

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE  
DEPARTMENT OF MOTOR VEHICLES'  
PARTICIPATION IN THE  
INTERNATIONAL REGISTRATION PLAN  
AND THE INTERNATIONAL  
FUEL TAX AGREEMENT**



**AUSTIN A. ANDERSEN  
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



December 13, 2004

Anne C. Witt  
Director  
Department of Motor Vehicles  
301 C Street, N.W., Suite 1018  
Washington, D.C. 20001

Dear Ms. Witt:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) *Audit of the Department of Motor Vehicles' Participation in the International Registration Plan and the International Fuel Tax Agreement* (OIG No. 04-2-07KV(a)).

Our report contains eight recommendations for necessary action to correct the described deficiencies. We received a response from the Department of Motor Vehicles (DMV) on November 9, 2004, to a draft of this report. We consider actions taken and/or planned by DMV to be responsive to the recommendations. However, DMV did not provide target completion dates for proposed corrective actions related to the recommendations. Accordingly, we ask that DMV provide target completion dates within 60 days from the date of this report. The full text of DMV's response is included at Exhibit B.

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions or desire an exit conference prior to preparing your response, please contact William J. DiVello, Assistant Inspector General for Audits, at 202-727-2540.

Sincerely,

A handwritten signature in cursive script that reads "Austin A. Andersen".

Austin A. Andersen  
Interim Inspector General

AAA/ws

cc: See Distribution List

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**AUDIT OF THE DEPARTMENT OF MOTOR VEHICLES’  
PARTICIPATION IN THE INTERNATIONAL REGISTRATION PLAN  
AND THE INTERNATIONAL FUEL TAX AGREEMENT**

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## EXECUTIVE DIGEST

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### OVERVIEW

The Office of the Inspector General (OIG) has completed an audit of the District of Columbia's Department of Motor Vehicles (DMV) operations as they relate to the DMV's participation in the International Registration Plan (IRP) and the International Fuel Tax Agreement (IFTA). The IRP is an international highway program designed for the licensing of commercial vehicles that travel in two or more jurisdictions.<sup>1</sup> The IFTA is an agreement between U.S. states<sup>2</sup> and Canadian provinces, which simplifies the licensing and reporting of fuel use taxes by interstate motor carriers.

This is the first of two audits that evaluate DMV's operations. The overall audit was requested by the Director, DMV.

### CONCLUSIONS

The report contains five findings that detail the conditions we documented during the audit. Our audit indicated the DMV did not take full advantage of existing revenue-generating options estimated at \$3.345 million annually and did not implement available cost-savings options.

In particular, the DMV did not pursue revenue-generating activities commonly used by similar DMV jurisdictions, namely: (1) assessing a fee for tour bus use of the District's physical infrastructure; (2) levying Trip Permit fees for non-licensed apportioned vehicles; (3) increasing IRP fees for apportioned vehicles,<sup>3</sup> and (4) participating in the IFTA program. As a result, over \$3.345 million in potential revenue is lost annually to the District. Also, the DMV's IRP program has not taken advantage of the IRP Clearinghouse to reduce those costs associated with payment of IRP fees to jurisdictions, as well as IRP payments received from other jurisdictions.

Similar cities hosting high volumes of tourists that are serviced by the tour bus industry routinely charge a fee for use of their infrastructure. By not following this practice, the District loses over \$3 million in annual revenues. Further, the majority of IRP jurisdictions charge a Trip Permit fee for access and use of their jurisdiction's roads by non-apportioned vehicles.<sup>4</sup> Additionally, the DMV has not updated its IRP fee schedule for apportioned

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<sup>1</sup> According to the DMV's website, jurisdiction is defined as a state, territory, or possession of the United States, the District of Columbia, or a province of Canada.

<sup>2</sup> "State" means the 48 contiguous states and the District of Columbia as defined by Public Law 103-272, which established the IRP and the IFTA, effective July 5, 1994. 49 U.S.C.A. § 31701(6) (1997).

<sup>3</sup> An apportioned vehicle is one used or intended for use in two or more member jurisdictions which is designed, used, or maintained primarily for the transportation of property or passengers.

<sup>4</sup> A non-apportioned vehicle is one registered in another IRP jurisdiction for which IRP fees have not been paid for access and use of, in this situation, District roadways.

## **EXECUTIVE DIGEST**

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vehicles licensed in the District to reflect current costs and to be in parity with other jurisdictions, which would result in additional revenues totaling at least \$45,327 annually. Moreover, by not participating in the IFTA program, the District's DMV is losing at least \$300,000 annually in IFTA fuel tax revenue from taxes paid for fuel consumed on the District's roadways. A summary of the potential benefits resulting from the audit is shown at Exhibit A.

During the course of this audit, we noted that the DMV had taken actions to improve management of the IRP and had addressed some of the concerns expressed in this report. However, additional efforts should be initiated to maximize receipt of potential revenues and to improve cost efficiencies.

### **SUMMARY OF RECOMMENDATIONS**

We directed recommendations to DMV that center, in part, on developing and implementing policies and procedures that will optimize revenues and cost savings. Specifically, the DMV should:

1. Establish an infrastructure preservation fee for tour bus use of the District of Columbia's roadways and other physical facilities. Revenues generated from the fees should, in part, be used to facilitate and accommodate tour buses in the District.
2. Pursue passage of legislation to implement a Trip Permit fee for non-apportioned vehicle's entry and use of the District's roadway infrastructure.
3. Update its IRP fee structure to reflect current costs of administering the IRP program in addition to recapturing the costs necessary to maintain the District's roadway infrastructure.
4. Participate in the IRP Clearinghouse program.
5. Participate in the International Fuel Tax Agreement program.

