

OFFICE OF MOTOR VEHICLES,
COST SAVINGS AND MONITORING
OF PUBLIC TAG AGENTS



PERFORMANCE AUDIT
MARCH 13, 2013

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF PERFORMANCE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

**FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT
GINA BROWN, PERFORMANCE AUDIT MANAGER,
AT 225-339-3800.**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$28.62. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9726 or Report ID No. 40110054 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 13, 2013

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives

Dear Senator Alario and Representative Kleckley:

This report provides the results of our performance audit on the Office of Motor Vehicles (OMV) within the Department of Public Safety and Corrections, Public Safety Services. The purpose of this report was to evaluate whether contracting out vehicle registration services to Public Tag Agents (PTAs) resulted in cost savings for OMV during fiscal year 2012 and if OMV is effectively monitoring PTAs to ensure they are meeting their contract requirements.

The report contains our findings, conclusions, and recommendations. Appendix A contains OMV's response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of OMV for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

OMV 2013

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Office of Motor Vehicles -

Cost Savings and Monitoring of Public Tag Agents

March 2013

Audit Control # 40110054

Executive Summary

This performance audit evaluates whether contracting out vehicle registration services to Public Tag Agents (PTAs) resulted in cost savings for the Office of Motor Vehicles (OMV) during fiscal year 2012. The audit also evaluated whether OMV is effectively monitoring the PTAs to ensure they are meeting their contract requirements.

State law [Revised Statute (R.S.) 47:532.1] allows the Department of Public Safety and Corrections, Public Safety Services (DPS) to contract with PTAs, which are privately owned entities, to collect and process vehicle registration license taxes, including applicable sales and use taxes, and to issue registration certificates and license plates for vehicles. According to their contracts, PTAs receive no compensation for performing these services. However, state law allows PTAs to charge consumers a convenience fee of up to \$18 per vehicle registration transaction.¹ The audit objectives and results of our work are summarized below.

Objective 1: Did contracting out vehicle registration services to PTAs result in cost savings for OMV during fiscal year 2012?

Results: During fiscal year 2012, OMV saved at least \$3.3 million by contracting with 94 PTAs to provide vehicle registration services. According to OMV management, the use of PTAs has also allowed OMV to continue to provide the same level of vehicle registration service to the public despite a 29% decrease in full-time employees from fiscal years 2002 through 2012. However, because of the convenience fee PTAs are permitted to charge in addition to vehicle registration fees, consumers may pay up to \$18 more in fees for vehicle registration services when they choose to use a PTA instead of an OMV field office. These findings are discussed in more detail below.

- **During fiscal year 2012, OMV saved at least \$3.3 million by contracting with PTAs to provide vehicle registration services.** We found that vehicle registration services provided by an OMV field office cost at least \$3.69 more per transaction than the same services provided by a PTA. During fiscal year 2012, PTAs performed 909,244 vehicle registration transactions, resulting in a cost savings of at least \$3.3 million. Our analysis of costs only includes salaries as

¹ R.S. 47:532.1 states that PTAs can collect a convenience fee in addition to the registration license tax. This fee shall not exceed eighteen dollars per license and the PTA shall retain the full amount of the convenience fee. This fee is also authorized by the contracts between each PTA and DPS.

OMV does not track the overhead costs, such as building leases and utilities incurred by OMV field offices. Therefore, the cost savings is likely higher if all overhead costs are considered.

In addition to these cost savings, OMV management states that the PTAs have allowed the office to continue providing the same level of vehicle registration service despite decreases in OMV staffing. From fiscal years 2002 through 2012, OMV has decreased its full-time employees from 810 to 578, a 29% decrease, because of budget cuts and statewide hiring freezes.

- **Because of the convenience fee allowed by state law, consumers may pay up to \$18 more in fees for vehicle registration services when they choose to use a PTA instead of an OMV field office.** The average vehicle registration fee OMV charges consumers is \$39. Because of the \$18 convenience fee PTAs are permitted to charge, the total fee amount could increase to \$57 when a consumer chooses to use a PTA instead of an OMV field office for vehicle registration services. However, consumers do have the option to use an OMV field office instead of a PTA. There is an OMV field office within 15 miles of every PTA.

Objective 2: Is OMV effectively monitoring PTAs to ensure they are meeting their contract requirements?

