

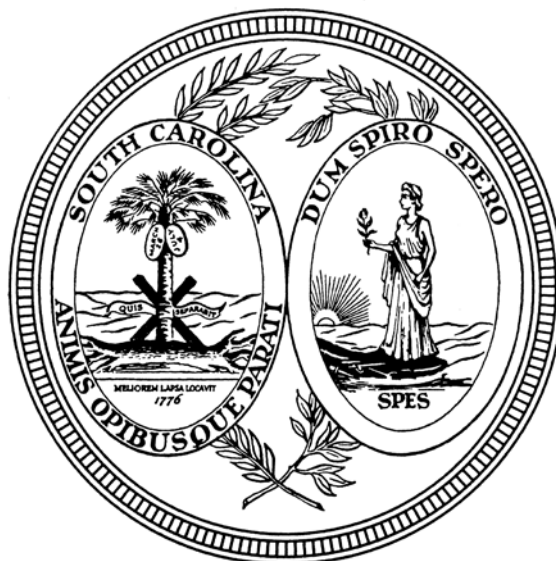


SOUTH CAROLINA GENERAL ASSEMBLY

# Legislative Audit Council

November 2007

## A REVIEW OF THE SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES



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# Legislative Audit Council

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## **A REVIEW OF THE SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES**

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# Synopsis

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State law requires us to conduct a review of the South Carolina Department of Motor Vehicles (DMV) every three years. This is our initial review.

DMV employs more than 1,500 staff at 69 field offices and its headquarters to provide services that include licensing drivers, registering and titling motor vehicles, and overseeing motor carriers. As of FY 05-06, South Carolina had approximately 3.1 million licensed drivers and 3.7 million registered motor vehicles.

DMV has made a number of changes to improve operations in recent years. For example, the department has:

- Implemented a structured system for managing the customer wait process.
- Established a unit to investigate fraud.
- Implemented an automated insurance reporting system to detect uninsured motorists.

Below we summarize these findings as well as areas in which further improvement can be made.

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## Field Office Operations

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- To reduce and measure customer wait times, DMV has implemented a computerized queuing management system in its higher-volume field offices.
  - There are anecdotal statements by DMV's customers that wait times have been reduced significantly in recent years.
  - In its FY 04-05 accountability report, DMV indicated that average customer wait times had been reduced by almost an hour. The department, however, does not have adequate controls to ensure consistent measurement of wait times.
  - Wait time statistics are not reported in a format that helps customers determine the best days and times to visit their local DMV offices.
  - The department has not established a written methodology for determining staffing, business hours, or field office sizes and locations.

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## Financial Issues

- DMV does not periodically measure the cost per transaction for the various motor vehicle and driver's license credentials it issues. It has also not established cost per transaction goals.
- DMV could improve its efforts to communicate the availability of conducting transactions online and through the mail, which can cost significantly less than in-person transactions.
- When a DMV field office is sold, the Budget and Control Board is authorized by state law to spend the proceeds to benefit agencies other than DMV. As a result, DMV has fewer funds available for relocating field offices when they become overcrowded.

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## Fraud and Error Prevention

- In 2005, DMV established a separate unit to investigate fraud by department staff and the public.
- The department has implemented a program for training its staff in fraud detection and prevention. However, the number of staff trained has been limited.
- The department conducts criminal background checks on its employees. It has not implemented a program of conducting credit checks. Employees with poor credit ratings may be more likely to commit fraud.
- To assist in the detection of fraud by driver's license applicants, the department electronically scans the personal identification documents of non-U.S. citizens. The department does not scan the identification documents of applicants who are United States citizens.
- Field office error rate statistics are not maintained by the department. Transaction errors by field office staff can include the incorrect transcription of birth dates, social security numbers, and vehicle identification numbers.
- In 2005, the federal Real ID Act was enacted to create national standards for obtaining a driver's license or identification card. DMV has estimated a significant increase in cost and customer wait time if these standards were to be adopted by South Carolina. In June 2007, the General Assembly enacted legislation stating that South Carolina would not adopt the federal Real ID standards.



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## **Efforts to Prevent Uninsured Motorists**

- Although there is no method for definitively calculating South Carolina's uninsured motorist rate, DMV estimates that the rate has declined from 18% in 2003 to 9% in 2006.
- In January 2008, DMV will begin requiring insurance companies to report all of their insured motorists and vehicles on a regular basis. As a result, DMV's efforts to detect uninsured motorists will be enhanced.
- State law allows motor vehicle dealers to design, produce, and issue temporary license plates for newly-sold vehicles. As a result, the likelihood of individuals altering temporary license plates or producing counterfeit plates is increased.

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## **Commercial Driver's License Program**

- In 2006, the Federal Motor Carrier Safety Administration "deobligated" more than \$500,000 in federal grant funds that had not been spent by DMV during the periods established for the grants.
- The Federal Motor Carrier Safety Administration has cited DMV for being late in notifying other states of drivers convicted of moving violations in South Carolina. DMV officials stated that they have not successfully addressed this issue, because they were not being informed of moving violation convictions in a timely manner.

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**Synopsis**

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# Introduction and Background

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## Audit Objectives

In 2003, §56-1-5(F) of the South Carolina Code of Laws was enacted, requiring the Legislative Audit Council to conduct an independent review of the Department of Motor Vehicles (DMV) every three years.

We determined our objectives based on interviews with DMV staff, a survey of field office personnel, communications with interested outside organizations, reviews of internal reports and data, and practices in other states. Our objectives were to review DMV's:

- Efforts at improving the timeliness and accuracy of its services.
- Cost-related performance measures and methods of controlling costs.
- System for minimizing fraud by its employees and citizens.
- Controls for preventing uninsured motorists.
- Implementation of recommendations from the Federal Motor Carrier Safety Administration regarding the issuance of commercial driver's licenses.

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## Scope and Methodology

We reviewed the operations of the Department of Motor Vehicles relevant to our audit objectives. We also reviewed the potential impact of the federal Real ID Act. The general period of our review was July 2003 through December 2006, with emphasis on July 2005 through December 2006. The beginning of this time frame was selected based on the establishment of the department, in its current form, in June 2003. To complete our review, we used evidence which included the following:

- Data from DMV's finance, human resources, information technology, and field office operations.
- State and federal laws and regulations.
- DMV's Automated Liability Insurance Reporting (ALIR) system.
- Interviews with DMV staff, federal government staff, and other states' departments of motor vehicles.
- Information from the American Association of Motor Vehicle Administrators.

When addressing some of our objectives, we relied on computer-generated data maintained by DMV. We performed audit tests to confirm the reliability of data when it was significant to our objectives. We found that the department did not have adequate controls to ensure consistent measurement of customer wait times. This audit was conducted in accordance with generally accepted government auditing standards.

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## Background

In 1917, the South Carolina Department of Motor Vehicles was established as the Division of Automobile Licensing and Registration. By the 1930s, the name had been changed to the Motor Vehicles Division. Throughout the history of the department, DMV has fallen under the control of several different state agencies. In June 2003, the DMV Reform Act made DMV a stand-alone agency.

The agency's headquarter operations were consolidated in FY 04-05 in Blythewood, S.C. The department has 69 field offices.

South Carolina law requires every motor vehicle operated on a roadway in the state to be registered and licensed. State law also requires the licensing of motorists who operate these vehicles. The DMV is responsible for licensing and registering of vehicles. It is also responsible for licensing motorists. As of FY 05-06, South Carolina had 3.1 million licensed drivers and 3.7 million registered motor vehicles.

DMV's accountability reports indicate that it had 1,212 employees at the end of FY 03-04 and 1,504 employees at the end of FY 05-06. Between FY 03-04 and FY 05-06, expenditures increased from \$59.6 million to \$70.5 million. Total fees paid by motorists to DMV in FY 05-06 were \$275.8 million. State law requires that most of these fees be transferred to other state agencies.

# Field Office Operations

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We found the following regarding the Department of Motor Vehicles' (DMV) field office operations:

- DMV has taken steps to reduce wait times. However, improvements are needed in DMV's methods for measuring and reporting wait times.
- DMV does not have a written methodology for determining staffing levels, business hours, or field office sizes and locations.

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## Wait Time Measurement and Goals

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### Efforts to Reduce Wait Time

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DMV has implemented a structured system for managing the customer wait process and has increased the number of its employees. It does not have adequate controls to ensure consistent measurement of wait times. Also, DMV has not adequately reported its wait times to the public.

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There are anecdotal statements from DMV's customers describing how wait times have been significantly reduced in recent years. The department, in its FY 04-05 accountability report, stated that the average customer wait time has been reduced by almost an hour. DMV reports that it reduced its average statewide wait time from 10.1 minutes in FY 04-05 to 7.2 minutes in FY 05-06. The department, however, does not have adequate controls to ensure consistent measurement of wait times (see p. 4).

