



A SPECIAL PERFORMANCE AUDIT

**PA DEPARTMENT OF TRANSPORTATION:
ISSUING AGENT PROGRAM**

JANUARY 2013

JACK WAGNER, AUDITOR GENERAL

**PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL
BUREAU OF SPECIAL PERFORMANCE AUDITS**

January 10, 2013

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

Enclosed is our special performance audit report of the Pennsylvania Department of Transportation, or PennDOT, as it oversees issuing agents, more commonly referred to as auto tag dealers. The report covers the period of July 1, 2007, through June 30, 2010.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Our overall audit objective was to evaluate PennDOT's oversight of the issuing agent program. We accomplished this objective by focusing on PennDOT's: (1) role in auditing its contracted agents; (2) enforcement of the training requirements for contracted agents; (3) efforts to publicize its contracted agents availability; (4) ability to ensure valid contract agent information is maintained on file; (5) involvement in monitoring contracted agent fees charged to the public; and, (6) use of an adequately enforceable contract.

The audit report presents six findings and 16 recommendations. Our findings raised significant concerns. Overall, we believe PennDOT needs to improve its oversight of the issuing agent program. Specifically, PennDOT failed to improve its most important agent oversight tool – audits. We found this to be the case with PennDOT's Bureau of Motor Vehicles and Bureau of Driver and Vehicle Program Services – both charged with the oversight of issuing agents. PennDOT could improve oversight by strengthening the executable contract PennDOT holds with agents.

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We also found that PennDOT did not set limits on the fees charged by agents but instead allowed market forces to determine the fees. However, PennDOT took no steps to ensure adequate information was available to customers so that market forces could actually work.

Additionally, we found PennDOT did not ensure that issuing agents obtained the contractually required training. Further, PennDOT, in its agent contract, allowed agents and their employees to provide PennDOT products for up to a year without any training at all.

Finally, we found that PennDOT should improve its contract language with its agents as well as ensure that it maintains current information on its issuing agents – such as updated and accurate agent records.

Our report includes PennDOT's response to our findings and recommendations. We are pleased that PennDOT has indicated that it has begun to implement many of our recommendations. We would like to thank PennDOT officials for the cooperation extended to us throughout this engagement.

Sincerely,

JACK WAGNER
Auditor General

Enclosure

cc: The Honorable Barry Schoch, P.E., Secretary, Department of Transportation

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**Results
in
Brief**

In this special performance audit of the Pennsylvania Department of Transportation (which we refer to as PennDOT), we evaluated PennDOT's oversight of issuing agents, often referred to as auto tag dealers.

Overall, we developed six findings and present 16 recommendations, summarized as follows:

Finding One. PennDOT failed to successfully use its most important agent oversight tool – audits. Consequently, PennDOT did not audit a substantial majority of its agents and did not conduct effective audits on those agents who were audited.

PennDOT did not provide adequate audit resources nor did it ensure the audit process was effective. During our review, we found that, although PennDOT established an audit unit in 2009, it did not staff the unit adequately nor did it ensure the staff it had was adequately trained. In fact, PennDOT auditors received their last training – in critical areas such as fraud detection – in 2009. Further, PennDOT did not provide clear guidance to its auditors. For example, we note that PennDOT neglected to provide its auditors with an auditing manual with standardized audit procedures. Having such a tool at the auditor's disposal contributes to a more effective audit process.

Regarding the ineffective audit process, we found that PennDOT did not document its audits adequately. Additionally, where PennDOT clearly noted audit deficiencies, it failed to follow-up with the agent to ensure that these deficiencies were corrected. Moreover, we found PennDOT excluded an entire population of issuing agents to audit. For example, while we learned that PennDOT's 604 card agents contract with PennDOT to provide services throughout the commonwealth – these agents are rarely, if ever, audited by PennDOT's agent audit unit. Finally, we found that PennDOT failed to maintain accurate audit records. PennDOT's Bureau of Motor Vehicles supplied us with lists of the agents it

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audited. Yet our review of these lists revealed that a significant number of audit entries were duplicative and contained errors.

Summary of recommendations. To address Finding One, we recommend PennDOT's Bureau of Motor Vehicles (1) increase the number of auditors; require auditors to travel overnight as warranted; change auditor hours to allow audits in the evening; increase the number of audits performed; and include all card and full agents in the population from which it selects audits (2) develop a standard curriculum that includes ongoing auditor training in basic and bi-annual advanced training, fraud training, and training in agent contract provisions; and monitor auditor training to ensure each auditor is receiving the required training (3) ensure its agent audit procedures are standardized in a comprehensive audit manual; include verification of all contract provisions; and include specific steps as to how auditors should follow up on issuing agent audit deficiencies (4) ensure documentation of agent audits include all audit steps performed and the results of each step; and any follow-up of audit deficiencies and (5) immediately institute procedures to ensure that its agent audit lists are complete and accurate.

Finding Two. PennDOT's Bureau of Driver and Vehicle Program Services should improve its oversight of online messengers.

PennDOT's Bureau of Driver and Vehicle Program Services (Bureau) oversees the online messenger program and conducts regular audits of these agents. While we found the Bureau's audits were better documented than audit reports completed by PennDOT's Bureau of Motor Vehicles, its audit process still needed improvement. Specifically, one auditor is responsible for all audits of online messengers located throughout the commonwealth. Also, we found the online messenger auditor did not receive ongoing training in important topics such as fraud detection. Regarding deficiencies detected in online messenger audits, the PennDOT auditor failed to follow up with cited online messengers to determine if deficiencies were corrected. Finally, in the audits we reviewed, the PennDOT

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auditor did not verify that online messengers developed and implemented contractually required ongoing training.

Summary of recommendations. To address Finding Two, we recommend PennDOT’s Bureau of Driver and Vehicle Program services (6) consider increasing the number of online messenger auditors; increase the number of online messenger audits performed annually; ensure that online messenger audit procedures include specific steps for auditors to follow up on all audit deficiencies with guidance on when and how to document the follow-up; as well as ensure that each online messenger has an ongoing training plan in place and each online messenger employee is completing not just initial training, but ongoing training.

Finding Three. PennDOT said that “market forces” would make agents charge reasonable fees to customers. Yet PennDOT neither defined reasonable nor found out what fees were actually charged, thus giving customers no means to judge the fees nor to comparison shop.

PennDOT does not set limitations on the fees agents can charge customers for providing PennDOT services. Rather, PennDOT allows “market forces” to determine what an agent may charge. The only guidance PennDOT provides to its agents is that the fee must be “reasonable.” Yet, PennDOT does not define “reasonable” in its contract with agents. While the contract does stipulate that agents are required to post fee information at their place of business – we found that customers utilizing agent services have no way to comparison shop regarding these fees. In other words, there is no resource that a customer can use to make sure he or she is getting the best price for the agent provided PennDOT service.

Summary of recommendations. To address Finding Three, we recommend PennDOT (7) establish an upper limit to the fee its agents can charge for each PennDOT service the agent provides.

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Finding Four. PennDOT should make information pertaining to its agents more easily accessible to the public. In our examination of PennDOT's agent program, we found PennDOT did not help customers compare agent-charged fees or find lists of its agents. In fact, we found that there are no publicly accessible listings of all agents either on PennDOT's website, the Internet, or in the telephone directory.

Summary of recommendations. To address Finding Four, we recommend PennDOT (8) make a comprehensive listing of all agents available to the public, which includes the agent's name, address, and the PennDOT services provided and (9) consider including a provision in its agent contract that all agents with a website must post current fee information on each PennDOT product offered.

Finding Five. PennDOT's agent contracts should be strengthened so that required training is completed before any agent provides services. Furthermore, PennDOT needs to improve its oversight of its contracted agents' training requirements.

Agents and their employees are required to receive regular training. Yet, we found that agents are not required to complete training *prior* to doing business with the public. Also, regardless of when training was required, PennDOT did not know if its agents actually received training – PennDOT failed to track not only the required initial agent training but also the contractually required bi-annual refresher training. Additionally, we found that when PennDOT did identify cases where the agents had not received the required training, PennDOT did not impose any sanctions nor did it follow up to ensure subsequent compliance with the training requirements. Finally, PennDOT did not provide its agents with sufficient information about the training available to them.

Summary of recommendations. To address Finding Five, we recommend PennDOT (10) amend its agent contract to require agents and their employees obtain basic agent training before they provide PennDOT services; include a sanction to prohibit

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agents and employees who do not obtain the required bi-annual training from performing PennDOT services until training documentation is provided; and require agents to provide PennDOT with documentation certifying that the agent and their employees received all basic and bi-annual agent training (11) establish a database of agent training in order to monitor all agents' compliance with the training requirements (12) follow up with agents to ensure that the training is received, and if necessary impose sanctions on those agents who continue to violate the training provisions of the contract and (13) ensure that its contracted agents are informed of all available means of obtaining the required training, including the online option provided by the certified trainers.

Finding Six. PennDOT should improve its contracted language with its agents and further, PennDOT must ensure that it maintains current information on its agents.

In reviewing PennDOT's agent contract, we found PennDOT failed to draft a readily enforceable and comprehensive contract. Specifically, if an agent did not obtain a criminal history background check or maintain a current notary license, PennDOT did not impose sanctions on the agent. In addition, PennDOT did not maintain accurate records on its agents. PennDOT lists of active agents included terminated agents as well as agents – unknown to PennDOT – who no longer provided PennDOT services. Further, we found that these lists included erroneous, yet essential, agent information such as business names and addresses.

Summary of recommendations. To address Finding Six, we recommend PennDOT (14) develop an effective and readily enforceable contract that includes language for some type of consequence or sanction for noncompliance with each contract requirement and have all current agents sign the updated contract (15) maintain accurate and complete agent records and (16) regularly monitor and update the agent information posted on its website to ensure the accuracy of its agent listings

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Introduction and Background

In this special performance audit, we evaluated the Pennsylvania Department of Transportation (PennDOT) regarding its oversight of contracted issuing agents, often referred to as auto tag agents. Specific areas that we reviewed include the training of these agents and PennDOT's audits of selected agents.

What is a PennDOT issuing agent?

PennDOT issuing agents or auto tag dealers are private providers who contract with PennDOT to offer many of the same driver licensing, vehicle registration, and titling services that PennDOT itself provides. [Accordingly, we will refer to the issuing agents as contracted agents throughout this report.] These private contractors are decentralized from PennDOT—i.e., they are located throughout the state, and occasionally outside the state.

Why would the public use a contracted agent instead of going directly to PennDOT?

It is important to understand that PennDOT services are separated into services for the *driver* and those for the *vehicle*. But only **one** PennDOT facility provides customers with virtually every driver and vehicle service at a single physical location – the Riverfront Office Center in Harrisburg.

