

## Chapter 3

### Ministry of Transportation

## Section 3.05

# Driver and Vehicle Private Issuing Network

## Background

The Ministry of Transportation (Ministry) has a mandate to provide Ontarians with a safe, efficient, and integrated transportation system. Its Road User Safety Division works to improve road safety and mobility, through the promotion and regulation of safe driving behaviour, and customer service and the accessibility of ministry products and services, including those relating to driver and vehicle licensing. These products and services are available through a variety of channels, including the Internet, driver examination centres, ServiceOntario kiosks, mail, and phone. However, the most significant of these service delivery channels are the privately operated issuer offices, which are located in communities throughout the province and are collectively known as the Private Issuing Network (PIN).

The PIN processes almost 19 million transactions annually, including approximately 80% of Ontario's vehicle registration transactions and 40% of its driver-licensing transactions. Essentially, the PIN handles the full range of renewal and replacement transactions for licences, validation stickers, and plates, and processes applications for such products as Disabled Person Parking Permits. Services relat-

ing to obtaining an original driver's licence, such as vision and road tests, are provided by driver examination centres. In the 2004/05 fiscal year, the PIN collected over \$766 million in revenue for driver and vehicle products and services. PIN operators receive commissions for processing transactions—in 2004/05, over \$42 million in commissions were paid to them.

In addition, the PIN collects retail sales tax for the Ministry of Finance on the sale of used vehicles (collecting about \$130 million in 2004/05) and defaulted parking fines for the Ministry of the Attorney General (collecting about \$42 million in 2004/05).

There are currently some 280 PIN offices, employing approximately 1,200 people. The Ministry estimates that 98% of all Ontario residents live within 40 km of one of these offices, which vary significantly in both size and business volume, as shown in Figure 1. The terminals referred to are computer terminals from which PIN offices connect to ministry systems and process transactions. While the majority of offices are stand-alone businesses, 35% operate in conjunction with another business, such as a hardware store.

**Figure 1: Breakdown of Types of PIN Offices**

Source of data: Ministry of Transportation

Size of Office	#	% Total Offices	% Total Transactions
small (i.e., offices of 1-2 terminals in mostly rural/remote locations)	168	60	20
mid-sized (i.e., offices of 3-5 terminals in mostly urban locations)	76	27	39
large (i.e., offices of 6+ terminals in mostly large urban locations)	36	13	41
<b>Total</b>	<b>280</b>	<b>100</b>	<b>100</b>

## Audit Objective and Scope

The objective of our audit of the Ministry's management of its Private Issuing Network (PIN) was to assess whether adequate policies and procedures were in place to:

- ensure that driver- and vehicle-licensing products and services were provided with due regard for economy and efficiency and in compliance with legislation and ministry policy; and
- measure and report on the effectiveness of network services.

We identified criteria that would be used to conclude on our audit objective. These were discussed with and agreed to by senior management of the Ministry. Our audit fieldwork included examining documentation, analyzing information, interviewing staff at the Ministry's head and regional offices, and visiting six PIN offices. We surveyed all remaining PIN offices, achieving a response rate to our survey of nearly 65%. In addition to the valuable input provided directly by issuers, we gathered information from meeting with the president and the past president of the Ontario Motor Vehicle Licence Issuers Association.

Our audit was conducted in accordance with professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such procedures as we considered necessary in the circumstances. We also reviewed the relevant recent

reports and activities of the Ministry's Internal Audit Services Branch. Although these reports and activities did not affect our audit scope, a number of the issues identified by the Branch were helpful in shaping our subsequent audit work.

## Summary

The Ministry and the government view the Private Issuing Network (PIN) as a strategic asset of significant value for delivering front-line government services. With no PIN compensation increases in eight years, the PIN delivery model has been relatively cost efficient. However, due to the lack of increase in compensation as well as other factors, relations between the Ministry and the PIN have been deteriorating over the last several years, with the result that the two parties are now more adversaries than partners. Opportunities for any future use of the PIN, including the possibility of expanding its range of services to improve front-line service to Ontario citizens in non-driver-related areas, may be lost if a better working relationship is not established.

With respect to relations between the Ministry and the PIN and the quality of services delivered to the public, we found the following.

- Issuer compensation has not been increased since 1997. The annual stipend, one component of this compensation, falls short of ensuring the financial viability of smaller offices, and many low-volume issuers appear to be struggling for their financial survival.

- Policies and procedures developed by the Ministry were not applied consistently across the PIN, primarily because of the different contractual relationships in place between the Ministry and private issuers. Of some 280 issuers, 246 were operating under an older contract that, unlike the newer one, has no fixed term, does not specify remedial action if performance falls below acceptable standards, does not require issuers to pay for stock lost even if adequate safeguards are not in place, does not avoid conflicts of interest by allowing issuers to be co-located with automobile dealerships, and does not require police record checks on new staff prior to accessing confidential data on the Ministry's Licensing and Control System.
- A third of customers completing comment cards issued by PIN offices were generally dissatisfied with the service provided, and the Ministry was not summarizing this information to identify the more pervasive issues requiring corrective action. Major complaints included lengthy wait times and staff not being courteous and helpful. Lengthy wait times could be partially addressed by providing more terminals to some PIN offices. Transaction volumes at 54 offices may justify an additional terminal, while 39 offices may have more terminals than they require.
- Only about 50% of calls to the Ministry's call centre, which helps issuers process transactions, were being answered within two minutes, whereas the ministry target was for 80% of calls to be answered in that time. Call-centre operators were also not available to take calls approximately 40% of the time. In addition, although we noted that call volumes had nearly doubled since 1996, there was no process for globally training issuers on the most common call problems to reduce reliance on the call centre.
- Less than one-fifth of 1% of all plate-renewal transactions, which are completed by most

Ontario drivers annually, were processed via the Internet in 2004. The government had estimated that, by 2006, 45%–77% of all such transactions would be conducted over the Internet. In addition, because Internet applications were not integrated with the Ministry's licensing systems, these transactions actually cost more for the Ministry to process than if they had been processed by issuers.

With respect to the adequacy of controls over issuer offices and the Ministry's monitoring of compliance with legislation and ministry policy, we found the following.

- The Ministry has not met its own monitoring standard of conducting a full audit of each issuer annually. While 159 full audits were completed in 2001, the number dropped to only three in 2002 and only one in 2003. Although there was slight improvement in 2004, with 19 full audits completed, this still represents a coverage of only 7% of the total population of 280 issuing offices. Seven offices have never been audited.
- The lack of audit coverage, as well as weaknesses in system or supervisory controls, meant that many serious risks were not being adequately managed. For example:
  - When electronically processing transactions, issuers are able to adjust fees and make unjustified data entries (for example, making minor changes to address information or generating multiple driver and vehicle transactions) in order to generate additional commissions.
  - When manually processing transactions, issuers are able to enter incorrect amounts of revenue and commissions. For nearly one-third of the manually processed transactions we sampled, issuers' commissions had been entered incorrectly (overstated in most cases).
  - There have been incidents of misuse of customer credit-card information, as well as

fraudulent driver's licences being created by altering existing driver's licence photos, dates of birth, names, and addresses.

- Items of stock, such as licence plates, stickers, temporary driver's licences, and permits, have been lost and could be used for illegal purposes. Over the past four years, over 56,000 high-risk stock items have been reported either missing or stolen.

We also noted that the Ministry does not have adequate procedures in place to ensure that:

- all drivers in the province are insured; and
- drivers who apply for a Disabled Person Parking Permit are entitled to one.

## OVERALL MINISTRY RESPONSE

The Ministry values the work of the Office of the Auditor General and appreciates the Auditor General's recommendations.

Senior staff of the Ministry have met with staff of the Office of the Auditor General on several occasions and have agreed on four priority areas relating to the Private Issuing Network:

- developing a strategy for compensation, with consideration for both large and small offices;
- implementing effective methods to measure customer satisfaction;
- improving internal controls; and
- introducing measures to improve the working relationship between the Ministry and the Private Issuing Network.

We are taking action on all of the Auditor's recommendations.

