United States General Accounting Office

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Report to the Chairman, Subcommittee on Consumer Affairs, Foreign Commerce and Tourism, Committee on Commerce, Science, and Transportation, U.S. Senate

August 1999

ANTI-CAR THEFT ACT

Issues Concerning Additional Federal Funding of Vehicle Title System

GAO/GGD-99-132

G A O
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United States General Accounting Office
Washington, D.C. 20548

General Government Division

B-281671

August 13, 1999

The Honorable John Ashcroft
Chairman, Subcommittee on Consumer Affairs,
Foreign Commerce and Tourism
Committee on Commerce, Science,
and Transportation
United States Senate

Dear Mr. Chairman:

Congress passed the Anti-Car Theft Act of 1992[1] in response to what it considered to be the nation's number one property crime—motor vehicle theft. Title II of the act required the designation or establishment of a National Motor Vehicle Title Information System (NMVTIS). The act requires that NMVTIS, among other things, allow users to instantly and reliably validate out-of-state motor vehicle titles for states that are retitling a vehicle and provide a history of the vehicle being retitled (e.g., the vehicle's previously recorded odometer reading and any salvage information). The Department of Justice is responsible for NMVTIS' development and implementation. The American Association of Motor Vehicle Administrators (AAMVA)[2] has a cooperative agreement with Justice to develop and test NMVTIS. AAMVA is working with seven states[3] to have them develop and test the capability to interface their motor vehicle titling systems with NMVTIS.

In your letter dated July 23, 1998, you expressed concern about the development of NMVTIS. Accordingly, we agreed with your office to determine (1) the current status of NMVTIS and (2) whether Justice had evaluated NMVTIS' expected costs and benefits to ensure that additional federal investment in NMVTIS is justified. We interviewed Justice and AAMVA officials and reviewed NMVTIS-related information regarding NMVTIS' development, operational testing, and cost estimate determination. We discussed with these officials NMVTIS' design and implementation. Also, we visited with officials in Virginia and Arizona,

[1] P.L. 102-519, Oct. 25, 1992, 49 U.S.C. Chapter 305, 311.

[2] AAMVA is a voluntary, nonprofit, tax exempt, educational association representing U.S. and Canadian officials who are responsible for the administration and enforcement of motor vehicle laws.

[3] The seven states are Arizona, Florida, Indiana, Kentucky, Massachusetts, New Hampshire, and Virginia. We use the term "states" to include the 50 states and the District of Colombia.

which are participating in NMVTIS and are in different stages of progress in developing the capability to interface their state motor vehicle titling systems with NMVTIS, and Texas and the District of Columbia, which are currently not participating in NMVTIS. We surveyed the 4 states that we visited and the 47 states[4] that we did not visit to obtain their views regarding NMVTIS. See appendix I for a more detailed discussion of our objectives, scope, and methodology, including our state survey.

We conducted our work between September 1998 and June 1999 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from Justice and AAMVA officials. Their comments are discussed in the appropriate sections of the report and near the end of this letter.

Results in Brief

Justice has not evaluated NMVTIS' expected life-cycle costs and benefits to ensure that additional federal funding is justified. The Clinger-Cohen Act of 1996[5] and best practices used by public and private organizations to manage information technology investments suggest that such an evaluation will provide an analytical basis for informed investment decisions.

As of March 1999, AAMVA expected the development and implementation of NMVTIS to cost about $34 million. AAMVA is expected to update this estimate when its seven-state test of NMVTIS is finished. AAMVA estimated that test would be completed within the first quarter of calendar year 2000. Through fiscal year 1999, Congress has provided Justice and the Department of Transportation (DOT) with about $8 million of an expected $22 million federal investment in NMVTIS.[6] The states and AAMVA and its contractors would be expected to provide the remaining $12 million.

NMVTIS was designed to allow users to electronically validate an existing vehicle title and title-related information. However, a potential barrier to electronically validating titles and title-related information could be the lack of full participation by all state departments of motor vehicles. Although 43 states of the 47 states responding to our survey thought that

[4] We received responses from the 4 states that we visited and from 43 of the 47 remaining states. The responses were from all 7 participating states and 40 nonparticipating states.