Throughout the state, PennDOT has other locations operated by its own employees, including driver license centers where driving skills tests are offered, for example, and where drivers can obtain license renewals and photo licensing. But in addition to not offering the entire range of PennDOT services, these driver license centers are typically open only on certain weekdays and for more limited hours.

PennDOT also makes certain driver and vehicle services available online at its website. From PennDOT's website, at www.dmv.state.pa.us, customers can click on "Online Driver

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and Vehicle Services”¹ and determine if the desired service is available without having to travel to a physical location.

When customers need even *more* options to obtain PennDOT services, PennDOT contracts with private businesses. PennDOT authorizes these contractors to act in various capacities as we will explain in the narrative that follows.

Over 6,000 such private contractors have “partnered” with PennDOT. The contractors offer customers the convenience of obtaining PennDOT services in local communities, and the customers – in addition to paying the standard PennDOT fee for each provided service – pay an *additional* fee to the contractor.

The additional contractor-added fees are set by the contractors themselves and are *not* regulated by PennDOT, who lets the market and competition determine what fee amounts customers will bear. Customers who don’t want or can’t afford to pay *any* additional fee can still visit the PennDOT Riverfront Office Center in Harrisburg; alternatively, they can see if the needed services are available directly from PennDOT through the mail, through PennDOT’s website,² or through one of the centers operated by PennDOT employees.

**How does PennDOT track the volume
of services performed by its contracted agents?**

We were surprised to find that, according to PennDOT, it does not track the volume of services performed by its contracted agents. Instead, PennDOT tracks only the volume for selected high-volume transactions of a certain category of agents – i.e., online agents – in comparison with those same transactions handled by PennDOT directly. Thus, we can present just a partial picture of PennDOT-provided services versus agent-provided services, as shown in the table below using PennDOT-provided data.

¹ www.dmv.state.pa.us/centers/OnlineServicesCenter.shtml, accessed October 3, 2012.

² www.dmv.state.pa.us, accessed October 3, 2012.

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Calendar years 2000 to 2010

**Comparison of PennDOT transactions handled by
PennDOT versus PennDOT agents:
Numbers suggest that customers find it
increasingly convenient to use agents**

*Important note:
PennDOT's tracking of the transactions presented below does not include all the transactions handled by either PennDOT or its agents. Instead, the numbers include selected major transactions handled by the agents compared to the same transactions handled directly by PennDOT. Even so, according to PennDOT, the transactions do include the majority of those conducted by the agents and PennDOT.*

Calendar year	Total number transactions for selected major PennDOT services*	Percent handled by PennDOT directly has gone down each year	Percent handled by PennDOT agents has thus gone up each year
2000	14,480,480	89%	11%
2001	14,109,020	87%	13%
2002	13,719,829	85%	15%
2003	13,886,683	84%	16%
2004	13,702,505	83%	17%
2005	13,580,220	82%	18%
2006	12,700,307	81%	19%
2007	12,543,399	78%	22%
2008	12,128,360	77%	23%
2009	12,128,158	77%	23%
2010	11,627,008	75%	25%

**Services include duplicate titles, driver licensing renewals, vehicle registration renewals, dealer titles, vehicle titles, and salvage certificates.*

Source: Developed by Department of the Auditor General staff from information provided by PennDOT.

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Even with this partial picture, it shows that increasing percentages of customers are paying additional fees to purchase PennDOT services from PennDOT agents compared to purchasing the services directly from PennDOT *without* paying the additional fees. Those increasing percentages suggest that PennDOT should be all the more diligent in monitoring its agents to ensure they do indeed provide the services as they are contracted to do.

**Who can become a PennDOT contracted agent,
and what services do agents provide?**

There are three categories of contracted agents; each category is entrusted by PennDOT with increasing levels of authority. All contracted agents are supposed to be monitored by PennDOT for compliance with their contracts.

Services include, for example, driver license renewal, replacement, and address change; vehicle registration, address change, and transfer; vehicle titles; requests for driving history and vehicle information. An agent can contract with PennDOT to be a card agent, full agent, or an online messenger. Additionally, online registration participants (OLRP) also provide PennDOT products but do not have a contract with PennDOT.

Card and full agents process PennDOT paperwork manually and obtain most PennDOT products from PennDOT's Riverside Office Center in Harrisburg. The card or full agent can receive these products from the Riverside Office Center through the U.S. postal service or through the services of a PennDOT messenger. According to information provided to us by PennDOT, there were 604 card agents and 6,089 full agents listed in PennDOT databases as of September 10, 2010.

Unlike card and full agents, online messengers provide PennDOT services through a direct electronic connection with PennDOT databases. As a result of this direct connection, online messengers can provide most PennDOT products at the

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time of service. Like full agents, online messengers often have multiple locations. Unlike other contracted agents, some online messengers have a PennDOT photo center located on their premises. As of October 3, 2012, there were 252 online messengers listed on the PennDOT website.³

Online registration participants are similar to the online messengers in that they have an electronic connection to PennDOT and can provide most PennDOT products at the time of service. However, the types of PennDOT products they provide are different than the types provided by online messengers. As of October 3, 2012, there were 2,588 online registration participants listed on the PennDOT website.⁴

Contracted agents primarily provide vehicle services such as certificate of title, registration renewal, transfer of vehicle registration, and name or address changes. Online messengers also provide some driver services. A list of vehicle and driver services provided by each type of contracted agent can be found in Appendix B of this report.

PennDOT authorizes contracted agents to provide specific services depending on whether they are a full or card agent, an online messenger or an online registration participant. However, it is the individual contracted agent who determines which of the PennDOT authorized services are actually offered at his/her place of business. Additionally, the contracted agent determines the amount of fee charged and whether or not to charge a fee for a particular PennDOT service.

In addition to providing PennDOT vehicle services, agents may provide messenger services for consumers. PennDOT messengers are an integral part of the contracted agent program. Like agents, messengers are private businesses located throughout the commonwealth. Messengers specifically

³ www.dmv.state.pa.us/pdotforms/fact_sheets/OLM_Brochure_Website_2612.pdf, accessed October 3, 2012.

⁴ www.dmv.state.pa.us/pdotforms/misc/online_stations.pdf, accessed October 3, 2012.

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contract with PennDOT for “delivering and obtaining driver licensing and vehicle registration documents to and from PennDOT for the consumers in the Commonwealth.”⁵ Messengers are not paid by PennDOT for the services they provide. Instead, messengers charge the customer a fee for their services.

In other words, messengers act as a delivery service – obtaining PennDOT products from contracted agents, then delivering these products for processing at PennDOT’s Riverside Office Center. Once processed, the product is obtained and delivered by messenger to the contracted agent. The contracted agent then provides the product to the consumer. It should be noted that, unlike contracted agents, messengers do not have the authority to issue PennDOT products to the consumer – as they did not contract with PennDOT to provide these services.

Finally, many full agents and all online messengers have a messenger contract with PennDOT. Acting as a PennDOT messenger as well as a contracted agent allows these agents to provide a full line of services to their customers without the inconvenience or costs associated with another business obtaining customer products in Harrisburg.

**What are the requirements
to be a contracted agent?**

Agents must enter into a contract with PennDOT in order to provide driver and vehicle services. Generally, the contracts are renewable every three years. The agent must comply with the contract requirements. Specifically, the contracts require agents to post a bond (the amount of which varies depending on the type of contracted agent), obtain an annual criminal history background check from the Pennsylvania State Police, attend training once every two years, as well as abide by other requirements. These other requirements relate to the security of

⁵ This language is located on page 2, under the section entitled “Authority to Provide Messenger Services,” in the most recent contract between messengers and PennDOT, dated June 1, 2010.

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PennDOT products and customer information; the condition, appearance, and accessibility of the contracted agent facility; facility hours of operation; posting of fees charged; as well as the contracted agent's timely submission of paperwork and the applicable fees for the PennDOT product.

**How does a consumer use
an agent's services?**

To utilize the services of a contracted agent, the customer must provide the same proof of vehicle ownership, financial responsibility (i.e., insurance), and personal identification that would be required if the customer obtained the service directly from PennDOT. At the time of service, the contracted agent completes all necessary PennDOT forms and collects PennDOT fees and, if needed, Pennsylvania sales tax, which are forwarded by the contracted agent to PennDOT.

Contracted agents are not paid by PennDOT but rather receive their income by charging the customer a processing fee for the PennDOT services that they provide. This processing fee is in addition to PennDOT product fees; therefore, obtaining a PennDOT service from a contracted agent is usually more costly than obtaining the same service directly from PennDOT. In return for the additional cost, the customer receives convenience in the form of expedited service at a nearby location.

**Who administers the PennDOT
contracted agent program?**

The contracted agent program is under the PennDOT deputate for Safety Administration and is primarily administered from the Riverfront Office Center in Harrisburg. Two bureaus within Safety Administration provide oversight of the program. One of these bureaus, the Bureau of Driver and Vehicle Program Services, is responsible for providing oversight of online messengers. The Bureau of Motor Vehicles is responsible for the oversight of card and full agents, messengers, and online registration participants. The Bureau of Motor Vehicles is also

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responsible for all driver and vehicle requests sent to PennDOT through the U.S. postal service including requests from citizens as well as requests sent by contracted agents.

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Finding One

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Finding One

PennDOT failed to successfully use its most important agent oversight tool – audits. Consequently, PennDOT did not audit a substantial majority of its agents and did not conduct effective audits on those agents who were audited.

PennDOT’s Bureau of Motor Vehicles (BMV) is responsible for the monitoring and oversight of the card and full agents as well as the online registration participants.⁶ According to PennDOT officials, one of the primary oversight tools utilized to monitor the contracted agents is the use of unannounced on-site audits. Our review of the audit process as well as a review of selected audits conducted by the BMV found that the audit process was insufficient to provide adequate oversight of the agents.

Background on Bureau of Motor Vehicle audits

Prior to 2009, PennDOT’s Regulated Client Services Section, located in the Bureau of Motor Vehicles, provided the audit oversight of contracted agents. Audits were usually only conducted when a consumer filed a complaint with PennDOT. There was no “proactive” auditing plan in place. In other words, PennDOT did not conduct routine or cyclical audits of its contracted agents. According to information provided to us by PennDOT, from July 2007 to December 2008 – a time period of 17 months – the Regulated Client Services Section conducted only six audits of contracted agents.⁷

PennDOT recognized the need to provide the resources to support regularly scheduled audits of contracted agents, and, in

⁶ Audits of online messengers are conducted by the Bureau of Driver and Vehicle Program Services. These audits are the subject of Finding Two of this report.

⁷ We asked PennDOT to provide us with a list of all audits of issuing agents performed between July 1, 2007, and June 30, 2010, by name of agent and audit date. We used this list to calculate the number of audits performed between July 2007 and December 2008 – the time period before the establishment of the audit unit in January 2009.

