



Oregon

Kate Brown, Governor

Oregon Transportation Commission

Office of the Director, MS 11

355 Capitol St NE

Salem, OR 97301-3871

DATE: April 29, 2022

TO: Oregon Transportation Commission

Kristopher W. Strickler

FROM: Kristopher W. Strickler
Director

SUBJECT: Consent Item 05: Internal Audit – DMV MPG

Requested Action:

Accept the Oregon Department of Transportation's (ODOT) Internal Audit Report #22-01 on Driver and Motor Vehicle's (DMV) use of a vehicle miles per gallon (MPG) rating as the basis for registration and title fees.

Background:

DMV administers vehicle registrations and titles, which moved to a tiered fee structure on January 1, 2020. The fee amount is determined by the vehicle's combined MPG rating as set by the Environmental Protection Agency. Electric vehicles are a separate tier.

Results of the audit found a high rate of error in the MPG ratings used by DMV leading to incorrect fees for 17% of title transactions and 26% of registration transactions reviewed. Incorrect fees were a combination of over and under charging vehicle owners. Overall, DMV under collected approximately \$1.7 million in fees from the transactions reviewed.

Each of the three methods DMV used to identify the MPG rating had problems in providing the correct rating. DMV will rely on one of the following three sources to establish a vehicle's MPG rating: a vendor VIN decoder, auto dealerships, and OReGO.

We included recommendations to DMV and the Office of Innovation to address the findings in the report. Management reviewed a draft copy of this report, and their response is included at the end.

Attachment:

- Attachment 1 – Internal Audit Report #22-01



Persistent Fee Errors Occurring in DMV's Title and Registration Transactions

Report 22-01
May 3, 2022

Marlene Hartinger, Chief Auditor
James Hanseling, Principal Internal Auditor
Meredith Frisius, Senior Internal Auditor

May 3, 2022

ODOT Executive Strategy Team Members:

Kris Strickler, ODOT Director

Travis Brouwer, Assistant Director – Revenue, Finance & Compliance

Cooper Brown, Assistant Director – Operations

Lindsay Baker, Assistant Director – Government & External Relations

Dear Executive Strategy Team Members:

Driver and Motor Vehicle (DMV) Services administers vehicle registrations and titles, which moved to a tiered fee structure on January 1, 2020. The fee amount is determined by the vehicle's combined miles per gallon (MPG) rating as set by the Environmental Protection Agency. Electric vehicles are a separate tier.

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Each of the three methods DMV used to identify the MPG rating had problems in providing the correct rating. DMV relies on one of the following three sources to establish a vehicle's MPG rating: a vendor VIN decoder, auto dealerships, and OReGO.

Management reviewed a draft copy of this report and their response is included at the end. We appreciate the cooperation from DMV and the Office of Innovative Funding staff. Please contact me if you have any questions about this report or the audit process.

Sincerely,



Marlene V. Hartinger, MBA, CPA, CIA
Chief Auditor

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PERSISTENT FEE ERRORS OCCURRING IN DMV'S TITLE AND REGISTRATION TRANSACTIONS

SUMMARY

The Oregon Department of Transportation (ODOT) moved to a tiered structure for vehicle registration and title fees on January 1, 2020. The fee amount is determined by the vehicle's combined miles per gallon (MPG) rating as set by the Environmental Protection Agency (EPA). Electric vehicles are a separate tier. Currently a more fuel-efficient vehicle pays significantly less in gas taxes yet uses the transportation system in a similar manner as less fuel-efficient vehicles. The tiered fee structure aims to reduce this inequity in how drivers pay for the transportation system.

ODOT's Driver and Motor Vehicle (DMV) Services administers vehicle registrations and titles. DMV implemented a process with multiple sources for vehicle MPG ratings. The first is a vendor VIN (vehicle identification number) decoder that provides an MPG rating. The second is receiving MPG ratings from auto dealerships (dealers) when they submit title and registration paperwork to DMV. The third is the OReGO program providing the MPG rating to DMV for enrolled drivers. This audit sought to answer the question, is DMV using the correct combined MPG rating as the basis for registration and title fees?

Results of the audit found a high rate of error in the MPG ratings used by DMV as the basis for title and registration fees. Vehicle owners were charged the wrong amount on 17% of title transactions and 26% of registration transactions reviewed. Errors were a combination of over and under charging vehicle owners. Overall, DMV under collected approximately \$1.7 million in fees from the transactions reviewed.

Each of the three methods DMV used to identify the MPG rating had problems in providing the correct rating. The vendor-provided VIN decoder often failed to return the correct MPG rating. A common error with the decoder was returning a 0 MPG even though the EPA had a rating for the vehicle. Dealers and OReGO also provided incorrect ratings to DMV along with misclassifying electric vehicles.

The report includes recommendations for ODOT to return over-collected fees to drivers, take steps to address the inaccuracy of the VIN decoder, and implement a quality control process to review the ratings being used as the basis for fees.