To reduce and measure wait times in 42 higher-volume field offices, DMV has implemented an automated queuing management system, designed by a company called Q-matic. The system allows DMV to manage the wait process in an orderly manner. The system also measures the wait time for each customer and calculates an average wait time at the end of the business day. In DMV's 27 lower-volume field offices, less formal methods are used to estimate the average customer wait time.

Using the average daily wait times, DMV headquarters calculates the average monthly wait times and uses the monthly averages to calculate average yearly wait times for each branch office. The average yearly wait times for each office are averaged at the end of the fiscal year, resulting in a statewide average annual wait time that DMV reports in its annual accountability report.

Another factor in the reduction of wait times may be an increase in the number of DMV employees. DMV's accountability reports indicate that the department had 1,212 employees at the end of FY 03-04 and 1,504 employees at the end of FY 05-06.

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## Inadequate Controls for Measuring Wait Times

DMV does not have adequate controls to ensure consistent measurement of wait times at its field offices. For example, the department does not have a written definition of wait time that it uses in each of its field offices. In addition, DMV does not use consistent methods to measure wait times at its lower-volume field offices. As a result, the department may not be able to make useful comparisons of wait time statistics between different field offices and between fiscal years.

In its higher-volume offices, DMV reports that it measures wait time from the moment a customer is issued an automated queuing management ticket until the transaction begins. When an office is busy, however, a customer may be required to wait for a period of time after entering the office before being issued a ticket. An official in one office reported wait times of up to five minutes before some customers are issued tickets.

In its lower-volume field offices, the department reports that it measures wait time from the moment a customer enters the office until the transaction begins. Department officials report that these offices do not have an automated queuing management system because the cost would outweigh the benefits. Instead, customer wait time is measured using less formal methods. Using one method, the field office manager makes an “observation” of wait times at different times of the day. Using another method, a DMV employee will sometimes hand customers entering the field office a piece of paper marked with the current time. When the customer arrives at the transaction window, the elapsed time is noted and recorded.

We reviewed examples of internal wait time reports completed by each field office manager at the end of each business day. In some cases, wait times were left blank. In other cases, wait times were not being recorded in a consistent format.

The combined effect of these inconsistencies may prevent DMV from making useful comparisons between:

- Wait times in higher-volume field offices vs. lower-volume field offices.
- Wait times in different lower-volume field offices.
- Average wait times statewide in different fiscal years.

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## Goals and Standards

According to DMV officials, it is the goal of all DMV field offices to limit the average daily wait time to 20 minutes. However, DMV was not able to provide us with a written policy regarding this wait time goal, which could lead to differing interpretations of the goal. For example, a DMV official stated that the goal is not to exceed a 20-minute *average* daily wait time. However, field office managers are required to inform headquarters when the actual wait time for *any customer* exceeds 20 minutes.

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## Wait Time Statistics Reported to the Public

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DMV does not publicly report wait times for individual offices. In its annual accountability report, DMV reports the average annual statewide wait time. This is the only number regarding wait times that is reported to the public. If DMV were to report wait time statistics for each field office, customers would be able to determine the best times to visit their local DMV offices.

Indiana and Virginia have average wait time reports for each field office on their websites. Indiana reports the monthly average wait times for larger field offices for each day of the week. Other states, including Massachusetts, California, and Washington, report real-time wait times for larger offices.

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## Conclusion

While DMV has taken steps in recent years to reduce customer wait times, it does not have adequate controls to ensure consistent measurement of wait times. The department has no written definition of wait time and has not established written goals for wait times. Because of this, DMV may be using imprecise data to determine staffing levels, business hours, and field office sizes and locations.

Customer wait times for individual field offices are not publicly reported. This information would allow the public to determine the best time to visit local DMV offices.

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## Recommendations

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1. The Department of Motor Vehicles should establish a written definition of wait time in order to provide consistency in measurement and reporting.
  2. The Department of Motor Vehicles should implement controls to increase the consistency with which it measures customer wait times at its field offices.
  3. The Department of Motor Vehicles should develop annual written wait time goals for its field offices.
  4. The Department of Motor Vehicles should report wait time statistics for each field office to the public.
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## Variation in Customer Wait Times and Staff Workload

The staffing levels at DMV's field offices have resulted in significant variation in customer wait times and staff workload among field offices. The department, however, does not have a written staffing methodology to ensure that the variation is minimized.

Table 2.1 shows a large disparity regarding wait times and staff workload among field offices with similar staffing levels in FY 05-06. Analyzing the factors affecting this disparity can be complex. For example:

- According to DMV, the services offered by the first three field offices on the table (Lancaster, Irmo/Ballentine, North Augusta) include some of the most time-consuming types of transactions, such as international customer services, commercial driver’s licenses, and motorcycle licenses. These three offices, however, had the shortest wait times.
- Although the field office with the most transactions per employee had the longest wait time (Anderson), the office with the fewest transactions per employee had an above average wait time (Charleston).
- DMV officials note that field offices have significant differences in staff experience levels, which can affect the number of transactions per employee. As a consequence, wait times are also affected.

The interrelationship of these factors and others indicates the need for a written methodology to determine staffing levels. Although variation cannot be eliminated, it is likely that it can be reduced.

In the short-term, DMV’s ability to adjust staffing levels may be limited by the size of its field offices. However, by developing a formal staffing methodology, DMV could minimize long-term variation in wait time and staff workload.

**Table 2.1: Variation in Wait Times and Staff Workload at DMV Branch Offices in FY 05-06**

OFFICE	AVERAGE WAIT TIME (IN MINUTES)*	AVERAGE NUMBER OF EMPLOYEES	TRANSACTIONS PER EMPLOYEE
Lancaster	1.9	10.6	10,330
Irmo/Ballentine	2.8	12.0	9,083
North Augusta	5.1	10.4	9,878
East Cooper (Mt. Pleasant)	6.6	10.5	9,213
Charleston – Lockwood Blvd.	9.2	11.0	7,647
Decker Mall (Columbia)	10.6	10.8	12,584
Anderson	16.2	11.5	13,609

\* DMV’s wait time data may not be precise due to inadequate controls for ensuring consistent measurement (see p. 4).

Source: S.C. Department of Motor Vehicles

## Recommendation

5. The Department of Motor Vehicles should use a written methodology to determine staffing levels at its field offices to minimize variation in customer wait times and staff workload.



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## Extended Hours

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DMV offers Saturday service hours at 6 of its 69 locations across the state. These extended hours provide increased convenience for DMV's customers. However, the specific locations and hours were not determined through formal analysis. In addition, DMV has not formally reviewed the success or effects of its Saturday hours. Also, DMV may be overlooking feasible alternatives to Saturday hours.

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## Saturday Hours and Locations

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DMV offers Saturday hours (8:30 am – 1:00 pm) at six offices around the state, specifically Greenville, Aiken, Lexington, Florence, Charleston, and Rock Hill. DMV officials told us that they wanted to offer Saturday hours near larger towns, spread evenly throughout the state, so even those in rural areas would be able to drive to a DMV location on Saturday. DMV's field office employees throughout the state work approximately one Saturday per quarter.

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## Evaluation of Saturday Hours

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DMV officials have stated that they have not officially evaluated the success of Saturday hours. The department does keep track of the number and type of transactions processed on Saturdays for the six offices. For example, in 2006 in the Aiken office, Saturday transactions accounted for about 5.3% of its total transactions for the week. However, because DMV has not developed a goal for the number of Saturday transactions expected, there is no standard with which this percentage may be compared.

To determine overall customer satisfaction, DMV relies on surveys conducted by the University of South Carolina's Institute for Public Service and Policy Research. These surveys, however, do not specifically ask about customer satisfaction with the extended hours offered by DMV.

It is important for DMV to routinely evaluate its office hours to determine if changes are needed. DMV officials stated that the offices selected for Saturday hours allow a customer to drive no more than 50 miles one way to access Saturday service. However, DMV has not determined where the customers live that utilize Saturday hours. For example, the distance from the Lancaster DMV office to the Rock Hill office is about 34 miles. Rock Hill offers Saturday hours and Lancaster does not. If DMV were to find that few customers from Lancaster visit the Rock Hill office on Saturdays, that could indicate that the communities do not benefit equally from Saturday hours.

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## Alternatives to Saturday Hours

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In order to improve customer satisfaction, some states offer extended hours during the regular business week. Other states keep some of their offices open Tuesday through Saturday.

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## Recommendation

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## Determining Field Office Sizes and Locations

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6. The Department of Motor Vehicles should implement a written methodology for determining its office hours.
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DMV has not established a written methodology for determining when and where new field offices should be opened, nor has it established criteria for determining which field offices are in need of expansion and which offices should be closed. As a result, DMV may not be able to accurately determine where there is an increased need for more space and staff.

According to DMV officials, certain field offices have added new or temporary service windows to accommodate new growth patterns in various areas of the state. However, some field offices have reached their capacity for growth and cannot expand beyond the physical boundaries of the building. For example, according to agency officials, the office in Lexington has reached its capacity for growth.

