

PERFORMANCE AUDIT REPORT

Highway Patrol's Oversight of Vehicle Identification Number Inspections

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
July 1990**

Legislative Post Audit Committee

Legislative Division of Post Audit

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PERFORMANCE AUDIT REPORT

HIGHWAY PATROL'S OVERSIGHT OF VEHICLE IDENTIFICATION NUMBER INSPECTIONS

OBTAINING AUDIT INFORMATION

This audit was conducted by Leo Hafner, and Ron Green, Senior Auditors, and Murlene Priest, Auditor of the Division's staff. If you need any additional information about the audit's findings, please contact Mr. Hafner at the Division's offices.

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Highway Patrol's Oversight of Vehicle Identification Number Inspections


Summary of Legislative Post Audit's Findings

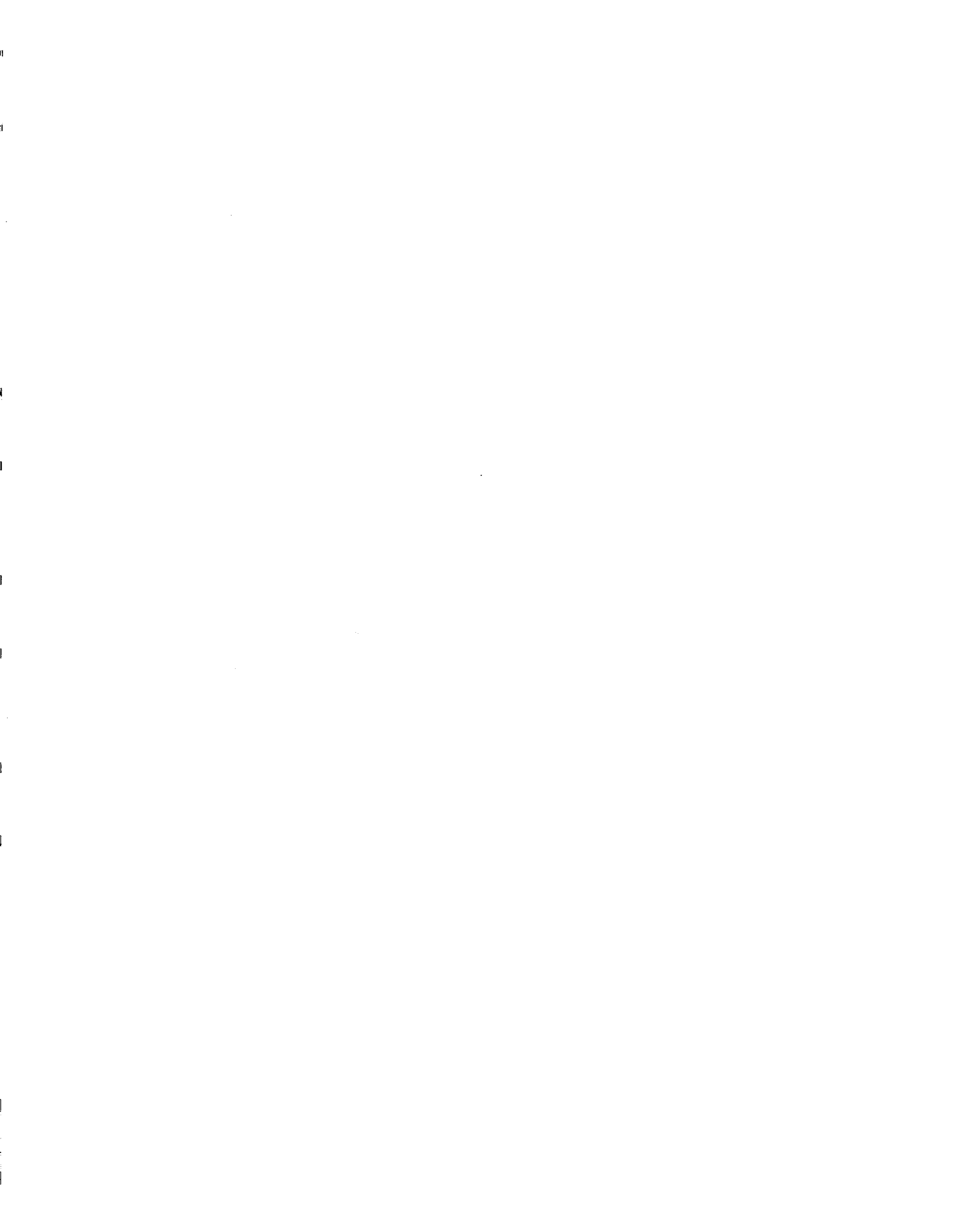
Has the Highway Patrol established and followed uniform and adequate procedures for selecting private contractors to do vehicle identification number inspections? The process used for selecting private contractors appears to be a closed one; the Patrol does not publicize when inspection territories are available, and all selections are at the discretion of the Superintendent. The minimum qualifications for private contractors are not well defined, and the Patrol has not set uniform criteria for deciding when a contractor should be replaced.

Do the quality control procedures established by the Highway Patrol ensure that private contractors do only necessary inspections, do them correctly, and charge only the proper fee? The Highway Patrol has established few controls over the vehicle inspection number program. The Patrol has not formally identified all steps to be followed in conducting inspections, and has not adequately monitored the performance of its private contractors. Most of the private contractors we visited did not perform some of the basic steps Highway Patrol officials told us were necessary for a complete inspection. Despite the absence of control procedures, we found no instances of inspectors requiring unnecessary inspections or charging more than the proper fee.

Has the Highway Patrol implemented prior audit recommendations related to the vehicle identification number inspection program? Although the Patrol indicated it planned to comply with all recommendations made in our March 1988 performance audit, it has not done so. The recommendations dealt with accurately recording all inspection forms issued, reminding all contractors about proper use of the forms, and reviewing inspection forms to make sure the Patrol had received the fee for each out-of-State vehicle titled in Kansas. Highway Patrol officials told us that it did not have sufficient personnel to oversee the program and review all completed forms.

This report includes numerous recommendations for improving the Highway Patrol's oversight of the vehicle identification number inspection program. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators or other State officials.


Meredith Williams
Legislative Post Auditor



HIGHWAY PATROL'S OVERSIGHT OF VEHICLE IDENTIFICATION NUMBER INSPECTIONS

In 1974, the Kansas Legislature passed a bill creating a motor vehicle inspection program to be administered by the Kansas Highway Patrol. At that time, any vehicles being sold at retail in Kansas and any vehicles brought into Kansas to be titled were to have a safety inspection. Part of that inspection included checking the vehicle identification number on both the vehicle and the title. Although the inspections were supervised by the Highway Patrol, they were done at inspection stations by State employees who were not trained in auto theft or the detection of altered and switched vehicle identification number plates.

The 1984 Legislature repealed the motor vehicle inspection program and replaced it with a vehicle identification number inspection program. The major purpose of the program is to prevent out-of-State stolen vehicles from being titled in Kansas. Safety inspections are no longer done. The Highway Patrol is responsible for the vehicle identification number inspection program, but the law allows the Patrol to contract with others to do those inspections.

The Legislative Post Audit Committee authorized an audit of the vehicle identification number inspection program in 1988. The audit showed that, during fiscal year 1987, more than \$1.4 million was collected for about 148,000 inspections completed in that year. By law, the inspection fee is a minimum of \$10. Contractors who did the inspections reported costs ranging from about \$2 to \$7 for a typical inspection. The State retained \$1 from each of those inspections, which appeared to cover the administrative costs incurred by the program at that time. The accounting controls appeared to be adequate to ensure that all fees were being collected, but the auditors noted several weaknesses in the way that forms were issued to and used by the contractors.

Recently, legislators have become concerned about the way the Highway Patrol appoints private contractors to do vehicle identification number inspections, and about the controls the Patrol has established to ensure that inspections are done properly. To address these concerns, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct an audit addressing the following questions.

- 1. Has the Highway Patrol established and followed uniform and adequate procedures for selecting private contractors to do vehicle identification number inspections?**
- 2. Do the quality control procedures established by the Highway Patrol ensure that private contractors do only necessary inspections, do them correctly, and charge only the proper fee?**

To answer these questions, we interviewed officials at the Highway Patrol to determine what procedures they have established for contracting out inspections and what they require of contractors making the inspections. We tested each procedure to determine whether it was working as described. We visited a sample of private contractors in five counties and surveyed other private contractors by telephone. We also surveyed private citizens and vehicle dealers who recently had vehicles inspected under the program to determine whether they encountered any problems. In addition, we reviewed complaints about individual contractors filed with the Highway Patrol or the Department of Revenue.

Besides answering the two questions shown on page one, we followed up on recommendations made during the previous audit of the program. The results of our review are presented in a separate section. In conducting this audit, we followed all applicable government auditing standards set forth by the U.S. General Accounting Office.

