

# **PERFORMANCE AUDIT REPORT**

## **Motor Carrier Inspection Stations**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
January 1989**

# Legislative Post Audit Committee

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## Legislative Division of Post Audit

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# **PERFORMANCE AUDIT REPORT**

## **MOTOR CARRIER INSPECTION STATIONS**

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### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Trudy Racine, Senior Auditor, and Rick Riggs and Tom Vittitow, Auditors, of the Division's staff. If you need any additional information about the audit's findings, please contact Ms. Racine at the Division's offices.

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## MOTOR CARRIER INSPECTION STATIONS

### Summary of Legislative Post Audit's Findings

In 1987, the Department of Revenue supported a House resolution to close 17 motor carrier inspection stations based on a cost-revenue analysis. Although that resolution did not pass, some stations have since been closed. The motor carrier inspection program was transferred to the Highway Patrol at the start of fiscal year 1989. Legislative concerns have been expressed about the accuracy of the Department's information, and about the fees being charged to motor carriers who buy permits from wire service companies.

**Are the reported motor carrier inspection stations' revenues and expenses accurate?** The revenues the Department used in its cost-revenue analysis were accurate, but the salaries and other operating expenses reported for the stations were not. The expenses reported by the Department were estimates that were generally overstated in fiscal years 1984 - 1986, and understated in fiscal years 1987 - 1988. The overstated expenditures may have meant that some profitable stations were shown to have incurred a loss, and that other stations' losses were less than reported.

Although the expenditures reported by the Department have been inaccurate, those inaccuracies do not appear to have resulted in the closure of any stations that were actually supporting themselves. If the Department had followed through with all of the closures proposed in 1987 House Concurrent Resolution 5029, however, it would have closed three stations that were actually profitable in fiscal year 1987 while keeping open two that were not.

**What are motor carriers being charged to order permits over the telephone, and are they being treated equally?** Although the State's charges for permits do not vary, the amount motor carriers pay for those permits when ordered by wire service or delivered to truck stops may differ greatly. The amount charged depends on a number of factors, including the specific services used and the carrier's financial arrangement with the wire service company. There is no indication that those differing charges constitute unequal treatment.

Most motor carriers use wire services and trip permits infrequently, preferring to rely on annual and pro-rated permits. Seven of 11 motor carrier representatives interviewed said that they preferred to obtain trip permits at motor carrier inspection stations, but that when they obtained permits through wire services, they did so for reasons that justified the extra expense.

This audit includes a recommendation that the Department of Revenue either comply with statutory provisions in its contracts with commercial wire services, or request a change in State law. We would be happy to discuss this recommendation or any other item in the report with any legislative committee, individual legislator, or other State officials.



Meredith Williams  
Legislative Post Auditor



## Recent Changes in Kansas' Motor Carrier Inspection Program

To do business in Kansas, motor carriers must meet a number of State regulatory requirements and pay a number of fees. Those requirements are explained in the accompanying box.

### Motor Carriers in Kansas Are Required To Have Several Permits

To operate legally in Kansas, motor carriers (trucks or other vehicles that carry goods or passengers) are required to have their vehicles registered, have fuel use tax permits, have operating authority from the Kansas Corporation Commission, and have size or weight permits as necessary. These papers can be obtained as temporary trip permits (good for one trip only, or for a limited duration) from the Department of Revenue's Central Permit Office, the motor carrier inspection stations, or from a commercial wire service. Also, annual registration, tax permit, and operating authority documents can be obtained from the Department or the Commission, as appropriate.

**Registration** Motor carriers may register their vehicles in Kansas on a permanent basis. Since 1981, when Kansas became a member of the International Registration Plan, carriers have also been able to obtain prorated registrations for their vehicles from the Department of Revenue. The prorated registration is based on the annual number of miles a carrier's vehicle operated in Kansas, in proportion to the total number of miles the vehicle traveled. Trip permits are a way for motor carriers to temporarily register their vehicles in Kansas. These trip permits are good for 72 hours, and carriers are allowed to use up to 12 trip permits per year.

**Fuel Use Tax** The fuel use tax can also be prorated, based on the proportion of the motor carrier's annual fuel purchases consumed in Kansas. Alternatively, the carrier may obtain up to 12 Kansas fuel use tax permits per year for a set fee.

**Operating Authority** Motor carriers can get operating authority on an annual basis from the Kansas Corporation Commission. Carriers can also get emergency or special authority for vehicles that are to be used in Kansas on an occasional or temporary basis.

