

Financial Responsibility Reinstatement Audit Report 201516-09

August 22, 2016

Executive Summary

The Department of Highway Safety and Motor Vehicles' (Department) Division of Motorist Services, Financial Responsibility (FR) Section, is responsible for ensuring compliance with Florida's Financial Responsibility Law, and Motor Vehicle No-Fault Insurance Law. The Department has the authority to suspend the driving privilege and/or motor vehicle registrations of any vehicle owner or operator (owner or operator) who fails to provide required proof of insurance after sending a notice of suspension and providing an opportunity to be heard through the Department's Bureau of Administrative Reviews.

The FR Section assists suspended owners and operators by providing the tools and information needed to comply with Florida's reinstatement process. There are nine types of FR suspensions (suspensions) which can be applied to the driver record for reasons relating to non-compliance with the Financial Responsibility Law and the No-Fault Insurance Law. The Department processes approximately 90,000 FR cases (cases) each month.

The purpose of this audit was to review and evaluate the efficiency and effectiveness of the FR reinstatement process and compliance with applicable laws and Department policy and procedure.

While our review determined the Department is generally in compliance with applicable laws and Department policy and procedure relating to FR reinstatements (reinstatements), we identified the following opportunities to strengthen the reinstatement process:

- FR Suspension Letters should be revised.
- Verification of non-ownership status should be strengthened.
- The implementation of desk procedures and training for the receipt and distribution of "secondary field clearances" would strengthen the process.
- Action code usage should be consistent when performing "secondary field clearances" within Driver License Maintenance.

Background and Introduction

The Department's Division of Motorist Services, FR Section, is responsible for ensuring compliance with Florida's Financial Responsibility Law, Chapter 324, Florida Statutes (F.S.), and Motor Vehicle No-Fault Insurance Law, Sections 627.733, 627.734, and 627.736(9)(a), F.S. The Department has the authority to suspend the driving privilege and/or motor vehicle registrations of any owner or operator who fails to provide required proof of insurance after sending a notice of suspension and providing an opportunity to be heard through the Department's Bureau of Administrative Reviews.

Insurance companies are required to provide proof of coverage for all insured drivers to the Department when insurance policies are updated, changed, or canceled. Insurance companies submit proof of coverage to the FR Section by fax or by email or through the Department's insurance database (database) which is used for enforcement purposes.

The FR Section assists suspended owners and operators by providing the tools and information needed to comply with Florida's financial responsibility and insurance laws. The Department processes approximately 90,000 cases each month.

Financial Responsibility Law

Florida's Financial Responsibility Law requires owners or operators to provide financial restitution to others for injuries to persons or property that are caused or may be caused by the operation of a motor vehicle by maintaining the required insurance coverage amounts established by the law. The intent of the law is to recognize it is a privilege to own and operate a motor vehicle on the roadways of Florida when used with due consideration for others and others' property.

No-Fault Insurance Law

The No-Fault Insurance Law requires proof of Personal Injury Protection (PIP) and Property Damage Liability (PDL) coverage continuously throughout the vehicle's registration period. The intent of the law is to provide for medical insurance benefits, regardless of who is at fault and to pay for property damage to others when the owner or operator is at fault. This law also requires the owner to maintain insurance coverage in effect continuously throughout the vehicle registration period.

Financial Responsibility Suspensions

There are nine types of suspensions which could be applied to a driver's record related to non-compliance with the Financial Responsibility Law and the No-Fault Insurance Law:

