State of Arizona
Office
of the
Auditor General

PERFORMANCE AUDIT

DEPARTMENT OF TRANSPORTATION

MOTOR VEHICLE DIVISION

Report to the Arizona Legislature
By Douglas R. Norton
Auditor General
September 1997
97-13

September 25, 1997

Members of the Arizona Legislature

The Honorable Jane Dee Hull, Governor

Mr. Larry S. Bonine, Director
Arizona Department of Transportation

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Department of Transportation. This audit focuses on the Motor Vehicle Division (MVD). The report is in response to a May 30, 1995, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the Sunset review set forth in A.R.S. §§41-2951 through 41-2957.

This is the third in a series of reports to be issued on the Department of Transportation. The report addresses several aspects of MVD's driver's license and title and registration functions. First, our review found that MVD customers are generally satisfied with the service provided at MVD offices. Nevertheless, some customers still spend a significant amount of time at some offices. On average, MVD is able to meet customers' service delivery expectations of 30 minutes or less; however, almost one-third of the customers at the 25 offices studied spent a much longer time in the office. As MVD continues its efforts to reduce customer wait times statewide, it should improve the way it measures timeliness to better evaluate office performance. Similarly, MVD needs to improve the way it evaluates its telephone customer service to better address long hold times experienced by customers who are attempting to receive information over the telephone.

The report also discusses MVD's recent use of private companies to perform certain motor vehicle transactions, such as processing title and registration documents. Despite these companies collecting and remitting $18.5 million in title and registration revenues to MVD in fiscal year 1995-96, MVD has not established a comprehensive and consistent system for overseeing the work they perform to ensure accurate and authorized transaction processing and to protect state assets.

Finally, when MVD recently revalued vehicle values for approximately 440,000 registered vehicles, it failed to provide proper notice to thousands of vehicle owners, to ensure all values were raised correctly, and to keep records of changes made. To better protect taxpayers in the future, the Legislature should consider amending the law to require MVD to notify taxpayers of changes in vehicle value and to provide an opportunity for taxpayers to appeal any revaluation errors.

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

This report will be released to the public on September 26, 1997.

Sincerely,

Douglas R. Norton
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Department of Transportation, pursuant to a May 30, 1995, resolution of the Joint Legislative Audit Committee. This audit focuses on the Motor Vehicle Division. This audit was conducted as part of the Sunset review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957 and is the third of four audits of the Department.

The Motor Vehicle Division (MVD) provides a variety of services to Arizona drivers visiting its field offices, including issuing driver s licenses and registering and titling vehicles. In performing its duties, MVD has taken a number of steps to enhance customer service. These efforts include implementing a system to issue driver s licenses instantly, extending office hours, and expanding its office functions to provide both driver s license and title and registration services at one site. Also, MVD has recently implemented programs designed to reduce the number of customers who must visit its offices. For example, to encourage more customers to renew their vehicle registration by mail, MVD has worked to reduce its processing time for this service and has sought legislation to require all customers to renew their registrations by mail. In addition, MVD received statutory authority to implement a biennial registration program, extend the expiration dates on driver's licenses, and contract with private companies to provide some title, registration, and driver s license services.

MVD's Customers Are Generally Satisfied, But May Wait a Long Time for Service
(See pages 7 through 10)

Although customers are generally satisfied with the service MVD provides, they still spend a significant amount of time at some offices. Eighty-five percent of the over 4,600 customers surveyed at 25 MVD offices rated their overall experience as good or excellent. Customers also responded favorably to the quality of service and convenience of office hours. However, despite their overall satisfaction with service quality when visiting MVD offices, some customers, particularly those in urban offices, spend excessive amounts of time to complete their transactions. While on average, MVD is able to meet customers service delivery expectations of 30 minutes or less, almost one-third of the customers at the 25 offices studied spent a much longer time in the office. At one urban office, only 9 of 565 customers received service within 30 minutes. In another office, 39 percent of the customers spent an hour-and-a-half or more at the office. Interestingly, the time customers spent in the office was not the factor that contributed most to their overall

satisfaction. Instead, customers overall satisfaction was most significantly impacted by the quality of service they received from the MVD representative.

As MVD continues its efforts to reduce customer wait times statewide, it should improve the way it measures timeliness. For example, MVD s current measures do not capture the total time a customer is in an office.

MVD's Telephone Customer Service Needs Improvement
(See pages 11 through 14)

Many MVD customers are not satisfied with the service they receive when they telephone MVD. Customers are often placed on hold for long periods of time before reaching a customer service representative. For example, customers needing to speak to a representative for title and registration information were kept holding for an average of over 12 minutes in January 1997. These long delays discourage customers from getting the information they need, as many customers hang up during this long hold time without reaching a representative. In January 1997, one-third of the callers needing assistance ended their calls without reaching a representative. In addition to being frustrated with long hold times, customers do not always receive the information they need from MVD s telephone system. In fact, one-third of Maricopa County customers responding to a survey did not find the title information they received helpful and one-fourth were not satisfied with information received about registration requirements.

Although MVD is making efforts to improve telephone service, the Division needs to improve the way it evaluates its performance to ensure service quality does increase. MVD plans to expand the number of prison inmates who answer calls for the Division and improve training for customer service representatives. However, unless MVD improves its performance measures, the impact of these improvements will be difficult to measure. To more effectively evaluate its efforts, the Division needs to measure the time customers wait for a representative, the time spent speaking with the customer, and the performance of each phone center.

MVD Should Increase Oversight of Third-Party Contractors
(See pages 15 through 20)

Although MVD has recently begun to use private companies to perform certain motor vehicle transactions, it has not established a comprehensive and consistent system for overseeing their work. These private companies, known as third parties, perform title and registration functions, process driver s license applications, and inspect vehicles. Currently, MVD contracts with 12 companies, including a car dealer, a title service, and a trucking

company, to perform title and registration functions. While MVD regularly reviews the work of these third-party contractors, it does not have a system in place to regularly monitor and track their performance. As a result, if a contractor regularly submits incorrect paperwork or performs unauthorized transactions, MVD does not have the necessary evidence to take disciplinary action. In fact, although MVD has warned one company on four separate occasions over the last three years that additional errors would result in contract termination, there is no evidence to suggest that it took any disciplinary action against this company. Moreover, despite known problems with this particular third-party contractor, MVD recently expanded the company s authorization to perform additional, more complex transactions.

In addition, MVD does not adequately monitor license plate and tab inventory issued to these companies. Monitoring the third-party contractors inventories is important because lost or stolen license plates and tabs could result in significant revenue loss to the State.

MVD Poorly Implemented
Vehicle Revaluation
(See pages 21 through 24)

Recently, MVD raised the tax value of approximately 440,000 vehicles registered in the State. While MVD believes that revising the taxable value of these vehicles addresses erroneously calculated taxes, it implemented the revaluations poorly. First, MVD failed to notify most vehicle owners of the changes made. In fact, MVD only notified about 43,000 of the over 440,000 vehicle owners whose taxable values were increased. Although some of these values may have been raised in error, most owners did not have the opportunity to review MVD s actions to determine if the new values were correct. Further, because MVD did not keep records of most of the vehicle values changed, it cannot provide notice to these owners or even tell customers who ask whether their vehicle s value was changed.

Currently, statutes provide little guidance on revaluing vehicles and do not require MVD to notify taxpayers of changes to their vehicle values or to provide an opportunity to appeal. To protect taxpayers in the future, the Legislature should consider amending A.R.S. §28-1591 to require that MVD notify taxpayers and provide the opportunity to appeal changes in vehicle valuation. MVD should then promulgate rules that would specify when and how adjustments would be made and to outline the appeal process for taxpayers.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Department of Transportation pursuant to a May 30, 1995, resolution of the Joint Legislative Audit Committee. This audit focuses primarily on the Motor Vehicle Division and its customer service functions. This audit was conducted as part of the Sunset review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957 and is the third of four audits of the Department.

Motor Vehicle Division Provides Many Services to the Public

The Motor Vehicle Division provides a variety of services to Arizona citizens. The Division licenses approximately 2.7 million drivers and titles and registers almost 3.5 million vehicles in the State. In performing these duties, the Division collected approximately $600 million in driver s license fees, registration fees, title fees, and vehicle license taxes in fiscal year 1995-96. A portion of these monies (approximately $280 million in fiscal year 1995-96) is deposited in the Highway User Revenue Fund and used to help meet Arizona s highway needs.

MVD s responsibilities have expanded in recent years. While MVD has historically been responsible for driver s license functions, title and registration functions had been performed by the county assessors. However, since 1981, MVD has gradually taken over responsibility for title and registration from the counties. In 1995, MVD completed this transition by acquiring Maricopa County s operations, giving MVD statewide responsibility for all title and registration functions.

MVD Has Enhanced Services in Several Ways

To meet the challenges of its expanded services and Arizona s growing population, MVD has taken significant steps to improve customer service. Some notable efforts to provide more convenient service include:

■ **Instant driver's license issuance**   In 1995, the Division implemented a new system in many offices that allows customers to receive a permanent driver s license before

they leave the office. In the past, MVD gave customers a temporary paper license and later mailed a permanent license.

