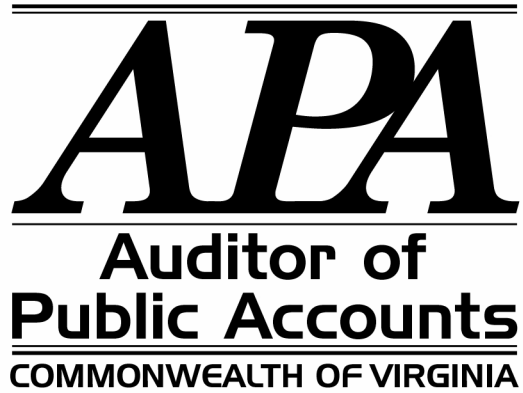
DEPARTMENT OF MOTOR VEHICLES

COST ANALYSIS

SPECIAL REPORT

OCTOBER 2003



EXECUTIVE SUMMARY

The cost model calculated the average cost of an original driver license issued at a customer service center to be $30.51. However, this cost varied significantly by specific customer service center. For example, the average cost of an original driver license issued in the Emporia customer service center is $95.26, while the same license cost $22.82 in the Tyson's Corner customer service center.

The way a driver gets a license also significantly affects the cost. For example, a driver license renewal performed at a customer service center cost an average of $12.63 versus $3.18 if completed over the Internet or $7.05 through the mail. The Commonwealth collects an average of $20.00 for each of these services.

The cost model illustrates the need for a balance between revenue collections and customer service. The Department of Motor Vehicles' management and decision makers must determine whether the current level of service is worth the cost to the taxpayer.

On-going cash flow issues at the Department of Motor Vehicles (Motor Vehicles) led the General Assembly to request the Auditor of Public Accounts to develop a cost accounting model designed to accurately and completely document the true total costs, both direct and indirect, of the activities and services provided by Motor Vehicles.

To develop this model, we reviewed processes related to funding and financing sources, expense budget development, cash flow and revenue forecasting, accumulation and assignment of costs, development of the strategic plan, and automated information systems. After a detailed analysis, we found Motor Vehicles does not have a systematic way to identify or collect the costs of products and services, and therefore cannot reasonably determine their annual budgetary requirements. Motor Vehicles has an inconsistent coding structure to capture revenues and expenses, the coding inconsistencies make it difficult to extract and analyze this information.

When pricing products or determining its level of service, Motor Vehicles must have a per-unit cost that includes all of the services it must or plans to provide. The cost model developed in this report identifies the per-unit cost for the various driver and vehicle products and delivery methods.

The revenues retained by Motor Vehicles for a functional area does not always cover the expenses. Driver Services, Vehicle Services, and Transportation Safety Services incur expenses in excess of their retained revenues. Conversely, Records Management and Motor Carrier Services functions are significant contributors to the operations of Motor Vehicles. The primary sources of revenues in both of these areas are not a direct result of the expenses incurred through Motor Vehicles' operations. Record Management generates its revenues from the sale of information to various sources, primarily insurance carriers. The records are a by-product of the information systems that Motor Vehicles maintains to track driver and vehicle information.

Motor Vehicles' management must also develop productivity measures and use these measures as an effective tool to staff customer service centers and other operations. This will allow Motor Vehicles to achieve the desired level of service. Without effective performance measures for productivity, a reviewer cannot reach the conclusion that Motor Vehicles needs to retain a greater portion of revenue or that the General Assembly needs to raise a fee simply to cover Motor Vehicles' costs.

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

November 14, 2003

The Honorable Mark R. Warner
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have completed our review of the Department of Motor Vehicles as required by Item 1-2 B. of Chapter 1042of the 2003 Acts of Assembly and submit our report entitled, **"Department of Motor Vehicles Cost Analysis Special Report."**

Objectives

We had seven objectives for our review of Motor Vehicles. These objectives were to:

1. gain an understanding of Motor Vehicles' present cost structure and methodology for capturing costs, and to determine reasonableness in relation to agency's organizational structure and functional activities;

2. develop a cost accounting system, which will accurately and completely document the true total costs, both direct and indirect, of the activities and services provided by Motor Vehicles;

3. compare the true cost of Motor Vehicles' services and activities to the fees, penalties, and other sources of revenue available to the agency;

4. determine all funding resources, their uses and restrictions, and determine reasonableness of revenue allocation processes for all operating funds;

5. gain an understanding of Motor Vehicles' cash management activities and the relationship to forecasting and budgeting, and determine if procedures are adequate;

6. identify performance measures and determine accuracy and reliability and to determine whether baseline and targets established to measure performance are reasonable; and

7. determine whether Motor Vehicles' systems can provide the information required for management to make informed financial and operational decisions.

Scope

In conducting this review, we identified all significant activities performed by Motor Vehicles through interviews and observations of key personnel. We then compared these activities to relevant statutes and regulations mandated by the Code of Virginia and the Appropriation Act to determine the non-mandated activities Motor Vehicles performs.

We requested and reviewed various documents related to this project including the following: strategic plans, policy and procedures manuals for personnel and general operations, budget plans submitted to the Department of Planning and Budget and plans for internal use, revenue forecasting reports, and various technical reports obtained from agency systems and used for important management decisions.

We obtained copies of current organizational charts and compared them with the informational flow to determine if business activities effectively matched the organizational structure. We also observed various processes including site visits at four customer service centers throughout the Commonwealth.

We reviewed transaction processes to understand how the agency captures and records costs and revenue resources in their accounting systems. We attempted to associate the costs and revenues with services and activities performed by Motor Vehicles.

We identified the critical systems for transaction processing and reviewed the network and data flow diagrams. We interviewed Information Systems' key personnel to gain an understanding of technology costs recordation and allocation. We reviewed the information systems to ensure they provide accurate information to Motor Vehicles for decision-making. We extracted information from Motor Vehicles' Information Systems to run our cost model.

We discussed this report with Motor Vehicles' management and included their response in Appendix F.

AUDITOR OF PUBLIC ACCOUNTS

NJG/kva
kva:35

cc: Whittington W. Clement, Secretary of Transportation
Senator John H. Chichester, Chairman, Senate Finance Committee
Senator Martin E. Williams, Chairman, Senate Transportation Committee
Delegate Vincent F. Callahan, Jr., Chairman, House Appropriation Committee
Delegate Leo C. Wardrup, Jr., Senior Member, House Transportation Committee

CHAPTER 1
INTRODUCTION

On-going cash flow problems at the Department of Motor Vehicles (Motor Vehicles) led the General Assembly to request the Auditor of Public Accounts to develop a cost accounting model that will accurately and completely document the true total costs, both direct and indirect, of the activities and services provided by Motor Vehicles.

Developing a cost accounting model will facilitate the availability of reliable cost data for budget development, cost monitoring, and other financial analyses. More importantly, a fully functional cost accounting model will provide a point of reference for Motor Vehicles' management when communicating with the Department of Planning and Budget, legislative subcommittees, and other state agencies.

This report focuses on developing a cost accounting model for Motor Vehicles' operations. In developing this model, we discuss processes related to funding and financing sources, expense budget development, cash flow and revenue forecasting, accumulation and assignment of costs, development of the strategic plan, and automated information systems. Throughout our review and discussion of these processes, we provide recommendations for improving the processes and controls.

Scope of Work

We used the following techniques to perform our review.

Identify Significant Activities - We identified all significant activities performed by Motor Vehicles through interviews and observations of key personnel. We then compared these activities to relevant statutes and regulations mandated by the Code of Virginia and the Appropriation Act to determine the non-mandated activities Motor Vehicles performs. We analyzed these non-mandated activities to determine the rationale behind providing these services.

Review of Documentation - We requested and reviewed various documents related to this project including the following: strategic plans, policy and procedures manuals for personnel and general operations, budget plans submitted to the Department of Planning and Budget and plans for internal use, revenue forecasting reports, and various technical reports obtained from agency systems and used for important management decisions.

Review of Management Structure and Processes - We obtained copies of current organizational charts and compared them with the informational flow to determine if business activities effectively matched the organizational structure. We also observed various processes including site visits at four customer service centers throughout the Commonwealth.

Review of Accounting Structure and Chart of Accounts - We reviewed transaction processes to understand how the agency captures and records costs and revenue resources in their accounting systems. We attempted to associate the costs and revenues with services and activities performed by Motor Vehicles.

Review of Information Systems - We identified the critical systems for transaction processing and reviewed the network and data flow diagrams. We interviewed

Information Systems key personnel to gain an understanding of technology costs recordation and allocation. We reviewed the information systems to ensure they provide accurate information to Motor Vehicles for decision-making. We extracted information from Motor Vehicles' Information Systems to run our cost model.

Cost Model - We used the information obtained above to develop a cost model that allocates both direct and indirect costs to specific activities and services and identifies all sources of revenues associated with each activity.

The following summarizes the general findings we observed in developing the cost model and reviewing the fiscal operations. We suggest, in Chapter 10 Best Practices, Performance Measures, and Future Issues a list of possible suggestions to address these findings.

1. Motor Vehicles has an inadequate process to ensure their accounting and budgeting information reflects their business activities and organizational structure. In addition, many of the operating units do not have ownership of their budgets and do not clearly understand their operational authority and responsibilities beyond processing transactions.

2. Motor Vehicles does not have a mechanism available to identify the costs of the activities they provide or programs they administer. Motor Vehicles has taken on several non-mandated programs and implemented several long-term projects without considering the total costs. Over time, this practice has depleted the special revenue operating fund and strained financial resources. Motor Vehicles and other policy makers will need to decide what level of service, Motor Vehicles should provide and what level of service they can afford to provide.

3. Motor Vehicles cannot compare revenues with expenses at the work center level. There is no method to transfer revenue data from their revenue system directly to work centers in their general ledger system that would allow for a comparison of revenues and expenses. This information would allow detailed analysis by activity or administration and provide accurate information for the cost accounting model introduced later in this report.

4. Complete and accurate statistical information is not available for performance and cost measurements. Motor Vehicles currently produces a Performance Scorecard that only considers revenue generating transactions. The agency also performs non-revenue transactions that consume resources; however, Motor Vehicles management does not include these transactions on the Performance Scorecard. To determine the true costs of services and have an accurate measure to evaluate productivity, management must consider all transactions, including non-revenue items.

Background

Since 1997, Motor Vehicles experienced a decline in cash reserves. The Auditor of Public Accounts began reporting this situation in our report for the fiscal year ended June 30, 1999. Management of Motor Vehicles issued a report to the General Assembly during the 2000 session that indicated the need to either change the level of services or increase the fee Motor Vehicles retains to continue operating at current levels. The Motor

Vehicles report showed that the agency would not have the resources to meet on-going operations by the end of fiscal year 2004.

A downturn in the Commonwealth of Virginia's overall economy had a direct effect on Motor Vehicles' operations and accelerated the timing of the predicted cash shortfall. Instead of 2004, the cash shortage occurred by the end of fiscal 2002 and this, coupled with state government's declining revenues, had a direct effect on Motor Vehicles' operations.

Cash balances in Motor Vehicles' Operating Fund have decreased over the past six years from approximately $900,000 in fiscal 1998 to a deficit of $4.5 million in 2003. The operating cash deficit exists despite Motor Vehicles consistently receiving additional appropriations when fees collected exceeded forecasted amounts. Economic factors and Motor Vehicles management decisions to improve the quality of customer service have contributed to the ongoing cash flow problems.

Over the period 1998 through 2002, Motor Vehicles' operating revenues increased at a slower percentage rate than operating expenses. Motor Vehicles experienced a significant shortfall in revenue collections during 2002 of approximately $3 million under forecasted amounts. Historically, transaction volume and population trends have a substantial influence on operating revenues; however, these factors did not keep pace with the economic conditions that influenced expenses.

During this same period, operating expenses equaled or exceeded revenues. Yearly increases in operating expenses resulted from management's failure to consider the larger and more long-term costs incurred with many of its customer service undertakings. In addition, growth in costs resulted from Motor Vehicles assuming additional responsibilities without additional funding.

While Motor Vehicles had a significant increase in revenues for fiscal year 2003, which resulted from various fee increases, Motor Vehicles did not retain these increased revenues; they were transferred to the General Fund of the Commonwealth.

History and Mission

History

The Secretary of the Commonwealth originally administered Motor Vehicle laws in Virginia during 1906 requiring the licensing and registration of vehicles. As early as 1919 the Commonwealth required a proof of ownership or vehicle title, however, there was no uniform title certificate program until the adoption of the Title Law in 1924. As part of this program, the General Assembly created the Office of Motor Vehicle Commissioner under the Secretary of the Commonwealth. This office led to the creation of the Division of Motor Vehicles in 1927.

The Commonwealth first issued driver licenses in 1932, and State Police officers administered the first driver examinations as part of the Division of Motor Vehicles. When the Division and the Department of State Police became separate agencies in 1942, the State Police retained responsibility for driver testing until 1948 when this responsibility returned to the Division.

In 1967, the Governor's Office established a function for highway safety. In the early 1970's, this function became a separate state agency, the Highway Safety Division, aligned under the Secretary of Transportation. In 1978 the agency was renamed the Department of Transportation Safety. In 1983, the Department of Transportation Safety merged with the Division of Motor Vehicles. Finally, in

1985, the agency name changed from the Division of Motor Vehicles to the Department of Motor Vehicles.

Prior to 1988, Motor Vehicles received an appropriation from the Transportation Trust Fund. This appropriation underwent review by the Commonwealth Transportation Board, Governor, and General Assembly and limited Motor Vehicles' expenses to its appropriation. With revisions to the overall transportation funding in 1988, Motor Vehicles' funding underwent a significant change and the creation of a separate operating fund, the Motor Vehicle Special Fund. Funding now comes from fees that Motor Vehicles retains for each type of transaction. The Code of Virginia specifies the amount and nature of each funding source for the Motor Vehicle Special Fund.

Mission

Motor Vehicles is the primary collector of funding to support transportation programs in the Commonwealth and funds its operations by retaining a portion of the revenues collected and obtaining some federal grants. The percentage of collections kept by Motor Vehicles varies by operations and purpose of collection and the Code of Virginia sets forth the amounts retained. In addition, the Governor's Budget and the actions of the General Assembly may also restrict and limit Motor Vehicles' use of the collections retained.

Motor vehicle registration fees, vehicle rental tax, vehicle title fees, driver license fees, record fees, and reserved license fees are the primary collections, which in turn produce the highest sources of revenue for operations. Motor Vehicles places its portion of the revenue in a special fund titled "Motor Vehicles Operating Fund." Management uses the resources out of the Motor Vehicles Operating Fund to administer the programs and to meet statutory requirements. Motor Vehicles' major expenses are personal services, postage, information technology, telecommunications, license plates, equipment, and plant rentals.

In 1994, Motor Vehicles changed its approach to delivering services. The agency adopted new vision and mission statements. The mission stated, "The agency will administer motor vehicle and related laws, promote transportation safety and collect transportation revenues in an ethical and customer-focused manner." Management further adopted a vision that stated Motor Vehicles, "will strive to deliver the ultimate in customer service." With this objective, Motor Vehicles restructured the workforce, upgraded facilities, and invested in the latest technology to speed services and increase service delivery options.

An agency's mission statement should be broad enough to provide agency-wide strategic direction, yet specific enough to communicate the reason for the agency's existence to those not familiar with the agency's work. It should identify the scope of the agency's operations, and reflect its values and priorities. Motor Vehicles' mission statement met these criteria, however, in the past, Motor Vehicles operated more in line with its vision statement. A vision statement describes the agency's idealized goals. Motor Vehicles established high quality customer service as a priority, rather than focusing on their mandated responsibilities. This objective resulted in a number of initiatives that allows citizens to transact business through the Internet, over the phone, and other initiatives to reduce customer volume at service centers. While undertaking these initiatives, Motor Vehicles also expanded the number of customer service centers, re-aligned the centers' staffing, and remodeled or improved the facilities. The center improvements sought to reduce customer wait time and make the use of the center more customer-friendly.

Motor Vehicles did not fully consider the larger and more long-term costs it incurred with many of these customer service undertakings. All of these initiatives had inherent long-term costs and many

only added to the cost of operations. As an example, the purpose of allowing citizens to use the Internet to transact business was to reduce customer traffic in service centers. To achieve this initiative, Motor Vehicles began the use of credit cards and made a decision to absorb the merchant's credit card fees without passing the additional cost onto the customer. Additionally, Motor Vehicles made a number of system enhancements and other telecommunication improvements again absorbing not only the initial cost of improvement, but also the on-going cost of maintaining the system and telecommunication network. At the same time, Motor Vehicles continued to maintain or increase staffing in the customer service centers.

The Code of Virginia requires the agency to administer motor vehicle and related laws, promote transportation safety, and collect transportation revenues. No requirements exist with respect to delivering a high level of customer service. It is not clear from any of Motor Vehicles' analyses whether the alternative service initiatives saved money or diverted customers from service centers that would have needed more personnel. Financially, what is clear is that ongoing costs of operation and transfers have and continue to exceed the funding available to Motor Vehicles' management. While an adequate level of customer service is necessary, Motor Vehicles needs to determine the level of service they want to provide, considering the amount of available funding.

Non-Mandatory related activities

During our review, we found that Motor Vehicles performs numerous activities not required by the Code of Virginia or stipulated by the Appropriations Act. These include printing, mailing, and accounting services for other governmental agencies. Motor Vehicles also provides special identification cards for state and local entities, administers tests for outside entities, and administers the Local Vehicle Registration System at Virginia Beach. Although it receives compensation for some of these services, Motor Vehicles does not have a mechanism to determine if compensation received covers total cost of services.

CHAPTER 2
STRATEGIC PLAN AND ORGANIZATIONAL STRUCTURE

An agency's organizational structure should have a design that achieves its established mission statement by meeting defined objectives. These objectives should come from the agency's overall strategy; therefore, there is a close link between an agency's structure and strategy.

Operationally, the organizational structure at Motor Vehicles does reflect the long-term mission statement and the strategies tied to customer service. However, certain administrative changes and other changes in management priorities are not part of an updated strategic plan. Additionally, while the operational and administrative organization has undergone changes, the fundamental accounting and budgetary structure needs to reflect the current environment and has not reflected the agency's operation for some time.

To understand how Motor Vehicles' business processes should operate, the delivery of service should occur, and the accounting for costs should happen, it is necessary to examine Motor Vehicles' current structure and how this structure compares with the agency's mandates. This chapter defines Motor Vehicles' strategic planning process and the key components of their current organizational structure. Later chapters will compare this structure with their mandated responsibilities to determine what changes are necessary to identify and accumulate service costs.

Strategic Plan

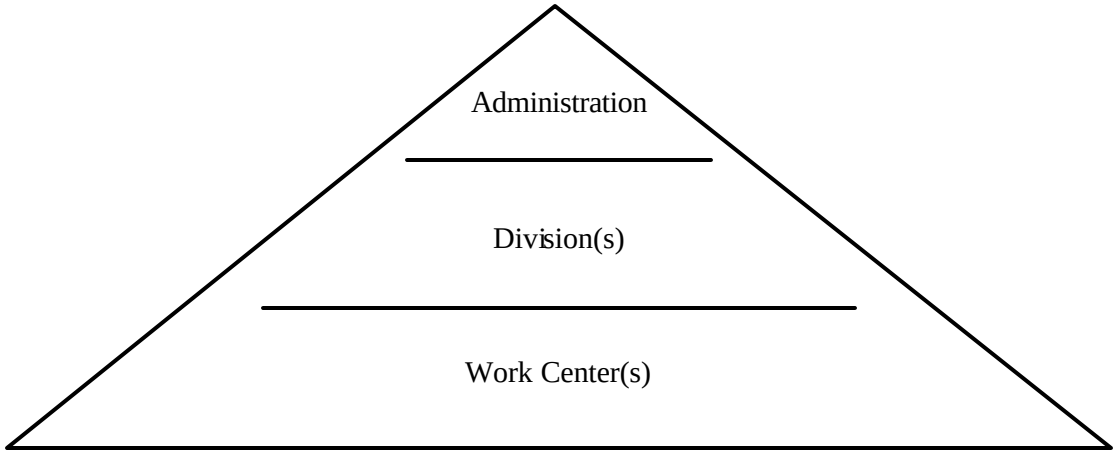
A well-developed strategic plan includes an agency's mission, goals, and priorities, and the actions needed to accomplish these objectives. The plan should assist an agency in allocating human and financial resources efficiently. Motor Vehicles has recently developed a two-year strategic plan for the fiscal 2005-06 biennium and is currently developing a six-year strategic plan in response to the Auditor of Public Account's fiscal 2002 audit report. Motor Vehicles developed the current two-year strategic plan before the recent, significant changes in funding and management. Motor Vehicles must consider the long-term effects of these changes and design their new, long-term strategic plan accordingly.

Individuals responsible for developing this plan will need to define a mission and vision statement, prioritize critical issues the agency faces, identify goals to address these issues, and establish objectives to meet in accomplishing each goal. An important part of the strategic plan involves establishing an organizational structure that reflects an arrangement of lines of responsibility for management within the organization. Documenting a formal organizational structure provides a mechanism to identify and assign responsibilities to those individuals most qualified to address specific critical issues.

Current Organizational Structure

In order to develop the cost accounting model presented in this report, it was important to understand what activities Motor Vehicles must perform and how they currently operate. The next sections describe Motor Vehicles' current organization structure and how the units perform their services. In a later chapter, we compare the current structure with the mandated services and find that, in most cases, the current operational structure of the organization does reflect the delivery of mandated services.

Motor Vehicles organizational terminology is unique and generally uses the following structure.



Administrations

Motor Vehicles' Administrations represent two distinct types of operational units providing either core or support activities. Significant core activities include the licensing of motor vehicles and their drivers. Additional core activities at Motor Vehicles include collecting and distributing fuels, motor home and rental vehicle taxes. An Administration's core activities provide a direct product or service to the public. In addition, these Administrations have responsibilities for setting policy and procedures for the transactions within their core activities. Considering the agency's range of core activities, the statewide customer base, and its position as a repository of information, a substantial support function is required for the agency's core activities.

Core Activity Administrations	**Support Activity Administrations**
Driver Services	Information Technology Services
Vehicle Services	Financial and Planning/Budgeting Services
Transportation Safety Services	Commissioner's Office
Motor Carrier and Tax Services	Government Services
Dealer Services	Audit and Investigative Services
Other Mandated Activities	Communications Office
	Human Resources Office
	Facilities Service and Planning
	Administrative Services
	Electronic Business Services

Customer Service Delivery**

*(**The Customer Service Delivery Administration works with the core activities administrations for the direct delivery of services and products by the customer service centers offices and contractor agents throughout the Commonwealth)*

Divisions

Divisions represent a further breakdown of an Administration. Divisions normally have one or more specific responsibilities related to an Administration's core activity. For example, within the Driver Services Administration, there are six Divisions that process various vehicle title, registration, and

enforcement transactions. Motor Vehicles has assigned responsibilities to mid and top-level management to oversee production in these Administrations and Divisions. (The Organization Charts in Appendices A and B illustrate the breakdown of Vehicle and Driver Administrations, Divisions, and Work Centers currently used by Motor Vehicles).

Work Centers

Work Centers are the lowest identifiable unit where there is a direct relationship between a group of individuals and the delivery of a service or product. Motor Vehicles uses the terms Work Center, Cost Code, and Location Code interchangeably to define the same basic accounting of a core or support activity. To eliminate the use of these various terms, this report will use the term work center.

Motor Vehicles Core Mandated Activities

Motor Vehicles provides a wide range of core activities, these include licensing both individual and commercial drivers; administering all driver license records and actions, including court-ordered suspensions and revocations; issuing motor vehicle registrations and titles; licensing and controlling motor vehicle dealers; collecting taxes; and administering motor safety laws and programs. The primary statutes that govern these activities are Code of Virginia titles 46.2 Motor Vehicles, 58.1 Taxation- Miscellaneous, and 18.2 Crimes and Offenses. In addition, there are several state and federal mandates that govern regulation of motor carriers including the Federal Intermodal Surface Transportation Efficiency Act, the Anti-Car Theft Act of 1992, the Internal Revenue Code of 1954, and the Code of Federal Regulations.

Below is a discussion of Motor Vehicles' core activities.

Driver Services Administration

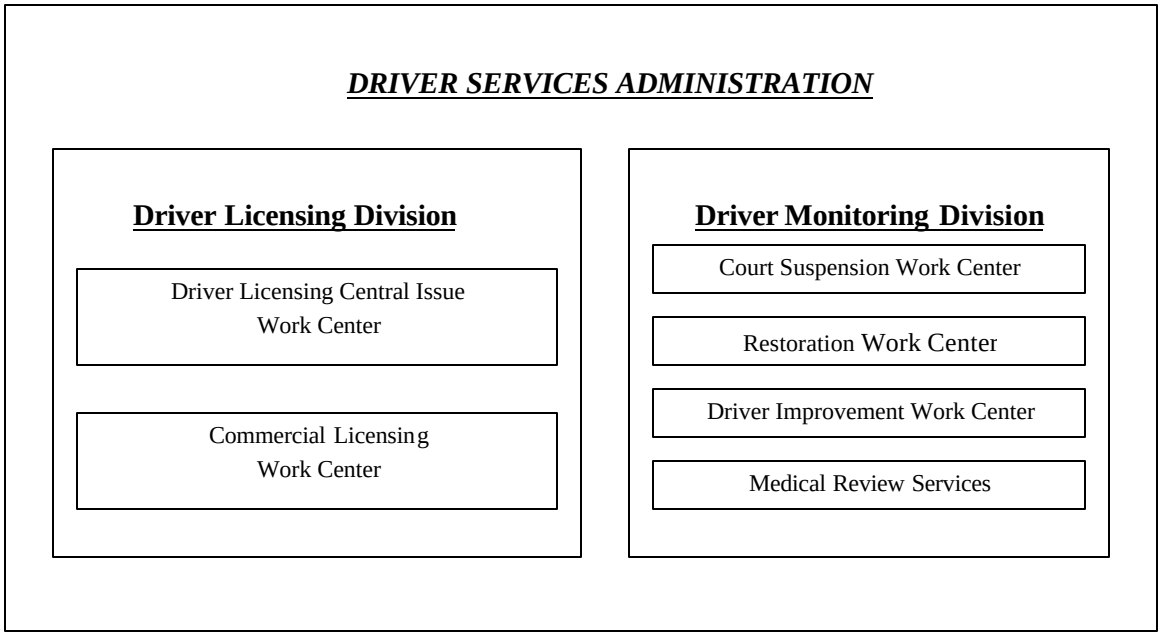
Motor Vehicles licenses more than 6 million drivers in the Commonwealth through 73 customer service centers and 35 licensing teams. The agency maintains records on over 7.5 million drivers and identification card holders and in fiscal year 2003 provided over 250,000 driving records to authorized individuals, insurance companies, employers, and law enforcement agencies.

