipment (Property) furnished to the Subagent under this Agreement, whether by DOL as a third party provider or by Agent, remains the property of DOL, and DOL retains full title and all rights associated with ownership. Subagent shall ensure that supplies, inventory, and equipment do not become security for any debt, or fixtures at Subagent’s location.

Any Property furnished to Subagent under this Agreement must be used only for the performance of this Agreement. Subagent shall surrender to Agent all Property upon completion, termination or expiration of this Agreement.

Subagent may be responsible for loss or damage of Property due to negligence. Upon such damage or loss, Subagent shall notify Agent and shall take all reasonable steps to protect Property from further damage.

29. SURVIVORSHIP
Notwithstanding the expiration or termination of this Agreement, the terms, conditions and warranties contained in this Agreement concerning the Safeguarding Personal Information and Permissible Use, and retention of records, survive completion, cancellation or termination of this Agreement.

30. WAIVER
An omission by either party to exercise its rights under this Agreement does not preclude that party from subsequently exercising such rights, and does not constitute a waiver of any other rights.
ATTACHMENT A - Subagent Statement of Work (SOW)

The purpose of this attachment is to describe the licensing services (Work) to be performed by the Subagent and establish the support services to be provided by Agent and/or DOL as a third party provider. It includes the manner in which the Subagent will perform its actions, to include the timing, quality assurance, and customer services levels associated with such performance.

All Subagent work must be performed by the Subagent or the Subagent VLRs. Any actions, whether performed by the Subagent or its VLRs, are actions deemed to be performed by the Subagent, and the Subagent remains fully responsible for the compliance of all terms and conditions to this Agreement.

1. FACILITY REQUIREMENTS – Vehicle Licensing Office (VLO)

1.1 Facility Selection and Set up – Subagent Requirements:
If Subagent’s VLO is already set up and operating, the requirements of this section are deemed completed. However, If Subagent moves its location or adds more equipment to its current location, Parties shall adhere to the following requirements:

Subagent must select a facility that has adequate open space, seating, and parking to accommodate the number of people who enter Subagent’s facility for vehicle or vessel transaction purposes.

Subagent must provide to Agent, a site floor plan setting forth the positioning of furniture, electrical service, customer service areas, and general open areas. The configuration of the Subagent’s VLO must be approved by Agent, however, the Agent, pursuant to its agreement with DOL, must first seek the prior approval of DOL.

Subagent must select a facility that can provide the necessary electrical outlets and data/phone/internet cabling to properly accommodate all electrical and internet requirements for full business operations.

- If the VLO does not have adequate available electrical outlets and/or structured cabling, Subagent shall have additional outlets and/or structured cabling installed at Subagent’s expense.

Subagent must work with Agent to approve all VLR workstation allocations as described in Policy and Procedure.

Agent must ensure that any and all necessary modifications are made to the site in order to meet DOL specifications and facilitate installation of equipment.

Subagent must retain DOL’s equipment in the same place as installed. Subagent must maintain all equipment in good working order.

Subagent must provide all office furniture and maintain such furniture in good working order.

- If Subagent intends to remodel, it must provide a site plan for the remodel to Agent for approval. Subagent’s remodel must also meet all other requirements of this section.

1.2 Facility Approval and Installation:
Agent must approve or decline all site plans within fourteen (14) calendar days of submission, providing that Agent has received its approval or denial from DOL. If the site plan id declined, Agent must provide adequate justification and explanation for the denial.
DOL, as third-party provider on behalf of Agent, will coordinate the completion of the site’s data connection and all equipment required for the site to be operational within sixty (60) calendar days of the final approval of Subagent’s site plan. If the site is not structurally ready for the installation of data lines at that time, DOL will install the same within a reasonable time based on when the site accommodates such installation.

DOL, or an authorized contractor on behalf of DOL, as a third party provider, will provide, install, and test equipment for the Subagent in accordance with standards for functional connectivity. If the Subagent relocates or requires a reconfiguration of the workstations, DOL or an authorized contractor on behalf of DOL, will relocate, reinstall and retest the equipment and functionality at the expense of the Subagent.

- Subagent may request permission from Agent to install its own data connection. Agent, in turn will seek approval from DOL. If approved, all set-up and recurring costs related to the installation of the data connection will be the responsibility of the Subagent.