- **Extended hours**   The Division has extended service hours at many of its Phoenix and Tucson locations. These offices are open to serve customers for an additional 2 hours each day. MVD has also expanded the number of offices with Saturday hours. Currently, 11 offices around the State are open on Saturdays.

- **Dual-function offices**   MVD has worked to increase the number of offices that provide both driver s license and title and registration services. Since September 1996, seven offices in Maricopa County have been converted to provide all services. These dual offices allow customers to process both driver s license and title and registration transactions in one trip, rather than having to visit two separate offices.

MVD has also implemented several programs to reduce the number of customers who must visit MVD offices as well as the amount of time a customer spends in the office, including:

- **Renew-by-Mail**   MVD has worked to reduce the amount of time it takes for customers to receive their vehicle registrations by mail. In fact, customers now receive their registration renewal in about five days, compared to several weeks in 1995. Although only about half of the customers currently renew by mail, 1997 legislation will require most customers to use this service in 1998.

- **Biennial Registration**   In 1995, the Legislature granted MVD statutory authority to register vehicles for a two-year period, rather than renewing each vehicle annually. Currently, the program is offered to owners of vehicles with a vehicle license tax of $50 or less, which is about 25 percent of registered vehicles.

- **Extended Driver's License**   In 1993, MVD was granted statutory authority to extend the expiration dates on driver s licenses. While in the past drivers had to renew their licenses every 4 years, the new extended licenses expire on the driver s 60th birthday and every 5 years thereafter. As of August 1997, all currently licensed drivers will have received an extended license.

- **Third-Party Contractors**   MVD contracts with private companies to provide some title, registration, and driver s license services. These third-party contractors currently process about 4 percent of all title and registration transactions. Over time, MVD plans to increase the number of transactions processed by third-party contractors to about 20 percent of all transactions.

Because many of these programs are fairly new and have not yet been extended to all MVD customers, the full impact on customer service timeliness is not known. However, MVD has estimated that these programs will reduce the number of customers who must visit the offices by about 25 percent.

Staffing and Organization

Several MVD functions provide services to driver s license and title and registration customers:

- **Customer Service** Almost 700 employees serve customers at the 65 field offices across the State.

- **Internal Support** Twenty-seven telephone customer service representatives provide general information and answer customers questions through the statewide phone center. The support function also provides training and other support services to the field offices.

- **Commercial Licensing** In addition to commercial duties, this group oversees the third-party program and is responsible for establishing and monitoring the 13 title and registration contractors currently in operation.

1988 Report Follow-up

As part of the current audit, the customer service-related concerns identified in the Auditor General s 1988 performance audit of the Motor Vehicle Division (Auditor General Report 88-7) were reviewed. As noted earlier, the Division has made several customer service improvements, including those recommended in the 1988 report. For example, while in 1988 customers waited up to 70 days to receive their driver s licenses in the mail, they can now receive them on the same day they visit MVD offices, since licenses are now issued instantly at many field offices.

While many of the prior audit concerns have been addressed, MVD still lacks an adequate phone system to provide information to customers. In 1988, the report noted that customers had difficulty reaching an MVD employee to get their questions answered. The current audit found customers still encounter difficulty in reaching an MVD employee and getting the information they need through the phone system (see Finding II, pages 11 through 14).

Audit Scope and Methodology

This audit focused on the Motor Vehicle Division s driver s license and title and registration functions. Specifically, the audit addresses customer satisfaction with MVD services, the adequacy of MVD s telephone service, the Division s monitoring of third-party service providers, and the Division s revaluation of vehicles for calculation of the vehicle license tax.

Several methods were used to study the issues addressed in this audit, including:

■ Surveying over 4,600 customers visiting MVD offices across the State to determine overall satisfaction with MVD services (see Appendix A, pages a-i through a-vii, for details about how the survey was conducted);

■ Measuring service timeliness for over 10,700 customers conducting transactions at MVD offices to determine how long they were in the office to obtain service (see Appendix A, pages a-i through a-vii, for details about how this study was conducted);

■ Reviewing MVD s performance information for field offices and the phone systems, such as customer wait times and telephone hold times;

■ Interviewing and observing 3 of the 12 third-party contractors to obtain their views on the program and to obtain an understanding of their operations;

■ Reviewing 4 third-party contract files to determine the extent of monitoring activities and reviewing all 12 files to determine the adequacy of inventory records; and

■ Interviewing officials in 4 other states regarding motor vehicle office and telephone services.

This report presents findings and recommendations in four areas, discussing the need for MVD to:

■ Improve customer service time measurement and reporting;

■ Evaluate planned telephone service improvements to ensure customers are provided useful information in a timely manner;

■ Better oversee private contractors conducting title and registration functions; and

■ Seek formal authority to revalue vehicles for the purpose of calculating the vehicle license tax.

The audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Director and the staff of the Department of Transportation and its Motor Vehicle Division for their cooperation and assistance throughout the audit. We also thank the thousands of customers at MVD offices across the State who participated in the customer service survey and time study.

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FINDING I

MVD's CUSTOMERS ARE GENERALLY SATISFIED, BUT MAY WAIT A LONG TIME FOR SERVICE

Customers are generally satisfied with the service they receive from MVD s offices, even though customers at some offices often wait more than an hour. While MVD is currently making efforts to reduce service time, the Division needs to improve how it measures service timeliness.

Customers Generally Satisfied with MVD's Service

Overall, MVD s customers are satisfied with their experience at MVD offices and the service received from MVD employees. Over 4,600 MVD customers at 25 MVD offices across the State were asked to rate the service they received. As illustrated in Table 1 (see page 8), 85 percent of the customers responding to our survey rated their overall experience at the MVD offices as good or excellent. Additionally, customers gave the Division s customer service representatives high marks for service quality, and most felt the office hours were convenient.

Several factors appear to influence customers satisfaction with the service they receive at the offices. Interestingly, customers report being satisfied with the service they receive although they may experience slow service. This may be attributable to the excellent service and pleasant treatment that customers reported receiving from the customer service representatives. In fact, some customers made positive comments regarding the staff at the offices.

Some Customers Receive Slow Service at MVD Offices

Despite customers overall satisfaction with the quality of the service they receive, some customers spend an excessive amount of time in MVD offices completing their transactions. Although almost 70 percent of the customers responding to our survey considered fewer than 30 minutes a reasonable amount of time to complete their transactions, many of the customers visiting MVD offices during our study spent much longer to complete their transactions. In fact, about 1 in 3 customers visiting the offices observed during our

study waited more than 30 minutes for service. These customers spent over 57 minutes on average, while the average service time for all customers was 28.6 minutes.

Table 1

**Arizona Department of Transportation, Motor Vehicle Division
Customer Service Survey Results
Customer Ratings**

Service Factor	Percentage of Favorable Ratings
Overall service	85.0% [a]
Employee overall service	90.3 [a]
Employee courtesy	88.4 [a]
Employee knowledge of the transaction	88.1 [b]
Hours of operation	89.0 [c]

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[a] Good or excellent rating for this factor.

[b] The employee rated as very knowledgeable.

[c] Agreement that the hours of operation were convenient.

Source: Auditor General survey of customers at Motor Vehicle Division offices in July and August 1996. (For survey results by county, see Appendix B.)

Generally, customers in the urban areas spent more time in MVD offices. While some customers in all parts of the State experienced slow service, customers visiting offices in Maricopa and Pima Counties waited an average of 5 minutes longer to complete their transactions. A few offices were particularly problematic, with customers in the office well in excess of 30 minutes. For example, in one office, only 9 of 565 customers were served within 30 minutes. In another, 39 percent of the customers were in the office over an hour-and-a-half for service.

Customers experience slow service due to a number of factors, including customer volume at the office, number of counters open to serve them, and the type of transaction. As may be expected, customers at offices with greater customer traffic wait longer than those at

less-busy offices. In addition, customers can wait longer at offices that do not have all counters open due to employee absences for vacations, illnesses, or training, and due to unfilled positions left by employee turnover. Further, customers generally receive slower service for driver s license transactions, since these transactions generally take longer to process.

MVD Should Improve Its Measurement of Customer Service Timeliness

MVD should improve its method of measuring customer service timeliness to better evaluate office performance. Although the Division has made efforts to shorten the time customers spend in its offices, continued monitoring can help identify additional factors that may be contributing to slow service. To accomplish this, the Division needs to improve its overall time measurement systems to more accurately reflect customer experience and provide necessary management information. Currently, MVD has two separate methods for recording the time customers spend at MVD, yet neither system produces the information needed to adequately evaluate service timeliness. First, a computerized system called Q-matic is used at 21 of MVD s 65 offices. This system records on a daily basis the time customers take to complete their transactions. All other offices record customer wait times manually for one day each month. While MVD is aware of the limitations of its time measurement methods and is working on addressing the problems, both of the above-mentioned systems have weaknesses that currently prevent MVD from using the information to effectively manage customer service. Specifically:

- **Computerized system is not standardized between offices** Currently, the Q-matic system does not capture transactions in the same categories for all offices. For example, while one office may consider a driver s license renewal part of a general driver s license category, another office might have a separate category for renewals. Because renewals can take significantly less time than issuing a new driver s license, MVD cannot compare performance between offices on a transaction-level basis. MVD recognizes this weakness and is in the process of standardizing the categories.

