



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

**A PERFORMANCE AUDIT
OF THE**

**ARIZONA DEPARTMENT OF TRANSPORTATION-
MOTOR VEHICLE DIVISION,
TITLE AND REGISTRATION PROCESSING**

OCTOBER 1982

**A REPORT TO THE
ARIZONA STATE LEGISLATURE**



DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

October 18, 1982

Members of the Arizona Legislature
The Honorable Bruce Babbitt, Governor
Mr. William A. Ordway, Director
Arizona Department of Transportation

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona Department of Transportation, Motor Vehicle Division, Title and Registration Processing. This report is the first of a series of reports to be issued on the Arizona Department of Transportation and is in response to Senate Bill 1001 enacted by the Thirty-fifth Legislature, Second Special Session in 1981.

The blue pages present a summary of the report; a response from the Director of the Department of Transportation is found on the yellow pages preceding the appendices.

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

Respectfully submitted,

Douglas R. Norton
Douglas R. Norton
Auditor General

Staff: William Thomson
Linda J. Blessing
Brent Nelson
Karen Holloway
Sue Ann Freitag
Deborah Baldwin

DRN/dm

Enclosure

OFFICE OF THE AUDITOR GENERAL

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REPORT 82-3

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SUMMARY

The office of the Auditor General has completed a performance audit of the vehicle title and registration process administered by the Arizona Department of Transportation (ADOT), Motor Vehicle Division (MVD). This audit was conducted in response to Senate Bill 1001, enacted by the Thirty-fifth Legislature, Second Special Session requiring a performance audit of the Arizona Department of Transportation and is one of a series of audits to be completed on the Department.

We made a preliminary review of all major Motor Vehicle Division programs, however, we limited our detailed audit work to a review of the efficiency and effectiveness of the vehicle title and registration function (see page 3 for audit scope). Review of the vehicle title and registration functions indicated that improvements in four areas would result in significant cost savings to the State. These four areas include: the 1) title processing system itself; 2) collection, deposit and distribution of vehicle in-lieu taxes; 3) noncollection of prior-year vehicle license taxes and penalties; and 4) title and registration computer system.

The Motor Vehicle Division can realize savings of \$316,300, including a reduction of 22 full-time employee positions, by eliminating overstaffing and unneeded activities in processing title applications (see page 5). The division can reduce title processing time from 16 workdays to as few as 3.5 workdays by streamlining the title processing system (see page 14). In addition, management control can be enhanced by developing viable work standards to control production (see page 17).

The State can earn as much as \$1,000,000 annually by transferring responsibility to receive deposits and distribute the vehicle in-lieu tax from the county treasurers to the State Treasurer (see page 22). The statutes presently require the registering officer to promptly deposit the vehicle tax with the county treasurer in the county in which the vehicle is registered. The county treasurer is to distribute the vehicle license

tax by the 15th day of the following month. However, the State has a direct interest in 62.325 percent of the total license tax collected while the county has a direct interest in only 17.125 percent of total license tax collected.

In addition, MVD has no central control to assure that other title, registration and related fees are submitted in a timely manner as required by A.R.S. §28-301.D. We found money was not being transferred immediately to the Division as required by statute. If MVD implemented controls to assure the timely collection of vehicle fees and taxes from the counties as required by statute, an additional \$344,000 in interest earnings would be generated (see page 25).

The Motor Vehicle Division and the county assessors acting as agents for MVD do not collect unpaid vehicle license taxes due for prior registration periods resulting in lost revenue to the State of between \$102,000 and \$312,000 annually (see page 29). In addition, MVD has not promulgated standard procedures for tax or penalty collection on prior-year registrations. As a result, penalty collection by the counties on these late registrations is inconsistent causing further revenue loss (see page 33). The Motor Vehicle Division should implement controls and establish procedures to ensure that taxes and penalties are collected from vehicle owners who have skipped a registration cycle.

Finally, neither MVD nor the Information Systems Group (ISG) of ADOT has adequately managed computer resources to develop and implement the Title and Registration (T & R) computer processing system (see page 35). The agency as of June 30, 1982, has not fully developed and implemented system capabilities, although they were originally planned in 1968 and partially implemented in 1971. Noncompletion of the title and registration system has impaired the effectiveness and efficiency of processing and potential cost savings from automation have been lost (see page 38).

The Department should formulate project initiation and control procedures for all computer development projects in order to set development priorities and effectively schedule projects. In addition, the Department should revise its cost accounting system in order to adequately monitor and control development costs and implementation dates or otherwise provide a method for cost tracking systems development.

We identified potential areas for further audit work that we could not pursue due to time constraints. The areas include Weight Enforcement, Tax Collection, Driver Licensing, Financial Responsibility and Abandoned Vehicles. For a list of these potential audit areas, see page 45.

INTRODUCTION AND BACKGROUND

The Office of the Auditor General has completed a performance audit of the vehicle title and registration process administered by the Arizona Department of Transportation (ADOT), Motor Vehicle Division (MVD). This audit was conducted in response to Senate Bill 1001, enacted by the Thirty-fifth Legislature, Second Special Session requiring a performance audit of the Arizona Department of Transportation and is one of a series of audits to be completed on the Department.

The Motor Vehicle Division is one of six divisions of the Arizona Department of Transportation. The Division's major responsibility is to regulate motor vehicle operations in Arizona. This regulation is accomplished through the following activities:

1. Registering and licensing all vehicles and recording vehicle titles;
2. Testing applicants and issuing driver licenses;
3. Evaluating drivers and driving records to remove unsafe drivers from the road;
4. Suspending or revoking driving privileges of drivers involved in accidents who do not meet financial responsibility requirements;
5. Licensing and regulating motor vehicle dealers, manufacturers and wreckers;
6. Inspecting school buses and certifying school bus drivers;
7. Processing of abandoned vehicle reports for auction; and
8. Issuing oversize permits and enforcing weight laws.

The Division is also responsible for collecting taxes and fees established by the State Legislature to support the construction and maintenance of highways. In 1981 MVD collected over \$222 million in fuel taxes, vehicle registration fees and other revenues. Most of the revenue comes from the eight-cent-per-gallon State tax on gasoline and diesel fuel. The Division operates 16 Port-of-Entry stations for the issuance of various permits where approximately 3 million commercial vehicles pass over the state border each year paying almost \$12 million in taxes and fees.

Prior to 1927, the Secretary of State was responsible for the annual registration of vehicles, and the counties were responsible for public highways in Arizona. In 1927, the Arizona Highway Department was created with the function of "administering all matters and affairs directly affecting, concerning, or relating to the highways of the state." At the same time, the division of motor vehicles of the State Highway Department was created to issue license plates, process all registration and title applications and examine applicants for driver licenses. County assessors were designated as officers of the division to perform duties delegated to them by the division. Currently the counties aid in processing title and registration applications, receiving one dollar for each title or registration processed.

In 1973, the Arizona Department of Transportation was created to provide for an integrated and balanced State transportation system, replacing the State Highway Department. In 1977, an act was passed amending A.R.S. §28-301 to allow the director of ADOT and the board of supervisors of any county to enter into a contract providing for the transfer of duties and responsibilities concerning titles and registration from the county assessor to the Motor Vehicle Division. Currently, Pima and Apache Counties have transferred these duties to the State.

The following table lists significant motor vehicle activities of the Division for a four-year period.

TABLE 1
MOTOR VEHICLE ACTIVITIES

| | <u>1978-79</u> <u>Actual</u> | <u>1979-80</u> <u>Actual</u> | <u>1980-81</u> <u>Actual</u> | <u>1981-82</u> <u>Estimated</u> |
|-----------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------------|
| Driver license applications | 783,785 | 790,992 | 857,102 | 923,985 |
| Vehicles registered | 1,944,960 | 2,042,208 | 2,098,160 | 2,150,000 |
| Titles issued | 961,136 | 942,584 | 967,167 | 997,167 |

The following table lists expenditures and number of full-time employees (FTE) of the Division for a five-year period.

TABLE 2

MVD EXPENDITURES AND FTE POSITIONS*

| <u>Operating Budget</u> | <u>1978-79</u> <u>Actual</u> | <u>1979-80</u> <u>Actual</u> | <u>1980-81</u> <u>Actual</u> | <u>1981-82</u> <u>Estimated</u> | <u>1982-83</u> <u>Approved</u> |
|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------------|-----------------------------------|
| Number of FTE positions | <u>737</u> | <u>729</u> | <u>735</u> | <u>730</u> | <u>723</u> |
| Personal services | \$ 8,249,780 | \$ 8,911,841 | \$ 9,887,600 | \$11,222,400 | \$11,247,900 |
| Employee-related expenses | 1,792,661 | 1,853,589 | 2,178,800 | 2,517,000 | 2,566,000 |
| Professional and outside services | 3,054 | 23,376 | 15,000 | 51,100 | 118,000 |
| Travel - in-State | 49,592 | 67,515 | 73,100 | 90,900 | 105,700 |
| Travel - out-of-State | 2,500 | 4,603 | 5,100 | 5,900 | 5,900 |
| Other operating expenses | 1,358,968 | 1,066,929 | 1,222,500 | 1,447,700 | 1,439,200 |
| Equipment | <u>61,253</u> | <u>61,665</u> | <u>65,100</u> | <u>99,700</u> | <u>60,000</u> |
| Subtotal | <u>11,517,808</u> | <u>11,989,518</u> | <u>13,447,200</u> | <u>15,434,700</u> | <u>15,542,700</u> |
| License plates and tabs | 940,393 | 705,000 | 464,100 | 670,000 | 160,500 |
| Motor carriers | | | | | 633,100 |
| County licensing/ registration | | | | | <u>100,000</u> |
| Total | <u>\$12,458,201</u> | <u>\$12,694,518</u> | <u>\$13,911,300</u> | <u>\$16,104,700</u> | <u>\$16,436,300</u> |

* Source: State of Arizona Appropriations Reports for 1980-81, 1981-82, and 1982-83.