[5] The Clinger-Cohen Act of 1996 (P.L. 104-106) generally directs agencies to consider alternative solutions to information technology problems, to perform life-cycle cost benefits analyses, and to select the most appropriate alternative. The Clinger-Cohen Act does not directly apply to NMVTIS, since it is being developed and operated by a third party, AAMVA. However, the principles of Clinger-Cohen provide an effective framework of information technology investment management.

[6] DOT was initially responsible for NMVTIS.

they could implement NMVTIS and 32 states of the 40 nonparticipating states had expressed an interest in doing so, 27 of the 47 states were concerned about how they would fund NMVTIS.

We are recommending in this report that the Attorney General (1) perform a life-cycle cost benefit analysis to determine if additional federal investment in NMVTIS is justified and (2) provide additional federal funds for NMVTIS only if such funding is supported by the analysis.

Background

The Anti-Car Theft Act was designed to reduce automobile theft by making the selling of stolen cars and parts more difficult. According to 1992 congressional testimony, thieves turned stolen cars into money in three ways. They (1) took the stolen car to a chop shop where the car was dismantled and its parts were sold as replacement parts for other vehicles, (2) obtained an apparently valid title for the car and then sold it to a third party (the area that NMVTIS is expected to address), or (3) exported the vehicle for sale abroad. In 1995, the National Insurance Crime Bureau (NICB) estimated that the value of stolen vehicles, which are subsequently titled each year, amounted to over $240 million.[7] NICB estimated that the loss associated with total vehicle theft and fraud was in excess of $7.6 billion, annually.[8]

The Anti-Car Theft Act originally required DOT to develop a national motor vehicle title information system by designating an existing system or establishing a new system. The act was amended by the Anti-Car Theft Improvements Act of 1996, which, among other things, transferred responsibility for development and implementation of NMVTIS from DOT to Justice. In an August 22, 1996, memorandum, the Deputy Attorney General delegated responsibility for implementing the NMVTIS project to the Federal Bureau of Investigation (FBI). According to Justice, the FBI's role with respect to NMVTIS is to

- ensure that the system meets the intent of the act as it pertains to the FBI and law enforcement activity;
- ensure that the system meets the law enforcement needs of state, local, and federal law enforcement agencies;

[7] NICB is a private, nonprofit organization that provides investigative resources and information to its membership of property and casualty insurance companies. See National Motor Vehicle Title Information System (NMVTIS): Fraud Cost Analysis Report, National Insurance Crime Bureau, (1995).

[8] According to an NICB official, this estimate does not include losses due to odometer fraud.

- provide guidance to AAMVA, the system administrator, concerning law enforcement issues and items related to system testing and national implementation; and
- analyze the issue of the use and dissemination of vehicle theft data.

Justice's Office of Justice Programs provides funding for NMVTIS.

According to Justice and DOT officials, Congress has provided, through appropriation acts and congressional guidance in conference reports, about $8 million to conduct the test of NMVTIS during fiscal years 1996 through 1999. DOT awarded $890,000 in fiscal year 1996 to AAMVA. After receiving responsibility for NMVTIS in 1996, Justice awarded $1 million in fiscal year 1997 Byrne Discretionary Grant Program funding to AAMVA. According to AAMVA, it has passed the $1.89 million it has received from DOT and Justice to the seven participating states.

In June 1999, Justice awarded $2.8 million in fiscal year 1998 funds to AAMVA to (1) continue funding the participating states, (2) add new states, and (3) recover some of its costs as a technical assistance provider to the seven participating states. According to AAMVA, $2 million is for the states and $800,000 is for AAMVA. Justice added that AAMVA cannot draw on these funds until a memorandum of understanding between it and the FBI is executed. The conference report accompanying the fiscal year 1999 appropriations states that Justice is to spend $3.15 million for NMVTIS.[9]

NMVTIS' Potential Benefits

NMVTIS is being designed and tested by AAMVA and is intended to, if fully implemented, deter trafficking in stolen vehicles by making it harder for thieves to obtain seemingly valid titles for stolen vehicles by retitling them in another state. This is because, using NMVTIS, the copy of the motor vehicle title presented for retitling would be electronically validated against the database of the state that originally titled the vehicle. Thus, NMVTIS would help prevent thieves from obtaining good titles to vehicles that they intend to resell. In addition, when the title is reissued in another state, NMVTIS would electronically cancel the motor vehicle title in the originating state. Presently, retitling between states is done manually, with states mailing information about a vehicle being retitled. According to AAMVA officials, NMVTIS would also prevent fraudulent use of duplicate motor vehicle titles.

