



RESEARCH & DEVELOPMENT

A Study of the Usage of LPAs by the North Carolina Division of Motor Vehicles: Interim Report - Phase I

**James B. Martin, PE et al
Institute for Transportation Research and Education
North Carolina State University**

**Joyendu Bhadury, PhD et al
Bryan School of Business and Economics
University of North Carolina at Greensboro**

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A Study of the Usage of LPAs by the NCDMV

Interim Report
Phase I
February 27, 2014

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16. Abstract <p>This interim report was prepared to assist NCDMV in meeting the requirements of S.B. 402, Sec. 34.17, which mandates that NCDOT in collaboration with NCDMV “shall evaluate current contractual models and compensation” for license plate agency (LPA) contractors. An extensive data and information collection effort was undertaken to provide content for the report. Findings from numerous interviews conducted with NCDMV staff and LPA managers, combined with research and analysis of various existing reports, establish the basis of Phase I of this study. A summary of the report’s recommendations are:</p> <ol style="list-style-type: none"> 1. NCDMV should enact and enforce a new standard contract for all LPA offices, replacing the two existing and different contract types. The new standard contract should be term-limited, performance-based, and assess performance utilizing a well-developed criteria so as to result in improved and continuing excellent customer service. 2. NCDMV’s performance standard for transaction errors should be changed so that all LPA offices are informed in advance of the error threshold against which they will be benchmarked. This error threshold should be stable for a reasonable period of time to allow LPA offices to make necessary adjustments. 3. Continuous, proactive, and routinely updated training of LPA employees by NCDMV should be a high priority action item in the future. Such training may consist of a combination of classroom and online training activities. 4. NCDMV should substantially enhance the usage of current and modern technology in delivering services to the citizens of the state. This includes upgrading the STARS system, complete operationalization of credit/debit card transactions; and facilitating growth in online transactions by citizens. Co-location of Driver License offices and LPAs also should be investigated as a means to provide a “one stop shop” for citizens. 5. At present, sufficient data regarding service times and operational costs of LPAs do not exist that allow a credible judgment on the appropriateness of current LPA compensation rates. Collection and analysis of this data will be a significant focus in Phase II of this study. 			
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Executive Summary

The contents of this report were prepared to assist NCDMV in meeting the requirements of S.B. 402, Sec. 34.17, which mandates that NCDOT in collaboration with NCDMV “shall evaluate current contractual models and compensation” for license plate agency (LPA) contractors. An extensive data and information collection effort has been undertaken to provide content for this report. Findings from numerous interviews conducted with NCDMV staff and LPA managers, combined with research and analysis of various existing reports, establish the basis of this study.

Specific and detailed recommendations are presented at the conclusion of the report. A synthesized version of the recommendations appear below:

1. The current practice of operating LPA offices under two different contracts, with different sets of requirements, has contributed to an unnecessarily complex management situation from the standpoint of administration by NCDMV and operation by LPA contractors. NCDMV should enact and enforce **a new standard contract** for all, existing and new, LPA offices. Further, this contract should be term-limited, performance-based, and assess performance utilizing a well-developed criteria so as to result in improved and continuing excellent customer service.
2. The current practice employed by NCDMV to monitor transaction errors in the LPA offices is in need of change, as it poses widely varying standards especially for smaller LPA offices. The performance standard for **transaction errors should be changed** so that all LPA offices are informed in advance of the error threshold against which they will be benchmarked. This error threshold should be stable for a reasonable period of time to allow LPA offices to make necessary adjustments.
3. **Continuous and proactive training of LPA employees** by NCDMV should be a high priority action item in the future. Established training activities in topics relevant to the operations of LPA offices and enhancing customer service should be routinely updated and informed by trends and issues identified through analysis of Help Desk queries. Such future training may consist of a combination of classroom and online training activities.
4. NCDMV has already undertaken considerable efforts in “Modernization” of the department. NCDMV should substantially **enhance the usage of current and modern technology** in delivering services to the citizens of the state. Specific recommendations include, but are not limited to, **upgrading STARS** for increased inter-operability; complete operationalization of **credit card and debit card transactions**; and facilitating **growth in online transactions** by citizens. **Co-location of Driver License offices and LPAs** also should be investigated as a means to provide a “one stop shop” for citizens.
5. At present, **sufficient data regarding service times and operational costs of LPAs do not exist** that allow a credible judgment on the appropriateness of current LPA compensation rates. Collection and analysis of this data will be a significant focus in Phase II of this study.

Background and Rationale

Residents of North Carolina have received motor vehicle services for around a century. North Carolinians have been registering motor vehicles since 1909 and titling vehicles since 1923.¹ Over time, the General Assembly has transferred responsibility for vehicle registration and titling from the Secretary of State to the North Carolina Department of Revenue (NCDOR) to the Division of Motor Vehicles (NCDMV).² Beginning in 1961, the General Assembly mandated that all registration plates, registration certificates, and certificates of title—outside of those issued by NCDMV’s Charlotte and Raleigh offices—be issued—insofar as practicable and possible—through contracts with persons, firms, corporations, or governmental subdivisions of the State, and that NCDMV provide—proper supervision—to the contract agents.³

Over time, the efficiency and efficacy of the provision of titling and registration services has come of interest to the General Assembly. Session Law 2011-382 directed the General Assembly’s Program Evaluation Division to determine the cost-effectiveness of using license plate agency (LPA) contractors to provide vehicle registration and titling services and to evaluate the oversight of these contractors by the Division of Motor Vehicles.⁴ More recently, as part of the Appropriations Act of 2013, (Senate Bill 402, Section 34.17) the General Assembly mandated that the North Carolina Department of Transportation (NCDOT) in collaboration with NCDMV “shall evaluate current contractual models and compensation” for LPAs.⁵ The contents of this report were prepared to assist NCDMV in meeting the requirements of S.B. 402, Sec. 34.17. The text of the bill is highlighted above.

¹ PED Report

² PED Report

³ N.C. Gen. Stat. 20-36(h)

NCDOT CONTRACTED SERVICES SECTION, S.B. 402, Sec. 34.17

The Department of Transportation, Business and Contractual Services Unit, shall, in collaboration with the Division of Motor Vehicles, evaluate current contractual models and compensation for the provision of registration, title, tax collection, and other vehicle service transactions by branch agents contracting with the Division of Motor Vehicles. As part of this evaluation, the Department shall conduct an analysis of transaction trends, completion and error rates, and service times by transaction type and branch agent type, and shall assess the appropriateness of the current basis for contractor compensation and rates relative to documented service requirements.

Based on its findings, the Department shall recommend alternatives to the current contractual models for branch agents to standardize contract types, enhance performance, and strengthen contract administration, taking into account citizen accessibility to service centers. In addition, the Department shall submit detailed proposals for alternate options for contractor compensation, including, at a minimum, competitive bidding of branch agent contracts.

The Department shall identify anticipated programmatic and fiscal impacts, and include implementation plans for each alternative.

The Department shall report its findings and recommendations to the Joint Legislative Transportation Oversight Committee, Joint Legislative Program Evaluation Oversight Committee, and Fiscal Research Division no later than March 1, 2014.

The Institute for Transportation Research and Education (ITRE) at North Carolina State University, in partnership with the University of North Carolina at Greensboro (UNCG) prepared the report for the attention of the NCDOT and NCDMV. The report draws from a rich body of research including: the Program Evaluation Division’s (PED) Final Report to the

⁴ PED Report

⁵ S.B. 402 Sec. 34.17

Joint Legislative Program Evaluation Oversight Committee (2012) (hereafter referred to as the PED report), documents detailing the NCDMV Reform Process (2013), the GfK Draft Report of Findings regarding NCDMV customer service (2013), key interviews with NCDMV personnel and a sample of LPA Contractors, an interview with the LPA Association Chair, findings from the September and December LPA advisory committee meetings, review of NCDMV reports, and a literature review containing academic journals and news articles.

The report is organized into the following sections:

- LPA Operations
- Opportunities for Improvement
- LPA Contractor Compensation Rates
- Alternatives to Current Contractual Models
- Recommendations

Study Process

The ITRE team began an aggressive data and information collection process. A literature search was conducted to discover if similar research projects had been undertaken. Unfortunately, because of the uniqueness of this particular project, no significant related research was found in the literature. However, the April 2012 PED report functioned as a key resource in the development of this study.

The team also searched for reports and data related to the LPA operations. Numerous reports that include number of transactions, compensation rates, error rates, customer complaints and the like were reviewed. Most of this information was made readily available by management staff of NCDMV.

The team has also begun outreach to other state DMVs across the country. A survey to be circulated to the other DMVs should provide

valuable peer data for contrast and comparison. Benchmarking against other DMVs that contract for license plate agencies is expected to provide useful information for continuous improvement.

A parallel and coincidental marketing and customer satisfaction study for NCDMV is being completed by GfK. Preliminary results of that study were made available to the study team. While the results do not differentiate between Driver License (DL) and LPA offices, customer service and customer satisfaction is not rated highly by the general public across the board.

The ITRE team also made a concerted effort to gather information by a series of meetings and interviews. These meetings and interviews included numerous NCDMV personnel and LPA managers and contractors. For this report the research team met with more than a dozen NCDMV employees and conducted eight interviews with LPA managers. Additionally, a meeting was held with employees from the Program Evaluation Division to learn more about their previous study. A total of more than 100 hours of meetings and interviews were critical in preparation of this report. Team members also attended and observed the LPA Advisory Committee Meeting held December 19, 2013. A thorough list of these meetings and interviews is included in the Appendix.

Team analysis of data and information is included and discussed in the following sections of the report. Final recommendations are made based upon a thorough analysis and incorporate inputs from all lead researchers on the team.

LPA Operations

Eighteen states, including North Carolina, use contractors for registration and titling services (see Figure 1 on right).⁶ In North Carolina, there are 120 contactors known as license plate agencies (LPAs) that provide services throughout the state.⁷ LPAs do not exclusively provide registration and titling services, but they do provide the majority of these services. Collectively, LPAs performed 68 percent of the 14.1 million registration and titling transactions in calendar year 2011.⁸ In addition to LPAs, two NCDMV offices in Raleigh and Charlotte provide these services. Beginning August 2013, LPAs were required to collect county and city property taxes on all vehicle tag registrations and renewals. Customers could pay for the required fees using either debit or credit cards.

In order for license plate agencies to become service providers, they must obtain a contract from the NCDMV. In North Carolina, there are two types of contracts that NCDMV has authorized. *Indefinite* contracts feature automatic annual renewal with no express date for termination and *term-limited* contracts, which are three-year contracts with two one-year automatic extensions.⁹

LPA contractors may be private or public entities. In North Carolina, 102 LPA offices are privately operated, 15 are operated by counties or towns, three are operated by chambers of commerce, and two are state-run (see Figure 2 on right).¹⁰

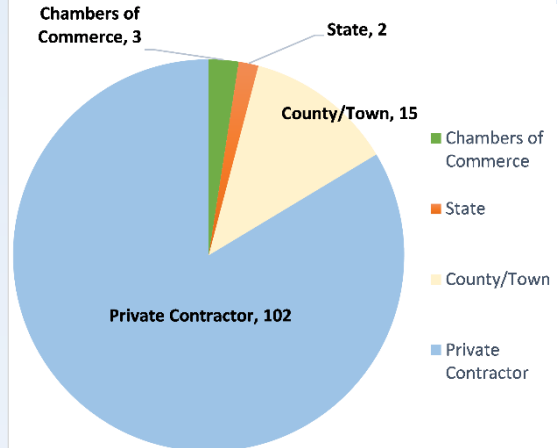
NCDMV began contracting registration and titling services to LPAs in 1961. However, NCDMV did not introduce duration terms until its term-limited contracts came into existence in 2007. Today, 48 LPAs operate under term-limited

Figure 1. States that Contract Titling and Registration Services.



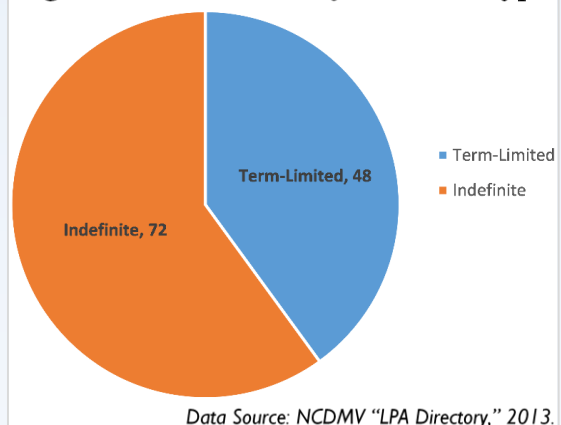
Source: Program Evaluation Division based on data from the American Association of Motor Vehicle Administrators and phone interviews with other states.

Figure 2. LPA Offices by Branch Type



Data Source: NCDMV “LPA Directory,” 2013.

Figure 3. LPA Offices by Contract Type



Data Source: NCDMV “LPA Directory,” 2013.

⁶ PED Report.

⁷ “LPA Directory Fall 2013.” NCDMV

⁸ PED Report

⁹ “LPA Directory by Contracts.” NCDMV

¹⁰ “LPA Directory Fall 2013.” NCDMV

contracts, while 72 still operate on indefinite contracts (see Figure 3 on preceding page).¹¹ In addition, two state-run offices (Raleigh and Charlotte) provide these services, but do not operate under a contract.

NCDMV oversees the LPA offices. It serves in a number of roles to both provide assistance and enforce state policies to ensure proper LPA business conduct. When working with LPAs, NCDMV does the following:

- Trains LPA personnel;
- Provides assistance for any questions LPAs have when conducting business;
- Conducts audits to ensure LPAs are following standard operating procedures;
- Compensates LPAs based on terms established by the General Statutes;
- Informs and records any erroneous business transactions made by LPAs; and
- Manages the contract renewal, termination and LPA selection process.

Opportunities for Improvement

After gathering much information it has become apparent that there are a number of ways in which NCDMV and LPAs can operate more effectively and efficiently, and thus better serve the citizens of North Carolina. In some instances, NCDMV policies and processes are not always clear and challenge LPA operations. In other instances, LPA conduct is not supportive of effective business practices. This section elaborates upon the intimate knowledge NCDMV and LPA personnel have in regards to

improving daily operations, including keen insight from numerous stakeholders including LPA contractors. There are three key steps that NCDMV and LPA offices can take to operate more effectively (some legislative action is required). These steps are as follows:

1. NCDMV stands to benefit by enhancing communication and procedures that affect LPA performance. In addition to the findings presented below, salient observations and suggestions are also available from the PED Report which cites a memo from NC Association of Motor Vehicle Registration Contractors.
2. LPAs operate under two contract types (indefinite and term-limited), which seem to create vastly different business environments and perceptions of unfairness. Additionally, there are discrepancies and unnecessary overlaps between the Standard Operating Procedures (SOP) manual and the two existent contracts that hamper effective contract administration and operations.
3. LPAs are not subject to a comprehensive set of performance measures. Better LPA performance could emerge from the implementation of comprehensive performance measures, especially in regards to customer service.

¹¹ LPA Directory by Contracts.” NCDMV

Table 1. Summary of Findings from LPA Interviews.

Issue	Observation
Citizen Education	<ul style="list-style-type: none"> • Citizens do not understand status of LPAs. • Citizens are not fully aware of all registration requirements. • Citizens are not well informed about the Tax and Tag program. • Citizens do not fully understand time limits for renewal. • NCDMV and NCDOR have to create and implement a better information / marketing program addressed at NC citizens. • Improve NCDMV and NCDOR websites to make them more informative and user friendly.
NCDMV Customer Service – Help Desk	<ul style="list-style-type: none"> • Inconsistent information provided by different agents. • Very long wait times; provide Help Desk staff with more training and information resources. • Significant problems related to Tax and Tag program; should allow LPAs to contact local tax agency. • LPA service provider cannot serve other customers until issue is resolved since the interface screen becomes locked up. Re-design STARS program to hold issue in dispute and work with other customers.
NCDMV Field Representatives	<ul style="list-style-type: none"> • Proactive. • Very knowledgeable. • Primary function related to field audits which limits their value to LPAs and NCDMV. • Must be trained in all aspects of LPA operations and should be involved in training LPAs.
NCDMV-LPA Communications	<ul style="list-style-type: none"> • NCDMV sends emails and memos to LPAs on procedure changes and questions that might have arisen from agencies. However, these sometimes occur multiple times during the day when LPAs are unable to readily access the communication, resulting in their having to resort to telephones to get questions answered. There should be consistent instructions that are policy driven, not case-by-case driven. • Improvement is needed on the FAQs on sites tailored specifically for LPAs. • Not well managed or open. • Sense of tension within both parties. • Frequent changes to messages sent in a given day.
LPA Compensation	<ul style="list-style-type: none"> • Inadequate for term-limited LPA. • Does not reflect real costs of running a business. • Some LPA employees working without benefits.
LPA Contracts	<ul style="list-style-type: none"> • Inconsistent contracts within term-limited contracts. • Creation of two categories of contracts. • Some LPAs unaware they are due for renewal; there is no notification by NCDMV of when the contract term ends. • Renewal process is imprecise. • Initial term is insufficient for a business to plan and recoup start-up costs.
LPA Employees	<ul style="list-style-type: none"> • Many are long-term. • Face increasingly challenging situations without adequate training. • Are committed to providing high level of service.
LPA Training	<ul style="list-style-type: none"> • Generally inadequate. • Many NCDMV managers do not understand all activities / challenges of LPA.
Standard Operating Procedures Manual	<ul style="list-style-type: none"> • Need to reflect expectations of NCDMV and real operations of LPA regarding design and update information, and should be available through NCDMV website for high priority updates.
Tax and Tag Collection	<ul style="list-style-type: none"> • Inadequate training. NCDOR and local tax agencies should be involved in all training. • Constant training to reflect changes must be implemented. • Software program fixes do not deal with underlying issues. Core programmatic problems should be addressed. • Overworked NCDMV programming staff.
Technology	<ul style="list-style-type: none"> • Poor equipment. • Cannot accept debit cards. Add debit card capability. • Low reliability levels - equipment must be maintained and have very high level of reliability. • Poor maintenance support. • High cost for term-limited LPA. • Only term-limited LPA pay for equipment. Both LPA classes should have same cost for equipment. • Need for regular updating of technology and computer equipment.

Issues Identified from LPA Interviews

Interviews with LPAs suggest three main areas of improvement including: reconciling the different contracts (and their terms), the communication gaps between the NCDMV and LPAs, and technology challenges. One of the most frustrating technological issues for LPAs involves the software glitches during tag/tax transactions. At the time of the interviews, the system could not accept both credit and debit cards. Meanwhile, changes implemented to the software were often ad-hoc and not system-wide. Furthermore, the training provided for tag/tax transactions appears to have been insufficient. The result of these challenges has been delays for providers and customers alike. A summary of these identified issues is presented in Table I on the preceding page.

Based on the findings from the interviews and other information gathered during the project, a number of NCDMV related operational attributes hamper LPA performance. These include information technology (IT) system complications, a training system that tends to be more reactive than proactive, communication issues that arise when LPAs have a question or need help, inflexibilities concerning transaction reporting, and problems that arise due to complicated forms. Some of these attributes arise from state policies of which the NCDMV must comply; however, others can be more readily corrected.

IT System Complications

The STARS system originated in 1996, and appears to be antiquated and not adequately configured to synchronize with numerous other systems and requirements placed upon it. STARS currently interacts with these major data systems:

- Driver's License
- License and Theft
- Inspections and Emissions
- Child Support

- Auto Insurance
- Property Tax

The recent Tax and Tag program has created numerous challenges both technologically and procedurally for LPA offices and NCDMV employees. It appears that issues are solved on a case by case basis by programmers communicating with LPA employees directly. Solutions seem to be a "band aid" approach, which appears to cause other issues elsewhere in the system. Meanwhile, customers do not understand why long periods of time are required to complete their transactions.

More recently, problems have occurred with the implementation of debit and credit card acceptance. Some of these problems are due to the difficulty of STARS interacting with banking transaction software.

Finally, the STARS system currently lacks business intelligence capability. It only collects transactional data, and does not include a dashboard with key performance indicators that allow sufficient visibility into system-wide operations to make data-driven strategic decisions.

Help Desk

In extreme cases, LPAs wait 45 minutes or more on the phone to get an answer from the Help Desk if an IT programmer has to be called. This situation has been exacerbated since the launch of the Tax and Tag program. NCDMV added nine employees to the Help Desk in anticipation of additional problems with implementation of Tax and Tag. However, the time-limited nature of these appointments has hindered the efficacy of the help provided, especially in light of the inherent intricacies of the program and the necessity of long-term knowledge and expertise as a prerequisite to providing adequate help. As a result, in spite of these additional employees often long delays have plagued the rollout of the program.

LPA offices are adversely affected by some procedural requirements of the Tax and Tag program. During this wait time, the LPA processor is unable to attend to other customers because the workstation is unavailable until the original transaction is completed. This creates long wait times and growing frustration from customers.

NCDMV can more strategically identify problems that arise multiple times at the Help Desk. A compilation of Frequently Asked Questions (FAQs) could be compiled and made more readily available.

NCDMV Procedures that Hamper LPA Operations

State wide average error rate is used as the standard for the following month. The LPA is considered to be in violation if its error rate is two times or higher than the state-wide average error rate. This results in a wide ranging error standard from month to month.

Assessing the validity of errors is a time-consuming process, and NCDMV has limited resources for examining documented errors. Currently, NCDMV's Quality Assurance office only inspects 20 percent of the errors charged to LPAs. In a number of cases the errors cited were not actually errors. LPA compensation is adjusted based upon this inspection, thus great precision is necessary (and cannot likely exist) when only 20 percent of cited errors are inspected.

Many LPA branches lack clarity regarding what determines an error. Better and more precise definitions of what constitutes an error can be developed and provided to LPAs. "Errors can be significant such as not having all the signatures on a title, or the wrong signatures, and sending it through, or they can be insignificant such as not putting the LPAs barcode on the envelope or having pages in the wrong order."¹² Perhaps some

errors, such as submitting documents in the wrong order, can be reconsidered.

NCDMV implemented a recent policy to allow LPAs to make multiple deposits during a business day. The intent is to minimize the amount of cash kept on hand, particularly in the busier offices. However, the LPA should still report a single total deposit for that day and certify the same by 2:00pm the next day.

In addition to these observations, other suggestions for reducing operational impediments may be identified through interactions with NC Association of Motor Vehicle Registration Contractors.

Lack of Consistency between Two Types of LPA Contracts

In North Carolina, as noted previously, all LPA offices do not operate under the same contract terms. Seventy-two offices operate under indefinite contracts, while 48 offices operate under term-limited contracts. Table 2 on the following page shows some the major differences between the two contracts. This creates an environment where many LPAs in term-limited contracts feel they are not being treated fairly, because their contract terms are less advantageous than indefinite contracts. Some of the major differences include:

- Offices with term-limited contracts are required to be ADA compliant, provide a public restroom, and lease their computer equipment from NCDMV.
- Offices with indefinite contracts receive their computer equipment from NCDMV free of charge and do not have to be ADA compliant or provide a public restroom.
- Perhaps the most significant difference between these two contract types – and the difference that seems to instill the

¹² Interview with LPA Branch Agent, January 6, 2014.

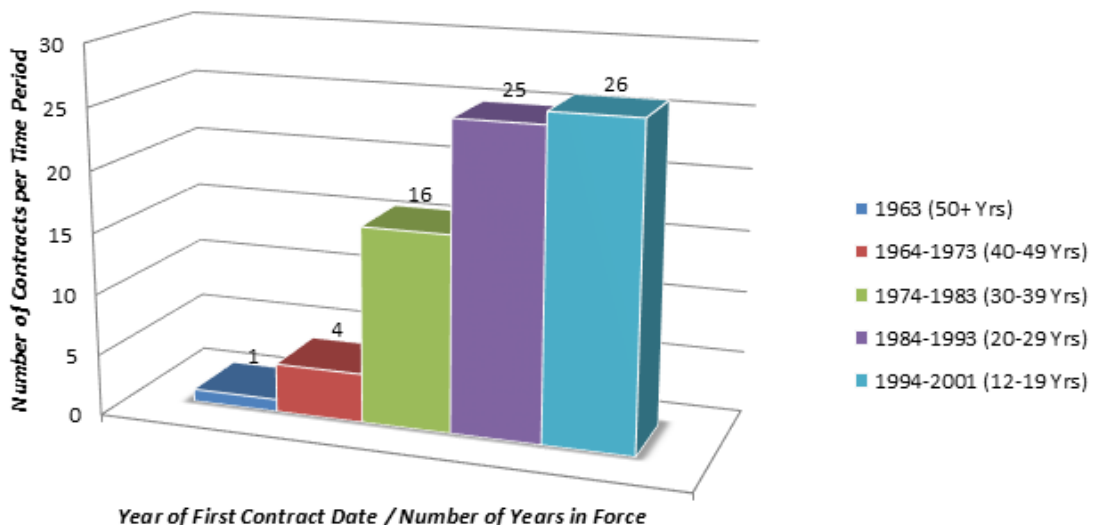
greatest sense of inequity – is that term-limited contracts have to reapply after five years to continue operating, while indefinite offices are given permission to

operate “perpetually.” As illustrated in Figure 4 below, indefinite contracts awarded since 1963 have had an average term of over 25 years.

Table 2. Major Differences between the Two Types of LPA Contracts.

Contract Component	License Plate Contract (Indefinite Contracts)	License Plate Agency Contract (Term-Limited Contracts)
Location of LPA and General Terms of Operation	No reference to the Standard Operating Procedures.	Reference to the Standard Operating Procedures.
Term of Agreement	Allows for continuous renewal unless terminated.	Limited to a maximum of 3 years initial contract and renewable for 2 more years.
Probationary Period	Termination by the ‘Director’ who is undefined.	Termination by the ‘Division’ which is defined.
Termination	The reasons for termination are much less extensive than for term-limited contracts.	Termination by Division. Includes a very extensive section defining how the Division can terminate the contact.
Commission Contractor has Responsibility of Operating Costs of the LPA	Responsible for all operating costs. Division is responsible to compensate for added services. <u>No</u> specification of compensations payments. Contractors can receive additional revenues from additional services such as sales of keys and specialty plates.	Responsible for all operating costs. Division is <u>not</u> responsible to compensate for added services. Compensation is mentioned without specification. LPAC Commission Contractors are <u>not</u> able to claim for costs arising from NCDMV required additional services.
Restrooms	Not required to provide a public restroom.	Required to provide a public restroom.
Fee for Computer Equipment	Not required to pay for leasing workstation equipment.	Required to pay for workstation equipment.

Figure 4. LPA Indefinite Contracts, Years in Force, 1963-2013.



Average Term for Indefinite Contracts awarded since 1963 is 25.6 Years.

Data Source: NCDMV “LPA Directory by Contracts,” 2013.

Several NCDMV employees have observed substantial differences between the LPA offices operating under term-limited and indefinite contracts. In a recent interview, one employee explained that term-limited LPAs “provide better service, their offices are kept cleaner, and that their staff are better to work with.”¹³ An interview that the Program Evaluation Division (PED) of North Carolina’s General Assembly conducted in 2012 demonstrated similar findings. During the PED interview a field supervisor explained, “The LPAs that are under new (term-limited) contracts are much friendly. They care more about their offices and the quality service that they provide.”¹⁴

The non-competitive aspects of indefinite contracts appear to contribute to operational differences. As explained by NCDMV staff responsible for training LPAs, “Newer [contract branches] know they have to do a good job to keep their contract so they try to do the best job they can.” Whereas, “Older contract branches feel they ‘know it all’ and don’t pay attention.”¹⁵ To read about contract recommendations see Section I of the Recommendations later in this report.

Lack of Consistency between SOP Manual and the Contracts

There are several omissions, overlaps and discrepancies between the two different kinds of contracts (License Office Contract and License Plate Agency Contract for indefinite and term-limited LPAs respectively) and the SOP manual which might hinder their effectiveness. This is the basis of the overall recommendation (see recommendation I) that the language and structure of the contract(s) be significantly reduced and simplified and made consistent by means of the formal incorporation of the

Standard Operating Procedures manual as an addendum. Specific issues are as follows:

SOP Manual

1. Dress code (*EMPLOYEES* section): The section refers to the “Division dress code” which should be included in the SOP manual and not provided as an addendum. While it is assumed that LPA contractors know what constitutes acceptable dress, the LPA interviews indicated one instance where a contractor was cited for an employee’s dress that the contractor assumed should have been acceptable.
2. Compensation: The SOP makes no reference to compensation levels but specifies the compensation for notary fees.
3. Contractors with error rates that are two times above the state average for the month for four consecutive months will be required (Contractor & staff) to attend mandatory training in Raleigh. The SOP does not specify the length of the training session.
4. Notary Requirements: The Contractor is required to give a monthly detailed accounting of fees collected through notary services. The SOP does not specify the level of detail beyond the amount charged and collected in STARS. The lack of detail leads to confusion where NCDMV officials report non-compliance by LPAs while LPAs indicate they comply with the requirement. Since the reporting of Notary fees is a major requirement that could lead to supervisory complaints or other major consequences, a more explicit description of the level of reporting detail required will address this deficiency.

¹³ Interview with NCDMV Field Supervisor, January 8, 2014.

¹⁴ PED Report.

¹⁵ PED Report.

Contract Documents

1. There is no provision for a transition period from a terminated Commission Contractor and the new Commission Contractor. This fails to protect the public with respect to access to service.
2. The SOP uses different terms for the same party. As an example the SOP uses the terms “Commission Contractor,” “Contractor” and “LPA Agency” interchangeably without specification of this interchange. The License Plate Agency Contract only uses the term “Commission Contractor.” Similarly, the SOP uses the terms “Division” and “Administrative Office” interchangeably without confirmation that the two terms are equal and interchangeably acceptable and applicable. The indefinite contract and the term-limited contracts only use the term “Division.”
3. The contract fails to include any provision for notifications and communications between the two parties including name of responsible party, mailing address, telephone and fax contact information.
4. Repetition of information from SOP manual in the contract documents: There are numerous articles in each of the two contracts that repeat similar information from the SOP manual, sometimes using different language. Such overlap is confusing for the contractor and leaves open the opportunity for discrepant interpretation. A few examples are cited below:
 - a. Article 8 of License Office Contract is unnecessary since a much more detailed procedure for check verification is already available in the SOP manual.
 - b. Article 12, the last paragraph of Article 15, Article 18, Article 19 and Article 22 of License Office Contract are unnecessary since these items are covered in the SOP manual.
 - c. The second half of Article 5 of the License Office Contract covering “additional duties” is material that should ideally be covered in the SOP manual instead of the contract; yet it is not.
 - d. Several items of information in Article 5 of the License Plate Agency Contract such as causes for termination are already mentioned in the SOP manual and therefore need not be covered in the contract itself.
 - e. Article 7, Article 9, Article 10, Article 13, Article 14, Article 17, Article 19 are examples of contract language in the License Plate Agency Contract that repeat information from the SOP manual using a different language.
 - f. Article 16 of License Plate Agency Contract on compliance with bonding requirements of G. S. 20-63. 01 covers additional material that is not present in the SOP manual where this subject is covered.

Comprehensive Performance Measures

In order to objectively gauge how well North Carolina LPAs are performing, Senate Bill 402, Section 34.17, required a number of performance measures to be studied and analyzed. These performance measures can be tracked and should shed light on how well LPAs are performing relative to each other and to NCDMV offices that provide the same services. The following performance measures are discussed in this section to address S.B. 402, Sec. 34.17:

- Error rates
- Transaction trends
- Service times
- Customer satisfaction

Some of these measures have already been in existence in LPA offices. For example, transactions and error rates are compiled on a monthly basis. Meanwhile, service times have yet to be tracked and customer satisfaction has yet to be objectively measured.

Error Rates

NCDMV tracks the number of errors that are made at LPA branches on a per transaction basis. It uses this information to calculate error rates, which are shared with LPAs on a monthly basis and used to determine if LPAs are performing up to standard.

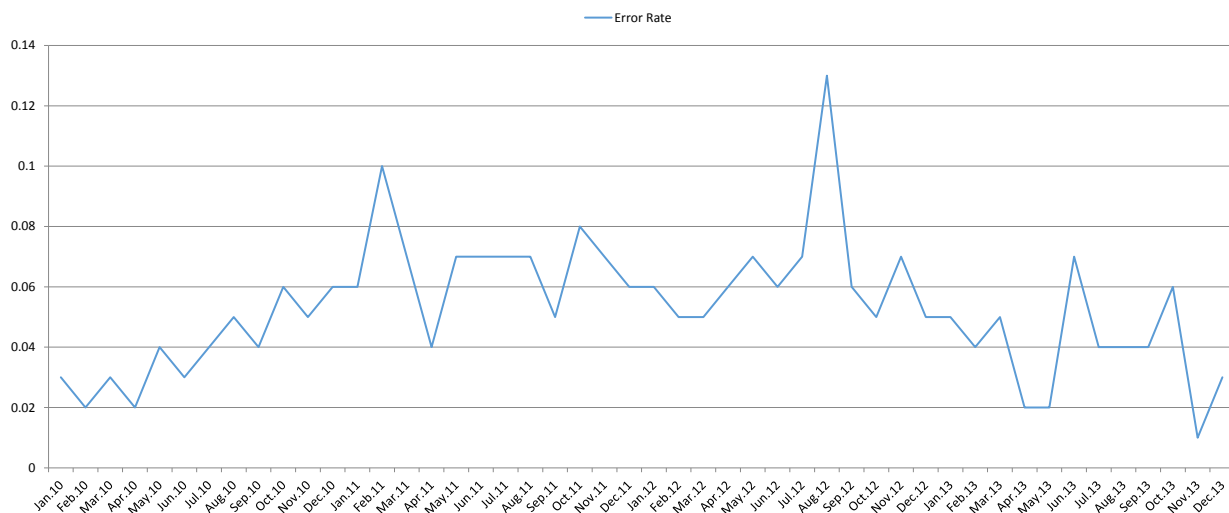
An acceptable error threshold for LPAs is set at twice the average monthly error rate. If an LPA branch exceeds this error threshold, more than three times during a 12-month period, then the

LPA branch is closed and the staff undergo mandatory training in Raleigh.

Average error rates fluctuate substantially from month-to-month, which limits the effectiveness of this performance process. For example, an acceptable error rate for one month may be an unacceptable error rate for an LPA the following month. The lack of consistency subjects LPA branch offices to an unnecessarily stressful business environment. Using a six-month moving average to assess error rates would create more clarity and stability for LPA branches. This alternative option is discussed in Section II of the Recommendations later in this report.

Figure 5 below shows average error rates from 2010 to 2013.¹⁶ Changes in error rates were substantial from month-to-month. For example, the error rate in February 2011 was more than twice the error rate of March 2011, and the error rate in April 2013 was less than one-third the error rate of May 2013. These large fluctuations made performance requirements for LPAs inconsistent.

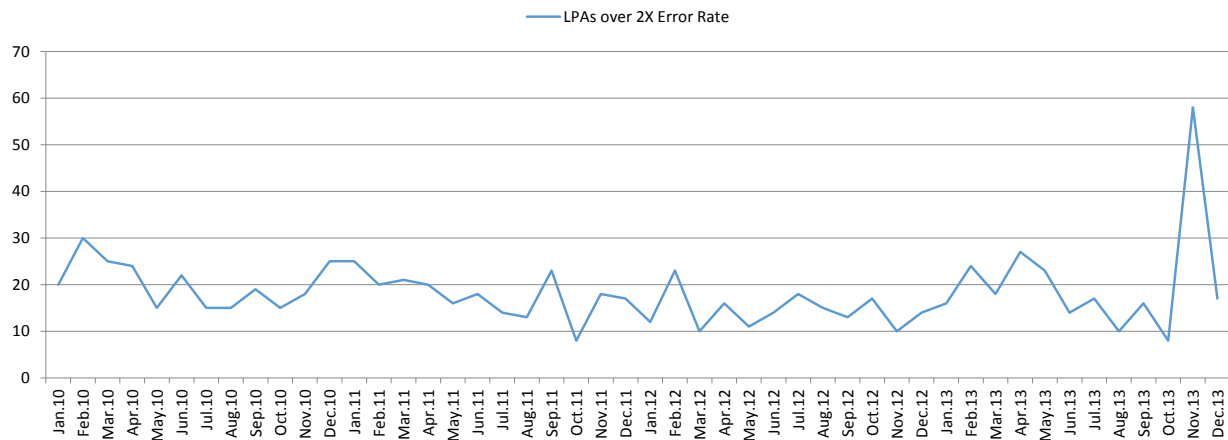
Figure 5. Error Rates over Time.