**Size and Weight** A motor carrier must obtain a Department of Transportation trip permit for any vehicle that is oversize and overweight. Such vehicles must travel on specified routes that are able to support the size and weight of the vehicles.

Until 1977, motor carriers traveling through Kansas obtained the permits they needed to meet these requirements on a per-trip basis from the Department of Revenue's motor carrier inspection stations or on an annual basis from the Department of Revenue and the Corporation Commission. The inspection stations, formerly called ports of entry, were located near the State borders on many of the major highways.

During the last 10 years, Kansas and other states have simplified their motor carrier regulatory systems to make them more uniform and accessible. These changes have affected the Kansas motor carrier inspection program, especially the way in which motor carrier permits are sold.

In 1977, a change in State law allowed the Department of Revenue to establish a Central Permit Office. That office, along with a new telecommunications network, enabled carriers to order all the temporary Kansas permits they needed from the Department by telephone and at one time. Since 1977, trucks have not been required to stop at motor carrier inspection stations unless they needed to buy these permits. Before 1977, drivers had to stop and show their papers at the nearest port of entry, even if they did not

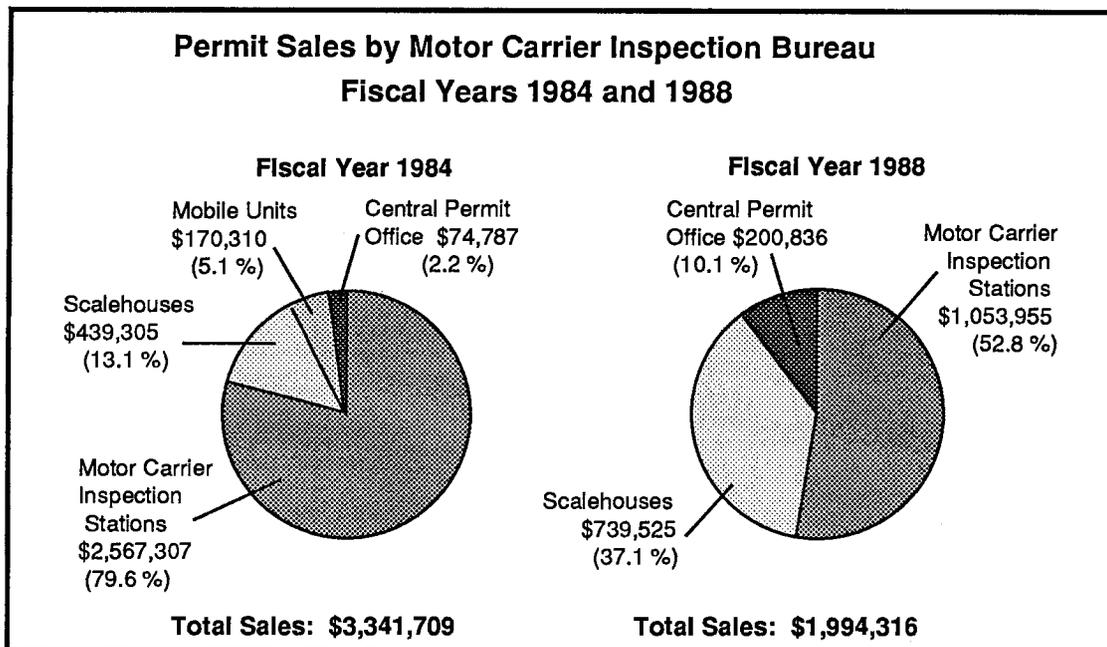
have to buy any permits. (Trucks are still required to stop at all open scalehouses and be weighed.)

Also since then, Kansas began to allow motor carriers to buy trip permits through wire service companies. These services wire the permits, via facsimile equipment, to the carrier's home office or to a participating truck stop. In 1981, Kansas joined the International Registration Plan, which meant that motor carriers who had vehicles registered in other member states did not need to obtain separate Kansas registrations.

In 1984, the Department of Revenue changed the major emphasis of its motor carrier inspection program from issuing permits to vigorously enforcing motor carrier laws. Department officials told us that the extensive system of ports of entry was outdated now that other alternatives existed for obtaining permits.