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January 2009, formally established the Bureau of Motor Vehicles' audit unit. The establishment of this unit included five administrative positions and three auditor positions.⁸ PennDOT split the commonwealth into three geographical regions – east, west and central – and assigned one auditor to each region.

According to PennDOT officials, there were three types of audits conducted by the audit unit. Each type is described below:

1. Administrative audit: This type of audit is also referred to as a proactive audit. Agents to be audited are selected from the contracted agent database by region: eastern, central and western.⁹
2. Thirty-day audit: In May 2010, PennDOT instituted 30-day audits. These audits are of new contracted agents and are conducted approximately 30 days after the agent has ordered PennDOT materials. Like the proactive audits discussed above, these audits are administrative in nature and are performed to ensure that the agent is in compliance with PennDOT requirements.
3. Complaint based audit: PennDOT also conducts audits when a consumer complains. Consumers who experience difficulties with a contracted agent can file a complaint with PennDOT. Complaints are received in PennDOT's Partnering Division located in the Bureau of Driver and Vehicle Program Services and are reviewed and then assigned to the appropriate PennDOT personnel for

⁸ Essentially PennDOT reassigned and consolidated resources to create the audit unit. Five of the personnel assigned to the new audit unit were transferred from other PennDOT units and retained their former job responsibilities. Additionally, the three auditors were reassigned from other positions within PennDOT. PennDOT did re-hire a former employee to manage the new audit unit.

⁹ In our interviews with them, PennDOT management explained that an issuing agent can be re-audited. A re-audit is conducted when the original (administrative) audit shows non-sanctionable violations committed by the agent (i.e., incomplete record keeping). Typically, these audits are scheduled within 3-6 months of the original audit.

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resolution. If the complaint is about a specific contracted agent, the information is forwarded to the audit unit manager – who then assigns it to the appropriate auditor for investigation and resolution.

While establishing a dedicated audit unit to monitor the contracted agents was a step in the right direction, PennDOT did not do enough in using its most important oversight tool – audits. Specifically, through our interviews, inquiries, observations, and review of audit documentation, we found several areas in the audit process that were inadequate to provide sufficient oversight of the contracted agents. Each of the deficient areas we identified is detailed in the narrative that follows.

Audit unit was not sufficiently staffed

During the course of our audit, we learned that just three auditors are responsible for conducting audits of over 6,000¹⁰ card and full agents. As stated previously, one auditor was assigned to each of the three large geographic regions: Eastern region (15 counties), Central region (26 counties), and Western region (26 counties).

Due to the larger number of contracted agents and the small number of auditors, it is not feasible to expect that every contracted agent will be audited each year. But it is reasonable to expect that a substantial number of audits would be conducted to ensure that the contracted agents are performing in accordance with the contract.

We reviewed documentation regarding the number of audits conducted by the three regional auditors from January 2009 through June 2010. PennDOT records state that 289 audits were conducted during the 2009 calendar year and 351 audits were

¹⁰We were unable to determine the exact number of PennDOT contracted agents. Although PennDOT provided us with lists of its agents, our test work disclosed that not all agents on these lists were in business. See Finding Six of this report for our discussion of this test work.

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conducted during the first half of 2010. In other words, PennDOT audited only a very small percentage of the over 6,000 contracted agents who provided PennDOT services.

When we questioned PennDOT officials about these low audit numbers, they told us that a future goal is for the audit unit to conduct 750 audits each year. In other words, each of the three regional auditors is expected to conduct approximately 250 audits per year. With only three auditors, PennDOT will have a difficult time meeting the goal that it established for itself.

Audits can be a valuable monitoring tool for PennDOT to ensure that its agents are complying with all legal and contractual requirements. Until PennDOT adds more auditors to its audit complement, it will continue to undervalue its audit tool, resulting in missed opportunities in conducting a sufficient number of contracted agent audits.

Audit staff was not sufficiently trained

Further, even if PennDOT did provide sufficient audit staff, PennDOT's responsibility did not end there. PennDOT must also sufficiently train that staff – which it did not. For instance, although we were told that auditors are required to attend both basic and advanced agent training, none of the three regional auditors had attended advanced training. If auditors do not obtain the same training as the contracted agents, how could they know what the agents' responsibilities are or how to review the agents' records?

Moreover, although all three auditors received fraud training, that training was last held in 2009. In other words, none of the three regional auditors had recent training in fraud. With the continuing rise of identity fraud and the ever evolving ways in which it can be perpetrated, it is essential that PennDOT provide its auditors with the most up-to-date fraud training and provide this training on an ongoing basis.

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**PennDOT did not provide clear guidance
on what it expected of its auditors**

As we stated earlier, three auditors make up the audit unit complement. We learned from PennDOT that, before becoming regional auditors in the Bureau of Motor Vehicles, these auditors had worked in PennDOT's Office of Risk Management, Bureau of Motor Vehicles and Bureau of Driver Licensing. So, these employees did have experience reviewing PennDOT documents.

However, PennDOT failed to provide its auditors with an auditing manual to follow and adequate training. Without adequate auditor training and standardized audit procedures, there was no way for PennDOT to ensure that its auditors were reviewing the same documents and/or contract requirements in the same way.

Audit documentation was insufficient

According to PennDOT, the audit process was supposed to determine if the contracted agents:

- were keeping all appropriate records
- did not accept fraudulent ID's or documentation
- accounted for inventory of all PennDOT materials
- provided appropriate storage for PennDOT materials
- retained a current copy of the contract that the agent has with PennDOT
- obtained a current criminal background check from the Pennsylvania State Police for all employees who are providing agent services
- obtained all required agent training and ensured all employees completed current PennDOT authorized agent training

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-
- did not permit unauthorized persons to be on site – (specifically, the auditors would determine whether an employee providing PennDOT services had to be added or deleted from the agent contract)
 - posted a schedule of fees including PennDOT motor vehicle fees and fees charged by the agent

While the audit process appears to be comprehensive enough to determine agents' compliance with the contract, the audit documentation often times was not sufficient to verify if the PennDOT auditors actually performed all of the above listed checks. We obtained a list of all the contracted agent audits conducted by PennDOT within the time period of January 2009 to June 30, 2010. We then requested the audit documentation for a sample of audits from that list.

Our review of the audit documentation showed that the documentation primarily consisted of a one page template that listed the agent information (i.e., name and address) and spaces for the auditor to document results of specific procedures performed. Earlier versions of the template were not very detailed while later versions of the document included a checklist for the auditors to specifically document the agents' compliance with many of above-listed requirements.

The earlier versions of the template lacked critical information and made it difficult to determine what procedures the auditors performed. For example, in an audit, dated March 13, 2009, PennDOT auditors noted that the contracted agent was accepting fraudulent ID's and not maintaining appropriate records. However, there was no indication on the audit documentation that the auditor determined whether the contracted agent was complying with other requirements on the checklist – appropriate storage for PennDOT materials, current employee criminal history check and training, unauthorized person on site, or posting a schedule of fees.

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Furthermore, in our review of 46 contracted agent audits, we noted 7 instances where PennDOT's auditors documented unauthorized personnel were on site. But in the remaining 39 audits, the auditors did not provide any indication that they even checked for unauthorized personnel. This lack of documentation is particularly worrisome, considering that agents or their employees could be handling sensitive consumer information – such as titling and licensing documentation – but have no authority to do so.

As previously stated, PennDOT added a checklist portion to the audit template that allowed the auditor to check boxes, if the agent complied with the requirements. However, we found one audit where the auditor failed to complete the checklist portion of the template.

When the auditors failed to document what they reviewed and what they found, there was no way to determine with certainty that the agents were operating in compliance with all contract requirements. Auditors need clear guidance on what to review when auditing agents and how to document what they reviewed and what they found in that review.

**PennDOT auditors failed to ensure that
audit deficiencies were corrected**

Of equal concern is that auditors in the Bureau of Motor Vehicles did not follow up on the deficiencies identified in its audits of contracted agents. For example, the agent contracts require that agents obtain training¹¹ and a criminal history background check. And in the 46 PennDOT agent audits we reviewed, PennDOT auditors found that 32 agents had not complied with one or both of these contractual requirements, yet the auditor – and PennDOT – did not follow up in 28 audits to ensure that the agent subsequently obtained training and/or a background check. Instead, PennDOT officials told us that

¹¹ See Finding Five of this report for further discussion of the deficiencies we identified in PennDOT's training of its agents.

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since these are not sanctionable violations, the auditor would just “advise the agent at the time of the audit.”

The following is another example where PennDOT failed to adequately follow up with agents to ensure deficiencies are corrected. Contracts with PennDOT also require agents to “conspicuously post a schedule of Department motor vehicle fees and fees charged by the Contractor for the five (5) most common transactions for which services are provided”¹² In 46 of the audits we reviewed, 8 contracted agents did not post these required fees. In four of those audits, the agents either were suspended or terminated for other serious deficiencies so a follow-up was not necessary. In another audit, auditors documented that the agent would post the fees – by stating that the agent ordered the necessary signage to do so. However, in the remaining 3 of the 8 audits, PennDOT auditors did not follow up to ensure that the agents eventually posted the required fees.

While PennDOT failing to follow up on three audits may appear insignificant – this lapse is significant. We say this because not following up to any deficiency identified during the audit, no matter how minor, alludes to a more serious issue – that deficiencies are not being corrected.

It is not sufficient simply to identify deficiencies; PennDOT must also ensure that the non-complying contracted agents correct these deficiencies. At the end of the day, a fundamental outcome of every PennDOT agent audit should be contract compliance.

¹² This language is located on page 5, under the section entitled “Signing and Materials” in the most recent contract between full agents and PennDOT, dated June 1, 2010.

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**PennDOT's process for selecting agents to be audited
excluded several segments of the total population**

As stated previously, PennDOT contracted with over 6,000 agents to provide PennDOT vehicle services. According to PennDOT officials, card agents are not included in the population for eligibility to be randomly selected for an audit. In other words, the Bureau of Motor Vehicles excluded an entire category of contracted agents from its audit population. We learned from officials that PennDOT's 604 card agents are rarely audited – usually only when a complaint was received about a specific card agent. Even after a complaint was received, sometimes these complaints were handled by the Pennsylvania State Police and not PennDOT.

Of further concern is that not all contracted agents audited by PennDOT had an equal chance of being audited. According to PennDOT officials, the three regional auditors do not work evening hours; therefore, agents who only work evening hours were not audited. In fact, during our test work, we found that at least one audit of a contracted agent's business was scheduled, but could not be conducted because, as the PennDOT auditor noted, "Business had evening hours."

Additionally, Bureau management said during our interviews that the three auditors were not required to participate in overnight travel. This restriction on overnight travel is problematic when you consider the size of each auditor's geographic region. It would take a considerable amount of travel time to arrive at an agent's place of business in the far corners of the region and if auditors do not have the option to stay overnight, too much time is spent in the car and not enough time is left to conduct audits.