Data Source: NCDMV "Monthly Error Report," 2010-2013.

¹⁶ "Monthly Branch Error Report," North Carolina Division of Motor Vehicles (2010-2013).

Figure 6. Number of LPAs over 2X Error Rate.



Data Source: NCDMV "Monthly Error Report," 2010-2013.

Another way to see how error rate fluctuations affect LPAs on a month-to-month basis is to observe the number of LPAs that did not perform up to standard (see Figure 6 above). From 2010 to 2013, as few as eight LPA offices exceeded twice the average error rate threshold for one month, and as many as 58 LPAs exceeded twice the average error rate threshold for another month.

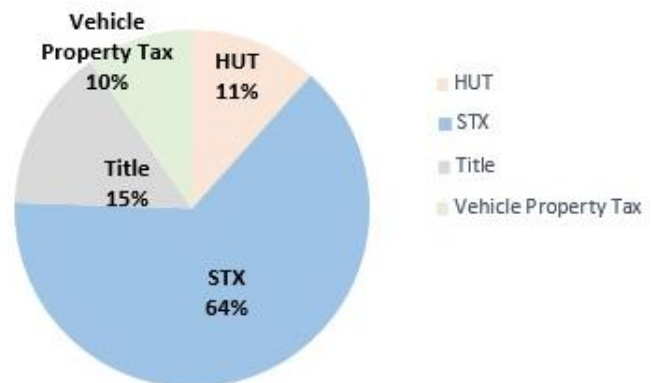
LPA branches are subject to disproportionate exposure due to the size of their operation. To a small branch, one error leads to a much higher average error rate. For example, offices such as Laurinburg #043 and Chapel Hill #004 performed less than 15,000 transactions in 2013. Meanwhile, offices such as Cary #107 and Charlotte #122 completed more than 100,000 transactions in 2013. One transaction error in the Chapel Hill or Laurinburg branches would equate to a monthly error rate that is about ten times higher than the Cary or Charlotte branches.

Determining error rates requires a significant amount of NCDMV and LPA resources. Errors are both costly to detect for NCDMV and costly to rectify for LPAs. One finding from an LPA interview is that a substantial number of errors detected by NCDMV at that LPA are not erroneous at all.

Transaction Trends

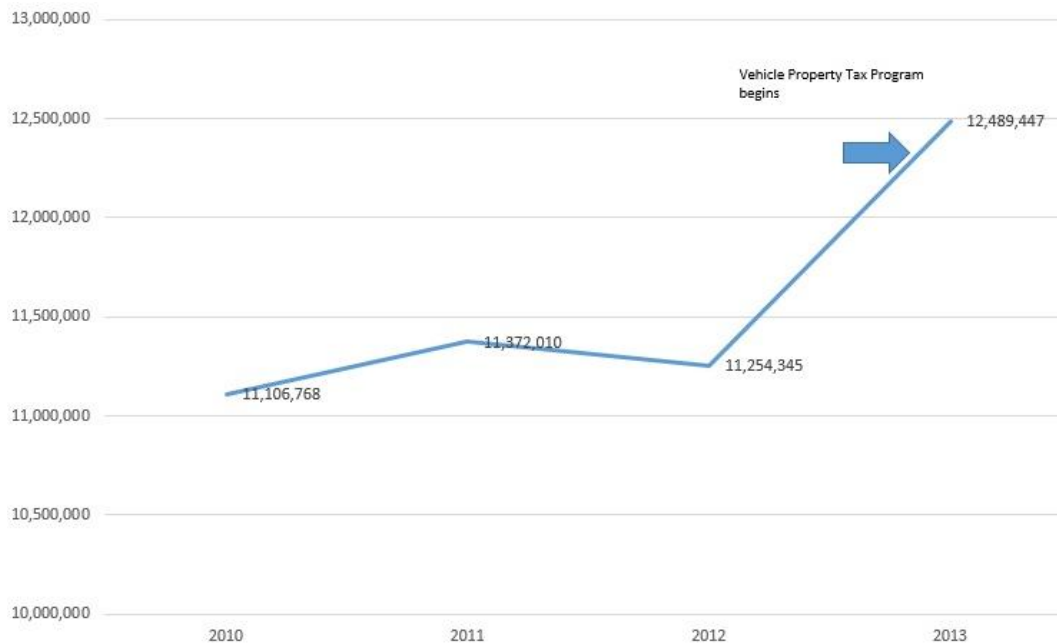
NCDMV tracks the number of transactions LPAs make by type and by branch. The smallest LPA branches complete less than 10,000 transactions each year, while the largest branches complete over 100,000 transactions each year. In 2013, LPAs completed a total of about 12.5 million transactions. Ten percent of those transactions were vehicle property tax transactions, 11 percent were highway use tax (HUT) transactions, 15 percent were title transactions, and 64 percent were standard transactions (STX) (see Figure 7 below).

Figure 7. Transactions by Type, 2013.



Data Source: NCDMV "Compensation Summary," 2010-2013.

Figure 8. Total Transactions over Time.



Data Source: NCDMV "Compensation Summary," 2013.

The number of transactions that LPAs have completed has increased over time (see Figure 8 above). In 2010, LPAs completed 11,106,768 transactions and in 2013, LPAs completed 12,489,447 transactions. A large portion of the increase in transactions, however, has come from the implementation of the vehicle property tax.

Service Times

At present no evidence was found that service times at different LPA offices are being tracked and assessed in a systematic and methodical manner by the NCDMV. The closest such study was performed in October 1999, by Walter L. Thompson from Productivity Services, on behalf of NCDMV. The focus of that study was on assessing productivity of the various LPA offices. One component of the report included, a sample of service times.¹⁷ The study reported a significantly high degree of utilization of LPA

employees at the various offices. It suggested that larger LPA offices generally had more customers, who had longer wait times than at smaller offices.

Since the conclusion of that study, there have been much more transactions that LPA offices are required to perform (e.g., the recent introduction of the Tax and Tag program). The differing types of transactions that LPAs perform often result in varied wait times for customers. (This last observation has been corroborated in the LPA interviews as well as discussions with NCDMV officials.)

Given the elapsed time since the study was conducted and the growth in the types of transactions and their volumes since that time, wait time estimates merit a revision.

¹⁷ Thompson, Walter L. "Vehicle Registration Staffing Study," NCDOT, 1999. (See p.6 of the study for service time information.)

Customer Satisfaction

Customer satisfaction has not been uniformly tracked at LPA offices. However, as part of its current initiatives, NCDMV is attempting to measure and improve customer satisfaction.¹⁸ GfK, a private company under contract to NCDMV, performed a market study that provides a broad review of Driver License (DL) and LPA customer concerns.¹⁹ The study includes feedback from customers at LPA and DL locations. It will provide the basis for site surveys and internal studies that will be undertaken on a quarterly basis by NCDMV.²⁰

The market study is being conducted during the writing of this report; therefore, its findings could not be included in this report. However, GfK did complete quantitative and qualitative draft reports that were illustrative of customer concerns at NCDMV and LPA locations on the whole.²¹ Selected findings from the draft report are highlighted on this page.

These findings bring to light noteworthy customer concerns. They seem to converge around the customer's desire to have shorter wait times at DL or LPA offices. Though customer wait times are not currently tracked, it is apparent that they are intimately related to customer satisfaction.

Though service times are not being tracked to measure performance, a number of new ways to reduce wait times were discussed in the GfK draft report. Customer approval for these new ideas

NCDMV Bulletin Board Discussion Groups GfK DRAFT Report of Findings

Main Findings

- *Consumer perceptions are unfavorable in the extreme. Whether visiting a Driver License office or an LPA, consumers find the experience unpleasant in many aspects including the setup of physical facilities, physical appearance of offices, long wait times, lack of transactional clarity, and poor staff attitudes and expertise.*
- *Commercial and government / non-profit stakeholders expressed more positive views of the NCDMV, but mainly based on their professional—not personal—interactions. Stakeholders experience shorter wait times, are able to form ongoing working relationships with some LPA and [driver's license] staff and are better-informed about policy and procedural requirements and updates that impact their transactions with the agency. The result is a generally favorable view of the NCDMV among stakeholder segments.*
- *Experiences and perceptions differ by market size and by branch/office within each market. Those residing in larger markets seem most dissatisfied, while those in smaller markets seem to have more positive experiences. Higher volume offices do not appear to function as well as those in less populous areas. As a result, a number of respondents routinely seek out a better, faster experience by travelling up to 45 minutes to a smaller branch.*

¹⁸ Interview with NCDOT Marketing Specialist, December 16, 2013.

¹⁹ NCDMV Bulletin Board Discussion Groups. DRAFT Report of Findings. Presentation made by GfK on December 12, 2013

²⁰ Interview with NCDOT Marketing Specialist, December 16, 2013.

²¹ NCDMV Bulletin Board Discussion Groups. DRAFT Report of Findings. Presentation made by GfK on December 12, 2013. And, NCDMV Quantitative Surveys. Overview of Topline Findings. Presentation made by GfK on January 10, 2014

was determined in that report. Additional select findings are highlighted on this page.

These findings also demonstrated customers' desire for speed and efficiency. Online solutions were looked at favorably if they could create time savings.

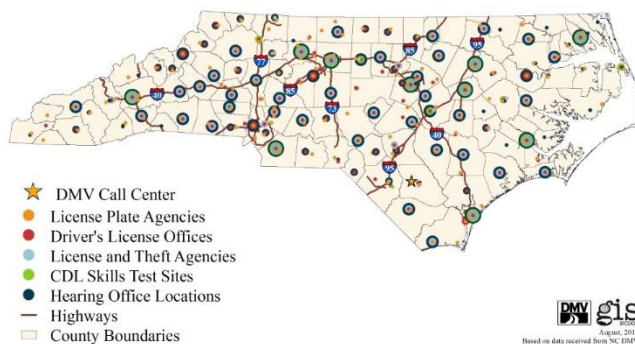
Please see the "Improving Customer Service and Citizen Accessibility" recommendation for discussion about efficient service delivery suggestions.

Geographical Convenience and Hours of Operation

A review of documents provided by NCDMV did not reveal any significant dissatisfaction of existing LPA customers regarding geographical accessibility of LPA locations. This sentiment was also echoed by the LPAs in the conducted interviews; all expressed satisfaction with their existing locations and believed them to be conveniently accessible by their customers.

LPAs were also asked about the feasibility and inclination to have extended operating hours on weekends, especially Saturday. The reaction to this was uniformly negative. Reasons for the unfavorable reaction are numerous and include additional cost, lack of security, insufficient demand, etc. Some LPAs have tried Saturday hours, but they did not bring in enough customers to cover their overhead costs.

DMV Offices & Operations



DMV GIS
August 2013
Based on data received from NC DMV
Map produced by NCDOT GIS Unit

Data Source: NCDOT GIS Unit 2013.

NCDMV Bulletin Board Discussion Groups GfK DRAFT Report of Findings

Additional Findings and Customer Feedback

- Consumers liked all concepts that promise to increase efficiency, decrease waiting times and minimize the need to visit DMV branches including: Appointments, the Virtual DMV, Kiosks, Live Online Chat and the DMV Smartphone App. Dealers want a Dealer Online Status and Dealer Portal.
- Consumers and stakeholders want to transact as much business via the DMV website as possible, expecting it to reduce wait times and minimize the need for in-person DMV contact.
- The first step to customer satisfaction is speed. Digital solutions are only appealing if they solve the problems of speed and efficiency.
- Digital solutions such as electronic or biometric identification weren't well received because they don't solve a significant problem for customers.
- Any shift to digital functionality should be based on the foundation of increased efficiency and time savings.

Most LPAs believe that they are located in areas that are readily accessible; however, no independent validation of the same is currently available. Additionally, it is not likely that LPAs will provide extended hours on a voluntary basis given the increased costs.

LPA Contractor Compensation Rates

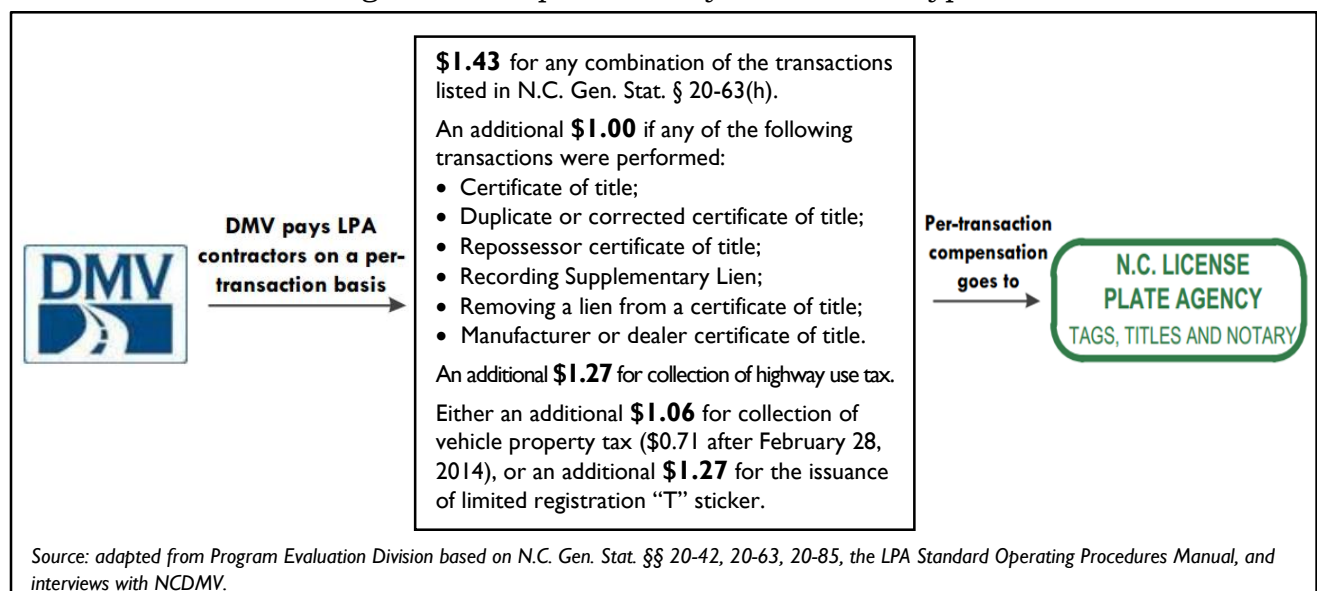
In 2001, Oates, Anderson and Crooke from the Productivity Services Section of NCDOT did a study on the compensation rate for all LPAs at that time and recommended a four-rate option.²² In the same report, they also recommended a model to revise these rates with inflation. This was followed in 2012, when the Program Evaluation Division (PED) of North Carolina's General Assembly researched compensation rates for its report to the Joint Legislative Program Evaluation Oversight Committee. Compensation rate information from that report is included in the highlighted box on the following page.

As the PED report explained, LPAs are compensated by the NCDMV on a per transaction basis. Compensation rates range from \$1.43 to \$4.76 per transaction based on the services LPAs have provided (see explanation in Figure 9 below or in the highlighted section on the following page).

LPAs receive \$1.43 for completing one or more of the following transactions:

1. Registration plate, card, sticker, or certificate of title.
2. Handicapped placard or handicapped identification card.
3. Acceptance of an application for a personalized registration plate.
4. Acceptance of a surrendered registration plate, card, sticker, or acceptance of an affidavit stating why a person cannot surrender a registration plate, card, or sticker.
5. Cancellation of the title because the vehicle has been junked.
6. Acceptance of an application for, or issuance of, a refund for a fee or a tax, other than the highway use tax.
7. Receipt of the civil penalty imposed by G.S. 20-311 for a lapse in financial responsibility or receipt of the restoration fee imposed by that statute.
8. Acceptance of a notice of failure to maintain financial responsibility for a motor vehicle.
9. Collection of civil penalties imposed for violations of G.S. 20-183.8A.
10. Acceptance of a temporary lien filing.

Figure 9. Compensation by Transaction Type.



²² Oates, R. et al, "Contract Agent Compensation." NCDMV, July 25, 2001.

Program Evaluation Division: Final Report to the Joint Legislative Program Evaluation Oversight Committee

The fees customers pay at LPAs for registration and titling services go to the Highway Trust Fund, Highway Fund, or local school boards. DMV in turn pays LPA contractors for performing those services. As established by statute, DMV pays contractors on a per-transaction basis:

- \$1.43 for any combination of the transactions listed in N.C. Gen. Stat. § 20-63(h);ⁱ
- an additional \$1.00 for certain titling transactions;ⁱⁱ
- an additional \$1.27 for collection of the highway use tax;ⁱⁱⁱ
- LPAs receive \$1.06 to collect vehicle property taxes (VPTs); after February 28, 2014 compensation rate drops to \$0.71. Limited registration plates or temporary (T) stickers may be issued instead of collecting VPTs; in such cases an LPA receives \$1.27.^{iv}

Thus, the least LPAs can receive for performing services is \$1.43; the most they can receive is \$4.97. For example, an LPA contractor would receive \$1.43 for performing a transfer of registration. An LPA contractor would receive up to \$3.54 for the collection of the highway use tax and certain titling and vehicle property tax services.

The majority of LPAs are private contractors who need to generate a profit to maintain their businesses. An important source of additional revenue is from notary fees: most transactions must be notarized and LPAs collect fees directly from customers. Notary fees are set by DMV in the LPA program's Standard Operating Procedures Manual; LPA contractors receive \$5 for one signature, \$6 for two signatures, and \$7 for three or more signatures.

ⁱ The transactions listed in N.C. Gen. Stat. § 20-63(h) are issuance of a registration plate, registration card, registration renewal sticker, or certificate of title; issuance of a handicapped placard or handicapped identification card; acceptance of an application for a personalized registration plate; acceptance of a surrendered registration plate, registration card, or registration renewal sticker; cancellation of a title because the vehicle has been junked; acceptance of an application for, or issuance of, a refund for a fee or a tax; receipt of a civil penalty for a lapse in financial responsibility or receipt of the restoration fee; acceptance of a notice of failure to maintain financial responsibility for a motor vehicle; collection of civil penalties imposed for emissions violations; sale of inspection stickers to a licensed inspection station; collection of the highway use tax; and acceptance of a temporary lien filing. The compensation rate for these transactions was last raised in 2001.

ⁱⁱ Session Law 2004-77 established this provision to provide an additional fee for transactions related to titling services.

ⁱⁱⁱ Collection of the highway use tax is not a stand-alone service; it occurs in combination with the issuance of a title. The compensation rate for collection of the highway use tax was last raised in 2001. Starting in 2013, LPAs will collect vehicle property taxes. Session Law 2005-294 made vehicle property taxes due at the same time registration fees are due and authorized LPAs to collect these taxes on behalf of counties. The amount counties will pay LPAs per transaction has not been determined.

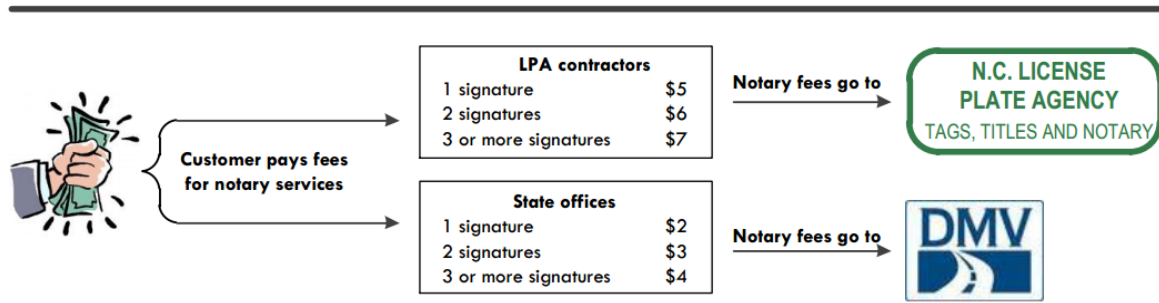
^{iv} Session Law 2013-372 established this provision to provide an additional fee for transactions related to vehicle property tax services.

LPAs also receive compensation for the collection of property tax on motor vehicles. LPAs receive \$1.06 or \$0.71 for property tax transactions on motor vehicles, depending on the date of registration or renewal for those vehicles. For vehicles that register or renew from September

30, 2013 to February 28, 2014, LPAs receive \$1.06 each time property tax is collected, and for any other date LPAs receive \$0.71 per transaction.²³ In some instances, vehicle owners will choose to defer the payment of their vehicle property taxes, and instead choose to receive a

²³ G.S. 20-63(h)

Figure 10. Notary Fees.



Source: Program Evaluation Division based on N.C. Gen. Stat. §§ 20-42, 20-63, and 20-85 and the LPA Standard Operating Procedures Manual.

limited registration plate or a temporary (T) sticker. In this case, LPAs are compensated \$1.27 for the issuance of a “T” sticker.²⁴

Notary transactions are also a source of potential revenue for LPAs. LPAs receive \$5 for one notarized signature, \$6 for two signatures, and \$7 for three or more signatures. The Raleigh and Charlotte state offices receive \$2 for one notarized signature, \$3 for two signatures, and \$4 for three or more signatures (see Figure 10 above). Interviews indicated that this revenue source is a small percentage of their operations since most customers get their documents notarized outside of the LPA office. In addition, LPAs reported that notary fees are collected in cash to avoid the potential of bounced checks.

Over time, total compensation has increased for LPAs (see Table 3 below). From 2010 to 2013 net compensation for LPAs has gone from \$14.9 million to \$16.4 million. At the same time, however, average compensation rates have fallen. In 2010 LPAs earned nearly \$1.84 per transaction and in 2013 LPAs earned around \$1.79.²⁵ This decrease in average compensation per transaction is the result of vehicle property tax (VPT) transactions. LPAs are compensated \$1.06 for these transactions, which is less than the \$1.43 to \$2.43 they receive for title and standard transactions (STX), and less than the \$1.27 they receive for Highway Use Tax (HUT) transactions. Due to the rollout issues of VPT transactions, and the complexity of many standard transactions, a number of LPAs feel that compensation rates are inadequate.

Table 3. Compensation Rates 2010-2013

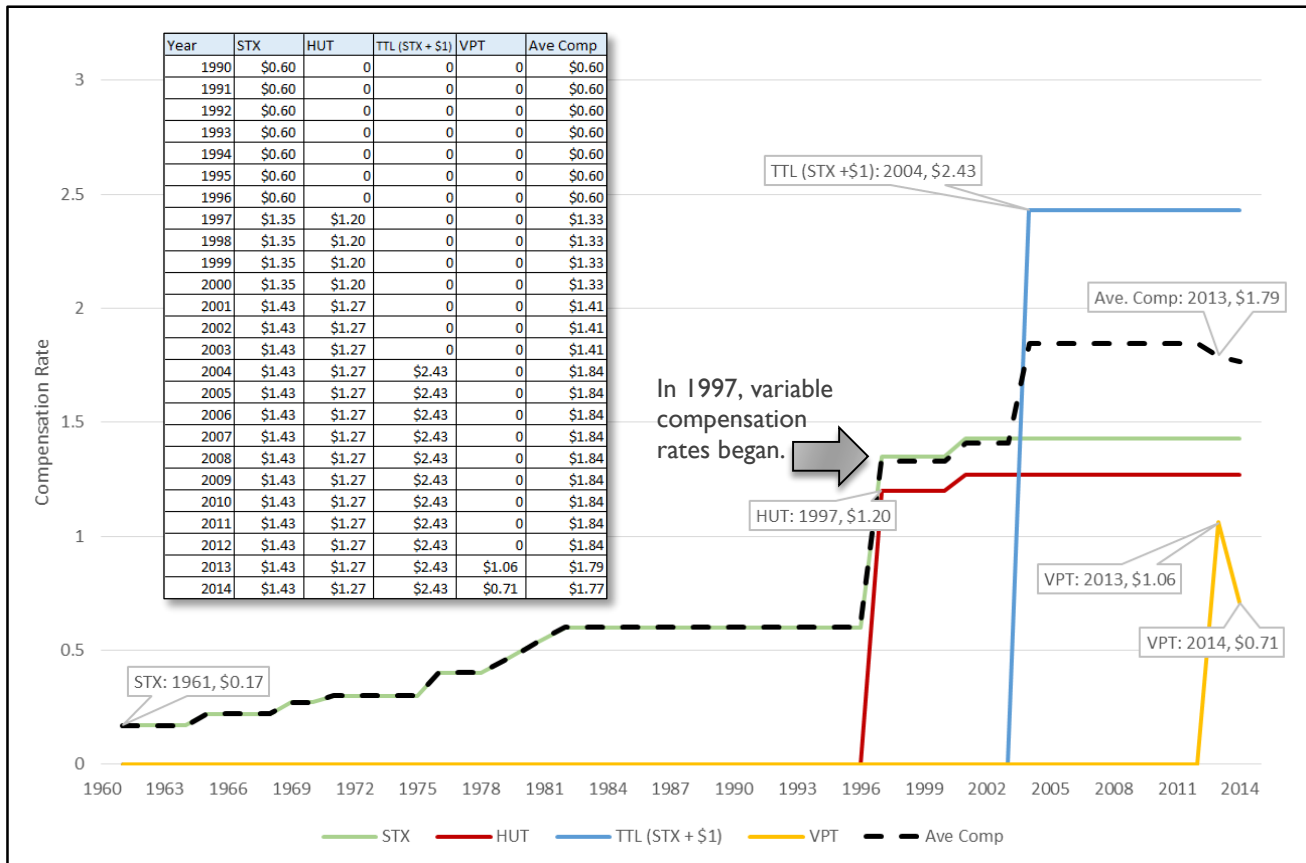
Year	HUT	STX	Title	Vehicle Property Tax	Total Transactions	Net Compensation	Ave. Compensation per Transaction
2010	1,392,003	7,987,591	1,727,174	0	11,106,768	\$14,867,382.85	\$1.84
2011	1,424,120	8,149,324	1,798,566	0	11,372,010	\$15,211,600.43	\$1.84
2012	1,430,233	8,024,835	1,799,277	0	11,254,345	\$15,040,724.42	\$1.84
2013	1,456,628	7,978,373	1,842,070	1,212,376	12,489,447	\$16,427,045.32	\$1.79

Data Source: NCDMV “Branch Compensation Summary,” 2010-2013.

²⁴ G.S. 20-63(h), Session Law 2013-372, Senate Bill 305.

²⁵ See footnote 29 for explanation on how average rate of compensation was calculated.

Figure 11. Compensation Rates per Transaction by Type over Time.



Source: ITRE & UNCG based on N.C. Gen. Stat § 20-63(h).

From 1961 to 1997 LPAs were compensated at one flat rate per transaction. Starting in 1997, NCDMV began compensating LPAs a different rate for the Highway Use Tax. Then, in 2004, NCDMV began compensating LPAs an additional dollar for six types of standard transactions²⁶ (see Figure 11 above). For standard transaction types that earn a regular transaction, and those that earn an additional dollar, see Figure 9 earlier in this report.

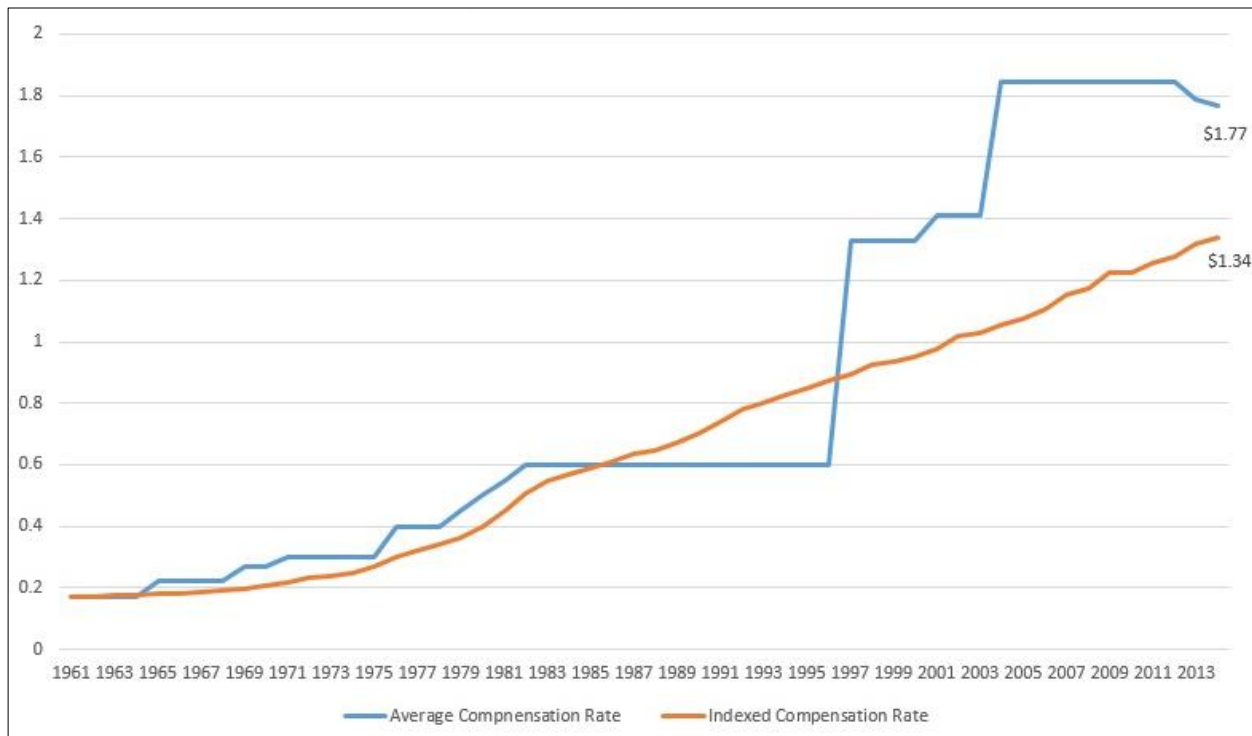
One way to determine the fairness of annual compensation rates is to use the annual inflation rate as a benchmark. The first compensation rate that LPAs received (\$0.17 per transaction in 1961) is indexed to the annual inflation rate. Over time this benchmark to inflation can be used to compare an indexed compensation rate to the actual compensation rate (the rate at which LPAs are actually compensated today). The comparison demonstrates if LPAs are being compensated at a rate that is higher or lower than annual inflation.²⁷

²⁶ H.B. 1555, Session Law 2014-77 stipulated that LPAs would be compensated an additional \$1.00 for (1) certification of title, (2) duplicate or corrected certificate of title, (3) application of reposessor for certificate of title, (4) application for recording of supplementary lien, (5) application for removing a lien from a certificate of title, and (6) certificate of title for

a motor vehicle transferred to a manufacturer or motor vehicle retailer.

²⁷ An annual inflation rate is viewed as the rate in which money loses its purchasing power from year-to-year. In order to ensure that compensation rates are not losing their purchasing power, or value, they need to be equal or higher than inflation.

Figure 12. Actual vs. Indexed Compensation.



Source: ITRE & UNCG based on N.C. Gen. Stat § 20-63(h).

Figure 12 above shows the actual compensation rates that LPAs receive per transaction and the compensation that LPAs would have received if their rates were indexed to inflation.²⁸ Overall, LPA compensation rates have increased at rates

higher than the rate of inflation.²⁹ However, that's not to say that there were not periods where compensation rates did not keep up with inflation. There was a period from 1985 to 1996 where LPAs earned less per transaction than they would

²⁸ "US Inflation Rate by Year," 2013. <http://www.multpl.com/inflation/table>

²⁹ Information about historic compensation rates was pulled from North Carolina's General Statutes § 20-63(h) from 1961 up to Session Law 2013-372, Senate Bill 305. From 1961 to 1996 LPAs received a flat compensation rate per transaction. In 1997, LPAs received two compensation rates - one for regular transactions and one for the Highway Use Tax (HUT). Based on 2010, 2011, and 2012 NCDMV transaction data, it is assumed HUT transactions comprise 13 percent of transactions.

In 2004, LPAs were compensated an additional dollar for many types of regular transactions. There was no data available that showed the number of transactions which earned the additional dollar rate. For simplicity's sake it is assumed that half of regular transactions will result in LPAs earning the rate with the additional dollar and half will result in LPAs earning the original rate.

In 2013, LPAs are compensated for vehicle property tax transactions. Based on 2013 transaction data, these transactions comprise seven percent of all transactions and highway use tax transactions comprise 12 percent of these transactions. For the remaining transactions it is assumed that half of the transactions are regular transactions that earn the additional dollar compensation and the other half earn the original compensation rate.

Thus to calculate the average compensation rates to LPAs the following equations are used:

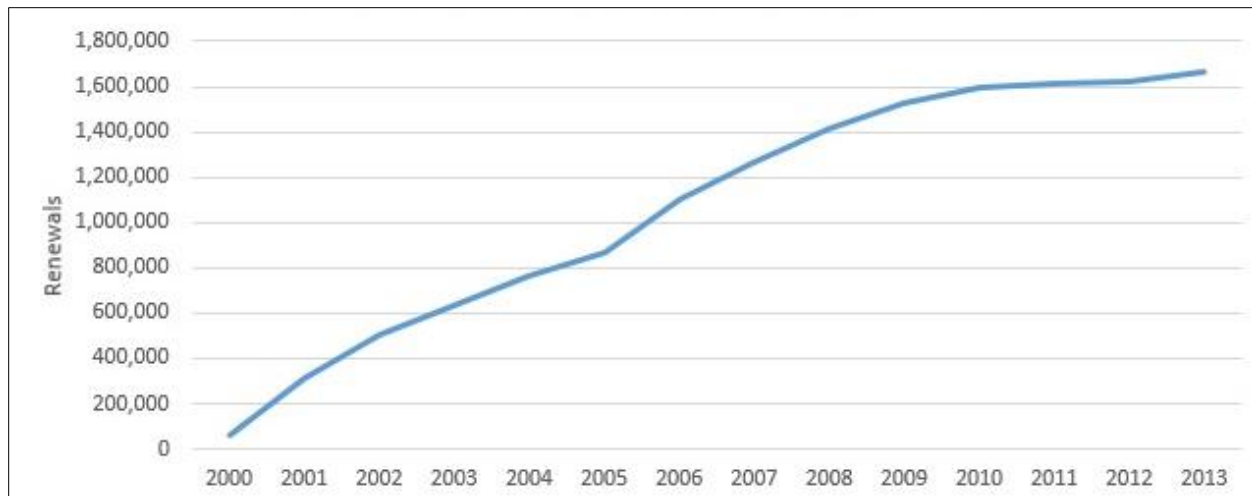
1961-1997: rate is equal to flat compensation rate.

1997-2004: $0.13 * (\text{HUT transaction}) + 0.87 * (\text{Regular transaction}) = \text{average compensation rate}$.

2004-2012: $0.13 * (\text{HUT trans}) + 0.435 * (\text{Reg trans}) + 0.435 * ((\text{Reg trans}) + \$1.00) = \text{average compensation rate}$.

2012-2014: $0.12 * (\text{HUT trans}) + 0.07 * (\text{Vehicle Property Tax}) + 0.405 * (\text{Reg trans}) + 0.405 * ((\text{Reg trans}) + \$1.00) = \text{average compensation rate}$.

Figure 13. Online Vehicle Registration Renewals.



