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A Performance Audit
of the
Division of Motor Vehicles

Process-based cost allocation better identifies the costs of fee collection.

The Tax Commission's Division of Motor Vehicles (DMV) has, despite the growth in vehicle transactions, improved its efficiency over the last ten years. But, while it has made improvements, the DMV can better portray the cost of collecting revenues from vehicle transaction fees for the fee beneficiaries or recipients. The Tax Commission agrees with our finding, that a reasonable method of establishing costs is a process-based identification and assignment of costs to the various fee recipients.

Our review results, as listed in Figure 1, identify the beneficiaries of DMV work in terms of cost-sharing. In the past, cost assignment has been based on legislatively-determined appropriations and dedicated credits from the various beneficiaries as their collections have been added to DMV's list of fees. Little has been done to identify actual costs.

Our observations of fee transaction timings at nine DMV sites differ somewhat from the estimates of previous DMV work. In addition, the cost distribution model developed by the Office of the Legislative Auditor General (OLAG) and shown in Figure 1 differs significantly from the status quo in assigning costs to the organizations benefitting from DMV collections.

Further, we believe that transactional efficiency has improved with the introduction of realtime processing made possible by the Motor Vehicle Administration (MVA) system. Figure 1 briefly summarizes current cost allocations and what we believe to be the most complete identification and allocation of DMV costs. Further review and discussion of this issue is included later in this report.

Figure 1. Comparison of Fiscal Year 2003 DMV Recipient Costs and OLAG's Cost Allocation Model. The OLAG process-based cost identification more accurately reflects actual recipient share of total motor vehicle costs than the Tax Commission's current appropriations and dedicated credits shown in column 1.

Recipient	Appropriated and Dedicated Credits	OLAG Cost Identification
Utah Department of Transportation	$ 5,018,540*	$ 7,635,900
Counties	1,879,700	2,339,000
Uninsured Motorists Program	133,800	1,288,300
Education	129,800	1,259,800
Tax Commission	1,573,560	573,100
General Fund	4,521,800	415,200
Utah Department of Public Safety	261,100	342,700
Utah Department of Parks/Rec	468,200	265,900
Cities/Towns	151,800	46,900
Mass Transit	50,600	46,900
Donations	30,500	5,700
Total	**$14,219,400**	**$14,219,400**

In 2003, UDOT transferred $5.8 million to the Tax Commission to offset the Tax Commission's costs of collecting fees which are then deposited into the Transportation Fund. Most of these fees are collected within the DMV. However, approximately $839,000 of UDOT's $5.8 transfer offsets the Tax Commission's costs of collecting fuel taxes. These taxes benefit UDOT but are not collected within the DMV.

The current cost allocation does not systematically assign costs to all fee recipients.

Figure 1 shows that the current cost allocation, for the most part, does not assign costs to the revenue recipients based on DMV work performed. Instead, the current DMV system is funded primarily by legislatively

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approved allocations and, to a lesser extent, funding retained for the collection of some dedicated credit fees. The Tax Commission has done timing studies to better define the counties' share of costs for county cost reimbursement. The counties agreed to this cost structure which was presented to the Legislature. The county reimbursement structure is more accurate than past cost allocation methods and represents a reasonable approximation of county costs but was not extended to the other fee recipients.

Allocation of DMV transaction costs based on the OLAG model differs from the current cost allocation primarily due to:

- OLAG's application of a methodological cost allocation to a more complete listing of revenue beneficiaries,
- OLAG's inclusion of the Tax Commission's direct costs to support the DMV, and
- greater efficiency of transactions achieved as staff have better learned the system.

The following sections address information requests by the Transportation Interim Study Committee and the Executive Appropriation Committee. In addition to some background information, we have reviewed the DMV's operations to

- Determine appropriate user-agency costs
- Identify the relative efficiency of the DMV's Motor Vehicle Administration (MVA) system

DMV Operations Have Changed
In the Last Decade

Over the last ten years, the DMV's changes have included the growth in the number of revenue recipients benefitting from the DMV's collection of fees, growth in number of transactions, and significant process alterations. Reliance on the division has increased as the state has shifted to the increased utilization of user fees rather than general fund increases.

While transactions and user fees have increased, the DMV's operating budget continues to be dependent on General Fund appropriations. The Transportation Interim Study Committee requested that DMV costs be

identified and appropriately allocated to the beneficiaries of DMV collection efforts. This request resulted from revenue shortfalls negatively affecting the fiscal year 2003 state budget. These revenue shortfalls caused a reduction in the fiscal year 2003 General Fund appropriation to the Tax Commission with a $5 million reduction in the DMV's budget.