[9] H.R. Conf. Rep. 105-825 (1998) accompanying the Departments of Commerce, Justice and State, the Judiciary, and Related Agencies Appropriations Act, 1999, P.L. 105-277.

NMVTIS is also intended to protect prospective purchasers by accomplishing the following:

- Make "title washing" more difficult. Title washing is a type of title fraud in which vehicle brand history is removed from the title by retitling the vehicle in another state that does not carry a particular brand. This is done to make it easier to pass the vehicle to a third party who is otherwise unaware of the brand.[10]

- Provide access to brand data that would help purchasers to determine the market value and safety of the vehicle prior to purchase.

- Provide odometer readings, which would help purchasers determine if the vehicle mileage has been improperly rolled back to a lower number.

AAMVA expects titling states, law enforcement agencies, car dealers, insurance companies, and individual prospective purchasers to use NMVTIS. According to AAMVA, private companies and individuals would be able to access NMVTIS to verify titles and check vehicle history information, such as previous odometer readings and title brands. However, private companies and individuals currently do not have access to the stolen vehicle file in NMVTIS. According to AAMVA officials, AAMVA is working with Justice and other law enforcement officials who are involved with overseeing and managing the system containing stolen vehicle data to see if these data can be made available to private companies and individuals.

The act authorized system users to be charged a fee for obtaining data. AAMVA said that it is constructing the system so that state departments of motor vehicles and law enforcement agencies are to be exempt from the fee. According to AAMVA officials, no fees have been charged to any user, as of July 20, 1999. They added that AAMVA and its contractors have been absorbing all costs associated with NMVTIS' operations and no federal funds have been used to support its operations, as of July 20, 1999.

While the U.S. Customs Service did not provide direct input or coordination to Justice or AAMVA during NMVTIS' development, it

[10] A vehicle's "brand" indicates that a qualifier is attached to the title. This qualifier indicates some imperfection in the vehicle. Examples include vehicles that have a junk or salvage status or have had water damage from a flood. At least one state has a "reconstructed" brand that indicates a salvage vehicle that has been rebuilt. NMVTIS uses a uniform set of codes to interpret various types of brands, which are often different in each state.

anticipates realizing many benefits from NMVTIS when it becomes fully operational. Customs expects to be able to connect its computer systems to NMVTIS. Customs also expects that NMVTIS will be able to provide it with a greater ability to identify and detect stolen vehicles before they are exported from the United States. According to AAMVA officials, AAMVA expects to work with Customs to test NMVTIS at two ports.

NMVTIS' Design, Testing, and Evaluation

AAMVA's design of NMVTIS includes the following four files:

- A theft file, which contains information on all vehicles reported stolen nationwide and is a "mirror" image of the FBI's national stolen vehicle database from its National Crime Information Center.[11] The FBI pointed out that the act does not mandate the use of Center data and the use of the Center mirror image was approved only for the seven participating states.
- A brand file, which maintains data on vehicle brands from various sources, including insurance companies and junk and salvage yard operators.
- A manufacturers' certificate of origin (MCO) file, which contains vehicle origination information from the manufacturer, such as make, model, or color.
- A vehicle identification number (VIN) pointer file, which electronically directs a NMVTIS user to the state where the vehicle was last titled and would be used to validate the previous title and obtain various vehicle history information.

NICB, which is an AAMVA contractor, has developed and is maintaining the theft file, which it received from the National Crime Information Center. AAMVA will provide the brand file. The MCO file and VIN pointer file have been developed and are being maintained by The Polk Company, which is also an AAMVA contractor.[12]

[11] Information on stole vehicles is contained in the National Crime Information Center. The center is a computerized criminal justice information system in which federal and state law enforcement agencies maintain and share millions of records in 14 files, including files on fugitives, missing persons, and stolen vehicles.

[12] The Polk Company is a privately held, for-profit company that has developed national information systems and information products for the motor vehicle marketplace.

To test NMVTIS in operation, AAMVA agreed with seven states to have them develop their computer software to interface with NMVTIS. The test in the seven participating states is to allow for an evaluation of the

- technical feasibility of NMVTIS,
- degree of success in meeting the 1992 Act's requirements,
- areas that would benefit from federal rulemaking,
- estimated costs of implementation and operation, and
- time it will take the remaining states to develop interfaces to NMVTIS.