Data Source: NCDMV "Online Transaction Query," 2014.

have if their compensation rates were indexed to inflation. And more recently, average compensation rates have flat-lined and have actually started to decrease. From 2004 to 2012 average compensation rates have remained unchanged (\$1.84 per transaction), and with the onset of the vehicle property tax collection, LPA average compensation rates have declined (\$1.79 in 2013). If compensation rates continue as they are scheduled in 2014, by 2024, the average LPA compensation will have fallen to a rate that is below that of inflation.³⁰ In other words, if the original LPA compensation rate had been indexed to inflation starting in 1961, by 2024 that rate will be greater than what compensation is projected to be for LPAs in 2024 (assuming compensation rates remain the same).

NCDMV also provided online renewal trends upon request. From 2000 to 2013, online renewals increased from 63,000 to 1.67 million transactions (see Figure 13 above). It is assumed that online transactions will only continue to increase in the

future. This assumption was substantiated in the GfK marketing study, which brought to light customers' willingness to complete transactions online.³¹

Reporting of Notary Fees

LPAs are contractually obligated to "give a monthly written detailed accounting to the [NCDMV] of all monies collected for Notary services."³² It appears the LPAs provide data (e.g., scanned documents on transactions requiring a notary service) to the NCDMV without actually noting the monetary receipts from those activities. Without this revenue accounted for, it is difficult to determine if the current basis for contractor compensation is appropriate. There is no way to determine if notary fees make up a small percentage of LPA revenue or if they are an integral part of LPA profit. For suggestions about reporting notary fees, see Section IV of the Recommendations later in this report.

³⁰ This assumes that annual inflation will continue at a rate of 3 percent. The average rate of inflation for 2010-2013 was 2.2 percent, based on the website "U.S. Inflation Rate by Year," <http://www.multpl.com/inflation/table>.

³¹ NCDMV Bulletin Board Discussion Groups. DRAFT Report of Findings. Presentation made by GfK on December 12, 2013

³² Standard Operating Procedures. February 2009.

Current Compensation Framework

NCDMV uses a flat-fee framework to compensate LPAs, which appears to be limited in its ability to motivate LPAs to provide quality customer service. In this framework, LPAs are compensated based on the number of transactions they complete. Therefore, it is inherently in their best interest to complete as many transactions as possible. As a result, customers may find themselves being rushed when they reach the customer service desk.

The flat-fee compensation framework is also limited in its ability to compensate LPAs based on the amount of time and effort required per transaction type. Certain types of transactions may require more time and effort to complete; however, they are generally lumped into the same broad compensation categories.

The rates at which LPAs are compensated by the NCDMV will require further study. The current rates of compensation have not been increased since 2001. Session Law 2013-372, that amends Senate Bill 305, directs the Revenue Laws Study Commission to study the per transaction compensation amounts. The findings and recommendations from this commission will be reported during the 2014 Regular Session of the 2013 General Assembly and could provide insight into the appropriateness of current compensation rates. At this point, it is difficult to assess if compensation rates are adequate to allow for LPA profitability. The PED report, demonstrated that, on average, LPAs had a profit margin of 18 cents per transaction, not including notary fee revenue).³³ However, more information is necessary to determine the accuracy of LPA profitability.

³³ PED Report

Alternatives to Current Contractual Models

Under the current contractual model there are 120 LPA offices in North Carolina that provide titling, registration and property tax services. Of these LPA offices, three are operated by chambers of commerce, 15 are operated by counties or towns, and 102 are operated by private contractors. Of these offices, 40 percent operate under 5-year term-limited contracts and 60 percent operate under indefinite contracts. (There are also two state offices that provide these services and do not operate under contract.)

In this section three alternatives to the current contractual models are described. The first alternative explores entirely state-run motor vehicle license plate service delivery. The second looks at a contractual model based on competitive bidding. The third alternative looks at awarding contracts on the basis of LPA performance. It is suggested that the selected model be applied to all LPAs, as opposed to the current model where there are both indefinite contracts and term-limited contracts.

State Service Delivery

Thirty-two states provide motor vehicle services entirely through state-run offices.³⁴ If North Carolina were to change to this service delivery model, the state would not pay out costs associated with LPA compensation while absorbing costs associated with staff salaries, computer equipment, and building rents. Therefore, these components should be looked at when evaluating the cost of providing state-run motor vehicle service delivery. The categories described as follows explain costs that the state

³⁴ PED Report

could expect to incur if it were to become the sole provider of LPA services.

Personnel Costs: The average LPA has about three full-time and one part-time personnel (not including the two state offices).³⁵ As supported by findings in the PED Report, it is fair to assume that state offices will only hire full-time personnel. Another assumption is that an average employee salary with benefits will cost the state \$50,000. With 120 LPA offices listed in the “LPA employee and workstation by county” spreadsheet (not including the two state offices), it can be estimated that if each office were to be state-run with an average of four full-time workers for a total of 480 employees, then it would cost the state a total of \$2.40 million in annual employee salaries.

Building Rental Costs: Not including utilities, commercial building rental costs range from \$7.00 per square foot per month in New Bern, NC to \$18 per square foot per month in Raleigh, NC.³⁶ For the purposes of this report, a rough estimate of \$10 per square foot per month is used for the average building rental cost. It is also assumed that the average office size is 1,200 square feet. Thus, an estimated total for total building rental costs would be \$17.3 million in annual rental costs.

Compensation Costs: In 2013, total gross compensation for LPAs was \$16.1 million.³⁷ It is assumed that if all LPAs were to transition into state-run offices, this \$16.1 million cost for compensation would be saved by the state. Thus, instead of paying out compensation to LPAs, transactions would be a part of doing business within state-run offices and no additional compensation per transaction would be required.

If all LPAs were to transition into state-run offices, the net fiscal impact to the state would amount to personnel costs, plus building rental costs, minus compensation costs. Thus, the state would spend an additional \$3.6 million annually if all LPAs became state-run offices.

There are other costs associated with LPA operations such as technical support, oversight, and equipment costs. However, it is assumed these costs would remain constant if LPAs were to transition to state-run operation.

Competitive Bidding

In North Carolina, some LPA offices are subject to competitive bidding, while others are not. A finding that has emerged through NCDMV and LPA interviews is that LPA offices subject to competitive bidding have demonstrated more effective business practices than their counterparts. Specifically, competitive bidding has improved customer service in offices under term-limited contracts. As mentioned in this report and the PED report, the perception among those that deal with LPAs is that term-limited LPAs provide better customer service and are more responsive than those on indefinite contracts. This finding supports Section I of the Recommendations in this report that competitive bidding be the sole process used to select initial awardees of LPA contracts.

Interviews with NCDMV officials also reveal that, in general, there are few qualified contractors interested in bidding on a LPA office. Changing the contract and compensation models may reduce the perception of risk for potential contractors and subsequently increase the interest in competitive bidding. The LPA interviews indicated

³⁵ LPA Employee and Workstation by County Spreadsheet. October 2013.

³⁶ LoopNet Inc., January 2014. Online: <http://www.loopnet.com/xNet/MainSite/Listing/Search/>

³⁷ “Branch Compensation Summary.” 31 December 2013. NCDMV

some of the operators lose money and some of the newer ones have not fully recovered their investment three years after opening. One of the compensation models suggested in the Recommendations section requires NCDMV to offer a base compensation that covers a portion of the LPAs fixed costs.

Another mechanism to increase competitive bidding is the length of the initial contracts. Longer term contracts will strengthen the business case for the individual wishing to engage in the business. Details of the above suggestions are provided in the Recommendations section of this report. Competitive bidding should be considered for new LPA contracts and also when existing contracts come up for renewal. To ensure the effectiveness of the bidding process, formal procedures should be developed that ensure an open, objective and transparent process.

As mentioned above, interviews with NCDMV personnel seem to indicate that the number of “applicants” for LPA contracts are not overwhelming. Thus, instituting competitive bidding on all renewals might not provide many benefits while adding to the cost of the NCDMV. This is especially so in the situation where the current contractor is meeting or exceeding all

performance expectations. Excessive change of contractors might result in loss in customer service to the citizens of the state especially given the substantial amount of technical knowledge and experience that is required in operating an LPA at a high service level. In the situation where competitive bidding is necessary, the NCDMV should ensure adequate dissemination of the opportunity and also ensure a longer transition period for the switching over of the contractors in order to minimize loss of service. These findings form the basis for the “Contracts” recommendation.

Performance-based Contracts

As noted above in this report, currently contracts with the LPA offices do not assess performance other than monitoring a sample of transactions for errors. In order to provide quality service to the citizens of North Carolina and ensure continuous improvement in the operations of NCDMV, it is imperative that contracts with LPAs include clauses on performance and incentive mechanisms to deliver quality service to LPA customers. In Section IV of the Recommendations performance measures and implementation schemes are discussed.

Recommendations

I. Contracts

NCDMV should move to a **uniform, term-limited, performance-based contract** for all LPAs. The constituent components of this recommendation are presented below.

1. Two types of contracts should be used – a "Probationary Contract" and a "Renewal Contract." Both should be limited in term and identical in all aspects, except for the time-period and award process for each contract type.
 - The **Probationary Contract** should be for a time-period of three years and should be awarded only through the process of competitive bidding, except as noted in Article 6 of these recommendations.
 - The **Renewal Contract** should be for a time-period of five years and be awarded automatically to contractors who have finished a Probationary Contract in good standing.
2. Every LPA contractor should be initiated on a **Probationary Contract**. Thereafter, if their performance is in good standing over the three-year time-period of the Probationary Contract, they should be automatically moved to a five-year **Renewal Contract** without having to go through competitive bidding, presuming the contractor and NCDMV agree to continue the contract. At the end of the Renewal Contract time-period, competitive bidding should be used to select the next awardee of a Probationary Contract to manage the LPA.
3. Contractors should receive their notice of renewal or denial thereof at least **six months prior** to the expiry of their current contract.
4. The process used for competitive bidding should be well-organized, open and based on well-defined and well-publicized **objective criteria**. Additionally, the process should be widely advertised so as to give all interested parties a fair and open chance to bid.
5. Notwithstanding the time-period of each contract, both contracts should allow for **termination** with a short notice for malfeasance, misfeasance, nonfeasance or gross violation of performance standards identified in Article 10 of this recommendation.
6. NCDMV should **transition all existing LPA contractors** to the Probationary Contract without requiring them to go through competitive bidding as a one-time exception to Article 1 of these recommendations. At the expiry of the three years of the Probationary Contract, future contracts should be awarded in accordance with Article 2 of this recommendation.

In selecting existing LPA contractors to transition, NCDMV should use the following staggered approach:

- **Existing indefinite-term LPA contractors** should be moved in batches of one-third over a period of three years.
- In the first year, this transition should be applied to one-third of all current indefinite-term LPAs whose initial date of contract is the most recent.
- In the second year, this transition should be applied to the one-third of all current indefinite-term LPAs whose initial date of contract is the second most recent.
- Finally, in the third year, the oldest one-third of all current indefinite-term LPAs will be transitioned.

Existing LPA contractors on **term-limited contracts** should be transitioned to the new contract when they come up for renewal. All existing LPA contractors, whether on indefinite or term-limited contracts, will have **moved to the new Probationary Contract within three years** using this transition plan.

7. **Contract language should be modified** from what it is at present to be short, simple to understand, and to minimize (preferably eliminate) overlap of topical coverage with the SOP (Standard Operating Manual) of LPAs. Ideally, the contract terms should be limited to a few essentials (names of parties, time-period of contract, termination and probation clause(s), and articulation of performance assessment mechanism) and refer to the SOP manual for all additional requirements and terms of performance. For a listing of identified problems/issues with the current contracts and the SOP manual, please see its corresponding section earlier in this report.
8. The **SOP manual should be updated** and include a section on performance criteria, especially as it relates to customer service. The current SOP manual should be revised to streamline NCDMV procedures that presently hamper LPA operations. A discussion on some of these procedures is provided earlier in this report. Finally, the manual should also stipulate the necessity for LPA offices to be ADA compliant.
9. NCDMV should **provide equipment to all LPA offices at its own expense** and not require them to lease the same.
10. The contract terms should explicitly include how LPAs will be assessed for performance. Two sets of criteria should be used: **transaction error rates and customer satisfaction** with services provided. Transaction error rates are currently assessed by the NCDMV; however, a change in the processes as presently employed is suggested – see the recommendation in Section II.

Customer satisfaction with LPA performance is not currently measured, and NCDMV should conduct **customer satisfaction surveys**, at least on a quarterly basis, to assess the same. In developing tools to assess customer service, it is recommended that NCDMV adopt and adapt a well-known model from the business and industry such as SERVQUAL³⁸.

³⁸ This does not imply an endorsement of the SERVQUAL model by the authors.

If SERVQUAL is adopted, it is recommended that the most applicable attributes of the model that apply to service quality of LPAs are:

- **Tangibles** (wait times, errors);
- **Courtesy** (the consideration for the customer's property and a clean and neat appearance of contact personnel, manifesting as politeness, respect, and friendliness);
- **Competence** (possession of the required skills and knowledge to perform the service);
- **Communication** (means both informing customers in a language they are able to understand and also listening to customers); and
- **Accessibility and safety.**

II. Monitoring Transaction Error Rates

The current processes employed by NCDMV to **benchmark the error rates** of LPAs should be revised. To begin with, LPAs should be classified into the following five peer-groups as per their annual volume of transactions since these result in the most equal categorization of the current LPA offices based on volume:

- 0-40,000 transactions per year
- 40,001-75,000 transactions per year
- 75,001-110,000 transactions per year
- 110,001-150,000 transactions per year
- 150,001 or more transactions per year

In applying error rates LPAs should be compared to thresholds established based on the data collected from only those in their own peer-group. As for the thresholds themselves, two alternate recommendations that the NCDMV may adopt in place of existing practice are discussed below.

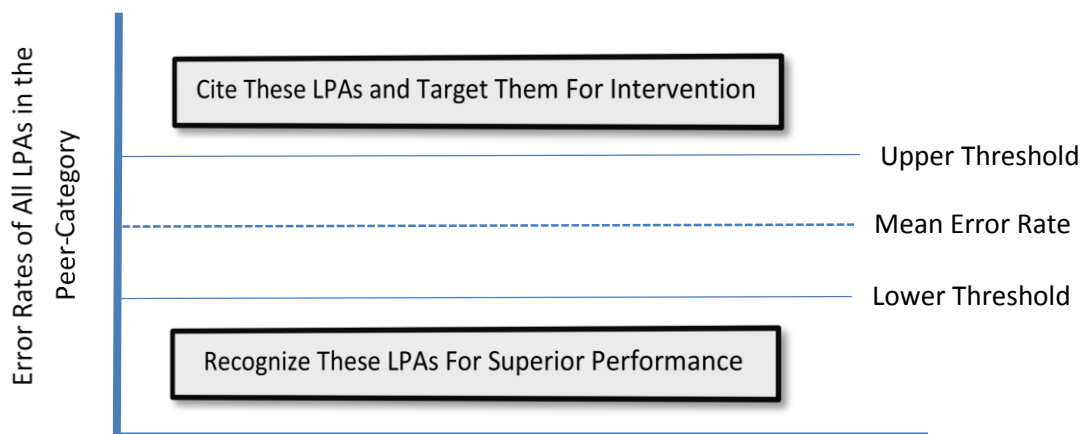
1. **Moving average of past six months:** Every six months, NCDMV should calculate the average error rate for each peer-group of LPAs for the most immediate past six months. This rate should serve as the threshold for each peer-group and every LPA should be held to this threshold for its peer-group for the next six months.
2. Using **Quality Control Limits:** In this case NCDMV would adopt a standard practice of using "Quality Control Charts" from the industry – see Evans and Dean as a standard reference. The underlying philosophy of this approach recognizes that even under ideal conditions there is bound to be some normal amount of variation in error rates; hence, acceptable thresholds should be set with this "normal" variation in perspective and an error rate should be found unacceptable only if it deviates above what can be expected given this "normal" variation that exists. The process of establishing the threshold begins with collecting error rate data for each of the peer-groups of LPAs for the three most recent years.

Thereafter, the mean error rates and standard deviations of the error rates should be calculated for each of the peer-groups. The acceptable upper threshold of error rates for an LPA should be the (mean error rate + standard deviation) for its peer-group, and an LPA should be cited only when its error rate exceeds this threshold. These threshold error rates should be announced for each peer-group of LPA at the beginning of each year based on data collected over the past three years and should be held constant for that year. LPAs with error rates that are routinely above the acceptable threshold for their peer-group should be noted as **high-error LPAs** and targeted for intervention for quality improvement.

This approach also can be used to **identify high-performing LPAs** whose error rates are exceptionally better than their respective peer category so that they may be recognized for superior performance. An LPA whose error rate is consistently below a threshold of (mean error rate - standard deviation) for its peer-group is an exceptionally performing LPA since, this is better than what "normal" variation in the system would predict.

This is illustrated in Figure 14 below.

Figure 14. Thresholds for LPA Error Rates.



III. Improving Customer Service and Citizen Accessibility

Per the NCDMV Quarterly Report (12/17/2013), improving customer service is a major objective of the NCDMV. With a view to the same, the following actions with regards to improving customer service and citizen accessibility should be taken.

- I. NCDMV should substantially **enhance the usage of current and modern technology** in delivering services to the citizens of the state. NCDMV customers prefer reduced wait times and avoiding trips to offices if at all possible. It is recommended that increasing online services would lead to greater customer satisfaction for NCDMV. Specific recommendations for technology adoption in LPA operations and administration are the following:

- NCDMV should put in place mechanisms to **encourage more online transactions**, with the goal of having the majority of routine transactions such as renewals eventually done online. Such transactions can be incentivized by providing reduced fees to customers who renew their tags online, and by promoting the time savings of using online services. LPA contractors can be encouraged to install kiosks in their offices that allow customers to conduct routine titling and registration services online without needing to engage an employee. NCDMV would need to ensure that LPA offices receive appropriate compensation for facilitating such online transactions in their offices.
 - NCDMV should modernize its information technology system and programs by **replacing its legacy IT system** with one that synchronizes well with other systems and includes business intelligence capability that allows data-driven executive level decision-making. NCDMV's STARS system, which has not been modernized since 1996, appears to be ill-suited to effectively communicate with the numerous requirements placed upon it. Driver License, License and Theft, Inspections and Emissions, Child Support, Auto Insurance, and Property Tax platforms all draw from the STARS system. A new IT system should ensure that all information necessary to complete a transaction is available to users in one streamlined format. Currently, the STARS system stores transaction information on multiple screens. Error rates and service wait times could be reduced if this requisite information were available on one screen.
 - NCDMV should work to complete the operationalization of credit card and debit card transactions at all of its offices, including the LPA offices.
2. NCDMV should investigate the effectiveness of **co-locating** LPA offices with the nearest NCDMV offices as a strategic step towards implementing a "one-stop-shop" model of providing services. This aligns with the preferences of current NCDMV customers as reflected in the GfK quantitative surveys³⁹ recently undertaken by NCDMV. This may involve incentivizing private contractors to co-locate by providing them quality office space at competitive rates.
 3. It is recommended that NCDMV formalize a **methodical, business needs-based framework** to determine the location of new LPA offices. Such a framework should be applied on a periodic basis. The process should begin by considering trends in vehicle registration, and use such factors to identify which regions of the state are in the greatest need for a new LPA office. If demographic trends warrant it, such a framework can also be used to consider closure or relocation of existing LPA sites to better serve customers.
 4. Use performance assessment not as a punitive tool but as an integral component of **continuous improvement of services**. NCDMV should publicly recognize and honor LPA offices that outperform in terms of reduced error rates and superior customer service. If implemented, the quality control charts approach recommended will assist NCDMV in identifying such offices in a

³⁹ See Slide 8 on NCDMV Quantitative Surveys: Overview of Topline Findings. Presentation made by GfK on January 10, 2014.

scientific manner. In addition to recognizing them, such offices should be encouraged to share business practices with other LPAs to help disseminate superior customer service among all.

5. The findings from interviews and other documents indicate that **communications can be improved** between NCDMV and the LPAs. Communication can occur multiple times in a day, often via emails. However, LPAs are often very busy during operating hours and may not have time to check on those communications. Efforts should be made to streamline the communication, and NCDMV should explore additional options such as the use of Intranet and Extranet technologies. A reference website could be used to post Frequently Asked Questions (FAQs) that LPAs can access.
6. NCDMV should periodically undertake an **analytics-based review** of questions and communications between LPAs and the Help Desk. Such reviews will help identify salient issues and emerging problems which should inform the training programs undertaken by NCDMV and also should form the basis of proactive interventions.
7. NCDMV should provide **periodic training** for LPAs that covers changes in policy, procedure and process. This training should be updated on an annual basis and delivered in the most efficient manner. Consideration should be given to regional training events and/or online web-based training. The training should be mandatory, but designed to cause minimal interruption of LPA daily operations.

IV. Appropriateness of Compensation Rates and Other Compensation Models

The primary finding in this category is that **insufficient service time, revenue and cost data** on LPA operations is presently available to make a credible judgment on the appropriateness of current compensation rates. Information on notary fee revenue collected by LPAs must become available in a consistent and clear manner, across all LPAs, before accurate judgment can be given regarding compensation rates.

Phase II of this study will include efforts to collect service time estimates as well as data on cost of LPA operations. Analysis of this data will allow a credible judgment about the appropriateness of current compensation rates.

Additionally, the following two recommendations are presented:

1. A systemic provision should be made for **periodic review of compensation rates** (e.g., every five years) to ensure that agencies are being adequately compensated for the services they provide. This will become especially relevant if and as more renewals are done online by NCDMV customers, resulting in smaller revenue streams for the LPAs.
2. NCDMV should promptly ensure complete compliance with the **reporting of notary fee revenue** by all LPAs, and also make the process more convenient by requiring permission to be

presented in a simple and standard format. Absent such information, it will be difficult for NCDMV to correctly ascertain the appropriateness of current compensation rates, even if it has good estimates for the costs of operations from the third-party study recommended above.

Once the costs of LPA operations are established, NCDMV may adopt one of the following models for compensation:

- A. Continue to use the **flat-fee model** in place albeit with different rates. Earlier in this report the limitations of the flat-fee compensation model are discussed. However, the advantage of this model is that it is currently operationally functional without any glitches.
- B. Adopt a **Stratified Compensation Rate** model where many more levels/rates of compensation are introduced that are currently used, each of which is tied to the complexity of the transaction; the more complex the transaction, the higher the compensation rate. The disadvantage of this approach is the additional operational complexity introduced.
- C. **Two-Part Tariff Compensation.** This will entail NCDMV compensating LPAs with a fixed revenue (base rate) equivalent to a fixed percentage of the LPAs fixed costs. The second part of the tariff will be variable revenue based on the number of transactions. The base rate reduces the probability of failure for the potential LPA and provides an incentive for the individual to participate (i.e., bid for the contract). The second part covers the rest of the agent's fixed cost and his/her variable costs. It links the agent's income with performance so the agent has the incentive to operate better both in terms of efficiency and improved customer service. The exact rates should be determined only after the completion of the study on operational costs of LPAs recommended above.
- D. **Variable Compensation Based on Transaction Volumes.** The essential idea behind this differential rate is to establish a compensation rate that decreases in a stepwise fashion with the annual volume of transactions at the LPA. This is expected to better cover the fixed costs of LPA operations. Under this model the highest rate of compensation would be for the first peer-category of LPAs (up to 40,000 transactions annually) and have the rate decrease in a stepwise fashion for each of the next four peer-categories (40,001-75,000; 75,001-110,000; 110,001-150,000; above 150,000).

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Appendices

The following reference documents are included with this report:

- A. LPA Standard Operating Procedures Manual
- B. PED Final Report to the Joint Legislative Program Evaluation Oversight Committee
- C. Report on NCDMV Contract Agency Compensation
- D. LPA Contract Types
- E. LPA Interview Questions

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LPA Standard Operating Procedures Manual

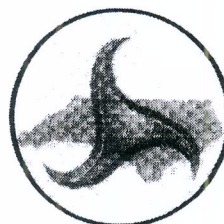
- NC Motor Vehicle LPA Standard Operating Procedures Manual
(19 pages)
- NCDMV Policy on Employee Dress Code
(3 pages)

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*N.C. Department of Transportation
Division of Motor Vehicles
Vehicle Registration Section*

*North Carolina
Motor Vehicle License Plate Agency*

**Standard
Operating
Procedures**



February 2009

PURPOSE STATEMENT

The purpose of the “N.C. Motor Vehicle License Plate Agency Standard Operating Procedures” is to provide uniform, concise procedures for the operation of a License Plate Agency (hereafter LPA). This procedure manual will provide easy access to information for the Commission Contractor (hereafter Contractor) and will outline the Contractor’s responsibility and the responsibilities of the North Carolina Division of Motor Vehicles (hereafter Division). Much of the information covered in these procedures is a part of the LPA contractual agreement signed by the Contractor and the Commissioner of the Division of Motor Vehicles.

Strict adherence to these Standard Operating Procedures (hereafter SOP) and to all items of the LPA Contract is required. Work related procedures will be covered by Official Bulletins and Memorandums issued by the office of the Director of Vehicle Registration of the Division.

(Revised 2/09)

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I. CONTRACTOR/EMPLOYEES

1. REQUIREMENTS OF A COMMISSION CONTRACTOR

The Contractor may appoint an employee to act as Manager of the LPA. If such appointment is made, the Administrative Office of Driver and Vehicle Services of the Division (hereafter Administrative Office) must be notified in writing. In the absence of such appointment, the Contractor will be deemed the Manager. A Manager is defined as a person who is physically on site during the hours of operation of the LPA. If the Contractor is a chamber of commerce or a municipality, the Contractor will designate a Manager to operate the office as stated in the LPA Contract. Any deviation in the management of an office would require approval by the Division. Such an appointment does not affect any responsibility the Contractor may have.

2. EMPLOYEES

It is the responsibility of the Contractor to sufficiently staff the office with competent employees, who will represent the Contractor and the State of North Carolina in a professional manner. Although casual attire is allowed, Contractor and employees should use good sound judgment in their business attire. Items such as short shorts, ball caps, tattered jeans and tee shirts with offensive logos are not allowed (see attached Division dress code). Good personnel procedures include a thorough background check and a check of references. If transactions processed by the LPA increase so that the level of service is affected, the Field Supervisor may request the Contractor to hire additional staff to handle the increase in business. The Contractor is responsible for all costs related to personnel, such as payroll taxes, workers compensation, insurance, etc. If an employee should leave they should be replaced as soon as possible to keep staffing levels as required. The Contractor/Manager must immediately notify the Help Desk when an employee leaves in order to have the RACF canceled.

The Contractor shall represent the State in its operation of the LPA by presenting a professional image. Neither the Contractor nor its employees shall commit fraud, embezzlement, other criminal activity (including offenses involving moral turpitude), or other egregious conduct dealing with the public.

3. RESIDENCY REQUIREMENT

All LPA Contractors must be legal residents of the State of North Carolina and/or Corporation, LLC, Partnership or other business entity recognized by the Division and registered with the Secretary of State.

4. NOTARY REQUIREMENTS

All Contractors and Managers shall hold a notary public commission issued by the Secretary of State of North Carolina. All employees working for the Contractor dealing with transactions, which require notarization, must be notaries. No employee of the Contractor, who is a notary, shall be allowed to notarize another employee's work because notary commission has not been approved. All notarizations must be done in the presence of the customer. LPAs shall collect the following notary fees: five dollars (\$5.00) for one (1) signature; six dollars (\$6.00) for two (2) signatures; and seven dollars (\$7.00) for three (3) more signatures. The Contractor must give a monthly written and detailed accounting to the Division of all monies collected for Notary services. Such accounting will list the amount of notary fees charged and collected in STARS. Notary fees shall be conspicuously posted in the office. It is the responsibility of the Contractor to ensure that the office complies with notary requirements as set forth in the General Statutes and as established by the Secretary of State's Office. Violations will result in supervisory complaints and possibly other consequences as established by law.

5. ERRORS

All Contractors shall be required to maintain a level of error no greater than twice the statewide average. If a Contractor maintains an error rate greater than twice the statewide average for one (1) month, a letter will be sent to the Contractor indicating the unacceptable error rate and requiring immediate improvement. If, after an additional two (2) month period, the error rate has not been reduced to within twice the statewide average, the appropriate Field Supervisor will be sent to Contractor for a conference to discuss and evaluate the error rate. If an unacceptable error rate has continued for four (4) consecutive months, the Contractor will be required to communicate with the Administrative Office in Raleigh to determine appropriate measures to be taken, up to and including cancellation of the LPA Contract. The office will be required to close and Contractor and staff will attend a training session in Raleigh if allowed to continue operation. All new LPAs will have a ninety (90) day grace period. An omission of a lien on a title would be the responsibility of the Contractor to make full indemnification. It would be in the best interest of the Contractor to purchase a type of liability insurance to cover such errors of omission. If an LPA omits three (3) liens in a six (6) month period or six (6) or more in a year the Contractor will be notified. This notification will be in the form of a written justified complaint.

6. COMPLAINTS

The LPA is required to treat the public and each individual customer fairly, honestly, and with respect and dignity. Complaints will be referred to the Field Supervisor for investigation, whether or not the Contractor/Manager takes immediate action to remedy the situation. The complainant will be contacted either by letter, in person, via e-mail, or by telephone and the facts concerning the

complaint discussed and the matter resolved if possible.

The Field Supervisor will contact the Contractor and will determine if the complaint is justified. The Field Supervisor will recommend appropriate corrective action in writing to the Contractor and the Administrative Office. Corrective action may include making specific service improvements, counseling an employee, etc. The Contractor may also be required to furnish a statement of facts, a letter of apology, or call and discuss complaint with complainant. Any written correspondence generated by the LPA that is mailed out must first be reviewed by the Field Supervisor and the Administrative Office before being mailed. All reports and correspondence relative to the complaint will be made a part of the LPA file and copies will be furnished to the Contractor. These complaints may be in the form of a written letter, a phone call, or an e-mail message. Any letters or written correspondence must be copied to the Administrative Office. Field Supervisors and their supervisors with the Division may also administer supervisory complaints based on documented observations, audit results, and general noncompliance with the LPA Contract and/or SOP.

Written complaints will fall under the categories of job performance, administrative conduct or office decorum and will be investigated and evaluated semi-annually. Persons lodging a complaint will be asked to fill out a complaint form providing specifics of the incident. Investigations can be conducted without this form at the discretion of the Division. The Contract may be canceled if two (2) or more complaints are justified within a six (6) month period.

If the Division deems it necessary, the office can be closed for a day and the entire staff will report to Headquarters for appropriate customer service training.

7. SUPERVISORY COMPLAINTS

Supervisory complaints will be issued for violations of the SOP or the Contract. Two (2) supervisory complaints in a six (6) month period of time will lead to further disciplinary action and could lead to termination of the LPA Contract.

8. VACATION/OFFICE CLOSINGS

All requests for vacation must be requested in writing to the Administrative Office at least thirty (30) days in advance. No LPA shall close without the approval of the Administrative Office. Vacation should not be scheduled on the 15th day, the last day of the month or following a holiday. A sign is to be posted at least thirty (30) days in advance stating when the office will be closed, location of the nearest office, and date when the LPA will reopen. The Contractor must also notify the local media thirty (30) days prior to closing for vacation. All LPAs shall be permitted to close for five (5) consecutive days for vacation. If there is more than one (1) LPA in that county, only one (1) may close that week. This will be approved on a first-come first-served basis.

II.

LPA OFFICE

1. PHYSICAL FACILITY

The facility where an LPA is to be operated shall be accessible to the handicapped. LPAs should have adequate storage space in a secure room or cabinet. The storage room shall be easily accessible for deliveries. The inventory must be stored so that it may be inventoried without difficulty. Offices shall have the minimum number of square feet of floor space for lobby area and workstations relative to the number of transactions processed or estimated to be processed.

Number of Transactions	Lobby Space	Work Stations
0-25,000	200 Square Feet	1-2
25,001 – 50,000	300 Square Feet	2-3
50,001 – 75,000	400 Square Feet	3-4
75,001 – 100,000	500 Square Feet	4-5
100,001 – 125,000	600 Square Feet	5-6
125,001 – 150,000	700 Square Feet	6-7
150,001– Up	800 Square Feet	An additional 100 sq.ft. per additional person over 7

- A. The Contractor shall maintain a clean and orderly facility to the satisfaction of the Division. If cleanliness is not maintained and the Division receives complaints from the general public or Field Supervisor, the Field Supervisor will discuss with Contractor and suggest improvements to be made. If the task is not accomplished within an agreeable time frame, the office will receive a justified complaint.
- B. All cash drawers on the customer counter must be closed, locked and secured when not in use.
- C. If Dealer work is processed in the back office, all cash and checks must be secured in a locked drawer or locked cash box.
- D. All LPAs opened or relocated after July 1, 2008 must provide adequate public rest room facilities for public use. These facilities must meet all state and local plumbing codes and must be handicapped equipped.
- E. Sufficient seating must be made available for those customers who may require it.
- F. All LPAs must be equipped with a shredder to be able to properly destroy confidential documents or have a contract with a company licensed to pick up and destroy confidential documents.

2. PARKING AREA

The facility shall have a sufficient number of parking spaces or sufficient area to provide parking for motorists while transacting business with the LPA. The LPA shall be located in an area that provides spaces designated for handicapped parking

as required by the law. The Field Supervisor will approve the number of parking spaces or size of the parking area. The Contractor should monitor the conditions of the parking lot and oversee improvements, if necessary.

3. HOURS OF OPERATION

All LPAs will operate for business during the hours of 9:00 am to 5:00 pm, Monday through Friday, except for official state holidays. Offices may be open for additional hours, with approval from the Administrative Office. LPAs operated by counties, towns, or municipalities will be operated the same hours as the county, town, or municipality.

Hours of operation shall be posted in a conspicuous manner. All LPAs shall observe state holidays. Offices staffed with one (1) or two (2) full-time persons may close for lunch or banking. During all hours of operation either the Contractor or Manager must be present in the office unless conducting official bank business or lunch.

4. COMPUTER EQUIPMENT

Contractor shall lease computer equipment from the Division in accordance with a lease agreement. All computer equipment leased to the Contractor is state property and the Contractor shall be held responsible for such equipment. The Division is responsible for the normal maintenance of this equipment, and any damage by vandalism, fire, flood or other natural disaster. If the Contractor or one of its employees damages computer equipment, the Contractor will be held responsible for repairs or replacement. If a service call reveals that damage is a result of negligence on the part of the Contractor or its employee, the Contractor will be billed for the call and repairs.

The Field Supervisor will conduct a yearly audit of fixed asset numbers and equipment serial numbers for the Administrative Office.

5. ADVERTISING

Advertising for the LPA is the sole responsibility of the Contractor, and shall consist of both internal and external advertising, and will include the following:

External

- A. Signs must be limited to a twenty (20) mile radius, or within the trade area, whichever is applicable, giving the location and directions to the LPA
- B. Telephone listing for the office should be under State Agencies in the telephone directory as an LPA

Internal

- A. Hours of operation and telephone number
- B. Location of the office

- C. Type of services rendered and fees
- D. Notary services – FEES MUST BE POSTED
- E. Lettering on the door must read North Carolina License Plate Agency.
- F. There shall be no handwritten signs posted in the office. All signs must be neat, clean, and in good order.
- G. A sign listing the phone number to be utilized to report a complaint against the LPA.
- H. Any other reasonable signs the Division sees fit to post in the office.

Prior approval for advertising shall be obtained from the Division of Motor Vehicles Field Supervisor.

