

Contract Agent Vehicle Registration and Titling Services Are Cost Efficient, but Contracts Need Performance Terms

A presentation to the Joint Legislative
Program Evaluation Oversight Committee

April 25, 2012

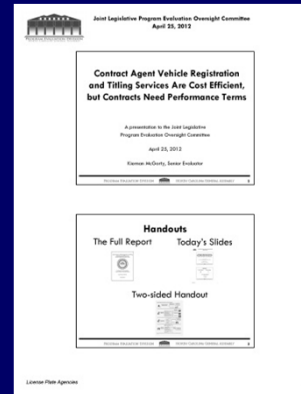
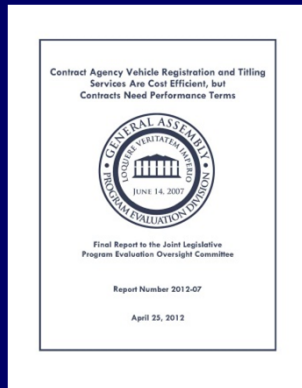
Kiernan McGorty, Senior Evaluator



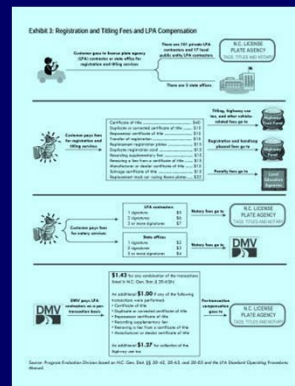
Handouts

The Full Report

Today's Slides



Two-sided Handout



Evaluation Team

Kiernan McGorty, Evaluation Lead

Sean Hamel, Senior Evaluator

Carol H. Ripple, Principal Evaluator

Pamela Taylor, Statistician



Session Law 2011-382

Directed the Program Evaluation Division to

- determine the cost-effectiveness of using license plate agencies (LPA) contractors
- evaluate DMV's oversight of contractors

Prohibited DMV from cancelling any contracts until this study's recommendations are acted upon by this committee

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Overview of Findings

- Contracting with LPAs is a cost-efficient way for the State to provide services
- Lack of coordination and poor communication hinder DMV's oversight of LPAs
- Lack of a standardized, performance-based contract for all LPAs limits accountability and oversight



Overview of Recommendations

Direct DMV to

- implement a standardized, performance-based contract for LPAs
- improve oversight and communications in the LPA program
- outsource the registration and titling services provided by the two state offices