Road safety, quality customer service, effective stewardship of government revenues, and the protection of personal information are top priorities for this Ministry.

The Ministry appreciates the vital and long-standing role private issuers continue to play in the delivery of driver- and-vehicle licensing services across Ontario.

## Detailed Audit Observations

When the Ministry delivers products and services such as driver's licence and vehicle renewals, it strives to ensure that consistently high levels of service are provided to the public and that its products and services are provided in compliance with regulations, while at the same time ensuring that all appropriate revenues are collected by the PIN and promptly remitted to the government. The Ministry has developed policies and procedures related to these three objectives and monitors PIN operations for adherence to them.

### QUALITY OF SERVICE

#### Systemic Concerns

##### Compensation

A major impediment to the provision of consistent, high-quality service to the public is issuers' dissatisfaction with their compensation. This issue particularly affects the smaller issuers in remote locations, and ministry staff have indicated that it is increasingly difficult to find new operators when small-office operators retire or quit.

In 1987, the Ministry implemented its current approach to compensating issuers, which consists of two components: a time-based commission for each transaction processed and an annual stipend. Commissions are the primary source of compensation and are designed to pay issuers based on the complexity and effort required to process each type of transaction.

The commission value for each transaction is determined by multiplying an estimated benchmark processing time by a compensation rate. When significant changes in procedures occur, the Ministry reviews and updates the time benchmark. The compensation rate, which was last increased in 1997, is currently set at \$0.5575 per minute for all transactions. The lack of an increase in this commission rate over the last eight years is the single biggest source of issuer dissatisfaction. For the purposes of comparison, we note that in Quebec, the compensation rate paid to issuers is \$0.846 per minute, or 52% higher than in Ontario.

The Ministry maintains that, with the greatly increased opportunities to earn higher commissions as a result of the many more transactions issuers have been processing in recent years, increasing the commission rate has not been required. However, the issuers contend that staffing and other costs have increased commensurately with the increased processing volumes and that the simpler transactions, which are the most profitable, are increasingly being done through alternative channels such as ServiceOntario kiosks. The PIN is thus left to handle a greater percentage of the more complicated transactions that often require extensive customer interaction or calls to the ministry hotline service. The issuers' view is that the time-based commission compensates issuers only for the time it takes to process a problem-free transaction and does not take into consideration the interaction time spent with customers needing additional advice and assistance, who are becoming increasingly common.

The operator of ServiceOntario's kiosks is also paid a higher transaction fee for processing the same driver and vehicle transactions that issuers process. Although the Ministry has recently negotiated a lower fee structure with the kiosk service provider, our review substantiated that a discrepancy in the amount paid still exists for the majority of the eight ministry transactions that kiosks currently process. For instance, the Ministry pays the

kiosk service provider a transaction fee of \$2.45 for each address change processed but pays issuers a commission of only \$1.32 (46% less) for the same transaction. Similarly, for vehicle licence renewals, the Ministry again pays the kiosk service provider a \$2.45 transaction fee but pays issuers a fee of only \$1.82 (26% less).

The annual stipend, the second component of issuer compensation, is a fixed annual payment to issuers of \$2,057. It too was last increased in 1997. Ministry documentation indicates that the stipend is intended to:

- provide low-volume issuers with a fixed minimum income in addition to their commissions;
- compensate issuers for a portion of fixed costs incurred regardless of business volumes;
- improve the financial viability of issuing offices that are often operated in conjunction with another business; and
- help reduce the high turnover of lower-volume offices and thereby stabilize the PIN.

Although the compensation formula is identical for all issuers, issuers handle significantly different business volumes and accordingly earn incomes that vary widely. Figure 2 summarizes the compensation paid to most issuers in 2004 (besides this compensation, some offices earn income from a co-located business—that is, a businesses with which they share their premises).

As Figure 2 illustrates, the commissions paid to an individual issuing office in 2004 ranged from about \$3,600 (at an office with one terminal) to over \$660,000 (at an office with six terminals). In fact, 88 issuers earned less than \$50,000 in commissions in 2004, which, combined with the \$2,057 stipend, had to cover office expenses. These expenses include staff salaries and wages (if any), rent, utilities, supplies, and other costs, all of which have continued to rise since the commission rate was last set eight years ago. Although we cannot access confidential issuer net profitability figures to confirm our analysis, Figure 2 and anecdotal

**Figure 2: Compensation and Revenues for Issuer Offices According to Number of Terminals, 2004**

Source of data: Ministry of Transportation

	Number of Terminals				Total
	1	2	3-5	6-9	
<b>Total number of offices</b>	<b>111</b>	<b>47</b>	<b>72</b>	<b>39</b>	<b>269<sup>1</sup></b>
<b>Commission (\$ 000)</b>					
office with lowest annual commission	3.6	36.6	76.0	130.7	
office with highest annual commission	70.7	132.0	396.1	660.3	
average commission/terminal	30.8	42.8	51.4	60.0	
average commission/office	30.8	85.6	208.5	395.5	
<b>Total commission<sup>2</sup> (\$ 000)</b>	<b>3,417.3</b>	<b>4,021.3</b>	<b>15,010.6</b>	<b>15,425.6</b>	<b>37,874.8<sup>1</sup></b>
<b>Stipend</b>					
per office (\$)	2,057.0	2,057.0	2,057.0	2,057.0	
% of total compensation	6.3	2.4	1.0	0.5	
<b>Total average compensation/office (\$ 000)</b>	<b>32.8</b>	<b>87.6</b>	<b>210.5</b>	<b>397.6</b>	
<b>Revenue (\$ million)</b>					
average/office	0.6	1.6	3.9	7.3	
<b>Total revenue<sup>3</sup></b>	<b>66.2</b>	<b>75.3</b>	<b>277.3</b>	<b>284.9</b>	<b>703.7<sup>1</sup></b>

1. Only those offices for which a full year's worth of data was available were used in this analysis.
2. Commission amounts are based on the 2004 calendar year.
3. Revenue amounts are based on the 2003/04 fiscal year.

evidence suggest that many small issuers, particularly those that are not co-located with another business and therefore have no other source of revenue, are struggling for their financial survival. Seventy-nine of the 158 small (one- or two-terminal) offices face this challenge of relying exclusively on ministry compensation.

Since closing low-volume offices would in most cases run counter to the Ministry's customer service objectives, new compensation arrangements may be necessary to ensure network stability. One area that we consider worthy of review is the use of the annual stipend. Figure 2 illustrates that the stipend is an insignificant component of total compensation for the larger offices but can be a vital subsidy for smaller ones. Given this, in our view the Ministry should consider moving from a fixed stipend per office to a variable stipend dependent on such factors as office size, the need for financial support, and the desire to maintain a presence in a geographic area. Applying these factors could eliminate

the stipend for larger offices, allowing more stipend monies to go to smaller offices. For such offices, an increased annual stipend could provide low-volume issuers with enough income to adequately supplement the much lower commissions they earn. In this regard, we note that in Quebec, each issuer is guaranteed a minimum revenue of \$21,500 annually.

Just as the operators of PIN offices have concerns about their compensation from the Ministry, so too do PIN office staff have issues with their wages from the operators, which are quite low. Issuers that we visited and some that responded to our survey indicated that they can afford to pay their staff no more than \$10–\$12 per hour. In comparison, at the single ministry-run issuing office, ministry employees earn on average over \$20 per hour for doing the same work as PIN employees.

Associated with these low wages is the fact that many offices suffer from high turnover and difficulties in hiring quality staff. Worst hit are the central and southwestern regions, where larger offices

require more staff and living costs are highest. This problem is heightened by the fact that training staff is becoming increasingly time-consuming as transactions become more complex, expectations regarding privacy and security procedures rise, and reviewing the documentation supporting a transaction (such as customer identification papers) becomes increasingly important and lengthy.

Two recent reports by ministry parliamentary assistants—one dated August 2003 and the other September 2004—also concluded that the PIN was not being fairly compensated and recommended increases in both the commission rate and the annual stipend.