Scope of Audit

Due to time and resource constraints, the scope of our Motor Vehicle Division audit was limited to a review of the efficiency and effectiveness of the vehicle title and registration function. This function is a major division activity which also involves considerable county employees and resources. In addition, our limited review of other MVD functions and programs disclosed potential areas of concern that we were unable to address. Functions and programs which may warrant future audit attention include:

- Weight enforcement,
- Revenue collection and audits,
- Driver licensing and driver improvement,
- Financial responsibility, and
- Abandoned vehicles.

Additional information regarding these areas is provided under AREAS FOR FURTHER AUDIT WORK on page 45.

FINDING I

THE MOTOR VEHICLE DIVISION CAN SAVE \$316,300 AND REDUCE THE TIME REQUIRED TO PROCESS TITLE APPLICATIONS.

The Motor Vehicle Division can realize savings of \$316,300, including a reduction of 22 full-time employee (FTE) positions, by eliminating overstaffing and unneeded activities in processing title applications. The Division can reduce title processing time from 16 workdays to as few as 3.5 workdays by streamlining the title processing system.

In addition, management control can be enhanced by developing viable work standards to control production. The savings in staff and dollars that can be realized are summarized in Table 3.

TABLE 3

SUMMARY OF STAFF AND DOLLAR SAVINGS THAT CAN BE
REALIZED BY CHANGES TO THE TITLE PROCESSING SYSTEM

| | <u>Staff Reduction (FTEs)</u> | <u>Cost Savings</u> |
|---|-----------------------------------|-------------------------|
| Reduce overstaffing in title checking unit (see page 6) | 7 | \$103,600 |
| Eliminate title checking county applications (see page 6) | 9 | 133,200 |
| Reduce overstaffing in title master title unit (see page 9) | 5 | 61,500 |
| Eliminate stamping/logging county applications (see page 10) | 1 | 11,400 |
| Eliminate typing "single" trouble letters (see page 13) | | 6,600 |
| Reduce number of processing steps (see page 14) | * | * |
| Reduce processing fragmentation (see page 16) | * | * |
| Eliminate special handling (see page 16) | * | * |
| TOTAL SAVINGS | <u>22</u> | <u>\$316,300</u> |

* In addition to staff and dollar savings, significant reductions can be made in the time to process title applications.

Overstaffing of Title Checking Unit

Staffing of the Title Checking Unit can be reduced from 27 positions to 11 positions, resulting in savings in personnel costs of approximately \$236,800 annually. The staff reductions can be accomplished by eliminating 1) positions determined to be unnecessary based on the current workload of the unit and reasonable work standards and 2) the unnecessary function of title checking of county-submitted title applications. Table 4 summarizes the potential savings in positions and personnel costs.

TABLE 4

TOTAL FTE POSITIONS THAT CAN BE ELIMINATED BY REDUCING OVERSTAFFING
AND DISCONTINUING TITLE CHECKING OF COUNTY APPLICATIONS

| | <u>FTEs</u> | <u>Personnel Costs</u> |
|--|-------------|----------------------------|
| Number of filled positions | 27 | \$ 399,500 |
| Reduction based on work standards (page 7) | (7) | (103,600) |
| Reduction by eliminating checking of county applications (page 7) | (9) | <u>(133,200)</u> |
| Number of positions required for processing | <u>11</u> | <u>\$ 147,900</u> |

The Title Checking Unit receives approximately 80 percent of the title applications from county assessors who act as agents for the Division. The remaining 20 percent of the title applications called "singles" are received directly from dealers, lenders and private individuals. The county assessors check the title applications for appropriateness, legality and completeness before forwarding the applications to MVD. The MVD Title Checking Unit also reviews all title applications for legality and completeness before producing the certificates of title.

Unnecessary Positions in
Title Checking Unit Can
Be Eliminated Saving \$103,600

The Title Checking Unit is overstaffed by five positions based upon a comparison of the Unit's workload to the existing Division work standards. However, these work standards are set too low, and use of revised work standards indicates the Unit is actually overstaffed by seven positions. Elimination of the seven unnecessary positions would result in savings in personnel costs of \$103,600 annually.

MVD's current work standards for the Title Checking Unit were developed in 1979. Our comparison of the title checking workload to these standards disclosed that 5 of the 27 title checking positions are not needed. In addition, we found that the work standards were set too low since more than half of the title checking employees are consistently producing at a level significantly higher than the established standards.

In conjunction with the Title Checking Unit supervisor and employees, our Office developed a revised work standard for the title checking activity which is significantly higher than the current work standard. In determining the amount of overstaffing, we considered all facets of title checking including checking titles, preparing trouble letters and clearing returned trouble applications. We also included a factor for turnover, vacation, sick and other leave days. All other incidental activities were considered by using a conservative seven-hour workday to calculate the number of employees required for processing. Based upon the revised work standard and production history, we found that the Title Checking Unit is actually overstaffed by seven positions.

Title Checking of County Applications
Can Be Eliminated Saving \$133,200

In addition to reducing overstaffing in the title checking unit, the Division can also reduce nine staff positions saving \$133,200 by

eliminating title checking of county-submitted title applications. This function duplicates title checking performed by the county acting as an agent for the Division, and the error rate on county applications is minimal. Eliminating nine positions would still enable the Division to sample a minimum of 10 percent of the county applications to identify problem areas.

Title applications received from county assessors, who act as agents for the Division, are checked as to appropriateness, legality and completeness before being forwarded to MVD for further processing. At the Division the application is again "title checked" and approved for title production. Applications which are not approved for title production are returned to the respective county assessor for problem resolution. In contrast, a significant number of other title applications are not double-checked by the Division before titles are produced. Single title applications, composing approximately 20 percent of Division title checking activity, are only checked once by the Division. In a similar manner, title applications received from Pima County are not rechecked before processing. Therefore a double check is not currently provided on all title applications.

Our review disclosed that for a one-year period 4.5 percent of all title applications were determined to have problems and had to be returned to the county assessors or individuals for correction. This does not include noncritical problems corrected by the title checkers. The ADOT Venture Team has recommended the elimination of title checking of county applications due to the minimal error rate.

The Venture Team recommendation included a reduction of 18 full-time employee positions. This recommendation corresponds closely to ours except that we identify 7 employee positions to be reduced by eliminating overstaffing and 9 positions to be reduced by discontinuing the title checking of county applications for a total of 16 title checking employee positions (see Table 4, page 6). As will be explained later in this finding, we also identified an additional six employee positions which can be eliminated in related title processing functions. In addition, while

the Venture Team recommended elimination of the 18 positions in the fiscal year 1982-83 budget, MVD plans to eliminate the positions through attrition by June 30, 1983, as a result of eliminating the checking of county title applications. Based on our review, the Division could immediately reduce overstaffing by seven positions and then eliminate another nine positions once it ceases the county title checking function.

Overstaffing of Title Master File Unit

Our review indicated that the Title Master File Unit is overstaffed by five employee positions. This determination was made by identifying the workload of the Unit and the time needed to complete all duties required based on the workload.

TABLE 5
OVERSTAFFING IN THE TITLE MASTER FILE UNIT

| | <u>FTEs</u> | <u>Personnel Costs</u> |
|---|-------------|----------------------------|
| Number of manual file clerk positions | 18 | \$221,200 |
| Reduction based on work standards | (5) | (61,500) |
| Number of positions required for processing | <u>13</u> | <u>\$159,700</u> |

The Title Master File Unit at the Division maintains a manual file consisting of copies of all certificates of title issued. At the time a new certificate of title is produced, a card-sized copy called the title I.D. card is also produced. The new title I.D. card is compared to any existing title I.D. cards in the vehicle file and is then filed by vehicle identification number in the manual title file prior to release of the new title. Old title I.D. cards are then discarded.

Currently, the Division has no work standards for the Title Master File Unit. However, based upon the work standard developed by our Office and the historical output of the Unit, the Unit is overstaffed by five employee positions representing \$61,500 of fiscal year 1981-82 employee costs. The work standard was developed in conjunction with the Unit supervisor and considered all factors and duties of operation including allowing 40 percent of the work standard time for phone calls, misfiles, other interruptions and miscellaneous incidental activities. We considered vacation, sick and other leave days in our calculations. The number of positions overstaffed is a conservative figure because there were actually 21 positions assigned to the manual file but we excluded three positions to provide one person for teletype requests and two persons to be "floaters." In addition, we provided a factor for employee turnover.

Logging and Stamping of County
Title Applications Can Be Eliminated

The activities of 1) date stamping and 2) sorting and logging of county title applications can be effectively eliminated reducing staff requirements by one full-time position and saving \$11,400 in annual personnel costs. While the date stamping of title applications is required by statute to protect lienholders, existing processing controls provide the necessary protection for lienholder claims. The sorting and logging of applications does not facilitate processing but merely compensates for the untimely processing system by providing information regarding applications in process.

A.R.S. §28-325.C. requires the Division to date stamp all lien instruments and title applications for liens to be recorded on vehicle titles and states:

"Upon receipt of the application and documents as provided in this section, the vehicle division shall file them, endorsing thereon the date and hour received at the central office of the division...." (emphasis added)

The purpose of the stamping of application documents appears to relate to lienholder protection as the statutes provide that

"The filing and issuance of a new certificate of title as provided in this section shall constitute constructive notice to creditors of the owner or to subsequent purchasers of all liens and encumbrances against the vehicle described therein, except those authorized by law which are dependent upon possession. If the documents referred to in this section are received and filed in the central office of the vehicle division within ten days after the date of execution thereof, the constructive notice shall date from the time of execution, but otherwise the notice shall date from the time of receipt and filing of the documents by the vehicle division as shown by its endorsement thereon." (emphasis added)

Sufficient controls exist in Division processing of title applications to protect the interests of lienholders. First, all liens are entered on the face of the vehicle certificate of title. The Division will not process a new certificate of title unless the old lien is entered on the new application of title or unless a properly endorsed lien release is submitted indicating that the prior lien has been satisfied. Second, transfer of an existing lien will not be effected unless the application for title transfer is accompanied by written consent of the lienholder. Third, all title applications are placed in dated baskets and subsequently processed by the Division in the order in which they are received, and the old title must be submitted with the title application. Further, while elimination of the requirement for date stamping of applications would require a statutory change, we noted that the Division is not currently complying with A.R.S. §28-325.C. in that lien instruments and corresponding title applications are not date stamped on the date received but are date stamped up to four days after receipt.