Results: OMV needs to improve its current monitoring to ensure PTAs are meeting their contract requirements. We identified the following issues:

- **OMV does not monitor the convenience fees PTAs charge consumers for vehicle registration services.** According to state law and their contracts, PTAs can charge a convenience fee of up to \$18 per transaction for providing vehicle registration services. However, OMV does not monitor the convenience fees PTAs charge their customers for such services. As a result, OMV does not know how much consumers are actually being charged by PTAs for vehicle registration services, including whether they are being charged more than the \$18 allowed convenience fee. Assuming they charged the maximum allowed convenience fee per transaction, the two PTAs that conducted the highest number of transactions during fiscal year 2012 potentially collected \$2.1 and \$1.1 million, respectively, from the convenience fees alone.
- **The sign that OMV requires PTAs to post does not disclose the additional amount consumers can and will be charged in convenience fees for vehicle registration services.** According to their contracts, each PTA is supposed to post in a conspicuous manner a disclosure of the convenience fee. Of the eight Baton Rouge PTA offices we visited, all had this disclosure posted. However, the disclosure did not state the amount of the convenience fee charged by the PTAs or that the amount cannot exceed \$18. OMV should enhance the transparency of convenience fees by posting the amounts so consumers can make informed decisions on where to go for their vehicle registration services.

- **DPS audits were not conducted on 66% of PTAs during fiscal year 2011 or 62% of PTAs during fiscal year 2012.** According to their contracts, PTAs must provide vehicle registration services in accordance with OMV policies and procedures. OMV verifies this compliance through audits conducted by Internal Audit Services (IAS) within DPS. We found that IAS did not conduct audits of 56 (66%) of the 85 PTAs operating during fiscal year 2011 and 58 (62%) of the 94 PTAs operating during fiscal year 2012. In addition, 43 (66%) of the 65 audits performed during these two fiscal years did not evaluate all PTA contract requirements.
- **OMV does not monitor whether PTAs resolve issues identified during audits.** Upon completion of the IAS audits, OMV sends letters to the PTAs informing them of the issues identified during the audit. However, OMV does not follow up on these issues and has no process in place to monitor whether the PTAs ever resolve the issues. While the PTA contracts do contain termination clauses, they do not contain penalties for PTAs that do not meet contract requirements.

Management's response to this report is included in Appendix A.

Background

Louisiana Revised Statute (R.S.) 36:408 requires the Office of Motor Vehicle (OMV), within the Department of Public Safety and Corrections, Public Safety Services (DPS) to provide various services, including the examination and licensing of drivers of motor vehicles, the suspension and revocation of licenses, the issuance of vehicle title registration certificates, and the collection of appropriate fees and motor vehicle sales tax. The mission of OMV is to serve people through the administration of motor vehicle registration and driver's license laws in a professional, compassionate, and responsive manner while maintaining a high standard of quality through an innovative approach to customer service. The goals of OMV are to:

- (1) provide unparalleled service to both internal and external customers and to protect consumers, and
- (2) ensure public safety through communication and accountability.

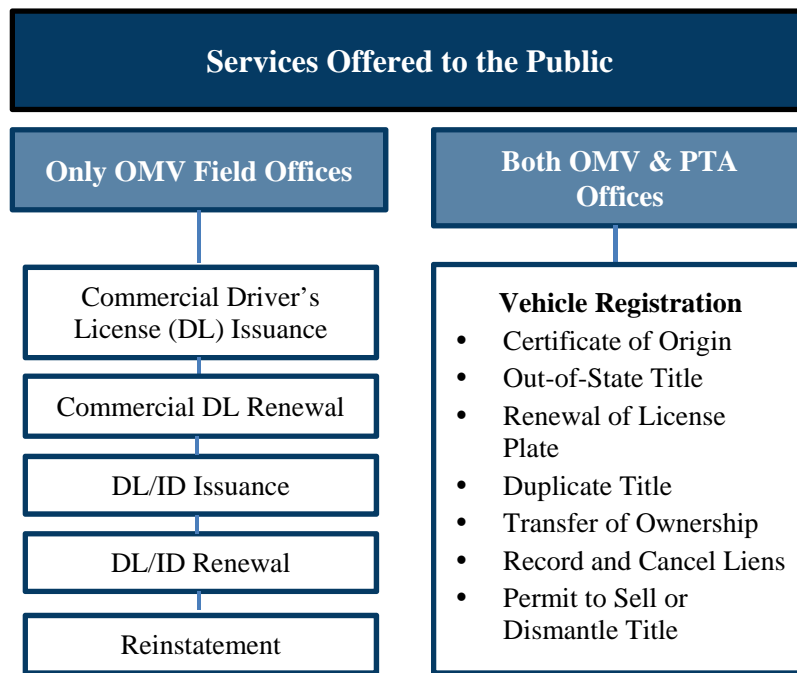
In fiscal year 2012, OMV's operating budget was approximately \$52.6 million with 578 full-time equivalent employees. Approximately \$43 million (82%) came from self-generated revenues from fees charged to the consumer for OMV transactions such as driver's license renewals.

