



SUMMARY

A Review of the Department of Motor Vehicles



BACKGROUND

The Department of Motor Vehicles (DMV) is responsible for administering the state's motor vehicle laws. As of December 2009, there were 3,907,227 S.C. driver's licenses and 3,906,300 S.C. registered vehicles. DMV is headquartered in Blythewood, S.C., and has 69 field customer service centers throughout the state. At the end of FY 09-10, the department had 1,200 employees.

DMV processes transactions at its field offices, through the mail, and on its website. In FY 09-10, DMV processed almost 12 million transactions. DMV is funded by revenues collected from its operations and federal grants. In FY 09-10, the agency had expenditures totaling over \$70 million.

INTRODUCTION

S.C. Code §56-1-5(F) requires the Legislative Audit Council to conduct an independent review of the Department of Motor Vehicles (DMV) every three years. This is our second review of the agency. Our audit objectives were to determine how DMV monitors contracts and evaluate the effectiveness of that process and to determine the implementation status of the recommendations in the 2007 LAC audit of DMV.

CONTRACT MANAGEMENT

DMV's contract management could be improved through better management of costs and improved monitoring of performance. Because employees under one contract answer calls for another contract, the agency could be paying for the same services twice and did not determine the appropriate rate to pay for those services. In an eight-month period, DMV paid \$53,000 for services that were not authorized by the contract. The agency does not adequately monitor the vendor's performance to ensure it is complying with the contract and does

We reviewed three contracts DMV negotiated with private sector businesses for services. Two of the contracts, the call center contract and the Automated Liability Insurance Reporting (ALIR) contract, are with the same vendor and involve personnel who work at DMV's headquarters in the customer call center. A third contract is for the customer queuing system and pays for the development of a new electronic queuing system to track transaction times and customer wait times in some of the DMV customer service centers. Based on our review, we found DMV should:

- Renegotiate one contract to avoid paying the same vendor for personnel services under one contract while using those same employees to provide services paid under a different contract.
- Determine the cost of services prior to negotiating a rate with a vendor.
- Discontinue paying for additional services unless authorized by the Budget and Control Board.
- Appropriately monitor one of its contracts to determine if the vendor is meeting contract specifications.
- Include language in contracts stipulating a required time line for when services must be rendered for installing and implementing new systems.

DMV has two contracts with the same vendor to provide similar services such as answering general, driver, vehicle, and insurance calls and e-mails. The call center contract stipulates the vendor will answer all general calls using employees already paid for under the ALIR contract until the vendor trains additional employees. However, after hiring and training new employees, the vendor continued to use some of the ALIR employees to answer general calls. Also, DMV amended the call center contract to include additional services performed by ALIR contract employees which are paid for on a per call basis. The flat rate for the ALIR contract should have been based on a certain number of employees to provide those services. By using employees under one contract to answer calls paid for under another contract, DMV may be paying twice for the same services.

DMV has not conducted any formal analysis to determine the most cost-effective rate to pay for additional services. DMV issued a change order to the contract in September 2008 to include answering overflow driver and vehicle calls that DMV call center agents could not handle. DMV agreed to pay the vendor \$2 per call to answer the overflow calls. According to DMV officials, the vendor suggested this dollar amount and DMV calculated the cost per call prior to bidding the contract to be \$3.75. Also, in June 2007, a consulting company hired by DMV estimated the

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INFORMATION

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cost per call to be \$1.65. DMV could also consider other payment methods such as a flat monthly rate or an option to pay at a flat rate for a certain number of calls and then a per call rate for all calls exceeding that amount.

DMV also paid for additional services based on the change order that were not authorized by the Materials Management Office (MMO) of the Budget and Control Board. In November 2009, the vendor began answering overflow e-mails without issuing an additional change order because DMV officials considered e-mails included within the range of calls category. An MMO official stated that emails are not covered by the contract through the change order and that DMV should not have proceeded with the dollar expansion of the contract without MMO's approval. DMV has paid \$53,000 for these services from November 2009 through June 2010 and should not pay for these additional services unless authorized by MMO.

DMV has not monitored the vendor properly to ensure it is meeting contract specifications. In order to meet the contract requirements, the vendor must answer 80% of calls within two minutes and have an average abandoned rate percentage no higher than 5%. For the general calls, the vendor must also have an average speed of answer of 30 seconds. DMV officials monitor call center activity daily to ensure quality and productivity from both vendor and DMV employees. However, DMV does not track the call center activity separately for vendor employees answering overflow driver and vehicle calls. Therefore, DMV cannot determine if the vendor is complying with the contract requirements.

The contract and vendor response do not stipulate any time line for installing and implementing the new queuing system. According to DMV officials, the agency monitors the vendor on a day-to-day basis to evaluate its compliance and performance in regard to efficiency. Without written expectations for the vendor, there is less assurance that the vendor will complete its work in a timely manner and no method for DMV to adequately measure the vendor's performance.

STATUS OF PREVIOUS RECOMMENDATIONS

In our 2007 audit report, we made 26 recommendations regarding the Department of Motor Vehicles. We found that 10 of the recommendations had been fully implemented, 3 had been partially implemented, and 13 had not been implemented. DMV has implemented some of the recommendations on measuring wait times and establishing wait time goals for field offices. DMV does use a written methodology to determine staffing levels at its field offices and closed its Pageland field office. The agency does better communicate to customers the option of conducting transactions online or through the mail. DMV has improved its fraud training for employees, has a public hotline for tips about fraudulent activities, and scans identification documents used to obtain driver's licenses and ID cards. The agency does include an assessment of a motor vehicle dealer's compliance with state law concerning temporary license plates when auditing the dealer.

DMV has not implemented some of the recommendations concerning wait time measurement and goals for field offices. The agency has not implemented a written methodology for determining office hours or when to open, expand, or close field offices. DMV has not implemented any of the recommendations concerning the measurement of transaction costs. The agency does not conduct credit checks on all employees. DMV does not maintain statistics or develop standards regarding its error rates for processing transactions. The agency still has not completed a system in coordination with other entities to notify other states of driver convictions in South Carolina. The General Assembly did not amend state law to allow DMV to keep proceeds from the sale of its field offices to use for other field offices or to require that all temporary license plates be designed and produced by DMV or to increase the penalty for driving without a legal temporary license plate.