DMV officials report that new field offices are usually built in high-growth areas in the state where current field offices already exist. Although DMV has a comprehensive plan for capital improvements, it does not have formal criteria for determining when and where new offices should be located or when current offices should be expanded. As a result, there is a reduced likelihood that the capacity of a new or expanded office will correlate with customer demand. The Irmo/Ballentine office, built in 1994, reported an average annual wait time of 2.8 minutes in FY 05-06. The statewide average annual wait time for FY 05-06 was 7.2 minutes, while DMV's goal is 20 minutes. This office had one of the shortest wait time averages in the state, indicating that it may be underutilized by customers or overstaffed.

The Pageland office is only open one day a week, while all other DMV field offices are open every weekday. The Pageland office is also located within approximately 20 miles from both the Chesterfield and Lancaster field offices. Based on these factors, it is inefficient for DMV to continue operating the Pageland office.

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## Recommendations

7. The Department of Motor Vehicles should establish a written methodology for determining when to open, expand, or close field offices.
8. The Department of Motor Vehicles should close the field office in Pageland.

# Financial Issues

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We reviewed several finance-related issues at the Department of Motor Vehicles (DMV) and found the following:

- DMV does not adequately monitor its transaction costs.
- DMV could improve communication of the availability of conducting transactions through the Internet and the mail.
- When a DMV field office is sold, state law allows the Budget and Control Board to spend the proceeds to benefit other state agencies.

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## Measurement of Transaction Costs

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DMV does not periodically measure the cost per transaction for the various motor vehicle and driver's license credentials it issues. It also has not established cost per transaction goals.

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## Background

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Prior to the formation of DMV as an independent agency in 2003, DMV and the Department of Public Safety calculated cost per transaction statistics. Since then, DMV has not formally calculated cost per transaction statistics.

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## Benefits of Measuring Costs

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Periodic measurement of the following transaction costs could help DMV better manage its resources.

### **Cost of Providing Each Type of Service**

Measuring the cost per transaction for each category of service (for example, the issuance of driver's licenses, vehicle titles, and vehicle registrations) would allow the department to establish agency-wide cost objectives. In addition, the department would more accurately be able to evaluate the financial impact of adding procedures to prevent fraud and errors.

### **Cost of Providing Service Based On Method of Delivery**

DMV provides its services in-person, through the mail, and through the Internet. Measuring the relative cost of these delivery methods could help the department develop incentives for customers to use low-cost methods. The department would be able to ensure that the cost of incentives do not outweigh their benefits.

### **Cost of Providing Service at Each Field Office**

Measuring the cost per transaction at each of DMV's 69 field offices would allow the department to more accurately analyze the offices' efficiency. This information would increase the department's ability to make data-based decisions regarding the expansion, relocation, and termination of its offices.

**Cost of Providing Service By Day of the Week and Time of Day**  
Measuring cost per transaction by day of the week and time of day would assist DMV in determining when its field offices should be open.

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## Reporting of Transaction Cost Data

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As required by state law, DMV publishes an annual accountability report with performance data regarding its operations. If this report were amended to include DMV's cost per transaction goals and its actual costs, the General Assembly and the public could better evaluate the performance and needs of the department.

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## Virginia DMV

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In FY 04-05, the Virginia DMV began annual calculation and reporting of the cost of its motor vehicle and driver's license transactions using a methodology called "activity based costing."

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## Conclusion

If the South Carolina DMV were to use cost per transaction data in making its management decisions, there would be increased assurance that resources were being used efficiently.

It is important to note that it could take several years of cost per transaction calculations before DMV could set meaningful cost per transaction goals. In addition, cost should be one of multiple factors considered when making management decisions. Other factors could include customer wait times, fraud prevention, and error prevention (see pp. 3, 13, and 16).

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## Recommendations

9. The Department of Motor Vehicles should annually calculate the cost of conducting its motor vehicle and driver's license transactions.
  10. The Department of Motor Vehicles should establish cost per transaction goals for its motor vehicle and driver's license transactions.
  11. The Department of Motor Vehicles should indicate in its annual accountability report the extent to which it has met its cost per transaction goals.
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## Internet and Mail Transactions

We reviewed DMV's efforts to encourage customers to obtain services through the Internet and mail, which can cost significantly less than in-person transactions. We found that public use of online services has increased since 2003. However, the department could better advertise services available through its website and the mail.

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DMV provides services online, including driver's license renewal, registration renewal, and payment of reinstatement fees. Public use of online services increased from 94,884 transactions in 2004 to 197,476 in 2006.

Online and mail transactions can improve customer service because of convenience and the relief they provide in the volume of traffic at field offices, resulting in shorter wait times. These transactions can also reduce the number of necessary field office staff and costs. DMV does not periodically measure the cost per transaction of providing services online and through the mail compared with services provided at field offices (see p. 9).

Public awareness of the availability of these services is unclear. Field offices display signs encouraging customers to visit DMV's website, but they do not state that many services typically handled at field offices may be conducted online. These signs also do not inform customers that certain transactions may be conducted by mail. Driver's license renewal forms sent to customers note that transactions may be conducted by mail or online, but they do not provide the web address. Improved communication of the availability of services online or by mail may further increase the volume of these transactions.

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## Recommendation

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12. The Department of Motor Vehicles should take steps to better communicate to customers the option of conducting transactions online or through the mail.
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## Proceeds from the Sale of Field Offices

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When a Department of Motor Vehicles (DMV) field office facility is sold, the Budget and Control Board is authorized by state law to spend the proceeds to benefit agencies other than DMV. As a result, DMV may have fewer funds available to relocate field office operations when facilities become overcrowded and it is not feasible to expand.

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## State Law

Proviso 73.5 of the FY 07-08 appropriations act states:

Except for any properties where the Board determines title should not be in the name of the State, ... title of any property held by or acquired by a state agency or department shall be titled in the name of the state under the control of the Budget and Control Board. Titling in the name of the state shall not affect the operation or use of real property by an agency.

Section 1-11-115 of the South Carolina Code of Laws states:

All proceeds from the sale of real property titled to or subject to the care and control of the State Budget and Control Board must be deposited to the credit of the Sinking Fund and used by the board for the acquisition and maintenance of facilities owned by it for the use and occupancy of state departments and agencies.

It is the interpretation of the Budget and Control Board that the proceeds from selling DMV field offices may be spent by the board for agencies other than DMV.

Some state agencies are exempt from proviso 73.5. They include colleges and universities, the Department of Transportation, Santee Cooper, the Ports Authority, and the Medical University of South Carolina Hospital Authority. Proceeds from the sale of real property used by an exempted agency may be spent exclusively by the exempted agency.

DMV currently receives no appropriations from the General Assembly in the state's annual budget. Rather, the department operates using a percentage of the fee revenues it collects. Most of the fee revenues are transferred to other state agencies. In FY 05-06, the department collected \$275.8 million in fees and had expenditures of \$70.5 million.

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## Effects of State Law

By not allowing DMV to retain the proceeds from the sale of field office facilities, proviso 73.5 provides disincentive for DMV to relocate its field office operations. Relocation, however, may be needed when:

- A facility becomes regularly overcrowded and it is not feasible to expand.
- Traffic on adjacent roadways becomes congested, making customer access difficult and driver's license road tests more time-consuming.
- A facility is regularly underutilized.

Proviso 73.5 can delay the improvement of customer service that could be realized by using the proceeds from the sale of an inadequate facility to purchase, construct, or improve another facility. It also can increase the time DMV occupies real estate that could be sold to private entities or other government agencies.

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## Recommendation

13. The General Assembly should amend state law to allow the Department of Motor Vehicles to retain all of the net proceeds from the sale of DMV field office facilities and the land on which they are located, provided the proceeds are used to purchase, construct, or improve other DMV field office facilities.

# Fraud and Error Prevention

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In this chapter, we report on the Department of Motor Vehicles' (DMV) efforts to prevent fraud and errors. Our review focused on the hiring process, training, document verification, and related internal controls. In addition, we discuss the Real ID Act and its possible impact on South Carolina.

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## Fraud Prevention

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DMV has established a special unit to investigate fraud. However, it can take more steps to strengthen its program to deter and detect fraud through training, conducting credit checks on employees, establishing a public hotline for tips, and scanning all source documents.

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## Office of Integrity and Accountability

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In November 2005, DMV established the Office of Integrity and Accountability to investigate criminal and administrative allegations of wrongdoing by the public and DMV employees. This office conducts internal investigations of employees accused of wrongdoing, and assists field services staff when suspicious documents, which may be counterfeit or altered, are presented by customers. During FY 05-06, DMV referred 358 cases of possible fraud to SLED or local law enforcement.

This office has an administrator, two inspectors working on driver's license fraud issues, and five employees reviewing titles for possible problems. Three additional employees handle internal affairs investigations, and there is one administrative coordinator. Staff review vehicle titles processed to determine if the information is correct and attempt to determine if a fraudulent document has been processed. Staff also verify social security numbers with the Social Security Administration and have been working with the Department of Health and Environmental Control to review vital records. Verifying data with the source of the data whenever possible is an important element of fraud detection according to the American Association of Motor Vehicle Administrators (AAMVA), a non-profit organization of which DMV is a member.