Contracts with Public Tag Agents. State law (R.S. 47:532.1) allows DPS to contract with privately owned entities called Public Tag Agents (PTAs).² According to their contracts, PTAs collect and process vehicle registration license taxes, including applicable sales and use taxes, and issue registration certificates and license plates for vehicles. PTAs receive no compensation from DPS and pay for all costs associated with operating as a PTA. However, according to state law and their contracts, PTAs can charge a convenience fee of up to \$18 per vehicle registration transaction. OMV field offices continue to perform vehicle registrations in addition to offering license and identification services.

During fiscal year 2012, OMV operated 82 field offices and contracted with 94 PTAs. During this time period, OMV collected a total of \$792,547,830 from vehicle registration transactions. Of this amount, OMV field offices collected \$223,604,939 (28%) and PTAs collected \$568,942,891 (72%).³ The amount PTAs collected does not include the convenience fee charged to consumers. Exhibit 1 provides an overview of services provided only at OMV field offices and those services provided by both OMV and PTAs.

² While the contracts are between DPS and the PTAs, OMV management administers the contracts, including selecting and renewing all contracts with PTAs.

³ The total collected may include overages, which are paid back to the consumer, specialty fees such as personalized license plates, and taxes collected.

Exhibit 1

Source: Prepared by legislative auditor's staff using R.S. 36:408 and information obtained from the contracts between each PTA and DPS.

PTA Contract Requirements. According to the contract each PTA enters into with DPS, PTAs must meet the following requirements:

- To timely deliver all monies collected by the PTA to DPS through OMV via Electronic Funds Transfers, and deliver all necessary documents related to acting as a PTA in accordance with OMV policies, procedures, rules, regulations, and standards as they currently exist or as amended during the term of the contract
- To issue temporary license plates, license plates, decals, or any other OMV related materials to customers in accordance with applicable laws, OMV policies and procedures, and rules and regulations
- To submit reports, including daily activity reports, inventories or temporary license plates, license plates, and decals, and such other reports as may be required by DPS, and in all other respects to comply with the laws of the State of Louisiana
- To receive, securely store, issue, account for, and be fully responsible for temporary license plates, decals, and other equipment or items of value as may be entrusted to each PTA by DPS
- To post in a conspicuous manner a disclosure of the convenience fee and not charge more than the allowed \$18 fee
- To have all of its authorized users of OMV's approved electronic network, Legacy, attend training workshops provided by DPS

Objective 1: Did contracting out vehicle registration services to PTAs result in cost savings for OMV during fiscal year 2012?

During fiscal year 2012, OMV saved at least \$3.3 million by contracting with 94 PTAs to provide vehicle registration services. According to OMV management, the use of PTAs has also allowed OMV to continue to provide the same level of vehicle registration service to the public despite a 29% decrease in full-time employees from fiscal years 2002 through 2012. However, because of the convenience fee PTAs are permitted to charge in addition to vehicle registration fees, consumers may pay up to \$18 more in fees for vehicle registration services when they choose to use a PTA instead of an OMV field office.⁴ These findings are discussed in more detail below.

During fiscal year 2012, OMV saved at least \$3.3 million by contracting with PTAs to provide vehicle registration services.

We compared the cost per vehicle registration transaction for OMV field offices versus PTAs. According to the PTA contracts, PTAs receive no compensation from DPS for providing vehicle registration services. The only cost OMV incurs for the operation of a PTA is a \$0.387 cents per transaction fee which is used to pay for the ink solution for printing vehicle registration documents. This is paid to a separate contractor and is paid regardless if the transaction is processed at an OMV field office or a PTA.

