Performance Audit Division

Performance Audit

Arizona Department of Transportation—
Motor Vehicle Division

Division Should Improve Field Office Customer Service, Better Regulate the Ignition Interlock Program, and Continue to Enhance its Oversight of Third-Party Offices

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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Auditor General

The Joint Legislative Audit Committee

Audit Staff

April 9, 2015

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Mr. John Halikowski, Director
Arizona Department of Transportation

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Arizona Department of Transportation—Motor Vehicle Division*. This report is in response to an October 3, 2013, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the Department agrees with all of the findings and plans to implement or implement in a different manner all of the recommendations directed to it.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport
Auditor General

Attachment

STATE OF ARIZONA
OFFICE OF THE
AUDITOR
GENERAL

INTEGRITY ★ ACCOUNTABILITY
MAKING A DIFFERENCE

Arizona Department of Transportation—
Motor Vehicle Division

Our Conclusion

The Arizona Department of Transportation (Department)—Motor Vehicle Division (MVD) licenses drivers, registers vehicles, oversees professional driver training and traffic schools, and administers Arizona's Ignition Interlock Program (Program), which provides limited driving privileges to drivers convicted of driving under the influence (DUI) of alcohol, drugs, or any driver-impairing substance. Providing quality customer service is important in government offices, such as MVD field offices. However, MVD's field offices inconsistently provide a good customer service experience, including some long wait times and some customers not being aware of the documents needed to complete transactions. MVD should take steps to improve field office customer service. MVD also should improve the Program's inspections and complaint-handling processes. Finally, customers can conduct many transactions at third-party offices, where contractors, rather than MVD staff, provide MVD services. MVD uses several methods to oversee third-party offices, but should enhance its oversight in two areas.

2015

MVD should improve field office customer service

MVD field offices handle millions of transactions—MVD operates 49 field offices throughout the State. MVD provides services such as driver licenses, vehicle titles and registration, and vehicle inspections. Most services are also available at authorized third-party offices and online through MVD's ServiceArizona. In fiscal year 2014, 24 percent of MVD transactions were completed at MVD field offices, and almost 2.8 million customers visited a field office between July 2013 and April 2014.

MVD field offices inconsistently provide a good customer service experience—Quality customer service includes the physical surroundings, interactions with staff, and the service itself, in addition to the wait time.

- **Wait times**—Although MVD data indicates that the field offices met the overall average wait time goal of 23 minutes for fiscal year 2014, from July 2013 through April 2014, nearly 118,000 people waited longer than an hour. Also, MVD's wait time data reflects the time a customer receives a numbered ticket until he/she reaches a customer service window. It does not capture the time spent waiting to receive a numbered ticket or the time to complete a transaction after leaving a customer service window. We conducted mystery shopping visits at seven field offices. Our total visit times ranged from 23 to 88 minutes. Some waits can be even longer, such as the wait to complete a driver license transaction. For example, two customers reported waiting longer than 5 hours to complete a driver license transaction that included road tests.

- **Some customers must return**—From July 2013 to April 2014, nearly 39,000 customers were not able to complete their transactions on the first visit. Some had to return because they were unaware of the documents they needed to complete a transaction, such as proof of legal presence. Others had to return because MVD's computer systems were down. For example, the computer systems experienced downtime on 24 separate days between January and April 2014.

- **Field office cleanliness and space varied**—Mystery shoppers rated the cleanliness of some visited field offices as acceptable, but others as unacceptable. These field offices were cluttered, had trash left by customers, and/or had dirty and dingy walls, chairs, and desks. One field office was too small for its customer volume, so customers had to wait outside before they received a numbered ticket. Mystery shoppers waited up to 30 minutes before receiving a numbered service ticket at this office with most of this time spent outside. MVD plans to expand this office.

MVD had an internal mystery shopper program to assess the quality of customer service at field offices, but the program was discontinued in 2009 because of budget constraints. MVD also uses an online survey to learn about customer satisfaction, but its response rate was only 0.14 percent in fiscal year 2014. Although these surveys indicate high satisfaction, the extremely low response rate may not fully represent the experience of all field office customers.

MVD should improve the customer service experience—MVD should better assess its customer service experience and its performance goals for field offices. It should also develop a comprehensive customer service plan that includes referring customers to other alternatives for conducting their transactions, such as third-party offices and

online through ServiceArizona, and includes other ways to improve the overall customer service experience.

MVD should:
- Assess the entire customer service experience by considering reestablishing a mystery shopper program, and improving its survey response rate and wait-time data;
- Revise existing performance goals and establish new customer service performance goals; and
- Develop a comprehensive customer service plan that focuses on improving the overall customer experience.

MVD should improve oversight of its Ignition Interlock Program

MVD administers the Program for drivers convicted of DUI—The Department must suspend the driver license of a person convicted of DUI, but the person may retain limited driving privileges by participating in the Program. A device is put on the participant's car that detects alcohol on the participant's breath and, if any alcohol is detected, it can either prevent the car from starting or record a violation if the car is already running. The participant must pay for installation of the device, pay a monthly fee to maintain the device, and periodically download the device's records, which are forwarded to MVD for review and action, if necessary.

Program oversight should be strengthened—MVD certifies ignition interlock device manufacturers and installers. MVD reported that it conducts on-site inspections prior to certifying installers and may conduct periodic inspections thereafter, but only with consent beginning in April 2015. That is because MVD lacks statutory authority to conduct the inspections without permission from the installer. Further, inspection guidelines do not specify the frequency and method for checking installer compliance with various rule requirements during inspections. Finally, MVD investigates complaints about installers, but does not provide clear information about its complaint-handling process to participants, such as what types of issues are within its jurisdiction and what information to include when sending a complaint to MVD.

The Legislature should consider providing MVD with statutory authority to conduct periodic inspections of ignition interlock device installers.

The Department should develop and implement policies and procedures for inspecting ignition interlock device installers and improve its complaint-handling process.

MVD uses several methods to oversee third-party offices, but should enhance two aspects of its oversight

To provide MVD services, third-party offices are given access to MVD information. To help protect MVD assets and customer data, MVD requires financial responsibility documents and criminal background checks, and conducts site visits to assess the third party's physical security of its locations. MVD also certifies and trains third-party processors, while the Department conducts periodic risk-based audits. Further, MVD conducts a quarterly analysis on a sample of transactions to identify errors or omissions, and the Department uses a reconciliation process to ensure that monies from third parties are received in a timely manner. In February 2015, MVD reported taking steps to shift to a process that distinguishes between serious and minor errors. In addition, the Department plans to provide reconciliation reports monthly instead of quarterly so that it can receive monies owed more quickly.

MVD should continue with its plans to modify its quarterly transaction errors analysis, and the Department should continue with its plans to increase the frequency of its reconciliation reports.

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Other Pertinent Information (continued)

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Transportation (Department)—Motor Vehicle Division (MVD), pursuant to an October 3, 2013, resolution of the Joint Legislative Audit Committee. This performance audit is the first in a series of audits conducted as part of the sunset review process prescribed in Arizona Revised Statutes (A.R.S.) §41-2951 et seq. This audit addresses the customer service that MVD provides at its field offices, its administration of the Ignition Interlock Program, and its oversight of authorized third-party offices, where contractors, rather than MVD staff, provide MVD services.

The final audit(s) will address transportation funding, aspects of contractor oversight, and the statutory sunset factors.

MVD provides licensing and vehicle services throughout the State

A.R.S. §28-331 established the Department to manage the State's transportation system. The Department consists of five operating divisions, including MVD. One focus area in the Department's strategic plan is improving safety throughout the State's transportation system. MVD reinforces this focus in its mission statement and offers a range of transportation services that help promote compliance with Arizona laws and the safety of Arizona drivers and citizens (see textbox). All 50 states regulate motor vehicles through some form of driver and vehicle licensing. As of July 2014, there were nearly 5 million licensed drivers in the State of Arizona.

> **MVD's mission:**
>
> To support Arizona through licensing, vehicle credentialing, revenue collection, safety programs, and by promoting compliance with transportation laws.

MVD programs and staffing

MVD is responsible for many functions that promote the safety of Arizona citizens, including licensing drivers and registering vehicles, overseeing professional driver training and traffic schools, and administering Arizona's Ignition Interlock Program for drivers who have been convicted of driving under the influence. MVD is also responsible for providing commercial driver and vehicle services and oversight of authorized third-party offices, which contract with MVD to provide many MVD services. In addition, MVD is responsible for the security of customers' personal information as well as issuing secure credentials and documents. As of November 2014, MVD reported 1,000 full-time equivalent (FTE) positions, of which 959 positions were filled. MVD has organized its employees into the following programs and divisions:

- **Director's Office (16 filled positions; 0 vacancies)**—The Director's Office administers MVD programs and divisions (described in the bullets below), oversees administrative support and fraud training departments, and provides strategic guidance regarding MVD financial and customer service operations. The Director's Office also oversees the Division Logistics Support Services program, which includes two warehouses that serve as a central distribution point for materials such as forms and license plates. This program is also responsible for filling orders for forms, license plates, and publications, as well as mailings such as vehicle registration renewal invitations.

- **Customer Service Program (761 filled positions; 29 vacancies)**—This program provides driver license and vehicle title and registration services, and inspects vehicles to determine the identity of the vehicle and verify that it is properly registered for highway use. It provides these services through field offices; authorized third-party offices where contractors, rather than MVD staff, provide vehicle and driver services; online through the ServiceArizona Web site administered by a third-party electronic service partner (service partner); and by mail. The customer service program also provides information to the public through call centers.

- **Commercial Licensing and Specialty Services Program (83 filled positions; 6 vacancies)**—This program is responsible for commercial, dealer, and motor carrier licensing, as well as the registration of aircraft based in Arizona.[1] The program also administers fleet and specialty license plate services, and responds to reports from law enforcement, medical professionals, or concerned citizens regarding a driver's ability to safely operate a motor vehicle. Additionally, the program regulates traffic survival schools designed to improve the safety and habits of drivers whose licenses are pending suspension or have been suspended due to one or more moving traffic violations, as well as professional driver training schools that prepare applicants for instruction permit or driver license examinations.

- **Division Operational Support Services Program (99 filled positions; 6 vacancies)**—This program administers Arizona's Ignition Interlock Program and mandatory insurance program, as well as a training academy for MVD and authorized third-party employees. The program also includes a driver improvement unit that conducts investigations of individuals whose driving privileges have been revoked and are now eligible to apply for reinstatement; a technical support unit for MVD employees, law enforcement, and court personnel; and a unit that is responsible for all MVD policies, forms, and publications, including e-mail notices, information sheets, and pamphlets.

Examples of MVD services:

Driver Services:

- Driver license/identification card issuance
- Driver license reinstatement
- Voter registration
- Selective service registration
- Organ donor network registration

Vehicle Services:

- Registration renewal
- Address changes
- Special plate order

Source: List of services provided by MVD.

MVD customer service

MVD provides services to the public such as driver license and vehicle title and registration services, and vehicle inspections to determine the identity of the vehicle and verify that it is properly registered for highway use (see textbox). Many states use alternative methods for providing these services besides requiring customers to visit an office in person, such as third-party contractors who perform transactions on behalf of the state or Web sites that allow customers to complete transactions online. Similarly, Arizona offers MVD services through field offices and authorized third-party offices, and online through ServiceArizona. Some services, such as vehicle registration renewal, are also available by automated phone system and mail. In addition, it provides information to the public through call centers. Specifically:

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[1] A.R.S. §28-8322 requires all aircraft based in the State to be registered with the Department with some exceptions, such as aircraft operated by an airline company for the primary purpose of transportation of persons or property, and aircraft owned by a nonresident that is based in the State for less than 90 days per year and not engaged in intrastate commercial activity.

- **Field offices**—MVD provides services directly to the public in 49 field offices located across the State (see Figure 1). This represents a reduction of 11 offices since a 2004 Office of the Auditor General report on MVD (Report No. 04-09). Most MVD field offices are open from 8 a.m. to 5

Figure 1: MVD field office locations in Arizona
As of August 2014

Legend

● Open 5 days per week

● Open less than 5 days per week

[1] Office with alternate hours such as opens after 8 a.m., closes before 5 p.m., or closes for lunch. In the Tucson Metro area, two offices, the Tucson City Court and Davis-Monthan Air Force Base, also have alternate hours. All other offices are open 8 a.m. to 5 p.m.

[2] The Phoenix Metro area includes the following 14 field offices: Apache Junction, Avondale, Buckeye, Chandler, Glendale, Mesa, Mesa Southwest, Phoenix Courthouse (which only performs driver license reinstatement transactions), Phoenix Northwest, Phoenix South Mountain, Phoenix West, Scottsdale, Surprise, and Tempe. The Tucson Metro area includes the following 5 field offices: Tucson City Court (which only performs driver license reinstatement transactions), Tucson East, Tucson North, Tucson Regional, and Davis-Monthan Air Force Base (which performs all transactions except road tests).

Source: Auditor General staff review of the Department's Web site and information provided by MVD.
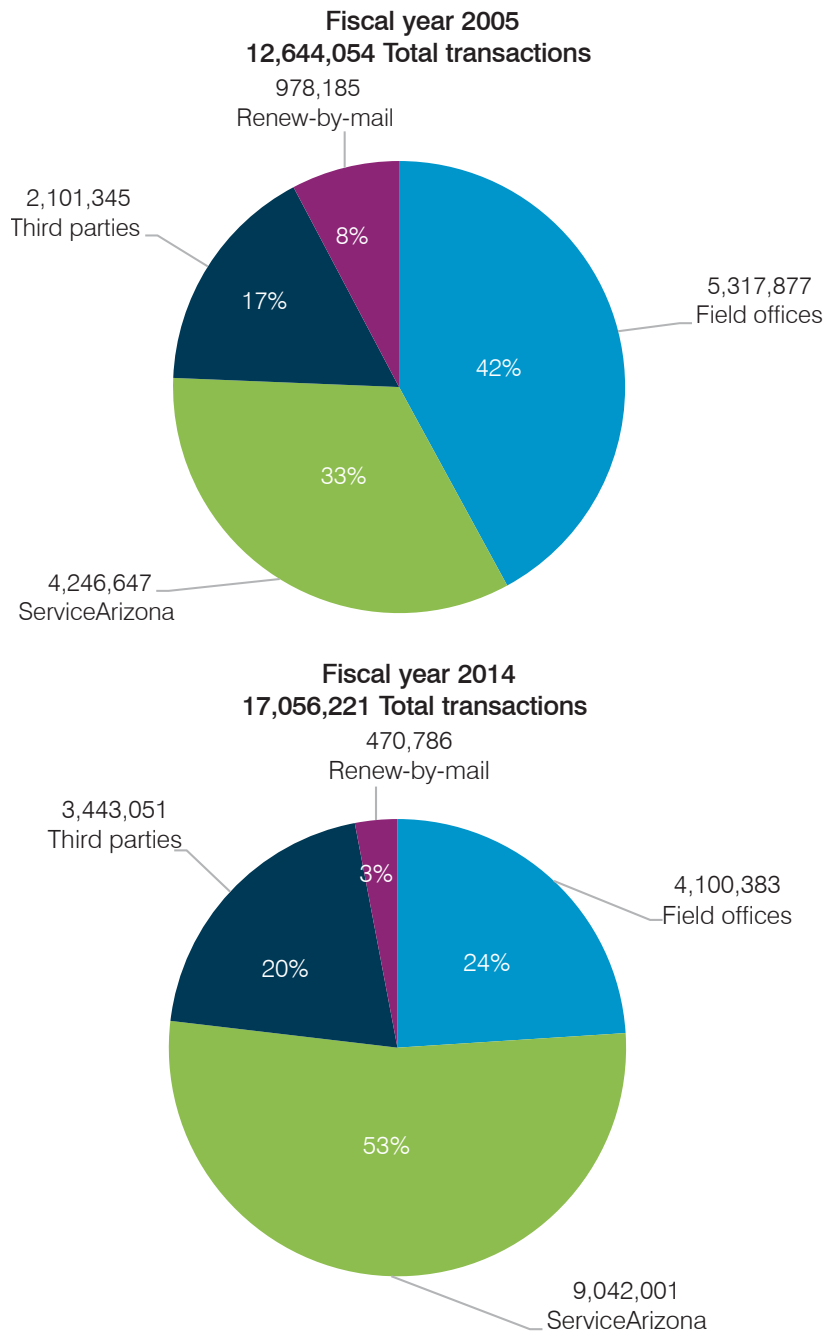
p.m. on weekdays, although some are open only 2 or 3 days per week, or have limited hours. Field offices charge customers fees for their transactions based on statutorily established fee amounts. The number of transactions completed at field offices has generally decreased since fiscal year 2005 (see Figure 2, page 5). In fiscal year 2014, 24 percent of MVD transactions were completed in field offices, while 42 percent of MVD transactions were completed in field offices in fiscal year 2005 (see Finding 1, pages 11 through 21, for more information about field offices).