The changes described above have resulted in a shift in the revenues received from permit sales. More revenues are generated by annual and prorated permits, and fewer revenues come from trip permits. Revenues from annual registrations for Kansas Corporation Commission authority have increased from \$3.1 million in fiscal year 1984 to just over \$4 million in fiscal year 1988. Revenues from annual registrations of vehicles in the International Registration Plan by the Department of Revenue's Motor Carrier Services Bureau have risen slightly, from \$16.1 million in calendar year 1984 to \$17.1 million in calendar year 1988. Trip permit sales have declined from \$3.3 million in fiscal year 1984 to \$2 million in fiscal year 1988.

As the accompanying pie charts show, a shift has also occurred in the locations where trip permits are being sold. The percentage of trip permit sales at scalehouses and at the Central Permit Office have increased, while the percentage of permit sales at motor carrier inspection stations declined.



Finally, in 1987 the Department of Revenue recommended transferring the field operations of the Motor Carrier Inspection Bureau to the Highway Patrol, in keeping with the increased emphasis on enforcement of motor carrier regulations. House Bill 2600, passed by the 1988 Legislature, moved the 175 field operations and administrative staff of the bureau from the Department of Revenue to the Highway Patrol beginning in fiscal year 1989. The Department of Revenue retained a staff of 31, who work in the Central Permit Office and the Department's Motor Carrier Services Bureau, which issues prorated registration tags to commercial vehicles.

## Were the Reported Motor Carrier Inspection Stations' Revenues and Expenses Accurate?

During the 1987 and 1988 legislative sessions, the Department of Revenue provided several legislative committees with revenue and expense figures for the motor carrier inspection stations. Those figures were provided as justification for a House Concurrent Resolution that proposed closing several stations whose revenues did not cover their costs of operation, and for reducing staffing at other locations to save on salaries and wages. Although the resolution did not pass, the Department has reduced its number of motor carrier inspection stations by 10 since fiscal year 1986, while increasing its enforcement activities at scalehouses and mobile enforcement units.

Our review of the figures used to support those closures showed that reported revenues appear to have been accurate, but that reported salary and other operating expenses for the stations were not accurate. This was especially true for fiscal years 1984 through 1986, when the expenses the Department reported were overstated.

### Since 1984, the Department of Revenue Has Reduced the Number of Inspection Stations by Ten

The 1984 Legislature mandated a nine-person reduction in Motor Carrier Inspection Bureau personnel. At the time, the Department of Revenue's internal auditors found that 17 of 31 locations (which included 25 inspection stations and six scalehouses) were not taking in sufficient revenues overall to cover their costs. That internal audit recommended that decisions on where to reduce staffing and coverage be based on a cost-revenue analysis of each inspection station's operations. The audit was not implemented immediately, but five stations were closed during fiscal year 1986.

### Closing Motor Carrier Inspection Stations May Affect Other Government Functions

The permits and authorities sold by the motor carrier inspection stations for the Departments of Revenue and Transportation and the Corporation Commission can also be obtained in other ways. However, two other State requirements now administered by the stations cannot be as easily handled by telephone.

First, all trucks hauling livestock into Kansas are required to stop at the inspection stations. Station personnel fill out livestock clearance declarations for the Animal Health Department. To receive the clearance, the truck must have health certificates that cover all the animals on board. The Livestock Commissioner said that the inspection stations are important to the Department's ability to track livestock coming into the State, and thus to avoid importing potentially diseased livestock. The Commissioner added that it will be important for the Highway Patrol to notify the Animal Health Department if and when the inspection stations are closed, and to work with the Department to arrive at an alternative method of enforcing animal health requirements.

The second government function that currently depends on the motor carrier inspection stations is the identification of certain taxable goods. Motor carrier inspection station staff complete a Department of Revenue form whenever they identify goods coming into the State that are subject to compensating use tax. A total of \$24,000 was collected through this method in fiscal year 1988. Comments by motor carrier inspection officials suggested that the collection of compensating use tax information has not been a priority, and some station employees we talked to said that they had run out of the tax forms more than a year ago and had never received any more. However, Department of Revenue officials said that they have no alternative method to accomplish this identification. Unless the owners or motor carriers report such goods voluntarily—and the likelihood of that is slim—the tax will probably not be collected.

During the 1987 legislative session, the Department supported House Concurrent Resolution 5029, which recommended closing 17 motor carrier inspection stations based on an analysis that showed their revenues were not covering their costs of operations. This action would have reduced staffing by 51 positions, saving nearly \$1 million annually. That resolution did not pass. Nevertheless, the Department did make several additional changes during the last three fiscal years. The accompanying table shows all of the changes that have been made in the number and distribution of motor carrier field staff over the past five years.

