Chapter 4
Section
4.05

Ministry of Transportation

Driver and Vehicle Private Issuing Network

Follow-up to VFM Section 3.05, *2005 Annual Report*

Background

The Road User Safety Division (Division) of the Ministry of Transportation (Ministry) is responsible for providing readily accessible products and services related to driver and vehicle licensing. The most significant channel for delivering these products and services is the Private Issuing Network (PIN), which consists of 280 privately operated "issuer" offices across the province. PIN offices process about 80% of Ontario's vehicle registrations and 40% of its driver's licences, for a total of almost 19 million transactions a year. In the 2006/07 fiscal year, the PIN collected more than $975 million in revenues ($766 million in 2004/05) on behalf of the government.

In our *2005 Annual Report*, we noted that the Ministry and the government view the PIN as a strategic asset of significant value for delivering front-line government services. However, several factors had contributed to a deterioration of relations between the Ministry and the PIN over the last several years. Some of our more significant observations in this regard, and with respect to the quality of services delivered to the public, included the following:

- Compensation rates paid to private issuers had not increased since 1997, and many low-volume issuers appeared to be struggling to survive.
- Ministry policies and procedures were applied inconsistently across the PIN, primarily because almost 90% of issuers were operating under an older contract that did not require adherence to certain customer- and security-focused requirements of a newer contract, which governed a small minority of issuers.
- Issuers requiring help from the Ministry's call centres often encountered delays, and we noted that call-centre operators were unavailable to handle calls about 40% of the time.
- The government estimated that by 2006, between 45% and 77% of all plate-renewal transactions would be handled over the Internet, although as of 2004 fewer than one-fifth of 1% were processed that way. However, it costs more to process the same transaction on the Internet than through an issuer because Internet transactions are not integrated with the licensing systems.
- There had been a significant decrease in the number of annual full audits of issuing offices, as well as weaknesses in system and supervisory controls. As a result, the Ministry:

- was inadequately managing the risk that some issuers might, for example, manipulate transactions to generate additional commissions or issue fraudulent driver's licences; and
- could not ensure that temporary driver's licences and other official stock was not disappearing or being diverted for illegal purposes.

Controls to ensure that licensed drivers actually had vehicle insurance and that only eligible drivers obtained Accessible Parking Permits (formerly called Disabled Person Parking Permits) were also weak.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Current Status of Recommendations

The Ministry of Transportation (Ministry) advised us as of March 2007 on the current status of actions it had taken to address each of our recommendations. In May 2007, it furnished further details of its ServiceOntario initiative for providing front-line government services and information. On the basis of the supporting documentation supplied by the Ministry, we are satisfied that it has taken some action on each of our recommendations. For the most part, the Ministry has implemented system changes or other processes that fully or at least partially address our concerns and has made substantial progress on several key recommendations. One significant change since our audit has been the transfer of responsibility for the private issuing offices to ServiceOntario, which the government envisions as the one-window retail face for government services. The status of actions taken on each of our recommendations is described below.

QUALITY OF SERVICE

Systemic Concerns

Compensation

Recommendation

In order to ensure that the Private Issuing Network remains stable and that customer service levels are maintained, the Ministry should, as part of the process of negotiating a new province-wide agreement with private issuers, conduct a review of its compensation arrangements.

Current Status

At the time of our audit, private issuers were paid a time-based commission for each transaction, plus an annual stipend. The Ministry told us it had tested a new compensation model with a flat per-transaction fee at five trial locations in early 2006. However, none of the test sites was able to meet the Ministry's criteria for winning a full 10-year contract and, accordingly, no contracts were awarded under this model. However, the Ministry incorporated what it learned from this exercise into a review of private-issuer compensation and subsequently introduced a new compensation strategy in November 2006 that:

- increased the base commission rate paid to issuers by 5%, from $0.5575 per minute to $0.5854 per minute, retroactive to October 1, 2006; and
- provided an annual "top-up" to a maximum of $20,000 (or $10,000 for the half-year in 2006), based on the previous calendar year's commissions, to support the viability of smaller rural and remote issuers.