6. OFFICE DECORUM

The appearance of the office includes but is not limited to the decorum of the office. Appropriate signs must be displayed and must provide an appropriate representation of the State. Carpet shall be maintained in a clean condition; any stains should be removed immediately. The office walls shall be well maintained and shall be painted as needed. There should not be any personal pictures in view of the public. Signs should not be handwritten. Signs should be neatly typed in large, legible font. Signs should not be marked on, torn or dirty; if so, they should be replaced. No personal cartoons or quotes. Only signs that are approved by the state should be posted in the office

Signs that are acceptable:

- | | |
|------------------------------|---|
| Hours of Operation | Directional Signs for customer lines |
| Holiday Closings | No Cell Phones Allowed |
| Office Closings | Information needed in order to accept a check |
| Checks Made Payable to NCDMV | Computer Down |
| Cash & Checks Only | Insurance Requirements |
| Notary Fee | No Public Phones |
| NCDMV Fee Schedules | Privately Contracted |

To maintain office decorum, no eating or drinking in public view is permitted. Children shall not be in the back office in public view.

7. AUDIT AND OFFICE INSPECTIONS

Each LPA shall be audited and inspected at least every forty-five (45) days. The Field Supervisor will follow the prescribed audit procedure, auditing every aspect of the LPA's operation. The Field Supervisor will complete an audit and office Inspection Report Form 520. After reviewing the audit form with the Contractor/Manager, the Field Supervisor and the Contractor/Manager will sign the form. The Contractor/Manager is expected to make immediate corrections to any deficiencies that are listed. Failure to make corrections will result in a supervisory complaint. The Contractor and its staff must cooperate with all audits.

8. FIRE OR WATER DAMAGE

If an office sustains fire damage, water damage or damage from any natural disaster, the Contractor shall immediately post a closed sign and notify the Administrative Office and the Field Supervisor. The sign shall read "Office is Closed Due to an Emergency." List the location and hours of the nearest office. The Field Supervisor will prepare a detailed report of the damaged state property to the Administrative Office and will assist in obtaining replacement equipment and inventories so that the office may reopen.

9. BREAK-IN's

If a Contractor discovers that the LPA has been forcibly entered, the following procedures shall be followed:

- A. Immediately notify the appropriate local law enforcement.
- B. Contact the Field Supervisor and/or Administrative Office in Raleigh, notifying them of the emergency. (If after 5:00 p.m., contact the Field Supervisor.)
- C. Post a sign on the agency door advising that "Office is closed due to an emergency."
- D. List location and hours of nearest open office.
- E. The office cannot be reopened until the Field Supervisor makes a physical inventory of plates, stickers and state assigned equipment.
- F. The Field Supervisor will notify the Administrative Office when the LPA will reopen.
- G. The Field Supervisor will furnish the Administrative Office with a complete inventory report, a copy of the police report and a written detailed report concerning the incident.

10. ROBBERY

If the office is robbed during working hours, or if the Contractor is robbed on the way to and from the bank, a police report and a report by the Field Supervisor is required. Follow the procedures shown in this manual under Break-Ins.

11. ADDRESS CHANGE

It will be the Contractor's responsibility to notify the Field Supervisor if there are changes in personal home address or phone numbers during the duration of the contract. The Field Supervisor must have a current home mailing address, cell phone, and phone number in case the Contractor needs to be contacted in an emergency.

12. RELOCATION OF OFFICE

If an LPA is to be relocated, approval of the new site by the Field Supervisor must be obtained before making a commitment to rent, lease, or purchase office space.

All moving expenses, including wiring and relocation of the data circuit, are the responsibilities of the Contractor, unless the Contractor is requested to relocate by the Division. The Contractor must forward a check in the amount required by the Division. All equipment and inventory must be moved by the Contractor. The Division is responsible for moving the computer equipment. As soon as the move has been approved and the new address established, a request to relocate computer lines will be initiated by the Field Supervisor through the Administrative Office. The request to relocate computer lines will require at least ninety (90) days prior notice. The move cannot be made until the data circuit is installed so that computer equipment can be operational at the new location. Every effort should be made by the Contractor when dealing with the telephone company to maintain the same telephone number. If the relocation of the LPA requires a change in bank or in courier box, these arrangements will be coordinated prior to the move by the Field Supervisor. Approval to close the LPA for more than one (1) day to relocate will not be granted.

III. BUSINESS RULES

1. CUSTOMER SERVICE

The Division is committed to excellence in customer service. The Contractor should make every effort to provide prompt courteous service. All customer lines should be properly marked according to the service provided so that a customer does not wait in the wrong line. All signs are to be neatly typed.

A. Telephones

The Contractor must have sufficient telephone lines to serve the public. If the Division receives continuing complaints from the public about busy lines, due to fax/phone being busy, the Division may require the Contractor to add additional fax transmission lines. Recorded messages should be limited to one minute. Each LPA must have a fax machine. All phone calls should be answered. If a message is left on the answering machine, the return call should be within two hours of the message. If complaints are received by the Division because phone calls are not being handled properly, a supervisory complaint may result. The Field Supervisor will evaluate each situation and make the appropriate recommendation.

B. Training

The Contractor is responsible for training the employees working in the LPA. All employees must have sufficient training to handle the work properly. At the discretion of the Field Supervisor, the Contractor and all employees may be required to come to Raleigh for training if a high error rate persists.

2. CHECK ACCEPTANCE POLICY AND PROCEDURES

Contractors shall accept checks following the guidelines and the verification procedures set forth in this section. If a check is returned to the Division and the

Contractor or its employee has failed to obtain current address or proper information, the Contractor will be held responsible for making the check good. It is the responsibility of the Contractor to verify the correct check writer and/or presenter and make appropriate STARS input. If the Contractor fails to do so, it will be accountable for the check if it is bad. If the check giver is added to the bad check list after a transaction is completed in the field, the Contractor will not be held responsible for the check if proper identification has been obtained.

A. Check Verification Procedures

1. Two forms of identification:
 - a. One must be a photo I.D., credit card, employee or military I.D., U.S. passport, insurance policy at least one year old, automated teller card or valid vehicle registration card
 - b. Social Security cards are not acceptable for identification
 - c. North Carolina resident - either a driver license or DMV-issued identification card
 - d. No Mexican driver license accepted
 - e. No International driver license accepted
2. Strict verification of address - highway name, rural route, and no Post Office boxes accepted
3. No counter checks - checks issued by bank without printed information
4. No starter checks without pre-printed name, address, and telephone number
5. No third party checks
Example:
Check is in party's name and is presented by a second party for a transaction for a third party.
6. Identification information must be on the front of the check
7. Home and/or work telephone numbers on front of the check (a number where the check writer can be reached during the day)
8. Printed estate checks may be accepted with proper identification, if Letters of Testamentary are attached to documents processed
9. Dealer checks require name, address, telephone number of Dealer and Dealer number
10. No check may be accepted from an applicant on the bad check list
11. Checks MUST be made payable to the NCDMV
12. Checks cannot be made for more than the amount of the transaction
13. Out-of-state checks are accepted with a North Carolina address and proper identification
14. Do not create additional customer ID's for customers that have a bad debt stop. If a customer ID is created and accepted contractor will be responsible.
15. Certified checks are the same as cash.
16. All checks are to be completed in blue or black ink

3. CLOSE-OUT AND COMPENSATION

To allow for reconciliation and processing of compensation, monthly close-out will take place on the last day of each month. If a direct deposit is not received by the Contractor's bank account by 10th of the month, the Contractor shall notify the Fiscal Section of the Division so that procedures can be initiated to issue a replacement direct deposit. All of the Dealer accounts of the Contractor must be closed out within five (5) working days or the outstanding balance will be deducted from monthly compensation. If products have been given to a Dealer and the money is not received, Contractor will be responsible for the outstanding Dealer account balance. Contractors are compensated on a per transaction basis authorized under G.S. 20.63.

4. DAILY DEPOSITS

The Contractor or Manager is required to make a daily deposit of state funds in the form and amount received. State funds should never be deposited into the Contractor's business or personal account.

The Contractor shall make daily written reports to the Division of the activity of the license office. In addition, the Contractor shall make other reports as the Division may from time to time require. Deposits must be made daily and certified before 2:00 p.m. the following day. Failure to comply will result in a supervisory complaint.

5. DESIGNATION OF DEPOSITORY FOR STATE FUNDS

The Field Supervisor will assist the Contractor in the selection of a depository for state funds. This designated bank should operate on a cash concentration basis and should be located within reasonable proximity to the LPA to afford safe banking for the Contractor. Approval for a change of bank must be coordinated with the Field Supervisor, who must obtain approval from the State Treasurer's Office. The Contractor must meet the reporting requirements as stated in the Reporting Section at all times.

6. REPORTING

Each Contractor or Manager is responsible for making a daily Information Management System (hereafter IMS) report as required by the Treasurer's Office of monies deposited by 2:00 p.m. for the previous day. No IMS certification should be made until a validated deposit slip is received from the bank. If the IMS reporting is late, the Fiscal Section of the Division should be notified. All work must be bundled and mailed no later than the next working day after the work is processed. All work processed must be sent to the Division, do not hold work out because of an error. If all of the day's work is not included, the LPA will be charged with an error and if it continues, a supervisory complaint may be issued. If the work report is late, the Quality Assurance Unit of the Division should be

notified. Each incident of a late deposit or report due to an emergency situation will be documented and will be brought to the attention of the Field Supervisor for his/her recommendation.

7. PROTECTION AFFORDED STATE MONIES

The Division may carry a limited amount of insurance to protect state funds in the license plate agencies. The Division is responsible for paying the insurance premium; however, the Contractor is held responsible for any deductible that may be required and any loss the Division does not recover from insurance proceeds. The following is a summary of protection for state monies in the possession of the Contractor.

- A. Protection against robbery occurring inside the Contractor's premises and outside while messengers are transmitting monies to and from the bank: Year-round protection - each loss subject to a deductible of \$1,000, which is to be paid by the Contractor.
- B. Special daytime burglary protection for monies stored in locked desk drawers including locked safes and vaults, while offices are closed for lunch or to make deposits during working hours. Year-round protection each loss subject to a deductible of \$1000.00 which is to be paid by the Contractor.
- C. No protection is afforded by the State for monies or securities owned by the Contractor.
- D. No monies belonging to the State are to be left in a LPA overnight for any reason. All State monies are to be deposited into the State account at the designated bank or placed into a night depository at a bank approved by the Field Supervisor assigned to the LPA. No insurance protection is afforded State monies stored on the LPA premises at night. In the event that monies are left in an LPA overnight, these monies become the responsibility of the Contractor. No employee of the Division has the authority to amend this rule in any way.
- E. Each LPA is to be covered by a Fidelity Bond in the amount prescribed by the Division and as outlined in G.S. 20-63.01. Said bond is to list the Division as "Loss Payee." Furthermore, the bond must cover the Division against employee dishonesty, computer fraud, and wire transfer fraud. The Contractor must present to the Division a certificate of insurance issued by a company doing business in the State of North Carolina. As outlined in G.S. 20.63.01, the Division may be able to negotiate a bond at favorable premiums for all LPAs. If the Division can negotiate this bond, the respective LPAs will be responsible for the deductible. Each LPA may wish to obtain a separate bond in the amount equal to the deductible.

8. INVENTORY

All inventory of plates, stickers, etc. will be placed in a secured, locked location. No inventory may be stored where the public may have access to it. The LPA will be held responsible for all lost, misplaced or stolen inventory. A police report must

be submitted to verify stolen inventory. When a shipment of new inventory is received it must be immediately placed in inventory (hereafter INI). Each box must be matched to the Bill of Lading. The Contractor/Manager must then run the inventory report checking it to the actual old and new INI. Any discrepancies in the inventory must be immediately reported to Plate Distribution with the Division. If this policy is not followed, any inventory reported as missing during the next audit will be charged to the LPA.

All returned plates must be secured in taped boxes. The box must be marked "RETURNS" in any color other than black ink. These return boxes must be stored away from any current inventory.

9. REPLACEMENT CHARGES FOR PLATES, STICKERS AND EQUIPMENT

The Division is responsible for supplying the Contractor with plates, stickers and required office stamp such as the bank deposit stamp for the Treasurer's Office. If any of these items cannot be accounted for by the Contractor, the Contractor shall reimburse the State for these items according to charges established by the Division, which may be adjusted annually. Fees charged for equipment will be set at fair market value and charges for plates and stickers will be those authorized by statute, except for commercial plates, which will be based on 10% of the fee for the 80,000-pound plate.

10. DEALER FOLDERS

All Dealer Folders are to be paid out within five (5) business days. No work is to be released to a Dealer unless the folder has been paid. Only work specific to that Dealer is to be processed in that folder.

11. E-MAIL

All LPAs have been given access to e-mail. The Contractor/Manager is responsible for checking the e-mail daily. All Official Bulletins and Special Memorandums will be sent by e-mail.

12. MAIL RECEIVED AT LPA

U.S. mail or any other form of delivery of mail from out-of-state Dealers or customers must be processed upon receipt. If the customer must be contacted to come to the LPA to complete documents, this must be completed within thirty (30) days. If at the end of thirty (30) days the work has not been finalized, it is to be forwarded to the Administrative Office. Failure to comply will result in a supervisory complaint.

13. LICENSE PLATE AGENCIES OPERATED IN CONJUNCTION WITH OTHER BUSINESSES

If an office processes less than 25,000 transactions within a twelve (12) month period, it may be operated in conjunction with another business if the other

business does not constitute a conflict of interest or does not have an adverse effect on the operation of the LPA. An LPA processing 25,000 or more transactions in a twelve (12) month period shall not be operated in conjunction with another business whether owned, operated or managed by the Contractor or another person, firm or corporation. Existing LPAs that have reached the 25,000 transaction level shall be evaluated annually to make sure any additional business has no adverse effect on the operation of the LPA or does not constitute a conflict of interest. Any business or service performed by the LPA must receive approval through the Field Supervisor from the Administrative Office. For offices opened prior to June 1, 2008, the number of transactions referenced herein shall be 50,000. These offices will be evaluated annually to make sure any additional business has no adverse effect on the operation of the LPA or does not constitute a conflict of interest.

14. CONFLICT OF INTEREST

Approval for the operation of any additional businesses shall not be granted for a LPA when the Division of Motor Vehicles has determined such business owned and/or operated by the Contractor constitutes a conflict of interest. Some examples of conflict of interest include, but are not limited to, an insurance agency underwriting auto liability coverage, a motor vehicle sales or repair dealership, etc.

15. LICENSE AND TITLE MANUAL

License and Title Manuals will be provided by the Division for each employee attending Division-sponsored titling and licensing training. It is the responsibility of the Contractor to ensure that all License and Title Manuals or other official communications are maintained and kept up-to-date. Official Bulletins and Memorandums are distributed periodically from the Administrative Office. As new employees are hired, it is the responsibility of the Contractor to ensure that the current title manual with all changes and all Official Bulletins and Memorandums are accessible to the employees. Manuals may be requested through the Field Supervisors or Administrative Office and are available on line. If the Field Supervisor advises the Contractor to keep the manual & bulletins updated and the Contractor fails to maintain current updates on a monthly basis, a supervisory complaint for failure to comply will be written for the office

16. EMERGENCY CLOSINGS

In the event of a storm evacuation, all equipment should be powered off and unplugged. Contractor should move such items as stickers, forms, plates, printer paper, etc. to a higher level and cover everything in plastic. In the event of an emergency, such as adverse weather, power failure or unexpected illness, the Contractor must immediately notify the Administrative Office and the Field Supervisor. A sign shall be posted advising the public of the emergency closing, directing customers to the nearest office and stating when the office is expected to reopen. It is the responsibility of the Contractor to post a sign if the Contractor cannot reach the office. (For example, a procedure may be arranged with a relative, a nearby business or law enforcement to post the sign in emergency

situations.) If the computers are down, the LPA will open for business; the LPA will not close and will accommodate citizens to the best of its ability. Modifications in staffing and lunch hours to accommodate the downtime are allowed. LPA can post a sign stating that the computer is down, but cannot state that the LPA is closed.

17. SILENT PARTNERS

No Contractors shall enter into a subordinate agreement of any description, oral or written, or make provisions for a silent partner. A silent partner is an investor in a LPA who takes no active part in its Management but who shares in its profits and losses.

ACKNOWLEDGEMENT

I acknowledge receiving a copy of this SOP on this _____ day of _____
(Number date) (Month)

(Year)

Signature

LPA Name

LPA Number

Sign and return a copy of the Acknowledgement page to:

Administrative Office, Room 132
3145 Mail Service Center
Raleigh, NC 27699-3145

ACKNOWLEDGEMENT

I acknowledge receiving a copy of this SOP on this _____ day of _____
(Number date) (Month)

(Year)

Signature

LPA Name

LPA Number

Sign and return a copy of the Acknowledgement page to:

Administrative Office, Room 132
3145 Mail Service Center
Raleigh, NC 27699-3145

**DMV Policy
Employee Dress Code
August 19, 2009 (Revised)**

Purpose: Responsible administrators and managers have the right to prescribe certain reasonable standards of dress and appearance of their employees. The purpose of this policy is to establish a dress code and personal appearance policy that will assure the safety of employees; project a professional image to internal and external customers, potential employees, business partners, and the public; and to further other purposes related to the mission of the Division of Motor Vehicles and the conduct of business.

Policy: The Division of Motor Vehicles' (DMV) primary objective is to have employees project a professional image while taking advantage of more casual and relaxed clothing and attire as appropriate. Business casual dress offers an alternative to the strict business attire of dresses, suits, ties and dress shoes.

On the other hand, not all casual clothing is appropriate for the office. Items perfect for working in the yard, going on a picnic or to the beach, or playing sports aren't appropriate for the office, nor is clothing that is too revealing. Regardless of the item, it is essential to avoid wearing anything to the office that is not neat, clean, or in good repair. Clothing or accessories that contain slogans, symbols or pictures that may be obscene, offensive, or controversial is not allowed.

There are times when traditional business attire (coat and tie for men) is to be worn such as when you have meetings out of the building at a non-DMV facility or with non-DMV staff. On casual Fridays, it is acceptable to dress casually if meetings are conducted within a DMV facility. When in doubt, business attire is always acceptable.

Listed below is a general overview of acceptable business casual wear as well as a listing of some of the more common items that are not appropriate for the office. Neither group is intended to be all-inclusive but rather these items should help set the general parameters for proper casual business wear and allow employees to make intelligent judgments about items that are not specifically addressed. Any apparel, hair style, cosmetic, or jewelry, even if not specifically mentioned in this policy, which creates a safety concern, draws undue attention to the wearer, or tends to detract from the daily business process is strictly prohibited. A good rule of thumb is that if you are not sure if something is acceptable, choose an alternate and then inquire with your supervisor.

Slacks – Slacks are acceptable provided they are well-fitting and are clean and neat in appearance. Capri length slacks are also acceptable. Inappropriate items include jeans, sweatpants, shorts, bib overalls, leggings, spandex or other form-fitting pants. Baggy pants are not acceptable. **Jeans, not frayed or torn, may be worn on Casual Friday.**

Shirts – Dress shirts and blouses, casual shirts, golf shirts, sweaters and turtlenecks are acceptable. Inappropriate items include tank tops, halter-tops, spaghetti straps and tube tops. Muscle shirts and shirts with descriptive, obscene signs, symbols and drawings are not allowed. Clothing that reveals a bare midriff or chest, or clothes that expose the body in a sexually suggestive manner are not acceptable.

Dresses and Skirts – Casual dresses and skirts, and split skirts are acceptable. Dress and skirt length must be no shorter than two inches above the knee, or of modest length when standing. Mini-skirts are not acceptable. Backless or strapless sundresses, or sheer or mesh clothing that reveals the body or underclothing usually covered in the workplace are not allowed.

Footwear – Loafers, boots, flats, dress sandals, open-toed shoes, clogs and leather deck shoes are acceptable. **Shoes must be worn at all times during business hours.** Flip-flops (shower shoes), beach sandals, tennis shoes or athletic shoes, and bedroom slippers are not acceptable. **Tennis shoes or athletic shoes may be worn on casual Fridays and during meal periods and breaks everyday for the purposes of walking or exercise.**

Headwear – Hats or caps shall not be worn by employees working inside an office. Employees working outside, such as a mail courier, shall be allowed to wear hats and caps. Other head coverings must be approved by the immediate supervisor if worn during business hours inside the office.

Jewelry and Body Art (Tattoos) – Should display a professional image. Jewelry worn in body piercing of the eyebrows, lips, tongue, nose ring and navel are not acceptable if visible by others. Indecent, vulgar, provocative, obscene or disruptive tattoos are not acceptable if visible.

Grooming and Attire – Proper grooming and attire have a positive impact on the image of the DMV. Good personal hygiene including hair care is required of all employees. Employees should also be sensitive to other employees and avoid using excessive amounts of perfume, cologne or aftershave. Fingernails should be short enough as not to interfere with work duties and should be neatly groomed. Hair styles which draw undue attention such as colors, Mohawks, tails, and unusual razor cuts are not allowed. Sunglasses are not to be worn in the office unless they are for medical reasons.

Casual Friday and Weekend: With the exception of law enforcement and uniformed employees, Fridays are recognized as a Division-wide “dress down” day. Additionally, employees who work on weekends may dress as on Casual Friday. Employees may wear blue jeans and tennis shoes or athletic shoes as long as they are clean, neat, and not excessively worn, frayed or wrinkled on Friday.

Exemption to Policy: Generally, these neutral dress codes will be applied to all employees equally and without regard to personal circumstances; however, religious beliefs, medical requirements or other reasons may be grounds for an exception to a specific portion of this policy. Management can make exceptions to this policy for specific projects or activities lasting for a specified period of time. Additionally, the Commissioner of Motor Vehicles has the authority to exempt parts of this policy due to adverse or inclement weather or if outside temperatures and/or the heat index reaches extremely high levels. A request for an exemption must be submitted in writing to the Commissioner of Motor Vehicles through the employee's chain of command. The Commissioner of Motor Vehicles will issue a written response within five business days from the receipt of the request for exemption. It is the responsibility of supervisors and managers to monitor compliance with this policy and counsel staff when needed.

Consequences of Dress Code Violations: Violation of the Dress Code Policy is considered *unacceptable personal conduct* under the DMV disciplinary process. If an employee has concerns regarding the appropriateness of another employee's attire, it should be addressed to the supervisor of the affected employee and through the proper chain of command.

First violation – Employee will be informed of the policy violation and sent home, without pay, to correct the violation. Vacation or bonus leave may be used if available. The first incident will be followed up with a coaching and written counseling document.

Second and subsequent violations – Will result in disciplinary action up to and including dismissal.

To summarize, employees of the DMV are expected to project a professional image while carrying out their roles and responsibilities on a daily basis. While it is suggested that employees observe the traditional business attire, this policy does allow, at times, employees to dress with business casual attire and also dress casually on Fridays.

ADDENDUM TO DMV DRESS CODE POLICY

February 2, 2010

Effective immediately, the Commissioner is modifying the DMV Dress Code Policy to prohibit sweatshirts and ball caps. These items are considered improper work attire and should not be worn by any DMV employee on any day of the week including casual Fridays. Your cooperation regarding this policy change is appreciated.

PED Final Report to the Joint Legislative Program Evaluation Oversight Committee

- NC General Assembly Program Evaluation Division (PED) Report Number 2012-07:
Contract Agency Vehicle Registration and Titling Services Are Cost Efficient, but Contracts
Need Performance Terms
(36 pages)

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



**Final Report to the Joint Legislative
Program Evaluation Oversight Committee**

Report Number 2012-07

April 25, 2012



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

George R. Hall, Legislative Services Officer

Program Evaluation Division
300 N. Salisbury Street, Suite 100
Raleigh, NC 27603-5925
Tel. 919-301-1404 Fax 919-301-1406

John W. Turcotte
Director

April 25, 2012

Senator Fletcher L. Hartsell, Jr., Co-Chair, Joint Legislative Program Evaluation Oversight Committee
Representative Julia Howard, Chair, Joint Legislative Program Evaluation Oversight Committee

North Carolina General Assembly
Legislative Building
16 West Jones Street
Raleigh, NC 27601

Honorable Co-Chairs:

Session Law 2011-382 directed the Program Evaluation Division to determine the cost-effectiveness of using license plate agency contractors to provide vehicle registration and titling services and to evaluate the oversight of these contractors by the Division of Motor Vehicles. Session Law 2011-382 also prohibited the Commissioner of Motor Vehicles from cancelling any contracts until this study's recommendations are acted upon by the Joint Legislative Program Evaluation Oversight Committee.

I am pleased to report that the Department of Transportation's Division of Motor Vehicles and the license plate agency contractors cooperated with us fully during the evaluation.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Turcotte".

John W. Turcotte
Director



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

April 2012

Report No. 2012-07

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

Summary

The General Assembly directed the Program Evaluation Division to determine the cost-effectiveness of using license plate agency (LPA) contractors to provide vehicle registration and titling services and to evaluate the oversight of these contractors by the Division of Motor Vehicles (DMV). Session Law 2011-382 also prohibited the Commissioner of Motor Vehicles from cancelling any contracts until this study's recommendations are acted upon by the Joint Legislative Program Evaluation Oversight Committee.

Contractors are a cost-efficient way for the State to provide vehicle registration and titling services. As of January 2012, there were 118 LPA contractors (101 private businesses and 17 local public entities) and two state DMV offices providing registration and titling services. Customer fees for registration and titling services go to the State, and the State in turn compensates LPA contractors on a per-transaction basis. The Program Evaluation Division determined the State pays less for each transaction performed by private contractors (\$2.12) and local public entity contractors (\$2.07) than for transactions performed by state offices (\$6.13).

Lack of coordination and poor communication hinders DMV's oversight of contractors. The Program Evaluation Division found DMV relied on processes that react to problems rather than working with LPAs to improve overall performance. Interviews and surveys also revealed a lack of coordination among oversight mechanisms, creating a disjointed oversight structure.

Lack of a standardized, performance-based contract for all contractors limits accountability and oversight. As a result of changes in the LPA program, two-thirds of LPAs operate under indefinite contracts, differing from the other third of LPAs that operate under term-limited contracts. The major differences between the two contracts are that indefinite contracts do not have a duration term and do not require LPAs to pay the State to lease computer equipment, have a public restroom, or report notary fee collection. Neither type of contract has performance measures, such as customer satisfaction, customer complaints, and transaction error rates.

To address these findings, the General Assembly should direct DMV to

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

Purpose and Scope

The General Assembly directed the Program Evaluation Division to evaluate the cost-effectiveness of the current operations of the Division of Motor Vehicles (DMV) Commission Contract for the Issuance of Plates and Certificates Program and to determine any savings and efficiencies that could be achieved by changing operations.¹ For the remainder of the report, the Commission Contract for the Issuance of Plates and Certificates Program will be referred to as the license plate agency (LPA) program.

This evaluation addressed three central research questions:

1. What are the structure, operations, and cost of the LPA program?
2. How well does the LPA program meet the motor vehicle registration and titling needs of North Carolina's citizens?
3. Are there more efficient ways to register and title motor vehicles in North Carolina?

The Program Evaluation Division collected data from several sources, including

- interviews with and surveys of DMV staff;
- transactions and errors from the State Titling and Registration System;
- a survey of all LPAs and site visits to 26 agencies;
- interviews with representatives of the North Carolina Association of Motor Vehicle Registration Contractors, Inc.; and
- research on other states.

Background

North Carolinians have been registering motor vehicles since 1909 and titling vehicles since 1923. Over time, the General Assembly has transferred responsibility for vehicle registration and titling from the Secretary of State to the Department of Revenue to the Division of Motor Vehicles (DMV). Beginning in 1961, the General Assembly mandated that all registration plates, registration certificates, and certificates of title—outside of those issued by DMV's Charlotte and Raleigh offices—be issued “insofar as practicable and possible” through contracts with persons, firms, corporations, or governmental subdivisions of the State, and that DMV provide “proper supervision” to the contract agents.²

Other states also use contractors to perform registration and titling services. As shown in Exhibit 1, 18 states used contractors for registration and titling services in 2011. In North Carolina, contractors are not the only entities that provide registration and titling services (see Exhibit 2), but they provide the majority of services. Collectively, license plate agency (LPA) contractors performed 68% of the 14.1 million registration and titling transactions in Calendar Year 2011; private contractors by themselves performed 64% of all transactions that year.

¹ N.C. Sess. Laws, 2011-382.

² N.C. Gen. Stat. § 20-36(h).

Exhibit 1**Private Contractors
Perform Registration and
Titling Services in 18
States**

Source: Program Evaluation Division based on data from the American Association of Motor Vehicle Administrators and phone interviews with other states.

Exhibit 2: LPA Contractors Perform the Majority of Registration and Titling Services

Entity	Description	Calendar Year 2011	
		Locations	Transactions (percentage of all transactions)
License Plate Agency Contractors			
Private	Customers can receive registration and titling services face to face at offices across the state	109	8,982,541 (64%)
Local public entity	Customers can receive registration and titling services face to face at offices across the state	17	575,223 (4%)
Other Entities Performing Registration and Titling Services			
DMV state offices		2	
Registration and titling services	Customers can receive registration and titling services face to face in Charlotte and Raleigh		342,595 (2%)
Specialized services	Customers can receive specialized services (e.g., instant title, error correction correspondence letters, issuance of certain specialty plates) face to face in Charlotte and Raleigh		88,651 (<1%)
For-hire/International Registration Plan services	Customers can receive registration for commercial vehicles face to face in Charlotte and Raleigh		106,746 (<1%)
DMV headquarters	Customers can receive a variety of services, some of which are available at license plate agencies and some of which are not		948,044 (7%)
DMV online	Customers can renew their registration online		1,650,098 (12%)
DMV mail-in	Customers can renew their registration by mailing in a registration renewal card		878,540 (6%)
Online dealers	After customers purchase a vehicle, online dealers can submit registration and title work through one of two online vendors	445	612,622 (4%)
Total Transactions			14,185,060

Note: Data in this table do not match data in Exhibit 5 because they include for-hire/International Registration Plan transactions for the 33 contractors that provided those services in Calendar Year 2011. DMV headquarters houses administrative and service delivery functions including the Administrative Office; Call Center; Special Title Unit; Quality Assurance; Special License Unit; Renewals, Titles, and Plates Unit; Liability Insurance Unit; Dealer Plate Branch; and temporary LPAs (such as mobile units).

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

DMV determines the need to establish LPAs within certain geographical areas based on the number of existing LPAs in a given county, the number of transactions processed per LPA, county vehicle population, county citizen population, complaints due to service or lack thereof, and ability to sustain the business model. As of January 2012, there were 118 LPA contractors spread across North Carolina:

- 101 were operated by private contractors;³ and
- 17 were operated by local public entity contractors (i.e., chambers of commerce, counties, or towns).

In addition, customers can receive registration and titling services from two state DMV offices in Charlotte and Raleigh.

The fees customers pay at LPAs for registration and titling services go to the Highway Trust Fund, Highway Fund, or local school boards. DMV in turn pays LPA contractors for performing those services (see Exhibit 3). As established by statute, DMV pays contractors on a per-transaction basis:

- \$1.43 for any combination of the transactions listed in N.C. Gen. Stat. § 20-63(h);⁴
- an additional \$1.00 for certain titling transactions (see Exhibit 3);⁵ and
- an additional \$1.27 for collection of the highway use tax.⁶

Thus, the least LPA contractors can receive for performing services is \$1.43; the most they can receive is \$3.70. For example, an LPA contractor would receive \$1.43 for performing a transfer of registration. An LPA contractor would receive \$3.70 for certain titling services and collection of the highway use tax.

The majority of LPAs are private contractors who need to generate a profit to maintain their businesses. An important source of additional revenue is from notary fees: most transactions must be notarized and LPAs collect fees directly from customers. Notary fees are set by DMV in the LPA program's Standard Operating Procedures Manual; LPA contractors receive \$5 for one signature, \$6 for two signatures, and \$7 for three or more signatures.⁷

³ After the Program Evaluation Division completed its analysis for this study, DMV closed one of these private contractor agencies due to inappropriate activities.

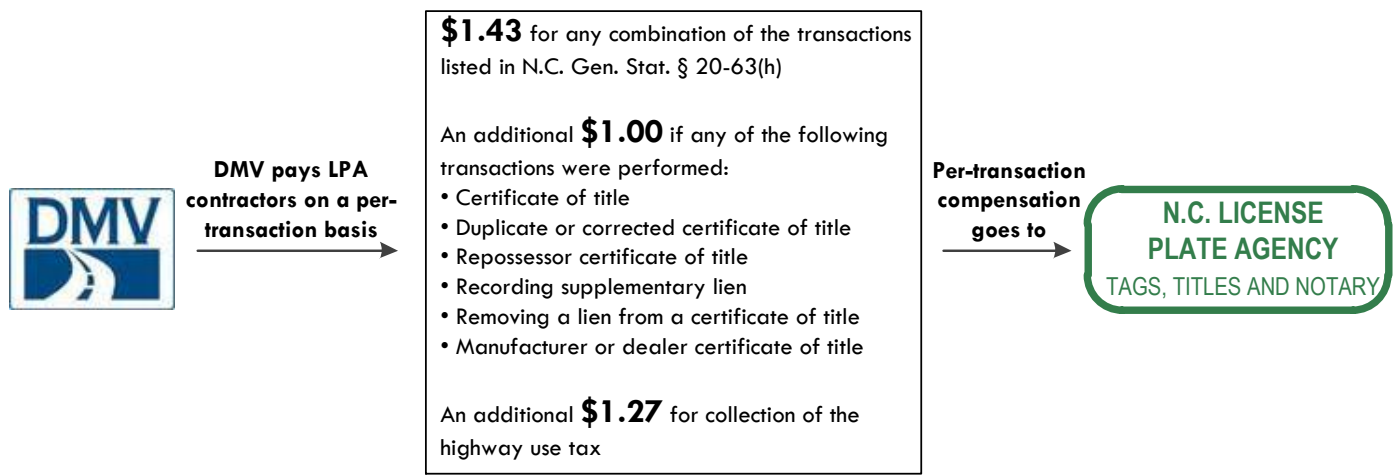
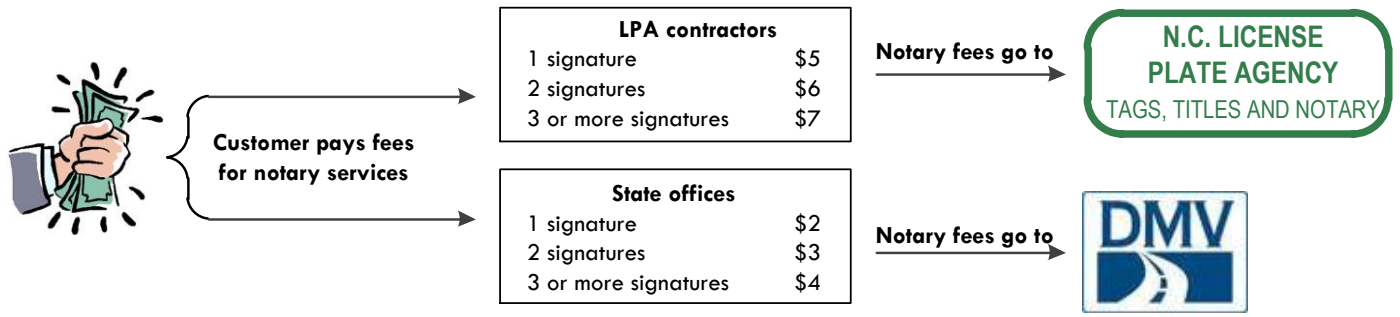
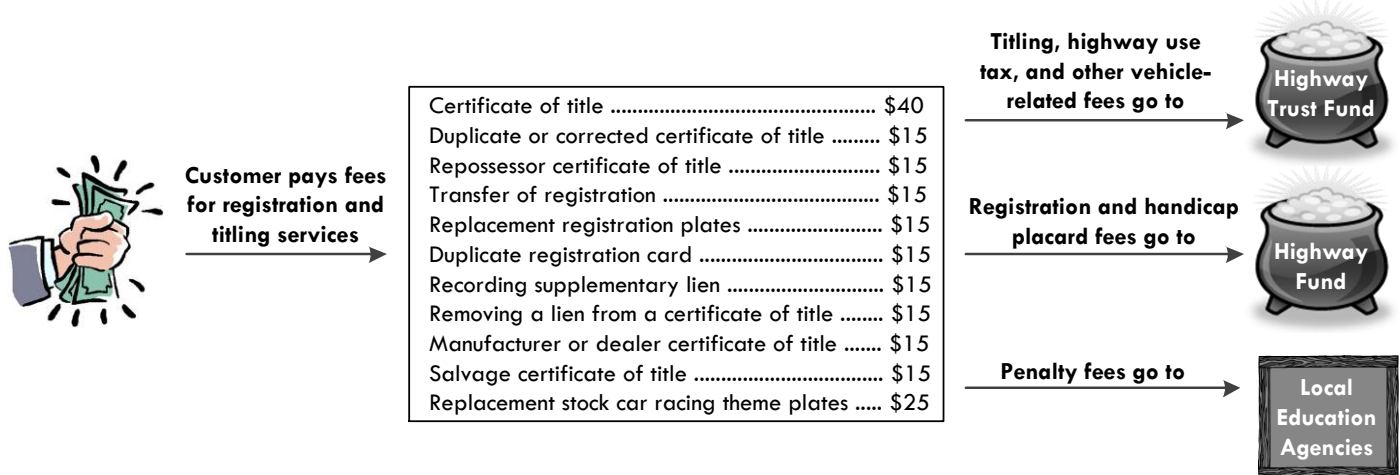
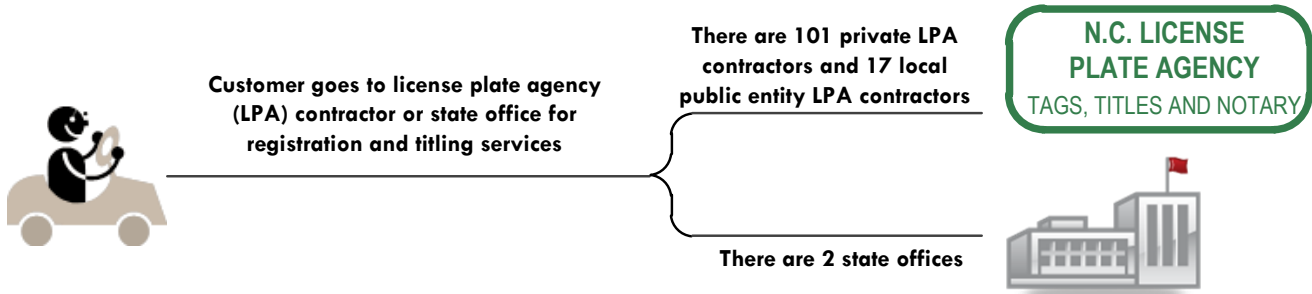
⁴ The transactions listed in N.C. Gen. Stat. § 20-63(h) are issuance of a registration plate, registration card, registration renewal sticker, or certificate of title; issuance of a handicapped placard or handicapped identification card; acceptance of an application for a personalized registration plate; acceptance of a surrendered registration plate, registration card, or registration renewal sticker; cancellation of a title because the vehicle has been junked; acceptance of an application for, or issuance of, a refund for a fee or a tax; receipt of a civil penalty for a lapse in financial responsibility or receipt of the restoration fee; acceptance of a notice of failure to maintain financial responsibility for a motor vehicle; collection of civil penalties imposed for emissions violations; sale of inspection stickers to a licensed inspection station; collection of the highway use tax; and acceptance of a temporary lien filing. The compensation rate for these transactions was last raised in 2001.