The sorting and logging of applications can also be eliminated. The sorting of applications by county does not facilitate processing but is necessary because the processing of title applications is untimely (see page 14). The county logs are used primarily to follow up on phone inquiries from the public regarding the status of vehicle titles and/or to have titles rushed. Both activities could be eliminated if the vehicle title and registration process was streamlined.

One of the major delays in title processing is the result of inefficiencies in the title checking phase. The backlog of work in title checking is between 11 and 19 days depending on the point in time at which the system is examined. If title checking of county applications is eliminated (see page 7), the importance of sorting and logging title applications will be reduced.

The Typing of Single Trouble Letters Can Be Eliminated

The Division can effectively eliminate the procedure of typing "trouble letters" when single title applications are returned to dealers, lenders or private individuals for corrections of errors. This practice is unnecessary, duplicative and delays title processing. By eliminating the retyping of single trouble letters the Division can save at least \$6,600 in employee costs annually, and processing delays caused by retyping the letters can be avoided.*

As explained earlier, title applications are received in the mail from either counties, dealers, lenders or private individuals. Applications received from the latter sources are called "singles" by the Division. After title checking, those applications found to have errors are returned

* A copy of the form "trouble letter" used by the Division is included in the appendix to this report.

to the appropriate county or person. A form letter is prepared by the title checker to indicate what error was made or what additional information or fees are required. This form letter is called a "trouble letter" by the Division. Trouble letters for singles are typed before being sent. Trouble letters to counties are sent without being typed.

The Division Management Analysis Unit conducted a study of title processing in 1979. During the study it was found that the handwritten trouble letters prepared by title checkers were being retyped before being mailed out. The management analysts recommended that the title checkers mark the appropriate comments on the trouble letter and type the name and address on the handwritten letter rather than retyping the entire trouble letter. However, this procedure was adopted only for trouble letters being sent to the counties. Single trouble letters continued to be retyped by the Division. According to Division officials the reason for retyping is that frequently title checkers' comments are not understandable, handwriting is illegible and a typed trouble letter looks better.

Our review of the handwritten trouble letters which were retyped by the Division showed that all of them were legible, and in 69 percent of the cases no special instructions had to be written out in the comments section. In addition, we found that typing the letters caused a significant delay in that there was a backlog of trouble letters waiting to be typed. On March 22, 1982, we found the average typing backlog to be 4.2 working days, and there were some handwritten trouble letters dating back to March 9, 1982, waiting to be typed. Previously on February 16, 1982, the backlog for typing trouble letters was seven working days.

In addition, we found that 45 percent of the single trouble letters, when returned to the Division, were delayed approximately 3.6 days in the Steno Unit after being date stamped as received by the Unit and before being sent for further processing. No further work is performed regarding the trouble letters by the Steno Unit so this practice appears to be an unjustified delay for which the Division could provide no explanation.

The Title Processing System Can
Be Streamlined to Reduce Processing Time

The title processing system can be streamlined to reduce application processing time from an average of 16 workdays to as few as 3.5 workdays. This streamlining can be accomplished by 1) reducing the number of steps required to process applications, 2) arranging processing units both physically and organizationally to provide a smooth flow of documents, 3) establishing an adequate reporting scheme, and 4) developing viable work standards for each activity performed in the title processing system.

Untimely and Inefficient Processing

The Motor Vehicle Division does not process vehicle title applications in an efficient and timely manner. Untimely and inefficient processing results in excessive delays in issuing certificates of title to owners. At one point during our review, the Division expended 16 working days to complete a title application, however, we could identify only 4.5 days during which actual processing took place. The remaining 11.5 days of delay time resulted from unnecessary processing steps, fragmentation of the process flow and inadequate management control over the processing system.

A review of title processing steps indicates that most processing steps are designed to support the processing system rather than to support the actual processing of applications and production of certificates of title. We identified 84 basic steps used in title processing at the Division. Twenty-four steps involved the movement of title applications from one place to another to be processed. Twelve steps involved processing delays such as placing applications on a shelf to await processing by another processing unit. Of the remaining 48 steps in processing, only 16 or 33.3 percent were determined to be essential in the processing of the title applications. Table 6 illustrates the types and number of processing steps in the title process.

TABLE 6
 TYPE AND NUMBER OF PROCESSING STEPS USED BY
 MVD TO PROCESS TITLES

| <u>Type of Step</u> | <u>Number of Steps</u> | <u>Percent</u> |
|--|----------------------------|----------------|
| Movement of applications from one place to another | 24 | 29% |
| Delay of application processing | 12 | 14 |
| Essential to application processing and title production | 16 | 19 |
| Serves processing system rather than actual application and production processing | <u>32</u> | <u>38</u> |
| Total processing steps | <u>84</u> | <u>100%</u> |

As shown by Table 6, only 16 steps or 19 percent of the total processing steps are actually essential to the processing of title applications and include such things as inspecting supporting documentation, assigning title numbers and producing the certificates of title. Reducing the number of steps which transfer processing from one individual to another and cause processing delays (43 percent of total steps) can greatly facilitate the efficient and timely handling of title applications. A further analysis of remaining processing steps to eliminate those which are not absolutely essential should result in a more streamlined title processing system.

Title Processing at
MVD Is Fragmented

Title application processing at the Division is fragmented and does not provide for a smooth workflow. Five individual processing units are involved in the processing and production of titles. Title applications during the course of processing change hands 20 times. Eight of the changes in processing are made among the five units involved in processing while the remaining twelve changes represent changes between individuals within processing units.

Title applications travel approximately 1,600 feet at the MVD building in order to be processed. This distance is more than a quarter mile and includes nine changes among the three different floors of the four-story MVD building. Six staff hours each day are spent on these floor and handling changes.

According to unit managers, the five units involved in title processing act autonomously, although they do depend on one another for work flow. In one case during the course of our audit, one unit was significantly idle while waiting for work to come from another unit. Later, when this same unit was backlogged, it was determined that part of the work contributing to the backlog had existed at the time the unit was idle, but the work was not sent for processing at that time. Therefore, fragmentation affects the smooth operation of the processing system and the timely issuance of vehicle certificates of title.

Special Handling Can Be
Eliminated by the Division

The Division can eliminate the service of providing special handling for title applications upon customer request if existing title processing inefficiencies and delays are reduced. In turn, eliminating special handling will provide even greater system efficiency.

Special handling consists of placing certain title applications ahead of other title applications at significant points during the title processing. Special handling is provided on request at no extra cost to consumers. Approximately 16 percent of all title applications are processed as special handling by the Division. Special handling requires additional work to be performed by processing units other than what would be required if all applications were processed in turn. The main reason for special handling is timeliness of processing as some businesses and individuals need a title in a timely manner to complete transactions. During our review we found that regular title applications were processed by the Division in about 16 work days (sometimes longer). We determined that the average time to process applications under special handling was 3.5 days.

Processing time can be improved to eliminate the need for special handling. If the Division controls major delays in title processing (title checking delay), the processing time for regular applications can be reduced from 16 days (or more) to as few as 4.5 days. By eliminating title checking of county applications and the sorting, stamping and logging of title applications, processing time can be reduced by one more day to as few as 3.5 days. This amount compares favorably with the average processing time for special handling applications and would thereby eliminate the need for this type of service and eliminate extra processing activities caused by special handling.

Adequate Reporting and Development of Work
Standards Can Provide Greater Efficiency

A pilot study conducted in 1969 by the consulting firm of Booz, Allen and Hamilton disclosed that numerous opportunities existed within MVD for improvement in the scheduling and utilization of clerical staff and in the methods of performing work. Detailed analysis of clerical operations was conducted in three pilot areas within the Motor Vehicle Division including the title processing section.

The consultants recommended that a work planning and control program be developed to improve the production of employees, evaluate work performed and control the level of output. Part of the work planning and control program would be to document the most effective means of performing work and to establish quality standards for each task. Also included was the need to quantify manpower requirements and develop time standards for each task. The establishment of a control reporting system was also identified as a basic element needed. According to a Division official some of the above recommendations were followed resulting in a Performance Analysis and Reporting System. However, the System was dropped within three to four years.

Currently work standards only exist for the title checkers (as discussed previously) and terminal operators who update computer records at the Division.

Work standards are being developed for similar title and registration activities performed in Pima County. On October 1, 1981, the Division assumed responsibility for title and registration duties previously performed by the Pima County Assessor. The Division Management Services Group conducted a systems study of the Pima operation to identify needed operational changes. Two of the study recommendations were to 1) establish work standards for all activities in the section and 2) install a production analysis report to generate production records. Preliminary work standards and a reporting format have been developed and are to be refined. The Division Management Services Group manager expects productivity to improve by 5 percent providing \$10,000 savings in staff resources. Title processing at the Division could profit from a similar analysis, development of work standards and production reporting scheme.

CONCLUSION

The Motor Vehicle Division can save more than \$300,000 and eliminate 22 full-time positions by eliminating overstaffing and unneeded activities. In addition, the Division can also reduce the time required to process title applications from an average of 16 workdays to as few as 3.5 workdays by streamlining the title processing system.

RECOMMENDATIONS

1. The Division eliminate overstaffing in the Title Checking and Title Master File Units of 12 and 7 employee positions, respectively.
2. The Division eliminate all unnecessary title processing functions and activities including but not limited to the following ones:
 - a. Eliminate title checking of county title applications and reduce staff by eight positions (planned to be implemented by the Division in fiscal year 1982-83).

RECOMMENDATIONS (Concl'd)

- b. Eliminate the sorting, stamping and logging of county title applications and reduce staff by one position.
 - c. Eliminate the special handling service provided to 16 percent of all title applications.
 - d. Eliminate the retyping of single trouble letters.
3. The Division streamline title processing to reduce processing time by reviewing title processing activities and organizational relationships of work units to simplify the system and reduce fragmentation of title processing.
4. The Division establish viable work standards for all applicable title processing activities and use the standards to control input, output and production of employees similar to that being developed and planned for Pima operations.
5. The Legislature amend A.R.S. §28-325.C. to allow the Division to eliminate the date stamping of lien instruments and title applications.