### Motor Vehicle Inspection and Enforcement Field Operations

	<u>Number in 1984</u>	<u>Number in January 1989</u>	<u>Increase or Decrease</u>
<u>Inspection Stations</u> (sell permits only)			
Locations	25	15	(10)
Full-time staff	114	44	(70)
Intermittent staff	50	1	(49)
<u>Scalehouses</u> (enforce weight limits and sell permits)			
Locations	4(a)	8	4
Full-time staff	32	54	22
Intermittent staff	9	14	5
<u>Mobile Units</u> (check trucks' weight limits with portable scales & enforce other permit requirements)			
Locations	15	21	6
Full-time staff	45	48	3

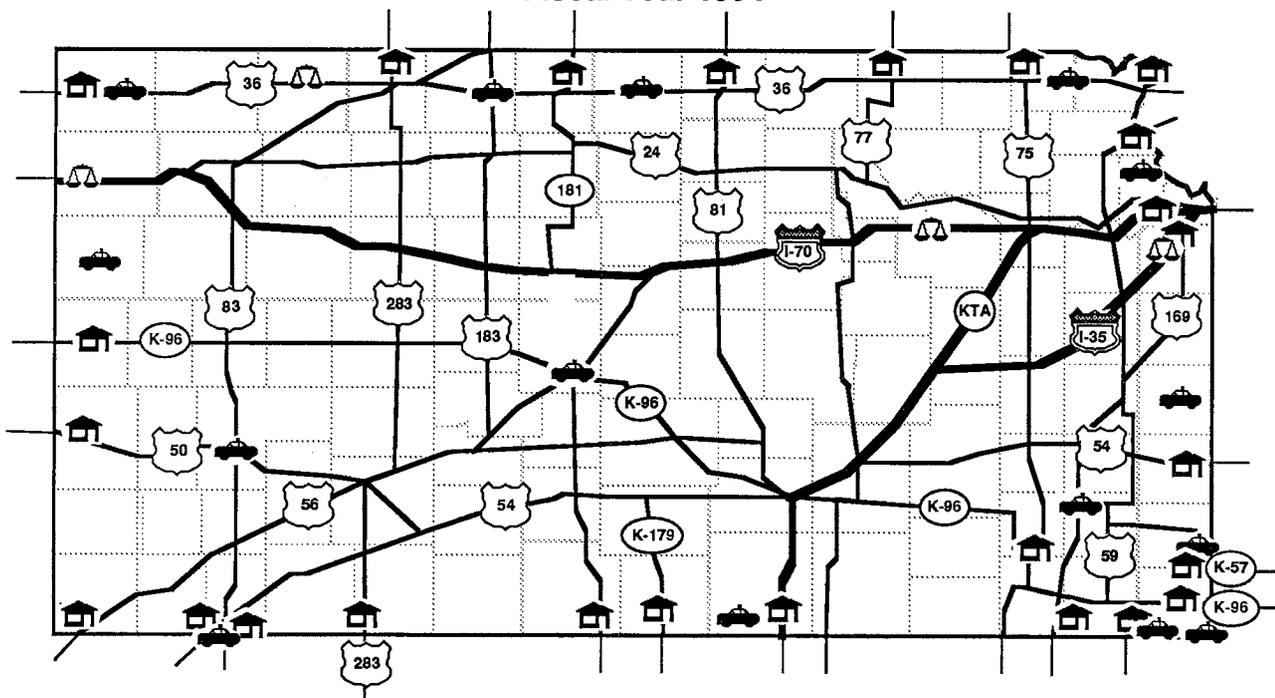
(a) the Department's internal audit counted the scalehouses on each side of the highway at Wabaunsee and Olathe separately, for a total of six scalehouses

Since May 1986, nine inspection stations have been closed, two have been converted to scalehouses, and one has been opened, reducing the number of inspection stations in operation by 10. An additional station at Elkhart is slated for closure in April 1989. As a result of these closures and reduced operating hours at other stations, staffing levels have been reduced significantly at the motor carrier inspection stations. During the same time frame, the number and staffing levels at both the scalehouses and mobile units have increased considerably. This follows a national trend; only 19 states including Kansas still have some type of field office where permits can be purchased.