⁵ Session Law 2004-77 established this provision to provide an additional fee for transactions related to titling services.

⁶ Collection of the highway use tax is not a stand-alone service; it occurs in combination with the issuance of a title. The compensation rate for collection of the highway use tax was last raised in 2001. Starting in 2013, LPAs will collect vehicle property taxes. Session Law 2005-294 made vehicle property taxes due at the same time registration fees are due and authorized LPAs to collect these taxes on behalf of counties. The amount counties will pay LPAs per transaction has not been determined.

⁷ Based on N.C. Gen. Stat. § 20-42(a), state offices receive \$2 for one signature, \$3 for two signatures, and \$4 for three or more signatures.

Exhibit 3: Registration and Titling Fees and LPA Compensation

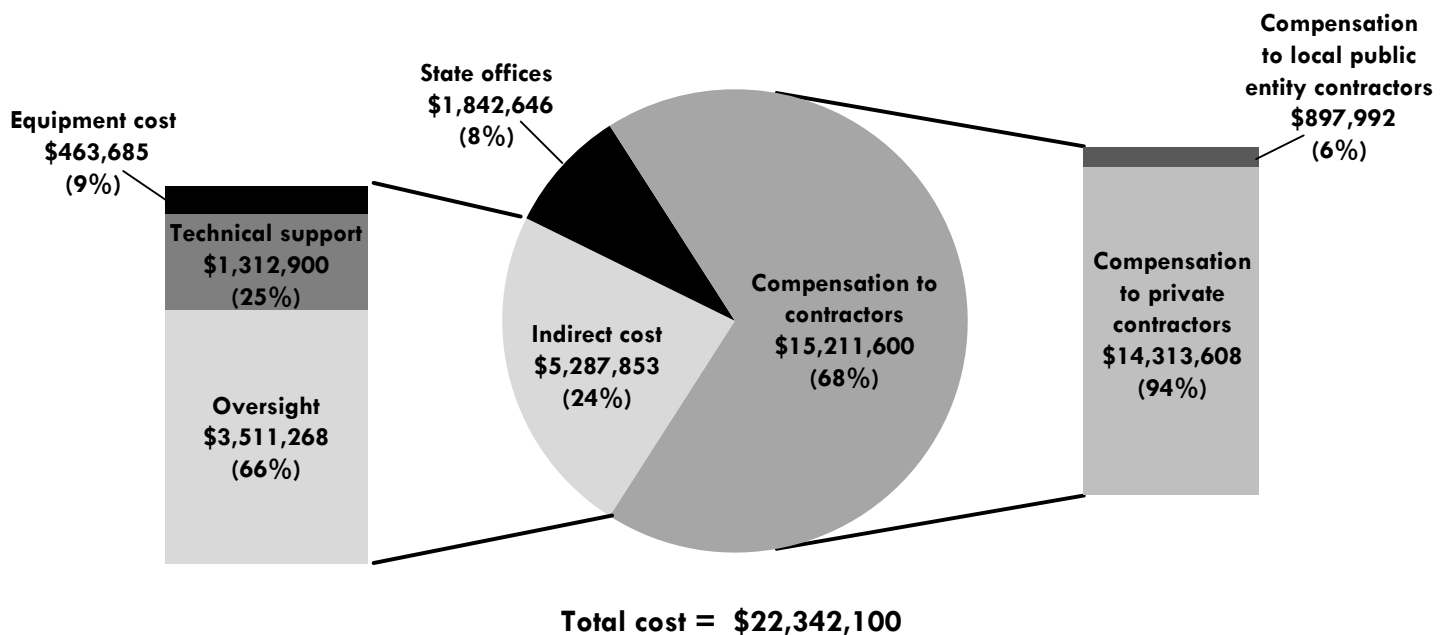


Source: Program Evaluation Division based on N.C. Gen. Stat. §§ 20-42, 20-63, and 20-85 and the LPA Standard Operating Procedures Manual.

To generate additional revenue, some private contractors offer bill-pay services (e.g., Western Union) or sell merchandise (e.g., license plate covers and vanity plates). DMV allows LPAs that process fewer than 25,000 transactions a year to operate in conjunction with another business if the other business does not constitute a conflict of interest or does not have an adverse effect on the operation of the LPA.⁸

In Calendar Year 2011, the total state cost for the LPA program was \$22.3 million (see Exhibit 4). The State paid LPAs that were operated by private contractors and local public entities a total of \$15.2 million and spent \$1.8 million on operations at the two state offices. DMV's oversight of the entire program, its technical support for LPAs, and the computer equipment it provided for LPAs on indefinite contracts cost \$5.3 million.

Exhibit 4: State Costs for the LPA Program in Calendar Year 2011



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

All LPA contractors have contracts with DMV that define terms of service. However, there are two different types of contracts: two-thirds of LPAs have contracts with automatic renewal year to year with no express date for termination, and one third have three-year contracts with two one-year automatic extensions. When the LPA program started in 1961, LPA contracts were “perpetual” and had no duration term. DMV incorporated duration terms into new LPA contracts starting in 2007, and in 2010 DMV sought the legal advice of the Attorney General to determine if it could cancel the perpetual contracts “at will.”⁹ Staff at the Attorney General’s office determined the LPA contracts were not “perpetual” but rather “indefinite,” and therefore DMV could cancel them within a reasonable time and upon reasonable notice. However, the General Assembly prohibited the Commissioner of Motor Vehicles from cancelling or amending any LPA contracts for any reason other than malfeasance,

⁸ Agencies that opened prior to June 1, 2008, can operate in conjunction with another business if they process fewer than 50,000 transactions a year.

⁹ DMV requested an official opinion from the Attorney General in February 2012, and the opinion had not been issued by the time this report was released.

misfeasance, or nonfeasance until the Program Evaluation Division's recommendations for this study are acted upon by the Joint Legislative Program Evaluation Oversight Committee.¹⁰

Findings

Finding 1. Contracting with license plate agencies is a cost-efficient way for the State to provide vehicle registration and titling services.

To determine if contracting is a cost-efficient way to deliver registration and titling services, the Program Evaluation Division compared the cost to the State per transaction for private contractors, local public entity contractors, and the two state offices.¹¹ As shown in Exhibit 5, the State paid on average less for each transaction performed by private contractors and local public entity contractors than for each transaction performed by state offices in Calendar Year 2011.¹²

Exhibit 5: Private Contractors Had the Lowest Costs per Transaction in Calendar Year 2011

Entity	Total State Compensation for Contractors / Total Operating Cost for State Offices	Total State Computer Equipment Cost	Total State Oversight and Technical Support Cost	Total State Cost	Total Transactions	Average State Cost per Transaction
Private contractors (n = 109)	\$ 14,313,608	\$ 363,019	\$ 4,376,721	\$ 19,053,349	8,976,123	\$ 2.12
Local public entity contractors (n = 17)	\$ 897,992	\$ 10,584	\$ 280,399	\$ 1,188,975	575,064	\$ 2.07
State offices (n = 2)	\$ 1,842,646	\$ 90,083	\$ 167,048	\$ 2,099,777	342,595	\$ 6.13

Note: Data in this table do not match the contractor data in Exhibit 2 because they exclude for-hire/International Registration Plan transactions. Eight of the private contractors that were in operation in Calendar Year 2011 were no longer in operation as of January 2012. Total State Computer Equipment Cost for contractors was calculated by distributing the State's cost for supplying computer equipment to LPAs on indefinite contracts in proportion to the number of terminals they have. Total State Oversight and Technical Support Cost was calculated by distributing the State's costs for LPA program oversight and technical support among the three entities in proportion to the number of transactions they performed.

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

The operating costs per transaction at the state offices was \$6.13 in Calendar Year 2011 (see Exhibit 5). The Program Evaluation Division surveyed LPA contractors to collect their 2011 operating costs; the survey

¹⁰ Malfeasance is the doing of a wrongful or unlawful act, misfeasance is the doing of a proper act in a wrongful or injurious manner, and nonfeasance is the failure to perform a required duty or obligation.

¹¹ The Program Evaluation Division excluded from this analysis the 88,651 specialized services (e.g., instant title, error correction correspondence letters, and issuance of certain specialty plates) that were performed exclusively at the two state offices in Calendar Year 2011. In addition, for-hire/International Registration Plan transactions were excluded from this analysis because the two state offices provided 85% of these services, whereas the remaining 15% were provided by the 33 contractors who offered these services in Calendar Year 2011. Because these services may have been bundled with other services for which contractors receive a flat rate of compensation, the Program Evaluation Division could not exclude the compensation contractors may have received for for-hire/International Registration Plan transactions.

¹² In 2001, the North Carolina Department of Transportation's Productivity Services Section determined it takes LPAs 2.33 minutes to complete registration transactions, 4.81 minutes to complete titling transactions, and 2.61 minutes to complete customer service transactions. The Program Evaluation Division found private contractors, local public entity contractors, and state offices performed similar proportions of each type of transaction, ranging from 68% to 78% for registration transactions, 15% to 23% for titling transactions, and 6% to 9% for customer service transactions in Calendar Year 2011.

yielded a response rate of 82%.¹³ Based on survey responses, private contractors had an average operating cost per transaction of \$1.41.¹⁴ Subtracting the average operating costs per transaction from the average compensation from the State per transaction (\$1.59) revealed that private contractors made, on average, 18 cents profit on each transaction in Calendar Year 2011 (this amount does not include revenue from notary fees associated with those transactions). Local public entity contractors had an average operating cost per transaction of \$2.37.¹⁵

Staff size and salaries drive the operating costs of the state offices.

Personnel costs typically make up the majority of a business's operating costs. The Program Evaluation Division's survey asked LPAs to report the number of full- and part-time positions they had in Calendar Year 2011.¹⁶ As shown in Exhibit 6, private contractors averaged 0.44 staff per 10,000 transactions, local public entity contractors averaged 0.63 staff per 10,000 transactions, and the two state offices averaged 1.17 staff per 10,000 transactions.¹⁷ Therefore, state offices had more than twice as many staff performing the same number of transactions as private contractors.

In addition to having more employees, state offices only employ full-time positions (with benefits), whereas private contractors are able to employ part-time staff. In Calendar Year 2011, 94% of the operating costs of state offices were personnel costs (including salaries and benefits). Higher salaries might be justified if those employees provided a higher level of service. To test this possibility, the Program Evaluation Division intended to compare the transaction error rate across the three groups to determine if employees at state offices made fewer errors than employees who worked for private contractors or local public entity contractors. However, because there are only two state offices and because 100% of the transactions at the Charlotte office received a quality check in Calendar Year 2011, as opposed to 20% to 25% of transactions at the Raleigh office and at LPA contractors, the error rates for the three groups could not be compared for statistical differences.

¹³ The Program Evaluation Division had to rely on contractors to report their own operating costs because as private businesses their financial records are not public. The operating costs provided by contractors were reduced by the percentage of time they reported having spent on for-hire/International Registration Plan services. The adjusted operating costs for contractors ranged from \$5,000 for an agency that performed 16,500 transactions to \$393,000 for an agency that performed 197,280 transactions in Calendar Year 2011.

¹⁴ The 83 private contractors who responded to the survey reported \$10,433,079 in total operating costs and completed 7,422,926 total transactions. When the Program Evaluation Division looked only at the eight contractors that performed a similar number of annual transactions as the state offices (i.e., over 150,000), their average operating cost per transaction was \$1.53.

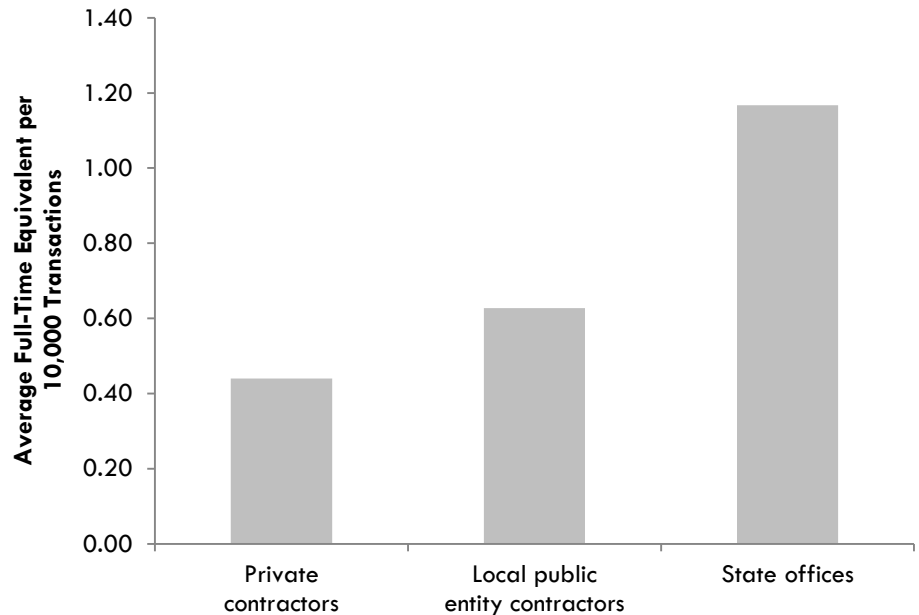
¹⁵ The 11 local public entity contractors that responded to the survey reported \$939,716 in total operating costs and completed 397,143 total transactions.

¹⁶ The Program Evaluation Division assumed two part-time positions equaled one full-time position.

¹⁷ The positions provided by contractors were reduced by the percentage of time they reported having spent on for-hire/International Registration Plan services.

Exhibit 6

State Offices Had More Than Twice as Many Staff per 10,000 Transactions as Private Contractors in Calendar Year 2011



Source: Program Evaluation Division based on data from a survey of LPAs and from the Division of Motor Vehicles.

Thus, contractors offer a cost-efficient way for the State to deliver registration and titling services. They cost the State less on a per-transaction basis, and they had lower operating costs than state offices. The higher costs of state offices result from their staff size and compensation. In an interview with the Program Evaluation Division, the Commissioner of Motor Vehicles agreed that state government could not afford to replace private contractors with government offices.

In light of the considerable difference in cost per transaction between contractors and state offices, this finding raises the question of whether state offices should continue providing registration and titling services. The Program Evaluation Division estimates the State could save up to \$1.3 million annually if the registration and titling services currently provided at state offices were transferred to LPA contractors (see Exhibit 7). This figure is based on the difference between the total operating costs of the state offices in Calendar Year 2011 and the cost to the State had the state office transactions been performed by private contractors. This difference was reduced by the amount the two state offices collected in notary fees in Calendar Year 2011 because those fees would no longer be available to the State.

Exhibit 7**Potential Cost Savings
from Outsourcing Vehicle
Registration and Titling
Services Performed at
State Offices**

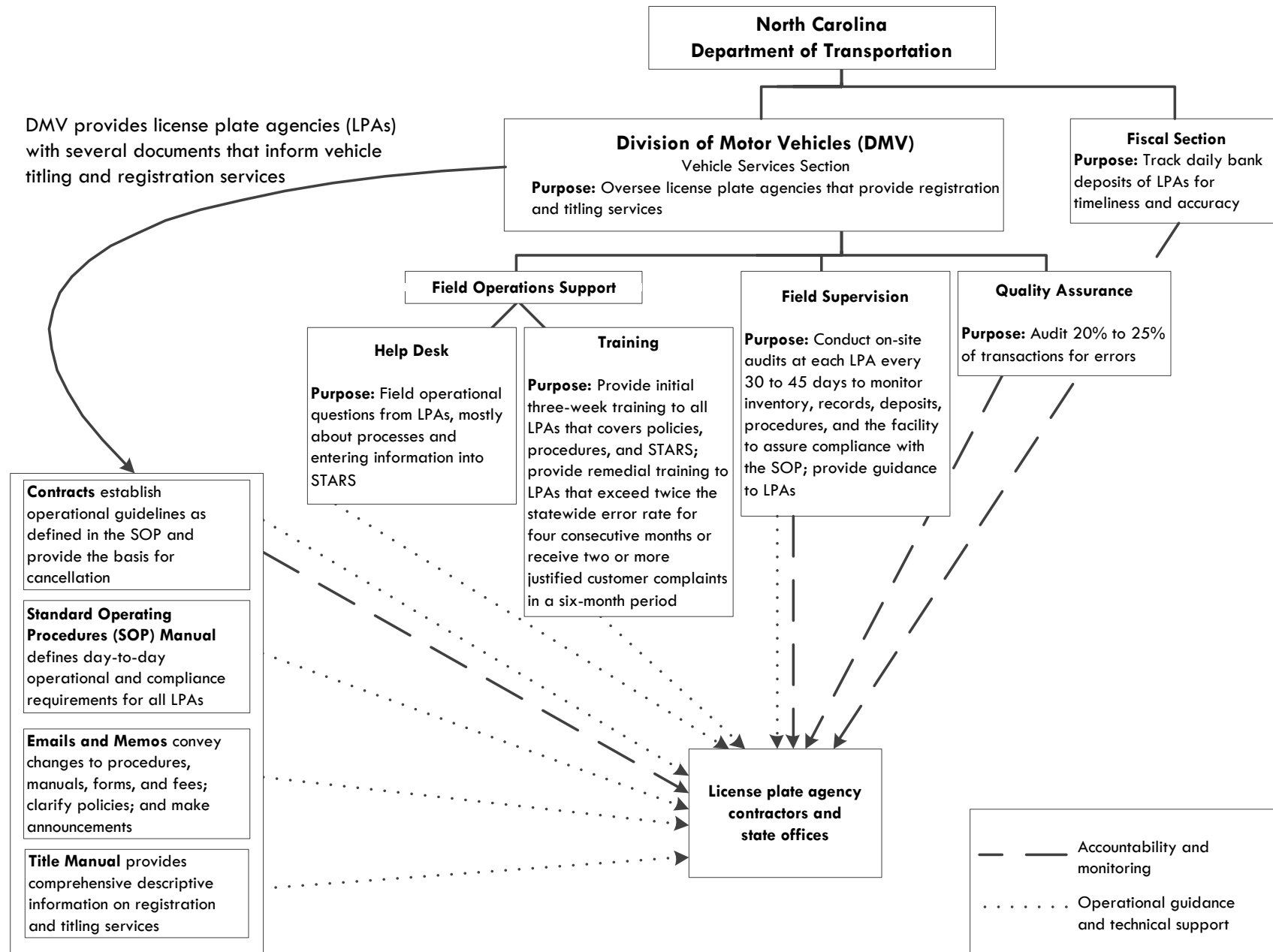
Source	Costs
State office operating and equipment costs	\$ 1,932,729
Compensation to potential contractors (\$1.59 per transaction for 342,595 transactions)	\$ (544,726)
<i>Difference (potential savings from outsourcing)</i>	\$ 1,388,003
Adjustment for loss of notary fee revenue to the State	\$ (119,186)
Total Net Cost Savings	\$ 1,268,817

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

Finding 2. Although the of Division of Motor Vehicles has mechanisms in place to provide guidance and accountability, lack of coordination and poor communication hinder oversight of license plate agencies.

As shown in Exhibit 8, a range of Division of Motor Vehicles (DMV) mechanisms provide license plate agency (LPA) operational guidance, accountability, or both (see the Appendix for a complete description). Together, these mechanisms are intended to assure LPAs adhere to operational requirements, deliver services accurately and effectively, and do not commit fraud. They provide answers to the question, "How well are LPAs performing?" Clearly, they are critical to assuring compliance and good service: oversight and accountability practices have resulted in nine LPA closures since 2009 for contract violations (i.e., criminal misconduct and fraud). However, the question, "How well is DMV performing?" in providing oversight and guidance is not asked. Evaluation data indicated DMV administrators do not focus on improving the LPA program and rely on processes that react to problems rather than working with LPAs to improve overall performance. Interviews and surveys also revealed a lack of coordination among oversight mechanisms, creating a disjointed oversight structure.

Exhibit 8: Accountability and Guidance Mechanisms Provide LPA Oversight



Note: STARS stands for the State Titling and Registration System.

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

DMV administrators do not think of the LPA program as a program per se. The fundamental problem is that current DMV accountability mechanisms focus on the parts (contractor compliance and performance) and not on the whole (DMV's performance in supporting and improving the program). Several problems identified in this evaluation stem from this lack of overall programmatic focus. Although DMV has established clear requirements for LPAs, it takes a punitive approach to dealing with each transgression (e.g., charging LPAs for missing or damaged inventory, listing LPAs with high transaction errors on a published report) and not a quality improvement approach for the whole program (e.g., coordinating oversight mechanisms, improving communications for improved LPA performance, tracking outputs and outcomes to reflect on overall program performance).

Without a focus on program improvement, the Program Evaluation Division was not surprised to find there are no overall LPA program performance measures or a program model to guide improvements to the overall program. As suggested in previous Program Evaluation Division reports, logic models are tools that link program goals, activities, outputs, and outcomes in a way that helps define and describe how programs work and how they should be held accountable.¹⁸ The LPA program's effectiveness could be improved by adopting this approach.

A logic model lays the foundation for program planning and improvement through performance measurement. The Program Evaluation Division created a logic model to demonstrate how this approach could be applied to the LPA program, shown in Exhibit 9. Program administrators provided the goal statement, which appears in the top tier of the model. The middle tier describes operations at the overall LPA program level, and the bottom tier describes operations at the individual LPA level. DMV practices are generally well defined for the bottom tier of the model. The middle tier, however, is based on the Program Evaluation Division's concept of how the overall program might be described, which outputs might capture activities, and which outcomes could be used to measure program performance and improvement. The following descriptions correspond to each column in the middle tier of the logic model.

- **Inputs** consist of resources available to operate the LPA program, including funding, staffing from other DMV sections that support the program (such as Quality Assurance and Field Operations Support), and infrastructure (such as the State Titling and Registration System).
- **Activities** describe what the program currently does to achieve the overarching goal, including issuing and monitoring contracts, providing LPA employee training, keeping manuals up to date, communicating effectively with LPAs about policy changes and best practices, operating the Help Desk, monitoring transaction quality, conducting site audits, and monitoring customer satisfaction.

¹⁸ Program Evaluation Division. (2011, October). *Programs for children, youth, and families need a guiding framework for accountability and funding*. Report to the Joint Legislative Program Evaluation Oversight Committee. Raleigh, NC: General Assembly. Program Evaluation Division. (2010, April). *High school graduation project requirement should remain a local school district decision*. Report to the Joint Legislative Program Evaluation Oversight Committee. Raleigh, NC: General Assembly.

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"> General Fund Central DMV staff State Titling and Registration System infrastructure 	<ol style="list-style-type: none"> Issue, monitor LPA contracts Provide training Update Standard Operating Procedures Manual, Title Manual Communicate with LPAs Operate Help Desk Monitor transaction quality (errors) Conduct site audits Monitor customer satisfaction (complaints, surveys) 	<ol style="list-style-type: none"> Number of initial and remedial training sessions provided, number of participants Log of updates and communications with LPAs Number of transactions monitored Transaction error rate Number and frequency of audits conducted Number of customer complaints 	<ol style="list-style-type: none"> Tests of employee knowledge pre- and post-training demonstrate training effectiveness Error rates among employees who attended remedial training demonstrate training effectiveness LPA surveys report improved communications between LPAs and DMV Trend in error rate improves over time across LPAs Customer satisfaction survey results improve over time 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"> State compensation Notary fee revenue Revenue from other sources 	<ol style="list-style-type: none"> Follow contract terms Attend training Provide registration and titling services Provide timely, courteous service 	<ol style="list-style-type: none"> Number of employee training sessions attended Number of transactions per LPA Transaction error rate per LPA Number of site audit findings, count of damaged/missing inventory per LPA Number of customer complaints per LPA 	<ol style="list-style-type: none"> LPA employee training is current LPA error rate does not exceed threshold LPA site audit finding frequency is below threshold Customer satisfaction survey results per LPA improve over time 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.

- **Outputs** are measures, usually counts, which the LPA program could use to track and report on activities, such as the number of training sessions provided, a log of updates to the Standing Operating Procedures Manual and Title Manual, the number of communications with LPAs, the number of transactions monitored, the error rate, the number of audits conducted, and the number of customer complaints received.
- **Outcomes** track program benefits that can be expected as a result of activities, such as training effectiveness, improved communications between LPAs and DMV, trends in transaction error rates, customer satisfaction, and the number of complaints over time.

As shown in Exhibit 9, the model links inputs, activities, outputs, and outcomes and lays the groundwork for continuous quality improvement. Some activities, outputs, and outcomes are repeated for the overall program and LPA operations, but at this level they are used to reflect performance of the program as a whole. For example, customer satisfaction surveys have been conducted periodically in the past and could be scheduled at set intervals (for example, every two years). Surveys should be tailored to assess the LPA program (rather than all DMV services) using a representative sample so results can be generalized to the program as a whole and can also be used to reflect on individual LPA performance.

Data collected for this evaluation indicated DMV oversight mechanisms (shown in Exhibit 8 and described in the Appendix) are not well coordinated. On the one hand, a majority of respondents to a Program Evaluation Division survey of LPAs and state offices (hereafter referred to as the LPA survey) agreed the following oversight components were adequate to meet their needs: LPA staff training (63%); assistance from field supervisors (87%); and assistance from the Help Desk (75%).¹⁹ On the other hand, interviews with and surveys of DMV staff and LPAs indicated the effectiveness of oversight components is hampered by a lack of coordination among them. In response to a Program Evaluation Division survey of field supervisors, one commented that each DMV oversight section has its own direction and agenda, and the lack of coordination among them rendered the organization inefficient.

The following examples demonstrate the lack of coordination.

- Although the Quality Assurance Section and field supervisors share information, formal collaborations among the DMV oversight sections that could promote overall program improvement are not in place.
- The Quality Assurance Section tracks errors for each LPA and sends them to field supervisors for follow-up, but the section does not compile a master list of the most common errors to share with training staff and field supervisors. This process could help LPAs improve performance by raising awareness.

¹⁹ The survey response rate was 82%.

- Calls and problems reported to the Help Desk are not formally tracked, so there is no opportunity to draw “lessons learned”; a “Helpful Hints” section in the Title Manual reflects questions to the Help Desk, but a freestanding, formal mechanism would focus the program on quality improvement.²⁰

This evaluation found evidence of friction and communication problems between DMV and LPAs. Results from the Program Evaluation Division LPA survey indicated friction between DMV and LPAs. When rating whether they believed their interests were supported by DMV, only 15% of survey respondents believed the Commissioner supported them and 26% believed the DMV Vehicle Services Section had their interests in mind (the remainder either disagreed with the statements or were neutral). One field supervisor suggested LPAs might believe DMV does not support them because agency administrators are focusing more on enforcing program policies. In a memo provided to the Program Evaluation Division, the North Carolina Association of Motor Vehicle Registration Contractors, Inc. (the Association) made a much stronger statement and began with an unequivocal assertion about the hostility of current DMV management toward LPAs.²¹

When asked about communications between DMV and LPAs, LPA responses were mixed. Fewer than half (44%) of survey respondents agreed that DMV communications were clear and consistent, but more than half (56%) agreed that DMV responded to inquiries in a timely manner. Here, too, the Association’s memo went beyond evaluation findings, when it claimed LPAs were confused about which DMV communications took precedence over others and stated DMV did not provide timely or uniform responses to LPA questions.

One strategy to reduce tension and improve communications would be to establish an LPA working group to provide input to DMV about streamlining communications and increasing coordination among oversight mechanisms. At present, LPAs do not have a voice at DMV, and a forum where they could provide constructive input to improve the LPA program has the potential to improve relationships and oversight.

Information from surveys and interviews suggested communications could be improved by providing a secure website for LPAs to access training materials, manuals, DMV forms, and other guidance documents necessary for performing registration and titling services. It would also make it easier for DMV to keep communications up to date and could provide an online chat function to facilitate communication with the Help Desk and field supervisors.

²⁰ The present gap in using common Help Desk questions to improve overall program quality may be addressed in 2012. Field operations support administrators are developing an electronic call log for the Help Desk to track calls by question content and by LPA. This electronic log is an important step toward program quality improvement both to educate LPAs and to improve consistency in the answers given by Help Desk staff.

²¹ Seventy-seven percent of survey respondents reported they were members of the North Carolina Association of Motor Vehicle Registration Contractors, Inc.

Finding 3. Lack of a standardized, performance-based contract for all license plate agency contractors limits accountability and oversight.

At the direction of the General Assembly, the Division of Motor Vehicles (DMV) began contracting registration and titling services to license plate agencies (LPAs) in 1961. Although the contract between DMV and LPAs has been revised several times to reflect changes in technology, compensation rates, deposit requirements, and business rules to meet requirements of the Americans with Disabilities Act, DMV did not introduce duration terms to contracts until 2007. Until then, contracts provided automatic renewal year to year with no express date for termination. In 2007, DMV created a two-year contract for new LPAs.²² DMV administrators realized a two-year term was not long enough and, in 2009, revised its contract for LPAs whose two-year term was expiring and for new LPAs. There are four major differences between the old, indefinite contract and the new, term-limited contract (see Exhibit 10).

Exhibit 10

Major Differences between Indefinite and Term-Limited Contracts

	Indefinite Contracts (n = 78)	Term-Limited Contracts (n = 40)
Duration	Automatic renewal year to year with no express date for termination	Three-year term with two one-year automatic extensions
Computer equipment	Contractor is responsible for safeguarding computer equipment provided by the State	Contractor must pay to lease computer equipment from the State
Public restrooms	LPA is not required to have a public restroom	LPA must have a public restroom
Notary fees	LPA is not required to report fees charged and collected	LPA is required to report fees charged and collected

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

Having two-thirds of LPAs operate under contracts with different terms from the other third of LPAs creates equity issues.

- **Three-year term.** Term-limited contracts have a three-year term with two one-year automatic extensions, after which the contract becomes month to month. According to DMV administrators, the benefits of the three-year contract are modernization of business practices, increased accountability, incentives for excellent performance, and increased competition. DMV recognizes that one of the drawbacks of the three-year contract is that it may be too short for businesses to recoup their up-front investment.
- **Leased computer equipment.** Term-limited contracts require LPAs to lease computer equipment from DMV, including a computer,

²² When new LPAs are needed, DMV posts the opening for 45 days. DMV screens applications for necessary skills, experience, and financial ability and invites qualified applicants for an interview. Applicants are assessed based on their professional presentation, interview performance, relevant job experience, and financial ability. Once a candidate is selected, DMV conducts a background check and approves the site for the new agency.

printer, and scanner, for \$68.60 per workstation per month; the funds are credited to a Department of Transportation revenue account. Requiring LPAs to lease computer equipment saves the State money and, according to DMV administrators, encourages the recruitment and retention of contractors who are committed to the business. If DMV were to start charging LPAs under indefinite contracts to lease computer equipment, their operating costs would increase between \$68.60 and \$1,029 per month, depending on how many workstations they have, and the State would save the \$31,134 it spent each month in Calendar Year 2011 on equipment for LPAs on indefinite contracts.

- **Public restrooms.** Term-limited contracts require LPAs to provide restroom facilities. DMV's rationale for requiring LPAs to have restrooms is longer customer wait times. According to DMV administrators, restroom access improves the customer experience and reduces customer complaints. However, a previous customer service survey by DMV found customers believed their wait times at LPAs were reasonable. If DMV were to require all LPAs to have public restrooms, some LPAs would have to make significant renovations and would have added cleaning and supply costs.
- **Notary fee collection.** Term-limited contracts require LPAs to provide detailed accounting to DMV of all notary fees collected.²³ All contractors, regardless of contract type, have refused to provide DMV this information, and DMV has been unsuccessful in its attempts to enforce this provision of the contract due to political pushback. DMV administrators reported their main concern about LPAs not reporting notary fees is that DMV cannot protect customers when there is no record of what transpired.

DMV administrators want all contractors to be on term-limited contracts.

In 2010, DMV sought the legal advice of the Attorney General to determine if it could cancel the indefinite contracts. Attorney General staff determined indefinite contracts could be cancelled within a reasonable time and upon reasonable notice, but the General Assembly prohibited the Commissioner of Motor Vehicles from cancelling any LPA contracts, except in cases of malfeasance, misfeasance, or nonfeasance, until this study's recommendations are acted upon by the Joint Legislative Program Evaluation Oversight Committee. As of January 2012, 40 (34%) LPAs operated under term-limited contracts, and 78 (66%) LPAs operated under indefinite contracts.

LPAs with indefinite contracts had more transaction errors and complaints on average than LPAs with term-limited contracts.