For example, the Eastern regional auditor is based out of the Lehigh License Center in Allentown, Lehigh County.¹³ Wayne

¹³ The Central regional auditor is based out of the Riverfront Office Center in Harrisburg, Dauphin County. The Western regional auditor is based out of the PennDOT Driver License Center in Butler County.

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County, located in the upper northeast of the state, is included in the Eastern Audit Region. To audit just one contracted agent located in Wayne County, the eastern regional auditor must travel a total of 4 hours and 176 miles to and from that contracted agent's business.¹⁴ Expending this amount of time on only one agent limits the amount of time for auditing other contracted agents in the same area. Because the Bureau requires auditors to travel only during the day, without the option of overnight stay to the audit sites, the Bureau reduces the population of contracted agents to be audited.

**The Bureau of Motor Vehicles did
not maintain accurate audit records**

PennDOT's audit list included 640 audits for the period January 2009 to June 2010. But we noted that some contracted agents appeared more than once on the same date. When we inquired about 20 of these duplicate listings, PennDOT responded that these 20 agents had been audited only once; therefore, the list provided to us included incorrect information. As a result, instead of 640 audits, *at most*, PennDOT conducted 620 audits during this 18-month period.

We then requested a list of PennDOT audits for the period July 2010 to December 2011. Again, we found duplicate listings. In total we found that in 87 of the 898 entries, a contracted agent was listed more than once on the same date. When questioned, PennDOT confirmed that 65 of the 87 entries were incorrect.¹⁵

Furthermore, when we requested documentation for a sample of these audits, PennDOT informed us that five of the audits we selected were actually never conducted, either because the agent had gone out of business or the agent's business hours did not coincide with the PennDOT auditor's work hours. These errors

¹⁴ We calculated that a one-way trip from Allentown, Lehigh County to Honesdale, Wayne County – where some PennDOT agents operate businesses – is approximately 2 hours and 88 miles.

¹⁵ As some contracted agents have more than one location, it is possible for an agent to be audited at these different locations on the same day. Therefore, the agent would appear more than once on the audit list for that date.

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call into question the reliability of Bureau of Motor Vehicle audit information. Without accurate audit records, it is difficult to understand how PennDOT officials can adequately monitor the effectiveness of the audit process.

**Summary and
Recommendations**

PennDOT contracted agent audits are PennDOT's primary, and potentially most useful, oversight tool. Yet PennDOT failed to ensure that its auditing process was comprehensive and effective. PennDOT did not provide sufficient training to its auditors, did not perform a sufficient number of audits, and did not ensure contract compliance during the audit process. In other words, even the most basic of audit functions were not fulfilled.

Recommendations

1. The Bureau of Motor Vehicles should:
 - a. Increase the number of contracted agent auditors.
 - b. Require auditors to travel overnight as warranted.
 - c. Change auditor hours to allow audits in the evening.
 - d. Increase the number of audits performed.
 - e. Include all card and full agents in the population from which it selects audits.
2. To ensure that its auditors are sufficiently trained, the Bureau of Motor Vehicles should:
 - a. Develop a standard curriculum that, at a minimum, includes ongoing training in basic and bi-annual advanced agent training, fraud training, and training in agent contract provisions.
 - b. Monitor auditor training to ensure that each auditor is receiving the required training.

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3. The Bureau of Motor Vehicles should ensure that its contracted agent audit procedures:
 - a. Are standardized in a comprehensive audit manual.
 - b. Include verification of all contract provisions.
 - c. Include specific steps as to how auditors should follow up on contracted agent audit deficiencies.
4. The Bureau of Motor Vehicles should ensure that documentation of contracted agent audits include, at a minimum:
 - a. All audit steps performed and the results of each step.
 - b. Any follow-up of audit deficiencies.
5. The Bureau of Motor Vehicles must immediately institute procedures to ensure that its contracted agent audit lists are complete and accurate.

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Finding Two

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Finding Two

PennDOT's Bureau of Driver and Vehicle Program Services should improve its oversight of online messengers.

As stated previously, the Bureau of Driver and Vehicle Program Services provides oversight of the online messenger program. As part of the bureau's oversight responsibilities, periodic audits of online messengers are conducted. The online messenger audit process consists of two parts, off-site and on-site auditing.

Off-site auditing essentially verifies that required payments to PennDOT are made timely and that electronic access by the online messenger to PennDOT databases is appropriate and justified. As the name implies, on-site auditing consists of a detailed review of the requirements found in the online messenger's contract with PennDOT at the online messenger's place of business. When conducting on-site audits, a checklist instrument is used to verify the online messenger compliance with contractual provisions such as, required training has been completed, necessary background clearances are completed, and all PennDOT products are properly accounted (e.g., tags, blank titles, etc.).

On a positive note, we found that the Bureau of Driver and Vehicle Program Services online messenger audits were better documented than audits completed by the Bureau of Motor Vehicles; however, we identified four areas in need of improvement. Specifically, we found that the audit process for online messengers could be improved in the following areas:

- Insufficient audit staff complement – there is only one auditor assigned to conduct audits for the entire state.
- The online messenger auditor was not receiving ongoing training in fraud detection.
- Audit deficiencies – when the auditor cites a deficiency in an audit, there is no subsequent follow-up with the

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cited online messenger to ensure the deficiency is corrected.

- Audits do not verify ongoing training requirements – in audits we reviewed, the auditor did not verify that online messengers were developing and implementing required ongoing training plans.

Insufficient auditor staff complement causes some online messengers to go unaudited

The Bureau of Driver and Vehicle Program Services goal is to audit each online messenger location once every three years. However, we found the Bureau to be insufficiently staffed to meet this goal, since only one auditor is assigned to complete audits of over 200 online messenger businesses located in 56 of Pennsylvania's 67 counties.¹⁶

We compared the number of audits completed by this one auditor to the total potential pool of online messengers. For example, for the period July 2007 through September 2010, the online messenger auditor conducted 177 audits or approximately 60 audits annually. Yet, as of September 10, 2010, PennDOT reported there were a total of 237 online messenger business locations. Therefore, we found that potentially as many as 53 online messengers, or 22 percent, were not audited at any of their business locations in the three-year period.¹⁷

A timely completed audit is one of the primary means available to PennDOT to ensure compliance of its online messengers. The effect of PennDOT not auditing all online messenger

¹⁶ The information on the number of online messengers and the counties in which they are located is from the PennDOT online messenger brochure which can be found at www.dmv.state.pa.us/pdotforms/fact_sheets/OLM_Brochure_Website_2612.pdf accessed October 3, 2012.

¹⁷ We are basing our calculation on the 237 online messenger locations that were operating as of September 10, 2010. We do not know the actual total number of online messenger locations that were operating during the period of July 2007 through September 2010. Conceivably, there may have been more or less than 237 locations, which would impact the percentage of online messenger locations that were not audited.

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locations in a timely manner is significant. Online messengers handle very sensitive and personal customer information such as social security numbers. If an online messenger is not meeting its contractual requirements, or is otherwise acting negligently, PennDOT needs to know as soon as possible so corrective action is made.

Online auditor did not receive annual training in fraud detection

PennDOT has no specific job requirement for its online messenger auditor to attend annual fraud detection training; however, because fraud is an area that is constantly evolving, it is essential that PennDOT's online messenger auditor receive annual fraud detection training. We examined the training records for the online messenger auditor as of July 1, 2011, and found that despite fraud detection training being offered every year, the online messenger auditor had not received the training since September 2009. The lack of fraud detection training could result in the auditor being unprepared to detect potentially fraudulent activities being perpetuated by online messengers or others. As the ways in which fraud can be perpetrated are continually changing and becoming more sophisticated, current auditor training in this subject is essential.

PennDOT failed to ensure that online messenger audit deficiencies were corrected

The third area of improvement by the Bureau of Driver and Vehicle Program Services pertained to the bureau's lack of follow-up on the deficiencies identified in its audits of online messengers. Specifically, we found instances where the auditor cited areas of noncompliance by an online messenger, but then did not follow up with the online messenger to ensure that those deficiencies were then corrected, or when appropriate, did not suspend the online messenger's PennDOT related activities.

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For example, the PennDOT contract requires online messengers and their employees pass an examination on their knowledge of online processing. In particular, the online messenger contract states, "...online messengers will be required to pass a certification exam administered by the Department." The contract goes on to state, "OLM [online messenger] employees who fail to pass this certification exam will have their Department access revoked."

Obviously, PennDOT places importance on proper certification for its online messengers, otherwise it would not cite revocation as an outcome for not obtaining proper certification. However, in our review of 25 PennDOT online messenger audits for the period July 1, 2007, through June 23, 2011, we found five cases where at least one online messenger employee had not passed the required certification exam. More importantly, in at least one of these five audits, the PennDOT auditor documented that the un-certified employee was processing PennDOT paperwork. As a result, in this highlighted case, PennDOT should have immediately revoked the online messenger's access, but did not do so.

Further troubling is that PennDOT could not provide documentation to confirm that the cited online messengers had their uncertified employees subsequently take and pass the required exam. In other words, there was no consequence to the online messenger for not complying with the most basic of contractual requirements – passing the exam. At a minimum, a more effective practice for PennDOT to pursue would be to follow up with the online messenger on any cited deficiencies, within a defined period of time, to ensure compliance.

By not following up on audit deficiencies PennDOT tempers the impact its audit function possesses over ensuring compliance with the contractual requirements for online messengers. Worse yet, when PennDOT does not enforce contractual remedies, such as revocation of PennDOT access, PennDOT removes the "teeth from its bite" and completely dilutes the audit process.

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PennDOT did not ensure that online messengers developed required ongoing employee training

Because online messengers rely on electronic access to PennDOT databases, additional ongoing training is necessary for online messenger employees. In fact, the PennDOT online messenger contract requires messengers to develop an ongoing training program. The contract states, “Development of an ongoing training program plan for all employees will be the responsibility of the on-line messenger service center.”

Yet nowhere in the contract does PennDOT require that online messengers submit these plans for review or approval. And, according to the audits that we reviewed, PennDOT auditors did not even check to ensure the training program was in place.

The lack of an ongoing training program could have an impact to the public since the public relies upon online messengers to provide speedy and efficient PennDOT services. For example, if an online messenger employee was unaware of procedural changes made by PennDOT in accessing certain databases, that employee may not be able to provide the most efficient services to a customer.

By ensuring each online messenger employee has the required ongoing training component in place, PennDOT can further ensure that its contracted online messengers are providing the public with the most efficient services.

**Summary and
Recommendations**

With regard to online messenger audits, we found the audit checklist to be better documented than PennDOT’s contracted agent audits. However, PennDOT did not ensure that all online messengers were audited according to its stated goal of once every three years and PennDOT did not ensure that audit deficiencies it found were corrected. Finally, we found that

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PennDOT did not check to ensure that ongoing training plans were in place for its online messengers.