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## Fraud Training

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DMV has not adequately ensured that field office employees are trained in fraudulent document recognition. It is important that front-line DMV employees have fraud training prior to working with customers so the employees are able to determine if counterfeit or altered documents are involved in their transactions. As of April 2007, only 101 (12%) of 861 field office employees had received some level of fraud training.

DMV has not determined how many fraud trainers are needed. As of April 2007, the DMV had only two AAMVA-certified trainers to conduct training for DMV employees on fraudulent document recognition. According to an DMV official, the agency is considering training more employees to be fraud trainers to offer better coverage to employees across the state.

Since 2005, an employee of the Integrity and Accountability unit has been periodically providing fraud training to DMV staff, but it has not been part of the department's new employee orientation training. In 2007, the department will add one day of fraud instruction to its new employee training. DMV has revised its manuals for initial fraud training as well as advanced fraud training, primarily offered to supervisors. These manuals provide information regarding what to look for in the many types of documents that may be presented to the DMV.

The new employee training will not address the issue of the current field office DMV employees who have not had fraud training. Fraud training for all field office employees would ensure a higher level of fraud detection.

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## Recommendations

14. The Department of Motor Vehicles should conduct fraud training for each new employee.
15. The Department of Motor Vehicles should ensure that it has the appropriate number of fraud trainers.
16. The Department of Motor Vehicles should implement a written policy requiring the completion of fraud training by all employees.

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## Credit Checks of DMV Employees

According to DMV officials, the department conducts a criminal background check and a review of driver's license records for each employee before being hired by the agency; however, no financial history or credit check is conducted.

Front-line employees assisting customers handle cash on a daily basis. Also, employees in extreme financial situations may be more susceptible to bribery and theft. AAMVA recommends that persons seeking DMV employment have credit checks, which can reveal issues such as bankruptcy or significant debt.

According to the federal government's standards for Real ID, states should conduct a financial history check on employees who handle the issuance of



driver's licenses or identification cards. While a questionable financial history may not always be a reason to reject an applicant, the information should be used by DMV in making its determinations on how or whether particular individuals should be employed. In addition, periodically conducting credit checks of employees after they have been hired would allow the department to detect changes in their financial status. Federal law governs the circumstances under which periodic credit checks may be conducted, such as when employees are being considered for promotion or reassignment.

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## Recommendation

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17. The Department of Motor Vehicles should conduct credit checks on all employees before they are hired and periodically thereafter as permitted by federal law.
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### Fraud Hotline

In 2001 DMV established a "hotline" for employees to contact headquarters when they suspect customers of using fraudulent documents. DMV does not have a hotline for the public to report possible fraud. This type of hotline, according to AAMVA, could also be used by employees anonymously to report fraudulent activities by co-workers.

In a 2006 AAMVA survey of states regarding fraud monitoring, 6 of the 11 states responding reported the use of hotline tips as a method for identifying areas in need of investigation. According to DMV officials, they are looking into establishing a public hotline in the near future.

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## Recommendation

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18. The Department of Motor Vehicles should establish a public hotline to receive tips regarding fraudulent activities.
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### Scanning Documents

When a non-U.S. citizen first applies for a South Carolina driver's license, DMV makes a copy of the applicant's identification documents, such as a valid passport or permanent resident card. However, when a U.S. citizen applies for the same type of license, DMV does not copy the applicant's documentation, such as a birth certificate, social security card, and proof of residency. The customer service representative must write some of this information (e.g. the social security number) on the application form and sign indicating that the documents have been reviewed.

According to guidelines for the newly-enacted federal Real ID program, all supporting documentation used to obtain DMV credentials should be scanned so that the images can be accessed when needed.

According to DMV officials, scanning or copying all supporting documentation, such as birth certificates, social security cards, and marriage licenses, would help in detecting fraudulent documents and prevent transactions of those documents from being completed. DMV officials have estimated that the purchase of scanners for every front counter station and updating field office facilities to accommodate the scanners will cost \$2.4 million.

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## Recommendation

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19. The Department of Motor Vehicles should electronically scan all identification documents used by customers to obtain driver's licenses and DMV identification cards.
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## Error Prevention

DMV does not maintain statistics on transaction error rates, nor has it developed standards regarding its error rates. Transaction errors can include the DMV employee writing an incorrect birth date or social security number when processing a driver's license or failing to include pertinent information on a vehicle title. If the South Carolina DMV does not measure its error rate and does not set an acceptable error rate for processing transactions, it cannot know if it is improving or if employees or field offices need additional training. Errors negatively affect the effectiveness of the DMV's operations.

We found that other states measure error rates. For example, the Minnesota DMV reviews transactions and determines monthly error totals for each employee. In Pennsylvania, supervisors take random samples on a daily basis to check for accuracy of processing. Pennsylvania also partners with private companies to handle titles and registrations and holds them to the same error rate standard as its own employees. Error rates may be used to determine if employees are in need of more training.

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## Recommendation

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20. The Department of Motor Vehicles should maintain statistics and develop standards regarding its error rates for processing transactions.
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## Federal Real ID Act

The federal Real ID Act was signed into law in May 2005 to establish minimum standards for obtaining state-issued driver's licenses and identification cards. The objective of this law was to make it more difficult for individuals to use falsified documents to obtain DMV credentials that would help in committing fraud or in entering areas where they might cause harm or risk to the safety of others. South Carolina's DMV has suggested that the implementation of Real ID would significantly increase wait times and would also increase the cost of obtaining a license. In June 2007, South

Carolina enacted legislation stating that it would not adopt the federal Real ID standards.

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## Overview of the Act

The provisions of this law take effect in May 2008. The federal Department of Homeland Security (DHS) has proposed the adoption of a phase-in period which would run through May 2013. The Real ID Act requires states to:

- Issue driver's licenses and identification cards in a uniform format, using a specified list of information required.
- Verify the issuance, validity, and completeness of each document presented by an ID applicant with the agency that issued the original document.
- Ensure the physical security of locations where licenses and IDs are produced and also the security of document materials from which licenses and IDs are produced.
- Establish training programs to educate DMV employees regarding fraudulent document recognition.

Required features of the Real ID Act that are not already used by DMV include additional physical security and encryption technology, the details of which are still under consideration by DHS. Licenses and identification cards may be required to be manufactured on specialized cardstock and printed using high-tech printers that will laser-engrave personalized information, making cards more difficult to counterfeit or alter. DHS could require fingerprints or other personal security information to be included in licenses and ID cards. DHS is also exploring options for the machine-readable technology which could include options such as radio frequency identification (RFID) tags. RFID tags emit frequency signals that would give the federal government the ability to track the movement of a specific tag.

The Real ID Act does not require any state to follow the Real ID guidelines. States may choose to issue licenses and IDs that do not meet the criteria of the Act. However, these documents will not be accepted by federal agencies for accessing federal facilities, boarding federally-regulated commercial aircraft, opening a bank account, or applying for federally-supported public services, including Social Security.

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## Concerns Over Real ID and Its Impact in South Carolina

Some of those concerned with the Real ID Act have expressed that the 2008 time for compliance by the states is too short. For this reason, DHS proposed the May 2013 phase-in period for the Act.

The Real ID Act will also increase the number of required in-office visits to the DMV, since all individuals in compliant states will be required to obtain a new license or ID card by the May 2013 deadline. Applicants must make an office visit in order to have their identifying documents digitally scanned and verified and to have their digital photographs taken. DHS proposes that DMVs may continue their remote renewal procedures as long as they establish a procedure to ensure the identity of those individuals renewing their licenses or ID cards.

Addresses on the IDs and licenses cannot be post office box numbers, which could pose a problem for those without a permanent residence, like the homeless, who may be in desperate need of government services. This could also cause problems for those with personal safety concerns including judges, law enforcement officials, and domestic violence victims.

The DMV has suggested that the implementation of Real ID would increase wait times to at least an hour and would also increase the cost of obtaining a license. Currently, a South Carolina 10-year license costs \$25. Estimates for the Real ID in this state indicate that the new 8-year license would cost \$60 – \$85. DMV also estimates that the loss of alternative channels to obtain a license or renewal (such as the Internet and the mail) would result in 285,000 additional in-person DMV visits over the next 5 years.

On June 13, 2007, South Carolina enacted legislation stating that it would not adopt federal Real ID standards. Other states, including Maine, Washington, Montana, Idaho, New Hampshire, Vermont, and Colorado, passed similar legislation. These states are concerned about the privacy issues surrounding the implementation of Real ID, as well as the financial burden it will place on individual states.

If the federal government offers funding for Real ID implementation and the South Carolina legislature adopts these standards, DMV may go to a two-step processing system where applicants first receive a temporary credential at the time their documents are presented and then, once verified, receive their Real ID licenses or identification cards. To implement this legislation, DMV estimates that \$25 million in startup costs and an additional \$11 million annually will be required to pay for more materials and staff, as well as to redevelop and engineer software systems, storage facilities, and window spaces.