FR Suspension	Reasons for Suspension
<u>100 Suspensions</u> Accident with Injures and With or Without Property Damage	Occur when an owner or operator is involved in a crash that includes bodily injury or potential bodily injury. If the owner or operator fails to show proof of insurance coverage or doesn't have insurance coverage the driver's license will be suspended.
<u>200 Suspensions</u> Court Order Suspension	Occur when a registered owner receives a citation for failure to show proof of no-fault coverage.
<u>300 Suspensions</u> Judgment Liability	Occur when a person processed for personal injury protection insurance is subsequently processed as a judgment debtor in a suspension.
<u>400 Suspensions</u> Convictions or DUI	Occur when an owner or operator is convicted of one or more of the offenses referenced in Section 322.26, F.S., and the Department has the authority to suspend the driver's license regardless of insurance coverage.
<u>500 Suspensions</u> Points Suspension	Occur when a person's driver license has been suspended for excessive points related to driving offenses and fails to show proof of Bodily Injury Liability and PDL coverage on the date of the latest offense.
<u>600 Suspensions</u> Habitual Traffic Offender	Occur when a person's driver license has been suspended after being designated a habitual offender and fails to show proof of Bodily Injury Liability and PDL coverage on the date of the latest offense.
<u>700 Suspensions</u> Cancellation or Not Replacing Current Insurance Policy	Occur when the Department receives notice of a policy termination from the insurance company and no replacement policy can be verified through the database.
<u>800 Suspensions</u> Car Registration	Occur when insurance coverage cannot be verified through the database upon vehicle registration or renewal. The owner or operator will be required to provide proof of insurance coverage.
<u>900 Suspensions</u> Crash and Property Damages	Occur when a crash involving only property damage where the at-fault party was charged with a moving violation and PIP and PDL insurance cannot be verified in the database.

Reinstatement Process

In order to reinstate a suspended driver license, one or more of the following documents or actions is required, along with the mandatory reinstatement fee:

- A letter on the insurance company's letterhead stating the owner or operator had the required coverage at the time of the suspension;
- An official insurance certificate for the required insurance policy coverage if the owner or operator did not have the required coverage at the time of the suspension;
- A non-owner affidavit stating they do not own the vehicle; or
- Surrender the vehicle tag and registration.

Owners or operators have the option to send proof of insurance coverage by fax, mail, email, through the Department's website, or in person at a driver license or tax collector office. The owner or operator also has the option to provide the insurance information through the automated phone system, referred to as the Interactive Voice Recognition System.

Proof of insurance coverage entered through the Department's website is automatically added to the owner or operator's record within the Driver's License Maintenance (DLM) system. The DLM system is an interface system that is linked to the Department's Florida Driver License Information System (FDLIS) and Florida Real-time Vehicle Information System (FRVIS) systems. The DLM system is used for clearing FR cases and documenting the case history. Additionally, DLM is used to review the case history in order to determine if the owner or operator submitted all the required documentation and fees in order to be reinstated.

If an owner or operator submits the required documents to a driver license or tax collector office, the office can update the owner or operator's record through the FDLIS and FRVIS systems and the owner or operator's suspension is cleared. The office is also required to scan all the documents. The system that maintains the scanned documents is called Motorist Maintenance and is linked to both FDLIS and FRVIS. The Department refers to the above process as a "soft clearance" as driver license and tax collector offices have limited system access and are not able to fully clear suspensions in the DLM system. Although the owner or operator is not cleared within DLM, they would appear cleared within FDLIS and FRVIS.

Once the "soft clearance" is performed in an office, a report containing all "soft clearances" for the day is generated by FRVIS and is used to complete the reinstatement process. The FR Section receives the report daily and reviews each suspension on the report to determine if the office received all of the documentation and fees required to clear the suspension. The review is referred to as a "secondary field clearance".

When a “secondary field clearance” is performed by the Department, DLM is updated by a Department member to reflect the owner or operator’s actions in the case history in order to become reinstated. If the owner or operator did not submit all of the required information, the Department will send another letter to the owner or operator requesting the remaining information needed to clear the suspension.

If an owner or operator wishes to cancel their insurance coverage for any reason, the current motor vehicle license plate and registration must be surrendered to the Department to avoid a suspension.

Findings and Recommendations

Our review determined the following issues require management attention:

Suspension Letters

Finding No. 1: FR Suspension Letters should be revised.

Section 322.251 F.S., requires the Department to provide owners or operators with notices of cancellation, suspension, revocation, or disqualifications in the form of a letter by U.S. mail. It is essential that the Department provide clear instructions to the citizens and drivers of Florida to effectively communicate requirements for reinstatement within its correspondence.