Recommendations

6. PennDOT's Bureau of Driver and Vehicle Program Services should:
 - a. Consider increasing the number of online messenger auditors.
 - b. Increase the number of online messenger audits performed annually.
 - c. Ensure that online messenger audit procedures include specific steps for auditors to follow up on all audit deficiencies with guidance on when and how to document the follow-up.
 - d. When conducting onsite audits, ensure that each online messenger has an ongoing training plan in place and that each online messenger employee is completing not just initial training, but ongoing training.

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Finding Three

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Finding Three PennDOT said that “market forces” would make agents charge reasonable fees to customers. Yet PennDOT neither defined reasonable nor found out what fees were actually charged, thus giving customers no means to judge the fees nor to comparison shop.

We have previously explained that customers can complete transactions with PennDOT *without* paying added fees. Customers can avoid the added fees by completing transactions directly with PennDOT either online, through the mail, or in person.

We have also explained that, alternatively, for customers who find it more convenient to purchase driver and vehicle services through PennDOT’s contracted agents, the agents may charge fees in addition to the normal PennDOT product fee.

Finally, as we have shown in the chart on page 3, customers in increasing percentages do appear to use contracted agents, likely because of the convenience and proximity of their numerous locations throughout the state.

Contracted agents are private businesses. According to their contracts with PennDOT, they are permitted to charge “reasonable” fees for their services. PennDOT’s position, according to agency officials, is that “market forces” will determine the fee amounts. Presumably, the agents can cover their costs and make profits.

The problem we found is this: PennDOT has allowed its contracted agents to charge “reasonable” service fees *without* defining what’s reasonable, *without* setting limits¹⁸ on fee

¹⁸ While PennDOT does not set limits on the fee that a contracted agent (e.g., a vehicle dealer) can charge for its services, the Department of State has established an upper limit on the fee that a vehicle dealer can charge. Therefore, these PennDOT contracted agents are limited in the fees they charge but not by PennDOT.

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amounts, and *without* knowing what agents charge. Thus, PennDOT could not possibly determine if the charges were indeed reasonable.

In short, it is illogical for PennDOT to say on one hand that market forces determine reasonableness when, on the other hand, PennDOT has not defined reasonable and, in any event, does not know what the fees are.

Given the fact that an increasing percentage of PennDOT customers appear to be using the contracted agents, PennDOT could argue that market forces are, in fact, working. But that argument is not valid for at least two reasons:

- First, PennDOT can't really be sure about the increasing usage of agents since it doesn't track *all* the numbers for *all* its agent-provided services, as we explained earlier.
- Second, and even more important, an increasing number of users does not necessarily equate to reasonable fees. Potentially, for example, usage percentages could be even *higher* if the fees were *lower*.

Again, PennDOT cannot opine on the reasonableness of market forces if it doesn't know what the market is charging. For PennDOT to be truly customer-oriented, it must know what its agents are charging and must pass that information on to customers so they have the means to comparison shop and/or make their own judgment.

**Agents are required to post fee information at
their places of business, but customers
had no way to comparison shop**

PennDOT requires its contracted agents to post their fees at their places of business. Presumably, customers could compare fees by starting with a list of local agents and contacting them. However, the difficulty of locating such a list is a finding in itself (see Finding Four).

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Thinking that customers might turn to the Internet to comparison shop, we conducted our own search. We went first to PennDOT's website¹⁹ but found that it listed no agent-charged fees.

Next, we looked for the fees by attempting to go to the websites of the agents themselves. For this test, we selected 27 online messengers from the PennDOT website list of messengers. However, at the time of our test, we found that only 16 of these 27 had websites with detailed information and none of those 16 posted fee amounts.

As noted earlier, PennDOT does require its contracted agents to post fee information at their places of business. But that requirement isn't helpful for customers who want to comparison shop *without* having to contact every agent in the desired geographic areas. Nevertheless, as auditors, we attempted to make those contacts and do the comparisons ourselves.

In putting together our comparisons, we randomly chose 31 card agents, 31 full agents, 24 online messengers, and 28 new vehicle dealers.²⁰ We then contacted those agents by phone and asked what fees they charged for certain PennDOT services. Overall, within the same categories of agents, we found significant differences in fees charged for the services about which we inquired. Surprisingly, we found that the variances were not related to geography. Instead, the variances depended more on the type of primary business operated by the agents. Some businesses charged *no* fees for the services.

For example, businesses like insurance agencies and notaries – all who had primary products/services *other* than PennDOT services – tended to offer the PennDOT services *without* additional fees as a value-added benefit and a customer convenience. On the other hand, agents who were in business

¹⁹ www.dmv.state.pa.us, accessed October 4, 2012.

²⁰ Vehicle dealers contract with PennDOT as full agents and are not a separate type of contracted agent. However, because PennDOT provided separate lists of new and used vehicle dealers, we were able to select a sample of vehicle dealers.

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primarily or solely to provide tag and title services tended to charge fees that varied widely.

Our telephone survey: Range of fees charged for selected services

Service	Card agent <i>31 surveyed</i>	Full agent <i>31 surveyed</i>	Online messenger <i>24 surveyed</i>	Vehicle dealer <i>28 surveyed</i>
Renew driver's license	n/a	n/a	\$5 - \$24	n/a
Renew vehicle registration	\$0 - \$20	\$5 - \$26	\$5 - \$20	\$0 - \$65
Obtain vehicle certificate of title	\$0 - \$30	\$5 - \$70	n/a [▲]	\$0 - \$123

n/a Service is not provided by this type of contracted agent.

▲ Because PennDOT requires online messenger to also have a full agent contract, online messengers could offer this service in their capacity as a full agent.

Source: Developed by Department of the Auditor General staff from telephone surveys conducted September 2010 through November 2010.

To further complicate our attempts to compare fees, we found during our phone calls that some agents bundled their PennDOT services. For example, some vehicle dealers charged one fee to cover *all* the PennDOT services required to purchase a vehicle. In those cases, without fees separated service-by-service, there was no common basis for comparison.

In summary, we learned from our phone surveys that not only did fees vary widely, if there were fees at all, but also that PennDOT gave no way for the public to compare fees service-by-service from one agent to another.

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**Summary and
Recommendations**

PennDOT claims that market forces will ensure that fees charged by its contracted agents will be reasonable. Yet PennDOT made no effort to define reasonable or to find out what agents actually charged.

Recommendations

7. PennDOT should establish an upper limit to the fee that its contracted agents can charge for each PennDOT service that the agent provides.

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Finding Four

PennDOT should make information pertaining to its contracted agents more easily accessible to the public.

Although it is not necessary for the public to use a contracted agent, as *all* services – including those not easily completed online or by mail – are easily purchased at PennDOT’s customer-friendly Riverfront Office in Harrisburg, not everyone lives close to Harrisburg or finds it convenient to get there. Therefore, PennDOT’s reliance on contracted agents to expand its outreach is vital.

However, in our examination of PennDOT’s contracted agent program, we found that PennDOT did not always make it easy for customers to compare agent-charged fees or to find lists of its agents. In our opinion, there were simply too many hurdles for what should be a relatively simple process.

One hurdle is that there are no publicly accessible listings of *all* agents. For PennDOT customers who think to check the agency’s website, they will find a listing of online messengers²¹ only. To find a listing of card and/or full agents, customers would need access to PennDOT databases, but PennDOT doesn’t make those databases publicly available.

Another hurdle: phone directories also provided little information. Based on our own searches, we found no listing for contracted agents under automobile tag dealers, tag dealers, vehicle services, card or full agents in the yellow pages or in the yellow pages index.

Yet another hurdle: our search of the Internet yielded some better results, but not enough and not easily. We needed to try several search terms, but even then we did not find comprehensive results. For example, our search using the

²¹ http://www.dmv.state.pa.us/pdotforms/fact_sheets/OLM_Brochure_Website_2612.pdf, accessed October 3, 2012.

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terms “auto tag dealers and central Pennsylvania” yielded only three central Pennsylvania agents, one agent in Berks County and two agents in Lancaster County. Our search using the terms “auto tag dealers and Harrisburg” yielded two central Pennsylvania agents in Lancaster County. Our search using the term “PennDOT issuing agent” yielded one agent in York County.

While PennDOT has no control over the manner in which its agents are listed in phone directories or the Internet, we believe PennDOT could do more to make information available to the public, and especially for those customers who look for lists of agents or, as reported in the previous finding, who want to comparison shop.

More specifically, since PennDOT cites “market forces” as driving some of its decisions, PennDOT should then seek to ensure that information is readily available to consumers on where they can receive services and how much it will cost.

For example, customers of actual market-driven businesses can decide where to buy based on what those customers consider to be convenient locations. PennDOT does far better in this regard because its use of contracted agents gives customers a good choice of locations. However, here again, PennDOT could do better by making it easy for customers to actually find those locations and then to compare the prices charged and the services offered.

In whatever scenario they find themselves needing or choosing to use a PennDOT agent, customers should know what they are buying, how much they are paying, and if they could buy the same service elsewhere for less.

Finding Four

**PennDOT
Issuing Agent Program**

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Jack Wagner, Auditor General
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**Summary and
Recommendations**

PennDOT customers should have all information needed to compare agent fees. This information must include a comprehensive list of PennDOT agents.

Recommendations

8. PennDOT should make a comprehensive listing of all agents available to the public. At a minimum, this list should include the agent's name, address, and the PennDOT services provided.
9. PennDOT should consider including a provision in its agent contract that all agents with a website must post current fee information on each PennDOT product offered.

**PennDOT
Issuing Agent Program**

Finding Five

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Finding Five

PennDOT's agent contracts should be strengthened so that required training is completed before any agent provides services. Furthermore, PennDOT needs to improve its oversight of its contracted agents' training requirements.

PennDOT card and full agent contracts require that all persons who process PennDOT transactions obtain training. Yet, the agent contract also contains a lenient provision that allows agents up to one year to obtain the required training. As a result, it is possible that agents could provide PennDOT services without being fully trained on proper PennDOT procedures. We believe PennDOT should change its agent contracts to require that agents (and their employees) receive necessary training *before* they are eligible to process PennDOT paperwork.

In the finding that follows, we discuss the issues we noted with PennDOT's oversight of the contracted agent program as it relates to training. Specifically, we will discuss the following issues:

1. PennDOT agents are not required to complete training prior to doing business with the public.
2. Regardless of *when* the training was required, PennDOT did not know if all its agents actually received the training. In other words, PennDOT failed to track not only the initial training but also the bi-annual refresher training.
3. When PennDOT identified cases where the agents did not receive the required training, PennDOT did not impose any sanctions nor did it follow up to ensure subsequent compliance with the training requirements.
4. PennDOT did not provide its agents with sufficient information about the training available to them.