- **Third-party offices**—MVD authorizes third-party offices to perform many MVD services, including title, registration, inspection, and driver services such as driver licensing. As of October 2014, MVD reported that 103 companies operating in 161 locations were authorized to perform vehicle services, eight of which were also authorized to provide driver services. Statute has allowed third-party providers to perform MVD transactions since 1993. A 2013 statutory change clarified several requirements related to third-party driver license providers and required that third parties authorized to provide driver license testing must also perform driver license processing. MVD implemented this law by piloting driver license processing over a period of 6 months at 4 third-party locations and by developing standards and training for third-party driver license providers. The pilot program did not identify any major obstacles and MVD is in the process of authorizing 20 third-party driver license provider locations by the end of calendar year 2015. In fiscal year 2014, 20 percent of MVD transactions were conducted in third-party offices.

  Although third-party offices offer services similar to MVD field offices, their office hours and convenience fees vary. Most third-party offices provide services at times when field offices are not open, such as on weekends, before 8 a.m., and after 5 p.m. Also, third-party offices may charge two fees. First, they must charge the same statutorily prescribed transaction fees as field offices, and they are authorized by statute to retain a portion of these fees. The remaining portion of the transaction fee is remitted to the Department. The portion the third parties retain varies by transaction and is specified in statute. For example, third-party offices retain either $4 or two percent, whichever is greater, of each vehicle license tax payment. MVD reported that for fiscal year 2014, this amount totaled nearly $9.9 million. In addition to the transaction fee, third-party offices may also charge convenience fees. For example, at one third-party office auditors visited, a customer seeking a duplicate title would be charged a $20 convenience fee in addition to the $4 statutorily required duplicate title fee, for a total charge of $24. Although statute does not specify a limit on the convenience fees third-party offices can charge, it states that fees must be reasonable and requires that offices post a sign indicating the cost of each transaction performed by the third-party office and the amount charged by a field office for the same transaction. Third parties are also authorized by statute to be reimbursed for credit card fees.[1] In fiscal year 2014, third parties were reimbursed more than $784,000 in credit card fees. MVD reported that third-party offices collected more than $387 million on behalf of MVD and retained more than $14.4 million in revenue in fiscal year 2014 not including convenience fees, which are not tracked by MVD (see Finding 3, pages 31 through 35, for more information about third-party offices).

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[1] Third parties are reimbursed up to the state limit for credit card fees. Arizona's discount fee limit is 2.15 percent of the transaction amount and the processing fee limit is $0.25 per transaction.

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Figure 2: Transactions by delivery channel
Fiscal years 2005 and 2014[1,2]

Fiscal year 2005
12,644,054 Total transactions

978,185
Renew-by-mail

2,101,345
Third parties

5,317,877
Field offices

8%

17%

42%

33%

4,246,647
ServiceArizona

Fiscal year 2014
17,056,221 Total transactions

470,786
Renew-by-mail

3,443,051
Third parties

4,100,383
Field offices

3%

20%

24%

53%

9,042,001
ServiceArizona

[1] The figure shows MVD transactions for the four main delivery channels. Call center transactions, which accounted for about 0.1 percent of all MVD transactions in fiscal year 2014, are not included in the figure. Call center data for fiscal year 2005 was not readily available.

[2] According to MVD, as transaction volume shifted from MVD to third parties, including ServiceArizona, it reduced its field office staff from 758 to 620 employees and its renew-by-mail unit staff from 29 to 9 employees between July 2005 and January 2015.

Source: Auditor General staff analysis of MVD field office, ServiceArizona, authorized third-party, and renew-by-mail transaction data for fiscal years 2005 and 2014.

- **ServiceArizona**—ServiceArizona is MVD's online service portal that allows the public to perform many MVD services online, including vehicle registration renewal, duplicate driver license, change of address, and voter registration. Vehicle registration renewals can also be completed by phone through ServiceArizona's interactive voice response system. According to MVD, when the ServiceArizona Web site launched in 1997, it was the nation's first online service for vehicle registrations. The Department has contracted with a third party to provide ServiceArizona since 1996 and awarded a new contract in 2012 to the service partner to continue providing ServiceArizona. The service partner must charge the same statutorily prescribed transaction fees as field offices and is authorized by statute to retain the same portion of these fees as third-party offices. However, by contract, the service partner retains as compensation a smaller portion than is statutorily authorized so that the remainder may be divided between two department funds: one devoted to future ServiceArizona system enhancements and the other set aside for payments to vendors working on system upgrades for the Department. MVD reported that for fiscal year 2014, the service partner retained more than $9 million as compensation and nearly $8 million was set aside to be divided between the two department funds.

  Additionally, the service partner is reimbursed 1.5 percent of total ServiceArizona revenue for credit card and other electronic payment processing fees. MVD reported that in fiscal year 2014, the service partner was reimbursed more than $6 million for these fees. The service partner is also authorized to charge a 1 percent administrative fee for each payment it makes to other vendors on behalf of the Department, such as payments for outside equipment, software, marketing, or payments to the vendors working on system upgrades for the Department. According to MVD, in fiscal year 2014, the service partner received more than $38,000 in administrative fees. Although the service partner can also charge a convenience fee as authorized by statute, similar to third-party offices, as of October 2014, it has not charged such fees. In total, MVD reported that the service partner received more than $15.5 million in fiscal year 2014, which included revenue from retention, credit card, and administrative fees.

  The number of transactions performed through ServiceArizona has generally increased since fiscal year 2005. As shown in Figure 2 (see page 5), in fiscal year 2014, approximately 53 percent of MVD transactions were performed through ServiceArizona, compared to approximately 33 percent in fiscal year 2005.

  MVD has also placed self-serve kiosks in many of its field offices that customers can use to access ServiceArizona (see Photo 1). In 2014, MVD received a Public Affairs and Consumer Education award from the American Association of Motor Vehicle Administrators for these kiosks, which MVD reported that its customers used to conduct an average of 14,000 transactions per month. (See Other Pertinent Information, pages 39 through 40, for more information about ServiceArizona.)

Photo 1: MVD ServiceArizona

Source: MVD; used with permission.

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- **Renew-by-mail**—MVD makes some services, such as vehicle registration renewal, available through the mail. MVD reported that in fiscal year 2014, 3 percent of all MVD transactions and 12.7 percent of vehicle registration renewals were completed by mail.

- **Call center**—MVD provides information to the public through a two-tiered phone system consisting of Level I and Level II call centers. The Level I call center is managed by MVD employees and staffed by Arizona Department of Corrections inmates who have no access to customers' personal information. Level I customer service representatives can only provide information to customers. For example, a Level I representative could tell the customer what documents they need to obtain a salvage title and the cost of that transaction. If a caller's question requires personal information to answer or requires access to records, the caller will be transferred to a Level II customer service representative in a call center staffed by MVD employees. Level II customer service representatives can also perform some MVD transactions, such as driver license reinstatement and duplicate registration renewal tab transactions. MVD reported that in fiscal year 2014, MVD call centers answered more than 1.2 million phone calls and processed more than 25,000 transactions, including more than 9,000 driver license reinstatements and nearly 7,800 duplicate registration renewal tabs.

Ignition Interlock Program

MVD also serves the public by administering an ignition interlock program for drivers who have been convicted of driving under the influence (DUI) of alcohol, drugs, or any driver-impairing substance. Arizona courts began requiring certified ignition interlock devices for drivers convicted of extreme or aggravated DUIs in 1998 (see textbox).[1] In 2007, the Legislature expanded A.R.S. §28-1381 to require ignition interlock devices for all DUI offenders. As required by A.R.S. §28-1385, the Department must suspend an individual's driver license if he/she has been convicted of DUI, but he/she may retain limited driving privileges by applying to MVD for an ignition interlock restricted driver license and having a device installed on his/her primary vehicle for a minimum of 12 months, or a minimum of 6 months for some first-time offenders. Further, A.R.S. §28-1461 states that the Department shall not reinstate the driving privilege of a person convicted of DUI until the Department receives proof of a functioning interlock in each motor vehicle he/she operates. According to MVD, as of December 2014, Arizona had nearly 22,000 participants in its Ignition Interlock Program.

> **Ignition interlock device**
>
> A device that connects a breath analyzer to a motor vehicle's ignition system and thereby prevents a motor vehicle from starting unless the individual attempting to start the motor vehicle provides a breath sample with alcohol content below a preset level.
>
> Source: Department Web site and interviews with MVD staff.

To participate in the Ignition Interlock Program, an individual convicted of DUI must take multiple steps. First, the participant must pay an installation fee to have a certified device installed by a certified installer and pay monthly fees for maintaining the device. The participant must blow into

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[1] According to A.R.S. §28-1382, an extreme DUI offense occurs when a person is convicted of a violation of driving or being in physical control of a vehicle with a blood alcohol content of 0.15. A.R.S. §28-1383 defines an aggravated DUI as one of multiple violations such as being convicted of DUI when driving on a suspended license or driving without an ignition interlock device when the court has previously ordered a device.

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the device before starting the car and periodically while driving (see Photo 2). If the device detects any alcohol, the device records the event and, if the car has not been started yet, the device prevents the car from starting. After the car has been running for a few minutes, the driver must take a rolling retest during which the driver must blow into the device again (see textbox). If the device detects alcohol in the driver's breath, it will be recorded as a violation, but the car will not shut off for safety reasons. The participant must report to the certified installer periodically to upload the device records, which are then sent to MVD. If MVD's computer system identifies two violations on a participant's record within a specified time period, it will automatically send a letter to the participant stating that his/her time in the Ignition Interlock Program will be extended for 6 months. By statute, the participant has 15 days to request a hearing after the date of the order of extension.

The federal government encourages ignition interlock use, which research suggests helps to reduce DUI recidivism. The federal repeat intoxicated driver law establishes minimum penalties for repeat DUI offenders. These minimum requirements include either a 1-year suspension of all driving privileges or a combination of limited driving privileges if an ignition interlock device is installed for not less than 1 year. If states do not comply, they are at risk of losing 2.5 percent of federal highway funding until requirements are met. The National Conference of State Legislatures reported that, as of August 2014, all 50 states have some type of ignition interlock law and 21 states, including Arizona, have mandatory ignition interlock provisions for all DUI offenses. According to the National Highway Traffic Safety Association (NHTSA), the research has generally reported 50 to 90 percent reductions in DUI recidivism when offenders have installed ignition interlock devices on their vehicles.[1] The NHTSA's Fatality Analysis Reporting System shows that Arizona had 493 fatalities involving drivers with a blood alcohol content of 0.01 or higher in 2006 and 268 such fatalities in 2012, representing a 45.6 percent decline since the all-offenders law was enacted in 2007 (see Finding 2, pages 23 through 29, and Other Pertinent Information, pages 40 through 42, for additional information on the Ignition Interlock Program).

Photo 2:   Ignition interlock device

Source: ©iStock.com/zstockphotos; used with permission.

Rolling retest

At random times after the engine has been started, the ignition interlock device will require the driver to provide another breath sample. If the breath sample is not provided, or the sample exceeds a set blood alcohol level, the device will log the event, warn the driver, and then start up an alarm (e.g., lights on the device will flash) until the ignition is turned off, or a clean breath sample has been provided.

Source: The Department's Certified Ignition Interlock Program description.

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[1]   Sprattler, K. (2009). *Ignition interlocks-what you need to know: A toolkit for policymakers, highway safety professionals, and advocates* (DOT HA 811 246). Washington, DC: U.S. Department of Transportation National Highway Traffic Safety Administration.

Revenues and expenditures

As shown in Table 1 (see page 10), MVD does not receive any State General Fund monies. Rather, MVD operations are paid for by a portion of monies allocated to it by the Department. Although MVD collects various revenues including vehicle registration, title, driver license, and related taxes and fees, these monies are not reported as MVD revenues but are statutorily required to be distributed to the State Highway Fund, cities, towns, counties, and the State General Fund. During fiscal year 2014, the Department reported that MVD collected approximately $1.1 billion in taxes and fees. The Department allocates monies from the various state funds, which also include other monies such as fuel taxes and federal aid, to MVD for its operations. During fiscal years 2013 and 2014, MVD was allocated more than $62 million for its operations and is estimated to receive nearly $63 million in fiscal year 2015. Most of these monies were allocated from the State Highway Fund. The State Highway Fund comprises monies from transportation-related licenses, taxes, fees, penalties, and interest; appropriations by the Legislature; and donations, and is used for department expenses, such as its operating budget.

As also shown in Table 1, MVD expended or expects to expend between approximately $62 and $63 million during fiscal years 2013 through 2015. On average, approximately 78 percent of these expenditures annually were or will be for personal services and related benefits, and approximately 18 percent were or will be for other operating expenditures annually.

Table 1: Schedule of revenues and expenditures
Fiscal years 2013 through 2015
(In thousands)
(Unaudited)

	2013 Actual	2014 Actual	2015 Estimate
Revenues[1]			
Appropriations:			
State Highway Fund	$ 60,031.2	$ 60,363.8	$ 60,000.0
Motor Vehicle Liability Insurance Enforcement Fund	665.1	669.3	673.1
Highway User Revenue Fund	245.8	254.6	255.1
Driving Under Influence Abatement Fund	152.4	153.8	153.9
Vehicle Inspection and Title Enforcement Fund	79.3	80.8	80.8
State-wide special plates fees[2]	1,234.6	1,378.1	1,800.0
Shared Location and Advertisement Agreement Fund	8.2	15.7	12.1
Total revenues	$ 62,416.6	$ 62,916.1	$ 62,975.0
Expenditures			
Personal services and related benefits	$ 46,939.0	$ 49,451.1	$ 49,800.0
Professional and outside services	157.1	282.4	300.0
Travel	45.2	80.4	75.0
Aid to organizations	1,234.6	1,378.1	1,800.0
Other operating	13,011.3	10,335.4	10,000.0
Capital and noncapital purchases	1,029.4	1,388.7	1,000.0
Total expenditures	$ 62,416.6	$ 62,916.1	$ 62,975.0

[1] In its operations, MVD collects various department revenues including vehicle license tax, vehicle registration, title, driver license, and related taxes and fees. Although MVD collects these revenues, estimated to be approximately $1.1 billion in fiscal year 2014, the total amount it collects is not reported as MVD's revenues. Instead, as required by statute, MVD deposits approximately $600 million into the Highway User Revenue Fund (HURF) for distribution to the State Highway Fund, cities, towns, and counties. The other $500 million, consisting mostly of vehicle license tax monies that are not deposited into HURF, are distributed to cities, towns, and counties, and a nominal amount to the State General Fund and State Highway Fund. In addition to the monies MVD collects, the Department also collects approximately $630 million annually in motor fuel taxes that are deposited into HURF. The Department allocates a portion of the funds it receives from HURF and vehicle license tax collections to cover MVD's operational costs. For example, during fiscal year 2014, the State Highway Fund received nearly $1 billion from its various sources such as motor fuel tax, vehicle license tax and registration, driver license fees, and federal aid; and the Department allocated more than $60 million to MVD from the State Highway Fund.