Contractual Agreements

Recommendation

To ensure that policies, procedures, and the public's service expectations for processing driver and vehicle transactions are applied consistently and effectively

across the province, the Ministry should work with private issuers to develop a new agreement acceptable to both parties. The new agreement should be reflective of the current roles, responsibilities, and expectations of both the Ministry and private issuers.

Current Status

In its response to our *2005 Annual Report*, the Ministry acknowledged the importance of a consistent contract across the entire PIN, but pointed out that its current contractual obligations made it difficult to move all issuers unilaterally to one type of contract.

The Ministry has committed to providing the PIN with a single source of information on its requirements and expectations. It informed us that it was working with ServiceOntario to develop a service-delivery strategy to guide future PIN contract discussions, and was developing an operations manual that would provide a comprehensive source of key terms and conditions that all issuers will be required to follow.

In May 2007, the Ministry further advised us that the government had launched an initiative to transfer its major driver and vehicle licensing products and services to ServiceOntario effective July 2, 2007. The government envisions ServiceOntario as the retail face of the province. It currently delivers, on behalf of several ministries, such services as processing of applications for birth, marriage, and death certificates; processing of applications for Ontario retail-sales-tax vendor permits; setting up employer health tax and Workplace Safety and Insurance Board accounts; fish and wildlife services, information, and sales; on-line services for people searching electronically for government information; and business-name registrations and renewals. As part of the transfer, responsibility for management of all current and future private-issuer contracts was also being moved from the Ministry of Transportation to the Ministry of Government Services, which is responsible for ServiceOntario operations.

Ministry-Issuer Relations

Recommendation

To ensure an effective long-term partnership with the Private Issuing Network (PIN), particularly given the PIN's potential role in enhancing front-line government services, the Ministry should develop a formal strategy to improve this partnership.

Current Status

In its response to our *2005 Annual Report*, the Ministry committed to strengthening its partnership with the Ontario Motor Vehicle Licence Issuers Association (Association) and the PIN through enhanced dialogue and business improvements. At that time, it reported taking steps in this regard by establishing two joint committees with the Association—one meeting monthly to examine operational issues affecting the daily operations of issuers, and another meeting quarterly to examine strategic, long-term business initiatives to improve the PIN. However, we noted that the Association informed the Ministry in May 2006 that it was withdrawing from both committees because of the lack of response (at that time) to its compensation concerns. At a July 2006 meeting between the Ministry and the Association, it was agreed that the two committees would remain in abeyance and that negotiations regarding a new contract should be suspended until the future of the PIN and ServiceOntario had been clarified. We noted that, possibly because of the new compensation arrangements put in place in late 2006, committee work resumed in early 2007.

The Ministry also said it believes the additional compensation arrangements mentioned above had improved its relationship with the PIN. The Ministry further reported that it had developed training sessions on strengthening business integrity and customer-fraud awareness for the PIN and had delivered them during 2005 and 2006. With the transfer of PIN operations to ServiceOntario, the Ministry of Government Services now has the responsibility for improving this partnership.

Customer Concerns

Recommendation

To help it improve service to the public in a cost-effective manner, the Ministry should:

- *consider giving additional terminals to those private issuing offices whose transaction volumes are significantly higher than the Ministry's standard;*
- *consider redistributing terminals from offices whose transaction volumes are significantly below the Ministry's standard; and*
- *evaluate the usage of ServiceOntario kiosks to determine if kiosks that are least used would be better located in higher-traffic areas.*

Current Status

The Ministry informed us that it has revised its criteria and standards for approving PIN requests for additional terminals to improve customer service, and it provided documentation outlining the new approval mechanism. The new process incorporates a consideration of waiting times into the analysis, along with a standard for the maximum transactions per year per terminal. However, the Ministry emphasized that there are no specific benchmarks that would automatically trigger a terminal reallocation or addition. The Ministry's ultimate decision with respect to terminal allocations is based on its knowledge of the issuing office, the types of transactions typically conducted there, the efficiency of the issuer, and whether a new issuing office may be required rather than additional terminals in an existing office.