This funding was later restored with a one time General Fund appropriation of $4 million and $1 million of additional appropriation from the Transportation Fund. It was feared, however, that possible revenue shortfalls in the future could result in similar problems. Thus, if the General Fund were unable to cover another revenue shortfall, it was questioned as to how the DMV's fee beneficiaries would be affected if asked to provide support for their fee collections.

DMV Provides a Centralized Fee Collection Service

The DMV's ability to collect fees is important because the division is responsible for the fee collections of a number of state and county organizations. The DMV, as the licensing organization for the state, is the only organization with a complete and usable accounting of Utah's vehicles. Vehicle user fees are identified and tracked by the DMV registration/licensing system. Without this system, fees could not be easily assessed or collected. DMV's user organizations, the fee revenue recipients, have limited ability to access fee payers and have neither the ability nor the staff to operate fee collection operations throughout the state.

DMV's centralized collection operation reduces overall fee collection costs and improves customer service.

The Legislature directed that state collection operations be centralized and, later, further directed that centralized county and DMV operations provide better customer service. There can be little argument that the DMV's centralized system reduces overall operational costs by eliminating the duplication of effort if each state agency and county performed its own fee collection.

In addition to greater efficiency, a centralized system is more convenient for vehicle owners. Service satisfaction has increased with the elimination of the two-line state and county process for paying vehicle property tax to the county and vehicle registration fees to the state; moreover, multiple public entity collections would be far less effective still.

Fee Transactions Have Increased

As Utah's population has grown, the pressure on the DMV has also increased. Between 1992 and 2003, DMV transactions increased from 1.71 million per year to 2.44 million, a growth of 43 percent. The transactions have also become more complicated with a greater variety of customer user fees charged within each individual transaction. In fiscal year 2003, the 2.44 million motor vehicle transactions produced $325 million in collections. With motor vehicle collection costs of approximately $14 million, each transaction costs $5.74 per transaction, on average.

Process-based Cost Identification Is Appropriate

The DMV's operational costs are appropriately identified by a process-based allocation. In such an allocation system, the user share of cost is directly tied to the operational time and effort associated with that user—not with the amount of fees collected. Additionally, all direct costs should be accounted for in a complete allocation. Thus, costs are not just those of the clerk dealing directly with the public but also those efforts of other Tax Commission divisions which directly support the collection clerk.

Clearly, other allocation methods are available but they can be problematic in their application. For example, an allocation based on revenues has equity concerns. A marginal cost system, which allocates only the cost increase caused by newer fees to the newer fee recipient, becomes less accurate as more fees are added.

There are also organizations that benefit from DMV efforts that neither have fees collected nor pay for a share of the services. State and local public safety operations rely heavily on DMV developed and maintained vehicle registration information, but these are not included in allocations because they are not part of the fee collection system.

Staff Time Can Be Allocated to Fee Recipients

In order to allocate DMV costs to its fee recipients, the DMV's staff functions need to be identified and quantified. This quantifying process which allows for a more balanced cost allocation includes:

- **Identifying the Percent of Time Devoted to Each Transaction Type (e.g. Renewal, Registration, Titling, Etc.) Comprising the DMV's Total Workload.** To accomplish this quantification, a time study was performed in nine DMV field offices during two summer months. Once a percent of workload was determined for each transaction type, we then assumed that the percentage translated directly to cost. So, if 35% of the DMV's workload was spent on renewals, then 35% of the DMV's costs were allocated to the renewals.

- **Allocating the Costs Assigned to Each Transaction Type to the Fee(s) Collected by That Transaction.** In transactions with only one fee recipient (e.g., titling where the entire transaction is for transportation), the transaction cost and cost allocated to the fee were the same. For transactions in which many fees were assessed and collected simultaneously, as in renewals and registrations, we assumed equal cost sharing among the fees. In other words, if eight fees were bundled together, then each fee would be allocated one-eighth of the cost.

- **Summarizing Each Fee Recipient's Costs Based on the Cost Allocation of Each Transaction Type.** Once all the DMV costs had been allocated to a fee recipient, each fee recipient's percentage of total costs was calculated.

Transactions Can Be Described by Function and Average Time Needed for Completion. As such, costs can be reasonably related to both the amount of time the DMV devoted to a particular transaction and to the fee recipient.