We received a response from the DMV on November 9, 2004, to a draft of this report. We consider actions taken and/or planned by DMV to be responsive to the recommendations. However, DMV did not provide target completion dates for proposed corrective actions related to the recommendations. Accordingly, we ask that DMV provide target completion dates within 60 days from the date of this report. The complete text of DMV's response is included at Exhibit B.

## INTRODUCTION

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### BACKGROUND

The DMV is charged with helping to improve the District of Columbia's economic competitiveness and its residents' quality of life by fostering the safe operation of motor vehicles on District streets in accordance with applicable laws and regulations. Currently, there are over 340,000 licensed drivers and 246,000 registered vehicles in the District.

The primary function of the DMV's major organizational components are to plan, program, operate, manage, control, and maintain systems, processes, and programs that ensure the safe and efficient movement of people in the operation of vehicles within the District of Columbia. The three major organizational components - Adjudication, Customer, and Administrative Services - assist in the achievement of DMV's mission.

The DMV also administers the International Registration Plan (IRP), which is an international highway program designed for the licensing of commercial vehicles that travel in two or more jurisdictions. Under the IRP, an interstate carrier registers all qualified or apportioned vehicles in the jurisdiction in which its vehicles are based. The base jurisdiction collects registration fees (based on distance operated in each jurisdiction), which authorize a carrier's movement into other jurisdictions, and distributes those fees to jurisdictions for which the carrier has requested apportionment. Registration fees are calculated according to each jurisdiction's specific registration schedules.

IRP, Inc. administers the repository of the IRP by providing member services, education, information, and programs that facilitate compliance with and efficiency in interjurisdictional commercial vehicle registration requirements.

The District of Columbia's DMV received over \$554,718 in IRP revenues for the 2003 registered year.<sup>5</sup> The majority of the revenue, over \$498,000, was collected from the other 59 registered IRP jurisdictions. For the same period, the District collected \$121,316 from District IRP registrants, of which \$64,598 went to other member IRP jurisdictions with the balance of \$56,718 remaining in the District.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The overall audit objective was to examine the propriety of DMV operations, specifically to review and assess DMV's: (1) operating procedures, regulations, and guidelines; (2) compliance with applicable laws and regulations; (3) effectiveness and efficiency of operations; and (4) adequacy of internal controls which safeguard against fraud, waste, and mismanagement. For this audit, we evaluated DMV's operation and management of the IRP and participation in the IFTA and other collateral areas. Our audit work did not include an

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<sup>5</sup> Registered year (RY) for IRP purposes is the period beginning March 1 and ending the last day of February of the following year; i.e., RY 2003 is March 31, 2003, through February 29, 2004.

## INTRODUCTION

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analysis of the cost of implementing and operating initiatives necessary to realize the revenue and cost savings opportunities described in this report.

We reviewed the IRP program as it related specifically to program operations in fiscal years 2003 and 2004. Other periods were reviewed as necessary.

To accomplish our audit objectives, we:

- reviewed applicable federal laws and regulations, District laws, DMV policies and procedures, and IRP and IFTA rules and requirements;
- reviewed prior audits and other examinations and analyses of the DMV performed by OIG, the Office of the Chief Financial Officer (OCFO), and the General Accounting Office;
- interviewed officials of the DMV, the D.C. Department of Transportation (DDOT), OCFO's Office of Integrity and Oversight (OIC), Office of Revenue Analysis (ORA), Office of Tax and Revenue (OTR), and the Office of Finance and Treasury (OFT);
- interviewed officials of the Maryland Department of Motor Vehicles, Virginia Department of Motor Vehicles, West Virginia Department of Motor Vehicles, the Motor Coach Association, United States Department of Transportation, and officials and staff of the contractor ACS State & Local Solutions; and
- reviewed other jurisdictions' IRP Vehicle Fees and IFTA Fuel Tax Rates.

The audit was performed in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances. Our review included making a determination on the reliability of computer-processed data. Because computer-processed data were used solely for background information, we did not make an assessment of its reliability.

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## FINDINGS AND RECOMMENDATIONS

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### FINDING 1: TOUR BUS FEES

#### SYNOPSIS

The District of Columbia's DMV did not pursue potential annual revenues of at least \$3 million because of a 1998 DMV decision to not enforce the tour bus permit law in effect at the time. Tour buses do not pay fees for use of the District's infrastructure, although current legislation authorizes a tour bus permit fee. As a result, the District pays the costs of maintenance and repair of physical infrastructure caused by the substantial number of buses in the District during the tourist season. The tour bus industry pays no fees for infrastructure use. Revenue generated from a nominal daily fee charged for each bus would help defray subsequent physical infrastructure costs. Additionally, tour bus fee revenue could be used to provide additional accommodations for tour buses and passengers, which would also promote increased tourism and provide additional economic benefits to the District.