Background



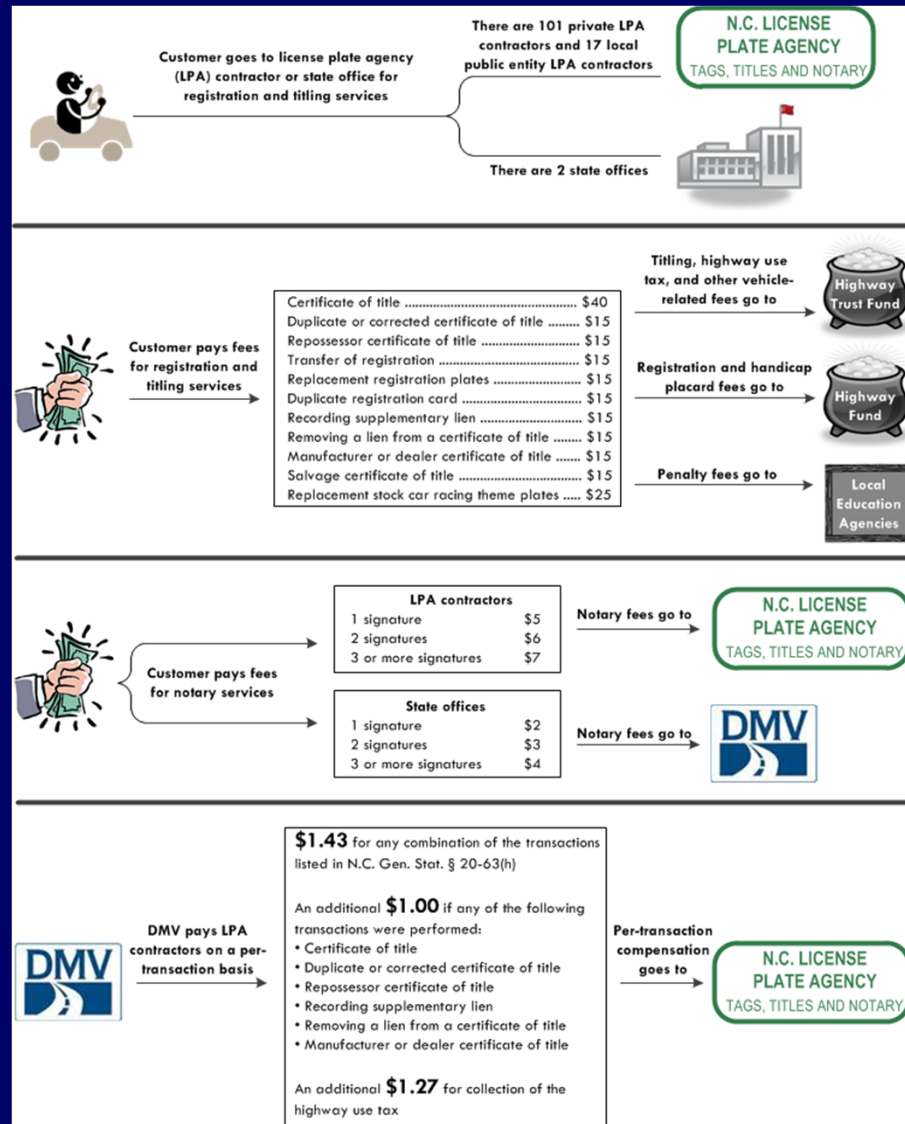
Contractors

- In 1961, General Assembly mandated registration and titling services be provided by
 - Private LPA contractors
 - Local public entity LPA contractors
 - Two state DMV offices