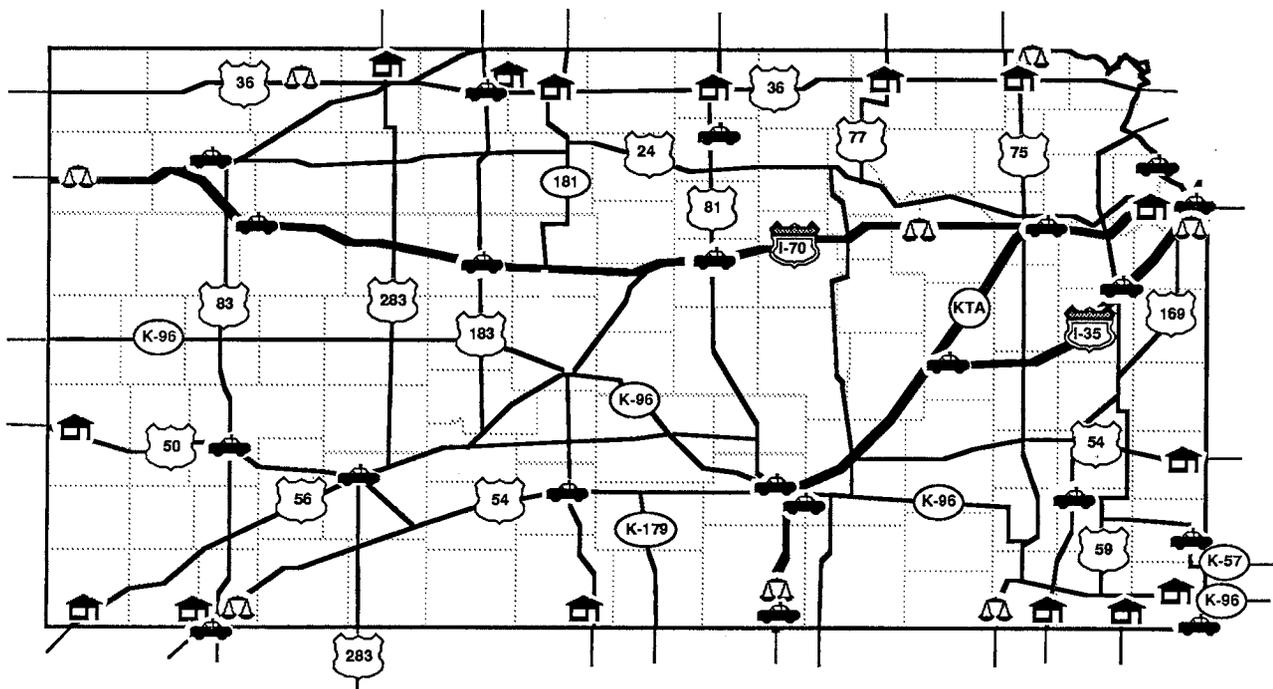
Because the five stations closed in 1986 were not included in the Department's analysis of revenues and expenditures reported to the legislative committees, they are not included in the following review. Our review focused on all of the motor carrier inspection stations the Department included in its reported figures for 1987.

## Locations of Motor Carrier Inspection Stations, Scalehouses, and Mobile Units

**Fiscal Year 1984**



**Fiscal Year 1989**



- |   |                                    |
|---|------------------------------------|
|  | = motor carrier inspection station |
|  | = scalehouse                       |
|  | = mobile enforcement unit          |

Since May 1986, nine inspection stations have been closed, two converted to scalehouses, and one more opened, reducing the number of inspection stations by 10. At the same time, the Department has added two additional scalehouses and six mobile enforcement units, for a total of 15 inspection stations, eight scalehouses, and 21 mobile units.

## Revenues Were Reported Accurately

The central administrative office of the Motor Carrier Inspection Troop receives daily reports of permit sales from each of the inspection stations, along with their deposit slips. Central office staff then summarize that information and produce monthly and annual activity reports for all stations. These are the numbers the Department of Revenue used and reported on its cost-revenue analysis.

To determine whether the Department's reported revenues were accurate, we reviewed the daily sales reports for a sample of stations, compiled them according to central office procedures, and compared the results to the reported amounts. That review showed that the revenue figures used in the cost-revenue calculations were actual revenue numbers that had been arrived at properly. We could trace the figures from the stations, to the banks, to the central office, and to the State Treasurer.

## Expenses Were Not Reported Accurately

In its cost-revenue calculations, the Department of Revenue estimated salaries and other operating expenses for the stations. Because the Department did not document the method used to arrive at those estimates, we interviewed Department officials to determine what method they used. They described the method as follows:

- Salaries. To compute salaries, the official who made the computations selected a typical salary for each classification of employee and multiplied that amount by the number of authorized positions in that classification at each inspection station; intermittent positions were calculated at one-half the full-time salary amount. The result was multiplied by 17 percent to account for fringe benefits. Salaries account for the bulk of motor carrier inspection stations' expenses.
- Other Operating Expenses. To compute other operating expenses, the official used a summary of expenses from 1976 to arrive at an average operating cost for each station, and then increased the amount by five percent annually.