# Efforts to Prevent Uninsured Motorists

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We reviewed DMV's efforts to prevent uninsured motorists and found the following:

- DMV estimates that the uninsured motorist rate in South Carolina decreased from 2003 through 2006.
- Beginning January 2008, insurance companies will be required to provide lists of all insured motorists and vehicles to DMV on a weekly basis. This change will increase DMV's ability to establish whether motorists have insurance.
- South Carolina allows automobile dealers and wholesalers to produce their own temporary license plates for vehicles they sell. This practice is susceptible to fraud.

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## Decrease in Uninsured Motorist Rate

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Although there is no way to definitively calculate the uninsured motorist rate, DMV estimates that the uninsured motorist rate in South Carolina decreased from 18% to 9% from 2003 through 2006. This decrease followed implementation of the Automated Liability Insurance Reporting (ALIR) system — an electronic insurance reporting tool that increases DMV's ability to identify uninsured motorists.

The department bases its estimate of the uninsured motorist rate on statistics for vehicles "uninsured at time of accident," as motorists involved in accidents are required to subsequently submit proof of insurance to DMV.

The decrease in the uninsured motorist rate may also be partially attributed to changes in driver insurance laws that took effect in January 2005. Insurance cancellation notices now require quicker responses, and motorists who allow their insurance coverage to lapse now face harsher penalties, including suspension of their driver's licenses. Because the enforcement of these laws and the implementation of the ALIR system occurred close to the same time, it is not possible to determine their individual effects on insurance statistics.

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## Insurance Company Electronic Reporting to DMV

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South Carolina insurance companies are required to notify DMV electronically of all automobile insurance policy cancellations. However, until July 2007, there was no policy requiring that insurance companies provide DMV with comprehensive lists of uninsured motorists and vehicles. As a result, DMV's ability to determine the status of drivers' insurance has been limited.

Insurance companies report policy cancellations through ALIR, which DMV implemented in 2004. This system has increased DMV's ability to identify

uninsured drivers. In 2006, DMV identified 182,175 uninsured motorists — an increase of 156% over the 71,088 identified in 2003, the last full year prior to ALIR’s implementation.

In 2007, 51 of the 182 participating companies *voluntarily* provided monthly lists of all their insured vehicles by vehicle identification number (VIN), referred to as “VIN files.” DMV reports that these 51 companies insure more than 80% of non-commercial vehicles in South Carolina. When DMV receives notice of an insurance policy cancellation, these VIN files allow the department to cross-check to see whether a motorist has allowed the policy to lapse or simply switched insurance companies.

### **Full Reporting of Motorists and Vehicles**

The Motorist Insurance Database Program Act (S.C. Code §56-10-610 *et seq.*) authorized the establishment of the Uninsured Motorist Working Group to oversee the development, implementation, and upkeep of a system to allow transmission of data from insurance companies to DMV. This group has authority to develop an implementation guide in which insurance companies are required to follow specified policies and procedures.

During our audit, in July 2007, DMV and the working group issued a bulletin that amends the implementation guide and requires insurance companies to submit records of all insured motorists and vehicles on a weekly basis, effective January 1, 2008. This change will increase DMV’s ability to establish whether motorists have insurance. Also, insured drivers will not experience the inconvenience of addressing insurance cancellation notices that previously could occur if they switched to an insurance company that did not submit monthly VIN files.

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## **Temporary License Plates from Motor Vehicle Dealers**

State law allows motor vehicle dealers to design, produce, and issue temporary license plates for newly-sold vehicles. As a result, the likelihood of individuals altering temporary license plates or producing counterfeit plates is increased.

### **State Law**

For motor vehicles sold by dealers, S.C. Code §56-3-210(c) requires the temporary license plates produced and issued by dealers to display the dealer’s name and related information, and the temporary registration expiration date. For private motor vehicle sales, DMV and county auditors issue standard 45-day temporary plates produced by DMV. These plates display additional information, including the vehicle’s make and identification number, a hologram strip, and a highly-visible license plate

number. DMV's temporary license plates are more difficult to alter or counterfeit.

See Appendix A on page 27 for a sample image of a temporary license plate produced by a dealer and the temporary license plate produced by DMV.

### **Illegal Use of Temporary License Plates**

We consulted DMV and Department of Public Safety officials to determine whether fraud involving dealer temporary plates is a significant issue. We found that there is not sufficient data to determine the magnitude of the problem.

DMV records show that 36 violations of dealer temporary plates have been investigated since 2003. Most of these violations came to the attention of department officials as a result of complaints from the public. DMV periodically conducts audits of automobile dealerships and wholesalers to assess compliance with state law. The department reports that its audits include an assessment of compliance with state law regarding the use of temporary license plates. However, such an assessment is not required by DMV's audit manual.

Though few violations have been recorded, illegal or fraudulent use of dealer-issued temporary plates may still be a common occurrence in South Carolina. The lack of unique identification on these plates makes it unlikely that violations would be identified. Also, the severity of punishment for this offense is unlikely to serve as a major deterrent. Illegal use of a temporary license plate is a misdemeanor that carries a penalty of \$100 per offense. Theoretically, a fraudulent temporary license plate could allow a South Carolina motorist to drive an uninsured, unregistered vehicle undetected for years unless the motorist was involved in an accident or stopped for a traffic violation. As a result, law enforcement officials' ability to identify criminals may be compromised, and South Carolina drivers can be exposed to greater risk of accidents with uninsured drivers.

### **Possible Improvements**

South Carolina may benefit from examining fraud-deterrent methods from other states for dealer-issued temporary license plates. For example, North Carolina requires dealers to obtain standard-designed temporary plates produced by the state to issue to motorists.

Some states, such as Arizona and Montana, electronically register and transmit temporary plates. In these states, automobile dealers obtain temporary registration for sold vehicles by accessing a state-operated database. The dealer submits driver and vehicle information, then

electronically receives a printable temporary registration and plate that displays the vehicle's description, expiration date of the plate, and a unique identification number. This process allows state agencies to maintain records of temporary vehicle registrations, standardizes the plates' design for added security, and does not require dealers to produce, obtain, or store temporary license plates. Additionally, the unique identification number allows law enforcement officials to access driver information just as they would from a standard license plate. Currently, law enforcement officials cannot access any information from dealer-issued temporary plates.

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## Recommendations

21. The Department of Motor Vehicles should revise its manual for auditing motor vehicle dealers and wholesalers to require an assessment of their compliance with state law regarding the use of temporary license plates.
22. The South Carolina General Assembly should amend S.C. Code §56-3-210 to require that all temporary license plates be designed and produced by the Department of Motor Vehicles. Each temporary license plate should display a unique license plate number, the vehicle identification number, vehicle description, and expiration date.
23. The South Carolina General Assembly should amend S.C. Code §56-3-210 to increase the penalty for driving without a legal temporary license plate.



# Commercial Driver's License Program

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We conducted a limited review of the Department of Motor Vehicles' (DMV) commercial driver's license (CDL) program and found the following:

- The Federal Motor Carrier Safety Administration (FMCSA) "deobligated" more than \$500,000 in federal grant funds that had been awarded to DMV.
- DMV has been late in notifying other states of drivers convicted of moving violations in South Carolina.

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## Loss of Federal Grant Funds

In 2006, the FMCSA deobligated \$546,177 in funding from five grants that had been awarded to DMV to improve its commercial driver's license program. According to FMCSA staff, these funds were deobligated, because they had not been spent by DMV during the periods established for the grants.

Below is a list of five grants awarded to DMV from 2000 through 2005 that were partially deobligated in 2006:

- In 2000, DMV was awarded \$450,000 for a Performance and Registration Information Systems Management (PRISM) grant, with the goal of improved motor carrier identification, training, and enforcement. In 2006, the FMCSA deobligated \$76,712 in unspent funds.
- In 2002, DMV was awarded \$331,684 for a Covert grant, with the goal of establishing covert monitoring of CDL examiners. In 2006, the FMCSA deobligated \$123,521 in unspent funds.
- In 2003, DMV was awarded \$69,701 for a Third Party Tester grant, with the goal of providing training to CDL examiners. In 2004, the FMCSA authorized the transfer of an additional \$117,329 in unspent funds from two other grants into this grant. In 2006, the FMCSA deobligated \$96,066 in unspent funds.
- In 2003, DMV was awarded \$154,880 for an Information Technology Changes grant, with the goal of automating CDL processes within the department. In 2004, the FMCSA authorized the transfer of an additional \$225,914 in unspent funds from another grant into this grant. In 2006, the FMCSA deobligated \$123,949 in unspent funds.
- In 2005, DMV was awarded \$709,887 for a New Entrant Motor Carrier Safety Assistance Program grant, with the goal of conducting safety audits on newly-licensed motor carriers. Later in 2005, the FMCSA

authorized the transfer of an additional \$201,551 in unspent funds from the prior year into this grant. In 2006, the FMCSA deobligated \$125,929 in unspent funds.