As of March 18, 1999, the seven participating states were developing the capability to interface with NMVTIS files and were in various stages of testing the interface. AAMVA expects completion of the test within the first quarter of calendar year 2000 and its evaluation of the results shortly thereafter. AAMVA has prepared an evaluation plan for testing NMVTIS. The evaluation plan includes an assessment of NMVTIS' ability to meet the act's requirements. According to AAMVA officials, AAMVA expected to complete its preliminary evaluation of NMVTIS by the end of July 1999.

AAMVA's Estimated Cost of NMVTIS

AAMVA's March 19, 1999, cost estimate for a fully implemented NMVTIS is $33.9 million—that is, $24.2 million for states to develop new systems or adapt existing ones to link with NMVTIS and $9.7 million for AAMVA and its contractors to develop and implement NMVTIS. AAMVA expects the federal government to fund $22.2 million, which is to be used to offset $16.5 million of the states' costs and to reimburse AAMVA for $5.7 million in its role as the technical assistance provider. AAMVA and its contractors will be responsible for the additional $4 million. AAMVA expects the states to fund their remaining costs ($7.7 million). NMVTIS' operation and maintenance costs will be the responsibility of the states and AAMVA and its contractors. As previously mentioned, the states and AAMVA and its contractors can charge system users a fee for information provided.[13]

According to AAMVA, its estimate of the costs the states would incur is based on the participating states' actual costs plus other factors, such as inflation. AAMVA estimated that the development costs for other states would average about $425,000 per state. In developing its estimate, AAMVA stated that it assumed that the 7 participating states' costs would be representative of the nonparticipating states, and that the other 44 states would participate in NMVTIS. According to AAMVA officials, Indiana,

[13] States and law enforcement agencies are exempt from fees.

Kentucky, and Virginia have fully implemented NMVTIS.[14] The other four states may continue to incur additional unanticipated costs, which could impact AAMVA's projected cost estimate for the nonparticipating states.

As previously discussed, AAMVA expects to report on the results of the participating states' efforts to interface their titling systems with NMVTIS in calendar year 2000. At that time, on the basis of the updated costs of 7 states and contractors, as well as its own costs, an AAMVA official said that AAMVA will revise the projected costs for the 44 nonparticipating states and NMVTIS' total cost.

Barriers to Realizing NMVTIS' Potential Benefits

Assuming that AAMVA's test of NMVTIS proves that NMVTIS will work as designed and will provide the benefits intended by the Anti-Car Theft Act, those benefits will be diminished if all states do not participate in NMVTIS. Of the 40 nonparticipating states responding to our survey, 32 states said that they were interested in participating in NMVTIS. According to 27 of the 47 responding states, the lack of funding is a major reason for nonparticipation. In addition, there are technical issues that may limit the effectiveness of NMVTIS, and Justice has raised issues about AAMVA's accounting deficiencies regarding the use of the federal funds.

Less Than All States' Participation

The Anti-Car Theft Act did not mandate that all states participate in NMVTIS. However, the National Highway Transportation Safety Administration has reported that all states need to participate in NMVTIS to ensure the act's effectiveness in preventing title fraud. AAMVA and NICB have also stated that less than full participation by all states could make the vehicle history information, including title brands, incomplete since the nonparticipating states would not be providing data on-line. Also, instant title verification available from the VIN pointer file, or any vehicle history information maintained by nonparticipating states (such as vehicle title brands), would not be available through NMVTIS.

AAMVA officials said that periodic updates of the VIN pointer and brand files with data from nonparticipating states are planned. These updates would provide some nonparticipating state data to those files, although those files would not be as effective as they could be if all states were participating in NMVTIS.

[14] According to AAMVA officials, a state has implemented NMVTIS if it can perform all NMVTIS-related transactions.

We surveyed all 50 states and the District of Columbia to determine their interest in participating in NMVTIS and their views on NMVTIS. We found the following:

- 43 of the 47 total respondents (participants and nonparticipants) thought NMVTIS could be implemented in their state;
- 32 of 40 nonparticipating states responding to our survey expressed interest in participating in NMVTIS, and, of the 8 other states, 2 said they were planing to express interest in participating and 6 said resources or other priorities precluded their participation; and
- 27 of 47 states indicated that funding or resources could be a barrier to their successful implementation of NMVTIS.