FINDING II

THE STATE CAN EARN AS MUCH AS \$1,000,000 ANNUALLY BY TRANSFERRING RESPONSIBILITY TO RECEIVE DEPOSITS AND DISTRIBUTE THE VEHICLE IN-LIEU TAX FROM THE COUNTY TREASURERS TO THE STATE TREASURER. IN ADDITION, THE MOTOR VEHICLE DIVISION HAS NOT ADEQUATELY CONTROLLED THE TIMELY COLLECTION OF VEHICLE LICENSE TAXES AND FEES FROM THE COUNTY ASSESSORS, RESULTING IN POTENTIAL LOST INTEREST EARNINGS OF \$344,000.

Current procedures for the collection of vehicle registration fees and taxes result in significant lost interest earnings to the State. If the vehicle license tax (in lieu tax) collected at the time of vehicle registration were required to be immediately transferred from the counties to the State, as are other vehicle registration fees, the State could earn as much as \$1,000,000 annually in interest. In addition, if the Motor Vehicle Division (MVD) implemented controls to assure the timely collection of vehicle fees and taxes from the counties as required by statute, an additional \$344,000 in annual interest earnings would be generated.

Statutory Requirements Regarding Submitting Vehicle License Taxes and Title and Registration Fees

The assessor of each county is designated by statute as an agent of the Motor Vehicle Division to register and title motor vehicles.* As agents for the Division the counties collect two distinct types of revenues: 1) the in lieu vehicle license tax and 2) the title, registration, weight and related motor vehicle fees. The vehicle license tax is imposed by the State constitution. A.R.S. §28-1591 provides for the license tax to be

* These duties and responsibilities may be transferred by the county to the Division through a contract between the two entities. To date two counties, Apache and Pima, have contracted to transfer title and registration responsibilities to the Division. Three other counties, Coconino, Mohave and Yavapai, are considering contracting for the transfer of title and registration duties to the Division.

collected annually at the time of vehicle registration. The registering officer is required to deposit the license tax promptly with the county treasurer of the county in which the vehicle is registered. The county treasurer is then required to distribute the license tax by the 15th day of the following month. In excess of \$82 million in license taxes was collected during fiscal year 1980-81.

The motor vehicle fees, on the other hand, are required by statute to be transferred immediately to the Motor Vehicle Division after being collected by the county assessor. A.R.S. §28-301, subsection D states:

"All monies received from fees and taxes imposed by this article and article 1 of chapter 2 of this title ...shall be immediately transferred by the collecting officer to the (ADOT) director, and by him to the state treasurer, who shall credit the monies to the Arizona highway user revenue fund." (emphasis added)

In excess of \$23 million was collected in these types of fees for fiscal year 1980-81.

The Responsibility of Distributing Receipts from the Vehicle License Tax Can Be Transferred to the State Treasurer to Provide as Much as \$1,000,000 Annually in Interest Income to the State

Current collection procedures for the vehicle license tax result in lost interest earnings to the State because 1) according to statute the counties are not required to submit the taxes until the 15th day of the month following collection and 2) a significant number of the counties delay submission of the taxes beyond the 15th of the month. If the license tax were deposited with the State Treasurer and that office given responsibility to distribute the license tax instead of the county treasurers, the State could earn as much as \$1,000,000 in interest income during fiscal year 1982-83. As shown in Table 7, the county has a direct interest in 17.125 percent of total license tax. An additional 3.425

percent of total license tax is used to defray the cost of collecting the tax by the county assessors office. In contrast, the State has a direct interest in 62.325 percent of total license tax collected.

TABLE 7

PERCENT OF LICENSE TAX DISTRIBUTION
TO EACH PARTY ENTITLED TO A DISTRIBUTION
PER A.R.S. §28-1591, SUBSECTION C

| | | <u>Percent of Total</u> |
|--------------|--|-----------------------------|
| 31.5% | To Highway User Revenue Fund (HURF) | 31.500% |
| <u>68.5%</u> | Remaining: | |
| 100.0% | | |
| | 20% to State General Fund | 13.700 |
| | 25% to State General Fund to aid in school assistance | <u>17.125</u> |
| | TOTAL TO STATE | 62.325 |
| | 25% to County General Fund | 17.125 |
| | 25% to Incorporated Cities and Towns | 17.125 |
| | 5% to County Assessor Special Fund | <u>3.425</u> |
| | TOTAL DISTRIBUTION | <u>100.000%</u> |

Substantial interest could be earned on the State's share of the license tax. The average daily collection of license taxes was \$328,124 during fiscal year 1980-81 and is projected to be as high as \$428,700 in fiscal year 1982-83. The interest earned on this amount could be substantial because collections on the 1st day of a month would accrue interest for 45 days, the 2nd-day collections would accrue interest for 44 days and so forth until the tax is distributed on the 15th day of each month following the month of collection. We estimate the total amount of interest that could be earned by the State in this manner to be \$1,000,000 for fiscal year 1982-83.

If the State does not desire to collect and distribute 100 percent of the license tax, two other alternatives are possible. First, \$225,000 in interest could be earned if all counties deposited the 31.5 percent designated for HURF on a daily basis. Although it is not currently required, most counties submit the 31.5 percent of the license tax for HURF to MVD at the time title and registration fees are submitted. Only Maricopa and Pinal Counties retain the 31.5 percent for distribution to HURF on the 15th day of the month following the month of collection. However, Maricopa collects approximately 60.5 percent of all vehicle license tax collected in the State, thus the retention of these funds by Maricopa has a significant impact on interest earnings.

Second, \$573,000 in interest could be earned if all of the 62.3 percent vehicle license tax monies due the State were deposited daily and the counties retained vehicle license tax monies due to the counties' General Funds, incorporated cities and towns and county assessors' special funds. Table 8 shows each alternative and the amounts of interest that could be earned.

TABLE 8
POTENTIAL INTEREST EARNINGS ON IMMEDIATE
DEPOSIT OF VEHICLE LICENSE TAX TO STATE RATHER THAN TO COUNTIES

| | Possible Interest Earnings |
|---|-------------------------------|
| <u>Alternate 1:</u> | |
| Immediate deposit of 100% of vehicle license tax to State Treasurer to be distributed on the 15th of each month | \$1,000,000 |
| <u>Alternate 2:</u> | |
| Immediate deposit of 31.5% of vehicle license tax due HURF | \$ 225,000 |
| <u>Alternate 3:</u> | |
| Immediate deposit of all of the 62.3% of vehicle license tax due to State | \$ 573,000 |

In order for the State Treasurer to receive the license tax from the registering officer and to make the distribution on the 15th of the month, A.R.S. §28-1591 would have to be amended. This change in procedure appears possible as Article 9, Section 11 of the State Constitution states:

"Such license tax shall be collected as provided by law."

The State Treasurer is in favor of having all vehicle license taxes deposited with the State because substantial interest income could be realized. He estimates an extra clerk would be required to process and distribute the vehicle license tax income at an increase in personnel costs of about \$12,000 annually. This cost is minor when compared to the benefit in potential interest earnings.

Finally, even more interest earnings than explained previously could be made if all or part of the license tax was deposited immediately to the State because the counties are often late making the distributions. Our review found that the license tax is not always distributed by each county by the 15th day of each month as required by statute. We reviewed a recent nine-month period and found that counties were late in making license tax distributions to the State 43 percent of the time. Some counties were consistently late in making the distribution while only three counties, Gila, Maricopa and Pima, were not late during the nine months reviewed. A system requiring daily deposits would force prompt remittance of the license tax monies.

Counties Are Not Submitting Fees in a Timely Manner Resulting in Lost Interest Earnings to State

The Motor Vehicle Division, which receives the title and registration fees from the counties, has no central control to assure that monies are submitted by counties in a timely manner as required by A.R.S. §28-301.D. Although this Section requires each county assessor to immediately transfer title, registration and related fees to MVD, counties are not submitting these monies to the Division in a timely manner resulting in lost interest earnings to the State in excess of \$300,000 annually.

Our Office reviewed the transfer of all monies received from each county for each day of collections during the three-month period of January through March 1982. We found that monies were not being transferred immediately to the Division as required by statute. The average delay in submitting a day's receipts to the Division ranged from 4.5 days to 34.6 days depending upon the county. The average delay for all counties during the three-month period was found to be 14.1 days from the day of receipt by the county. Further analysis by county showed that these delays resulted in lost interest earnings to the State of \$86,000 during the three months. If this same pattern of untimely transfers continued for a year, approximately \$344,000 in interest earnings could be lost.

We contacted several of the counties to determine why transfers were not made more timely. Most counties blamed staff resources for the delays. It should be noted, however, that the title and registration computer system used by all county assessors includes a fee accounting system to account for and tabulate fees received from title and registration functions. In addition, our limited review of county transmittals disclosed one outlying county which had made several transmittals to the State on the same day the transactions were entered on the computer, demonstrating that one-day processing and depositing to the State is possible.

The Division has inadequate control procedures to assure that county transfers of title and registration fees are timely. One Division official who receives monies from the counties noted that some counties send fees in daily whereas others do it weekly. He assumes that the counties have been given clearance by someone higher up in the Division to do this. According to the Division revenue group manager and the bookkeeper who records the transmittals, there are no policies regarding what constitutes an excessive delay in transfers of fees. If the bookkeeper felt a problem existed, she would call the county; and if the problem could not be resolved, she would notify the revenue group manager. The revenue group manager can only remember one occasion in the last two and one-half years when he was notified of a problem.

CONCLUSION

By changing deposit requirements and distribution responsibilities of the vehicle license tax from county treasurers to the State Treasurer, the State could earn as much as \$1,000,000 annually in interest earnings. Further, if the county assessors submitted title, registration and related fees to MVD in a timely manner as required by law, as much as \$344,000 in additional annual interest could be earned.