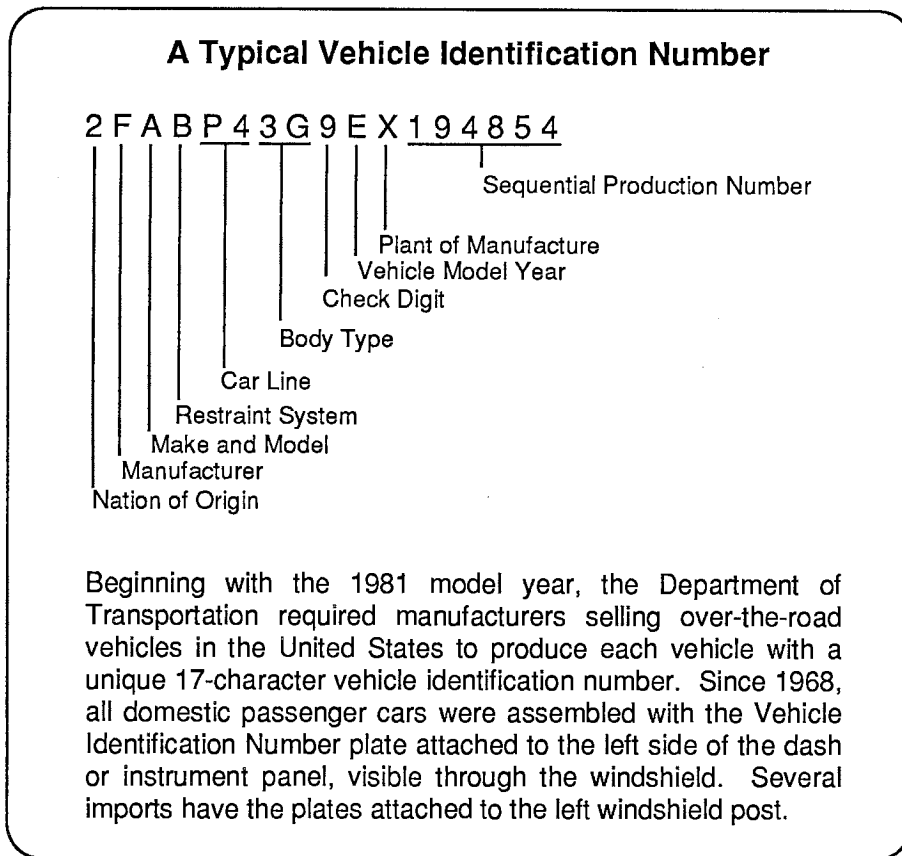
In general, we found that the Highway Patrol has not established uniform and adequate procedures for selecting private contractors to conduct vehicle identification number inspections. The Patrol does not notify all individuals or entities when it is accepting applications to do vehicle identification inspections. The criteria it has established for selecting individuals to do inspections are not well defined. We also found that the Patrol has not set uniform criteria for deciding when a contractor should be replaced.

The Highway Patrol has not exercised active, regular oversight of its contractors. Before June 1990, the Patrol had not provided standardized training or instructional materials to the persons it selected to do vehicle identification number inspections. In addition, the Patrol has not adequately monitored the performance of private contractors doing the inspections. As a result, we found the inspection procedures being followed by private contractors were neither complete nor consistent. We found no problem with individuals or vehicle dealers being overcharged or being required to have unnecessary inspections.

Finally, we found that the Patrol did not appear to have implemented recommendations made during the previous performance audit of the vehicle identification number inspection program. These and other findings will be discussed in more detail following a brief overview of the vehicle identification number inspection program.

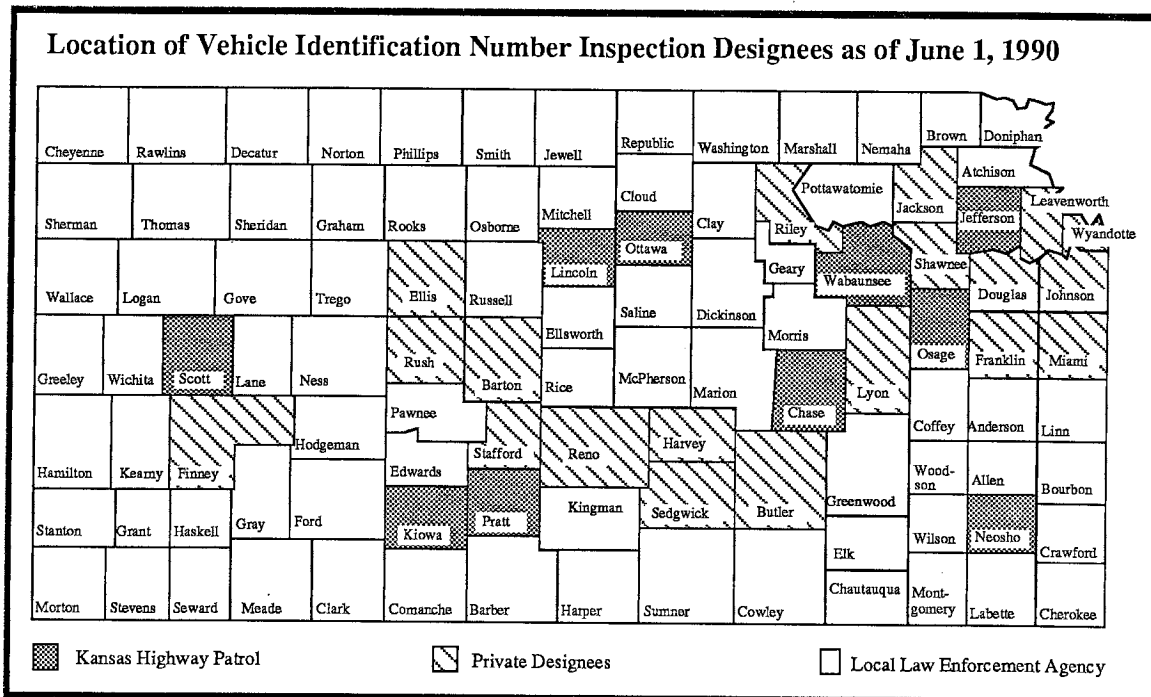
An Overview of the Vehicle Identification Number Inspection Program

Since 1954, American automobile manufacturers have used a vehicle identification number (VIN) that is a unique code assigned to each vehicle describing the characteristics of that vehicle. Beginning with the 1981 model year, the National Highway Traffic Safety Administration required manufacturers selling over-the-road vehicles in the United States to produce the vehicles with a 17-character vehicle identification number. This standard establishes a fixed vehicle identification number format that applies to all motorcycles, passenger cars, multipurpose passenger vehicles, incomplete vehicles, trucks, buses, and trailers with a gross vehicle weight of 10,000 pounds or less. A typical vehicle identification number is shown below.



Since 1984, all vehicles being titled in Kansas for the first time have been required by law to have a vehicle identification number inspection to ensure that the out-of-State title is genuine and that the vehicle identification number on the title agrees with the number on the vehicle. Inspections may be done by the Highway Patrol or one of its designees: either a local law enforcement agency or a private contractor. Private contractors doing vehicle inspections are required by the Highway Patrol to have previous law enforcement experience.

As of June 1, 1990, the Highway Patrol had designated 96 local law enforcement agencies and 10 private individuals or businesses to conduct vehicle identification number inspections. Local law enforcement agencies did inspections in 76 counties. Private contractors did inspections in 19 counties, including major urban areas. The Highway Patrol did all inspections in the remaining 10 counties. The accompanying map shows the counties where inspections were being done by local law enforcement agencies, by private contractors, and by the Patrol.



The charge set by law for vehicle identification number inspections is \$10 per hour, with a minimum charge of \$10. (No charge is made if the inspection is done solely to correct an error in a Kansas title.) If the inspection is done by the Highway Patrol, the entire fee is retained by the State. If the inspection is done by a contractor, the contractor retains \$9 of the fee and remits \$1 to the State to cover the costs of administering the program.

During fiscal year 1990, the Highway Patrol and its contractors completed 156,171 vehicle identification number inspections, and collected a total of \$1,548,559 in fees. The table on the following page shows the number of inspections completed and the amount of fees collected in each of the last five years. It also shows the number and approximate value of stolen vehicles discovered as a result of those inspections. Appendix A provides a breakdown of inspections and fees for each private contractor during the past five years.

**Summary of Vehicle Identification Number Inspection Activity
Fiscal Years 1986 through 1990 (a)**

<u>Fiscal Year</u>	<u>Inspec- tions Completed</u>	<u>Total Fees Collected</u>	<u>Fees (b) Received by High- way Patrol</u>	<u>No. of Stolen Vehicles Found</u>	<u>Total Value (c) of Stolen Vehicles</u>
1990	156,171	\$1,548,559	\$305,416	15	\$16,400
1989	154,716	\$1,521,024	\$299,607	22	\$91,950
1988	156,941	\$1,532,489	\$328,739	21	\$71,142
1987	147,965	\$1,435,519	\$277,039	27	\$107,675
1986	130,900	\$1,309,408	\$271,348	10	\$188,650

(a) Numbers for fiscal years 1988, 1989, and 1990 were reported by the Highway Patrol and have not been verified by Legislative Post Audit. Numbers of inspections and fees for fiscal years 1986 and 1987 were taken from a previous audit of the program and were verified by Legislative Post Audit.

(b) Includes fees from inspections done by the Highway Patrol and \$1 from each inspection done by contractors.

(c) Some stolen vehicles show no value on the lists supplied by the Highway Patrol.

As the table shows, the public has spent about \$1.5 million annually on vehicle identification number inspections during the last five fiscal years. During that time, the program has uncovered 95 stolen vehicles, or an average of 19 per year. Highway Patrol officials also told us they think the program is a significant deterrent to those who might consider bringing stolen vehicles into Kansas.

In addition to discovering stolen vehicles, the inspection program is designed to catch titling errors and discrepancies in odometer readings. During fiscal year 1990, 6,582 errors in titles were discovered, and 2,433 odometer discrepancies were reported.

Has the Highway Patrol Established and Followed Uniform and Adequate Procedures for Selecting Private Contractors To Do Vehicle Identification Number Inspections?

In general, the Highway Patrol has not established adequate procedures for selecting private contractors to conduct vehicle identification number inspections. The process for selecting contractors appears to be a closed one; the Patrol does not publicize when inspection territories are available, and all selections are at the discretion of the Superintendent. As a result, applicants who may have wanted to conduct vehicle identification number inspections in a given region may not have known about the opportunity. Also, the criteria the Patrol has established for selecting individuals to do inspections are not well defined. We also found that the Patrol has not set uniform criteria for deciding when a contractor should be replaced. These findings are discussed in more detail below.

