

MONITORING OF PUBLIC TAG AGENTS  
STATUS REPORT  
OFFICE OF MOTOR VEHICLES



PERFORMANCE AUDIT SERVICES  
ISSUED JUNE 4, 2014

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GINA BROWN, PERFORMANCE AUDIT MANAGER,  
AT 225-339-3800.**

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

June 4, 2014

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Charles E. "Chuck" Kleckley,  
Speaker of the House of Representatives

Dear Senator Alario and Representative Kleckley:

The House Transportation Committee requested that we follow up on the recommendations we made to the Office of Motor Vehicles (OMV) in a March 2013 performance audit report regarding its monitoring of Public Tag Agents. This audit report provides the implementation status of these recommendations as of May 15, 2014. Appendix A contains OMV's response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of OMV for their assistance during this audit.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP/ch

OMV STATUS 2014



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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Monitoring of Public Tag Agents - Status Report Office of Motor Vehicles

June 2014

Audit Control # 40130056

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### Introduction

In March 2013, we issued a performance audit report on the monitoring of Public Tag Agents (PTAs) by the Office of Motor Vehicles (OMV).<sup>1</sup> This report is a follow-up to that audit and provides the implementation status of the recommendations we made to OMV.

The Department of Public Safety (DPS) contracts with PTAs to collect and process vehicle registration license taxes, including applicable sales and use taxes, and issue registration certificates and license plates for vehicles.<sup>2</sup> In addition, starting in February 2014, DPS promulgated a rule to allow PTAs to offer driver's license renewals, identification card renewals, and mobility impaired hang tags. As of May 15, 2014, 30 (24%) of the 123 PTAs had signed a contract with DPS to offer these additional services.

PTAs receive no compensation from DPS and pay for all costs associated with operating as a PTA. However, according to state law and their contracts, PTAs can charge a convenience fee of up to \$18 per vehicle registration transaction, driver's license renewal, identification card renewal, and for mobility impaired hang tags issued. Exhibit 1 shows the potential convenience fee amount collected for the 10 PTAs that conducted the highest number of transactions during calendar year 2013, assuming they charged the maximum convenience fee of \$18 per transaction.

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<sup>1</sup> Our March 2013 performance audit on OMV can be found at [http://app1.la.state.la.us/PublicReports.nsf/FBEBF83007C761AF86257B2D00507AEA/\\$FILE/summary00030862.pdf](http://app1.la.state.la.us/PublicReports.nsf/FBEBF83007C761AF86257B2D00507AEA/$FILE/summary00030862.pdf).

<sup>2</sup> R.S. 47:532.1 allows DPS to contract with PTAs. While the contracts are between DPS and the PTAs, OMV management administers the contracts, including selecting and renewing all contracts with PTAs.

<b>Exhibit 1</b> <b>Potential Amount Collected from Convenience Fees</b> <b>PTAs with Highest Total Transactions</b> <b>Calendar Year 2013</b>		
	<b>Vehicle Registration Transaction Total*</b>	<b>Potential Amount Collected from Convenience Fee**</b>
PTA 1	128,702	\$2,316,636
PTA 2	71,160	\$1,280,880
PTA 3	45,884	\$825,912
PTA 4	43,315	\$779,670
PTA 5	38,032	\$684,576
PTA 6	31,362	\$564,516
PTA 7	29,990	\$539,820
PTA 8	29,393	\$529,074
PTA 9	25,054	\$450,972
PTA 10	24,475	\$440,550
<p>*PTA's had not started providing driver's license renewals as of December 31, 2013. During this time period, there was one PTA offering driver's license renewals as part of a pilot program.</p> <p>**We calculated this by using the maximum convenience fee allowed of \$18 for each transaction. The PTA could be charging less than this amount.</p> <p><b>Source:</b> Prepared by legislative auditor's staff using information from OMV's data system, Legacy.</p>		

Based on the findings of the March 2013 performance audit, we made six recommendations to OMV to assist in improving its monitoring of PTAs. The following sections provide a summary of the implementation status of those recommendations as of May 15, 2014. Appendix A contains OMV's response, Appendix B contains our scope and methodology, and Appendix C shows the locations of PTAs and OMV field offices across Louisiana.