BACKGROUND

The passage of House Bill (HB) 2017 changed the basis for vehicle registration and title fees at DMV. Fees moved from a flat structure to a tiered structure based on a vehicles MPG rating¹ and fuel type. The change took effect on January 1, 2020. Below is a breakdown listing the fees by tier.²



Tier 1: 0-19 MPG
Title Fee: \$98
2-Year Registration Fee: \$122



Tier 2: 20-39 MPG
Title Fee: \$103
2-Year Registration Fee: \$132



Tier 3: 40+ MPG
Title Fee: \$113
2-Year Registration Fee: \$152



Tier 4: Electric
Title Fee: \$187
2-Year Registration Fee: \$306

DMV defaults vehicles from 1999 or older to Tier 1 regardless of combined MPG rating. Vehicle owners with a vehicle in Tiers 3 & 4 that enroll in OReGO pay a reduced 2-year registration amount of \$86.

The tiered fee structure aims to reduce inequity in how drivers pay for the transportation system. A more fuel-efficient vehicle will pay significantly less in gas taxes yet use the transportation system in a similar manner as a less fuel-efficient vehicle. The tiered structure is an attempt to reduce this gap. The graphic below shows the difference in gas tax paid for two vehicles driving 10,000 miles.³



Vehicle A: 40 MPG driving
10,000 miles pays \$90 in gas



Vehicle B: 15 MPG driving
10,000 miles pays \$240 in gas

¹ The combined MPG rating is used which is a weighted average of the city (55%) and highway (45%) ratings.

² DMV tier fees increased on January 1, 2022 as scheduled in HB 2017.

³ Calculation used \$0.36 for the state gas tax. This rate increased to \$0.38 January 1, 2022.

Vehicle B pays over two and half times as much in gas tax. With the tiered structure, over a two-year period and vehicles traveling 10,000 miles, the gap is reduced as vehicle A pays \$265 in fees while vehicle B pays \$220 (title and 2-year registration). Total fees and gas tax cost for vehicle A is \$355 and \$460 for vehicle B. The gap is reduced from \$150 to \$105.

Oregon Administrative Rule (OAR) directs ODOT to use the EPA's combined MPG rating for a vehicle as the basis for registration and title fees.⁴ There are limitations on the availability of EPA ratings as certain large vehicles are exempt from the process. Prior to 2011, vehicles with a gross vehicle weight rating (GVWR) over 8,500 pounds were exempt. From 2011 onward, pickup trucks and cargo vans with GVWR over 8,500 pounds and passenger vehicles (such as vans and SUVs) over 10,000 pounds are exempt. This can leave a large number of vehicles without a combined MPG rating. Per DMV, these vehicles should default to Tier 1 (0-19 MPG).

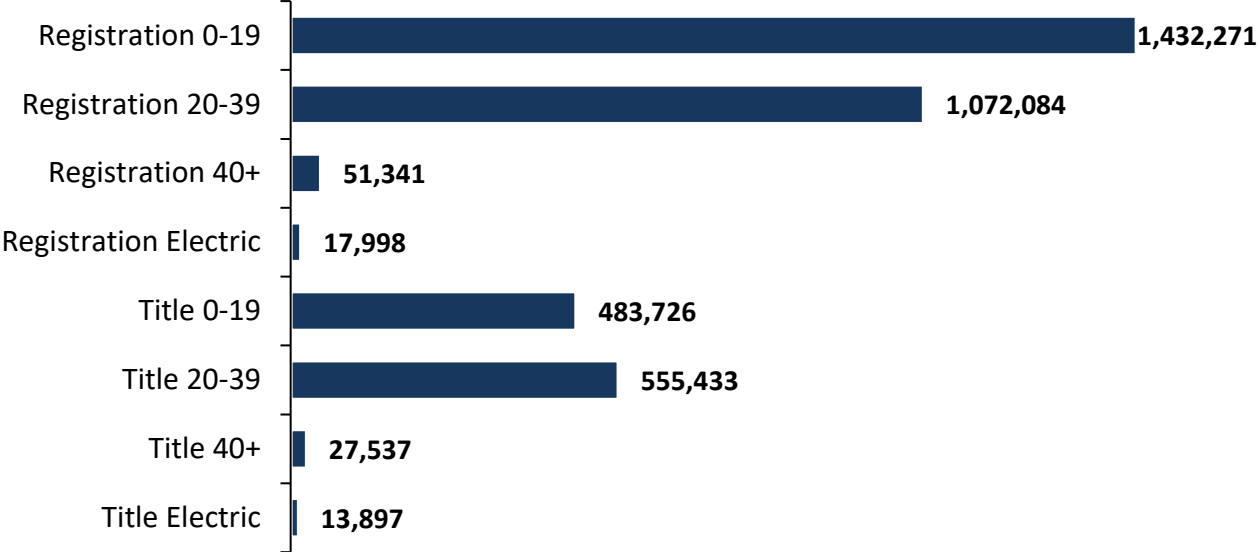
DMV obtains MPG ratings in three different ways. The first is from a VIN decoder provided by a vendor that DMV contracted with in 2019. DMV staff can enter a VIN and the decoder returns a vehicle's combined MPG rating that is used as the basis for fees. The second way is if a dealer provides an MPG rating as part of the registration and title for a vehicle they sold. Dealers can provide the necessary documents directly to DMV on behalf of vehicle owners. DMV uses the dealer-provided rating for these vehicles instead of running the VIN decoder. The third way is from OReGO for vehicles enrolled in the program. OReGO is ODOT's pilot road usage charge program where vehicle owners pay a tax based on miles driven instead of the gas tax.⁵ This program uses third-party account managers to set the combined MPG for a vehicle. The account managers are expected to use EPA ratings as the basis.