For three of the deobligated grants, the department reported that it did not need all of the funding to accomplish its goals. For one grant, the department reported a change in its operational philosophy, inconsistent with the original grant. Also, the department reported that it lacked staff to fully implement one grant. FMCSA officials note that DMV has been cited for improvements needed in its commercial driver's license program and that better planning by DMV would have resulted in more funding to make the improvements.

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## Recommendation

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24. The Department of Motor Vehicles should design and manage grant projects so that federal funds are fully utilized.

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## Notifying Other States of Driver Convictions in South Carolina

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In 2005, the Federal Motor Carrier Safety Administration (FMCSA) cited DMV for being late in notifying other states when motorists with commercial driver's licenses (CDLs) were convicted of moving violations in South Carolina. As a result, there can be delays in disciplinary action against out-of-state motorists with CDLs who have violations in South Carolina.

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## Federal Regulation and State Law

FMCSA regulation 49 CFR 384.209 has a deadline by which DMV is required to report South Carolina traffic ticket convictions to other states. This regulation requires that whenever a person:

... who holds a CDL from another State is convicted of a [moving violation], in any type of vehicle, the licensing entity of the State in which the conviction occurs must notify the licensing entity in the State where the driver is licensed of this conviction within ... 30 days of the conviction. ... Beginning on September 30, 2008, the notification must be made within 10 days of the conviction.

South Carolina law has deadlines by which government officials are required to report traffic ticket convictions to DMV. Section 56-1-365 states that if a person is convicted of a violation requiring revocation or suspension of his driver's license, and DMV does not collect the ticket and license at the time of conviction:

... the magistrate or clerk must forward the license, ticket, and other documentation to the department within five days after receipt.

Section 56-7-30 addresses traffic tickets but does not specifically mention driver's license revocations or suspensions. It states that:

The Department of Motor Vehicles driver records and audit copy [of the ticket] must be forwarded to the Department of Motor Vehicles within ten days of the disposition of the case by final court action .... The head of each law enforcement agency is responsible for the forwarding of the driver records and audit copies to the Department of Motor Vehicles....

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## Compliance Efforts in South Carolina

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The FMCSA has an information system that allows states to share data about drivers, traffic convictions, and disqualifications. FMCSA auditors found that 40% of the convictions posted by South Carolina's DMV from January through October 2005 were not posted within 30 days of the conviction, as required by 49 CFR 384.209.

South Carolina DMV officials stated that they have not successfully addressed this issue, because they are not being informed of convictions in a timely manner. DMV officials reported that they were working on a joint project with the South Carolina Judicial Department, in which local magistrate courts would transfer conviction data electronically to DMV. Municipal courts and law enforcement agencies are not required to participate in this project.

DMV officials have not reported to the FMCSA a projected date for compliance with this federal regulation.

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## Recommendations

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25. The Department of Motor Vehicles should coordinate with all entities required by state law to inform the department when motorists are convicted of violating traffic laws. The department should work with these entities to facilitate the transfer of conviction information within the period required by state law.
  26. The Department of Motor Vehicles should report to the Federal Motor Carrier Safety Administration a projected date for compliance with federal regulation 49 CFR 384.209.

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**Chapter 6**  
**Commercial Driver's License Program**

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# Comparison of Temporary License Plates

Below is an example of a temporary plate produced and issued by an automobile dealer. This format was duplicated from an actual dealer's plate.



Below is an example of the temporary license plates produced by DMV and issued for private sales.



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**Appendix A**  
**Comparison of Temporary License Plates**

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# Agency Comments

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**Appendix B**  
**Agency Comments**

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*Mark Sanford*  
Governor



*Marcia S. Adams*  
Director

*State of South Carolina*  
*Department of Motor Vehicles*

October 23, 2007

Mr. George Schroeder, Director  
Legislative Audit Council  
1331 Elmwood Avenue, Suite 315  
Columbia, South Carolina 29201

Dear Mr. Schroeder:

I would like to offer the following comments in response to the matters discussed in the final report resulting from the review of the South Carolina Department of Motor Vehicles performed by the Legislative Audit Council.

I would like to express my appreciation to you and your staff for their cooperation and professionalism during this engagement. If you should have any questions or need to discuss any information provided in this response, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Marcia S. Adams".

Marcia S. Adams  
Executive Director



## **Synopsis**

### **General Comment #1 – New service Delivery Channels**

Page v. of this section of the report states that to improve operations, DMV has done the following:

- Implemented a structured system for managing the customer wait process.
- Established a unit to investigate fraud.
- Implemented an automated insurance reporting system to detect uninsured motorists.

While these accomplishments have helped us improve operations, another key success factor was not discussed in the report. DMV's improvement in operations can also be attributed to our success in developing and implementing new service delivery channels.

Much of this work has been done through partnerships with our major stakeholders. We have met with our stakeholders, learned their requirements and developed technology and processes to streamline operations for both our stakeholders and the state. As an example, the following programs represent new delivery channels developed through our stakeholder partnerships:

- Electronic Vehicle Registration (EVR)
- Electronic Liens and Title (ELT)
- Issuance of DMV decal/registration from the county tax office
- Testing of student drivers at high schools
- Web transactions for public
- Web transactions for commercial customers
- Consolidated billing for auto dealers

These programs provide one-stop shopping for customers at automobile dealers, county tax offices and through online transactions available at our Web site. We have automated and streamlined antiquated paper processes so that our business customers can use new technology to complete work with DMV. These programs save businesses time and money while increasing the accuracy and security of products and services they obtain from our agency. Most importantly, these new programs have reduced trips to DMV offices and shortened wait times for those customers who must visit an office.

### **Inadequate Controls for Measuring Wait Times**

#### **General Comment #2 – Wait Time Measurement and Reporting**

In Chapter 2 of the report titled "Field Office Operations," the audit findings indicate that DMV does not have "adequate controls to ensure consistent measurement of wait times." The report also indicates that there are "anecdotal statements from DMV customers describing how wait times have been reduced in recent years." Finally, the report suggests that another factor in the reduction of wait times may be "an increase in the number of DMV employees."

In 2003, DMV senior management brought about a renewed and focused effort to improve customer service. A primary goal in this endeavor was to reduce customer wait times while providing accurate service. Although we constantly strive to improve our internal tools and business processes, we feel strongly that we have adequate measures in place to measure, monitor and report wait times.

Wait time is defined as the time a customer waits in our lobby for the next available customer service representative to assist them. We measure these wait times in two ways, dependent upon

the number of transactions processed by the office: *electronically*, by using a computer-based queuing system called Q-matic, and *manually*, by denoting the time a customer enters the lobby and the time the customer is called to the counter to be served. DMV uses the Q-matic system in 42 of 68 offices and measures wait times from the time a customer receives a Q-matic ticket from the greeter until the time the customer is called to the counter to be served. In the remaining 27 smaller offices, the cost of installing and maintaining the Q-matic system is not justified given the low volume of the transactions. Most of these offices process less than 50,000 transactions per year in comparison to the other offices that process well over 100,000 transactions annually. The managers in the smaller 27 offices measure wait times based on their observations at different times of the day. These times, whether gathered electronically or manually, are recorded and monitored to measure any changes to wait times so that the agency may address any customer service issues before the public is affected.

DMV's efforts to reduce wait times are reflected in customer feedback. DMV has received many comments and statements from customers that indicate they are pleased with the fast service. In addition, DMV has contracted with the University of South Carolina to conduct customer satisfaction studies. The studies show that customers with positive responses about DMV services in field offices continue to increase. One of the primary reasons given for a positive response is reduced wait times. The satisfaction studies align with the anecdotal comments received by customers.

There are many factors that have contributed to reductions in wait times. The audit report states that DMV's accountability reports indicate that the department had 1,212 employees at the end of FY 2003-2004 and 1,504 at the end of FY 2005-2006, and this may be a factor in the reduction of wait times. However, the 2004 employee total reflects the number of employees employed at DMV when it was a division of the Department of Public Safety. The 2006 employee totals indicate the number of employees of the newly created cabinet agency, Department of Motor Vehicles, and include employees in administration and Motor Carrier Services that were not a part of the employee count in the Division of Motor Vehicles under the Department of Public Safety. Therefore, the Department of Motor Vehicles asserts that reductions in wait times are as a result of several combined factors including better measurement, reporting and management of wait times; increased number of service delivery channels for customers; increased hours of operation; and a renewed focus on the customer.

### **Field Office Operations**

#### **Wait Time Measurement and Goals**

**Recommendation 1:** The Department of Motor Vehicles should establish a written definition of wait time in order to provide consistency in measurement and reporting.

**DMV Response:** Please refer to our general comments regarding the measurement and reporting of customer wait times. DMV agrees that a policy including a written definition of wait time would be beneficial. DMV will draft this policy.

**Recommendation 2:** The Department of Motor Vehicles should implement controls to increase the consistency with which it measures customer wait times at its field offices.

**DMV Response:** DMV consistently measures wait times at 42 of our largest offices with the computer-based system Q-matic. Wait times are measured from the time a customer receives a Q-matic ticket from the greeter until the time the customer is called to the window to be served. The time is measured in the computer system and is reported at different times during the day.