RECOMMENDATIONS

1. The Legislature amend A.R.S. §28-1591 to require:
 - a. Immediate deposit of all vehicle license taxes to the State Treasurer for distribution by him, yielding additional interest income to the State of approximately \$1,000,000 annually or
 - b. Immediate deposit of the portion of the vehicle license tax that represents State funds (62.3 percent of total tax), yielding additional interest income to the State of approximately \$573,600 or
 - c. All counties to immediately deposit the 31.5 percent of the vehicle license tax due to Highway User Revenue Fund, yielding additional interest income to the State of approximately \$225,000.
2. The Motor Vehicle Division of the Arizona Department of Transportation closely monitor the transfers of title and registration fees by counties and take steps to assure that counties are in compliance with A.R.S. §28-301.D. by depositing fees in a timely manner so as not to lose potential interest earnings.

FINDING III

MVD HAS NOT REQUIRED THE COLLECTION OF PRIOR-YEAR VEHICLE LICENSE TAXES IN ACCORDANCE WITH STATUTE RESULTING IN REVENUE LOSSES OF BETWEEN \$102,000 - \$312,000 ANNUALLY. IN ADDITION, MVD HAS NOT ENFORCED THE COLLECTION OF PENALTIES RESULTING IN ADDITIONAL LOST REVENUE.

The Motor Vehicle Division and the County Assessors acting as agents for MVD do not collect unpaid vehicle license taxes due for prior registration periods. Arizona Revised Statutes requires that these prior taxes be collected. Failure to collect the taxes results in lost revenue to the State of between \$102,000 to \$312,000 annually. In addition, MVD and the counties have inconsistent procedures for collection of penalties on these late registrations causing further revenue loss.

Registration renewals are sent annually to vehicle owners.* Vehicle owners then pay the vehicle license taxes required for registration renewal to their county auto license offices. If a person fails to renew his registration during one renewal cycle and later seeks current registration, MVD and the counties renew the registration but do not require the person to pay the taxes for the previous periods. In addition, this individual may or may not be charged a penalty, depending upon the county.

Statutes Require MVD and County Assessors to Collect Prior Taxes Due

MVD and County Assessors should, by statute, collect previous-year taxes for delinquent registrations. Noncollection of these taxes causes revenue losses of at least \$102,000 annually. These losses occur because MVD has not implemented controls to ensure the taxes are properly collected.

* The Pima and Apache Counties auto license offices are under MVD control whereas all other county auto license offices are under MVD/County Assessor control. Renewals for Pima and Apache are sent out by MVD, while county assessors send their counties' renewals.

A.R.S. §1591.A. requires the vehicle license tax to be collected at the time of application for registration of a vehicle. A.R.S. §28-305.E. and 28-314.C. state that a vehicle may not be registered until all current and delinquent fees, taxes, penalties and assessments are paid. Specifically, the sections state:

A.R.S. §28-1591

"A. The license tax imposed by article IX, §11 of the Constitution of Arizona shall be collected by the registering officer at the time of application for and before registration of the vehicle each year and be promptly deposited with the county treasurer of the county in which the vehicle is registered."

A.R.S §28-305

"E. The director shall deny registration of any motor vehicle, trailer or semitrailer owned by or under control of a person who has failed, refused or neglected to pay any motor vehicle fee, tax, or other assessment or penalty due to the division or for its account. A registration so denied shall be renewed only upon paying the fees provided for registration and the full amount of the delinquent fees, taxes or other assessments and penalties." (emphasis added)

A.R.S. §28-314

"C. The director subject to the provisions of §28-1591, subsection B, shall refuse to register a motor vehicle, trailer or semitrailer owned by or under the control of a person who has failed, refused or neglected to pay a motor vehicle fee, tax or other assessment, or a penalty thereon, due the vehicle division or for its account, and shall revoke the registration of any motor vehicle, trailer or semitrailer owned by or under the control of any person who has been delinquent for a period of forty-five days in the payment of a motor vehicle fee, tax or other assessment due the vehicle division or for its account. The registration of a motor vehicle, trailer or semitrailer so revoked shall be renewed for the owner who failed, refused or neglected to pay a motor vehicle fee, tax or other assessment or penalty thereon only upon payment of the fees described for registration and the full amount of the delinquent fees, taxes or other assessments and penalties." (emphasis added)

The Legislative Council has concluded that MVD and counties should collect the VLT for a prior year when it is determined that the vehicle was subject to registration. In a May 21, 1982, memorandum, Legislative Council concluded that

". . .the license tax may be collected retroactively for any period of nonregistration if the current owner of the vehicle was the owner during the nonregistration period."

Loss of Revenue

Through an analysis of MVD computer information, we determined that noncollection of prior-year vehicle license taxes for expired vehicle registrations causes the State to lose at least \$102,000 annually. Further, we estimate the losses could actually be as high as \$312,000 per year. A more accurate estimation of lost taxes could not be made because (1) vehicles which were not registered for a period of more than one year, but should have been registered, cannot be readily identified using MVD records and (2) MVD and the counties are inconsistent in collection of penalties for late registrations.

Reasons for Noncollection of Past Vehicle License Taxes

MVD has not implemented controls to assure that counties properly collect the vehicle license taxes for prior years. According to an MVD official, the collection of the vehicle license taxes has been considered to be a county responsibility, and it has been left up to the counties to decide whether or not to collect prior taxes. The official added that since MVD's takeover of the Pima and Apache Counties' auto license offices, MVD must now determine whether or not to require collection of prior taxes at these offices.

The Office of the Auditor General surveyed all 14 county auto license offices to determine the reasons the counties were not complying with statutes requiring the collection of prior vehicle license taxes. That the counties had not been properly informed as to the requirements for the collection of the taxes was apparent from the survey responses:

TABLE 9
SURVEY RESPONSES FOR NONCOLLECTION OF
PAST VEHICLE LICENSE TAXES

| <u>Survey Response</u> | <u>Number of Counties Responding</u> |
|--|--|
| 1. The assessor said not to collect prior-year taxes | 3 |
| 2. County policy | 1 |
| 3. Taxes for a period greater than 12 months cannot be input on the computer | 1 |
| 4. It's always been done this way | 3 |
| 5. Do not know reason | 2 |
| 6. The vehicle is assumed to have not been used | 2 |
| 7. MVD regulation | 1 |
| 8. Taxes cannot be collected for an expired cycle | <u>1</u> |
| Total | <u>14</u> |

Penalty Collection

MVD has not enforced the consistent collection of penalties for unpaid prior-year registrations resulting in noncompliance with statutes and loss of State revenues. In addition, MVD has not supplied counties with adequate procedures to follow for collection of penalties on unpaid prior-year registrations.

Statutes Require the Collection of
Penalties for Unpaid Prior-year Registrations

MVD and the counties, by statute, should collect penalties for unpaid prior-year registrations. A.R.S. §28-305.E. and §28-314.C. (as shown on page 38) both require the collection of penalties before a vehicle may be currently registered. In addition, A.R.S. §28-318 states that if a vehicle is operated on the highway without payment of registration, the fee is delinquent and a penalty shall be added and collected. The statute specifies that

"A. When a vehicle is operated upon a highway without payment of the registration or transfer fee, the fee shall be deemed delinquent, and if not paid on or prior to the date on which the vehicle is required to be registered for the current registration year, a penalty shall be added and collected. The penalty is eight dollars for the first month of delinquency and four dollars for each additional month, not to exceed a total penalty of one hundred dollars. Registration of a vehicle in the name of the applicant for the year immediately preceding the year for which application for registration is made shall be prima facie evidence that the vehicle has been operated on the highways during the year for which application for registration is made."

Inconsistencies

All counties do not assess a penalty for vehicles which were not registered in a prior period, and those that do may waive the penalty. Of the fourteen counties, six do not assess a penalty for prior-year unpaid registrations while eight do assess a penalty. However, the eight counties which do assess a penalty may waive the penalty if owners file nonuse affidavits. (A nonuse affidavit is intended to waive penalties for vehicle owners who did not use their vehicles during a period of nonregistration). Depending upon the county, proof of nonuse for noncommercial vehicles may or may not be required, thus, providing the possibility for misuse of the affidavit.

Reasons for Inconsistencies

MVD has stated that it can only provide the counties with guidelines, it cannot force compliance. While this may be true, we believe that thus far MVD has failed to provide counties with adequate written procedures for

collection of prior-period penalties or specific guidelines governing nonuse affidavits. Although MVD did provide the counties with general guidelines in September 1981, these guidelines were essentially a brief restatement of legislative requirements. Specific guidelines addressing the implementation of the requirements were not given. As a result, each county has apparently developed its own interpretation of the statutory requirements. Further, in some cases, the counties not collecting penalties on past registration periods are practicing procedures which should have been changed to fit new legislation.

The amount of revenue lost by not collecting these penalties was not determined because there was no readily available data on how many penalties are automatically waived by the six counties nor on the number of legally signed nonuse affidavits.

CONCLUSIONS

MVD has not required the collection of prior-year vehicle license taxes in accordance with statutes, resulting in revenue losses of between \$102,000 and \$312,000 annually. In addition, MVD has not implemented controls to assure that counties properly collect the vehicle license tax.

MVD has not provided counties with adequate procedures for the collection of penalties on prior-year registrations, causing inconsistent collection practices among counties. The counties and MVD should uniformly collect these penalties as required by statute to prevent revenue loss.

RECOMMENDATIONS

1. MVD implement controls and establish policies and procedures to ensure that taxes are collected from vehicle owners who have skipped a registration cycle.
2. MVD implement controls and establish policies and procedures to ensure the collection of penalties from vehicle owners who have skipped a registration cycle.

FINDING IV

THE DEPARTMENT HAS FAILED TO ADEQUATELY PLAN, MANAGE AND SUPPORT COMPUTER SYSTEMS DEVELOPMENT FOR A MAJOR MVD COMPUTER SYSTEM FOR TITLE AND REGISTRATION PROCESSING.

