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# Justification Review

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Motor Vehicle-Related Activities  
Performed by the Licenses,  
Titles, and Regulations Program  
Department of Highway Safety and Motor Vehicles

Report No. 01-03 January 2001

*Office of Program Policy Analysis  
and Government Accountability*

*an office of the Florida Legislature*

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John W. Turcotte, OPPAGA Director*



# The Florida Legislature

## OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY



John W. Turcotte, Director

January 2001

The President of the Senate,  
the Speaker of the House of Representatives,  
and the Joint Legislative Auditing Committee

I have directed that a program evaluation and justification review be made of motor vehicle-related activities performed by the licenses, titles, and regulations program of the Department of Highway Safety and Motor Vehicles. The results of this review are presented to you in this report. This review was made as a part of a series of justification reviews to be conducted by OPPAGA under the Government Performance and Accountability Act of 1994. This review was conducted by Becky Vickers, Brennis Verhine, Ron Patrick, and Rashada Houston under the supervision of Tom Roth.

We wish to express our appreciation to the staff of the Department of Highway Safety and Motor Vehicles for their assistance.

Sincerely,

John W. Turcotte  
Director

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## *Executive Summary*

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# Justification Review of Motor Vehicle-Related Activities Performed by the Licenses, Titles, and Regulations Program of the Department of Highway Safety and Motor Vehicles

## Purpose

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This report presents the results of our Program Evaluation and Justification Review of the motor vehicle-related activities performed by the Department of Highway Safety and Motor Vehicles' Licenses, Titles, and Regulations Program. State law directs our office to complete a justification review of each state agency program that is operating under a performance-based program budget. Our office reviews each program's performance and identifies alternatives for improving services and reducing costs.

The Licenses, Titles, and Regulations Program is composed of two former programs (the Motor Vehicles Program and the Driver Licenses Program) that were combined by the 2000 Legislature. For purposes of reporting the results of our justification review, we are reporting on the program's motor vehicle-related and driver license-related activities in two separate reports.

## Background

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The Licenses, Titles, and Regulations Program's motor vehicle-related activities are intended to increase consumer protection and public safety through licensing systems that title and register motor vehicles, vessels, and motor homes; regulate vehicle and mobile home dealers and manufacturers; and efficiently collect revenue. The program's motor vehicle-related activities are divided into six service categories.

- ***Vehicle and Vessel Title and Registration Services*** -- general support for motor vehicle and vessel registration and titling services, including customer and technical assistance to county tax collector offices.

## *Executive Summary*

- ***Licensing Automobile Dealers*** -- administrative and clerical support for all licenses issued by the department, including licenses for automobile dealers, manufacturers, importers, distributors, mobile home manufacturers, manufactured home manufacturers, and recreational vehicle manufacturers.
- ***Compliance and Enforcement*** -- activities designed to protect the public from vehicle title fraud, automobile theft, and illegal motor vehicle business practices.
- ***Mobile Home Compliance and Enforcement*** -- activities intended to protect the public from unsafe mobile homes.
- ***Motor Carrier Compliance*** -- registers and taxes commercial motor carriers based in Florida under the International Registration Plan and the International Fuel Tax Administration.
- ***Executive Direction and Support Services*** -- general business functions, planning, and resource management.

The state's 67 county tax collectors, who are authorized to serve as agents of the department, process most motor vehicle and vessel titles, registrations, and registration renewals. Florida citizens may visit county tax collectors offices to pay the required fees in order to obtain titles, license plates, and registration renewal decals.

For Fiscal Year 2000-01, the program was allocated \$75,953,971 and 597 positions for motor vehicle-related activities. These activities are projected to generate \$85 million to be deposited into general revenue, \$857.5 million to be deposited into trust funds used to finance programs of other state agencies, and \$74 million to be used to fund Department of Highway Safety and Motor Vehicles operations.

## Program Benefit and Placement ---

The primary public benefits of the program's motor vehicle-related activities are protecting consumers, assisting the law enforcement community, and serving as a source of revenue to support program costs and those of other state agencies. It would not be in the state's best interest to abolish this program due to the negative effect on consumers. The program also generates general revenue for the state that would have to be either replaced by another tax or fee or offset by expenditure reductions.

County tax collector staff rather than state employees perform the majority of the processing work for motor vehicle titles and registrations. The program's centralized control over activities to support the work of the county tax collectors is efficient. The program is logically placed within the Department of Highway Safety and Motor Vehicles in that

motor vehicle-related activities are closely aligned with the department's other activities (driver licensing and the Florida Highway Patrol) and keeping these activities within one agency promotes their coordination.

The Department of Highway Safety and Motor Vehicles and the Florida Department of Transportation have some similarities in mission and activities. The state might be able to reduce the executive direction and support costs of the Department of Highway Safety and Motor Vehicles by merging it with the Florida Department of Transportation. However, the resulting agency would be very large and thus might be difficult to administer. The Legislature should consider the option of merging the Department of Highway Safety and Motor Vehicles with the Florida Department of Transportation.

## Program Performance and Budget Structure

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The program's performance in meeting motor vehicle-related performance standards was mixed for Fiscal Year 1999-2000. The program met efficiency and unit cost standards, but met few motor vehicle outcome standards.

The program's budget structure does not accurately portray the resources used for licensing and regulating motor vehicle dealers and manufacturers. The Legislature should

- revise the budget service categories for the Licenses, Titles, and Regulations Program to move all resources for licensing and regulating dealers and manufacturers into one service category.

## Privatization and Outsourcing

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Further outsourcing of program services is possible. Motor vehicle programs in other states have outsourced regulation of mobile home manufacturing and have authorized different types of private entities to conduct Vehicle Identification Number (VIN) verifications and process motor vehicle titles and registrations.

Outsourcing mobile home manufacturing regulation would reduce the number of state employees. The Department of Highway Safety and Motor Vehicles should

- determine its costs for mobile home manufacturing regulation and the estimated cost of monitoring contractors if this activity were outsourced and

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- solicit bids for providing mobile home manufacturing regulation.

Expanding the number of private entities authorized to conduct VIN verifications would create more options for consumers with little impact on state costs. The Legislature should revise statutes to

- include private entities contracted by the department in the list of entities authorized to conduct VIN verifications and
- authorize the department to establish a fee range private entities may charge for conducting VIN verifications.

Outsourcing motor vehicle title and registration processing to private entities would increase the locations available to state taxpayers for obtaining vehicle and vessel titles, registrations, and registration renewals. However, this option has potential drawbacks, such as significantly increasing program monitoring responsibilities. Issues such as whether the state or private contractors would bear the cost of computer equipment and upgrades would also need to be resolved. The Legislature should

- consider expanding the outsourcing of motor vehicle title and registration processing to private entities when it is in the best interests of the state and direct the Department of Highway Safety and Motor Vehicles accordingly.

## Self-Sufficiency of Compliance and Enforcement Activities ---

For Fiscal Year 2000-01, the cost of the program's compliance and enforcement activities, including licensing dealers and manufacturers, will exceed their revenues. Title and registration fees subsidize these costs. Some of these activities can be considered part of the customer service that is owed to taxpayers in return for their payment of title and registration fees. However, other compliance and enforcement activities can be seen as going beyond the customer service that would be part of the normal title and registration system. Although most of these activities benefit taxpayers as a whole, they also regulate individual constituencies who may profit from the industry being regulated.

If the Legislature wants to better cover the cost of compliance and enforcement activities by increasing fees to the entities or individuals being regulated, the Legislature should

- revise the statutes to raise fees in the three areas discussed in the report and



- decrease motor vehicle title or registration fees by an amount that offsets these adjustments (\$2.5 million).

## Controls Over Rebuilt Motor Vehicle Title Fraud

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In Florida, a rebuilt motor vehicle is defined as a vehicle that has been built from salvage or junk parts. Rebuilt motor vehicles are generally vehicles that have been repaired after being damaged to the point at which they were considered a total loss after an accident.

Rebuilt title fraud can take a number of different forms. Florida has several controls over rebuilt title fraud occurring at the state and local level. Some of these controls are established in statute, and others occur through the procedures followed by state and county tax collector staff as they process titles. Florida statutes and the state's controls over rebuilt motor vehicle title fraud controls could be improved in two areas to better protect consumers.

- The department should continue with plans to implement Florida's participation in the National Motor Vehicle Title Information System to improve the exchange of title information among state motor vehicle programs.
- The Legislature should revise statutes to require disclosure to consumers that rebuilt vehicles have not been inspected for safety.

## Quality Assurance Title Reviews

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Program staff review samples of county tax collectors' title paperwork after the titles have already been issued. The purpose of these reviews is to determine whether tax collectors' staff have properly processed the titles.

Program staff are over-sampling tax collectors' title paperwork. Although we agree that there is a need to review title paperwork for quality control and fraud detection, the relatively small number of problems found leads us to conclude that program managers are devoting too many resources to this effort. The department should

- reduce sample sizes for review of county tax collectors title work, and use the information program staff compile on errors and title fraud potential to select sample sizes for each tax collector and
- reduce the number of staff devoted to conducting quality assurance title reviews. If the overall sample of titles to be reviewed was

## *Executive Summary*

reduced to 10%, staffing devoted to this activity could be reduced from 10 positions to 5, resulting in an annual cost savings of \$145,000 from the Highway Safety Operating Trust Fund.

# Information Technology and Business Process Re-Engineering

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The Legislature and the department have taken steps to address problems identified in a prior OPPAGA report that raised concerns about lengthy processing times for motor vehicle and vessel titles and registrations. These steps include re-engineering the department's title processing procedures and funding enhancements to the department's motor vehicle data systems and equipment upgrades in county tax collectors' offices. As a result of these improvements, titles are now mailed to customers within three days; data system processing times and downtime have been reduced; and department motor vehicle, driver license, and insurance databases better communicate with one another.

## Agency Response

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The Executive Director of the Department of Highway Safety and Motor Vehicles provided a written response to our preliminary and tentative findings and recommendations. (See Appendix D, page 46, for his response.)

# Introduction

## Purpose

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This report presents the results of our Program Evaluation and Justification Review of the motor vehicle-related activities performed by the Department of Highway Safety and Motor Vehicles' Licenses, Titles, and Regulations Program. The Government Performance and Accountability Act of 1994 directs OPPAGA to conduct a justification review of each program during its second year of operating under a performance-based program budget.<sup>1</sup>

The Licenses, Titles, and Regulations Program is composed of two former programs (the Motor Vehicles Program and the Driver Licenses Program) that were combined by the 2000 Legislature. For purposes of reporting the results of our justification review, we are reporting on the program's motor vehicle-related and driver license-related activities in two separate reports.

Justification reviews evaluate program performance and identify policy alternatives for improving services and reducing costs. Appendix A summarizes our conclusions regarding the nine issue areas the law requires to be considered in a program evaluation and justification review.

## Background

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The Licenses, Titles, and Regulations Program's motor vehicle-related activities are intended to increase consumer protection and public safety through licensing systems that title and register motor vehicles, vessels, and motor homes; regulate vehicle and mobile home dealers and manufacturers; and efficiently collect revenue. The program's motor vehicle-related activities are divided into six service categories.

- ***Vehicle and Vessel Title and Registration Services.*** This service category includes activities that provide general support for motor vehicle and vessel registration and titling services, including customer

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<sup>1</sup> The Licenses, Titles, and Regulations Program, formerly the Motor Vehicles Program and the Driver Licenses Programs, began operating under performance-based program budgets in Fiscal Year 1998-99.

and technical assistance to county tax collector offices. Program staff issue title documents, license plates, numbered decals, and registration certifications (primarily processed through county tax collector offices). They also perform quality assurance reviews on the titles processed through county tax collector offices, process corrections for titles issued in error, establish policies and procedures for title and registration processing, and process a small portion of the state's vehicle and vessel titles and registrations. *(302 full-time equivalent or FTE positions)*

- **Licensing Automobile Dealers.** This service category includes administrative and clerical support activities for all licenses issued by the department, including licenses for automobile dealers, manufacturers, importers, distributors, mobile home manufacturers, manufactured home manufacturers, and recreational vehicle manufacturers. These activities include processing license applications, printing and mailing licenses, and acting as the agency clerk by maintaining official license files.<sup>2</sup> The program regulates dealer-manufacturer business relationships through an administrative process that includes reviewing dealership acquisitions, relocations, sales, and changes in executive management. Program staff also process license suspension and revocation actions. *(8 FTE positions)*
- **Compliance and Enforcement.** The Compliance and Enforcement service category includes activities designed to protect the public from vehicle title fraud, automobile theft, and illegal motor vehicle business practices. Program staff assist applicants in preparing and submitting dealer license applications, investigate consumer complaints, perform rebuilt motor vehicle inspections, verify vehicle identification numbers, and enforce dealer title and registration laws by inspecting dealers' records. Program staff performing these activities operate out of 11 field offices.<sup>3</sup> *(144 FTE positions)*
- **Mobile Home Compliance and Enforcement.** The Mobile Home Compliance and Enforcement service category includes activities intended to protect the public from unsafe mobile homes. Program staff inspect manufacturing facilities and dealer lots to ensure they comply with federal building codes and investigate and resolve consumer complaints against mobile home manufacturers. Program staff also license, test, and train mobile home installers and conduct periodic inspections of installations. *(39 FTE positions)*
- **Motor Carrier Compliance.** This service category is responsible for registering and taxing commercial motor carriers (trucking companies)

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<sup>2</sup> Staff in the *Automobile Dealer Licensing* service category are not involved in initial licensing functions and activities such as investigating complaints against licensed dealers and conducting inspections at dealer locations to ensure compliance with title and registration laws. Staff performing these duties are in the *Compliance and Enforcement* service category.