The Driver Services Administration (DSA) oversees the compliance of motor vehicle and related laws pertaining to the issuance of driver licenses and monitoring of drivers. Monitoring includes court-imposed licensing sanctions resulting from convictions and court orders, as well as driver improvement requirements, suspensions, and revocations. DSA also ensures due process for drivers facing suspension, revocation, or restriction, and is responsible for maintaining driver records. In addition, DSA issues special medical waivers and conducts medical reviews of drivers. Mandates also require several compliance and enforcement activities including licensing and monitoring the activities of Commercial Driver Training Schools, Driver Improvement Clinics, and Commercial Driver License Third Party Schools.

Within the DSA are two Divisions, Driver Licensing and Driver Monitoring. The Driver Licensing Division includes two work centers: Driver Licensing Central Issue and Commercial Licensing. The Driver Licensing Central Issue Work Center handles individual driver licensing and administers three additional programs: Alternative Renewal Program, Juvenile Program, and Motor Voter Program. Commercial Licensing Work Center approves, revokes, or suspends initial application requests and renewal requests for Commercial Driver Training Schools (CDTS), CDTS Instructor Licenses, and Driver Improvement (DI) Clinics. In addition, Commercial Licensing prepares a quarterly newsletter for mass mailing to CDTS and DI clinics.

The Driver Monitoring Division includes four work centers: Court Suspension, Restoration, Driver Improvement, and Medical Review Services. The Court Suspension Work Center processes conviction and suspension documents related to serious motor vehicle violations, prepares responses to court petitions of appeal for restricted privileges or restoration of driving privileges, and mails conviction documents to motor vehicle agencies of the non-residents' home state. The Restoration Work Center processes habitual offender petitions of appeal for restriction or restoration of driving privileges, posts suspension notification information, and updates client records. The Driver Improvement Work Center enters convictions and appropriate driver improvement requirements on customer records. They ensure imposed sanctions are based on a driver's record. The Medical Review Services Work Center conducts reviews of drivers for certain mental or physical conditions that may affect their ability to drive safely. In addition, this Work Center processes disabled parking placards and medical waiver applications.

Below is an illustration of Motor Vehicles' Driver Services Administration, Divisions, and Work Centers.



Vehicle Services Administration

Motor Vehicles has the primary responsibility for administering motor vehicle and related laws pertaining to titling, registration, and the consignment of license plates and decals. The agency issues titles, registration certificates, and license plates for over 4.5 million vehicles per year. In fiscal year 2003, Motor Vehicles provided over 7 million vehicle records to authorized individuals, insurance companies, employers, and law enforcement agencies. In addition, Motor Vehicles issues overload permits to certain motor vehicles to extend weight limitations for vehicles driven only on Virginia state roads.

The Vehicle Services Administration (VSA) has responsibility for compliance and enforcement of motor vehicle laws. VSA activities include vehicle licensing, titling and registration; record maintenance; insurance verification; and managing the Uninsured Motorist and Abandoned Vehicle programs. VSA performs these mandated services through five divisions and thirteen work centers. Vehicle licensing is a complex process consisting of hundreds of laws and covering a broad range of

activities. Below is a brief description of the mandates and functions performed within this administration.

The Code of Virginia requires residents of Virginia to register their vehicles with Motor Vehicles in order to operate them on public roadways. New state residents have a 30-day grace period from the date they become residents to register their vehicles. Before receiving vehicle license plates and a registration certificate, individuals must apply for a title or provide satisfactory evidence of a certificate of ownership covering a specific vehicle. When transferring ownership, the registered owner and/or legal owner must complete a title transfer whenever changes occur for transactions such as the sale of the vehicle. All title and registration transactions can occur at a customer service center, by mail or through Online Dealer. The Online Dealer program provides licensed dealers with the ability to electronically process title applications and registration cards at the point of sale. The dealer processes all parts of the transaction and supplies the purchaser with a registration card and license plates. Through an interface, the Online Dealer enters title and registration information into the Motor Vehicle system.

Owners must renew vehicle registrations (i.e. vehicle license renewals) on an annual or biennial basis. To renew a vehicle license, an applicant must satisfy all listed standing, stopping, and parking violations incurred on the vehicle while applicant had the vehicle. In addition to state laws and regulations, there are various federal laws that also affect Motor Vehicles' operations in such areas as the issuance of secure titles, odometer disclosure, and public disclosure of information. Motor Vehicles provides alternative service methods for most renewal transactions. These include Internet, fax, touchtone, and extra teller machines.

The Insurance Services Division within VSA updates customer compliance with insurance certificate filing requirements, maintains a Centralized Accident Processing System to post accident reports, and manages the Uninsured Motorist program that determines if applicants qualify to be self-insured.

Transportation Safety Services Administration

Transportation Safety Services Administration (TSS) manages a variety of state and federal transportation safety programs related to issues such as motorcycle training, alcohol awareness, and proper usage of safety belts and child safety seats. TSS provides guidance and assistance to law enforcement agencies, non-profit organizations, localities, and other fundable government units to develop highway safety projects eligible for federal funding. TSS compiles traffic and crash statistics for analysis, federal reporting, and safety program evaluation. This administration also includes a Community Traffic Safety Program that helps community leaders identify local safety problems and develop educational programs to address them. Several federal grant programs fund a large portion of Transportation Safety Services.

Motor Carrier and Tax Services Administration

Motor Carrier and Tax Services Administration (MCS) facilitates the licensing, registration, fee and tax collection, and securing of operating credentials for motor carriers operating interstate and intrastate. These activities occur in three divisions: Rental and Fuels Tax Division, Motor Carrier Services Division, and Weigh Stations Division.

The Rental and Fuels Tax Division processes tax collection and reporting within the division's work centers. Fuels Tax transactions include issuing fuels tax licenses and processing fuels tax reports and payments. Suppliers required to pay fuels taxes must submit tax reports. All other licensees file an informational report of fuels activity. Fuels Tax collections have exceeded $800 million for both

fiscal years 2002 and 2003. Rental Tax Work Centers administer rental tax license applications and collect monthly tax reports and payments from any vehicle rental company or individual who rents vehicles to others.

Motor Carrier Services Division administers the registration, fees, and permits for the International Fuel Tax Agreement (IFTA), International Registration Plan (IRP), Intrastate Operating Authority program, and the Single State Registration System. These programs enable motor carriers operating interstate to register, pay motor fuel road tax, and file proof of insurance through their base state of Virginia. Motor Vehicles exchanges this information with other jurisdictions.

The Weigh Stations Division has compliance and enforcement responsibilities for the weigh stations and processing for Federal Heavy Vehicle Use Tax. The Division administers the Truck Weigh Program, which monitors trucks for compliance with state and federal statutes pertaining to truck size, weight, interstate, primary and secondary road use, and credential compliance. The program establishes policies and provides equipment and human resources to facilitate weighing operations. For violations against the Truck Weigh Program, the State Police issue a citation, which creates a liquidated damage receivable. The Division receives and posts payments and generates any required correspondence.

As noted above, MCS issues Intrastate Operating Authority Certification for motor carriers transporting property or passengers within Virginia. In order to receive certification, a motor carrier must provide proof of insurance and file a performance bond. In addition, to operate a motor carrier in Virginia, they must show proof they paid the Federal Heavy Vehicle Use Tax.

Most MCS transactions occur at a customer service center; however, there are several alternative service methods. These include mail, weigh stations, or the Internet via WebCAT, an electronic transaction service.

In addition to the above responsibilities, MCS also issues hauling permits to authorized vehicle drivers to haul, drive, or tow an overweight and/or an over-dimensional vehicle configuration on any state road. This responsibility transferred from the Virginia Department of Transportation to Motor Vehicles on July 1, 2003.

Dealer Services Administration

The Dealer Services Administration licenses and regulates motor vehicle dealers and salespersons involved in the sale of trailers, motorcycles, motor homes, and salvage vehicles, as well as registers watercraft trailer dealers, foreign dealers (out of state), and manufactured home dealers. Dealer Services issues dealer license plates to all regulated dealers, reports criminal activities associated with the operation of motor vehicle dealerships statewide, and provides control over the disposition of salvage vehicles through issuance of salvage and non-repairable certificates to qualified vehicles.

Other Core Activities

In addition to the primary duties above, Motor Vehicles has the statutory responsibility for the following functions. Because of the nature of these functions, Motor Vehicles has elected not to create separate administrations for them. Motor Vehicles accomplishes these duties by using its support administrations or allocates a portion of the work to other administrations providing a statutory service.

Electronic Billing Services Administration (Records Management)

Motor Vehicles collects and manages a large variety of records documentation. The Electronic Billing Services Administration (EBS) maintains these records. EBS indexes selected vehicle and driver related documents, and prepares and films documents related to titles, driver licenses, insurance letters, and other pertinent documents. EBS also retrieves vehicle and driver records from microfilm as requested by internal and external users. EBS is responsible for ensuring record data is accurate and up to date.

Administering the Personal Property Tax Relief Act (PPTRA)

In 1998, the General Assembly enacted PPTRA that provides tax relief to citizens on personal property taxes paid for qualifying motor vehicles. The Act required Motor Vehicles to assist in administering the program. Motor Vehicles reconciles the information received from localities to the amounts paid by the Department of Accounts for PPTRA.

Assistance to Localities

Motor Vehicles collects mobile home tax when an owner acquires title to a mobile home and pays a portion of the collection to the locality. In addition, Motor Vehicles collects rental tax on rented vehicles and pays a portion of the collection to the locality where the rental occurred. Motor Vehicles also reimburses localities for any abandoned vehicles disposed at the localities' expense, however, the agency receives no fees or compensation for these payments.

The National Voter Registration Act of 1993 (Motor Voter)

Virginia implemented Motor Voter in March 1996, whose purpose was to increase citizen accessibility to voter registration application services. Motor Vehicles had to change many of their forms and work processes as a result of this law. Motor Vehicles now collects 80 percent of the voter applications that registrars receive.

The Military Selective Service Act

Registration with Selective Services is required for issuance of learner permits, driver licenses, commercial driver licenses, and identification cards for certain applicants. Every male applicant less than 26 years old and either a citizen or an immigrant at the time of application must register in compliance with the Selective Service Act. Motor Vehicles forwards personal information necessary for this registration.

Customer Service Delivery Administration

The Customer Service Delivery Administration (CSDA) delivers services and products through a network of 73 customer service centers, 35 license agents, two licensing teams, and two call centers. The network has seven geographic districts in the Commonwealth with a district manager who oversees the customer service centers, License Agents and Licensing Teams located within the district's geographical area. While customer service centers provide all major Motor Vehicle services, license agents and licensing teams supplement these centers for vehicle and driver transactions respectively.

In response to the Governor's budget reductions in October 2002, Motor Vehicles closed twelve customer service centers throughout the state and four mobile service centers that processed both vehicle and driver transactions in rural areas and at special events. At the same time, Motor Vehicles increased the number of License Agents and implemented the use of Licensing Teams. In 2003, Motor Vehicles has reopened the twelve branch offices; however, the mobile service centers remain closed.

Rather than having the staff organized by only one type of service, Motor Vehicles elected to cross train all staff in the customer service centers to service the public for most services and products. Therefore, the majority of work within CSDA supports the activities of all of the other statutory administrations.

Customer Service Delivery Information Systems

Customer service centers processed approximately 7 million transactions during fiscal year 2003, these transactions range from driver license renewals to motor carrier transactions. CSDA uses several critical information systems to support this large volume of transactions. A brief description of the key systems follows.

Customer Service Center Network (CSCNet)

Staff enters transactions into a customer service center's independent CSCNet system. The CSCNet systems do not communicate with other customer service centers; however, they exchange data with the host Citizens Service System (CSS) on a real-time basis. CSCNet collects transactions and transmits data for permanent storage in CSS fiscal, driver, vehicle, and other databases. The system automates the calculation of fees to track and report funds collected and to inventory controlled materials such as title certificates, license plates, and decals. CSCNet generates daily reports that provide information on a customer service center's transaction activity.

Key Indicators Evaluation System

Motor Vehicles also uses the Key Indicators Evaluation System (KIES), which collects and summarizes data from CSS. The summarized data is stored in a database and is available to the customer service centers for record inquiries and summary reports. Customer service centers use this information to review teller activity, particularly overages, shortages, and no fee transactions.

Electronic Queuing System (Q-Matic)

The Q-Matic system, implemented in 1997, provides customer service centers a method for better prioritizing the customers' transactions so that customers can move faster and more efficiently through the service centers. The system allows managers to prioritize service categories and resources to accommodate increased customer traffic. Managers use the system as a planning tool in requesting resources and tracking their center's service level.

Knowledge Automated Testing System (KATS)

The Knowledge Automated Testing System (KATS) provides testing for a variety of required knowledge tests. These tests include obtaining a driver license, a commercial driver license, dealer sales and operator license for the Motor Vehicle Dealer Board, the exterminator's test for the Department of Agriculture, and the flag signal test for the Virginia Department of Transportation.

Licensed Agent Payment System

The Licensed Agent Payment System maintains transactions and pays Motor Vehicles' License Agents, for revenues collected. Licensed Agents enter transaction information into the CSS, which transfers the information to the License Agent Payment System that maintains the agent's history and statistics, and processes payments.

Support Services

The remaining administrations provide various support services to both the statutory administrations and CSDA. For purposes of this report, we have shown the support administrations as they existed prior to December 2002. Because of budget reduction and internal organization realignments, some of these administrations have shifted. The purpose of this discussion is to provide a general understanding of the support functions these administrations provide.

Because these administrations serve the direct operations of the rest of the organization, in any cost allocation plan of services they are typically treated as overhead. The combination or separation of these functions does not affect the classification as overhead; however, significant organizational changes can create problems in accounting for and allocating the cost of these administrations.

Motor Vehicles also offers several alternative service methods, to allow for the accomplishment of their mandates. These include mail, fax, Internet, extra teller machines (ET), licensed agents, touchtone, weigh stations, and visiting a customer service center. These methods allow customers to perform a variety of transactions ranging from obtaining an original driver license to providing motor dealers with an automated submission of vehicle registrations and titles at the time of sale. Some of these alternative service methods are co-located with the customer service centers or are included as part of the cost and services of the administration responsible for the mandated services.

Commissioner's Office Administration

This administration provides general management and represents support services for all of Motor Vehicles' functions. The administration includes the executives' offices of the agency.

Information Technology Services Administration

Information Technology Services has six divisions: Systems Support, Systems Development, Operations and Network Support, Electronic Government (E-Gov) Systems and Architecture, Desktop Services, and Technical Infrastructure and Support Services. These areas combine to provide Motor Vehicles with the hardware and software tools needed to operate the agency. This Administration plans, designs, implements, and maintains computer application

systems, programs, files, and databases. This Administration also coordinates all systems relating to hardware, software, networking, and production.

Motor Vehicles accumulates significant information technology costs. This is the agency's largest expense with the exception of personal services. Information Technology has several Divisions and Work Centers. The Information Technology Divisions provide a variety of services that it often tracks by specific core activities. Below is a brief description of the Information Technology Services Divisions.

Systems Support Group

The Systems Support Group serves many functions. This division manages application security, coordinates user acceptance testing, performs table maintenance, and provides the quality assurance function for program changes made by the Systems Development Division. This division ensures data integrity, monitors data exchanges between systems, and handles all requests for ad hoc reports to retrieve driver and vehicle data and programming requests from the Records Management Administration. Systems Support reviews and formats programming requests so the Systems Development Division can write the code to retrieve the data. Systems Support works with the information requestors to correct and clarify any questions concerning a program change or retrieval request. Upon completion of the coding by the Systems Development Division, the request and the results go back to the Systems Support Division for verification and before going to the Operations and Network Services Division for printing.

Systems Development Division

The Systems Development Division coordinates the development of new systems and coding changes to existing systems. The division has five application teams: Administrative and Financial Services, Driver Services, Vehicle Services, Motor Carrier and Tax Services, and CSCNet. Specialty grouping allows for more efficient issue resolution or enhancements to corresponding systems. This division also writes the program code for queries that extract driver and vehicle data from CSS. In addition, the Systems Development Division ensures proper hardware is available for any vendor-purchased software.

Operations and Network Services Division

The Operations and Network Services Division develops the information technology budget and plan for long-term and short-term projects. This group controls the information technology inventory. In addition, this group prints the ad hoc reports and passes them on to the Administrative Services Administration for mailing. This division also includes the Information Technology Work Center, which handles technology purchases.

E-Government Systems and Architecture Division

The Information Technology Administration maintains the customer portals with Motor Vehicles, which includes the website, the ET Machines, and the touchtone system. The E-Government Systems and Architecture Division works with other technology divisions to develop methods to handle transactions electronically. In

addition, this division provides management of Motor Vehicles' local and wide area networks, the field telephones system, the cell phone and pager account, and production support for voice technology.

Desktop Services Division and Technical Infrastructure and Support Services Division

These two divisions provide support and security services for functional areas within Motor Vehicles. The Desktop Services Division provides support for Motor Vehicles' desktop computers. The Technical Infrastructure and Support Services Division is responsible for data security for the agency, this includes setting and enforcing system standards.

Motor Vehicles designed and developed an application architecture and infrastructure to enable multiple service delivery platforms. Through the use of technology, Motor Vehicles provides customers with a variety of service methods. Many of these systems meet the individual service or division requirements, yet most of these systems cannot exchange or share basic information. In some cases, where the exchange of data can occur the process is manual or requires manual reconciliations. Contributing to this data exchange issue are the multiple platforms and systems. Further, there is no common understanding of responsibility for gathering and maintaining information.

Financial and Planning/Budgeting Services Administration

Financial Management and Planning and Budgeting are the two main Divisions within this Administration. The Financial Management Division processes the agency's payroll, accounts payable, accounts receivable, fuel tax payments, and bank deposits. The Budget Division is responsible for strategic planning and management, budget development and monitoring of expenditures, cash management, and general ledger management. Both Divisions are responsible for revenue collection, reconciliation, and financial reporting. Responsibility for the Personal Property Tax Relief Program and processing payments to localities for the Abandoned Vehicle, Rental Tax, Vehicle Registration, Fuels Tax, Mobile Home Tax Programs and processing payroll for other state agencies also lies within this Administration.

Government Services Administration

The Hearings Office and Legislative/Legal Services Divisions comprise this Administration. The Hearings Office conducts administrative hearings. These include financial responsibility, driver improvement, motor vehicle dealer, medical, and fraudulent applications hearings. Legislative/Legal Services Division appears in court and testifies on behalf of the agency when subpoenaed. This Division also processes all subpoenaed requests for information and documents contained within Motor Vehicles paper or computer records and provides training for new judges.

Audit and Investigative Services Administration

Divisions within this Administration include Internal and External Audit, Investigative Services, Field Investigations, and Motor Carrier Enforcement. The Audit Division's Internal Auditor provides management with an objective look at how particular areas of the agency

carry out their responsibilities, laws, and procedures. Auditors investigate, research, and analyze information and should make recommendations to management on potential problems or risks that may exist. External Audit conducts audits of rental companies, fuel companies, and motor carriers for compliance with laws and provisions. The Investigative Services Division handles all internal investigations, including those concerning Motor Vehicles employees and major external investigations involving driver licenses, title fraud or forgery, and consumer complaints relating to odometer fraud. The Motor Carrier Enforcement Division inspects and monitors fuel licensee records and enforces both fuels tax and rental tax laws and regulations.

Communications Administration

Three Divisions make up this Administration. The Communications Division communicates Motor Vehicles' messages both within the agency and to the public. Writers, graphic designers, audio-visual specialists, and support personnel produce employee publications and videos, develop safety and marketing campaigns, handle media relations, and respond to information requests from the public. The Web Service Division develops and maintains the webpage content. The Document Technology Services Division creates and maintains databases to create products such as customized letters and envelopes, provides layout and storage of agency publications, and provides document recovery services.

Human Resources Administration

The Human Resources Administration oversees employee services, works to assure that Motor Vehicles hires and retains quality employees, and provides for organizational development and training.

Facilities Services and Planning Administration

This Administration manages Motor Vehicles' properties and may be involved in purchasing land, building a new office, or negotiating a lease. It also manages Motor Vehicles' facility insurance coverage and building maintenance contracts.

Administrative Services Administration

Administrative Services handles the basic support services for the agency including agency and customer service center purchasing, printing, and mail processing, and managing Motor Vehicles' state vehicle fleet. The divisions within Administrative Services perform a variety of duties. Due to the nature of the services, many of the activities performed within these Divisions can be associated with specific core activities. Below is a description of the Administrative Services Divisions.

Purchasing and Stores

This division has two activities, purchasing and the warehouse. Purchasing handles all purchasing and shipment of supplies excluding items related to information technology. In addition to managing the receiving, storage, and disbursement of materials, supplies, and equipment, the Headquarters' warehouse administers the surplus property and recycling programs.

Printing

The printing division comprises three work centers: printing, decal production, and the document inserter. The Printing Work Center includes bundling and shipping decals, trip and overload permits, vehicle identification number plates (vin-plates), and title receipts to all customer service centers, License Agents, On-line Dealers, and Headquarters. The Printing Work Center also performs print jobs for other agencies. The Decal Production Work Center actually prints the decals. The Document Inserter Work Center uses machines to put the documents, such as vehicle decal cards, into envelopes for mailing to customers and business partners.

Mail Processing

This division handles mailing and receiving all correspondence for Motor Vehicles. Mail Processing sorts the mail and routes it to the appropriate departments. This division also provides mail services for the Motor Vehicle Dealer Board and Board of Accountancy.

Motor Vehicles' Fleet

This division manages the state issued cars used by various employees of Motor Vehicles.

CHAPTER 3
REVENUE

General

Motor Vehicles is the primary collector of the Commonwealth's transportation revenues. Motor Vehicles distributes these revenues to the Commonwealth's Highway Maintenance and Operating, and Transportation Trust Funds, other state agencies, localities, and other states. Over 82 percent of transfers for fiscal year 2003 went to the Highway Maintenance and Operating and Transportation Trust Funds. The Virginia Department of Transportation (VDOT) allocates these funds to other transportation agencies for maintenance and construction programs in accordance with state statutes. Motor Vehicles transfers revenue to other state agencies primarily to fund transportation and safety programs. Payments to localities represent an allocation of rental and mobile home tax collected in the locality.

Motor Vehicles' primary operating funding comes from keeping a percentage of the Commonwealth Transportation Fund collections. The percentage of collections kept by Motor Vehicles varies by operations and purpose of collection and is set forth in the Code of Virginia. Motor vehicle registration fees, rental vehicle tax, vehicle title fees, driver license fees, motor vehicle record fees, and reserved license fees are the primary collections that generate the funding for the Motor Vehicles Operating Fund. In addition to the Motor Vehicle Operating Fund, the agency relies heavily on federal funds for transportation safety and motor carrier programs, as well as appropriations from the Uninsured Motor Vehicle fees and motor carrier special funds to fund agency programs.

The chart in Appendix E presents all revenue collected by Motor Vehicles during fiscal year 2003 and identifies the amounts maintained for operations, transferred to VDOT, and transferred to other agencies, localities, and states. Amounts listed in the "DMV Operating Fund" and "DMV Other Special Funds" columns represent total funds maintained by Motor Vehicles to administer its programs. The chart groups revenue categories under the functional activities associated with generating the respective revenue.

Automated Revenue Systems

As noted, Motor Vehicles collects transportation and other related revenues from many sources. Several systems capture and record these revenues. The major revenue system, the Customer Service Center Network (CSCNet), captures and sends information to the host, Citizen Service System (CSS). Some of the other revenue systems include the Liquated Damages System, the Motor Carrier Service Center Weigh System, the Motor Fuels Tracking System, and the Vehicle Information System for Tax Apportionment (VISTA) system.

Each customer service center has an independent CSCNet system. These systems do not communicate with other customer service centers; however, they exchange data with the host CSS on a real-time basis. CSCNet collects transactions and transmits data for permanent storage in CSS fiscal, driver, vehicle, and other databases to automate the calculation of fees, to track and report funds collected, and to inventory controlled materials such as title certificates, license plates, and decals. Integration of these functions and transaction processing provides information for service centers management reports. These reports provide information on all transactions performed for a period. CSCNet provides CSS with detailed information; therefore, CSS houses useful information for agency-wide analysis.

CSS records a history for every vehicle and driver transaction. Other systems capture Motor Carrier transactions and CSS only contains summary information. Most revenue collection programs have their own system, and Motor Vehicles uses CSS as the central repository for all of these collections prior to transmitting the information to the Commonwealth's Accounting and Reporting System (CARS).

CSS captures and reports on all revenues collected for the services and programs provided by Motor Vehicles. The system classifies revenues by fund and specific source code for each type of revenue collected, for example, Source Code 01045 identifies Motor Fuel Tax revenue collections. CSS also captures the related work center codes for each revenue transaction and interfaces with CARS. CARS does not have the ability to capture work center codes for revenue transactions, and therefore, the information is lost during the data transfer from CARS into the general ledger system (PIPS). The PIPS structure is able to capture costs, but the information is no longer associated with the revenue transaction.

RECOMMENDATION #1

Motor Vehicles should develop a method to transfer revenue data from CSS to PIPS. Work center codes would then be captured for both revenue and expenditure transactions. This would allow detailed analysis by activity or administration and provide accurate information for the cost accounting model introduced in this report.

CSS captures large amounts of transactional data. However, complete detailed transactional data is not available for detailed statistical analysis. Motor Vehicles cannot efficiently and effectively provide information on the number of specific types of transactions performed for any given period. Motor Vehicles has developed several tools in response to management requests for this data. However, the tools either provide incomplete data or are so complex that users cannot use them efficiently. Without accurate counts of all transaction types, management cannot develop useful reports on agency performance measures. Motor Vehicles uses data pertaining to transaction counts to report performance measurements on the Motor Vehicles' Scorecard; however, these counts exclude non-revenue transactions. Motor Vehicles could not provide adequate data for use in the cost accounting methodology developed as a result of this study.

RECOMMENDATION #2

Motor Vehicles should develop an appropriate tool to extract statistical and financial information from CSS to properly apply costs to functions and business processes.

CHAPTER 4
BUDGETING AND FORECASTING

Accounting and budgeting information should reflect both an entity's business activities and organizational structure. Most organizations develop an accounting structure to most efficiently and effectively accomplish their business activities. For the past several years, Motor Vehicles has not had an accounting structure that parallels its business processes.

Previous Motor Vehicle administrations have emphasized funding technology projects and maintaining and improving customer services. These priorities shifted the agency's focus on finding the funding to meet these expectations rather than controlling and monitoring costs. Therefore, managing funding and resource use overcame the basics of accounting and determining costs. While this process did not compromise the fundamental processing of payroll and other expenses, it has led to a disjointed fiscal reporting and monitoring system.

Budgeting and forecasting is an essential part of Motor Vehicles' financial operations not only in understanding many of the current problems, but also in understanding the fundamental means of preparing information for the future. Part of this cost study is not only to report the actual costs of providing a service, but also to develop a method to predict and anticipate the future costs of services. The following is a discussion of the current process with some recommendations.

Budgeting and Forecasting

Motor Vehicles, like all Commonwealth agencies and institutions, develops its revenue forecasts and program expense information following the schedule and timing set by the Department of Planning and Budget. Planning and Budget sets the schedule to develop information for the submission of the Budget Bill by the Governor on or before December 20 of each year. There are two schedules of submission, the first for the year in which the Governor develops and submits the Biennial Budget and the second for the year in which the Governor only submits amendments to the previously adopted Biennial Budget.