## Overview of Findings and Recommendations

In March 2013, we had four findings on OMV's monitoring of PTAs. The findings were as follows:

1. OMV does not monitor the convenience fees PTAs charge consumers for vehicle registration services.
2. The sign that OMV requires PTAs to post does not disclose the additional amount consumers can and will be charged in convenience fees for vehicle registration services.
3. DPS audits were not conducted on 66% of PTAs during fiscal year 2011 and 62% of PTAs during fiscal year 2012.
4. OMV does not monitor whether PTAs resolve issues identified during audits.

Based on these four findings, we made six recommendations to OMV to improve its monitoring of PTAs. The recommendations were as follows:

1. OMV should monitor the convenience fees PTAs charge consumers to ensure they are not charging more than the \$18 allowed by state law.
2. OMV should amend the sign it requires each PTA to post to include the convenience fee amount charged by that PTA and the maximum fee that is allowed by state law.
3. OMV should develop and document criteria, such as policies and procedures, that outline the types and frequency of audits Internal Audit Services (IAS) should conduct on PTAs. This should involve a risk assessment for determining which PTAs to audit, such as the number of transactions.
4. OMV should revise its current motor vehicle transaction procedures to include the requirements PTAs need to follow for conducting license plate inventory reconciliations and voided transactions. These requirements will give IAS criteria when auditing these transactions.
5. OMV should develop a process to monitor the progress of PTAs toward resolving issues identified during audits.
6. OMV should consider amending future PTA contracts to include some type of enforcement action such as a tiered penalty structure for PTAs that do not meet contract requirements.

We followed up on OMV's implementation of the above recommendations. Exhibit 2 contains a summary of the implementation status of these recommendations as of May 15, 2014.

<b>Exhibit 2 Status of OMV Recommendations As of May 15, 2014</b>		
<b>Recommendation Status</b>	<b>Number of Recommendations</b>	<b>Percentage</b>
Implemented	5	83%
In Progress	1	17%
<b>Total</b>	<b>6</b>	<b>100%</b>
<b>Source:</b> Prepared by legislative auditor's staff using information provided by OMV and verified by audit staff.		

As the exhibit shows, OMV has implemented five of the recommendations and is in the process of implementing one. Appendix D provides additional details on the current status of these recommendations.



## APPENDIX A: OMV'S RESPONSE



BOBBY JINDAL  
GOVERNOR



JILL P. BOUDREAUX  
UNDERSECRETARY

**State of Louisiana**  
*Department of Public Safety and Corrections*  
*Public Safety Services*

May 27, 2014  
DPS-02-1679

Mr. Daryl G. Pupera, CPA, CFE  
Louisiana Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Office of Motor Vehicles Performance Audit  
Monitoring of Public Tag Agents – Status Report

Dear Mr. Pupera,

Please allow this response to serve as the official response for the Monitoring of Public Tag Agents Status Report. The Department concurs with the audit report and its recommendations.

Please contact me with any additional concerns or more information is required at (225) 925-6032.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jill P. Boudreaux".

Jill P. Boudreaux  
Undersecretary

*"An Equal Opportunity Employer"*

OFFICE OF MANAGEMENT & FINANCE, P.O. BOX 66614, BATON ROUGE, LOUISIANA 70896  
(225) 925-6032

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## APPENDIX B: SCOPE AND METHODOLOGY

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We conducted this audit to determine the implementation status of the recommendations we made to the Office of Motor Vehicles (OMV) in a March 2013 performance audit report regarding its monitoring of Public Tag Agents (PTAs). This audit covers the time period March 2013 through May 15, 2014.