⁴ OAR 735-030-0115

⁵ OReGO is administered by ODOT's Office of Innovative Funding, which is not within DMV.

DMV processed over 2.5 million registrations and over 1 million title transactions from the launch of the tiered fee structure through December 27, 2021.⁶ These two transaction types generate the bulk of DMV’s revenue and make-up a sizeable portion of ODOT’s overall revenue. The vast majority of the transactions fell into Tier 1 and Tier 2.

The Majority of Transactions Used an MPG Rating from 0-39.



Prior to the launch of the tiered fee structure, DMV staff completed an analysis of all passenger vehicles with a registration or title record. The analysis ran nearly 6.9 million vehicles likely to be impacted by the changes through the vendor’s VIN decoder. The decoder assigned an MPG rating to only 27% of the vehicles and the rest were not given an MPG rating. As a result, DMV’s internal analysis report provided recommendations for improving the outcome of assigning the correct MPG rating and fuel type.

⁶ December 27, 2021 was the cutoff date for transaction data received from DMV for the audit.

AUDIT RESULTS

Since the launch of the new tiered fee structure, DMV has had a high rate of error in assigning correct MPGs and has been charging vehicle owners incorrect fees for title and registration transactions. DMV has multiple methods for assigning a vehicle's MPG rating and fuel type, and all are contributing to the fee errors. For our audit, we reviewed a subset of all transactions that included 17% of title and 20% of registration transactions. The most common error in our testing subset was vehicles being assigned as Tier 1 when they should have been Tier 2 or Tier 3. Inequity also occurs when inconsistent fees are charged for the same vehicle. Overall, DMV under collected fees by \$1.7 million from the transactions reviewed.

INCORRECT FEES ARE BEING CHARGED AT HIGH RATE FOR TITLE AND REGISTRATION TRANSACTIONS.

Our audit found that title transactions had a 17% error rate and registration transactions had a 26% error rate from the subset tested. We compared the combined MPG rating and fuel type used by DMV for its fees to what the EPA lists for the vehicle. When those differed and the EPA MPG rating would have assigned a vehicle to a different tier than the DMV assigned it, we counted that as an error. An example error is if DMV assigns a 25 MPG rating to a vehicle that has an EPA rating of 40 MPG. When that occurs, DMV under charges the vehicle owner by \$20, the difference between Tier 2 (20-39 MPG) and Tier 3 (40+ MPG). The table below breaks out the counts and impacts of the errors.

	Title Transaction Counts	Sum	Registration Transaction Counts	Sum
Reviewed	184,526		517,817	
Over Paid	3,114	\$26,380	4,037	\$101,160
Under Paid	27,702	\$195,426	129,270	\$1,783,184
Correct	153,710	\$16,856,128	384,510	\$59,731,657
Error Rate[^]	17%		26%	

[^]The error rate cannot be projected to the population.

The impact of each error ranged from a \$5 difference to hundreds of dollars. For example, a plug-in hybrid was misclassified as an electric vehicle resulting in being charged \$799 for title and a 4-year registration. However, the correct amount should have been \$367 leaving the owner paying \$348 too much. A common underpayment was vehicles with a combined MPG rating of 40+ that paid registration at Tier 1 instead of Tier 3. The underpayment leaves DMV short by \$45 (\$220 vs \$265) when title and a 2-year registration are paid together. The majority of payment errors had a difference of \$1-\$30 as seen in the graphic below.

The Majority of Title Payment Errors were +/- \$15 of the Correct Amount

- 25,403** Underpaid by \$1-\$15
- 5,294** Overpaid by \$1-\$15
- 117** Underpaid or Overpaid by >\$15

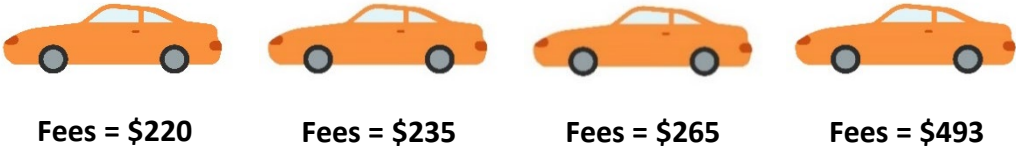
The Majority of Registration Payment Errors were +/- \$30 of the Correct Amount

- 42** Underpaid by >\$60
- 528** Underpaid by \$31-\$60
- 121,603** Underpaid by \$1-\$30
- 9,386** Overpaid by \$1-\$30
- 1,243** Overpaid by \$31-\$60
- 265** Overpaid by >\$60

ERRORS LEAD TO INEQUITY FOR VEHICLE OWNERS.