<sup>3</sup> Compliance and enforcement field offices are located in Clearwater, Deland, Jacksonville, Miami, Ocala, Palmetto, Pensacola, Plantation, Tampa, West Palm Beach, and Winter Park.

based in Florida to assure that they pay their fair share of road use and fuel taxes. Commercial motor vehicles register under the International Registration Plan (IRP) and International Fuel Tax Agreement (IFTA), which are interstate cooperative agreements for the payment of registration fees and fuel use taxes among various states and other jurisdictions. As part of these agreements, program staff distribute fees and taxes to other jurisdictions. This service category is also responsible for all program motor vehicle and mobile home registration refunds. (87 FTE positions)

- ***Executive Direction and Support Services.*** This service category administers general business functions, planning, and resource management. (17 FTE positions) <sup>4</sup>

The state's 67 county tax collectors, who are authorized to serve as agents of the department, process most motor vehicle and vessel titles, registrations, and registration renewals. <sup>5</sup> Florida citizens may visit county tax collectors' offices to pay the required fees in order to obtain titles, license plates, and registration renewal decals. <sup>6</sup> Tax collector staff process the title and registration paperwork and enter this information into the program's Florida Real-Time Vehicle Information System. Some tax collectors' offices have title printing equipment so that their staff can print and issue title documents; however, in most cases, titles documents are mailed to customers from the program's headquarters office in Tallahassee. <sup>7</sup> All tax collectors maintain an inventory and/or use decal dispensing machines so that they can provide customers with license plates and registration renewal decals.

Program staff are still responsible for processing "miscellaneous" titles, and some Fast Titles. Miscellaneous titles are titles that need additional processing for reasons such as the vehicle having more than two liens or needing corrections to the title. <sup>8</sup> Fast Titles are those processed in accordance with s. 319.323, *Florida Statutes*, which requires that these titles be issued within five days in return for payment of an additional

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<sup>4</sup> Program administrators are in the process of reducing 2 of these positions, leaving a total of 15 for this service area.

<sup>5</sup> County tax collectors provide motor vehicle services at 237 locations. Program staff offer these service in only two locations, Tallahassee and Pensacola. The latter location offers motor vehicle and driver license services as part of a one-stop center pilot program.

<sup>6</sup> Taxpayers also have the option of sending annual registration renewal fees through the mail. In Broward, Dade, and Volusia counties, the tax collectors have authorized title agents to process title paperwork. Customers using the title agents pay a premium price over and above the normal cost of a title.

<sup>7</sup> As of October 2000, 30 county tax collectors had title printing equipment installed in their offices. The program has received an appropriation for Fiscal Year 2000-01 to install this equipment in the offices of the remaining 37 tax collectors.

<sup>8</sup> Program managers told us that they are phasing out the processing of miscellaneous titles by department staff. These titles will now be handled by county tax collectors.

fee.<sup>9</sup> Fast Title applications are mailed or brought in person to the program's headquarters. County tax collector offices with title printing equipment also issue Fast Titles. In Fiscal Year 1999-2000, the department and tax collectors processed 5.4 million titles.<sup>10</sup>

## Resources

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The Department of Highway Safety and Motor Vehicles administers the Licenses, Titles, and Regulations Program. The department's Division of Motor Vehicles administers the program's motor vehicle-related activities. For Fiscal Year 2000-01, the program was appropriated \$151,120,953 and 2,068 positions, of which \$75,953,971 and 597 positions were allocated to motor vehicle-related activities.<sup>11</sup> The Fiscal Year 2000-01 operating budget for each motor vehicle-related service category is shown in Appendix B.

For Fiscal Year 2000-01, the program's motor vehicle-related activities are funded from general revenue (\$973,618) and trust funds (\$74,980,353). Sources of program motor vehicle revenues are shown in Exhibit 1. The general distribution of motor vehicle-related revenues for Fiscal Year 2000-01 is shown in Appendix B. As shown in Appendix B, the program's motor vehicle-related activities are projected to generate \$85.2 million to be deposited in general revenue, \$857.5 million to be deposited into trust funds used to finance programs of other state agencies, and \$74.3 million to be used to fund Department of Highway Safety and Motor Vehicles operations.

Using department data available for Fiscal Year 1999-2000, we further analyzed the distribution of program revenues. As shown in Exhibit 1, program revenues are a major source of funding for state contributions to local governments, the Florida Department of Transportation, the Department of Education, and other state agencies, as well as state general revenue.<sup>12</sup>

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<sup>9</sup> Department staff may immediately issue Fast Titles that are applied for in person, depending on the number of titles requested and other demands for service at that time.

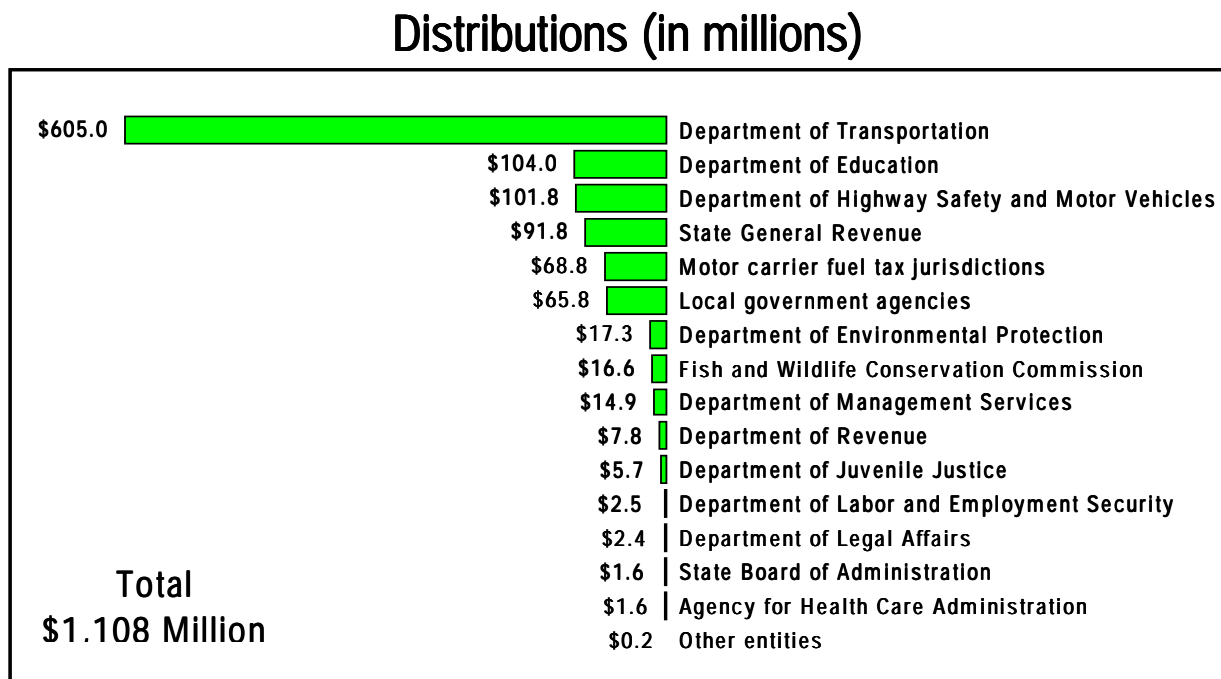
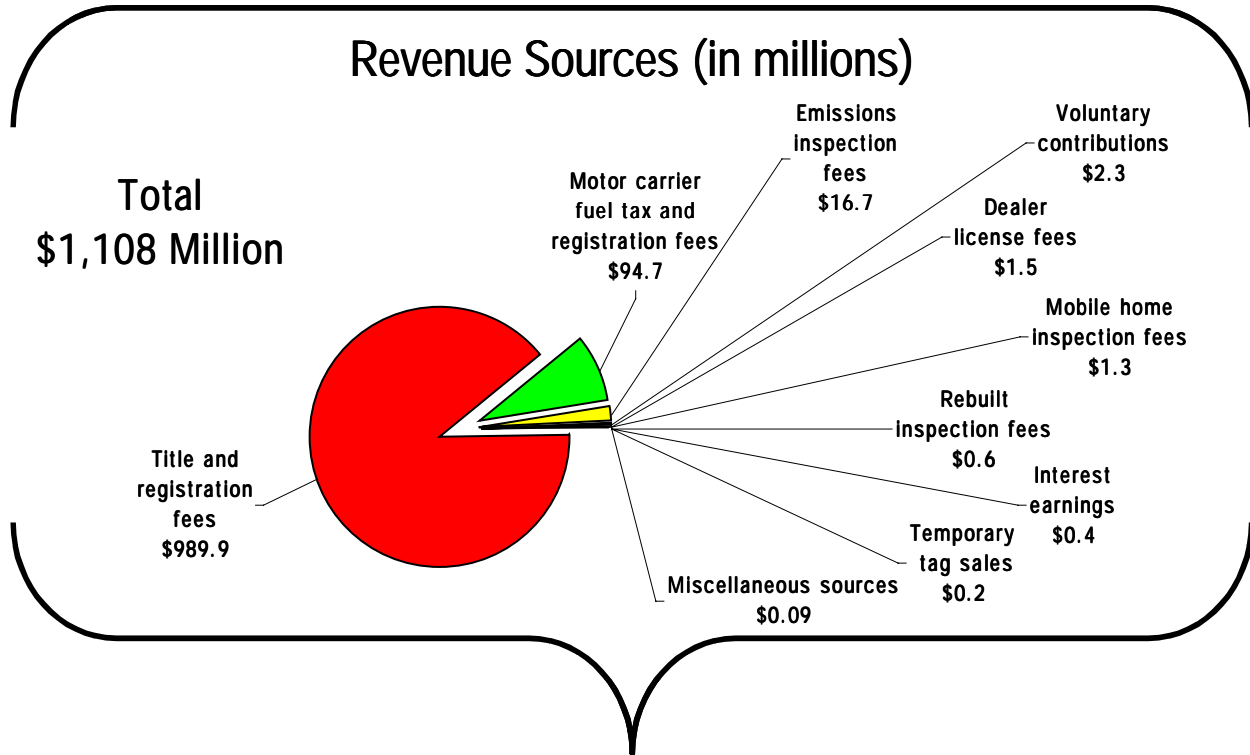
<sup>10</sup> The department's data systems could not provide detailed information to divide the number of titles processed between tax collectors and the department for Fiscal Year 1999-2000. However, these data are available for December 1999 through November 2000. During this time period, tax collectors processed a total of 3.5 million regular titles and 2.4 million Fast Titles, while program staff processed 232,000 regular and miscellaneous titles and 412,000 Fast Titles.

<sup>11</sup> The remaining \$75,166,982 and 1,471 positions were allocated to driver license-related activities.

<sup>12</sup> The Auditor General recently reviewed the department's administration of the Specialty License Plate Program, as well as selected other state agencies that expend or distribute these funds. For further information, see *Operational Audit of the Florida Specialty License Plate Program*, Auditor General Report No. 01-061, November 2000.

Exhibit 1

Most Fiscal Year 1999-2000 Motor Vehicles Revenues Were from Title and Registration Fees; These Revenues Were a Major Source of Funding for the Department of Transportation and Many Other State Agencies



Note: Detailed amounts may not agree with totals due to rounding. Dollars are reported on the cash basis.

Source: Department of Highway Safety and Motor Vehicles.

# Program Benefit and Placement

*Program motor vehicle-related activities are beneficial to the state; Legislature may want to consider merger with the Department of Transportation*

## Program benefit

The purposes of the program's motor vehicle-related activities are to increase consumer protection and public safety through licensing systems that title and register motor vehicles, vessels, and motor homes; regulate vehicle and mobile home dealers and manufacturers; and efficiently collect revenue. The program's primary public benefits are protecting consumers, assisting the law enforcement community, and serving as a source of revenue to support its costs and those of other state programs.

*The program protects consumers, assists law enforcement, and provides significant state revenues*

Vehicle and vessel titles protect consumers' property rights by serving as proof of ownership. Titles also provide evidence in legal proceedings and protect the rights of lienholders. The license plates issued as part of the vehicle and vessel registration process are intended to authorize use of vehicles on the state's roads and vessels on the state's waterways, while helping the law enforcement community and others identify particular vehicles and watercraft. License plates also document that the vehicle or vessel owner has paid required taxes and insurance.

Other program motor vehicle-related activities help protect the public against title fraud, illegal business practices on the part of motor vehicle dealers, and unsafe mobile homes. For example, program staff conduct building code compliance inspections at mobile home manufacturing plants and license and train mobile home installers and may inspect installations as a result of complaints. Program staff also investigate a variety of motor vehicle-related complaints and review samples of titles issued by county tax collectors for potential title fraud. The program is also responsible for rebuilt motor vehicle inspections, which are made to protect consumers against title fraud by ensuring that a rebuilder has not used stolen vehicles or parts.

The program's motor vehicle-related activities also serve as a significant source of state general revenue and other funding. For Fiscal Year 2000-01, the program's revenues are projected to provide \$85 million in



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general revenue and \$857.5 million in trust funds that are used to finance programs of other state agencies, such as the Florida Department of Transportation and the Department of Education.

### *Abolition of the program would be a disservice to consumers and law enforcement agencies*

Abolishing the program's motor vehicle-related activities would not be in the state's best interest. Unless alternative service delivery systems were put in place, Florida consumers would be negatively affected.

Consumers would be without legally valid documentation of property ownership, making it more difficult to sell or transfer their vehicles and vessels or prove ownership in the event their property is stolen. Consumers may also find it more difficult to obtain loans to purchase motor vehicles in the absence of title documentation. Owners of mobile homes could be put at risk of loss of life and destruction of property if regulatory activities assuring building code and installation standard compliance were eliminated. In the absence of program activities to inspect rebuilt motor vehicles prior to titling, purchasers of rebuilt motor vehicles would be at higher risk of unknowingly purchasing vehicles that have been stolen or repaired with stolen parts.

Abolishing the program's motor vehicle-related activities would also affect state revenues. The state would have to annually replace more than \$942 million in revenues currently received from motor vehicle-related licenses, titles, and registrations. Alternatively, the state would have to reduce expenditures by this amount to compensate for the elimination of this funding source and/or cut government services by a commensurate amount. The state would also be unable to demonstrate compliance with federal law requiring each state to collect and distribute commercial motor vehicle fuel-use taxes and registration fees to other states.