## RECOMMENDATION

In order to ensure that the Private Issuing Network remains stable and 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.

## MINISTRY RESPONSE

We agree that the issuers need to be fairly compensated for the important work they do.

The Ministry will be implementing a pilot project that will encourage market-driven compensation for driver-licensing and vehicle registration services. The Ministry will then discuss the results with the Private Issuing Network and initiate a comprehensive review of issuer compensation.

The Ministry is also looking at alternative strategies for issuers to improve revenue opportunities, including the implementation of a minimum compensation guarantee for issuing offices that are located in remote, underserved communities and whose annual commissions are below \$10,000, to ensure their continuing presence there; and allowing issuers operating

under the 2001 Private Issuer Agreement to participate in advertising programs and engage in the sale of selected consumer products.

## Contractual Agreements

Another major impediment to the provision of consistent, high-quality service to the public is the lack of a single, standardized relationship between the Ministry and its private issuers that establishes their respective responsibilities. This has been noted both by our Office in past audits and by the Ministry's Internal Audit branch. As a result, a number of practices and performance requirements vary throughout the PIN, and many significant requirements are not being fully met.

There are two fundamentally different contractual agreements currently in place between the Ministry and its issuing offices: a Memorandum of Agreement, which dates from 1982 and governs 246 private issuers, and a Private Issuer Agreement, which dates from 2001 and governs the remaining offices (numbering 34 at the time of our audit).

By the Ministry's own admission, the 1982 memorandum no longer adequately reflects the current roles, responsibilities, and performance expectations of both the Ministry and private issuers, in part because of two major changes that have occurred over the last 15 years. First, the numbers of both drivers and registered vehicles in Ontario have grown substantially, increasing the volume of transactions that issuers process. Second, the PIN now processes more types of transactions, many of which were previously undertaken by ministry-run issuing offices. For example:

- The PIN became responsible for new types of transactions with the introduction of the graduated licensing system in 1994 and the Drive Clean program in 1999.
- In 1998, 17 types of transactions previously

### Figure 3: Key Differences Between the 2001 and 1982 Agreements

Prepared by the Office of the Auditor General of Ontario

2001 Private Issuer Agreement (governing 34 offices)	1982 Memorandum of Agreement (governing 246 offices)
Agreement runs for a fixed five-year term, with provisions for renewing for another five years.	Agreement has no fixed term and expires only on the resignation, retirement, or death of the issuer.
Ministry can terminate contract without cause after giving 60 days' notice.	Termination without cause has legal risks.
Issuer must give 120 days' notice before resigning.	Issuer must give only 60 days' notice before resigning.
Agreement may be assigned to a third party.	Agreement is not transferable.
Issuer must carry liability insurance of \$2,000,000 or more for any damages arising on the premises.	Issuer must carry liability insurance of only \$500,000 or more for any damages arising on the premises.
Issuer must comply with the <i>Freedom of Information and Protection of Privacy Act</i> , the <i>French Language Services Act</i> , and the <i>Ontarians with Disabilities Act</i> (Acts).	Issuers' compliance with the Acts is not required.

### Figure 4: Contractual Concerns and Implications

Prepared by the Office of the Auditor General of Ontario

Concern	Implication
<p>Unlike 2001 agreement, 1982 memorandum does not contain:</p> <ul style="list-style-type: none"> <li>provisions for remedial action when performance falls below acceptable standards;</li> <li>penalties for not following policies and procedures; and</li> <li>dispute-resolution mechanisms.</li> </ul>	Ministry has difficulties taking corrective action when issuers not performing adequately (we noted two issuers with poor customer-service records not complying with ministry directives, despite reminders; some complaints date back to 1991).
Under 1982 memorandum, contract termination is only remedy for lack of compliance or poor service.	According to Ministry, termination has significant legal risks since 1982 memorandum has no fixed term.
Unlike 2001 agreement, 1982 memorandum does not require that issuers obtain police record checks of staff.	Ministry has less assurance that only appropriate individuals have access to confidential driver data.
1982 memorandum does not require participation in Performance Management Program, which establishes issuer performance expectations, benchmark standards, responsibilities, and operating procedures (78 issuers currently not participating in program).	<p>Issuers not participating in program:</p> <ul style="list-style-type: none"> <li>undergo less rigorous audit process (lacking annual customer survey, scorecard summarizing audit results, and corrective-action plan); and</li> <li>do not require that staff sign non-disclosure agreements to help ensure confidentiality of consumer information.</li> </ul>
1982 memorandum does not require that issuers pay for lost stock (e.g., plate stickers, licences, and permits) (2001 agreement requires payment if proper safeguarding practices not followed).	Offices have less incentive to properly safeguard stock, which may go missing, be stolen, and be used for fraudulent or illegal purposes.
Unlike 2001 agreement, 1982 memorandum does not restrict issuers from manufacturing, selling, or leasing motor vehicles.	Car dealership operated by issuer has unfair competitive advantage over other dealerships that use the issuer to process their vehicle transactions, since joint dealership/issuer has access to competitors' selling prices (we noted six such cases).

processed only by ministry-operated offices were transferred to the PIN, including the issuing of replacement driver's licences, the early renewal of driver's licences, and the issuing of driver-instructor's licences.

- In early 2002, all remaining routine driver- and vehicle-licensing products and services began to be provided by the PIN (there is currently only one ministry-run issuing office remaining to deliver such products and services).

The Private Issuer Agreement was introduced in November 2001 to better reflect the growing role of private issuers in delivering ministry services and to better define expected levels of service to the public. The new agreement outlines mandatory standards, policies, and procedures for issuing offices. The Ministry originally intended to migrate existing issuers to this new agreement but has been unsuccessful in doing so. At the time of our audit, only the 34 issuing offices established after the agreement was introduced had entered into the new agreement. We note in this regard that nearly all of the issuers that we visited that were operating under the 1982 memorandum, as well as some that responded to our survey, indicated that they would not voluntarily migrate to the new agreement because they considered it too one-sided in favour of the Ministry.

Figure 3 highlights some of the key differences between the 2001 agreement and the 1982 memorandum.

Having a vast majority of offices operating under a less stringent agreement creates a number of issues with respect to the quality of service provided. Figure 4 shows some of our concerns in this regard.

If levels of service across the province are to be consistently high, the contractual standards under which each office operates must also be uniform and consistently high throughout the PIN.

## 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.

## MINISTRY RESPONSE

We appreciate the importance of a consistent contract across the issuing network and are working towards a common contract for all issuers. However, our current contractual obligations make it difficult to unilaterally require all issuers to migrate to one type of contract without adequate notice.

As noted in the Auditor General's report, the Private Issuer Agreement implemented in November 2001 improves accountability and strengthens performance measures. As of June 2005, there were 40 private issuers operating under this agreement and five who were in the process of transitioning from the 1982 Memorandum of Agreement to the 2001 Private Issuer Agreement.

The benefits of the current Private Issuer Agreement include the following:

- issuer may assign the agreement to a third party;
- issuer may operate more than one issuing office;
- issuer is permitted to conduct business through a partnership or corporation; and
- issuer is permitted to participate in advertising programs and sell selected consumer products.

The Ministry is working with the Ontario Motor Vehicle Licence Issuers Association to review and promote transition to the Private Issuer Agreement. If necessary, the Ministry will investigate options of either enhancing this agreement or moving towards a completely new contract containing new features.

### Ministry–Issuer Relations

When we surveyed the PIN on how operations could be improved, a number of issuers voiced concerns about their relationship with the Ministry. Complaints were expressed about a lack of effective communication between the PIN and the Ministry on issues such as compensation, the Ministry’s setting of policies and procedures without PIN input, and the Ministry’s general unresponsiveness to issuers. Here are a few examples of the types of comments we received.

You have a very unhappy PIN—we could be an outstanding service delivery network if we were paid properly and given some respect for the work that we do.

Treat us as the capable business people that we are instead of the master–slave relationship that we now have.

Over 12 years later the issues remain the same. The issuers are not being heard or taken seriously.

I feel the Ministry of Transportation regards the PIN with much disdain.