[2] Amount consists of $8 of each $25 special license plate fee that is used to pay for administrative costs.

Source: Auditor General staff analysis of information obtained from the Department for fiscal years 2013 through 2015.

MVD should improve field office customer service

The Arizona Department of Transportation (Department)— Motor Vehicle Division (MVD) should take steps to improve the quality of customer service it provides in its employee-staffed field offices. Providing quality customer service at these offices is important because nearly 2.8 million customers had an in-person interaction with Arizona state government at MVD field offices between July 2013 and April 2014. However, audi-tors' review, which included conducting "mystery shopper" visits and interviewing cus-tomers being served at field offices, showed some prob-lems with the timeliness and quality of customer service these field offices provide. Specific problems customers encountered included long wait times, not being aware of documents needed for driver license or other transactions, and—on one occasion—dis-courteous service. MVD's ability to identify and correct these problems is hampered by limitations in the data it collects about how quickly customers are served and how satisfied they are with the ser-vices they receive. To address these issues, MVD needs to develop better ways to mea-sure its delivery of customer service, and develop and implement a comprehensive customer service plan.

Customer service an important component of providing government services

Although Arizona residents can conduct many MVD transactions online through ServiceArizona and through authorized third-party offices, which are privately owned companies that MVD authorizes to perform MVD services, MVD field offices remain a central part of the service delivery network. In fiscal year 2014, 24 percent of MVD transactions were completed in field offices. Most Arizona drivers will visit an MVD field office at least once to obtain a driver license and this may be new residents' first in-person interaction with Arizona state government. Specifically, according to MVD, in fiscal year 2014, its field offices conducted 99 percent—nearly 356,000—of driver license transactions that require an in-person visit.[1] MVD reported that these driver license transactions are more time-consuming than other transactions.

Quality customer service is important in government offices such as MVD field offices, just as it is in private businesses. A January 2015 Governor's executive order stated that Arizona state agencies should promote customer service-oriented principles for the people they serve.[2] In addition, presidential executive orders issued in 1993 and reaffirmed in 2011 stated that federal agencies should provide quality service to customers of government services, and outlined various steps government agencies should take to ensure service quality.[3] These presidential executive orders stated that federal agencies should follow best practices and provide customer service at a level similar to the best provided by the private sector. Although the requirements of these presidential executive orders do not specifically apply to state agencies, they generally reflect the customer service that government agencies should provide. Additionally, the Arizona Department of Administration (ADOA) has identified customer service as a key competency for State Personnel System employees, and evaluates employees on their professionalism, communication, and other aspects of customer service.

According to literature related to providing customer service, quality customer service incorporates the overall experience with the service environment including the physical surroundings, interactions with staff, and the service

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[1] This number does not include driver license renewal transactions. As of June 30, 2014, only seven authorized third-party offices were allowed to conduct driver license transactions.

[2] E.O. 2015-01: Internal Review of Administrative Rules; Moratorium to Promote Job Creation and Customer-Service-Oriented Agencies 396.

[3] Exec. Order No. 12862, 3 CFR 1737 (1993); and Exec. Order No. 13571, 3 CFR 234 (2011).

itself.[1] Although wait time is an aspect of the customer experience, quality customer service should focus on more than wait times. To assess some aspects of quality customer service that literature indicates are important, auditors conducted reviews at 10 of MVD's 49 field offices.[2] Auditors conducted eight mystery shopper visits in which they went to MVD field offices to conduct a specific transaction, such as renewing a vehicle registration or updating a driver license (see textbox). Auditors also acted as observers four times at field offices, watching field office processes and discussing customers' experience with them. Finally, auditors obtained detailed information from three customers who reported their driver license transaction experiences to auditors.

MVD field offices do not consistently provide a good customer service experience

MVD field offices do not consistently provide a good customer service experience. Specifically, some customers wait a long time for service and may be unsure how long they will be waiting or when they will be served. Additionally, some customers cannot complete their transactions during their initial visit but instead must come back for a return visit. Other important aspects of the customer service experience also vary in service quality.

Waits at MVD field offices can be long and confusing—Although MVD data shows that its field offices overall are meeting MVD's average wait time goal of nearly 23 minutes for fiscal year 2014, some customers have to wait a long time, waits may be longer than MVD data show, and these waits are made more confusing because some customers do not know when they can expect to be served in relation to other customers. MVD data from July 2013 through April 2014 indicates that the median average wait time in field offices was more than 17 minutes. However, these reported wait times reflect only part of the story. Specifically:

- **Some customers have long waits**—MVD tracks wait times at field offices beginning with the customer receiving a numbered ticket at the information desk and ending when the customer reaches the customer service window (see textbox, page 13, for information about the process). According to MVD data, from July 2013 through April 2014, 4.2 percent of its customers—nearly 118,000 people—waited longer than an

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[1] See Appendix A (page a-1) for a further description of auditors' review of literature.

[2] Auditors conducted mystery shopper transactions at seven field offices: Buckeye, Coolidge, Payson, Scottsdale, Surprise, Tucson Regional, and West Phoenix. In addition, auditors conducted observations at the Glendale, Mesa, and Tempe field offices.

hour to reach a customer service window after obtaining a numbered ticket. Mystery shoppers waited between 8 and 32 minutes to be called to a customer service window after obtaining a numbered ticket. Customers who need to perform driver license transactions can wait even longer to complete the process, and all of their wait time is not captured in MVD's wait-time data (see next bullet for additional information). For example, two customers reported to auditors that they had to wait more than 5 hours to complete a driver license transaction that included a road test and a third customer reported that she waited 3 hours to complete a driver license transaction that included a written test. Finally, wait times vary depending on which field office the customer visits. According to MVD data, between July 2011 and April 2014, the median average wait time at field offices ranged from more than 6 minutes in one nonmetropolitan area office to more than 43 minutes in one Phoenix metropolitan-area office.

- **Waits may be longer than data show**—The wait times measured by MVD's data do not tell the whole story of the customer's wait time. Specifically, MVD's data system does not capture the time spent waiting in line to receive a numbered ticket and does not capture the time spent waiting to complete a transaction after

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Process at MVD field offices

The general steps for completing a transaction at MVD field offices are as follows:

- Obtain a numbered ticket from a self-serve ticket dispenser or from a customer service representative at the information desk. Depending on the office, the customer service representative at the information desk may review the customer's documents;

- Take photo if conducting a driver license transaction;[1]

- Wait for number to be called to go to a customer service window to complete transaction; and

- Wait to finish transaction and leave office, if applicable.[2] This could result in a long wait that is not tracked by MVD's data systems (see bullet point at left for more information about wait-time data).

[1] Depending on the office, the photo may be taken before or after receiving a numbered ticket or being called to a customer service window.

[2] Reasons why a customer may need to wait to finish their transaction include waiting for the field office to issue a driver license and waiting for a written test or road test for a driver license transaction.

Source: Auditor General staff observations at field offices.

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leaving the customer service window. For example, six of auditors' eight mystery shoppers waited from less than a minute to 45 minutes to receive a numbered ticket.[1] Additionally, five of the eight mystery shoppers conducted a driver license transaction and waited up to 7 minutes to receive their driver license after leaving the customer service window. These unrecorded wait times can add up and become very lengthy. Overall, mystery shoppers spent a total of 23 to 88 minutes to complete their transactions at MVD field offices. For the three customers discussed in the previous bullet that reported lengthy waits to complete their driver license transactions, portions of their wait would not have been captured and reported in MVD's wait-time data. For example, the customers who reported waiting more than 5 hours spent 1 hour waiting to receive a numbered ticket and 4 hours waiting to take the driver license road test after visiting the customer service window. These waits would not be reflected in MVD's data. Similarly, for the customer who waited 3 hours to complete a driver license transaction, only 1 hour of this wait would have been captured in MVD's data. Wait times that were not captured in MVD's wait-time data for this customer included approximately 30 minutes waiting to receive a numbered ticket, 1 hour waiting to take the written driver license

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[1] The other two mystery shopper visits were to offices that did not have an information desk and therefore did not require waiting to receive a numbered ticket.

test after visiting the customer service window, and 30 minutes waiting to receive a driver license permit.

- **MVD field offices do not provide information on process for serving customers—** MVD field office waits can be confusing to some customers because the offices do not provide information about the process, such as the estimated wait time and the order in which customers are served. Most offices use numbered tickets that assign different letters depending on the transaction type in addition to a sequential number. As a result, some customers who arrive after other customers may be served sooner because of the type of transaction they are conducting. This may confuse customers who are waiting because they do not understand this process. Additionally, MVD posts real-time information about estimated field office wait times, including the wait time for driver license and title or registration transactions at some field offices on the Department's Web site, and posts electronic signs in the field offices displaying which number is being served. However, it does not post any wait-time information in its field offices, so customers do not know when they will be served based on their numbered tickets.

Customers cannot always complete transactions on first visit to field office—

The ability to successfully complete a transaction is an essential part of customer service. However, MVD customers are not always able to complete their transactions at MVD field offices during their first visit and must return. More than 1 percent of customers, nearly 39,000 of almost 2.8 million customers, were issued return letters because they were unable to complete their transactions during their visit, according to MVD's July 2013 through April 2014 data. MVD policy instructs customer service representatives to issue return letters to customers who reach a customer service window but cannot complete their transactions. According to MVD officials, return letters are intended to reduce the time a customer waits to see a customer service representative upon a subsequent visit to a field office because they will receive a numbered ticket that indicates they are a returning customer and could be moved to the front of the queue.

Two main factors contribute to customers being unable to complete their transactions upon reaching a customer service window. Specifically:

- **Some customers may be unaware of documents needed for transactions—**Some customers may be unaware of the documents needed to complete a transaction, such as proof of legal presence. MVD's field offices do not post signs or otherwise provide information about required documents. Additionally, although information regarding documents needed to complete the most common transactions is available on the Department's Web site, field offices do not direct customers to the Web site. In addition, although MVD officials reported that they expect information desk staff to go over document requirements with customers before issuing them a numbered ticket, staff do not always do this. For example, a Tempe field office customer interviewed during one of the field observations told auditors that he had been there the day before and waited to be called to a window after receiving a numbered ticket from the information desk staff only to find out from the customer service representative at the window that he could not complete his transaction because he did not have his birth certificate.

- **Computer systems are frequently down**—Some customers cannot complete their transactions because MVD's computer systems go down during their visit. According to information gathered by MVD management, MVD's computer systems experienced downtime issues on 24 separate days between January and April 2014, resulting in an estimated total of nearly 117 hours when they may have processed transactions slowly or may have been unable to process transactions. Auditors also experienced system outages during two mystery shopper visits to MVD field offices. As a result, some customers may need to return to complete transactions. However, MVD reported that it does not always issue return letters when its computer systems go down because there would be too many customers to give priority assistance to when they return the next day. According to MVD officials, its driver license and title and registration computer system applications are over 30 years old, and these systems will be replaced as part of a systems replacement project scheduled for completion by January 2020. Additionally, MVD relies on ADOA and a third-party telecommunications provider for much of its network capabilities. MVD officials reported that MVD has worked with ADOA to increase the allocated capacity for MVD transactions in order to help reduce the frequency of some outages.

Offices and customer service representatives varied in service quality—The eight mystery shopping visits conducted by auditors also provided a range of other customer service experiences. Specifically:

- **Offices varied in cleanliness and use of space**— Five of the eight mystery shoppers rated the cleanliness of the field office they visited as "acceptable," meaning that the offices were clean and the furnishings were well-kept. However, some offices that auditors visited during mystery shopper visits were cluttered, had trash left by customers throughout the day, and/or had dirty and dingy walls, chairs, and desks. In addition, one office that mystery shoppers visited had chairs that were too close to the customer service windows, which could allow for personal transaction information to be overheard by other customers. The mystery shopper described this office as small, crowded, and cramped. MVD is already making plans to address problems at the office that provided the most unpleasant customer service experience (see textbox).

Improvements planned at one office

MVD plans to address physical space problems in one Phoenix-area office that provided a negative customer service experience during two mystery shopper visits. Auditors' mystery shoppers visited the office twice, once in June 2014 and again in July 2014. During both visits, the mystery shoppers had to wait more than 30 minutes to receive a numbered ticket. The majority of this wait time was spent outside. MVD officials explained that fire code regulations restrict the number of customers allowed inside at one time and as a result, some customers must wait outside. Although this office provides a canopy with misters for the line of customers waiting outside to enter the office, the misters create humidity and puddles, contributing to an uncomfortable wait. Once inside the building, the mystery shoppers encountered a crowded and dirty office with trash on the floor. One mystery shopper rated the navigation of the process at this office as "unacceptable" because she did not know the steps involved for her transaction. She commented that she had no idea that she would have her driver license picture taken and then continue to wait to see a customer service representative to finish the transaction. This office is located in a community whose population nearly quadrupled between 2000 and 2010. According to MVD officials, MVD will begin remodeling this office by May 2015 to expand the available space and open more transaction windows in order to help improve the customer service experience.

Source: Auditor General staff mystery shopper visits to one field office during June and July 2014, and information provided by MVD officials.

- **Most customer service representatives were courteous, friendly, and helpful, but some were not**—Most of the customer service representatives that auditors encountered at the field offices during mystery shopper visits were polite and friendly, but some were not, and one was rude. Specifically, six mystery shoppers rated the demeanor of the customer service representative as "acceptable," indicating that the representative greeted the shopper, was courteous and friendly, and overall was a good representative of the State. The remaining two mystery shoppers rated the demeanor of the customer service representative as "unacceptable," indicating that the representative appeared cranky, stressed, or unhappy and was not engaged with the work. Specifically, at the office described in the textbox (see page 15), the customer service representative who assisted one mystery shopper was rude and argued with the shopper, wrongly stating that the shopper could not complete the transaction with the documents provided. The shopper asked to talk to a supervisor, and the supervisor corrected the representative's error.

MVD should better assess the customer service experience and develop and implement a plan to improve customer service

MVD has taken steps to focus on some aspects of customer service, but standards for providing quality customer service suggest that it should do more to enhance the customer's experience at MVD field offices. Specifically, MVD should further assess the customer service experience that it provides, and then implement a comprehensive set of changes to improve the quality of customer service at its field offices. Additionally, MVD should assess and determine how best to allocate its available resources to address the audit recommendations and improve the quality of customer service it provides.