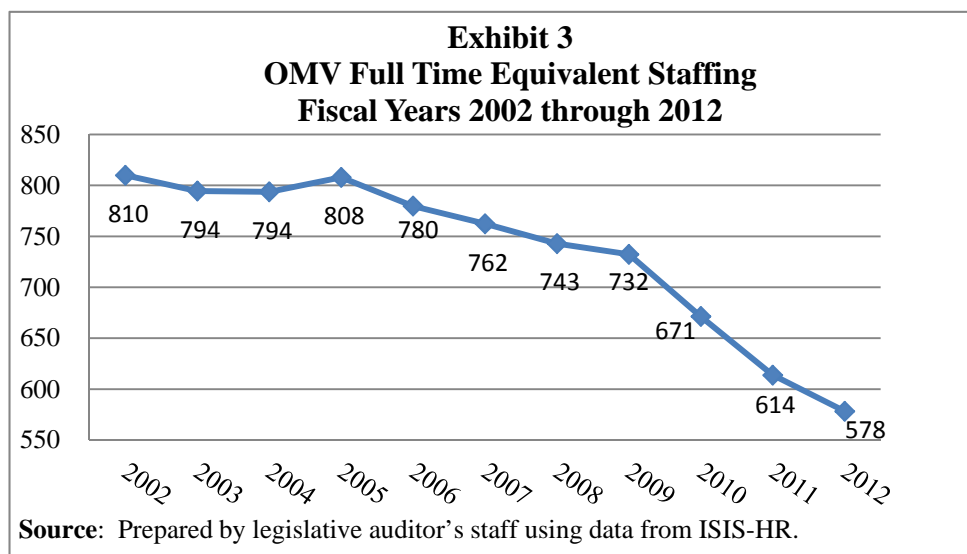
We found that vehicle registration services provided by an OMV field office cost at least \$3.69 more per transaction than the same services provided by a PTA. During fiscal year 2012, PTAs performed 909,244 vehicle registration transactions, resulting in a cost savings of at least \$3.3 million. Exhibit 2 summarizes the total cost of vehicle registration transactions, cost per transaction for both the OMV field offices and PTAs, and the cost savings of using PTAs instead of OMV field offices during this same time period.

⁴ Vehicle registration transactions include all types of transactions performed by the PTAs, as listed in Exhibit 1.

Exhibit 2 OMV Vehicle Registration Transaction Costs Fiscal Year 2012									
Office Type	Number of Transactions*		Printing Cost per Transaction		Overhead Costs - Salary		Total Fiscal Year 2012 Costs	Cost per Transaction	
Field Offices	1,218,730	x	\$0.387	+	\$4,495,658**	=	\$4,967,307	÷ # of	\$4.08
PTAs	909,244		\$0.387		N/A		\$351,877	Trans- actions	\$0.387
Cost difference per transaction									\$3.69
Cost savings of using PTAs instead of OMV field offices (909,244 x \$3.69)									\$3,354,024***
*The number of transactions listed only includes the vehicle registration transactions that resulted in a license plate sticker and registration documents. The number of transactions could include voided transactions. OMV is not charged printing costs for voided transactions. **The salary amount listed only includes 33% of OMV's total salaries for fiscal year 2012. According to OMV, this is the salary amount for the employees who are dedicated to conducting vehicle registration transactions and does not include benefits. ***The cost savings calculation is based on actual numbers, not rounded numbers. Source: Prepared by legislative auditor's staff using information provided by OMV.									

Our analysis of overhead costs for OMV only includes salaries as OMV does not track other overhead costs such as building leases and utilities incurred by OMV field offices. Therefore, the cost savings is likely higher if all overhead costs are considered. Because of the cost savings, OMV wants to expand some of the services PTAs offer. For example, OMV is conducting a pilot program in Metairie where one PTA is performing driver's license renewals.

In addition to these cost savings, OMV management states that the PTAs have allowed OMV to continue to provide the public with the same level of vehicle registration service despite decreases in OMV staffing. From fiscal years 2002 through 2012, OMV has decreased its full-time employees from 810 to 578, a 29% decrease, due to budget cuts and statewide hiring freezes. Exhibit 3 shows the decrease in OMV employees from fiscal years 2002 through 2012.



Recommendation 1: OMV should track all costs associated with operating field offices (e.g., leases, utilities, etc.) to determine and monitor the cost savings that result from contracting with PTAs.

Management's Response: OMV management agrees with this recommendation.

Because of the convenience fee allowed by state law, consumers may pay up to \$18 more in fees for vehicle registration services when they choose to use a PTA instead of an OMV field office.