The wait to receive a Q-matic ticket is minimal, less than five minutes in almost every case, and DMV has made a business decision to not count that time in reported waits. In fact, most states that use the Q-matic system do not track the time it takes to receive a ticket from the greeter because the time is so minimal that it is statistically insignificant. In the smaller 27 offices, wait times are measured by the managers' observations at different times during the day. The transaction volume - less than 50,000 transactions annually - does not warrant the investment in an electronic system. Wait times gathered both electronically and manually are consistently measured and compared statewide. The measurement of wait times is consistent across fiscal years and within offices and continues to be used to improve our customer service in field offices as well as to target services that can be delivered by using alternative channels.

**Recommendation 3:** The Department of Motor Vehicles should develop annual written wait time goals for its field offices.

**DMV Response:** Please refer to our general comments regarding the measurement and reporting of customer wait times. DMV agrees that wait time goals should be written and documented in policy.

**Recommendation 4:** The Department of Motor Vehicles should report wait time statistics for each field office to the public.

**DMV Response:** DMV has reported actual wait times via the Web to the public in the past, but discontinued this practice after receiving complaints from the public. Customers complained that wait times would change significantly between the time they visited our Web site and arrived at one of our field offices.

It may be more beneficial for DMV to publish historical trends related to wait time and transaction volume. Using this information, customers could avoid the busiest days of the week/month and avoid the busiest times of the day when visiting our offices. DMV will work to publish this data on our Web site.

### **Variation in Customer Wait Times and Staff Workload**

**Recommendation 5:** The Department of Motor Vehicles should use a written methodology to determine staffing levels at its field offices to minimize variation in customer wait times and staff workload.

**DMV Response:** Several factors are considered when determining an appropriate staffing level for a DMV field office. These include:

- The size of the facility
- The number of front counter window locations in the office
- The services offered by the office
- The office transaction volume by type and complexity of transaction
- Our goal that no front counter window should be vacant (including breaks and lunch)
- Customer wait times

As the audit points out, the size of an office is often the driving factor (and limitation) when determining our office staffing needs. Based upon data that we currently collect related to wait times, transaction volume and transactions per employee, we recognize that additional staff would

benefit some offices. However, due to budget constraints, we cannot expand or relocate all of these offices.

Many factors affect wait times and the number of transactions processed by an employee. It is difficult to compare staffing and wait times at offices that do not offer the same transactions. For example, transactions such as international customers, commercial drivers' licenses and special driver suspension clearances are more time-consuming. Factors such as employee experience level and turnover play a role in wait times and office staffing. The most useful comparisons in staffing are made among offices that process similar transactions, taking into account inconsistencies due to staff experience and turnover. For example, the report points to a comparison between the Anderson and Charleston Lockwood offices, noting that Lockwood had fewer transactions per person with a lower average wait time than Anderson, which had a higher number of transactions per person and a higher average wait time. The chart does not show that Anderson had a 12 percent turnover rate, as compared to a six percent turnover rate for Lockwood for the same period, giving Lockwood a much more experienced staff that can process transactions more quickly. Also, Anderson processed many more dealer transactions than Lockwood. Dealer transactions are repetitive and are usually completed without the customer being present. As a result, an employee can process more of these types of transactions, raising the number of transactions per employee for the office. The comparison illustrates the necessity to analyze staffing and its relation to wait times at a much deeper level.

### **Extended Hours**

**Recommendation 6:** The Department of Motor Vehicles should implement a written methodology for determining its office hours.

**DMV Response:** DMV had two goals in mind when selecting office locations for Saturday work:

1. Open offices that will best serve the majority of our customers (near the largest metropolitan areas of the state).
2. Minimize travel time for customers in rural areas of the state.

Given these goals, DMV elected to open offices in Greenville, Columbia, Charleston, Florence, Rock Hill and Aiken, representing major geographic regions of the state. The recommendation to open a number of our offices on Saturday originated from the Governor's DMV Task Force in 2003, as well as a legislative study conducted in 2002.

This section of the audit report also points out that some states offer extended hours during the regular business week and others open their offices Tuesday through Saturday. In South Carolina, state laws and regulations play a role in determining DMV's hours of operation. Until repealed a few months ago during the 2007 legislative session, Section 8-11-10 of the S.C. Code of Laws required state agencies/departments to operate 9 a.m. to 5 p.m. Monday through Friday. State regulation 19-707.01 still requires state agencies to operate, generally, Monday through Friday, from 8:30 a.m. to 5 p.m.

DMV has considered opening our offices past 5 p.m. for a few hours as an alternative to Saturday hours, but decided we could best serve our customers and employees by opening on Saturday. Some services, such as the administration of a road test, cannot be provided to customers after dark. DMV would have little time to provide this service during the evening hours.

### **Determining Field Office Sizes and Locations**

**Recommendation 7:** The Department of Motor Vehicles should establish a written methodology for determining when to open, expand or close field offices.

**DMV Response:** The Department of Motor Vehicles operates 69 field offices around the state. S.C. Code § 56-1-130 requires DMV to administer license examinations in the county where the applicant resides; thereby, in effect requiring DMV to operate a facility in each county. DMV has not built a new facility since 1994, and has elected to lease many of its facilities, some within local government complexes, to avoid high construction costs and to allow DMV more flexibility in responding to population and demographic shifts. DMV also has a proviso in the Appropriations Act (36A.15) that authorizes the director to develop and implement a plan to reduce the hours of operation in underutilized field offices. While this proviso provides DMV with much needed flexibility in managing its facilities, it does present challenges in meeting the requirement to conduct road tests in every county as prescribed in section 56-1-130. It is also important to note that many “non-DMV” services are provided at the DMV field offices, such as voter registration, organ donation registration and selective service registration.

In order to determine whether other states had formal policies regarding office openings, closings or expansions, DMV issued a survey through AAMVA. Of the seven states that responded, none had a formal policy governing the opening, closing or expansion of field offices. These states included North Carolina, Georgia, Florida, Virginia and New Jersey. These states reported that such office decisions were governed by budget, condition of the facility, expiration of leases and interest of county tax collectors to provide services.

We will continue to monitor our facilities’ functionality by measuring customer traffic, transactions processed and wait times.

**Recommendation 8:** The Department of Motor Vehicles should close the field office in Pageland.

**DMV Response:** The Department of Motor Vehicles has a plan to close the Pageland Office by the end of the year.

### **Financial Issues**

#### **Measurement of Transaction Costs**

**Recommendation 9:** The Department of Motor Vehicles should annually calculate the cost of conducting its motor vehicle and driver’s license transactions.

**DMV Response:** DMV has a project within its overall strategic plan to outsource this analysis. Currently DMV is participating in a benchmarking pilot survey that assigns cost by DMV activity.

**Recommendation 10:** The Department of Motor Vehicles should establish cost per transaction goals for its motor vehicle and driver’s license transactions.

**DMV Response:** DMV will work with the vendor selected to perform the analysis and will establish cost per transaction goals. However, these goals will be limited in many ways by legislative restrictions that are in place regarding DMV’s ability to charge for many of its products. Currently DMV is participating in a benchmarking pilot survey which allows us to compare our costs and services to other states’ operations.

**Recommendation 11:** The Department of Motor Vehicles should indicate in its annual accountability report the extent to which it has met its cost per transaction goals.

**DMV Response:** DMV will include all cost analysis information within its annual accountability report.

### **Internet and Mail Transactions**

**Recommendation 12:** The Department of Motor Vehicles should take steps to better communicate to customers the option of conducting transactions online or through the mail.

**DMV Response:** DMV agrees that it is important to encourage and promote the use of our online and mail-in service options. Marketing through traditional channels (print, radio and TV) is expensive and cost prohibitive for our agency. We are exploring the possibility of using public service announcements and other cost efficient means to promote these services.

DMV is hopeful that our partnership with the state's new, official Web site, SC.gov, will help promote the use of our online services. The new state Web site has a link to our site and to many of the transactions that we offer. The SC.gov Web site is advertised at Clemson and USC football games, the USC Colonial Center, Columbia Metropolitan Airport, Joseph P. Riley Jr. Park and through various ads in newspapers and magazines.

In addition to this marketing effort through the state Web site, DMV has modified forms, letters, renewal notices, customer receipts and other publications to inform customers of their online options for completing DMV transactions.

### **Proceeds From the Sale of Field Offices**

**Recommendation 14:** The General Assembly should amend state law to allow the Department of Motor Vehicles to retain all of the net proceeds from the sale of DMV field office facilities and the land on which they are located, provided the proceeds are used to purchase, construct or improve other DMV field office facilities.

**DMV Response:** The Department of Motor Vehicles supports this recommendation fully, but realizes that it will take legislative change to exempt DMV from Proviso 73.5. In order to serve the citizens of this state and prevent the necessity for these citizens to commute long distances to the nearest field office, DMV must have and maintain a large number of facilities. DMV has made a priority of improving and maintaining its facilities and would certainly benefit from the ability to retain and reinvest proceeds from the sale of outdated and inadequate facilities into new, more efficient facilities that will better service the public.