The Ministry’s refusal to address the key concerns of issuers is poisoning relations and hampering any efforts to work toward positive changes with the Private Issuing Network.

As discussed in a later section, the government is currently developing a strategy to expand its use of the PIN as a way of increasing and improving front-line services to Ontario’s citizens. However, the current state of the relationship does not bode well for any future attempt to expand the PIN’s role. Opportunities may be lost if a better working relationship between the Ministry and its PIN business partners is not established.

### 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.

### MINISTRY RESPONSE

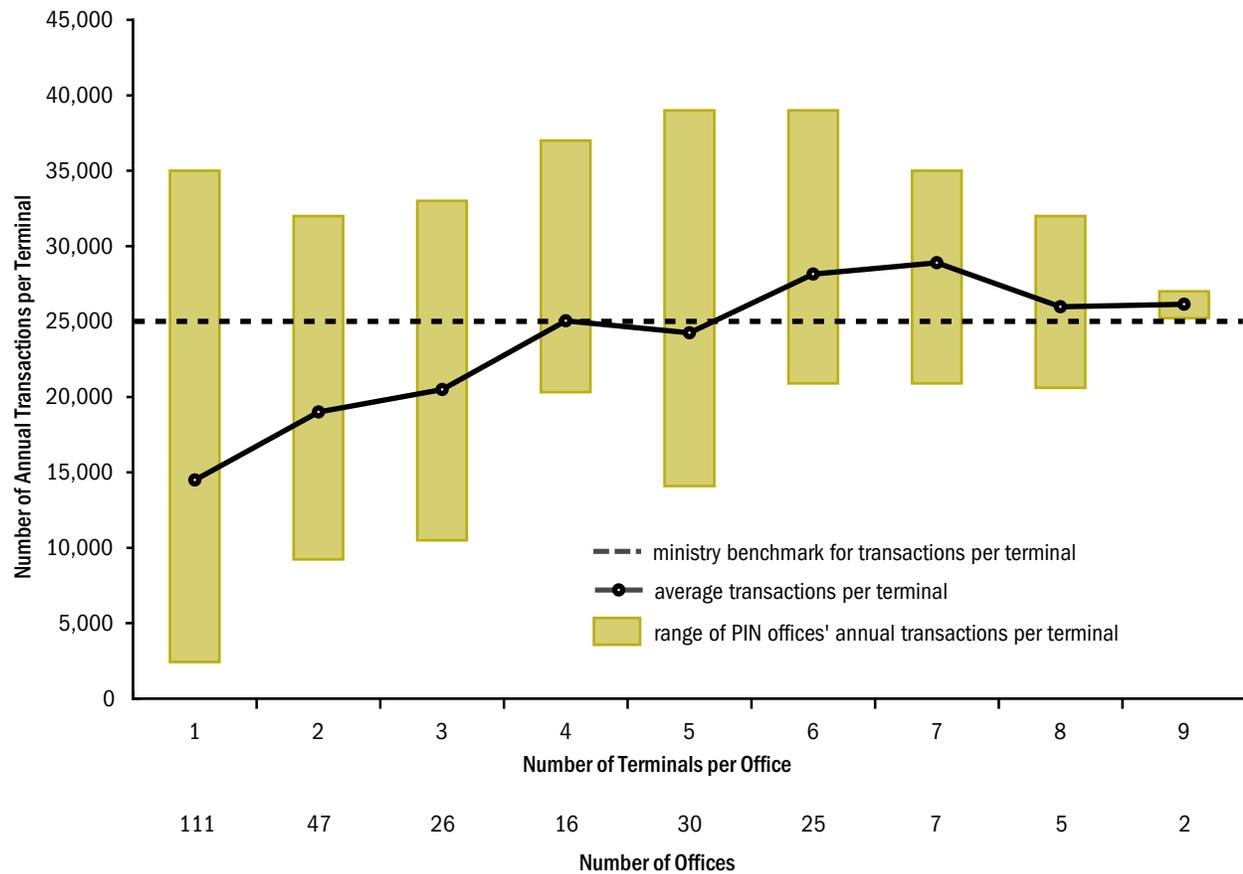
The Ministry is committed to strengthening its partnership with the Ontario Motor Vehicle Licence Issuers Association and the PIN through enhanced dialogue and business improvements.

The Ministry has recently taken steps in this regard by establishing two joint committees with the Ontario Motor Vehicle Licence Issuers Association—one that examines operational issues that impact issuers’ daily operations and another that examines strategic, long-term business initiatives designed to improve the Private Issuing Network.

The Ministry is currently developing training sessions to be delivered to the PIN commencing winter 2005/06, focusing on strengthening business integrity and customer fraud awareness. The Ministry will also continue to consider additional training opportunities for the PIN. These initiatives are two examples that demonstrate the Ministry’s commitment to ensuring an effective relationship with the PIN.

**Figure 5: Transactions per Terminal Throughout the PIN**

Source of data: Ministry of Transportation



### Customer Concerns

Overall, a third of customers completing cards issued by PIN offices in 2004 were generally dissatisfied with the service provided. Staff not being courteous and helpful was a major complaint, and the Ministry received many negative comments relating to customer wait times. Two-thirds of these customers reported waiting more than 20 minutes for service, and one-third waited more than 30 minutes.

Two key factors in successfully managing wait times are the number of customer service staff available and the number of computer terminals available. Many issuers indicated that they would like additional terminals to improve service, but, since the government pays for the terminals and their upkeep, the Ministry is reluctant to provide

them unless business volumes clearly justify their use. It uses a standard of 25,000 annual transactions per terminal as one key factor in assessing whether more terminals are needed.

Figure 5 summarizes PIN business volumes relative to the number of terminals at offices. The bars in Figure 5 capture the range in the number of annual transactions a single terminal processes in each different size of office (where the categories for size of office are based on the number of terminals per office).

Further information would be helpful in gaining a full understanding of business activity at PIN offices—for example, how is transaction volume distributed throughout the year? Are there significant workload peaks at certain times? In the

absence of such detailed information or any other formal written analysis, we proceeded to use the data we had on annual transaction volume to assess the need for computer resources in the PIN.

We identified, for each size of office, both the number of offices where the business volume significantly exceeded the ministry standard and the number of offices where it fell significantly short of the standard. We determined that, throughout the PIN, 54 offices had terminals processing a sufficiently high number of transactions to possibly warrant the provision of an additional terminal. Similarly, throughout the PIN, 39 offices had terminals processing a sufficiently low number of transactions to possibly warrant reallocation of a terminal to another office. Based on information provided by the Ministry that a four-terminal office costs approximately \$30,000 annually to maintain, we estimated that if all the additions and reallocations of terminals we recommended were made, the Ministry's annual costs would increase by approximately \$110,000. However, this could have a very positive impact on service needs at the busier offices.

Since the 71 ServiceOntario kiosks located throughout the province are another channel for serving customers who need to make driver- and vehicle-licensing transactions, we reviewed their transaction volumes to determine whether they were being optimally used. We noted that the volume of transactions processed per kiosk in the 2003/04 fiscal year ranged from 1,387 to 34,204, with an average volume per kiosk of 16,530. Our analysis suggested that 18 of the kiosks were underutilized, with a volume of less than 10,000 transactions. The Ministry might consider whether to maintain the location of low-volume kiosks, depending on whether alternative sources of services exist in the area, or move them to high-volume locations that would better serve the public.

## 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.

## MINISTRY RESPONSE

The Ministry agrees with the Auditor General that the public should receive service in the most cost-effective manner possible.

The Ministry is developing a standard business process to be used by Issuing Office Administrators when assessing whether to add, remove, or redistribute terminals as required to meet customer demand. Expected implementation of this process is mid-2006.

The Ministry reviews transaction volumes at issuing offices following a two-step process to assess customer service demand. First, the Ministry examines the operating capacity of each issuing office to determine whether an additional office or strategic allocation of terminals is warranted. There are no specific benchmarks, as each issuing office is reviewed independently. The Ministry's analysis is based on its knowledge of the issuing office, the types of transactions typically conducted there, and the efficiency of the issuer.