Due to the significant negative impacts of eliminating the program's motor vehicle-related activities, it is likely that other state and local government entities would assume some of these responsibilities. The cost of administering these activities would thus be shifted to other entities.

## **Organizational placement**

County tax collector staff rather than state employees perform the majority of the processing work for motor vehicle titles and registrations. The program's centralized control over activities such as maintaining the state's vehicle and vessel database, establishing title and registration policy and procedures, and providing technical support for county tax collector staff, is efficient because it helps minimize duplication.

The program uses private contractors to perform some of its duties, such as preparing registration renewal notices and performing electronic document imaging to establish records of title and registration paperwork. On a limited basis, certain franchised vehicle dealerships may

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process initial vehicle registrations. However, as discussed in Chapter 4 of this report, we identified opportunities for the program to outsource additional activities.

*The program is  
logically placed with  
the Department of  
Highway Safety and  
Motor Vehicles*

The program's motor vehicle-related activities are closely aligned with the other driver licensing activities of the Department of Highway Safety and Motor Vehicles' and of the Florida Highway Patrol. These activities generally fall within the department's mission to develop, maintain, and support a safe environment through law enforcement, public education, and licensing motor vehicle operations. Keeping motor vehicle, driver license, and Highway Patrol activities within one agency promotes the coordination of activities, such as enforcing state motor vehicle insurance laws or investigating motor vehicle title fraud.

However, we considered three alternatives for merging the Department of Highway Safety and Motor Vehicles with other state agencies. We concluded that two of these options would not provide any real benefits, but the third option should be considered by the Legislature.

***Option 1 - Merger with the Department of Revenue.*** The Department of Revenue has some similarities with the Department of Highway Safety and Motor Vehicles in that both agencies collect state revenues. However, the Department of Highway Safety and Motor Vehicles' activities go beyond just revenue collection. The Department of Revenue would not be a compatible placement for the many Department of Highway Safety and Motor Vehicles activities whose primary focus is public safety, such as protecting motor vehicle consumers, controlling problem drivers, and performing the law enforcement activities of the Florida Highway Patrol.

***Option 2 - Merger with the Department of Community Affairs.*** One of the motor vehicle-related activities performed by the Licenses, Titles, and Regulations Program does not fall within the mission of the Department of Highway Safety and Motor Vehicles: regulating mobile home manufacturing and installation. Other states with similar mobile home regulatory responsibilities do not place this function within a highway safety or motor vehicle department. The purpose of this activity is more consistent with the mission of the Department of Community Affairs, which is responsible for reviewing plans and contracting for inspections of manufactured commercial buildings (valued at \$18,000 and up), manufactured single-family dwellings excluding mobile homes (valued at \$35,000 and up), and lawn storage sheds (valued at \$500 and up) for building code compliance. However, transferring mobile home manufacturing and installation regulation to the Department of Community Affairs or merging the two agencies would be of no particular benefit to the state since the two agencies review different types of housing and enforce different building codes.

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***Option 3 - Merger with the Department of Transportation.*** The Department of Highway Safety and Motor Vehicles and the Florida Department of Transportation have some similarities in mission and activities. Both agencies have transportation-related missions. The mission of the Florida Department of Transportation is to ". . . provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities." Both agencies perform activities designed to improve public safety. For example, the Florida Department of Transportation is responsible for designing roads to improve the safety of motorists, while the Department of Highway Safety and Motor Vehicles is responsible for enforcing traffic laws and driver license requirements. Also, both agencies administer a law enforcement agency whose officers patrol the state's highways. The Department of Highway Safety and Motor Vehicles administers the Florida Highway Patrol and the Florida Department of Transportation administers the Motor Carrier Compliance Office.

***Merging the department with the Department of Transportation might reduce administrative costs***

Merging the Department of Highway Safety and Motor Vehicles with the Department of Transportation has some merit in that the state might be able to reduce the administrative costs currently spent on executive direction and support for the Department of Highway Safety and Motor Vehicles. For Fiscal Year 2000-01, the department's budget for executive direction and support is \$19,127,052 and 373 positions. Many of these costs would still remain if the agencies were merged since the number of agency employees affects staffing costs for support functions such as accounting and personnel. However, there is the potential for some staffing reduction from consolidating similar functions. A reduction of 10% of the Department of Highway Safety and Motor Vehicles' current costs for executive direction and support would save the state approximately \$1.9 million annually.

There are also some potential disadvantages with merging the Department of Highway Safety and Motor Vehicles with the Department of Transportation. The resulting agency would be very large and thus might be difficult to administer. For Fiscal Year 2000-01, the Department of Highway Safety and Motor Vehicles has a total of 4,918 full-time equivalent positions while the Florida Department of Transportation has 10,399 full-time equivalent positions. Another potential disadvantage is that state agency mergers can be disruptive and create unforeseen transition problems.

## Conclusions and recommendations

The primary public benefits of the program's motor vehicle-related activities are protecting consumers, assisting the law enforcement community, and serving as a source of revenue to support program costs

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and costs of other state agencies. It would not be in the state's best interest to abolish this program due to the negative effect on consumers. The program also generates general revenue for the state that would have to be either replaced by another tax or fee or offset by expenditure reductions.

County tax collector staff rather than state employees perform the majority of the processing work for motor vehicle titles and registrations. The program's centralized control over activities to support the work of the county tax collectors is efficient.

The program is logically placed within the Department of Highway Safety and Motor Vehicles in that motor vehicle-related activities are closely aligned with the department's other activities (driver licensing and the Florida Highway Patrol) and keeping these activities within one agency promotes their coordination.

The Department of Highway Safety and Motor Vehicles and the Florida Department of Transportation have some similarities in mission and activities. The state may be able to reduce the executive direction and support costs of the Department of Highway Safety and Motor Vehicles by merging it with the Florida Department of Transportation. However, the resulting agency would be very large and thus might be difficult to administer. We recommend that the Legislature consider the option of merging the Department of Highway Safety and Motor Vehicles with the Florida Department of Transportation.

# Program Performance and Budget Structure

The program's performance in meeting its motor vehicle-related performance standards was mixed for Fiscal Year 1999-2000. The program's budget structure obscures the amount of resources it devotes to licensing and regulating motor vehicle dealers and manufacturers.

## *The program met few outcome standards, but met efficiency and unit cost standards*

The program's performance in meeting motor vehicle-related performance standards was mixed for Fiscal Year 1999-2000 (see Exhibit 2). For example, the program met standards for the length of time spent processing titles and unit cost standards for issuing motor vehicle and vessel titles, but did not meet performance level expectations for its effectiveness in auditing motor carriers and identifying fraudulent motor vehicle titles.

*The program has been efficient in processing titles*

- The program issued titles within the Fiscal Year 1999-2000 standard of 3.4 days. Due to the implementation of improved title processing procedures and a revised motor vehicle title and registration data system, the program automatically issues titles within three days. The program's performance represents a significant improvement. For example, the program took five to six weeks to process regular title applications in Fiscal Year 1995-96.<sup>13</sup>
- The program's unit costs for issuing titles were lower than the standards for Fiscal Year 1999-2000. Vehicle and vessel title processes have been combined, and both types of titles were issued at a department cost per title of \$1.89. This compares favorably to the Fiscal Year 1999-2000 standards of \$2.05 for vehicle titles and \$5.50 for vessel titles. Program managers attribute this to the increased use of automation and improved title processing procedures, as well as a continuing trend in reducing the number of titles that must be processed manually by department staff. This measure does not include the cost incurred by county tax collectors, who perform the initial paperwork processing for most titles.

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<sup>13</sup> *Review of the Use of Information Technology Within the Department of Highway Safety and Motor Vehicles*, OPPAGA [Report No. 96-41](#), January 28, 1997.

## *Program Performance and Budget Structure*

*Program effectiveness in identifying problematic titles has decreased*

- The program is recovering less from audits of International Registration Plan (IRP) and International Fuel Tax Agreement (IFTA) tax returns for every dollar spent on its audits of commercial carriers. The ratio of the dollars collected to dollars spent on audits dropped from \$1.85 : \$1 in Fiscal Year 1998-99 to \$1.79 : \$1 in Fiscal Year 1999-2000. The program's performance was also below the Fiscal Year 1999-2000 standard of \$2 : \$1. However, the program's IRP and IFTA auditors conducted more audits on average (22.07) than the Fiscal Year 1999-2000 standard of 20. Program managers stated that their performance is affected by IFTA requirements for stratification of samples when program auditors select carriers for audits. The IFTA requires the state to audit both low and high mileage carriers rather than purposively targeting possibly problematic carriers. The amount of audit recoveries and the number of carriers that staff can audit within a year are affected by the size and degree of compliance of the carriers selected for audit.
- The program has not met its standard for identifying fraudulent motor vehicle titles. The number of fraudulent titles identified decreased from 876 in Fiscal Year 1998-99 to 423 in Fiscal Year 1999-2000. This did not meet the program's standard of 1,042 for Fiscal Year 1999-2000. As discussed in Chapter 8 of this report, the program is devoting too much of its limited resources to reviewing tax collectors' title paperwork in relation to its return in identifying problematic titles.
- County tax collectors have achieved high levels of title accuracy. The percentage of motor vehicle titles issued without error was 99.6%, which slightly exceeded the Fiscal Year 1999-2000 standard of 99% without error. Performance results reflect the downward trend in problematic titles identified by program staff.

**Exhibit 2**  
**Program Performance in Meeting Motor Vehicle-Related Performance Standards Was Mixed for Fiscal Year 1999-2000**

Measures	Fiscal Year 1998-99 Actual Performance	Fiscal Year 1999-2000 Actual Performance	Fiscal Year 1999-2000 Performance Standard
<b>Outcome Measures<sup>1</sup></b>			
Percent of motor vehicle titles issued without error	98%	<b>99.6%</b>	99%
Number of fraudulent motor vehicle titles identified and referred to law enforcement	876	423	1,042
Percent change in number of fraudulent motor vehicle titles identified and submitted to law enforcement	(7%)	(43%)	5%
Ratio of warranty complaints to new mobile homes titled	1:61	1:52	1:890 <sup>2</sup>
Ratio of taxes collected from international registration plan (IRP) and international fuel tax agreement (IFTA) audits to cost of audits	\$1.85/ \$1.00	\$1.79/ \$1.00	\$2.00/ \$1.00
<b>Output Measures</b>			
Number of motor vehicle and mobile home registrations issued	13,515,746	<b>13,929,885</b>	13,642,317
Number of motor vehicle and mobile home titles issued	4,685,258	<b>5,152,272</b>	4,794,000
Average cost to issue a motor vehicle title	\$2.60	<b>\$1.89</b>	\$2.05
Average number of days to issue a motor vehicle title	4 days	<b>3 days</b>	3.4 days
Number of vessel registrations issued	829,971	<b>858,431</b>	841,849
Number of vessel titles issued	215,466	<b>246,659</b>	206,375
Average cost to issue a vessel title	\$5.69	<b>\$1.89</b>	\$5.50
Number of motor carriers audited per auditor, with number of auditors shown	20.93/ 12.42	<b>22.07/ 13.5</b>	20/ 14

<sup>1</sup> We did not include the outcome measure *Percent reduction in pollution tonnage per day in the six applicable (air quality) counties*, as this activity was eliminated as of July 1, 2000.

<sup>2</sup> Due to a change in methodology, the standard is not comparable to the calculation of actual performance.

Source: Department legislative budget requests, Department of Highway Safety and Motor Vehicles Long-Range Program Plan for Fiscal Years 2001-2002 through 2005-2006, and program documents.

## ***Budget structure fails to portray the full cost to license and regulate dealers and manufacturers***

***Program resources used to license and regulate dealers and manufacturers are split between two service categories***

The program's current budget structure fails to portray the full cost of \$3,301,074 to license and regulate motor vehicle dealers and manufacturers. The *Licensing Automobile Dealers* service category for the Fiscal Year 2000-01 includes only \$352,657 for the costs of one employee position responsible for regulating the relationship between dealers and manufacturers, and seven other positions responsible for processing license paperwork.

Other direct costs of the program are not apparent from the budget. Sixty-six other full-time equivalent (FTE) positions also perform license and regulatory activities but are budgeted in the program's *Compliance and Enforcement* service category. These employees inspect locations and investigate complaints about dealers, and assist license applicants. Based on time estimates provided by the Bureau of Field Operations and Emissions Control and department budget allotments, we estimated that the cost of dealer and manufacturer licensing and regulatory activities performed by these positions would be \$2,948,417 for Fiscal Year 2000-01.

## **Conclusions and recommendations**

The program's performance in meeting motor vehicle-related performance standards was mixed for Fiscal Year 1999-2000. The program's budget structure obscures the resources devoted to licensing and regulating motor vehicle dealers and manufacturers.

Combining motor vehicle dealer and manufacturer licensing and regulatory activities under one service category would provide better accountability by more accurately showing the resources devoted to these activities. We therefore recommend that the Legislature revise the budget service categories for the Licenses, Titles, and Regulations Program to move all resources for licensing and regulating dealers and manufacturers into one service category.



# Privatization and Outsourcing

The majority of the state's motor vehicle title and registration processing is performed by county tax collector staff rather than state agency employees. The program also uses private contractors to perform duties such as preparing registration renewal notices and performing electronic document imaging to establish records of title and registration paperwork. On a limited basis, certain franchised vehicle dealerships may process initial vehicle registrations.<sup>14</sup>

In other states, different motor vehicle-related activities have been outsourced.

## *Additional program activities could be outsourced*

Based on information obtained from other states, we identified three areas in which further program outsourcing would be possible:

- regulation of mobile home manufacturing;
- Vehicle Identification Number (VIN) verifications; and
- outsourcing motor vehicle title and registration processing to private entities.

Each of these options has various benefits and drawbacks. The potential impact of implementing these options in Florida would be mixed.