As discussed in Finding 2, DMV reviews 20% to 25% of transaction paperwork completed by LPAs for errors. As shown in Exhibit 11, LPAs on indefinite contracts had more errors per LPA (mean = 55) than LPAs on term-limited contracts (mean = 38) in Fiscal Year 2010–11.²⁴ DMV also tracks the number of complaints filed against each LPA. LPAs on indefinite

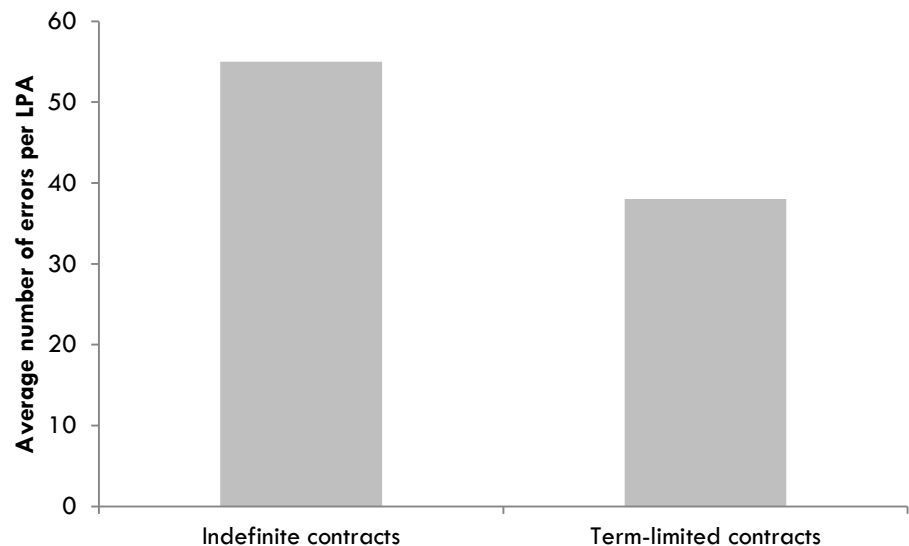
²³ Indefinite contracts require LPAs to abide by all rules and regulations set out in the Standard Operating Procedures Manual, and the 2009 version of the manual requires LPAs to report notary fee collection.

²⁴ This difference was statistically significant at $p < 0.05$.

contracts had more complaints per LPA (mean = 1.9) than LPAs on term-limited contracts (mean = 1.5) in Calendar Year 2011.²⁵ Field supervisors also observed they get more complaints about agencies with indefinite contracts.

Exhibit 11

LPAs on Indefinite Contracts Had More Transaction Errors Than LPAs on Term-Limited Contracts in Fiscal Year 2010–11



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

Having LPAs on different contracts makes enforcing contract compliance more difficult. DMV administrators have observed a difference in the mentality of LPA contractors on three-year contracts versus those on indefinite contracts. According to administrators, LPAs on indefinite contracts “do not take us seriously when we talk to them about errors and complaints,” and they do not believe DMV has any “teeth” to cancel their contracts.

The Program Evaluation Division surveyed the 11 field supervisors who work with LPAs to determine if they observed differences in operations between LPAs under the two types of contracts. Four field supervisors reported they did observe differences, and one commented, “The LPAs that are under new (term-limited) contracts are much more friendly. They care more about their offices and the quality service that they provide.” DMV staff responsible for training LPAs reported “older contract branches feel they ‘know it all’ and don’t pay attention,” whereas “newer ones know they have to do a good job to keep their contract so they try to do the best job they can.”

Term-limited contracts provide a greater level of accountability than indefinite contracts. Both the indefinite and term-limited contracts can be cancelled for several reasons.

- DMV can terminate either type of contract if LPAs fail to adhere to contract requirements or provisions of the Standard Operating Procedures Manual during their probationary period, which amounts to the first 180 days of operation with a possible 60-day extension.

²⁵ This difference was not statistically significant.

- DMV can cancel either type of contract immediately upon written notice for “cause,” which is defined similarly across both types of contracts. DMV has cancelled nine contracts for cause since 2009.
- Term-limited contracts can be cancelled by either DMV or LPAs for any reason, with or without cause, upon 60 days written notice, whereas indefinite contracts can be cancelled only by LPAs under this provision. DMV has never cancelled a contract without cause.

Although DMV has the power to terminate both types of contracts, term-limited contracts provide a greater level of accountability than indefinite contracts because they specify the time frame for LPA performance assessment. LPAs on term-limited contracts have a strong incentive to meet DMV’s expectations for performance because otherwise they risk losing their business.

Performance-based contracts would set expectations for LPAs and give DMV the ability to cancel contracts for less than criminal misconduct or fraud. Previous reports by the Program Evaluation Division have recognized the value of using contracts to set the stage for performance because expectations are written, binding, and defined at the outset.²⁶ When the Program Evaluation Division asked DMV administrators what their expectations were of LPAs as agents for the State, administrators reported they expected LPAs to process timely and accurate registration and titling services with a focus on good customer service. DMV could hold LPAs accountable for meeting expectations by incorporating three performance measures into LPA contracts.

- **Customer satisfaction.** Finding 2 discussed the need for DMV to conduct customer satisfaction surveys for the LPA program as a whole. In order to hold individual LPAs accountable for customer service, DMV would also need to collect customer satisfaction data at the LPA level and determine a threshold for acceptable performance. DMV could track customer satisfaction over time to determine if it increases or decreases.
- **Customer complaints.** DMV already uses customer complaints to gauge LPA performance. Customers can lodge complaints by phone, email, mail, or in person. All complaints are referred to the LPA’s field supervisor for investigation. The Standard Operating Procedures Manual stipulates the LPA contract may be canceled if two or more complaints are justified within a six-month period. Although both the indefinite and term-limited contracts bind LPAs to the Standard Operating Procedures Manual, incorporating performance measures directly into contracts is preferable because expectations are defined at the outset. In addition to holding LPAs accountable for justified customer complaints, DMV could track trends in customer complaints over time.

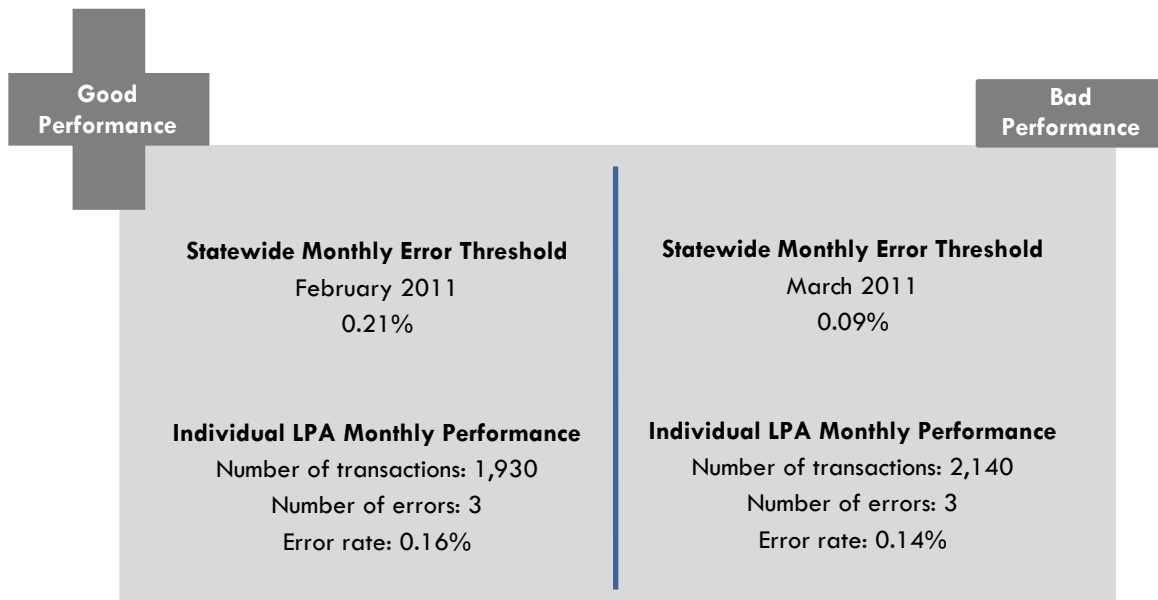
²⁶ Program Evaluation Division. (2009, November). *Accountability gaps limit state oversight of \$694 million in grants to non-profit organizations*. Report to the Joint Legislative Program Evaluation Oversight Committee. Raleigh, NC: General Assembly. Program Evaluation Division. (2010, April). *Legislative options for addressing deficiencies in state purchasing and contracting*. Presentation to the Joint Legislative Program Evaluation Oversight Committee. Raleigh, NC: General Assembly.

- **Transaction error rate.** DMV already uses transaction error rates to gauge LPA performance. The Quality Assurance Section checks a random daily sample of 20% to 25% of transaction paperwork completed by LPAs. Error rates for each contractor are calculated each month, and DMV has set the monthly statewide error threshold that LPAs should be under as twice the average error rate of all LPA contractors. DMV explained they change their benchmark from month to month to accommodate variations in the volume of processed transactions. The Standard Operating Procedures Manual states DMV administrators will determine the appropriate measures to be taken, up to and including contract cancellation, for LPAs with an error rate that exceeds twice the statewide average for four months in a row. Thus far, DMV has taken the measure of requiring LPAs to close for a few days while the entire staff attends remedial training. A performance-based contract would refer to the error threshold directly rather than indirectly through the Standard Operating Procedures Manual.

DMV's fluctuating error threshold for LPA contractors is not an effective way to monitor LPA performance.²⁷ The statewide monthly error threshold depends on the performance (or lack thereof) of other LPAs. If all LPAs are performing well, the error threshold is low; if not, the threshold is higher. In the past two fiscal years, this threshold has ranged from as low as 0.05% in February 2010 to as high as 0.21% in February 2011. The fluctuating error threshold means an LPA can exceed the threshold in one month and be below the threshold in another month based on the same number of errors (see Exhibit 12). Although LPAs can monitor their own performance by checking their work daily prior to submitting it to DMV or by reviewing a weekly error report produced by DMV, LPAs cannot gauge whether they are above or below the error threshold because the error threshold is not known until after all transactions have been processed for the month. An error threshold based on a fluctuating statewide average also means that DMV is not independently assessing the performance of each LPA. Whether an LPA is deemed to be above or below the threshold is largely dependent on the good or bad performance of other LPAs. Assessing LPA performance based on a fixed error threshold would provide a clear benchmark to monitor individual LPA performance and allow LPAs and DMV to monitor transactions and errors throughout the month.

²⁷ DMV already has a fixed monthly error threshold of 0.01% for its state offices. The Charlotte office exceeded this threshold each month in Fiscal Year 2010–11, and the Raleigh office exceeded this threshold for five months in Fiscal Year 2010–11. DMV administrators leave it up to the state office branch managers to decide how to address individual employee performance.

Exhibit 12: Same Number of Errors Can Indicate Good Performance One Month and Bad the Next

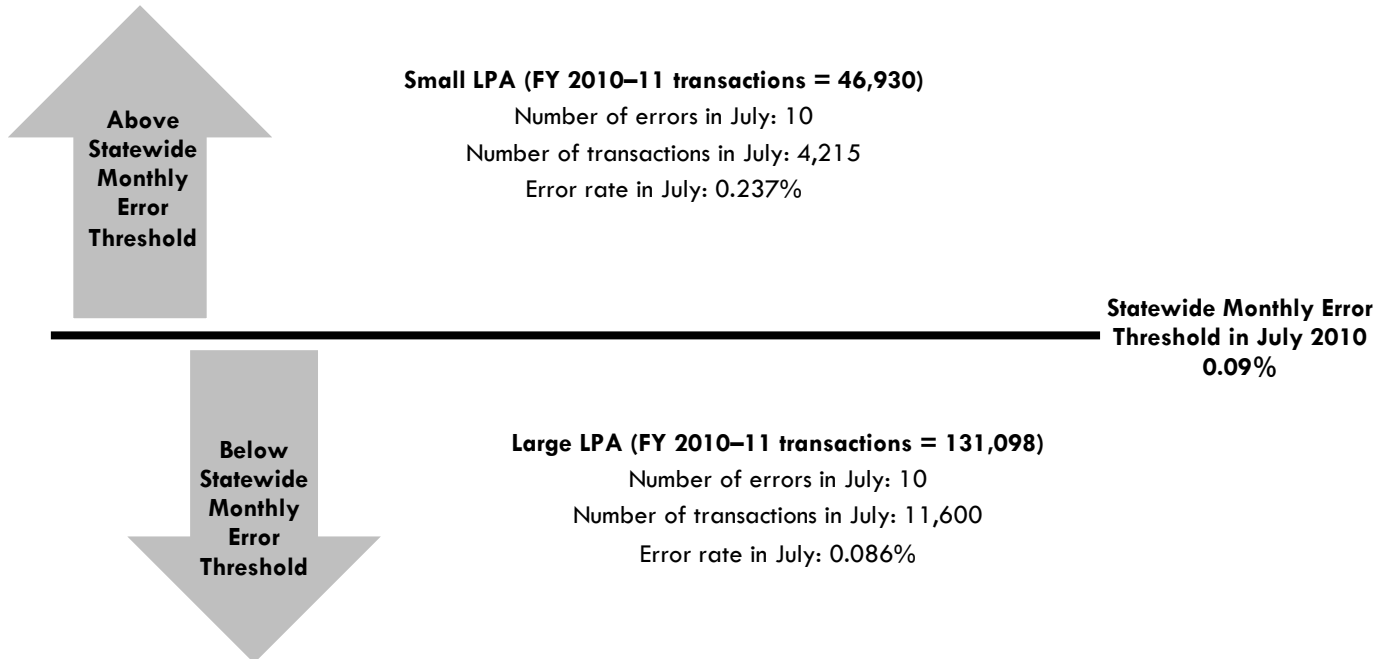


Note: The example above is based on actual data for one LPA contractor.

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

To determine what the fixed error threshold should be, the Program Evaluation Division took into consideration that small LPAs exceeded the fluctuating error threshold more often by nature of the number of transactions they performed. Quality Assurance staff reported “smaller branches suffer (by being) called out for a low number of errors,” and field supervisors reported that “smaller offices feel so much pressure from the error rates.” Exhibit 13 shows how two LPAs can have the same number of errors, but the LPA performing fewer transactions has a higher error rate.

Exhibit 13: Small LPAs Have Higher Error Rates than Large LPAs for the Same Number of Errors



Notes: The example above is based on actual data for two LPA contractors. The Program Evaluation Division defined small LPAs as those that perform 75,000 or fewer transactions per year and large LPAs as those that perform more than 75,000 transactions per year. The monthly statewide error threshold is twice the average error rate of all LPA contractors.

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

The Program Evaluation Division determined that LPAs performing 75,000 or fewer transactions per year (small LPAs) exceeded the statewide monthly error threshold more often than LPAs performing more than 75,000 transactions per year (large LPAs). When two fiscal years of monthly error rates were examined separately for the two groups, small LPAs had a mean monthly error rate of 0.0007 (or 0.07%) and large LPAs had a mean monthly error rate of 0.0004 (or 0.04%).

Using twice the mean monthly error rates, the fixed error threshold for small LPAs would be 0.14% and the fixed error threshold for large LPAs and the state offices would be 0.08%. If these fixed error thresholds had been applied in Fiscal Year 2010–11, 75% of small LPAs and 73% of large LPAs would have exceeded the threshold at least once.²⁸ More importantly from a contractor's perspective, 10% of small LPAs and 5% of large LPAs would have exceeded the threshold for four months in a row, requiring them to close for a few days and attend remedial training. Because error thresholds over the past two fiscal years have ranged from 0.05% to 0.21%, the fixed error thresholds of 0.08% for large LPAs and 0.14% for small LPAs would be stringent enough for DMV to hold LPAs accountable.

In sum, contracting with LPAs provides a cost-efficient way for the State to provide vehicle registration and titling services. DMV has mechanisms in place to provide guidance and accountability to contractors, but its oversight could be improved by focusing on overall program improvement,

²⁸ The state office in Charlotte would have exceeded the 0.08% threshold for nine months in Fiscal Year 2010–11, and the state office in Raleigh would not have exceeded this threshold.

improved coordination of oversight mechanisms, and better communication between DMV and LPAs. One of the biggest challenges to contract oversight is that two-thirds of LPAs are operating under indefinite contracts while the other third are operating under term-limited contracts. The lack of a standardized, performance-based contract for all contractors limits accountability and oversight.

Recommendations

Recommendation 1. The General Assembly should direct the Division of Motor Vehicles (DMV) to implement a standardized, performance-based contract for all license plate agencies (LPAs).

As shown in Finding 3, having two-thirds of LPAs operate under contracts with different terms from the other third of LPAs creates equity issues and complicates DMV's oversight of the LPA program. Furthermore, the absence of performance measures in either type of contract has limited DMV's ability to cancel contracts for anything less than criminal misconduct or fraud. To address these issues, the General Assembly should direct DMV to adopt a standardized, performance-based contract for all LPAs.

The contract should include the following provisions:

- **A five-year term with two one-year extensions subject to DMV's approval.** The current term-limited contract has a three-year term with two one-year automatic extensions, after which the contract becomes month to month. Both DMV and the North Carolina Association of Motor Vehicle Registration Contractors, Inc. reported a three-year contract may be too short for businesses to recoup their up-front investment in starting a business. Therefore, the Program Evaluation Division recommends an initial five-year term. Rather than providing automatic extensions and then converting to month to month, the contract should provide two one-year extensions subject to DMV's approval. At that time, the contract would be terminated, and the LPA could reapply through the competitive application process.
- **Contractors pay the State to lease computer equipment.** The State provides computer equipment to LPAs on indefinite contracts, whereas LPAs on three-year, term-limited contract are required to lease computer equipment from DMV for \$68.60 per workstation per month. For the LPA program to have a standardized contract, either all LPAs should pay or no LPAs should pay to lease computer equipment. If no LPAs pay to lease computer equipment, the annual costs of the LPA program to the State would increase by \$125,950 (the amount LPAs on term-limited contracts currently pay to lease computer equipment). If all LPAs pay to lease computer equipment, the State would receive an additional \$290,590 annually (the amount LPAs on indefinite contracts would owe for computer equipment). To shift the costs of computer equipment from the State to contractors, the Program Evaluation Division recommends requiring that all LPAs pay to lease computer equipment.

- **Contractors performing 75,000 or more transactions a year provide access to public restrooms.** The current term-limited contract requires all LPAs, regardless of how many transactions they perform, to provide public restroom facilities. DMV imposed this requirement to improve customer satisfaction, but a previous customer satisfaction survey found customers believed wait times at LPAs were reasonable. Because wait times should be affected by the number of transactions that an LPA processes, the Program Evaluation Division recommends requiring public restroom access only for LPAs that process a large number of transactions, which the division defined as 75,000 transactions or more a year.
- **Failure to report notary fee collection is grounds for contract termination.** The current term-limited contract requires LPAs to provide detailed accounting to DMV of all notary fees collected. However, all contractors, regardless of contract type, have refused to provide DMV this information. Because DMV cannot ensure LPAs are properly charging notary fees without LPAs reporting them, the Program Evaluation Division recommends making failure to report notary fee collection grounds for contract termination, adding it to the contract provision on termination for cause. In addition, the notary fees that are currently set by DMV in the LPA program's Standard Operating Procedures Manual should be incorporated into the contract.
- **Performance measures for customer satisfaction, customer complaints, and transaction errors.** For the LPA contract to be performance-based, it has to include performance measures that LPAs must meet in order to keep their contract. The Program Evaluation Division recommends contracts stipulate that LPAs receive a satisfactory rating on an annual customer satisfaction survey created by DMV, do not have two or more justified customer complaints within a six-month period, and do not exceed the transaction error threshold four months in a row. Based on monthly error rates over two fiscal years, the Program Evaluation Division recommends DMV initially adopt a fixed error threshold of 0.14% for small LPAs (those performing 75,000 or fewer transactions per year) and 0.08% for large LPAs (those performing 75,000 or more transactions per year) and the state offices. At the end of each calendar year DMV should examine how discriminating the error threshold was based on how many LPAs exceeded it, adjust the error threshold if needed, and in January notify all LPAs of the next year's error threshold. DMV should also track customer satisfaction and complaints over time to determine if they are increasing or decreasing.
- **DMV provides LPAs notice of any changes to the Standard Operating Procedures Manual (SOP) with 60 days for LPAs to comment and an additional 30 days for LPAs to implement the change for a total of 90 days.** The current term-limited contract binds LPAs to requirements established by the contract, the SOP, and any other requirements as may be mandated from time to time by DMV. DMV needs the flexibility to make adjustments to the SOP

due to changing circumstances (e.g., customers will be able to pay for transactions with credit cards when LPAs start collecting vehicle property taxes in 2013). The Program Evaluation Division recommends that DMV be required to provide LPAs notice of any changes to the SOP. LPAs should have 60 days to comment on the change and should have an additional 30 days to implement the change for a total of 90 days. The language “any other requirements as may be mandated from time to time by DMV” should be removed from the contract.

DMV should transition LPAs on indefinite contracts to the new standardized contract between January 1, 2013, and December 31, 2014. Giving DMV two years to transition from indefinite contracts to standardized contracts would stagger the expiration dates of the new standardized contracts. DMV should provide LPAs on indefinite contracts with six months written notice that their contract will be terminated, and the notice should explain the requirements for the new, standardized contracts. Notwithstanding N.C. Gen. Stat. Chapter 143, Article 8, LPAs currently on indefinite contracts should automatically be offered the new standardized contract if they choose to and meet the requirements stipulated by the contract.

DMV should transition LPAs on the current three-year term-limited contract to the new standardized contract at the end of their three-year term. The last three-year term-limited contract ends in July 2014. DMV should provide LPAs on three-year term-limited contracts with six months written notice that their contract will be terminated, and the notice should explain the requirements for the new, standardized contracts.²⁹ Notwithstanding N.C. Gen. Stat. Chapter 143, Article 8, LPAs currently on three-year term contracts should automatically be offered the new, standardized contract if they choose to and meet the requirements stipulated by the contract.

Recommendation 2. The General Assembly should direct the Division of Motor Vehicles (DMV) to improve oversight and communications in the License Plate Agency (LPA) program.

As shown in Finding 2, DMV’s oversight mechanisms assure LPAs adhere to operational requirements, deliver services accurately and effectively, and do not commit fraud. However, data also indicated DMV’s lack of attention to improving the LPA program as a whole, little focus on program quality improvement, and a high degree of tension between DMV administration and LPAs that together hinder the effective operations of the LPA program.

To address these issues, the General Assembly should direct DMV to take the following steps.

Improve communications with LPAs by implementing a secure website by July 1, 2013. Interviews and surveys indicated LPAs and DMV staff and administrators believe online communications would greatly improve the flow of information to LPAs. DMV should provide LPAs with access to a

²⁹ Although the three-year contracts have two one-year automatic extensions, they can be cancelled by DMV for any reason, with or without cause, upon 60-day written notice.

secure website. In addition to electronic manuals, the website should include all DMV forms, training forms, and other DMV documents and memos.

Establish an internal administrative working group of representatives from field supervisors, Quality Assurance, and Field Operations Support to coordinate oversight mechanisms and focus on overall program quality improvement. This group should meet quarterly and be responsible for

- creating a logic model for the overall program that includes performance measures, such as the one proposed in Exhibit 9;
- establishing protocols for formal coordination between the guidance and oversight mechanisms described in the Appendix of this report;
- working with the team involved in rewriting the State Titling and Registration System software to ensure it supports coordination and provides automated oversight to minimize transaction errors; and
- receiving reports from an LPA advisory group (see below) and incorporating LPA feedback in its work.

The working group should directly inform DMV policies and be responsible for establishing protocols that coordinate oversight and for maintaining focus on overall LPA program quality improvement.

Establish an LPA advisory group and a formal mechanism for the group to provide feedback to DMV and improve communications between DMV and LPAs. This group of no more than 12 members should be recommended by field supervisors and approved by the Commissioner of Motor Vehicles to represent LPA managers by LPA size, location across the State, and operational longevity. The advisory group should meet quarterly and report to the administrative working group on current LPA concerns and recommended DMV actions, LPA needs regarding guidance and support, input into the State Titling and Registration System rewrite, and feedback on the functionality of the LPA website.

Recommendation 3. The General Assembly should direct the Division of Motor Vehicles (DMV) to outsource the registration and titling services provided by the two state offices.

As shown in Finding 1, private contractors are a cost-efficient way for the State to provide registration and titling services to North Carolinians. On average, the State paid \$2.12 per transaction performed by private contractors and \$2.07 per transaction performed by local public entity contractors in Calendar Year 2011. In contrast, the State paid \$6.13 per transaction performed at the two state offices.

To address this cost differential, the General Assembly should direct DMV to outsource the registration and titling services that are currently provided at state offices. Based on Calendar Year 2011 data, the Program Evaluation Division estimates the State could save up to \$1.3 million annually (see Exhibit 7).

The state offices should not be closed completely because they would still need to provide the majority of for-hire/International Registration Plan services for commercial vehicles and to provide the specialized services

that are currently performed exclusively by state offices (e.g., instant title, error correction correspondence letters, issuance of certain specialty plates). In Calendar Year 2011, state offices performed 106,746 for-hire/International Registration Plan transactions and 88,651 specialized services. For customers that visit the state offices for either of these purposes, the state offices would still need to provide basic registration and titling services.

Even though the state offices should not close completely, their operating costs could be reduced substantially. The state offices would only perform “inherently government activities” in keeping with the federal government’s Office of Management and Budget Circular No. A-76 regarding performance of commercial activities. New LPA contractors would likely be needed to absorb the registration and titling transactions currently performed by the state offices, but the cost to the State would be fixed at the amount it pays contractors on a per-transaction basis.

DMV should report its plan for implementing this recommendation, including a calculation of cost savings, to the Senate Appropriations Committee on Department of Transportation and the House Appropriations Subcommittee on Transportation by December 1, 2012. DMV should outsource the registration and titling services provided at state offices by July 1, 2013.

Appendix

Appendix: License Plate Agency Guidance and Accountability Mechanisms

Agency Response

A draft of this report was submitted to the Division of Motor Vehicles to review and respond. Its response is provided following the appendix.

Program Evaluation Division Contact and Acknowledgments

For more information on this report, please contact the lead evaluator, Kiernan McGorty, at kiernan.mcgorty@ncleg.net.

Staff members who made key contributions to this report include Lee Creighton, Sean Hamel, Carol H. Ripple, and Pamela L. Taylor. John W. Turcotte is the director of the Program Evaluation Division.

Appendix: License Plate Agency Guidance and Accountability Mechanisms

The Program Evaluation Division identified 11 mechanisms administered by the Department of Motor Vehicles (DMV) that provide accountability and guidance for license plate agencies (LPAs). The following table shows more detailed information to complement Exhibit 8, and the following text provides more detail about how each operates.

Purpose of LPA Guidance and Accountability Mechanisms

Mechanism	Purpose	Guidance	Accountability
1. Standard Operating Procedures Manual (SOP)	The SOP defines day-to-day operational and compliance requirements for all LPAs.	✓	
2. Title Manual	The Title Manual provides comprehensive descriptive information on registration and titling services.	✓	
3. Emails and memos	DMV issues emails or memos to inform LPAs about changes to procedures, manuals, forms, and fees; to clarify policies; and to make announcements. Communications may be direct to LPAs or through field supervisors to convey to LPAs.	✓	
4. Training	DMV provides an initial three-week session to all new contract managers and staff that covers policies, procedures, and the State Titling and Registration System (STARS). DMV also provides remedial training to LPAs that repeatedly exceed statewide error thresholds or receive numerous customer complaints.	✓	
5. Help Desk	The Help Desk fields operational questions from LPAs, mostly about processes and entering information into STARS.	✓	
6. Contract terms	Contracts establish operational guidelines as defined in the SOP and provide the basis for cancellation of the contract.	✓	✓
7. Field audits	Field supervisors conduct on-site audits at each LPA every 30 to 45 days to monitor inventory, records, deposits, procedures, and the facility to assure compliance with the SOP; they also provide operational guidance to LPAs.	✓	✓
8. Inventory reconciliation fees	LPAs are required to pay for missing or damaged inventory, typically license plates or stickers; LPAs may charge fees to the employee responsible for the error.		✓
9. Customer complaints	Complaints may be lodged by phone, mail, email, or in person and are monitored and communicated to field supervisors to pursue with LPAs; consequences may include remedial training or contract termination.		✓
10. Department of Transportation's Fiscal Section	The Fiscal Section tracks daily bank deposits for timeliness and accuracy.		✓
11. Quality Assurance Section	The Quality Assurance Section audits 20%–25% of transactions for errors.		✓

Source: Program Evaluation Division based on documents provided by the Division of Motor Vehicles and interviews with division staff.

- 1. The Standard Operating Procedures Manual (SOP)** is the key reference for operations. The 17-page document includes operational requirements for LPA employees and contractors, the physical office, and business rules. As stated on the first page, "Strict adherence to [this manual] and to all items of the LPA Contract is required." Updates were made in 2009.
- 2. The Title Manual**, at 361 pages, is a comprehensive reference guide for vehicle licensing and registration. Updates were made in 2011.

3. **DMV emails and written memos** alert LPAs to changes to the SOP or Title Manual and provide other information to LPAs such as form changes, specialty plate announcements, fee changes, or clarifications. DMV sends memos and bulletins as email attachments directly to contractors or to field supervisors who may in turn forward them to LPAs.
4. **Training** is required for all new contractors and LPAs who need remedial guidance. Initial LPA training covers policies, procedures, and the computer system used by all LPAs, the State Titling and Registering System (STARS). LPAs that exceed the monthly transaction error threshold or are the subject of numerous customer complaints may be directed to attend remedial training to address their issues, or field supervisors may provide on-site remedial training.
5. **The Help Desk** is not directly involved in oversight but fields questions from LPAs. Administrators reported most calls are about how to enter a particular transaction into STARS, and more questions are about processes than about how to use the computer system. Often, the content is covered in the Title Manual, but LPAs may call for guidance because they are concerned about making mistakes. DMV administrators reported they are developing an electronic call log to track questions by type and by LPA, but at present there is no effort to keep track of questions received by the Help Desk.
6. **Contract terms** provide guidance by defining the terms under which LPAs retain their contracts. All contracts require adherence to the SOP. Contracts establish the most basic level of accountability because they define the terms by which LPAs are permitted to continue operating.
7. **Field audits** are conducted by field supervisors at each LPA every 30 to 45 days. Although the main purpose of field audits is to ensure accountability, the 11 field supervisors can fulfill a critical role in providing support and guidance to LPAs by working with managers and staff to improve operations and help them problem-solve. Visits may take from one-half to a whole day—depending on the size of the LPA (as indicated by the number of transactions)—and part of that time may be spent providing guidance. One supervisor explained he strives to have the LPAs avoid transaction errors “because that means I have trained them well.” He also explained, “our job is to make sure LPAs are following the rules in the SOP” and to help them serve customers.

Field supervisors hold LPAs accountable by inspecting facilities, equipment, and staffing for compliance; ensuring bank deposits are timely and correct; examining transaction error reports to verify the errors and determine which employees are responsible; and reconciling inventories. During the audit, each field supervisor completes a one-page checklist, the 520 form.³⁰ A central purpose of these audits is to enforce compliance with the SOP and also to prevent fraud, which is a critical function because, as one supervisor noted, LPA employees can “game the system.”

8. **Inventory reconciliation fees** enforce LPA accuracy by determining whether LPAs are responsible for missing or damaged items. If they are responsible, LPAs are required to reimburse DMV for the item (typically a license plate or registration sticker). As compared to the amount LPAs receive from DMV per transaction (\$1.43 to \$3.70), the penalty for missing inventory is high (e.g., \$28 per registration validation sticker, \$15 per passenger vehicle plate, \$123 per private truck plate), which motivates LPAs to accurately account for their inventory. Inventory problems can be traced back to the responsible employee, and some LPAs charge the responsible employee for the fee.
9. **Customer complaints** reflect customer satisfaction and are important because customer service is a central goal of the LPA program. Customer complaints may be lodged in several ways:
 - by phone to DMV (“Contact Us,” DMV Call Center, Commissioner’s Hotline, or Director’s office);
 - by mail addressed to DMV Headquarters in Charlotte and Raleigh;
 - by email to DMV “Contact Us” or the Governor’s, Legislative, or Director’s offices; and
 - in person at DMV Headquarters in Charlotte and Raleigh or at LPAs.

³⁰ LPA site visits conducted by the Program Evaluation Division found that LPAs were largely in compliance with SOP specifications.

All correspondence related to a complaint is recorded in the LPA's file, and complaints are referred to the LPA's field supervisor for investigation. In 2011, 77 of 118 contractors (65%) had one or more complaints (1.8 complaints per LPA). DMV administrators reported to the Program Evaluation Division that field supervisors identified the following most frequent complaints.

- The customer did not agree with policy, procedure, or General Statute as stated by LPA.
- Customer service, including long wait times, rude staff, inaccurate or incomplete information, or the office closed for emergency or vacation.
- Concerns about notarization, including questions about which documents had to be notarized at the LPA; when customers could be charged a notary fee (e.g., when title assignment was already notarized but customer was charged for additional notarization); having to pay notary fees separately by cash or check; and questions about why the notary fee was not included on the DMV receipt.

Complaints are taken seriously: the LPA contract may be canceled if two or more complaints are justified within a six-month period.

10. The Department of Transportation's Fiscal Section tracks daily deposits to ensure LPAs meet the deadline (2:00 PM the next day) and to identify any deposit discrepancies. When fiscal issues come up, monitors contact the LPA program director, who either resolves the problem or refers it to the field supervisor to follow up. By ensuring accurate bank deposits, fiscal audits prevent LPA fraud.

11. The Quality Assurance Section checks a random daily sample of 20% to 25% of transaction paperwork completed by LPAs. Documents are first electronically scanned then checked for completeness and errors (for new LPAs, those in operation for 90 or fewer days, 100% of transactions are reviewed). Quality Assurance Section administrators explained many of the errors can only be detected by visually examining the documents, making automation impossible. Administrators compile annual counts of the most frequent errors, the majority of which involve incorrect titles issued or incomplete forms. Some errors are considered more serious because they could create state liability (e.g., a lien on a vehicle is not recorded), but all errors are problems because a document with errors could be challenged in court.

Because the Quality Assurance Section examines 20% to 25% of daily transactions, the number of errors identified is a fraction of errors committed among all transactions. Based on the number of errors they find in what they do check, Quality Assurance staff knows there are lots of errors made that are not caught. Even in the documents that are examined, errors may not be detected because the size of the Quality Assurance staff has remained constant (with 16 employees), even as the number of documents that comprise the random sample has increased.



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION
DIVISION OF MOTOR VEHICLES

BEVERLY EAVES PERDUE
GOVERNOR

EUGENE A. CONTI, JR.
SECRETARY

April 16, 2012

John W. Turcotte, Director
Program Evaluation Division
300 North Salisbury Street, Suite 100
Raleigh, NC 27603

Dear Mr. Turcotte,

Thank you for your consideration of our comments on the draft evaluation of the Commission Contract for the Issuance of Plates and Certificates Program. The following are our revised comments on the final report.

Finding 1:

Contracting with license plate agencies is a cost-efficient way for the State to provide vehicle registration and titling services.

Your report states that the operating per transaction cost for the two state run offices is \$6.13. Given that the state would pay private contractors an average of \$1.59 per transaction for work not performed at a state office, the state offices per transaction cost should be reduced by \$1.59, bringing the actual per transaction cost of the state run offices to \$4.54.

Staff size and salaries drive the operating costs of the state offices.

We agree that the staff size and salaries drive the operating costs of the state offices. However, state offices provide many other functions in addition to titles and registrations that are beyond the scope of an LPA, e.g., resolving correspondence file issues to generate titles as a result of LPA errors.

Finding 2:

Although the Division of Motor Vehicles has mechanisms in place to provide guidance and accountability, lack of coordination and poor communication hinder oversight of license plate agencies.

While some level of lack of coordination and poor communication has hindered DMV's oversight of LPAs, we disagree that it exists to the extent described in the evaluation. DMV administrators focus on improving all LPAs and work with each LPA to improve its overall performance.

