

ACCOUNT MANAGER COMPLIANCE EVALUATION

*2016 OReGO
FAST Act STSFA
Grant*

March 2018

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Executive Summary

Compliance includes three key items: education, assistance, and enforcement. Enforcement mechanisms ensure that account managers deliver specific outcomes regarding the management of taxpayer accounts and data collection. Refining metrics used for determining compliance could reduce costs, thereby improving the program's net revenue. Analyzing the evasion and enforcement practices could identify ways where account managers might evade payment and help ODOT develop effective enforcement protocols to address gaps or mitigate risk. Exploring existing enforcement models and aligning existing resources within ODOT could further reduce program costs.

The primary objectives of this project were to:

- Refine metrics used for determining compliance to reduce program costs, thereby improving the program's net revenue
- Analyze current evasion and enforcement policies to identify ways account managers might evade payment and develop effective enforcement protocols to address those gaps
- Explore existing ODOT enforcement models and suggest alignment of existing resources within ODOT to further reduce program costs related to enforcement



Background

ODOT Road Usage Charging and OReGO

In 2001, the legislature formed the Road User Fee Task Force (RUFTF). Its mission was to find an alternative source of transportation funding outside of fuel taxes. From this legislative body, the concept of road usage charge -- where volunteers pay for every mile they drive, rather than for every gallon their vehicles consume—came into existence. With the passage of SB 810 in 2013, the Oregon Department of Transportation (ODOT) was mandated to create and maintain a road usage charge (RUC) program. The resulting OReGO program became operational on July 1, 2015.

2016 FHWA FAST Act STSFA Grant

In 2016, ODOT was awarded a federal grant from the Federal Highway Administration (FHWA) under the Fixing America's Surface Transportation (FAST) Act Surface Transportation System Funding Alternatives (STSFA) program. ODOT has defined eight projects to meet the objectives in the grant and enhance the OReGO program.

The primary project objectives are to:

- 1: Expand the market
 - Expand technology options for reporting mileage
 - Manage the open market
 - Develop requirements for a manual reporting option
 - Streamline reporting and data sharing
- 2: Increase public awareness
- 3: Evaluate compliance mechanisms
 - Account manager
 - RUC payer
- 4: Explore interoperability

Description of the “Account Manager Compliance” subproject

Compliance mechanisms ensure that account managers deliver specific outcomes regarding the management of taxpayer accounts and data collection. Refining metrics used for determining compliance could reduce costs, thereby improving the program's net revenue. Analyzing the evasion and enforcement practices could identify ways account managers might evade payment. This will also help ODOT develop effective enforcement protocols to address gaps. Exploring existing enforcement models and aligning existing resources within ODOT could further reduce program costs.

During the Account Manager Compliance project, current account manager compliance mechanisms, including audit processes, were to be evaluated and refined. AM contractual requirements were to be updated to reflect the revised compliance mechanisms and related audit processes.

Evaluation

What Was Done

The “Account Manager Compliance” subproject took place between November 2016 and March 2018, ending 39% ahead of schedule.

Current account manager compliance mechanisms, including audit processes, were evaluated and refined. Compliance mechanisms that can be implemented without legislative change will be incorporated into contract documentation, requirements, and program certification processes. Mechanisms that require legislative changes have been documented for future implementation.

A gap analysis was carried out in order to identify areas to improve account manager compliance, including evaluation of service level agreements, technology gaps, bonding recommendations, and enforcement mechanisms for taxes owed. Account manager requirements and related contractual documentation are being updated to incorporate opportunities to refine metrics, which will reduce administrative costs. Existing enforcement models were evaluated to determine best practices for lowering administrative costs when enforcing compliance.

A testing requirements document for Contractors was developed to ensure that the certification requirements and expectations are clear and concise. This will minimize inefficiencies during certification.

STSFA Requirements

Implementation

An Account Manager compliance gap analysis was executed and shared with the program team which summarized findings after reviewing published requirements, processes, as well as historical activity including prior escalations and enforcement practices. Several changes were made to the business and system requirements, the service level agreement, and internal processes to help address the risks uncovered during the analysis. New requirements were added to improve communication between the account manager and the agency and to improve the quality and visibility of service delivered to the volunteer. Other requirements relating to the capture, storage, transmission, and calculations made with program data were clarified to ensure adherence to the agency's intention and expectation.

Protection of Privacy

The public's perception of the program can be eroded if people do not believe the program is responsible in regards to protecting personal information. New requirements were added and existing requirements were clarified to reduce the occurrences of misinterpretation. The requirement revisions pertained mostly to RUC Payer and program data encryption, authenticating MROs that collect and transmit program data, and sharing RUC payer agreement details with the Agency for visibility and monitoring.

Use of private third-party vendors

All aspects of the project work were directed towards enhancing the compliance and enforcement mechanisms for private third-party vendors that partner with ODOT to operate the OReGO Program.

Ease of Compliance

A goal of the agency is to make the certification process and ongoing compliance simple and easy for the Account Managers when partnering with ODOT. It's in the best interest of the volunteers to be presented with multiple options when choosing an account manager. It is important to balance the program needs with ease of compliance. If it's too difficult, private third-party vendors will be reluctant or unable to become certified. To this end, the Service Level Agreement and requirements were refined to remove ambiguity so that the specifications weren't subject to misinterpretation. Because the process and requirements have been simplified, account manager compliance is easier to enforce improving account manager accountability.

Reliability & security of technology

System requirements were refined to enhance the security and reliability of technologies offered and systems used. Refinements include, but are not limited to: encryption of level 3 data (contains personally identifiable information) in transit and at rest; authentication between systems prior to transmitting data; and quality controlled data validations in each subsystem.