The major difference between these two cycles is the amount of information agencies or institutions may have to submit. Typically, in the year in which the Governor submits only amendments, only agencies requesting changes or developing new programs would need to submit information. However, significant economic changes or changes in a Governor's priorities may require agencies and institutions to submit information.

In developing this information for Planning and Budget, most agencies develop internal budgets to reflect how they will execute their programs. These internal budgets typically involve most of an agency's management team and reflect the agency's statutory objectives. Many agencies use their internal budget to set agency goals and objectives to monitor their performance. The combination of having managers help to develop the budget and holding managers accountable for achieving the objectives within the budgetary constraints helps management build a common agency objective.

After each session of the General Assembly, Planning and Budget works with the individual agencies and institutions to adopt and implement any changes proposed and approved during the session. This process may not only affect the monetary amounts, but may need to reflect any guidance or restrictions placed on the agencies or institutions. In addition, agencies and institutions need to amend their internal budgets to reflect these changes.

Many special revenue funded agencies, such as Motor Vehicles, adjust the budget information each year since it is important to have accurate revenue and expense information. These agencies have the additional

constraint of only being able to spend the revenues they generate. Therefore, both the Governor and General Assembly need to have and must make timely budget decisions based on the most accurate information possible, not only for the current period, but for future budget consideration.

Revenue Forecasting

The budget process for Motor Vehicle operations has two focuses: revenue forecasting and expense programming. Because Motor Vehicles is special revenue funded, accurate revenue forecasts play an integral role in proper financial management. Management must use these forecasts to formulate operating budgets for the fiscal year and biennium. Further, any change in estimates during the year may result in necessary adjustments in the agency's spending patterns. The changes of an estimate during a biennium may be the result of changes in policy or changes in the economy. The following paragraphs document the revenue forecasting processes at Motor Vehicles.

Revenue Forecasting Process

Prior to June 2002, the Forecasting and Analysis Office (FAO) at Motor Vehicles had the responsibility of estimating the motor vehicle related state taxes and fees that they collect both for operating use and for the Commonwealth's Transportation Trust Fund. Since then, this function transferred to the Department of Taxation (TAX). TAX's responsibilities include providing to Motor Vehicles by August 1 and November 1 of each year, a six-year special fund revenue forecast including all revenue sources. In addition, TAX will provide by May 1 of each year, an updated forecast to reflect legislative changes.

The revenue forecasting process had minimal changes, as most processes, staffing, and technology implemented and used by Motor Vehicles remained unchanged during the transfer to TAX. Our analysis of the forecasting procedures at Motor Vehicles during a special review of cash management and capital budgeting practices at the Virginia Department of Transportation during fiscal year 2002, found that forecasts provided accurate and timely information concerning motor vehicle related revenue estimates.

However, Motor Vehicles' Budget Office must still maintain an active role in the agency's revenue forecast. The Budget Office must identify and communicate agency specific variances to TAX. The recent change of forecasting responsibilities has affected the timeliness and accuracy of this communication.

RECOMMENDATION #3

Motor Vehicles' Budget Office staff should document variances and any assumptions that affect the forecast in the past months. Using this process will provide management with accurate and useful data to make important business decisions currently and in the future with respect to Motor Vehicle operations.

Expense Programming

The second phase of the forecasting and budgeting process is the projection and estimation of program costs. This section has two parts. The first part will discuss and outline the current process for program budgets, Motor Vehicles uses these budgets internally and for inclusion in the Governor's submission to the General Assembly in the Budget Bill.

The second part will discuss budget implementation and monitoring within the agency. This part will include a discussion of information available to managers and how management adjusts budgets to reflect changes in the operation and financial environment. Finally, we will suggest some changes to the process to increase information flow to line managers and some improvements to the reporting and monitoring of information.

The following discussion shows the development of both the biennial budget for 2002 – 2004 and the interim amendments submitted during 2003 for the second year of the biennial budget.

Expense Programming Budget Process

Motor Vehicles' Planning and Budget Office (Budget Office) has primary responsibility for the development and monitoring of the budget. Prior to July 1, 2002, they also had responsibility for the development of the revenue estimates for both Motor Vehicles and the Transportation Fund. As reported previously, this function has moved to the Department of Taxation. The Budget Office still reviews the budget projection for Motor Vehicles to aid in the planning and monitoring of the budget.

For the 2002-2004 Biennium, Motor Vehicles developed and submitted an activity-based budget using the following functional and support activities.

Functional Activities:

- Driver Services
- Vehicle Services
- Motor Carrier and Tax Services
- Transportation Safety Services
- Dealer Services
- Financial Assistance to Localities

Support Activities:

- General Administration & Management
- Management Compliance & Auditing
- Human Resource Management
- Financial Management
- Computer System Design & Production
- Facilities Services & Planning

Internal Budget Development

Motor Vehicles separates its budget and expenses into two categories, discretionary and non-discretionary. The Budget Office develops and monitors all other expenses considered non-discretionary. Divisional managers control discretionary expenses that include the following items:

1. Overtime
2. Wages
3. Organizational Memberships
4. Contractual Services (Clerical)
5. Conventions and Education
6. Travel

When developing a new budget, the Budget Office distributes an internal budget package to administration or division managers, which includes instructions, forms, and calendars. The managers meet with their units to complete the budget development packages. For discretionary

expenses, the package includes the administration's "Target Figures" for each discretionary expense category, and two sets of forms. The first set of forms explains how an administration plans to spend targeted amounts and the justification. The second set of forms identifies any additional budget allocation requested above the current targets.

For non-discretionary expenses, the package does not supply "Target Figures", but includes request forms to provide an opportunity for the administration manager to identify, request, and justify additional funding for any projects or needs for the following:

- Non-Discretionary Budget Allocations
- Technology Budget Allocations
- Office Equipment/Furnishings Budget Allocations

Upon completion of the budget development packages, the manager of the administration submits the package to the Assistant Commissioner over their administration. The Assistant Commissioner reviews, approves, and submits the package to the Budget Office for review. As part of the review, the Budget Office compiles and reviews data, compares submissions to revenue projections, and makes final target recommendations. Once reviewed a budget team including the Commissioner, the Budget Director and Manager, and the Comptroller meet with each Assistant Commissioner to hear the reasons behind their budget submission and how their submissions reflect Motor Vehicles' core functions.

For non-discretionary requests, budget teams meet to discuss the allocations, ensure reasonableness, and make final approval. Motor Vehicles does not normally use Budget Teams to prepare amendments for the mid-biennium changes. Finally, the Commissioner reviews, sets priorities, and approves the internal budget.

Once the Commissioner approves the budget, the Budget Office prepares and distributes the budget to the various administrations. The administrations receive discretionary expense targets. For non-discretionary expenses, the Budget Office notifies administrations which new projects and equipment received approval.

Current Budget Process and its Impact on Motor Vehicles

The current budgeting process at Motor Vehicles does not consistently demonstrate the following key characteristics of an effective budgeting process.

- Incorporating a long-term perspective
- Establishing links to broad organizational goals
- Focusing budget decisions on results and outcomes
- Providing incentives to management and employees
- Ownership of budget and cost information

Motor Vehicles established an internal budget development process that allows Division managers to participate in developing their individual discretionary budgets. However, current budget practices have limited the input of Division managers to include only wage, overtime, contractual services, travel, training, and professional memberships. Division managers do not know nor do they have responsibility for monitoring non-discretionary expenses within their departments. Without this responsibility, managers have no ownership of costs, and therefore, no incentive to control them. Having cost and performance measurements for Division managers and using these measures should help managers determine the resources required.

Motor Vehicles captures expenses, transfers, and allocations in an Oracle Financials System named Purchasing Inventory and Payables System (PIPS). PIPS primary objective was tracking and controlling expenses at a detailed level. Since the implementation of PIPS in 1999, Motor Vehicles has yet to rely on it for more than a payments tracking system. Also, PIPS has budgeting capability, however Motor Vehicles does not utilize this capability.

RECOMMENDATION #4

Motor Vehicles should consider implementing the budgeting capability of PIPS to allow Division Managers to compare budget to actual financial numbers and anticipate future financial decisions. Having this capability should allow Motor Vehicles Division to be more proactive in addressing budget issues.

An informal information flow structure has evolved that does not mirror Motor Vehicles management organizational structure. Until June 2003, the Budget Office was primarily responsible for the forecasting and monitoring of operating revenues, requesting additional appropriation funding, approving invoice payments, and managing the daily cash flow of Motor Vehicle operations. While it is important for the Budget Office to have information related to financial matters, certain decisions made within the Budget Office did not coincide with the flow of authority. Additionally, to improve the flow of information at Motor Vehicles, each division should have input on decision-making that concerns the business functions within that division.

Motor Vehicles Appropriation Requests

Motor Vehicles appropriations included in both the Governor's Budget Bill and in the Appropriation Act do not reflect true budgeted cost of operations or the anticipated revenue collections based on reliable forecasts. When revenue collections increased, Motor Vehicles requested additional funding through the Department of Planning and Budget (DPB). Until fiscal year 2003, if the additional funding was under 10 percent of the original appropriations and represented excess revenue collections, Planning and Budget rarely denied Motor Vehicles' requests for use of the additional funds. Each year this type of budgeting results in additional revenue and spending from revenues received over those provided in the official budget.

The Commonwealth's budget and appropriation practices for agencies and institutions that fund their operations by retaining a portion of collections or assessing fees is to require the agency to submit a budget for consideration by the Governor and General Assembly using the agency's estimate of revenue collections. The Governor includes the budget estimate in the Budget Bill and the General Assembly then acts on this information. Because these agencies forecast their collections as much as three (3) years in advance of the budget period, the Appropriation Act gives the Department of Planning and Budget (DPB) the authority to adjust an agency's budget to actual collections.

In recent years, Motor Vehicles has consistently requested and received approval from the DPB for additional appropriations throughout the year. These requests for additional appropriations averaged 17.3 percent annually from 1999 through 2002. These additional appropriations do not affect the agency's base budget and thus, do not carry forward for use in developing the next biennium's budget plan.

RECOMMENDATION #5

Motor Vehicles appropriations included in both the Governor's Budget Bill and in the Appropriation Act should reflect the true cost of operations and the anticipated revenue collections based on reliable forecasts.

Effect of Accounting Structure on Budgeting Process

Motor Vehicles has done a good job of identifying and separating its activities into functional and support activities. Functional activities provide direct services to agency clients or enable the agency to accomplish its mission. Support services, such as administrative functions, custodial services, and computer services, enable the agency to deliver its direct services. The activity-based budgeting process introduced later in this report will allow Motor Vehicles to identify costs related to these activities and develop their budget accordingly.

In order to develop meaningful budgets using this approach, management must rely on the accurate accumulation and assignment of costs within the accounting system. However, as noted in the next chapter of this report, Motor Vehicles has not effectively accumulated and assigned costs to activities. Without an effective cost accounting system, Motor Vehicles cannot develop a useful budget based on activity actual costs.

CHAPTER 5
ACCOUNTING STRUCTURE

To understand the accounting structure, it is necessary to understand the primary types of transactions that Motor Vehicles processes. Motor Vehicles has two generic types of accounting transactions: receipt of revenue and disbursements. In addition to understanding the accounting transactions, it is also necessary to understand what Motor Vehicles' systems can do and what some of the limitations are of both the accounting system and the support systems. Finally, it is necessary to understand what reporting of financial information management has historically used to make decisions.

Revenue Transactions

The vast majority of accounting transactions arise from recording receipt of revenue. Motor Vehicles must track why they received the funds, who paid them and when, how much they received, does the individual owe them any additional money, and did they properly deposit the funds.

Motor Vehicles designed the Citizen Service System (CSS) to both bill and record the majority of their transactions related to driver and vehicle services. In addition to first time transactions, this system tracks individuals and vehicle owners and notifies them of the need to renew their license. Motor Vehicles uses this system to record all related payments and assist in making the bank deposit.

CSS also records the method of payment, the work center collecting the payment, the type of collection, and summarizes the information by day and cashier. The head cashiers use this information to prepare the bank deposit information. Because of the multiple work centers collecting money and the use of numerous depository banks, Motor Vehicles also designed the system to transfer information to the State Treasurer and Comptroller, so they could record the funds and transfer them to a central account. Over time, CSS underwent changes to allow it to help staff record and deposit funds from other systems such as fuels tax and transportation safety grants.

Disbursement Transactions

Motor Vehicles has two primary types of disbursement transactions: payroll and related benefits and direct payments to vendors or other state agency suppliers. Motor Vehicles processes the detailed payroll transactions through the statewide payroll system maintained by the State Comptroller.

For direct payments to vendors or other state agency suppliers, Motor Vehicles uses a module of its Oracle Financial System, known as PIPS. The PIPS system has an accounts payable module that allows Motor Vehicles to monitor a purchase from the request for the goods until its payment.

In addition, this module will gather and transfer the payment information to the State Comptroller's system, which is the official accounting system of the Commonwealth. The accounts payable module also allows for the recording of the information into a work center as established on the general ledger system and the allocation of charges if the payment affects more than one work center.

Accounting Systems

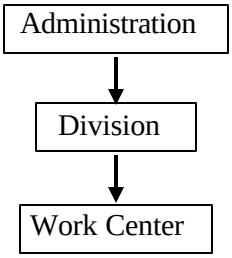
General Ledger Accounting

Motor Vehicles determined that the State Comptroller's accounting system did not provide sufficient flexibility to record and monitor the activities of the department. In order to accommodate and track

information by the multiple locations, different programs and reduce data entry requirements to transfer and store information, management purchased the Oracle Financial System.

Oracle is a major software vendor, who develops and markets generic financial systems some of which come with modules designed to accommodate the needs of a particular market group. Motor Vehicles purchased a version of software that came with a module to monitor and control inventory, since the agency at the time was responsible for its license tag production operation. Other than this module, the general ledger and accounts payable modules were fairly standard.

The general ledger allows for the establishment of at least three levels of reporting. At each level, the system allows for a complete set of financial statements if the users maintain the appropriate accounting information at that level. Motor Vehicles established the following levels of reporting.



The general ledger system allows for the establishment of a relationship of a work center to a division and in turn a division or divisions to an administration. Further, the system allows for a consolidated report of all operations.

A work center is the lowest identifiable unit where there is a direct relationship between a group of individuals and the delivery of a service or product. Within Motor Vehicles, staff use this same definition to describe a location code, cost center, and work center. While we can explain some of the inconsistent terminology, some usage appears to arise from the budget process without explanation. As indicated earlier in the report, we are using the term work center rather than the terminology used by Motor Vehicles.

General Ledger System Implementation Issues

One of the early implementation issues dealt with the recording of both revenue and some disbursement data for budgeting purposes in the general ledger system. Motor Vehicles implemented CSS to summarize and enter revenue data into the State Comptroller's accounting system. Since the CSS implementation preceded the general ledger system implementation, Motor Vehicles decided that it would be less expensive to export the revenue data from the State Comptroller's system into the general ledger system rather than developing an interface.

Since the State Comptroller's system summarizes the information in a different manner than is necessary to place the information directly into a work center, Motor Vehicle cannot prepare an income statement by work center from the State Comptroller's system. To compensate for this problem and account for revenue in the CSS system, Motor Vehicles created a work center for each revenue collection location.

As the budgeting group saw a need to budget or track some information, they had the ability to create new work centers. However, Budget did not always inform Accounting that they had created a new work center. Therefore, Accounting did not record transactions as they occurred for the new work

center. The converse of the situation occurred when accounting continued to use work centers that Budget no longer separated.

Accounting and Budget

The lack of coordination between budgeting, accounting, and management information needs have resulted in an accounting and budgeting system that is disjointed. The following two examples illustrate the lack of coordination and systemic approach to identifying and meeting information needs.

Extra-Teller Machines

With the exception of the Systems Development Division, Motor Vehicles has no standard procedures, written or otherwise, regarding the implementation of new programs or projects. Motor Vehicles implemented the new program, Extra Teller (ET), due to perceived public demand, by placing machines in customer service centers throughout the state while offering the same services through the Internet. Motor Vehicles management believes the cost of these machines outweigh the usage; however, no data is available to support this conclusion.

Non-Mandated Activities

Motor Vehicles also performs non-mandated activities; but does not currently track or analyze related costs or revenues. These activities include printing, mailing, and accounting services for other governmental agencies. In addition, Motor Vehicles also provides special identification cards for state and local entities, administers tests for outside entities, and administers the Local Vehicle Registration System at Virginia Beach.

Motor Vehicles' current accounting structure hinders revenue and cost analysis for these activities. For example, Motor Vehicles records revenue for special identification cards using the driver licensing revenue source code. However, Motor Vehicles captures the costs in several work centers that co-mingle these costs with multiple activities. This makes a separate cost analysis difficult.

Motor Vehicles should identify the activities and related outputs based on determined objectives for revenue and cost analysis. A revenue source code should exist for each specific output. Motor Vehicles should also develop a consistent cost allocation methodology to allocate costs captured in support service work centers to activities and outputs. For example, Motor Vehicles performs printing services for other agencies. Costs for this activity are part of the Administrative Services Administration, which also performs support services. Using a standard methodology, Motor Vehicles should allocate costs to both printing services cost outputs and agency indirect overhead.

Review of the Accounting Structure

To understand the accounting and budgeting structure it is necessary to review Motor Vehicles' statutory mandates, the flow of information through the organization, and if the relationship between capturing information corresponds with the accounting and budgeting structure to provide a reliable process of identification, measurement, accumulation, analysis preparation, interpretation, and communication of financial information. We found several automated financial systems have the capability to accumulate and assign important financial information related to costs, revenue resources, and statistical information used for making management decisions. These automated systems are important components of the agency's accounting structure. However, our review of the current accounting structure and related financial processes of Motor Vehicles disclosed the following

deficiencies with respect to accumulation and assignment of costs and the ability for Motor Vehicles to use cost and revenue data to budget for future operations.

A good example of where Motor Vehicles has set up its accounting structure properly is the Customer Service Delivery Administration. Each customer service center records both revenues and costs in a single work center, which facilitates revenue and cost analysis at a more detailed level. This coding and structure allows for a detailed analysis of revenues and expenses by revenue source code or expenditure object code.

In other areas, Motor Vehicles has set up its accounting structure in a manner, which makes financial tracking and analysis cumbersome. For example, in the Driver Services Administration, Driver License Central Issue Work Center records expenses using one code for the center, seven codes to record revenue, and one code for each service method. This process does not allow for a reasonable matching of revenues and expenses by operation, work center, or service method.

No Formal Methodology Exists for Managing Account Coding

After a detailed analysis, we have found that Motor Vehicles has no set methodology when establishing or changing work center and cost and revenue codes within the accounting systems. In addition, the budget division often initiates and approves any changes in accounting structure without consulting with the accounting division. As a result, Motor Vehicles has an inconsistent coding structure to capture revenues and expenses with no clear objectives on how they intend to use this accounting information. Consequently, while capturing individual transactions correctly, the coding inconsistencies make it difficult to extract and analyze this information. Further, Motor Vehicles does not identify the cost of products and services rendered and, therefore, cannot reasonably determine their annual budgetary requirements.

RECOMMENDATION #6

Motor Vehicles should develop a methodology for establishing and changing its accounting structure including clear objectives on how they plan to use and analyze the accounting information. The Financial Management (Accounting) Division should have an active role in approving the establishment and changes to the accounting structure, including the recording and allocation of revenues and costs. This process should consider how Motor Vehicles will use the information for providing cost accounting information and facilitate cost management with an emphasis on three important areas: cost determination, planning and decision-making, and cost control and performance measurement. In addition, the processes should consider gathering revenue information in a manner to facilitate profit-loss (revenue-cost) comparison at the function, program, activity, and work center levels.

In order to achieve the objectives above, Motor Vehicles should use one of the following options to organize revenues and expenses in its direct service administrations. The first option available to Motor Vehicles is organizing revenue and costs using the current Administrations at the highest level and the current work centers at the lower level, with each work center having its own code. Revenues would have a specific revenue source code for each output to allow for comparison of revenues to cost. For example, Motor Vehicles currently records revenues for both the Driver License and Identification Card outputs in the same revenue source code. Recording revenue in this manner complicates

both revenue and cost analysis. Expenses would use a natural expense object code structure (personal service, contractual services, etc.). Further allocations, if necessary, would apply to outputs by transaction volume and the relative value method.

Option 1
Driver Services - (Functional Area)
Driver Licensing Central Issue Work Center
Revenues
Driver License-Internet (Revenue Source Code)
Driver License-ET Machine (Revenue Source Code)
Driver License-Touch Tone (Revenue Source Code)
Driver License-Mail (Revenue Source Code)
Juvenile License (Revenue Source Code)

Expenses
Personnel (Expense Object Code)
Contractual (Expense Object Code)

A second option available to Motor Vehicles is structuring their accounting for direct service functions similar to the set up in the Customer Service Delivery Administration. An example below illustrates this method of Service Delivery. This method requires organizing revenues and costs at a higher level. Work Centers should be the lower level, with each work center having its own code. As with option one, revenues relate to revenue source codes specific to each output. Expenses use the natural expense object codes, and allocation occurs using outputs by transaction volume and the relative value method.

Option 2
Internet - (Method of Service Delivery)
Revenues
Driver License-Internet (Revenue Source Code)
Registration Renewal-Internet (Revenue Source Code)
IFTA-Internet (Revenue Source Code)
IRP - Internet (Revenue Source Code)

Expenses
Personnel (Expense Object Code)
Contractual Services (Expense Object Code)

No Time Management System Exists to Track Personnel Costs

Motor Vehicles' ability to analyze its accounting information is further limited because the agency does not have a timekeeping system to adequately capture and assign personnel costs to the proper work centers. Not every administration should implement a timekeeping system, however, to properly allocate costs; those support divisions that are consistently working on projects should use a system to track their time to a specific administration. For example, Administrative Services can often identify which Administration has requested a print job.

Additionally, many Administrations borrow and lend personnel among their Divisions and even among other Administrations. While this practice conserves costs, Motor Vehicles does not adjust expenses in the accounting system for borrowing and lending personnel. As a result, personnel costs captured and recorded in an administration, division, or work center will not reflect the actual personnel costs incurred within that area.

The failure to track personnel costs can hinder the assignment of these costs. For example, while some divisions within the Information Technology Administration track their time to particular projects and activities, most Motor Vehicles Divisions and Administrations do not. As a result, Motor Vehicles cannot determine the actual costs of a particular project, and must rely on estimates. For example, Motor Vehicles can determine Systems Development Division personnel costs for the Local Vehicle Registration (LVR) project; however, all other personnel costs associated with this project represent estimates for executive level planning, promotion, training, procedures revisions, and publication revisions.

RECOMMENDATION # 7

Motor Vehicles should review its practices of sharing staff, and where this practice constitutes a significant shifting of cost between work centers or administrations, consideration should be given to having a mechanism to allocate these costs. This mechanism can be a time and attendance system or may represent a less formal allocation method. In either case, the use of the system should only occur where there is a significant shifting of cost.

Other Accounting Structure Issues

Coding structure inconsistencies have also created several other issues that hinder financial tracking and analysis. We found:

- The Motor Vehicles Administrations in the accounting structure do not agree to the Administrations listed on the most recent Organizational Chart. For example, Motor Vehicles' organizational chart no longer has an Inspector General Administration or Governmental Services Administration. However, Motor Vehicles has not adjusted the accounting structure to reflect these organizational changes.

- Not all Administrations capture and record costs consistently. For example, some Administrations assign specific work centers to capture Electronic Data Processing (EDP) costs, while others include EDP and other costs in a general work center. Further inconsistencies exist in capturing and recording administrative costs at a lower divisional level. For example, some divisions have a unique work center to capture administrative costs while other divisions combine administrative and other costs within the same work center. We also found fuels tax maintenance expenses inconsistently recorded as either information technology costs or administrative costs.

- Obsolete work center codes exist within the accounting system. For example, Motor Vehicles maintains four work center codes for the Personal Property Tax Relief Program, but records costs in only one of these codes. In addition, a work center code still exists for a Vehicle Renewal License Plate Remittance Processor no longer in use. Having an accounting system that contains obsolete codes increases the chance of recording costs in an incorrect work center.

RECOMMENDATION #8

Motor Vehicles should undertake review of accounting structure to have information correspondent to its current organizational structure. Additionally, where opportunities exist, management should have all administrations and work centers use the same accounting procedure and coding.

CHAPTER 6
COST MODEL METHODOLOGY

Overview

This section describes the methodology used to develop a Costing Model for Motor Vehicles and how the Model works. We detail recommendations of how Motor Vehicles should improve its accounting structure to best utilize the model and how Motor Vehicles can alter the model to increase the accuracy of determining costs associated with specific activities. The Model included in this study will provide Motor Vehicles with a useful analytical tool for identifying total costs, both direct and indirect, for the specific products and services it provides. We include an illustration of the model in appendix D.

Activity Based Costing

In order to analyze the true total cost of issuing a drivers license or any other activity that provides a product or service, Motor Vehicles must establish an activity-based cost model. Activity-Based Costing (ABC) is a methodology used to identify, describe, assign costs to, and report on agency operations. This is a more accurate cost management model than traditional accounting; ABC identifies opportunities to improve business process effectiveness and efficiency by determining the "true" cost of a product or service. It encourages management to evaluate the efficiency and cost-effectiveness of functional activities. The following discussion provides the basis for converting Motor Vehicles' general ledger information to an ABC Model.

Before developing the ABC Model, we examined the processes used by Motor Vehicles to accumulate and assign costs. Motor Vehicles captures costs in a traditional general ledger system that records and assigns costs by administrations, divisions, and work centers. The agency currently uses work centers at the expenditure object level to accumulate costs at a more detailed level within an administration or division. This method provides accurate and effective bookkeeping and financial reporting for overall agency operations. However, in order to determine the total cost of an activity, one needs to consider both direct and indirect overhead costs. For example, the cost of issuing a driver license includes both direct costs and overhead costs such as information technology, administrative support services, and mailroom costs. However, the general ledger system does not capture and report these overhead costs in the Driver Services area. Motor Vehicles should continue using the current general ledger system to capture costs, but should also analyze this data to allocate direct and indirect overhead in an ABC model.

Developing the Cost Model

We used a four-step approach to implement an ABC model at Motor Vehicles.

Step 1. Identify significant activities - this step includes an in-depth analysis of the mandated functions Motor Vehicles is required to perform and defines the activities required to fulfill these mandates.

Step 2. Identify cost drivers - this step identifies all of the cost drivers (outputs) for which Motor Vehicles performs activities and consumes resources by an activity segment. Cost drivers can be products, programs, or transactions.

Step 3. Assign resource costs to activities - this step traces costs to cost objects to determine costs incurred. We identified costs at Motor Vehicles three ways:

- Direct Costs - costs directly traced to a cost driver.

- Direct Overhead - costs that benefit two or more cost drivers in the same administration, but not all cost drivers within the same activity.

- Indirect Overhead - costs that cannot be reasonably associated with any particular product or service produced. These costs would remain the same no matter what cost driver the activity produced.

Step 4. Allocate activity costs to cost drivers - this step allocates activity costs to cost drivers using various allocation methods. These allocations assign activity costs to cost drivers based on consumption or demand for activities.