DMV administrators do not think of the LPA program as a program per se.

This is correct. The Division of Motor Vehicles operates and is responsible for the State Titling and Registration Program, and the LPAs are a piece of this program. The private contractors and state run offices are customer service delivery mechanisms in the Titling and Registration Program. All LPAs receive the same training and are held to the same standards, and all operate by the same policies, procedures and guidelines.

Data collected for this evaluation indicated DMV oversight mechanisms (shown in Exhibit 8 and described in the Appendix) are not well coordinated.

Eleven field supervisors provide oversight to the 126 LPAs and the two state offices that are listed in this report. A field supervisor could spend between four to 16 hours to properly audit a branch depending on the size and information that is reviewed during that visit. The purpose of the audit is two-fold, one to conduct an audit of the state's property, which consists of inventory of plates (missing, damage, etc.), and the deposit of state funds and secondly, to work with the LPA to improve the overall performance. The findings from the audit are discussed with the contractor or manager to assist them in improving their business and help their employees in performing their job. DMV management will look at ways to better coordinate feedback from Field Supervisors, Quality Assurance Unit and the Help Desk.

This evaluation found evidence of friction and communication problems between DMV and LPAs

While we agree some friction and inadequate communication exists between DMV and the LPAs, we do not believe this is the case with each individual LPA. In addition, implementation of many of the recommendations will address both the friction and communication concerns of both DMV and the LPAs.

Finding 3:

Lack of a standardized, performance-based contract for all license plate agency contractors limits accountability and oversight.

We concur with all findings for this group.

Recommendation 1. The General Assembly should direct the Division of Motor Vehicles (DMV) to implement a standardized, performance-based contract for all license plate agencies (LPAs).

We agree with all components of this recommendation.

Recommendation 2. The General Assembly should direct the Division of Motor Vehicles (DMV) to improve oversight and communications in the License Plate Agency (LPA) Program.

We agree with this recommendation, but only if implemented in conjunction with Recommendation 1. Attempts at increased oversight and communications will be less effective without a standardized, performance-based, time-limited contract. DMV is already planning to implement a piece of this recommendation as part of the Department of Transportation's effort to establish a system of "Extranet" sites for targeted stakeholder groups. These are similar to Web sites, but on specific topics and accessed by a limited audience. DMV is piloting two of these sites. Once the initial sites are established and functioning well, the next site will be developed for the License Plate Agencies.

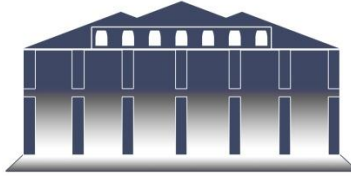
Recommendation 3. The General Assembly should direct the Division of Motor Vehicles (DMV) to outsource the registration and titling services provided by the two state offices.

Standard titling and registration services could be outsourced to additional contract license plate agencies. One concern is that the state offices, especially the Raleigh location, serve as test environments and model offices. The majority of process and procedure changes are tested at the state offices before being transitioned to the contract LPAs.

I appreciate the opportunity to respond to this evaluation, and again thank your staff for their thoroughness and professionalism. Please let me know if you have any questions.

Sincerely,

Johanna H. Reese
Deputy Commissioner



Program Evaluation Division
North Carolina General Assembly
Legislative Office Building, Suite 100
300 North Salisbury Street
Raleigh, NC 27603-5925
919-301-1404
www.ncleg.net/PED

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Report on NCDMV Contract Agency Compensation

- NCDOT Study Report on DMV Contract Agency Compensation (19 pages)

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North Carolina Department of Transportation
Productivity Services Section



Study Report

Vehicle Registration
Division of Motor Vehicles

CONTRACT AGENT COMPENSATION

July 25, 2001

By: Ron Oates, CMC, CM
Margaret Anderson, CM
Donald Crooke

NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION
PRODUCTIVITY SERVICES

MISSION

Conduct studies to support decision-making and address other organizational needs. Assist all Department of Transportation units in the development, management and/or implementation of effective and efficient processes, technologies, and special programs.

VISION

The members of the Productivity Services Section will be considered by our customers as their first choice for assistance with enhancing organizational performance.

VALUES

We are Dedicated to Serving our Customers

We view our internal and external customers as our reason for being. In fulfilling our customers' requirements, we treat all people with respect. We exhibit trustworthy and objective behavior at all times. Our services are delivered in a timely, efficient manner while keeping the customer informed of on-going progress.

We Work as a Team

We believe teamwork is a key element to our success. We support one another and work as a team while respecting the uniqueness of each individual. All members commit and contribute to common goals to the best of their ability. We enjoy working together in an environment of sharing, open communication, trust, and mutual respect.

We Continuously Learn, Adapt and Improve

As a learning organization, we stay well-informed about emerging technologies and work processes through a combination of formal and informal learning and shared knowledge. We constantly pursue opportunities for personal, professional, and organizational development. We apply knowledge and skills to adapt to constantly changing environments.

We Work with Integrity

To be successful as individuals and as a team, we demonstrate ethical and professional behavior embracing honesty, objectivity, integrity, and trust.

We Focus on Value-Added Results

Our services provide customers with knowledge or information to make cost-conscious, value-added decisions. Recommendations focus on results that provide positive impact on the organization as a whole.

Productivity Services Section

Core Services

Organization Analysis

Space Study Cost/Benefit
Inventory Management Job Analysis
Staffing Analysis Strategic Planning
Structure Analysis Work Distribution
Process Analysis Problem/Opportunity Analysis

Market Research

Customer Surveys
Employee Surveys
Focus Groups

Project Management

Process Management & Improvement
Microcomputer Application
System Analysis

Special Programs

Americans With Disabilities
Continuous Process Improvement

North Carolina Department of Transportation



Productivity Services Section

Staff

Ron Oates, CM, CMC - Director
Gayle Hicks-Secretary

Management Engineers

Margaret Anderson, CM
Donald Crooke
James Forte
Odessa McGlown
Walt Thompson, CM
Doug Cox
Phil Henry
Jeff Roerden

Contact

Phone: 919-733-2083
FAX: 919-715-2533
E-Mail: roates@dot.state.nc.us
Address: P. O. Box 25201, Raleigh, NC 27611
MSC 1512

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I. INTRODUCTION

A. PURPOSE

The purpose of this study was to develop a detailed proposal for compensating agents based on tasks and transactions to include a mechanism to adjust for inflation.

B. BACKGROUND

Currently, contract agents receive \$1.35 for each and every transaction that they perform. An additional \$1.20 is given for each transaction where Highway Use Tax (HUT) is also collected. Agents also earn fees to perform notary duties. House Bill 21 in addition to other requirements, asks the Division of Motor Vehicles, in consultation and cooperation with the commission contract agents to conduct a comprehensive and updated productivity study of all transactions and other activity in contract agencies. The data will be used to develop a detailed proposal that compensates agents based on the tasks they undertake. The proposal shall include a mechanism to adjust the schedule periodically for inflation.

C. SCOPE

The study consisted of performing time studies of transactions added since the last transaction analysis in 1998, an analysis of the data, development of conclusions, and a report proposing a compensation method for agents.

D. STUDY OBJECTIVES

The objectives of this study were to:

- Review and analyze data and previous reports
- Time new transactions in the current program
- Determine the average time of the new transactions
- Evaluate the impact of the transaction trends
- Determine alternative payment plans
- Propose a compensation package

E. APPROACH

The Productivity Services Section and the Vehicle Registration Section worked together to obtain the data. Previous reports were reviewed. The contract agents performed work at the normal speed to provide true and accurate timings. This included data on current and past vehicle registration transactions and reports. Productivity Services conducted the analysis and wrote the report.

F. RESPONSIBILITIES

The Productivity Services Section provided a Management Engineer to manage the project, train the time technicians, conduct data analysis, and develop this report. Vehicle Registration provided personnel to conduct the time studies, provided data and information, and assisted as needed to support the study objectives.

II. EXECUTIVE SUMMARY

A. TRANSACTIONS TRENDS

The Division of Motor Vehicles has implemented new technology to provide options for customers to title and register their vehicles. Citizens who have computer access can now renew their registration on-line. The number of on-line renewal has climbed to 28,000 per month. About 75 automobile dealers now have the ability to enter title and registration work without taking it to a contract agent or DMV office. The number of transactions for dealers has climbed to about 8,000 a month. The DMV has added additional transactions that contract agents have not provided in the past. They are 1) emission stickers for emission stations, 2) registration services for the International Registration Plan (IRP), and 3) registration services for motor carriers (MC). These programs have just started in 2000. The overall transaction trend for contract agents continued to increase every year until FY2000/2001. The internet program and the Dealer On-Line program as well as a down turn in the economy caused the decrease in the number of transactions.

B. TRANSACTIONS ANALYSIS

The Vehicle Registration Section has divided the transactions into five separate categories: Title Service, Registration Services, Customer Services, IRP Services, and Motor Carrier Services. For the calendar year 2000, 22.3% of the transactions were Title Services, 73.2% were Registration Services, 4.4% were Customer Services, and both IRP and MC made up less than 1%. As more counties implement the emission standards and more contract agents offer IRP and MC services, it is expected that the transaction percentage of the title services and the registrations services will decrease accordingly.

C. COMPENSATION ANALYSIS

Time studies performed in 1998 (Contract Agent Analysis) and again in 1999 (Vehicle Registration Staffing Study) determined that transactions performed by the contract agents average anywhere from 9.1 minutes to 8.5 minutes for the different transactions. DMV area representatives spent two full weeks performing time studies on additional service transactions such as emissions, IRP, and MC. They provided timings to determine the average amount of time it takes to perform these new transactions.

It appears that a more equitable compensation arrangement can be established based on the average amount of time it takes to accomplish the transactions rather than paying one rate for all transactions. A compensation package could recognize the more complex transactions and pay accordingly, while paying less for simple and less time consuming transactions.

D. COMPENSATION OPTIONS

Presently, contractors are paid the same rate for all transactions - \$1.35. They also receive \$1.20 to collect the Highway Use Tax (HUT). Three additional options for payment were developed based on the average amount of time it takes to complete transactions.

CONTRACT AGENT COMPENSATION

Two-Rate Option

The two-rate option would provide compensation based on 1) complex transactions under the title services category and 2) all the other less complex transactions. Therefore, all transactions under the Title Service category would receive \$2.50 compensation and all other categories would receive \$1.35. There would be no compensation for HUT.

Four-Rate Option

The four-rate option would provide compensation based on complex transactions, and three additional rates at reduced complexity. Transactions under the Title Services category would receive \$2.80, transactions under Registration Services would receive \$1.30, transactions under Customer Service would receive \$1.40, and transactions under the IRP and MC would receive \$1.55. There would be no compensation for HUT.

Eight-Rate Option

The eight-rate option would provide compensation based on the average amount of time it takes to perform the transactions. Each transaction would be placed in one of eight time categories. The first category would be transactions that took up to two minutes. The second category would be from two to three minutes. The third category would be from three to four minutes. This would continue in one-minute increments to the highest category of eight minutes and up. The rates would be as follows: \$1.20 for transactions taking from 0 to 1.99 minutes; \$1.50 for transactions taking 2.00 to 2.99 minutes; \$1.75 for transactions taking 3.00 to 3.99 minutes; \$2.00 for transactions taking 4.00 to 4.99 minutes; \$2.50 for transactions taking 5.00 to 5.99 minutes; \$2.75 for transactions taking 6.00 to 6.99 minutes; \$3.00 for transactions taking 7.00 to 7.99 minutes; and \$3.25 for transactions taking 8.00 and higher minutes.

Recommendation

The option that appears to provide the best solution is the four-rate option. This option provides a compensation that is earned based on the average amount of time it takes to accomplish the transactions. It provides more compensation for the complex title transactions and it provides less compensation for the simpler transaction. The four-rate option would be easy to administer because the transactions are categorized by type of service.

E. COMPENSATION FORMULA

The Legislature requested a formula that would provide for increases in the rates for inflation. The most relevant inflation calculator is the **Gross Domestic Product**. Multiplying the existing rate times the inflation calculator from the base year to the next year results in the new rate. Here are two examples:

Present Compensation

$(\$1.35) \times \text{GDP Inflation Index} + (\$1.20 \text{ for collecting HUT}) = \text{new rate}$

Four-Rate Option

$(\$2.80 \text{ for Title Transactions and } \$1.30 \text{ for Registration Transactions and } \$1.40 \text{ for Customer Service Transactions and } \$1.55 \text{ for IRP \& WC Transactions}) \times \text{GDP Inflation Index} = \text{new rate}$

III. FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

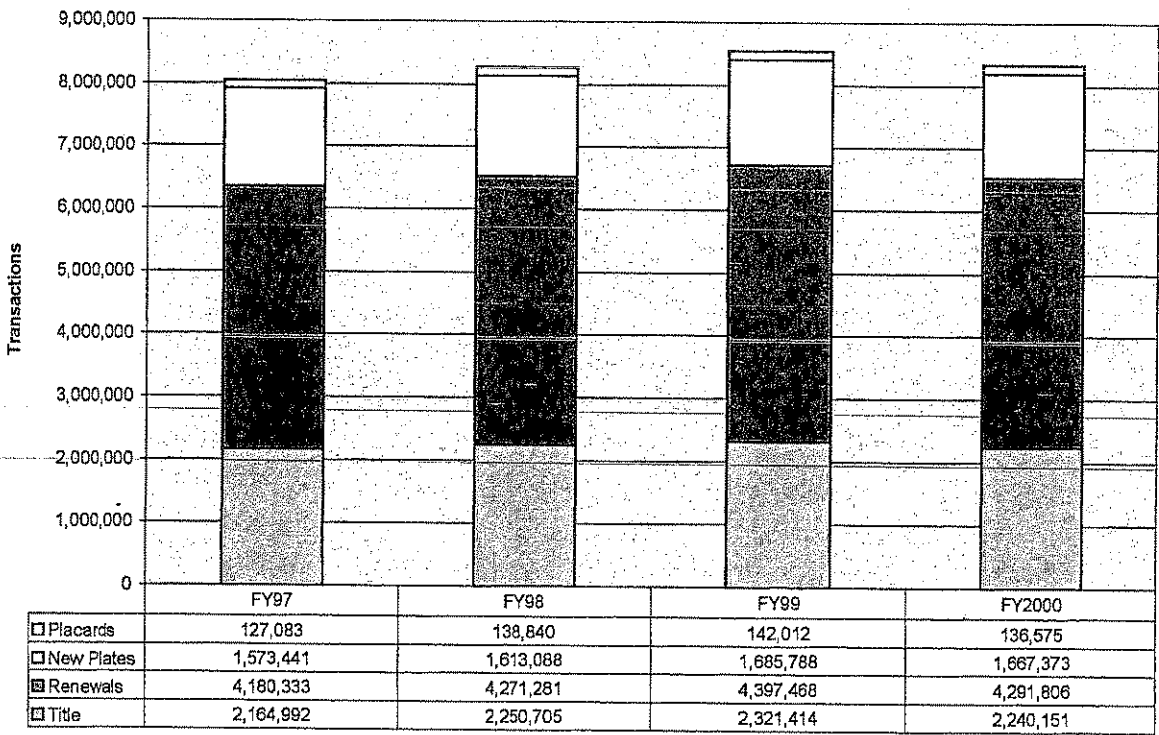
A. TRANSACTION TRENDS

The Vehicle Registration Section has implemented several programs in the past two years that affect the number of transactions performed by the contract agents. The on-line dealer program and the internet on-line program decreased the number of transactions required by agents. The Safety and Emissions program, the International Registration Program (IRP), and the Motor Carrier (MC) Program have increased the number of transactions required by the agents.

1. Contract Agent Trends

All categories of transactions have increased each year except the last year. During the previous three years the number of transactions performed by the contract agents steadily increased from a total of 8,045,849 in FY 97/98, to 8,273,914 in FY 98/99, to 8,546,682 in FY 1999/2000. In FY 2000/2001 the number of transaction only reached 8,335,905. This is 210,682 less than FY1999/2000. This is due in part to the Dealer On-Line program and the Internet program as well as a down turn in the economy.

Contract Agents Transactions Trends



CONTRACT AGENT COMPENSATION

were about 1%. Compensation paid to contract agents for customer services was \$612,458.

4. IRP Services

The new IRP Services category had only .07% of the transactions that were spread over 8 types of transactions. Compensation paid to contract agents for IRP services was \$9,157.

5. Motor Carrier Services

The new Motor Carrier category had only .01% of the transactions that were spread over 15 types of transactions. Compensation paid to contract agents for MC services was \$834.

Table 1 provides the calendar year breakdown by transaction type. It represents the typical number of transactions performed in a year as well as the typical frequency by transaction type. This table was used to calculate three additional compensation options.

**TABLE 1
TOTAL BRANCH TRANSACTION BY TYPE
CALENDAR YEAR 2000
(Includes HUT Transactions)**

CODE	TRANSACTION DESCRIPTION	# of Transactions	Percent
DUI	INSTANT DUPLICATE TITLE	134	0.0013%
DUT	DUPLICATE TITLE	26,635	0.2598%
DWD	DUPLICATE WITH DEALER TRANSFERR	4,914	0.0479%
DWI	DUPLICATE WITH INSTANT TRANSFER	653	0.0064%
DWT	DUPLICATE WITH TRANSFER	62,630	0.6109%
LDI	INSTANT LIEN RECORDING WITH DUPLICATE	8	0.0001%
LDU	LIEN RECORDING WITH DUPLICATE	1,995	0.0195%
LRI	INSTANT LIEN RECORDING/REMOVAL	13	0.0001%
LRR	LIEN RECORDING/REMOVAL	85,551	0.8344%
MCD	DEALER MCO CERTIFICATE OF TITLE	761	0.0074%
MCI	INSTANT MCO CERTIFICATE OF TUTILE	278	0.0027%
MCT	MCO CERTIFICATE OF TITLE	522,517	5.0963%
MVR	MVR57	33,635	0.3281%
NCD	DEALER NORTH CAROLINA CERTIF. OF TITLE	3,870	0.0377%
NCI	INSTANT NORTH CAROLINA CERTIF. OF TITLE	3,513	0.0343%
NCT	NORTH CAROLINA CERTIFICATE OF TITLE	1,127,908	11.0008%
OCD	DEALER OUT OF STATE CERTIFICATE OF TITLE	2,434	0.0237%
OCI	INSTANT OUT OF STATE CERTIFICATE OF TITL	987	0.0096%
OCT	OUT OF STATE CERTIFICATE OF TITLE	389,643	3.8003%
TCD	TITLE CORR /DUP	1,953	0.0190%
TCI	INST TTL CORR /DUP	20	0.0002%
TCR	TITLE CORRECTION	15,660	0.1527%
TPD	DEALER/REPOS TRANSFER PURGED TITLE	38	0.0004%
TPI	INSTANT TRANSFER FROM PURGED TITLE	37	0.0004%
TPT	TRANSFER FROM PURGED TITLE	5,619	0.0548%
	SUB-TOTALS FOR TITLE SERVICES	2,291,406	22.3488%
AME	AMEND EQUIPMENT	84	0.0008%
CEB	EMISSIONS SERVICE	4,269	0.0416%
CEE	REMOVE INVALID EMISSIONS SERVICE	3,553	0.0347%
CII	CHANGE INSURANCE INFORMATION	26,918	0.2625%
CLW	CHANGE LICENSE WEIGHT	4,129	0.0403%
CXP	CHANGE EXPIRATION	867	0.0085%
DCL	DUP REG/NAME CHANGE	41	0.0004%

CONTRACT AGENT COMPENSATION

DTP	DOUBLE TRANSFER PLATE	977	0.0095%
DUP	DUPLICATE REGISTRATION	112,229	1.0946%
EXP	EXCHANGE PLATE	23,181	0.2261%
IPS	ISSUE PLATE/STICKER	1,657,051	16.1617%
PRT	PEZ RELINQUISH TURN IN	1,018	0.0099%
REP	REPLACE PLATE/STICKER	72,763	0.7097%
RPS	RENEW PLATE/STICKER	4,285,947	41.8022%
TEX	TRANSFER/EXCHANGE PLATE	189	0.0018%
TIP	TURN IN PLATE	704,387	6.8701%
TIS	TURN IN STICKER	4,403	0.0429%
TPL	TRANSFER PLATE	535,654	5.2244%
TRE	TRANSFER/REPLACE PLATE	81	0.0008%
TRP	TRANSFER/RENEW PLATE	30,627	0.2987%
T10	TEMPORARY 10 DAY TAG	27,714	0.2703%
UPS	REISSUE UNCLAIMED PLT/STK	4,359	0.0425%
	SUB-TOTALS FOR REGIS SERVICES	7,500,441	73.1542%
CODE	TRANSACTION DESCRIPTION	# of Transactions	Percent
ANX	ASSIGN NCX NUMBER	13,184	0.1286%
CHA	CHANGE ADDRESS	41,504	0.4048%
CTL	CANCEL TITLE	3,576	0.0349%
CVA	CHANGE VEHICLE ADDRESS	8,191	0.0799%
DLR	DEALER GOTCHA TITLE + HUT	85	0.0008%
DOC	DOCUMENT/FEE COLLECTION	172,204	1.6796%
DPL	DUP REG HANDICAP PLACARD	140	0.0014%
IUT	REISSUE UNCLAIMED TITLE	17,042	0.1662%
JKT	JUNK TITLE	14,372	0.1402%
PLD	REPLACE DEF HANDICAP PLAC	6,163	0.0601%
PLI	ISSUE HANDICAP PLACARD	131,464	1.2822%
PLR	REPLACE HANDICAP PLACARD	5,935	0.0579%
SES	SELL EMISSION STK	11,217	0.1094%
SMS	SELL MCYCL/TR STK	1,427	0.0139%
SSS	SELL SAFETY STCKR	24,579	0.2397%
TPR	TURN IN HANDICAP PLACARD	2,547	0.0248%
300	300 PLATE APPLICATION	47	0.0005%
	SUB-TOTALS FOR CUST SERVICES	453,677	4.4249%
ADDEQUIP	ADD EQUIPMENT	4,326	0.0422%
ADDJUR	ADD JURISDICTION	552	0.0054%
AMDEQUIP	AMEND EQUIPMENT	299	0.0029%
CABCARD	CAB CARD	352	0.0034%
CHGINS	CHANGE INSURANCE	113	0.0011%
MULTSRVC	MULTIPLE SERVICE SUPPLEMENT	5	0.0000%
STARS	STARS	448	0.0044%
TURNPLT	TURN-IN PLATE	688	0.0067%
	SUB-TOTALS FOR IRP SERVICES	6,783	0.0662%
ADMADINS	INTRA DMV ADD INSURANCE	2	0.0000%
ADMADVEH	INTRASTATE DMV SUPPLEMENT	2	0.0000%
AEXADINS	INTRA EXEMPT ADD INSURANCE	10	0.0001%
AEXADVEH	INTRASTATE EXEMPT SUPPLEMENT	1	0.0000%
AEXNEW	INTRASTATE EXEMPT NEW ACCOUNT	8	0.0001%
AEXRENEW	INTRASTATE EXEMPT RENEWAL	3	0.0000%
AUCADINS	INTRA UC ADD INSURANCE	1	0.0000%
INTADINS	INTER STATE EXEMPT ADD INSURANCE	5	0.0000%
INTADSTP	INTERSTATE EXEMPT SUPPLEMENT	16	0.0002%
INTNEW	INTERSTATE EXEMPT NEW ACCOUNT	4	0.0000%
INTRENEW	INTERSTATE EXEMPT RENEWAL	8	0.0001%
SSRADDJR	SSR SUPPLEMENT	470	0.0046%
SSRADINS	SSR ADD INSURANCE	20	0.0002%
SSRNEW	SSR NEW ACCOUNT	11	0.0001%
SSRRENEW	SSR RENEWAL	57	0.0006%
	SUB-TOTALS FOR MC SERVICES	618	0.0060%
	TOTAL FOR ALL SERVICES	10,252,925	100.0000%

CONTRACT AGENT COMPENSATION

AEXADVEH	INTRASTATE EXEMPT SUPPLEMENT	1	1.15
AEXNEW	INTRASTATE EXEMPT NEW ACCOUNT	8	2.15
AEXRENEW	INTRASTATE EXEMPT RENEWAL	3	3.00
AUCADINS	INTRA UC ADD INSURANCE	1	1.30
INTADINS	INTER STATE EXEMPT ADD INSURANCE	5	1.30
INTADSTP	INTERSTATE EXEMPT SUPPLEMENT	16	1.30
INTNEW	INTERSTATE EXEMPT NEW ACCOUNT	4	3.00
INTRENEW	INTERSTATE EXEMPT RENEWAL	8	2.15
SSRADDJR	SSR SUPPLEMENT	470	1.15
SSRADINS	SSR ADD INSURANCE	20	1.30
SSRNEW	SSR NEW ACCOUNT	11	4.00
SSRRENEW	SSR RENEWAL	57	3.15
	SUB-TOTALS FOR MC SERVICES	618	1.91
	TOTAL FOR ALL SERVICES	10,252,925	3.30

D. COMPENSATION OPTIONS

There are four options that could be used to compensate contract agents based on transaction complexity. A range of options is outlined below:

1. One-Rate Option. A single rate (present method) for all transaction types regardless of complexity also includes \$1.20 for collecting Highway Use Tax.

Advantages:

- Is the simplest to administer
- No changes are required

Disadvantages:

- Treats all transactions the same
- Does not provide a means to adjust compensation when there are shifts in the types of services provided
- Compensates all tag agencies the same regardless of the distribution of services they provide

Results: The one rate would continue to be \$1.35 per transaction with \$1.20 for HUT transactions for FY 2001/2002.

2. Two-Rate Option. Two rates, with one for all title services and another for all registration, customer service, IRP, and MC services.

Advantages:

- Is simple to administer
- Provides some degree of recognition in compensation for the more complex title services – Title Services are complicated and take more time and agent would be compensated for that additional time.

Disadvantages:

- May not provide adequate flexibility to adjust to changes in the distribution of services provided by tag agencies – more services (IRP, MC, and Emissions) have been added.

CONTRACT AGENT COMPENSATION

- Would require STARS reprogramming and understanding/acceptance by the tag agencies

Results: One rate would compensate contract agents for all Title Services transaction at \$2.50 and the other rate would compensate contract agents for all other transactions that include registration services, customer services, IPR services, and Motor Carrier services at \$1.35. There would not be an additional compensation for Highway Use Tax.

3. Four-Rate Option. Four rates based on the major categories of transactions – 1) registration, 2) title services, 3) customer service, and 4) IRP and Motor Carrier.

Advantages:

- Is fairly simple to administer
- Provides more flexibility of recognition in compensation for the more complex title services, and IRP/MC transactions.

Disadvantages:

- May be more complicated for agents to determine amount owed to them by DMV
- Would require STARS reprogramming and understanding/acceptance by the tag agencies

Results: Contract agents would be compensated:

\$2.80 for all title services;

\$1.30 for all registration services;

\$1.40 for all customer services; and

\$1.55 for all IRP and Motor Carrier Services.

4. Eight-Rate Option. The Eight-Rate Option is based on the time required for each transaction. Each service would be placed in one of eight categories. The rate categories would be: 0-1 minute, 1-2 minutes, 2-3 minutes, 3-4 minutes, 4-5 minutes, 5-6 minutes, 6-7 minutes, and 7-8 minutes. A compensation rate would be computed based on the frequency of occurrence and a rate based on the average time required to perform the service.

Advantages:

- Provides for more accurate compensation for varied complexity of transactions
- Would provide more flexibility to adjust to changes in the distribution of services provided by tag agencies
- Could be reasonably updated as needed

Disadvantages:

- Is more complex to administer and update
- May require annual time studies to maintain correct rates/times
- Would require STARS reprogramming and understanding/acceptance by the tag agencies

Results: Contract agents would be compensated for the average time it takes to perform the transaction. Contract agents would be compensated:

- \$1.20 for transactions taking from 0 to 1.99 minutes;
- \$1.50 for transactions taking 2.00 to 2.99 minutes;
- \$1.75 for transactions taking 3.00 to 3.99 minutes;
- \$2.00 for transactions taking 4.00 to 4.99 minutes;
- \$2.50 for transactions taking 5.00 to 5.99 minutes;
- \$2.75 for transactions taking 6.00 to 6.99 minutes;
- \$3.00 for transactions taking 7.00 to 7.99 minutes; and
- \$3.25 for transactions taking 8.00 and higher minutes.

Recommendation

The Four-Rate option appears to be fairly simple to administer and provides more flexibility of recognition in compensation for the more complex title services, and IRP/MC transactions. The concept is easy to understand and it would be a relatively simple for agents to determine amount owed to them by DMV. It would require STARS reprogramming and understanding/ acceptance by the tag agencies.

E. COMPENSATION FORMULA

1. INFLATION FACTOR

There are several inflation calculators that could be used to adjust the compensation rate provided to the contract agents on an annual basis. The most prevalent are the Consumer Price index, the Employment Cost Index, the International Price Index, the Producer Price Index, and the Gross Domestic Product. The most relevant is the **Gross Domestic Product** inflation calculator that can be found at www.jsc.nasa.gov/bu2/inflateGDP.html. Simply by multiplying the existing rate (from the base year to the following year) times the GDP inflation calculator provides the new rate.

It should be pointed out that there could be deflation as well as inflation meaning that if there is a negative inflation factor, the compensation rate could be reduced. Therefore, there should be a review by DMV management each year to determine appropriateness of the inflation factor.

2. PROPOSED COMPENSATION FORMULA

The formula for calculating the compensation increase for the contract agents would be to take the existing rate (or rates) and multiply by the Gross Domestic Product inflation calculator using the past year as the base year and the present year as the inflation year. See the example of the four options below.

Present Compensation (One-Rate Option)

$(\$1.35) \times \text{GDP Inflation Index} + (\$1.20 \text{ for Collecting HUT}) = \text{new rate}$

TOTAL TRANSACTIONS FOR YR 2000

	A	B	C	D	E
1	Totals for all Branches by Service Type for Year 2000		Actual 2000	Two	Four
2	CODE	TRANSACTION DESCRIPTION	Compensation	Rates	Rates
3	DUI	INSTANT DUPLICATE TITLE	\$ 180.90	\$ 341.70	\$ 375.20
4	DUT	DUPLICATE TITLE	\$ 35,957.25	\$ 67,919.25	\$ 74,578.00
5	DWD	DUPLICATE WITH DEALER TRANSFERR	\$ 6,265.35	\$ 6,265.35	\$ 6,879.60
6	DWI	DUPLICATE WITH INSTANT TRANSFER	\$ 832.58	\$ 832.58	\$ 1,828.40
7	DWT	DUPLICATE WITH TRANSFER	\$ 79,853.25	\$ 79,853.25	\$ 87,682.00
8	LDI	INSTANT LIEN RECORDING WITH DUPLICATE	\$ 10.80	\$ 20.40	\$ 11.20
9	LDU	LIEN RECORDING WITH DUPLICATE	\$ 2,693.25	\$ 5,087.25	\$ 5,586.00
10	LRI	INSTANT LIEN RECORDING/REMOVAL	\$ 17.55	\$ 33.15	\$ 36.40
11	LRR	LIEN RECORDING/REMOVAL	\$ 115,493.85	\$ 218,155.05	\$ 239,542.80
12	MCD	DEALER MCO CERTIFICATE OF TITLE	\$ 1,027.35	\$ 1,940.55	\$ 2,130.80
13	MCI	INSTANT MCO CERTIFICATE OF TUTURE	\$ 354.45	\$ 354.45	\$ 389.20
14	MCT	MCO CERTIFICATE OF TITLE	\$ 666,209.18	\$ 666,209.18	\$ 731,523.80
15	MVR	MVR57	\$ 42,884.63	\$ 42,884.63	\$ 47,089.00
16	NCD	DEALER NORTH CAROLINA CERTIF. OF TITLE	\$ 5,224.50	\$ 9,868.50	\$ 10,836.00
17	NCI	INSTANT NORTH CAROLINA CERTIF. OF TITLE	\$ 4,479.08	\$ 4,479.08	\$ 4,918.20
18	NCT	NORTH CAROLINA CERTIFICATE OF TITLE	\$ 1,438,082.70	\$ 1,438,082.70	\$ 1,579,071.20
19	OCD	DEALER OUT OF STATE CERTIFICATE OF TITLE	\$ 3,285.90	\$ 6,206.70	\$ 6,815.20
20	OCI	INSTANT OUT OF STATE CERTIFICATE OF TITL	\$ 1,258.43	\$ 1,258.43	\$ 1,381.80
21	OCT	OUT OF STATE CERTIFICATE OF TITLE	\$ 496,794.83	\$ 496,794.83	\$ 545,500.20
	TCD	TITLE CORR /DUP	\$ 2,636.55	\$ 4,980.15	\$ 5,468.40
	TCI	INST TTL CORR /DUP	\$ 27.00	\$ 51.00	\$ 56.00
24	TCR	TITLE CORRECTION	\$ 21,141.00	\$ 39,933.00	\$ 43,848.00
25	TPD	DEALER/REPOS TRANSFER PURGED TITLE	\$ 51.30	\$ 96.90	\$ 106.40
26	TPI	INSTANT TRANSFER FROM PURGED TITLE	\$ 47.18	\$ 47.18	\$ 51.80
27	TPT	TRANSFER FROM PURGED TITLE	\$ 7,164.23	\$ 7,164.23	\$ 7,866.60
28		SUB-TOTALS FOR TITLE SERVICES	\$ 2,931,973.05	\$ 3,098,859.45	\$ 3,403,572.20
29	AME	AMEND EQUIPMENT	\$ 113.40	\$ 113.40	\$ 109.20
30	CEB	EMISSIONS SERVICE	\$ 5,763.15	\$ 5,763.15	\$ 5,549.70
31	CEE	REMOVE INVALID EMISSIONS SERVICE	\$ 4,796.55	\$ 4,796.55	\$ 4,618.90
32	CII	CHANGE INSURANCE INFORMATION	\$ 36,339.30	\$ 36,339.30	\$ 34,993.40
33	CLW	CHANGE LICENSE WEIGHT	\$ 5,574.15	\$ 5,574.15	\$ 5,367.70
34	CXP	CHANGE EXPIRATION	\$ 1,170.45	\$ 1,170.45	\$ 1,127.10
35	DCL	DUP REG/NAME CHANGE	\$ 55.35	\$ 55.35	\$ 53.30
36	DTP	DOUBLE TRANSFER PLATE	\$ 1,318.95	\$ 1,318.95	\$ 1,270.10
37	DUP	DUPLICATE REGISTRATION	\$ 151,509.15	\$ 151,509.15	\$ 145,897.70
38	EXP	EXCHANGE PLATE	\$ 31,294.35	\$ 31,294.35	\$ 30,135.30
39	IPS	ISSUE PLATE/STICKER	\$ 2,237,018.85	\$ 2,237,018.85	\$ 2,154,166.30
40	PRT	PEZ RELINQUISH TURN IN	\$ 1,374.30	\$ 1,374.30	\$ 1,323.40
41	REP	REPLACE PLATE/STICKER	\$ 98,230.05	\$ 98,230.05	\$ 94,591.90
42	RPS	RENEW PLATE/STICKER	\$ 5,786,028.45	\$ 5,786,028.45	\$ 5,571,731.10
43	TEX	TRANSFER/EXCHANGE PLATE	\$ 255.15	\$ 255.15	\$ 245.70
44	TIP	TURN IN PLATE	\$ 950,922.45	\$ 950,922.45	\$ 915,703.10
	TIS	TURN IN STICKER	\$ 5,944.05	\$ 5,944.05	\$ 5,723.90
	TPL	TRANSFER PLATE	\$ 723,132.90	\$ 723,132.90	\$ 696,350.20