Different DMV transactions take different amounts of time to complete. For example, a DUI impound release generally takes longer to complete than a registration renewal. Thus, in order to standardize transactions, weights were developed for each transaction type based on their average completion time. These average completion times were then

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expressed relative to one transaction chosen to be the standard. As with previous timing studies done by our office and the Tax Commission, renewals, the most common transaction, were the standard transaction against which all other transactions were weighted.

Transaction timing data was collected in the months of July and August in nine offices throughout the state (Cedar City, Farmington, Logan, Park City, Provo, St. George, Salt Lake City (2 locations) and Tooele). During the two months of data collection, 706 completed transactions were timed using previous timing study procedures developed by our office and the Tax Commission. For this study, transaction times started the moment the customer came to the Customer Service Representative's (CSR's) window and ended when the customer left the CSR's window. Since individual CSRs have different skill levels, efforts were made to collect timing data from as many CSRs in an office as possible.

Based on the average times developed from the completed transactions, weights were developed for each transaction type. Renewals, as the standard transaction, received a weight of one. A transaction type, which took twice as long as a renewal, received a weight of two and so on. Once weighted, each transaction type was then expressed as a percentage of the weighted total workload figure. These percentages are shown in Figure 2.

Figure 2. Transaction Percentages of DMV Weighted Workload.
Each value represents the percentage of total time the DMV spends on each transaction type. All of the DMV's time is allocated to these transaction types.

Transaction	On-Road	Off-Road	Boats	Snowmobiles	Other
Renewal	32.81%	2.08%	1.52%	.50%	---
Title	28.11	1.65	.44	.30	---
Registration	18.11	1.22	.36	.22	---
Title Change	4.56	.12	.07	.02	---
Impounds	2.65	.01	.001	.0003	---
Duplicate Registration	1.41	.02	.01	.007	---
Replace Plate or Decal	.79	.005	.02	.001	---
Duplicate Title	.52	.01	.01	.002	---
Transfer Plate or Registration	.02	.07	.12	.01	---
Disabled Placards	---	---	---	---	1.83%
Information	---	---	---	---	.41
Total	**88.97%**	**5.19%**	**2.53%**	**1.07%**	**2.24%**

Almost ninety percent of the DMV's time is devoted to the on-road vehicle transactions. In other words, these transactions represent nine times the time spent on transactions for other vehicle types. For this cost review, DMV costs were allocated based on the percentages of the 38 transaction types shown in Figure 2.

Fee Beneficiaries Can Be Identified for Each Transaction Type.
Fees can be collected that either benefit a single organization or multiple organizations. In cases where only one fee is collected per transaction, the cost is essentially allocated to that single fee beneficiary. For example, the Department of Transportation is the only beneficiary of the on-road title transaction, so 28 percent of DMV costs were allocated to this fee and, consequently, to the Department of Transportation.

A single DMV transaction may collect fees for multiple fee recipients.

Transaction costs involving fee collections for multiple fee recipients were equally divided among the fee recipients. The most notable of the

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bundled fee transactions were registration and renewal transactions which account for over 50 percent of DMV costs.

The assumption that each fee recipient of a bundled fee transaction would share costs equally was made after observing a number of transactions. From these observations, it was determined that little evidence supported the weighting of one bundled fee over another.

It is also important to recognize that transaction fee recipients differ from one location to another. As an example, large counties collect a pollution control fee that small counties do not have. These differences call for the development of a variety of fee scenarios that identify the combinations of transactions and fee beneficiaries. In the allocation of on-road registration and renewal costs, nearly 40 different fee scenarios were established.

From these fee scenarios we were able to identify fee recipient cost percentages. These percentages are shown in Figure 3.

Figure 3. Recipient Percentage of DMV Workload. These
percentages represent the percent of the DMV's workload devoted to
collecting fee revenue for each recipient.

DMV's collection efforts are primarily for collecting DOT fees.

Revenue Recipient	DMV Workload (%)
Utah Department of Transportation	53.70%
Counties	16.46
Uninsured Motorist Program	9.06
Public Education	8.86
Tax Commission	4.03
General Fund	2.92
Public Safety	2.41
Parks and Recreation	1.87
Cities and Towns	.33
Mass Transit	.33
Donations*	.04

** Many entities offer specialty license plates (e.g., Brigham Young University, Weber State University,
the Boy Scouts of Utah) which collect an annual donation as part of the registration and renewal
process. The donation percentage represents the amount of time DMV spends collecting all
donations.*

Figure 3 identifies the percentage of time DMV employees spend at the
customer service counter collecting the fees of each fee recipient.
Administrative support costs are allocated by these same percentages.