## Regulation of mobile home manufacturing

The program is responsible for three sets of regulatory activities involving regulation of the mobile home industry to meet various federal and state requirements: (1) monitoring manufacturers' compliance with federal building code standards and investigating and resolving consumer complaints; (2) approving the design of mobile homes, providing ongoing in-plant inspections, and monitoring manufacturing plan quality control procedures; and (3) regulating the set-up and installation of mobile homes. These activities are required by two department contracts with a federal agency and by Florida law, as described below.

- The Department of Highway Safety and Motor Vehicles' primary contract with the federal Department of Housing and Urban

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<sup>14</sup> During Fiscal Year 1999-2000, 607,712 initial registrations were processed through franchised dealerships. These dealerships provide this service through two private companies that offer on-line access to 361 dealers.

Development (HUD) designates the department as HUD's State Administration Agency (SAA) monitoring agent. Only a state agency can hold a SAA contract. The SAA monitors mobile home manufacturer's compliance with federal mobile home building code standards and investigates and resolves consumer complaints. Under a state plan approved by HUD, the program also monitors mobile home dealer lots and approves all alterations made by retailers to provide consumer protection and assurance of manufactured home safety.<sup>15</sup>

- A second contract with HUD designates the Department of Highway Safety and Motor Vehicles as a Production Inspection Primary Inspection Agency (IPIA). An IPIA continually evaluates the ability of mobile home manufacturing plants to follow approved quality control procedures and provides ongoing surveillance that manufacturing processes comply with approved plans.<sup>16</sup>
- Chapter 320, *Florida Statutes*, establishes state standards for the set-up and installation of mobile homes and gives the program responsibility for licensing installers.<sup>17</sup> Set-up and installation refers to the operations performed at occupancy sites that render mobile homes ready for habitation.<sup>18</sup> To ensure that set-up and installation standards are met, program staff license and train mobile home installers and investigate consumer complaints about mobile homes. Program staff also inspect some installations, predominantly as a result of complaints.<sup>19</sup>

*Some states have outsourced the regulation of mobile home manufacturing*

We contacted the 35 other states that have programs that serve as State Administrative Agencies and found that some of these programs have contracted with private entities. For example, Louisiana and Maine have contracted out regulation of mobile home manufacturing plants.

Contracting out for mobile home manufacturing regulatory activities would result in a reduction in state employees. However, bids would need to be solicited from contractors to determine whether outsourcing

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<sup>15</sup> The state receives funding for this activity from manufacturers' purchase of a label (termed a "HUD label") for each mobile home manufactured under the state's monitoring. The HUD label certifies that the mobile home was manufactured in accordance with federal building standards. Each label costs \$32, and the proceeds are deposited into the state General Revenue Fund.

<sup>16</sup> Manufacturers pay HUD a fee of \$24 for each transportable section of a mobile home manufactured in the state. HUD reimburses the state for its costs as an IPIA as follows: \$11.50 per section for each mobile home produced and installed in the state, \$9 per section for each mobile home shipped in and installed in the state, and \$2.50 per section for each mobile home produced in the state and installed elsewhere. These fees are deposited in the Highway Safety Operating Trust Fund.

<sup>17</sup> Installer fees and decals fund these activities. Proceeds are deposited into the Highway Safety Operating Trust Fund.

<sup>18</sup> Such operations include transporting, positioning, blocking, leveling, supporting, tying down, connecting utility systems, and making minor adjustments.

<sup>19</sup> Generally, local government employees conduct inspections of mobile home installations. Program employees may also conduct inspections of these installations as a result of consumer complaints or when they see a pattern of problems in a particular area.

would result in lower state costs.<sup>20</sup> The contracting costs paid by programs in other states may not be directly comparable to Florida's program due to factors such as variances in state mobile home laws and requirements and state costs of living. The Florida Department of Highway Safety and Motor Vehicles would also incur costs for monitoring contractors that would need to be considered when assessing program costs. As with any contracting of a regulatory responsibility, the program would need to carefully articulate the expectations of contractors in contract documents and monitor the private inspectors to ensure that these expectations were being achieved.

## Vehicle Identification Number (VIN) verifications

The program performs several different types of required Vehicle Identification Number (VIN) verifications, but the most common type is required when a person applies for a title for a vehicle that was previously registered or titled in another state.<sup>21</sup> The purpose of a VIN verification is to determine whether the vehicle is the same as the one described on the proof of ownership. By statute, VIN verification can be performed by a program compliance examiner, a county tax collector employee, a law enforcement officer from any state, a licensed Florida or out-of-state motor vehicle dealer, or a notary public. Program compliance examiners conducted 17,468 VIN verifications during Fiscal Year 1999-2000 for the purpose of transferring vehicle titles and registrations from other states, at an estimated cost of \$271,000.<sup>22</sup> As there is no charge for VIN verification, other program revenues cover these costs.

### *Other states authorize private entities to conduct VIN verifications*

Vehicle Identification Number (VIN) verification is an activity that has been further privatized in other states, as described below.

- Idaho privatized the verification of motor vehicle VINs. Licensed automobile dealers, financial agencies, and others negotiate contracts with the Idaho Division of Motor Vehicles to provide VIN verification services. These entities charge a \$3 fee to the customer for the service.

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<sup>20</sup> The department's Long-Range Program Plan for Fiscal Years 2001-2002 through 2005-2006 contains a proposal to meet budget reduction objectives in Fiscal Year 2004-2005 by deleting 32 positions and outsourcing mobile home manufacturing inspections. The department has not calculated a cost impact for this proposal.

<sup>21</sup> Florida residents must obtain a Florida title for vehicles brought in from out-of-state.

<sup>22</sup> Program staff also conduct four other activities that they classify as VIN verifications: (1) confidential VIN verifications, (2) verification and assignment of VINs for rebuilt motor vehicles, (3) assignment of VINs for constructed trailers over 2,000 pounds, and 4) mobile home data verifications. Confidential VIN verification involves finding the confidential VIN on vehicles on which the public VIN has become damaged so as to be unreadable or has been removed. This is common for stolen vehicles that have been recovered. After finding the confidential VIN, program staff arrange for a replacement public VIN to be supplied to the motorist. Program responsibilities for rebuilt motor vehicles and constructed trailers involve assigning a VIN number to these vehicles (a FLA VIN for a rebuilt motor vehicle and a FLT VIN for a trailer). Mobile home data verifications are required when the identifying marks on a mobile home are missing or no longer legible. Program staff performed 9,303 confidential VIN verifications, assigned 1,197 FLA VINs and 735 FLT VINs, and conducted 509 mobile home data verifications during Fiscal Year 1999-2000.

Idaho officials report that this has been a longstanding arrangement, and in the last four years there has been an effort to expand privatized VIN inspection services.

- Arizona has outsourced VIN inspections of out-of-state vehicles being titled in Arizona. Third-party inspectors completed 126,000 inspections, about 34% of the total performed during Fiscal Year 1999-2000. Arizona contracts for these inspections with motor vehicle dealers, title service companies, auto auctions, car rental firms, and auto salvage companies. The contractors do not receive reimbursement or payment from the state for inspections they perform. Instead, they are permitted to set and charge a reasonable convenience fee for inspections, which is paid by the vehicle owner. Fees typically range from \$5 to \$10. Arizona's third party VIN inspection program is administered by two state employees.

Expanding the number of private entities that can conduct VIN verifications would relieve government employees of these responsibilities and thus free up program, county tax collector, and law enforcement staff for other duties. Disadvantages of allowing more private entities to conduct VIN verifications would include charging a fee to customers for a service they currently receive for no additional charge and potentially reducing the priority this activity receives from entities that currently conduct VIN verifications, such as law enforcement agencies. Program officials from Idaho told us that some law enforcement officers have claimed that since others can do the inspections, the law enforcement purpose for conducting the inspections has been diluted, and thus the value of the inspection is diminished. They stated that this argument has been used to justify reducing the priority some law enforcement agencies give to VIN verifications.

## Processing motor vehicle titles and registrations

*Private entities provide motor vehicle title and registration services in other states*

County tax collectors are responsible for processing vehicle titles and registrations. However, some states allow private entities to bid on providing this service. For example, states such as California, Illinois, Minnesota, New York, North Carolina, North Dakota, and Ohio use different combinations of local governments and private entities to provide vehicle registration and title services, such as municipal governments, chambers of commerce, automobile clubs (such as the American Automobile Association), automobile dealers, financial institutions, insurance agencies, grocery stores, and entities that resemble Florida's county tax collectors. Most of these states have established a price that contractors will be paid per transaction and various requirements for the contractors to meet when processing titles and registrations. The main difference between these states and Florida is that the other states are using private contractors or combinations of

government and private entities to process titles and/or registrations.<sup>23</sup> Examples of states that have privatized the processing of motor vehicle titles and registrations are shown in Exhibit 3.

**Exhibit 3**

**Many Other States Have Privatized Motor Vehicle Title and Registration Processing**

<b>State</b>	<b>Types of Entities</b>	<b>Description</b>
Alaska	Emission inspection stations (1995) New motor vehicle dealers (1998) Local governments (1922) Private businesses (1922)	Emission inspection stations have been authorized since 1995 to issue and renew registrations. These stations do 25% of the renewal transactions. New car dealers are authorized to issue title, registration, and plates to new cars sold at their business. In small cities throughout the state businesses or local governments operate the motor vehicle office for that area under contract with the state Department of Motor Vehicles.
Arizona	Title service companies, automobile dealers, dealer associations, automobile auctions, automobile salvage companies, financial institutions, car rental agencies, companies with large fleets, IBM (on-line renewal)	Most title and registration functions have been opened to qualified third parties in Arizona. From July 1999 through June 2000, third party companies completed 1,135,000 title and registration transactions, which accounted for 24% of the transactions done that fiscal year.
California	Auto clubs (1929) Automobile dealers (1997) Insurance companies (1997)	Since 1929, the California Department of Motor Vehicles has allowed automobile clubs (such as the American Automobile Association) to process vehicle titles and registrations, which accounts for approximately 3 million transactions per year. In 1997, the department expanded its outsourcing to allow licensed registration services, licensed vehicle dealers, and insurance companies to contract with the department as Second Line Business Partners, which was piloted in 1996. First Line Business Partners provide software that has been formatted to meet the requirements of the department to the Second Line Business Partners. This allows the Second Line Business Partners to process new vehicle reports of sale and vehicle registration renewals.
Illinois	Financial institutions (1965)	In Illinois, financial institutions may process vehicle registration renewals; this accounts for approximately 23% of the state's registration renewals annually.
Minnesota	Deputy registrars (county governments, city governments, corporations, and individuals) (1971)	Minnesota has a system of 172 motor vehicle deputy registrars that work as agents for the state. The deputies are a combination of both public agencies (county and city) and private entities (corporations and individuals). The state provides the deputies with inventory of license plates, stickers and forms. They, in turn, accept the motor vehicle applications and forward them for processing. The deputy registrars earn \$3.50 per motor vehicle transaction. Approximately 90% of Minnesota's motor vehicle transactions are submitted through the deputy registrar offices.

<sup>23</sup> Florida law allows the use of title agents, which charge a premium price, but the decision to use title agents is made by the county tax collectors. The tax collectors essentially subcontract with the title agents. To date, title agents are only used in Broward, Dade, and Volusia counties.

## Privatization and Outsourcing

State	Types of Entities	Description
New York	Automobile dealers Dealer associations Rental/leasing companies State-licensed private service bureaus	The New York Department of Motor Vehicles contracts with private entities to transact motor vehicle registration business for the public. Currently, partners participating in this program process about 500,000 registration transactions annually.
North Carolina	Private agents Automobile dealers (both 1999)	The North Carolina Division of Motor Vehicles utilizes private contractors to process title and motor vehicle license applications. North Carolina currently has 128 private license plate agencies located throughout the state, compared to two state offices providing these services. The private offices handle nearly all types of applications.
North Dakota	Chambers of Commerce Insurance companies Individual citizens (all for 30 years)	North Dakota has 13 privatized motor vehicle branch offices. The director of the North Dakota Department of Transportation and the governor appoints these offices. They charge a service fee (\$2 to \$6) for each transaction they process. They currently handle about 30% of all of the state's registration and title transactions.
Ohio	Private companies Local tax collectors Individuals (all 1936)	In Ohio, 215 private companies, local tax collectors, and individuals issue vehicle registrations under contract with the Ohio Bureau of Motor Vehicles. Privatization of these functions began in 1989. These entities, called deputy registrars are appointed for three-year terms and must reapply at the end of the term of the contract to be considered for reappointment. The deputy registrars generate profits from statutory fees collected for services provided.
Wisconsin	Financial institutions, auto dealers, grocery stores, local law enforcement, Alamo Rental Company in Florida (all 1997)	In Wisconsin, contractors act as agents to electronically process title transactions. Use of the title agents is optional to customers and involves an extra fee. The 550 title agents process approximately 15% of title transactions.

Source: OPPAGA research and information obtained from other state motor vehicle administrators.

The potential benefit of using private entities to provide motor vehicle title and processing services would be to provide consumers with more alternatives for obtaining title and registration work. Customer convenience can be increased because there would be more locations citizens can visit to be served. For example, in Oklahoma, approximately 300 tag agents (independent contractors) are available to persons wanting to renew a vehicle registration. In contrast, Florida offers only 239 locations (237 offices operated by county tax collectors and two offices operated by the department), despite having a significantly higher number of taxpayers to serve than Oklahoma. This type of system also fosters competition among contractors to provide better customer service, and thus attract more customers and revenue.

### *There are potential drawbacks to using private entities to provide motor vehicle services in Florida*

However, this option has some potential disadvantages. The program's responsibilities for monitoring contractors would significantly increase. There would also be a large increase in the number of locations needing computer terminals and other related equipment upgrades. Currently, the Department of Highway Safety and Motor Vehicles is responsible for bearing the cost of this equipment. Other states have made agreements

with contractors whereby the contractors assume more responsibility for these costs in return for the fees charged to customers for transactions.

A further consideration is the fact that the program's plan to let Florida drivers renew their vehicle registrations over the Internet would make opening new service centers less necessary.