MVD should better assess the entire customer service experience—According to the presidential executive orders and literature on customer service, organizations can enhance the customer's service experience by collecting information about customer service and using the information to make decisions.[1] MVD can take similar steps by improving the way it assesses the customer's service experience. Specifically, MVD should:

- **Consider reestablishing a mystery shopper program**—Mystery shopping allows an organization and its employees to learn first-hand about the customer service experience. MVD had an internal mystery shopper program that sent staff, including customer service representatives, to assess customer service and accuracy at other field offices and authorized third-party offices, but discontinued the program in 2009 because of budget constraints. However, when MVD assesses its available resources (see page 20) and determines if it can reallocate existing resources, it should consider reestablishing a mystery shopper program. This program could be used to better assess variations in customer service at field offices and identify offices that can be improved. For example, mystery shoppers could identify offices where customer service representatives are not always courteous, or capture more complete wait-time information such as the wait to

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[1] Exec. Order No. 12862 and Exec. Order No. 13571; see Appendix A (page a-1) for a description of auditors' review of literature.

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receive a numbered ticket. Finally, if MVD decides to reeastablish the mystery shopper program, it should develop and implement policies and procedures for addressing any concerns or variations in customer service that the mystery shopper program identifies.

- **Improve response rate of customer satisfaction survey**—Customer satisfaction surveys are another tool that organizations can use to obtain information about customer service experiences. MVD uses an online survey to collect information about field office customer experiences, which includes a question asking its customers to report on their overall customer satisfaction at field offices. However, fewer than one-tenth of 1 percent of customers who visited field offices responded to this question on the survey in fiscal years 2012 (0.03 percent) and 2013 (0.08 percent). The response rate for this question increased to 0.14 percent in fiscal year 2014. Although a majority of the survey results from fiscal year 2012 to fiscal year 2014 indicates high levels of customer satisfaction, the extremely low response rate means that survey results may not fully represent the experience of all field office customers and therefore do not provide the best information for management decisions. Additionally, an MVD official stated that MVD uses customer feedback, including survey responses, to help evaluate the customer service performance of its customer service representatives. A higher survey response rate could be beneficial for MVD management when conducting these performance evaluations. To improve the response rate in order to obtain more useful information, MVD should implement one or more of the following options: (1) printing the survey link on customers' receipts and return letters, (2) ensuring customer service representatives inform customers about the survey, and/or (3) enabling customers to complete surveys before leaving the field office.

- **Improve wait-time data collection**—Data regarding the customer experience, such as wait times, can help organizations pinpoint problem areas and guide management toward solutions. MVD tracks wait times through its queue management software, starting when the customer receives a numbered ticket and stopping when they reach the customer service window. According to MVD, most states track wait times in the same way as MVD. However, as mentioned previously, this process does not measure the customer's entire wait time, such as the time waiting to obtain a numbered ticket and the time customers wait after leaving the customer service window. A 1997 Office of the Auditor General report (Report No. 97-13) also noted limitations in capturing total wait times in field offices. Therefore, MVD should take steps to better determine the customer's entire wait. For example, it could use a mystery shopper program to capture more complete wait-time information, such as the time customers wait to obtain a numbered ticket.

Finally, MVD should reassess its performance goals for field offices. Although MVD tracks multiple performance items at field offices, it has only set goals for two areas of field office operations. The first area includes one goal related to error rates.[1] The second area addresses wait times and includes three goals: the average wait time, the percentage of customers waiting more than 1 hour, and the average visit time, which is the average wait time plus the average transaction time at the customer service window. Therefore, once MVD improves its assessment of the entire customer service experience, it should use that assessment to revise existing field office performance goals and establish new customer service performance goals for its field offices to ensure that its goals

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[1] Error rates measure both the accuracy of fees collected for transactions and the accuracy of transaction documents scanned into MVD's computer systems. Although each individual category is measured, MVD has a goal only for the overall error rate, which combines multiple accuracy measurement categories.

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more fully reflect the entire customer service experience. After reviewing and establishing new goals, MVD should make any necessary modifications to its existing data collection processes to ensure it collects relevant information related to its new and revised performance goals so that MVD management can monitor progress toward these goals. MVD management meets monthly to review reports and monitor state-wide performance related to its existing goals. Therefore, MVD should modify its existing reports and management meeting discussions to incorporate information relevant to new and revised field office performance goals when making decisions. Finally, MVD should develop and implement policies and procedures regarding how to make improvements to field office customer service based on the information it has gathered, including steps MVD will take to improve performance in field offices that are not meeting performance goals, as well as addressing problems auditors identified, such as cleanliness of field offices and the demeanor of customer service representatives.

MVD should develop and implement a comprehensive plan to provide quality customer service and address problems identified—Once MVD has improved its assessment of the customer service experience, it should develop and implement a customer service plan that focuses on improving the overall customer experience, including:

- **Shifting customers away from the field offices**—According to one of the presidential executive orders previously mentioned, agencies should follow best practices regarding service delivery, such as using technology and self-service options, to deliver more responsive and faster services to help improve the customer service experience.[1] MVD provides customers with alternative options for completing MVD transactions but should take additional steps to inform the public about these options. Authorized third-party offices are an option for conducting in-person transactions outside of MVD's field office business hours. However, MVD field offices do not provide information regarding third-party offices or refer customers to the Department's Web site for information about third-party offices except on holidays, when MVD field offices post a small sign directing customers to the Department's Web site for this information. Most MVD field offices are open from 8 a.m. to 5 p.m. on weekdays and, according to MVD officials, field offices stop accepting new customers at 4:30 p.m., or 3:30 p.m. if the customer needs a driver license road test.[2] Some MVD field offices are open fewer hours or days per week (see Figure 1, page 3).

  Additionally, not all customer service representatives at MVD field offices informed mystery shoppers that they could complete their applicable transactions online at ServiceArizona or at self-service kiosks within some MVD field offices. Although the signs inside the field offices state that "You are welcome to use the ServiceArizona EZ Service Center," there is no information stating what transactions can be performed at the kiosk or explaining the benefits of using the kiosk. In contrast, the Tennessee Department of Safety and Homeland Security, Driver Services Division field offices have large signs at the kiosks showing that customers can use the kiosks to renew their driver license and avoid the wait to see a customer service representative. Therefore, MVD should take

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[1] Exec. Order No. 13571

[2] During the audit, the "MVD Hours and Locations" page on the Department's Web site provided conflicting information about hours of operation. According to MVD officials, MVD was taking steps to correct the conflicting information on the Department's Web site.

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steps to shift customers away from field offices by informing customers about alternative options for conducting MVD transactions, encouraging customer service representatives to inform customers about alternative options, and providing information stating what transactions can be performed at the kiosk and/or advertising the benefits of using the kiosk.

- **Improving queue management functionality**—According to MVD, it has an opportunity to add functionality to its queue management system when the vendor's contract expires in fiscal year 2016. In procuring a new contract, MVD should consider ways to update and improve the functionality of its queue management system to help improve the customer service experience, such as allowing customers to set appointments. For example, California has an online appointment system where customers can sign up for a specific time to arrive at a field office and indicate the transactions that they will be conducting. In Tennessee, customers can check in online, using a virtual system, and find out how many customers are ahead of them for the same type of transaction and when to arrive at a field office to be served. These functions can improve the customer service experience by helping to manage field office volume, reducing customer wait time, and providing information about when a customer will be served. Additionally, MVD should look to add software that will more independently manage the queue of customers and reduce the amount of time that a customer service representative spends managing the queue management system. This could allow more customer service representatives to help customers with transactions. MVD officials stated that they would need to pay to add this capability to MVD's existing queue management software.

- **Better ensuring customers can complete field office transactions**—According to literature, organizations should provide information to customers and make this information intuitive to find and use.[1] MVD officials reported that past efforts to provide information on signs in field offices were unsuccessful because signage became quickly outdated and was difficult to update, and MVD deemed the signs ineffective because customers still asked clarifying questions. However, MVD should reassess signage or identify other ways to provide information to its customers in field offices. This should include providing information about documents needed for transactions and directing customers to the Department's Web site for helpful information. Additionally, MVD should provide information to customers about the general process at field offices, including how the queue works. Signage displaying this type of information would help improve the customer service experience because the process would be easier for customers to understand.

  MVD officials also should develop and implement policies and procedures to help ensure that its information desk staff review necessary documents with customers prior to issuing the customer a numbered ticket. This type of review can help customers know early on during their field office visit if they must bring additional documents with them before they can complete their transaction.

  Finally, MVD should consider assisting customers with obtaining information needed to complete their transaction. For example, MVD requires proof of legal presence in the United States when customers complete a driver license transaction, and some customers may need to return to the field office with a document that provides this proof, such as a birth certificate,

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[1] Pareigis, J., Echeverri, P., & Edvardsson, B. (2012). Exploring internal mechanisms forming customer servicescape experiences. *Journal of Service Management*, 23(5). 677-695.

as illustrated in the example on page 14. However, to reduce the need for return visits, MVD should consider implementing processes used by other states and/or agencies. For example, the Virginia Department of Motor Vehicles is able to issue birth certificates in its field offices rather than sending customers away to obtain this document. Additionally, the Arizona Health Care Cost Containment System (AHCCCS) has an agreement with the Arizona Department of Health Services, Office of Vital Records that allows it to receive limited information to help determine an applicant's eligibility for services. Similarly, MVD should assess the feasibility of establishing an agreement with the Arizona Department of Health Services, Office of Vital Records to obtain access to records of customers who were born in Arizona for the purpose of verifying legal presence rather than sending customers away.

MVD should assess and determine how best to allocate available resources to improve the customer service experience—According to MVD officials, MVD continually seeks to manage its resources and improve efficiency within customer service. For example, according to MVD officials, between May 2013 and February 2015, MVD management reallocated nine customer service representative positions based on the needs of the field offices. Similarly, once it has developed a comprehensive customer service plan, MVD should reassess its resources and determine how best to implement its plan. For example, customer service representatives who work in field offices may be available to assist in a mystery shopping program if more customers use alternative options for completing MVD transactions, such as authorized third-party offices and ServiceArizona, thereby reducing the number of customers that use field offices.

Recommendations:

1.1. MVD should better assess the entire customer service experience by:

a. Considering reestablishing a mystery shopper program and developing policies and procedures to address concerns or variations in customer service that the program identifies;

b. Improving the response rate of the customer satisfaction survey in order to obtain more useful information by implementing one or more of the following options: (1) printing the survey link on customers' receipts and return letters, (2) ensuring customer service representatives inform customers about the survey, and/or (3) enabling customers to complete surveys before leaving the field office; and

c. Taking steps to capture more complete wait-time information such as the time customers wait to obtain a numbered ticket.

1.2. Once MVD has improved its assessment of the entire customer service experience, it should:

a. Use the results of the assessment to revise existing field office performance goals and establish new goals to ensure that its goals more fully reflect the entire customer service experience;

b. Modify existing data collection, reports, and management meeting discussions to incorporate information about field office performance related to the new and revised goals into MVD's decision-making process; and

c. Develop and implement policies and procedures for improving field office customer service based on the information it has gathered, including steps MVD will take to improve performance in field offices that are not meeting customer service performance goals, as well as addressing problems auditors identified, such as cleanliness of field offices and the demeanor of customer service representatives.

1.3. MVD should develop and implement a comprehensive plan to provide quality customer service that focuses on improving the overall customer experience, including:

a. Taking steps to shift customers away from field offices by informing customers about alternative options for conducting MVD transactions, encouraging customer service representatives to inform customers about alternative options, and providing information stating what transactions can be performed at the kiosk and/or advertising the benefits of using the kiosk.

b. Improving queue management functionality by considering ways to update and improve the functionality of its queue management system, such as adding an online appointment system and adding software that will more independently manage the queue of customers.

c. Improving the information it provides to its customers so they better understand the general process at field offices and can effectively complete their transactions. Specifically, MVD should:

   • Reassess signage or identify other ways to provide information to its customers in field offices. This should include providing information on documents needed for transactions; information about the general process at field offices, including how the queue works; and directing customers to the Department's Web site for helpful information; and

   • Develop and implement policies and procedures to help ensure that its information desk staff review necessary documents with customers prior to issuing the customer a numbered ticket.

d. Assessing the feasibility of establishing an agreement with the Arizona Department of Health Services, Office of Vital Records to obtain access to records of customers who were born in Arizona for the purpose of verifying legal presence rather than sending customers away.

1.4. MVD should reassess and determine how best to allocate available resources to implement the comprehensive customer service plan.

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MVD should improve oversight of its Ignition Interlock Program

The Arizona Department of Transportation (Department)—Motor Vehicle Division (MVD) should improve various aspects of its oversight of ignition interlock device manufacturers and installers. MVD's Certified Ignition Interlock Program (Program) helps increase public safety for all motorists by limiting the driving access of those convicted of driving under the influence (DUI) of alcohol, drugs, or any driver-impairing substance and by regulating the manufacturers and installers of ignition interlock devices. Although MVD oversees installers and manufacturers by conducting inspections and investigating complaints, its inspections and complaint-handling efforts can be improved. In addition, the Legislature should consider revising statute to strengthen MVD's inspection and enforcement authority.

MVD oversight of Program should be strengthened

To help ensure that the public is protected through the use of ignition interlock devices, MVD provides oversight of manufacturers and installers through a variety of mechanisms, some of which can be strengthened. In Arizona, statutes and rules list several requirements that manufacturers and installers must meet to provide ignition interlock services (see textbox). MVD provides oversight to ensure manufacturers and installers are complying with these requirements using mechanisms such as inspections and complaint investigations. These mechanisms are important components of a sound regulatory program, but MVD should improve them. Specifically, MVD's oversight mechanisms and, where relevant, the areas for improvement are as follows:

- **Certification (improvements underway)—**MVD provides a one-time certification of ignition interlock manufacturers and device installers and rule changes will add an annual renewal requirement for certified installers

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Ignition Interlock Program as of December 2014

Manufacturers—MVD reported that it has certified 10 companies to manufacture ignition interlock devices. Arizona Revised Statutes (A.R.S.) §28-1462 states that MVD shall certify ignition interlock devices after consulting with the director of the Arizona Department of Public Safety. This certification includes requirements such as the device must require a deep-lung breath sample, be covered by product liability insurance, and the insurance must protect Arizona against any liability that may result from the use of the device.

Installers—MVD has issued certifications to 131 business locations to install certified ignition interlock devices. Installers must meet several requirements regarding their facilities, their practices, and their employees. For example, the facility must have a waiting room that prevents participants from witnessing the installation; installers must use appropriate methods to ensure the devices accurately detect alcohol; installer service representatives must be properly trained; and installer service representatives must certify that they have not been convicted of a felony within the past 5 years.

Participants—According to installer reports sent to MVD, approximately 22,000 individuals had ignition interlock devices installed in their vehicles as of December 2014. In addition to the people who are required to participate because of a DUI conviction, MVD reported that some people voluntarily have the devices installed on their vehicles.

Source: Auditor General staff summary of Arizona Revised Statutes (A.R.S.) and Arizona Administrative Code (AAC) requirements and information provided by program management.

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beginning in April 2015. To help ensure that every type of device certified for use in Arizona works as intended, MVD obtains the Arizona Department of Public Safety's review of a report demonstrating that the device passes the minimum standards set by the National Highway and Traffic Safety Administration. Once the device is approved, manufacturers can either install their own device or provide the device to companies that install devices in Arizona.