If the initial analysis suggests that a new issuing office may be required in that area (in lieu of allocating additional terminals), the

Ministry conducts a more detailed business-demand analysis (BDA). The BDA looks at the demographics of the area, historical business growth/decline (for example, the number of motor vehicle dealers), current business viability for a new issuing office, and potential impacts on the public and other issuers in the surrounding area. The BDA is intended to confirm that a real need exists for continued or new/additional services.

In early 2005, the Ministry relocated two ServiceOntario kiosks to locations with higher customer populations and will relocate five more kiosks into new ServiceOntario Centres (tentatively beginning September 6, 2005). The Ministry will continue to monitor the kiosk network for both performance and customer service.

## The Internet as a Service Alternative

### Promotion of the Service

At present there are six types of ministry transactions that can be processed over the Internet as well as at PIN offices: vehicle and driver address changes, vehicle plate renewals, requests for used-vehicle information packages, and requests for driver and vehicle abstracts (three-year statements of one's driving record and vehicle histories, respectively). For customers with access to a computer connected to the Internet, these transactions can be conveniently completed with no need to travel anywhere.

However, we noted that the Ministry does not promote this Internet channel. For example, the vehicle-plate-renewal application form, sent annually to millions of Ontario residents, makes no mention of the possibility of renewing the plates electronically. It does, however, specifically promote kiosks as an alternative to the standard approach of going to an issuer office for plate tags. In addition, although the form does not overtly

promote service by mail, it does provide a mailing address that customers can use to renew their plates. The lack of promotion of the Internet channel is not in keeping with the government's overall commitment to world leadership in the provision of electronic services for Ontarians.

This lack of promotion may contribute to the fact that only about 250,000 driver- and vehicle-licensing transactions are processed over the Internet annually. In the 2003/04 fiscal year, this included only 10,892 plate-renewal transactions (less than one-fifth of 1% of the total of these transactions), which are completed by most Ontario drivers annually. Although this represents an increase from the 4,257 renewals processed for the period from November 2000 to January 2002 that we discussed in our 2002 report on electronic service delivery, the government originally projected that 45%–77% of such transactions would be completed electronically by 2006.

One possible reason for the lack of promotion of the Internet channel may be that the Ministry's Internet capability has not been integrated with its driver- and vehicle-licensing systems. Accordingly, once the Ministry receives an Internet application, all subsequent processing is manual, including the re-entering of the application data into the driver system by ministry staff. This meant that, for the 2003/04 fiscal year, providing Internet service cost the Ministry approximately \$500,000, or about \$2 per transaction. If the PIN had processed these same transactions, the Ministry would have paid commissions of approximately \$365,000.

### System Changes to Accommodate Internet Transactions

The process whereby the Ministry's Internet and licensing systems are to be integrated has been ongoing since fall 2001, when the government selected a private-sector firm to develop, for 24 government transactions, "end-to-end" Internet capability (that is, capability from user input all

the way through to government databases). Notwithstanding the fact that 20 of these transactions were for the Ministry of Transportation, the firm was selected by the Ministry of Consumer and Business Services (MCBS), since it was MCBS, through its ServiceOntario arm, that was responsible for developing and managing in-person, telephone, and Internet service to individuals and businesses on behalf of the government.

The integrated Internet capability was to be up and running within about a year. However, we were informed that the firm was dismissed for breach of contract in 2003, before work was completed and before any payments to the firm were made. As a result, Internet transactions continue to be processed manually.

The Ministry estimates that developing a fully end-to-end Internet capability for 18 types of its transactions would cost approximately \$3 million over four years, with additional ongoing costs approximating \$190,000 annually. Currently, the PIN processes approximately 5.5 million of these transactions annually, at a cost of approximately \$11 million in commissions each year. Using the Ministry's cost estimates, if 28% of these transactions were processed over the Internet, the Ministry would fully recoup its investment in one year. Thus, the Internet alternative, in addition to providing enhanced service to customers, could save the government a significant amount of money, depending on the percentage of customers who would eventually utilize it.

We note that a draft Memorandum of Understanding between the Ministry and MCBS called for the two ministries to work together on the development and implementation of end-to-end transactions to be made available over the Internet for vehicle registration renewals, the used-vehicle information package, and personalized licence plates by March 2006.

An issue to consider when planning for increased and improved Internet service is the rev-

enue loss the PIN would undoubtedly suffer as a result. Although this is not in our view a valid reason to withhold such a significant service-level improvement from Ontarians, the government recognizes the value of the PIN in providing a physical front-line network for direct personal contact with Ontarians and thus the need to keep it viable and thriving. Strategies that the Ministry has been considering to accomplish this include:

- expanding the types of transactions the PIN processes to include, for example, the issuing of health cards or outdoors cards (cards used to protect/control various fish and wildlife natural resources, required by people wishing to go hunting or fishing) (nearly all the issuers that we visited and those that responded to our survey indicated that they would be willing to process such additional transactions to enhance their existing business); and
- transferring the PIN to the government's ServiceOntario arm.

## 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.

## MINISTRY RESPONSE

We agree with the Auditor General that the public deserves services that are convenient and cost effective.

The Ministry supports the broader ServiceOntario strategy to provide citizens and businesses with access to high-quality,

multi-channel delivery of government products and services. The Ministry is continuing to work with ServiceOntario to explore opportunities to increase access to government products and services through the Internet.

Given the existence of the Internet as a service alternative, the Ministry is developing strategies for ensuring that the Private Issuing Network remains viable, including implementing a minimum compensation guarantee for issuing offices that are located in remote, underserved communities and whose annual commissions are below \$10,000, to ensure their continuing presence there; and allowing issuers operating under the 2001 Private Issuer Agreement to participate in advertising programs and engage in the sale of selected consumer products.

### Call Centre

The Ministry operates a call centre to aid issuers in the processing of driver and vehicle transactions. Certain transactions actually require call-centre intervention to complete the transaction process. Approximately 75% of the calls received by the call centre relate to the processing of driver and vehicle transactions, and many of these are policy and procedural clarifications. The remaining calls pertain to backlogs and technical issues related to the Licensing and Control System. The centre employs 32 operators, and the annual cost of running it is approximately \$2 million.

Even though annual call-centre volumes have nearly doubled since 1996, from 112,000 calls in that year to 215,000 calls in 2004, the Ministry does not have a process for training PIN staff on the most common call problems to reduce reliance on the call centre.

Many issuers, in response to our survey, stated that, although the response time of the call centre has improved significantly in recent years, they still

often wait up to 30 minutes for a response. Often issuers have to ask their customers to wait while they themselves await a call-centre response. In our review of the call centre, we noted the following.

- Only 51% of calls answered were being answered within two minutes—the ministry target is 80%.
- The abandonment rate (that is, the rate at which callers hang up before being served) was 11%—the ministry target is 5%.
- For the period from January 2004 to November 2004, we estimated that call-centre operators were not available to take calls approximately 40% of the time, in that they were not logged on to the system. Four operators were not logged on to the system for over 60% of their available time.

Private issuers also complained that they do not always receive consistent answers from call-centre staff. We noted that call-centre staff have never been formally trained and are expected to learn on the job. In 2004, the Ministry did develop a policies-and-procedures manual specifically for the training of new operators; however, at the time of our review, training on the manual had yet to be initiated. The manual is currently being used simply as a reference source.

### RECOMMENDATION

To help the Private Issuing Network provide better service to customers, the Ministry 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.

## MINISTRY RESPONSE

The Ministry agrees with the need to help the Private Issuing Network provide better service to customers.

The Ministry has developed a process by which private issuers or their office supervisors may escalate concerns regarding service from the call centre. This process will allow the call centre and Ministry to track, identify, and resolve issues of importance to individual private issuers and highlight areas that the Ministry needs to strengthen to provide better service to the network as a whole.