- 18 states, including NC, use contractors
- In NC, contractors provide 68% of registration and titling services

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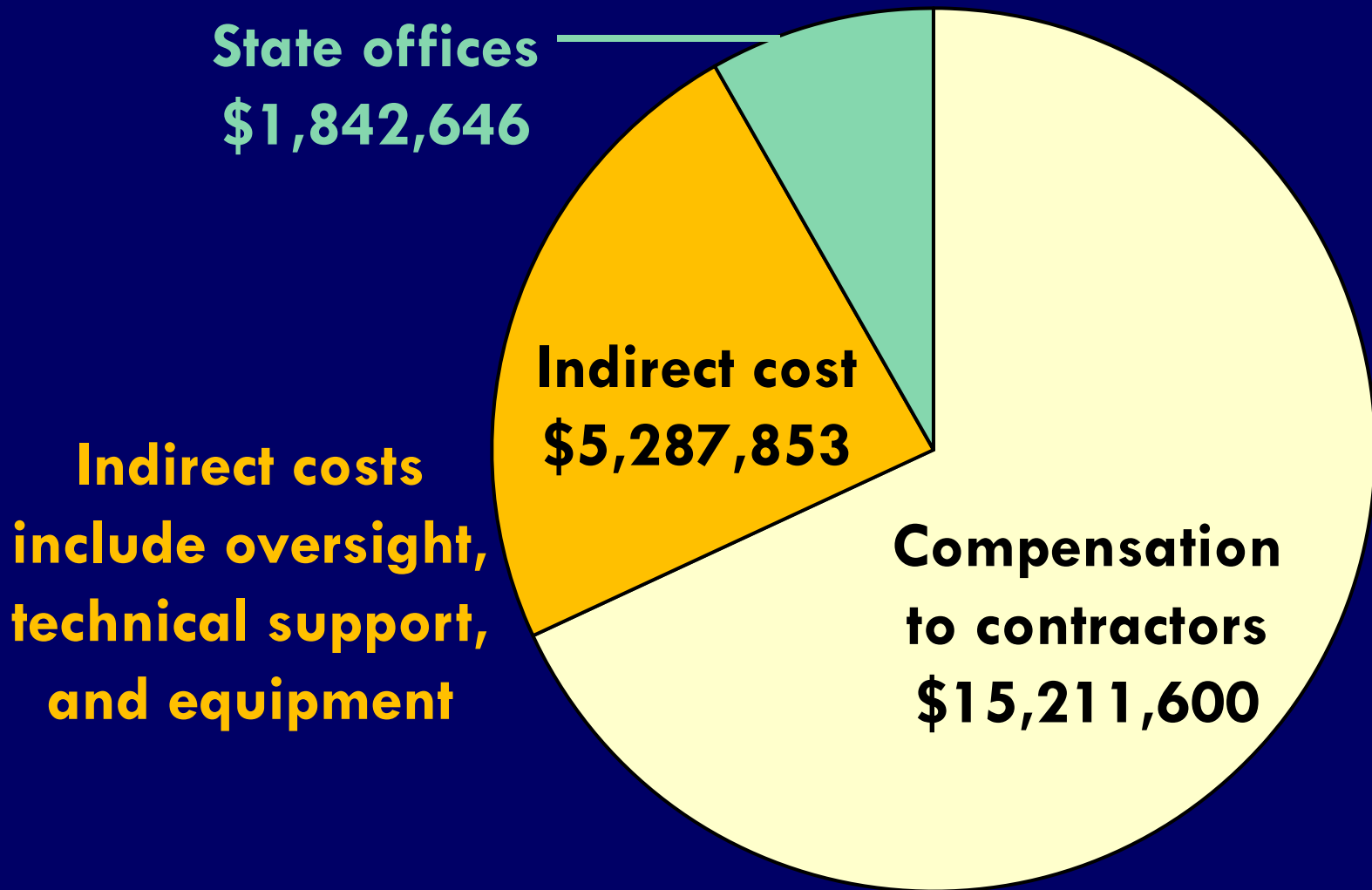
Customer Fees and LPA Compensation