The Selection Process Established by the Highway Patrol Does Not Ensure That All Qualified Parties Are Notified And Given Equal Consideration When Inspection Territories Are Awarded

Because there are no established standards for what constitutes adequate procedures for operation of this inspection program, we developed our own standards based on the purposes of this program and our knowledge of other government programs. We considered the Patrol's procedures for selecting contractors to be adequate if they included appropriate notice when an inspection territory was available, and if decisions about inspection territories were based on an objective assessment of each applicant's qualifications.

In making our determination, we reviewed the statutes governing the vehicle identification number inspection program. We interviewed Highway Patrol officials to determine what procedures they had established to administer the program. We also reviewed the files of current and former contractors to determine what qualifications each possessed, and what information about their qualifications had been submitted to the Highway Patrol. We also contacted contractors as necessary to gain additional information about their qualifications.

The Patrol does not notify interested parties when it is considering awarding a contract to conduct inspections. Patrol officials told us that, when an inspection area became available, they contacted local law enforcement agencies in the area and if no law enforcement agency was interested, the Superintendent would consider private firms or persons who were interested in doing inspections.

The Highway Patrol has never advertised for someone to conduct inspections. In fact, the program does not lend itself to the traditional competitive bidding process because there is no monetary basis on which potential contractors can compete; the

\$10 inspection fee and the \$1 of the fee to be remitted to the State are fixed by law. The 1990 Legislature considered amending Senate Bill 770 to require competitive bidding of contracts for private contractors, but the amendment was deleted before final passage of the bill.

Despite the lack of competition in the area of fees, there would appear to be options for making the inspection contracting process a more competitive one and for increasing the pool of qualified applicants from which to choose. For example, the Patrol could require qualified applicants to submit proposals showing the level of service they would provide to the public. Such proposals could include the inspection locations, the number of inspectors, and the hours and days when inspections would be done. These are all "convenience" factors for the people who need such inspections. By following public notification procedures and requiring proposals from each qualified applicant, the Patrol could help ensure that the public gets the best possible service for the dollars they spend on vehicle inspections.

The criteria the Patrol has established for selecting private contractors to do inspections are not well defined. The Highway Patrol requires that the potential contractor must have law enforcement experience and must be able to obtain access to the National Crime Information Center computer system to check the Center's records on stolen vehicles. Patrol officials indicated that law enforcement experience was important because vehicle inspections are a quasi-law-enforcement function, and an inspector should have some knowledge of stolen vehicle investigation procedures, law enforcement records, and communication procedures.

Although they emphasize the importance of law enforcement experience, Highway Patrol officials have not defined how much or what types of law enforcement experience were necessary to meet the criteria. For example, are a minimum number of years required? Would experience as a security guard or as a secretary or dispatcher in a sheriff's office qualify? We noted one instance in which the private contractor had been a dispatcher, which may not provide the same level of law enforcement experience that a patrol officer's job would provide. In addition, the Patrol has not defined whether the law enforcement experience requirement applies to the contractor personally, or whether it is sufficient for a partner or member of the contractor's firm to have such experience. It is important that eligibility criteria be clearly defined to ensure that applicants are judged against the same criteria and to avoid the appearance that selection decisions are arbitrary.

The Patrol requires that information be submitted regarding applicants' and inspectors' qualifications or experience, but that information usually was not on file, and the information that was submitted was not verified. Before a contract is awarded, applicants are supposed to provide information showing that they meet the eligibility requirements. Once an applicant has been selected, the person signs a contract in which he or she agrees to submit such background information as law enforcement education, training, and experience for all people who will be doing inspections or accessing the National Crime Information Center's computer. He or she also agrees to submit an original sample of each inspector's signature to identify and help prevent forged inspection forms.

We reviewed the files of all current contractors to determine whether they met the Patrol's eligibility criteria. All had obtained access to the National Crime Information Center computer, but four of 10 contractors (40 percent) had no documentation in their files to show that they had previous law enforcement experience. Further investigation showed that two of the four were former Highway Patrol troopers. For the other two, Highway Patrol officials told us that at least one member of each contractor's organization had law enforcement experience.

In addition, we found that 61 percent of the private contractors' inspectors did not have specific law enforcement background information on file, and 47 percent did not have an original signature on file. Finally, seven of 10 contractors (70 percent) apparently had not submitted background information on the people who would be accessing the National Crime Information Center computer for them. Highway Patrol officials told us they thought this latter contractual requirement was no longer needed because access to the computer can be gained only through the Patrol or local law enforcement agencies.

We also found that the Patrol had no procedures for verifying the information it received. In other words, Patrol officials did not check to see that potential contractors had the actual law enforcement experience they claimed, nor did the Patrol perform a criminal records check. Similarly, after a contractor was selected, the Patrol did not verify the qualifications of inspectors who worked for the contractor.

In the absence of good information and verification procedures in this area, the Patrol cannot be certain that inspectors have the qualifications and background it requires for someone to conduct vehicle inspections.

Some Inspectors Do Not Meet the Qualifications for Doing Vehicle Identification Number Inspections

Highway Patrol officials told us that an inspector for a private contractor is supposed to have a law enforcement background. Contracts require that background information about each inspector be submitted to the Highway Patrol. As discussed above, about 61 percent of the inspectors had no background information on file with the Highway Patrol. We did not attempt to determine the qualifications of each inspector whose background was not documented. However, we noted several instances in which persons without law enforcement experience were doing inspections.

For example, in the five counties we visited at least three inspectors apparently had no law enforcement experience. Two were employees of Vehicle Inspection Associates in Sedgwick County. (One was a college student; the other was a former car salesman.) The third inspector was employed in the Kansas City area by Benchmark Security Corporation.

The Patrol Has Not Established or Followed Uniform Criteria In Deciding When a Contractor Should Be Replaced

The Highway Patrol has not provided for a periodic review of each contract that would take performance into account in deciding whether a private contractor should be allowed to continue to do vehicle identification number inspections. Under the contract, either the Patrol or a designee can terminate the contract by giving 90 days written notice. In addition, the Patrol can immediately terminate the contract if a designee fails to perform its duties or for other just cause.

Since the inspection program began, 15 contracts with private contractors have been terminated. Our review showed that

eight terminations were voluntary resignations, and one happened because the contractor died. The remaining six contracts were terminated by the Highway Patrol.

For three of the six contracts the Patrol terminated, letters in the files gave the reasons why each contract was terminated. Those reasons included failure to forward inspection fees to the Highway Patrol, and signing blank inspection forms and leaving them with an unauthorized individual to do inspections. In the other three cases, the termination letters did not state the reasons why the contracts were terminated. By contract, the Patrol is not required to furnish a reason for termination unless it terminates a contract immediately.

To determine why the three remaining contracts were terminated, we interviewed the former Superintendent of the Highway Patrol who was responsible for making those decisions. The former Superintendent indicated that one of the contractors had been terminated because of a history of complaints and infractions. The file for this contractor contained a long list of complaints and infractions, plus a letter from the Governor's Office suggesting that this contract should be terminated. For the other two cases, the former Superintendent indicated that he considered the following factors:

- the length of time the private contractors had held the contracts
- the fact that the contractors' territories were fairly lucrative
- suggestions from the Governor's Office that both contractors be replaced by others wanting to do inspections in those areas
- the fact that at least one of these contractors had several complaints on file

We noted that three other contractors had held contracts longer than the ones whose contracts were terminated, and at least one contractor whose contract was not terminated had more complaints on file than a contractor whose contract was terminated. Thus, it appears that the same criteria were not consistently applied to all private contractors.

Although contractual provisions allow the Highway Patrol to terminate a contract without cause, it appears that establishing a periodic review and evaluation of each designee's performance under that contract would help ensure that all decisions to renew or terminate a contract are based on each contractor's actual performance under the program.

Conclusion

The Highway Patrol has not established uniform and adequate procedures for selecting private contractors to do vehicle identification number inspections. Some of the procedures the Patrol lacks include a procedure for notifying interested parties when an inspection territory is being made available, a procedure for ensuring that contractors or their inspectors meet speci-

fied requirements for law enforcement experience, and a systematic method of evaluating contractors to determine when they should be replaced. Without such controls, the Patrol cannot ensure that it is contracting with qualified people, or that all potential contractors are evaluated and treated on a consistent basis.

Do the Quality Control Procedures Established by the Highway Patrol Ensure that Private Contractors Do Only Necessary Inspections, Do Them Correctly, and Charge Only the Proper Fee?

In general, we found that the Highway Patrol has established few control procedures over the vehicle identification number inspection program. The Patrol has not formally defined all steps to be followed in conducting inspections, and has not adequately monitored the performance of its private contractors. We found that most private contractors we visited did not perform some of the basic steps Highway Patrol officials told us were necessary to complete a thorough vehicle identification number inspection. In a telephone survey, private contractors gave inconsistent answers on key questions related to checking the federal stolen vehicle file. Despite the absence of control procedures, we found no instances of inspectors requiring unnecessary inspections or charging more than the proper fee. These and other findings are discussed in the sections that follow.

The Highway Patrol Has Established Few Control Procedures Over the Vehicle Identification Number Inspection Program, and Does Not Regularly Monitor Performance by Its Contractors

Under K.S.A. 1989 Supp. 8-116a, the Superintendent of the Highway Patrol may appoint a designee to do vehicle identification number checks on out-of-State vehicles before those vehicles are titled in Kansas. In any inspection program where statutorily required inspections are done throughout the State, we would expect the responsible State agency to establish procedures to ensure that inspectors are properly qualified and trained, that inspections are done correctly and consistently, and that the public is charged the proper fees. In addition, we would expect the State agency to actively oversee the inspectors to determine whether established procedures are being followed. Without these control procedures, the State agency cannot be certain that the purposes of the statute are being met, or that the citizens are getting the required inspection services they are paying for.