There can be good reasons for using estimated expenditures as opposed to actual figures. These can include time constraints or a desire to reflect "normal" operating expenses that are not affected by such factors as vacancies and salary differences between new and long-term employees.

Our review showed that the method Department officials described was not necessarily a bad method of estimating the stations' costs, but that it did have several flaws. It tended to overstate salary costs because it used the total number of authorized positions at each motor carrier inspection station rather than the filled positions, and because intermittent personnel did not necessarily work half-time. In addition, because the inspection stations' physical facilities, volume of business, and number of staff vary, their operating expenses were probably not the same.

Using the Department's stated method, we tried to reproduce the cost figures the Department used and reported in its cost-revenue analysis for 1984 through 1988. The cost figures we arrived at using the stated methodology were different from the Department's reported figures for all five years. These numbers for all motor carrier inspection stations are provided in Appendix A.

The expenses the Department used and reported in its cost-revenue analysis for fiscal years 1984, 1985, and 1986 were generally higher than they should have been if the Department had followed its stated method. For fiscal years 1987 and 1988, the reported expenses were lower. For example, the numbers for the Kansas City station differ as follows:

#### **Kansas City Motor Vehicle Inspection Station Expenditures**

<u>Fiscal Year</u>	<u>Amount Reported by Department</u>	<u>Amount We Arrived at Using the Department's Stated Method</u>
1984	\$215,230	\$186,935
1985	\$207,422	\$196,313
1986	\$277,888	\$196,648
1987	\$211,215	\$237,100
1988	\$222,105	\$267,499

Because of these discrepancies, we interviewed additional Department officials to determine if the reported numbers could have come from another source, or could have been derived by a different method. One other individual claimed to have produced salary numbers for each inspection station following a methodology similar to the one described above. However, that individual also had no documentation. No one claimed responsibility for the reported operating expenditures, nor could any source be identified. For 1987, we identified the source of the numbers the Department reported, but they do not appear to have been produced following the stated methodology. And for 1988, the same individual produced the Department's official numbers, but clearly arrived at them through a different method.

For comparison purposes, we computed the actual salary expenditures at a sample of motor carrier inspections for 1986 by using Department of Revenue personnel and salary rosters. Salary expenses are by far the largest part of stations' total expenditures. That comparison for 1986 is shown in the following table.

#### **Motor Carrier Inspection Station Salary Expenditures for 1986**

<u>Station</u>	<u>Reported Numbers</u>	<u>Numbers Using Dept.'s Method</u>	<u>Actual Expenditures</u>	<u>Actual Revenues</u>
Kansas City	\$270,809	\$194,335	\$175,394	\$302,337
Fort Scott	95,972	85,461	73,551	54,379
Belleville	159,064	118,961	100,260	112,453
Englewood	95,972	85,461	72,696	59,916
Elwood	80,199	110,586	107,706	17,071

As the table shows, the salary expenses reported for four of the five stations (column one) were not only higher than would have been arrived at if the Department had followed its stated methodology (column two), they were also approximately one-third higher than their actual salary expenditures (column three).

The fifth station, Elwood, was somewhat of an anomaly because part of its staff was actually assigned to the Central Permit function during evenings and weekends, when the Topeka office was closed. The Department may not have included those staff costs in its reported figures. We did include those staff in our calculations, because we couldn't identify which staff were assigned to which function. In addition, it appears that the revenues credited to Elwood did not include revenues generated through the Central Permit function. Those revenues would have been remitted to the Central Permit Office in Topeka.

Because these relationships hold true for most stations, we concluded that the expenses reported for most motor carrier inspection stations during 1984-1986 were likely to have exceeded their actual costs. The overstated expenditures may have meant that some profitable stations were shown to have incurred a loss. As shown in the table above, Kansas City and Belleville both took in more than enough revenue to cover their actual salary costs, but the Department showed Kansas City as profitable and Belleville as losing money. Other stations, like Fort Scott and Englewood, still would have lost money, but their losses would have been less than reported.

By contrast, a similar comparison for 1987, which includes both salaries and other operating costs, showed that the expenses the Department reported that year generally were lower than both the amounts we arrived at using the Department's stated methodology and the stations' actual expenditures. The following table illustrates this comparison.