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State Costs for LPA Program in 2011



Total cost = \$22.3 million

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Findings



Finding 1.
**Contracting with LPAs is a
cost-efficient way for the State to
provide registration and titling services**



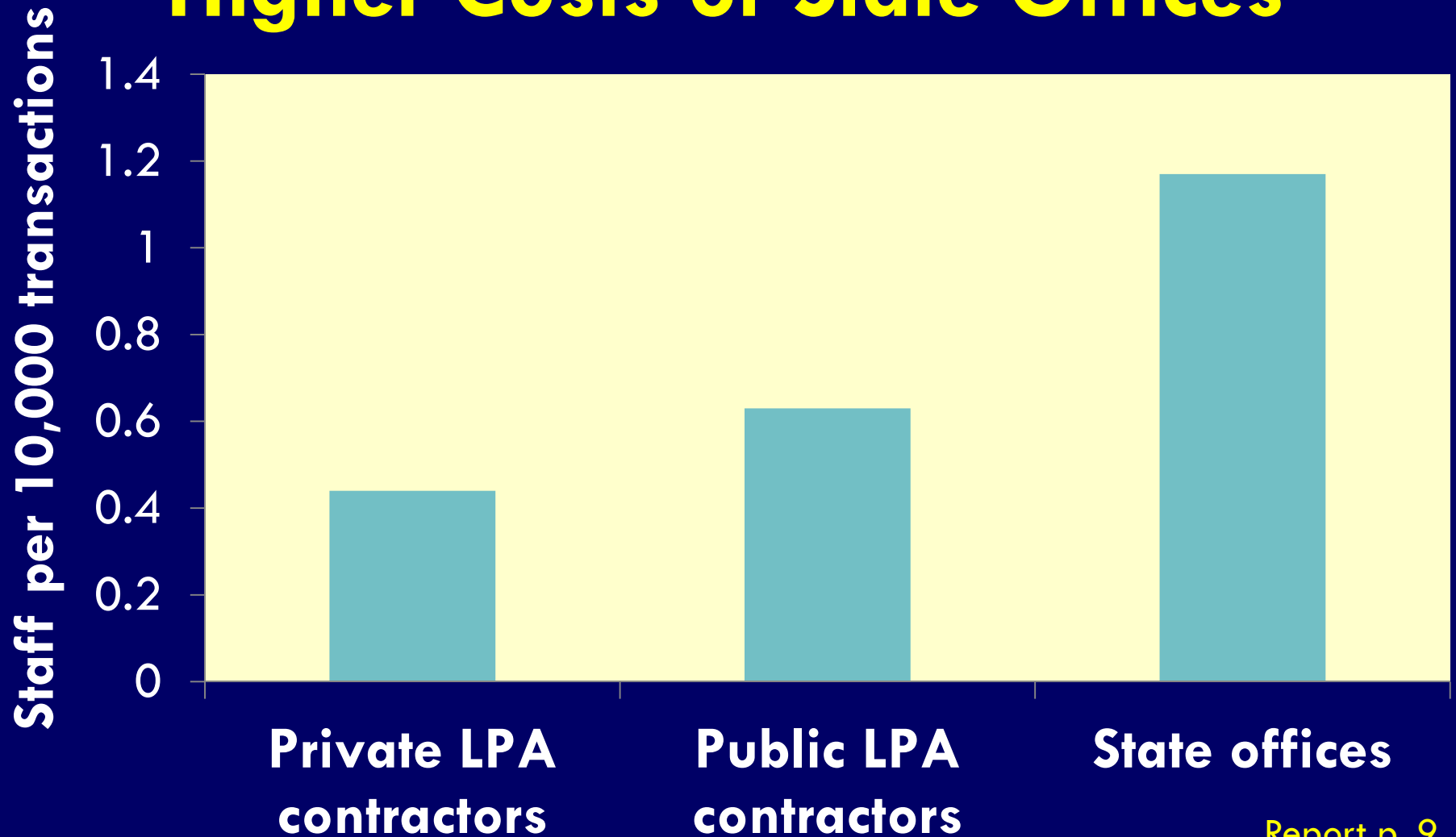
Average State Cost Per Transaction

Entity	Total State Cost	Total Transactions	Cost per Transaction
Private LPA contractors (n = 109)	\$19,053,349	8,976,123	\$2.12
Public LPA contractors (n = 17)	\$1,188,975	575,064	\$2.07
State offices (n = 2)	\$2,099,777	342,595	\$6.13

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Staff Size and Salaries Drive Higher Costs of State Offices



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Savings from Outsourcing State Office Services

- State offices provide more than registration and titling services
- But contractors perform those services more cost-efficiently than state offices
- State could save \$1.3 million from outsourcing registration and titling services currently provided by state offices

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Finding 2.
Lack of coordination and poor communication hinder DMV's oversight of LPAs



Lack of Programmatic Focus

- No program model to guide program improvements
- No program performance measures

Program Evaluation Division created a logic model for the LPA program

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LPA Program Logic Model

Exhibit 9: Program Logic Model for the Overall LPA Program and Individual LPA Operations

LPA Program Goal
To deliver quality registration and titling services; furnish timely, accurate information; provide excellent customer service; and maintain the integrity of official vehicle registration records

Overall Program Performance: DMV Oversight			
Inputs <i>Resources to operate program</i>	Activities <i>How goals are achieved</i>	Outputs <i>Direct products of activities</i>	Outcomes <i>Direct program benefits</i>
<ol style="list-style-type: none"> 1. General Fund 2. Central DMV staff 3. State Titling and Registration System infrastructure 	<ol style="list-style-type: none"> 1. Issue, monitor LPA contracts 2. Provide training 3. Update Standard Operating Procedures Manual, Title Manual 4. Communicate with LPAs 5. Operate Help Desk 6. Monitor transaction quality (errors) 7. Conduct site audits 8. Monitor customer satisfaction (complaints, surveys) 	<ol style="list-style-type: none"> 1. Number of initial and remedial training sessions provided, number of participants 2. Log of updates and communications with LPAs 3. Number of transactions monitored 4. Transaction error rate 5. Number and frequency of audits conducted 6. Number of customer complaints 	<ol style="list-style-type: none"> 1. Tests of employee knowledge pre- and post-training demonstrate training effectiveness 2. Error rates among employees who attended remedial training demonstrate training effectiveness 3. LPA surveys report improved communications between LPAs and DMV 4. Trend in error rate improves over time across LPAs 5. Customer satisfaction survey results improve over time 6. Trend in customer complaints per transaction improves across LPAs