In addition, prior to installing devices on vehicles, companies must be certified by MVD to do so. To obtain certification, interested companies must complete an application in which they agree to comply with all rule requirements. These requirements include provisions regarding employment of service representatives, installation of devices, and calibration of devices. Applicants must also meet requirements such as posting a bond, and their service representatives may not have a felony conviction within the previous 5 years. Although manufacturers and installers have not been required to renew certification as a way to demonstrate their continued compliance with requirements, as of November 2014, MVD had proposed rule changes that will require the annual recertification of installers. According to MVD, it plans to begin annually recertifying installers in April 2015 by requiring submission of an updated application.[1] As of December 2014, there were 131 certified installers.

- **Reports (no needed improvements were identified)**—MVD receives two reports from installers to help oversee the Program and monitor participants who violate specific program requirements and laws. First, MVD receives daily reports on participant violations from installers' periodic downloads of data from participants' devices, which record violations such as attempts to start the vehicle when the device detects alcohol in the breath. For example, if a participant blows into the device and the alcohol level in the breath is over the preset limit, then a violation will be registered. When the participant visits the installer for the required monthly or bimonthly download, the installer downloads the device data and submits the data to MVD. If the participant's device data shows two or more violations within the period when he/she is required to have an ignition interlock device, MVD prepares a letter notifying the participant that the duration of his/her program participation requirement is being extended by 6 months and informs him/her that he/she can request a hearing on this decision within 15 days. In addition, installers must notify MVD of any tampering or attempts at circumventing the device. Second, MVD receives quarterly reports from installers showing the total number of devices installed or removed during the quarter. MVD uses this information to track the approximate number of participants in the Program and reports this number annually to the Governor's Office of Highway Safety.

- **On-site inspections (improvements needed)**—According to MVD, it conducts initial inspections of new applicants prior to certifying them as installers and also performs periodic inspections of certified installers. These inspections are designed to assess compliance with rules and are performed by inspectors using an on-site inspection checklist. However, beginning in April 2015, rule changes will require MVD to obtain installers' consent to conduct inspections. As a result, according to MVD, although it plans to continue with conducting installer inspections, it will need to request consent from ignition

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[1] According to MVD, manufacturers and their certified devices are not included in the proposed annual recertification because devices are not typically modified and AAC R17-5-603(G) prevents manufacturers from modifying devices without first informing MVD unless the modification is a software upgrade to maintain the device.

interlock installers before doing so. Department officials reported that the rule change resulted from a Governor's Regulatory Review Council directive because statute does not explicitly authorize the Department to conduct periodic inspections of ignition interlock device installers. However, other state regulatory agencies, such as the Arizona Department of Liquor Licenses and Control, Arizona State Board of Cosmetology, and the Arizona State Board of Pharmacy, have statutory authority to perform inspections without obtaining consent from the regulated entity. Therefore, the Legislature should consider revising statute to explicitly authorize the Department to conduct periodic inspections of ignition interlock device installers.

In addition, MVD should strengthen two aspects of the way it conducts inspections. According to MVD staff, the Program updated its on-site inspection checklist in 2010 to focus inspections on the highest-priority rule requirements, such as whether the devices are periodically calibrated and whether installer employees are trained. However, MVD can improve two aspects of installer inspections. Specifically, the inspection process:

○ **Does not specify how often to check requirements**—The inspection checklist does not specify how often MVD inspectors should verify installer compliance with each rule. As a result, inspectors may check some rules frequently and others infrequently or not at all. For example, rules require installers to provide either a 24-hour emergency phone number or a roadside assistance service which, according to MVD, is important for participants in the event that a device fails to operate properly or the vehicle experiences problems related to the device. However, during two inspections, auditors observed that the inspector did not make a phone call or otherwise ensure that the assistance was available. According to MVD staff, if a previous inspection checked this requirement, it may not need to be checked during the next inspection because it is unlikely that the service would no longer be available and MVD officials believe that customers would complain if there was a problem. However, MVD lacks guidance on whether and when inspectors should rely on a previous inspection. In addition, the on-site inspection checklist does not include all the installer requirements specified in rule, and thus some rule requirements may not be checked at all. For example, although rules state that the inspector may test employees' proficiency regarding device installation, this is not listed on the checklist and therefore may not ever be checked.

○ **Lacks clear guidance on how to review the requirements**—The inspection process does not specify how MVD inspectors should verify installer compliance with the various rule requirements, such as through an on-site inspection or by phone call. For example, one rule requires that the installer provide MVD with a copy of participant records, such as records needed to process some driver license reinstatements, within 10 days of the request. However, MVD has not established any procedures specifying how to check this requirement, such as through an onsite inspection, phone call, or by verifying compliance with a previous MVD request for records, to help ensure that inspectors consistently review installer compliance with this requirement. According to MVD, management expects this requirement to be checked by customer service representatives, not the inspectors. However, it is listed on the inspector's checklist and no written guidance describing the expectation is provided to staff.

MVD should take steps to strengthen its inspection process. The National State Auditors Association (NSAA) states that regulatory agencies should design checklists and adopt

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guidelines that provide inspectors with the appropriate guidance for conducting inspections, including clarifying what evidence is required. Therefore, MVD should develop and implement policies and procedures for conducting inspections of ignition interlock device installers. These policies and procedures should address which rule requirements should be checked at each inspection, which can be reviewed periodically, how inspectors should verify compliance with the rule requirements, and what inspectors should review.

- **Complaints (improvements needed)**—MVD investigates complaints it receives about installers and devices. Rules require MVD inspectors to investigate any complaint or report of misconduct brought against a certified ignition interlock device manufacturer, certified installer, or installer-certified service representative for noncompliance with rule requirements. Once complaints are received, they are investigated by MVD staff through an informal process that includes requesting the complaint to be submitted in writing and then following up with the participants. According to MVD, it receives relatively few complaints—37 complaints in fiscal year 2014—and most complaints are out of its jurisdiction, such as complaints about the fees charged by the installers, which are agreed upon in the contract the customer signed with the installer and are not regulated by MVD. However, according to MVD, if a participant has submitted a complaint indicating that an extension of his/her participation in the Program is based on a violation that is caused by a faulty device, he/she may request a hearing at the Department's Executive Hearing Office. If the hearing finds the violation was caused by a faulty device, MVD will clear the extension of the ignition interlock requirement on the participant's driving record.

  However, various weaknesses in the complaint process have prevented MVD from using complaints as a tool for obtaining participant feedback and improving the Program. Specifically, MVD:

  - **Did not provide easily accessible and clear information on its complaint-handling process**—MVD's complaint process is not easily accessible to participants and does not encourage feedback about ways to improve the Program. MVD's Frequently Asked Questions page in the Ignition Interlock Program section of the Department's Web site lists a mailing address for complaints about ignition interlock installers, includes a link to a general contact page that lists MVD's call center phone numbers, and provides a link for e-mailing questions to MVD. However, Web site users may need to navigate through multiple pages before finding the mailing address, and the Web site does not provide any additional information about ignition interlock-related complaints. For example, it does not explain the complaint process, inform the user about what types of issues are within MVD's jurisdiction, or specify the type of information the complainant should include when sending a complaint to MVD.

  - **Lacked guidance for its complaint-handling process**—MVD lacked formal guidance for how complaints should be investigated and resolved. Although MVD's complaint records show that investigations may include typical investigative elements such as calls to concerned parties and requests for documents, MVD has not established a standard process for conducting investigations that includes steps such as notifying both parties about the complaint and specifying under what circumstances a complaint should be considered resolved.

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○ **Lacked a mechanism for complaint tracking and analysis**—MVD has not tracked and analyzed complaints to identify areas for improvement. When MVD receives a complaint, it documents the nature of the complaint and MVD's investigative activities. However, MVD did not have a mechanism that would allow it to track and analyze its complaints so that it could identify problematic patterns or trends that may exist, such as installers who may have unfair practices, or ensure that all complaints were adequately addressed. MVD did not have such a mechanism because, according to management, documenting complaints was sufficient because of the low volume of complaints MVD received. During the audit, MVD developed a spreadsheet that tracked the complaint date, issue involved, resolution, and other information about the complaint, but did not include information such as the name of the installer company.

MVD should take steps to improve the Program's complaint-handling process, including the information it provides to the public about this process. NSAA recommends that regulatory agencies encourage valid complaints, discourage invalid complaints, and track complaints they receive. For example, the main page of the Oklahoma Board of Tests for Alcohol and Drug Influence's Web site provides easy access to instructions for filing a complaint and a complaint form, and posts a disclaimer about the Board's limitations of authority to handle certain complaints. In addition, in Arizona, authorized third parties who perform MVD services are required to post a sign in each location that contains information on how to file a complaint or concern with the Department about the third party. Similarly, MVD should include information on its Web site about the types of ignition interlock device complaints that it can address and the type of information complainants should include when they file a complaint, and improve access to information about the complaint-handling process. In addition, MVD should develop and implement policies and procedures for conducting investigations into complaints it receives about ignition interlock installers and manufacturers. Finally, MVD should continue to track the complaints that it receives in a systematic manner, including the name of the installer that is the subject of the complaint, and periodically review complaint information to identify problematic patterns or trends that it should address.

Potential statutory change to Department's regulatory authority should be considered

The Legislature should consider a statutory change to provide additional authority to the Department to enforce compliance with statute and rule. Although A.R.S. §§28-366 and 28-1465 authorize the department director to adopt rules he/she deems necessary for the administration and enforcement of the Program, statute does not provide the Department with various disciplinary options to help enforce compliance with statutes and rules. Specifically, A.R.S. §28-1465 authorizes the Department to adopt rules for enforcement including a rule that permits the Director to impose a civil penalty against ignition interlock device installers or manufacturers who fail to properly report ignition interlock data. The Department has not adopted rules regarding civil penalties, but instead, in November 2014, adopted an administrative rule allowing it to cancel the certification of an installer or manufacturer if it has failed to remedy issues of improper reporting within 10 days of notification of the improper reporting. However, statutes do not provide the Department with other disciplinary options ranging from letters of concern and

probation to suspension or revocation of an installer's or manufacturer's certification to address statutory and rule violations, including repeat violations. Although the Department indicated that it prefers to work with certified installers and manufacturers to address any instances of noncompliance and has rarely needed disciplinary authority, it may lack sufficient disciplinary authority to enforce compliance should the need arise.

Similar to other state regulatory agencies and boards, the Legislature should consider revising statute to provide the Department with more disciplinary options to address instances of noncompliance within the Program. State agencies such as the Arizona Department of Liquor Licenses and Control, the Arizona Registrar of Contractors, and the Arizona State Board of Cosmetology have specific and various disciplinary options authorized by statute that allow them to address minor and egregious instances of noncompliance. These options include letters of concern, probation, civil penalties, license and/or certification suspension and revocation, and/or cease and desist authority. Therefore, the Legislature should consider revising statute to expand and specify the Department's disciplinary authority to address certified installers' and manufacturers' statutory and rule noncompliance. Potential disciplinary options could include letters of concern, probation, civil penalties, cease and desist authority, and suspension and/or revocation of certifications.

Recommendations:

2.1. The Legislature should consider revising statute to explicitly authorize the Department to conduct periodic inspections of ignition interlock device installers.

2.2. MVD should develop and implement policies and procedures for conducting inspections of ignition interlock device installers. These policies and procedures should address:

    a. The rule requirements that should be checked at each inspection and those requirements that can be reviewed periodically; and

    b. How inspectors should verify compliance with the rule requirements and what inspectors should review.

2.3. MVD should take the following steps to improve its ignition interlock device complaint-handling process:

    a. Include information on its Web site about the types of ignition interlock device complaints that it can address and the type of information complainants should include when they file a complaint;

    b. Improve access to information about the complaint-handling process on its Web site;

    c. Develop and implement policies and procedures to guide its investigation of the complaints it receives about ignition interlock installers and manufacturers; and

d.   Continue to track the complaints that it receives in a systematic manner, including the name of the installer that is the subject of the complaint, and periodically review complaint information to identify problematic patterns or trends that it should address.

2.4. The Legislature should consider revising statute to expand and specify the Department's disciplinary authority to address certified installers' and manufacturers' statutory and rule noncompliance. Potential disciplinary options could include letters of concern, probation, civil penalties, cease and desist authority, and suspension and/or revocation of certifications.

MVD uses several methods to oversee third-party offices, but should enhance two aspects of its oversight

The Arizona Department of Transportation (Department)—Motor Vehicle Division (MVD) uses several methods to oversee contracted third-party offices where MVD-certified processors, rather than MVD employees, provide services and should continue with its plans to improve two areas of this oversight. To help ensure that state assets and customer data are protected, MVD performs inspections and audits of these offices, and also provides training. However, MVD should make two improvements in order to more easily identify the frequency of serious process-ing errors, such as providing a driver license without requiring all necessary documentation, and to more frequently identify incorrect payments from third parties.

MVD provides oversight in critical areas

MVD contracts with private parties to provide some motor vehicle services, and it must ensure that these providers meet requirements that protect state assets and customer data. Specifically, as required by a written agreement, MVD's authorized third-party locations (third parties) must comply with MVD standards for physical security to protect MVD assets from loss or theft. In addition, they must implement protective measures for MVD data and customers' personal information. Further, they must conduct transactions accurately, which includes requiring appropriate documentation and determining correct fees to be collected from customers. Finally, third parties must meet payment processing requirements to ensure that the State receives the correct amount due from them. As of October 2014, MVD reported that it had authorized 103 companies operating in 161 locations to perform one or more MVD services (see Introduction, page 4).

MVD uses the following mechanisms to help ensure third parties protect sensitive assets and information:

- **Application and initial site visits**—Before authorizing a new company to provide MVD services, MVD performs several steps to help ensure the applicant is qualified and prepared to provide services on behalf of MVD.[1] Specifically:

    ○ MVD receives application materials that help ensure financial responsibility such as the company's surety bond and business plan. In addition, MVD conducts a criminal records check based on fingerprints submitted for individuals who will be authorized to perform processor duties.[2]

    ○ MVD staff meet with company representatives and conduct an initial consultation and site visit to ensure the site meets physical security requirements including having security cameras and a secured room for inventory and records, and to make sure the floor plan

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[1] According to MVD staff, established companies that are opening a new branch location do not have to repeat the entire application process, but undergo only a site inspection and opening-day visit.

[2] Statute requires that owners of at least 20 percent of the company submit fingerprint cards. In addition, rules require company employees who are applying to be certified individuals, such as title and registration processors, to submit fingerprint cards. Further information about MVD's statutory authority to conduct background checks will be provided in the Office of the Auditor General's Arizona Department of Transportation Sunset Factors report.

closely matches the approved physical location layout submitted in the application package. Also, MVD has established a required training program for third-party staff regarding computer security awareness and procedures for processing motor vehicle transactions.

○ MVD staff visit a new, third-party office location on or before opening day to perform a final security check. According to MVD, to help protect its assets and data, it waits until this visit to distribute inventory such as title and registration forms, tags, and license plates, and to provide secure data access such as unique user identification numbers to each employee who will have access to the MVD database. MVD management reported that data access for each processor is limited to only those transactions approved for their job duties.