We did not observe any activities that could lead us to believe costs
should be allocated in any other way. Management and support activities
were system-based, not activity-based. Cost per fee recipient can be
developed by multiplying the percentage by $11,222,800, the total cost of
DMV's direct operations. Figure 4 shows the direct cost allocation for
fiscal year 2003.

Figure 4. Allocation of Fiscal Year 2003 DMV Costs. These amounts represent what recipients could have been assessed to cover just DMV costs.

Recipient	Allocation of DMV Costs
Transportation	$ 6,026,700
Counties	1,846,100
Uninsured Motorist Program	1,016,800
Education	994,300
Tax	452,300
General Fund	327,700
Public Safety	270,500
Parks/Rec	209,900
Cities/Towns	37,000
Mass Transit	37,000
Donations	4,500
Total	**$ 11,222,800**

Other Tax Commission Divisions
Directly Support DMV Operations

The Division of Motor Vehicles is not a stand alone entity. It is part of the Tax Commission and receives substantial motor vehicle support from the other Tax Commission divisions. Previous cost allocations have not included out-of-division motor vehicle costs—citing these commission costs would exist either with or without the DMV. We disagree with the exclusion of these out-of-division motor vehicle costs which account for 21% of the total cost of collecting motor vehicle fees.

Figure 5. Allocation of Fiscal Year 2003 DMV Costs plus Out-of Division Motor Vehicle Costs. These amounts represent what recipients could have been assessed to cover both the DMV costs and DMV direct costs housed in other Tax Commission divisions.

Recipient	Allocation of DMV Costs	Allocation of Direct Costs	Total
Transportation	$ 6,026,700	$ 1,609,200	$ 7,635,900
Counties	1,846,100	492,900	2,339,000
Uninsured Motorist Prog.	1,016,800	271,500	1,288,300
Education	994,300	265,500	1,259,800
Tax	452,300	120,800	573,100
General Fund	327,700	87,500	415,200
Public Safety	270,500	72,200	342,700
Parks/Rec	209,900	56,000	265,900
Cities/Towns	37,000	9,900	46,900
Mass Transit	37,000	9,900	46,900
Donations	4,500	1,200	5,700
Total	**$ 11,222,800**	**$ 2,996,600**	**$14,219,400**

As shown in Figure 5, the Utah Department of Transportation's (UDOT) share of DMV costs is estimated to be $6 million. UDOT's share could also be increased by an additional $1.6 million to cover direct motor vehicle costs within other Tax Commission divisions.

Other Allocation Methods Have Significant Flaws

Revenue based allocation method inappropriately assigns costs to fee recipients.

Revenue and marginal cost allocation systems do not appear to be as equitable or as consistent in their application as a process-based system. Revenue allocation places most operational costs on the recipient of higher fees (e.g. counties and UDOT) even though it costs no more to collect $1,000 than it costs to collect $10. In other words, if a recipient received 70% of the revenue collected by the DMV, then that recipient would be assigned 70% of the DMV cost. This approach would be reasonable if the amount of revenue collected was related to the cost of collection, but that

is not the case. Adding additional DMV counter staff (i.e., cost) would not result in an increase in DMV revenue.

A marginal cost analysis is also problematic. A marginal cost allocation system would assign a newly added fee recipient only the additional cost of collecting that fee. There would be no assignment of any of the existing base fee so the existing fee recipients support the newer fee recipients. Once the base cost is established it is not readjusted with fee changes. Ideally, a marginal cost system would need an established base and periodic revising of the data to maintain acceptable accuracy and equity.

DMV Has Non-monetary Beneficiaries

Finally, it should be noted that this analysis deals strictly with monetary benefits, specifically the receipt of fee revenue. Non-monetary benefits (e.g., the benefit that public safety receives from having more timely, accurate registration information available than in the past) were not considered in this analysis.

Recommendations

1. We recommend that if the Legislature chooses to allocate DMV costs to user agencies that they select a process-based cost identification system to better reflect the actual cost of fee collections.

2. We recommend that if the Legislature chooses a process-based cost allocation that direct motor vehicle costs contained within other Tax Commission divisions be included in the cost allocation.