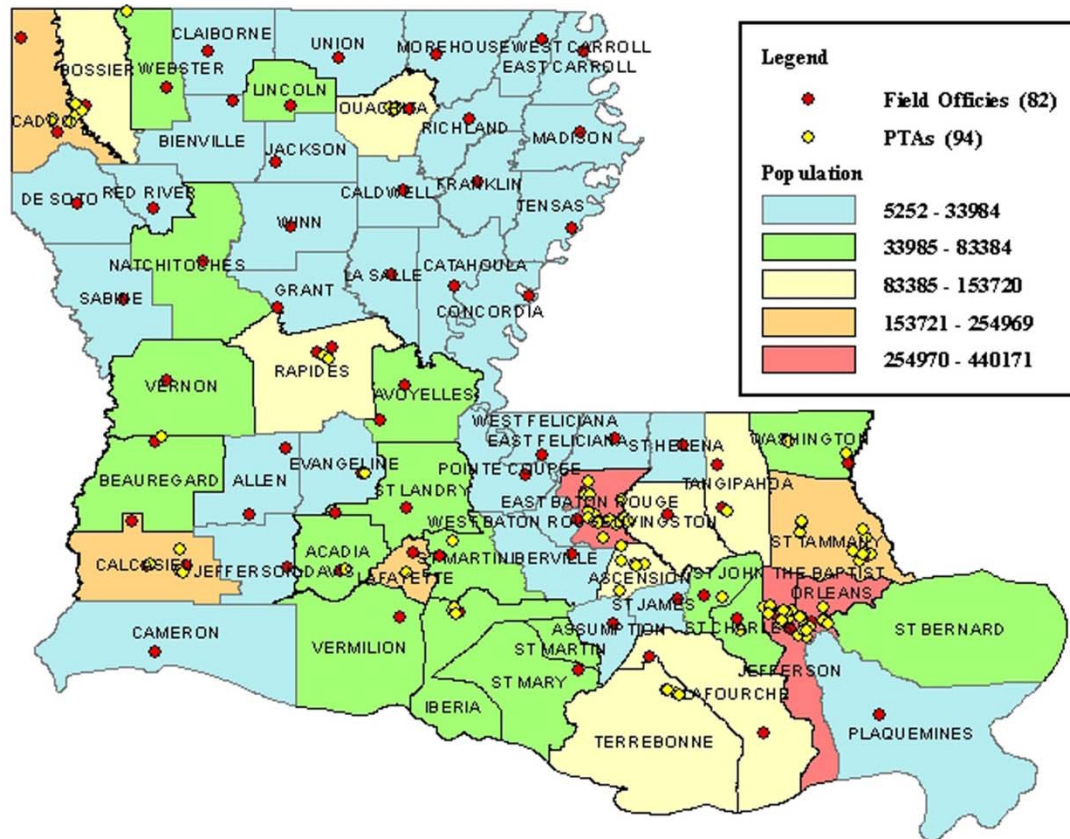
State law (R.S. 47:532.1) and their contracts with DPS allow PTAs to charge a convenience fee of up to \$18 per transaction for providing vehicle registration services. The average vehicle registration fee OMV charges consumers is \$39. Because of the convenience fee, the total fee amount could increase to \$57 when a consumer chooses to use a PTA instead of an OMV field office for vehicle registration services. Exhibit 4 shows the cost difference between an OMV field office and a PTA for the same transaction based on the average vehicle registration fee of \$39.

Exhibit 4 Average Vehicle Registration Fee Cost OMV Field Office versus PTA		
Fees	OMV Field Offices	Estimated Fees for PTAs
Vehicle Registration Fees (average)*	\$39.00	\$39.00
Statutorily Allowed Convenience Fee	N/A	18.00**
Total Cost to Consumer	\$39.00	\$57.00
*The average vehicle registration fee includes the certificate of title fee, the lien recordation fee, and the handling fee. **PTAs can charge less than an \$18.00 fee. This is the maximum amount statutorily allowed. Source: Prepared by legislative auditor's staff using information provided by OMV's policies and procedures and R.S.47:532.1.		

Even though contracting out vehicle registration services to PTAs could result in an increased cost to the consumers, consumers do have the option to use an OMV field office rather than a PTA. Based on GIS analysis, there is an OMV field office within 15 miles of every PTA.

PTA offices are located primarily in the southern region of the state in urban, highly populated areas. As shown in Exhibit 5, the Baton Rouge and New Orleans areas had the highest population and the most PTAs and OMV field offices during fiscal year 2012.

Exhibit 5
Locations of PTAs and Field Offices
Fiscal Year 2012



Source: Prepared by legislative auditor's staff using GIS software to plot the locations of the OMV field offices and the population per parish.

Objective 2: Is OMV effectively monitoring PTAs to ensure they are meeting their contract requirements?

As outlined in the background section of this report, PTAs are required to follow six main contract requirements. While OMV is monitoring some of these requirements, we identified four issues with OMV's monitoring during fiscal years 2011 and 2012. These issues are summarized in Exhibit 6 and discussed in additional detail below.