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K
			Allocation			**Direct Overhead**				
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight	Customer Service Delivery	Other Direct Overhead	Total Direct Costs	Indirect Overhead	Total Costs

*Step One – **Identify significant activities***

We began developing a Cost Model by identifying all significant activities performed by Motor Vehicles. We accomplished this task through interviews and observations of key personnel, and reviewing the Code of Virginia to determine the mandated and non-mandated activities Motor Vehicles performs.

We determined Motor Vehicles uses six functional areas to accomplish its mandated activities: Driver, Vehicle, Motor Carrier, Transportation Safety, Records Management, and Other Mandated Functions. We then identified products or services provided in each of these functional areas and included these activities in column **A** of the Model. For example, under the Driver Services Function the activities include (1) Driver license issue and renewal, (2) Identification card issue, (3) Disabled Placards, and (4) Compliance and enforcement.

*Step Two – **Identify cost drivers***

Next, we identified specific cost drivers associated with a particular activity, and included these items in column **B** of the Model. Since cost drivers affect costs, these items encompass all areas that the Model will accumulate costs for analytical purposes. The model measures most of the cost drivers by the number of processed transactions. This use of processed transactions is important in the Model because it is the key to managing costs and understanding costs associated with the transaction level when applicable. We will discuss identifying costs at the transaction level in Step 4 of this process.

*Step Three – **Assign resource costs to activities***

After identifying all cost drivers, our next step involved accumulating and identifying costs as either direct or indirect. An ABC model typically accounts for costs in two basic stages, accumulation and then assignment. Cost accumulation is the collection of the cost data in

some organized way by means of an accounting system. Cost assignment encompasses both tracing accumulated costs directly to an activity (Direct Costs) and allocating accumulated costs to an activity (direct and indirect overhead costs).

In column **C** of the Cost Model, we assigned all direct costs associated with a particular cost driver. We performed a detailed review of all work centers within the agency's accounting system to determine these direct costs and their related activities.

Columns **G** and **H** of the Cost Model reflect direct costs that perform work associated with more than one cost driver or activity; we have defined this as Direct Overhead. Using the Cost Model to allocate direct overhead of the agency to specific cost drivers involves a complex process. The process begins by identifying all direct overhead incurred for common or joint activities not readily and specifically identified with a particular cost driver.

Column **G** of the Cost Model assigns Customer Service Delivery Administration (CSDA) costs to specific cost drivers. We totaled all costs associated with this administration and allocated them to each cost driver using the relative value of the transactions. Each customer service center performs a variety of transactions related to Driver, Vehicle, Motor Carrier, and Dealer activities. The Relative Values method, discussed later in this section, allocates customer service center costs among the specific transactions. We performed a time study of transactions processed at four different customer service centers. We chose specific customer service centers to provide variety in size and location. We assigned relative values to transactions based on the average amount of time needed to perform each activity. Activities assigned a higher relative value consumed a greater amount of resources. We then allocated customer service center costs to activities based on the relative value and number of transactions processed. Appendix D, pages 95 through 101, contain the result of the CSDA calculations.

Column **H** of the Cost Model assigns other direct overhead costs associated with the cost drivers of various activities. These direct overhead costs relate to a specific administration or division and are allocated using percentages. Costs include items like the salaries of the Director of the Driver Services Administration and the Assistant Commissioner of Motorist Services.

Costs that can be specifically identified with a particular cost driver should be captured and assigned as direct costs. These costs include postage, printing, and certain information technology costs. However, as previously reported, Motor Vehicles has not established a system to accurately capture and assign these types of direct costs. Therefore, in this Cost Model we assigned these costs as direct overhead.

Step Four - ***Allocate activity costs to cost drivers***

At this point in the process, we have identified specific cost drivers associated with particular activities and all direct costs and overhead related to those cost drivers. The next step in developing the Cost Model required a process for allocating all identified direct costs. This step occurs in Columns **D**, **E**, and **F**. We developed two methods for allocating the direct costs. Method one considered the volume of transactions and the complexity of each transaction. Method two applied costs using an estimate provided by Motor Vehicles that represented the amount of resources consumed to perform the transaction. We translated this estimation into a percentage and applied it to the direct costs. The Model only uses method two when we could not easily identify the volume of transactions or the volume had little or

no effect on the costs incurred. While method two is not an optimum method of determining cost, it was necessary for the purposes of our initial model because of the inefficiencies and limitations of Motor Vehicles' current accounting structure.

Column **D** contains either the volume of transactions (for example, all driver licenses issued for the year) or a percentage that represents the amount of resources used. The transaction volumes came from Motor Vehicles' revenue collection systems. Motor Vehicles provided the percentages based on their estimate of the resources consumed performing each cost driver.

Column **E** represents the relative value of each transaction. For the purposes of this review, we did not calculate the relative value for of the Functional Areas. We did apply the relative value methodology to allocate CSDA costs among the products issued in customer service centers. Appendix D illustrates the allocation of the relative value for the CSDA.

The Relative Values Method works on the principle of weighting transactions relative to each other based on their consumption of resources. Usually, the transaction that takes the least time has the lowest value (base value) and receives an assigned weight of 1.0. Management constructs all other weights from the resource usage relative to this value. Under normal circumstances, the amount of time a transaction takes to perform determines relative weighting. Consequently, if it takes three times as long to perform task X as task Y; the relative value of X to Y would be 3:1. For example, when processing driver license renewals at Headquarters, the method of delivery determines the relative value of the transactions performed. Renewals sent by mail take longer because the process involves manual input of information into the Citizen Service System (CSS). However, renewals sent via Internet and ET machine require less time to process, because the applicant enters the information directly to the CSS system. As a result, Internet and ET machine transactions would have a relative value of one, and transactions via mail would have a higher relative value. This method allocates direct costs to specific types of transactions based on the number of transactions and their relative values.

On the CSDA cost allocation worksheet, Column D is the result of the transaction volumes multiplied by the relative values to determine the weight to apply to each cost driver.

Calculating Per Unit and Total Costs

Column **I** is the total amount of direct costs applied to each cost driver. We calculated these numbers two ways. The allocation of CSDA costs was completed in Appendix D using the relative value method explained above. To allocate other direct overhead costs we summed the number of transactions in Column **D** and divided this total by transactions per cost driver to get the weight shown in Column **F**. We then multiplied the weight of the cost driver in Column **F** by the total Other Direct Overhead costs in Column **H,** the result is shown by cost driver in Column **H**. The customer service delivery allocation and direct costs were added to this allocation to obtain total direct costs.

The final step to determine the total costs for each cost driver was the allocation of indirect overhead. Indirect overhead includes all costs not directly attributable to any activities or functional areas. Examples of these costs include executive management, certain information technology infrastructure, Communications Office, and financial management. Allocation of these costs should generally apply to all activities within all functional areas of Motor Vehicles. Column **J** includes the allocated indirect overhead costs.

The indirect overhead allocation uses the percentage each cost driver represents of the total costs of all cost drivers. To determine the percentage, summarize direct costs across all functions and divide the result into each cost driver's total direct costs. For example, if total direct costs equaled $1,000,000 and the Disabled Placards cost driver's total direct costs equaled $20,000, the Disabled Placard cost driver would receive an allocation of two percent of the indirect overhead costs. The detailed calculation of indirect overhead costs is in Appendix D, pages 91 through 93.

Using this model allows Motor Vehicles to calculate the full cost of specific agency products and services, and provide management with information to evaluate programs, operations, and decisions regarding the allocation of resources. The information will also provide a basis for determining if full recovery of these costs would occur through the respective fees charged for those products and services.

We used the general guidelines above to allocate costs. The following pages provide a more detailed description of the cost allocation methodology for each Motor Vehicle functional area. Except as noted, transactions provide the basis for costing methods.

CHAPTER 7
APPLYING THE COST MODEL METHODOLOGY

Mandated Services

The first step of our model required an analysis of Motor Vehicles' mandated functions and identification of the significant activities required to satisfy these mandates. We identified the relevant statutes and regulations mandated by the Code of Virginia and the Appropriation Act to determine the mandated and non-mandated activities Motor Vehicles performs. We included this analysis in Appendix C. We determined Motor Vehicles uses six functional areas to accomplish its mandated activities: Driver, Vehicle, Motor Carrier, Transportation Safety, Records Management, and Other Mandated Functions.

Below is a discussion by functional area of the decisions made in the ABC model. We included an illustration for the Driver Licensing activity to demonstrate the steps we performed for each significant activity. Driver Licensing and the breakdown of all other identified activities are in the ABC model found in Appendix D.

Driver Services

Driver Services is the portion of Motor Vehicles' services that directly affect a citizen's operation of a motor vehicle in the Commonwealth. These services include licensing, education, testing, and enforcement. We identified four activities in the Driver Services Function: Driver License issue and renewal, Identification Card issue, Disabled Placard, and Compliance and Enforcement.

Mandated Function - Driver Services

Step 1. Identify Significant Activities	**Driver Licensing** Identification Cards Disabled Placard Compliance and Enforcement

Driver Licensing

To obtain an original driver license, an applicant must visit a customer service center, acquire a learner permit by providing proof of identity and Virginia residency, and pass the vision and knowledge exams. After a specified time, depending on the applicant's age, he can obtain a driver license after successfully completing driver education requirements and a road test. Applicants from other states may exchange their valid out-of-state license for a Virginia driver license if they meet the identity and residency requirements. Juveniles must visit a customer service center to acquire their learner permit, however in most cases, the Department of Education administers the driver education requirements and road test through a high school. The table below list the nine Driver Licensing activity cost drivers.

Step 2. Identify Cost Drivers	**Driver License Original - Customer Service Center** **Driver License - Customer Service Center** **Driver License - Mail-In Manual** **Driver License - Internet** **Driver License - Touchtone** **Driver License - Electronic Teller** **Driver License - Fax** **Juvenile License - Driver License** **Commercial Driver License**

Based on this information, the costing methodology will allocate customer service center costs of issuing a learner permit and an adult driver license to the original driver license cost driver using transaction relative values and volume. Because the Department of Education administers the road test and driver education requirements, the Driver Licensing Division processes juvenile licenses, similar to a driver license renewal. Therefore, to calculate the costs of issuing a juvenile license, the Driver Licensing Division must allocate costs using the transaction's relative value and volume.

Drivers can also renew or replace a license through a customer service center or an alternative service method. Alternative service methods include mail, Internet, Touch Tone, and Extra Teller Machines. The Driver Licensing Division located at Motor Vehicles Headquarters Office processes renewals and replacements received through an alternative service method. The cost model assumes that license renewals, replacements, duplicates, and reissues are all the same transaction type because they virtually use all the same resources. If a customer service center performs the transaction, to determine the cost of the service, there is a need to allocate costs based on transaction relative value and transaction volume. If the renewal or replacement transaction occurs via an alternative service method, the allocation of costs occurs using the transaction's relative value and volume.

In addition to the standard driver license, citizens can hold a Commercial Driver License (CDL). A CDL allows drivers to operate tractor-trailers, passenger buses, tank vehicles, school buses for 16 or more occupants, or vehicles carrying hazardous materials. This type of license always requires that issuance and renewal occur at a customer service center.

Step 3. Assign Costs to Activities	**Direct Costs** **Direct Overhead** **Indirect Overhead**

As reported previously, determining total costs occurs in two basic stages, accumulation and then assignment. Cost accumulation is the collection of the cost data in an organized way by means of an accounting system. Motor Vehicles accumulates its costs by work centers. We analyzed these costs and identified them as direct, direct overhead, or indirect overhead.

Driver Licensing currently has no traceable direct costs associated with the cost drivers. However, there are several direct and indirect overhead costs. Direct overhead costs include accumulated costs in the Driver Licensing Central Issue Work Center, which we can directly associate to the cost driver. Indirect overhead includes all costs not directly attributable to any activities or functional areas, such as Financial and Planning/Budgeting Services.

Step 4. Allocate Activity Costs to Cost Drivers **Transaction Volume**
Relative Value

Cost assignment is the method of relating accumulated costs to an activity. Relating costs to an activity occurs using either transaction volume, relative value, or program costs. Accumulated costs applied to the Driver Licensing Activities occurs by using transaction volume and relative value. The cost drivers are driver licenses by different delivery methods and the direct costs association occurs using transaction volume. For indirect costs and customer service center costs, we assigned a relative value to each cost driver to allocate the accumulated costs.

Issue Identification Cards

Citizens may obtain identification cards at a customer service center by providing proof of identity and Virginia residency. The customer service centers also produce identification cards for other state and local entities. We have calculated the costs for this activity on an allocation of customer service center costs based on transaction relative value and transaction volume.

Issue Disabled Placards

Medical Review Services issues disabled parking placards and issues letters to customers notifying them of expiration. Since Medical Review Services also performs driver monitoring duties, the costs from this work center must be allocated based on management's estimates in order to determine the cost of issuing disabled placards.

Driver Service Compliance and Enforcement

The Driver Service Compliance and Enforcement includes Court Suspensions, Restorations, Driver Improvement, Commercial Licensing, and Medical Review Services. These areas prepare correspondence, process conviction and suspension documents, prepare response to court petitions of appeals for driver license restriction or restoration, and mail conviction documents to motor vehicle agencies of non-residents' home states. In addition, they update driver records by posting court suspension and restoration orders. Medical Review Services also reviews and evaluates a driver's medical information to determine whether Motor Vehicles should suspend driving privileges, impose restricted privileges, or require periodic medical review. While this area performs reinstatements, this cost driver is not indicative of all that the division accomplishes. However, we have no reliable statistics for the other cost drivers; therefore, cost analysis must take place at the mandated activity level instead of the transaction level.

Commercial Licensing reviews and approves application requests and renewals for Commercial Driver Training Schools (CDTS), CDTS Instructor Licenses, and Driver Improvement Clinics. They also coordinate and review annual site and financial auditing of CDTS, Driver Improvement Clinics, and Third Party Testers. Further, this area updates driver records in CSS to reflect the completion of a driver improvement program. Commercial Licensing also has some regulatory responsibilities in that they will revoke or suspend CDTS or Driver Improvement Clinics and assess civil penalties for violations. Motor Vehicles captures costs for the commercial licensing activity in the Commercial Licensing Work Center. We will allocate costs using transaction relative value and transaction volume.

Vehicle Services

Before residents receive vehicle license plates and a registration certificate, they must apply for a title or provide satisfactory evidence that they have valid ownership covering a specific vehicle. Title transfers typically occur when an owner purchases a new vehicle or sells or transfers a vehicle to someone else. In these cases, the new vehicle owner usually obtains title and registration concurrently and receives a vehicle registration card and license plates. Annually or biennially, vehicle owners must renew their registration. Before registration renewal, an owner must satisfy all listed standing, stopping, and parking violations incurred on the vehicle.

New Title and Registration

Motor Vehicles processes and captures costs for title and registration transactions at customer service centers or through thirteen work centers located at Motor Vehicles' Headquarters. The work centers at Motor Vehicles Headquarters include title and registration transactions submitted by mail, Internet, fax, touchtone, and Online Dealer.

Citizens may submit new title and registration applications to the Title and Registration Work Centers by mail or Online Dealer. The two Title and Registration Work Centers process new title and registration applications submitted via mail with one center dealing with all normal process transactions and the other center dealing with special vehicles such as construction vehicles. The Automated Interface Work Center provides title and registration support for dealers, primarily with the Online Dealer Program. The Automated Interface Work Center also audits online dealer transactions and processes new title and registration paperwork submitted by dealers.

Costs associated with the National Motor Vehicle Title Information System (NMVTIS) Work Center, which provides title support to both dealers and customer service centers, are direct costs for the title cost driver.

License Plates

The Special License Plates and Consignment Work Center develops special license plates and processes special license plates applications. This center also consigns plates and decals to customer service centers, license agents, and Online Dealers. Through a contractual agreement, the Department of Correctional Enterprises supplies license plates to Motor Vehicles and these costs are a direct expense of the Special License Plates and Consignment Work Center. Since they deal with new registration, this work center's allocation will go to the following cost drivers: Regular Registration, Registration - Government Plate, and Registration – Reserved Plate.

Registration Renewal

Three renewal work centers process registration renewal transactions. The Vehicle Renewal Automated Work Center opens and sorts all registration renewals submitted by mail and processes renewals using an automated remittance-processing machine. The Vehicle Renewal Online Work Center processes any mail-in renewals that have some element that prohibits automated processing, such as missing information. This work center also processes registration renewals submitted via Internet, Touchtone, fax, or ET Machine. The Alternative Services Audit Work Center reconciles registration renewals submitted via Internet, Touchtone, fax, or ET Machine with deposits recorded in CSS. The three centers are direct costs of all registration renewals processed through alternative services.

Overload Permits

Overload permits allow certain motor vehicles to extend their weight limitations by a certain percentage and citizens can obtain a permit at a customer service center or by mail. Requests by mail go through the Vehicle Renewal Online Work Center, and therefore, we will assign the costs as described in the previous section on registrations.

Compliance and Enforcement

The Code of Virginia requires all registered motor vehicle owners to have motor vehicle liability insurance or enough money to pay for any losses that may result from an accident. Vehicle owners may insure the motor vehicle through an insurance company, show proof of a surety bond, or pay the Uninsured Motor Vehicle Fee. Five work centers within the Insurance Services Division perform compliance and enforcement activities including suspension of driver and registration privileges of uninsured vehicle owners, reinstatement, requests for insurance information, and updates of customer records based on vehicle registration and insurance cancellations. Insurance Services Division also administers the Abandoned Motor Vehicle Reimbursement and the Uninsured Motorist Programs.

Allocating Vehicle Services Costs for the Cost Model

Except for the work centers relating to compliance and enforcement activity, and work centers dedicated exclusively to title activity, we will allocate the direct costs captured in work centers based on transaction volume and transaction relative value. For the costs captured in the compliance and enforcement work centers, we will apply direct costs for the Financial Responsibility and Compliance Work Center, Correspondence & Judgment Work Center, and Insurance Verification Work Center. The Data Conversion/Credit Card/Fee Processing Work Center and the Centralized Accident Processing Work Center administer the Abandoned Motor Vehicle Reimbursement Program and Uninsured Motorist Program respectively, as well as performing general compliance and enforcement activities. Because no parallel transaction activity exists to allocate costs between the work centers and the programs, which are the cost drivers, we will allocate costs based on management estimates.

The model allocates Vehicle Services' management costs among all vehicle services cost drivers as direct overhead based on the direct costs.

Motor Carrier Services

Administer the Virginia Fuels Tax Program and Rental Tax Program

The Rental and Fuels Tax Services Division administers the Virginia Fuels Tax Program and the Rental Tax Program. The transactions involving Virginia Fuels Tax Program consist of issuing fuels tax licenses and processing fuels tax reports and informational reports. Suppliers required to pay fuels taxes must submit tax reports. All other licensees file an informational report of fuels activity. Transactions involving the Rental Tax Program include rental tax license applications and monthly tax reports from any rental company or individual who rents vehicles to others. The rental company collects the rental tax when supplying rental vehicles and files a monthly tax report along with payment to Motor Vehicles.

The relative value of the transactions and the number of transactions processed provide the basis for allocation of these activity costs. Customers may process these transactions at a customer service

center or mail payments to the Rental and Fuels Tax Division. Therefore, we will consider customer service center costs in calculating transaction costs.

Administering IRP, IFTA, Single State Registration, Intrastate Operating Authority, and Compliance Process for Federal Heavy Vehicle Use Tax

Motor Carrier Services Division administers IRP, IFTA, Single State Registration, Intrastate Operating Authority, and Compliance Process for Federal Heavy Vehicle Use Tax. These programs enable motor carriers operating interstate to register, pay motor fuel road tax, and file proof of insurance through their base state of Virginia. Motor Vehicles exchanges this information with other jurisdictions. In addition, Motor Vehicles issues Intrastate Operating Authority Certification for motor carriers transporting property or passengers within Virginia. In order to receive certification, motor carriers must provide proof of insurance and file a performance bond. To operate a motor carrier in Virginia, they must show proof that they paid the Federal Heavy Vehicle Use Tax. We will allocate the Division's costs using the relative value of the transactions and the number of transactions processed. Since these transactions can occur at a customer service center, by mail, or through the Internet, we will consider customer service centers when calculating transaction costs.

Compliance and Enforcement

Motor Vehicles administers the Truck Weigh Program, which monitors trucks for compliance with state and federal statutes pertaining to truck size, weight, interstate, primary and secondary road use, and credential compliance. Virginia State Police issues the overweight citations at Weigh Stations. The Liquidated Damages Work Center records the citation and any subsequent correspondence and payment. Capturing costs at the overall program level is the most reasonable costing method for this cost driver because complete statistics are not available.

A division within the Audit and Investigative Services Administration performs activities related to Motor Carrier Compliance and Enforcement. The External Audit Work Center performs fuels tax audits focusing on the financial aspect of filing fuels tax. In addition, this work center performs audits related to rental tax, International Fuels Tax Act, and International Registration Plan. The Motor Carrier Enforcement Division audits fuels tax in the field focusing on gallons and the use of dyed fuels. Therefore, we will apply costs captured relating to the External Audit and Motor Carrier Enforcement to associated Compliance and Enforcement cost drivers.

Transportation Safety

The Transportation Safety Administration proposes changes to the Code of Virginia and safety promotion programs to influence driver behavior and meet mandated federal funding requirements. This administration manages a variety of state and federal transportation safety programs for motorcycle training, alcohol awareness, and occupant protection including proper usage of safety belts and child safety seats. Transportation Safety Administration also provides guidance and assistance to law enforcement agencies, non-profit organizations, localities, and other fundable government units to develop highway safety projects eligible for federal funding. Also within this administration is a unit that compiles traffic and crash statistics for analysis, federal reporting, and safety program evaluation. Because of the nature of the duties performed by this administration, capturing costs at the overall program level is the most feasible costing method.

Records Management

Motor Vehicles uses six work centers to record costs for records collection, management, and retrieval. Costs for these work centers are a direct charge to each cost driver and cost for managing these work centers is a direct overhead.

Other Mandated Activities

This section of the model gathers miscellaneous costs for mandated activities performed by some other function, but requires an independent assessment of expenses and revenues. Personal Property Tax Relief is an activity performed by Financial Management Services and we applied the costs directly to each cost driver.

The Dealer Services activity occurs within the Vehicle Function but the individuals that perform the work at the work center level are independent of other vehicle services. The Dealer and Salesperson Licensing cost driver has some costs directly applied to the cost driver and some direct costs allocated based on the number of dealer and salesperson licensees and the number of salvage dealer licensees. The direct costs for the Salvage Dealer cost driver will come from the previous allocation. Consumer and Dealer Services investigate criminal activities associated with the operation of motor vehicle dealerships statewide. The associated costs will go directly to this cost driver.

Allocating Certain Overhead Costs

As reported in the previous chapter, the nature of some support services work centers allows cost accumulation and assignment as direct costs. At Motor Vehicles, these include certain information technology and administrative services costs. We could not directly allocate all of the costs accumulated in these two work centers to cost drivers.

Below is a discussion of these overhead costs and their cost assignment in the Cost Model.

Information Technology Costs

Motor Vehicles is heavily dependent on information technology for the processing of transactions and other key functions within the department. Information technology constitutes the second largest area of operating cost after payroll and fringe benefits or as compared to the total spent directly on the customer service centers.

Information Technology does not distinguish between costs associated with performing a project directly related to a function and the costs associated with providing general support to the entire agency. By not properly tracking resources expended or assigning costs, Information Technology Services is unable to determine the true costs for projects. In addition, this impacts Information Technology Services' ability to properly develop and monitor its budget, as well as analyze its costs. Consequently, without this information, this vital support function is unable to provide the adequate information necessary to make better management decisions.

While some areas within the Information Technology Administration track their time by particular projects and activities, most areas do not. As a result, they cannot determine the actual costs of a particular project and must rely on estimates. For example, Motor Vehicles can determine the Systems Development Group's personnel costs for the Local Vehicle Registration (LVR) project because this group uses a project management tool called Enterprise PM to track hours spent on the system changes, thus allowing for the allocation of individual salaries to a specific project. However, all other technology and personnel costs for executive level planning, promotion, training, procedures

revisions, and publication revisions that were associated with this project represent estimates because the time these individuals spent on the project was not tracked. Motor Vehicles should initiate an agency-wide method for tracking time spent on projects to assist in the accurate reporting of costs.

In addition, some Administrations capture as a direct cost Electronic Data Processing (EDP), while others capture EDP and other costs in a general work center as overhead. Some Administrations continue to use a 1996 methodology for the accumulation and allocation of electronic data processing costs. Because two Administrations use the Motor Fuels Tax System, but capture costs differently, there is an inconsistency in showing the cost of the system.

Our model will capture all information technology costs, with the exception of specific projects, as indirect overhead. A long-term cost model should attempt to convert as many Information Technology functions as possible to direct costs of Motor Vehicles' functional areas.

Administrative Services Costs

Administrative Services has four divisions: Purchase and Stores, Mail Services, Transportation Services, and Printing Services. Costs captured in these areas include personnel, postage, and inserter and printing machine costs. Except for electronic data processing costs, there are no other allocated overhead costs to this administration. Postage is such a significant cost to Motor Vehicles that they should have some measure to determine what function, activity, or agency is using the mail to establish a direct charge. In this analysis, Motor Vehicles should also consider the services provided to the Motor Vehicle Dealer Board (MVDB) and Board of Accountancy (BOA).

Motor Vehicles currently maintains statistics on mail processing volume by certified mailings, driver and vehicle renewal notices, and decals and licenses mailed. However, Motor Vehicles does not use this information to determine costs or productivity. Motor Vehicles uses the information to measure the outputs, but not compared to their inputs. The same is true for the printing and inserting jobs performed by this Administration. For the purposes of our model, we will be allocating all Administrative Services' costs as indirect overhead. However, Motor Vehicles should develop a method for applying the costs for printing, purchasing, and mail processing by function or activity.

Customer Service Delivery Costs

As noted previously, Motor Vehicles delivers its services and products through a network of 73 customer service centers, 35 license agents, two licensing teams and one call center located within six geographic districts in the Commonwealth. While customer service centers provide all major Motor Vehicles services, License Agents and Licensing Teams supplement these centers for vehicle and driver transactions, respectively.

Each customer service center has a manager who oversees operations, including personnel management and facilities maintenance, and has these costs, as well as rent and utilities charged directly to their branch office. However, it is the District Managers who monitor discretionary costs and the Facilities Management Administration who monitors rent, utility, and maintenance costs.

However, personnel costs recorded under a branch office may not reflect the centers' actual personnel costs. For example, in order to more efficiently complete their work, customer service centers may borrow and lend staff. Since Motor Vehicles does not have a timekeeping system, there is no method to allocate the personnel costs from the lending to the borrowing branch office. Consequently, positions assigned to branch offices have remained constant with managers relying on experience, transaction activity, and their own manual record keeping to determine staffing. As a result, it is

difficult to analyze personnel costs and staffing needs by customer service center to assist in making staffing decisions.