3. We recommend that the Tax Commission identify direct motor vehicle costs contained within other Tax Commission divisions.

The DMV Has Made Significant Improvements to Operations and Customer Service

Since 1996, the DMV has made organizational changes which have enhanced its operational efficiency and, as a result, improved its customer service. Two changes that have occurred are the following:

First, the county property tax collection process on motor vehicles, watercraft and off-road vehicles was combined with the registration fee collection process. Previously many customers, particularly along the Wasatch Front, had to stand in two lines—one to pay the vehicle property tax to the county and the other to pay the registration fees to the state. Following consolidation, a customer writes only one check instead of two and stands in only one line rather than two.

Second, the DMV implemented the new Motor Vehicle Administration (MVA) system which significantly altered the division's operations. The MVA system is an online computer system intended to provide quicker title processing and distribution to customers (referred to as title turnaround time) and to provide more up-to-date vehicle registration information to the Department of Public Safety. Both of these goals were met in addition to allowing for better organizational efficiency and improved customer service.

Efficiency of Utah's Motor Vehicle Registration System Has Improved

DMV's staff has decreased over the last ten years even though vehicle numbers have increased.

As a result of legislative changes and improved processes, Utah's state/county motor vehicle registration system processes more transactions while using fewer staff than at any other time over the last ten years. Along with consolidation benefits, the DMV's new MVA system has allowed for quicker processing of titles. Instead of months, it now takes approximately ten business days for customers to receive their titles. In addition to this improved timeliness, it is possible that the division's work has fewer errors as a result of the new system.

DMV Processes More Transactions Per Full-time Employee. Over the past decade, the division has experienced a slight drop in full-time equivalent employees (FTEs) who process DMV transactions while the number of transactions processed has increased. Together, the increased

transactions with the decrease in staff demonstrate increased operational efficiency by the division.

Figure 6 depicts the increases in transactions processed per FTE from 1992 to 2003. The FTE counts include state and county DMV employees involved in the processing of transactions. It does not include DMV administrative employees. This figure also demonstrates the percentage increase in productivity by the DMV.

Figure 6. The DMV Has Increased Productivity. Division employees handled more transactions per FTE in 2003 than in prior years.

Year	FTEs	Transactions	Average Transactions Per FTE	Percent Increase In Productivity
1992	208	1,705,108	8,200	
2000	200	2,276,439	11,407	39.1%
2003	193	2,436,518	12,631	10.7%

The number of FTEs for 1992 was estimated based on 1993 data. Further estimating was done since the state and county functions were separate at this time. The breakout would be approximately 166 state DMV and county FTEs conducting transactions and 42 state DMV staff doing back-end processing to complete these transactions.

According to DMV staff, the MVA system is a more adaptable system than the previous Legacy system. MVA allows for even more transactions to be processed without increasing staff. Further, the online nature of the MVA system potentially allows for more DMV transactions to be handled by third parties, non-DMV offices, rather than division staff.

State's Motor Vehicle System Is Operating with Fewer Employees. Overall, the state's system has decreased its number of employees since 1992. This reduction was possible, in part, due to the 1996 consolidation of both the state motor vehicle collections and the county vehicle property tax collection processes that eliminated some duplication of work. This action followed a 1994 legislative audit recommendation on the Motor Vehicle Division.

In addition, tight budgets in 2002 and 2003 continued to lower the number of staff. It appears that the increased efficiencies created by the

Fewer DMV staff process more transactions.

MVA system in transaction processing may have allowed the division to better cope with budget-related staff reductions. The division director noted that the intent of the new MVA system was not to decrease the number of staff, but instead it was to allow existing staff levels to handle expected growth in transactions.

Figure 7. The Statewide Motor Vehicle System Has Decreased Employees Involved in Transactions. From 1993 to 2003 the division is operating with fewer employees.		

Year	FTEs Involved in DMV Transactions	Percent Decrease in FTE Employees
1993	208	---
2000	200	- 3.8%
2003	193	- 3.3%

The division reduced FTEs by 3.8% between 1993 and 2000. There was an additional 3.3% reduction over the last three years, some of which is attributed to staff budget cuts. Regardless, the division appears to be adequately handling the decreases in staff and increases in transactions.