- **System does not record total time in offices** The Q-matic system also fails to record the total time customers are in the office for service. Although the system currently captures the time customers wait in the lobby and the time it takes to process their transactions at the window, it stops recording when customers leave the window to wait for their driver s license or permit to process and print. Therefore, MVD should take steps to improve the system to ensure that it can capture total customer time spent in an office.

- **Noncomputerized offices not accurately measured** Current service measurement methods used at the 44 offices without a computerized system do not give MVD an accurate picture of the offices performance. These methods simply measure all customer wait times for one day during the month, which is not randomly selected. Therefore, MVD should conduct the one-day studies on randomly selected days throughout the month for each office. This would give a more accurate picture of customer service across the State.

MVD should also study whether the computerized Q-matic system should be further expanded. As noted earlier, the system is currently installed in 21 of the State s 65 MVD offices. MVD plans to add the system to 4 additional offices in the Phoenix area at a cost of approximately $30,000 per office. MVD should study expanding the system to other offices. However, offices with few service counters or consistently short wait times may not benefit from the system enough to justify the cost.

Recommendations

1. MVD needs to continue to evaluate the impact of its efforts to reduce the time customers spend in the offices to complete their business and determine whether additional steps are needed to improve service timeliness.

2. To ensure a consistent, more accurate method of measuring customer time, the Division should improve its time recording methods by:

   - Improving the consistency of information captured by the computerized system at each office;

   - Ensuring the computerized system captures the total time customers are in the offices to conduct their business;

   - Improving the method of time study for offices without the computerized system to ensure the results better reflect customer experience; and

   - Evaluating whether a computerized system is needed at additional offices to provide better information about service timeliness.

FINDING II

MVD'S TELEPHONE CUSTOMER
SERVICE NEEDS IMPROVEMENT

MVD needs to improve its telephone customer service. Currently, customers calling MVD s statewide telephone system have difficulty getting their questions answered quickly or satisfactorily. While MVD plans to address these problems through training improvements and staff increases, the Division should also develop more detailed performance standards to evaluate these efforts and ensure overall service quality.

Background

MVD received approximately 2.5 million telephone calls in 1996. Customers calling MVD can access preprogrammed messages containing a variety of information, such as office hours and the documents needed to conduct transactions, or opt to contact a telephone call center. MVD has three call centers that specialize in title and registration, driver s license, or mandatory insurance requirements. MVD currently employs 28 representatives for these phone centers and also uses 56 inmates at the Perryville state prison complex to answer basic driver s license and title- and registration-related calls.

Telephone Systems Do
Not Always Meet
Customer Needs

Currently, MVD s telephone system does not provide timely or satisfactory information in response to customer inquiries. While most customers prefer to speak to an MVD customer service representative, heavy delays prevent many of them from talking to a representative. Moreover, even when customers do not need to speak with a representative to obtain information, they are not always satisfied with the quality of the information MVD s telephone system provides.

Slow service discourages customers   Many customers trying to reach an MVD representative are often unsuccessful in doing so because of busy telephone lines and long delays. While some customer inquiries can be answered by recorded messages on the automated telephone system, many callers request to speak to an MVD representative. For example, in January 1997, almost 115,000 of the 179,000 callers accessing the statewide system requested to speak to a customer service representative. However, the majority of these

customers were unsuccessful in reaching a representative. Specifically, these customers faced the following barriers to MVD service:

- **Forced to Repeat Process**   Approximately 25,000, or 22 percent, of the 115,000 customers electing to talk to a representative were recycled through the phone menu system. Each call center is designed so that only a limited number of customers can wait on hold for a representative. When there are too many people already waiting to speak to a representative, MVD customers are given a recorded message indicating that all lines are busy and they should try again later.

- **Customers Give up**   Over 38,000, or 33 percent, of the 115,000 customers hung up rather than continuing to wait for a representative. Many of these customers did so after waiting for a significant amount of time. Twenty-five percent of these customers waited on hold at least 9 minutes before abandoning their call.

- **Long Hold Times**   Customers who stayed on the line until they contacted a representative waited on hold for a long time. Hold times are particularly lengthy for customers with questions regarding titles or registration. For example, almost 18,000 customers held on the line for an average of over 12 minutes in January 1997.

While hold times are quite high for Arizona MVD customers, other states are able to respond to customer calls much more quickly. For example, 75 percent of the customers calling the California Department of Motor Vehicles are on hold for fewer than 90 seconds, and only 5 percent of these customers decided to hang up.

Some customers not satisfied with information received   In addition to slow service, MVD s telephone system does not always provide satisfactory information. The customer service survey asked MVD customers to evaluate the Division s telephone service, including their satisfaction with the information provided over the telephone. Of the Maricopa County customers who called the telephone system, approximately one-third did not find helpful title information, and one-fourth were not satisfied with the system s information on registration requirements. Some of these customers complained of incorrect information on the recording or when speaking with representatives. For example, one customer commented that office hours given on the system s automated recording were incorrect.

Better Evaluation of Improvements Needed

MVD is planning to improve its telephone service delivery. However, the Division should also revise some of its performance standards to better evaluate the service after the improvements are implemented.

Division making efforts   MVD plans several improvements to make the telephone system more convenient and to improve the quality of information provided to customers. The Division recently added 24 inmates from the Perryville state prison complex to answer title and registration questions and plans to add 10 more inmates to handle calls. Additionally, MVD plans to increase its telephone representatives training requirements and improve the training curriculum to provide specialized courses and better ensure that customers are provided accurate information. However, since most of these plans are in the development stage and the Division has no estimate of the impact of additional staff and improved training, their effect on service quality cannot be determined.
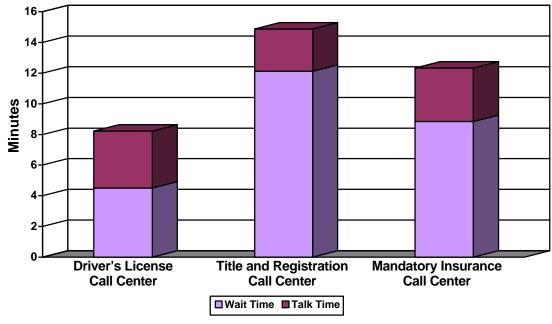
MVD should establish better performance standards   To evaluate the effectiveness of these new measures, MVD needs to establish better performance standards to assess service quality and identify where additional improvements are needed. Specifically, MVD should separately measure the time customers wait for a representative and the time they spend talking to the representative. MVD currently combines the times, confusing two very different aspects of a call center s performance. For example, customers experiencing significant wait times might highlight the need for additional staff in call centers. Conversely, customers experiencing lengthy conversations with representatives might indicate a need for additional staff training.

In contrast, other states have established distinct performance standards to measure and improve their performance. For example, California s Department of Motor Vehicles keeps separate measurements for talk time and hold time. The Department regularly monitors the time customers spend on hold and adjusts its staffing to reduce hold times. In addition, the Department separately monitors talk time and has been successful in limiting the time a representative needs to spend with a customer to under 130 seconds.

In addition to maintaining separate standards for talk and hold times, MVD should individually review the performance of its three call centers. Despite differences in the performance of each call center, MVD combines these times into a single measurement. As a result, MVD cannot accurately assess where changes are needed. For example, in January 1997, MVD reported that, on average, customers contacting MVD spent nearly 11 minutes on hold and talking to a representative. However, as illustrated in Figure 1 (see page 14), the actual performance for each call center varied from 8 minutes on average for a driver s license call to 15 minutes for a title and registration call. Averaging these wait times together obscured the lower-quality service provided by the title and registration call center.

Figure 1

**Arizona Department of Transportation, Motor Vehicle Division
Telephone Service Time by Type of Call
January 1997**

Source: Auditor General review of monthly Octel phone system reports.

Recommendations

1. To more accurately evaluate telephone service, the telephone unit must develop more specific goals and measurements that will separately consider:

   ■ The time customers spend waiting for a representative,

   ■ The time staff spend resolving customer requests, and

   ■ The performance of each phone center.

2. Using these performance measurements, the Division should evaluate the impact of planned staffing increases and training improvements for the telephone unit.

FINDING III

MVD SHOULD INCREASE OVERSIGHT
OF THIRD-PARTY CONTRACTORS

MVD should implement a more comprehensive monitoring process to oversee its third-party contractors. While MVD contracts with certain private companies to perform motor vehicle transactions, the delegation of its authority without proper oversight creates a risk that vehicle information and state assets may be misused. Despite this risk, MVD currently cannot ensure third-party contractors accurately process transactions and perform only authorized transactions. Therefore, MVD needs to monitor the access and use of computer systems, develop adequate monitoring policies and procedures, and increase its audits of these contractors.

Background

In 1993, the Legislature authorized MVD to contract with private companies, referred to as third-party contractors, to perform title and registration functions, process driver s license applications, and inspect vehicles. Currently, there are 12 companies that title and register vehicles, including an automobile dealership, a car rental agency, a title service, and a trucking company. Although some third-party contractors, such as car rental agencies and trucking companies, process title and registration documents for their own vehicle fleet, others handle transactions for the general public. For example, one third-party contractor receives vehicle sales information from various car dealers and will register and title vehicles and provide license plates and registration tabs to the new owner.