The Ministry further reported that it had identified issuing offices that had requested either additional terminals or the removal of excess terminals, and had initiated a process for redistributing the Ministry's inventory of existing terminals. Documentation provided to us in March 2007 indicated that, to date, three new terminals had been installed and two more installations had been approved.

With respect to self-serve kiosks, the Ministry reported that since our audit, it had moved three of the machines to locations with higher customer populations. Responsibility for the management of kiosk contracts was transferred to ServiceOntario effective April 1, 2006, and ServiceOntario is now responsible for monitoring the kiosk network for both performance and customer service.

The Internet as a Service Alternative

Recommendation

To help ensure that its services are delivered cost-effectively and that the public receives such services in as convenient a manner as possible, the Ministry should:

- *fully integrate its Internet service with its driver- and vehicle-licensing system and expand and promote its use; and*
- *develop strategies for ensuring that the Private Issuing Network remains viable as Internet usage increases.*

Current Status

As part of the transfer of responsibilities to ServiceOntario, the Ministry and ServiceOntario have worked together to allow five of the Ministry's more frequent transactions to be done over the Internet through the ServiceOntario website. These transactions include the purchase of plate validation renewal stickers, used-vehicle information packages, personalized licence plates, driver abstracts, and vehicle abstracts. The ServiceOntario website is also now advertised on the Ministry's Vehicle Licence Renewal application form, which is distributed to all vehicle owners either every year or every two years.

The Ministry further reported that the recent compensation increases had made the PIN better able to remain viable.

Call Centre

Recommendation

To help the Private Issuing Network provide better service to customers, the Ministry of Transportation should:

- *help reduce the extent to which issuers rely on the call centre by tracking the most common concerns or questions raised and developing procedures to train issuers on these matters; and*
- *ensure that, when the call centre is used, call-centre operators are properly trained and consistently available to take calls.*

Current Status

In October 2005, the Ministry implemented new procedures to track and monitor matters of importance to issuers using the call centre. The Ministry provided us with samples of management reports generated under these procedures, and informed us that it is using this process and these reports to identify and resolve recurring problems and to highlight areas that need strengthening. It also said it had incorporated lessons learned from this process into its 2006 PIN training plan.

The Ministry further reported that it had revised its call-centre training procedures so that experienced operators now train their new colleagues during a two-week orientation period. On-line tutorials and a reference library are also now available to all operators, and a new training manual was developed that, according to the Ministry, is regularly updated to reflect changes in procedures. Specific training sessions in the areas of driver and vehicle transactions were developed and delivered in late 2005. In March 2006, a financial-transaction training module was delivered, and another was added in February 2007 on registration policies and procedures for branded vehicles (vehicles that have been significantly damaged and classified as irreparable, salvage, or rebuilt).

The Ministry originally reported that as of March 2007 call levels remain stable, with 80% of them being answered within two minutes—a significant improvement since the time of our audit two years ago. However, it further reported that by September 2007 call volumes had increased, leading to an increase in waiting times. ServiceOntario has developed an action plan to address the issue and has seen improvements.

COMPLIANCE WITH REGULATIONS AND REQUIREMENTS

Audit Activity

Recommendation

To ensure that the Ministry adequately monitors the Private Issuing Network (PIN) for effective controls over such items as cash and stock and over such processes as revenue collection and to ensure that service is maintained without disruption, the Ministry should:

- *increase the number of complete audits it conducts annually; and*
- *better co-ordinate the activities of the four groups involved in PIN monitoring.*

Current Status

In its summer 2005 response to our report, the Ministry cited a significant increase in its auditing and oversight presence. The Ministry said it had conducted 21 head-office audits and 49 on-site audits, along with 11 full audits since March 2005. This compared with 20 full audits over all of the previous two years. Seven of the 11 full audits were in offices with high transaction volumes. The Ministry further reported that it had successfully completed a pilot of a redesigned and enhanced risk-based audit methodology and that it would implement the new methodology province-wide in early 2006. It also reported transferring 11 staff from head office to the field to strengthen audit operations.