**Motor Carrier Inspection Station Expenditures for 1987  
(Salaries and Other Operating Costs)**

<u>Station</u>	<u>Reported Numbers</u>	<u>Numbers Using Dept.'s Method</u>	<u>Actual Expenditures</u>	<u>Revenues</u>
Kansas City	\$211,215	\$237,100	\$211,895	\$295,305
Fort Scott	73,175	90,431	83,746	57,475
Belleville	107,685	142,196	129,112	114,319
Englewood	38,665	90,431	66,508	50,489
Elwood	n/a	64,548	56,155	11,775

We did not compare the Department's reported numbers for fiscal year 1988 to actual expenditures. However, our review of the document used to produce those numbers showed that those reported numbers are also likely to be inaccurate.

Although the expenditures reported by the Department have been inaccurate, those inaccuracies do not appear to have resulted in the closure of any stations that were actually supporting themselves. The five stations closed or slated for closure since April 1987 all lost money during fiscal year 1987, according to our analysis of

actual expenditures. (Eight of nine locations that have been closed were also recommended for closure or reduced hours of operation in the Department's internal audit in 1984.)

If the Department had followed through with the closures proposed in 1987 House Concurrent Resolution 5029, however, it would have closed three stations that were actually profitable that year while keeping open two that were not. If the Highway Patrol decides to base the continued operation of motor carrier inspection stations on those stations' individual costs and revenues, it will need to develop and apply a more accurate method of determining those costs and revenues.

## **What Are Motor Carriers Being Charged To Order Permits Over the Telephone, and Are They Being Treated Equally?**

The State's charges for permits do not vary. However, carriers that obtain permits by telephone or wire may be charged a variety of additional fees—ranging from \$5 to \$25 or more—by the commercial wire services that transmit the permits. The truck stops where many such transactions occur also usually charge the drivers for use of their facsimile equipment. These extra charges vary among wire services and truck stops. Motor carriers generally preferred to buy trip permits from motor carrier inspection stations, but when they purchased trip permits by wire they did so for reasons that they said made the extra charges worth paying.

### **Motor Carriers Were Charged Equally for Permits, But Charges Varied For Other Services Associated With Ordering Permits By Telephone**

Motor carriers may get Kansas permits on an annual or pro-rated basis from the agency, or on a per-trip basis from a motor carrier inspection station, in person at the Central Permit Office in Topeka, or from a commercial wire service.

We found that the State's charges—the permit fees themselves—did not vary for any given kind of permit. Those charges are shown in the first column of the table at the top of the next page.

Wire services sell permits by transmitting a facsimile of the permit from their own offices, or from the Central Permit Office in Topeka, to the motor carrier's home office or to a truck stop on the driver's route. (Three of the four wire services are authorized to write permits themselves, and then pay the State, while the fourth obtains permits from the Central Permit Office.)

We contacted the four commercial wire services, and found that they charged the carriers from \$5 to \$25 for their services. We also contacted each of the 35 truck stops in Kansas that had equipment to receive wire service permits, and asked what they charged for receiving a wire service permit. Truck stop charges varied from no charge to \$6, and averaged about \$3. When those two charges were combined, they added from \$5 to \$30 to the cost for specific Kansas permits, depending on the wire service and truck stop used.

As a result of these variations in truck stop charges and wire service fees, it is possible for a motor carrier to pay significantly different amounts for the same permit, depending on where and from whom the permit was purchased. A motor carrier who goes to a motor carrier inspection station to buy a Kansas Corporation Commission emergency authority, for example, would avoid any wire service or truck stop fees, and would pay only the cost of the permit—\$2.50. However, buying that same permit at a truck stop could cost that same trucker from \$7.50 to \$30.50, depending on the truck stop and wire service used.