1.3 Equipment Installation:
DOL, as third-party provider on behalf of Agent’s behalf will provide and install all necessary equipment for the Subagent, based on the number of workstations as approved in its site plan. DOL, per its direct agreement with the Agent, will also test for functional connectivity of the equipment to verify that it fully accesses DOL’s DRIVES system. Subagent understands and agrees that all equipment provided by DOL will remain the sole property of DOL.

If Subagent relocates or requires a reconfiguration or increase of additional equipment, Subagent must notify the Agent who will make the request to DOL as per Policy and Procedure.

If Subagent needs to make employee accommodation modifications to equipment or software, Subagent must obtain the approval of Agent prior to making such modifications. Subagent will bear the costs for making such modifications, and will reimburse Agent and/or DOL for any such costs either entity experiences.

Agent, Agent VLRs, Subagents, and Subagent VLRs are prohibited from the following:

- Removing any state tags or other identifying labels from equipment, removing the equipment from the premises where it is installed.
- Connecting any additional equipment to the communications line;
- Modifying, adding, or removing parts from equipment, unless authorized by DOL.
- Use or adding of external drives, software programs or packages to the equipment, hard drives or computer systems. Allowing any equipment provided by DOL to be deemed as becoming a fixture at the facility where it is located.
- Encumbering or allowing any lien or security interests to be placed on the supplies, inventory or equipment.

1.4 Equipment Maintenance Obligations:
Agent shall be responsible for coordinating with DOL to provide all needed maintenance, repair, and replacement of equipment. However, if the repair, replacement, or maintenance is caused by the improper actions of the Subagent or its VLRs, then Subagent will reimburse Agent or DOL for all related costs.

Agent per its Agreement with DOL will establish a system where DOL, as third party provider, will provide maintenance services within twenty-four (24) hours or the next business day, following notification from Subagent of a malfunction of the equipment.
Agent or DOL will not be responsible for any financial and/or material loss to the Subagent for down time of equipment, communication lines or DOL operating systems during normal operating hours.

1.5 VLO Facility Operations:
Subagent must maintain its VLO as a clean, sanitary and safe environment for the public to include, but not limited to, meeting all city, county, state and federal requirements for building safety and fire codes.

Subagent must post its hours and days of operation in an outward facing manner so that it is easily viewable to the public. Subagent must receive Agent’s approval for changes in days and hours of operation, and follow the notification requirements set forth in Policy and Procedure.

2. SUPPLIES AND INVENTORY
2.1 Agent Obligations:
Agent shall secure all supplies and inventory from DOL and shall provide the Subagent with the supplies and inventory to be used by the Subagent in the performance of all licensing functions included in this Agreement.

Agent, if possible, may also facilitate DOL directly providing any supplies or inventory to the Subagent if agreed upon by all entities. Subagent will not be responsible for loss or damage to the inventory or supplies during transportation or removal by DOL, Agent or either of their representatives.

The amount of supplies and inventory given to the Subagent will be determined by Policy and Procedure. If Subagent needs additional supplies and inventory, Subagent will request the same from Agent pursuant to Policy and Procedure.

All inventory furnished by DOL under this Agreement, and retained by the Subagent, remains the sole property of DOL, and DOL maintains full title and rights associated with sole ownership.

2.2 Subagent Obligations:
Subagent shall maintain, protect, and use the supplies and inventory provided under this Agreement in accordance with Agent’s and DOL’s Policy and Procedures. All such supplies and inventory must be used solely for purposes of carrying out the licensing functions of this Agreement.

Subagent is responsible for loss of or damages to DOL supplies and inventory while in the care and custody of the Subagent.

2.3 Maintenance of All Supplied Property:
Subagent shall provide basic care of all Property in order to avoid damage.

Subagent shall notify Agent immediately of any malfunction in the equipment or communications lines of the Subagent. Agent may direct Subagent to contact Agent’s provider, which may be DOL. Subagent shall thereafter ensure that the Agent’s or DOL’s representative has full, free, and safe access to the equipment and communications lines as necessary to perform maintenance, between the hours of 8:00 a.m. and 5:00 p.m., or normally scheduled hours of the Subagent unless prior arrangements have been made on any weekday that is not a state holiday or mandated temporary layoff day.
Subagent shall reimburse Agent and/or DOL as the third party provider for any and all costs incurred for the repair, replacement, and/or maintenance of the Property due to the failure of Subagent to provide basic care of the Property or when the Property is damaged or otherwise malfunctions through misuse, fault, or neglect of Subagent.