Flexibility and User Choice

By using and certifying private third-party vendors to provide account management services, ODOT is maintaining flexibility and providing multiple account managers for volunteers to choose from when making decisions about their participation in the program. Much of the compliance mechanisms evaluated and enhanced over the duration of this project help ensure that the choices offered to volunteers are sound, secure, and accurate.

Decrease Administrative Cost

The account manager compliance gap analysis conducted during this project resulted in refining requirements so that the information reported by the account managers includes the necessary details for confirming compliance in a streamlined manner. This improved the monitoring process, as less time is spent on troubleshooting and investigation.

The program team is considering requesting a statutory amendment requiring the contractor to secure a surety bond. Recommendations are also under review for more stringent enforcement of penalties. These can decrease administrative cost by lowering the amount of revenue loss and collection of penalty fees for account manager non-compliance.

Quantitative and qualitative assessments were conducted to analyze the improvements identified while executing the Account Manager Compliance subproject. The results found potential increases in revenue through a reduction in tax evasion, and improved business efficiency with new compliance procedures. The assessment focused on three main areas:

- **Requirements:** System requirements were refined to enhance the security and reliability of technologies offered and systems used. Refinements include, but are not limited to: encryption of level 3 data (contains personally identifiable information) in transit and at rest; authentication between systems prior to transmitting data; and quality controlled data validations in each subsystem.

- **Service Level Agreement:** Details in the service level agreement guidelines were revised to improve RUC Payer communication response time, content, speed of resolution, and escalation guidelines have resulted in fewer escalations. Fewer escalations allow the compliance team to be more effective and efficient.
- **Contracts and Evasion:** The Agency will consider amending contracts to improve the administration of penalties. This may include adding a stipulation where a contract or agreement can be suspended under specific circumstances, the ability for the agency to suspend payments, place a contractor in a restricted probationary period, or declare a contractor as ineligible for future contracts. Quantitative assessment findings suggest that the Agency consider pursuing a statutory amendment requiring the contractor to secure a surety bond or place a deposit with the Oregon State Treasury in order to recover if there is a loss of funds owed. Additionally, the Agency is evaluating mechanisms for evasion detection by securing and analyzing more data such as odometer readings, MPG ratings, and missed mileage.

The assessment identified approximately \$121,000 in cost savings annually for the program, if all findings were implemented.

Ability to audit/enforce

Requirements related to program data ported to ODOT by the account managers were revised to be more explicit. When the appropriate level of reported detail is provided, auditing is simplified and streamlined. This improves auditing processes, leading to uncomplicated enforcement. Experience has dictated the need to revise a small number of requirements for clarification so that all account managers interpret the requirements as intended and in the same way.

Lessons Learned

The outline below summarizes the OReGO team's lessons learned including challenges that were encountered, findings and recommendations for future implementations.

Certification Requirements

It's important to avoid waiving requirements for Account Managers. The requirements are designed to ensure steady program function and Account Managers need to prove compliance with all of them. Waiving requirements puts the integrity of program operations at risk and that can have negative impacts on the program as well as on public perception of the Agency.

Operations vs Test Environments

Account Managers must not run operations in a test environment. Separate test and production systems help to mitigate the risk of data crossover and general confusion during testing processes. Furthermore, test systems typically experience greater downtime due to the need to test multiple scenarios. When a production system can't run 100% independently, any resulting increased downtime will push the account manager's production system out of compliance with certified standards.

Testers

When you have only active volunteer testers, you only get an outside view of the program. Although this is very important for user friendliness, it's beneficial to have internal stakeholders test as well. Testers who know what to expect from proper system function will catch more discrepancies that active volunteers may not recognize. This allows for more robust test results.

Penalty Definitions and Enforcement

It was necessary to add more detail when describing the penalties in the service level agreements so that the ramifications for non-compliance are clear and enforceable. Guidelines were added to indicate what action will be taken for non-compliance directly related to how many infractions were accounted for in a specified period. Penalties that go un-enforced or are inconsistently enforced harbor non-compliance.

Volunteer User Experience

It's important that the volunteers feel like their questions and concerns are being addressed in a friendly and timely manner. When responses and resolutions for volunteer issues aren't timely, volunteers become frustrated to the point where they consider leaving the program. Some have left the program due to poor customer service. Several requirements were added to the service level agreements to help guarantee the delivery of excellent customer service.

Clear and Concise Requirements

It's critical to write details in the service level agreements, the business requirement and the system specifications in an unambiguous way so that intentions are not left open to interpretation. Consistent and accurate interpretation among the account managers is paramount for honoring the original objective of the requirement or agreement so that the program operates as intended and designed.

Certification and Continued Monitoring

Once an account manager has been certified to participate in the program, they may fall out of compliance after normal operations. It's necessary to continuously monitor the current state of compliance on a regular basis for any given partner. The program team conducts reviews daily, weekly, and monthly to monitor compliance.

Conclusion and Next Steps

The Account Manager Compliance project allowed the OReGO Program to evaluate current compliance and enforcement policies, and identify potential gaps in the existing system. A combined effort of forecasting future needs of a RUC Program in a mandatory environment along with researching other state agencies' methods of collecting revenue culminated in the development of an Account Manager Research Paper and Options Analysis.

The Research Paper and Options Analysis guided revisions to existing policies, processes, and contracts that can be made in the current program to enhance account manager compliance. The Research Paper and Options Analysis will also provide guidance and recommendations to policy makers regarding RUC Program compliance and enforcement options for account managers moving forward.