An AAMVA official believes that federal funding to states would help alleviate the funding barriers. He told us that 23 states had expressed their written interest to AAMVA about participating in NMVTIS. AAMVA officials added that they would not ask additional states to commit to participate in NMVTIS until additional federal funding becomes available.

According to AAMVA officials, nonparticipating states would not be able to use NMVTIS to immediately verify out-of-state vehicle titles or obtain vehicle history information, including any brands, prior to issuing a new title. In addition, AAMVA officials told us that, when a state that is participating in NMVTIS retitles a vehicle previously titled in another state, it could not electronically and instantly cancel the old title if that other state is not participating in NMVTIS. According to AAMVA officials, participating states would have to rely on a mailed notification they receive from the nonparticipating state that issued the old title.

The Anti-Car Theft Act, as amended, required Justice to report to Congress by October 1998 on states' participation in NMVTIS and barriers to state participation. As of April 22, 1999, FBI officials said that the report is in the process of being completed.

In commenting on a draft of this report, AAMVA said that on the basis of its experiences, states become more motivated to participate in the system as states in close proximity to them implement the system. It added that, on the basis of discussions and increased interest, it expects all states to participate in NMVTIS within a reasonable time period.

Duplicate VINs

Three of the seven participating states indicated that they are experiencing problems with duplicate VINs. AAMVA officials told us that duplicate VINs are caused by data entry errors, fraudulent title documents, or states that did not cancel their title record when the vehicle was retitled in a new state. AAMVA has developed procedures for overcoming the problem relating to duplicate VINs in the pointer file. While VINs may be duplicated in the pointer file, the states of title and the title numbers will not be duplicated. According to AAMVA officials, the states and AAMVA can use these additional identifiers to distinguish the vehicles with duplicate VINs and correct the problem by manually matching the correct title of the vehicle to the correct VIN.

An AAMVA official said that the participating states and AAMVA are currently working on a solution to the duplicate VIN problem with respect to the theft and brand files. This is necessary because the NMVTIS theft and brand files have no other identifiers to distinguish vehicles with the same VIN. Also, according to AAMVA officials, as more states join NMVTIS, the duplicate VINs would be eliminated through troubleshooting efforts. AAMVA believes that, eventually, duplicate VINs would become a rare occurrence.

Incomplete MCO File

As of May 14, 1999, the MCO file in NMVTIS was incomplete. According to AAMVA officials, the MCO file did not contain data from all manufacturers. AAMVA and The Polk Company are presently working on getting all manufacturers to provide information. According to AAMVA officials, the major domestic vehicle manufacturers are now reporting to the MCO file, and The Polk Company is working on getting foreign manufacturers to also provide information.

According to AAMVA officials, states believe that the MCO file is of value because electronic verification of MCO data would be handled like title data. They added that adding the MCO data is expected to take time because the MCO data are not required by law.

AAMVA Needs to Address Accounting Deficiencies

On January 28, 1999, Justice audited AAMVA to determine if AAMVA was properly accounting for the receipt and expenditure of fiscal year 1997 funds. Justice reported that AAMVA (1) allowed excessive consultant fees, which exceeded the maximum allowable amount by $89,371; (2) could not provide supporting documentation for payments totaling $300,000 to Arizona; (3) did not maintain adequate support for amounts claimed on their quarterly financial reports; and (4) did not adequately administer contractual arrangements with the states. Justice awarded $2.8 million in fiscal year 1998 funds to AAMVA. However, release of the funds is

contingent on AAMVA's satisfactory resolution of deficiencies contained in the Justice audit report. The impact of Justice's decision to hold up the release of the funds on AAMVA's timetable for full implementation of NMVTIS is not known.

According to Justice, most of these deficiencies have been resolved; however, the Office of Justice Programs will not release more funds until all deficiencies have been resolved. According to AAMVA officials, as of July 27, 1999, AAMVA has provided all the required documentation to Justice and, therefore, in its opinion, the accounting issues should not be an impediment to the release of the funds.