3. TRANSACTION FUNCTIONS

3.1 Establishing User Accounts:
Subagent will submit the request for VLR access to DOL’s systems by providing Agent with the required information as directed in Policy and Procedure.

Subagent will obtain a background check for each Subagent VLR as directed in Policy and Procedure prior to requesting access. If the results of the background check do not conform to the requirements set forth in Policy and Procedure, Subagent will not request access.

Agent will forward the Subagent’s request for VLR access to DOL. DOL, as a third party provider, will establish and issue user accounts to Subagent VLRs upon receipt of the Agent’s request along with the information required per Policy and Procedure.

All login and Access information is for individual use only. Each VLR must protect their passcodes and access information from disclosure and may not allow other individuals to use their access. Each VLR is individually responsible for all activity on their individual account.

Whenever a Subagent removes a VLR from its office, Subagent will provide notice to the Agent immediately, but no later than two (2) business days of the removal. Agent will forward the information to DOL as set forth in Agent’s Agreement with DOL. DOL will delete all logon and access credentials for that individual.

3.2 Performance of Transaction Functions:
Subagent and its VLRs shall provide all services for vehicle title and registration applications and issuances as authorized in statute and further directed by Policy and Procedure.

3.3 Quality Service Assurance:
Subagent shall ensure that:

- All services are performed accurately and properly in accordance with state law, Policy and Procedure, and in accordance with this Agreement;
- All customer services are performed in a professional, courteous, and ethical manner that is consistent with Policy and Procedure, as well as any additional requirements based on Agent’s policies and procedures.
- All transactions are properly executed, documented, and entered into DOL’s DRIVES system with an accuracy level of one hundred percent (100%), not to fall below ninety-five percent (95%).
  - Accuracy level relates to the completeness of the transaction, whereby if any documents, cash handling, or computer entries, were incomplete, missing, altered, or processed incorrectly or where taxes or fees due were waived, reduced, overridden, or altered without proper supporting documentation or approval.

If Subagent becomes aware of any invalid or improper customer transaction, Subagent must immediately notify the customer as applicable, and cause the transaction to be corrected as quickly as possible. Subagent shall also perform such corrective non-fee transactions for any customer at its facility, even if the original transaction was conducted at a different facility.
4. BANKING AND REVENUE ACCOUNTABILITY
Subagent is responsible for the collection, retention, and payment of all revenue generated through the performance of transactions under this Agreement. Subagent shall provide for such collection, retention and payment as follows:

4.1 Establishing an Account:
If Subagent has already established its banking account which is currently in use and approved by Agent, then Subagent does not need to establish a new account. Otherwise, Subagent shall establish a non-interest-bearing checking account with a public depository bank or credit union that is authorized by the Washington State Treasurer’s Office to accept public deposits and Automated Clearing House (ACH) electronic fund activities. The account shall be titled as the DOL Agency Account.

Subagent shall complete and sign an ACH authorization form allowing fund transfers by the Agent, and by the DOL Chief Financial Officer (CFO).

Subagent shall fill out a signature card, which must include the following data:
- Bank or credit union name
- Account number
- Agent and Subagent name
- Agent and Subagent signatures

Subagent shall also reserve space on the signature card for Agent, and for DOL’s CFO to add his/her name, title, and signature. Each signature card must authorize DOL, the Agent, and the Subagent to withdraw funds.

Subagent shall keep each signature card and ACH authorization form current and available for review as requested. If Subagent wishes to change its account, it must get preapproval from Agent, and then follow all procedure herein before using that account.

All above requirements are to be completed at least thirty (30) calendar days prior to the use of any account.

Agent is responsible for ensuring that all bank accounts and ACH authorization remains as set forth above. It is also Agent’s responsibility to make sure that all payments to, and withdrawals from the DOL Agency Account is in accordance with state law and Policy and Procedure.

4.2 Separation of Funds:
Subagent shall use the DOL Agency Account, as established above (Section 4.1) only for the deposit, transfer, and withdrawal of revenue generated through the performance of transactions under this Agreement. If Subagent engages in additional business at its location, the retention and deposit of other moneys must be done separately. Subagent may not deposit funds received from non-DOL business into the DOL account.

Subagent shall ensure all payments received for DOL licensing activities are kept in a dedicated cash drawer used only for licensing transactions.

Subagent shall record, report, and track DOL account activities separate from non-DOL account activities.

4.3 Accepting Payment:
Subagent shall only accept payments through tender per Policy and Procedure.
4.4 Deposit and Withdraw of Funds:
Subagent shall deposit and withdraw funds only as permitted in Policy and Procedure.