MVA System Has Significantly Dropped Title Turnaround Time. According to several financial institutions and car dealerships, one of the major improvements of MVA over the older system is that the division processes a title much quicker now, getting it sent out to the customer within one to two weeks (referred to as title turnaround time). The current DMV director said that the title turnaround under the old system was anywhere from 8 weeks to 4 months, depending on the time of the year. For example, during income tax season, title processing took longer because many of the employees handling the titling paperwork had to help out with tax collections.

Currently, the titling process is handled mostly by the customer service representative (CSR) up front as he/she inputs vehicle and owner information. Prior to this method, paperwork was collected by the CSR but not processed. Once the paperwork was collected, it had to pass through various channels before the entire transaction was completed. Now, the more automated system processes transactions more effectively

Customers now receive vehicle titles in 2 weeks, rather than several weeks.

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and has internal controls that eliminate the more time consuming steps of the previous system.

According to DMV staff, under the old system the number of times title paperwork changed hands between staff also increased the likelihood of misplacing documentation. DMV staff indicated that this problem has been virtually eliminated with the MVA system. In contacting three large financial institutions and three car dealerships, all say the process is quicker for them and their customers. Two of these organizations said that it previously took about three months to receive a title. One spokesperson said it was not uncommon for a title to take four months to process. In contrast, title processing and delivery now take about ten days.

Further, DMV staff indicated that the MVA system has additional advantages as well. For example, any problems with titles from inputting errors are more apt to be caught up front by the CSR—such as a wrong vehicle identification number or a misspelled name. Before, this information may not have been caught until the next year during a customer's registration renewal or when an owner attempted to sell the vehicle. We were not able to validate any savings due to reduction in error rates because, under the old system, the errors were only found manually and at random by DMV employees.

MVA System Provides Some Improvements to State and County DMV Offices. State and county DMV staff benefit from MVA by accessing online customer information data. One reason an online system is good is that staff can put "flags" on problem customers' accounts, such as the writing of bad checks. According to some county and state DMV staff, the following are benefits to DMV offices:

- Flags can be placed on customer accounts which can be accessed by all DMV customer service representatives (CSRs).
- CSRs can access data from other DMV workstations around the state.
- Fewer customer complaints occur.

In talking with a limited number of county and state DMV staff, most seem pleased with the MVA system and the number of control features it has as compared to the former Legacy system. According to one county representative, an advantage of the MVA system is that it stops "county hoppers" from trying to register their vehicle in a different county, such as

when the person has a revoked registration. It also alerts CSRs if a customer has a record of writing bad checks. The DMV was unable to provide us with actual data on the number of bad checks written or county hoppers; however, we did determine that better controls are in place to help prevent this behavior.

Overall, DMV staff believe that the MVA system has much better administrative controls than the former Legacy system and reduces inputting errors. These improvements organizationally have the additional benefits of improved customer service and system organization.

DMV Has Made Improvements In Customer Service

The division's organizational improvements have helped provide better customer service to the general public. Customers renew registrations quicker, have shorter line waits, and have more registration renewal and titling options when they visit the DMV office. As of November 2003, customers also have the recent benefit of using credit cards as a form of payment.

Customer counter times for renewals are 40% faster now with MVA system.

Process Changes Have Improved Customer Service. Customers who renew their registration in a DMV office have found that the actual time they spend at service counters is less. Counter times for fiscal year 2003 renewals were 40% faster than in 2000 under the Legacy system. This is a further improvement to the overall customer wait times in the larger counties when the 1996 property tax and vehicle registration transactions were streamlined. Figure 8 depicts the customer counter times over the past decade.

Figure 8. Customer Counter Times for Renewals Improved Significantly with MVA. Renewal times are down; however, title and registration times are slightly higher because more work was done face-to-face with customers in 2003 than in DMV operations prior to 2001.

Transaction Type	1993	2000	2003	Change from 1993 to 2003
Renewals	2:44	2:47	1:42	-1:02
Title and Registration	6:00	5:23	6:10	+ :10

As Figure 8 shows, for titling and registering a vehicle, the customer counter time slowed from 5:23 minutes in 2000 to 6:10 minutes in 2003. The increase in counter time can be attributed to all the work now being conducted by the CSR. Prior to MVA, the CSR would collect the paperwork, but other DMV staff entered the information into the system at a later time.

Titling and registration, however, did experience a 10% decrease in the counter time between 1993 and 2000 because of the legislatively driven process changes. Nevertheless, even though the registration and titling in 2003 required more time at the counter for the customer, there are benefits. According to DMV staff, incorrect data entry errors are greatly reduced, thus eliminating the need for the customer to return for corrections. Further, the customer receives the vehicle title in a couple of weeks rather than a few months.