Incorrect fees can create a sizeable disparity for vehicle owners paying different amounts for the same vehicle. For example, registration transactions for the base Toyota Prius had an especially high error rate with the majority of owners (18,813 out of 32,935) being charged less than the correct amount. Owners paying less receive a cost savings, the vast majority being \$30, compared to the 14,122 owners who paid the correct rate creating inequity in the system.

We also found examples where owners of vehicles with the same make, model year, and trim level paid fees at each of the four different tiers, only one of which was the correct tier. For example, one owner paid registration at Tier 1 (\$122) while another owner paid at the correct Tier 3 (\$152). The graphic below shows the range of fees paid for 2-year registration and title for the vehicle.



In some instances, multiple owners of a single vehicle have paid fees at different tiers. For example, one owner paid registration at Tier 1 (\$122) while another owner paid at the correct Tier 3 (\$152).

The range in fees charged are reflected in the number of MPG ratings for a vehicle (same make, model, and year) within DMV records. The vehicles listed in the table below have a wide range of assigned MPG ratings in DMV records, yet the EPA only has a few. The percentage of vehicles where DMV assigned one of the EPA ratings varied with some having a very low percentage.

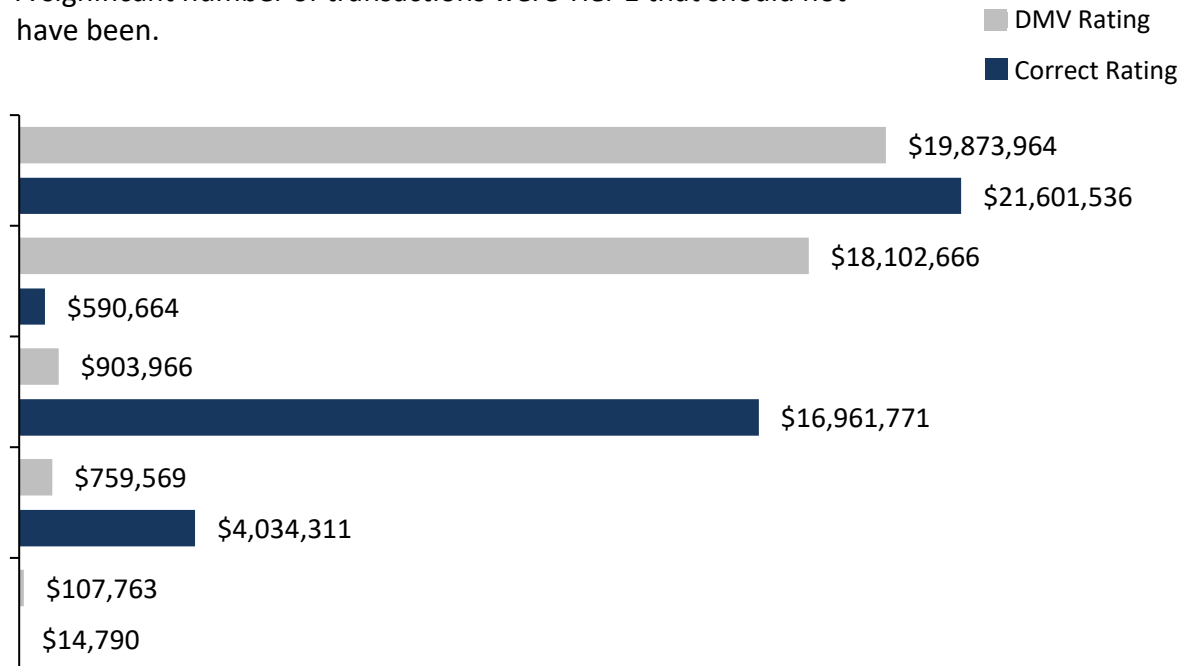
	Number of DMV MPG Ratings	Number of EPA MPG Ratings	Percent of Vehicles with One of the EPA MPG Ratings
Vehicle 1	47	4	54%
Vehicle 2	20	5	93%
Vehicle 3	15	1	45%
Vehicle 4	68	4	72%
Vehicle 5	17	4	1%
Vehicle 6	39	98	74%
Vehicle 7	22	5	2%
Vehicle 8	19	5	87%
Vehicle 9	12	2	5%
Vehicle 10	27	1	3%

THE MOST COMMON ERROR WAS HIGH MPG VEHICLES UNDERPAYING FEES.

Vehicles with a higher combined MPG rating frequently paid less than the correct fee amount. A large number of vehicles paid fees in Tier 1 that should have been Tier 2 or 3. Revenue collected by DMV would have been higher by \$1.7 million if the correct combined MPG rating was used. The following chart illustrates the difference in revenue collection for DMV if the correct rating would have been used.