#### DISCUSSION

The periods of peak tourism in the District approximate 150 days with reduced tourist activity in the shoulder periods before and after the peak periods. During the primary peak period of March 15 through June 15 and the secondary peak period of September 15 through November 15, industry sources estimate that over 1,000 buses a day operate in the District. Non-peak summer and winter volumes were estimated to be 50 to 60 percent of the peak period numbers. By only using the peak period tour bus activity numbers and a daily \$20 per bus fee, we calculated the District would receive \$3 million<sup>6</sup> in revenue annually, which could be used for infrastructure maintenance and tour bus industry enhancements in the District. Industry representatives that we contacted stated the \$20 fee would be incidental and would not negatively affect tourism. However, industry representatives also stated that revenues received as a result of the tour bus fees should in part be used to provide additional tour bus parking and facilities for the tour bus operators.

In 1994, the District of Columbia passed a permit law which allowed tour buses to be charged a \$10 fee to traverse city streets. In April 1998, the Department of Public Works<sup>7</sup> (DPW) increased the fee to \$100 then subsequently increased the fee to \$150 in June of the same year. As a result of the fee increases, the tour bus industry, represented by the American Bus Association (ABA) filed a lawsuit against the District alleging that the fare hike illegally hindered interstate commerce. In an August 21, 1998, memorandum, the

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<sup>6</sup> We calculated \$3 million on the basis that 1,000 buses are each charged a \$20 daily fee during the 150-day peak period (1,000x\$20x150).

<sup>7</sup> The DMV at that time was the Bureau of Motor Vehicle Services within the DPW.

## FINDINGS AND RECOMMENDATIONS

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District's Office of the Corporation Counsel (OCC)<sup>8</sup> concluded that the law authorizing the increase, D.C. Code § 2829(c), was unconstitutional; as a result, the tour bus fee was not enforced.

However, the law authorizing and imposing tour bus fees is still in effect and states, "There is hereby imposed for the privilege of operating vehicles for hire having a seating capacity of more than 12 passengers ... a license tax of \$150 per annum or \$10 per day at the option of the operator." D.C. Code § 47-2829(c) (2001). No fees have been charged to the tour bus industry since the August 21, 1998, ruling.

As a result of the substantial number of tour buses in the District and the subsequent effects of their presence, five concerned organizations<sup>9</sup> joined together and commissioned a study of tour bus operations in the District of Columbia.<sup>10</sup> The purpose of the study was to identify necessary elements of a tour bus management plan for the District of Columbia based on the study's assessment of tour bus operations in the District. The study was completed in October 2003 and addressed issues such as tour bus-generated noise, traffic congestion, cruising, safety risks, parking limitations, visual obstruction, and wear and tear on District roadways.

The study included an analysis of cities served by the tour bus industry with challenges similar to those of the District. The report noted that various fees were charged for tour bus activities in other cities ranging from parking to environment protection fees, and they varied from a \$3 per hour parking fee to a \$35 daily tour bus fee. One city with comparable challenges to those of the District charges a \$20 daily preservation fee for each bus while in their city and revenues collected are used for tourist infrastructure maintenance. The study concluded at page 42, "Permitting and enforcement are essential to the effective implementation of tour bus management measures. Permitting provides a means not only of tracking and controlling tour bus operations, but also of collecting revenue."

One high tourist city, not included in the study, uses video cameras at key locations to monitor and enforce compliance with its vehicle use policies. The cameras digitally photograph license plates of each vehicle and matches the plate numbers to a database of authorized vehicles' numbers. If there is no match of the license plate in the database, a citation is automatically issued to the registered owner of the unauthorized vehicle. The District could adopt this concept for similar use regarding tour bus compliance. To date, the

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<sup>8</sup> The Office of the Corporation Counsel was officially renamed the Office of the Attorney General for the District of Columbia in May 2004.

<sup>9</sup> The organizations were DDOT, National Capital Planning Commission, Washington Convention and Tourism Corporation, Downtown D.C. Business Improvement District, and the Office of a D.C. Councilmember.

<sup>10</sup> District of Columbia Tour Bus Management Initiative, prepared by the Volpe National Transportation Systems Center, US Department of Transportation, issued October 2003.

## FINDINGS AND RECOMMENDATIONS

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District of Columbia has not implemented a tour bus fee, nor has the District implemented a tour bus management plan.

On September 2, 2004, officials from stakeholder agencies<sup>11</sup> met to discuss the tour bus industry and the need for a tour bus management plan. OCC's memorandum regarding the tour bus fee was also discussed. As a result of the discussions, DDOT officials agreed to draft and present new legislation to address obstacles to the fee cited in the OCC opinion.

To enhance support of the tour bus industry in the District and collect authorized revenues, the District of Columbia, through the DMV, should reinstate the tour bus permit fee to pay for the maintenance and servicing of the District's infrastructure.

### RECOMMENDATIONS

We recommended that the Director, Department of Motor Vehicles:

1. Reinstate the tour bus permit fee consistent with the requirements of law and set a fee rate that is comparable to fees charged by cities with similar tourist populations; and
2. To the extent permitted by law and regulation, use revenue collected from such fees to maintain roadways and other physical facilities used to accommodate tour buses in the District.

### DMV RESPONSE (Recommendations 1 & 2)

DMV concurred with the recommendations and has initiated actions which address the issues identified. In their response, the Director stated that the DMV is working with the DDOT and OTR to establish legal authority to reinstate tour bus permit fees and will work with other agencies to ensure tour bus fee revenue is used to accommodate tour buses in the District of Columbia. The full text of DMV's response is at Exhibit B.