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PennDOT agents are not required to complete training prior to doing business with the public

As stated earlier, PennDOT enters into a contract with every contracted agent. One provision of the contract requires that agents and their employees "... complete a [PennDOT] authorized and approved training course at the earliest time available, but not more than one year after allowing the employee to provide services to customers."

Our review of the topics covered in this required training course found that the training includes procedures on the use of acceptable forms of identification and updated license features used by PennDOT to deter the use of fraudulent identification – items that PennDOT should want its agents to know before they began providing services to customers.

As a result of this lenient contract provision, contracted agents (and their employees) may provide PennDOT services for up to one year *before* receiving even the most basic training in the handling of PennDOT products. Subsequently, contracted agents may not be fully prepared, nor properly versed in approved PennDOT procedures.

By not requiring completion of an approved training course before contracted agents (and employees) start to process transactions, PennDOT cannot assure either itself or its customers that its agents have the knowledge to complete transactions properly.

It is important to note that this problem is due, in part, from lenient language in PennDOT's agent contract. In finding six, we discuss the agent contract and other problems we found in more detail.

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**PennDOT did not know if its agents
even received the required training**

PennDOT did not track its agents compliance with the training requirements contained in the contract. PennDOT officials repeatedly told us that it is the agent's responsibility to comply with the training requirements and accordingly, PennDOT does not maintain training records for its agents. Rather, PennDOT relies on its audit process to identify agents that have not received the training.

We note two concerns with PennDOT's position of relying on the audits to determine the agents' compliance with training requirements. First, as we previously stated, PennDOT only audits a small percentage of the total population of agents and some agents are not subject to an audit at all. Second, when noncompliance with training requirements is identified, PennDOT does not follow up to ensure that the agents subsequently received the training, nor does PennDOT impose any type of sanction on an agent for failure to comply with contract provisions.

It was interesting to note that PennDOT does gather training information about its agents but it did not take the additional step of actually establishing and maintaining a database of the training information it did receive. For example, PennDOT collected lists of agents who attended PennDOT administered training classes. Additionally, PennDOT required the certified trainers to submit the attendance list for all training classes that they administered. In short, PennDOT had data it could use proactively to verify which agents and their employees had indeed obtained the required training.

**PennDOT did not sanction agents
who did not obtain the required training**

PennDOT officials told us it uses the audit process to identify agents that have not complied with the training requirements;

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however, when the audits reveal instances of noncompliance, PennDOT did not sanction or penalize its agents. Our review of 46 agent audits found that PennDOT auditors cited 23 of those agents with training related deficiencies. We asked PennDOT if it followed up with these 23 agents to determine if the training was subsequently received. PennDOT provided the following in response to our inquiries:

- 3 of the 23 agents: PennDOT did follow up to see whether the agent obtained the required training.
- 6 of the 23 agents: PennDOT did not follow up on the training deficiencies because the agents were either suspended or terminated due to other contract violations.
- 14 of the 23 agents: PennDOT did not conduct any follow-up with the agent to ensure that the agent subsequently received the required training.

In the 14 cases where PennDOT did not follow up on the training deficiencies, PennDOT allowed the agents to continue to do PennDOT business without any penalty for failure to comply with the contract.

Furthermore, in its September 2009 *Driver and Vehicle Services Update*, PennDOT provided its contracted agents with information to remind agents how to avoid possible sanctions or terminations of their contracts. PennDOT then provided information about the most common deficiencies identified as a result of the audits. An agent “not completing the required training” was listed among the most common deficiencies. Clearly, as evidenced by the number of training deficiencies, agents not complying with the training provisions is a common occurrence and therefore, PennDOT must do more to monitor and track agents’ compliance with contractually required training.

PennDOT should start with revising the agent contracts to include sanctions for noncompliance with training requirements. Without any type of sanctions, there was no incentive to comply

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with the training requirements and, most likely, that lack of incentive contributed to the *actual* lack of compliance, as evidenced by PennDOT's own audit results.

**PennDOT did not provide adequate information
on training available to agents**

Agent training is provided throughout the state by PennDOT employees and by PennDOT-certified trainers. During our audit period, three PennDOT employees provided training to contracted agents. PennDOT also authorizes certain businesses (referred to as certified trainers) to provide agent training. According to PennDOT's website,²² PennDOT authorized 14 businesses as certified trainers as of October 2012.

Availability of training session information. PennDOT told us that it offers numerous sessions of both basic and advanced training at locations throughout the commonwealth. PennDOT also told us that these training sessions, conducted by the three PennDOT employees, are advertised in PennDOT bulletins which are available on the PennDOT website.²³ According to PennDOT, in addition to posting these bulletins on its website, it also emails the bulletins to all contracted agents with an email address on file with PennDOT.

PennDOT stated that these bulletins are the only source of information on agent training conducted by PennDOT employees. Consequently, agents who do not have an email account and/or Internet access would not be aware of these sessions unless they contacted PennDOT directly. Since PennDOT has a training requirement provision in its agent contracts, PennDOT should ensure that it employs multiple methods of informing the agents of when and where the required training is offered.

²² www.dmv.state.pa.us/messenger_services/certified_trainers.shtml, accessed October 4, 2012.

²³ www.dmv.state.pa.us/updates/index.shtml, accessed October 4, 2012.

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With regard to the certified trainers that PennDOT authorizes to provide training to agents, PennDOT required the certified trainers to submit schedules of upcoming sessions to PennDOT. However, PennDOT did not make these schedules available on its website or otherwise provide the information to contracted agents. Therefore, PennDOT missed another opportunity to keep its contracted agents informed of upcoming training sessions.

Frequency of training. To determine if training sessions are offered frequently enough to allow all agents to receive the mandated training, we evaluated the availability of PennDOT’s own training sessions as well as the sessions provided by the certified trainers. According to our review of the PennDOT bulletins, we determined that for the period of July 2007 through June 2011, PennDOT offered at least 21 basic training courses and 35 advanced training courses. We also determined that the training was available at two different locations in all three regions of the state. Therefore, it appears that PennDOT did offer multiple opportunities for agents to obtain the required training, albeit as long as the agents were aware of the when and where the training would be held.

Just as we determined that PennDOT did not do enough to notify agents of the training provided by PennDOT itself, we also found that the sessions offered by the certified trainers were not widely offered or advertised. We reviewed the certified trainer sessions scheduled for the period July to December 2011, and found that seven of the 14 businesses had not scheduled any training during this six-month period. When we asked PennDOT why these seven businesses had not scheduled training, PennDOT stated that all certified trainers offer “on-demand” training.

According to PennDOT, “on-demand” training allows the contracted agent to request a training session be held at the agent’s place of business. However, nowhere – not in the agent contract nor on the PennDOT website – does PennDOT advise

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agents that certified trainers will provide training “on-demand” at the agent’s place of business.

PennDOT also told us that 3 of 14 businesses were approved²⁴ to offer online training. While we commend PennDOT for providing this additional method of obtaining the training, PennDOT did not go far enough in informing agents of this option. Specifically, we could not find any mention of this online training option on PennDOT’s website, in its bulletins, or even in the agent contracts.²⁵ Failure to provide this information to all agents is yet another example where PennDOT missed an opportunity to keep its agents informed of ways to ensure compliance with the training requirements.

**Summary and
Recommendations**

PennDOT’s agent contract training provisions, as written, “left the door open” to agents not being fully trained on PennDOT procedures before they actually began to provide PennDOT services. PennDOT’s contracted agents serve as the “de facto” agency for members of the public that cannot otherwise access PennDOT services online or by the mail. Therefore, we concluded that PennDOT must do more to ensure that its contracted agents are fully trained.

Recommendations

10. PennDOT should amend its agent contracts to:
 - a. Require contracted agents and their employees obtain basic agent training *before* they provide PennDOT services.
 - b. Include a sanction to prohibit agents and employees who do not obtain the required bi-annual training from

²⁴ PennDOT stated that the first business was approved to offer online training in January 2006, the second business was approved in May 2008, and the third business was approved in December 2009.

²⁵ As of October 4, 2012, PennDOT did not indicate on its website www.dmv.state.pa.us/messenger_services/certified_trainers.shtml that online training was available.

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- performing PennDOT services until training documentation is provided.
- c. Require agents to provide PennDOT with documentation certifying that the agent and their employees received all basic and bi-annual training.
11. Using the training information provided by the agents, PennDOT should establish a database of agent training in order to monitor *all* agents' compliance with the training requirements.
 12. When noncompliance with training requirements is identified, PennDOT should follow up with agents to ensure that the training is received, and if necessary impose sanctions on those agents who continue to violate the training provisions of the contract.
 13. PennDOT should ensure that its contracted agents are informed of all available means of obtaining the required training, including the online option provided by the certified trainers.

**PennDOT
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Finding Six

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Finding Six

PennDOT should improve its contract language with its contracted agents and further, PennDOT must ensure that it maintains current information on its contracted agents.

In finding five, we discussed inadequate PennDOT contract provisions regarding agent training. However, other contract provisions were also inadequate. For example, we found problems with agent requirements for criminal history background checks and maintaining current notary licenses. In our opinion, these problems can be traced to PennDOT not drafting a comprehensive and readily enforceable agent contract. A more enforceable contract (i.e., one that contains sanctions for non-compliance) would give PennDOT a “stick” from which to ensure agent compliance.

While a poor contract may lead to enforcement problems later, we also found PennDOT suffered from a larger problem – not maintaining accurate records on its agents. During our examination of the contracted agent program, PennDOT provided us with conflicting lists of agents, some of which we later discovered were no longer even providing PennDOT services.

As we discuss further in the finding that follows correcting these problems is a two-step process. First, PennDOT needs to develop a more readily enforceable agent contract. Second, PennDOT needs to review its existing agent databases and ensure that its data is complete and valid.

PennDOT failed to draft a readily enforceable and comprehensive agent contract

As we noted in finding five, PennDOT has taken a “hands-off” approach to ensuring agents comply with training requirements. In addition to agent training, we found similar problems with

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requirements for criminal history background checks and maintaining current notary licenses.

This hands-off approach is most likely attributable to the fact that PennDOT's agent contract lacks a means of applying sanctions for non-compliance with contract requirements. Moreover, because there were no sanctions for failure to comply with requirements written into the contract, PennDOT often did not take action against non-complying agents.

For example, PennDOT contracts required agents to obtain criminal history background checks from the Pennsylvania State Police for each employee who processed PennDOT transactions. The contract states these checks are to be available upon request. However, there is no language in the contract addressing the consequence if an agent does not obtain the required background check.

As part of the issuing agent process, PennDOT auditors do review for criminal history background checks. In fact, in the 52 audits we reviewed, we found that in 26 of the audits the lack of a background check was noted as an area of noncompliance. And, in 15 of these 26 audits, PennDOT did not follow up to ensure that the agents actually obtained a background check.