Individual LPA Performance: LPA Operations			
Inputs <i>Resources to operate LPAs</i>	Activities <i>How goals are achieved</i>	Outputs <i>Direct products of LPA activities</i>	Outcomes <i>Direct benefits from LPA activities</i>
<ol style="list-style-type: none"> 1. State compensation 2. Notary fee revenue 3. Revenue from other sources 	<ol style="list-style-type: none"> 1. Follow contract terms 2. Attend training 3. Provide registration and titling services 4. Provide timely, courteous service 	<ol style="list-style-type: none"> 1. Number of employee training sessions attended 2. Number of transactions per LPA 3. Transaction error rate per LPA 4. Number of site audit findings, count of damaged/missing inventory per LPA 5. Number of customer complaints per LPA 	<ol style="list-style-type: none"> 1. LPA employee training is current 2. LPA error rate does not exceed threshold 3. LPA site audit finding frequency is below threshold 4. Customer satisfaction survey results per LPA improve over time 5. Trend of customer complaints per transaction at each LPA improves over time

Source: Program Evaluation Division based on data from the Division of Motor Vehicles.



Lack of Coordination and Poor Communication

- Oversight mechanisms are not well coordinated
- Friction and communication problems between DMV and LPAs

A LPA working group and secure LPA website could improve communications

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Finding 3.
Lack of a standardized, performance-based contract for all LPAs limits accountability and oversight



Two Different Contracts for LPAs

Contract Terms	Indefinite Contracts (78)	Term-limited Contracts (40)
Duration	Automatic renewal	3-year term
Computer equipment	State provides at no charge	State charges to lease
Public restrooms	Not required	Required
Notary fees	Not required to report	Required to report

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Term-limited Contracts Provide More Accountability

- Term-limited contracts specify the time frame for LPA performance assessment
- LPAs on indefinite contracts had more transaction errors and complaints
- DMV staff report LPAs on indefinite contracts “do not take us seriously”

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Performance-based Contracts Would Provide More Accountability

- Customer satisfaction
- Customer complaints
- Transaction error rate

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Fluctuating Error Threshold is Ineffective

- Transaction error rate
 - A fixed error threshold would provide a clear benchmark to monitor individual LPA performance
 - Having different thresholds for small and large LPAs would not disadvantage small LPAs

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Recommendations



Recommendation 1.
**General Assembly should direct DMV to
implement a standardized,
performance-based contract for all LPAs**



Recommended Contract Terms

- 5-year term
- Pay to lease computer equipment
- Public restrooms at large LPAs
- Report notary fee collection
- Performance measures
- DMV provides LPAs notice of changes

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Recommended Implementation Schedule

- Transition LPAs on indefinite contracts between January 1, 2013, and December 31, 2014
- Transition LPAs on the current term-limited contract at the end of their 3-year term

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Recommendation 2.
**General Assembly should direct DMV to
improve oversight and communications
in the LPA program**



Improve Oversight and Communication

- Implement a secure website for LPAs
- Establish an administrative working group to coordinate oversight and focus on program improvement
- Establish an LPA advisory group to provide feedback to DMV

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Recommendation 3.
**General Assembly should direct DMV to
outsource the registration and titling
services provided by the two state offices**



Outsource Services at State Offices

- Estimated annual savings = \$1.3 million
- Should remain open to provide some specialized services
- DMV should report its implementation plan by December 1, 2012, and outsource services by July 1, 2013

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Summary of Findings

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Summary of Recommendations

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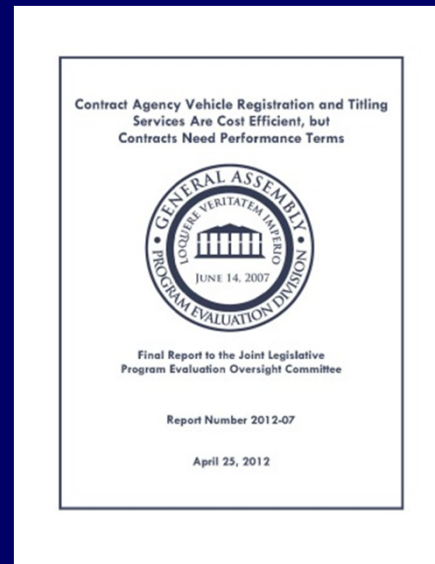


Legislative Options

- The committee may endorse any of these recommendations for action
- May instruct staff to draft legislation or take other actions



**Report available online at
www.ncleg.net/PED/Reports/reports.html**



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