4.5 Lost Revenues:
In the event of theft, burglary, misplacement or destruction of revenue collected by Subagent the Subagent is responsible for ensuring customers are notified and replacement payment is collected. Subagent is responsible for all costs related to the recovery of revenue.

- Subagent must report all theft or burglary to DOL, Agent, and local law enforcement.
- Subagent must provide documentation of any insurance claim for loss and also provide any criminal investigation number per Policy and Procedure, and will reimburse Agent and/or DOL for all costs resulting from Subagent errors or omissions.

5. EDUCATION AND TRAINING
5.1. Designation of DOL Training Requirements:
DOL as a third-party provider of education, training, testing, and support, pursuant to its contractual agreement with the Agent, is required to establish all educational training requirements that are necessary for the Agent, Agent VLRs, Subagents, and Subagent VLRs.

- The trainings may be developed directly by DOL, outside sources, or in collaboration with Agents and other related stakeholders.
- The trainings may include a testing component to determine whether the trainee has sufficient understanding of the material and meets minimum requirements for maintaining access to DOL systems.

DOL may also provide support service functions to assist Agent, Subagents, and VLRs to meet performance obligations and may provide additional information as needed.

5.2. Fulfillment of Training Requirements – Agent Actions:
Agent shall notify Subagents of all training requirements including an updated list of required trainings and their due dates. The trainings may be performed live by in-person instruction, written communication, web-based, electronically through a computer-based format, or by using other training methods.

Agent, or DOL on Agent’s behalf, shall provide initial training, and further provide ongoing training for continuing education. Agent must provide Subagent with reasonable notice and flexible opportunities to receive training.

Agent shall monitor and track all Subagent VLRs to ensure that each VLR receives and completes the training within the required timelines.

Agent will provide notice of all completed, and non-completed trainings to DOL within the stated timelines; VLRs who do not receive the training in a timely fashion will be denied future access to DOL DRIVES system until such time that Agent confirms with DOL that the training was completed.

5.3. Fulfillment of Training Requirements – Subagent Actions:
Subagents shall attend and receive all required trainings. This obligation remains in effect even if Subagent does not act as an actual VLR, and/or have an active User Account. If Subagent wishes to have a designee carry out its training duties, Subagent must first get written approval from Agent.
Subagent shall provide all training to its Subagent VLRs as requested by Agent.

Subagent shall ensure that all Subagent VLR’s receive and complete each and every required training by the designated timelines. Any non-completed training must be reported to Agent.

Subagent shall track the training of all Subagent VLRs, and provide written verification of all completed trainings to the Agent prior to the timelines associated with each training.

6. NOTICE REQUIREMENTS:

Required Notice to Agent:
Subagent has an affirmative duty to notify the Agent if Subagent, or Subagent’s Agreement Manager learns of any of the following:

- If any Subagent VLR is no longer acting as a VLR for the Subagent.
- If any Subagent VLR engages in any Prohibited Activity as provided in Contract Section 13 (c) – Level III Breach Prohibited Activities or other actions that may cause the Subagent to be in a Level III Breach.
- If Subagent or Subagent VLRs ever use the Confidential Information in a manner that violates and/or exceeds the Permissible Uses as stated herein.

7. SUBAGENT VLO CLOSURE

Upon the expiration or termination of this Agreement or upon the closure of the Subagents business, Subagent shall permit and/or facilitate the following:

a) Subagent shall preserve all records, monies, supplies, inventory, and equipment, and keep the same secure until they are audited and/or otherwise in the possession of Agent or DOL. Agent will immediately perform an audit, or assist DOL to perform an audit on all of the Subagent’s business practices related to this Agreement.

b) Subagent shall cooperate and permit Agent and/or DOL to conduct an audit on all of Subagent’s transactions, operations, accounting, inventory, and equipment related to this Agreement.