The Highway Patrol has not established formal procedures to be followed in conducting inspections. Although the Patrol has no formal procedures in this area, Patrol officials told us that a typical inspection should include the steps shown in the figure on the following page.

Until June 1990, the Highway Patrol had not provided any standardized training in conducting inspections for new contractors or their employees. If training was given by the Patrol, it was designed to fill gaps in the contractor's knowledge or experience. In addition, the Highway Patrol had no written manual or instructions for inspectors to follow. The only documents initially given to contractors were the inspection forms. One reason a designee's contract can be terminated is for failure to perform the inspections in accordance with the law and instructions of the Patrol. Given this mandate, it seems logical that the Patrol would provide training and written direction to show contractors what is expected of them.

Steps Included in a Typical Vehicle Inspection

- An examination of the out-of-state title for authenticity.
- An examination of the vehicle identification number plate on the vehicle to check for scratches or other signs of tampering.
- A comparison of the identification number on the vehicle with the identification number on the out-of-state title.
- An examination of the engine compartment to determine if the engine size corresponds with the number of cylinders shown on the title.
- A check of the odometer for signs of tampering and to note the mileage.
- A comparison of the vehicle identification number on the Environmental Protection Agency sticker on the driver's side door with the number shown on the vehicle identification number plate and the out-of-state title.
- A check with the National Crime Information Center computer to determine if the vehicle is listed as stolen.

When we observed inspections conducted by private contractors in five counties (Douglas, Harvey, Lyon, Sedgwick, and Wyandotte), we found that inspections done in four counties did not include all the basic steps the Highway Patrol told us were necessary to perform a good inspection. The major deficiency was that inspectors rarely opened the hoods of vehicles to check the size of the engine. (The engine size should correspond with the number of cylinders shown on the title.) We also noted that inspectors were not consistent in checking the federal label on the driver's door; however, some older vehicles may not have labels or the labels may be torn or illegible.

We also conducted a telephone survey of six private contractors that we did not visit in person. In response to a question about how they would handle an inspection if the National Crime Information Center computer was not functioning, two contractors said they would do the inspection, give out the form, and run the computer check later. Giving out a completed inspection form before the computer check is done could mean that the inspector has forfeited a chance to apprehend a stolen vehicle.

In response to another question about what steps they would take if the computer check showed the vehicle to be stolen, contractors gave inconsistent answers about what they would tell the driver and whether they would detain the driver. In the ab-

sence of clear directions and training from the Highway Patrol, problems like these are likely to continue.

The Highway Patrol has designed a new form for all vehicle identification number inspectors to start using in August 1990, or whenever the inspectors run out of the old forms. The new forms require several types of information not previously included, such as the location of the identification number, how it is attached, and its condition. In conjunction with the new forms, the Patrol has prepared a Designee Vehicle Inspection Manual, and has conducted mandatory training sessions around the State during June and July.

The new inspection manual appears to be a step in the right direction in terms of providing specific guidance to contractors. However, it does not address some basic questions, including the following:

- Is the original title required for an inspection, or is some type of photocopy sufficient?
- What should the inspector do if the National Crime Information Center computer is down?
- What should the inspector do if the computer check showed that the vehicle was stolen?
- What should the inspector do if the mileage on a vehicle does not seem consistent with the condition of the vehicle, or if the inspector suspects the odometer has been rolled back?
- Is the inspector required to look under the hood of each vehicle to verify the number of cylinders (as we were told), and why is that important?

Through the new inspection form, new inspection manual, and recent training sessions, the Patrol has made significant progress. However, our review showed that further steps are needed to ensure that private contractors understand what they should do in all situations that can be reasonably anticipated. Clear, written guidelines are especially important if the Patrol does not do on-site visits to check on its private contractors.

The Patrol has not adequately monitored the performance of private contractors doing the inspections. For example, no one from Patrol headquarters has visited the contractors to observe how they do inspections and to make sure that the Patrol's expectations are being met. Instead, the Patrol has tended to react to complaints or problems that have been reported about a contractor.

By visiting private contractors and observing contractors' inspection procedures, the Patrol might have found the same types of inconsistencies that we found in our visits to five counties. In addition, officials at Patrol headquarters would become more aware of who is actually doing the inspections. For example, we saw that in Sedgwick County most of the inspection forms were signed by a supervisor who never actually looked at the vehicles. According to Patrol officials, this practice is not acceptable.

We also found that the Patrol does not review the forms submitted by contractors for indications that a contractor may be doing an inadequate job. The Patrol reviews the forms only to tally the number of inspections done, to ensure that the contractor

has sent in the correct amount of money, and to count the number of titling errors and odometer discrepancies found during inspections.

During our review of forms on file at the Highway Patrol headquarters, we found a number of obvious errors:

Comments from Individuals

Hours and Long Waits:

"Need to have an inspector on-duty at all times the registration department is open."

"There isn't enough time to complete the inspections. . . The time I spent there (over two hours) well exceeded my lunch hour and then I had to take additional time to get my tag. No wonder people choose not to tag their car in Kansas when you encounter long lines and high taxes."

"The first time I went and was told it would be a two-hour wait. I went the next day 30 minutes before they opened and still had to wait behind several people."

Location:

"It was not convenient to have the inspection made at one location and then drive to another building to obtain the new title."

"The location of the inspection station was not properly marked. I had to drive through the area four times and ask for directions while all the time I was driving right by the location."

Cost:

"I feel that for the actual amount of time that the inspection took, the \$10 fee was way out of line."

"For what this State charges for plates and personal property taxes, I feel that charging this \$10 fee for less than a five-minute inspection is a rip-off."

"The highway patrol is state funded from our taxes, so why should we have to pay a fee for their service?"

Positive Comments:

"I felt personally that the inspection program was excellent; beneficial to buyers, sellers, and officials...."

- Some forms were turned in without the title numbers filled in. The law states that the purpose of the program is to verify that the identification number on the out-of-State title is genuine and agrees with the number on the vehicle. If the title number is not filled in, officials at the county treasurer's office, the Department of Revenue, or the Highway Patrol cannot be sure the identification number on the title was checked or whether the inspector actually saw the title at the time the inspection was done.

- Some forms were clearly altered or written over. Patrol officials told us that if anything on the form needed to be changed, the inspector should void that form and prepare a new one.

- A few forms were obviously filled out by more than one person, based on different styles of handwriting. This was not appropriate unless both persons were employed by the contractor. It would be suspicious if two types of writing appeared on a number of inspection forms filled out for a car dealership, because those inspections are generally done at the dealership by one inspector.

If the Patrol reviewed or spot-checked the inspection forms, it could keep track of such occurrences, notify the contractors of any problems discovered, and act to resolve such problems.

The Patrol does not always follow up on discrepancies that are found during inspections. Certain discrepancies found by contractors during inspections are supposed to be referred to the Highway Patrol to do the inspection. Reasons for refer-

ral include an identification number plate that is missing, illegible, or altered. For a discrepancy related to the mileage on a vehicle, an inspector has the option of referring the vehicle to the Patrol or completing the inspection. If the inspection is completed, the inspector is supposed to explain the mileage discrepancy on the form. Some mileage discrepancies may indicate the possibility that the odometer has been rolled back or tampered with, which would be illegal.

Highway Patrol officials at the headquarters office told us that they record the number of mileage discrepancies noted on the inspection forms, but have not attempted to follow up or investigate the discrepancies because they lack the manpower to do any follow up in this area. More than 2,400 mileage discrepancies were recorded in fiscal year 1990.

Despite the Absence of Control Procedures, We Found No Instances of the Public Being Overcharged Or Being Required to Have Unnecessary Inspections

Legislators have expressed concerns that private contractors who do vehicle identification number inspections might be overcharging for the inspections or requiring vehicle owners or dealers to have more than one inspection. Highway Patrol officials told us they had no procedures in place to prevent such abuses, but would investigate any complaints received.

To determine whether any such problems were occurring, we reviewed inspection forms completed by private contractors in five counties during November 1989. Our review disclosed no instances of a vehicle being inspected more than once during that month, and no charges shown in excess of \$10.

We also surveyed 243 vehicle owners and 100 vehicle dealers who had vehicles inspected in the same five counties. We received responses from 119 individual owners (49 percent) and 56 dealers (56 percent). None of the vehicle owners or dealers who responded said they were charged more than \$10 for an inspection. Two of the dealers and one vehicle owner surveyed said they were required to have more than one inspection of the same vehicle. In each case, however, there appeared to be a logical explanation for the additional inspection. In the case of the vehicle owner, a Patrol trooper went to the individual's home to complete the second inspection.

Comments from Dealers

Availability:

"If the inspector can't come to you, you have to go downtown for the inspection or have to wait for someone to come out at a later time....."

"We sell cars on Saturdays—Sure would help our out-of-city customers if we could have inspections also done on Saturdays."

"Just wish they [inspectors] could come to the lot for one [car] as well as three."

Cost:

"Any licensed and bonded vehicle dealer should be allowed to perform this inspection. Such dealers could call in the ID number to each vehicle as the inspection stations now do, and pay the State the \$1 fee. The additional cost of \$9 for this service is not necessary and should be eliminated. There is something wrong with a program that returns 10% of fee to State and 90% of fee to company doing inspection. Possibly you could have licensed dealers perform this task and charge a \$2.50 fee to be collected by the State."

