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August 2, 2016

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Burges:

Our Office has recently completed an initial followup of the *Arizona Department of Transportation—Motor Vehicle Division* regarding the implementation status of the 24 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in April 2015 (Auditor General Report No. 15-104). As the attached grid indicates:

- 4 have been implemented;
- 18 are in the process of being implemented; and
- 2 legislative recommendations have not been implemented.

Our Office will conduct a 24-month followup with the Arizona Department of Transportation on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ka
Attachment

cc: John Halikowski, Director
Arizona Department of Transportation

**Arizona Department of Transportation—
Motor Vehicle Division
Auditor General Report No. 15-104
Initial Follow-Up Report**

Recommendation

Status/Additional Explanation

Finding 1: MVD should improve field office customer service

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.

Implementation in process in a different way

MVD has started to implement a different method than the mystery shopper program for assessing the entire customer experience. Division leadership began regularly visiting field offices to speak with employees and customers to better understand their experiences. This is part of a continual process-improvement initiative that MVD is working on with the Arizona Department of Administration's Government Transformation Office. Auditors will review the continued implementation of the recommendation, including the development and implementation of policies and procedures to address concerns or variations the leadership visits identify, during the 24-month followup.

Implemented at 12 months

Implementation in process

MVD started a pilot project in November 2015 to test a reconfiguration of its queue management system to capture more complete wait times. Specifically, MVD's queue management system was reconfigured in selected offices to capture the time spent waiting in line to receive a numbered ticket and to capture the time spent waiting to complete a transaction. According to MVD, it implemented the reconfigured system state-wide in June 2016 and was working to have complete wait-time data available in August 2016.

Recommendation

Status/Additional Explanation

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.

Implementation in process

As of July 2016, MVD was working in conjunction with the Arizona Department of Administration's Government Transformation Office to review and revise its metrics and goals. MVD has started to use a new process for improving customer service that involves monitoring metrics and goals at several levels of the organization, including the field office, regional, and division levels. Customer service goals for field offices include reducing the number of complaints and the number of return visits. In addition, MVD reported that it reconfigured its queue management system to capture more complete wait-time information and has adjusted its performance goals accordingly. According to MVD, the reconfigured queue management system was implemented state-wide in June 2016, and complete wait-time data should be available in August 2016. Auditors will review implementation of wait-time goals and how other goals have been operationalized during the 24-month followup.

Implementation in process

As of July 2016, MVD was working in conjunction with the Arizona Department of Administration's Government Transformation Office to review and revise its metrics and goals and reported that it plans to collect and report data on its progress toward these goals as they are revised. In addition, MVD has started to use a new process for improving customer service that involves weekly meetings that are attended by several levels of the organization, including the field office, regional, and division levels, to monitor metrics and goals. MVD reported that it plans to finish implementing this new process and provide training by October 1, 2016.

Implementation in process

As of July 2016, MVD was working on revising its customer service curriculum based on the specific needs of each field office. According to MVD, it anticipates this curriculum will help improve customer service representatives' demeanor as discussed in the audit. Curriculum and training will be customizable in order to focus on the transaction types that are most common for each field office. For example, field offices in rural areas may need a more detailed curriculum on seasonal agricultural registrations than those in urban areas. In addition, MVD has developed a new process for improving customer service that involves weekly meetings at each field office to discuss progress toward customer service goals and needed adjustments to ensure continued improvement. MVD reported that it plans to finish implementing this new

Recommendation

Status/Additional Explanation

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

process and provide training by October 1, 2016. Finally, MVD reported that management is working with individual field offices to reevaluate facility-cleaning contracts and to submit vendor performance reports when cleaning services are not adequate.

Implemented at 12 months

Implementation in process

MVD procured a new queue management system and implemented the system state-wide in field offices in June 2016. According to MVD, the system includes improved functionality such as an online appointment system, the ability to capture complete customer wait times, and improved queue management. In addition, MVD reported that it plans to continue enhancing its system to allow customers to schedule online appointments for road tests beginning in August 2016.