Allocating Customer Service Delivery Costs for the Cost Model

Currently, Motor Vehicles records most customer service delivery costs in work centers specific to a branch office or license agent. Since customer service centers, license agents, licensing teams, and the customer call center perform a variety of transactions related to Driver, Vehicle, Motor Carrier and Dealer activities, we have allocated the total customer service delivery costs based on the transaction relative value and transaction volume.

In order to determine the transaction relative value, we performed a time study of transactions processed at four different customer service centers. We chose specific centers to provide variety in size and location. We assigned relative values to transactions based on the average amount of time needed to perform each activity. Activities assigned a higher relative value consumed a greater amount of resources. We then allocated Customer Service Delivery costs to cost drivers based on the relative value and number of processed transactions.

Non-Mandated Activities

Motor Vehicles also performs non-mandated activities, but does not currently track or analyze related costs or revenues. These activities include printing, mailing, and accounting services for other governmental agencies. In addition, Motor Vehicles also provides special identification cards for state and local entities, administers tests for outside entities, and administers the Local Vehicle Registration System at Virginia Beach. Although it receives compensation for some of these services, Motor Vehicles does not have a mechanism to determine if compensation received covers total cost of services.

Future Cost Model Issues

Motor Vehicles should identify the activities and related cost drivers based on established objectives for revenue and cost analysis. A revenue source code should exist for each specific cost driver. Motor Vehicles should also develop a consistent cost allocation methodology to allocate costs captured in support services activities and outputs. For example, as noted above, Motor Vehicles performs printing services to other agencies. Costs for this activity are part of the Administrative Services Administration, which also performs support services. Using a standard methodology, Motor Vehicles should allocate costs to both printing services outputs and agency general overhead. Allocating costs by the nature and output of a service or programs is the only way to develop a cost accounting model that will accurately and completely document the true total costs, both direct and indirect, of the activities and services provided by Motor Vehicles.

In performing our review, we have found instances where Motor Vehicles captures costs in support service administrations that are direct costs of specific cost drivers. For example, Information Technology Services Administration has a portion of VISTA Fuels Tax Maintenance costs when these costs apply directly to the Fuels Tax cost driver.

Further, Motor Vehicles' support services administrations also perform activities where costs applied to specific cost drivers are based on a standard allocation methodology. For example, the Administrative Services Administration prints and sends vehicle renewal notices to vehicle owners. The related printing and mail costs should apply to the vehicle registration renewal cost drivers. While statistics are available on which to base cost allocation, Motor Vehicles currently does not apply these costs.

We have observed other support areas, particularly in Information Technology, where cost allocations to specific cost drivers or activities could occur using an allocation methodology. For example, the Systems Development Division develops modifications and coding for system enhancements. While the Division tracks time for different projects and costs, there is no allocation to specific cost drivers or activities.

To allocate costs from support administrations, Motor Vehicles should develop an accounting structure with objectives that will facilitate identification and allocation to specific activities and cost drivers. In addition, Motor Vehicles should review it staffing patterns or consider implement a timekeeping system to facilitate proper capturing and assignment of personnel costs to specific activities and cost drivers. Personnel costs constitute a significant portion of Motor Vehicles' costs and failing to track these costs between various functions could significantly distort any cost model and its results. In lieu of a timekeeping system, much of the staff sharing and related payroll data recording issues may reflect that the level of staffing may no longer reflect the actual need of certain cost centers.

CHAPTER 8
RUNNING THE COST MODEL

This chapter discusses the results of our analysis of Motor Vehicles using the cost methodology outlined in Chapter 7. We discuss the application of the model, using driver licensing to illustrate the methodology development and some varying approaches to review the results.

To illustrate the cost model, the following is a brief narrative showing how the model accumulated the per-unit cost of a driver license. As stated earlier, this cost model is as effective as the underlying cost information and supporting data. In order to operate the model, we made a number of allocations of financial information that in the future, we believe, Motor Vehicles would not need to make as management refines the work center structure and the statistical information.

As an example, we allocated costs for Information Technology Services, which totaled $22 million or approximately 15 percent of all Motor Vehicles' costs. Currently, Information Technology Services does not internally maintain a complete cost listing of most projects it supports or develops. Since Information Technology Services is such an integral part of Motor Vehicles' operation and its support costs vary significantly between systems, this would be an example of a work center or other mechanism management may implement to track these costs as direct in the future.

Driver Licensing

The model divides Motor Vehicles into functional areas, Driver Services, Vehicle Services, Motor Carrier Services, Transportation Safety Services, Records Management, and Other Mandated Functions and then there is a further division of each functional area into major activities. For Driver Services, these activities are Driver Licensing, Identification Cards, Disabled Placards, and Compliance and Enforcement.

For each activity, the model identifies potential cost drivers such as the issuance of original licenses, renewals, or commercial driver licenses. If the cost driver was part of a similar process, we grouped the similar products under a common cost driver. For example, we grouped learner permits, original driver licenses, and combined driver licenses as one cost driver- original licenses.

Customer Service Center Cost Allocation

Because customer service centers provide multiple services and use cross-trained personnel, the model treats these costs as pooled and allocates the costs using transaction volume and relative value. For example, based on a limited time study conducted at four customer service centers, an original driver license transaction takes approximately nineteen minutes to complete while a learner permit takes about seven minutes. To allocate the consumption of resources, the model multiplies the number of original driver licenses issued in fiscal year 2003, (298,368) by the time required to process them (18.40 minutes) to get a relative value of 5,489,971.

The model repeats this process with each major cost driver and service provided by the customer service center. Table 8-1 illustrates the allocation of these costs by cost driver for the driver licensing activity.

Customer Service Delivery Administration Table 8-1

Column A	Column B	Column C	Column D		Column E
Cost Drivers	Transactions	Relative Value *(Minutes)*	Weight [B*C]	Percent of Total Costs	Allocated CSDA Costs *(Percent of costs*Total CSDA costs)*
Driver License Issue-CSC:					
Original	298,368	18.40	5,489,971	9.70%	$ 7,551,916
Combined	43,482	11.24	488,738	.86%	672,300
Learner	115,993	7.11	824,710	1.46%	1,134,458
Total	457,843		6,803,419		$ 9,358,674
Total for all Cost Drivers	8,381,492		44,817,597		$61,650,368
Total CSDA Costs	$61,650,368				

General Overhead Cost Allocation

The model allocates indirect costs by cost center, such as the Commissioner's Office, based on the relationship of the functional areas' total direct cost to each functional area's direct cost. This process derives a percentage relationship, which the model then applies to each cost center we grouped in General Overhead Cost.

Table 8-2 shows the allocation of two of General Overhead Cost Centers to the individual functional areas. While not shown, the model further allocates the General Overhead Cost to each cost driver in a functional area.

General Overhead Table 8-2

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Support Service	Total Overhead Costs	Drivers Service	Vehicle Services	Motor Carrier	Transportation Safety	Records	Other Mandated
Commissioner's Office	$1,102,427	$ 226,924	$ 590,043	$168,598	$ 55,067	$ 54,955	$ 6,840
Audit and Investigative Services	5,014,063	1,032,099	2,683,636	766,816	250,456	249,945	31,110

Per Unit and Program Cost Allocation

The model accumulates these various cost elements to derive a total costs for each cost driver. This per-unit cost is a calculation using total costs, divided by the number of cost drivers. For example, Driver License – Original, produces the per-unit cost. The model estimates the average cost of an original driver license is $30.51.

Table 8-3 shows the per-unit cost of processing the various types of driver license activity. However, the cost only reflects the cost of issuance and does not include the other costs Motor Vehicles must incur to meet its mandated activities.

Driver Services Table 8-3

Column A	Column B	Column I	Column J	Column K	Column L
Activities	Cost Drivers	Total Direct Costs	Indirect Overhead	Total Costs	Per Unit Cost
Driver Licensing	Driver License Original-CSC	$ 9,797,557	$4,169,872	$13,967,429	$30.51
	Driver License - CSC	6,839,607	2,910,959	9,750,566	10.82
	Driver License - Mail In Manual	786,723	334,832	1,121,554	5.23
	Driver License – Internet	162,349	69,096	231,446	1.37
	Driver License – Touchtone	39,144	16,660	55,804	1.38
	Driver License-ET	962	410	1,372	1.37
	Driver License-Fax	1,042	443	1,485	33.76
	Juvenile License-Driver License	47,147	20,066	67,213	1.37
	Address Change	528,884	225,095	753,978	4.23
	Commercial Drivers License	937,174	398,864	1,336,038	17.01
	Total	$19,140,589	$8,146,297	$27,286,885	

Reviewing Costing Information

As indicated earlier, the model has provided a per-unit cost of issuing a driver license and can provide that information by cost driver. Within the functional area Driver Services, Motor Vehicles has a responsibility to provide both compliance and enforcement.

Compliance and Enforcement

To properly administer motor vehicle-related laws Motor Vehicles has several compliance and enforcement programs. The model groups these programs to separately to calculate the base value of all cost drivers. For Driver Services, the compliance and enforcement activities include court suspensions, restorations, driver improvement, medical review, and commercial licensing.

Compliance and Enforcement is part of the duties Motor Vehicles assumes in issuing licenses and is a cost inherent in each license. Although the model separates the costs, it also provides a mechanism to add them to the cost driver. Tables 8-4 and 8-5 show the cost of compliance and enforcement and the effects that this service has on the per-unit costs.

Driver Services Compliance and Enforcement Table 8-4

Column A	Column B	Column C	Column I	Column J	Column K
Activities	Cost Drivers	Direct Costs	Total Direct Costs	Indirect Overhead	Total Costs
Compliance And Enforcement	Court Suspensions	$ 477,232	$545,529	$232,179	$777,708
	Restorations	243,882	278,784	118,651	397,435
	Driver Improvement	585,073	668,803	284,645	953,448
	Medical Review	-	-	-	-
	Commercial Licensing	123,409	141,070	60,040	201,110

As reflected in Table 8-4, the model initially recognized these as separate cost drivers and allocated costs accordingly. However, these activities are functions that support most driver services. Therefore, the model allocates the total costs of these activities among the other driver licensing activities to establish the total cost of these products. For example, court suspensions require the suspension and possible reinstatement of a driver license. These costs occur on driver services products after the issuance of an original driver license, therefore there was no allocation of these costs to the per-unit cost of an original driver license. Additionally, we allocated the Commercial Driver License compliance costs solely to commercial driver license products.

Address changes, a cost driver that does not always generate revenue, always adds to the cost of driver service products. Again, we allocated the total costs of this cost driver to the products that initiate the activity. Table 8-5 further reflects the true costs of the driver license cost drivers. An original driver license cost is still $30.51, however the total cost of a driver license renewal completed at a customer service center was initially $10.82, after allocating compliance and address change costs the total cost of this product is actually $12.63. These required support programs significantly increase the cost of a driver license.

Per License Cost Table 8-5

		Address Changes		Compliance			
Cost Drivers	Per Unit Cost	Total Cost	Per License	Total Cost	Per License	Commercial Licensing	Total Per Cost Driver
Driver License Original-CSC	$ 30.51	$ -	.44	$ -	1.37	-	$ 30.51
Driver License - CSC	10.82	397,079	.44	1,237,644	1.37	-	12.63
Driver License -Mail In Manual	5.23	94,454	.44	294,401	1.37	-	7.05
Driver License -Internet	1.37	74,626	.44	232,599	1.37	-	3.18
Driver License -Touchtone	1.38	17,864	.44	55,681	1.37	-	3.19
Driver License-ET	1.37	442	.44	1,379	1.37	-	3.18
Driver License-Fax	33.76	19	.44	60	1.37	-	35.58
Juvenile License-Driver License	1.37	21,672	.44	67,548	1.37	-	3.18
License - Address Change	4.23	-	-	-	-	-	4.23
Commercial Driver License	17.01	34,612	.44	107,882	1.37	-	21.38

Pricing Comparisons

Motor Vehicles is dependent on its fees to support its operations. Therefore, in pricing its product or determining its level of service, Motor Vehicles needs to have a per-unit cost that includes all of the services it must or plans to provide. As with the preceding table, comparing fees charged or retained to only the per-unit cost of issuing a license without including compliance and enforcement can significantly affect operations.

A typical driver license transaction, including the issuance of an original 5-year or a 5-year renewal costs the customer $20.00, of which Motor Vehicles retains $18.50, duplicates and reissues of a driver license cost $10.00. The average cost of an original driver license is $30.51, though this does not cover the actual cost. Renewal transactions cost less than the $18.50 Motor Vehicles retains.

However, the cost of driver license products vary significantly, since there are various classes, endorsements, prorated fees, combined licenses (instruction permit/licenses) which result in many different fee combinations. We have not found reliable revenue data or statistical information to make an allocation of cost by each of these other products. Therefore, we used total driver license revenues and allocated these among the various cost drivers. What is evident is that each transaction occurring through an alternative service method, such as a driver license renewal over the Internet, presents significant cost savings for Motor Vehicles.

We further analyzed the cost of driver license products issued through customer service centers by allocating the total costs of original driver licenses by the number issued in each center. The average cost of issuing an original driver license is $30.51, however, that cost varies greatly among the different service centers. One of the busiest service centers is located in Tyson's Corner, the average cost of issuing an original driver license at that location is $22.82. The mobile service centers, which are no longer in service were the most expensive method of issuing a license, the cost of an original driver license issued by the Suffolk mobile center was approximately $143.51.

License Cost by Customer Service Center — Table 8-6

Customer Service Center	Total CSDA Costs	Number of Licenses	Percent of Licenses	Amount of CSDA Costs	Cost per Original License
Mobile CSC-Suffolk	$ 102,250	161	0.04%	$ 21,485	$ 143.51
Emporia CSC	323,537	798	0.17%	67,981	95.26
Mobile CSC-Richmond	80,189	110	0.02%	16,849	163.24
South Hill CSC	391,220	1,949	0.43%	82,203	52.24
Arlington CSC	1,880,963	20,273	4.43%	395,227	29.56
Roanoke CSC	1,403,309	11,983	2.62%	294,863	34.67
Chesterfield CSC	1,197,979	8,860	1.94%	251,719	38.48
Tyson's Corner CSC	1,413,286	23,292	5.09%	296,959	22.82

The above table clearly shows that the volume of transactions does directly affect the unit cost. This table also provides insight into the fact that having customers switch to an alternative service delivery method such as mail or internet as shown in Table 8-3 creates a substantial savings.

CHAPTER 9
COST ANALYSIS

Introduction

This Chapter includes a discussion of the Cost Model results when reviewing the effects on the total revenues and expenses of Motor Vehicles. We show the distribution including both mandated transfers and operating expenses. The operating expenses are further broken down to include both direct and indirect costs using the model for purposes of illustration. This discussion also includes our review of statistics supporting the allocation.

General Financial Information

Collections and Revenue

Motor Vehicles has the primary statutory responsibility for collecting state transportation revenues. In addition, Motor Vehicles has responsibilities in the areas of transportation safety, motor vehicle and driver licensing and regulation, and motor carrier licensing and regulation. Further, the agency has the ancillary statutory responsibilities with respect to the Personal Property Tax Relief Act, motor voter implementation and collection of certain taxes for localities.

As reflected in Table 9-1, most of the revenue collected by Motor Vehicles, approximately $2 billion, funds the programs of the Virginia Department of Transportation, which receives 87 percent of all collections transferred. Motor Vehicles is also responsible for collecting special funds for other state agencies, certain local government taxes, and for other states under reciprocal agreements or compacts with those states. In fiscal year 2003, disbursements to other state agencies totaled $145 million and taxes transferred to local governments totaled $37 million. Motor Vehicles' operations and the required transfers to the General Fund use the majority of funds remaining.

Breakdown of Revenue Transfers — Table 9-1

Transfers to	Amount	Percent
Department of Transportation	$1,587,627,645	87.11%
Other Agencies, Localities, and States	145,035,949	7.96%
General Fund	52,884,119	2.90%
Localities	36,986,993	2.03%
Total	$1,822,534,706	100.00%

Operating Revenues and Expenses

Of the revenues collected, Motor Vehicles retains approximately 8.15 percent or $191,917,448 to fund operations. The amounts retained vary by source of service and are typically set forth in the Code of Virginia. Motor Vehicles does receive a portion of the collection of several other funds such as the Uninsured Motorist Fund for operating this program. As shown in Table 9-6, the amount retained by Motor Vehicles may not reflect the cost incurred to provide the program.

Gross Revenue Collections and Retained Revenue By Activity Table 9-2

Function	Gross Collection	Retained Revenues
Driver Services	$ 35,537,335	$ 31,380,001
Vehicle Services	845,290,759	79,834,848
Motor Carrier Services	1,047,390,791	40,323,285
Transportation Safety Services	25,500,483	6,272,993
Records Management	31,434,830	31,421,267
Other Mandatory Services	4,967,530	2,685,054
Total	$ 1,990,121,728	191,917,448
Less transfers and adjustments		(34,556,646)
Net Revenues Retained		$ 157,360,802

We based the cost model on the operating revenues and expenses for fiscal year 2003. The following tables provide an overview of Motor Vehicles' expenses before and after analysis using the cost model.

Tables 9-3 and 9-4 show expense information by natural cost category and activity. Table 9-5 shows the amount after the allocation of indirect overhead.

Operating Expenses by Natural Cost Category Table 9-3

Expenses	Amount	Percent of Total
Personal Services	$ 92,402,717	57.02%
Contractual Services	37,776,554	23.31%
Supplies and Materials	12,241,994	7.56%
Transfer Payments	3,974,247	2.45%
Continuous Charges	13,923,436	8.59%
Property and Improvements	1,042,165	0.64%
Equipment	563,385	0.35%
Plant and Improvements	125,266	0.08%
Total	$ 162,049,763	100.00%

As shown in Table 9-3, personal services costs constitute the single largest operating expense at Motor Vehicles. Most of these expenses are associated with full-time personnel and their related fringe benefit cost. Having high personnel costs results in two considerations in analyzing Motor Vehicles' current and future operations, the composition and the funding of the workforce.

Because the current workforce is primarily full-time employees, the ability to shift staff to meet peak customer demands, or not use personnel at other times, limits management's ability to control costs associated with providing services. Controlling and effectively using personnel cost is one of Motor Vehicles management's greatest challenges. Without shifting to different staffing patterns, Motor Vehicles will find it difficult to control costs, even if management can shift customers to service delivery methods that do not involve staff.

The second issue facing Motor Vehicles with this current staffing pattern is finding a method to pay for salary and other fringe benefit cost increases without finding a new revenue stream or receiving an increase in the amount retained for operations. This remains a long-term issue unless the volume of activity increases in proportion to the salary increases. This issue will become more pronounced as the Governor and General Assembly give salary increases to employees. In fact, if customer volume remains stagnate management will either need to reduce other costs or reduce staffing to pay for the increase salaries within existing resources. Motor Vehicles' management will face this specific challenge, when the employees receive their cost-of-living raise in November 2003.

Salary and fringe benefit expenses represent management's biggest challenge. Motor Vehicles' staff salaries and fringe benefit costs are a significant portion of unit costs. To control overall costs in this area, management needs to evaluate what is the best use of this resource when examining per unit costs. For example, should individuals who have access to an alternative service delivery method pay a premium to use a customer service center?

Allocating Expenses

Within the accounting system, Motor Vehicles records expenses within the natural cost categories in various cost centers. The cost centers relate to the activities shown in Table 9-4. Currently, we are treating information technology expenses as an allocated item such as overhead; however, as recommended earlier, we believe information technology should be a direct charge to activities and operation within Motor Vehicles. Information technology constitutes one of the largest support activities and a more accurate allocation of these costs to the direct activities will greatly increase the usefulness of the cost accounting information.

Expenses by Activity — Table 9-4

Functional Area	Amount	Percent of Total
Driver Services	$23,380,243	14.43%
Vehicle Services	60,916,613	37.59%
Motor Carrier Services	17,370,771	10.72%
Transportation Safety Services	5,673,615	3.50%
Records Management	5,662,027	3.49%
Other Mandatory Services	704,734	0.43%
Information Technology	21,707,902	13.40%
General Overhead	26,633,858	16.44%
Total	$ 162,049,763	100.00%

Note: The above table shows expenses before the allocation of data processing and overhead to the various activities.

While we believe that the total financial information is correct, the current model had to shift from the direct assignment of revenues and expenses to more allocations. A cost accounting structure generally requires the allocation of certain general overhead expenses, such as the Commissioner's Office, however, the more costs assigned directly to a work center, the more valuable the information provided by the model. Motor Vehicles' management needs to review the work center structure and determine a structure that would maximize the accumulation of direct cost for activity by cost driver.

Expenses by Activity with Information Technology and Overhead Allocated to Activity — Table 9-5

Functional Area	Amount	Percent of Total
Driver Services	$ 33,330,952	20.57%
Vehicle Services	86,790,184	53.56%
Motor Carrier Services	24,763,828	15.28%
Transportation Safety Services	8,088,324	4.99%
Records Management	8,071,804	4.98%
Other Mandatory Services	1,004,671	0.62%
Total	$ 162,049,763	100.00%

Although Table 9-5 provides a fully allocated breakdown of expenses by activity, it is also essential, that as part of the cost allocation process, to review revenues compared to expenses both in total and by service rendered. Table 9-6 compares total retained revenues to expenses by activity.

Comparison of Retained Revenues to Expenses — Table 9-6

Functional Area	Retained Revenues	Expenses	Revenue Over Expenses
Driver Services	$ 31,380,001	$ 33,330,952	$ (1,950,950)
Vehicle Services	79,834,848	86,790,184	(6,955,336)
Motor Carrier Services	40,323,285	24,763,828	15,559,457
Transportation Safety Services	6,272,993	8,088,324	(1,815,331)
Records Management	31,421,267	8,071,804	23,349,463
Other Mandatory Services	2,685,054	1,004,671	1,680,382
Total	191,917,448	$162,049,763	$29,867,685
Transfers and adjustments		(34,556,646)	
Total		$ 157,360,802	

As shown above, Motor Vehicles' retained revenues do not necessarily cover all of the expenses for each functional area. Driver Services, Vehicle Services, and Transportation Safety Services incur expenses in excess of their retained revenues. A closer analysis shows that Vehicle Services is also the largest user of the customer service centers and information technology resources within Motor Vehicles. While Driver Services uses a significant portion of the customer service center resources, this usage happens primarily with the issuance of the original license and the five-year renewal cycle. Vehicle Services does not have a defined time span for activities, but is subject to the sale of vehicles that do not go through a dealer or other business that can handle the transaction directly.

Conversely, Records Management and Motor Carrier Services functions are significant contributors to the operations of Motor Vehicles. The primary sources of revenues in both of these areas are not a direct result of the expenses incurred through Motor Vehicles' operations. Record Management generates its revenues from the sale of information to various sources, primarily insurance carriers. The records are a by-product of the information systems that Motor Vehicles maintains to track driver and vehicle information.

While Motor Carrier Services, as shown in Table 9-7, is the largest area of gross collections, primarily from Motor Fuel Tax collections, most of the retained revenue results from the portion of the Rental Tax that Motor Vehicles retains. Most of the expenses with Motor Carrier Services are the personnel and information technology expenses for the Motor Fuel Tax system and audit group.

During fiscal 2003, the Governor's Budget and the Appropriation Act anticipated that Motor Vehicles could adjust its spending to save approximately $34 million for a transfer to the General Fund. The primary source of the funding for this transfer was the responsibility of Motor Vehicles' management. For discussion purposes in reviewing retained collections to expenses, we have not reduced revenue areas for the General Fund transfer. The Appropriation Act includes a similar transfer for Fiscal 2004 to come from fee increases and the portion of the Rental Tax currently retained by Motor Vehicles. While the extra fees for record sales will offset the mandated transfer, unless Motor Vehicles can adjust its spending patterns, the loss of the Rental Tax will have a significant effect on operations.

Comparison of Total Collections to Total Expenses — Table 9-7

Function	Gross Collection	Expenses	Expenses as percent of Collections
Driver Services	$ 35,537,335	$ 33,330,952	93.79%
Vehicle Services	845,290,759	86,790,184	10.27%
Motor Carrier Services	1,047,390,791	24,763,828	2.36%
Transportation Safety Services	25,500,483	8,088,324	31.72%
Records Management	31,434,830	8,071,804	25.68%
Other Mandatory Services	4,967,530	1,004,671	20.22%
	$ 1,990,121,728	$162,049,763	

A final general analysis of the information is a comparison of the gross collections to the operating expenses. This general comparison provides information to begin examining those areas where the cost of collection is close to the revenue generated. This chart provides only a starting point for this type of examination. To truly understand these relationships, the reviewer needs to consider the service rendered, the method of providing the service, and the volume of activity.

In addition to the basic financial information, the cost model is heavily dependent on the statistical information accumulated by Motor Vehicles. Following this section is a discussion of the statistical information used and some recommendations for reviewing the information needs in this area.

Statistical Information

Fundamental to this cost model is the availability of reliable statistical information. As discussed earlier in this report, Motor Vehicles tracks information by transactions that generate revenue, however, there is no reliable and independent means of verification for other non-revenue activities. Several sources of information provided the transactional information presented in this report for these activities.

In order to provide the broadest overview of operations, we have included the data in Appendix D for all the traceable activities that Motor Vehicles performs, including those that are completed at no charge to the customer or are provided and tracked as mandated services. Examples of each type of data are processing of address changes, and the processing of court order actions on a driving record. These services are a vital part

of Motor Vehicles' operations; however, they are not readily tracked information. In order to isolate these services and other information, Motor Vehicles extracted information from their system or provided manual tracking records. To the extent practicable, we have reviewed and verified the information, however, in some circumstances, we could only determine the reasonability of the information.

RECOMMENDATION #9

To ensure accurate results, the model requires complete and verifiable information. As Motor Vehicles continues to use the cost model, management should review and refine the mechanism to accumulate and verify statistical information, both for the cost model and for performance measures. Motor Vehicles should invest the time and resources necessary to accumulate, verify, and use this data.

CHAPTER 10
BEST PRACTICES, PERFORMANCE MEASURES, AND FUTURE ISSUES

The Cost Model and its use is heavily dependent on implementing some budget and accounting structural changes within Motor Vehicles. However, how Motor Vehicles uses the Cost Model will depend on some policy guidance issues concerning the Commonwealth's willingness to maintain a desired level of customer services. In addition, policy guidance may be necessary to review the steps Motor Vehicles might undertake to shift customers from using one service delivery method to another.

In order for policy makers to provide Motor Vehicles with guidance on customer service levels and related costs, there must be a means of measuring productivity and aligning these measures with related services and products. We believe the use of performance measures using a balanced scorecard approach is the best practice.

Motor Vehicles has an existing balanced scorecard into which management could incorporate the changes discussed in the Cost Model chapter to include non-revenue generating transactions and establishing productivity measures. This scorecard will then provide a sound management tool for operations review. We also believe that it would provide a mechanism for Motor Vehicles to document and project the cost of new services and products.

Refining the Information for the Model

To effectively use the Cost Model and have it serve as a basis of determining and monitoring future operations, Motor Vehicles will need to undertake some fundamental analysis of its method of capturing key cost and revenue information. The following is a list of key issues that management will need to address for the cost model to work effectively.

1. Cost Centers should parallel the organizational structure and capture as many costs as direct expenses to an activity.