"I think it is just another case of being Big Brothered to death. More government— more cost. Another bureaucratic job to pay for."

"It is a complete waste of time and money; there is no longer any need for this waste."

Positive Comments:

"It does keep stolen and/or illegal vehicles from being sold through regular channels."

"Gives you confidence in what you buy."

Most individuals we surveyed (93 percent) said they had no problems with the quality of the inspections. However, about 4 percent of the individuals surveyed said that the inspector was not available during scheduled inspection times. About 17 percent of the individuals and 7 percent of the dealers said that inspection hours were not convenient, and about 12 percent of the vehicle owners said that the inspection location was not convenient. Finally, about 12 percent of the dealers and 8 percent of the vehicle owners complained in open-ended comments about the cost of the inspection. A few of the comments we received are included in the boxes on pages 14 and 15. A complete listing of those comments can be found in Appendices B and C.

Vehicle Identification Number Inspections in the Surrounding States

During this audit we contacted representatives in the four surrounding states and Iowa to determine whether they had vehicle identification number inspection programs. All five states inspect reconstructed vehicles, and all but Iowa inspect out-of-state vehicles. Only Missouri requires a safety inspection, which must be done annually for all vehicles titled and tagged in the state. The results of our survey are presented below.

Missouri: Vehicle identification number inspections are required for rebuilt vehicles with salvage titles, and the fee is \$25. These inspections are performed by patrol officers or motor vehicle inspectors employed by the patrol. A vehicle identification number inspection is included in the annual safety inspection required for all vehicles titled and tagged in Missouri. The fee for this safety inspection is \$4.50 to \$9.00, depending on the county where the vehicle is tagged. Inspections are performed by mechanics licensed by the state. Both programs are administered by the Motor Vehicle Inspection Division of the Missouri Highway Patrol.

Colorado: Vehicle identification number inspections are required for rebuilt vehicles with salvage titles, and the fee is \$20. These inspections are performed by patrol officers. Vehicle identification number inspections are required on out-of-state titled vehicles and are performed by car dealers, emissions mechanics, and law officers; however, there is generally no charge for these inspections. Both programs are administered by the Colorado Department of Revenue.

Oklahoma: Vehicle identification number inspections are required for rebuilt vehicles with salvage titles and the fee is \$25. These inspections are performed by state troopers. Vehicle identification number inspections on out-of-state titled vehicles are performed by state employees who work in the county tag offices and cost \$11. Both programs are administered by the Oklahoma Motor Vehicle Administration.

Nebraska: Vehicle identification number inspections are required on out-of-state titled vehicles and rebuilt vehicles. The cost of the inspection is \$10. Inspections are performed by employees of the county sheriff's office, county clerks, and other law enforcement officers. The program is administered jointly by the Nebraska State Patrol and the Division of Motor Vehicles.

Iowa: Vehicle identification number inspections are not required for out-of-state vehicles. Rebuilt vehicles do require a vehicle identification number inspection performed by a motor vehicle inspector or patrol trooper, and the fee is \$35. The Office of Vehicle Registration oversees the inspection program.

**Has the Highway Patrol Implemented
Prior Audit Recommendations Related to the Vehicle Identification Number
Inspection Program?**

As part of this audit, we reviewed the Patrol's implementation of recommendations made in 1988 during a previous audit of the vehicle identification number inspection program. That report made three recommendations to the Patrol. In March 1988, the Superintendent of the Highway Patrol indicated that the Patrol would take action in response to the recommendations. Listed below are the three recommendations, and the actions the Patrol indicated it would take to comply with the recommendations.

<u>1988 Audit Recommendations</u>	<u>Highway Patrol Responses</u>
Instruct all Highway Patrol Division offices to accurately record all vehicle identification number certificates issued to law enforcement agencies, private designees, and its own officers who conduct inspections.	"A letter will be transmitted to each division commander stressing the importance of accurate record keeping involving the inspection forms. In addition, we intend to monitor this on a periodic basis."
At least quarterly, review and investigate any original copies of inspection certificates that come in without the corresponding fee being remitted.	"We will comply with this recommendation and perform quarterly reviews and, if necessary, investigations on missing inspection forms."
Send a reminder to all designees addressing the proper use and handling of inspection forms.	"A letter will be transmitted to each designee outlining the proper use and disposition of inspection forms."

Patrol officials could not document that they have instructed the Division offices on the importance of accurate recordkeeping. The previous audit found that Highway Patrol division offices were not accurately recording vehicle identification number inspection forms issued to contractors. Without accurate records, there is no control over who is using the forms and no accountability to ensure that all fees are being collected and remitted.

Although Patrol officials indicated a letter would be sent to all Division commanders, officials could not provide us with copies of any correspondence addressing accurate recordkeeping for inspection forms. The Patrol provided a copy of the minutes of a Captain's meeting which took place in October 1987, in which Highway Patrol personnel were instructed to account for inspection forms in a manner similar to accounting for other Patrol documents. However, that meeting was held before the previous audit was conducted. The minutes of that meeting indicated the Patrol was formulating a policy for inspection forms and that the policy would be distributed soon. As of June 1990, the Patrol had not issued that policy.

In this audit, we found additional problems with inaccurate recordkeeping. One private contractor had a large number of forms that had been issued to another contractor; the Highway Patrol could not provide any record of reassigning those forms to the new contractor, or determining the number of forms left with the new contractor when the old contractor ceased operations. Another contractor used a block of 25 forms that the Patrol did not have assigned to the contractor. The same Patrol office had several instances in which Patrol personnel failed to record the forms issued to contractors, record the date issued, or require the individual to sign for the forms received.

Patrol officials are not reviewing inspection forms to ensure that all fees are being remitted. Each inspection form has several carbon copies. One copy is turned in to the county treasurer when a vehicle owner applies for a title. That copy is processed with the application documents and is ultimately filed with the Highway Patrol. Another copy is submitted directly to the Patrol when vehicle inspectors send in the State portion of the fee collected during each inspection. The Highway Patrol is supposed to match the two copies of the inspection form to make sure that a fee has been received for each vehicle that has been titled.

The previous audit of the program showed that the Patrol was not promptly matching the forms and following up on fees that had not been remitted by contractors. At that time, 16 percent of the forms the auditors reviewed were more than four



These forms at Highway Patrol headquarters represent part of the backlog of vehicle inspection forms that had not been matched up to ensure that the Patrol had received the inspection fee for each out-of-State vehicle titled in Kansas. Patrol officials said they did not have sufficient staff to keep up with the number of forms received.

months old and had not been matched with the fee remittance copy. During this audit, we estimated that about 50,000 inspection forms had not been matched with the fee copies. We reviewed a sample of 397 of those forms, and found that 100 percent of them were more than four months old. The majority of the inspections in our sample had taken place five-to-nine months earlier. We checked to see if the fees had actually been remitted for the 397 inspection forms in our sample, and found nine cases (about two percent) in which the contractor apparently had not turned the fee in to the Patrol. If the sample was typical of the entire group of 50,000 forms, then there may be as much as \$1,000 in fees that contractors have not remitted to the Highway Patrol.

Patrol officials acknowledged that they had not been performing quarterly reviews of missing fee copies of the inspection certificates. They indicated they were trying to catch up on the backlog of forms in Patrol headquarters and did not have sufficient personnel to match up all the forms and perform the quarterly reviews.

Patrol officials apparently have not instructed contractors on the proper handling and use of inspection forms. The previous audit found that contractors did not always use vehicle inspection forms in order or follow procedures for handling voided inspection certificates. Although the Patrol indicated it would send a letter to each contractor outlining the proper use and disposition of inspection certificates, officials could not provide any documentation indicating they had sent such a letter. Patrol officials told us that information on the proper use of inspection certificates was covered in training provided to each contractor; however, there are no references to these procedures in the Patrol's new inspection manual for contractors.

According to guidelines for the inspection program prepared by the Department of Administration in cooperation with the Highway Patrol, when an inspection form is ruined or voided, the contractor should retain the blue copy of the form and send in the remaining three copies of the voided form to the Highway Patrol. Two of the four contractors we visited during this audit sent all four copies of voided forms to the Highway Patrol and did not keep a copy for accounting purposes. The two contractors indicated they had never been instructed about what to do with the forms once they were voided. Although this problem does not appear to be serious at this time, it does result in confusing and incomplete records, and could result in lost funds if not corrected.

Conclusion

Over the past five years, the public has spent about \$1.5 million annually for vehicle identification number inspections. During that time, an average of 19 stolen vehicles per year with an average value of \$5,000 each have been identified through the inspection program. Although we did not find instances of the public being overcharged or required to have unnecessary vehicle identification number inspections, we did find that the Highway Patrol

has not actively managed or monitored the inspection program. Private contractors have been appointed without competition or notification of other interested parties, a practice that would help ensure qualified persons are not excluded from the program. In addition, the Patrol has not established and enforced well-defined criteria for selecting private contractors, nor has it established or followed uniform criteria for deciding when a contractor should be replaced.

Until very recently, the Patrol had not established formal procedures to be followed in conducting inspections, and did not provide uniform training or instructions for the private contractors who conduct vehicle identification number inspections. We found that inspectors were not conducting inspections in accordance with the minimum requirements Patrol officials described to us. Finally, the Highway Patrol does not appear to have given adequate attention to implementing recommendations from a previous audit of the vehicle inspection program. Many of the same problems that existed during the previous audit still exist, and in some cases the problems have gotten worse.

The purpose of the vehicle identification number inspection program is to prevent stolen vehicles from being titled in Kansas. Highway Patrol officials told us that the program also has a deterrent effect, keeping stolen vehicles out of the State. However, the number and type of problems identified during this audit and the previous one suggest that the Highway Patrol is not operating or overseeing the program in a way that ensures it is working as intended. The current program is viewed by many participants we surveyed as an unnecessary cost. Indeed, the 15 stolen vehicles identified in fiscal year 1990 were identified at an average cost to the public of about \$100,000 each.