### OIG COMMENT (Recommendations 1 & 2)

DMV's corrective actions are responsive and meet the intent of the recommendations; however, DMV did not provide target completion dates for the corrective actions.

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<sup>11</sup> DDOT, OTR, DMV, and OIG.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 2: TRIP PERMIT FEES</b>
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### SYNOPSIS

The DMV does not charge a Trip Permit Fee<sup>12</sup> for non-apportioned IRP vehicles, which enter and use the District's roadways. The DMV has not kept pace with current industry practices and is the only IRP jurisdiction of the 59 registered jurisdictions that does not charge a trip permit fee for non-apportioned vehicles. As a result, the District is not collecting revenue that could be used for maintaining road infrastructure. Neighboring jurisdictions collect approximately \$50,000 to \$100,000 in trip permit fee revenues annually.

### DISCUSSION

District law provides for trip permits and states, in part, "Vehicles qualifying for the IRP and engaged in interjurisdictional movement, but not apportioned or covered by reciprocity, shall require a trip permit prior to entering the District of Columbia." D.C. Code § 50-1507.03(c) (2001). The DMV has drafted new legislation regarding trip permits which, in part states, "The Mayor shall charge a fee for each trip permit, as that term is used in the IRP." DMV officials state that the language will be included in a bill to be presented to the D.C. Council on September 20, 2004.

Currently, the DMV does not issue a "trip permit;" instead, the agency issues a Letter of Authorization (LOA) when companies request a trip permit. The DMV issues approximately 10 Letters of Authorization annually; however, the IRP Director stated that number is not indicative of the actual number of non-apportioned vehicles that enter and use the District's roadways annually.

The majority of trip permits are issued by private wire service companies, which provide trip permit issuance services for the IRP registrants. Their services include educating the consumer on which jurisdictions require trip permits and the types of permits needed to enter the jurisdictions. For instance, some jurisdictions require separate city, county, and major thoroughfare permits. Additionally, several jurisdictions contract with private companies to provide administrative and issuance services which relieve the jurisdictions of those duties. Trip permits range in cost from \$5.00 to \$161.00 based on the period of time the vehicle will

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<sup>12</sup> Trip permits are short-term registration certificates (usually valid up to 5 days) for IRP qualified vehicles that do not have registration privileges in a particular jurisdiction. In accordance with the District of Columbia International Registration Plan, effective April 2004, if a vehicle qualifies for IRP registration, and the vehicle is not IRP registered with another jurisdiction, the carrier is required to secure a trip permit prior to entering that new IRP jurisdiction.

## **FINDINGS AND RECOMMENDATIONS**

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be in the jurisdiction and the type of vehicle. In the District's contiguous jurisdictions, Maryland charges \$15 for a 72 hour trip permit, while Virginia charges \$15 for a 10 day trip permit.

All trip permit revenues collected by the wire service companies are sent to the applicable IRP jurisdictions. Representatives of the wire service companies stated that when trip permits are requested for the District of Columbia, they must respond that they do not have any information on the District's requirements for trip permits. As a result, non-apportioned vehicles may be entering and using the District's roadways without obtaining the required LOA, which explains the low number of annual LOAs issued.

Because roadway infrastructure is adversely affected by all vehicle use, the District's DMV should seek reimbursement of maintenance costs from all IRP vehicles, to include non-apportioned vehicles, which enter and use the roadways.

### **RECOMMENDATIONS**

We recommended that the Director, Department of Motor Vehicles:

3. Actively pursue passage of legislation for charging a Trip Permit Fee for non-apportioned vehicle entry and use of the District's roadway infrastructure.
4. In conjunction with the passage of new legislation, contract with the wire service companies to provide issuance, administrative, and fee collection and reimbursement services related to trip permits.

### **DMV RESPONSE (Recommendations 3 & 4)**

DMV concurred with the recommendations and has initiated actions which address the issues identified. In their response, the Director stated that the DMV Reform Act of 2004, when enacted, will provide a trip permit fee of \$50 and the DMV will contract with wire service providers to provide the applicable administrative services related to trip permits. The full text of DMV's response is at Exhibit B.

### **OIG COMMENT (Recommendations 3 & 4)**

DMV's corrective actions are responsive and meet the intent of the recommendations; however, DMV did not provide target completion dates for the corrective actions.

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## FINDINGS AND RECOMMENDATIONS

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### FINDING 3: APPORTIONMENT FEES

#### SYNOPSIS

The DMV IRP vehicle fee structure needs to be reevaluated. The DMV has not assessed other jurisdictions' fees and made the necessary fee changes to be in parity with the industry. Currently, the DMV charges a flat fee for each IRP classified vehicle. The fees are not based on vehicle size and weight and do not reflect current costs of IRP operations. As a result, the DMV is not maximizing potential revenue commonly realized by other municipalities. The District's fees average approximately 30 percent of the fees charged by other active IRP jurisdictions.

The DMV began participation in the IRP program in 1998. At that time, the DMV assigned a flat fee of \$479 for each qualified IRP vehicle and the amount has not changed. The fee is not based on size, number of axles, or weight, factors commonly used by other jurisdictions to determine the fee due for IRP registration. Typically, as the number increases for each qualifying factor, the fee increases. The District's DMV fee schedule does not follow this practice. The fee remains the same for each type vehicle registered. We found that the majority of IRP jurisdictions' apportioned fees are based on size and weight of vehicles.