2. Each Customer Services Center should be a Cost Center that includes as many direct costs as possible.

3. Cost Centers should include both the revenues and expenses of an activity.

4. Information Technology Services should develop a mechanism to directly charge its services to activities.

5. A time and effort system may be necessary where either statistical or other allocation methods do not exist or significant personnel perform multiple functions regularly.

6. Management needs to analyze activities beyond just those that produce revenue to determine areas where Motor Vehicles incurs significant costs, such as address changes.

7. Information Technology needs to develop a more effective means of extracting information for statistical analysis.

Specific Future Cost Model Issues

Motor Vehicles should identify the activities and related cost drivers based on established objectives for revenue and cost analysis. A revenue source code should exist for each specific cost driver. Motor Vehicles should also develop a consistent cost allocation methodology to allocate costs captured in support services activities and outputs. For example, Motor Vehicles performs printing services to other agencies. Costs for this activity are part of the Administrative Services Administration, which also performs support services. Using a standard methodology, Motor Vehicles should allocate costs to both printing services outputs and agency general overhead. Allocating costs by the nature and output of a service or program is the only way to develop a cost accounting model that will accurately and completely document the true total costs, both direct and indirect, of the activities and services provided by Motor Vehicles.

In performing our review, we found instances where Motor Vehicles captures costs in support service administrations that are direct costs of specific cost drivers. For example, the Information Technology Services Administration is allocated a portion of VISTA Fuels Tax Maintenance costs when these costs apply directly to Fuels Tax cost driver.

Further, Motor Vehicles' support services administrations also perform activities where costs applied to specific cost drivers based on a standard allocation methodology. For example, the Administrative Services Administration prints and sends vehicle renewal notices to vehicle owners. The related printing and mail costs should apply to the vehicle registration renewal cost drivers. While statistics are available on which to base cost allocation, Motor Vehicles currently does not apply these costs.

We have observed other support areas, particularly in Information Technology, where cost allocations to specific cost drivers or activities could occur using an allocation methodology. For example, the Systems Development Division develops modifications and coding for system enhancements. While the Division tracks time for different projects and costs, there is no allocation to specific cost drivers or activities.

To allocate costs from support administrations, Motor Vehicles should develop an accounting structure with objectives that will facilitate identification and allocation to specific activities and cost drivers. In addition, Motor Vehicles should review its staffing patterns or consider implementing a timekeeping system to facilitate proper capturing and assignment of personnel costs to specific activities and cost drivers. Personnel costs constitute a significant portion of Motor Vehicles' costs and failing to track these costs between various functions could significantly distort the results of any cost model and its results. In lieu of a timekeeping system, much of the staff sharing and related payroll data recording issues reflect that the level of staffing may no longer reflect the actual need of certain cost centers.

The Need for Productivity Measures When Using the Model in the Future

Ultimately, to be an effective tool, management must couple cost information with productivity when developing performance measures. While we have shown the cost per-unit, we did not have the information to establish productivity for performance measures.

Without effective performance measures for productivity, a reviewer cannot reach the conclusion that Motor Vehicles needs to retain a greater portion of revenue or that the General Assembly needs to raise a fee simply to cover Motor Vehicles' costs. The cost model highlights the areas that require attention; however, there are three issues that management must resolve that go beyond this model.

These issues are:

1. Is providing the current level of service worth the cost to the taxpayer, and do alternative service delivery methods exist that provide the same level of service cheaper, but not necessarily the same way? As an example, this issue involves the problem of causing customers to switch to an alternative service delivery method while enduring complaints about the loss of a customer service center.

2. Can management develop productivity measures and use these measures as an effective tool to staff customer service centers and other operations? This issue recognizes that customer lines may occur and would require action only when reaching a critical mass. Underlying this issue is also the method and manner in which Motor Vehicles staffs its operations.

3. The final issue, what is the balance between revenue collection and customer service? This issue takes in more than just the cost of service or the amount collected.

Need for Performance Measures

Motor Vehicles operates in an environment where there exists a need to set and monitor performance goals. These goals provide a measure for everything; such as the time it takes a customer service representative to service and complete a transaction with a citizen at a customer service center or determining the time, resources, and manpower it will take to issue a new type of license.

Performance goals are essential at an operation such as Motor Vehicles, where a simple task such as recording an address change can result in hundreds of thousands of transactions annually. Performance measures provide only a task measure to determine how long it takes an individual to perform an operation and then equate this measure to the cost of service. In addition to measuring time and costs, Motor Vehicles needs to consider other factors such as how long does a customer wait, what is the representative's attitude, and what is an acceptable error rate. These additional factors and management's expected outcomes all become part of the agency's performance measures.

The Performance Measurement Advisory Committee, a legislatively created committee, developed a performance management system with a linked, four-element process: strategic planning, performance measurement, program evaluation, and performance budgeting.

- Strategic planning is the systematic clarification and articulation of what an organization wishes to achieve and how to achieve it.

- Performance measurement is the collection and reporting of information that tracks resources used, work produced, and intended results achieved.

- Program evaluation is the collection and analysis of information based on the performance measures to determine a program's performance and reasons for achieving that level of performance.

- Performance budgeting is the incorporation of performance information into the budgetary process.

Each of these processes work together to form a performance management system, which provides information that decision-makers can use to improve and communicate the results of government services.

Performance measures serve as a control process of comparing actions against plans. It maintains the specific steps taken by management to achieve its goals and objectives and to use resources effectively and efficiently. Effectiveness measures whether management achieved or missed its objective while efficiency measures how management used its resources to achieve the objective. Performance measurements are the feedback that reports information on how well the actions represent the plans and identifies where managers may need to make corrections or adjustments in future planning and controlling activities.

Balanced Scorecard

Motor Vehicles currently produces a "Balanced Scorecard" on a monthly basis. This scorecard measures performance in the areas of Customer Service, Human Resources, Financial Management, Process Improvement, and Transportation Safety, with the greatest emphasis on Customer Service. Because these measures involve several different operational areas, many employees provide information for the scorecard, yet several of these employees do not understand the purpose of the information. These employees use numerous systems to obtain the information they provide for the scorecard; however, no mechanism exists to verify the accuracy of data for several performance measures.

For performance measures to work, each measure must relate to a specific goal or objective and must have an accurate value. If either of these characteristics is not present, performance measures will either lead an agency toward goals and objectives they have not adopted or will mislead those using the measures in evaluating performance. The latter is the case with the example of Motor Vehicles' performance measurement in the balanced scorecard.

While the cost per customer is a good indicator of efficiency and effectiveness, the fact that it is inaccurately valued makes this measurement useless for program evaluation and breaks down the agency's performance management system. The accounting system does not accumulate all direct costs for a service, let alone all indirect costs. Further, the balance scorecard monitors only tasks that generate revenue, and therefore, ignores the significant costs associated with non-revenue generating activities.

Building on the Balanced Scorecard

Fundamentally, the balanced scorecard is a sound first step in effectively using performance measures to manage the agency and deliver services. However, the balanced scorecard needs to represent all of Motor Vehicles' operations and all of the costs. Further, the scorecard needs to incorporate management's expectations of what constitutes adequate customer service.

The Scorecard reflects how this mechanism serves both as a good and bad management tool. Just like any tool, the user determines its use. Without including cost constraints or using measures to look at overall costs and operations, managers who believed they were meeting or exceeding their performance measures in customer service were unaware of the long-term effects of their decisions. Customer service satisfaction became Motor Vehicles' driving goal without consideration to resource limitations.

By incorporating into the balanced scorecard all operations, costs, and resource limitations, management can set reasonable measures that the agency can achieve with available resources. Further, Motor Vehicles can begin using this approach to show policy makers the anticipated costs when there is an expectation to provide a particular level of service.

Resource Planning

Beyond the balanced scorecard, Motor Vehicles needs to develop an internal mechanism to evaluate alternative service delivery methods, the costs of new or altered services, or how to continue to deliver existing services. This mechanism needs to show both internal and external policy makers the cost and consequences of a decision.

It is clearly less expensive to have someone use the Internet and a credit card to renew a vehicle license rather than come into a customer service center. However, if having the Internet only shifts a person from renewing using the Internet instead of the mail, while there are some savings, they are minimal.

Further, if having longer wait times moves individuals out of the customer service centers to the point where staff reductions can occur or eliminate a center altogether, then we have achieved a true saving. Alternatively, we could institute a customer fee for individuals who do not use an automated service delivery method, but use a customer service center and a credit card. This process is not without the cost of an upset public and complaints in the short term.

Motor Vehicles needs to approach resource planning in a two-tiered manner. The first tier is the re-examination of what resources management and other policy makers are willing to commit to various levels of customer service. This tier is a constant re-examination of current service levels, costs, customer satisfaction, and moving customers to less expensive, alternative delivery methods. This tier also re-examines not only service level, but also the long-term impact of delivering existing services with changing resources. As an example, it may be apparent that customer service centers are necessary; however, staffing with a mixture of full and part-time employees or using contractors, could provide the same service, meet demands, and reduce costs.

The results of the first tier analysis become the Balanced Scorecard for that period. Therefore, the balanced scorecard not only reflects the historical goals of the Motor Vehicles, but those goals for the current year.

The second tier is a model that builds on the first tier to examine and propose new services, and delivery alternatives, or estimate the cost of new services. This tier examines not only the cost of the service, but the impact that the change will have on existing customer service levels. The result of this resource planning model is a cost benefit analysis of the change.

While some changes may not have a cost benefit, this model will at least estimate the effect on existing services. For those changes that do have a cost benefit, the model will enable management to determine if the cost of implementing the change will result in savings and what actions may be needed to achieve savings.

Clearly having customers use an ET machine, Internet, mail, or other service delivery method that avoids the use of a customer service center has the largest savings. Simply introducing or advertising a method of service delivery does not cause a change or a savings. Management needs to indicate what actions they need to take to implement the change and the cost associated with the change.

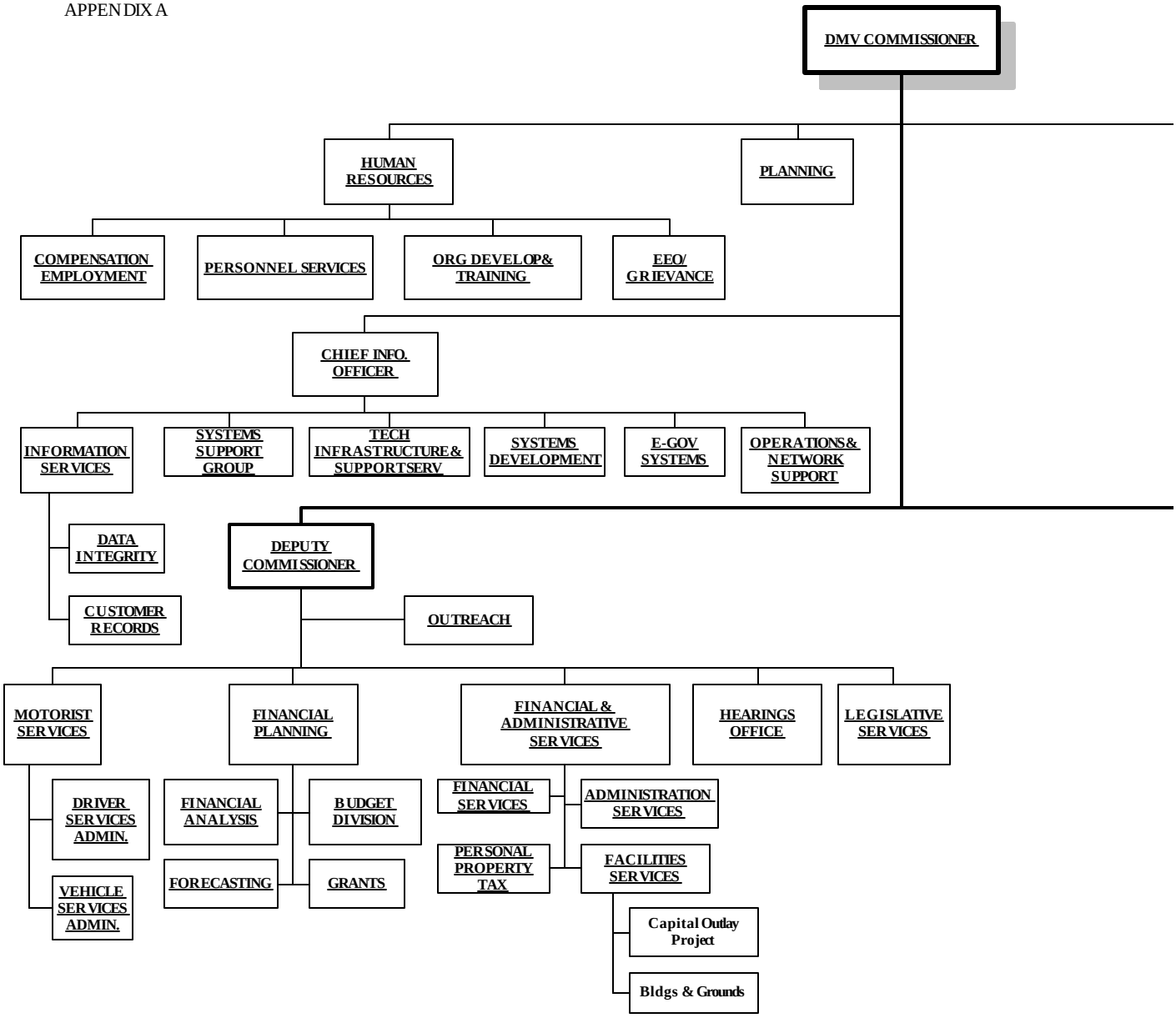
The final stage of this analysis is the incorporation of the new function into the balanced scorecard. Management and employees, as well as the policy makers, are therefore aware of the effect of the new service and its related impact on existing services.

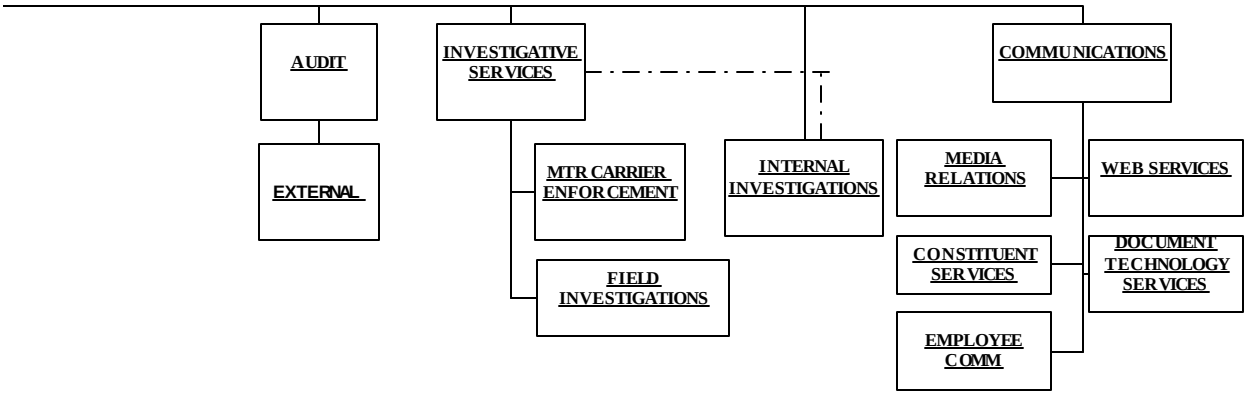
APPENDIX A

MOTOR VEHICLES ORGANIZATION CHART

DEPARTMENT OF MOTOR VEHICLES

APPENDIX A

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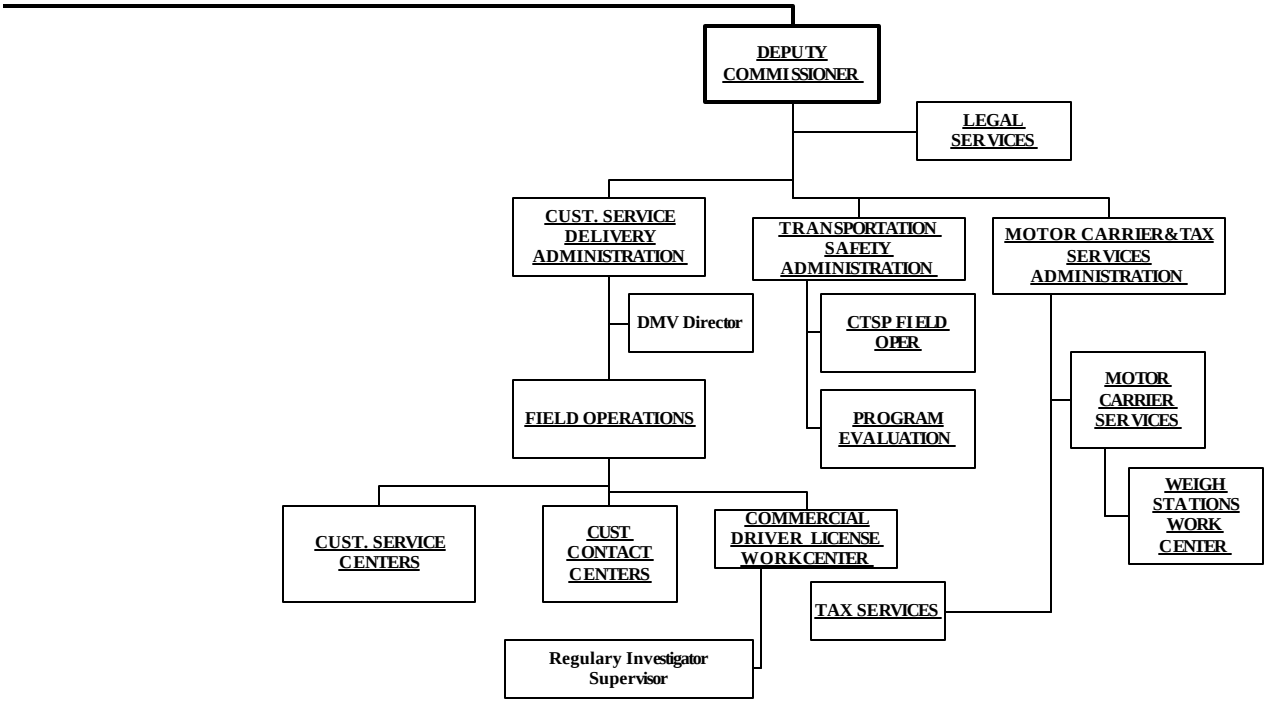
EXTERNAL
INVESTIGATIVE SERVICES
MTR CARRIER ENFORCEMENT
FIELD INVESTIGATIONS
INTERNAL INVESTIGATIONS
COMMUNICATIONS
MEDIA RELATIONS
WEB SERVICES
CONSTITUENT SERVICES
DOCUMENT TECHNOLOGY SERVICES
EMPLOYEE COMM


DEPUTY COMMISSIONER
LEGAL SERVICES
CUST. SERVICE DELIVERY ADMINISTRATION
TRANSPORTATION SAFETY ADMINISTRATION
MOTOR CARRIER&TAX SERVICES ADMINISTRATION
DMV Director
CTSP FIELD OPER
PROGRAM EVALUATION
FIELD OPERATIONS
MOTOR CARRIER SERVICES
WEIGH STATIONS WORK CENTER
CUST. SERVICE CENTERS
CUST CONTACT CENTERS
COMMERCIAL DRIVER LICENSE WORKCENTER
TAX SERVICES
Regulary Investigator Supervisor

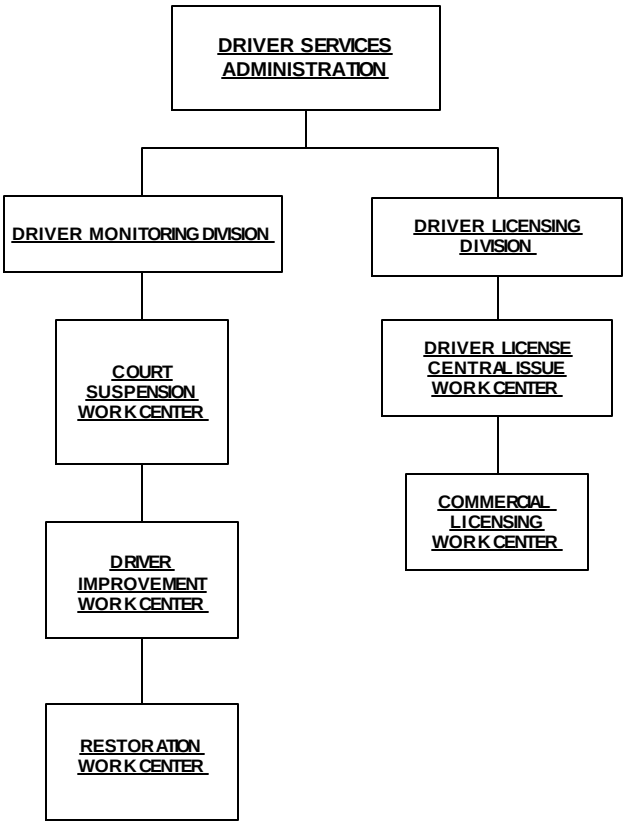
APPENDIX B

DRIVER AND VEHICLE SERVICES

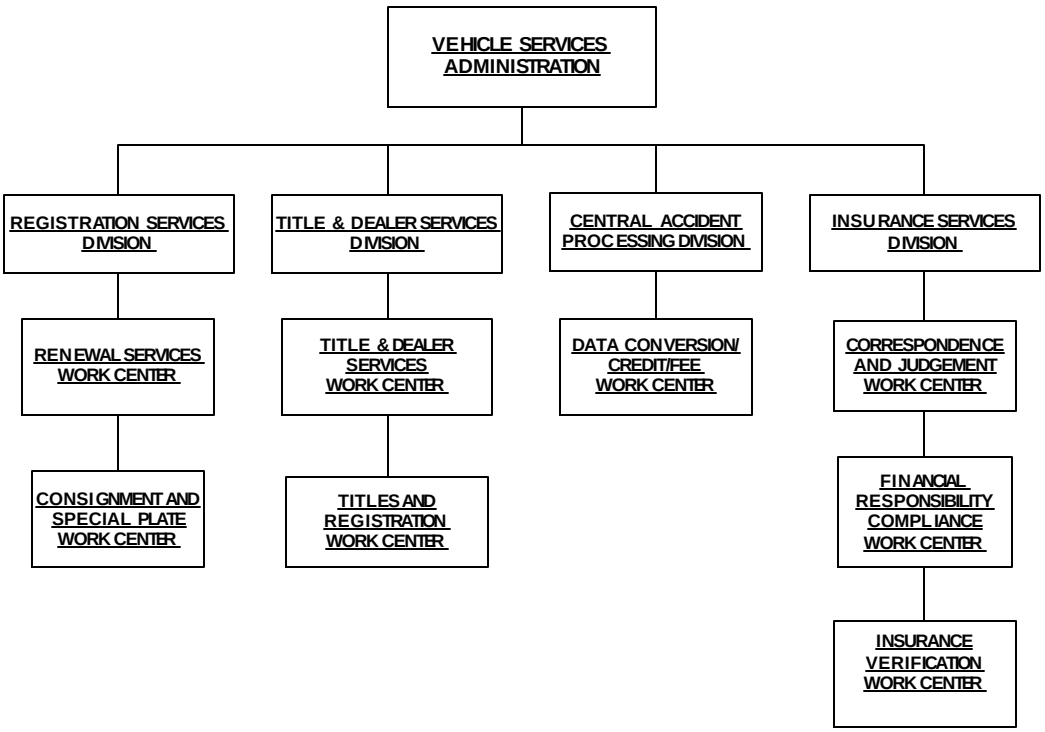
ORGANIZATION CHART

Appendix B

DEPARTMENT OF MOTOR VEHICLES
DRIVER SERVICES



DEPARTMENT OF MOTOR VEHICLES
VEHICLE SERVICES



APPENDIX C

FUNCTIONAL ANALYSIS

Appendix C

Functional Analysis of Activities and Cost Drivers verses Mandate

Functional Area	Activities	Cost Drivers	Mandate(s)
Driver Services			
	Driver Licensing	Drivers License Original and Non-original	§46.2-323 through 333,§46.2-221.1
		Juvenile License	§46.2-334 through 335, §46.2-221.1
		Commercial Licenses	§46.2-341, §46.2-221.1
	Identification Card	Virginia Identification Card	§46.2-345, §46.2-221.1
	Disabled Placard	Disabled Placards	§46.2-1240 through §46.2-1259
	Compliance & Enforcement	Court Suspensions	§46.2-383, §46.2-301, §46.2-395, §46.2-411, §46.2-414, §46.2-416, §46.2-946 §18.2-266, §16.1-278, and others
		Restorations	§46.2-358 thru §46.2-362, §46.2-410.1
		Driver Improvement	§46.2-383, §46.2-489 through §46.2-506, §46.2-334, §46.2-416, §16.1-278
		Medical Review	§46.2-204, §46.2-322, §46.2-329, §46.2-311 and others
		Commercial Licensing	§46.2-489 thru §46.2-506, §46.2-1700 thru 1707
Vehicle Services			
	Title	Titling	§46.2-600 through §46.2-644
	Registration	Vehicle Registration and Renewal	§46.2-600 through §46.2-615, §46.2-645 through §46.2-756
	Overload Permits	Overload Permits	§46.2-697, §46.2-1128
	Compliance & Enforcement	Financial Responsibility Compliance	§46.2-435, §46.2-441, §46.2-412, §46.2-459, §46.2-709
		Data Conversion/Credit Card Processing	§46.2-411, §46.2-212.1, §46.2-606
		Abandoned Vehicle Program	§46.2-1207
		Centralized Accident Processing	§46.2-373
		Uninsured Motorist Program	§46.2-368, §46.2-705 through §46.2-710
		Correspondence & Judgment	§8.01-308, §46.2-705 through §46.2-710
		Insurance Verification	§46.2-706, §46.2-707
Motor Carrier			
	Rental Tax	Rental Tax	§ 58.1-2402 A 4, § 58.1-2204
	Fuels Tax	Fuels Tax	§ 58.1-2200
	International Fuels Tax Act (IFTA)	IFTA	§46.2-200, §58.1-2700 through §58.1-2712.2
	International Registration Program (IRP)	IRP	§46.2-200
	Operating Authority	Operating Authority	§46.2-1900, §46.2-2000
	Single State Registration (SSRS)	SSRS	§46.2-2051 through §46.2-2058
	Motor Carrier Services/Hauling Permits	MCS Mileage/Hauling Permits	§46.2-1139 through §46.2-1143
	Compliance & Enforcement	Liquidated Damages	§46.2-1131 through §46.2-1138.1, HVUT (Heavy Vehicle Use Tax) §46.2-649
		Weigh Stations	§46.2-200
		External Audit	§46.2-200, §58.1-2404
		Motor Carrier Enforcement	§46.2-200
Transportation Safety	Transportation Program Management	Transportation Program Management	§46.2-222, §46.2-223
	Transportation Federal Grant Program	Transportation Federal Grant Program	§46.2-222, §46.2-223
	Reporting & Evaluation Services	Reporting & Evaluation Services	§46.2-222, §46.2-223

Appendix C

Functional Area	Activities	Cost Drivers	Mandate(s)
	Motorcycle Rider Safety Program	Motorcycle Rider Safety Program	§46.2-222, §46.2-223, §46.2-1188 through §46.2-1192
	Community Traffic Safety Program	Community Traffic Safety Program	§46.2-222, §46.2-223
Records Management			
	Information Services	User Services	§46.2-208 thru §46.2-214, §46.2-752(j), §2.2-3700
		Vehicle Records Work Center	§46.2-208 through §46.2-214, §46.1-76
		Driver Records Work Center	§46.2-208 through §46.2-214, §46.1-76
		Records -CSC	§46.2-208 through §46.2-214, §46.1-76
	Customer Services	Indexing	§46.2-208 through §46.2-214, §42.1-76
		Microfilm	§46.2-208 through §46.2-214, §42.1-76, §46.2-379 through §46.2-380
		Data Integrity	§46.2-208 through §46.2-214, §42.1-76, §46.2-379 through §46.2-380
Other Mandated Functions			
	Personal Property Tax Relief	Personal Property Tax Relief	§58.1-3523 through §58.1-3536
	Dealer Services	Dealer/Salesperson Licenses & Registration Certificate	§46.2-1508 through §46.2-1509, §46.2-1600, §46.2-1503.4
		Salvage Dealer Licensing	§46.2-1600, §46.2-1601, §46.2-1605
		Consumer/Dealer Services	§46.2-1500 through §46.2-1582, §46.2-1600 through §46.2-1610
	Voter Registration	Voter Registration	National Voter Registration Act of 1993
	Selective Service Registration	Selective Service Registration	Military Selective Service Act-50 U.S.C. Appx. §451 et seq.