Patrol officials told us that they do not have the resources needed to operate the program as it should be operated. We did not try to determine whether the Patrol's existing resources are being used as efficiently as possible, but if the Patrol does need additional resources, it would appear that the \$1 the State retains from each inspection fee could be increased to provide those resources. At the same time, given the relatively high cost per stolen vehicle recovered by the program and the lack of oversight currently being provided by the Patrol, the Legislature may wish to consider whether the deterrent aspects of the program are worth the cost and whether the program should be continued.

Recommendations

If the Legislature decides to continue the vehicle identification inspection program in its current form, the Highway Patrol will need to address each of the following recommendations.

1. To ensure that the Highway Patrol gives equal consideration to all qualified individuals or entities that may want to become a contractor to conduct vehicle identification inspections, the Highway Patrol should do the following:
 - a. Develop procedures for advertising or otherwise notifying the public when it is considering appointing a private contractor to do vehicle inspections in a particular area of the State.
 - b. Better define its minimum requirements, such as law enforcement experience, to indicate how much and what types of experience are necessary, and to whom those criteria apply.
 - c. Include "public convenience" factors such as location and hours of operation in its criteria for awarding a contract.
2. To ensure that potential contractors possess the qualifications they purport to have, the Highway Patrol should do the following:
 - a. Ensure that all information required by the Highway Patrol has been submitted before a contract is awarded or employees are approved.
 - b. Establish a procedure for verifying information submitted by a potential contractor
3. To ensure that vehicle identification number inspections are done correctly, the Highway Patrol should do the following:
 - a. Formalize procedures for conducting the inspections and incorporate them into its reference manual for contractors to follow when conducting vehicle identification inspections.
 - b. Develop a basic training package, including uniform procedures for conducting vehicle identification inspections, and provide that training to all contractors.
 - c. Develop criteria for periodically evaluating contractors' performance when conducting inspections and communicate those performance criteria to the contractors so they will know what is expected of them.
 - d. Review copies of inspection forms submitted by contractors to ensure the forms are properly filled out and keep track of any problems or follow up that was necessary for each contractor.

- e. Develop a standard time period for evaluating the performance of all contractors. As part of this periodic evaluation, the Highway Patrol should:
 - do an on-site review of contractors inspection procedures
 - review any current and past history of problems with filling out inspection forms, and
 - consider any public complaints that have been filed against each contractor since the last evaluation period.

4. To ensure that all vehicle identification number inspection fees are properly accounted for and promptly remitted to the State, the Highway Patrol should do the following:
 - a. Send written instructions to all Highway Patrol division offices to accurately record all vehicle identification number inspection certificates issued to law enforcement agencies, private contractors, and their own officers who conduct inspections.
 - b. Send a reminder to all contractors addressing the proper use and handling of inspection forms.
 - c. At least quarterly, review and investigate any original copies of inspection forms that come in without the corresponding fee being remitted. As an alternative to performing quarterly reviews of inspection forms, the Highway Patrol could petition the Legislature to change the law to allow it to collect its \$1 portion of the inspection fee at the time the forms are issued to each private contractor or local law enforcement agency, rather than after the inspection is completed. This would ensure that the Patrol received its share of the inspection fee and eliminate the need to match up copies of the inspection forms after the inspections are done. If the Legislature adopted this change, the Patrol would need to develop procedures for making refunds for voided or unused inspection forms.

5. To ensure that vehicles are not titled on the basis of incomplete inspections, the Highway Patrol should notify county treasurers and appropriate officials at the Department of Revenue that altered vehicle inspection forms or forms with certain missing information should not be accepted for titling a vehicle.

6. The Highway Patrol should review the level of funding needed to provide adequate training, supervision, and evaluation for inspectors, and to follow up on any discrepancies that are found during inspections. The Patrol's review should include a determination of what resources it needs and

whether the portion of the inspection fee it receives from private contractors and local law enforcement agencies is adequate to provide those resources. The review should also include a determination of whether the program could be better controlled and more cost-effective if the Highway Patrol kept all fees and operated the program without private designees. The Patrol should report its findings to the 1991 Legislature and seek any necessary statutory changes.

APPENDIX A

Numbers of Inspections By Contractor and Contractor's Portion of Fee Revenue for Fiscal Years 1986 through 1990

The following table shows the number of inspections performed by each private contractor and the portion of the inspection fees retained by the private contractors for the last five fiscal years.

Numbers of Inspections By Contractor and Contractor's Portion of Fee Revenue for Fiscal Years 1986 through 1990(a)

	Fiscal Year 1986		Fiscal Year 1987		Fiscal Year 1988		Fiscal Year 1989		Fiscal Year 1990	
	Number of Inspections	Contractor's Revenue(b)	Number of Inspections	Contractor's Revenue(b)	Number of Inspections	Contractor's Revenue(b)	Number of Inspections	Contractor's Revenue(b)	Number of Inspections	Contractor's Revenue(b)
Private Contractors										
Clarence Kelley & Associates	51,366	\$ 462,294	56,160	\$ 505,440	57,838	\$ 520,542	42,539	\$ 382,851		
Charles Light	1,924	17,316	2,455	22,095	2,582	23,238	2,359	21,231	1,253	\$ 11,277
Fred Modlin	3,413	30,717	5,113	46,017	5,705	51,345	5,087	45,783	1,957	17,613
Darr-Evans	16,687	150,183	19,061	171,549	11,845	106,605				
John Winter	289	2,601								
Max Perkins	823	7,407	941	8,469	989	8,901	600	5,400		
Eugene Johnson	5,751	51,759	5,871	52,839	6,165	6,165				
Emporia Security Systems	1,198	10,782	1,259	11,331	1,354	12,186	1,331	11,979	1,253	11,277
Shelley Laurent	897	8,073	645	5,805	656	5,904				
Joe Slipke	754	6,786	1,028	9,252	1,037	9,333	1,248	11,232	24	216
Sharon Mendenhall	51	459	65	585	350	3,150	156	1,404	152	1,368
Larry Smith	161	1,449	133	1,197						
Hutchinson-Funderbunk	318	2,862	209	1,881						
David Heape	95	855	107	963	127	1,143	117	1,053	84	756
Mel Jamison	116	1,044	178	1,602	202	1,818	181	1,629	174	1,566
Finney County Sheriff Posse	855	7,695	1,357	12,213	1,781	16,029	1,913	17,217	1,756	15,804
John Borst	184	1,656	448	4,032						
Marion Wood	62	558	446	4,014	474	4,266	471	4,239	501	4,509
Oldridge-Trott			759	6,831	725	6,525	631	5,679		
Gary Cooper					2,172	19,548	2,389	21,501	2,600	23,400
Dwain Kelsch					1,050	9,450	2,076	18,684	2,722	24,498
Vehicle Inspection Associates					4,734	42,606	17,292	155,628	19,331	173,979
Benchmark Security Corporation							16,508	148,572	61,319	551,871
Terry Vaughn							236	2,124	1,047	9,423
V.J. Kroeger									532	4,788
Subtotal--Private Contractors	84,944	\$764,496	96,235	\$866,115	94,306	\$848,754	95,134	\$856,206	94,705	\$852,345
Local Law Enforcement Agencies	30,396	\$273,564	32,485	\$292,365	37,992	\$341,928	40,348	\$363,132	45,198	\$406,782
Total--All Designees	115,340	\$1,038,060	128,720	\$1,158,480	132,298	\$1,190,682	135,482	\$1,219,338	139,903	\$1,259,127

(a) Numbers do not include non-fee inspections.

(b) Excludes portion of the fee remitted to the Highway Patrol.

APPENDIX B

Survey of Individuals Who had Vehicles Inspected

Below is the survey document sent to individuals who had vehicles inspected under the Vehicle Identification Number Inspection program during November 1989. We sent 243 surveys and received 119 responses. Where applicable, the percentage of responses to the various questions is indicated in parentheses.

Survey of Vehicle Owners

Kansas motor vehicle records indicate that during the past year you have obtained a Vehicle Identification Number (VIN) inspection completed by the Highway Patrol or their representatives in your county. As a recent user of the inspection program, we are asking for your help in answering some basic questions. Please fill out the following survey and return it in the enclosed postage-paid envelope by Friday, June 1, 1990. If you have any questions, please contact Leo Hafner at (913) 296-3792.

1. Was the inspector on duty and available during the time you were told inspections would be performed? (119 responses)

Yes 114 (95.8%) No 5 (4.2%)

2. Were the inspections available during convenient hours? (117 responses)

Yes 97 (82.9%) No 20 (17.1%)

3. Was the inspection location convenient for you? (119 responses)

Yes 105 (88.2%) No 14 (11.8%)

4. Were you charged \$10 for the inspection? (117 responses)

Yes 116 (99.1%) No 1 (0.9%)

5. If your answer to question four was no, how much were you charged for the inspection? (1 response)

\$5.00

6. Were you charged any other fees in addition to the \$10 inspection charge? (111 responses)

Yes 1 (0.9%) No 110 (99.1%)

If yes, what did the inspector say the additional fees were for?

No response received.