Using the Correct MPG Increases the Amount of Revenue for DMV.

A significant number of transactions were Tier 1 that should not have been.



MULTIPLE FACTORS CONTRIBUTED TO THE INCORRECT MPG RATINGS LEADING TO FEE ERRORS.

There was not one, but a combination of factors, that contributed to the incorrect MPG ratings. First, the vendor-provided VIN decoder used by DMV to establish ratings often failed to return the correct combined MPG rating. The decoder assigned a 0 MPG rating for many vehicles in model years 2000 to 2012. However, the EPA does provide a combined MPG rating for all of those vehicles that is greater than 19. As a result, many vehicles that should have been in Tiers 2 or 3 were charged fees at the Tier 1 rate. From the 140,395 vehicles with a corresponding transaction error identified, 126,624 (90%) had a 0 MPG rating assigned by the DMV VIN decoder.

The VIN decoder also did not return current ratings for multiple vehicles. The EPA updated its testing methodology in 2008 and 2017 leading to revised ratings for some vehicles. Changes to the combined MPG rating may not have been significant but did impact what tier a vehicle would fall into. For example, the decoder returned the outdated MPG rating for one vehicle over five different model years. Revised EPA ratings adjusted the combined MPG rating from 40 to 39, which moves the vehicle from Tier 3 to Tier 2.

Another source of errors were vehicles that do not have a combined MPG rating from the EPA. As mentioned before, the EPA does not rate all vehicles. Multiple vehicles that lack an EPA rating were tested and found to have overpaid on fees. Per OAR, DMV is required to put vehicles without a rating in Tier 1 (0-19 MPG).⁷ Instead, many such vehicles were incorrectly assigned to other tiers with higher fees. The error rate on this subset of vehicles was 5% for title transactions and 2% for registrations.⁸

Lastly, DMV has not implemented a quality control process to review MPG ratings. DMV does not have a mechanism or regular review to ensure transaction fees are based on the correct MPG rating. Additionally, DMV does not review the ratings coming from dealers or OReGO. These ratings are taken as-is and used as the basis for registration and title fees. Not having any quality control reviews hinders DMV's ability to identify and correct payments errors.

OLDER VEHICLES OVER-CHARGED ON TIER FEES.

DMV set a threshold that all vehicles older than 2000 would default to Tier 1, paying the lowest level of fees, regardless of the vehicle's MPG rating. This decision was based on analysis done by DMV that showed a very low success rate in decoding the VIN for vehicles older than 2000. Yet, we identified 824 registration and 939 title transactions that charged fees at Tiers 2 and 3 for vehicles older than 2000. Transaction errors ranged from \$5 to \$45 and totaled \$13,255. Dealers provided the MPG rating to DMV for the vast majority (99%) of these transactions. DMV communications to dealers addressing the tiered fee implementation did not include the distinction on model year 2000 vehicles defaulting to Tier 1.⁹ Additionally, although this distinction is noted in the online title and registration fee table, the DMV Title and Registration Manual posted on the ODOT website does not include this in it.

⁷ OAR 735-030-0115

⁸ The total number of title transactions reviewed was 29,622 and 80,495 for registrations.

⁹ DMV issues a quarterly newsletter for Oregon dealers. Issues reviewed include fall 2019, winter 2020, and fall 2021.

**OREGO ENROLLMENT
CONTRIBUTES TO PAYMENT
ERRORS.**

The combined MPG ratings provided by OReGO for enrolled vehicles were also often incorrect and led to incorrect DMV fees.¹⁰ Account managers¹¹ provide the combined MPG rating for vehicles that enroll in OReGO. The ratings are also provided to DMV to be used as the basis for registration and title fees. Review of the 715 vehicles with an enrollment date during 2019-2021 identified 66 (9%) with incorrect MPG ratings or incorrect classification as an electric vehicle.

Fee errors due to incorrect MPG ratings from OReGO came in two ways. The first was vehicles being assigned the wrong MPG rating or fuel type. Vehicle owners pay reduced registrations of \$86 if vehicles have an MPG rating of 40+ or are fully electric. From the 581 vehicles reviewed, 15 owners were incorrectly assessed the reduced rate but should have been charged the full amount for registration.

The second way errors occurred was from owners attesting to enrollment in OReGO who were not actually enrolled in the program. We identified 19 vehicles that were charged the reduced registration for which there was no record of ever being enrolled in OReGO. From these 19 vehicles, 11 should have been charged \$152 and 8 should have been charged \$306 for registration. These errors left DMV collecting \$2,486 less than what should have been collected. An additional 996 vehicles were indicated as enrolled in OReGO based on the registration transaction but were never actually enrolled. The registration fees for these vehicles were not impacted because the MPG rating and fuel type did not qualify for the reduced rate.