Note A:

Both Voter Registration and Selective Service Registration occur concurrently during Drivers License and Identification Card application and renewal. Since performing these activities is integrated in Driver License and Identification Card delivery, it is difficult to determine the specific costs dedicated to these two activities. Therefore, for the purposes of our cost model, the costs for Voter Registration and Selective Service Registration will be absorbed in the cost of providing Driver Licensing and Identification Cards.

APPENDIX D

COST MODEL WORKSHEETS

The statistical and financial information presented in this report, including Appendixes D and E comes from the following sources:

Revenue Information	*Commonwealth Accounting and Reporting System (CARS)* *Motor Vehicles' Oracle Financial System (PIPS)*
Cost Information	*Motor Vehicles' Oracle Financial System (PIPS)*
Transaction Information	*Motor Vehicles' Citizen Service System (CSS)*

DRIVER SERVICES							
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
			Allocation			**Direct Overhead**	
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight	Customer Service Delivery	Other Direct Overhead
			Transactions or Percent of Costs		*Allocation method multiplied by relative value*	*CSDA Allocation (see pages 95-101)*	
Driver Licensing	Driver License Original-CSC	$ -	457,843		0.219	$ 9,358,674	$ 438,882
	Driver License - CSC	-	901,168		0.431	5,975,758	863,848
	Driver License -Mail In Manual	581,237	214,363		0.103	-	205,486
	Driver License -Internet	-	169,363		0.081	-	162,349
	Driver License -Touchtone	280	40,543		0.019	-	38,864
	Driver License-ET	-	1,004		0.000	-	962
	Driver License-Fax	1,000	44		0.000	-	42
	Juvenile License-Driver License	-	49,184		0.024	-	47,147
	License - Address Change	-	178,259		0.085	358,007	170,877
	Commercial Drivers License	-	78,552		0.038	861,875	75,299
Total		582,517	2,090,323		1.000	16,554,315	2,003,757
Identification Cards	ID Cards (Official Identification)		141,264		0.314	1,165,923	-
	ID Cards for other agencies and General Assembly		19,991		0.041	152,621	-
Disabled Placard	Disabled Placard	-	95,674		0.259	960,736	-
Compliance and Enforcement	Court Suspensions	477,232	-		0.129	-	-
	Restorations	243,882	-		0.066	-	-
	Driver Improvement	585,073	-		0.158	-	-
	Medical Review	-	-		-	-	-
	Commercial Licensing	123,409	-		0.033	-	-
Total		1,429,595	256,929		1.000	2,279,280	530,780
Column Total		$ 2,012,112				$ 18,833,594	$ 2,534,537

Column I	Column J	Column K	Column L	Column M	Column N	Column O	Column P	Column Q	Column R
Total Direct Costs	Indirect Overhead	Total Costs	Per Unit Cost	Add Address Changes		Add Compliance		Add Commercial Licensing Compliance	Total Per Cost Driver
	Overhead Allocation (see pages 91-93)			Total Costs	Per License		Per License	Per License	
$ 9,797,557	$ 4,169,872	$ 13,967,429	$ 30.51	$ -	$ -	$ -	$ -	-	$ 30.51
6,839,607	2,910,959	9,750,566	10.82	397,079	0.44	1,237,644	1.37	-	12.63
786,723	334,832	1,121,554	5.23	94,454	0.44	294,401	1.37	-	7.05
162,349	69,096	231,446	1.37	74,626	0.44	232,599	1.37	-	3.18
39,144	16,660	55,804	1.38	17,864	0.44	55,681	1.37	-	3.19
962	410	1,372	1.37	442	0.44	1,379	1.37	-	3.18
1,042	443	1,485	33.76	19	0.44	60	1.37	-	35.58
47,147	20,066	67,213	1.37	21,672	0.44	67,548	1.37	-	3.18
528,884	225,095	753,978	4.23	-	-	-	-	-	4.23
937,174	398,864	1,336,038	17.01	34,612	0.44	107,882	1.37	2.56	21.38
19,140,588	8,146,297	27,286,885		640,769	-	1,997,195	-	-	
1,332,779	567,235	1,900,014	13.45	62,245	0.44	-	-	-	13.89
174,463	74,252	248,715	12.44	8,809	0.44	-	-	-	12.88
1,098,227	467,409	1,565,636	16.36	42,157	0.44	131,397	1.37	-	18.18
545,529	232,179	777,709	-	-	-	-	-	-	-
278,784	118,651	397,435	-	-	-	-	-	-	-
668,803	284,645	953,448	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
141,070	60,040	201,110	-	113,210	-	131,397	-	-	-
4,239,655	1,804,411	6,044,066	-	$ 753,978	-	$ 2,128,591	-	-	-
$ 23,380,243	$ 9,950,708	$ 33,330,952							

VEHICLE SERVICES					
Column A	Column B	Column C	Column D	Column E	Column F
			Allocation		
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight
			Transactions or Percent of Costs		*Allocation method multiplied by relative value*
Title	Title Issued	$ 123,919	1,970,798		0.194
Registration	Regular Registration	-	1,177,312		0.116
	Registration - Government Plate	-	92,818		0.009
	Registration - Reserved Plate	-	816,744		0.080
	Registration - Online Processing	2,272,028	1,192,096		0.117
	Registration Renewal - CSC	-	2,290,379		0.226
	Registration Renewal - Mail	-	1,976,409		0.195
	Registration - Internet	1,217	492,331		0.048
	Registration Renewal - Touch Tone	-	107,303		0.011
	Registration Renewal - ET Machine	-	12,520		0.001
	Registration Renewal - Fax	819	6		0.000
Overload Permits	Overload Permits - CSC	-	18,444		0.002
	Overload Permits	-	5,984		0.001
Total		2,397,983	10,153,144		1.000
Compliance and Enforcement	Financial Responsibility Compliance	276,122	-		0.263
	Data Conversion / Credit Card Processing	-	-		-
	Abandoned Vehicle Program	-	-		-
	Centralized Accident Processing	-	-		-
	Uninsured Motorist Program	-	-		-
	Correspondence & Judgment	258,463	-		0.246
	Insurance Verification	515,773	-		0.491
Total		1,050,358	-		-
Column Total		$ 3,448,341	10,153,144		1.000

Column G	Column H	Column I	Column J	Column K	Column L	Column M	Column N
Direct Overhead							
Customer Service Delivery	Other Direct Overhead	Total Direct Costs	Indirect Overhead	Total Costs	Per Unit Cost	Add Compliance Costs	Total per Cost Drivers
CSDA Allocation (see pages 95-101)			*Overhead Allocation (see pages 91-93)*				
$ 14,005,746	$ 3,104,289	$ 17,110,035	$ 7,282,087	$ 24,516,041	$ 12.44	$ 600,693	$ 12.74
8,178,432	1,854,435	10,032,867	4,270,021	14,302,889	12.15	358,841	12.45
519,363	146,202	665,565	283,267	948,831	10.22	28,291	10.53
7,864,500	1,286,489	9,150,989	3,894,691	13,045,679	15.97	248,941	16.28
-	1,877,722	4,149,750	1,766,147	5,915,897	4.96	363,347	5.27
9,659,807	3,607,675	13,267,482	5,646,684	18,914,166	8.26	698,100	8.56
-	3,113,127	3,113,127	1,324,957	4,438,085	2.25	602,403	2.55
-	775,492	776,709	330,570	1,107,279	2.25	150,061	2.55
-	169,018	169,018	71,934	240,952	2.25	32,706	2.55
-	19,721	19,721	8,393	28,114	2.25	3,816	2.55
-	9	828	353	1,181	196.82	2	197.12
127,364	29,052	156,416	66,571	222,987	12.09	5,622	12.39
-	9,426	9,426	4,012	13,437	2.25	1,824	2.55
40,355,211	15,992,657	58,621,932	24,949,687	83,695,539	$ -	$ 3,094,645	$ -
-	-	570,657	242,874	813,531			
-	-	-	-	-			
-	-	-	-	-			
-	-	-	-	-			
-	-	-	-	-			
-	-	534,162	227,341	761,503			
-	-	1,065,943	453,669	1,519,611			
-	1,120,404	1,600,105	923,883	3,094,645			
$ 40,355,211	$ 17,113,061	$ 60,916,613	$ 25,873,571	$ 86,790,184			

MOTOR CARRIER SERVICES							
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
			Allocation			**Direct Overhead**	
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight	Customer Service Delivery	Other Direct Overhead
			Transactions or Percent of Costs			*CSDA Allocation (see pages 95-101)*	
Rental Tax	Rental Tax	$ 193,565	-		0.241	$ -	$ 775,074
Fuels Tax	Fuels Tax	597,577	-		0.743	-	2,392,828
IFTA	IFTA-Mail	-	-		-	-	-
	IFTA-Internet (Webcat)	-	-		-	-	-
	IFTA-CSC	-	-		-	-	-
IRP	IRP- Mail	-	-		-	-	-
	IRP- Internet (Webcat)	-	-		-	-	-
	IRP-CSC	-	-		-	-	-
Operating Authority	Operating Authority	-	-		-	-	-
(SSRS)	SSRS	13,583	-		0.017	-	54,390
Permits	MCS Mileage/Hauling Permits	-	-		-	-	-
Total		804,725			1.000	-	3,222,292
Compliance & Enforcement	Liquidated Damages	230,616	-		0.021	-	47,019
	Weigh Stations - Permanent	6,904,648	-		0.623	-	1,407,766
	Weigh Stations - Mobile	1,574,808	-		0.142	-	321,083
	Weigh Station - IRIS	265,981	-		0.024	-	54,230
	External Audit	1,045,129	-		0.094	-	213,088
	Motor Carrier Enforcement	1,062,713	-		0.096	-	216,673
Total		11,083,895	-		1.000	-	2,259,860
Column Total		$ 11,888,620	-		-	-	$ 5,482,151

Column I	Column J	Column K
Total Direct Costs	Indirect Overhead	Total Costs
	Overhead Allocation (see pages 91-93)	
$ 968,639	$ 412,256	$ 1,380,895
2,990,405	1,272,726	4,263,131
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
67,973	28,930	96,903
-	-	-
4,027,016	1,713,911	5,740,928
277,635	118,162	395,798
8,312,415	3,537,791	11,850,206
1,895,891	806,897	2,702,788
320,211	136,283	456,494
1,258,217	535,501	1,793,718
1,279,386	544,511	1,823,897
13,343,754	5,679,146	19,022,900
$ 17,370,771	$ 7,393,057	$ 24,763,828

TRANSPORTATION SAFETY SERVICES					
Column A	Column B	Column C	Column D	Column E	Column F
			Allocation		
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight
			Transactions or Percent of Costs		
Transportation Program Management	Transportation Program Management	$ 133,732	-		0.028
Transportation Federal Grant Program	Transportation Federal Grant Program	72,891	-		0.015
Reporting & Evaluation Services	Reporting & Evaluation Services	229,723	-		0.048
Motorcycle Rider Safety Program	Motorcycle Rider Safety Program	725,213	-		0.153
Community Traffic Safety Program	Community Traffic Safety Program	3,589,445	-		0.756
Total		$ 4,751,004	-		1.000

Column G	Column H	Column I	Column J	Column K
Direct Overhead				
Customer Service Delivery	Other Direct Overhead	Total Direct Costs	Indirect Overhead	Total Costs
CSDA Allocation (see pages 95-101)			*Overhead Allocation (see pages 91-93)*	
-	$ 25,970	$ 159,702	$ 67,970	$ 227,671
-	14,155	87,046	37,047	124,094
-	44,611	274,334	116,757	391,091
-	140,831	866,044	368,591	1,234,635
-	697,044	4,286,489	1,824,344	6,110,833
-	$ 922,611	$ 5,673,615	$ 2,414,709	$ 8,088,324

RECORDS MANAGEMENT							
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
			Allocation			**Direct Overhead**	
Activities	Cost Drivers	Direct Costs	Allocation Method	Relative Value	Weight	Customer Service Delivery	Other Direct Overhead
			Transactions or Percent of Costs			*CSDA Allocation (see pages 95-101)*	
Information Services	User Services	$ 177,730	-		0.034	$ -	$ 14,791
	Vehicle Records Work Center	362,004	-		0.069	-	30,127
	Driver Records Work Center	1,580,344	-		0.302	-	131,519
	Records -CSC	-	-		0.457	2,388,349	198,762
Customer Records	Indexing	325,735	-		0.062	-	27,108
	Microfilm	363,332	-		0.070	-	30,237
	Data Integrity	29,532	-		0.006	-	2,458
Total		$2,838,676	-		1.000	$ 2,388,349	$ 435,001

Column I	Column J	Column K
Total Direct Costs	Indirect Overhead	Total Costs
	Overhead Allocation (see page 91-93)	
$ 192,521	$ 81,938	$ 274,459
392,131	150,171	542,302
1,711,862	167,504	1,879,367
2,587,111	13,615	2,600,726
352,843	728,574	1,081,417
393,569	1,101,083	1,494,652
31,990	166,892	198,882
$ 5,662,027	$ 2,409,777	$ 8,071,804

OTHER MANDATED FUNCTIONS							
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
			Allocation			**Direct Overhead**	
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight	Customer Service Delivery	Other Direct Overhead
			Transactions or Percent of Costs		*Allocation method multiplied by relative value*	*CSDA Allocation (see pages 95-101)*	
Personal Property Tax Relief	Personal Property Tax Relief	$ 468,885	$ -		0.998	$ -	$ 161,141
Dealer Services	Dealer/Salesperson Licenses & Registration Certificate	125	-		0.000	73,213	43
	Salvage Dealer Licensing	-	-		0.000	-	-
	Consumer/Dealer Services	988	-		0.002	-	340
Total		$ 469,998	$ -		1.000	$ 73,213	$ 161,523

Column I	Column J	Column K
Total Direct Costs	Indirect Overhead	Total Costs
	Overhead Allocation (see pages 91-93)	
$ 630,026	$ 268,141	$ 898,167
73,380	31,231	104,611
-	-	-
1,328	565	1,893
$ 704,734	$ 299,937	$ 1,004,671

INDIRECT OVERHEAD							
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Support Service	Total Overhead Costs	Drivers Service	Vehicle Services	Motor Carrier	Transportation Safety	Records	Other Mandated
Commissioner's Office	$ 1,102,427	$ 226,925	$ 590,043	$ 168,598	$ 55,067	$ 54,955	$ 6,840
Audit & Investigative Services	5,014,063	1,032,099	2,683,636	766,816	250,456	249,945	31,110
Communications	1,415,618	291,392	757,670	216,495	70,711	70,567	8,783
Human Resource	1,556,484	320,388	833,064	238,038	77,748	77,589	9,657
Information Technology	21,707,902	4,468,373	11,618,545	3,319,858	1,084,327	1,082,112	134,687
Financial Management Services	6,425,035	1,322,535	3,438,820	982,601	320,936	320,280	39,864
Administrative Services	6,307,598	1,298,361	3,375,965	964,641	315,070	314,426	39,136
Facilities Management	2,811,035	578,626	1,504,527	429,900	140,413	140,127	17,441
Government Services	2,001,599	412,011	1,071,300	306,111	99,981	99,777	12,419
Total	$ 48,341,760	$ 9,950,708	$ 25,873,571	$ 7,393,057	$ 2,414,709	$ 2,409,777	$ 299,937

	Total Direct Costs	Allocated General Overhead Costs
Functional Area - Driver Services:		
Driver License Issue-CSC	$ 9,797,557	$ 4,169,872
Driver License Renewal - CSC	6,839,607	2,910,959
Driver License -Mail In Manual	786,723	334,832
Driver License -Internet	162,349	69,096
Driver License -Touchtone	39,144	16,660
Driver License-ET	962	410
Driver License-Fax	1,042	443
Juvenile License-Driver License	47,147	20,066
License - Address Change	528,884	225,095
Commercial Drivers License	937,174	398,864
ID Cards (Official Identification)	1,332,779	567,235
ID Cards for other agencies and General Assembly	174,463	74,252
Disabled Placard	1,098,227	467,409
Court Suspensions	545,529	232,179
Restorations	278,784	118,651
Driver Improvement	668,803	284,645
Medical Review	-	-
Commercial Licensing	141,070	60,040
Total	23,380,243	9,950,708
Functional Area - Vehicle Services:		
Title	17,110,035	7,282,087
Regular Registration	10,032,867	4,270,021
Registration - Government	665,565	283,267
Registration - Reserved Plate	9,150,989	3,894,691
Regitstration - Online Processing	4,149,750	1,766,147
Registration Renewal - CSC	13,267,482	5,646,684
Registration Renewal - Mail	3,113,127	1,324,957
Registration Renewal - Internet	776,709	330,570
Registration Renewal - Touch Tone	169,018	71,934
Registration Renewal - ET Machine	19,721	8,393
Registration Renewal - Fax	828	353
Overload Permit	9,426	4,012
Overload Permint - CSC	156,416	66,571
Financial Responsibility Compliance	570,657	242,874
Data Conversion/Credit Card Processing	-	-
Abandoned Vehicle Program	-	-
Centralized Accident Processing	-	-
Uninsured Motorist Program	-	-
Correspondence & Judgment	534,162	227,341
Insurance Verification	1,065,943	453,669
Total	60,792,694	25,873,571
Functional Area - Transportation Safety:		
Transportation Program Management	159,702	67,970
Transportation Federal Grant Program	87,046	37,047
Reporting & Evaluation Services	274,334	116,757
Motorcycle Rider Safety Program	866,044	368,591
Community Traffic Safety Program	4,286,489	1,824,344
Total	5,673,615	2,414,709

	Total Direct Costs	Allocated General Overhead Costs
Functional Area - Motor Carrier:		
Rental Tax	968,639	412,256
Fuels Tax	2,990,405	1,272,726
IFTA-Mail	-	-
IFTA-Internet (Webcat)	-	-
IFTA-CSC	-	-
IRP- Mail	-	-
IRP- Internet (Webcat)	-	-
IRP-CSC	-	-
Operating Authority	-	-
SSRS	67,973	28,930
MCS Mileage/Hauling Permits	-	-
Liquidated Damages	277,635	118,162
Weigh Stations - Permanent	8,312,415	3,537,791
Weigh Stations - Mobile	1,895,891	806,897
Weigh Station - IRIS	320,211	136,283
External Audit	1,258,217	535,501
Motor Carrier Enforcement	1,279,386	544,511
Total	17,370,771	7,393,057
Functional Area - Other Mandated Services:		
Personal Property Tax Relief	630,026	268,141
Motor Vehicle Dealer Board	-	-
Board of Accountancy	-	-
Board of Elections	-	-
Dealer/Salesperson Licenses		
and Registration Certificate	73,380	31,231
Salvage Dealer Licensing	-	-
Consumer/Dealer Services	1,328	565
Total	704,734	299,937
Functional Area - Records Management:		
User Services	192,521	81,938
Data Integrity	392,131	166,892
Indexing	1,711,862	728,574
Microfilm	2,587,111	1,101,083
Vehicle Records Work Center	352,843	150,171
Driver Records Work Center	393,569	167,504
Records -CSC	31,990	13,615
Total	5,662,027	2,409,777
Grand Total	$ 113,584,084	$ 48,341,760

CSDA				
Column A	Column B	Column C	Column D	Column E
Cost Drivers processed by Customer Service Delivery Administration (CSDA)	Transactions	Relative Value	Weight [B*C]	Allocated Direct Costs
Driver License Issue-CSC				
Original	298,368	18.400	5,489,971	$ 7,551,916
Combined	43,482	11.240	488,738	672,300
Learners	115,993	7.110	824,710	1,134,458
Address Change	178,259	1.460	260,258	358,007
Driver License Renewal - CSC	-	-	-	-
Replacement	-	-	-	-
Duplicate	167,034	5.600	935,390	1,286,708
Renewal	475,292	4.950	2,352,695	3,236,330
Reissue	258,842	4.080	1,056,075	1,452,720
Commercial Drivers License	-	-	-	-
Original	19,052	12.950	246,723	339,389
Reissue	19,515	6.320	123,335	169,657
Renewal	34,587	6.300	217,898	299,737
Duplicate	5,398	7.150	38,596	53,092
ID Cards (Official Identification)	-	-	-	-
Original	141,264	6.000	847,584	1,165,923
ID Cards for other agencies and General Assembly	19,991	5.550	110,950	152,621
Disabled Placard	95,674	7.300	698,420	960,736
Title	-	-	-	-
Original	581,499	6.300	3,663,444	5,039,374
Replacement	100,094	5.900	590,555	812,357
Transfer	968,114	5.700	5,518,250	7,590,816
Duplicate	147,275	2.780	409,425	563,198
Regular Registration	1,177,312	5.050	5,945,426	8,178,432
Registration - Specialty Plate	-	7.140	-	-
Registration - Reserved Plate	816,744	7.000	5,717,208	7,864,500
Government Plate	86,995	4.340	377,558	519,363
Plate re-issue	84,687	4.450	376,857	518,399
Registeration Reissue	46,449	5.210	241,999	332,890
Renewal	1,780,736	3.120	5,555,896	7,642,602
LVR	40,208	4.000	160,832	221,238
Transfer	338,299	2.030	686,747	944,678
Overload Permit	18,444	5.020	92,589	127,364
Rental Tax	-	14.290	-	-
Fuels Tax	-	14.290	-	-
IFTA-CSC	-	6.950	-	-
IRP-CSC	-	6.950	-	-
Operating Authority	-	6.950	-	-
SSRS	-	6.950	-	-
MCS Mileage/Hauling Permits	-	6.950	-	-
Dealer/Salesperson Licenses and Registration Certificate	-	6.950	-	-
Salvage Dealer Licensing	7,658	6.950	53,223	73,213
Consumer/Dealer Services	-	6.950	-	-
Transcripts (Records Management)	316	1.000	316	435
Reinstatements (Compliance/Enforcement)	313,911	5.530	1,735,928	2,387,914
Total CSDA Costs	8,381,492		44,817,597	61,650,368
Note 1: All relative values were calculated using a limited time study. A more detail analysis is recommended.				