To promote better customer service, the Ministry will integrate the lessons learned into an orientation and training plan to be implemented in fall 2005. The Ministry is furthering its use of technology to track call-centre calls by subject to identify areas where procedures or information need to be clarified or focused training is required. Monitoring will take place to assess the impact of such clarifications and training in reducing reliance on the call centre and ensuring more consistent application of policies and procedures throughout the province.

The Ministry will continue to monitor the statistics on operator service to ensure that the time available to take calls is maximized and that other service-level targets, such as answering 80% of calls within two minutes, are achieved.

## COMPLIANCE WITH REGULATIONS AND REQUIREMENTS

### Audit Activity

Private issuers are monitored for compliance with government regulations and requirements through periodic audits. These audits are conducted both centrally by Business Review Analysts in the Min-

**Figure 6: Audit Coverage, 2000–04**

Source of data: Ministry of Transportation

Year	Full Audits Completed	Coverage (%)
2000	71	25
2001	159	57
2002	3	1
2003	1	0.4
2004	19	7

istry's Performance Management Office and on-site by ministry field-office staff known as Issuing Office Administrators. The audits focus on ensuring that appropriate documentation is on file for all transactions, customer identities are properly verified, completed documents are accurate, transactions are processed correctly, commissions are calculated accurately, cash and revenue are managed appropriately, and valuable stock is appropriately secured and managed.

For those offices participating in the Performance Management Program, the Ministry's Business Services Branch also administers an annual survey to gauge customers' satisfaction with the issuer's service delivery. In addition, the Ministry rates offices on their performance in a number of business areas as well as on their overall performance. As a final step, an action plan is created or updated based on all the information captured during the audit cycle.

We had the following concerns with respect to the audit process.

- The Ministry's standard is to complete a full audit for each of the 280 issuers at least annually. However, as detailed in Figure 6, the Ministry's audit coverage over the last five years has not met this standard; in fact, audit coverage has dropped dramatically in recent years.
- Although the Ministry has done a number of partial audits in recent years, 60 offices, representing about 20% of the PIN and collecting approximately \$150 million in revenue annually, have not been subject to any type of audit

activity for three or more years. Seven offices have never been audited.

- Under ministry policy, new issuers must be subject to an on-site audit within six months of opening their office. Such an audit is important for ensuring that new issuers properly understand and have appropriately implemented all ministry policies and procedures. However, we found that these on-site audits had not taken place within this time frame for almost 80% of the 29 new offices opened over the last four years. For two offices the audits were conducted over two years after the offices first opened.

The Ministry's low audit coverage is due to a number of factors, each of which is discussed below.

- Four groups within the Ministry are involved directly or indirectly in PIN monitoring. These groups are the regional Issuing Office Administrators, the Performance Management Office, the Business Services Branch, and the Microfilm and Records Unit. The participation of all four groups is needed to complete a full audit for an office in the Performance Management Program. We found that these four areas within the Ministry have not been able to effectively co-ordinate their activities. For example, at the time of our audit, requests for the retrieval of microfilmed documents at the Microfilm and Records Unit had not been filled for nearly 48 weeks. Nearly 75% of the requests were for documents needed by the Performance Management Office to conduct its audit work. Failure to retrieve these documents in turn caused delays in the on-site audit visits of the regional Issuing Office Administrators, which typically follow the Performance Management Office audit work.
- In March 2002, the Licensing and Control System was down for nearly 10 weeks as a result of the Ontario Public Service labour disruption. During this time, PIN staff were paid on a per-diem basis to manually process approximately

2 million driver- and vehicle-licensing transactions at an additional cost to the Ministry of over \$7 million. Once the labour disruption was over and the system was back up and running, both PIN and ministry staff needed to enter the manually processed transactions into the system. This took more than a year and a half and, because many of these transactions were entered out of their original sequence, resulted in approximately 240,000 further errors, which had to be resolved. All of the Ministry's audit resources were diverted to this exercise.

- The Ministry estimates that it takes on average between four and five days for all work to be completed during an on-site audit visit to an issuing office. The visit can take considerably longer when it involves travelling to a remote office or when audit findings are complex. At the time of our audit, there were only 10 Issuing Office Administrators responsible for monitoring the province's 280 issuers. In one region, one administrator was responsible for over 50 offices. We note that these staff have other duties in addition to their audit role, such as co-ordinating the opening and closing of offices in their region, training new issuers, and responding to inquiries from both issuers and the public.

We note that at the time of our audit, in recognition of the need to improve its monitoring practices, the Ministry, with the aid of Internal Audit, had developed and was considering the implementation of a new audit process and audit program with the following features:

- a revamped function for the Performance Management Office, giving the Office more of an oversight role than an audit role, whereby the Office would co-ordinate, create risk profiles, identify system-wide issues and required remedial action, train Issuing Office Administrators, and report to management on a quarterly basis;
- risk-based audit selection; and

- added discretion for the auditor to increase sample sizes when warranted.

## 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.

## MINISTRY RESPONSE

The Ministry recognizes the importance of adequately monitoring the Private Issuing Network.

The Ministry is committed to enhancing its audit and oversight presence. Since March 2005, 21 head-office and 49 on-site audits have been completed. In just five months, we have completed a total of 11 full audits—a significant improvement compared to a total of 20 full audits completed over the past two years. Seven of these 11 full audits were of offices with higher transaction volumes. The Ministry is also developing a plan to audit higher-risk offices located in the Greater Toronto Area and larger urban centres in an effort to deter and detect fraudulent activity within the Private Issuing Network.

The Ministry has successfully completed the pilot of a redesigned and enhanced audit methodology, which will be implemented over the winter of 2005/06 and will consolidate the oversight and auditing functions into one office and better utilize field staff. There will be a shift of resources from head office to the field, resulting in 11 field audit staff being added to the existing field complement. Under this structure, the

Ministry will audit each office to establish a performance baseline and pursue a risk-based audit strategy.

## Risk Management

### Controls on Information System

One area that regular audits should address is non-compliant use of the Licensing and Control System. Non-compliant use includes sharing system passwords among issuer staff, which is prohibited by ministry policy, and, more seriously, manipulating the system to produce false records.

We noted in our visits to a sample of issuing offices that system passwords were being shared among staff. The risk of this activity is evidenced in a July 2004 report investigating a case of fraud. In this case, an employee who fraudulently charged over \$2,000 on customer credit cards could not be identified because system passwords were shared among staff. The Ministry reimbursed customers for 25 fraudulent transactions charged to their credit cards and later recovered the funds from the issuing office.

In another case in January 2004, an employee at an issuing office was caught changing the photos, dates of birth, names, and addresses on current driver's licences. Bogus transactions were entered into the Licensing and Control System, and outside parties were mailed fraudulent licences incorporating the altered data. In February 2004, another two cases of fraudulent licences created at the same office came to the attention of ministry staff. Charges have been laid with respect to these cases. A ministry analysis of the event concluded that it is easy for staff to manipulate the current system to produce such false documents. At the time of our audit, the Ministry was developing an exception report that would flag transactions involving multiple changes to driver records for subsequent follow-up.

### Controls on Stock

Issuers keep licence plates, plate stickers, temporary driver's licenses, vehicle permits, trip permits, and temporary Disabled Person Parking Permits as stock at their offices. All stock is ordered, inventoried in the Licensing and Control System, and allocated to PIN offices by ministry stock procurement and allocation officers. Each PIN office is allocated about a three-month supply of controlled stock items. In allocating stock, officers consider not only the requests for stock received from issuers but also previous shipments and issuer usage patterns. Allocated stock is shipped directly to issuers.

While ministry policy requires that issuing offices adequately safeguard this stock, we noted a wide variation in stock-safeguarding practices both during our visits to a sample of issuing offices and in the answers to our issuer survey. For example, some offices kept stock in separate, locked rooms away from the general work area; others kept their stock in the general work area, but in locked cabinets; yet others did not lock up stock at all.

We noted that, over the past four years, over 49,000 high-risk stock items have been reported missing, and over 7,000 have been reported stolen. Seventy percent of the missing stock was from six offices, and 75% of the stolen stock was from another three offices. At the time of our audit, the Ministry had neither investigated these stock discrepancies nor made attempts to recover on losses. Lost or stolen stock could be used for fraudulent or illegal purposes. In this regard, we note that Internal Audit, in its March 2004 report on stock management, concluded that “the Ministry is unable to reliably account for stock, making charge-backs to issuers difficult to support.”