Implementation in process

MVD reported that it has added signage directing customers to kiosks in MVD field offices. In addition, MVD continues to enhance its Web site to provide clearer, more readily accessible information to customers regarding documents they need to bring in to complete their transactions on the first visit. Additionally, MVD's new queue management system, implemented in field offices in June 2016, includes improved functionality for reporting to customers in field offices and on its Web site the number of people waiting for a service and the estimated wait times. MVD reported that in two field offices, it is piloting a new process for providing customers with information about the general process at the field office that includes placing tape lines on the floor to provide direction to customers in the office and also using facilitators who assist customers waiting in line. Further, MVD reported that it has

Recommendation

Status/Additional Explanation

- 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.

changed its ticket numbering method to reduce customer confusion. Auditors will further assess MVD's efforts during the 24-month followup.

Implementation in process

MVD has been working on a continual process improvement initiative that includes customer service metrics such as reducing the number of customers who are not ready to complete their transactions on the first visit. For example, according to MVD, it has worked to help customers complete transactions on their first visit by simplifying the information provided to customers when scheduling appointments online for one type of transaction and plans to modify the information provided to customers online for other transactions in the future. Auditors will review the continued implementation of the recommendation, including policies and procedures to implement these changes, during the 24-month followup.

- 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.

Implementation in process

According to MVD, it has researched the potential benefits of an interface with the Arizona Department of Health Services (ADHS) and plans to resume discussions with ADHS after conducting further research into the issue of accepting electronic records and the parameters for doing so.

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

Implementation in process

As of July 2016, MVD was working in conjunction with the Arizona Department of Administration's Government Transformation Office on a continual process-improvement initiative, which included improving the customer experience. MVD was revising its customer service metrics and goals and has started training its managers on Lean process-improvement principles. This includes the use of a Lean methodology for evaluating its processes, including those for resource allocation. MVD reported that it plans to implement this new process and provide training by October 1, 2016.

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

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

Not implemented

The Legislature did not consider any statutory changes related to the ignition interlock program during the 2016 legislative session.

Recommendation

Status/Additional Explanation

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.

Implementation in process

MVD has developed policies and procedures for conducting inspections of ignition interlock device installers. The policies and procedures identify which rule requirements should be checked at initial or periodic inspections. According to MVD officials, the policies and procedures were implemented in March 2015. Auditors will review inspectors' compliance with the new policies and procedures during the 24-month followup.

Implementation in process

MVD has developed a risk-assessment-planning form that explains how inspectors should verify compliance with the rule requirements and what inspectors should review. Auditors will review MVD's use of the new planning form during the 24-month followup.

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.

Implemented at 12 months

Implemented at 12 months

Implementation in process

MVD has developed a desk manual to guide its investigation of the complaints it receives about ignition interlock installers and manufacturers. Auditors will review MVD's compliance with the new desk manual during the 24-month followup.

Implementation in process

MVD has continued to track limited information about complaints from ignition interlock device customers. Specifically, it uses a spreadsheet to track the date and nature of the complaint, but does not track the provider or the manufacturer of the interlock device. According to MVD, the Driver Services Unit reviews the information it tracks to identify problematic patterns or trends that it should address. Auditors will review the continued implementation of the recommendation during the 24-month followup.

Recommendation

Status/Additional Explanation

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.

Not implemented

The Legislature did not consider any statutory changes related to the ignition interlock program during the 2016 legislative session.

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

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.

Implementation in process

During 2015 and 2016, MVD continued its oversight of third parties. In January 2016, the Arizona Department of Transportation's Office of Audit and Analysis completed a performance audit of MVD's Third Party Program to assess the effectiveness of MVD's oversight practices. This audit recommended improvements to MVD's Third Party Program oversight policies and procedures and MVD management substantially agreed with the recommendations. According to the Office of Audit and Analysis, it will perform a followup on MVD's implementation of the recommendations in August 2016.

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

Implementation in process

According to MVD, as of June 2016, it was in the process of implementing this recommendation. MVD reported that it has submitted the system requirements for differentiating between serious and minor transaction errors to the Department's Information Technology Group and that development of the new Third Party Program database began in April 2016.

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.

Implementation in process

MVD took corrective action against authorized third parties with serious errors or patterns of problems, including suspending and canceling certification. According to MVD, as of June 2016, it was continuing to develop its processes for requiring corrective action.

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.

Implementation in process

According to the Department, it has begun providing monthly reconciliation reports to MVD, and this has resulted in a reduction in errors. MVD reported that it anticipates further reducing errors in August 2016 when it implements an Automated Clearing House payment method at third parties. Auditors will review the continued implementation of the recommendation during the 24-month followup.