DMV has multiple ways to verify enrollment in OReGO at the time of the transaction. The first is to have the vehicle owner provide DMV with the welcome confirmation email they received from the OReGO account manager to verify enrollment. A second way is through DMV uploading and checking data from OReGO that includes the enrolled vehicles. The third way is by the owner attesting to enrollment when completing the transaction. If any of these three options indicates enrollment, the owner is billed the reduced registration rate for qualified vehicles.

¹⁰ Incorrect MPG ratings for vehicles enrolled in OReGO was a finding in a previous ODOT internal audit issued in 2017.

¹¹ Account managers are the third-party vendors providing the technology and services to collect the road usage charge on behalf of ODOT.

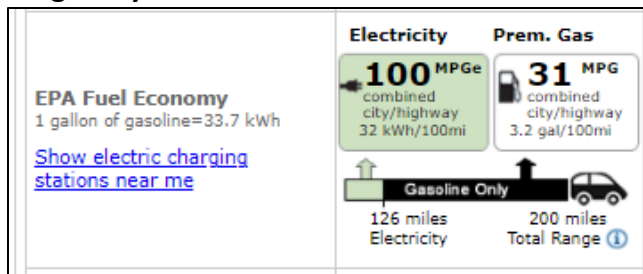
**PLUG-IN HYBRID VEHICLES
CREATE A CHALLENGE FOR
PROPER TIER ASSIGNMENT.**

The EPA provides two ratings for plug-in hybrid vehicles – the MPG rating and an MPGe (miles per gallon equivalent) rating. The MPG rating represents the fuel economy when the battery is emptied and the vehicle is using gasoline only. The MPGe rating represents miles per gallon of gas-equivalent, or the number of miles the vehicle can go using a quantity of fuel (usually electricity) with the same energy content as a gallon of gasoline. Examples of different plug-in hybrid ratings are shown below.

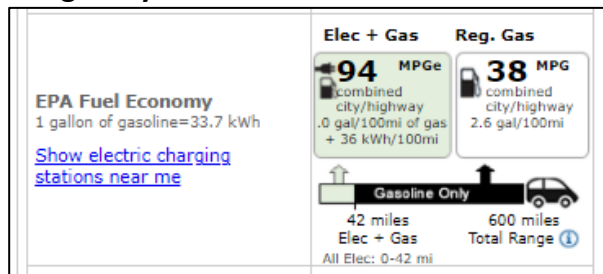
Plug-in hybrid vehicles can operate differently depending on how the gas and electric engines are used. One version uses a small gas engine to charge the vehicle’s battery as it drives. The vehicle does not use the gas engine as a direct power source to turn the wheels and the fuel tank is relatively small (1-3 gallons). The gas engine generates additional electricity to power the electric motor as the vehicle is driven once the battery is depleted. On short trips, vehicles may not use any gas at all. The MPG ratings for this type of plug-in can be seen below for vehicle 1.

In contrast, other plug-in hybrids have gas engines that do contribute as a direct power source with fuel tanks up to 19 gallons. An electric only option may be used when traveling at low speeds or short distances. However, this may not completely eliminate gas usage. Drivers could travel hundreds of miles using primarily gas or use very little gas depending on how the driver operates it. The MPG ratings for this type of plug-in can be seen below for vehicle 2.

Plug-In Hybrid – Vehicle 1



Plug-In Hybrid – Vehicle 2



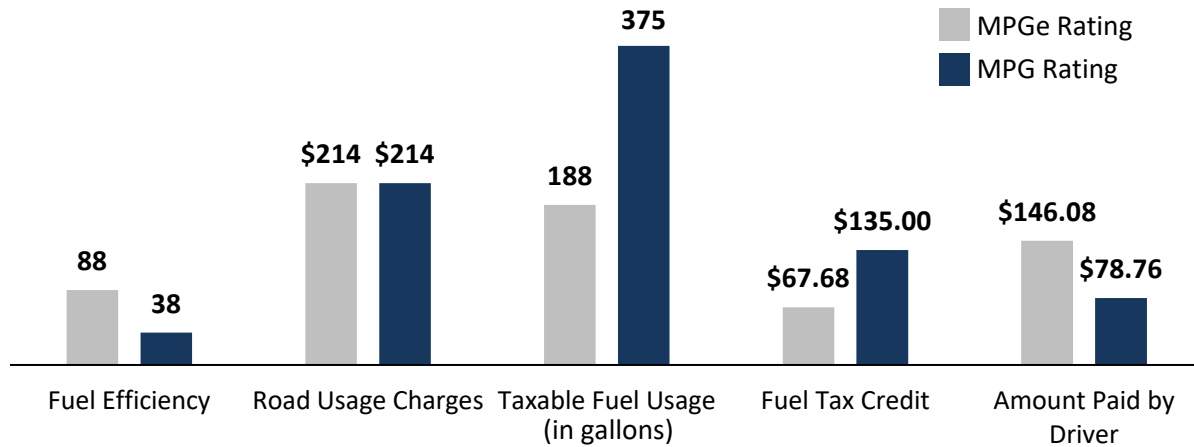
The MPGe shows the fuel economy when using primarily electricity to move the vehicle. DMV is required to use the combined MPG rating from the EPA unless it is an electric vehicle. In contrast, OReGO directs account managers to use the MPGe instead of the MPG rating for plug-in hybrid vehicles. The difference between the two approaches can move a vehicle between fee tiers as seen in the examples above. For the purpose of this audit, we used the MPG rating as the applicable rating when reviewing transactions for plug-in hybrids.