## Conclusions and recommendations

Further outsourcing of program motor vehicle-related responsibilities is possible. Other state motor vehicle programs have outsourced regulation of mobile home manufacturing, and authorized different types of private entities to conduct Vehicle Identification Number (VIN) verifications and process vehicle titles and registrations.

Although outsourcing mobile home regulation would reduce the number of state employees, it is not clear whether outsourcing these activities would lower state costs. The contracting costs paid by programs in other states may not be comparable to Florida's program due to factors such as variances in state laws and requirements, as well as differences in state costs of living. In order to determine whether it would be cost-effective to outsource this activity, the state would need to establish a process in which contractors and the Department of Highway Safety and Motor Vehicles bid on providing these services. Accordingly, we recommend that

- the Department of Highway Safety and Motor Vehicles determine its costs for mobile home manufacturing regulation and the estimated program monitoring costs if this activity was outsourced, and
- the Department of Highway Safety and Motor Vehicles solicit bids for providing mobile home manufacturing regulation.

Expanding the number of private entities authorized to conduct VIN verifications would create more options for consumers with little impact on state costs. We therefore recommend that the Legislature amend s. 320.02, *Florida Statutes*, to

- include private entities contracted by the Department of Highway Safety and Motor Vehicles in the list of entities authorized to conduct Vehicle Identification Number verifications, and
- authorize the Department of Highway Safety and Motor Vehicles to establish a fee range that private entities may charge for conducting VIN verifications.

Outsourcing motor vehicle title and registration processing to private entities would increase the locations available to state taxpayers for obtaining vehicle and vessel titles, registrations, and registration renewals. However, this option has potential drawbacks, such as significantly increasing program monitoring responsibilities. Issues such as whether the state or private contractors would bear the cost of computer

## *Privatization and Outsourcing*

equipment and upgrades would also need to be resolved. We recommend that the Legislature consider expanding the outsourcing of motor vehicle title and registration processing to include private entities when it is in the best interests of the state and direct the Department of Highway Safety and Motor Vehicles accordingly.



# Self-Sufficiency of Compliance and Enforcement Activities

In establishing the scope of this project, legislative budget and appropriations staff asked us to identify any activities that were not generating sufficient revenues to cover their costs. To address this issue, we compared revenues to budgets for various motor vehicle-related program activities. (See Appendix B.)

We concluded that most department motor vehicle-related activities generate revenues that exceed or are close to their costs. However, some compliance and enforcement activities, such as licensing dealers and manufacturers, conducting rebuilt motor vehicle inspections, and VIN identification, are not self-sufficient and are subsidized by motor vehicle title and registration fees. If these activities generated enough revenue to cover their costs, motor vehicle title and registration fees could be reduced.

## *Program compliance and enforcement activities could be more financially self-sufficient*

Although most of compliance and enforcement activities benefit taxpayers as a whole, some also regulate individual constituencies who may profit from the industry being regulated. If the Legislature wants to better cover the cost of compliance and enforcement activities by increasing fees to the entities or individuals being regulated, there are three areas in which fee increases could be considered: (1) dealer and manufacturer licensing and regulatory activities, (2) rebuilt motor vehicle inspections, and (3) vehicle identification number verifications.

*Fees could be increased for some compliance and enforcement activities to better cover program costs*

- ***Dealer and manufacturer licensing and regulatory activities.*** These activities include processing dealer and manufacturer license applications, assisting license applicants, printing and mailing licenses, regulating the dealer-manufacturer business relationship, investigating consumer complaints against dealers, and enforcing dealer title and registration laws through inspections at dealer

## *Self-Sufficiency of Compliance And Enforcement Activities*

locations.<sup>24</sup> Since dealers and manufacturers profit from the industry being regulated, fees to better cover the cost of regulation could be considered. For Fiscal Year 2000-01, the department's estimated cost for its dealer and manufacturer licensing and regulatory activities is \$3.3 million, compared to annual license revenue of \$1.4 million.<sup>25</sup>

- ***Rebuilt motor vehicle inspections.*** Department compliance examiners conduct rebuilt motor vehicle inspections prior to the department issuing titles for these vehicles. Rebuilt motor vehicles are generally vehicles that have been repaired after being damaged to the point where they were considered a total loss after an accident. As a control over potential title fraud, department staff inspect the vehicles to ensure that the vehicles were not stolen or rebuilt with stolen parts.<sup>26</sup> This activity primarily protects consumers, but rebuilders also benefit by having an avenue to obtain titles to these vehicles and the screening out of dishonest rebuilders, which may help to build confidence in their product. As with regulation of dealers and manufacturers, rebuilders profit from the industry the department regulates, and thus fee increases to better cover the cost of regulation could be considered. For Fiscal Year 2000-01, the department's estimated cost for inspecting rebuilt vehicles is \$1.1 million, compared to annual revenues of \$912,000.
- ***Vehicle identification number (VIN) verifications.*** There are several different types of required Vehicle Identification Number (VIN) verifications, but the most common type is required when applying for a title on a vehicle that was previously registered or titled in another state.<sup>27</sup> As there is no charge for a VIN verification, these costs are currently funded by other program revenues from non-related activities paid for by other taxpayers. Most VIN verifications do not target a constituency that profits from the industry being regulated. However, they are only required of individuals in certain

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<sup>24</sup> The outcomes of these activities vary, ranging from assisting dealers on how to comply with state requirements to revoking dealer licenses. For example, department managers report a failure rate for dealer records inspections of 23% to 29%, depending on the type of dealer, which results in program staff providing these dealers with training on how to comply with the state's requirements. Dealer complaint investigations often result in assisting a consumer with getting a dealer to correctly transfer a title. Without the title transfer, the consumer cannot sell or transfer the vehicle. Department managers report that in Fiscal Year 1999-2000, program staff assisted consumers with title transfers for vehicles valued at a total of \$27 million. During the calendar year 1999, the program's dealer regulatory activities resulted in 104 license revocations and fine collections totaling \$22,425.

<sup>25</sup> Cost estimates are based on staff time information provided by the department and Fiscal Year 2000-01 budget allotments.

<sup>26</sup> See Chapter 6 and Appendix C for a more detailed discussion on rebuilt motor vehicles and title fraud.

<sup>27</sup> Florida residents must obtain a Florida title for vehicles brought in from out-of-state. Program staff also conduct four other types of activities that they classify as VIN verifications: (1) confidential VIN verifications, (2) verification and assignment of VINs for rebuilt motor vehicles, (3) assignment of VINs for constructed trailers over 2,000 pounds, and (4) mobile home data verifications. The latter four activities differ from the VIN verifications discussed in Chapter 4 that other state programs have privatized.

*Self-Sufficiency of Compliance  
And Enforcement Activities*

circumstances rather than taxpayers as a whole. Thus, charging fees to the individuals receiving the VIN verifications could be considered. Program compliance examiners performed 29,212 VIN verifications in Fiscal Year 1999-2000, at an estimated cost of \$453,517.<sup>28, 29</sup>

Potential fee increases to better cover compliance and enforcement costs are shown in Exhibit 4. If fee increases of this magnitude (a total of \$2.5 million) were implemented, title and registration fees could be reduced by an equal amount (see Exhibit 5).<sup>30</sup>

**Exhibit 4  
Higher Dealer and Manufacturer and Inspection Fees Would Recover Costs**

Type of Fee	Statutes Establishing Fees <sup>1</sup>	Present Fee	Fee Needed to Recover Cost
Motor vehicle dealer			
Original license	320.27	\$300	\$700
Renewal license	320.27	75	175
Mobile home dealer			
Original license	320.77	\$300	\$700
Renewal license	320.77	100	230
Recreational vehicle dealer			
Original license	320.771	\$300	\$700
Renewal license	320.771	100	230
Motor vehicle manufacturer, distributor, importer			
Original license	320.62	\$300	\$700
Renewal license	320.62	100	230
Mobile home or recreational vehicle manufacturer			
Original license	320.8225	\$300	\$700
Renewal license	320.8225	100	230
Rebuilt inspection fee	319.32	\$ 40	\$ 50
VIN inspection verification fee	320.02	\$ 0	\$ 15

<sup>1</sup> These statutes would need to be revised in order to implement fee increases.

Source: OPPAGA analysis of department budget and revenue data and surveys. Proposed fees are based on the amount of revenue required to cover the cost of performing licensing, regulation, and inspection activities.

<sup>28</sup> We estimated the program's cost for VIN verifications to be \$392,353 in Fiscal Year 2000-01.

<sup>29</sup> As discussed in Chapter 4, we are recommending that the Legislature authorize private entities to also conduct VIN verifications and to charge a fee for this service.

<sup>30</sup> Florida statutes currently require that dealer and manufacturer license and rebuilt motor vehicle inspection fees be placed into general revenue. However, these activities are funded out of the Highway Safety Operating Trust Fund. We have assumed that a fee for VIN verifications would be placed into the trust fund rather than general revenue.

*Self-Sufficiency of Compliance  
And Enforcement Activities*

**Exhibit 5  
Increased Fees for Some Program Activities Would Reduce the Need for  
Subsidy from Title and Registration Fees by \$2.5 Million**

Activity	FTE Positions	Budget 2000-01 <sup>1</sup>	Fiscal Year 1999-2000 Revenue from Current Fees	Estimated Additional Revenue from Fee Increases <sup>3</sup>
Dealer and manufacturer licensing and regulation	74	\$3,301,074	\$1,427,144 <sup>2</sup>	\$1,873,930
Rebuilt inspections	24	1,055,891	911,960 <sup>2</sup>	227,990
VIN verifications	9	392,353	0	438,180
<b>Total</b>	<b>107</b>	<b>\$4,749,318</b>	<b>\$ 2,339,104</b>	<b>\$2,540,100</b>

<sup>1</sup> Budget amounts reflect an adjustment to compensate for a department internal budgeting error that resulted in an overstatement of the *Compliance and Enforcement* budget for Fiscal Year 2000-01.

<sup>2</sup> Revenue is deposited to the General Revenue Fund.

<sup>3</sup> Setting fees to cover the full cost of these activities would provide total revenue of \$4,879,204 (an increase of \$2,540,100).

Source: OPPAGA analysis of Department of Highway Safety and Motor Vehicles budget and revenue data and surveys.

## Conclusions and recommendations

Program compliance and enforcement activities are not currently financially self-sufficient and are subsidized by title and registration fees. Although these activities benefit taxpayers as a whole, some also benefit companies that profit from the industry being regulated. If the Legislature wants to better cover the cost of compliance and enforcement activities, we recommend that it consider the actions described below.

- Revise s. 320.27, *Florida Statutes* (license fees for motor vehicle dealers), ss. 320.61 and 320.62, *Florida Statutes* (license fees for manufacturers, distributors, and importers), s. 320.77, *Florida Statutes* (license fees for mobile home dealers), s. 320.771, *Florida Statutes* (license fees for recreational vehicle dealers), and s. 320.8225, *Florida Statutes* (license fees for mobile home and recreational vehicle manufacturers) to implement the fee structure shown in Exhibit 4. The fees could be implemented across the board or put on a sliding scale based on volume of each entity's motor vehicle or mobile home sales.
- Revise s. 319.32, *Florida Statutes*, to increase the fee for rebuilt motor vehicle inspections from \$40 to \$50.
- Revise s. 320.02, *Florida Statutes*, to establish a \$15 fee for VIN verifications.
- Decrease motor vehicle title and registration fees by an amount that offsets these adjustments.

# Controls Over Rebuilt Motor Vehicle Title Fraud

In Florida, a rebuilt motor vehicle is defined as a vehicle that has been built from salvage or junk parts. Rebuilt motor vehicles are generally vehicles that have been repaired after being damaged to the point at which they were considered a total loss after an accident. (See Appendix C for more detailed information about rebuilt motor vehicles and salvage vehicles.)

Many citizens are unaware of the very profitable, but nonetheless, illegal business of rebuilt motor vehicle title fraud, which costs consumers throughout the United States over \$4 billion annually. Rebuilt title fraud can take a number of different forms, as described below.

- Dishonest dealers may not follow legal requirements to inform consumers that they are purchasing a rebuilt motor vehicle. As a result, these consumers pay more than the vehicle is worth, thinking that they are getting a “deal” on a late model vehicle.
- Thieves try to use the rebuilt motor vehicle title system as a way to obtain titles for stolen vehicles or vehicles fabricated from stolen parts. Purchasers of these vehicles face confiscation and legal fees for recovery of the purchase price.
- Due to variations in different state requirements and use of the loopholes these provide, dishonest persons will try to sneak through the system and obtain unbranded titles for both rebuilt vehicles and salvage vehicles that legally should only have been used for parts due to extensive damage.<sup>31</sup> The purchaser of these vehicles may not only be uninformed of the true value of the vehicle; he or she may be purchasing a vehicle that should never have been rebuilt and may be unsafe.

In establishing a scope for this project, we were asked by legislative committees to review the effectiveness of the state’s controls over rebuilt motor vehicle title fraud.

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<sup>31</sup> Rebuilt motor vehicles are issued titles that are called branded titles, meaning that the title has been labeled to show that the vehicle has been rebuilt. See Appendix C for further discussion about branded titles.

## *Existing rebuilt motor vehicle title fraud controls need strengthening to better protect consumers*

***Controls over rebuilt  
motor vehicle title fraud  
occur at the state and  
local level***

Because of the seriousness and implications of rebuilt title fraud, there have been extensive national and state efforts to prevent and deter this crime. Nationally, consumer advocates and members of Congress are advocating for legislation requiring national standardization of titling systems. In Florida, controls to protect the consumer have been established in statute, and by state and local agencies, as described below.