7. An improperly completed inspection can delay the process of obtaining a Kansas title for your vehicle. Did you have any problems in obtaining a Kansas title for your vehicle that you think were directly related to a faulty inspection? (Check all that apply.) (118 responses)

110 (93.2%) *No problems*
1 (0.9%) *Had to have another inspection*
0 (0.0%) *Learned that the vehicle was allegedly stolen*
0 (0.0%) *Learned that the odometer (mileage) had been rolled back*
2 (1.7%) *Learned that the previous title was incorrect*
5 (4.2%) *Other, including:*
--*Excessively long waits to get vehicle titles*
--*Paying \$10 for an inspection in which the inspector briefly looked at the vehicle identification number and walked away*
--*Long waits to get a title that Kansas would accept from the previous titling state*
--*Receiving notice from the State that the individual had not had an inspection when the inspection form was already completed and with the title application.*

8. Please use the following space for any general comments you would like to make about the program.

Comments about cost:

"I feel that for the actual amount of time that the inspection took, the \$10 fee was way out of line."

"How many other states have someone to check titles and collect \$10. Why does Kansas always have to be so backward and screwed up."

"At the courthouse they should tell you about the \$10 fee, which they didn't tell me."

"Why is the cost so high?"

"I do not think if a person stole a car they would be likely to try and license it--I think as long as a person has a title and ID there is no reason for the fee."

"For what this State charges for the plates and personal property taxes I feel that charging this \$10 fee for a less than a five minute inspection is a rip-off."

"I feel the inspection should be of no charge. Between vehicle property tax, registration fee, license fee, driver's license fee, state tax and all the other fees and taxes in this state, I think you could afford it."

"The highway patrol is state funded from our taxes so why should we have to pay a fee for their service?"

"I think it should not cost anything."

Comments about hours of operation:

"Need to have inspector on-duty at all times the registration department is open."

"Evening hours at least one night a week would be quite helpful."

"Everything went smooth--except for the time, I had to take off work."

"More hours with more choice would be more convenient. The inspector was pleasant and cheerful."

"I think some evening hours perhaps once a week would be a good idea."

"Convenient hours is very important!"

"There isn't enough time to complete the inspections. For working people an evening inspection would be wonderful. The time I spent there (over 2 hours) well exceeded my lunch hour and then I had to take additional time to get my tag. No wonder people choose not to tag their car in Kansas when you encounter long lines and high taxes."

Comments about location:

"It was not convenient to have the inspection made at one location and then drive to another building to obtain the new title."

"Inspection should be available at the same place where one obtains license. Don't bother [to call] We have much more trouble with the property tax--this is a waste of tax dollars."

"The location of the inspection station was not properly marked. I had to drive through the area four times and ask for directions while all the time I was driving right by the location."

"Need better signs, you get in one line, then find out you need to go to another line."

Comments about the long waits at the inspection station:

"The first time I went and was told it would be a two-hour wait. I went the next day 30 minutes before they opened and still had to wait behind several people."

"We spent a lot of time waiting as there were at least a dozen people and only one inspector."

"Had to wait a very long time as many people were having inspections done. This caused me to be late for work."

"There were lots of people and it took about an hour."

"Very long wait. Would not take checks."

Positive comments about the program:

"I felt personally that the inspection program was excellent; beneficial to buyers, sellers, officials. The personnel who waited on me were delightful; inspector quick and pleasant; clerical girl very pleasant; a most efficient team."

"The inspection guy came out where I work."

"The officer was very courteous and competent. He did his job fast and thorough."

"This is a good program and should be continued."

"The gentleman who inspected my car went out of his way to help me. He even went to the courthouse with us."

"Very courteous and friendly. Helpful."

"Very easy, convenient, and was generally treated quite well. Thank you for this service."

"Seems like a good program. \$10 seemed high though for no more than inspecting a vehicle identification number."

"They were nice and efficient, although the day of the week was somewhat inconvenient."

Negative comments about the program in general:

"You say the program is to ensure the vehicle has a correct title and that the vehicle hasn't been stolen. The cursory glance the county inspector gave my car could hardly have caught a stolen vehicle."

"The inspector briefly looked at the ID number and then he walked away. There was no inspection. I paid \$10 for a B.S. inspection!"

"Inspector assumed car had 100,000 more miles on it and logged it that way (very low mileage on a 30 year old car). I returned and requested a correction and received it with no problem."

"It would be a great help if somehow someone could tell you that when you buy a car out of state, it has to be inspected. We didn't know this. We bought a 30-day tag so we could save up the money to pay the taxes (property and sales). When we went in to buy the tag (2 days before the permit expired) we were told about the inspection. We were not told about the \$10 charge at the courthouse. We also had to wait another day because the inspections are not held every day. We decided never to buy another car out of state because of all the hassle!"

"I moved from Colorado to Kansas. In Colorado they have the same kind of program but it is provided as a public service, but I've come to notice that not much is provided as a public service in Kansas. A person gets taxed every time he turns around and then something as small as this, you have to pay for it."

"The main office had an incomplete set of books. Kansas Highway Patrol came to my house to do the inspection the second time."

"Being from another state, I feel this inspection is a waste of time and money! The title of your car and proof of insurance should verify vehicle identification. We spend enough on property taxes for the vehicle. Going through the hassle of this is so ridiculous."

"Since the State accepts personal checks for taxes, licenses, etc.; then it is silly not to accept personal checks for inspection fees."

"Program is OK but the person who inspected the car only verified the number under the windshield."

Negative comments about the vehicle registration/property tax system:

"Cut down paperwork."

"The total inspection/fee program--personal property, inspection, and license fee was an unpleasant welcome to the great state of Kansas!!"

"We purchased our car from a private owner and did not know about the inspection or the truth in mileage form--we had a total of about five trips before we received our tags."

"It took over two months for Colorado (where we purchased the car) to supply me with what the State of Kansas needed--a clear title."

"Had a California title--complicated transferring."

"Didn't have a title problem with the inspection--but the state screwed up by sending

the title to me instead of the lender. That delayed my license renewal and caused me to be fined for expired license."

"Due to a mix-up in Topeka I almost had to pay \$10 for an additional inspection. I had to talk to a supervisor to avoid this. You need to check for vehicle safety. You have an inconvenient location. Your fees are twice as high as other states. Please call me concerning your inspection process. I have a story you would not believe. In all it took me nine months to get a clear title on a vehicle I own free and clear."

"The system couldn't be any worse. I have been seven months getting a title for the van I bought last October. Spent money on phone calls, postage, and notary public. I am still waiting on a license renewal form. I don't see why I should cooperate when I have received nothing but trouble from the state of Kansas."

"The procedure is just another example of the ridiculous process involved in licensing a vehicle in Kansas. I would seriously doubt that in other states it is necessary to take an entire day off your job to make your way through the red tape involved in getting a tag."

APPENDIX C

Survey of Vehicle Dealers

Below is the survey document sent to vehicle dealers. We sent 100 surveys and received 56 responses. Where applicable, the percentage of responses to the various questions is indicated in parentheses.

Survey of Vehicle Dealers

The Legislative Division of Post Audit is currently conducting an audit of the Vehicle Identification Number (VIN) Inspection program in Kansas. We are asking automobile dealers, as frequent users of the inspection program, to answer some basic questions. We would appreciate it if you could fill out the following survey and return it in the enclosed postage-paid envelope by Friday, June 8, 1990. If you have any questions, please contact Leo Hafner at (913) 296-3792.

1. Have the inspections generally been available when you needed them done? (56 responses)

Yes 52 (92.9%) No 4 (7.1%)

2. Have you ever been charged more than \$10 per vehicle you had inspected? (56 responses)

Yes 0 (0.0%) No 56 (100.0%)

If yes, what did the inspector say the additional fees were for?

No response received.

3. Have you ever been required to pay for more than one inspection for the same vehicle? (56 responses)

Yes 2 (3.6%) No 54 (96.4%)

If yes, what was the most common reason you were given?

--The dealer did not send in the title application within 30 days of the first inspection.

--Title error requiring out-of-state title to be sent back to last dealer.

4. Are you aware of any abuses currently occurring in the inspection program? (56 responses)

Yes 0 (0.0%) No 56 (100.0%)

5. In your opinion, what is the Program's greatest strength?

Comments regarding protection from stolen vehicles and fraud:

- "Protection from stolen vehicles."
- "The threat of being caught stops some stolen car activity."
- "Protection of the dealer from stolen cars or faulty titles."
- "It does keep stolen and/or illegal vehicles from being sold through regular channels."
- "I would guess to stop out-of-state stolen vehicles."
- "Probably eliminating stolen vehicles being registered in the state."
- "It helps ensure us that we haven't bought a stolen vehicle."
- "Protects user against fraud."
- "It prevents dealers from selling stolen vehicles and therefore prevents them from getting caught in legal hangups."
- "Verifying that the vehicle is indeed not stolen."
- "Gives you confidence in what you buy."

Comments regarding title verification:

- "Making sure ID number matches title."
- "Having the satisfaction to know the car inspected is a free and clear title."
- "To discover clerical errors that exist on titles."

Other general comments about the strengths of this program:

- "It has field personnel that know the business and are familiar with the product they are dealing with."
- "They have been nice and efficient."
- "The integrity of the people inspecting."
- "Inspectors being on-time."
- "Ease in getting the inspections."
- "The promptness when calling--we usually call three in at a time."
- "It is convenient that if we have more than three inspections the inspector will come here."
- "Coming to the dealership to inspect."
- "Revenue for inspections."
- "Getting \$10 for something not having any real benefit to the dealer."

6. In your opinion, what is the Program's greatest weakness?

Comments regarding cost:

- "Forcing the small used car dealer (one car at a time) to transport a car to be inspected to the place of inspection and still pay the full \$10 charge as others who have lot service."
- "Time consuming--added expense."
- "Cost--if we are to be a Kansas dealer then we should be able to check and match ourselves."
- "\$10 fee."

"Cost for value received, Kansas receives one dollar out of each \$10."

Comments regarding no pre-inspections:

"Not to be able to inspect an out-of-state vehicle without first having the title in your possession."