Exhibit 6 Monitoring Issues Identified Fiscal Years 2011 and 2012		
PTA Contract Requirements	How OMV Monitors Requirements	Monitoring Issues Identified
<ul style="list-style-type: none"> Not charge more than the allowed \$18 convenience fee. 	<ul style="list-style-type: none"> OMV does not monitor the convenience fees charged to consumers. 	<ul style="list-style-type: none"> OMV does not monitor the convenience fees PTAs charge consumers for vehicle registration services.
<ul style="list-style-type: none"> Post in a conspicuous manner a disclosure of the convenience fee. 	<ul style="list-style-type: none"> OMV issues a sign that discloses the convenience fee for each PTA to post in a conspicuous manner. 	<ul style="list-style-type: none"> The sign issued by OMV does not disclose the additional amount consumers can and will be charged for vehicle registration services at PTAs.
<ul style="list-style-type: none"> Issue temporary license plates, license plates, decals, or any other OMV related materials to customers in accordance with applicable laws, policies, and procedures. Securely store all equipment entrusted to each PTA by DPS. 	<ul style="list-style-type: none"> Internal Audit Services (IAS), within DPS, audits voided transactions, vehicle transactions, and inventory compliance to determine if PTAs are following OMV policies and procedures when performing transactions. 	<ul style="list-style-type: none"> DPS audits were not conducted on 66% of PTAs during fiscal year 2011 or 62% of PTAs during fiscal year 2012. OMV does not monitor whether PTAs resolve issues identified during audits.
Source: Prepared by legislative auditor's staff using information provided by IAS and OMV.		

OMV does not monitor the convenience fees PTAs charge consumers for vehicle registration services.

As stated previously, PTAs can charge a convenience fee of up to \$18 per transaction for providing vehicle registration services. However, OMV does not monitor the convenience fees PTAs charge their customers for these services. As a result, OMV does not know how much consumers are actually being charged by PTAs for vehicle registration services, including whether they are being charged more than the \$18 convenience fee allowed by state law and their contracts. Exhibit 7 shows the potential convenience fee amount collected for the 10 PTAs that conducted the highest number of transactions during fiscal year 2012, assuming they charged the maximum convenience fee of \$18 per transaction. As seen in the exhibit, the two PTAs that conducted the highest number of transactions during fiscal year 2012 potentially collected \$2.1 and \$1.1 million, respectively, from the convenience fees alone.

Exhibit 7 Potential Amount Collected from Convenience Fees PTAs with Highest Total Transactions Fiscal Year 2012		
	Vehicle Registration Transaction Total	Potential Amount Collected from Convenience Fee*
PTA 1	115,063	\$2,071,134
PTA 2	62,508	1,125,144
PTA 3	42,785	770,130
PTA 4	40,003	720,054
PTA 5	31,822	572,796
PTA 6	29,961	539,298
PTA 7	24,294	437,292
PTA 8	23,487	422,766
PTA 9	23,300	419,400
PTA 10	23,253	418,554
*We calculated this by using the maximum convenience fee allowed of \$18 for each transaction. The PTA could be charging less than this amount. Source: Prepared by legislative auditor's staff using information from OMV's data system, Legacy.		

Recommendation 2: OMV should monitor the convenience fees PTAs charge consumers to ensure they are not charging more than the \$18 allowed by state law.

Management's Response: OMV management agrees with this recommendation.

The sign that OMV requires PTAs to post does not disclose the additional amount consumers can and will be charged in convenience fees for vehicle registration services.

According to their contracts, each PTA is supposed to post in a conspicuous manner a disclosure of the convenience fee. Of the eight Baton Rouge PTA offices we visited, all had this disclosure posted. However, the disclosure did not state the amount of the convenience fee charged by the PTAs or that the amount cannot exceed \$18, as shown in Exhibit 8.

Exhibit 8
Convenience Fee Disclosure Sign



Source: Prepared by legislative auditor's staff using a picture taken of a sign located at a PTA.

Without disclosing both of these amounts, consumers are not fully informed of the additional costs they are incurring by using a PTA instead of an OMV field office for vehicle registration services. In addition, consumers will not be aware if they are being charged more than is statutorily and contractually allowed. OMV should enhance the transparency of convenience fees by posting the amounts so consumers can make informed decisions on where to go for their vehicle registration services.

Recommendation 3: OMV should amend the sign it requires each PTA to post to include the convenience fee amount charged by that PTA and the maximum fee that is allowed by state law.

Management's Response: OMV management agrees with this recommendation.

DPS audits were not conducted on 66% of PTAs during fiscal year 2011 or 62% of PTAs during fiscal year 2012.

According to their contracts, PTAs must provide vehicle registration services in accordance with OMV policies and procedures. OMV verifies this compliance through audits conducted by Internal Audit Services (IAS) within DPS. However, OMV does not have criteria stating how often IAS should audit PTAs or what these audits should evaluate.