TOTAL TRANSACTIONS FOR YR 2000

A	B	C	D	E	
47	TRE	TRANSFER/REPLACE PLATE	\$ 109.35	\$ 109.35	\$ 105.30
48	TRP	TRANSFER/RENEW PLATE	\$ 41,346.45	\$ 41,346.45	\$ 39,815.10
49	T10	TEMPORARY 10 DAY TAG	\$ 37,413.90	\$ 37,413.90	\$ 36,028.20
50	UPS	REISSUE UNCLAIMED PLT/STK	\$ 5,884.65	\$ 5,884.65	\$ 5,666.70
51		SUB-TOTALS FOR REGIS SERVICES	\$ 10,125,595.35	\$ 10,125,595.35	\$ 9,750,573.30
52	ANX	ASSIGN NCX NUMBER	\$ 17,798.40	\$ 17,798.40	\$ 18,457.60
53	CHA	CHANGE ADDRESS	\$ 56,030.40	\$ 56,030.40	\$ 58,105.60
54	CTL	CANCEL TITLE	\$ 4,827.60	\$ 4,827.60	\$ 5,006.40
55	CVA	CHANGE VEHICLE ADDRESS	\$ 11,057.85	\$ 11,057.85	\$ 11,467.40
56	DLR	DEALER GOTCHA TITLE + HUT	\$ 108.38	\$ 57.38	\$ 59.50
57	DOC	DOCUMENT/FEE COLLECTION	\$ 232,475.40	\$ 232,475.40	\$ 241,085.60
58	DPL	DUP REG HANDICAP PLACARD	\$ 189.00	\$ 189.00	\$ 196.00
59	IUT	REISSUE UNCLAIMED TITLE	\$ 23,006.70	\$ 23,006.70	\$ 23,858.80
60	JKT	JUNK TITLE	\$ 19,402.20	\$ 19,402.20	\$ 20,120.80
61	PLD	REPLACE DEF HANDICAP PLAC	\$ 8,320.05	\$ 8,320.05	\$ 8,628.20
62	PLI	ISSUE HANDICAP PLACARD	\$ 177,476.40	\$ 177,476.40	\$ 184,049.60
63	PLR	REPLACE HANDICAP PLACARD	\$ 8,012.25	\$ 8,012.25	\$ 8,309.00
64	SES	SELL EMISSION STK	\$ 15,142.95	\$ 15,142.95	\$ 15,703.80
65	SMS	SELL MCYCL/TR STK	\$ 1,926.45	\$ 1,926.45	\$ 1,997.80
66	SSS	SELL SAFETY STCKR	\$ 33,181.65	\$ 33,181.65	\$ 34,410.60
67	TPR	TURN IN HANDICAP PLACARD	\$ 3,438.45	\$ 3,438.45	\$ 3,565.80
68	300	300 PLATE APPLICATION	\$ 63.45	\$ 63.45	\$ 65.80
		SUB-TOTALS FOR CUST SERVICES	\$ 612,457.58	\$ 612,406.58	\$ 635,088.30
70	ADDEQUIP	ADD EQUIPMENT	\$ 5,840.10	\$ 5,840.10	\$ 6,705.30
71	ADDJUR	ADD JURISDICTION	\$ 745.20	\$ 745.20	\$ 855.60
72	AMDEQUIP	AMEND EQUIPMENT	\$ 403.65	\$ 403.65	\$ 463.45
73	CABCARD	CAB CARD	\$ 475.20	\$ 475.20	\$ 545.60
74	CHGINS	CHANGE INSURANCE	\$ 152.55	\$ 152.55	\$ 175.15
75	MULTSRVC	MULTIPLE SERVICE SUPPLEMENT	\$ 6.75	\$ 6.75	\$ 7.75
76	STARS	STARS	\$ 604.80	\$ 604.80	\$ 694.40
77	TURNPLT	TURN-IN PLATE	\$ 928.80	\$ 928.80	\$ 1,066.40
78		SUB-TOTALS FOR IRP SERVICES	\$ 9,157.05	\$ 9,157.05	\$ 10,513.65
79	ADMADINS	INTRA DMV ADD INSURANCE	\$ 2.70	\$ 2.70	\$ 3.10
80	ADMADVEH	INTRASTATE DMV SUPPLEMENT	\$ 2.70	\$ 2.70	\$ 3.10
81	AEXADINS	INTRA EXEMPT ADD INSURANCE	\$ 13.50	\$ 13.50	\$ 15.50
82	AEXADVEH	INTRASTATE EXEMPT SUPPLEMENT	\$ 1.35	\$ 1.35	\$ 1.55
83	AEXNEW	INTRASTATE EXEMPT NEW ACCOUNT	\$ 10.80	\$ 10.80	\$ 12.40
84	AEXRENEW	INTRASTATE EXEMPT RENEWAL	\$ 4.05	\$ 4.05	\$ 4.65
85	AUCADINS	INTRA UC ADD INSURANCE	\$ 1.35	\$ 1.35	\$ 1.55
86	INTADINS	INTER STATE EXEMPT ADD INSURANCE	\$ 6.75	\$ 6.75	\$ 7.75
87	INTADSTP	INTERSTATE EXEMPT SUPPLEMENT	\$ 21.60	\$ 21.60	\$ 24.80
88	INTNEW	INTERSTATE EXEMPT NEW ACCOUNT	\$ 5.40	\$ 5.40	\$ 6.20
89	INTRENEW	INTERSTATE EXEMPT RENEWAL	\$ 10.80	\$ 10.80	\$ 12.40
90	SSRADDJR	SSR SUPPLEMENT	\$ 634.50	\$ 634.50	\$ 728.50
91	SSRADINS	SSR ADD INSURANCE	\$ 27.00	\$ 27.00	\$ 31.00
92	SSRNEW	SSR NEW ACCOUNT	\$ 14.85	\$ 14.85	\$ 17.05
93	SSRRENEW	SSR RENEWAL	\$ 76.95	\$ 76.95	\$ 88.35

TOTAL TRANSACTIONS FOR YR 2000

	F	G	H	I	J	K	L	M	N
1	Eight	Avg	No HUT	includes HUT	Present		Two Rate	Four rate	8 rate
2	Rates	Times		# of Trans	Rate	HUT			
3	\$ 268.00	4.49	134	134	1.35	0.00	2.50	2.80	2.00
4	\$ 53,270.00	4.49	26,635	26,635	1.35	0.00	2.50	2.80	2.00
5	\$ 7,371.00	7.39	2,457	4,914	1.35	1.20	2.50	2.80	3.00
6	\$ 1,061.13	9.49	327	653	1.35	1.20	2.50	2.80	3.25
7	\$ 86,116.25	6.06	31,315	62,630	1.35	1.20	2.50	2.80	2.75
8	\$ 20.00	5.02	8	8	1.35	0.00	2.50	2.80	2.50
9	\$ 4,987.50	5.02	1,995	1,995	1.35	0.00	2.50	2.80	2.50
10	\$ 15.60	1.41	13	13	1.35	0.00	2.50	2.80	1.20
11	\$ 102,661.20	1.41	85,551	85,551	1.35	0.00	2.50	2.80	1.20
12	\$ 1,522.00	4.28	761	761	1.35	0.00	2.50	2.80	2.00
13	\$ 278.00	4.57	139	278	1.35	1.20	2.50	2.80	2.00
14	\$ 522,517.00	4.21	261,259	522,517	1.35	1.20	2.50	2.80	2.00
15	\$ 50,452.50	7.55	16,818	33,635	1.35	1.20	2.50	2.80	3.00
16	\$ 7,740.00	4.32	3,870	3,870	1.35	0.00	2.50	2.80	2.00
17	\$ 5,269.50	7.00	1,757	3,513	1.35	1.20	2.50	2.80	3.00
18	\$ 1,409,885.00	5.31	563,954	1,127,908	1.35	1.20	2.50	2.80	2.50
19	\$ 4,868.00	4.34	2,434	2,434	1.35	0.00	2.50	2.80	2.00
20	\$ 987.00	4.28	494	987	1.35	1.20	2.50	2.80	2.00
21	\$ 535,759.13	6.78	194,822	389,643	1.35	1.20	2.50	2.80	2.75
	\$ 3,417.75	3.28	1,953	1,953	1.35	0.00	2.50	2.80	1.75
	\$ 35.00	3.28	20	20	1.35	0.00	2.50	2.80	1.75
24	\$ 27,405.00	3.28	15,660	15,660	1.35	0.00	2.50	2.80	1.75
25	\$ 76.00	4.26	38	38	1.35	0.00	2.50	2.80	2.00
26	\$ 37.00	4.26	19	37	1.35	1.20	2.50	2.80	2.00
27	\$ 5,619.00	4.26	2,810	5,619	1.35	1.20	2.50	2.80	2.00
28	\$ 2,831,638.55	5.46	1,215,239	2,291,406					
29	\$ 168.00	4.35	84	84	1.35		1.35	1.30	2.00
30	\$ 8,538.00	4.55	4,269	4,269	1.35		1.35	1.30	2.00
31	\$ 7,106.00	4.13	3,553	3,553	1.35		1.35	1.30	2.00
32	\$ 40,377.00	2.00	26,918	26,918	1.35		1.35	1.30	1.50
33	\$ 6,193.50	2.52	4,129	4,129	1.35		1.35	1.30	1.50
34	\$ 1,517.25	3.10	867	867	1.35		1.35	1.30	1.75
35	\$ 61.50	2.31	41	41	1.35		1.35	1.30	1.50
36	\$ 1,954.00	4.10	977	977	1.35		1.35	1.30	2.00
37	\$ 168,343.50	2.07	112,229	112,229	1.35		1.35	1.30	1.50
38	\$ 40,566.75	3.75	23,181	23,181	1.35		1.35	1.30	1.75
39	\$ 2,899,839.25	3.07	1,657,051	1,657,051	1.35		1.35	1.30	1.75
40	\$ 1,221.60	1.02	1,018	1,018	1.35		1.35	1.30	1.20
41	\$ 127,335.25	3.86	72,763	72,763	1.35		1.35	1.30	1.75
42	\$ 5,143,136.40	1.42	4,285,947	4,285,947	1.35		1.35	1.30	1.20
43	\$ 283.50	2.99	189	189	1.35		1.35	1.30	1.50
44	\$ 845,264.40	0.91	704,387	704,387	1.35		1.35	1.30	1.20
	\$ 5,283.60	1.14	4,403	4,403	1.35		1.35	1.30	1.20
	\$ 803,481.00	2.37	535,654	535,654	1.35		1.35	1.30	1.50

TOTAL TRANSACTIONS FOR YR 2000

	F	G	H	I	J	K	L	M	N
47	\$ 141.75	3.51	81	81	1.35		1.35	1.30	1.75
48	\$ 53,597.25	3.54	30,627	30,627	1.35		1.35	1.30	1.75
49	\$ 69,285.00	5.25	27,714	27,714	1.35		1.35	1.30	2.50
50	\$ 6,538.50	2.30	4,359	4,359	1.35		1.35	1.30	1.50
51	\$ 10,230,233.00	3.21	7,500,441	7,500,441					
52	\$ 23,072.00	3.73	13,184	13,184	1.35		1.35	1.40	1.75
53	\$ 62,256.00	2.00	41,504	41,504	1.35		1.35	1.40	1.50
54	\$ 5,364.00	2.40	3,576	3,576	1.35		1.35	1.40	1.50
55	\$ 12,286.50	2.00	8,191	8,191	1.35		1.35	1.40	1.50
56	\$ 74.38	3.40	42.5	85	1.35	1.20	1.35	1.40	1.75
57	\$ 301,357.00	3.45	172,204	172,204	1.35		1.35	1.40	1.75
58	\$ 245.00	3.15	140	140	1.35		1.35	1.40	1.75
59	\$ 25,563.00	2.35	17,042	17,042	1.35		1.35	1.40	1.50
60	\$ 17,246.40	0.95	14,372	14,372	1.35		1.35	1.40	1.20
61	\$ 7,395.60	1.97	6,163	6,163	1.35		1.35	1.40	1.20
62	\$ 197,196.00	2.39	131,464	131,464	1.35		1.35	1.40	1.50
63	\$ 8,902.50	2.54	5,935	5,935	1.35		1.35	1.40	1.50
64	\$ 16,825.50	2.67	11,217	11,217	1.35		1.35	1.40	1.50
65	\$ 2,140.50	2.33	1,427	1,427	1.35		1.35	1.40	1.50
66	\$ 36,868.50	2.90	24,579	24,579	1.35		1.35	1.40	1.50
67	\$ 3,056.40	0.91	2,547	2,547	1.35		1.35	1.40	1.20
68	\$ 117.50	5.30	47	47	1.35		1.35	1.40	2.50
	\$ 719,966.78	2.96	453,635	453,677					
69	\$ 14,059.50	11.55	4,326	4,326	1.35		1.35	1.55	3.25
71	\$ 1,380.00	5.40	552	552	1.35		1.35	1.55	2.50
72	\$ 598.00	4.35	299	299	1.35		1.35	1.55	2.00
73	\$ 528.00	2.35	352	352	1.35		1.35	1.55	1.50
74	\$ 169.50	2.15	113	113	1.35		1.35	1.55	1.50
75	\$ 16.25	13.97	5	5	1.35		1.35	1.55	3.25
76	\$ 784.00	3.04	448	448	1.35		1.35	1.55	1.75
77	\$ 825.60	1.30	688	688	1.35		1.35	1.55	1.20
78	\$ 18,360.85	5.51	6,783	6,783					
79	\$ 2.40	1.30	2	2	1.35		1.35	1.55	1.20
80	\$ 2.40	1.15	2	2	1.35		1.35	1.55	1.20
81	\$ 12.00	1.30	10	10	1.35		1.35	1.55	1.20
82	\$ 1.20	1.15	1	1	1.35		1.35	1.55	1.20
83	\$ 12.00	2.15	8	8	1.35		1.35	1.55	1.50
84	\$ 5.25	3.00	3	3	1.35		1.35	1.55	1.75
85	\$ 1.20	1.30	1	1	1.35		1.35	1.55	1.20
86	\$ 6.00	1.30	5	5	1.35		1.35	1.55	1.20
87	\$ 19.20	1.30	16	16	1.35		1.35	1.55	1.20
88	\$ 7.00	3.00	4	4	1.35		1.35	1.55	1.75
89	\$ 12.00	2.15	8	8	1.35		1.35	1.55	1.50
90	\$ 564.00	1.15	470	470	1.35		1.35	1.55	1.20
91	\$ 24.00	1.30	20	20	1.35		1.35	1.55	1.20
	\$ 22.00	4.00	11	11	1.35		1.35	1.55	2.00
93	\$ 99.75	3.15	57	57	1.35		1.35	1.55	1.75

10/2/01

TOTAL TRANSACTIONS FOR YR 2000

EXHIBIT I

	F	G	H	I	J	K	L	M	N
	\$ 790.40	1.91	618	618					
95	\$ 13,800,989.58		9,176,716	10,252,925					
96	100.9%								
97									
98									
99									
100		1							
101		2							
102		3							
103		4							
104		5							
105		6							
106		7							
107		8							
108		9							
109		10							

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LPA Contract Types

- NCDMV License Office Contract (Indefinite)
(3 pages)
- NCDMV License Plate Agency Contract (Term-Limited)
(4 pages)

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STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION
DIVISION OF MOTOR VEHICLES

LICENSE OFFICE CONTRACT

THIS CONTRACT made and entered into this _____ day of _____, _____ by and between the Division of Motor Vehicles of the State of North Carolina, acting by and through the Commissioner of Motor Vehicles, pursuant to authority vested in it by Subsection (h) of Section 20-63 of the General Statutes of North Carolina (hereinafter called Division) party of the first part, and

_____ (hereinafter called Commission Contractor), party of the second part.

WHEREAS, it is the desire of the Division that a motor vehicle license office be established and maintained at _____, North Carolina, for the purpose of receiving applications for the registration and titles to motor vehicles, for the issuance of motor vehicle license plates and validation stickers, for the collection of motor vehicle fees and taxes and for such other purposes incident to the operation of a motor vehicle license office as the Division may determine, and

WHEREAS, the Commission Contractor has agreed to operate a motor vehicle license office at _____ North Carolina, in accordance with the terms of this contract.

Now, THEREFORE, in consideration of the premises and the covenants hereinafter set forth, the parties hereto agree as follows:

1. The Commission Contractor shall operate a motor vehicle license office at _____, North Carolina, at which office he shall receive applications for the registration of motor vehicles, issue license plates and validation stickers, collect fees and taxes in connection therewith, and perform such other functions as may be mutually agreed upon between the parties hereto.

2. The term of the contract shall be for a period of _____, beginning on the _____ day of _____, _____ and ending the _____ day of _____, _____; and this contract shall thereafter continue from year to year, beginning on the 1st day of July, and ending the 30th day of June, unless otherwise terminated in the manner herein provided.

3. A new Commission Contractor, who has not held a commission contract within the preceding 12 months, shall be subject to a one hundred eighty (180) day probationary period. During the probationary period the Division shall perform monthly audits of the contractor and at the end of the probationary period the field supervisor shall furnish an evaluation of the operation to be reviewed by the Director's Office. The field supervisor may recommend that the probationary period be extended for a period not to exceed an additional sixty (60) days. If the new operation is deemed unacceptable due to failure to adhere to contract requirements or provisions of the Standard Operating Procedures, the contract may be terminated by the Director.

4. The Commission Contractor may terminate this contract upon at least sixty (60) days written notice to the Division, the notice to specify the date upon which the contract is to terminate. The Division may immediately terminate this contract upon written notice for "cause". For the purpose of terminating the contract "cause" shall include, but not be limited to the following: Failure of the Commission Contractor to fully perform its obligation under the contract; ineligibility of the Commission Contractor to perform the duties of a Commission Contractor in the handling of property and funds of the Division; repeated disregard of the North Carolina Motor Vehicle License Plate Agency Standard Operating Procedures published by the Vehicle Registration Section of the North Carolina Department of Transportation, Division of Motor Vehicles, along with any changes which may be made thereto during the course of the contract; repeated failure to abide by administrative directives currently in effect or subsequently issued during the course of the contract by the Director of Registration; failure to abide by changes in the law due to action of the General Assembly or the Federal Government; repeated failure to correct deficiencies documented in the

Division Field Agency's Report; failure to maintain adequate staff to perform the duties of the Commission Contractor; or gross mismanagement of Division property.

5. The Commission Contractor shall maintain and operate at his own expense a motor vehicle license office at the herein designated location, for the purpose above mentioned for which the Commission Contractor shall receive compensation at a rate per transaction as may be set by the General Assembly for each official receipt issued by the Commission Contractor as authorized by the Division. When the Commission Contractor is required by the Division to perform additional duties which can be shown by the Commission Contractor (or the Association) to require additional time and/or personnel or responsibility for which the Commission Contractor can reasonably be expected to be compensated, the Division shall request authority for additional compensation for the Commission Contractor from the General Assembly.

6. The Commission Contractor and designated employees shall hold a Notary Public Commission issued by the Secretary of State of North Carolina. The Commission Contractor shall be allowed to charge notary or acknowledgement fees as set forth in G.S. 20-42 (a) and to retain such notary or acknowledgement fees as part of the consideration allowed to the Commission Contractor under this contract.

7. The Division shall deduct from commissions due to the Commission Contractor any shortages arising from insufficient collections and shortages in remittances made to the State Treasurer when depositing daily receipts. Deductions shall be made for license plates, validation stickers, and equipment which are unaccounted for. In the event of theft or break-in, no deduction will be made if the contractor has notified law enforcement, requested an investigation and the field supervisor's report indicates no negligence on the part of the Commission Contractor.

8. The Commission Contractor shall accept cash or checks in payment of fees. The Division has established check verification procedures for the checkwriter which are attached hereto and made a part hereof by reference. The Commission Contractor shall be liable for bad checks and penalties if these verification procedures are not strictly adhered to.

9. The compensation provided for herein shall be paid in monthly installments, as provided in the standard operating procedures.

10. The Commission Contractor agrees that any indebtedness he may owe the Division when this contract is terminated may be deducted by the Division when making final settlement, such settlement to be made within sixty (60) days of the date of termination of the contract unless criminal charges are pending.

11. The Commission Contractor further agrees to sell and transfer North Carolina motor vehicle license plates and validation stickers as prescribed by the laws and regulations of the State of North Carolina and the Division.

12. The Commission Contractor accepts full responsibility for safeguarding all property, computer equipment, and money received from and for the State of North Carolina and agrees to properly account for all state property and money in the manner required by the laws and regulations of the State and the Division. In addition, the Division shall pay or cause to be paid the shipping expenses incidental to the delivery of license plates, validation stickers, forms, and reports to and from the Commission Contractor.

13. All records of the Commission Contractor pertaining to the operations of the motor vehicle licensing office shall be subject to inspection at any time by authorized representatives of the State of North Carolina. Records pertaining to the administration of the office, payroll records and Commission Contractor's personal files shall not be subject to inspection.

14. The Commission Contractor's responsibility to the Division lies in the competent execution of this contract, and he may conduct the affairs of the licensing office according to his good judgment and in keeping with proper business ethics and practices.

15. The Commission Contractor shall not be an employee of the Division, but shall be an independent contractor governed in his relations with the Division by the terms of this contract. The Commission Contractor does not have the authority to subcontract his rights and responsibilities under this contract.

The Commission Contractor is solely responsible for the payment of all related payroll taxes and Workers' Compensation, where such may be due the United States or State of North Carolina.

The Division shall not be responsible for the Commission Contractor's rents, transportation costs, personnel costs, telegrams, telephone, advertising, or any other of the Commission Contractor's expenses of whatever nature. It is fully understood that the commissions set forth in this contract shall be full compensation for all services rendered by the Commission Contractor.

16. The solicitation, collection, or acceptance of any unauthorized fees, funds, goods, or chattels by the Commission Contractor will be good and sufficient grounds for the immediate termination of this contract.

17. The Commission Contractor shall remit to the Division all monies collected for the Division. All monies so collected shall be deposited daily in the form and amounts received, except as otherwise provided by statute. Monies shall be deposited in the bank designated by the State Treasurer, in the name of the State Treasurer and shall report the same daily to the Treasurer pursuant to G. S. 147-77. The Commission Contractor shall not mingle personal funds with those of the State Treasurer.

18. The Commission Contractor shall make daily reports to the Division of the activity of the license office. In addition, the Commission Contractor shall make other reports as the Division may from time to time require. Deposits must be made daily and certified before 2:00 p.m. the following day.

19. The Commission Contractor agrees to furnish and maintain, subject to the approval of the Division, suitable office space convenient to the public, to maintain service for the public during reasonable hours, and to abide by all rules and regulations furnished to the Commission Contractor by the Division as set out in the License Office Contract and Standard Operating Procedures.

20. The Commission Contractor shall qualify for a fidelity bond in an amount the Division may require.

21. The contractor shall be the actual manager of the office. If the contractor is a municipality or Chamber of Commerce, the contractor will designate a specific manager satisfactory to the Division, to operate the license office, with whom the Division may deal direct, and that no change in management will be made until it has been approved by the Division.

22. While the Division recognizes the right of the Commission Contractor to operate the license plate agency in conjunction with another business not in conflict with, and to offer for sale other items which may or may not be related directly to the issuance of North Carolina license plates, the Division reserves the right to prohibit the sale of any item or items which it deems to be inconsistent with or not in the best interest of the operation of said agency on behalf of the Division.

IN WITNESS WHEREOF, the said parties have hereunto set their hands the day and year first written above.

WITNESS

COMMISSIONER, DIVISION OF MOTOR VEHICLES
STATE OF NORTH CAROLINA

DATE

WITNESS

COMMISSION CONTRACTOR

DATE

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STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION
DIVISION OF MOTOR VEHICLES

LICENSE PLATE AGENCY CONTRACT

THIS CONTRACT made and entered into this ___ day of _____, _____, by and between the Division of Motor Vehicles of the State of North Carolina, acting by and through the Commissioner of Motor Vehicles, pursuant to authority vested in it by Subsection (h) of Section 20-63 of the General Statutes of North Carolina (hereinafter Division) and _____ (hereinafter Commission Contractor).

WHEREAS, it is the desire of the Division that a Motor Vehicle License Plate Agency (hereinafter LPA) be established and maintained at _____, North Carolina, for the purpose of receiving applications for the registration and titles to motor vehicles, for the issuance of motor vehicle license plates and validation stickers, for the collection of motor vehicle fees and taxes and for such other purposes related to the operation of a motor vehicle license office as the Division may determine, and

WHEREAS, the Commission Contractor has agreed to operate a LPA, in accordance with the terms of this contract and the "Standard Operating Procedure". A copy of which is appended hereto and incorporated as a part of this contract as if fully set out herein.

WHEREAS, the Commission Contractor agrees to comply with any changes the Division makes to the "Standard Operating Procedure".

Now, **THEREFORE**, in consideration of the premises and the covenants hereinafter set forth, the parties hereto agree as follows:

1. The Commission Contractor shall operate a LPA at _____, North Carolina, at which office it shall receive applications for the registration of motor vehicles, issue and transfer license plates and validation stickers, collect fees and taxes in connection therewith, and perform such other functions as may be mutually agreed upon between the parties hereto. No other business may operate or make sales made from the License Plate Agency. Except as authorized by the Standard Operating Procedures [hereinafter SOP].
2. The term of the contract shall be for a period of three years, beginning on the _____ day of _____, _____ and ending the _____ day of _____, _____.

At the end of the contract term, as listed above, the contract shall be automatically renewed for a subsequent period of twelve (12) months unless terminated by either party by written notice delivered to the other party at least sixty (60) days prior to the expiration of the contract term. Following that twelve (12) month automatic renewal, this contract shall be automatically renewed for an additional period of twelve (12) months unless terminated by either party by written notice delivered to the other party at least sixty (60) days prior to the expiration of the first twelve (12) month renewal term. Upon expiration of the original contract and both twelve (12) month extensions, the contract shall convert to a month-to-month contract subject to termination upon the same terms and conditions as set forth in Paragraph 4.

3. A new Commission Contractor, who has not held a commission contract within the preceding twelve (12) months, shall be subject to a one hundred eighty (180) day probationary period. During the probationary period, the Division shall perform monthly audits of the contractor and at the end of the probationary period the field supervisor shall furnish an evaluation of the operation to be reviewed by the Division. The field supervisor may recommend that the probationary period be extended for a period not to exceed an additional sixty (60) days. If the new operation is deemed unacceptable due to failure to adhere to contract requirements or provisions of the SOP the contract may be terminated by the Division.

4. Prior to the expiration of either the original or the renewal contract terms, either party may terminate this contract upon at least sixty (60) days written notice to the other party, the notice to specify the date upon which the contract is to terminate. Upon expiration of the original contract and both twelve (12) month extension, the contract shall convert to a month-to-month term as set forth in Paragraph 2 above. During the month-to-month term, either party may terminate the contract upon at least thirty (30) days written notice to the other party. Terminations as set forth in this paragraph made by either party may be for any reason, with or without cause. No reason or cause need be specified in the notice of termination.

5. The Division may immediately terminate this contract upon written notice for cause. For the purpose of terminating the contract, cause shall include, but not be limited to the following: failure to acquire or maintain the bond required herein; failure of the Commission Contractor, or its employees, to fully perform its obligation under the contract; ineligibility of the Commission Contractor to perform the duties of a Commission Contractor in the handling of property and funds of the Division; repeated disregard of the SOP, along with any changes which may be made thereto during the course of the contract; repeated failure to abide by administrative directives currently in effect or subsequently issued during the course of the contract by the Division; failure to abide by changes in the law due to action of the General Assembly or the Federal Government; repeated failure to correct deficiencies documented in the Division Field Supervisors Report; failure to maintain adequate staff to perform the duties of the Commission Contractor; or gross mismanagement of Division property. The solicitation, collection, or acceptance of any unauthorized fees, funds, goods, services, or chattels by the Commission Contractor or any of its employees will be good and sufficient causes for the immediate termination of this contract.

The Division may summarily terminate this contract by written notice where there is evidence of fraud, embezzlement, other criminal activity (including offenses involving moral turpitude), or other egregious conduct dealing with the public on the part of the Commission Contractor or its employees.

The Division reserves the right to cancel the contract immediately upon written notice to the Commission Contractor in the event that the Commission Contractor at any time engages in another business deemed by the Division to be in conflict with this contract, the rules of the Division, the rules set forth in the SOP, or the laws of the State of North Carolina.

6. The Commission Contractor shall maintain and operate at its own expense a LPA at the designated location, for the purpose above mentioned for which the Commission Contractor shall receive compensation at a rate per transaction as may be set by the General Assembly for each official receipt as authorized by the Division. The compensation provided for herein shall be paid monthly, as provided in the SOP. The Commission Contractor agrees that any indebtedness he may owe the Division when this contract is terminated may be deducted by the Division when making final settlement, such settlement to be made within sixty (60) days of the date of termination of the contract. It is fully understood that the commissions set forth in this contract shall be full compensation for all services rendered by the Commission Contractor.

7. The Commission Contractor and designated employees shall hold a Notary Public Commission issued by the Secretary of State of North Carolina. The Commission Contractor shall be allowed to charge notary or acknowledgement fees as set forth in the SOP and shall not exceed fees allowed under our General Statutes. The Commission Contractor may retain such notary or acknowledgement fees as part of the consideration allowed to the Commission Contractor under this contract. The Commission Contractor must give detailed accounting to the Division for all notary fees charged and collected under this contract. Such accounts will show the amount of notary fees charged for each transaction.

8. The Division shall deduct from commissions due to the Commission Contractor any shortages arising from insufficient collections and shortages in remittances made to the State Treasurer when depositing daily receipts. The Division shall deduct from commissions due to the Commission Contractor any monies paid by the Division pursuant to an existent or possible cause of action in any court of competent jurisdiction, including the North Carolina Industrial Commission, based upon actions or inactions of the Commission Contractor. Deductions shall also be made for license plates, validations stickers, and State equipment which are unaccounted for.

9. The Commission Contractor shall accept cash or checks in payment of all fees. The Division has established check verification procedures for the checkwriter which are included in the SOP. The Commission Contractor shall be liable for bad checks and penalties if the verification procedure is not strictly adhered to.

10. The Commission Contractor agrees to lease from the Division all computer equipment utilized in their normal day to day operation. This would include CPUs, monitors, printers hand scanners, software, and any other hardware that the Division deems necessary in order to operate as a LPA.

The Commission Contractor shall pay the monthly lease rate pursuant to the lease agreement between the Commission Contractor and the Division. These funds shall be held in an account earmarked for the replacement of leased equipment. The Division will determine when computer equipment should be replaced.

The Commission Contractor accepts full responsibility for safeguarding all property, computer equipment, and money received from and for the State of North Carolina and agrees to properly account for all state property and money in the manner required by the laws and regulations of the State and the Division and pursuant to the terms of the lease agreement. The Commission Contractor agrees to reimburse the Division for any State funds missing, stolen, misappropriated, or loss of State property in the operation of the LPA. The Division shall pay or cause to be paid the shipping expenses incidental to the delivery of license plates, validation stickers, forms, and reports to and from the Commission Contractor, and the Division may seek reimbursement from the Commission Contractor for said expenses.

11. The Commission Contractor's responsibility to the Division lies in the competent execution of this contract, and it may conduct the affairs of the LPA according to its good judgment and in keeping with proper business ethics and practices, subject to the requirements established by this contract, the SOP, and any other requirements as may be mandated from time to time by the Division. The Commission Contractor shall maintain its premises and operate in keeping with all state, local and federal laws and regulations, including laws and regulations relating to the civil rights of its customers and employees, including those relating to Americans with Disabilities Act. The Commission Contractor must provide adequate restroom facilities that meet all state and local plumbing codes. All restrooms must be handicapped equipped. The Contractor will be responsible for providing prompt and courteous service to the public.

12. The Commission Contractor shall neither be an employee of the Division nor an agent of the State, but shall be an independent contractor governed in its relations with the Division by the terms of this contract. The Commission Contractor does not have the authority to subcontract its rights and responsibilities under this contract.

The Commission Contractor is solely responsible for the payment of all related payroll taxes and Workers Compensation, where such may be due to the United States or the State of North Carolina.

The Division shall not be responsible for the Commission Contractor's rent, transportation costs, personnel costs, office supplies, telephone, advertising, or any other of the Commission Contractor's expenses of whatever nature.

13. The Commission Contractor shall remit to the Division all monies collected for the Division. All monies so collected shall be deposited daily in the form and amounts received, except as otherwise provided by statute. Monies shall be deposited in the bank designated by the State Treasurer, in the name of the State Treasurer and shall report the same daily to the Treasurer pursuant to G.S.147-77. The Commission Contractor shall not commingle personal funds with those of the State Treasurer.

14. The Commission Contractor shall make daily reports to the Division of the activity of the LPA. In addition, the Commission Contractor shall make other reports as the Division may require. Deposits must be made daily and certified before 2:00 p.m. the following day.

15. The Commission Contractor agrees to furnish and maintain, subject to the approval of the Division, suitable office space convenient to the public, to maintain service for the public during reasonable hours, and to abide by all rules and regulations furnished to the Commission Contractor by the Division as set out in the LPA Contract and SOP.

16. The Commission Contractor must comply with the bonding requirements of G.S. 20-63.01 or any other applicable law. The bond must protect the Division against acts of theft by the Commission Contractor or its employees that shall cause a loss of State funds or a liability to the Division. The Commission Contractor agrees to furnish written proof of the existence of the bond within forty five (45) days of the execution of this contract, unless the bond is received through the Division. The Commission Contractor agrees to maintain the bond as long as this contract is in effect and shall show proof of the bond during any audits of the LPA or upon demand of the Division.

17. It is agreed that any time the Commission Contractor is not the actual manager, the Commission Contractor will designate a specific manager satisfactory to the Division, to operate the LPA, with whom the Division may deal direct, and that no change in management will be made until it has been approved by the Division.

18. The Commission Contractor remains solely responsible for all money handled by the LPA, and for the integrity of the operation of the LPA.

19. The Commission Contractor must display in a conspicuous place any information provided by the Division for the public to see. All such notices must include the fact that the LPA is privately operated, a schedule of notary fees and other charges, and the telephone number of the DMV to report any customer complaints.

IN WITNESS WHEREOF, the said parties have hereunto set their hands this the _____ day of _____, 2_____.

(Signature)
(Printed Name of Commission Contractor)
COMMISSION CONTRACTOR

Date _____ County _____ State _____

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated:

_____ (name(s) of principal(s)).

Notary Signature _____

Notary Printed or Typed Name _____

(SEAL) My Commission Expires _____

NORTH CAROLINA DIVISION OF MOTOR VEHICLES

BY: _____

(Authorized signing Agent)

LPA Interview Questions

- LPA Branch Interview Questions
(2 pages)

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LPA Branch Interview Questions

Subjects agreed to interview and received the questions beforehand via email.

1. Please explain how you received the LPA contract. What was the process and was it open and transparent?
2. Please explain the contract renewal criteria and the procedure for renewal. How much time does it take? Are the criteria understandable?
3. Did the DMV explain their performance expectations and how they assess those expectations? Do you fully understand the expectations or do you have questions or concerns? If you have questions or concerns, what are they?
4. What can the DMV do to improve the assessment process? Are there other performance measures that you believe more accurately reflect the quality of service you provide? If so, what are those measures and why are they more appropriate?
5. Do you feel that the current compensation model used by DMV accurately captures the true cost of business? Why or why not? What would you change?
6. How did you decide on your current location? Does the location impact your operations and profitability? Is your location considered accessible to everyone in your service area?
7. Do you think all statewide LPAs should be under the same contract?
8. One of the assessments is on transaction error rates. Explain what constitutes an error rate. Have there ever been situations where you have doubted your “perceived” error rates?
9. How does your LPA maintain its customer service quality? Please give us a few examples of your customer service.
10. What is your opinion of opening the LPA office on Saturdays? Have you tried this in the past? What was the result?

11. Describe your turnover rate. What do you think would help decrease your turnover?

12. What instruction have you received on the new combined property tax & licensing, Tax and Tag, that began last year?