Figure 9 demonstrates the entire processing time under the Legacy system which includes counter times along with the back-end processing time necessary for the Legacy system. The 1993 data shows DMV operations prior to the 1996 consolidation of county property tax collections and state property tax collections. The 2000 data conveys DMV operations after consolidation of state and county processes but before the MVA computer system was implemented in 2001.

MVA has reduced
overall renewal
transaction
processing time by
50%.

Figure 9. Overall Transaction Processing Time is Lower in 2003 than 1993. These transaction times were adjusted to include back-end processing work which was conducted in 1993 and 2000. Since the back-end work took place after the customer left the DMV, this work did not involve the customer.

Transaction Type	1993	2000	2003	Change from 1993 to 2003
Renewals	3:21	3:24	1:42	- 1:39
Title and Registration	6:50	6:13	6:10	- :40

Note: Back-end processing time was added to the 1993 and 2000 timings to make them comparable with 2003 timings. Back-end processing was needed in 1993 and 2000 to complete the transaction. The amount of time added for 1993 and 2000 renewals and registrations was 37 and 50 seconds respectively. The MVA system, released in 2001, does not require back-end processing to complete the transaction.

From a customer perspective, renewals at the customer counter are now quicker. From an organizational perspective, both renewals and title and registration transaction times are an improvement in 2003 over prior years. There is an additional benefit of the MVA system—line waits are shorter, possibly due to the quicker counter times for renewals. Renewals are the most common transaction conducted at the DMV office, accounting for approximately 41 percent of all transactions.

Customer Line Wait Times Have Been Reduced. Line times at DMV offices have decreased, on average, among state-run DMV offices. In 2001, the average line wait for state-run offices was 24 minutes; currently the line wait is 19 minutes. The shorter wait time is an unexpected benefit of the new MVA system, since DMV staff expected the extra work performed up front by the CSR would actually increase wait times.

Customer wait times
have decreased on
average by 17%.
The greatest
improvement was a
41% decrease.

Even greater improvements were made at Salt Lake County DMV offices. In the two offices in Salt Lake County, one office saw an average reduction of 20 minutes—from 44 minutes in 2001 to 24 minutes in 2003. The other office saw an average reduction of 16 minutes—from 44 minutes in 2001 to 28 minutes in 2003. Still, at the end of April, when many customers register their outdoor recreation vehicles and watercraft, line waits reported by one of the Salt Lake County offices averaged 62 minutes. However, this same office only had an 8 minute wait at the end

of July. Long lines in April are mostly the result of increased recreational vehicle and watercraft registration activity.

In three rural offices, there was a slight increase in line wait times from 2001 to 2003, but actions have been taken to resolve the causes of these increases. The largest increase among the three offices was 11 minutes. The DMV manager of this office said the reasons for longer waits were population growth, staff shortages, and slow data processing by the computers. Slow data processing is due to multiple organizations "piggy backing" on the same data lines; this problem is being resolved with new data processing routers.

DMV staff provided us with the line time data collected at 10 state-run offices where customer population is highest. We used three years of DMV data on line times to gain a historical perspective since we were only able to observe a few months of activity at DMV offices. Some DMV data is self-reported by office managers, but the Salt Lake County offices have an automated system that times customer line waits from point of entry into the office until the transaction begins at the counter.

We did observe that customer behavior is a key element affecting line wait times. For example, there are rarely long waits in the middle of the month, the middle of the week, mid-morning, or mid-afternoon. On the other hand, waits can be longer early or late in the month, early or late in the week, and midday. The resulting cyclical pattern does pose a staffing problem. The DMV's administration is looking at ways to meet customer timing needs in the most cost efficient way possible.

DMV Has Increased Customer Options for New Vehicle Registration and Renewals. The DMV has set up and, in some cases, expanded the payment options for vehicle registrations in an attempt to reduce waits and increase satisfaction. Similarly, some auto dealerships prepare vehicle registrations and titles on new automobiles.

The DMV started with mail-in renewals and then added internet renewal processing. Internet renewals now account for eight percent of all division transactions. The division expects further increases in online registrations with the elimination of user fees as of July 1, 2003. Online renewals can help further ease the strain on DMV offices to handle the

customer traffic since renewals are one of the most frequently conducted transactions. Figure 10 depicts the increase in mail-in and online renewals.