Similar to MVD field offices, these companies collect and remit all tax revenue to the State and are certified by MVD to perform motor vehicle transactions. However, the third-party contractors are allowed to charge customers additional fees to profit from their services. For example, fees vary from $7.00 to $24.50 for the title transactions they process. In fiscal year 1995-96, third-party contractors collected and remitted to MVD over $18.5 million in title and registration revenues. Although these companies currently process only 4 percent of all state title and registration transactions, MVD plans to increase its use of third-party contractors to 20 percent by fiscal year 1999.

Vehicle Information and
Valuables at Risk of Misuse

Despite its increased interest in using third-party contractors to handle MVD transactions, delegating MVD functions to private companies does involve some risks. In fact, the third-party contractors ability to access and alter records leaves vehicle information on MVD s computers open to misuse. In addition, poor tracking of inventory distributed to third-party contractors, such as license plates and vehicle tabs, increases the likelihood that these items could be lost or stolen.

Computer systems open to abuse   Third-party contractors have broad access to MVD records in order to process transactions; however, there are a number of transactions conducted on MVD s computer system that are vulnerable to misuse or abuse. The following problems with information access demonstrate the capability of third-party contractors to misuse their authority to process MVD transactions:

- **Unauthorized access to information may occur**   Unauthorized personnel may obtain access to personal customer information. MVD creates confidential user IDs and passwords for each person authorized to access motor vehicle information on the computer system. These passwords and IDs must be deleted when the employee leaves the company to ensure they are not given to an unauthorized user. Although third-party contractors are required to notify MVD when an employee leaves the company so the password can be deleted, this does not always occur. For example, Auditor General and MVD auditors determined that one third-party contractor allowed its employees to give passwords to unauthorized personnel on at least two occasions. In addition, auditors determined that one third party notified MVD that an employee was leaving, but the Division did not delete the user ID and password. Even though passwords automatically expire after 30 days, by not removing the password immediately, MVD leaves a window of opportunity for someone to gain unauthorized access.

- **Unauthorized transactions can be processed**   Although passwords restrict access to some transactions, MVD s computer system still allows third-party contractors to perform some unauthorized transactions. In one case, MVD discovered that a third party conducted an unauthorized transaction to suspend a customer s vehicle registration record because the customer wrote the company a check with insufficient funds. Not only did the third party use an unauthorized code, but it inappropriately suspended the customer s vehicle registration.

- **Some authorized transactions are open to abuse**   Although MVD prohibits third parties from conducting certain transactions, some authorized transactions are open to abuse. Allowed transactions, such as the computer command to delete and change a vehicle record and the command to reduce or eliminate vehicle registration fees, are often necessary when performing routine transactions. However, third-party contrac-

tors could possibly use these commands to modify vehicle data or eliminate the registration fees owed to the State. For example, one company found altered registration renewals in an employee s desk that were missing $54.75 from the total taxes. A supervisor at this company believes the fees were missing from the registration renewals the employee processed for a friend. Once informed of the discrepancy, MVD took action to collect the remaining fees.

Inventory at risk   In addition to potentially misused computer access, MVD is unable to track quantities of license plates or vehicle tabs on hand at third-party contractor offices. These tracking deficiencies are similar to those noted in the recently released performance audit of MVD revenue functions (see Auditor General Report 97-4). In that audit, the Division was cited for having poor inventory control procedures over license plates and tabs issued by its own field offices.

Without accurate inventory records, MVD has no way of knowing whether the revenues remitted by third-party contractors are reasonable in comparison with the number of plates or tabs sold. Further, if plates or tabs are stolen and placed on an unregistered vehicle it can represent significant revenue loss to MVD. For example, a vehicle tab placed on a 1996 vehicle with an original value of $20,000 represents a lost payment of $408 in Vehicle License Tax. MVD s auditors indicated and our own observations confirmed that it is extremely difficult to determine the quantity of plates and tabs the third-party contractor should have on hand. Therefore, MVD cannot readily determine if there are any plates or tabs for which the State did not receive the appropriate revenue.

MVD Performs Minimal Oversight of Third-Party Contractors

Despite the risk associated with delegating the ability to conduct state business, MVD currently does not adequately oversee the operations of third-party contractors. Specifically, it does not regularly track and measure the companies performance. Because performance is not monitored, MVD is not able to effectively enforce contract provisions to ensure companies committing excessive errors or violating their state contracts do not continue to do so.

Third-party contractor performance not adequately monitored   MVD does not track errors made by third-party contractors. MVD requires third parties to submit all transactions processed and typically reviews 10 percent of each business day s transactions if it believes the third-party contractor is generally performing well. Occasionally, MVD will identify a company or one of its employees that consistently commits errors and will subsequently review all the transactions conducted by that company or that employee. However, this is generally done for only a short period of time (usually one month). Moreover, as it conducts its reviews, MVD does not document and track the number or types of errors made.

Third-party contracts not adequately enforced In addition to inadequate performance monitoring, MVD does not take enforcement action for contract violations or excessive transaction errors made by contractors. MVD staff occasionally meet with company officials to discuss transaction discrepancies found by MVD, but the contractors committing excessive errors or contract violations are allowed to continue normal operations without penalty from MVD.

In at least one case, the lack of performance monitoring and enforcement action may have led MVD to retain a third-party contractor who consistently made errors. Since the company began contracting with the State in 1993, it has committed a number of transaction errors, such as titling vehicles without appropriate owner signatures and not properly collecting state monies. Furthermore, the contractor admitted in a letter to MVD that it had been conducting various transactions not authorized in its contract for at least two years. On four occasions since 1994, MVD warned the contractor that further incidents would result in contract termination. However, MVD has never taken action to adequately enforce contract provisions. In fact, although this contractor continues to consistently make errors, MVD recently expanded the company s authorization to perform additional, more complex transactions.

Several Steps Needed to Ensure Adequate Oversight

To ensure accurate and authorized transaction processing and to better protect state assets, MVD needs to improve oversight of third-party contractors. First, it needs to regularly monitor computer system use and access. Second, MVD needs to develop and implement effective policies and procedures that will ensure transactions are processed accurately and that contract provisions are enforced. Finally, MVD should increase audit coverage to ensure compliance with the contract provisions as well as identify any questionable practices.

MVD needs to monitor computer system access MVD needs to more closely monitor access to its computer systems. Although third-party contractors are required to notify MVD when an employee leaves so passwords can be deleted, MVD needs to contact the companies on a regular basis to determine if all users on record are still with the company. This will allow MVD to delete passwords the company should no longer have. Further, MVD should delete these passwords in a timely fashion to ensure uncertified employees are not able to access the system.

MVD needs adequate monitoring policies To ensure adequate contract oversight, MVD needs to develop and implement policies and procedures. Currently, MVD does not have standards for determining when to increase or reduce levels of transaction reviews nor does it have policies describing how many errors committed by a third-party company or

its individual employees constitute the need for disciplinary action. Therefore, MVD needs to establish a number of important oversight policies and procedures, including:

- **Computer activity reviews** MVD should review monthly activity reports on a regular basis to monitor computer use for prohibited transactions or excessive use of transactions that are open to abuse. These reports display the types of transactions accessed by third-party contractors and, if reviewed, would alert MVD to potential abuse. MVD should also record and retain review results with the contractors performance histories.

- **Performance tracking** MVD should develop a formalized sampling strategy to ensure an appropriate number of transactions are checked based on the past performance of the third-party contractor. As the work is reviewed, MVD needs to record and track the number and type of errors made by the company. These performance histories would allow MVD to evaluate the efficiency, error rate, and severity of errors made by the third-party contractor. It would also point out the need for additional training or serve as a basis for granting or denying these companies additional responsibilities.

- **Disciplinary measures** MVD should develop policies for taking action against poorly performing contractors. MVD should develop a system of disciplinary measures that includes progressively stricter actions based on the company s past performance and the severity of the problems. Essentially, enforcement measures should include requiring additional training, limiting access to MVD systems, or ultimately, canceling a company s contract.

- **Inventory procedures** MVD should develop an automated inventory system to ensure it can always locate tabs and plates by serial number, that it has a recording of inventory issued to third-party contractors, and that it can physically verify item quantities. The Division is currently developing such a system that should address these needs.

More audits of third-party contractors are needed Finally, MVD s third-party auditors can assist in strengthening its third-party oversight by conducting more audits. MVD established an audit position in 1995 to review the operations of third-party contractors. Since that time, although MVD has audited all 12 contractors that process title and registration transactions, it has only audited one of them more than once. Although a limited number of audits have been performed, several serious matters have been discovered. For example, a December 1996 audit revealed that a third-party contractor was licensing its rental vehicles and placing them on the road for up to 139 days before providing MVD with the appropriate vehicle registration information and vehicle license tax revenue.

To address the need for more audits, MVD has recently increased its number of third-party auditors from one to six. Therefore, once these positions are filled, MVD should establish an audit plan that will enable it to conduct regular audits of all third-party contractors. In addition, MVD should use the extra staff to ensure that any problems found are addressed. A review of audit records revealed that no follow-up audits have been conducted to date, despite the fact that some serious problems were identified during prior audits.

Recommendations

1. MVD should strengthen oversight of the third-party contractors use of the State s computer systems. Specifically, MVD should ensure only authorized persons have access to the system and that only proper, authorized transactions are processed.