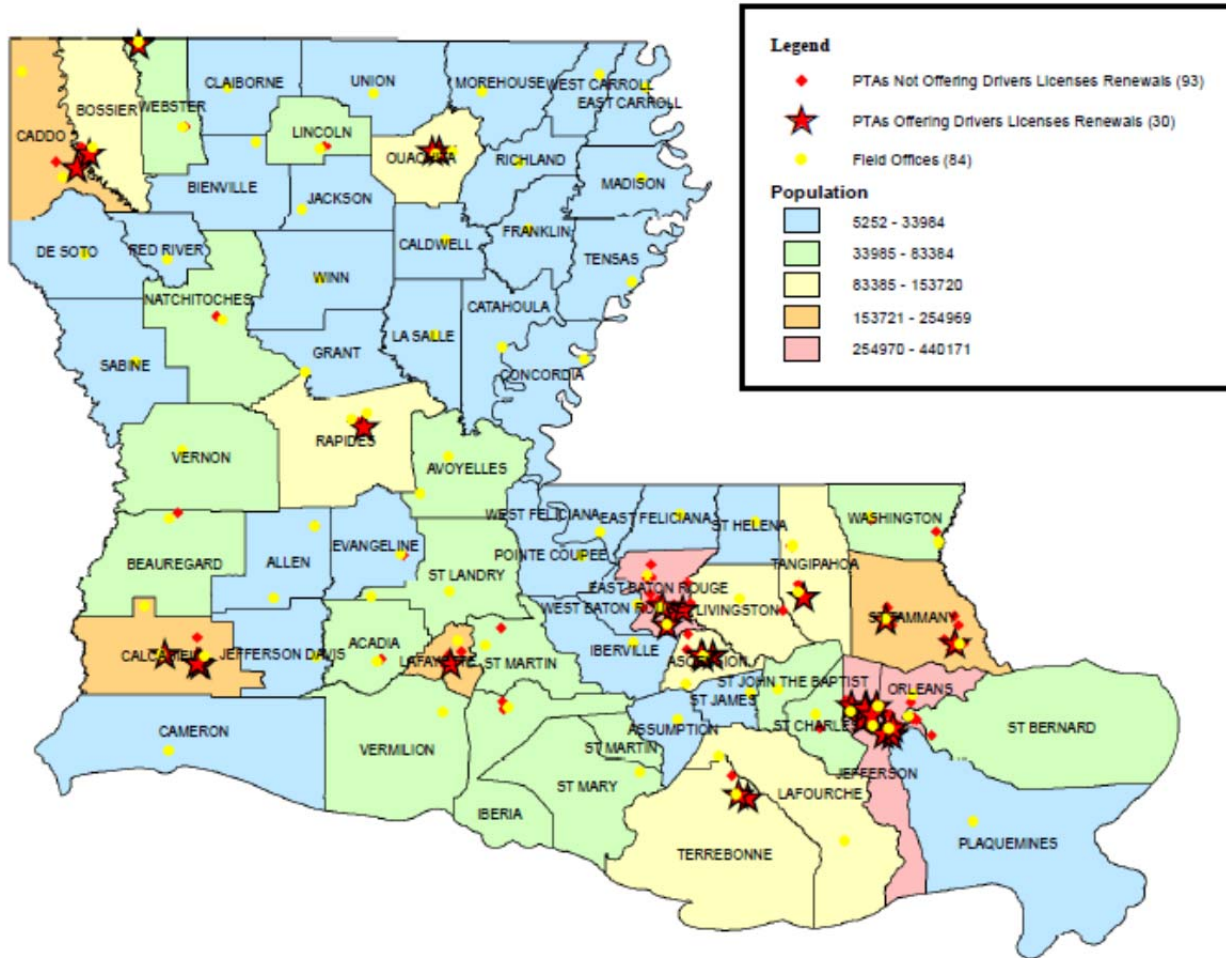
To determine the implementation status of the recommendations we made to OMV, we conducted the following procedures:

- Interviewed OMV and Department of Public Safety (DPS) officials to gain information on the status of each recommendation from the March 2013 report.
- Using our methodology from the March 2013 report, we obtained motor vehicle registration transaction data from DPS staff to calculate the potential amount PTAs collected from convenience fees during calendar year 2013. The reliability for the transaction data was tested during the March 2013 audit.
- Obtained and reviewed any new policies and procedures from OMV and DPS that were created as a result of our audit recommendations from the March 2013 audit report.
- Obtained a list of all valid contracts for PTAs during fiscal year 2014 from OMV and any addendums to these contracts for offering additional services, including driver's license renewals.
- Obtained a copy of the revised June 1, 2014, PTA contract to determine any changes that were made as a result of our audit recommendations from the March 2013 audit report.
- Visited 11 PTAs to determine if the updated convenience fee sign was posted in a conspicuous location.

We conducted this performance audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit purpose. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on the purpose of this audit.



## APPENDIX C: PTA AND OMV FIELD OFFICE LOCATIONS FISCAL YEAR 2014



**Note:** As of May 15, 2014, 18 of the 30 PTAs that signed a contract with DPS to offer additional services including driver's license renewals have actually started offering these additional services.

**Source:** Prepared by legislative auditor's staff using GIS software to plot the locations of the PTAs and OMV field offices and the population per parish.