With respect to notary license requirements for card agents, PennDOT required the agent or an employee to possess a current notary license. In this requirement, PennDOT took a stronger position and stated that expiration or revocation of a notary license was a "breach of contract." However, according to the contract terms, the penalty for breach of contract was only *possible* termination of the contract – not actual termination.

PennDOT acknowledged it verified notary license status only when the original agent contract was signed. PennDOT's lenient oversight of this requirement became evident in our

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review of the notary status of 164 card agents.²⁶ Our review disclosed 14 agents, or 8.5 percent, had not renewed their notary license. PennDOT continued to list these 14 agents as active despite the fact that the agents did not possess a current notary license as the contract required.

Poor contract language provided numerous difficulties for PennDOT to avoid holding agents accountable. During our interviews with PennDOT officials, we were repeatedly told that PennDOT expects its agents to comply with all provisions of their contract. Yet, as we discussed throughout this report, PennDOT has not done enough to ensure that the agents are actually complying with the contracts. Furthermore, when PennDOT does identify instances of noncompliance by an agent, PennDOT often did not take action because, in our estimation, these contracts had no teeth. When we discussed these contract inadequacies with PennDOT, it acknowledged the contracts were deficient and PennDOT officials informed us that they were in the process of rewriting its agent contracts.

PennDOT failed to keep accurate agent records

In addition to the problems we found regarding agents having background clearances completed and valid notary licenses, PennDOT lists of active agents included terminated agents as well as agents who – unknown to PennDOT – no longer provided PennDOT services. These lists also contained erroneous, yet essential, agent information such as business names and addresses.

In comparing PennDOT's lists of terminated and active agents, we noted that some agents appeared on both lists. Our review disclosed (and PennDOT confirmed) that five active agents were incorrectly listed as terminated and three terminated agents were incorrectly listed as active.

²⁶ Verification of notary licenses was performed at <https://www.notaries.state.pa.us/Pages/NotarySearch.aspx>, accessed October 4, 2012.

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Further, during phone calls we made to card agents, we found 8 of 31 – or 25 percent – no longer performed PennDOT services.²⁷ In fact, two of the eight card agents were deceased. But until we informed PennDOT, these eight agents were listed as active in PennDOT records.

Similarly, during phone calls to full agents, we found 4 of 56 full agents no longer performed PennDOT services.²⁸ Again, until we informed PennDOT, these full agents were listed as active in PennDOT records.

Because the card and full agents called were randomly chosen and represented a very small percentage of all agents, it is probable that there are other agents who no longer provide PennDOT services but are still listed as active on PennDOT records.

We also conducted procedures to verify the status of online messengers²⁹ and online registration participants³⁰ from information available on PennDOT's website. Our results showed that these lists also contained errors. Specifically, we found that the website listed messengers who were no longer in business, had erroneous agent business names and addresses, or had business owners listed as employees. PennDOT ultimately corrected the information, but not until *after* we brought the errors to their attention.

As part of PennDOT's responsibility for overseeing the contracted agent program, we expected PennDOT to be able to provide us with reliable and accurate information on its contracted agents. However, as demonstrated by the above examples, PennDOT often does not know which agents are even still active. The lack of complete and updated information is concerning because if PennDOT does not have accurate and

²⁷ We randomly chose these 31 card agents from PennDOT's list of 604 card agents.

²⁸ Our sample of 56 full agents was randomly chosen from PennDOT lists of 2,841 full agents.

²⁹ http://www.dmv.state.pa.us/pdotforms/Sheets/OLM_Brochure_Website_2612.pdf, accessed October 3, 2012.

³⁰ http://www.dmv.state.pa.us/pdotforms/misc/online_stations.pdf, accessed October 3, 2012.

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complete information regarding the agents who contract with PennDOT, it cannot ensure that it is providing adequate oversight of these agents' activities.

**Summary and
Recommendations**

PennDOT's oversight of the contracted agent program could be improved by addressing two immediate problems: strengthening the agent contract so that it contains sanctions for noncompliance and ensuring that PennDOT maintains current information on each of its contracted agents.

Recommendations

14. PennDOT should develop an effective and readily enforceable agent contract that includes language for some type of consequence or sanction for noncompliance with each contract requirement. Additionally, PennDOT should have all current agents sign the updated contract.
15. PennDOT should maintain accurate and complete contracted agent records. At a minimum, these records must contain the business name, owner(s) name(s), business address or addresses, the type of agent contract(s), and the current status of the contract(s).
16. PennDOT should regularly monitor and update the agent information posted on its website to ensure the accuracy of its agent listings.

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Appendix A
**Objectives,
Scope, and
Methodology**

The Department of the Auditor General conducted this special performance audit in order to provide an independent assessment of the PennDOT Issuing Agent Program. Furthermore, we conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

The overall objective of this audit was to evaluate PennDOT's oversight of the Issuing Agent Program. We accomplished this objective by focusing on PennDOT's:

- role in auditing its contracted agents;
- enforcement of the training requirements for contracted agents;
- efforts to publicize its contracted agents availability;
- ability to ensure valid contract agent information is maintained on file;
- involvement in monitoring contracted agent fees charged to the public; and,
- use of an adequately enforceable agent contract.

Scope

This audit report presents information for the period of July 1, 2007 through June 30, 2010, unless otherwise indicated.

**PennDOT
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Appendix A

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Methodology

PennDOT management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that PennDOT is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. Additionally, we gained a high-level understanding of PennDOT's information technology (IT) environment and evaluated whether internal controls specific to IT were present. Any significant deficiencies found during the audit are included in this report.

To address our audit objectives, we performed the following procedures:

- Reviewed all applicable commonwealth laws and regulations, as well as PennDOT policies and procedures related to the contracted agent program.
- Interviewed appropriate PennDOT personnel responsible for the oversight of the contracted agent program to obtain an understanding of the nature and profile of the program.
- Obtained and reviewed sample copies of PennDOT agent contracts.
- Obtained and reviewed PennDOT listings of active and terminated contracted agents and conducted procedures to determine the reliability of the information provided on the listings.
- Conducted telephone interviews with a test group of contracted agents to determine the amount of fees charged to the public for specific PennDOT services.

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- Conducted internet research and other procedures to determine if contracted agent listings and fee information is readily availability to the public.
- Evaluated PennDOT's audit process to determine the adequacy of PennDOT's oversight of contracted agents.
- Reviewed documentation for a sample of the audits that PennDOT completed on its contracted agents and determined if PennDOT adequately followed up when deficiencies were identified.
- Determined the notary status for a test group of 164 card agents to verify if the agents maintained current notary licenses as required by the contract.
- Evaluated the process that PennDOT utilized to inform its agents of available training sessions including reviewing information available on the PennDOT website and in PennDOT issued bulletins.
- Reviewed PennDOT records of scheduled training sessions to determine if a sufficient number of training sessions were offered at multiple locations throughout the state.
- Reviewed training records for PennDOT's own auditors to determine if they received adequate training to conduct contracted agent audits.

Findings and Recommendations

We developed six findings during our review of PennDOT's oversight of its contracted agent program for the audit period, and we present 16 recommendations to address the issues we identified. We will follow up within the next 12 to 24 months to determine the status of our findings and recommendations.

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Issuing Agent Program

Appendix A

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Our expectation is that the findings presented herein will improve PennDOT's accountability to the public and will provide a framework for corrective action where necessary.

Appendix B

**PennDOT
Issuing Agent Program**

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Appendix B Services Provided by PennDOT's Contracted Agents

DRIVER SERVICES		Card	Full	Online Messenger	OLRP³¹
1.	Driver license renewal			✓	
2.	Driver license photo ID replacement			✓	
3.	Driver license replacement			✓	
4.	Application for change of address			✓	
5.	Request for driver record			✓	

VEHICLE SERVICES		Card	Full	Online Messenger	OLRP
1.	Certificate of title	✓	✓	✓ ³²	✓
2.	Duplicate title	✓	✓	✓	✓
3.	Vehicle lessee information	✓	✓		✓
4.	Verify vehicle fair market value	✓	✓		✓
5.	Vehicle sales & use tax return	✓	✓		✓
6.	Affidavit of gift	✓	✓		✓
7.	Temporary registration plate		✓		
8.	Special fund plate			✓	
9.	Renewal of vehicle registration	✓	✓	✓	✓
10.	Vehicle registration replacement			✓	✓
11.	Apply for retired status registration			✓	
12.	Transfer of vehicle registration	✓	✓		
13.	Application for a change in name	✓	✓		✓
14.	Application for change of address			✓	✓
15.	A request for vehicle information			✓	

³¹ Online registration participants.

³² Online messengers can process a certificate of title if they are also an online registration participant.

**PennDOT
Issuing Agent Program**

*Response from
Auditee*

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**Response from
Auditee**

In accordance with generally accepted government auditing standards, we provided a draft copy of our audit report to PennDOT's management for their review. The following pages present PennDOT's response to our audit findings. No changes were made to the final report based on PennDOT's response.

Overall, we are pleased to see that PennDOT acknowledges the value of this performance audit to its contracted agent program and has proactively implemented many of the audit recommendations.



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF TRANSPORTATION
HARRISBURG, PENNSYLVANIA 17120

OFFICE OF
SECRETARY OF TRANSPORTATION

December 28, 2012

Stephen G. Fickes
Audit Manager
Bureau of Special Performance Audits
Department of the Auditor General
302 Finance Building
Harrisburg PA 17120

Dear Mr. Fickes:

I am acknowledging the receipt of the draft audit report regarding the issuing agent program in the Department of Transportation. Thank you for the opportunity to review the draft report and provide our comments concerning the findings and recommendations. Please accept this letter and enclosure as PennDOT's response to the recommendations provided by the Bureau of Special Performance Audits of the Auditor General.

First, let me share my appreciation for the recommendations provided and the review of the program conducted. Since the commencement of the issuing agent audit in 2010, the PennDOT Bureaus of Driver and Vehicle Program Services and Motor Vehicles have been working to share knowledge and understanding of PennDOT's program processes and procedures with the Auditor General's Bureau of Special Performance Audits. In turn, these PennDOT bureaus have benefited from the exchange of information by proactively making program enhancements over the course of the audit. The review also further validated for PennDOT the program enhancements that were in progress.

PennDOT's audit program of its agents is a key component of PennDOT's contracted issuing agent program. In this regard, the department will continue to take the necessary steps to provide continued review and enhancement of the audit program to ensure the successful delivery of products and services to customers through the department's authorized agents.

Enclosed are our responses to all recommendations as outlined in the draft report. The responses outlined are specific to the enhancements the department has or will be undertaking relative to each finding. The PennDOT enhancements outlined under each finding do not necessarily denote agreement to the finding in its entirety as stated; however, they do reflect an agreement in terms of opportunities to enhance the audit program as related to each finding.