- **Risk-based audits**—Once a company has begun operating as a third party, it undergoes periodic audits by the Department's Office of Audit and Analysis (Office) to help ensure that the company maintains ongoing compliance with requirements for physical security, data security, and payment processing. Each year, the Office conducts a risk-based assessment that considers factors such as each third-party company's prior audit findings, its number of late deposits during the past fiscal year, and status of its bond coverage. The Office prioritizes companies that will receive an audit based on the risk assessment and consideration of whether a company has received an audit in the past 3 years or whether a company is newly authorized because, according to office management, the number and complexity of regulations around issuing titles and registering vehicles can be challenging for a newly authorized entity.[1] The Office completed 22 of these audits in fiscal year 2013 and 19 audits in fiscal year 2014.

These audits follow Generally Accepted Government Auditing Standards, which provide a framework for performing high-quality government audits with competence, integrity, objectivity, and independence. Office audits examine inventory management, physical security measures, compliance with payment processing requirements, and compliance with other MVD policies and procedures. For example, to ensure adequate physical security, the auditors check to make sure the storeroom is locked and that the security cameras are operating. In addition, to check for consistent payment processing, the Office's auditors review the company's records to identify any late deposits and any transactions that lack required supporting documents, such as refunds made to customers who were mischarged. Further, office auditors monitor data security by checking whether the MVD database was accessed only by authorized, current employees and by observing that computer screens are secure and not visible to unauthorized personnel.

Once an audit is complete, the Office prepares an audit report that details findings and recommendations for improvement. For example, in a November 2013 audit, the Office reported four significant findings, including discrepancies between physical inventory and the inventory noted in the computerized inventory management system, and that third-party employees had accessed their personal motor vehicle records. The Office recommended that the third party take corrective action, including developing an action plan to be

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[1] According to MVD, although robberies occur infrequently, if a third party experiences a robbery, the Office sets aside its other work to conduct an immediate audit.

submitted to MVD for approval, and that MVD should investigate the employees that accessed their own records and take appropriate action. As a result of an audit finding, third parties and processors may have their authorization or certification suspended or canceled if audits find substantial or repeat problems. According to MVD management, three third parties have had their authorization revoked and 15 third parties have been placed on probation as a result of audit findings since 2011. After an audit report is issued, MVD management requires its staff to follow up on findings of noncompliance to determine whether the issues have been adequately addressed.

- **Training and employee certification**—MVD certifies individuals in third-party offices as processors who can perform functions such as title and registration processing, vehicle inspections, and driver licensing, and provides employees with guidance on how to maintain physical and data security and adhere to payment processing requirements. During the certification process, new applicants must either attend a 5-week MVD certification class on topics such as computer security awareness and how to access the system and perform tasks such as accessing a title and registration record, or participate in on-the-job training for 30 days with a certified processor that has an accuracy rate of at least 95 percent. In addition, MVD staff provide applicants with instructions on maintaining physical inventory by calculating the total amount of physical inventory remaining at the end of the day, properly voiding title forms, and placing the remaining titles in a secured storage room. MVD also informs third-party applicants about necessary steps to maintain data security such as not sharing passwords, not allowing noncertified individuals to process transactions, and taking MVD's Computer Security Awareness training course bi-annually. Finally, to help ensure accurate financial payments, MVD provides training to applicants about acceptable methods of payment and performing end-of-day reconciliations, and informs applicants of its revenue-processing policies. These policies require third parties to review and reconcile revenues each day and accurately deposit funds due to MVD by the next business day.

  In addition to the initial training requirements for applicants, MVD provides training to enable third parties to provide additional types of transactions. For example, if a third party wishes to begin issuing driver licenses, its processors must receive training on relevant topics such as fraudulent document identification and the process for issuing a driver license. Also, to maintain their certification, processors must perform at least one title and registration activity on a computer connected to the MVD database every 90 days or he/she must undergo recertification procedures such as taking a recertification test.

- **Transaction errors analysis and department payment reconciliations**—MVD conducts a quarterly analysis on a sample of transactions from each third party to help identify any omissions or entry errors made by each processor. For example, according to MVD, the quarterly transaction analysis can identify serious errors such as miscoding a transaction, which can result in a lower charge to the customer than should be charged, processing a customer's transactions despite missing documentation, or failure to provide a notary signature; or less serious errors, such as not updating the effective date on a title and registration form. Based on the analysis, MVD notifies third parties of their accuracy score and issues a letter of concern to any third party that receives a score under 95 percent informing the third party that it is not meeting department standards and encouraging the third party to establish an internal method for ensuring quality and/or take opportunities for continuing education. Additional violations may

result in MVD taking additional corrective actions such as requiring employee training, probation, and eventual suspension of the processor or third party's authorization.

Finally, the Department has developed and implemented a reconciliation process to help ensure that monies due to MVD through the third parties are properly received in a timely manner. For example, department staff periodically print a report showing third-party deposits that were for incorrect amounts based on the number and types of transactions that were processed. If a third party appears in this report, the Department then contacts the third party with a notice that revenues for each business day must be deposited separately and must agree with the daily reconciliation and that any missing amounts must be paid by the next business day.

As of January 2015, MVD reported that it was planning for or implementing changes to some of its processes for overseeing third parties to more efficiently allocate limited department and MVD resources. For example, MVD reported that it had taken some initial steps to create a new compliance unit that will perform work such as following up on third-party audit findings and assisting with the quarterly transaction analysis to strengthen its current oversight process and provide guidance and training as necessary. As MVD makes changes to any of its third-party oversight processes, it should ensure that these changes do not weaken its oversight of third parties.

MVD should improve third-party processing and payment accuracy oversight

MVD should make two changes to improve its oversight of third parties. First, as previously mentioned, MVD conducts a quarterly transaction errors analysis to assess third parties' processing accuracy. However, a third party's score in this analysis may not be a good indicator of accuracy because all errors are equally weighted. For example, according to MVD, a third party with serious errors such as providing services without requiring all necessary documentation or charging customers the wrong amount are reported with the same weight as a minor data entry error such as not updating the effective date on a title and registration form. As a result, MVD's accuracy score of 95 percent does not distinguish between serious and minor errors and unless a third party falls below the 95 percent threshold, regardless of the nature of the error, the third party would not receive additional corrective actions such as a letter of concern or probation. However, serious errors may merit further MVD attention and action, regardless of whether the errors result in a score below the 95 percent mark. According to MVD officials, as of February 2015, MVD had taken steps toward shifting to a weighted method to distinguish between minor and serious errors but because of limited staffing it had not yet established a deadline for completing these changes. Therefore, MVD should continue with its plans to modify its quarterly transaction errors analysis process to enable it to differentiate between serious and minor errors and better identify third parties with consistent serious errors. After identifying third parties with serious errors or patterns of serious errors, MVD should address concerns by taking corrective action, such as requiring training, probation, or suspension of the processor or third party's authority.

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In addition, as part of the previously discussed reconciliation process, MVD uses periodic reports to identify incorrect fee deposits the Department receives from third parties. At the time of the audit, the Department provided these reports quarterly to MVD and MVD followed up with third-party offices to address any errors involving under- or over-payments. In February 2015, the Department reported that it planned to improve this process by providing reports monthly so that it could address errors and receive any monies owed more quickly. Therefore, the Department should continue with its plans to provide payment reconciliation error reports monthly to MVD to identify incorrect payment amounts from third parties and MVD should follow up with the third parties as needed.

Recommendations:

3.1. As MVD makes changes to any of its third-party oversight processes, it should ensure that these changes do not weaken its oversight of third parties.

3.2. To improve third-party transaction processing accuracy oversight, MVD should:

   a. Continue with its plans to modify its quarterly transaction errors analysis process to enable it to differentiate between serious and minor errors and better identify third parties with consistent serious errors; and

   b. After identifying third parties with serious errors or patterns of problems, address concerns by taking corrective action such as requiring training, probation, or suspension of the processor or third party's authority.

3.3. The Department should continue with its plans to provide payment reconciliation error reports to MVD on a monthly rather than quarterly basis and MVD should follow up with the third parties as needed.

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Other Pertinent Information

As part of the audit, auditors gathered other pertinent information in the following areas:

- The Arizona Department of Transportation (Department) contracts with companies to help provide licensing and vehicle services in the State. Specifically, the Department's Motor Vehicle Division (MVD) implemented a contract in June 2014 for the centralized printing of driver license and identification credentials. The Department also contracts for ServiceArizona, an online service that provides customers with an opportunity to perform MVD transactions online. The Department has included requirements in both of these contracts that help ensure data security and that the contractor provides services as expected, and has developed payment-processing controls to provide assurance that it receives accurate payments from these contractors.

- The State pays for the full cost of MVD's Ignition Interlock Program (Program) and has not established any mechanisms to help ensure drivers with financial limitations can participate in the Program. However, at least one other state and various government agencies either charge or recommend that regulated entities be charged for the cost of regulation. Other states have also established mechanisms to reduce the costs for driver participation in ignition interlock programs if financial assistance is needed.

Credential issuance and online service contracts, and Ignition Interlock Program costs

MVD protects public interest through Central Credential Issuance contract

The Department has contracted with a third-party company for centralized card production services. Beginning in June 2014, MVD implemented the new contract for the production of Arizona driver licenses and identification cards. The contract includes requirements that help ensure the protection of citizens' personal information and that the contractor provides quality services. Although some printing errors occurred during the initial stages of the new credentialing system, the Department has implemented a solution to the problem.

MVD implemented a new contract for credential printing services—MVD uses a contractor to print driver licenses, instruction permits, and identification cards for the public. Customers seeking a new driver license or identification card must visit an MVD field office or authorized third-party office in person to be photographed and provide proof of identity. Previously, MVD field offices printed most licenses and identification cards and issued the finished cards to the customer during the visit. Beginning in June 2014, MVD outsourced its production of driver license and identification cards to a third-party contractor. MVD obtained two federal Driver's License Security Grants from the Department of Homeland Security that partially funded the transition to the new credentialing system.

One reason that MVD pursued central credential issuance was to better protect citizens' personal information. The outsourced cards were redesigned to include enhanced security features that reduce the likelihood of counterfeiting and identity theft. MVD reported that the complexity of the new card construction and design require a special printer that made it impractical to produce these cards in field offices. According to MVD, the previous card design also did not meet American Association of Motor Vehicle Administrators (AAMVA) format and card security feature standards. MVD therefore determined that outsourcing would be a cost-effective way to implement the desired new security features and bring Arizona credentials into compliance with AAMVA standards. Additionally, central issuance of these identification cards creates a more secure process for producing and issuing credentials. For example, MVD reported that card stock and driver license equipment had been stolen in the past from field offices and a department warehouse. According to MVD, it determined that central

issuance would reduce this risk of theft and fraud, as well as reduce costs associated with operating and maintaining card printers at field offices.

In March 2013, the Department entered into a 5-year, approximately $11 million contract with a company that stated in its contract bid that it was already providing centralized credential printing in 22 states. As of June 2014, all driver license and identification card applications are sent to the contractor's central card production facility in California, where the physical cards are produced and then mailed directly to the customers. According to the contract, the contractor will produce an estimated 1.5 million driver license and identification cards per year, with an estimated 2 percent increase per year of the contract, for a projected total volume of approximately 7 million driver license and identification cards over the initial 5-year period of the contract. The contract requires the Department to pay the contractor approximately $1 million in initial start-up fees and then $0.96 per card plus postage costs, or $5 per card issued with same-day mailing service.

Contract requirements protect MVD data and interests—In order to produce credentials, the contractor was granted access to MVD's data, which includes Arizona citizens' personal information. The Department has included controls in its contract to help ensure that this data is secure and that the contractor provides the required services. Specifically:

- **Data security**—The contract requires the contractor to comply with Arizona state-wide information technology (IT) policies, standards, and procedures. In addition, the contractor agreed to use several data security best practices and standards to help ensure that sensitive information remains secure and confidential. For example, the contractor reported that its facilities adhere to standards from the North American Security Products Organization. The contract includes several controls to protect against the fraudulent use of equipment and card materials, including interlocking doors and biometric identification systems, to prevent unauthorized access to the facility.

- **Payment processing**—MVD has developed payment-processing controls for this contract. For example, MVD has developed a procedure to guide reconciliations of its payments to the contractor to help ensure that MVD is charged for the correct number of cards and that the contractor is mailing the cards to customers in a timely manner. MVD's reconciliations of the contractor's August 2014 bill did not identify any incorrect charges. As of December 2014, MVD reported that no significant payment-processing issues have been identified.

- **Service performance**—The contract includes multiple requirements for providing a quality product within a specified time frame. For example, the contractor is required to produce cards with a 12-year card life that adhere to international physical and card durability standards. In addition, the information on the credentials must comply with Arizona statutes and current AAMVA requirements. The contractor is also responsible for ensuring the accuracy of the cards and has several quality control procedures to identify unacceptable cards, including inspections at various points in the card production process. Further, MVD can review the front and back of each printed credential by accessing a print file created by the contractor.

Additionally, the contract establishes monetary penalties if the contractor fails to meet mailing requirements set forth by the Department. For regular delivery, finished credentials must be mailed within 3 days after the card production facility receives the order. For express delivery, finished credentials must be mailed the same day to ensure next-day delivery. The contract includes a $0.25 penalty per card per day for exceeding the 3-day mailing time frame and a $5 penalty per card per day for exceeding the time frame for same-day mailings. The contractor also provides the Department with a production report that includes the date and time that each credential was printed and inserted into an envelope ready for mailing so that MVD can verify whether the mailing requirements are being met. Although MVD reported a few late mailings during the initial stages of implementation, MVD stated in December 2014 that there have not been any ongoing issues with the contractor meeting the mailing requirements.

Cause of early credential printing implementation errors corrected—Since the new credentialing system was implemented in June 2014, a small number of errors have occurred. MVD reported that more than 74,000 licenses were mailed to customers during the first couple of weeks of the new program's implementation, and 75 of these—approximately 0.1 percent—had incorrect photos and signatures. According to MVD, the mistakes were caused by a programming issue within the Department's computer system and the issue was resolved within 1 week. An MVD official reported that in August 2014, four additional customers called the Department to report that their licenses had been misprinted. In September 2014, MVD reported that the Department's IT group had developed a permanent solution to the problem. According to MVD, implementation of the solution began in mid-October 2014 and was still in process as of December 2014.

MVD oversight activities for ServiceArizona include data security, service delivery, and payment processing

ServiceArizona is MVD's online service portal that allows the public to perform many MVD services electronically, including renewing vehicle registrations and obtaining duplicate driver licenses (see Introduction, pages 1 through 10). The Department has entered into a contract with a third-party electronic service partner (service partner) to operate the ServiceArizona system. The contract, which was awarded again in 2012 to the same third party that has been providing ServiceArizona since its inception, includes multiple data security requirements to help protect the public's personal information. In addition, MVD has taken steps to help ensure that adequate services are provided and that it receives accurate payments from the service partner. Specifically:

- **Data security**—The ServiceArizona contract contains several controls to protect the interests of the State and its customers. For example, the contract includes data security provisions that comply with internationally recognized standards related to the management of outsourced IT services. In addition, the service partner is required to periodically obtain various security audits and assessments and perform internal system scans to check for security threats to help ensure the protection of customers' personal information. The service partner also has a disaster recovery site that provides data backups and storage for the Department's information systems.

- **Payment processing**—The contract also includes controls to help ensure that payments are made appropriately. The Department and the service partner are required to perform daily and monthly reconciliation procedures to confirm that the service partner's financial system and processes are operating correctly. Additionally, MVD has developed and implemented a reconciliation process to help ensure that the correct amounts are received from the service partner for transactions performed on ServiceArizona. Auditors' review of the written procedures and a limited review of a small sample of transactions did not identify errors in this process.