In its March 2007 status update, the Ministry informed us that it had developed a new audit procedure and process manual, hired a new audit

supervisor, and launched a new Audit Oversight Unit on April 1, 2006. This unit consolidated into one office all the disparate review and oversight processes then in existence. A total of 146 audits were completed for the year ended March 31, 2007, and audits were initiated in all private issuing offices by conducting at least one site visit to each office. The audit plan calls for the entire PIN to be audited completely by December 2008.

Risk Management

Recommendation

To reduce the risk of staff and customers of the Private Issuing Network engaging in improper, non-compliant, and/or fraudulent activities with respect to driver and vehicle products and services, the Ministry of Transportation should:

- *produce and follow up on exception reports pertaining to the Licensing and Control System;*
- *enhance its controls over stock;*
- *follow up on a timely basis on discrepancies identified when reconciling issuer revenue with deposits; and*
- *expedite the recovery of funds from NSF cheques and consider cross-referencing its vehicle registration system with its driver-licensing system.*

Current Status

The Ministry reported that, effective March 2005, it had begun producing new exception reports that flag possible anomalies in the areas of:

- driver-fee adjustments, including the reason for any adjustments keyed in manually by operators;
- multiple data changes to a single record; and
- unauthorized access to information.

In its March 2007 status report, the Ministry said it had further enhanced these reports to allow for a more timely identification of possible non-compliant or fraudulent activity. Review and follow-ups of any non-compliant activity were also incorporated into the enhanced audit process.

With respect to stock management, the Ministry issued a memorandum to all PIN offices in December 2005 advising them of new stock-reconciliation procedures and reminding them of the importance of proper stock management. The Ministry further reported that it has since made other improvements to the way it controls stock. These include the tracking of some 9.5 million stock items in a new database and the establishment of an electronic link between the stock and licensing-control systems to allow for real-time stock-status confirmation. According to the Ministry, it now immediately records notifications of missing or stolen stock in the new database. The computer system then blocks any attempts to issue documents that used this missing or stolen stock. In October 2006, PIN management received a memorandum advising them of these changes and providing guidance for dealing with stock transactions under the new system.

The Ministry informed us that it had followed up on the discrepancies identified in the reconciliation of issuer revenues and deposits and had improved the automated reconciliation system to ensure the integrity of data loaded into the system from both the banks and the licensing control system. This allows for more timely identification and resolution of actual deposit discrepancies.

The Ministry also informed us that it is conducting ongoing analysis and reporting of missing or stolen stock. However, security appears to be a continuing problem; documentation supplied to us along with the Ministry's March 2007 status update indicates that since our audit report, there have been seven more break-ins at PIN offices where both stock and transaction documentation were stolen. To address this situation, the Ministry has increased security requirements by mandating that issuers store all stock and all documentation containing personal information in a locked and secure area away from public access.

The Ministry stopped accepting personal cheques from consumers using PIN offices on January 1, 2005, when our audit was in progress, and it reported that the number of NSF cheques has dropped substantially since then. The Ministry reported that, in an effort to reduce further, or even eliminate, the number of NSF cheques, it had completed a preliminary analysis of the current policy of accepting personal cheques from certain businesses and expected to implement a revised cheque-acceptance policy for those businesses by March 2008. After that, further analysis will be conducted on cheques from other clients.

The Ministry reported that our recommendation to consider cross-referencing its vehicle registration system with its driver-licensing system was currently under review.

SELECTION OF NEW PRIVATE ISSUERS

Recommendation

To ensure that only competent and qualified bidders selected via a fair and equitable competitive process are awarded contracts to manage issuing offices, the Ministry should:

- *review its policies and procedures to ensure that they can be applied in a consistent and effective manner; and*
- *ensure that the in-person presentation and interview portion of the selection process does not give repeat applicants an unfair advantage.*

The Ministry should also expedite the appointment of interim issuers and selection of new issuers to minimize disruptions to customer service.