- Prior to the audit, Subagent is prohibited from altering, removing, destroying, or otherwise manipulating equipment, documents, records, files, negotiable items including money, and any other materials in any manner not related to the proper fulfillment of services under this Agreement.

c) Subagent will permit Agent or DOL to take possession of all remaining supplies, inventory, and equipment, provided under this Agreement.

d) Subagent will permit Agent or DOL to take possession of all vehicle and vessel title and licensing related fees and taxes collected,

e) Subagent shall pay all applicable fees owing to Agent and/or DOL.
ATTACHMENT B - Data Security Requirements

1. **Data Classification**
The classification of the Data shared under this Agreement includes:

- [ ] Category 1 – Public Information
- [ ] Category 2 – Sensitive Information
- [x] Category 3 – Confidential Information
- [ ] Category 4 – Confidential Information Requiring Special Handling

2. **Access Security**
Access to the Data will be restricted to authorized users by requiring a login using a unique user ID and complex password or other authentication mechanism which provides equal or greater security. Passwords must be changed on a periodic basis and the sharing of user ID and passwords is strictly prohibited.

3. **Data Storage**
Subagent agrees that any and all Data will be stored, processed, and maintained solely on designated computing equipment and that at no time will Data be processed on or transferred to any portable storage medium.

4. **Data Transmission**
Subagent agrees that any and all electronic transmissions or exchanges of system and application Data with DOL and/or any other parties expressly designated by DOL shall take place via secure means. Data that is transferred by and/or resides on assigned DOL equipment is considered secure.

5. **Distribution of Data**
Subagent shall ensure no Data of any kind shall be transmitted, exchanged, or otherwise passed to other contractors/vendors or interested parties except on a case-by-case basis as specifically agreed to in writing by DOL. Subagent further agrees not to release, outside their control, screen prints or other printed documents that are not designated for the customer. All hard copies not necessary for business use must be destroyed as referenced in the Data Disposal section.

6. **Data Disposal**
Unless otherwise specified in the Agreement, Subagent agrees that upon termination of this Agreement it shall erase, destroy, and render unrecoverable all Data and certify in writing that these actions have been completed within 30 days of the termination of this Agreement or within 7 days of the request of a Subagent of DOL, whichever shall come first. At a minimum, media sanitization is to be performed according to the standards enumerated by NIST SP 800-88 Guidelines for Media Sanitization.

7. **Security Breach Notification**
Subagent agrees to comply with all applicable laws that require the notification of individuals in the event of unauthorized release of DOL data or other event requiring notification. In the event of a breach of any of Subagent’s security obligations, or other event requiring notification under applicable law, Subagent agrees to the following:

a) Notify DOL and Agent by telephone and e-mail of such an event within 24 hours of discovery:
   - DOL Help Desk, phone: (360) 902-0111; email: hlbhelp@dol.wa.gov
b) Assume responsibility for costs and for cooperating with DOL on all matters necessary for informing all such individuals, as directed by DOL, and in accordance with applicable state and federal laws.
c) Mitigate the risk of loss and comply with any notification or other requirements imposed by law or DOL.
ATTACHMENT C - Title VI Compliance

During the performance of this Agreement, the Subagent, for itself, its assignees, and successors in interest agrees as follows:

1. Compliance with Regulations: The Subagent will comply with the Acts and the Regulations relative to Nondiscrimination in Federally-assisted programs of the U.S. Department of Transportation (USDOT), Federal Motor Carrier Safety Administration (FMCSA), as they may be amended from time to time, which are herein incorporated by reference and made a part of this contract.

2. Nondiscrimination: The Subagent, with regard to the work performed by it during the contract, will not discriminate on the grounds of race, color, national origin, sex, age, disability, income-level, or Limited English Proficiency (LEP) in the selection and retention of subcontractors, including procurements of materials and leases of equipment. The Subagent will not participate directly or indirectly in the discrimination prohibited by the Acts and the Regulations as set forth on the following page, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21.

3. Solicitations for Subcontracts, Including Procurements of Materials and Equipment: In all solicitations, either by competitive bidding, or negotiation made by the Subagent for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential subcontractor or supplier will be notified by the Subagent of the contractor's obligations under this contract and the Acts and the Regulations relative to Non-discrimination on the grounds of race, color, national origin, sex, age, disability, income-level, or LEP.

4. Information and Reports: The Subagent will provide all information and reports required by the Acts, the Regulations and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the Washington State Department of Licensing (DOL) or the FMCSA to be pertinent to ascertain compliance with such Acts, Regulations, and instructions. Where any information required of a contractor is in the exclusive possession of another who fails or refuses to furnish the information, the Subagent will so certify to the DOL or the FMCSA, as appropriate, and will set forth what efforts it has made to obtain the information.