- **Service delivery**—The contract also includes controls to help ensure that ServiceArizona operates as expected. For example, the service partner must employ various testing and quality assurance processes, which include simulations that test how the system responds during peak usage periods as well as monitoring tools that provide alerts if any production issues are identified or the site is nonresponsive. The service partner also is required to review all production changes, such as software updates, to verify that the appropriate testing was completed. Further, although not required in the contract, the service partner gives customers the option of filling out a survey after completing their online transaction. Survey results provided by MVD indicate that, on average, more than 98 percent of respondents from fiscal years 2005 to 2014 were satisfied with their experience on ServiceArizona. According to MVD, on average, 28 percent of customers who completed their registration renewal online between January and October 2014 responded to the survey.[1]

Although there are no penalties in the contract to help ensure availability of the ServiceArizona system, the service partner provides other forms of assurance that the system will be available to customers. Additionally, MVD reported that it works with the service partner to establish performance expectations annually that include system availability expectations. In its 2013 year-end report to MVD, the service partner reported 99.52 percent system availability. According to MVD, ServiceArizona availability has not been problematic and the service partner has been successful at meeting the established performance expectations.

Ignition Interlock Program characteristics differ in some other states

Similar to many states, Arizona has mandatory ignition interlock provisions for drivers who have been convicted of driving under the influence of alcohol (see Introduction, pages 7 through 8, and Finding 2, pages 23 through 29). However, although manufacturers and installers in Arizona do not assist with the Program's regulatory costs, at least one other state and various government agencies either charge or recommend that regulated entities be charged for the cost of regulation. In addition, some other states have encouraged participation in ignition interlock programs by establishing a program that provides financial assistance to indigent participants.

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[1] Survey results include all survey respondents. Response rates for other types of transactions were not readily available. MVD stated that in fiscal year 2014, registration renewals accounted for approximately 22 percent of ServiceArizona transactions.

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State pays for Program's regulatory costs—Although both industry and the State benefit from this Program, the State covers the entire cost of regulating installers and manufacturers.[1] According to the Department, MVD's costs to oversee the Program for fiscal year 2014 totaled $390,000, which included the cost of five employees who performed tasks such as inspections and certifications.[2] Specifically, MVD reported that in fiscal year 2014, it used more than $70,000 from the Driving Under the Influence (DUI) Abatement Fund to pay for two positions within the Ignition Interlock Program, with the remainder of the Program's costs paid for by other state monies.[3] MVD does not have statutory authority to charge ignition interlock installers or manufacturers fees for certification.

At least one other state, the Arizona State Agency Fee Commission, and federal agencies either charge or recommend that regulated entities be charged for the cost of regulation. Specifically, the Oklahoma Board of Tests for Alcohol and Drug Influence (Board) requires ignition interlock device manufacturers to pay a $1,000 certification fee and installers to pay a $100 license fee.[4] In addition, the Board has established a $35 fee for technician licenses and a $25 fee for technician license renewal. Additionally, according to the Arizona State Agency Fee Commission, an agency's funding structure should be such that fees are collected for specific services that the agency provides.[5] The U.S. Government Accountability Office also has reported that user fees for voluntary transactions with government agencies, such as applications for certification, can reduce the burden on taxpayers to finance the portions of activities that provide benefits to identifiable users.[6] Finally, the National Highway Traffic Safety Administration (NHTSA) suggested in its 2013 Model Guideline for State Ignition Interlock Programs that an ignition interlock program should be self-sustaining, should not rely on state funds, and should collect fees from DUI offenders, ignition interlock vendors, and other non-state sources who conduct business in the State.[7]

Some states provide financial assistance for indigent participants—The costs associated with installing an ignition interlock device may be burdensome or prohibitive for some participants, which could contribute to some drivers not using an interlock device to prevent them from driving while under the influence of alcohol. Although the cost of an ignition interlock device varies depending on the state, according to the NHTSA, financial hardship is cited frequently by DUI offenders as a reason for avoiding installing an ignition interlock device. Specifically, according to a 2009 NHTSA report, many offenders ordered to install ignition interlock devices claim they are unable to do so because of financial limitations.[8] However, if drivers choose to illegally drive on a

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[1] According to the National Highway Traffic Safety Administration's (NHTSA) Fiscal Year 2014 Grant Award Summary, Arizona received a federal ignition interlock grant of nearly $347,000 in fiscal year 2014. An Arizona Governor's Office of Highway Safety official reported that these monies were not distributed to the Department, but were used for other highway safety purposes such as vehicles and training for law enforcement officers throughout the State.

[2] This does not include enforcement activities such as holding hearings for violation resolution.

[3] The DUI abatement fund, established by Arizona Revised Statutes §28-1304, receives monies from restaurants' annual liquor license fees and assessments on persons convicted of extreme or aggravated DUI or extreme or aggravated operating a motorized watercraft under the influence. By statute, most DUI abatement fund monies shall be used for grants to political subdivisions and tribal governments.

[4] Auditors obtained information about ignition interlock program funding in Oklahoma. This state was selected because it was discussed in NHTSA materials. Fiedler, K., Brittle, C., & Stafford, S. (2012). *Case studies of ignition interlock programs* (DOT HS 811 594). Washington, DC: U.S. Department of Transportation National Highway Traffic Safety Administration.

[5] Arizona State Agency Fee Commission. (2012). *Arizona State Agency Fee Commission report*. Phoenix, AZ: Author.

[6] United States Government Accountability Office. (2008). *Federal user fees: A design guide* (GAO-08-386SP). Washington, DC: Author.

[7] U.S. Department of Transportation, National Highway Traffic Safety Administration. (2013). *Model guideline for state ignition interlock programs* (DOT HS 811 859). Washington, DC: Author.

[8] Sprattler, K. (2009). *Ignition interlocks-what you need to know: A toolkit for policymakers, highway safety professionals, and advocates* (DOT HS 811 246). Washington, DC: U.S. Department of Transportation National Highway Traffic Safety Administration.

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suspended license rather than installing the device, this can place the public at risk. Arizona has not established a mechanism to help ensure that drivers with financial limitations can participate in the Program.

Other states have established mechanisms to reduce the participation costs for indigent drivers. According to NHTSA, about 20 states offset the cost for indigent drivers in some manner to address concerns that the cost of interlock sanctions acts as a barrier to offender implementation.[1] For example, New Mexico has established an indigent fund paid for by fees imposed on nonindigent program participants and an annual appropriation from its alcohol excise tax.[2] The fund pays part of the program costs for people who have been determined to be indigent by their participation in other public assistance programs. According to a New Mexico official, as a result of the legislation, New Mexico has seen an increase in program participation by indigent participants. In addition, South Carolina charges vendors a $30 monthly fee for each nonindigent participant to offset the cost of indigent participation and other program costs. Finally, NHTSA noted that Colorado saw an increase in ignition interlock device installation as the barriers to program participation were lowered.[3] Specifically, Colorado's 2009 statutory changes that expanded its program to require first-time offender participation also provided indigent funds to encourage maximum participation.

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[1] Sprattler, K., 2009. In addition, auditors' analysis of a National Conference of State Legislatures 2014 summary of state ignition interlock laws found that five states—Georgia, North Carolina, Pennsylvania, South Carolina, and Wisconsin—allow exemptions from ignition interlock requirements for financial hardship.

[2] Auditors obtained information about ignition interlock program indigent funding in Colorado, New Mexico, and South Carolina. Colorado and New Mexico were selected because they were discussed in NHTSA materials. Sprattler, K. (2009).; Marques, P.R. & Voas, R.B. (2010). *Key features for ignition interlock programs* (DOT HS 811 262). Washington, DC: U.S. Department of Transportation National Highway Traffic Safety Administration. South Carolina was selected because its program received a Legislative Audit Council review in 2013. South Carolina General Assembly Legislative Audit Council. (2013). *A limited-scope review of the Department of Probation, Parole and Pardon Services*. Columbia, SC: Author.

[3] Fiedler, Brittle, & Stafford, 2012

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Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and staff express appreciation to the Arizona Department of Transportation (Department) Director and staff and the Motor Vehicle Division (MVD) Assistant Director and staff for their cooperation and assistance throughout the audit.

Auditors used various methods to study the issues addressed in this report. These methods included reviewing statutes, rules, and policies and procedures; interviewing department and MVD management and staff; and reviewing information on the Department's Web site and from prior audit reports.

Auditors also used the following specific methods to address the audit's objectives:

- To assess the quality of MVD's customer service in field offices, auditors conducted eight mystery shopper visits and four observations at a total of ten MVD field offices, spoke with customers at the field offices, and obtained detailed information from three customers about their driver license transaction experience. Auditors analyzed MVD field office data for July 2011 through April 2014 for wait times, returns, total number of transactions, total number of customers, and number of customers waiting over 1 hour; analyzed MVD's online customer survey response rates from fiscal year 2012 through fiscal year 2014; and reviewed MVD's performance measure goals for fiscal year 2014, MVD computer system outages for January through April 2014, and the Department's Web site for information provided to customers. Auditors also interviewed officials from the Arizona Department of Health Services, Office of Vital Records, the Tennessee Department of Safety and Homeland Security, Driver Services Division, and the Virginia Department of Motor Vehicles; and reviewed Web site information from the California Department of Motor Vehicles. Finally, auditors reviewed literature regarding mystery shopping and quality customer service; and reviewed presidential executive orders and key competencies from the Arizona Department of Administration.[1,2,3]

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[1] Benjes-Small, C., & Kocevar-Weidinger, E. (2011, May). Secrets to successful mystery shopping: A case study. *College & Research Library News*, 72, 274-287; Community Development Project. (n.d.). *Research for organizing: A toolkit for participatory action research*. Retrieved June 3, 2014 from www.researchfororganizations. org; MMC LINK. (2012). *Geevston and Huon Valley Council mystery shopping report*. Hobart, Tasmania: Author; MSPA North America. (n.d.). *Code of ethics and professional standards*. Retrieved June 2, 2014 from http:// www.mysteryshop.org/ethics; and MSPA North America. (n.d.). *Code of ethics and professional standards for mystery shoppers*. Retrieved June 2, 2014 from http://www.mysteryshop.org/ethics

[2] Braff, A., & DeVine, J.C. (2008, December). Maintaining the customer experience. *McKinsey Quarterly*, no pagination; Edvardsson, B., Enquist, B., & Johnston, R. (2005). Cocreating customer value through hyperreality in the prepurchase service experience. *Journal of Service Research*, 8(2), 149-161; Edvardsson, B., Enquist, B., & Johnston, R. (2010). Design dimensions of experience rooms for service test drives: Case studies in several service contexts. *Managing Service Quality*, 20(4), 312-327; Hartline, M.D., Maxham III, J.G., & McKee, D. O. (2000, April). Corridors of influence in the dissemination of customer-oriented strategy to customer contact service employees. *Journal of Marketing*, 64, 35-50; Katch, S., & Morse, T. (2009, August). When citizens are your customers. *McKinsey Quarterly*, no pagination; Pareigis, J., Echeverri, P., & Edvardsson, B. (2012). Exploring internal mechanisms forming customer servicescape experiences. *Journal of Service Management*, 23(5). 677-695; and Stodnick, M., & Marley, K.A. (2013). A longitudinal study of the zone of tolerance. *Managing Service Quality*, 23(1), 25-42.

[3] Exec. Order No. 12862, 3 CFR 1737 (1993); and Exec. Order No. 13571, 3 CFR 234 (2011)

- To assess MVD's oversight of the Ignition Interlock Program (Program), auditors reviewed MVD program documents, including the certification application for installers, a lab report required for certification of manufacturers of ignition interlock devices, the installer onsite inspection checklist, records of inspections conducted on certified installers between April 4, 2013 and November 28, 2014, and various documents from complaints submitted to MVD about installers and ignition interlock devices. Auditors also observed two installer inspections completed by MVD staff. Finally, auditors reviewed best practices for regulatory oversight from the National State Auditors Association.[1]

- To assess MVD's oversight of authorized third-party offices (third parties), auditors reviewed requirements, procedures, and forms for initial third-party authorization; authorization documentation for six third-party companies; quarterly error reports and MVD's reconciliation process for third parties; and observed an initial inspection for a third-party office. Auditors also reviewed the Department's Office of Audit and Analysis (Office) audit program; risk assessment for third-party office audits and five audit reports completed by the Office in fiscal year 2014; and observed office staff while conducting an audit of a third-party office and an inventory inspection of another third-party office. In addition, auditors reviewed the Office's fiscal year 2010 peer review, which was conducted by the American Association of State Highway and Transportation Officials.

- To assess whether MVD has established appropriate requirements and oversight controls for its central credentialing contract, auditors reviewed various contract documents, including the Department's central credentialing request for proposal (RFP), the contractor's RFP response, the contract award documents, and various contract amendments. Auditors also reviewed an MVD-prepared fact sheet and a proposed budget expenditure for a 2011 U.S. Department of Homeland Security (DHS) Driver License Security Grant, 2009 and 2011 DHS Driver License Security Grant Program award documents, the contractor's September 2014 invoice, MVD's reconciliation procedures, and MVD's reconciliation of August and September 2014 credential orders.

- To assess whether MVD has established appropriate requirements and oversight controls for its ServiceArizona contract, auditors reviewed the Department's RFP for the ServiceArizona Web site, the contractor's RFP response, the contractor's 2013 year-end performance expectations report, and MVD's annual reports listing ServiceArizona customer survey results between fiscal years 2005 and 2014. Auditors also performed nine motor vehicle transactions on ServiceArizona, reviewed MVD payment reconciliation documents, and observed MVD staff perform sample reconciliations.

- To provide information on the funding of and indigent participation in MVD's Ignition Interlock Program, auditors interviewed a representative from the Arizona Governor's Office of Highway Safety and representatives from the following state agencies: New Mexico's Department of Transportation and Traffic Safety Division Ignition Interlock Program, and the South Carolina Ignition Interlock Program; and reviewed the South Carolina General Assembly Legislative Audit Council's June 2013 report on the South Carolina Department

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[1]   National State Auditors Association. (2004). *Carrying out a state regulatory program: A National State Auditors Association best practice document*. Lexington, KY: Author; The National State Auditors Association is an organization that provides information and best practices to auditors at the local, state, and federal government levels.

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of Probation, Parole, and Pardon Services.[1] Auditors also reviewed fee-setting guidelines from the Arizona State Agency Fee Commission and the U.S. Government Accountability Office.[2] Finally, auditors reviewed documents from the National Highway Traffic Safety Administration (NHTSA).[3]

- To obtain information for the Introduction, auditors reviewed the Department's strategic plan, the Governor's Office of Strategic Planning and Budgeting's 2014 *The Master List of State Government Programs and State Agencies' Five Year Strategic Plans*; American Association of Motor Vehicle Administrators (AAMVA) documents, and the United States Code. Auditors also reviewed the AAMVA, National Conference of State Legislatures, and ServiceArizona Web sites; MVD-prepared documents on the number of full-time equivalent positions and field office locations; a 2014 MVD report on the number of valid credentials in Arizona; documents describing MVD's programs and services; and award documents for the ServiceArizona contract. Additionally, auditors reviewed data for 2006 and 2012 from the NHTSA *Fatality Analysis Reporting System Encyclopedia*, as well as MVD transaction data for fiscal years 2005 and 2014 from field offices, third parties, ServiceArizona, and the renew-by-mail unit. Finally, auditors reviewed revenue data compiled by the Department's Financial Management Services staff, project change requests for the ServiceArizona contract, pricing documents submitted by the ServiceArizona contractor, the Office of the Arizona State Treasurer Web site, and MVD call center performance metrics. Auditors also analyzed financial information obtained from the Department for fiscal years 2013 through 2015.