Neither the Motor Vehicle Division (MVD) nor the Information Systems Group (ISG) of ADOT has adequately managed computer resources to develop and implement the Title and Registration (T & R) computer processing system. Agency management has failed to provide front-end planning and has not exercised adequate project control of systems development resources. As a result, the implementation date has been repeatedly delayed and management is unable to determine 1) the number of man-hours and cost expended in development nor 2) whether development resources are being efficiently utilized. Noncompletion of the title and registration system has impaired the effectiveness and efficiency of processing, and potential cost savings from automation have been lost. The agency, as of June 30, 1982, had not fully developed nor implemented the system, although it was originally planned in 1968 and partially implemented in 1971. We are unable to substantiate agency reasons for the noncompletion.

The purpose for developing the T & R computer system was to automate title and registration information processing. The T & R system when fully implemented would provide five capabilities not existing in 1968. These capabilities are: 1) terminal inquiry of registration data in computer files, 2) terminal input of registration data into computer files, 3) terminal input of title data into computer files, 4) terminal inquiry of title data in computer files, and 5) terminal output of title documents. Implementation of the T & R system would eliminate two manual registration files and the manual title master file. It would also provide for development of a computer-generated title application.

However, only the first two capabilities of the system have yet been developed and implemented. Terminal inquiry of registration data in computer files was implemented in September 1971. Terminal input of registration data into computer files was implemented in 1973. Title-related computer capabilities, except for computer-generated title documents, are currently being developed as part of a complete system redevelopment started in January 1980. Division management has decided not to proceed with development of computer-generated title documents and wishes to retain the current photographic method of producing title documents.

Lack of Planning and Project Control

Management has exercised insufficient planning and project control over both the original development and the recent redevelopment of the T & R system. Management has not projected or tracked costs and hours associated with the development of the system. Consequently, management is unable to determine whether development resources are being efficiently utilized. In addition, the lack of project control may have contributed to the repeated delays in the implementation of the system which was originally begun in 1968.

ISG could not provide us with information regarding the estimates and schedules for the original development of the T & R computer system nor the actual manhours and costs expended on the project from 1968 to 1979. According to the ISG manager, records no longer exist to provide this information.

Since 1979, ISG has been redeveloping the T & R system. Hours to complete the redesign were estimated by the T & R system redevelopment study team. According to the study team report issued December 1, 1979, the redevelopment of the T & R system would require less than 6,640 man-hours or approximately 18.5 months to complete. Work on the redevelopment was started in January 1980.

Although the redevelopment is not yet completed, our calculations indicate that as of May 31, 1982, the redevelopment project was overbudget by more than three times the original estimate of 6,640 man-hours. Management was unable to provide us with actual hours expended, necessitating our determination of these hours ourselves.

ISG currently estimates the redeveloped system will be completed by October 31, 1982, or 34 months from the redevelopment start date. Based upon the October 31, 1982, completion date, we project that prior to completion, the redevelopment will be more than four times over the hours budgeted by the study team. Table 10 illustrates the number of hours and related personnel costs for the project based upon the study team budget and our projections.

TABLE 10
ESTIMATED MAN-HOURS AND COSTS OVERBUDGET FOR
COMPLETION OF T & R REDEVELOPMENT

| | Man-hours | Development Costs |
|------------------------------------|-----------------|----------------------|
| Redevelopment study team estimate | 6,640 | \$ 127,900 |
| Auditor General projected estimate | <u>25,822</u> | <u>497,400</u> |
| Overbudget hours and cost | <u>(19,182)</u> | <u>\$(369,500)</u> |

Management has not been able to control the hours expended on the development of the system due to inadequate project monitoring tools. The only cost tracking method available is the ADOT computer cost accounting system. The purpose of the cost accounting system is to provide user billings for computer services and it does not provide adequate information for project control. For project control purposes, management needs information regarding 1) the estimated hours and costs of project development, 2) actual hours and costs expended for a current period and to-date totals, and 3) the differences between budget and actual hours and costs. The ADOT computer cost accounting system cannot be used for this purpose without modification. First, it does not accumulate costs by

project codes. Second, it does not accumulate annual or life cycle costs but only shows costs for one month. Finally, it does not compare budget to actual costs. ISG's inability to provide our Office with actual costs expended on the redevelopment as of May 31, 1982, is illustrative of the agency's failure to adequately monitor the project by tracking systems development costs.

It was not within our scope to determine if other ISG development projects were properly planned and monitored. Other projects may lack proper monitoring during actual development. However, according to the ISG manager, all projects are currently initiated through a project request form which includes an estimate of time and costs to develop the proposed system. The user indicates the time frame in which the capability is wanted, and if the request seems feasible, it is approved by ISG for project initiation. The project request procedures are only used as a basis for determining the feasibility of the project. Actual costs are not monitored and compared with estimated costs for project control purposes. Although a project request form was completed for the T & R redevelopment early in 1981, more than one year after the project redesign was begun, development costs were not included.

Processing Impaired and Cost Savings Lost

Noncompletion of the T & R computer processing system has impaired the effectiveness and efficiency of title processing, and potential cost savings through automation have been lost. The current manual title processing and filing system has several shortcomings which can be overcome by a fully automated system. We estimate the Division could have saved at least \$423,830 in fiscal year 1981-82 had the automated title capabilities been implemented before then. It appears that the development costs for title capabilities are out-weighed by resultant cost savings. Because title records and processing are handled manually, several shortcomings are apparent. These shortcomings are summarized below:

1. The Division must maintain a manual title file. The manual title file is costly to operate and duplicates some information currently on the computer file. Little information would need to be added to the computer to automate the title records.

2. System users must request title information from the Division manual file which requires extensive paper and/or phone work. The system is used by the Division, counties and Arizona law enforcement agencies.
3. The manual title file is checked after title processing is complete instead of before processing is started, therefore, problem titles are not identified until processing is complete.
4. Many title applications are found to be incorrect or incomplete due to manually entered application information, but only 15 percent require more than a name, address and possibly a lien change.

Automation of title records and processing can provide significant benefits over the current manual system. These benefits are summarized below:

1. Processing time and cost can be reduced.
2. The manual title file can be eliminated, reducing 18 employee positions at a cost of \$237,400 annually.
3. Division, county and law enforcement employees can access title information directly rather than requesting information which must be maintained through manual means.
4. The acceptance of title applications will be controlled as title information can be checked before title applications are processed instead of after.
5. Computer-generated applications and titles can be prepared reducing the amount of time needed to manually prepare each title document at both the county and Division level.

Significant cost benefits can be realized by completing automation of title records and processing. We estimate that had the title part of the T & R system been operational during fiscal year 1981-82, a net savings of at least \$423,830 could have been realized by the Division.* These savings are summarized in Table 11 below and do not include time savings and increased production of employees that could be attributed to a fully automated title and registration processing system. The title capabilities were first planned to be implemented by June 30, 1973, revised to June 30, 1975, and revised again to December 1975. Had the title capabilities existed at July 1, 1976, the Division could have enjoyed similar savings for five additional fiscal years.

TABLE 11

COST SAVINGS RESULTING FROM
FULLY AUTOMATED TITLE SYSTEM

| | |
|---|-------------------|
| Elimination of manual title file | \$ 237,400** |
| Elimination of title I.D. card production | 153,200 |
| Reduction of title checking requirements | <u>251,700</u> |
| TOTAL SAVINGS | 642,300 |
| Additional terminal operators | (188,470)** |
| Additional terminal equipment | <u>(30,000)**</u> |
| NET SAVINGS | <u>\$ 423,830</u> |

** These figures were provided by the Division.

* The projected savings could be obtained after the system is fully operational. Before this stage is reached and the full projected savings can be realized, title information from approximately 3.4 million records must be converted to automated records. MVD estimates a one-time cost of more than one million dollars to convert the records within a one-year period. Such a cost, however, would be recovered within three years through the projected savings.

Noncompletion of T & R System

We were unable to substantiate agency reasons for noncompletion of the T & R computer system. The agency has blamed changes in registration laws and a lack of resources as the main reasons for not implementing title capabilities. During the period of 1973 to 1975, the agency stated it had been busy revising the registration part of the system to conform to legislative changes.

The main reason for the delays appears to be a conflict of priorities as evidenced by the development of numerous other major computer systems and programs for the Motor Vehicle Division. According to the past MVD assistant director, the T & R system could have been completed if ISG had been willing to make the effort and reprioritize. He felt that MVD did not receive commensurate attention from ADOT and ISG regarding the T & R computer system and the delay was due to priorities. The MVD systems manager also states priority as the reason for noncompletion of title capabilities.

CONCLUSION

Neither the Motor Vehicle Division (MVD) nor the Information Systems Group (ISG) of ADOT has adequately managed computer resources to develop and implement the Title and Registration (T & R) computer processing system. Agency management has not exercised effective planning and project control of systems development resources. As a result, management is unable to determine the number of man-hours and dollars expended in development nor whether development resources are efficiently utilized. In addition, the system implementation date has been repeatedly delayed. Noncompletion of the T & R system has impaired the effectiveness and efficiency of title processing and substantial cost savings have been lost. The agency, as of June 30, 1982, had not fully developed and implemented the system, although it was originally planned in 1968 and partially implemented in 1971. We are unable to substantiate agency reasons for the noncompletion.

RECOMMENDATIONS

1. The department formulate project initiation and control procedures for all computer development projects in order to (a) set development priorities and (b) effectively schedule projects.

Such procedures should include:

- (a) Estimated man-hours and cost to complete development,
 - (b) Estimated cost benefits for completing development, and
 - (c) Accumulation of actual hours and costs consumed in development to identify deviations and take corrective action.
2. The Department revise its cost accounting system in order to adequately monitor and control development costs and implementation dates or otherwise provide a system for cost tracking systems development.

OTHER PERTINENT INFORMATION

Since 1927 county assessors have served as agents for the Motor Vehicle Division in performing vehicle title and registration functions. In 1977 the statutes were amended to allow the director of ADOT and county boards of supervisors to contract to transfer vehicle title and registration functions back to MVD. As of July 20, 1982, two counties (Pima and Apache) had entered into such contracts. Three other counties (Coconino, Mohave and Yavapai) are currently considering this action.

The county assessors involved provided the following reasons for desiring to transfer the functions to MVD:

- A desire to eliminate duplication between the counties and MVD,
- A belief that vehicle registration is not truly a function of the assessor's office, and
- An inability to make the function economically self-supporting.