2. MVD should develop and implement policies and procedures to ensure adequate oversight of third-party contractors that includes procedures regarding computer activity reviews, performance tracking, disciplinary measures, and inventory procedures.

3. MVD should conduct more audits of third-party contractors and follow up on issues discovered during the audits.

FINDING IV

MVD POORLY IMPLEMENTED
VEHICLE REVALUATION

MVD poorly implemented a program that raised the vehicle license tax for thousands of vehicles. Using a new computer program, MVD recently identified over 780,000 vehicles that it believed were incorrectly valued under its old method of determining taxable values. Subsequently, MVD raised the value for over 440,000 vehicles and has made plans to reduce the value for approximately 340,000 vehicles. However, MVD poorly implemented this effort by failing to provide proper notice to thousands of vehicle owners, to ensure all values were raised correctly, and to keep records of changes made. To protect taxpayers, the Legislature should consider revising A.R.S. §28-1591 to require MVD to provide proper notice and opportunity for appeal when changing vehicle values.

Background

MVD collects a vehicle license tax for all registered vehicles in Arizona. In accordance with A.R.S. §28-1591(A), the tax is based on a vehicle s Manufacturer s Base Retail Price (MBRP), which is recorded in MVD s computer database and used each year to determine the vehicle license tax. Until recently, when first registering vehicles, MVD customer service representatives confirmed the value by looking up the vehicle s unique Vehicle Identification Number (VIN) in a guide and manually entering the vehicle data into the state database. However, after April 1996, MVD employees began using a computerized program that allows them to simply enter the VIN into the computer, which then records the vehicle s value automatically. Once this program was installed, the Division also decided to use it to verify existing vehicle tax values in its database. In doing so, MVD identified over 780,000 vehicles in its database in which the assessed value did not match the assessed value recorded from the automated program.

Vehicle Revaluation
Poorly Implemented

MVD s reverification of vehicle valuations was poorly implemented. Although MVD has already raised the tax value for over 440,000[1] vehicles, it failed to adequately notify vehicle

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[1] The number of vehicles re-valued is an estimate, as MVD did not keep records of the vehicle values it changed.

owners impacted by the change. In fact, MVD may have incorrectly raised the tax value for some of those vehicles that have already been changed. Moreover, because MVD did not keep records of changes, it would likely be unable to identify which vehicles tax values had been changed if vehicle owners question or challenge the evaluation.

MVD raised the value for many Arizona vehicles   To correct what it believed were errors in its records, the Division recently raised the tax value of over 440,000 vehicles. Because of the prior manual process for entering vehicle tax values, MVD officials believed there were some incorrect vehicle tax values in the computer system, which resulted in incorrect vehicle license tax amounts. Therefore, MVD used its new computer program to identify approximately 780,000 vehicles, or roughly 1 in every 4 vehicles registered in the State, that were incorrectly valued, and therefore incorrectly taxed. Beginning in September 1996, the Division raised the values of over 440,000 vehicles whose tax values were too low, thus increasing the amount of tax by approximately $4.5 million. Available documentation does not indicate that MVD originally planned to lower those tax values the computer program identified as being too high; however, the Division now plans to lower the values of approximately 340,000 vehicles in mid-1997, decreasing the tax amount by an estimated $3.2 million. Overall, these two changes will result in a net increase in vehicle license tax revenue of approximately $1.3 million in the first year and 15 percent less each year after that.[1]

MVD failed to properly notify vehicle owners of change   Most owners impacted by the increase were not adequately notified. Beginning in March 1997, the Division sent 43,000 letters to individuals whose vehicle values were increased by more than 15 percent. However, these letters did not indicate the specific dollar impact on the owner s tax or indicate any option for the owners to appeal the revaluation. In addition, according to an internal Division document, concern over receiving too many customer phone calls about the change prompted MVD management s decision to not notify the remaining 400,000 vehicle owners who were affected by the increase. Therefore, these owners most likely were unaware of any increase in their vehicle s tax value.

Some vehicle values may have been incorrectly raised   Notifying the vehicle owners of the changes in their vehicle values is important because there is a possibility that some taxable values were incorrectly calculated. The program analyzes a portion of a vehicle identification number to identify the vehicle model. However, some manufacturers assign the same model number to vehicles with different base prices. Therefore, because the computer program does not always distinguish between similar vehicles, it is likely that an incorrect taxable value was assigned to some vehicles. For example:

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[1]   The decrease is because the license tax for all vehicles decreases by 15 percent each year.

- Nissan manufactures its 240SX model with four different subseries, such as the 2D convertible or the 3D fastback. List prices for these vehicles range from $14,785 to $18,725, yet the automated system is incapable of differentiating between these four subseries. As a result, for all 240SX vehicles, the program records the value of the most common subseries. This difference in valuation could mean a $94.56 difference in the vehicle license tax during the first year s registration.

MVD did not keep records of changes   Although a few customers were able to identify and reverse incorrect changes, in most cases, MVD has no record of which vehicle records it changed. After MVD instituted these changes, it received complaints from approximately 200 customers who questioned their vehicle revaluations. At least 16 of these had their original values reinstated when they showed evidence that the original value was correct.

However, except for the 43,000 vehicles whose owners received letters, MVD cannot go back and notify the owners or reinstate the original values for the remaining 400,000 vehicles. In fact, if a customer inquires, MVD will not likely be able to determine whether the value had been changed because it keeps backup copies of its vehicle database for only two weeks. Moreover, the only physical records the Division has of the changes are the letters it sent to the small portion of those owners whose vehicle values had been changed by more than 15 percent.

Valuation Process Should Be Improved

The poor implementation of the recent vehicle revaluations points to the need for an improved process for handling changes in vehicle values. Current statutes provide little guidance on revaluing vehicles and did not require MVD to notify affected taxpayers of the recent changes. To better protect taxpayers in the future, the Legislature should consider amending A.R.S. §28-1591 to require MVD to notify taxpayers of changes in vehicle value and to provide an opportunity for taxpayers to appeal any errors in the revaluation.

Statutes do not provide specific process for vehicle revaluations   Currently, statutes provide little guidance to MVD on revising vehicle values. In fact, A.R.S. §28-1591 simply states that a vehicle s value is determined during the first year of registration and then decreases by 15 percent each year thereafter. In the absence of specific statutory direction regarding any other changes to a vehicle s value, MVD s Attorney General representative has advised MVD that it should adjust the values any time MVD has reason to believe that the recorded value is not correct. Following this advice, MVD has changed values on a case-by-case basis in response to individual situations over the years. However, the statutes contain no requirement for MVD to notify the taxpayers or offer them the opportunity to dispute the new value. Therefore, when MVD recently reviewed its records and

changed the values of over 780,000 vehicles using its new computerized process, MVD management chose to notify only a small percentage of the affected taxpayers. This denied the vast majority of the taxpayers the opportunity to review, and possibly appeal, any errors in the tax increases. As noted previously, because of the way vehicle identification numbers are used to identify vehicles, it is likely that some taxpayers not notified of the changes may have had their tax value incorrectly raised.

Statutes should be revised to better protect taxpayers   To better serve taxpayers in the future, the Legislature should consider revising A.R.S. §28-1591 to require MVD to notify taxpayers of changes to vehicle values and provide the opportunity for appeal when the vehicle tax value is changed. The Legislature should also require MVD to promulgate rules governing the revaluation and appeal process. Specifically, the rules should describe when MVD can change the vehicle tax values, how MVD will notify taxpayers of adjustments to the vehicle values, and specify what records should be kept concerning revaluations. Further, these rules should outline the process for taxpayers to follow in appealing their vehicle tax value.

Statutes regarding other taxes on property require that the taxing authority notify the taxpayer of tax valuation changes and provide an opportunity for appeal. Under A.R.S. §42-145, the Department of Revenue must notify taxpayers of real property values each year. Also, under A.R.S. §28-1723, when an owner disagrees with the Arizona Department of Transportation s assessment of the aircraft license tax, the taxpayer may request a hearing to dispute the assessment.

Recommendations

1. The Legislature should consider establishing statutory provisions for taxpayers to be notified and appeal changes in vehicle tax values.

2. Once the recommended statutory revisions are in effect, the Motor Vehicle Division should develop rules governing taxpayer notification and appeals processes when it revalues vehicle tax values.

Arizona Department of Transportation

206 South Seventeenth Avenue – Phoenix, Arizona 85007

Jane Dee Hull
Governor

Larry S. Bonine
Director

September 17, 1997

Douglas R. Norton
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Mr. Norton:

Enclosed is the Arizona Department of Transportation response to the performance audit on its Motor Vehicle Division. Although we do not agree on every point, the audit helped to improve the Division's operations.

Your staff have been most patient and courteous with us during the course of the audit and we appreciate their efforts.

Sincerely,

Larry S. Bonine

Enclosure

cc: Russell Pearce, MVD

ARIZONA DEPARTMENT OF TRANSPORTATION

RESPONSE TO THE REPORT OF THE AUDITOR GENERAL

The Arizona Department of Transportation (ADOT) has received and reviewed the Auditor General's performance audit of the Department's Motor Vehicle Division (MVD). The following response addresses, individually, the findings and recommendations contained in the report.

FINDING I: MVD'S CUSTOMERS ARE GENERALLY SATISFIED, BUT MAY WAIT A LONG TIME FOR SERVICE

Recommendation 1:

MVD needs to continue to evaluate the impact of its efforts to reduce the time customers spend in the offices to complete their business and determine whether additional steps are needed to improve service timeliness.