5. Sanctions for Noncompliance: In the event of a Subagent's noncompliance with the Non discrimination provisions of this contract, the DOL will impose such contract sanctions as it or the FMCSA may determine to be appropriate, including, but not limited to:
   a. withholding payments to the Subagent under the contract until the Subagent complies; and/or,
   b. cancelling, terminating, or suspending a contract, in whole or in part.

6. Incorporation of Provisions: The Subagent will include the provisions of paragraphs one through six in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. The Subagent will take action with respect to any subcontract or procurement as the DOL or the FMCSA may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if the Subagent becomes involved in, or is threatened with litigation by a subcontractor, or supplier because of such direction, the Subagent may request the DOL to enter into any litigation to protect the interests of the DOL. In addition, the Subagent may request the United States to enter into the litigation to protect the interests of the United States.
ATTACHMENT C - Title VI Compliance Continued

During the performance of this contract, the Subagent, for itself, its assignees, and successors in interest (hereinafter referred to as the "Subagent") agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

(a) Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin), as implemented by 49 C.F.R. § 21.1 et seq. and 49 C.F.R. § 303;
(b) The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
(c) Federal-Aid Highway Act of 1973, (23 U.S.C. § 324 et seq.), (prohibits discrimination on the basis of sex);
(e) The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 et seq.), (prohibits discrimination on the basis of age);
(f) Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
(g) The Civil Rights Restoration Act of 1987, (102 Stat. 28.), (" ....which restore[d] the broad scope of coverage and to clarify the application of title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and title VI of the Civil Rights Act of 1964.");
(h) Titles II and III of the Americans with Disabilities Act, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§12131 -- 12189) as implemented by Department of Justice regulations at 28 C.F.R. parts 35 and 36, and Department of Transportation regulations at 49 C.F.R. parts 37 and 38;
(i) The Federal Aviation Administration's Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
(j) Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
(k) Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
(l) Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq.), as implemented by 49 C.F.R. § 25.1 et seq.
ATTACHMENT D – Listing of Policy and Procedure

- **VEH.1** - Definitions in Policy
- **VEH.2** - Handling Personalized License Plates
- **VEH.3** - Operating Standards for Agents and Subagents
  - Revision Memo 184-001 (07/03/19)
  - Revision Memo 088-001 (02/22/18)
  - Revision Memo 053-001 (03/29/18)
  - Revision Memo 054-002 (02/23/18)
  - Revision Memo 018-003 (01/18/18)
- **VEH.4** - Preventing Fraud in Transactions
  - Revision Memo 054-002 (02/23/18)
  - Revision Memo 018-003 (01/18/18)
- **VEH.6** - Preparing and Distributing Documents
  - Revision Memo 362-002 (12/28/18)
  - Revision Memo 047-001 (02/16/18)
  - Revision Memo 022-003 (01/22/18)
- **VEH.7** - Establishing and Maintaining Bank or Credit Union Accounts
  - Revision Memo 082-001 (03/23/18)
- **VEH.8** - Appointment and Resignation of Agents and Subagents
- **VEH.9** - Allocating the DRIVES Workstation
- **VEH.10** - Handling and Processing Checks
  - Revision Memo 047-001 (02/16/18)
- **VEH.11** - Processing Inventory
  - Revision Memo 116-001 (04/26/18)
  - Revision Memo 047-001 (02/16/18)
- **VEH.13** - Operating Hours for DRIVES
- **VEH.14** - Requesting a Refund
  - Revision Memo 190-002 (07/09/18)
  - Revision Memo 017-001 (01/17/18)
- **VEH.15** - Reporting Robbery, Burglary, Theft, and Embezzlement
- **VEH.16** - Using DOL Equipment and System Security
- **VEH.17** - Applying Standards of Conduct
- **VEH.18** - Producing an Affidavit in Lieu of Title for Ownership in Doubt
  - Revision Memo 102-003 (04/12/18)
  - Revision Memo 064-001 (03/05/18)
- **VEH.19** - Training and Certification of Vehicle Licensing Representatives (VLRs)
- **VEH.20** - Requesting Approval to Issue Quick Titles and Taking Corrective Action
- VEH.22 - Adding Free Form Text in DRIVES
  o Revision Memo 291-002 (10/18/18)
- VEH.23 - Applying for Allowable Cost Reimbursement
- VEH.24 - Auditing Vehicle Licensing Offices
- VEH.25 - Voids and Reversals
  o Revision Memo 060-001 (03/01/18)
- VEH.27 - Non-Discrimination in Service Delivery and Facility Access
- DRIVES Help Articles
- DRIVES VLO Articles
- VLO Communications