The transfer of functions has only recently occurred. Pima County, the first county to enter into a contract to transfer functions, did so on October 1, 1981. Therefore it is too early to evaluate the success and impacts of the transfers. However, our other audit work does show that all title and registration functions performed by the counties could be performed by MVD. At least 17 other states conduct vehicle title and registration activities through a state agency without county involvement.

AREAS FOR FURTHER AUDIT WORK

During the course of the audit, we identified potential areas for further audit work that we could not pursue due to time constraints. These areas, which were outside the scope of our audit (see page 3), include as follows:

Weight Enforcement

- Are MVD overweight enforcement activities sufficient to protect Arizona's highway system against excessive damage from overweight vehicles?
- Are there more productive areas in which the staff of the smaller ports of entry could be used and/or should MVD and the Arizona Commission of Agriculture and Horticulture functions be combined in these ports of entry? (A combining of these functions was previously recommended in Report 79-12, A Performance Audit of the Arizona Commission of Agriculture and Horticulture, which projected potential savings of more than \$220,000 by combining functions.)
- Should citations be issued on all vehicles found to be overweight rather than letting some vehicles avoid a citation by reducing or shifting the vehicle load?

Tax Collection

- Are Field Audit Assessments being collected by MVD in a timely manner?
- Is the "payment agreement" used by MVD an effective method of collecting past due taxes or tax assessments?
- Does MVD charge interest on all tax assessments as required by statute?
- Can MVD's fuel tax review procedures be improved and are substantial tax assessments lost due to untimely processing?

- Should bond amounts be increased to provide for greater collection of past due taxes?
- Is MVD adequately monitoring "vendor" and "distributor" tax accounts?

Driver Licensing

- Can the procedures for transmitting traffic convictions to MVD be changed to provide more timely information on bad drivers?
- Is the driver improvement program effective and is timely, appropriate action taken against drivers with bad driving records?
- Can the driver improvement processing system be improved to provide greater handling efficiency at reduced processing costs?
- Are driver licensing examiner resources properly allocated?
- Can the driver licensing system be improved to provide better service to the public, more timely issuance of licenses and reduced costs?

Other

- Is the Financial Responsibility function effective?
- Can the Financial Responsibility processing system be improved to provide more timely processing?
- Can abandoned vehicle processing be improved or could alternate methods be employed?



ARIZONA DEPARTMENT OF TRANSPORTATION

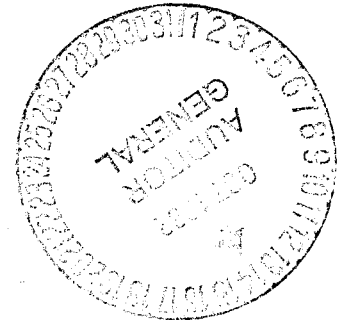
206 South Seventeenth Avenue Phoenix, Arizona 85007

BRUCE BABBITT
Governor

October 14, 1982

WILLIAM A. ORDWAY
Director

Mr. Douglas R. Norton
Auditor General
State of Arizona
111 West Monroe, Suite 600
Phoenix, Arizona 85003



Dear Mr. Norton,

The Arizona Department of Transportation is submitting the attached comments in regard to the performance audit of the Arizona Department of Transportation, Motor Vehicle Division, Title and Registration Processing. Arizona Department of Transportation appreciates the opportunity to provide additional comments, and our intent in submitting these comments is to assist your efforts in completing a high quality audit. I wish to express my appreciation for the time your staff provided in giving additional detail and follow-up information.

As you know, the Arizona Department of Transportation is striving to "make it happen with excellence," and we always welcome suggestions on how we can improve. The suggestions we've agreed upon as contained in this audit will be acted upon as quickly as possible.

Please do not hesitate to contact me if you have any additional comments or questions.

Sincerely,

Bill Ordway
W. A. ORDWAY
Director

kw/bg

Attachment



OVERALL COMMENTS ON AUDITOR GENERAL'S REPORT ON TITLE AND REGISTRATION

DEPARTMENT OF TRANSPORTATION

October 12, 1982

FINDING I

The Motor Vehicle Division can save \$316,300, eliminate 22 FTE, and reduce the time required to process title applications.

DEPARTMENT OF TRANSPORTATION POSITION: PARTIALLY CONCURS WITH FINDING

The Department of Transportation is in the process of realizing savings in excess of \$350,000 and a reduction of 23 full-time positions during fiscal year 82/83 in the Title Processing area due to organizationally planned program changes. ADOT's Motor Vehicle Division has taken management steps beyond the recommendation on page 5 of the report to eliminate 16 positions in the Title Checking area. The Motor Vehicle Division is already scheduled to eliminate 18 positions in the Title Checking area by the end of the current fiscal year and the positions have already been deleted from the Highway Fund Budget.

The report on page 6 recommends 11 positions be retained for title sample checking under the new county sampling program. The Motor Vehicle Division will utilize 15 total authorized positions for this activity. The audit study was based on workload levels in the processing system that existed prior to the implementation of the sample check program. The work standards determined in the audit, therefore, require some modification to be applicable to the title sampling procedures. Under the new sampling program it will take more time per transaction than under the old scanning program since a complete check will be performed on each title application selected for sampling. Also, additional time will be required to log and record test results. Additional staff time will also be required to return rejected work and rehandle when returned.

In summary, in regards to the Title Checking area, the Motor Vehicle Division is already scheduled to eliminate two more positions than recommended in the report. The report recommends leaving 11 positions to perform the sampling program, whereas the Motor Vehicle Division is planning to retain 15 positions for this activity. It is premature to arrive at a staffing number for the sampling program. Such a determination will be made when (1) the program is fully implemented and (2) the planned PRMS study (work standards and productivity development) is completed.

The report recommends the reduction of 5 positions in the Title Master File Unit. The Department of Transportation is not in agreement with this recommendation. The methodology used to determine standards for both the filing of title I.D.s, plus other related work is not an accurate estimation of the time required to do such work. However, further comment at this time is not necessary because currently an exhaustive PRMS Study (work standards and productivity development) is being conducted

in the Title Master File area which will determine appropriate work standards, and as a result, appropriate staffing. This exhaustive study will take many weeks and will take into consideration all facets of work activity in the Title Master File and will develop specific time standards for each major work activity. At the conclusion of that study, a better determination can be made as to the level of staffing required in the Title Master File Section.

On page 10 of the report it is recommended that the logging and stamping of county submitted title applications be eliminated. With regard to logging of title applications, this is an internal control device. It is now possible to eliminate logging of title applications as MVD implements the new title sampling program. The elimination of lien document stamping cannot be done without legislative change. The Department of Transportation will be submitting legislation for enactment to eliminate stamping of lien documents. However, it must be remembered that the financial industry has not been sufficiently consulted in regard to this matter, and there could be opposition to this measure.

On page 12 of the report it is recommended the typing of trouble letters be eliminated. This measure recommends sending trouble letters to customers and county assessors in a handwritten format. The Motor Vehicle Division has now implemented this recommendation.

On page 14 of the report it is recommended that the title processing procedures be streamlined to reduce the amount of time to produce a title to possibly as little as 3.5 work days. This is indeed a desirable goal, and one in which Motor Vehicle Division of the Department of Transportation will strive. Except for the recommendations to place common work units in proximity to each other and to eliminate logging and stamping, the report does not make any specific recommendations on title processing steps to eliminate. Therefore, at this time the Department of Transportation cannot concur or disagree that a 3.5 to 4.5 day standard is achievable. However, the Department of Transportation will be making a concerted effort in the near future to study its title processing system to insure quality titles are produced in a timely way.

On page 17 of the report it is recommended that the Motor Vehicle Division develop work standards and management information reporting. The Department of Transportation certainly concurs with this recommendation since the Department has already planned a major PRMS Study which is the development of work standards on major work units throughout the Department. The Title Processing area within the Motor Vehicle Division is one of the major areas to be studied.

In conclusion, the Department of Transportation will eliminate during the current fiscal year 23 positions in the Title Processing area. If funding is received for the Motor Vehicle Division's fiscal year 83/84 budget request for the conversion of title records onto the computer system, the Motor Vehicle Division will be able to further eliminate in fiscal year 84/85 twenty-two Title Master File positions. The efforts already implemented, currently in-process, and planned for implementation in the Title and Registration reflect that Arizona Department of Transportation is achieving a more efficient operation and still producing a quality title. The goal of eliminating 45 positions is certainly indicative of this.

FINDING II

The State can earn as much as \$1,000,000 annually by transferring responsibility to receive deposits and distribute the vehicle in-lieu tax from the County Treasurers to the State Treasurer. In addition, the Motor Vehicle Division has not adequately controlled the timely collection of vehicle license taxes and fees from the County Assessors, resulting in potential lost interest earnings of \$344,000.

DEPARTMENT OF TRANSPORTATION POSITION: CONCURS WITH FINDINGS

The report suggests lieu taxes should be transmitted to the State Treasurer for disbursement rather than the County Treasurer with the potential of one million additional interest dollars per year. A second finding suggests the Motor Vehicle Division has failed to require County Assessors to "timely" remit auto license tax and registration fees to the State.

In regard to the recommendation that the State Treasurer disburse lieu taxes, the Department of Transportation has proposed legislation in this area. The Department of Transportation submitted legislation (SB 1276) to the 1982 Legislature requiring the daily or immediate transmittal of the HURF share of vehicle license taxes collected by the counties. This legislation was amended by the House Transportation Committee to retain the original procedure. ADOT will again be submitting legislation for daily transmittal of HURF lieu taxes.

The report suggests the Motor Vehicle Division has "no central control" to assure timely remittance of State HURF monies by County Assessors. MVD has issued guidelines to the County Assessors in this regard, but such guidelines related to work processed where funds were available for distribution. MVD has not set standards for how fast from the original receiving of a taxpayer's registration to the time MVD should receive the money, regardless of when the registration was processed. It is the Department of Transportation's view that not only should County Assessors immediately remit monies available from processed work, but that such work should be processed timely so that there is no undue delay in transmitting the State's share. Therefore, ADOT will be seeking an amendment to A.R.S. 28-1598 to require remittance of HURF revenues within a given number of working days after receipt (not after processing of work).