- Florida statutes require sellers of rebuilt motor vehicles to disclose this fact to the consumer. A written disclosure statement is to be provided prior to consummating a sale informing the consumer that the vehicle has been rebuilt.
- The 2000 Legislature revised the statutes to no longer allow issuance of titles for salvage vehicles whose repair cost is 80% or more of the current retail cost of the vehicle. The department issues certificates of destruction for these vehicles, which authorizes them to be dismantled or destroyed, and the vehicles cannot be titled again.<sup>32</sup> Parts from these vehicles may be used to repair other vehicles, but the vehicles themselves cannot legally be rebuilt. By removing titles from these vehicles, the state has reduced some of the potential for unscrupulous persons to alter title paperwork to try to conceal the fact that the vehicle was supposed to be dismantled and could only be used for parts. The Legislature also limited the number of times a certificate of destruction can be reassigned to two times. The more times a vehicle changes hands, the more opportunity there is for someone to commit title fraud.
- Beginning in 1996, program staff began inspecting rebuilt motor vehicles prior to titling. The purpose of these inspections is to guard against the sale of stolen vehicles and vehicles rebuilt with stolen parts.<sup>33</sup> Once the inspection is complete, program staff attach a decal indicating the vehicle is rebuilt to the vehicle's left front pillar (front

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<sup>32</sup> Until recently, the department would declare severely damaged vehicles as "salvage" or "unrebuildable," and the department would issue branded titles for both types. The 2000 Legislature revised statutory requirements to no longer allow branding of titles as "unrebuildable." Effective October 1, 2000, the department just issues certificates of destruction for these vehicles, which serve in lieu of their titles. Prior to this change, the department would issue both certificates of destruction and branded titles for these vehicles.

<sup>33</sup> Prior to issuance of a rebuilt motor vehicle title, the vehicle's owner must have the vehicle inspected by program staff in the *Compliance and Enforcement* service category. The vehicle owner must provide receipts for all parts and repairs, all applicable title paperwork, and photographs of the damage to the vehicle before repairs were made. Program staff review this documentation and examine the vehicle to ensure that the vehicle was not stolen and that no stolen parts were used in repairing the vehicle. A national database of vehicle identification numbers for stolen vehicles and serial numbers for stolen parts is available for use during this review.

door post). The owner may then apply for a revised title for the vehicle, and this title is branded as rebuilt.

- For all types of title applications, county tax collector staff are required to review vehicle title paperwork for signs of title fraud, such as erasures of labels indicating that a vehicle had been rebuilt.
- Program staff in the *Vehicle and Vessel Titles and Registration Services* service category review a sample of title paperwork for errors and indication of potential fraud that tax collector staff may have overlooked.
- Program staff refer cases of suspected fraud to the Florida Highway Patrol or appropriate local law enforcement agencies for further investigation and possible criminal prosecution.

## National title information system use and better disclosure about lack of state safety inspection for rebuilt vehicles would better protect consumers

To determine whether Florida's controls are sufficient to deter rebuilt motor vehicle title fraud, we researched this issue and obtained information from programs in other states regarding their controls. We concluded that recent implementation of certificates of destruction and the program's rebuilt motor vehicle inspection program have improved Florida's controls against title fraud, but there are two areas in which the program and the Legislature could further increase consumer protection.

- The program should continue with plans to implement Florida's participation in the National Motor Vehicle Title Information System (NMVTIS).
- The Legislature should revise statutes to improve disclosure to consumers about the lack of a safety inspection for rebuilt motor vehicles.

### *Implementation of the National Motor Vehicle Title Information System in Florida will help close interstate loopholes in title laws*

The National Motor Vehicle Title Information System (NMVTIS) is an interstate database intended to assist state motor vehicle departments in sharing motor vehicle title information. Currently, there is no national standard for the sale of salvaged vehicles, and no federal law to stop the practice of title washing or lemon laundering, as the practice is commonly called.<sup>34</sup> Although some states have strong disclosure laws for damaged and rebuilt vehicles, they are undermined by weak provisions in the laws of other states. Dishonest dealers can seek titles where there are no or minimal laws to prevent title fraud. Rebuilt cars, lemons, and flood-damaged vehicles can go on sale in another state after being titled in a

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<sup>34</sup> Different states use different terms and dollar value thresholds to determine what is considered rebuildable or only good for junk or parts. There are over 65 terms used nationwide to describe severely damaged vehicles.

## *Controls Over Rebuilt Motor Vehicle Title Fraud*

state with weak laws, and in so doing, the vehicle's title history is obscured. Once sold, the vehicle can be re-titled to the new owner with no indication that the vehicle has been rebuilt, stolen, constructed of stolen parts, repossessed as a lemon, or flood-damaged.

The National Motor Vehicle Title Information System would promote needed communication among state motor vehicle departments to help deter title fraud. The information system is intended to prevent thieves from acquiring legitimate titles for stolen cars and protect used-car buyers from unscrupulous rebuilders. It should also reduce title fraud by allowing states to verify the validity of titles prior to issuing new titles. For example, one of the planned features of NMVTIS is to allow titling jurisdictions to verify the vehicle and title information, obtain information on all brands ever applied to a vehicle, and obtain information on whether the vehicle has been reported stolen.

Currently, NMVTIS is in a pilot stage with nine states, including Florida, participating in the pilot. However, the Department of Highway Safety and Motor Vehicles has delayed implementation of NMVTIS due to delays that occurred when implementing improvements to the Florida Real-Time Vehicle Information System.<sup>35</sup> The original implementation date was 1998, but implementation is now not expected to begin until Spring 2001, despite the establishment of NMVTIS as a department priority. Once NMVTIS is fully implemented, county tax collector staff will be able to verify data in out-of-state title transfer transactions, such as ownership, odometer readings, and brands, and to check for information on stolen vehicles.<sup>36</sup>

### ***Consumers may not be aware that the state does not require safety inspections for rebuilt motor vehicles***

According to our research, the safety of rebuilt motor vehicles may be the main concern for consumers, who are oftentimes unaware that such vehicles were not inspected for safety by the department. The rebuilt motor vehicle inspections conducted by program staff do not address vehicle safety. The purpose of these inspections is to guard against the sale of stolen vehicles or parts. The statutorily required disclosure to consumers when purchasing a rebuilt motor vehicle merely states that the vehicle has been rebuilt. Consumers who know that the state conducts "rebuilt motor vehicle inspections" or who view the rebuilt vehicle decal placed on the vehicle's left front door post by state inspectors may be misled into thinking that the vehicle has been inspected for safety. To improve consumer awareness that the state has not inspected rebuilt vehicles for safety, the law could be amended to require disclosure that rebuilt vehicles have not been inspected for safety.

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<sup>35</sup> See Chapter 8 for further discussion about the delays that occurred when implementing improvements to the Florida Real-Time Vehicle Information System.

<sup>36</sup> In October 2000, the National Institute of Justice contracted with a consultant to conduct a life-cycle cost/ benefit analysis of NMVTIS. The analysis is expected to take approximately six months and will be used to determine the future of NMVTIS.



## Conclusions and recommendations

State law and government agencies at the state and local level provide a variety of controls over rebuilt motor vehicle title fraud. These controls have improved over the last several years through implementation of a rebuilt motor vehicle inspection prior to titling and certificates of destruction for vehicles that legally cannot be rebuilt. However, loopholes still exist among various state titling systems that allow dishonest persons to obtain clean titles for vehicles that are rebuilt, stolen, constructed of stolen parts, flood-damaged, or damaged to such a degree that they were intended only for junk or parts. The National Motor Vehicle Title Information System will help close some of these loopholes by allowing state motor vehicle departments to share title information. We recommend that the Department of Highway Safety and Motor Vehicles continue with its plans to implement Florida's participation in the National Motor Vehicle Title Information System.

The rebuilt motor vehicle inspections conducted by program staff do not address vehicle safety. The purpose of these inspections is to guard against the sale of stolen vehicles or parts. To improve consumer awareness that the state has not inspected rebuilt vehicles for safety, we recommend that s. 319.14, *Florida Statutes*, be revised to require disclosure that rebuilt vehicles have not been inspected for safety. The statutes should also require that consumers sign a statement indicating they have been informed about the lack of a safety inspection when purchasing a rebuilt motor vehicle.

# Quality Assurance Title Reviews

Program managers could better use state resources by reducing the number of staff devoted to reviewing tax collectors' title work.

## *Eliminating excess quality control over tax collectors' title work could save \$145,000 per year*

*Title reviews were established as a result of re-engineering the processes involved in issuing titles*

The Licenses, Titles, and Regulations Program's quality assurance title review process resulted from a re-engineering of its title processing procedures. As detailed in a 1996 report from our office, the department formerly took five to six weeks to handle regular title applications due to time-consuming and repetitious review procedures.<sup>37</sup> At that time, program staff reviewed the paperwork for each motor vehicle title processed by county tax collectors prior to mailing the title document to customers. This process involved numerous steps and paperwork could be delayed due to backlogs. The department was also not meeting a five-day statutory deadline for its own staff to process and issue Fast Titles.

As a result of these lengthy processing times, the department contracted for a consultant to review its title processing procedures.<sup>38</sup> The consultant made various recommendations to change paperwork processing procedures and reduce documentation requirements. In implementing these recommendations, department administrators decided to eliminate the front-end review of the title paperwork sent in by county tax collectors and instead institute a post-audit review function. The department implemented these recommendations and assigned responsibility for conducting these reviews to a newly established Quality Review Unit.

Presently, Quality Review Unit staff review samples of tax collectors' title paperwork after the titles have already been issued and the title paperwork has been sent to a contractor for document imaging.<sup>39</sup> The purpose of these reviews is to determine whether county tax collectors' staff have properly processed the titles, which includes collecting the

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<sup>37</sup> *Review of the Use of Information Technology Within the Department of Highway Safety and Motor Vehicles*, [OPPAGA Report No. 96-41](#), January 1997.

<sup>38</sup> *Motor Vehicle Title Process Re-engineering Final Report*, KPMG Peat Marwick, LLP, August 1997.

<sup>39</sup> The program currently issues and mails titles within three days after tax collector staff enter the required title information into the program's Florida Real-Time Vehicle Information System.

appropriate documents, obtaining required signatures, collecting the correct fees, and being on the alert for discrepancies that could indicate possible title fraud. Possible title fraud indicators would include evidence of erasures or other alterations to title documents.

If staff in the Quality Review Unit find errors in tax collectors' title paperwork, they record this information. The unit sends a summary of the errors to each tax collector on a bi-weekly basis. If staff find a serious problem, the department has the ability to revoke the title.<sup>40</sup> If staff find indication of possible fraud, they compile this information and refer it to a law enforcement agency such as the Florida Highway Patrol for further investigation. In the meantime, they put an administrative hold on the title in the program's data system, and the title cannot be transferred.

*Program staff find problems in less than 1% of the titles reviewed*

We reviewed the quality assurance title review process and concluded that program staff are over-sampling tax collectors' title paperwork. Quality assurance staff find problems in tax collectors' title paperwork in less than 1% of the cases reviewed, and only a small portion of these problems are sufficiently serious to indicate the possibility of title fraud. To illustrate, during Fiscal Year 1999-2000, the Quality Review Unit reviewed the paperwork for 1,961,556 out of the 5,398,931 titles issued by the department, or 36%. Program managers told us that they instructed staff to review 5% to 10% of all title paperwork in every county except Dade County, for which the staff were to review every title.<sup>41</sup> They may also temporarily increase sample sizes for particular counties when they receive information on potential title fraud problems, such as a notification from a law enforcement agency. In reviewing titles, program staff found errors in the paperwork for 8,990 titles, or less than 1% of the titles reviewed (0.46%). These problems included 423 potential cases of title fraud that staff referred to a law enforcement agency for further investigation (0.022% of the titles reviewed).<sup>42</sup>

Although we agree that there is a need to review title paperwork for quality control and fraud detection, the relatively small number of problems found by unit staff leads us to conclude that program managers are devoting too many resources to this effort. As discussed above, the program sampled 36% of the titles issued by the department. If the total

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<sup>40</sup> The Quality Review Unit recalled 1,176 titles during Fiscal Year 1999-2000.

<sup>41</sup> The program's title error reports show that although Dade County's error rate is higher than that of other counties, it is still 1% of the titles issued for that county. For Fiscal Year 1999-2000, the average error rate for other counties was 0.36%. Even though Dade County has a higher volume of errors and potential fraud cases than other counties, this county also issues more titles. Program staff told us that Dade County has hired a person to screen title paperwork for potential fraud before the titles are issued.

<sup>42</sup> According to program staff, 53 of these cases were referred to the Florida Highway Patrol for further investigation and approximately 80% of the remaining 370 cases were referred to the department's fraud unit based upon initial investigation by various law enforcement agencies. The remaining cases were determined not to involve title fraud. The department does not have data to make a more precise determination of the number of cases determined to involve title fraud.

## *Quality Assurance Title Reviews*

sample size were to be reduced to 10%, the program could handle this workload with 5 staff instead of the 10 full-time equivalent (FTE) positions currently in the unit (a reduction of 5 FTE positions). Reducing the number of FTE positions from 10 to 5 would result in an estimated cost savings of \$145,000 annually in the program's expenditures from the Highway Safety Operating Trust Fund.

## Conclusions and recommendations

The program's quality assurance title review process identifies problems in title paperwork in less than 1% of the cases reviewed. The program's current sample size is 36%, which is excessive given the very low percentage of titles found to be problematic (less than 1%). As a result, we concluded that program managers are devoting too many resources to this effort and make two recommendations.

- The department should reduce sample sizes for review of county tax collector's title paperwork. Program staff should use the information they compile on errors and other information on title fraud potential for particular counties to select sample sizes for each county tax collector.
- The department should reduce the number of title review staff in the Quality Review Unit to a level sufficient to handle the reduced workload. If the overall sample of titles to be reviewed were to be reduced to 10%, the department could reduce the number of FTE positions from 10 to 5. This would result in a cost savings of \$145,000 in the program's annual expenditures from the Highway Safety Operating Trust Fund.

# Information Technology and Business Process Re-Engineering

During Fiscal Year 1999-2000, department and county tax collector staff processed 5.4 million motor vehicle titles and 14.8 million registrations. In order to provide quality customer service, it is essential that these transactions be processed in the most efficient manner possible. A 1996 report from our office raised concerns about the department's ability to process these transactions in a timely manner.<sup>43</sup> As part of our current review, we followed up on the concerns raised in our previous report.