Justice Has Not Determined If NMVTIS Warrants Additional Federal Investment

Justice has not evaluated NMVTIS' expected life-cycle costs and benefits to ensure that additional federal funding is justified. The Clinger-Cohen Act of 1996 and the best practices used by public and private organizations to manage information technology investment would provide an analytical basis for informed investment management decisions.

Neither the FBI nor the Office of Justice Programs has performed the analysis. Justice assigned responsibility for overseeing development of NMVTIS to the FBI, but FBI officials told us their assigned responsibility did not extend to life-cycle cost benefit analysis and economically justifying NMVTIS. The FBI officials agreed, however, that such an analysis should be done.

As previously discussed, AAMVA will evaluate the results of the efforts of the seven participating states to interface with NMVTIS. Its evaluation should provide important data that Justice should include in its life-cycle cost benefit analysis. While AAMVA's evaluation will be limited to the seven participating states, Justice should use the results to assess the ability of the states to address the problems initially identified (e.g., duplicate VINs and incomplete MCO file). In addition, Justice could analyze the estimated costs to the federal government by using the current costs of the seven states. In estimating the benefits from NMVTIS, Justice will have to determine the likelihood that the 44 nonparticipating states will join NMVTIS. If less than full state participation is expected, Justice will then have to assess the impact on the ability of NMVTIS to provide the expected benefits.

Despite not having done the analysis to determine if NMVTIS is worth continued federal investment, Justice is planning to fund additional states after the accounting deficiencies are addressed. AAMVA does not expect the final evaluation of the results from the participating states to be

available before early in calendar year 2000. AAMVA's plans call for moving forward with implementation this year. AAMVA pointed out that the preliminary evaluation, which will include an evaluation of the system design feasibility, is due at the end of July 1999.

AAMVA plans to (1) add three or four states to NMVTIS and provide federal funds to the states for their interface with NMVTIS, (2) begin a test with law enforcement users, and (3) visit seven additional states to prepare them for interfacing with NMVTIS. AAMVA plans to add the remaining states between fiscal years 2000 and 2003. AAMVA anticipates a fully implemented NMVTIS by 2004, which will include all 50 states and the District of Columbia in a nationwide system.

Conclusions

The results of AAMVA's test of NMVTIS may provide data for Justice to determine whether NMVTIS, as designed, could achieve the benefits envisioned in the Anti-Car Theft Act. However, more federal funding will be needed to fully implement NMVTIS. The full benefits may not be achieved if some states do not participate in NMVTIS. Therefore, we believe it would be unwise to commit additional federal funding until (1) AAMVA has completed the preliminary evaluation of the current test and (2) Justice has analyzed whether the benefits of NMVTIS, as designed, and less-than-full participation in NMVTIS would justify the continued federal investment.

Recommendations

We recommend that the Attorney General (1) perform a life-cycle cost benefit analysis to determine if additional federal investment in AAMVA's design of NMVTIS is justified and (2) provide additional federal funds for NMVTIS only if such funding is supported by the analysis.

Agency Comments and Our Evaluation

Justice and AAMVA provided their comments on a draft of this report on July 22 and 20, 1999, respectively. Justice and AAMVA provided technical comments, which we included where appropriate. Justice officials generally concurred with the draft report. They said that the Office of Justice Programs agrees that life-cycle cost benefit analysis is a good idea and will perform this analysis using funds from the fiscal year 1999 earmark. Justice officials said that to maintain the ongoing development of NMVTIS and to determine whether it merits additional funding before an evaluation can be undertaken in 2000, the Office of Justice Programs has stipulated that AAMVA must demonstrate that three of the participating states are fully operational before funds may be obligated for new states. In addition, the Office of Justice Programs will not obligate funds from the 1999 earmark for further expansion of NMVTIS until the life-cycle cost benefit analysis has been completed. Justice officials said that, under the

proposed memorandum of understanding, the FBI would participate with AAMVA in the evaluation of the analysis of the seven participating states.

AAMVA officials said that our recommendation to put the system on hold until a life-cycle cost benefit analysis can be done would interrupt the system in each state, delay new states' implementations, and interrupt the momentum of the system and result in increased costs. AAMVA recommended that its preliminary report serve as justification for continued federal funding until Justice completes its analysis. AAMVA expects that the preliminary results will show NMVTIS' feasibility.