We found that IAS did not conduct audits of 56 (66%) of the 85 PTAs operating during fiscal year 2011 and 58 (62%) of the 94 PTAs operating during fiscal year 2012. In addition, the audits IAS did perform did not evaluate all PTA contract requirements. During fiscal year 2011, nine (31%) of the 29 audits conducted did not evaluate the PTA's compliance of OMV's vehicle transaction policies and procedures by examining license plate inventory, voided transactions, and vehicle transaction compliance. During fiscal year 2012, 34 (94%) of the 36 audits conducted did not evaluate these areas.

According to IAS management, during fiscal year 2012 it had to limit the audits to only vehicle transaction compliance because OMV's requirements for performing inventory reconciliations and voided transactions were outdated. At the time this audit was conducted, IAS only planned to audit 14 (14%) of the 102 PTAs operating during fiscal year 2013. Without regular and comprehensive audits, OMV cannot ensure that PTAs are following required policies and procedures when processing vehicle registration transactions.

Recommendation 4: OMV should develop and document criteria, such as policies and procedures, that outline the types and frequency of audits IAS should conduct on PTAs. This should involve a risk assessment for determining which PTAs to audit, such as the number of transactions.

Management's Response: OMV management agrees with this recommendation.

Recommendation 5: OMV should revise its current motor vehicle transaction procedures to include the requirements PTAs need to follow for conducting inventory reconciliations and voided transactions. These requirements will give IAS criteria when auditing these transactions.

Management's Response: OMV management agrees with this recommendation.

OMV does not monitor whether PTAs resolve issues identified during audits.

Once IAS finishes its audits, it sends all audit reports to OMV's planning unit. OMV then sends letters to the PTAs informing them of the issues identified during the audit. However, OMV does not follow up on these issues and has no process in place to monitor whether the PTAs ever resolve the issues. During fiscal year 2011, IAS identified 482 (46%) transaction errors out of the 1,056 vehicle transactions tested. During fiscal year 2012, IAS identified 493 (40%) errors out of the 1,223 vehicle transactions tested. While the PTA contracts contain termination clauses, they do not contain penalties for PTAs that do not meet contract requirements. Some type of enforcement action, such as a tiered penalty structure, may help OMV foster PTAs compliance of contract requirements.

Recommendation 6: OMV should develop a process to monitor the progress of PTAs toward resolving issues identified during audits.

Management's Response: OMV management agrees with this recommendation.

Recommendation 7: OMV should consider amending future PTA contracts to include some type of enforcement action such as a tiered penalty structure for PTAs that do not meet contract requirements.

Management's Response: OMV management agrees with this recommendation.

APPENDIX A: MANAGEMENT'S RESPONSE

BOBBY JINDAL
GOVERNOR



MICHAEL D. EDMONSON, COLONEL
DEPUTY SECRETARY

State of Louisiana
Department of Public Safety and Corrections
Public Safety Services

February 21, 2013

HQ-1-1767

Mr. Darryl Purpera, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

Re: Cost Saving and Monitoring of Public Tag Agents Performance Audit

Dear Mr. Purpera:

I appreciate the time your staff spent conducting their research and the professionalism they displayed. Overall, the report serves as a roadmap that will guide us in our efforts to improve efficiency within Office of Motor Vehicles. The Office of Motor Vehicles has already implemented several changes that were identified in the report or discovered during the audit.

After reviewing your report sent to me this February 2013, I offer the attached information, not only in response to the information and recommendations in the report; but also to clarify information in the report. Should you have any question or need to discuss the audit further, please feel free to contact me at (225)925-6118.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael D. Edmonson".

Colonel Michael D. Edmonson
Deputy Secretary, Public Safety Services
Superintendent, Louisiana State Police

COURTESY • LOYALTY • SERVICE
"An Equal Opportunity Employer"

P.O. BOX 66614, BATON ROUGE, LOUISIANA 70896
(225) 925-6118

- **OMV comments**
 - Page 6 - OMV comments
 - As of November 2012, OMV has experienced an additional 32 position reduction increasing the total reduction from 29% to 32%.
 - Page 8 - OMV comments
 - This is a true statement if you are only comparing fees collected during a vehicle renewal versus fee and tax collection that occur simultaneously with a vehicle transfer and registration. The majority of transactions conducted at a PTA location are new/used car transfers not vehicle registration renewals. The average fee/tax collection at a PTA collection is \$440 not \$39.
- **Recommendation #1**
 - OMV concurs with the recommendation and will take the appropriate measures to begin tracking field office expenditures by office.
- **Recommendation #2**
 - OMV concurs with the recommendation and has added quarterly monitoring of the PTA convenience fee charge to the PTA quarterly visit checklist.
- **Recommendation #3**
 - OMV concurs with the recommendation and has ordered new PTA "Welcome" signs to include the verbiage "can charge up to an \$18 convenience fee".
- **Recommendation #4**
 - OMV concurs with the recommendation and will take the appropriate steps to begin development of documented criteria.
- **Recommendation #5**
 - OMV concurs with the recommendation and will take the appropriate corrective measures regarding inventory reconciliations and voided transactions.
- **Recommendation #6**
 - OMV concurs with the recommendation and will take appropriate corrective measures to ensure issues identified during an audit are resolved.
- **Recommendation #7**
 - OMV concurs with the recommendation and will take the appropriate steps to promulgate rules that will allow for a tiered penalty structure.