#### DISCUSSION

IRP, Inc., which manages the IRP program, performs annual verifications to ensure jurisdictions are correctly calculating registration fees for other jurisdictions according to each jurisdiction's unique fee structure. In 2003, IRP, Inc. reviewed the fee schedules for the 49 IRP jurisdictions located in the continental United States. We compared the fees charged for each scenario in the test and found that the majority of the jurisdictions charged higher fees than the District of Columbia's IRP fee; in some cases, other jurisdiction's fees were actually as much as three times the rate charged by the District.

We compared the IRP fees charged by the District to fees charged by neighboring jurisdictions in Virginia and Maryland. The results of our review are similar to the results of IRP, Inc.'s test. The test results are shown in Table 1.

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## FINDINGS AND RECOMMENDATIONS

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**Table 1: Comparison of District IRP Fees to  
Neighboring Jurisdiction’s IRP Fees**

Gross Vehicle Weight <sup>13</sup>	Annual International Registration Plan Fees		
	District of Columbia	Virginia	Maryland
40,000 lbs	\$479.00	\$458.00	\$840.00
50,000 lbs	\$479.00	\$582.50	\$1,050.00
60,000 lbs	\$479.00	\$935.00	\$1,260.00
70,000 lbs	\$479.00	\$1,087.50	\$1,575.00
80,000 lbs	\$479.00	\$1,320.00	\$1,800.00

As shown in the table, Maryland’s IRP fees were substantially higher than the District’s fees in all five of the weight categories, and Virginia’s IRP fees were higher in four of the five categories. Using Virginia’s IRP fee schedule, we calculated the District would have earned additional annual revenues totaling \$45,327<sup>14</sup> for the five weight classifications listed in the table.

In summary, the District’s IRP fee structure needs to be revised. Currently, the DMV charges a flat \$479 fee for each IRP classified vehicle, with no adjustment made for weight, size, or number of axles. The fee has not been changed since the 1998 program’s inception.

### RECOMMENDATIONS

We recommended that the Director, Department of Motor Vehicles:

5. Assess and update its IRP fee structure to reflect current costs of administering the IRP program, in addition to recapturing the costs necessary to maintain the District’s roadway infrastructure.

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<sup>13</sup> Gross Vehicle Weight – Total vehicle weight with passengers and cargo.

<sup>14</sup> This amount is based on vehicles registered in the District for 2003 in the five weight classifications listed in the table.

## **FINDINGS AND RECOMMENDATIONS**

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### **DMV RESPONSE (Recommendation 5)**

DMV concurred with the recommendations and has initiated actions which address the issues identified. In their response, the Director stated that the DMV Reform Act of 2004, when enacted, will make its fee schedule for apportioned vehicles compatible to fees assessed in other jurisdictions. The full text of DMV's response is at Exhibit B.

### **OIG COMMENT (Recommendation 5)**

DMV's corrective actions are responsive and meet the intent of the recommendation; however, DMV did not provide target completion dates for the corrective actions.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 4: COST SAVINGS OPPORTUNITIES</b>
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### SYNOPSIS

The DMV's payment process for payment of apportioned fees collected for other jurisdictions needs improvement. The current process involves manual preparation of invoices, vouchers, and control documents. The process would be simplified and more cost effective by using IRP, Inc.'s Clearinghouse system, which is a service that receives and distributes apportioned fees paid to base jurisdictions. As a result of the current process in use, the DMV is incurring increased and unnecessary administrative costs in addition to tying up administrative resources.

### DISCUSSION

The Clearinghouse process enables jurisdictions to electronically exchange motor carrier and fee information. It also provides an electronic remittance netting function with concurrent Electronic Funds Transfer capability through a central IRP bank. The system tracks all amounts due to and from base jurisdictions and generates reports documenting IRP amounts received and disbursed. The Clearinghouse automates the process of sending recaps, transmittals, and checks. Amounts due jurisdictions are netted<sup>15</sup> with the result being a single electronic fund transfer between the Clearinghouse account and the base jurisdiction on a monthly basis. The type of monthly transaction will depend on whether a jurisdiction is due a net refund or owes money. The major benefit of the Clearinghouse is to reduce the administrative procedures of transferring paper and paper checks between jurisdictions.

The fee for using this service is based on the number of power units<sup>16</sup> registered in the jurisdiction. Based on the current IRP Clearinghouse fee schedule, the District of Columbia's annual base fee would be \$790 for Clearinghouse participation.

Currently, the DMV processes and issues IRP payments to the applicable jurisdictions on a monthly basis. The process works as follows. First, a customer submits an application for IRP membership, which includes information about each vehicle (such as gross vehicle weight, number of axles, and estimated miles to be traveled in each jurisdiction). The customer pays the base jurisdiction (in this case the District's DMV) an annual fee. This amount includes fees to be sent to other jurisdictions. The fee amount collected is disbursed

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<sup>15</sup> Netting occurs where one jurisdiction, receiving an amount from a second jurisdiction, owes an IRP amount to the second jurisdiction. In this case, the difference between the two payments (the actual or net payment/credit) would be submitted to the appropriate jurisdiction.