## APPENDIX D: SUMMARY AND CURRENT STATUS OF OMV RECOMMENDATIONS

Findings from March 2013 Report	Recommendations	OMV's Response	Current Status of Recommendation As of May 15, 2014
OMV does not monitor the convenience fees PTAs charge consumers for vehicle registration services.	1. OMV should monitor the convenience fees PTAs charge consumers to ensure they are not charging more than the \$18 allowed by state. ( <i>Recommendation #2*</i> )	OMV agreed with this recommendation in the 2013 report.	<b>In Progress.</b> DPS implemented a policy effective June 1, 2014, requiring the Compliance Review Division to monitor the convenience fees each PTA charges during its annual audit of each PTA. Specifically, the new policy states that the Compliance Review Division will audit at least 5% of the convenience fees each PTA charges. In addition, OMV amended its PTA contract to require PTAs to submit records and receipts of their convenience fee charges for each transaction upon request from the Compliance Review Division for review.
The sign that OMV requires PTAs to post does not disclose the additional amount consumers can and will be charged in convenience fees for vehicle registration services.	2. OMV should amend the sign it requires each PTA to post to include the convenience fee amount charged by that PTA and the maximum fee that is allowed by state law. ( <i>Recommendation #3</i> )	OMV agreed with this recommendation in the 2013 report.	<b>Implemented.</b> OMV printed new signs disclosing the \$18 convenience fee and requires each PTA to post this sign in their business locations. However, when we visited the 11 Baton Rouge PTA locations, three (27%) either did not have the new sign posted or did not have a convenience fee disclosure sign at all. OMV needs to ensure that all PTAs have posted the new sign.

Findings from March 2013 Report	Recommendations	OMV's Response	Current Status of Recommendation As of May 15, 2014
DPS audits were not conducted on 66% of PTAs during fiscal year 2011 or 62% of PTAs during fiscal year 2012.	3. OMV should develop and document criteria, such as policies and procedures, that outline the types and frequency of audits Internal Audit Services (IAS) should conduct on PTAs. This should involve a risk assessment for determining which PTAs to audit, such as the number of transactions. <i>(Recommendation #4)</i>	OMV agreed with this recommendation in the 2013 report.	<b>Implemented.</b> In November 2013, DPS created the Compliance Review Division for the purpose of conducting audits of PTAs. DPS implemented a policy, effective April 11, 2014, requiring the division to audit each PTA annually.
	4. OMV should revise its current motor vehicle transaction procedures to include the requirements PTAs need to follow for conducting license plate inventory reconciliations and voided transactions. These requirements will give IAS criteria when auditing these transactions. <i>(Recommendation #5)</i>	OMV agreed with this recommendation in the 2013 report.	<b>Implemented.</b> In October 2013, DPS' Internal Audit section developed spreadsheets as guidance for conducting license plate inventory reconciliations and voided transactions to show the Compliance Review Division auditors how to audit these types of transactions.

Findings from March 2013 Report	Recommendations	OMV's Response	Current Status of Recommendation As of May 15, 2014
<p>OMV does not monitor whether PTAs resolve issues identified during audits.</p>	<p>5. OMV should develop a process to monitor the progress of PTAs toward resolving issues identified during audits. <i>(Recommendation #6)</i></p>	<p>OMV agreed with this recommendation in the 2013 report.</p>	<p><b>Implemented.</b> In August 2013, OMV developed a process to monitor the progress of PTAs toward resolving issues identified during audits. This includes sending a letter to the PTAs stating they have 30 days to address the audit issues identified. OMV will then follow-up with the PTAs three weeks later to determine the progress toward addressing the issues identified. On the fourth week, OMV will determine if the issue was resolved by checking the vehicle identification number (VIN) of the error in their vehicle transaction data.</p>
	<p>6. OMV should consider amending future PTA contracts to include some type of enforcement action such as a tiered penalty structure for PTAs that do not meet contract requirements. <i>(Recommendation #7)</i></p>	<p>OMV agreed with this recommendation in the 2013 report.</p>	<p><b>Implemented.</b> OMV amended the PTA contract, effective June 1, 2014, to include a penalty for PTAs who do not meet contract requirements. According to the new contract language, OMV may limit the transactions processed by the PTA or suspend the PTA contract for any PTA who does not meet contract requirements within 30 days of notification from OMV. OMV will reinstate full database system access once all issues have been resolved.</p>
<p>*Recommendation 1 from the March 2013 audit report was not included in this follow-up audit report since it did not relate to OMV's oversight of PTAs. <b>Source:</b> Prepared by legislative auditor's staff using information from the March 2013 performance audit report and information provided by OMV and verified by audit staff.</p>			