Mr. Stephen G. Fickes

December 28, 2012

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This response is submitted in accordance with Management Directive 325.10. Should you have any questions, please contact David Maynard at (717) 346-9198.

Sincerely,


for Barry J. Schoch, P.E.
Secretary of Transportation

Enclosure

**Issuing Agent Program
Special Performance Audit
PennDOT Response
December 28, 2012**

Finding One

PennDOT failed to successfully use its most important agent oversight tool – audits. Consequently, PennDOT did not audit a substantial majority of its agents and did not conduct effective audits on those agents who were audited.

Recommendations

1. The Bureau of Motor Vehicles should:

a. Increase the number of contracted agent auditors.

Response:

PennDOT is increasing the number of contracted agent auditors by two auditors by Fiscal Year 2013-14 to further increase the number of audits conducted.

b. Require auditors to travel overnight as warranted.

Response:

PennDOT is adjusting its auditors' scheduled work hours to provide for overnight travel needed for more extensive coverage of the northern tier of Pennsylvania.

c. Change auditor hours to allow audits in the evening.

Response:

PennDOT has adjusted auditor scheduled work hours to allow audits in the evening for agents with evening business hours.

d. Increase the number of audits performed.

Response: PennDOT conducts random audits of its agents. With this in mind, PennDOT has revisited the number of audits conducted by its auditors and has re-established its target audit goals for the program based on staff capacity and actual auditor performance over the past two years. Staff capacity to conduct audits based on performance reduces the target goal to a more realistic target; however, with the addition of two auditors, PennDOT will increase the number of audits performed.

e. Include all card and full agents in the population from which it selects audits.

Response:

PennDOT prioritized its audit focus on the greatest risk areas. This means that PennDOT audited agents who maintain secure PennDOT products. Not all authorized agents of the department maintain PennDOT products (such as temporary registration license plates and temporary rear window permits). Card agents do not maintain PennDOT products; however, they do conduct PennDOT services. Although card agents are not a high risk area of the business in comparison, in the future PennDOT will include a segment of the card agents in the population from which it selects audits.

2. To ensure that its auditors are sufficiently trained, the Bureau of Motor Vehicles should:

- a. Develop a standard curriculum that, at a minimum, includes ongoing training in basic and bi-annual advanced agent training, fraud training, and training in agent contract provisions.**

Response:

PennDOT maintains an established curriculum that includes ongoing training in basic agent training (required every year) and fraud training (required every 2 years). PennDOT covers the essential requirements an agent needs to successfully comply with PennDOT requirements (and subsequently an audit) in the basic agent training program. PennDOT training in contract provisions for auditors is included in the basic agent training. In the future, PennDOT will also require advanced agent training of its auditors every year. PennDOT is documenting these training requirements in the Regulated Client Audit Manual (currently in draft).

- b. Monitor auditor training to ensure that each auditor is receiving the required training.**

Response:

PennDOT monitors auditor training through its employee performance review process, which includes development of the training plan and progress review of the training plan throughout the year.

3. The Bureau of Motor Vehicles should ensure that its contracted agent audit procedures:

- a. Are standardized in a comprehensive audit manual.**

Response: PennDOT has drafted a Regulated Client Audit Manual, which will include the provisions noted here in PennDOT's response.

b. Include verification of all contract provisions.

Response: PennDOT is revising its audit checklist to include verification of all contract provisions, including non-sanctionable provisions.

c. Include specific steps as to how auditors should follow-up on contracted agent audit deficiencies.

Response: PennDOT is revising its processes to include step-by-step follow-up procedures for auditors to address audit deficiencies of contracted agents.

4. The Bureau of Motor Vehicles should ensure that documentation of contracted agent audits include, at a minimum:

a. All audit steps performed and the results of each step.

Response: PennDOT will include in its Regulated Client Audit Manual how all audit steps are to be performed and the expected results of each step.

b. Any follow-up of audit deficiencies.

Response: PennDOT will include in its Regulated Client Audit Manual follow-up requirements for audit deficiencies.

5. The Bureau of Motor Vehicles must immediately institute procedures to ensure that its contracted agent audit lists are complete and accurate.

Response: PennDOT provided the Auditor General's audit staff with information during the course of the audit regarding the status of its agents. The Auditor General's staff noted concerns regarding the accuracy of PennDOT database information about duplicate entries of information provided. A clarification should have been provided in regards to the noted duplicates and the remedy the department is implementing. In order to respond to the request for certain information, PennDOT pulled data from various sources (dealer database, contract database, and regional auditors' spreadsheets) to provide the requested information as one report or list. This was a manual and labor intensive process, which resulted in some duplicate entries provided to the auditors. The duplicate entries are not a true reflection of the accuracy of the various databases in which the information is housed. The agent contract database is a home grown Access database and the dealer database is an aging system, which the Department recognizes and the audit further validates. Replacement of these databases with a better system will ensure ease of reporting and tracking. The department has identified the replacement of these systems as a priority on its IT portfolio.

Finding Two

PennDOT's Bureau of Driver and Vehicle Program Services should improve its oversight of online messengers.

Recommendations

6. PennDOT's Bureau of Driver and Vehicle Program Services should:

a. Consider increasing the number of online messenger auditors.

Response: PennDOT is increasing the number of monthly audits conducted by its On Line Messenger (OLM) auditor. Based on this increase in audits conducted, PennDOT will evaluate whether additional auditors are necessary. At this time, PennDOT does not believe an increase in OLM auditors will be necessary.

b. Increase the number of online messenger audits performed annually.

Response: PennDOT is increasing the number of monthly audits conducted by its On Line Messenger (OLM) auditor.

c. Ensure that online messenger audit procedures include specific steps for auditors to follow up on all audit deficiencies with guidance on when and how to document the follow-up.

Response: PennDOT is revising its OLM audit procedures to include step-by-step procedures for auditors to follow-up on contracted agent audit deficiencies. These procedures will be outlined in the Regulated Client Audit Manual referenced earlier.

d. When conducting onsite audits, ensure that each online messenger has an ongoing training plan in place and that each online messenger employee is completing not just initial training, but ongoing training.

Response: PennDOT will revise its OLM audit checklist to include verification that each online messenger has an ongoing training plan in place for each online messenger employee.

Finding Three

PennDOT said that "market forces" would make agents charge reasonable fees to customers. Yet PennDOT neither defined reasonable nor found out what fees were actually charged, thus giving customers no means to judge the fees nor to comparison shop.

Recommendations

- 7. PennDOT should establish an upper limit to the fee that its contracted agents can charge for each PennDOT service that the agent provides.**

Response: PennDOT maintains that agent fees for services should continue to be market driven (Not to be confused with PennDOT fees prescribed in the vehicle Code). PennDOT will add language to its website and agent related fact sheets to encourage customers to shop for the best price.

Finding Four

PennDOT should make information pertaining to its issuing agents more easily accessible to the public.

Recommendations

- 8. PennDOT should make a comprehensive listing of all agents available to the public. At a minimum, this list should include the agent's name, address, and the PennDOT services provided.**

Response: PennDOT supports the transparency of available agent services. PennDOT will make a listing of all agents available to the public on the PennDOT website.

- 9. PennDOT should consider including a provision in its agent contract that all agents with a website must post current fee information on each PennDOT product offered.**

Response: PennDOT will include a provision in its agent requirements that all agents with a website post current fee information on PennDOT products offered.

Finding Five

PennDOT's agent contracts should be strengthened so that required training is completed before any agent provides services. Furthermore, PennDOT needs to improve its oversight of its contracted agents' training requirements.

Recommendations

- 10. PennDOT should amend its agent contracts to:**

- a. Require contracted agents and their employees obtain basic agent training before they provide PennDOT services.**

Response: PennDOT is revising the language in its agent contracts to require contracted agents and staff to obtain basic agent training prior to providing PennDOT services.

- b. Include a sanction to prohibit agents and employees who do not obtain the required bi-annual training from performing PennDOT services until training documentation is provided.**

Response: PennDOT will revise the contract language to impose a sanction on the agent for either the agent or employees not obtaining the required training.

- c. Require agents to provide PennDOT with documentation certifying that the agent and their employees received all basic and bi-annual training.**

Response: PennDOT will revise the contract language to require an agent secure basic training for staff prior to an agent coming under contract with the department. An authorized agent must also submit to PennDOT any new employee's copy of their training certificate prior to that employee being authorized to serve under the contract. PennDOT maintains that the agent is responsible to meet the terms of their contract to ensure ongoing required training of their staff; which under the revised contract language will be a sanctionable offense for non-compliance.

- 11. Using the training information provided by the agents, PennDOT should establish a database of agent training in order to monitor *all* agents' compliance with the training requirements.**

Response: PennDOT plans to establish an enhanced training solution for tracking of agent training as part of a new dealer system. Current tracking of training remains manual and labor intensive.

- 12. When noncompliance with training requirements is identified, PennDOT should follow up with agents to ensure that the training is received, and if necessary impose sanctions on those agents who continue to violate the training provisions of the contract.**

Response: PennDOT will revise the terms of the contract to include suspending the agent for not meeting the contract's training requirements until the contract training requirements are met.

- 13. PennDOT should ensure that its contracted agents are informed of all available means of obtaining the required training, including the online option provided by the certified trainers.**

Response: Currently, department provided training available for agents is posted on PennDOT's website. PennDOT will expand this posting to include available training provided by PennDOT's authorized training partners to further ensure agents have this access to other options available to them regarding required training.

Finding Six

PennDOT should improve its contract language with its issuing agents and further, PennDOT must ensure that it maintains current information on its issuing agents.

Recommendations

14. PennDOT should develop an effective and readily enforceable agent contract that includes language for some type of consequence or sanction for noncompliance with each contract requirement. Additionally, PennDOT should have all current agents sign the updated contract.

Response: The department has developed a new agent contract (currently under final review). PennDOT will deploy the new contract with all new agents and at renewal time for all current agents of the department.

15. PennDOT should maintain accurate and complete contracted agent records. At a minimum, these records must contain the business name, owner(s) name(s), business address or addresses, the type of agent contract(s), and the current status of the contract(s).

Response: PennDOT maintains contracted agent records on its contract database, which includes the agent's business name, owner(s) name(s), business address, the type of agent contract(s), and the current status of the contract(s). PennDOT will institute a quality control check at the supervisor level to ensure completeness and accuracy of data entered into the system.

16. PennDOT should regularly monitor and update the agent information posted on its website to ensure the accuracy of its agent listings.

Response: PennDOT has implemented a process to regularly monitor and update the current on-line registration agent information posted on its website to ensure the accuracy of its on-line registration agent listings.

**PennDOT
Issuing Agent Program**

*Audit Report
Distribution List*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January 2013*

**Audit Report
Distribution List**

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