"No pre-inspections are a major fault costing dealers and wholesalers thousands of dollars and many hours of needless footwork."

"Sometimes we sell before title is delivered and it's hard to get the cars back in for an inspection."

"Sometimes the car is sold before it has a chance to be inspected and then there is a difference in miles from the time it sold and the time that it was inspected. This causes a problem with the State."

Negative comments about the program in general:

"It is my understanding that this program was implemented to keep stolen vehicles from being registered in Kansas. To date, very few stolen vehicles have been found. Any licensed and bonded vehicle dealer should be allowed to perform this inspection. It works very well this way in Colorado."

"Stolen cars can easily be sold in Kansas with correct titles."

"I think I am capable of verifying vehicle identification numbers. I do on cars carrying Kansas titles."

"I think this should be done by State employees not a private company."

"If the inspector can't come to you, you have to go downtown for the inspection or have to wait for someone to come out at a later time. Not enough manpower on the road in Wichita."

"Cannot tell you when they are coming."

"Needs one inspector to do all titles."

"More paperwork."

"Not enough inspection times."

"Not knowing the results of the inspection."

"Sometimes rudeness."

Other comments regarding weaknesses in the program:

"Could a title information search system be incorporated in the system at a reasonable charge?"

"I don't know of any [weaknesses] at present--In the past, prior to the current inspector, it was more difficult to get cars inspected."

"In all I have no complaints."

"I don't see any great weakness, or great strength."

"It is a federal law that on vehicles 10 years or older all dealers, except Kansas, will not verify mileage (especially Missouri). When a dealer will not supply us with an odometer statement we do not verify the mileage--we mark it as not actual because it was not verified to us. The inspector will put that it exceeds or is over. Department of

Revenue will put what the inspector says but they state that they don't go by the MVE-1."

8. Please use the following space, and the back as necessary, for any general comments you wish to make about the VIN inspection program in Kansas.

Comments regarding cost of the inspection:

"Any licensed and bonded vehicle dealer should be allowed to perform this inspection. Such dealers could call in the ID number to each vehicle as the inspection stations now do, and pay the State the \$1 fee. The additional cost of \$9 for this service is not necessary and should be eliminated. There is something wrong with a program that returns 10% of the fee to the State and 90% of the fee to the company doing inspection. Possibly you could have the licensed dealers perform this task and charge a \$2.50 fee to be collected by the State."

"I think it is just another case of being Big Brothered to death. More government--more cost. Another bureaucratic job to pay for."

"Charge \$5 and have the auto licensing bureau check to see if they are stolen at the time they are licensed. Keep the money for Kansas."

Positive comments about the program:

"We haven't had any problems."

"No problem with the program."

"Program protects both public and auto dealer."

"Our present inspector is very efficient--always prompt and helpful."

"Our dealership acquires over 80% of our vehicles out-of-state. When the previous inspectors were inspecting vehicles, there were countless delays, and missed appointments. With the current personnel, the entire process has become more efficient and reliable. The field representative makes every effort possible to get the job done quickly. I cannot stress enough how important this is. When car sales are delayed because of the difference in personnel, we start looking for answers as to why. I feel the vehicle identification number program is necessary and actually helps the businessman and consumer. Keep up the good work and keep the current personnel."

"Current inspector has done an outstanding job for us."

"Most inspectors are courteous and we don't have very many problems with them."

"We appreciate the good service the current inspector gives us."

Comments regarding time and availability:

"We sell cars on Saturdays--Sure would help our out-of-city customers if we could have inspections also done on a Saturday."

"Just wish they could come to the lot for one car as well as three."

Negative comments about the program:

"It is a complete waste of time and money, there is no longer any need for this waste."

"It's one more thing that adds to Kansas' anti-business climate. From a dealer's viewpoint Kansas seems to say: Equal justice under the law (except car dealers)--lemon laws, etc."

"This program in its present form is virtually worthless because stolen cars can still be sold with valid titles and this program will not catch this. Recommendation: Discontinue the program or change it, because it is not effective."

Dealer's suggestions:

"Just a reminder to check odometer readings as miles, not kilometers, and watch new digital dash boards especially."

"Why can't Kansas be like other states, like Oklahoma, Texas, or Missouri; where the car itself can be inspected for vehicle identification number confirmation and mileage, then when the title comes in you can deliver the pre-inspection form with your title (without the car) and pay your \$10 fee, have the vehicle identification number verification and check on the validity of the vehicle at that time. That way you don't have to go chasing around the country trying to coordinate vehicle inspections with customers who have already purchased the car before the title came in. We would rather pay a small pre-inspection fee up front and at least afford ourselves the opportunity to avoid costly inspections before the problem arises. This will also help wholesalers that turn a large volume of cars, then find out at the last minute that the car needs inspected and it's 400-500 miles away."

"Dealers should be able to inspect and be responsible themselves."

"There are times when it would be advantageous for a vehicle to be inspected before we have the title in our possession. This would enable us to send the vehicle out for work. We would not expect the inspection form to be completed until the title had been checked and received, but do think it would help if the inspection could be made independently in some instances."

"No advantage. Needs to be federally uniform."

APPENDIX D

Agency Response

On July 11, 1990, we provided a copy of the draft audit report to the Highway Patrol. Its response is included in this appendix.

KANSAS HIGHWAY PATROL

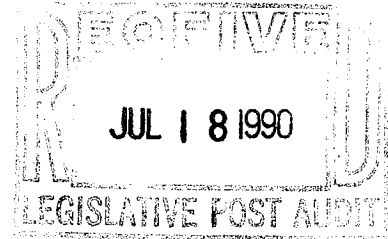
Service—Courtesy—Protection

Mike Hayden
Governor



Col. Donald L. Pickert
Superintendent

July 17, 1990



Meredith Williams
Legislative Post Auditor
109 West 9th, Suite 301
Mills Building
Topeka, Kansas 66612-1285

Dear Mr. Williams:

We appreciate this opportunity to respond to the Legislative Division of Post Audit's report, Highway Patrol's Oversight of Vehicle Identification Number Inspections. Upon reviewing the report, we have the following comments concerning the draft report:

Statement

The selection process established by the Highway Patrol does not ensure that all qualified parties are notified and given equal consideration when inspection territories are awarded.

Comment

This could be accomplished provided that adequate funding is established to pay the necessary advertising fees. This could be minimal to substantial, depending on the territory which was open for a new contract. In some cases it could include a number of counties which would be covered by several major newspapers. This is an unbudgeted expense which would be incurred by the agency.

Statement

The criteria the Patrol has established in selecting private contractors to do inspections are not well defined.

Comment

Criteria could be developed. The enabling statutes for the VIN program gives the Superintendent of the Patrol authority to prepare rules and regulations pertaining to the program. This is quite a lengthy process and would require a great deal of time and effort to prepare more defined guidelines.

Statement

The Patrol requires that information be submitted regarding applicants and inspectors qualifications or experience, but that information usually was not on file, and the information that was submitted was not verified.

Comment

This could be accomplished both in the advertising process, if implemented, and in the contract at the time it was drawn. Background investigations are very time consuming and would require that we take personnel from other assignments, mainly road duties to accomplish. If adequate resources, including manpower, were available we could then police the contractors to assure that the contract was not being violated. More clerical staff would also be required to maintain files on each contractor.

Statement

The Patrol has not established or followed uniform criteria in deciding when a contractor should be replaced.

Comment

This could be accomplished by establishing a time table for review of each contract which could be included in the language of the contract. We would recommend a four year contract with option to renew providing that both parties were satisfied with the provisions therein. Again, more resources would be needed by this agency.

Statement

The Highway Patrol has established few control procedures over the Vehicle Identification Number Inspection Program, and does not regularly monitor performance by its contractors.

Comment

We are in the process of revising the current MVE-1 form. Included with this form is a training manual which has not yet been printed. The procedures suggested in this recommendation could be incorporated into this manual. More complete and concise instructions could be included in this manual.

A basic training and periodical updates on training could be accomplished, however, we do not, at the present time, have adequate manpower to meet this requirement. It would presently require that we use personnel from other programs to accomplish.

Monitoring and periodic inspections of the contractor activities would also require more manpower.

Statement

The Patrol does not always follow up on discrepancies that are found during inspections.

Comment

The forms are presently reviewed for odometer and other discrepancies. If additional personnel (clerical) were available, this could be accomplished.

The quarterly review could be accomplished with additional manpower. Collection of monies upon the issuance of forms would create an accounting problem and create a need for additional clerical assistance.

Incomplete inspection forms are a problem which might well be handled by not issuing the title. We could ask DOR to do this, however, it must be remembered that the county treasurers tend to be very independent and this would require a reinspection and another trip to the treasurer's office, further inconveniencing the citizens.

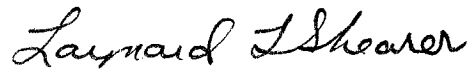
In summation, we tentatively agree with most recommendations included in this draft report. Our main concern, as it has been from the onset, is the lack of adequate manpower and resources to accomplish the many tasks involved in monitoring this program. The Legislature has never addressed the problem of assigning additional FTE's to this agency to accomplish the many necessary elements involved in the program. We feel confident, that with resources available, we have at least accomplished the intent of this program, that being to

Meredith Williams
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instill integrity into the titling process for vehicles entering the state. We feel that we have, without a doubt, established the fact that Kansas will not be a dumping ground for stolen vehicles or altered titles. We will continue to work diligently toward this end.

Again, we appreciate this opportunity to respond and thank the Legislative Division of Post Audit for their recommendations.

Very truly yours,



LAYNARD L. SHEARER
Acting Superintendent

LLS:alw