<sup>16</sup> The DMV reports that as of May 20, 2004, there were 220 apportioned power units (which is a self-powered vehicle having at least 2 axles) registered for the IRP.

## **FINDINGS AND RECOMMENDATIONS**

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to the base and other jurisdictions according to expected mileage to be traveled in each jurisdiction. The DMV's computer system generates a monthly transmittal form that shows the total amount received and the amounts to be paid to each jurisdiction based on the mileage the apportioned vehicle travels in the jurisdiction.

This transmittal form is sent to the administrative services office for processing. The transmittal form is used to prepare an invoice for each payment. The invoice is sent to the Department of Public Works (DPW), which prepares a payment voucher for each jurisdiction. The voucher is sent to the District Treasury's office, and that office issues a check for each voucher and sends the checks back to the administrative office for payment. The checks are then sent by overnight mail to the applicable jurisdiction. The check number and mailing invoice and tracking numbers are manually entered in a ledger book and maintained for tracking purposes. According to an administrative services staff person, overnight mailing services were used because the process was long and she wanted to ensure the payment arrived timely.

During the 2003 registered year, the DMV sent 281 payments to other jurisdictions for IRP apportionment amounts collected. The mailing cost averaged \$5.50 for each payment mailed for an estimated total of \$1,545.50 paid for annual overnight mailing expenses. The actual IRP payment amounts to other jurisdictions range from a low of \$.33 to a high of \$13,734.28. We found 22 percent or 62 of the 281 payment amounts were actually less than the average mailing cost of \$5.50 paid by the District. In addition, the \$1,545.50 mailing cost is almost double the base Clearinghouse cost of \$790. Using the Clearinghouse would eliminate the overnight mailing cost and reduce the number of administrative staff necessary to process IRP payments to other jurisdictions.

In our discussions with the DMV Director regarding the Clearinghouse, she stated that the OFT and the OCFO would need to be partners in subscribing to and implementing the Clearinghouse process.

### **RECOMMENDATIONS**

We recommended that the Director, Department of Motor Vehicles:

6. To partner with the OFCO to use the IRP, Inc. Clearinghouse to process and distribute apportioned fees paid to base jurisdictions and redirect excess administrative staff to other administrative areas.

## **FINDINGS AND RECOMMENDATIONS**

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### **DMV RESPONSE (Recommendation 6)**

DMV concurred with the recommendation and has initiated actions which address the issues identified. In their response, the Director stated that the DMV is working with the OCFO to implement participation in the Clearinghouse. The full text of DMV's response is shown at Exhibit B.

### **OIG COMMENT (Recommendation 6)**

DMV's corrective actions are responsive and meet the intent of the recommendation; however, DMV did not provide a target completion date for the corrective actions.

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## FINDINGS AND RECOMMENDATIONS

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### FINDING 5: FUEL TAX REVENUES

#### SYNOPSIS

The District is losing annual fuel tax revenues totaling at least \$300,000 by not participating in the IFTA managed by the International Fuel Tax Agreement Association. The District applied for membership in IFTA in 1999 and again in 2001. In both instances, the District was rejected for membership because the District's proposal did not conform to IFTA regulations and requirements and because of the DMV's non-compliance with the International Registration Plan requirements. As a result, the DMV continues to lose IFTA revenues, which in some cases are refunded back to the carrier.

#### DISCUSSION

The Intermodal Surface Transportation Efficiency Act of 1991<sup>17</sup> provisions include requirements for state uniformity in vehicle registration and fuel tax reporting which contribute to increased productivity of the truck and bus industry. Specifically, the Act requires state participation in both the IRP and IFTA programs by September 30, 1996. Although the DMV is a participating member of the IRP, the District has twice failed to gain acceptance as a member of the IFTA program.

IFTA is an agreement among the 48 contiguous states, to include the District of Columbia and Canadian provinces (except Northwestern Territories, Nunavut, and Yukon), to simplify the reporting of fuel used by motor carriers operating in more than one jurisdiction. Persons who operate qualified motor vehicles<sup>18</sup> in more than one jurisdiction are subject to IFTA licensing. An example of how the IFTA program works is discussed in detail below.

An operator of an IFTA vehicle purchases 100 gallons of fuel in Maryland. The vehicle consumes 60 gallons of fuel while operating on roads in Maryland and consumes 40 gallons of fuel on Virginia roads. The fuel tax of \$.2425 per gallon<sup>19</sup> or \$14.55 (for the 60 gallons) is retained by Maryland, while fuel tax of \$.1950 per gallon<sup>20</sup> or \$7.80 (for the 40 gallons) is

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<sup>17</sup> Pub. L. No. 102-240, 105 Stat. 1914 (codified as amended in scattered sections of 49 U.S.C.).

<sup>18</sup> IFTA's Articles of Agreement defines "qualified motor vehicle" as one designed, or maintained for transportation of persons or property and: 1) has two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms; or 2) has three or more axles regardless of weight; or 3) is used in combination, when the weight of such combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle or registered gross vehicle weight. The term does not include recreational vehicles.

<sup>19</sup> Maryland's 2<sup>nd</sup> Quarter 2004 per gallon fuel tax rate from IFTA Fuel Tax Matrix.

<sup>20</sup> Virginia's 2<sup>nd</sup> Quarter 2004 per gallon fuel tax rate from IFTA Fuel Tax Matrix.