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

MVD is making substantial progress in efforts to use technology to evaluate and reduce the time customers spend in our offices. Nine additional computerized Q-Matic customer management systems were installed in MVD offices in fiscal year 1997. In offices that do not have Q-Matic systems, MVD's point of sale accounting system, known as the B2 Cash Drawer, also allows automated monitoring of customer wait times. Although there are some limitations to this system, it is far more effective and accurate than a manual system previously used to evaluate wait times in offices. MVD office supervisors are able to use data from both systems to evaluate what changes can be made to reduce wait times. At a minimum, monthly data reports are supplied to MVD management. However, such data is also available to management on an immediate, as-needed basis so that steps can be taken to adjust staffing levels. The B2 system wait-time data can be retrieved from office locations via ADOT's Local Area Network (LAN). Although more labor intensive than Q-Matic, a random sample of the non-Q-Matic offices can be done in a relatively short time to provide useful wait time and customer service information. Q-Matic wait time information is readily available to management and includes a much wider variety of data, including maximum wait times and wait time averages on a daily, weekly, monthly or yearly basis. MVD will continue to evaluate the impact of these efforts and determine whether additional steps are needed to reduce wait times.

In addition to these technological systems, MVD's improved vehicle registration renew-by-mail and third party programs offer alternatives to reduce the need for many customers to visit MVD offices.

Recommendation 2:

To ensure a consistent, more accurate method of measuring customer time, the Division should improve its time recording methods by:

- *Improving the consistency of information captured by the computerized system at each office;*
- *Ensuring the computerized system captures the total time customers are in the offices to conduct their business;*
- *Improving the method of time study for offices without the computerized system to ensure the results better reflect customer experience; and*
- *Evaluating whether a computerized system is needed at additional offices to provide better information about service timeliness.*

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

MVD has, with the assistance of Q-Matic personnel, developed a standard list of category breakdowns which will allow the system to capture consistent information for each office. The Q-Matic offices are in the process of being upgraded with this information. Approximately 50% are completed at the time of this response.

As offices are being upgraded with the standardized categories, Q-Matic is installing keypads and displays at the Driver License Digital Video Workstations (DL DVW) in all 26 Q-Matic offices to accurately measure the total wait time for the driver license production. Approximately 50% of the offices have upgraded with this system at the time of this response.

As previously stated, the non-Q-Matic offices are utilizing the timings from the B2 Cash Drawer system. Although this system does not have the ability to provide the transfer to the DL DVW window, it does provide far more accurate monitoring of the customer wait time than the previous manual counts. Typically, the non-Q-Matic offices are smaller, lower volume offices and do not have the same service demands and peaks as the larger offices, making this system a more acceptable alternative.

The Q-Matic system, although a major investment, is a critical management tool in evaluating resources and managing their allocation. MVD has aggressively pursued the installation of these systems in the larger volume offices, to the extent the budget has allowed, particularly since the Maricopa merger. Smaller volume offices tend to have fewer wait time problems. We will continue to monitor this issue and, should the Q-Matic costs go down in the future, will re-evaluate the size of the offices that receive this equipment.

FINDING II: MVD'S TELEPHONE CUSTOMER SERVICE NEEDS IMPROVEMENT

Recommendation 1:
To more accurately evaluate telephone service, the telephone unit must develop more specific goals and measurements that will separately consider:
- *The time customers spend waiting for a representative,*
- *The time staff spend resolving customer requests, and*
- *The performance of each phone center.*

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

The Communications Unit currently measures wait times, transaction times and calls abandoned by using an automated call distribution system as a means of improving our customer service. Currently, the average wait time per call is monitored in the Unit, Program, Division and Department performance measurement books. In addition, the Internal Support Program has designated a Program Performance Coordinator in order to systematically improve the measurements throughout the program. The coordinator has been actively working with the Communications Unit to improve their performance measurements since being designated in April 1997. One major improvement to the measurements has been the separation of each individual queue (driver license, title/registration and mandatory insurance) from the combined average in order to monitor and evaluate the effects of management plans for improvement on each queue.

The expansion and refinement of the use of performance measurements will continue in the Communications Unit. Since July 1997, they have been actively monitoring and evaluating the performance of each individual phone queue and the separate call centers, in addition to the overall performance of the phone system. Further developments will include refining and automating the performance measurements for each call center.

Analysis of the existing data does reflect major improvements for the Communications Unit. Comparing January 1997 to August 1997, the number of calls answered as a whole has increased 127 percent while the number of calls abandoned has decreased 64 percent. During the same period of time, the combined average wait time has decreased from 8.5 minutes to 5.4 minutes. Specifically considering the title/registration queue, the average wait time has decreased from just over 12 minutes to just under five minutes. Careful monitoring will be required to ensure that this trend continues and that customer satisfaction increases. Practical means for evaluating customer satisfaction are continually being sought in order to better evaluate not only how efficiently the Communications Unit can respond to public inquiries, but also how effectively.

Recommendation 2:
Using these performance measurements, the Division should evaluate the impact of planned staffing increases and training improvements for the telephone unit.

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

The intent of developing performance measurements has always been to provide a quality management tool. The purpose of refining existing measurement charts is to ensure that all goals, graphs and charts are valuable as management tools. This would naturally include defining staffing and training needs for unit employees.

Performance measurements also assist in identifying our successes, areas requiring improvement, and helping to guide our future direction. For example, we are currently in the process of implementing a three-tiered communications system which will sort and prioritize handling for telephone customers - those in need of basic information can be helped promptly at the first level, while those requiring more in-depth assistance or record reviews will be transferred to a higher level representative. We have introduced a new phone center at the Perryville - Santa Maria Unit - having cross-trained all inmate employees in both driver license and title/registration requirements. Another part of our solution is to communicate through public relations and media campaigns to better educate the citizens who use our services, thus eliminating the need for many of these phone calls.

Other Pertinent Information:
The Communications Unit is staffed with 37 full time employees, and has 56 inmate employees at Perryville (34 at San Juan, 22 at Santa Maria; interviews continue at Santa Maria in an effort to increase inmate staff to 34). We have extended operating hours at each call center to Monday-Friday, 7:00 am-6:00 pm and Saturdays from 8:00 am until 1:00 pm.

The recorded information is regularly reviewed and updated with current data, including changes to office hours and locations or legislative amendments impacting the public. An upgrade to the Octel voice messaging software was purchased on July 1, 1997, and is expected to solve year 2000 problems for our telephone system. We have a team developing an action plan to revamp the entire phone script, streamlining it and eliminating long, detailed information so that customers may obtain needed information more quickly. This team is also including in its action plan an option of allowing customers to retrieve information using record numbers printed on registration invitations to access specific general information (registration fees, due dates, emissions requirements, etc.). The phone system has a maximum capacity of 89 callers at any one time. If that capacity is exceeded, the system will advise the caller that all lines are busy and to try again later. We have, on occasion, programmed the system to reroute overflow calls from the main queues into a special call center. This routing change was undetectable to the caller, and at no time has the system been programmed to transfer the caller back to the beginning of the telephone script.

We are working with the MVD Training Academy to develop training modules for specialized phone center staff needs, and all employees in the Communications Unit will receive this

specialized training; they have also been or are being cross-trained in all Division functions (driver licensing, title/registration and mandatory insurance). To say we are not yet able to determine impacts is not totally accurate. We are measuring and have begun to experience some impact of the cross-training and additional staffing, as demonstrated by our decreased wait times. We will continue to monitor and develop in these areas.

FINDING III: MVD SHOULD INCREASE OVERSIGHT OF THIRD-PARTY CONTRACTORS

Recommendation 1:
MVD should strengthen oversight of the third-party contractors' use of the State's computer systems. Specifically, MVD should ensure only authorized persons have access to the system and that only proper, authorized transactions are processed.

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

Finding - Computer Systems Open to Abuse:
Third Party contractors do not have broad access to MVD records. MVD authorizes access to the computer records for title and registration by creating a security group (transaction type) specific to the types of functions the third party is authorized to perform.

A password and two ID's are the security access assigned to third parties. An MVD Data Security Site Administrator assigns: 1) a resource access control facility identifier (RACF-ID), also known as user ID; 2) a password; and 3) an operator identification (OPID) number to each third party employee who is trained and certified to access the computer system. The password expires automatically every 30 days and a new password must be identified by the user. An operator identification number is assigned to each operator, it must be used when accessing a transaction code, and assists the Division in identifying which operator processed a given transaction.

Additionally, only individuals who have received training would have the knowledge necessary to access the Title and Registration system. An employee must have a user ID, a password, and an OPID to access the computer system. If any of the three identifications are not correct or are used out of order, the system will reject admittance. After a third unsuccessful attempt to sign on to the system, the system will label the user as fraudulent and revoke the user ID number. The only way to restore a user's access after revocation is to contact a data security administrator.

The Third Party Program receives MVD system-generated reports which assist in monitoring most of the system activities performed by third party operators. These reports are utilized by the auditors and Quality Assurance Unit within the Division's Third Party Program to carefully monitor all third party activities, in accordance with stringent guidelines which have been established.

