



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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

Summary

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

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

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

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

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

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