## FINDINGS AND RECOMMENDATIONS

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paid to Virginia by the state of Maryland after the vehicle operator files his quarterly IFTA tax report.

Using the same information and substituting the District of Columbia for Virginia, Maryland would retain the fuel taxes for the fuel consumed in Maryland and refund the carrier for the fuel taxes paid on the 40 gallons consumed in the District. In essence, the District's licensed carriers receive a windfall of the fuel taxes paid for fuel consumed in the District, which would have gone to the District if it was an IFTA member.

Currently, District companies with IRP vehicles must register their IFTA qualified vehicles in other jurisdictions for IFTA participation. The IRP program in the 2003 registered year shows 220 vehicles registered in the District's IRP program. The fuel taxes paid on fuel consumed in the District by those and other IFTA vehicles is either refunded to the carrier or credited to the carrier's IFTA fuel tax calculations.

The revenue lost to the District increases substantially, when mileage logged by vehicles registered in other jurisdictions, in addition to tour bus<sup>21</sup> mileage, is considered. The Metropolitan Washington Council of Governments' Transportation Department, which routinely monitors all motor vehicle traffic that enters the District, estimates that over 3,700 IFTA-qualified vehicles travel on the District's roadways on an average weekday.

We conservatively estimate that the District is losing as much as \$300,000 annually in fuel tax revenues associated with fuel consumed by just the tour buses operating during the peak tourist season. The estimate is based on each tour bus consuming an average of 10 gallons of fuel per day while operating in the District and using a fuel tax rate of \$.20 per gallon. We also based our estimate on the number of buses only operating during the peak 150 days of tour bus activity in the District. Tour bus fuel consumption was based on information obtained from industry representatives who estimated that tour buses average 5 to 6 miles to the gallon when moving; however, they could not estimate idling fuel usage because of the many variables involved. Fuel tax revenues from all other IFTA vehicles would be additional to that of the tour buses.

We discussed the IFTA program with officials and members of the International Fuel Tax Association, which manages the IFTA program, to get an understanding of how the program works and to determine what IFTA jurisdictions use IFTA generated revenues. They estimated that over 95 percent of the fuel taxes received by IFTA jurisdictions are used to fund road infrastructure maintenance.

We also met with the District's OTR to discuss the two unsuccessful applications for IFTA membership. The lead OTR person stated that they are interested in reapplying, but would

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<sup>21</sup> Unlike the IRP program, tour buses are qualified IFTA vehicles.

## **FINDINGS AND RECOMMENDATIONS**

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require DMV's assurance and commitment that the IRP is efficiently managed and that IRP payments are timely sent to other jurisdictions. IRP, Inc., which manages the IRP program, reported that the District's management of the IRP is currently in good standing.

The International Fuel Tax Association also provides a Clearinghouse service for IFTA participants, similar to the IRP program's Clearinghouse that would enhance the processing of IFTA payments to and from other IFTA jurisdictions. This service would reduce the administrative responsibilities required to administer the IFTA program in the District.

In conclusion, the District's DMV and the OTR should work together to prepare a successful application for IFTA membership and use the IFTA Clearinghouse for processing IFTA transactions.

### **RECOMMENDATIONS**

We recommended that the Director, Department of Motor Vehicles:

7. Contact the International Fuel Tax Association to identify what changes or corrections are needed in the DMV's administration of the IRP program to ensure compliance and to gain acceptance in the IFTA. The DMV should work closely with the District's OTR to ensure that a successful reapplication for IFTA membership is achieved.
8. Participate in the IFTA's Clearinghouse for processing and payment of fuel taxes.

### **DMV RESPONSE (Recommendations 7 & 8)**

DMV concurred with the recommendations and has initiated actions which address the issues identified. In their response, the Director stated that the DMV is working with the OCFO to reapply for IFTA membership and for participation in IFTA's Clearinghouse. The full text of DMV's response is at Exhibit B.

### **OIG COMMENT (Recommendations 7 & 8)**

DMV's corrective actions are responsive and meet the intent of the recommendations; however, DMV did not provide target completion dates for the corrective actions.

**EXHIBIT A – SUMMARY OF POTENTIAL MONETARY  
BENEFITS RESULTING FROM THE AUDIT**

<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and/or Type of Monetary Benefit</b>	<b>Status<sup>22</sup></b>
1	Economy and Efficiency and Internal Control and Compliance. Results in compliance with District law and collection of fees for tour bus permits.	\$3,000,000	Closed
2	Economy and Efficiency. Permits use of collected fees for road maintenance and tour bus facilities.	Monetary Amount Not Estimatable	Closed
3	Internal Control and Compliance. Seeks to create legislation requiring Trip Permit Fees.	Non Monetary	Closed
4	Economy and Efficiency. Establishes more efficient means for collecting Trip Permit Fees.	Monetary Amount Not Estimatable	Closed
5	Economy and Efficiency. Reassesses the IRP fee structure for comparability with similar jurisdictions.	\$45,327	Closed
6	Economy and Efficiency. Uses the IRP Clearinghouse for more efficient collection of apportioned fees.	Non Monetary	Closed

<sup>22</sup> This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

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**EXHIBIT A – SUMMARY OF POTENTIAL MONETARY  
BENEFITS RESULTING FROM THE AUDIT**

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<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and/or Type of Monetary Benefit</b>	<b>Status<sup>22</sup></b>
7	Economy and Efficiency. Promotes the District's membership and participation in the IFTA.	\$300,000	Closed
8	Economy and Efficiency. Uses the IFTA Clearinghouse for collection of fuel taxes.	Non Monetary	Closed

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## EXHIBIT B – AGENCY RESPONSE

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF MOTOR VEHICLES



OFFICE OF THE DIRECTOR

9 November 2004

Austin A. Andersen  
Interim Inspector General  
Office of the Inspector General  
717 14<sup>th</sup> Street, N.W.  
Washington, D.C. 20005

Dear Mr. Andersen:

Thank you for responding to our request for audit of the Department of Motor Vehicles' International Registration Plan. We appreciate your professional approach in reviewing this important segment of DMV operations.