The Auditor General's report states that a third party conducted an unauthorized transaction. This was one out of approximately 250,000 transactions that have been processed in the last four years by third parties. MVD identified this discrepancy, and immediately notified the third party. The record was restored properly without any inconvenience to the customer, the third party was instructed not to do that transaction, and that violation has never occurred again. This has been the only incident of this type in the four years the program has been in existence.

A third party contractor has the transaction codes necessary to change a vehicle record; however, if they did not have the necessary transaction codes to change a record, the company would be incapable of performing their third party functions.

The supporting title and registration documents submitted by third parties are reviewed by a Quality Assurance Unit (QA) representative. Any discrepancies found are corrected following procedures established by the QA Unit. The QA representatives monitor the activities of each third party operator. The third party operator's original paperwork is reviewed and compared to the system record. The QA representative will also verify the record's fees collected to see if the fees were charged correctly. If the original paperwork or system record is in question, the QA representative will request the microfilm history. Using the microfilm history, physical documentation, and system record information, the QA representative is able to create a sequence of events which will determine if an error has been made.

During the audit, the QA Unit was developing standards to measure operator errors. These standards are now completed and are part of a new policies and procedures manual for the Quality Assurance Unit and the third parties. These standards will assist the unit in determining when a third party operator should be required to attend additional training or be denied access to the system.

Although the Auditor General's report identifies one company who found altered registration renewals that were missing in an employee's desk for a total of $54.75, MVD believes this is only an isolated incident and, in fact, this is the only incident this third party has had in its four years with the program. This incident was self-reported, and the employee was immediately released.

MVD has developed procedures and standards for determining when to increase or reduce levels of authority based on error rates, percentages, disciplinary actions, performance tracking, and monthly reviews of the computer reports. Training of third parties on the new procedures is in process.

The Third Party Program has a very good record of ensuring only authorized persons have access to the system. MVD will work to create enhancements to the Title and Registration database that will allow restrictions on individual transactions not just security group transactions.

Recommendation 2:

MVD should develop and implement policies and procedures to ensure adequate oversight of third-party contractors that includes procedures regarding computer activity reviews, performance tracking, disciplinary measures, and inventory procedures.

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented. During the audit, the Third Party Program was in the process of establishing policies and procedures for computer activity reviews, performance tracking, disciplinary measures, and the inventory process.

Finding - Inventory at Risk:

MVD Warehouse staff logs all plates and tabs issued to third party contractors, and the contractors are required to track the inventory assigned to them. Additionally, the Special Projects Group of MVD is in the process of developing an automated system that will be utilized by the Warehouse at initial distribution of forms and by each field office and third party at time of receipt and issuance.

Finding - Third Party Contractor Performance not Adequately Monitored:

In June of 1996 the Third Party Program established a Quality Assurance Unit whose task it is to monitor the work of all third party operators employed by third party contractors. Prior to the establishment of the QA Unit, the work processed by third parties was reviewed and monitored by the Title Production Unit of MVD. The QA Unit now provides a daily monitoring of all third party companies. This unit evaluates the work of the third parties and takes action, if necessary, such as visiting them for one-on-one training and issuing follow-up letters. All completed third party work is dropped off at MVD headquarters in the QA Unit. A Third Party Quality Assurance Unit Reference Guide Procedure Manual has been developed to assist the QA representative determine the course of action to take on the type of errors made by the operator. This guide will also assist the third parties in evaluating and improving the quality of their work. The Third Party Program will continue to develop new standards, policies, and procedures in order to ensure the integrity of the Program.

Finding - Third Party Contracts not Adequately Enforced:

During the pilot project and early development of the Third Party Program, contracts were not strictly enforced. This was a new program for which there was no history from which to learn and no experience on how to establish appropriate sanctions. However, the Division has now accumulated enough experience to formulate a progressive set of rules, procedures, and sanctions that ultimately will result in cancellation of the contract if repeated violations occur.

Requirements of third parties are addressed in the contract and penalties are identified for failure to follow rules and regulations. Contract requirements include: location of activities, equipment, electronic data interchange, security, financial, banking, personnel, notification of change, training, advertising, record keeping, audit and inspection, compliance/non-compliance, amendment and modification of authorization, termination, waiver, duration, liability and nondiscrimination.

Recommendation 3:

MVD should conduct more audits of third party contractors and follow up on issues discovered during the audits.

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

Finding - More Audits of Third Party Contractors are Needed:
We agree that more audits and auditors are needed.

Other Pertinent Information:
The Motor Vehicle Division agrees that increased vigilance of the third party computer access is appropriate and has taken reasonable steps to maintain the appropriate level of security. While some problems have been identified, one must keep in mind that the Third Party Title and Registration Program was originally established as a "pilot" program consisting of 12 companies authorized to perform certain title and registration transactions. During the pilot phase, MVD monitored the third party companies and made considerable changes to ensure compliance with regulations. The Third Party Pilot Program was completed in June of 1996. At this point, the program began setting up a *permanent* infrastructure to handle all third party programs in the Division. This audit concentrated on only the Title and Registration Third Parties who are on line. In fiscal years 94/95, 95/96, and 96/97 these third party contractors, which in fiscal year 96/97 number 16, processed approximately 250,000 transactions and collected about $61,000,000. These contractors currently process seven percent of all state title and registration transactions.

FINDING IV: MVD POORLY IMPLEMENTED VEHICLE REVALUATION

Recommendation 1:
The legislature should consider establishing statutory provisions for taxpayers to be notified and appeal changes in vehicle tax values.

MVD will comply with any legislatively established statutory provisions.

Recommendation 2:
Once the recommended statutory revisions are in effect, the Motor Vehicle Division should develop rules governing taxpayer notification and appeals processes when it revalues vehicle tax values.

MVD will develop such rules if required.

Other Pertinent Information:
Under state law, the initial assessed value on a new vehicle is 60 percent of the list price. The VLT is calculated at a rate of $4 for each $100 of this assessed value, which is reduced by 15 percent each year until the minimum VLT of $10 is reached.

In 1996, the Motor Vehicle Division conducted an audit using the newly-acquired VINA (Vehicle Identification Number Analysis) software program to check the vehicle records on file in the state's registration system. That review of more than six million motor vehicle records found that, for more than 400,000 vehicles, the manufacturer's base price recorded with MVD was too low. We also found that for many vehicles (340,000), the manufacturer's base price may have been overstated in the state's records. A decision was made to correct differences between inaccurate list prices in the state's system and the accurate list prices provided through the use of VINA.

The audit report states that MVD "raised the value" for many Arizona vehicles. What MVD actually did was correct inaccurate manufacturer's base prices listed in the state's system. That move, in turn, resulted in the VLT assessments of many vehicles being corrected to the proper amount.

MVD sought and received legal advice from the Attorney General's office. The advice from the Attorney General was:

- that MVD's purpose in making the list price corrections was statutorily authorized; and
- MVD would be remiss in its duties if it did not rely on the correct data when making assessments for succeeding license year registrations.

Appendix A

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Appendix A

Customer Survey and Time Study Methodology

To evaluate the Motor Vehicle Division s customer service and timeliness, a comprehensive, statistically valid statewide survey and time study was conducted.

Customer Survey

The survey conducted at MVD field offices across the State asked customers to rate MVD in several areas, including staff courtesy, speed of transaction processing, staff knowledge, adequacy of information received on the phone and at the office, and overall satisfaction with their visits to MVD. The survey also asked customers to estimate the time they were in the office, how long they felt was reasonable for their transaction, if MVD s hours were convenient for them, and whether they completed their transaction in one visit. A copy of the survey is attached (see pages a-v through a-vii).

Time Study

In conjunction with the survey, an observation-based time study was conducted to measure the actual length of time customers were in the office to transact their business. The time study captured total time in office, including time the customers waited to be called to a service window, to take a written or road test, to complete their transactions, and to have their licenses, permits, or identification cards printed.

Sample Selection

Both the survey and time observation study were conducted at 25 field offices in July and August 1996. To represent the State statistically, we sampled across the entire State, stratifying by county, area (urban vs. rural), and office type (single function vs. dual function). In counties with more than one office, the sample offices were randomly selected. The survey and time study were conducted during the same week for each office. In low-volume offices, both studies were conducted simultaneously, while in busier offices, the days on which the survey or time study were conducted were randomly selected. The sampling plan, including offices and time frames, is presented in Table 2 (see page a-ii).

Table 2

Customer Service Survey and Time Study
Sampling Plan

County	Office	Number of Survey Days	Number of Time Study Days
Apache	Springerville	5	5
Cochise	Sierra Vista	5	5
Coconino	Flagstaff	3	2
	Tuba City	5	5
Gila	Globe	5	5
Graham	Safford	5	5
Greenlee	Clifton	5	5
La Paz	Parker	5	5
Maricopa	Avondale Auto License	3	2
	Phoenix Northwest Auto License	3	2
	Surprise Auto License	3	2
	Glendale Driver s License	3	2
	Encanto Driver s License	3	2
	Phoenix North Driver s License	3	2
	Phoenix South Driver s License	3	2
	Tempe Driver s License	3	2
Mohave	Kingman	5	5
Navajo	Winslow	5	5
Pima	Green Valley	3	2
	Tucson East Driver s License	3	2
	Tucson Regional	3	2
Pinal	Casa Grande	3	2
Santa Cruz	Nogales	5	5
Yavapai	Clarkdale	5	5
Yuma	Yuma	3	2

Source: Auditor General staff random selection of offices and time frames for study.