OTHER MATTER

The difference between MPGe and MPG ratings can significantly affect vehicle owners enrolled in OReGO. The program’s third-party account managers use a device that plugs into a vehicle’s OBD-II port to calculate the amount of fuel used. The amount of gas tax paid is then credited against the road usage charge. For example, if an owner paid \$10 in gas tax and owes \$20 in road usage charges, they owe \$10 in road usage charges. However, for some vehicles, the device is unable to calculate actual fuel usage and the program relies on the combined MPG or MPGe rating from the EPA to determine the amount of fuel used.¹²

Using the (higher) MPGe rating instead of the (lower) MPG rating can significantly influence vehicle owners. The graph below shows the difference for an owner that was enrolled and drove 14,250 miles. Using the MPGe rating increases the amount paid by \$67.32; a 46% difference.

The Difference Between MPGe and MPG Ratings Can Make a Significant Impact to Vehicle Owners in OReGO.



¹² At the end of 2021, OReGO had 771 active vehicles of which 116 were using the EPA method.

Additionally, account managers have not consistently assigned plug-in hybrids the MPGe rating as required or have classified them as electric vehicles. We reviewed all 62 plug-in hybrid vehicles active or inactive in the program and found only 16 (26%) were assigned the correct MPGe rating and 14 (23%) were marked as plug-in hybrids. Of these, account managers classified eight vehicles as electric.

This impacts participants in the program because some vehicle are assigned the MPGe and others the MPG rating while having the EPA method for fuel calculation. The difference in ratings creates an inequitable outcome as owners of the same or equivalent vehicle pay different rates.

We identified 14 plug-in hybrid vehicles that had payment errors due to using the incorrect MPGe rating, wrong fuel type, or an inapplicable fuel calculation method. From the 14 vehicles, six were overpayments and eight were underpayments. The range of miles driven by each participant resulted in some errors being a few dollars to \$20-\$25. Account managers classed multiple vehicles as electric and did not attribute any fuel consumption.

CONCLUSION

The implementation of the tiered fee structure has led to multiple issues that ODOT needs to address for the approach to be fair to Oregon drivers and to bolster equity in paying for the transportation system. The current controls for the process are inadequate to ensure title and registration fees are based on the correct MPG rating. Additionally, ODOT has not captured the full potential of increased revenue by under charging on a sizeable number of transactions.

RECOMMENDATIONS

DMV should:

1. Identify which vehicle owners have overpaid on fees and return the difference to the owner. A determination on how to address vehicle owners that underpaid on registration and title fees is also needed.
2. Ensure the vendor providing the VIN decoder is using current EPA combined MPG ratings as the basis for data provided to DMV and investigate whether issues can be remedied to improve accuracy.
3. Update the DMV Title and Registration Manual to include the distinction that vehicles older than 2000 default to Tier 1. Communicate this distinction to dealers.
4. Develop a quality control process to monitor and ensure the correct MPG rating and fuel type are used as the basis for fees.
5. Investigate ways that existing vehicle MPG ratings and fuel types can be corrected.

DMV in conjunction with the Office of Innovative Funding should:

6. Reconcile DMV and OReGO program requirements related to how MPG and MPGe ratings are used.
7. Develop a mechanism to reconcile the vehicles that DMV records indicate are enrolled to ensure accurate records.

The Office of Innovative Funding should:

8. Review MPG and MPGe ratings for the OReGO program and correct those that don't match the EPA ratings and program requirements. Determine if payment errors occurred and reconcile the difference with program participants.
9. Ensure OReGO account managers are providing the correct MPG rating and fuel types for vehicles by completing regular reviews of enrolled vehicles. Results of the review should be shared with account managers.

**OBJECTIVE, SCOPE AND
METHODOLOGY**

The audit objective asked, is DMV using the correct combined MPG rating as the basis for registration and title fees?

Scope for the audit included all transactions related to the tiered registration up to December 27, 2021. Total transactions were 2.57 million for registration and 1.08 million for title. From this population, auditor judgment was used to select a subset of vehicles to review with a mix of the following areas: fuel type, vehicle type (car, SUV, truck, etc.) and vehicle count within DMV's data. The total number of transactions reviewed was 517,817 registration (20% of total) and 184,526 title (17% of total) transactions. The results should not be projected to the population.