We recognize that time will be needed to perform a life-cycle cost benefit analysis, and that such an analysis may cause some delay in NMVTIS' implementation, which may contribute to additional costs. However, using additional federal funds without such an analysis could result in much greater costs if NMVTIS were to prove to be ineffective.

As agreed with your office, unless you publicly announce its contents earlier, we plan no additional distribution of this report until 30 days from its date. At that time, we will send copies to Senator Richard H. Bryan, Ranking Minority Member of this Subcommittee, and to Senator Robert C. Byrd, Senator Orrin G. Hatch, Senator Patrick J. Leahy, and Senator Ted Stevens and Representative John Conyers, Jr., Representative Henry J. Hyde, Representative David Obey, and Representative C.W. Bill Young in their capacities as Chairman or Ranking Minority Member of Senate or House Committees. We are also sending copies of this report to the Honorable Jacob J. Lew, Director, OMB; the Honorable Janet Reno, the Attorney General; and representatives of AAMVA; NICB; and The Polk Company. We will also make copies available to others upon request.

If you have any questions regarding this letter, please contact me or James M. Blume at (202) 512-8777. Key contributors to this assignment were Ronald J. Salo, Michael H. Harmond, and Anne M. Rhodes-Kline.

Sincerely yours,

Norman J. Rabkin
Director, Administration of
Justice Issues

Contents

Letter 1

Appendix I Objectives, Scope, and Methodology 18

Abbreviations

AAMVA	American Association of Motor Vehicle Administrators
DOT	Department of Transportation
FBI	Federal Bureau of Investigation
MCO	manufacturer's certificate of origin
NICB	National Insurance Crime Bureau
NMVTIS	National Motor Vehicle Title Information System
VIN	vehicle identification number

Objectives, Scope, and Methodology

Our objectives were to (1) determine the current status of the National Motor Vehicle Title Information System (NMVTIS) and (2) determine whether Justice had evaluated NMVTIS' expected costs and benefits to ensure that additional federal investment in the system is justified. We analyzed NMVTIS cost data and expected benefits and the barriers that could prevent the benefits from being fully realized. In doing our analysis, we relied on the Clinger-Cohen Act of 1996 guidance for criteria regarding an effective framework for information technology investment management.

We spoke with officials from the Department of Justice, the Federal Bureau of Investigation (FBI), the American Association of Motor Vehicle Administrators (AAMVA), and AAMVA's two contractors—The Polk Company and the National Insurance Crime Bureau. Specifically, we discussed their efforts regarding the life-cycle process of system design and implementation consistent with best practices in both the public and private sectors of information technology investments. We also met with officials from two of the seven participating states (Arizona and Virginia) regarding their progress in the NMVTIS test. We selected Arizona and Virginia because they had completed or were expected to complete programming of their titling processes in preparation for beginning the test of NMVTIS. In addition to Arizona and Virginia, we met with officials from two nonparticipating states, Texas and the District of Columbia, which we selected primarily because of their proximity to the two participating states we visited.

We obtained AAMVA's cost estimate for a fully implemented system in all 50 states and the District of Columbia and their basis for that estimate. We obtained, from Justice and AAMVA officials, federal funding appropriated as well as anticipated funding. We also obtained from AAMVA officials the distribution of the federal funding to seven states. We spoke with officials from AAMVA and its contractors and Arizona and Virginia about the proposed fee structure to recover NMVTIS operational costs in addition to their development costs for the system. These state officials were selected because they were in different stages of developing the capability of interfacing with NMVTIS.

To identify the expected benefits of NMVTIS and potential barriers to achieving those benefits, we contacted officials from Justice, the FBI, AAMVA, and the states. These officials provided us with their views on the benefits to be derived from the system's implementation and their individual perspectives on barriers that may prevent NMVTIS from realizing these benefits.

We surveyed officials in the 50 states and the District of Columbia to obtain their views on NMVTIS-related issues. These officials were responsible for the titling of motor vehicles in their states. The survey addressed the states' (1) willingness to participate in NMVTIS, ability to implement NMVTIS, and current titling capabilities; (2) expected costs; (3) expected benefits of the system; and (4) barriers affecting states' decisions to join the system. We received responses from the 7 participating states and from 40 of the 44 nonparticipating states.

We conducted our work between September 1998 and June 1999 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from Justice and AAMVA officials. Their comments are discussed near the end of the letter.

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