### Controls on Revenue Collection and Commissions

Private issuers are required to deposit funds to the province's account at least daily and whenever they have accumulated \$15,000 in cash. For each

office, the Ministry matches bank deposits daily to the business transactions recorded in the Licensing and Control System through an automated reconciliation process. Cases of unmatched items are resolved by the Ministry through such means as bank inquiries, further review of the Licensing and Control System, review of supporting documents, or audits. At the time of our audit, we noted over 750 unmatched deposit items going back four years for amounts totalling \$2.7 million. Some of these unmatched items were from offices that were no longer active. Debit- and credit-card transactions are also reconciled daily to the business transactions in the Licensing and Control System, and, while the dollar value of the unmatched items was not significant, we noted over 1,000 unmatched items.

The Ministry has identified the following ways in which issuers can, when processing transactions, prevent appropriate revenue amounts from flowing to the Ministry and inappropriately increase their compensation.

- When customers pay in cash for driver's licence renewals or replacements, issuers may collect a correct fee, record a fee adjustment for a lower amount in the system, and keep the difference.
- Issuers may charge commissions for unrequested and unjustifiable address changes—for example, changing “123 Anywhere St.” to “123 Anywhere Street.”
- Issuers may break down a transaction request from a customer into separate parts in order to charge commission for each. For example, if, in a driver's-licence-renewal transaction, the driver's address also needs to be changed, the issuer may process and charge for two transactions—the renewal and the address change—instead of one.

At the time of our audit, only for the latter activity had the Ministry developed an exception report, which logs multiple transactions for single drivers or vehicles. We found that this report was of

limited usefulness, however. There are no flags for the first two types of data manipulation. Such flags could include, for example, exception reports produced for all adjustments to regular fees and for all address changes where the postal code has not changed.

We also noted that, as of December 31, 2004, 22,651 NSF (not-sufficient-funds) cheques, for amounts totalling \$10.4 million, were still outstanding. We were specifically concerned that, because the Ministry's vehicle registration system is not cross-referenced with the driver-licensing system, an individual whose cheque for a vehicle-licensing transaction was NSF can still make driver-licensing transactions and vice versa.

We do acknowledge in this regard that a new ministry policy dating from January 2005 prohibits private issuers from accepting personal cheques—only certified cheques or business cheques pre-printed with the name of the business are acceptable.

### Other Compliance Issues

Certain types of transactions that are not processed electronically by the Licensing and Control System must be processed manually by issuing offices and are accordingly called “special handling” transactions. In the 2003/04 fiscal year, the PIN collected \$59.7 million in revenue from these transactions, and the Ministry paid \$965,000 in related commissions. Audits are to monitor, in particular, that staff do not understate revenue and overcharge commissions on these transactions. For nearly a third of the special handling transactions that we tested, we noted that issuers had not charged the correct commission—in most cases, higher commissions were charged than were earned.

Another area that regular audits could address is proper document management. For example, we noted the following in our visits to issuing offices.

- Ontario Motor Vehicle Industry Council certificates and dealer authorization letters were not current. Maintaining current dealer informa-

tion helps prevent fraudulent vehicle transfers by individuals who misrepresent themselves as motor vehicle dealers and hence avoid the retail sales tax payments.

- Ministry forms were often not properly completed. For example, the customer's name or signature was often missing, the vehicle insurance information was sometimes not recorded, and there was sometimes no evidence of any identification being reviewed. In a few cases, while identification was noted as being reviewed, the review was not done in accordance with ministry guidelines.

## 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 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.

## MINISTRY RESPONSE

The Ministry agrees that the control and protection of personal information, revenue, and stock is of the utmost importance.

As of March 2005, the Licensing and Control System began producing a number of new exception reports (which call attention to, for example, driver fee adjustments, including the

reason for the adjustment keyed in by the operator; multiple data element changes to a single record; and unauthorized access to information). The Ministry will work on further enhancing these reports (completion anticipated for December 2005) to allow for the timely identification of non-compliant or fraudulent activities.

The Ministry recognizes the importance of accounting for all stock provided to the Private Issuing Network, and it is reviewing options and resource requirements to ensure that these stock items are properly secured. The Ministry has focused its efforts identifying and correcting over 500,000 stock discrepancies that arose between May and December 2003. The Ministry is developing a risk-based audit framework, to be implemented in winter 2005/06, to more effectively address financial, stock, and Licensing and Control System-related issues within the Private Issuing Network. In addition, there are a number of tools the Ministry has provided private issuers to assist them with stock reconciliation.

Since the Auditor General's 2001 audit of the Road Safety Program, the Ministry has implemented an automated daily reconciliation program, which has significantly improved the timeliness of revenue reconciliation. As of May 31, 2005, over 700,000 deposit transactions representing \$4 billion in revenue had gone through this system, and only approximately 1,000 remain unreconciled. The Ministry will ensure satisfactory resolution of the unreconciled items by December 31, 2005.

On January 1, 2005, the Ministry stopped accepting in-person personal cheques. Since then, the number of NSF cheques has dropped substantially. With a view to eradicating all future NSF cheques, the Ministry is reviewing its policy of accepting cheques from businesses and via the mail and will continue its efforts to

collect all outstanding debts. This review will be completed in the fall/winter of 2005/06.

In order to mitigate the risk of fraudulent activities, the Ministry is currently working with the Ontario Motor Vehicle Licence Issuers Association to develop face-to-face training sessions for issuers, focusing on strengthening business integrity and customer fraud awareness, stock inventory management, protection of database and system integrity, and recognition of fraudulent documents. Expected implementation is winter 2005/06.

### Selection of New Private Issuers

When the private sector first began delivering driver- and vehicle-licensing products, private issuers were retained by direct assignment (that is, without tendering or an alternative competitive process). In 1986, the government moved to a competitive tender process that included advertised requests for proposals and a standardized evaluation process. The Ministry further refined this process in November 2001.

The selection process is generally initiated upon the resignation, retirement, or death of a PIN operator. The annual turnover rate in the PIN is currently about 5%, or 15 private issuing offices each year. It typically takes approximately 27 weeks to select a new issuer and an additional 12 weeks to prepare a new office for opening.

In order to minimize service disruption, the Ministry appoints interim issuers during the selection process. In reviewing the 36 selections that had been completed since November 2001, we noted that, even factoring in the use of interim issuers, it took an average of four months to re-introduce service for an issuing office that had closed. In five cases the disruption in service lasted from six to 11 months, and in one case the service disruption lasted 22 months.

The first step in the selection process is a business-demand analysis to verify the continuing need for a replacement office or determine the need for a new office and its required size. The Ministry then issues a request for proposal via the province's electronic tendering system. Proposals received are subject to a three-stage evaluation. The first two stages cover such things as an applicant criminal reference check, a review of other references, a conflict-of-interest declaration, and an assessment of the applicant's financial, management, operations, administration, and customer service skills. The most heavily weighted part of the evaluation (75%) occurs at stage three. This involves an in-person presentation by and interview with the applicant, during which the Ministry further assesses the applicant's skills, discusses his or her proposed business plan, and poses problem-solving questions on various aspects of managing an issuing office.

Although ministry policy stipulates that an applicant must pass stage two of the evaluation process to be considered for stage three, we noted several cases where applicants, particularly those from northern offices, failed at stage two but were still advanced to stage three. We further noted that many of these applicants went on to win the issuer contract. The Ministry advised us that it has had to tailor its procurement process, while still adhering to government procurement practices, for offices in the north due to its inability to attract qualified applicants for these typically smaller offices.

We also noted that stage three's interview, worth 45% of the evaluation's total marks, was of questionable value in those cases where applicants were familiar with the questions, having answered them previously when submitting proposals to run other issuing offices. This gave such applicants an unfair advantage over others. We found two cases of applicants who were familiar with the stage-three interview questions from previously submitting proposals and whose stage-three interview marks on the repeated questions made the differ-

ence between their final evaluation standing and that of the next closest applicant.