APPENDIX B: SCOPE AND METHODOLOGY

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. R.S. 24:522 directs the Legislative Auditor to establish a schedule of performance audits to ensure that at least one performance audit is completed and published for each executive department agency within a seven-year period, beginning with the 1998 fiscal year. In accordance with this legislative mandate, we scheduled a performance audit of the Office of Motor Vehicles (OMV) within the Department of Public Safety and Corrections, Public Safety Services (DPS). Our audit focused on the services that OMV outsources to Public Tag Agents (PTAs) and covered the time period of fiscal years 2011 and 2012. The audit objectives were as follows:

- 1. Did contracting out vehicle registration services to PTAs result in cost savings for OMV during fiscal year 2012?**
- 2. Is OMV effectively monitoring PTAs to ensure they are meeting their contract requirements?**

We conducted this performance audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. To answer our objectives, we reviewed internal controls relevant to the audit objectives to mitigate the risk of inaccurate data and performed the following audit steps:

- Interviewed OMV officials to determine the process and reason for contracting vehicle registration services to PTAs.
- Researched state and national laws relating to motor vehicles.
- Created various pivot tables to analyze the Basic Pay Information Statistical Report from Business Objects for turnover, reduction, and staffing ratios.
- Interviewed OMV's Planning and Technical Assistance staff and OMV management to determine the methodology for calculating OMV's cost per transactions for field offices to determine if contracting with PTAs resulted in a cost savings to the state.
- Obtained fiscal year 2012 salary information from DPS and analyzed the information to determine how much OMV paid for employees at its field offices.
- Obtained and reviewed the results of OMV's 2009 Time Management Survey of all field office employees to determine the time allocation for OMV employees for different OMV vehicle registration transactions.

- Obtained and reviewed OMV's third party contract with 3M Traffic Safety Systems Division (3M) that requires OMV to pay 3M \$0.387 cents per vehicle registration transaction performed at either OMV field offices or PTAs.
- Obtained and reviewed 3M invoices to OMV for fiscal year 2012 to test the reliability of the transaction data pertaining to the \$0.387 cents charged for certain transactions. Once we determined the data was reliable, we analyzed it to determine the cost savings of using PTAs instead of OMV field offices during fiscal year 2012.
- Met with OMV IT staff to determine what vehicle registration transaction data to use when summarizing the total number of motor vehicle registration transactions processed. We used this information to calculate the potential amount collected from convenience fees and the total money collected by both OMV field offices and PTAs.
- Obtained motor vehicle transaction data from fiscal year 2012 for both OMV field offices and PTAs. We tested the reliability of the transaction data based on a reliability sample. Once we determined that the data was reliable, we analyzed it to determine the total number of motor vehicle registration transactions performed and potential amount collected from convenience fees and total money collected by both OMV field offices and PTAs.
- Obtained and reviewed OMV's policies and procedures to determine the fees charged to consumers for vehicle registration services.
- Obtained and reviewed OMV's mission, goals, and performance indicators, as stated in the executive budget and the Louisiana Performance Accountability System.
- Conducted best practice research to determine how other states monitor outsourced motor vehicle services.
- Met with the Planning Unit regarding best practices and oversight and requested recent American Association of Motor Vehicle Administrators surveys related to contracting.
- Obtained a list of all valid contracts for PTAs during fiscal year 2011 and fiscal year 2012 from the Planning Unit.
- Visited three PTAs - small, medium, and large to understand how the PTA operates on a daily basis and to interview the PTA management.
- Visited eight PTAs to determine if the convenience fee sign was posted in a conspicuous manner.
- Reviewed the contract and statutory requirements to determine OMV's monitoring provisions for PTAs.

- Met with DPS Internal Audit Services (IAS) regarding any obstacles to meeting monitoring requirements and requested documents relating to the audit program, procedures for PTA audits, and PTA office by size.
- Obtained and reviewed PTA audit reports for fiscal year 2011 and fiscal year 2012, the current audit schedule and the audit tracking sheets from IAS staff.