TOTAL CSDA COSTS	**Total CSDA Cost**			**Driver License Cost by CSDA**			
Work Center	Work Center Code	CSDA Costs	Percent of Total CSDA Costs	Original Drivers Licenses Issued	Percent of Total Driver Licenses	Allocated Amount of CSDA Costs	Per Original Driver License
Community Services	139	$ 40.29	0.00%	-	0.00%	$ -	$ -
Special Processing	214	-	0.00%	-	0.00%	-	-
Customer Contact Center	230	4,331,765.26	7.03%	-	0.00%	-	-
Altavista CIS	259	919,173.79	1.49%	-	0.00%	-	-
DLCI Out of State Mail	279	-	0.00%	-	0.00%	-	-
Amelia	302	38,817.52	0.06%	-	0.00%	-	-
Amherst	303	108,045.31	0.18%	-	0.00%	-	-
Appomattox	304	71,345.00	0.12%	-	0.00%	-	-
Poquoson License Agent	305	54,626.42	0.09%	-	0.00%	-	-
Customer Service Delivery (004)	306	3,697,930.01	6.00%	-	0.00%	-	-
Berryville	307	118,338.51	0.19%	-	0.00%	-	-
Blackstone	308	25,729.32	0.04%	-	0.00%	-	-
Cape Charles	314	11,273.20	0.02%	-	0.00%	-	-
Charlotte Courthouse	315	10,091.96	0.02%	-	0.00%	-	-
Bristol District Manager	319	197,259.19	0.32%	-	0.00%	-	-
Roanoke District Manager	322	200,089.13	0.32%	-	0.00%	-	-
Staunton District Manager	325	118,514.11	0.19%	-	0.00%	-	-
Dillwyn	328	49,183.66	0.08%	-	0.00%	-	-
Pearisburg (Giles Co.)	329	28,810.65	0.05%	-	0.00%	-	-
Fairfax District Manager	332	278,888.28	0.45%	-	0.00%	-	-
Richmond District Manager	336	213,364.51	0.35%	-	0.00%	-	-
Portsmouth District Manager	343	177,497.44	0.29%	-	0.00%	-	-
Independence	349	19,085.43	0.03%	-	0.00%	-	-
King George CSC	353	63,055.03	0.10%	-	0.00%	-	-
Lawrenceville	355	18,012.83	0.03%	-	0.00%	-	-
Mineral	361	42,442.81	0.07%	-	0.00%	-	-
Lovingston	362	15,104.63	0.02%	-	0.00%	-	-
Luray	363	50,955.26	0.08%	-	0.00%	-	-
Madison	364	52,871.47	0.09%	-	0.00%	-	-
Electronic Data Processing	365	3,403,365.99	5.52%	-	0.00%	-	-
Highland County License Agent	369	9,208.12	0.01%	-	0.00%	-	-
Orange	374	65,930.41	0.11%	-	0.00%	-	-
Palmyra	375	24,175.16	0.04%	-	0.00%	-	-
Rocky Mount License Agent	376	12,608.86	0.02%	-	0.00%	-	-
Mathews County License Agent	377	14,424.71	0.02%	-	0.00%	-	-
Heathlville License Agent	378	7,986.36	0.01%	-	0.00%	-	-
Sterling License Agent	379	10,736.58	0.02%	-	0.00%	-	-
Falls Church License Agent	380	12,168.10	0.02%	-	0.00%	-	-
Lorton License Agent	381	2,031.74	0.00%	-	0.00%	-	-
Abingdon License Agent	382	2,015.16	0.00%	-	0.00%	-	-
Town of Remington	383	3,042.61	0.00%	-	0.00%	-	-
Caroline County License Agent	384	50.00	0.00%	-	0.00%	-	-
Purcellville License Agent	385	-	0.00%	-	0.00%	-	-
Chincoteage License Agent	386	-	0.00%	-	0.00%	-	-
Stuart	391	40,597.80	0.07%	-	0.00%	-	-
Surry	393	9,951.78	0.02%	-	0.00%	-	-
Victoria	397	16,795.55	0.03%	-	0.00%	-	-
Warm Springs	400	4,318.38	0.01%	-	0.00%	-	-
Waverly	404	-	0.00%	-	0.00%	-	-
West Point CSC	406	55,620.94	0.09%	-	0.00%	-	-
Richmond DMV Expressway	501	-	0.00%	-	0.00%	-	-
Roanoke Driver Travel Team	503	516.49	0.00%	-	0.00%	-	-
Richmond Driver Travel Team	504	-	0.00%	-	0.00%	-	-
Portsmouth Driver Travel Team	505	559.08	0.00%	-	0.00%	-	-
Driver License Quality Assurance	515	85,727.22	0.14%	-	0.00%	-	-
Roanoke CDL Testing	520	289,174.73	0.47%	-	0.00%	-	-
Staunton CDL Testing	521	266,951.01	0.43%	-	0.00%	-	-
Alexandria CSC	600	1,167,556.89	1.89%	15,365	3.36%	245,326	26.03
Danville CSC	602	556,948.23	0.90%	4,209	0.92%	117,026	37.87
Hampton CSC	603	961,720.70	1.56%	14,652	3.20%	202,076	23.86
Lynchburg CSC	604	735,138.69	1.19%	7,233	1.58%	154,467	31.42
Norfolk/Widgeon CSC	605	760,811.35	1.23%	12,361	2.70%	159,861	23.00
Portsmouth CSC	606	716,190.11	1.16%	9,790	2.14%	150,485	25.44
Altavista CSC	607	202,529.08	0.33%	1,763	0.39%	42,555	34.20

Driver License Renewal Costs by CSDA				Commercial Drivers License (CDL) Costs by CSDA			
Renewal Drivers Licenses Issued	Percent of Total Renewals	Allocated Amount of CSDA Costs	Unit Cost Per Renewal	CDLs Issued	Percent of Total CDLs	Allocated Amount of CSDA Costs	Unit Cost Per CDL
-	0.00%	$ -	$ -	-	0.00%	$ -	$ -
-	0.00%	-	-	5	0.01%	-	8.60
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	8	0.01%	-	8.60
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
22,183	2.46%	156,647	11.25	985	1.25%	22,593	31.53
10,467	1.16%	74,724	11.33	997	1.27%	10,777	19.41
23,323	2.59%	129,031	9.72	1,806	2.30%	18,610	18.90
16,102	1.79%	98,631	10.31	1,726	2.20%	14,225	16.84
16,642	1.85%	102,076	10.32	1,234	1.57%	14,722	20.53
19,263	2.14%	96,089	9.18	1,456	1.85%	13,859	18.11
4,385	0.49%	27,173	10.39	634	0.81%	3,919	14.78

TOTAL CSDA COSTS	**Total CSDA Cost**			**Driver License Cost by CSDA**			
Work Center	Work Center Code	CSDA Costs	Percent of Total CSDA Costs	Original Drivers Licenses Issued	Percent of Total Driver Licenses	Allocated Amount of CSDA Costs	Per Original Driver License
Fairfax/Westfields CSC	608	796,994.60	1.29%	13,826	3.02%	167,464	22.18
Headquarters Dealer Center	609	166,186.61	0.27%	-	0.00%	-	-
Chesterfield Dealer Center	610	109.85	0.00%	-	0.00%	-	-
Waynesboro CSC	611	329,958.70	0.54%	3,250	0.71%	69,331	31.40
Charlottesville CSC	612	885,279.75	1.44%	11,216	2.45%	186,015	26.65
Woodbridge CSC	613	1,214,467.10	1.97%	13,403	2.93%	255,183	29.11
Franconia CSC	614	874,039.60	1.42%	10,528	2.30%	183,653	27.51
Suffolk CSC	615	503,425.18	0.82%	3,799	0.83%	105,779	37.91
VA Beach/Hilltop CSC	616	907,935.86	1.47%	10,657	2.33%	190,775	27.97
Newport News CSC	617	817,307.91	1.33%	8,520	1.86%	171,732	30.22
Hopewell CSC	618	553,104.88	0.90%	4,391	0.96%	116,218	36.53
Williamsburg CSC	619	405,401.07	0.66%	5,633	1.23%	85,183	25.19
Culpeper CSC	620	423,851.18	0.69%	3,704	0.81%	89,059	34.11
Chesapeake CSC	621	1,114,108.76	1.81%	10,315	2.25%	234,096	32.76
South Boston CSC	622	322,211.56	0.52%	2,083	0.45%	67,703	42.57
Bristol CSC	623	250,451.97	0.41%	1,274	0.28%	52,625	51.37
Tysons Corner CSC	624	1,413,286.27	2.29%	23,292	5.09%	296,959	22.82
Petersburg CSC	625	576,860.84	0.94%	5,043	1.10%	121,210	34.10
Norfolk/Military Circle CSC	626	661,875.21	1.07%	8,970	1.96%	139,073	25.57
Manassas CSC	627	1,031,539.63	1.67%	10,298	2.25%	216,747	31.11
DMV Website	628	35.00	0.00%	-	0.00%	-	-
East Henrico CSC	629	535,684.19	0.87%	7,008	1.53%	112,558	26.13
Christiansburg CSC	630	563,591.81	0.91%	5,844	1.28%	118,422	30.33
Winchester CSC	631	432,898.18	0.70%	5,720	1.25%	90,960	25.97
Harrisonburg CSC	632	590,788.73	0.96%	7,118	1.55%	124,136	27.51
Martinsville CSC	633	583,824.30	0.95%	3,786	0.83%	122,673	42.47
Fredericksburg/Spotsylvania CSC	634	1,031,234.88	1.67%	12,339	2.70%	216,683	27.63
Onancock CSC	635	354,210.05	0.57%	2,312	0.50%	74,426	42.26
West Henrico CSC	636	704,316.65	1.14%	6,372	1.39%	147,991	33.29
Wytheville CSC	637	446,344.79	0.72%	1,559	0.34%	93,786	70.22
Warrenton CSC	638	442,478.63	0.72%	3,283	0.72%	92,973	38.39
Tazewell CSC	639	356,898.50	0.58%	1,910	0.42%	74,991	49.33
Norton CSC	640	268,045.61	0.43%	1,990	0.43%	56,322	38.37
Vansant (Satellite) CSC	641	747.29	0.00%	-	0.00%	-	-
Richmond Central/HQ	642	1,022,865.68	1.66%	16,753	3.66%	214,924	22.90
Bedford CSC	643	161,228.28	0.26%	1,699	0.37%	33,877	30.01
Woodstock CSC	644	242,038.51	0.39%	1,370	0.30%	50,857	47.19
Galax CSC	645	354,678.82	0.58%	2,233	0.49%	74,525	43.44
Lexington CSC	646	270,171.80	0.44%	1,537	0.34%	56,768	47.00
Courtland CSC	647	492,296.97	0.80%	1,452	0.32%	103,441	81.31
Covington CSC	648	311,395.87	0.51%	1,131	0.25%	65,430	67.92
Vansant CSC	649	301,579.27	0.49%	886	0.19%	63,368	81.59
Gate City CSC	650	259,391.48	0.42%	927	0.20%	54,503	68.86
Pulaski CSC	651	223,205.15	0.36%	1,659	0.36%	46,900	38.34
Staunton CSC	652	425,630.48	0.69%	3,163	0.69%	89,433	38.34
Sterling CSC	653	677,136.33	1.10%	7,761	1.70%	142,280	28.40
Chester CSC	654	760,502.35	1.23%	8,623	1.88%	159,796	28.60
Smithfield CSC	655	268,634.67	0.44%	2,403	0.52%	56,445	33.56
Arlington Camera Station 3	656	-	0.00%	-	0.00%	-	-
Farmville Dealer Center	657	-	0.00%	-	0.00%	-	-
Marion CSC	658	297,717.68	0.48%	1,284	0.28%	62,556	58.79
Leesburg CSC	659	681,716.36	1.11%	10,509	2.30%	143,242	23.70
Fair Oaks CSC	660	775,865.66	1.26%	6,618	1.45%	163,024	34.70
Springfield CSC	661	1,380,796.28	2.24%	19,906	4.35%	290,132	24.64
Bristol CDL Testing	662	301,872.32	0.49%	-	0.00%	-	-
Clintwood CSC	663	328,546.81	0.53%	590	0.13%	69,034	127.07
Jonesville CSC	664	250,335.43	0.41%	915	0.20%	52,600	67.55
Lebanon CSC	665	255,398.71	0.41%	1,135	0.25%	53,664	57.35
Front Royal CSC	667	354,417.72	0.57%	2,967	0.65%	74,470	35.17
Rocky Mount CSC	668	248,151.43	0.40%	1,639	0.36%	52,141	41.88
Kilmarnock CSC	669	245,132.34	0.40%	1,327	0.29%	51,507	48.88
Tappahannock CSC	670	252,268.49	0.41%	2,320	0.51%	53,007	32.91
North Henrico CSC	671	868,508.89	1.41%	10,289	2.25%	182,491	27.80
VA Beach/Buckner CSC	672	809,508.66	1.31%	13,488	2.95%	170,094	22.68

Appendix D - Cost Model Worksheets

Driver License Renewal Costs by CSDA				Commercial Drivers License (CDL) Costs by CSDA			
Renewal Drivers Licenses Issued	Percent of Total Renewals	Allocated Amount of CSDA Costs	Unit Cost Per Renewal	CDLs Issued	Percent of Total CDLs	Allocated Amount of CSDA Costs	Unit Cost Per CDL
21,295	2.36%	106,930	9.21	1,111	1.41%	15,422	22.48
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
7,174	0.80%	44,269	10.36	348	0.44%	6,385	26.94
22,693	2.52%	118,775	9.42	1,816	2.31%	17,131	18.03
24,193	2.68%	162,941	10.92	1,909	2.43%	23,501	20.91
18,042	2.00%	117,267	10.69	1,315	1.67%	16,913	21.46
7,996	0.89%	67,543	12.64	958	1.22%	9,742	18.77
18,723	2.08%	121,815	10.69	996	1.27%	17,569	26.24
21,705	2.41%	109,656	9.24	1,651	2.10%	15,815	18.18
10,018	1.11%	74,208	11.60	955	1.22%	10,703	19.80
10,080	1.12%	54,391	9.58	819	1.04%	7,845	18.18
10,108	1.12%	56,867	9.81	1,312	1.67%	8,202	14.85
20,228	2.24%	149,476	11.58	1,823	2.32%	21,559	20.42
5,094	0.57%	43,230	12.68	837	1.07%	6,235	16.05
2,865	0.32%	33,602	15.92	312	0.40%	4,846	24.13
34,946	3.88%	189,616	9.61	713	0.91%	27,348	46.95
10,064	1.12%	77,396	11.88	1,058	1.35%	11,163	19.15
12,792	1.42%	88,802	11.13	982	1.25%	12,808	21.64
21,484	2.38%	138,398	10.63	1,678	2.14%	19,961	20.49
-	0.00%	-	-	-	0.00%	-	-
15,405	1.71%	71,871	8.85	1,656	2.11%	10,366	14.86
15,249	1.69%	75,615	9.15	1,339	1.70%	10,906	16.74
12,348	1.37%	58,081	8.89	1,326	1.69%	8,377	14.91
15,670	1.74%	79,264	9.25	2,050	2.61%	11,432	14.17
10,627	1.18%	78,330	11.56	1,479	1.88%	11,297	16.24
22,951	2.55%	138,357	10.22	2,897	3.69%	19,955	15.48
4,807	0.53%	47,523	14.08	731	0.93%	6,854	17.97
14,326	1.59%	94,496	10.78	637	0.81%	13,629	29.99
4,638	0.51%	59,885	17.10	990	1.26%	8,637	17.32
8,179	0.91%	59,366	11.45	786	1.00%	8,562	19.49
5,794	0.64%	47,884	12.45	805	1.02%	6,906	17.18
4,969	0.55%	35,963	11.43	670	0.85%	5,187	16.34
-	0.00%	-	-	-	0.00%	-	-
26,835	2.98%	137,235	9.30	1,696	2.16%	19,793	20.27
4,035	0.45%	21,631	9.55	566	0.72%	3,120	14.11
3,380	0.38%	32,474	13.80	505	0.64%	4,684	17.87
5,749	0.64%	47,586	12.47	1,134	1.44%	6,863	14.65
3,989	0.44%	36,248	13.28	456	0.58%	5,228	20.06
4,210	0.47%	66,050	19.88	683	0.87%	9,526	22.54
3,723	0.41%	41,779	15.41	470	0.60%	6,026	21.42
3,240	0.36%	40,462	16.68	713	0.91%	5,836	16.78
2,818	0.31%	34,802	16.54	402	0.51%	5,019	21.08
5,345	0.59%	29,947	9.79	714	0.91%	4,319	14.65
8,638	0.96%	57,105	10.80	1,198	1.53%	8,236	15.47
12,936	1.44%	90,849	11.21	593	0.75%	13,103	30.69
17,776	1.97%	102,034	9.93	1,739	2.21%	14,716	17.06
6,596	0.73%	36,042	9.65	540	0.69%	5,198	18.22
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
4,253	0.47%	39,944	13.58	523	0.67%	5,761	19.61
19,031	2.11%	91,464	8.99	1,275	1.62%	13,192	18.94
13,047	1.45%	104,095	12.17	328	0.42%	15,014	54.37
31,677	3.52%	185,257	10.04	1,221	1.55%	26,719	30.48
-	0.00%	-	-	-	0.00%	-	-
1,999	0.22%	44,080	26.24	336	0.43%	6,358	27.52
2,325	0.26%	33,587	18.63	400	0.51%	4,844	20.71
3,873	0.43%	34,266	13.04	835	1.06%	4,942	14.52
7,522	0.83%	47,551	10.51	1,022	1.30%	6,858	15.31
4,000	0.44%	33,294	12.51	599	0.76%	4,802	16.61
3,873	0.43%	32,889	12.68	441	0.56%	4,743	19.35
5,967	0.66%	33,846	9.86	968	1.23%	4,882	13.64
22,640	2.51%	116,525	9.34	2,040	2.60%	16,806	16.83
24,432	2.71%	108,609	8.63	1,761	2.24%	15,665	17.49

TOTAL CSDA COSTS	**Total CSDA Cost**			**Driver License Cost by CSDA**			
Work Center	Work Center Code	CSDA Costs	Percent of Total CSDA Costs	Original Drivers Licenses Issued	Percent of Total Driver Licenses	Allocated Amount of CSDA Costs	Per Original Driver License
Stafford CSC	673	721,191.25	1.17%	6,549	1.43%	151,536	33.21
Mobile CSC-New Roanoke	674	69,830.25	0.11%	87	0.02%	14,673	178.72
Farmville CSC	675	418,021.04	0.68%	3,115	0.68%	87,834	38.26
IBM Series 1 Equipment	677	339.11	0.00%	-	0.00%	-	-
Fairfax CDL Testing	678	354,473.01	0.57%	-	0.00%	-	-
Mobile CSC-Franconia	679	89,843.62	0.15%	198	0.04%	18,878	105.41
Hampton Dealer Center	680	94.50	0.00%	-	0.00%	-	-
Gloucester CSC	681	334,849.15	0.54%	2,212	0.48%	70,358	41.87
Mobile Customer Svc. District	682	87.81	0.00%	-	0.00%	-	-
Portsmouth CDL Testing	683	315,975.88	0.51%	-	0.00%	-	-
Richmond CDL Testing	684	350,049.63	0.57%	-	0.00%	-	-
Front Royal Dealer Center	686	236.45	0.00%	-	0.00%	-	-
Abingdon CSC	687	514,163.84	0.83%	2,148	0.47%	108,036	60.36
Northern VA Dealer Center	688	369,734.79	0.60%	-	0.00%	-	-
Mobile CSC-Suffolk	689	102,249.81	0.17%	161	0.04%	21,485	143.51
Emporia CSC	690	323,536.53	0.52%	798	0.17%	67,981	95.26
Mobile CSC-Richmond	691	80,188.75	0.13%	110	0.02%	16,849	163.24
South Hill CSC	695	391,220.43	0.63%	1,949	0.43%	82,203	52.24
Arlington CSC	696	1,880,962.77	3.05%	20,273	4.43%	395,227	29.56
Roanoke CSC	697	1,403,309.43	2.28%	11,983	2.62%	294,863	34.67
Chesterfield CSC	698	1,197,979.37	1.94%	8,860	1.94%	251,719	38.48
Roanoke Dealer Center	699	-	0.00%	-	0.00%	-	-
Richmond HQ 1 Training Ctr	970	-	0.00%	-	0.00%	-	-
Richmond HQ 2 Training Ctr.	971	-	0.00%	-	0.00%	-	-
Bristol Training Center	972	-	0.00%	-	0.00%	-	-
Hampton Training Center	973	-	0.00%	-	0.00%	-	-
VA Beach/Buckner Training Ctr.	974	-	0.00%	-	0.00%	-	-
Roanoke Training Center	975	(48.96)	0.00%	-	0.00%	-	-
Franconia Training Center	976	261.18	0.00%	-	0.00%	-	-
Harrisonburg Training Center	977	167.52	0.00%	-	0.00%	-	-
Fairfax/Westfields Training Ctr.	978	-	0.00%	-	0.00%	-	-
Total		$ 61,650,367.59	100.00%	457,843	100.00%	$ 9,358,674	45.43

Driver License Renewal Costs by CSDA				Commercial Drivers License (CDL) Costs by CSDA			
Renewal Drivers Licenses Issued	Percent of Total Renewals	Allocated Amount of CSDA Costs	Unit Cost Per Renewal	CDLs Issued	Percent of Total CDLs	Allocated Amount of CSDA Costs	Unit Cost Per CDL
12,924	1.43%	96,760	11.68	1,294	1.65%	13,956	19.38
468	0.05%	9,369	24.21	30	0.04%	1,351	53.64
8,658	0.96%	56,085	10.67	1,556	1.98%	8,089	13.80
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
619	0.07%	12,054	23.66	38	0.05%	1,739	54.35
-	0.00%	-	-	-	0.00%	-	-
5,253	0.58%	44,926	12.74	526	0.67%	6,480	20.92
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
5,973	0.66%	68,984	15.74	771	0.98%	9,949	21.50
-	0.00%	-	-	-	0.00%	-	-
415	0.05%	13,719	37.25	15	0.02%	1,979	140.50
3,401	0.38%	43,408	16.95	1,118	1.42%	6,261	14.20
407	0.05%	10,759	30.62	36	0.05%	1,552	51.70
5,794	0.64%	52,489	13.25	451	0.57%	7,570	25.38
30,652	3.40%	252,363	12.42	813	1.03%	36,398	53.37
28,007	3.11%	188,278	10.91	2,828	3.60%	27,155	18.20
17,860	1.98%	160,729	13.19	1,108	1.41%	23,182	29.52
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
901,168	100.00%	$ 5,975,758	12.77	$ 78,552	100.00%	$ 861,875	$ 23.53

APPENDIX E

REVENUE CHART

Appendix E - DMV 2003 Revenue Table

Function Activity *Revenue Source*	Revenue Source Code	Gross Revenue Collections	DMV Operating Fund 454	DMV Other Special Funds	Transfers to Department of Transportation	Transfers to Agencies, and States	Aid to Localities
Driver Services:							
Driver License Issue & Renewal:							
driver license fee	2123	$ 21,740,783	$ 21,714,198	$ -	$ -	$ -	$ -
Driver Monitoring:							
non-resident processing fee	2612	56,728	56,670	-	-	-	-
license recovery fee	2651	17,292	16,551	-	-	-	-
license reinstatement fee	2652	10,501,961	8,376,561	-	-	2,056,918	-
Certify Driver Training Schools:							
driver license fee	2123	2,001,659	-	-	-	2,002,323	-
driver improvement school fee	2154	30,632	30,632	-	-	-	-
commercial driver Ed. Fee	2422	40,039	37,774	-	-	-	-
driver improvement program fee	8131	1,148,240	1,147,615	-	-	-	-
Vehicle Services:							
Vehicle Titling:							
vehicle title fee	2120	23,247,645	23,193,584	-	-	-	-
mobile home sales tax	1086	7,539,443	-	-	-	-	7,390,749
Vehicle Registrations:							
vehicle registration fee	2122	234,842,477	33,358,925	-	158,703,335	38,652,727	-
vehicle sales & use tax	1084	537,449,835	-	-	536,380,848	-	-
mileage permit fee	2171	92,758	91,747	-	-	-	-
vehicle registration transfer fee	2195	1,015,404	1,010,311	-	-	2,957	-
vehicle registration replacement fee	2630	363,522	363,101	-	-	-	-
reserved license plate fee	2654	9,342,377	9,232,151	-	-	-	-
specialty license plate fee	2678	7,745,931	5,977,827	-	-	133,661	-
state/local license plate fee	2690	33,202	33,142	-	-	-	-
Insurance Verification:							
insurance verification fee		-	-	-	-	-	-
Uninsured Motorists Program:							
uninsured motorist fee	5007	21,143,538	-	6,574,060	-	13,808,860	-
Issue Overload Permits:							
overload permit fee	2170	2,474,627	-	-	2,452,514	-	-
Abandoned Vehicle Program:							
abandoned vehicle program fee			-	-	-	-	-
Motor Carrier:							
Virginia Fuels Tax Program:							
motor fuels tax	1045	882,916,097	6,734,283	9,869,225	806,654,327	36,041,365	-
aviation fuels tax	1046	4,990,591	-	-	1,580,445	3,244,026	-
clean special fuels tax	1050	560,218	3,124	-	557,066	-	-
Rental Tax Program:							
rental vehicle tax	1085	53,674,067	20,133,353	-	6,673,832	-	26,869,089
International Fuels Tax Agreement (IFTA):							
road tax decal fee	1077	480,839	-	-	476,380	-	-
road use tax	1079	26,062,270	-	-	9,907,650	17,456,436	-
International Registration Plan (IRP):							
IRP fees	2121	61,666,432	-	-	57,568,518	6,543,771	-
Single State Registration System:							
Single state registration fee	2199	6,868,243	-	2,182,223	-	4,702,718	-
Certify Intrastate Operating Authority:							
motor carrier permit fee	2144	281,961	-	274,176	-	-	-
Motor Carrier Enforcement :							
liquidated damages civil penalties	8110	1,423,504	-	-	-	1,410,789	-
liquidated damages processing fee	8112	1,127,083	1,126,901	-	-	-	-
vehicle weighing fee	8125	115,734	-	-	114,718	-	-
vehicle weight violations	8126	7,223,752	-	-	6,367,008	-	-
Transportation Safety:							
Transportation safety:							
motorcycle rider training fee	2124	985,170	-	982,483	-	-	-
specialty license plate fee	2678	10,185	-	10,185	-	-	-
federal grant program fund	20600	13,538,645	-	5,280,326	-	6,154,311	2,104,008
federal grant cost recovery fund	9071	47,586	-	-	-	47,586	-
vehicle safety inspection fee	2620	10,512,181	-	-	-	10,238,591	-
miscellaneous	9084	406,716	-	-	-	406,716	-
Records Management:							
Customer Records:							
vehicle/driver records fee	2607	31,434,830	31,421,267	-	-	-	-

Appendix E - DMV 2003 Revenue Table

Function Activity *Revenue Source*	Revenue Source Code	Gross Revenue Collections	DMV Operating Fund 454	DMV Other Special Funds	Transfers to Department of Transportation	Transfers to Agencies, and States	Aid to Localities
Other Mandated Services:							
Issue Salesperson Licenses:							
motor vehicle license fee	2122	224,761	-	-	-	251,856	-
dealer/salesperson license fee	2147	1,772,256	305,064	-	-	1,487,635	-
Salvage Dealer Licenses:							
salvage vehicle inspection fee	2624	204,021	203,936	-	-	-	-
Regulatory/Compliance:							
dealer civil penalties	8110	56,200	-	-	56,200	-	-
transaction recovery fund	1013	219,493	-	-	-	223,933	-
Miscellaneous Costs:							
returned check fee	2653	330,115	324,555	-	-	-	-
credit card usage service fee	2679	262,587	262,587	-	-	-	-
vehicle registration withholding fee	2709	439,566	439,566	-	-	-	-
employee parking fee	2506	75,909	-	75,777	-	-	-
surplus property sales	9991	93,816	-	89,475	-	4,341	-
over/short account	2525	29,317	14,946	-	9,725	-	-
international reciprocity adm. fee	2707	18,202	18,039	-	-	-	-
other fees	various	1,241,288	951,109	-	125,080	164,432	-
Total		$ 1,990,121,728	$ 166,579,519	$ 25,337,929	$ 1,587,627,645	$ 145,035,949	$ 36,363,846

APPENDIX F

AGENCY RESPONSE

COMMONWEALTH of VIRGINIA
Department of Motor Vehicles
2300 West Broad Street

D. B. Smit
Commissioner

Post Office Box 27412
Richmond, VA 23269-0001
866-DMV-LINE or
800-435-5137

November 12, 2003

The Honorable Walter J. Kucharski
Auditor of Public Accounts
James Monroe Building
Richmond, Virginia 23219

Dear Mr. Kucharski:

DMV appreciates the opportunity to respond to the Auditor of Public Accounts special report on a cost analysis of the agency. We believe the APA special report includes important recommendations that will assist DMV in improving its current cost accounting procedures, and better understand the true cost of the various services provided to the public.

On page 5 of the report the APA notes that there is nothing in the Code of Virginia mandating that DMV deliver a high level of customer service, although the report notes at several points that DMV has striven to provide the best service possible. Undoubtedly the cost of this effort, coupled with the substantial transfer of DMV revenue to address the current budget shortfall in the Commonwealth's general fund, has contributed to the fact that DMV had operating deficits at the end of fiscal years 2002 and 2003. On page 61 of the report, APA suggests that DMV management resolve several important questions, foremost of which is whether providing the current level of service is worth the cost to the taxpayer. DMV respectfully believes this fundamental question is one that can and will be addressed by elected officials. However, DMV acknowledges that improving performance measurement through sound cost accounting will help decision makers ensure that the difficult question of balancing cost and service is made with the best information possible.

In general, DMV is in full concurrence with the APA report's findings and recommendations. We disagree only to the extent that some findings involve measuring relative degrees of performance. For example, on page 24 APA concludes that DMV "does not consistently demonstrate" several key budgeting characteristics, including long term planning, performance budgeting, providing employee incentives, and having managers enjoy a sense of ownership over their budget allocations. DMV does have all of these features in its budgeting process, but perhaps not with the consistency which would be desirable. These are areas that will be addressed.

It has been a pleasure to work with your staff during this audit which has been professional throughout.

Sincerely,

D. B. Smit

D. B. Smit

DBS:bl
Copy: The Honorable Whittington W. Clement

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