

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

MEMORANDUM

TO: Legislative Audit Committee Members
FROM: Ken McCormick, Performance Auditor
CC: Tim Fox, Attorney General
Scott Darkenwald, Chief of Staff and Deputy Director
Brenda Nordlund, Administrator, Motor Vehicle Division
DATE: November 2013
RE: Performance Audit Follow-Up (13SP-18): Motor Vehicle Title and Registration Process (orig. 11P-07)
ATTACHMENTS: Original Performance Audit Summary

Introduction

In May 2012, we presented a performance audit of Motor Vehicle Title and Registration Process to the audit committee. This memorandum presents background information and summarizes the results of the follow-up work.

Overview

We made eight audit recommendations to the Department of Justice (department). Recommendations focused on strengthening controls to ensure vehicle ownership records are accurate, duplicate license plates do not exist, and fee adjustments are accurate. Additionally, since county offices are responsible for conducting front-end title and registration transactions, we recommended that the department improve its communication and inventory management structures with county offices to promote a more accurate and efficient motor vehicle title and registration process. Since the audit report was presented, the department has improved its communication systems and continues to work on Montana Enhanced Registration and Licensing Information Network (MERLIN) data issues. Overall, the department has fully implemented two recommendations and continues to work towards implementing the remaining six recommendations.

Background

The Department of Justice's (department) Motor Vehicle Division (MVD) is responsible for titling, licensing, registering, and regulating motoring activities in Montana. Under state law, all motor vehicles including cars, trucks, motorcycles, snowmobiles, travel trailers, boats, and motor homes titled in Montana must be registered in the state.

Titling a vehicle establishes an individual as the legal owner of the vehicle. However, an individual cannot drive a vehicle until it is registered. As part of its responsibilities, the department completes over one million title and registration transactions each year, and in 2011 collected over \$100 million in title

and registration fees. In September 2011, approximately two million motor vehicles were registered in Montana.

Beginning in 2001 and in subsequent years, the Legislature appropriated funding totaling \$28.5 million for the department's MERLIN. MERLIN replaced the previous information system and was designed to offer additional functionality to provide effective and efficient service to Montana citizens. The department now conducts all motor vehicle title and registration activities in MERLIN.

Follow-up Audit Findings

The following sections summarize the progress toward implementation of the report recommendations.

RECOMMENDATION #1

We recommended the Department:

- A. Establish process controls to verify citizens' vehicle ownership records, including permanently registered vehicles.**
- B. Communicate with county staff the importance of the system control and verification of vehicle ownership records.**

Implementation Status – Being Implemented

According to the department, systemic issues in MERLIN that caused incorrect ownership problems have been resolved. Department staff identified over 150,000 records with potentially affected permanently registered vehicles and have established the procedures and criteria to verify vehicle ownership. They have defined mechanisms and an order of precedence for resolving ownership issues. While legacy issues are still being encountered by county offices as customers come in for registration renewals or to obtain new titles, the counties correct these issues using department established mechanisms. The remaining accounts with inaccurate data have to be manually and individually addressed by MVD staff. County offices indicated they have received additional training and assistance from the department in resolving these issues.

RECOMMENDATION #2

We recommended the Department correct inaccurate security interest or lien information in MERLIN.

Implementation Status – Being Implemented

Department staff identified over 33,000 records that could have security interest or lien information record problems. As with the first recommendation, the department has identified mechanisms and an order of precedence for resolving the issues and they are manually correcting issues not identified by customers at renewal or transfer. Security interest and lien information issues identified as customers come in to the county offices are rectified using the mechanisms the department put in place to fix the problems. Additionally, they have identified and corrected an application process in MERLIN that should preclude future problems with inaccurate security interest or lien information when new vehicles are registered, titled, or transferred.

RECOMMENDATION #3

We recommended the Department take steps to correct permanently registered records affected by plate reassignment by:

- A. Identifying affected records,**
- B. Contacting vehicle owners, and**
- C. Issuing a valid plate to the vehicle owner.**

Implementation Status – Being Implemented

Department staff identified over 100,000 records that need correction in this area. The department has identified mechanisms and an order of precedence for resolving the issues. Some county offices indicated they had received a listing of affected records within the past month from the department and verified that customers came to their offices to correct problems with their records after receiving a notification letter from MVD. County offices continue to address errors as customers come in to complete title and registration transactions.

RECOMMENDATION #4

We recommended the Department remove duplicate license plates from circulation and issue affected citizens a new license plate with a distinctive number.