## *Information technology, business practices redesign for issuing titles and registrations improves efficiency*

*Labor-intensive practices and obsolete computer systems led to a need to re-engineer department motor vehicle processes and data systems*

The Department of Highway Safety and Motor Vehicles formerly relied upon labor-intensive business practices and outdated information technology systems to process transactions for customers applying for vehicle and vessel titles and registrations. As discussed in our 1996 report, the department was taking five to six weeks to handle regular title applications in Fiscal Year 1995-96 because of time-consuming and repetitious review procedures. The department also was not meeting a five-day statutory deadline to issue Fast Titles. These delays were due to fragmented processes and an obsolete mainframe system acquired in 1979. The department modified this data system, but it was still unable to identify uninsured drivers by matching information in the department's driver license, motor vehicle, and insurance databases. Such matching would allow the department and county tax collectors to more efficiently process motor vehicle titles and registrations. For example, matching of the motor vehicle and insurance databases would provide better control over uninsured motorists and more efficient service to customers wishing to use the mail-in renewal option.

The department's obsolete computer system caused customer service and data integrity problems, such as frequently being off-line or inaccessible and unable to retrieve needed data. Eventually, these conditions and the

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<sup>43</sup> *Review of the Use of Information Technology Within the Department of Highway Safety and Motor Vehicles*, [OPPAGA Report No. 96-41](#), January 1997. This chapter serves as a follow-up to OPPAGA Report No. 96-41.

## *Information Technology and Business Process Re-Engineering*

department's labor-intensive business practices contributed to slow processing times and adversely affected the title and registration services provided by the 67 county tax collectors.

The Legislature and the department have taken action to address vehicle title and registration delays. To modernize the department's information technology systems, the Legislature provided funding to the Distributed Systems Project and the Vehicle Information System Overall Redesign (VISOR) project.<sup>44</sup> Since 1996, the department has spent \$4,740,305 (through Fiscal Year 1999-00) for VISOR Project-related enhancements to its business processes and the Florida Real-Time Vehicle Information System (FRVIS).<sup>45</sup> The Legislature appropriated an additional \$10,846,263 to the department in Fiscal Year 2000-01 to pay for equipment upgrades in tax collector offices that are planned for installation over the next fiscal year.

### *Department motor vehicle information systems have been upgraded*

As part of the VISOR project, the department replaced the FRVIS on October 1, 1999, with a relational database management system that was intended to expedite title and registration processing and reduce the wait-times experienced by customers applying for vehicle and vessel titles and registrations.<sup>46</sup> The new system, called FRVIS 2000, converted vehicle and customer records from the older system to integrate previously separate databases containing vehicle-related data, vessel-related data, and driver-related data into one system. The new system also allows better access to the department's systems for tracking whether motorists have obtained required motor vehicle insurance.

The motor vehicle-related information system upgrades planned for the VISOR project are not yet complete. However, the most complex and lengthy increment, titles and registrations, was implemented as of October 1, 1999. Department managers plan for the system to eventually include data for all other motor vehicle service delivery and administrative support functions.<sup>47</sup> The current planned date to

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<sup>44</sup> The department spent \$6.3 million from 1994 to 1996 to implement the Distributed Systems Project (which included the Oracle relational database), the VISOR Project (a separate but related project), and the replacement of FRVIS equipment in the tax collectors' offices. The purpose of the VISOR project was to reengineer both the computer applications and business processes used for motor vehicle titling and registration programs.

<sup>45</sup> The Florida Real-time Vehicle Information System and compatible equipment in the tax collectors' offices provide access to the department's motor vehicle database used to issue vehicle and vessel titles and registrations.

<sup>46</sup> A Relational Database Management System uses a series of related files combined to eliminate unnecessary redundancy of data items and manages data through an integrated set of computer programs that create the database, maintain data elements, safeguard data from loss, and make data available to application programs and inquiry.

<sup>47</sup> Additional service delivery functions to be put on-line are licensing and regulating dealers, complaint investigation, mobile home construction compliance functions, and global administrative functions.

commence with the remaining VISOR increments is the third quarter of the calendar year 2001.

*The department improved its workflow and document management processes*

The VISOR Project also includes the reengineering of business processes used for motor vehicle title and registration programs. To address outdated business practices, the department contracted for consultant services to analyze its workflow and documentation management processes used to issue vehicle and vessel titles.<sup>48</sup> The department's workflow redesign effort was intended to improve processes at the department and at the county tax collectors offices for general routing and review of title documents and also reduce the number of documents a customer is required to produce to obtain a title.

As a further customer service enhancement, the department plans to offer registration renewal services over the Internet. Customers will have three options for annually renewing their vehicle and vessel registrations—walk-in, mail-in, and renewal over the Internet.

## **The department is addressing implementation problems that occurred when converting its data system**

*Re-engineering paperwork flow was successful, but implementation problems occurred with converting data systems*

Department efforts to reduce title delays by re-engineering paperwork processes have been successful. By reworking its title processing procedures, the department has reduced the time required to issue titles from several weeks to one to three days. Instead of delaying titles by reviewing paperwork prior to issuance, department staff now sample the tax collectors' title paperwork after the titles have already been mailed to customers. Titles are printed and mailed to customers within three days after being entered into FRVIS 2000 at county tax collector offices or are provided immediately to customers using locations with title printing equipment.

However, full implementation of all data system components planned for late 1997 was delayed by the communication complexities associated with putting into operation a large system requiring coordination with 67 county tax collectors and Y2K compatibility considerations. Also, when the new titles and registrations component of FRVIS 2000 was first made available for use in October 1999, county tax collectors reported lengthy processing times and general dissatisfaction with the new system.

Department staff have been working to address the initial implementation problems of FRVIS 2000 through software enhancements, meetings with the tax collectors, and providing tax collectors with equipment upgrades. Department time studies show that these efforts have been successful in reducing average computer machine processing

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<sup>48</sup> *Motor Vehicle Title Process Re-engineering Final Report*, KPMG Peat Marwick, LLP, August 1997.

*Information Technology and  
Business Process Re-Engineering*

times for the new system from 35 seconds per transaction at initial implementation to a current speed of 7 to 10 seconds per transaction. Department records also show that system downtime has been reduced from 15% to zero.

*The department is  
addressing the  
concerns of county  
tax collectors with  
FRVIS 2000*

We interviewed representatives of the county tax collectors' association and sent questionnaires to the tax collectors to gauge whether the department has addressed their concerns with FRVIS 2000, and concluded that the department is addressing their concerns with the system. Representatives of the tax collectors' association reported that tax collectors are more satisfied with the department's new technology and business processes. They also said that the department has made a good faith effort to address problems that occurred when switching to a new system, although they wanted to reserve final judgment until after all old records had been transferred to the new system and the department finishes equipment upgrades in their offices. The newer equipment helps speed up processing times. Some of the tax collectors reported concerns about unconverted data remaining in the department's old system, which required their staff to access and manually transcribe this data and then key it into the new system in order to process some transactions. However, these problems should be eliminated now that the implementation has been through an entire fiscal year registration renewal cycle. Others were concerned that the system requires their staff to void registration transactions in order to make corrections rather than allowing them to backtrack through a transaction, but the department cannot address this problem because tax collectors are now on-line with the motor vehicle and vessel registration database rather than sending updates at the end of the day.

*Auditor General has  
identified compatibility  
problems between  
FRVIS 2000 and  
department accounting  
systems*

The Auditor General recently reviewed the department's administration of the Specialty License Plate Program and found that compatibility problems between FRVIS 2000 and the department's automated revenue system led to delays in distributing specialty license plate revenues.<sup>49</sup> The department's response to this review stated that it is redesigning the revenue system for FRVIS 2000 transactions to ensure that specialty license plate fees and any required reports are distributed in a timely manner and in accordance with law. The redesign should be completed within the first quarter of the calendar year 2001.

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<sup>49</sup> For further information, see *Operational Audit of the Florida Specialty License Plate Program*, Auditor General Report No. 01-061, November 2000.



## Conclusions

The Legislature and the department have taken steps to address problems identified in a prior OPPAGA report that identified lengthy processing times for motor vehicle and vessel titles and registrations. These steps included re-engineering the department's title processing procedures and funding enhancements to the department's motor vehicle-related data systems and equipment upgrades in county tax collectors' offices. As a result of department re-engineering efforts and data system improvements, motor vehicle and vessel titles are now mailed to customers within three days; data system processing times and downtime have been reduced; department databases for vehicles and vessels, driver licenses, and motor vehicle insurance better communicate with one another; and other customer service enhancements such as renewals of vehicle registrations through the Internet are now possible.

During 2001, the department plans to commence with other VISOR increments and address FRVIS 2000 compatibility problems with department accounting systems.

## Appendix A

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# Statutory Requirements for Program Evaluation and Justification Review

Section 11.513(3), *Florida Statutes*, provides that OPPAGA Program Evaluation and Justification Reviews shall address nine issue areas. Our conclusions on these issues as they relate to the Department of Highway Safety and Motor Vehicles Licenses, Titles, and Regulation Program's motor vehicle-related activities are summarized in Table A-1.

**Table A-1**  
**Summary of the Program Evaluation and Justification Review**

Issue	OPPAGA Conclusions
The identifiable cost of the program	For Fiscal Year 2000-01, the Licenses, Titles, and Regulations Program was appropriated \$151,120,953 and 2,068 positions, of which \$75,953,971 and 597 positions were allocated to motor vehicle-related activities.
The specific purpose of the program, as well as the public benefit derived therefrom	<p>The purposes of the program's motor vehicle-related activities are to increase consumer protection and public safety through licensing systems that title and register motor vehicles, vessels, and motor homes; regulate vehicle and mobile home dealers and manufacturers; and efficiently collect revenue.</p> <p>The program's primary public benefits are protecting consumers, assisting the law enforcement community, and serving as a source of state revenue to support its costs and those of other state programs. Vehicle and vessel titles protect property rights by serving as proof of ownership, provide evidence in legal proceedings, and protect the rights of lien holders. The license plates issued as part of the vehicle and vessel registration process are intended to authorize use of vehicles on the state's roads and vessels on the state's waterways, while helping the law enforcement community and others identify particular vehicles and watercraft. License plates also document that the vehicle or vessel owner has paid required taxes and insurance. Other program motor vehicle-related activities help protect the public against title fraud, illegal business practices on the part of motor vehicle dealers, and unsafe mobile homes.</p> <p>The program's motor vehicle-related activities also serve as a significant source of state general revenue and other funding. For Fiscal Year 2000-01, the program's revenues are projected to provide funding of \$85 million to general revenue and \$857.5 million to trust funds used to finance programs of other agencies such as the Florida Department of Transportation and the Department of Education.</p>

Issue	OPPAGA Conclusions
Progress towards achieving the outputs and outcomes associated with the program	The program's performance in meeting motor vehicle-related performance standards was mixed for Fiscal Year 1999-2000. For example, the program met standards for the length of time spent processing titles and unit cost standards for issuing motor vehicle and vessel titles, but did not meet performance level expectations for its effectiveness in auditing motor carriers and identifying fraudulent motor vehicle titles.
An explanation of circumstances contributing to the state agency's ability to achieve, not achieve, or exceed its projected outputs and outcomes, as defined in s. 216.011, <i>Florida Statutes</i> , associated with the program	<p>The program issued titles within its time standard for Fiscal Year 1999-2000 standard due to implementation of improved title processing procedures and a revised motor vehicle title and registration data system.</p> <p>The program's unit costs for issuing vehicle and vessel titles were lower than standards for Fiscal Year 1999-2000. Program managers attribute this to increased use of automation and improved title processing procedures, as well as a continuing trend toward reducing the number of titles that must be processed by department staff.</p> <p>The program is recovering less in audits of International Registration Plan (IRP) and International Fuel Tax Agreement (IFTA) tax returns for every dollar spent on its audits of commercial carriers. However, the program's IRP and IFTA auditors conducted more audits on average than the Fiscal Year 1999-2000 standard. The amount of audit recoveries and the number of carriers that staff can audit within a year are affected by the size and degree of compliance of the carriers selected for audit.</p> <p>The program did not meet the Fiscal Year 1999-2000 standard for identifying fraudulent motor vehicle titles and the number of fraudulent titles identified by program staff decreased compared to the prior fiscal year. We concluded that the program is devoting too much of its limited resources to reviewing tax collectors' title paperwork in relation to its return in identifying problematic titles.</p>
Alternative courses of action that would result in administering the program more efficiently and effectively	<p>County tax collector staff rather than state employees perform the majority of the processing work for motor vehicle titles and registrations. The program's centralized control over activities to support the work of county tax collectors is efficient. The program is logically placed within the Department of Highway Safety and Motor Vehicles in that motor vehicle-related activities are closely aligned with the department's other activities (driver licensing and the Florida Highway Patrol) and keeping these activities within one agency promotes their coordination.</p> <p>The Department of Highway Safety and Motor Vehicles and the Florida Department of Transportation have some similarities in mission and activities. The state may be able to reduce the executive direction and support costs of the Department of Highway Safety and Motor Vehicles by merging it with the Florida Department of Transportation.</p> <p>We identified several areas in which the program's motor vehicle-related activities could be administered more efficiently and effectively.</p> <ul style="list-style-type: none"> <li>• Some additional program activities could be outsourced.</li> <li>• Program compliance and enforcement activities could be more financially self-sufficient.</li> <li>• Florida's controls over rebuilt motor vehicles need strengthening to better protect consumers.</li> </ul>