Current Status

The Ministry said it had completed a review of the entire process for selecting new private issuers to find ways to streamline it and make it more efficient, and to mitigate the risk of repeat applicants having an unfair advantage over first-time applicants. A revised and streamlined procurement process for small issuing offices was piloted-tested. The revised evaluation process included an interview requiring proponents to make a presentation on their business plan instead of responding to a series of questions. In addition, the Ministry developed a tool to help proponents understand the critical elements required in a business-case proposal.

The Ministry of Government Services (MGS) is implementing interim service-delivery solutions to ensure that communities continue to have access to service when an issuing office closes while MGS works toward an over-arching in-person service-delivery network.

PERFORMANCE MEASUREMENT

Recommendation

To improve both its current methods of assessing issuer performance and public satisfaction with services received, the Ministry should:

- *consider a different method of administering customer surveys that would ensure that all customers have an equal opportunity to participate; and*
- *summarize customer comments regularly to identify the most common concerns, share this information throughout the entire Private Issuing Network, and develop strategies to address these concerns.*

Current Status

The Ministry informed us that in June 2005 it enhanced its monthly reporting on data from customer comment cards and investigated methods for using these data better to address customer concerns. After further research, the Ministry concluded that the cards were ineffective for assessing performance or customer satisfaction because they did not provide statistically representative information. The Ministry has therefore decided to stop using data from customer comment cards to identify common PIN-wide concerns. Rather, the cards will now be used only to help resolve specific customer complaints and identify concerns at an

individual office level. The Ministry informed us that it would analyze customer comment cards quarterly for this purpose.

In February 2007, the Ministry completed a review of various survey distribution methods to ensure that all customers have an equal opportunity to participate in any ministry assessment of customer satisfaction. However, no new survey was being contemplated at the time of the Ministry's status update. The Ministry's current plans for improving customer service include the development of a customer-service pamphlet to help the private issuing offices that have customer-service problems. The pamphlet will describe industry-proven best practices for providing good service, along with links to customer-relationship-management websites.

OTHER MATTER

Recommendation

To improve both road safety and the effectiveness of its driver and vehicle transactions, the Ministry should develop strategies for verifying both:

- *insurance information on licence-renewal applications; and*
- *medical information on Disabled Person Parking Permit applications.*

Current Status

The Ministry has informed us that it is currently negotiating the implementation of an agreement with the Insurance Bureau of Canada (Bureau) to facilitate the verification of insurance information. While the delivery strategy under this agreement still needs to be refined, one specific aim would be to allow the Ministry to automatically consult the Bureau's database on-line to verify vehicle insurance whenever a vehicle permit is renewed.

With respect to medical information on applications for a Disabled Person Parking Permit (now called Accessible Parking Permit), the Ministry indicated in 2005 that it would initiate discussions with the medical community to improve its verification procedures. It also said it was taking steps to prevent misuse, including limiting medical practitioners to certifying only those applications that fall within the scope of their practice. It also planned to introduce a more secure, tamper-resistant permit to prevent counterfeiting and misuse.

The Ministry said further that it would introduce other procedural changes, including tightening of the current eligibility criteria, to ensure that only those persons with measurable and observable mobility impairments receive a permit. It also planned to implement improved business processes to expedite application processing and enhance data management.

In its March 2007 status report, the Ministry confirmed the completion of the steps above. It further informed us that it was randomly verifying 35% of Accessible Parking Permit applications to ensure that the health practitioner was a member of an acceptable medical college. The Ministry also negotiated and implemented an agreement with the Office of the Registrar General for ongoing access to death records, enabling the Ministry to identify deceased permit holders more quickly.

The Ministry indicated that, although it had consulted with the Ontario Medical Association (OMA) in an effort to improve verification procedures, the OMA had expressed concern that verification would be too resource-intensive. It also stated that no other government agency required additional verification of health practitioners. Accordingly, no additional verification procedures have as yet been implemented. Discussions with the medical colleges are continuing.