Auditors used the National Highway Traffic Safety Administration (NHTSA) VIN decoder to determine vehicle characteristics to aid in identifying the correct combined MPG rating.¹³ The rating used by DMV was compared to the EPA rating for that vehicle. If the correct number could not be identified based on VIN decoding, auditors did not make a determination on whether the correct MPG rating was used. If auditors could nonetheless make a determination on whether the fee tier was correct based on the possible EPA ratings, this was done even without the exact MPG rating. For example, if the DMV MPG rating was 40 for a vehicle but the EPA ratings ranged from 22-28, auditors concluded the rating and the fee were incorrect.

The following materials were also reviewed during the audit:

- ORS and OAR related to DMV tiered registration fees
- DMV Field Registration and Title Manual
- DMV publications related to tiered registration fees
- OReGO procedures and program requirements
- Contract documents related to vendor VIN decoder

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹³ Select vehicles from one manufacturer also used its VIN decoder.

MANAGEMENT RESPONSE



Oregon

Kate Brown, Governor

Department of Transportation
Office of the Director
355 Capitol St NE
Salem, OR 97301

May 2, 2022

Marlene Hartinger
ODOT Chief Auditor
355 Capitol Street NE
Salem OR 97301

Dear Ms. Hartinger:

Thanks for the work of you and your team in performing this audit. The Driver and Motor Vehicle Services Division (DMV) has as part of our mission the collection of revenue to finance Oregon's multimodal transportation system. The introduction of MPG-tiered title and registration fees was intended by the legislature to address changes in the vehicles Oregonians drive, which impacts revenue. This new method has presented DMV with challenges. The audit presents DMV, along with our partners in the OReGO program in the Office of Innovative Funding, an opportunity to improve our systems and methods with the ultimate goal of accurately collecting sufficient revenue as intended by the legislature.

Below are the responses of DMV and the OReGO program to your recommendations:

Recommendations

DMV should:

1. Identify which vehicle owners have overpaid on fees and return the difference to the owner. A determination on how to address vehicle owners that underpaid on registration and title fees is also needed.
Response: Agree. DMV will develop a methodology to identify vehicles that were assessed more than required, establish a *de minimis* amount over which refunds will be issued, and a schedule for accomplishing those refunds. For vehicles that were under-charged, DMV will establish a threshold over which additional payments will be sought, if the cost for to the agency to pursue those additional fees makes sense.
2. Ensure the vendor providing the VIN decoder is using current EPA combined MPG ratings as the basis for data provided to DMV and investigate whether issues can be remedied to improve accuracy.
Response: Agree. DMV will work with the current vendor to ensure the most accurate data possible is being used. DMV will also investigate whether additional tools can be launched, to supplement/complement the current VIN decoder, to improve accuracy. In addition, DMV will explore other VIN decoder options in terms of accuracy, prompt return of information, ease of use, consistency with other state agencies, etc., understanding there is a contract in place with the current vendor.

3. Update the DMV Title and Registration Manual to include the distinction that vehicles older than 2000 default to Tier 1. Communicate this distinction to dealers.

Response: Agree. DMV will update the manual and ensure all staff receive updated training. DMV will also ensure all relevant resource materials used by vehicle dealers are up to date, and DMV will use multiple channels to communicate this reminder to vehicle dealers.

4. Develop a quality control process to monitor and ensure the correct MPG rating and fuel type are used as the basis for fees.

Response: Agree. DMV will assemble a team of internal experts, including IT professionals, to develop methods for quality control. These may include additional tools to verify responses from the VIN decoder as well as data received from dealers, to improve accuracy.

5. Investigate ways that existing vehicle MPG ratings and fuel types can be corrected.

Response: Agree. DMV will assemble a team of internal experts, including IT professionals, to analyze data for vehicles that have an existing MPG rating in the system to verify and correct where needed. DMV will also develop an implementation plan to correct ratings already in the system.

DMV in conjunction with the Office of Innovation should:

6. Reconcile DMV and OReGO program requirements related to how MPG and MPGe ratings are used.

Response: Agree. ODOT will reconcile to a single method.

7. Develop a mechanism to reconcile the vehicles that DMV records indicate are enrolled to ensure accurate records.

Response: Agree. DMV will develop a process to verify OReGO enrollment.

The Office of Innovation should:

8. Review MPG and MPGe ratings for the OReGO program and correct those that don't match the EPA ratings and program requirements. Determine if payment errors occurred and reconcile the difference with program participants.

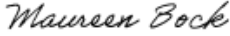
Agree: OReGO performs monthly MPG variance research and have identified incorrect MPG through the life of the program. Procedures need to be updated. OReGO had account managers self-audit MPG once per year 3-4 years ago and may need to formalize annual procedures with Account Managers.

9. Ensure OReGO account managers are providing the correct MPG rating and fuel types for vehicles by completing regular reviews of enrolled vehicles. Results of the review should be shared with account managers.

Agree: Procedures are in place to validate MPG and MPGe when a vehicle goes to pending. We will address procedures for validating auto enrollments.

We appreciate the diligence and professionalism of the Audit team, and look forward to working with you as we implement change.


Amy Joyce
DMV Administrator


Maureen Bock
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