During our review of suspension letters, we noted letters containing inconsistent or incomplete information, such as:

- Insurance requirements referred to in multiple ways within the same letter, insurance certificate, form, insurance card, etc.;
 - For example: “SR 22 insurance certificate”, “SR 22 form” or “SR 22”.
- Unexplained insurance coverage requirements;
 - For example: FR 600 case letters refer to the “FR 44” insurance requirements but never explain what the “FR 44” requirements are.
- Unclear security deposit submission requirements;
- Unclear reinstatement fee submission requirements; and
- Unclear information regarding the reason for the suspension and requirements for submitting required documentation.
 - For example: only the FR 500 case and FR 600 case letters state the original “SR 22” insurance certificate can be taken to the tax collector office or driver’s license office or electronically faxed to the Department.

Recommendation

We recommend the FR Section review and revise suspension letters with the intent to communicate in a more clear and consistent manner.

Management Response

We have already begun reviewing the FR suspension notices for all sanction types 1-9 to make them more clear and consistent. We have drafted a revised suspension letter for the FR 1 owner cases as a prototype for other crash sanction notices. We are drafting notices that will be written with specific instructions for out-of-state customers such as those who cause a crash in Florida with injuries. We modified all sanction type resuspension letters in the Motorist Modernization Project and plan to begin using the revised letters as soon as they have been approved.

Non-Ownership Verification

Finding No. 2: Verification of non-ownership status should be strengthened.

The Department's Financial Responsibility Section of the Driver's License Operations Manual includes different requirements when an owner or operator declares non-ownership of the vehicle involved in the suspension based on the type of FR suspension.

Guidelines for FR 200 cases require the owner or operator to provide a bill of sale and complete a non-owner affidavit when they state they are no longer the owner. If the operator states they were not the owner at the time of the event, they must provide the citation and non-ownership must be verified within FRVIS.

Guidelines for FR 900 cases require the owner or operator to complete a non-owner affidavit and provide all releases of liability for property damage. However, for FR 700 cases non-owner statements are only required to be verbal. Without verifying non-ownership within FRVIS or with documentation, such as a bill of sale, FR 700 cases may be incorrectly cleared when a customer claims non-ownership status.

Recommendations

We recommend the FR Section verify non-ownership for all types of FR sanctions when claimed.

Management Response

Improvement opportunities have been identified for implementation during Phase 1 of the Motorist Modernization Project. Additionally, we are researching statistics on non-owner clearances of FR cases to determine the magnitude of the risk and any short term controls that can be put into place to mitigate this risk.

FR Reinstatements Process

Finding No. 3: The implementation of desk procedures and training for the receipt and distribution of “secondary field clearances” would strengthen the process.

We selected a sample of 100 cases to determine the timeliness of the reinstatements. For 50 cases, the reinstatement process was performed electronically by the Department’s systems such as DLM, FRVIS and FDLIS. The remaining 50 cases were performed by the FR Section as part of the “secondary field clearance” process.

While reviewing the timeliness of reinstatements performed as part of the “secondary field clearance” process, we noted it took an average of 21 days from the time the owner or operator submitted all required documentation to the date of the final clearance within DLM, with a range of 8 to 34 days, including 7 cases where it took more than 14 days for reinstatement. Although the owner or operator was not cleared within DLM, they would appear cleared within FDLIS and FRVIS. We determined the “secondary field clearance” process was not being performed for several weeks due to a vacant position.

Recommendation

We recommend the FR Section develop desk procedures for the receipt and distribution of “secondary field clearances” and ensure multiple members are trained in this responsibility.

Management Response

We agree and are in the process of developing procedure manuals for members in the FR Section and cross training members in that office. Estimation of completion of the procedure manual is September 30, 2016.

Inconsistent Action Code Usage

Finding No. 4: Action code usage should be consistent when performing “secondary field clearances” within Driver License Maintenance.

Within DLM, the user can perform various functions such as selecting action codes which are reflected on the DLM case history and indicate the progression of the case. Adding an action code is not a system requirement and the user is able to bypass adding an action code. Although there is not a requirement to ensure action codes are added to the case history, it is essential that the effective use of data by management in making organizational and program decisions be based on reported action codes.

We reviewed 50 cases and noted 13 cases where action coding was not added within DLM during the “secondary field clearance” reviews. Examples include:

- Action codes to reflect the owner/operator/insurance company provided proof of insurance coverage were not added for 6 cases;
- Action codes for waiving reinstatement fees were not added for 2 cases;
- Action codes to reflect the owner/operator/insurance company provided proof of insurance coverage and action codes for waiving reinstatement fees were not added for 2 cases; and
- Action codes to reflect the owner/operator/insurance company provided proof of insurance coverage and action codes for waiving insurance coverage were not added for 3 cases.