## 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.

## MINISTRY RESPONSE

The Ministry agrees with the Auditor that the procurement of private issuers needs to be fair, open, and transparent. It is committed to a process that follows the standard procurement directives and guidelines that apply to the entire Ontario Public Service.

The Ministry has completed a review of how best to establish interim service, given that each interim office is unique and requires different strategies to facilitate customer service continuity. In order to minimize customer service disruption while adhering to government procurement requirements, effective May 2004 the Ministry initiated an expedited selection process to identify an interim service provider to operate until the Ministry selects a new service provider. The Ministry may also redirect customers to neighbouring offices, if appropriate, instead of selecting an interim service provider.

The Ministry is currently reviewing its entire procurement process to identify ways that it can be streamlined and made more efficient. The Ministry will review all components of the evaluation model to mitigate the risk of repeat applicants having an unfair advantage over first-time applicants (by, for example, ensuring that the same questions are not repeated in subsequent interviews).

Respondents to smaller-issuing-office opportunities (one-to-two-terminal offices) are typically sole proprietors who may not have exposure to government procurement processes. For this reason, in June 2005, the Ministry developed a simpler request-for-proposals process for smaller-issuing-office opportunities in order to facilitate responses to such requests for proposals. The Ministry will continue to implement its private-issuer procurement process in strict compliance with government procurement requirements.

Through a new procurement process, the Ministry implemented a pilot project in August 2005 that will encourage market-driven compensation for the delivery of driver- and vehicle-licensing services. The new procurement process is skills-based and does not advantage existing issuers or repeat applicants. Proponents are required to submit a detailed business plan and outline the compensation they expect to receive for delivering driver and vehicle services. The opportunities included in this procurement have been widely advertised.

## PERFORMANCE MEASUREMENT

The Ministry has initiated several means for gathering information to measure the performance of the Private Issuing Network. These include audit activity and, for 182 offices, the Performance Management Program. As mentioned previously, the audit

process in the Performance Management Program includes, in addition to a desk audit and on-site audit visits, an annual customer survey, a scorecard summarizing audit results, and a ministry action plan to address areas needing improvement.

### Customer Survey

In our review of the customer survey component of the Performance Management Program, we noted that the Ministry sent approximately 450,000 surveys—covering the period from October 2004 to February 2005—to issuing offices. The Ministry asked the offices to distribute the survey to a sample of customers who completed specific transactions. The Ministry expected that about 10%, or 45,000, of the distributed surveys would be returned, thus achieving the Ministry's goal of obtaining a statistically representative sample of completed surveys for each site and region and for the province as a whole. As of March 2005, this level of response had been received for only 88 of the 267 offices.

In leaving the distribution of the surveys up to the issuing offices, the Ministry had no assurance that the results are truly representative of the sample targeted—that is, that individuals in the sample population had equal chances of being surveyed. In this regard, we noted that a number of the issuers whom we visited and who responded to our survey indicated that—not surprisingly—they would not hand out a survey to a customer who appeared to be in a dissatisfied state. Issuing Office Administrators whom we interviewed also expressed concerns over the selection of respondents for the survey.

### Comment Cards

Another source of performance information is written customer feedback on customer comment cards available at each PIN office. Over the last four years, the Ministry has received an average of

1,800 comment cards per year from private-issuer customers.

The Ministry tracks comment cards by date received, nature of the comment, action taken by ministry staff on any complaints, and the time taken to resolve complaints. Reports detailing comments received are to be sent monthly to the Ministry's regional offices to support their oversight of PIN offices. However, we noted that by early 2005 the last such report had been sent in August 2004. We also noted that the reports could be improved by including summary information of the customer comments received. Such information could identify the most recurrent issues, which the Ministry could address through training or follow-up communications across either the entire PIN or the particular regions or offices where certain problems are most acute.

## 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.

## MINISTRY RESPONSE

We are committed to improving the quality of our services and to measuring customer satisfaction with respect to those services. The Ministry will pursue alternative methods for measuring satisfaction by October 2005.

In co-operation with the Ontario Motor Vehicle Licence Issuers Association, the Ministry

will begin sharing comment-card data, customer service trends, and best practices with the Private Issuing Network on a quarterly basis, effective September 2005. The Ministry will also work with the Ontario Motor Vehicle Licence Issuers Association to develop a number of customer service measures, such as measuring the number of complaints annually with a view to reducing them each year. These measures will be developed by December 2005.

In June 2005, the Ministry began enhanced monthly reporting on customer-comment-card data and will use these data to develop strategies to address customer concerns.

## OTHER MATTER

### Vehicle Insurance

Automobile insurance is mandatory in Ontario. Accordingly, when renewing their vehicle licences drivers are required to provide the name of their insurance company and their policy number. However, neither the issuing office nor the Ministry verifies the information provided. We sampled over 70 recent new-vehicle registrations and renewals and attempted to verify the insurance information provided, with the following results.

- In one case, the insurance company did not exist.
- In three cases, the policy number was not valid.
- In one case, the vehicle was not registered under the policy number provided.
- In two cases, the policy had been cancelled shortly after the person renewed the licence.
- In seven cases, the vehicle was insured, but the wrong policy number had been provided.

Based on these results, we are concerned that there may be a significant number of drivers operating motor vehicles in the province without valid insurance. In this regard, we noted that in its annual

road safety reports, the Ministry has reported that between 1993 and 2003 there have been over 48,000 uninsured vehicles involved in collisions in Ontario. Nearly 22,000 of these vehicles were involved in collisions resulting in injuries, and over 500 were involved in fatal collisions.

We also noted that, commencing April 4, 2005, the Ministry no longer requires the PIN to retain the application forms that contain this insurance information. This document is now only viewed by the issuing office and then returned to the driver. Under this new procedure, it may be more difficult to verify insurance validity at the time of the transaction.

### Disabled Person Parking Permits

The Ministry issues Disabled Person Parking Permits to eligible applicants who are unable to walk unassisted without serious difficulty or danger to their health or safety. This condition must be certified by a medical practitioner. The Ministry processes approximately 75,000 new applications and 36,000 renewals annually. At the time of our audit, approximately 520,000 permits were in use. We noted from ministry documents that, over a recent one-year period, over 1,600 permits were seized by the Toronto Police Service, and charges were filed for their misuse. The program for issuing and renewing permits is currently under review.

During our audit, we noted that the Ministry did not adequately review the application forms received under this program. For example, less than 1% of the Disabled Person Parking Permit applications were verified with the physicians noted on the application. Instead, the Ministry performs a more limited review on 25% of applications by ensuring that the doctor noted is listed on the College of Physicians and Surgeons of Ontario's public Internet site. Since any individual can go to this same site and see the full list of registered physicians, in our view this Ministry procedure does not provide

any assurance that the medical practitioner actually supported and signed the application.

## 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.

## MINISTRY RESPONSE

The Ministry takes the issue of uninsured vehicles very seriously.

The upcoming Uninsured Vehicles Project is expected to, among other things, facilitate the verification of insurance information. Specifically, under the project, when a vehicle permit is renewed, the Ministry will automatically check online against the Insurance Bureau of Canada's database to verify vehicle insurance.

The Ministry agrees with the need to improve the application process for issuing parking permits for persons with disabilities and will initiate discussions with the medical community on developing strategies to improve verification of medical information on Disabled Person Parking Permit applications.

The Ministry is also taking other steps to limit misuse, including limiting medical practitioners to only certifying application within their scope of practice and introducing a more secure, tamper-resistant permit document to address counterfeiting and misuse.

Other changes the Ministry will introduce in fall 2005 include:

- improvements to the current eligibility criteria to ensure that only persons with

measurable and observable mobility impairments receive a permit;

- improved business processes to expedite processing of applications and to enhance data management; and
- a new program name, “Accessible Parking Permit,” consistent with government-wide direction for modernizing terminology relating to persons with disabilities.