Appendix A

Issue	OPPAGA Conclusions
	<ul style="list-style-type: none"> <li>The department needs to reduce the sample sizes staff use when performing quality control over tax collectors' title work and the staffing devoted to this effort. The relatively small number of problems found leads us to conclude that program managers have devoted too much of the program's limited resources to reviewing tax collectors' title paperwork.</li> </ul>
<p>The consequences of discontinuing the program</p>	<p>Abolishing the program's motor vehicle-related activities would not be in the state's best interest. Unless alternative service delivery systems were put in place, Florida consumers would be negatively affected. Abolishing these activities would also affect state revenues. Due to the significant negative impacts of eliminating the program's motor vehicle-related activities, it is likely that other state and local government agencies would assume some of these responsibilities.</p>
<p>Determination as to public policy, which may include recommendations as to whether it would be sound public policy to continue or discontinue funding the program, either in whole or in part, in the existing manner</p>	<p>The program is predominantly funded from its license, title, and registration revenues. Although most compliance and enforcement activities benefit taxpayers as a whole, some also regulate individual constituencies who may profit from the industry being regulated. If the Legislature wants to better cover the cost of compliance and enforcement activities by increasing fees to the entities or individuals being regulated, there are three areas in which fee increases could be considered: (1) dealer and manufacturer licensing and regulatory activities, (2) rebuilt motor vehicle inspections, and (3) vehicle identification number verifications.</p> <p>Fee increases in these areas should be offset by reductions in motor vehicle title and registration fees.</p>
<p>Whether the information reported pursuant to s. 216.03(5), <i>Florida Statutes</i>, has relevance and utility for the evaluation of the program</p>	<p>The program's current budget structure fails to portray the full cost to license and regulate motor vehicle dealers and manufacturers. The <i>Licensing Automobile Dealers</i> service category does not include all activities relating to licensing and regulating motor vehicle dealers and manufacturers. Currently, this service category only includes one position responsible for regulating the relationship between dealers and manufacturers, and seven positions responsible for processing license paperwork.</p> <p>Other direct costs for licensing dealers and manufacturers are not apparent from the budget. Sixty-six other full-time equivalent (FTE) positions also perform license and regulatory activities but are budgeted in the program's <i>Compliance and Enforcement</i> service category. The estimated cost of the dealer and manufacturer licensing and regulatory activities performed by these positions is \$2,948,417 for Fiscal Year 2000-01. Combining these activities under one service category would provide better accountability by more accurately showing the resources devoted to licensing and regulating dealers.</p>
<p>Whether state agency management has established control systems sufficient to ensure that performance data are maintained and supported by state agency records and accurately presented in state agency performance reports</p>	<p>The department's inspector general has validated data relating to performance-based program budgeting measures as required by law.</p>

Source: OPPAGA analysis.

## Appendix B

# Fiscal Year 2000-01 Motor Vehicle-Related Revenue Distributions

Table B-1  
Licenses, Titles, and Regulations Program: Allocated Budget and Revenues 2000-01

Licenses, Titles, and Regulations Program <sup>1</sup>	Allocated Positions	Allocated Operating Budget	Total Revenue	Revenue Allocated to Operations	Revenue Allocated to General Revenue	Revenue Allocated to Other Agencies
<b>Motor Vehicle-Related Activity</b>						
Executive Direction and Support Services <sup>2</sup>	17	\$ 1,150,318	\$ 0	\$ 0	\$ 0	\$ 0
Licensing Automobile Dealers	8	352,657	1,600,000	0	1,500,000	100,000
Compliance and Enforcement	144	7,863,929 <sup>3</sup>	1,532,900	882,900	650,000	0
Mobile Home Compliance and Enforcement	39	1,576,807	1,315,000	615,000	700,000	0
Motor Carrier Compliance	87	4,320,745	82,306,087	3,657,392	0	78,648,695
<b>Vehicle and Vessel Title and Registration Services</b>						
Vehicle Titles and Registrations	236	58,112,854	917,686,100	67,831,600	82,382,500	767,472,000
Vessel Titles and Registrations	35	1,228,518	12,700,000	1,400,000	0	11,300,000
Technical and Customer Assistance	31	1,348,143	0	0	0	0
<b>Total Vehicle and Vessel Title and Registration Services</b>	<b>302</b>	<b>60,689,515</b>	<b>930,386,100</b>	<b>69,231,600</b>	<b>82,382,500</b>	<b>778,772,000</b>
<b>Total Motor Vehicle-related Activities</b>	<b>597</b>	<b>\$75,953,971</b>	<b>\$1,017,140,087</b>	<b>\$74,386,892</b>	<b>\$85,232,500</b>	<b>\$857,520,695</b>

<sup>1</sup> Does not include driver license-related activities in the amount of \$75,166,982, 1,471 positions, and revenue of \$124,708,000.

<sup>2</sup> Office of the Director of the Division of Motor Vehicles.

<sup>3</sup> The *Compliance and Enforcement* budget is potentially overstated by as much as \$1,517,044 due to an internal department error in allocating costs for data processing services. A department budget administrator told us that department staff intend to redistribute most or all of this amount to other areas, but they have not determined all necessary corrections at this time.

Source: Department of Highway Safety and Motor Vehicles.

## Rebuilt Motor Vehicles and Salvage Motor Vehicles

In Florida, a rebuilt motor vehicle is defined as a vehicle that has been built from salvage or junk parts. A salvage vehicle means a vehicle that has been declared a total loss due to a wreck or other damage. For an insured motor vehicle, the vehicle is considered salvage if the insurance company pays the owner to replace rather than repair the vehicle. For an uninsured motor vehicle, the vehicle is considered salvage if the cost to repair or rebuild the vehicle is 80% or more of the cost to replace the vehicle with one of like kind and quality.

Once a vehicle becomes salvage, the owner or insurance company is required to forward the vehicle's title to the Department of Highway Safety and Motor Vehicles for processing within 72 hours. The vehicle cannot be legally disposed of without first obtaining either a "salvage certificate of title" or a certificate of destruction from the department. Vehicles with a salvage certificate of title may be repaired and sold as "rebuilt" motor vehicles. Vehicles with a certificate of destruction must be destroyed or dismantled. Generally, the decision as to whether to destroy or rebuild the vehicle is based on the cost to repair the vehicle.

Owners or insurance companies applying for salvage titles must provide estimates of the cost to repair the vehicle. A salvage vehicle is considered rebuildable if the cost of repair is less than 80% of the current retail cost of the vehicle. For vehicles meeting this cost criteria, the department issues salvage certificates of title, and these titles are called branded titles. These vehicles may be legally purchased and then re-titled as "rebuilt" motor vehicles once they are repaired. After repair and an inspection by department staff, the department records the word "rebuilt" on the vehicle's title, which is also termed a branded title. These vehicles are worth less than other vehicles of the same type and age, and thus provide consumers with a less expensive alternative for obtaining a vehicle.

When the cost to repair a "totaled" vehicle is 80% or more of the current retail cost of the vehicle, the Department of Highway Safety and Motor Vehicles issues a certificate of destruction for the vehicle and the vehicle

cannot be titled again.<sup>50</sup> The certificate of destruction authorizes the dismantling or destruction of the vehicle and can only be reassigned a maximum of two times. Parts from these vehicles may be used to repair other vehicles, but the vehicles themselves cannot legally be rebuilt.

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<sup>50</sup> Until recently, the department would declare severely damaged vehicles as “salvage” or “unrebuildable,” and the department would issue branded titles for both types. The 2000 Legislature revised statutory requirements to no longer allow branding of titles as “unrebuildable.” Effective October 1, 2000, the department just issues “certificates of destruction” for these vehicles, which serves in lieu of their titles. Prior to this change, the department would issue both certificates of destruction and branded titles for these vehicles.

## *Appendix D*

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# Response from the Department of Highway Safety and Motor Vehicles

In accordance with the provisions of s. 11.45(7)(d), *Florida Statutes*, a draft of our report was submitted to the Executive Director of the Department of Highway Safety and Motor Vehicles for his review and response.

The executive director's written response is reprinted herein beginning on page 47.





State of Florida  
**DEPARTMENT OF  
HIGHWAY SAFETY AND MOTOR VEHICLES**  
TALLAHASSEE, FLORIDA 32399-0500

**FRED O. DICKINSON**  
Executive Director

January 12, 2001

Mr. John W. Turcotte, Director  
Office of Program Policy Analysis  
and Government Accountability  
Claude Pepper Building  
Room 312  
111 W. Madison Street  
Tallahassee, Florida 32302

Dear Mr. Turcotte:

Enclosed is a copy of this agency's response to your preliminary findings and recommendations for your justification review of - *Motor Vehicle-Related Activities Performed by the Licenses, Titles, and Regulations Program motor vehicle-related activities of the Department of Highway Safety & Motor Vehicles.*

Should you need additional information, please contact John R. Davis, Inspector General at 488-1407.

Sincerely,

/s/  
Fred O. Dickinson  
Executive Director

FOD:gc  
Attachment

**OPPAGA 'S PRELIMINARY FINDINGS AND RECOMMENDATIONS**

Motor Vehicle-Related Activities Performed  
By the Licenses, Titles, and Regulations Program  
of the Department of Highway Safety & Motor Vehicles  
Division of Motor Vehicles

*Program motor vehicle-related activities are beneficial to the state; Legislature may want to consider merger with the Department of Transportation*

**Recommendation:**

We recommend that the Legislature consider the option of merging the Department of Highway Safety and Motor Vehicles with the Florida Department of Transportation.

**Response:**

**This recommendation is to the Legislature. The Department will assist the Legislature in any way requested.**

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*Budget structure fails to portray the full cost to license and regulate dealers and manufacturers*

**Recommendation:**

We therefore recommend that the Legislature revise the budget service categories for the Licenses, Titles, and Regulations Program to move all resources for licensing and regulating dealers and manufacturers into one service category.

**Response:**

**This recommendation is to the Legislature. The Department will assist the Legislature in any way requested.**

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*Privatization and Outsourcing*

**Recommendation:**

We recommend that

- The DHSMV determine its costs for mobile home manufacturing regulation and the estimated program monitoring costs if this activity was outsourced, and
- The DHSMV solicit bids for providing mobile home manufacturing regulation.

**Response:**

**The Department will continue to evaluate the privatization of this function.**

## OPPAGA 'S PRELIMINARY FINDINGS AND RECOMMENDATIONS

Motor Vehicle-Related Activities Performed  
By the Licenses, Titles, and Regulations Program  
of the Department of Highway Safety & Motor Vehicles  
Division of Motor Vehicles

### **Recommendation:**

We therefore recommend that the Legislature amend s.320.02, Florida Statutes, to

- Include private entities contracted by the DHSMV in the list of entities authorized to conduct Vehicle Identification Number verifications, and
- Authorize the DHSMV to establish a fee range that private entities may charge for conducting VIN verifications.

### **Response:**

**This recommendation is to the Legislature. The Department will assist the Legislature in any way requested.**

### **Recommendation:**

We recommend that the Legislature consider expanding the outsourcing of motor vehicle title and registration processing to include private entities when it is in the best interests of the state and direct the DHSMV accordingly.

### **Response:**

**This recommendation is to the Legislature. The Department will assist the Legislature in any way requested.**

---

### *Self-Sufficiency of Compliance and Enforcement Activities*

### **Recommendation:**

If the Legislature wants to better cover the cost of compliance and enforcement activities, we recommend that the Legislature consider the actions described below.

- Revising s.320.27, Florida Statutes (license fees for motor vehicle dealers), ss.320.61 and 320.62, Florida Statutes (license fees for manufacturers, distributors and importers), s. 320.77, Florida Statutes (license fees for mobile home dealers), s.320.771, Florida Statutes (license fees for recreational vehicle dealers), and s.320.8225, Florida Statutes (license fees for mobile home and recreational vehicle manufacturers) to implement the fee structure shown in Exhibit 4. The fees could be implemented across the board or put on a sliding scale based on volume of each entity's motor vehicle or mobile home sales;

**OPPAGA 'S PRELIMINARY FINDINGS AND RECOMMENDATIONS**

Motor Vehicle-Related Activities Performed  
By the Licenses, Titles, and Regulations Program  
of the Department of Highway Safety & Motor Vehicles  
Division of Motor Vehicles

- Revising s.319.32, Florida Statutes, to increase the fee for rebuilt motor vehicle inspections from \$40 to \$50;
- Revising s.320.02, Florida Statutes, to establish a \$15 fee for VIN verifications; and  
Decrease motor vehicle title and registration fees by an amount that offsets these adjustments.

**Response:**

**This recommendation is to the Legislature. The Department will assist the Legislature in any way requested.**

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*Controls over rebuilt motor vehicle title fraud*

**Recommendation:**

We recommend that the DHSMV continue with its plans to implement Florida's participation in the National Motor Vehicle Title Information System.

**Response:**

**The Department will continue with its plans to implement Florida's participation in the National Motor Vehicle Information System.**

**Recommendation:**

We recommend that s.319 .14, Florida Statutes, be revised to require disclosure that rebuilt vehicles have not been inspected for safety. The statutes should also require that consumers sign a statement indicating they have been informed about the lack of a safety inspection when purchasing a rebuilt motor vehicle.

**Response:**

**This recommendation is to the Legislature. The Department will assist the Legislature in any way requested.**

## OPPAGA 'S PRELIMINARY FINDINGS AND RECOMMENDATIONS

Motor Vehicle-Related Activities Performed  
By the Licenses, Titles, and Regulations Program  
of the Department of Highway Safety & Motor Vehicles  
Division of Motor Vehicles

### *Quality Assurance Title Reviews*

#### **Recommendation:**

As a result, we concluded that program managers are devoting too many resources to this effort and make two recommendations.

- The department should reduce sample sizes for review of county tax collector's title paperwork. Program staff should use the information they compile on errors and other information on title fraud potential for particular counties to select sample sizes for each county tax collector.
- The department should reduce the number of title review staff in the Quality Review Unit to a level sufficient to handle the reduced workload. If the overall sample of titles to be reviewed was reduced to 10%, the department could reduce the number of FTE positions from 10 to 5. This would result in a cost savings of \$145,000 in the program's annual expenditures from the Highway Safety Operating Trust Fund.

#### **Response:**

**The Department is still in the process of decentralizing the issuance of titles, installing the new equipment and determining the most effective method to review titles for error. These projects should be completed within the next six months. The Department has reorganized this unit based on past identified errors. Because of this reorganization the Department will evaluate the error rate and volume in six months. OPPAGA will be brought up to date on the results of this reorganization.**