- Auditors' work on internal controls included assessing MVD's controls over customer service by reviewing field office transaction reports and attending a management meeting to observe how the reports are used. In addition, auditors assessed the Department's and MVD's controls over physical security, data security, and payment processing at third-party offices that perform MVD services, the ServiceArizona contractor, and the central credential issuance contractor; and department and MVD oversight of ignition interlock installers and manufacturers. Specifically, auditors reviewed applicable contracts, agreements, and policies and procedures, and interviewed and observed staff performing audits and inspections. Auditors' conclusions on internal controls are reported in Findings 1, 2, and 3 and in the Other Pertinent Information section of the report. In addition, auditors conducted data validation work to assess the reliability of MVD's transaction data and found it was sufficiently reliable for the purposes of the audit.

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[1] South Carolina General Assembly Legislative Audit Council. (2013). *A limited-scope review of the Department of Probation, Parole and Pardon Services*. Columbia, SC: Author.

[2] Arizona State Agency Fee Commission. (2012). *Arizona State Agency Fee Commission report*. Phoenix, AZ: Author; Joint Legislative Committee on Performance Evaluation and Expenditure Review. (2002). *State agency fees: FY 2001 collections and potential new fee revenues*. Jackson, MS: Author; and U.S. Government Accountability Office. (2008). *Federal user fees: A design guide* (GAO-08-386SP) Washington, DC: Author.

[3] Fiedler, K., Brittle, C., & Stafford, S. (2012). *Case studies of ignition interlock programs* (DOT HS 811 594). Washington, DC: U.S. Department of Transportation National Highway Traffic Safety Administration.; Marques, P.R. & Voas, R.B. (2010). Key features for ignition interlock programs (DOT HS 811 262). Washington, DC: U.S. Department of Transportation National Highway Traffic Safety Administration; U.S. Department of Transportation, National Highway Traffic Safety Administration. (2013). *Model guideline for state ignition interlock programs* (DOT HS 811 859). Washington, DC: Author; Sprattler, K. (2009). *Ignition interlocks-what you need to know: A toolkit for policymakers, highway safety professionals, and advocates* (DOT HA 811 246). Washington, DC: U.S. Department of Transportation National Highway Traffic Safety Administration.

AGENCY RESPONSE

ADOT

Director's Office

Douglas A. Ducey, Governor
John S. Halikowski, Director
Scott Omer, Deputy Director for Operations
Floyd Roehrich, Jr., Deputy Director for Policy
Dallas Hammit, Deputy Director for Transportation

April 2, 2015

Debbie Davenport, Auditor General
Office of the Auditor General
2910 North 44th Street #410
Phoenix, Arizona 85018

Re: MVD Performance Audit Response

Dear Ms. Davenport:

The Arizona Department of Transportation (ADOT) would like to express our appreciation to you for this opportunity to respond to the recommendations in your recent performance audit of the ADOT Motor Vehicle Division.

Finding 1: MVD should improve field office customer service.

Recommendation 1.1:
MVD should better assess the entire customer service experience by:
 a. Considering reestablishing a mystery shopper program and developing policies and procedures to address concerns or variations in customer service that the program identifies;
 b. Improving the response rate of the customer satisfaction survey in order to obtain more useful information by implementing one or more of the following options: (1) printing the survey link on customers' receipts and return letters, (2) ensuring customer service representatives inform customers about the survey, and/or (3) enabling customers to complete surveys before leaving the field office; and
 c. Taking steps to capture more complete wait-time information such as the time customers wait to obtain a numbered ticket.

Recommendation:
 a. **Considering reestablishing a mystery shopper program and developing policies and procedures to address concerns or variations in customer service that the program identifies;**

Agency Response:
The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. The Division is actively evaluating how to leverage current resources to best address customer service monitoring, including the potential of restarting the mystery shopper program, as well as alternate methods of addressing this recommendation.

Recommendation:
 b. **Improving the response rate of the customer satisfaction survey in order to obtain more useful information by implementing one or more of the following options: (1) printing the survey link on customers' receipts and return letters, (2) ensuring customer service representatives inform customers about the survey, and/or (3) enabling customers to complete surveys before leaving the field office; and**

Agency Response:

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. Customers now have the option of completing a hardcopy survey in the office, which replicates the online survey. The MVD Customer Service Program set a goal to have a response rate of .5% or greater by December 2014 and 1% or greater by June 2015; the first goal has been met.

Recommendation:

    c.   **Taking steps to capture more complete wait-time information such as the time customers wait to obtain a numbered ticket.**

Agency Response:

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. Capturing more complete wait time information can best be accomplished systematically, which requires increased functionality in our queuing system (see response to 1.3.b). The Division is also exploring alternative methods to better capture wait times in the interim.

Recommendation 1.2:

Once MVD has improved its assessment of the entire customer service experience, it should:

    a.   Use the results of the assessment to revise existing field office performance goals and establish new goals to ensure that its goals more fully reflect the entire customer service experience;

    b.   Modify existing data collection, reports, and management meeting discussions to incorporate information about field office performance related to the new and revised goals into MVD's decision-making process; and

    c.   Develop and implement policies and procedures for improving field office customer service based on the information it has gathered, including steps MVD will take to improve performance in field offices that are not meeting customer service performance goals, as well as addressing problems auditors identified, such as cleanliness of field offices and the demeanor of customer service representatives.

Agency Response:

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. The Division has already set targets for customer survey response rates and will be setting goals for survey results by July 2015. Additional performance metrics will be established based on the customer experience assessment.

Recommendation 1.3:

MVD should develop and implement a comprehensive plan to provide quality customer service that focuses on improving the overall customer experience, including:

    a.   Taking steps to shift customers away from field offices by informing customers about alternative options for conducting MVD transactions, encouraging customer service representatives to inform customers about alternative options, and providing information stating what transactions can be performed at the kiosk and/or advertising the benefits of using the kiosk.

    b.   Improving queue management functionality by considering ways to update and improve the functionality of its queue management system, such as adding an online appointment system and adding software that will more independently manage the queue of customers.

c. Improving the information it provides to its customers so they better understand the general process at field offices and can effectively complete their transactions. Specifically, MVD should:

- Reassess signage or identify other ways to provide information to its customers in field offices. This should include providing information on documents needed for transactions; information about the general process at field offices, including how the queue works; and directing customers to the Department's Web site for helpful information; and
- Develop and implement policies and procedures to help ensure that its information desk staff review necessary documents with customers prior to issuing the customer a numbered ticket.

d. Assessing the feasibility of establishing an agreement with the Arizona Department of Health Services, Office of Vital Records to obtain access to records of customers who were born in Arizona for the purpose of verifying legal presence rather than sending customers away.

Recommendation:

a. **Taking steps to shift customers away from field offices by informing customers about alternative options for conducting MVD transactions, encouraging customer service representatives to inform customers about alternative options, and providing information stating what transactions can be performed at the kiosk and/or advertising the benefits of using the kiosk.**

Agency Response:

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. MVD will increase the use of signage to inform customers of third party services in the area and transactions that can be completed on the ServiceArizona kiosks. Also, as noted in the Audit Report, transactions continue to be shifted and new services added to ServiceArizona and Authorized Third Parties, which is the deliberate plan of the Division.

Recommendation:

b. **Improving queue management functionality by considering ways to update and improve the functionality of its queue management system, such as adding an online appointment system and adding software that will more independently manage the queue of customers.**

Agency Response:

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. MVD received a price quote from their current queuing management vendor on December 26, 2014, of $667,000 to add the audit-recommended features of appointment setting, virtual check-in and automated queue management. The Division is currently assessing resources and priorities to determine how to move forward on this recommendation. We will explore the feasibility of either including a state-of-the-art queue management system as part of the Division's active systems replacement project, adding these functions when the current queuing system contract expires in May 2016, or renegotiating the current contract to include these functions.

Recommendation:
c. Improving the information it provides to its customers so they better understand the general process at field offices ad can effectively complete their transactions. Specifically, MVD should:
  - Reassess signage or identify other ways to provide information to its customers in field offices. This should include providing information on documents needed for transactions; information about the general process at field offices, including how the queue works; and directing customers to the Department's Web site for helpful information; and

Agency Response:
The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation:
c. Improving the information it provides to its customers so they better understand the general process at field offices and can effectively complete their transactions. Specifically, MVD should:
  - Develop and implement policies and procedures to help ensure that its information desk staff review necessary documents with customers prior to issuing the customer a numbered ticket.

Agency Response:
The finding of the Auditor General is agreed to, and a different method of dealing with the finding will be implemented. The level of document screening is a workflow management decision that requires a constant balance between the number of people waiting for a Q-Matic ticket and the number of customer service windows available for transaction processing at any given time. The Division will evaluate the balance of fixed policies and management discretion to promote the most customer-focused service.

Recommendation:
d. Assessing the feasibility of establishing an agreement with the Arizona Department of Health Services, Office of Vital Records to obtain access to records of customers who were born in Arizona for the purpose of verifying legal presence rather than sending customers away.

Agency Response:
The finding of the Auditor General is agreed to, and a different method of dealing with the finding will be implemented. Rather than limiting this interface to an Arizona-only database, the Division will pursue an interface to a national birth certificate database. The Division will analyze whether this interface should be part of the systems replacement project or included in the current system. The Division is also researching whether authentication can be done solely through a database query, or if a customer will still need to present a physical source document.

Recommendation 1.4:
MVD should reassess and determine how best to allocate available resources to implement the comprehensive customer service plan.

Agency Response:
The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Finding 2: MVD should improve oversight of Ignition Interlock Program.

Recommendation 2.1:
The Legislature should consider revising statute to explicitly authorize the Department to conduct periodic inspections of ignition interlock device installers.

Agency Response:
The Division abstains from responding to the finding of the Auditor General. Any legislative issues are subject to the normal legislative process. However, the Division has addressed this recommendation by adding periodic inspections to Administrative Rule R17-5-613.B. Information may also be added to the manufacturer/provider application process for informational purposes.

Recommendation 2.2:
MVD should develop and implement policies and procedures for conducting inspections of ignition interlock device installers. These policies and procedures should address:
  a. The rule requirements that should be checked at each inspection and those requirements that can be reviewed periodically; and
  b. How inspectors should verify compliance with the rule requirements and what inspectors should review.

Agency Response:
The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. MVD will update the checklist to reflect the current rule citations and develop a desk manual for inspection guidelines.

Recommendation 2.3:
MVD should take the following steps to improve its ignition interlock device complaint-handling process:
  a. Include information on its Web site about the types of ignition interlock device complaints that it can address and the type of information complainants should include when they file a complaint;
  b. Improve access to information about the complaint-handling process on its Web site;
  c. Develop and implement policies and procedures to guide its investigation of the complaints it receives about ignition interlock installers and manufacturers; and
  d. Continue to track the complaints that it receives in a systematic manner, including the name of the installer that is the subject of the complaint, and periodically review complaint information to identify problematic patterns or trends that it should address.

Agency Response:
The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. The Division has developed a spreadsheet to identify subject matter complaints and trending, will implement written guidelines, and will revise its website for the complaint-handling process.

Recommendation 2.4:
The Legislature should consider revising statute to expand and specify the Department's disciplinary authority to address certified installers' and manufacturers' statutory and rule noncompliance. Potential disciplinary options could include letters of concern, probation, civil penalties, cease and desist authority, and suspension and/or revocation of certifications.

Agency Response:
The Division abstains from responding to the finding of the Auditor General. Any legislative issues are subject to the normal legislative process.

Finding 3: MVD uses several methods to oversee third-party offices, but should enhance two aspects of oversight.

Recommendation 3.1:
As MVD makes changes to any of its third-party oversight processes, it should ensure that these changes do not weaken its oversight of third parties.

Agency Response:
The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. The main goal and objective behind the creation of the Compliance Unit is to strengthen the current oversight process.

Recommendation 3.2:
To improve third-party transaction processing accuracy oversight, MVD should:
   a. Continue with its plans to modify its quarterly transaction errors analysis process to enable it to differentiate between serious and minor errors and better identify third parties with consistent serious errors; and
   b. After identifying third parties with serious errors or patterns of problems, address concerns by taking corrective action such as requiring training, probation, or suspension of the processor or third party's authority.

Recommendation:
   a. **Continue with its plans to modify its quarterly transaction errors analysis process to enable it to differentiate between serious and minor errors and better identify third parties with consistent serious errors; and**

Agency Response:
The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation:

    b.   **After identifying third parties with serious errors or patterns of problems, address concerns by taking corrective action such as requiring training, probation, or suspension of the processor or third party's authority.**

Agency Response:

The finding of the Auditor General is agreed to, and the audit recommendation has already been implemented

Recommendation 3.3:

The Department should continue with its plans to provide payment reconciliation error reports to MVD on a monthly rather than quarterly basis and MVD should follow up with the third parties as needed.

Agency Response:

The finding of the Auditor General is agreed to, and the audit recommendation has already been implemented.

Thank you again for this opportunity to respond to your recommendations. We will continue to work with your office as we move toward our 6 month status update.

Sincerely,

John S. Halikowski
Director

Performance Audit Division reports issued within the last 24 months

13-02	Arizona Board of Appraisal
13-03	Arizona State Board of Physical Therapy
13-04	Registrar of Contractors
13-05	Arizona Department of Financial Institutions
13-06	Department of Environmental Quality—Underground Storage Tanks Financial Responsibility
13-07	Arizona State Board of Pharmacy
13-08	Water Infrastructure Finance Authority
13-09	Arizona State Board of Cosmetology
13-10	Department of Environmental Quality—Sunset Factors
13-11	Arizona State Board of Funeral Directors and Embalmers
13-12	Arizona State Board for Charter Schools
13-13	Arizona Historical Society
CPS-1301	Arizona Department of Economic Security—Children Support Services—Foster Home Recruitment-Related Services Contracts
13-14	Review of Selected State Practices for Information Technology Procurement
13-15	Arizona Game and Fish Commission, Department, and Director
14-101	Arizona Department of Economic Security—Children Support Services—Transportation Services
14-102	Gila County Transportation Excise Tax
14-103	Arizona State Board of Dental Examiners
14-104	Arizona Office of Administrative Hearings
14-105	Arizona Board of Executive Clemency
14-106	State of Arizona Naturopathic Physicians Medical Board
14-107	Arizona Department of Child Safety—Children Support Services—Emergency and Residential Placements
14-108	Arizona Department of Administration—Arizona State Purchasing Cooperative Program
15-101	Arizona Department of Child Safety—Compared to National Averages, Arizona's Number of Child Abuse or Neglect Reports Has Been Similar or Higher and Its Substantiation Rate Lower, and the Office of Child Welfare Investigations Is Unique Among States
15-102	Arizona Department of Administration—Department Should Strengthen Its Management, Support, and Oversight of the State-wide Procurement System
15-103	Arizona Medical Board—Board Has Improved Its Processes, but Should Conduct a Risk-Based Review of Previously-Issued Licenses

Future Performance Audit Division reports

Arizona Department of Revenue—Use of Information Technology