Recommendations

We recommend the FR Section require the usage of action codes when performing “secondary field clearances” within the Driver License Maintenance system to improve case history information.

Management Response

Action codes used in the Driver’s License Maintenance system by Department members located within the FR Section are different than those used in FDLIS by field personnel within Driver’s License Offices and the Tax Collector Offices. The Motorist Modernization Project will provide the same action codes for both systems. Until that comes to realization in 2019, we will continue to make certain clearances as definitive as possible with scanned documents and comments.

Purpose, Scope, and Methodology

The purpose of this audit was to review and evaluate the efficiency and effectiveness of the FR reinstatement process and compliance with applicable laws and Department policy and procedure.

The scope of the audit included FR cases cleared within the months of October, November, and December 2015 and all documentation required to clear FR suspensions and the FR reinstatement process.

The methodology included:

- Reviewing applicable statutes, rules, manuals, and procedures;
- Interviewing appropriate Department staff;
- Reviewing FR case history on DLM;
- Reviewing documentation on Motorist Maintenance provided by the owner or operator to clear a suspension; and
- Observing the “secondary field clearance” process.

Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
Diana Vaughn, Deputy Executive Director
Jamie DeLoach, Chief of Staff
Robert Kynoch, Director of Motorist Services
Rick White, Deputy Director of Motorist Services
Ray Graves, Bureau Chief of Motorist Compliance

Melinda M. Miguel, Chief Inspector General
Sherrill F. Norman, Auditor General

Statement of Accordance

Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

Project Team

Engagement conducted by:
Megan Frink, Auditor

Under the supervision of:
David Ulewicz, Audit Director

Approved by:


Julie M. Leftheris, Inspector General

ATTACHMENT - Management Response



Terry L. Rhodes
Executive Director

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MEMORANDUM

DATE: August 15, 2016
TO: David Ulewicz, Audit Director
FROM: Ray Graves, Bureau Chief *WRG*
SUBJECT: Financial Responsibility Reinstatement Audit Report 201516-09

The following is our response to the findings and recommendations presented in the report.

Finding 1- Suspension Letters

FR Suspension Letters should be revised.

Recommendation

We recommend the FR Section review and revise suspension letters with the intent to communicate in a more clear and consistent manner.

Management Response

We have already begun reviewing the FR suspension notices for all sanction types 1 -9 to make them more clear and consistent. We have drafted a revised suspension letter for the FR 1 owner cases as a prototype for other crash sanction notices. We are drafting notices that will be written with specific instructions for out of state customers such as those who cause a crash in Florida with injuries. We modified all sanction type resuspension letters in Motorist Modernization and plan to begin using these letters as soon as everyone has approved.

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Finding 2- Non-Ownership Verification

Verification of non-ownership status should be strengthened.

Recommendation

We recommend the FR Section verify non-ownership for all types of FR sanctions when claimed.

Management Response

Improvement opportunities have been identified for implementation during Phase 1 of the Motorist Modernization Project. Additionally, we are researching statistics on non-owner clearances of FR cases to determine the magnitude of the risk and any short term controls that can be put into place to mitigate this risk.

Finding 3- FR Reinstatements Process

The implementation of desk procedures and training for the receipt and distribution of "secondary field clearances" would strengthen the process.

Recommendation

We recommend the FR Section develop desk procedures for the receipt and distribution of "secondary field clearances" and ensure multiple members are trained in this responsibility.

Management Response

We agree and are in the process of developing procedure manuals for members in the FR Section and cross training members in that office. Estimation of completion of the procedure manual is September 30, 2016

Inconsistent Action Code Usage

Finding 4 – Action code usage should be consistent when performing "secondary field clearances" within Driver License Maintenance.

Recommendation

We recommend the FR Section require the usage of action codes when performing "secondary field clearances" within the Driver License Maintenance system to improve case history information.

Management Response

Action codes used in DL Maintenance by HQ staff are different than those used in FDLIS by field personnel. Motorist Modernization will provide the same action codes for both. Until that comes to realization in 2019, we will continue to make certain clearances as definitive as possible with scanned documents and comments.