Implementation Status – Being Implemented

Department staff identified 7,700 potentially duplicate sponsor and duplicate personalized plates. Of that number they identified 311 vehicle owners that had duplicate plate numbers. In recent months, the department sent these owners a notification letter asking them to return the license plates issued in error to the local county treasurer's office and obtaining new license plates at no charge. While department staff identified over 295,000 potentially duplicate plates of other varieties, we anticipate these numbers to decrease as the department continues to work through these records to identify affected owners. Once it identifies all affected owners the department plans to contact individuals and correct plate assignments.

RECOMMENDATION #5

We recommended the Department:

- A. Require use of established note field for all fee adjustments,**
- B. Incorporate the fee adjustment report into its auditing function, and**
- C. Use the fee adjustment report to identify training and/or business process needs.**

Implementation Status – Being Implemented

Following the audit report, the department began using an automated auditing system within MERLIN. This auditing tool runs a monthly query of all county MVD transactions and provides a statistical performance report to the department audit staff. This report compares that month's transaction statistics to historical statistics going back to the previous fiscal year. Department auditors identify trends by county offices and individual county operators. Particular interest is paid to operator overrides and fee adjustments. If spikes in identified risk areas are noted, department audit staff communicate directly with county staff to determine the cause of the problem. Department audit staff provide on-the-spot corrections and training via telephone and e-mail. Any systemic training deficiencies noted are corrected by providing training on the department's new SharePoint system that all county employees can access. The final step in fully implementing this recommendation is a programming change in MERLIN that requires

users to input a reason for fee adjustments. The department is currently testing this new requirement and plans to have it deployed to county offices in 2013.

RECOMMENDATION #6

We recommended the Department prioritize and establish a formal training plan for county offices that includes:

- A. Updating reference materials,**
- B. Establishing ongoing training workshops, and**
- C. Establishing a training program for new staff within county offices.**

Implementation Status – Being Implemented

The department developed a SharePoint site called “The Source”. MVD county employees access this secured site through a standard internet connection. The site is located on the department’s domain and provides full access to all of the department’s business process documentation and related reference materials; department policy; notification of changes to policy; weekly departmental information; notification of changes to MERLIN; training packages and links to state and federal regulatory references. The department has established a monthly teleconference available to all county employees that includes training, information sharing, and question and answer sessions. Department staff are collaborating with county employees and training specialists to develop a sequence of modular, self-paced training courses accessible by any MERLIN user via an online training program through the department’s intranet. Some initial program training and testing has been done with the developers and training staff. The department plans to have this training available to staff in the coming months. MVD county employees are generally satisfied with the improvement in these areas.

RECOMMENDATION #7

We recommended the Department make improvements to its communication structure with county offices by developing:

- A. A single point of contact, and**
- B. A structure to disseminate information to county offices.**

Implementation Status – Implemented

The department created a Communications Section in the Operations and Customer Service Bureau that serves as the coordination point for managing business documentation and sharing information with the county MVD offices. The department conducts monthly teleconferences with County Treasurer Association Resolution Committee members and communications and training leads within the department. The department purchased a survey tool it utilizes to conduct quarterly surveys of counties on specific issues impacting how MVD does their business. The department uses those survey responses to effect business process changes. The department now has the capability to connect department subject matter experts with county offices by taking virtual control of the employee’s computer. Utilizing this new connectivity tool, the experts can show operators how to go through a specific task in MERLIN, correct errors, and provide other long distance, one-on-one support and technical assistance. The department also upgraded their telephone support system to better support the call volume from county offices. MVD county employees indicated that the new communication structure has improved customer service.

RECOMMENDATION #8

We recommended the Department, following implementation of inventory changes, follow-up with county offices to identify whether inventory issues still exist.

Implementation Status – Implemented

The department collaborates with all county offices using email broadcasts and surveys to develop inventory strategies that best fit individual office needs. In most cases, inventory of supplies, license plates, and stickers have been increased by two to three months to better serve customer requirements. MERLIN tracks inventory and automatically produces an order for more inventory when the system indicates the county is reaching an assigned threshold. The department developed their Inventory Business Process Reference that outlines how MVD inventory is managed from Helena to the county offices. Additionally, county offices can request increased inventory based on local customer support requirements particular to that office. For example, a county office adjacent to an oil producing area may request additional stocks of plates to support commercial entities registering large numbers of vehicles in a short period of time. MVD county employees are also generally satisfied with the improvements made to the inventory system.