Figure 10. Online and Mail-in Renewals Have Increased the Past Three Years. Renewals over the internet have grown each year since their inception three years ago, while mail-in renewal numbers have remained constant.

Online and Mail-in Renewal Totals
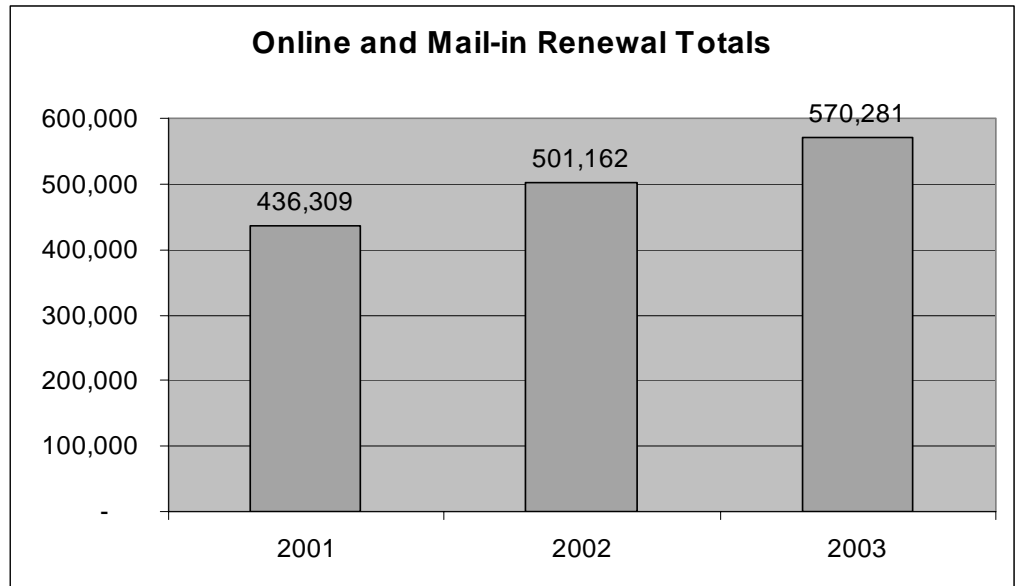
Online renewals have been a customer option since September 2000. Over the past three years there has been an increase in the number of online renewals, and these numbers, according to DMV staff, are projected to continue increasing.

More recently, the DMV began accepting credit cards at its offices. This more consumer-friendly payment method will reduce the number of customers having to return because they lacked either cash or checkbook. DMV staff mentioned that customer credit card use is expected to reduce the number of bad checks written.

Another customer service improvement is that customers can now renew registrations on the spot at some vehicle inspection businesses rather than going to a DMV office. DMV staff expect third party transactions to be handled by even more businesses in the near future where customers inspect their vehicles and pay for the registration all at once. The MVA system, as an online system with internal controls, can accommodate these

Third party processing could dramatically change DMV's future operations.

additions. The division feels that these third party transactions will continue to alleviate strain on DMV offices by allowing customers to conduct their DMV business offsite.

Recommendation

1. The DMV should continue to explore and implement customer service improvements to alleviate periods of in-office, high customer volume.

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Agency Response

UTAH STATE TAX COMMISSION

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Commission Chair

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Commissioner

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Commissioner

RODNEY G. MARRELLI
Executive Director

STATE OF UTAH

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

January 20, 2004

Wayne L. Welsh, CPA
Legislative Auditor General
130 State Capitol
Salt Lake City UT 84114-0151

Re: Performance Audit of Division of Motor Vehicles

Dear Wayne:

Thank you for allowing us to review the draft Performance Audit of The Division of Motor Vehicles (report No. 2004-2). We appreciate the professionalism of your auditors and express our thanks to you and to them for the opportunity to have you evaluate our system and processes, and to make comments and suggestions concerning them.

The first section of your report and the related recommendations are directed at how the Motor Vehicle Division and related motor vehicle work done by the Tax Commission could be funded. We agree that the method you suggest in this report is one method that could be used. Our interest is that we need to be funded at current level in order to maintain service to the motor vehicle public. The policy decision on where that funding comes from belongs to the Legislature.

As you indicate throughout the report, recent motor vehicle systems and process changes have made significant improvements in both productivity and customer service. Our employees have worked hard to achieve these improvements and will make every effort to use the funding allocated to us to enhance the service to the citizens of the state.

Sincerely,

Rodney G. Marrelli
Executive Director

kd