Pursuant to your request, each enumerated recommendation in the IRP audit is addressed as follows:

1. Reinstate the tour bus permit fee consistent with the requirements of law and set a fee rate that is comparable to fees charged by cities with similar tourist populations.

In an earlier opinion from the Office of Corporation Council, the Department's tour bus permit fee was deemed unconstitutional, and therefore unenforceable. The Department of Motor Vehicles, working with DDOT and the Office of Tax and Revenue, is seeking to establish legal authority that would enable the city to impose fees on all apportioned vehicles operating in the District of Columbia. DDOT is spearheading the multi-agency effort to repeal the tour bus license fee now in the D.C. Code. Under this plan, DDOT would replace current legislation with general tour bus fees where the city would attach a series of "fees for service". At this point, we have been advised this kind of initiative is more likely than not to withstand legal challenge. DDOT has also sent draft rulemaking to their General Counsel, seeking authority to establish curbside parking for buses, wherein they would limit parking times and charge fees for occupying designated public space. It is not yet clear whether this can be effected through rulemaking or whether Council action is necessary. The collaborating agencies will reinstate the tour bus permit fee or license fee at such time as it establishes a legal basis for doing so.

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## EXHIBIT B –AGENCY RESPONSE

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2. To the extent permitted by law and regulation, use revenue collected from such fees to maintain roadways and other physical facilities used to accommodate tour buses in the District.

The Department of Motor Vehicles, in collaboration with other agencies, will follow closely recommendations under the 'Volpe Report', and work to assure that revenue collected from tour bus licensing fees accommodate tour buses in the District of Columbia.

3. Actively pursue passage of legislation for charging a Trip Permit Fee for non-apportioned vehicle entry and use of the District's roadway infrastructure.

The Trip Permit Fee for non-apportioned vehicles entering the District is one of the important provisions in THE DEPARTMENT OF MOTOR VEHICLES REFORM ACT OF 2004. Cited as Bill 15-1011, it was sent to the Council on September 20, 2004, was subject to hearing on October 9<sup>th</sup> and passed on its first reading today. Pending its enactment, the bill will amend Section 7 (a) of the International Registration Plan Agreement Act of 1997, to provide for a trip permit fee of \$50.

4. In conjunction with the passage of new legislation, contract with the wire service companies to provide issuance, administrative, and fee collection and reimbursement services related to trip permits.

The DMV's IRP Office has communicated with wire service providers, and is prepared to work with appropriate agency officials to put trip permits in use through an authorized vendor.

5. Assess and update the IRP fee structure to reflect current costs of administering the IRP program, in addition to recapturing the costs necessary to maintain the District's roadway infrastructure.

The Department addressed this recommendation in its 'DEPARTMENT OF MOTOR VEHICLES REFORM ACT OF 2004, referred to as Bill 15-11. The DMV seeks to make its fee schedule for apportioned vehicles compatible with fees assessed in other jurisdictions.

6. To partner with the OFCO to use the IRP, Inc. Clearinghouse to process and distribute apportioned fees paid to base jurisdictions **and redirect** excess administrative staff to other administrative areas.

The Department agrees with your assessment of its need to participate in the IRP Clearinghouse. We requested the support of the OCFO, with whom we are working to resolve several internal issues that are an

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## EXHIBIT B – AGENCY RESPONSE

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obstacle to participation in the Clearinghouse. The OCFO Resolution of the issues requiring their action are still pending.

7. Contact the International Fuel Tax Association to identify what changes or corrections are needed in the DMV's administration of the IRP program to ensure compliance and to gain acceptance in the IFTA. The DMV should work closely with the District's OTR to ensure that a successful reapplication for IFTA membership is achieved.

The Department of Motor Vehicles' IRP office continues to collaborate with the OCFO on IFTA and related issues. The OFCO reports their officials had recent discussions with IFTA where they were advised of a need to amend multiple areas of their legislation as a condition for participation in IFTA. The OCFO anticipates that these multiple areas of Chapter 23 of Title 47 of the D.C. Code will be amended and submitted to the Council before early next year. The IRP program is deemed to be in good standing, and is not an impediment to the Office of Tax and Revenue's reapplication for IFTA certification.

8. Participate in the IFTA's Clearinghouse for processing and payment of fuel taxes.

The Department of Motor Vehicles agrees that multi-jurisdictional reports and transmittals required under the IFTA program can be handled more effectively through Clearinghouse operations, and to this extent will work with the Office of Finance and Revenue to establish this program link.

Thank you for allowing me to address these issues.

Sincerely,



Anne Witt  
Director