In past years, the Motor Vehicle Division has addressed the problem of timely remittance of HURF revenues by County Assessors several times. A directive addressed to all County Assessors, dated December 17, 1976 required all counties to submit a daily payment of fees to the Motor Vehicle Division. The directive requires "Motor Vehicle Division fees will be promptly forwarded to the Motor Vehicle Division". There is usually a 3 - 5 day time lag between sign-off date and the date MVD receives the larger county's transmittals. In a letter dated July 28, 1980, addressed to all County Assessors, the Motor Vehicle Division advised that the

HURF share of vehicle license tax was to also be remitted on a daily basis. Six counties are currently sending "daily" vehicle license taxes though the statutes only require it by the fifteenth of each month.

The report did identify one weakness in the monitoring procedure for remittance by County Assessors of State revenues. The accounting clerk responsible for posting receivables did not have a clear standard to use in determining untimely remittance. This will be corrected and a remittance standard is being established and will be distributed to all County Assessors. This standard will relate to number of days from batch "sign-off." What is not clear is what will happen if a county cannot meet the remittance standard.

Resolution of the issue of "inadequate controls" over the collection and remittance of vehicle taxes and fees from the counties cannot really be effectively addressed by the Motor Vehicle Division. This is due to the fact that without statutory authority to enforce the collection and remittance of these fees, there is no way to assure the compliance by the counties. Although legislation may be the short term answer to the problem, in the long run the real solution lies in the complete transfer of the licensing and registration functions handled by the counties to the Motor Vehicle Division. This would enable the Motor Vehicle Division to have immediate and direct control over all monies collected. Disbursements to the other funds identified in A.R.S. 28-1591(c) could be handled without any loss of interest earnings caused by the transfer of monies between governmental entities.

FINDING III

MVD has not required the collection of prior-year vehicle license taxes in accordance with Statute resulting in revenue losses of between \$102,000 - \$312,000 annually. In addition, MVD has not enforced the collection of penalties resulting in additional lost revenue.

DEPARTMENT OF TRANSPORTATION POSITION: CONCUR WITH FINDINGS

There are two issues in this finding dealing with the case where a vehicle skips one or more registration periods but was used on the highway. The report states the Motor Vehicle Division has not required the County Assessors to collect these prior year taxes and penalties. The report presents a legal argument backed up by a Legislative Council advisory that such prior year taxes and penalties are due.

With regard to the penalties, the method of administration of penalties was changed with the passage of SB 1001 in the 1981 Transportation Special Session. The nature of the penalty was changed to be a compounding penalty up to a maximum of \$100. Prior year and current year no longer have a meaning. County auto license offices have been provided explanations about this.

With regard to the prior year lieu tax issue, the Legislature needs to address this issue. A.R.S. 28-1591 establishes the collection procedures for this tax. A.R.S. 28-1591 does not assign MVD the authority to mandate to County Assessors the practices of collection of lieu tax. The statute provides that the lieu tax "shall be collected by the registering officer.." which for 12 Arizona counties is the County Assessor and for two counties is MVD. Historically, the County Assessor Association has established practices for lieu tax collections. MVD should set uniform practices for assessing and collecting lieu tax and will recommend amending A.R.S. 28-1591 to clearly give MVD such authority.

FINDING IV

The Department has failed to adequately plan, manage and support computer systems development for a major MVD computer system for title and registration processing.

DEPARTMENT OF TRANSPORTATION POSITION: DO NOT CONCUR

The frequent reference in the report to 1968 as a starting date for the Title and Registration (T & R) System requires some elaboration. The audit report appears to consider the T & R System, which is being developed, as just an expansion of the system now in production. Actually, they are two separate and distinct systems. The current system, which is referred to as a title and registration system, is, in reality, only a registration and fee accounting system. The new system is a true title and registration system with fee accounting capability. It uses a more advanced programming methodology of composite design and modular program construction. This methodology will permit most legislative and other changes to be made by modifying only one module rather than changing many programs. It is also expected to improve response time and will improve transaction security and operator efficiency.

There were many high priority projects which impacted and necessarily delayed the development of the new Title and Registration System. It is conservatively estimated that major projects completed consumed 23 man-years which were not in support of development or enhancement of the system. All of these projects were mandated by legislation or were management directives.

Since November 1978, projects have been initiated on a Data Processing Project Request form. These requests include benefits and the estimated man-hours and dollar costs. However, the Department does not have a computerized method of tracking and accumulating cost and man-hour data by project. The Department began seriously looking at this some two and one-half years ago. It was realized that, with major projects such as the new Title and Registration System, the method of capturing data only on a monthly basis still needed improvement. There are some very good cost accounting software packages on the market. However, with recent and current budget limitations, dollars for this acquisition have not been approved to

date. As an added control, the EDP Steering Committee and Sub-Committee are participating in the priority setting process of major developments.

In summary, the Department of Transportation will continue to develop and implement, within resources available, meaningful and cost-justified controls and procedures required to effectively manage computer resources.

OTHER PERTINENT INFORMATION: MVD'S RELATIONSHIP WITH COUNTY ASSESSORS

The report references at least thirteen times to the effect that "MVD has not adequately controlled" or has "inadequate control procedures" over the County Assessors. The relationship between the Department of Transportation and the County Assessors involves an inflexible split responsibility in that ADOT's Motor Vehicle Division has the primary statutory responsibility to administer vehicle title and registration laws but is required without unilateral option by statute to delegate the execution of title and registration to the County Assessors. The Assessors are elected county officials meaning the Department of Transportation has no constitutional or statutory means to order, require or force the elected County Assessor to do anything. ADOT does not have any authority by statute or otherwise to intervene in a county operation or require the County Assessor to cease the title and registration function and allow ADOT's Motor Vehicle Division to execute the function.

Based on the above facts, it is not clear what the report means by "control" or "force". It appears the findings are based on using a normal organizational model as a frame of reference to apply to a very unique arrangement. ADOT does have the authority to prescribe a uniform procedure of administering title and registration and has done so. The Department of Transportation does not have any authority to effect sanctions on a County Assessor for failure to comply with ADOT guidelines nor did the report offer any as currently implementable.

The County Assessors, county auto license managers and Motor Vehicle Division personnel all work very hard at making the title and registration program as efficient and effective as reasonably possible under statutory and budget restraints. In the main there is a very strong spirit of cooperation between the counties and the state. Unfortunately, however, at times county priorities and needs cause county actions that are not totally consistent with state guidelines. Therefore, just about all the problems identified in the report relating to the counties and MVD are best explained and understood by the organization of the system.

It is agreed that the Motor Vehicle Division is the one common element in the thirteen titling and registration functions and thereby has an overall perception of registration needs and requirements. The Department of Transportation will develop a system of policy development and statutory interpretation and will adopt a positive policy advisory program to assist in the development of a uniform statewide registration system. The policy advisory process will be developed in cooperation with county officials and county registration managers.

ARIZONA DEPARTMENT OF TRANSPORTATION
MOTOR VEHICLE DIVISION
 1801 W. Jefferson, Phoenix, Arizona
 MAILING ADDRESS: P.O. Box 2100
 Phoenix, Arizona 85001
 Telephone 261-7581

| |
|----------------|
| NAME |
| DATE |
| VEHICLE ID NO. |

THE MOTOR VEHICLE DIVISION CURRENTLY IS:

- (A) _____ holding your application in Suspend File in Docket No. _____
 (B) _____ returning documents submitted.

IN ORDER FOR US TO PROCESS YOUR REQUEST, WE NEED THE FOLLOWING:

- _____ Application completed in full, signed and notarized (Must be signed where indicated by "X".)
- _____ Bill of Sale - Notarized
- _____ Certificate of Title
- _____ Complete lien information on application
- _____ Court order appointing a personal representative
- _____ Enclosed affidavit - completed, signed, notarized
- _____ Emission control affidavit
- _____ Gross vehicle weight declaration by owner _____
- _____ I.D. incorrect on lien instrument (Correction must be acknowledged by signature and date)
- _____ License plates must be surrendered
- _____ Lien Filing Receipt, Stamped "Paid", dated and counter-signed
- _____ Lien Instrument (Security Agreement) missing OR illegible
- _____ Lien release from _____

LIENHOLDER OF RECORD

ADDRESS

AMOUNT AND DATE OF LIEN

LIEN RECORDED IN NAME(S) OF

- _____ Manufacturer's Certificate of Origin missing OR incorrect as to _____
- _____ MVD Officers inspection OR reinspection for _____
- _____ Need dealers reassignment from _____ to _____
- _____ Need Odometer Disclosure from _____ to _____
- _____ Notarization must include: Notary signature, current date, Notary expiration date, Notary Seal
- _____ Notarized signature of seller on title
- _____ Non-probate Affidavit - Notarized
- _____ "OR" Affidavit - Notarized (See reverse side of Application)
- _____ Power of Attorney - Notarized (Power of Attorney also needed when title is to be mailed to other than the owner)
- _____ Residence address or mailing address
- _____ Submit documents to your local County Auto License Office
- _____ Written consent from lienholder to transfer existing lien (this also applies when adding or deleting a name)

OPTIONAL FEES ARE

due for _____

(All fees are payable to the Motor Vehicle Division)

- | | |
|---|--|
| <ul style="list-style-type: none"> _____ \$4.00 for Certificate of Title _____ \$4.00 for Duplicate Title _____ \$8.00 for Mobile Home Title _____ \$8.00 Duplicate Mobile Home Title _____ \$8.00 for Transfer of Registration _____ Late Registration Penalty Fee _____ Late Title Penalty | <ul style="list-style-type: none"> _____ \$4.00 for Dismantling Permit _____ \$4.00 for Duplicate Dismantling Permit _____ \$4.00 for Salvage Certificate _____ \$4.00 for Duplicate Registration _____ \$9.00 Transfer of Registration-Motorcycle _____ \$4.00 for Commercial Registration Fee _____ \$49.00 for Trailer Registration Fee (GVW in excess of 10,000 lbs.) |
|---|--|

REMARKS: _____