### **Fraud Prevention**

#### **Fraud Training**

**Recommendation 14:** The Department of Motor Vehicles should conduct fraud training for each new employee.

**DMV Response:** DMV concurs with the audit that all employees should receive fraud training. Prior to this audit, DMV had established a training schedule for fraud classes that will train



approximately 400 employees by December 1, 2007. All field office employees will receive fraud training by the end of the 2008 fiscal year.

**Recommendation 15:** The Department of Motor Vehicles should ensure that it has the appropriate number of fraud trainers.

**DMV Response:** DMV agrees that additional trainers certified by AAMVA would be beneficial to the agency. SCDMV will ensure that at least four additional employees receive AAMVA's Fraudulent Document Recognition (FDR) Level II training followed by the Instructor Certification at the first available opportunity.

**Recommendation 16:** The Department of Motor Vehicles should implement a written policy requiring the completion of fraud training by all employees.

**DMV Response:** The agency is developing a policy that will specify the training necessary for different job classifications. Fraud training will be included in this policy.

### **Credit Checks of DMV Employees**

**Recommendation 17:** The Department of Motor Vehicles should conduct credit checks on all employees before they are hired and periodically thereafter as permitted by federal law.

**DMV Response:** DMV has considered making a credit check mandatory for new employees. However, due to the cost of these checks and the subjective nature of the information that we obtain through these inquiries, we have decided not to require a credit check for employees. Although DHS recommends a credit check in the REAL ID proposed regulations, they do not recommend using this information as an automatic disqualifier of employment; rather, they suggest agencies use the information as one of many tools to make employment decisions.

### **Fraud Hotline**

**Recommendation 18:** The Department of Motor Vehicles should establish a public hotline to receive tips regarding fraudulent activities.

**DMV Response:** Preliminary research of fraud hotlines maintained by other government and business institutions is complete and SCDMV is currently working on a Request for Proposal (RFP) so that the department may begin soliciting bids for this project. SCDMV hopes to finalize the hotline and make it available for public use by August 2008. In the meantime, SCDMV has been working with Crime Stoppers to provide an anonymous method for employees to report suspected abuse or fraud committed by coworkers. Posters announcing this service have been placed in all field offices. The Office of Integrity and Accountability has also created a departmental email address ([Fraud@SCDMV.net](mailto:Fraud@SCDMV.net)) that will be published on the agency's Web site that allows members of the public to electronically report suspected fraud while awaiting the implementation of an actual hotline.

### **Scanning Documents**

**Recommendation 19:** The Department of Motor Vehicles should electronically scan all identification documents used by customers to obtain driver's licenses and DMV identification cards.

**DMV Response:** Through our experience with the processing of transactions for international customers, we recognize the value of scanning identity documents provided by customers. DMV has already explored the possibility of scanning identity documents for all customers. To complete this initiative, DMV would need to:

- Procure the necessary scanners and associated software.
- Upgrade data circuits to most field offices.
- Increase our storage capacity for scanned documents.
- Make certain improvements in the field offices (expand counter space, add electrical and data cabling, etc.).

The estimated cost for completing this initiative is \$2,350,000. We will incur additional recurring costs associated with the maintenance of the new scanning hardware and increased monthly charges for data circuits. We agree with the recommendation to scan ID documents and will budget and plan accordingly so that we can accomplish this in the future.

### **Error Prevention**

**Recommendation 20:** The Department of Motor Vehicles should maintain statistics and develop standards regarding its error rates for processing transactions.

**DMV Response:** To ensure transaction accuracy and to monitor the quality of our work, DMV currently checks a random sample of title work for errors. We also check all first-time driver licenses issued to new residents of the state. Field office managers review and reconcile payments and transactions at the end of each business day to help ensure our work is accurate and that all required source documentation is present before sending this work to HQ for scanning. DMV is currently working on both an “End of Day” policy for field office managers and a field office operations manual for distribution to our employees. These documents will outline proper end of day reconciliation and review procedures.

DMV will continue to review and improve our quality management program. We agree with the recommendation to maintain statistics and develop written standards for error rates.

### **Federal Real ID Act**

The S.C. General Assembly passed legislation that prohibits our state from participating in the REAL ID program. This action was taken after reviewing the proposed regulations issued by Department of Homeland Security (DHS) for the REAL ID program.

DMV expects DHS to issue final REAL ID rules and regulations in before the end of this calendar year. After reviewing these regulations, DMV can begin to inform our customers and stakeholders of any changes to the REAL ID requirements and assess the impact of non-compliance with the act.

### **Efforts to Prevent Uninsured Motorists Temporary License Plate for Motor Vehicle Dealers**

**Recommendation 21:** The Department of Motor Vehicles should revise its manual for auditing motor vehicle dealers and wholesalers to require an assessment of their compliance with state law regarding the use of temporary license plates.

**DMV Response:** Agency employees that conduct dealer audits do currently review the dealer's use of temporary tags. DMV will update our audit manual to reflect this ongoing practice. Specifically we now check to ensure that:

- Tags issued by the dealer meet the specifications defined by statute.
- No temporary tags are displayed on any vehicles on the dealer's lot.
- No pending sales are more than 45 days old.

**Recommendation 22:** The South Carolina General Assembly should amend S.C. Code 56-3-210 to require that all temporary license plates be designed and produced by the Department of Motor Vehicles. Each temporary license plate should display a unique license plate number, the vehicle identification number, the vehicle description and an expiration date.

**DMV Response:** Prior to this audit, SCDMV started investigating methods for securing temporary tags. Some states such as Arizona, Montana and Florida require dealers to electronically obtain and record temporary tag information that would then be printed on demand by the dealer to produce registration and temporary tag documents. These states offer models that we may choose to emulate in South Carolina.

**Recommendation 23:** The South Carolina General Assembly should amend S.C. Code 56-3-210 to increase the penalty for driving without a legal temporary license plate.

**DMV Response:** This law change would have minimal impact on DMV systems and processes.

### **Commercial Driver's License Program** **Loss of Federal Grant Funds**

**Recommendation 24:** The Department of Motor Vehicles should design and manage grant projects so that federal funds are fully utilized.

**DMV Response:** Over the five year period cited, DMV received five grants through FMCSA to fund various programs and/or initiatives within the agency. As stated in the audit report, DMV was able to successfully complete three of these initiatives under budget and, therefore, was able to roll available funding into other grants to assist in the completion of these initiatives. One grant, established for covert monitoring of CDL examiners, was discontinued due to an executive decision to change the manner in which such monitoring is executed. While such monitoring is still being done by DMV and is being funded through a new grant, the programmatic objectives and methods of monitoring have changed to be more beneficial to both the agency and the CDL examiners. Even though the decision to discontinue the original program resulted in the de-obligation of \$123,521 in unspent funds, management strongly believes it was in the best interest of the agency to take the action it did at that time.

In 2005, DMV underwent an extensive review of its CDL program by FMCSA. DMV has taken corrective action on all findings that were solely within its discretion to correct. However, several recommendations require legislative change or involvement by other agencies in order to fully implement. While DMV acknowledges that improvements to its CDL program were noted in this audit, no findings were made regarding poor planning and the loss of funding opportunities. DMV will continue to be committed to enhancing its grant planning and reporting functions to ensure that it maximizes the use of all federal funding in its efforts to complete all programmatic objectives funded by such grants.

## **Notifying Other States of Driver Convictions in South Carolina**

**Recommendation 25:** The Department of Motor Vehicles should coordinate with all entities required by state law to inform the department when motorists are convicted of violating traffic laws. The department should work with these entities to facilitate the transfer of conviction information within the period required by state law.

**DMV Response:** SCDMV and the state court system have developed an interface for the exchange of traffic citation and disposition data. The final stages of testing has been completed and the interface will be deployed on a pilot basis by December, 2007 for offenses that occurred in a commercial motor vehicle (CMV), or which were committed by a holder of a commercial driver's license (CDL). During Phase 1, DMV will electronically process only dispositions involving South Carolina drivers. In Phase 2, we will address the South Carolina convictions involving out-of-state drivers. This program lays the groundwork for complete electronic processing of citations currently under consideration by the Department of Public Safety, in which law enforcement enters the citation data which is then transmitted to the court. The court will enter the disposition, which will then be transferred to DMV's system to populate the driving record.

**Recommendation 26:** The Department of Motor Vehicles should report to the Federal Motor Carrier Safety Administration a projected date for compliance with federal regulation 49 CFR 384.209.

**DMV Response:** Considering the fact that all courts are not a part of the statewide court case management system (CMS), SCDMV cannot provide a projected date for complete compliance with 49 CFR 384.209. Court Administration determines the courts that are made a part of the CMS system. However, DMV can report to FMCSA that we will be in compliance with the 10-day notification period by September 30, 2008 for all data received from courts that are part of the statewide court case management system.

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