Data Collection and Analysis

To gather survey data, auditors distributed the survey to customers as they were leaving the office. Customers then returned the completed surveys directly to the auditors. The survey was available to customers in both English and Spanish. Over the study period,

4,690 surveys were completed. The number of customers responding to the survey by county is presented in Table 3 (see page a-iv). The response rate was estimated to be about 60 percent.

To capture the customers total time in the office, auditors documented the time the customer arrived and departed. As customers entered the office, auditors recorded the time and gave the customer a number. As they left, customers returned the number to the auditors, who recorded the departure time. Auditors recorded time information for 10,731 customers. The number of customer times recorded by county is presented in Table 3 (see page a-iv).

For both the survey and time observation, the results were weighted to be representative of the State. The weights were determined using the number of driver s license transactions performed by offices in each county in fiscal year 1995-96.

Validation

The survey and time study results were validated in March 1997. Eight of the 25 offices were randomly selected for the follow-up study. At these offices, auditors surveyed 262 customers and tracked service time on 944 customers. The survey and time observations for the follow-up were conducted for random time periods during a day using similar methodology as the original study. The means of overall customer satisfaction and time in office for the 1997 follow-up study were compared with the original 1996 study using a statistical test. These tests showed customer satisfaction had not changed since our original survey. The tests also confirmed that the follow-up time observations were not significantly different for the update offices, although 2 offices did show some improvement in customer wait time (between 5 and 15 minutes).

Table 3

**Customer Service Survey and Time Study
Number of Customers by County
July and August 1996**

County	Number of Customers Surveyed	Number of Customers Studied for Service Times
Apache	30	33
Cochise	191	529
Coconino [1]	214	997
Gila	197	486
Graham	87	279
Greenlee	97	146
La Paz	171	220
Maricopa	1,905	4,721
Mohave	195	282
Navajo	87	188
Pima	646	1,209
Pinal	175	482
Santa Cruz	142	271
Yavapai	351	531
Yuma	202	357
Total	4,690	10,731

[1] Survey data for the Flagstaff office was collected in March 1997. When the 1996 data was analyzed, it was determined that Coconino County should be stratified to better represent both its urban and rural populations. Therefore, Flagstaff was sampled in 1997 and added to the 1996 data for Coconino County.

Source: Auditor General customer service survey and time study results.

Motor Vehicle Division Customer Survey

The Office of the Auditor General is conducting a performance audit of the Motor Vehicle Division.   We are interested in knowing how satisfied you are with the services you received today at MVD.   We would appreciate it if you could take a moment to answer the following questions. **Thank you!**

1.   What was the purpose of your visit today? (**Please check all that apply**.)
____ to renew your driver's license
____ to obtain an Arizona driver's license (if you were licensed in another state)
____ to obtain your first driver's license
____ to obtain an identification card
____ to obtain a learner's permit
____ to replace your driver's license or identification card (ie, if it was lost, stolen, or destroyed)
____ to obtain information on driver's licenses or permits
____ to renew a vehicle registration (ie, to receive new validator tab)
____ to receive a new license plate
____ to change or transfer a vehicle title or to receive a new title
____ to replace a license plate, vehicle registration, or validator tab (ie, if it was lost, stolen, etc.)
____ to have a vehicle inspected
____ to obtain information on vehicle registration, license plates or titles
____ other (please specify)_____

2.   Did you complete your business on this visit?
____ Yes   **(Please skip to question 4.)**
____ No

3.   **If not**, why not:
____ did not have necessary paperwork
____ did not have sufficient identification
____ needed to return to take or retake a written or driving test
____ needed to return to have the vehicle inspected
____ did not have time to wait to complete your transaction
____ other (please specify) _____

4.   Was this your first visit to MVD to complete this transaction?
____ Yes   **(Please skip to question 7.)**
____   No

5.   **If this was not your first visit**, please answer the following two questions:
How many prior visits have you made to complete your transaction?
____ 1
____ 2
____ 3 or more

6.   Why did you have to return today? **(Please check all that apply.)**
____ to bring additional documents or paperwork
____ to bring identification
____ to take or retake a written or driving test
____ to have the vehicle inspected
____ did not have enough sufficeint time to complete the transaction on your last visit
____ other (please specify) _____

7. What time did you arrive at this office today? _____ am/pm
.   What time did you leave the office? _____ am/pm

8. Did you feel the amount of time you spent at the office today was reasonable?
____ Yes
____ No

9. What would you consider a reasonable time to complete your transaction?
____ Less than 15 minutes
____ 15-29 minutes
____ 30-44 minutes
____ 45-60 minutes
____ over 60 minutes

10. Generally, MVD offices are open Monday through Friday 7:00 am to 5:30 pm. A few offices are open on Saturday mornings. Are these times generally convenient for you?
____ Yes **(Please skip to question 12.)**
____ No

11. **If not,** which alternative would be **most convenient** for you? **(Please select only one.)**
____ Close later Monday through Friday
____ Open earlier Monday through Friday
____ Open longer hours on Saturdays
____ Open on Sundays
____ Not Sure

12. How would you rate the overall courtesy extended to you by the MVD agent(s) who helped you? **(Please circle one)**

Excellent   Good   Fair   Poor No Opinion

13. How would you rate the speed with which the MVD agent serving you processed your transaction once you reached the window? **(Please circle one.)**

Excellent   Good   Fair   Poor No Opinion

14. Was the MVD agent who served you knowledgeable about your transaction?
____ Very Knowledgeable
____ Somewhat Knowledgeable
____ Not Knowledgeable at All

15. Overall, how would you rate the service you received from the MVD agent(s) who served you today?

Excellent   Good   Fair   Poor No Opinion

16. Before your visit today, did you call MVD to receive any information regarding the transaction you wanted to complete today?
____ Yes
____ No **(Please skip to question 18.)**

17.   **If so**, did you find the information helpful?   **(Please circle one answer for each type of information.)**

Information needed	How helpful was this information you received?			
hours of operation	Very Helpful	Somewhat Helpful	Not Helpful	Did not request
address or directions	Very Helpful	Somewhat Helpful	Not Helpful	Did not request
cost of services	Very Helpful	Somewhat Helpful	Not Helpful	Did not request
requirements for obtaining a driver's license or permit	Very Helpful	Somewhat Helpful	Not Helpful	Did not request
requirements for obtaining or transferring a title	Very Helpful	Somewhat Helpful	Not Helpful	Did not request
requirements for obtaining license plates or registering a vehicle	Very Helpful	Somewhat Helpful	Not Helpful	Did not request
how long the wait time was today	Very Helpful	Somewhat Helpful	Not Helpful	Did not request
other information (please specify) _____	Very Helpful	Somewhat Helpful	Not Helpful	Did not request

18.   When you arrived at the office today, how adequate was the information available at or near the entrance to assist you in completing your transaction today?
____   All information I needed was available   **(Please skip to question 20.)**
____   Some of the information I needed was available
____   None of the information I needed was available

19.   **If you felt only some information or no information was available**, what information was missing? **(You may check more than one.)**
____   whether I needed to take a number
____   where to get a number
____   which window could serve me
____   what documents I needed to complete my transaction
____   that I needed to complete an application before going to the window
____   that I needed a picture ID
____   how long I would have to wait for service
____   other (please specify) _____

20.   Overall how would you rate your experience at MVD today?

Excellent   Good   Fair   Poor   No Opinion

If you would like to make any comments, please use the space below or the back of this page.
_____
_____
_____

For administrative use only:

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Appendix B

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Appendix B

Customer Service Survey and
Time Study Results

Table 4

**Overall Customer Satisfaction with
Service Received from MVD
Percentage of Customer Ratings
by County**

County	Excellent	Good	Fair	Poor
Apache	90%	10%	0%	0%
Cochise	61	30	7	2
Coconino	44	41	13	2
Gila	55	32	9	4
Graham	71	28	1	0
Greenlee	50	48	2	0
La Paz	21	55	23	1
Maricopa	34	46	14	6
Mohave	51	40	8	1
Navajo	86	10	4	0
Pima	50	41	8	1
Pinal	48	44	7	1
Santa Cruz	62	37	1	0
Yavapai	62	34	4	0
Yuma	67	27	5	1

Source: Auditor General survey of customers at Motor Vehicle Division offices in July and August 1996.

Table 5

**Length of Time Customers Spent
in MVD Offices
Percentage of Customers
Served by Time Period**

County	Under 30 Minutes	30 to 59 Minutes	60 to 89 Minutes	Over 90 Minutes
Apache	82%	18%	0%	0%
Cochise	54	38	7	1
Coconino	57	34	8	1
Gila	56	33	9	2
Graham	86	13	1	0
Greenlee	88	10	2	0
La Paz	90	9	1	0
Maricopa	63	18	13	6
Mohave	45	45	7	3
Navajo	95	5	0	0
Pima	71	25	3	1
Pinal	88	9	3	0
Santa Cruz	76	21	2	1
Yavapai	76	21	3	0
Yuma	60	34	4	2

Source: Auditor General study of customer service times at Motor Vehicle Division offices by county for July and August 1996.