**Cost of Permits Purchased Through a Wire Service  
And Picked Up at a Truck Stop**

<u>Type of Permit</u>	<u>Permit Fee</u>	<u>Lowest Charge</u>	<u>Highest Charge</u>
KCC Emergency Authority	\$2.50	\$7.50	\$30.50
KCC Special Authority	5.00	10.00	33.00
Temporary Liquid Fuel Carrier	5.00	10.00	33.00
Oversize or Overweight Permit	5.00	15.00	35.00
Motor Fuel Trip Permit	6.50	11.50	34.50
72-hour Registration	20.00	25.00	48.00

Although wire service fees do vary, we found no evidence that the variations were arbitrary or constituted unequal treatment. Wire service officials said that their charges depend on a number of factors:

- firms that have an account with the wire service company pay less, as do those who prepay or provide a letter of credit
- firms that buy large numbers of permits per month pay less
- orders that come in by facsimile machine cost less than telephone orders because wire service staff do not have to complete an application form
- orders that are handled by the State's Central Permit Office cost less because State staff, rather than wire service staff, process them
- fuel and trip permits generally cost less than overweight permits
- permits that are wired to the ordering truck company's office cost less than those that go to truck stops, because there are no truck stop fees or commissions

**Motor Carriers Generally Purchase Permits  
Through Wire Services For Reasons  
That Justify the Extra Expense**

We selected a sample of 11 motor carrier firms that had ordered permits through the State's Central Permit Office one day in November 1988, and called them to find out why they bought their permits by wire rather than by some other method. We also asked whether they thought the extra wire service charges were worth the money. Nine of the 11 agreed that wire permits were more expensive than the alternative methods they had used, but indicated that the extra expense was worth it to keep their trucks legal for Kansas roads, to consolidate the number of phone calls necessary to obtain permits, or to enable the drivers to stay on their preferred routes.

Four of the 11 firms reported they preferred wire services over inspection stations as a means of getting permits: two thought the wire services were more efficient for home office staff because they could secure trip permits for several states with one phone call; one firm's union drivers objected to having to pay for the per-

mits and get reimbursed; and the fourth just thought it was safer to make sure its drivers had all the permits they needed when they left home.

The remaining seven carriers said that they generally preferred getting permits through the motor carrier inspection stations, rather than the wire services, but did not in this instance for a variety of reasons. In four of the seven cases, the drivers did not buy the permits at an inspection station because the station on their route was not open. Two other firms said that their drivers would use the stations in the future, but were new on the route and unfamiliar with the stations' locations and hours. The other firm reported that its driver should have used the inspection station, but did not.

Two of the firms contacted said they saw little advantage in ordering wire permits directly from the State's Central Permit Office because that office does not have its own facsimile equipment. Instead, the office transmits permits on the facsimile equipment of the commercial wire services, forcing the carriers to incur wire service charges even when ordering permits directly from the State. To avoid that problem, the Department of Revenue might consider purchasing a facsimile machine for the Central Permit Office.

We also surveyed a sample of 50 truckers in various locations around the State to check driver's preferences and attitudes about using inspection stations and truck stops as ways of getting motor carrier permits. The results of that survey were inconclusive. Only nine of the 50 drivers (18 percent) had a choice of getting their permits one way or the other. The remaining drivers were company employees (or independent drivers working for a company under contract) who received all their permits from the home office before starting out. Only one of the 50 drivers got the permits for his current trip from a truck stop wire service.

**Problems have been noted with some of the permits sold by wire services.** When they note a problem with wire service permits, motor carrier inspection station staff have been instructed to document the problem on a form and notify the motor carrier inspection central office for review and followup.

We reviewed 102 forms that documented problems with wire service permits to determine how frequent and serious those problems appeared to be. The forms covered the period from July 1987 through September 1988. The following table shows the problems noted:

<u>Reported Problem</u>	<u>Number Reported</u>	<u>Percent of Total Permits Reviewed</u>
Additional permit required	52	51.0%
Duplication of permit	22	21.6
No permit required	13	12.7
High charges by service	6	5.9
Other	23	22.5

As the table shows, the problem noted most frequently (52 of 102, or 51 percent) was that drivers were not always sold all the permits they needed. The second most frequently noted single problem was that a wire service permit duplicated a permit the driver already possessed. Inspection station staff wrote up 13 cases (12.7 percent) in which the carrier had been sold a wire service permit where none was needed. Excessively high charges for wire service permits were noted in only six of the 102 cases (5.9 percent). Finally, a variety of other permit problems that could not be easily categorized constituted about 23 percent of the total.

The figures do not indicate whether these problems with wire service permits are widespread or serious. Inspection staff found 102 cases of incorrect wire permits in a 15-month period during which thousands of trucks passed through the inspection stations. The survey of drivers indicated no such problems; none of the drivers who reported that they had purchased wire service permits at truck stops said that they had ever been overcharged or sold the wrong permit. Therefore, although the Department of Revenue should continue to monitor the performance of the wire services it contracts with and take corrective actions it deems necessary, the problems identified to date do not appear to justify any increase in monitoring activities.

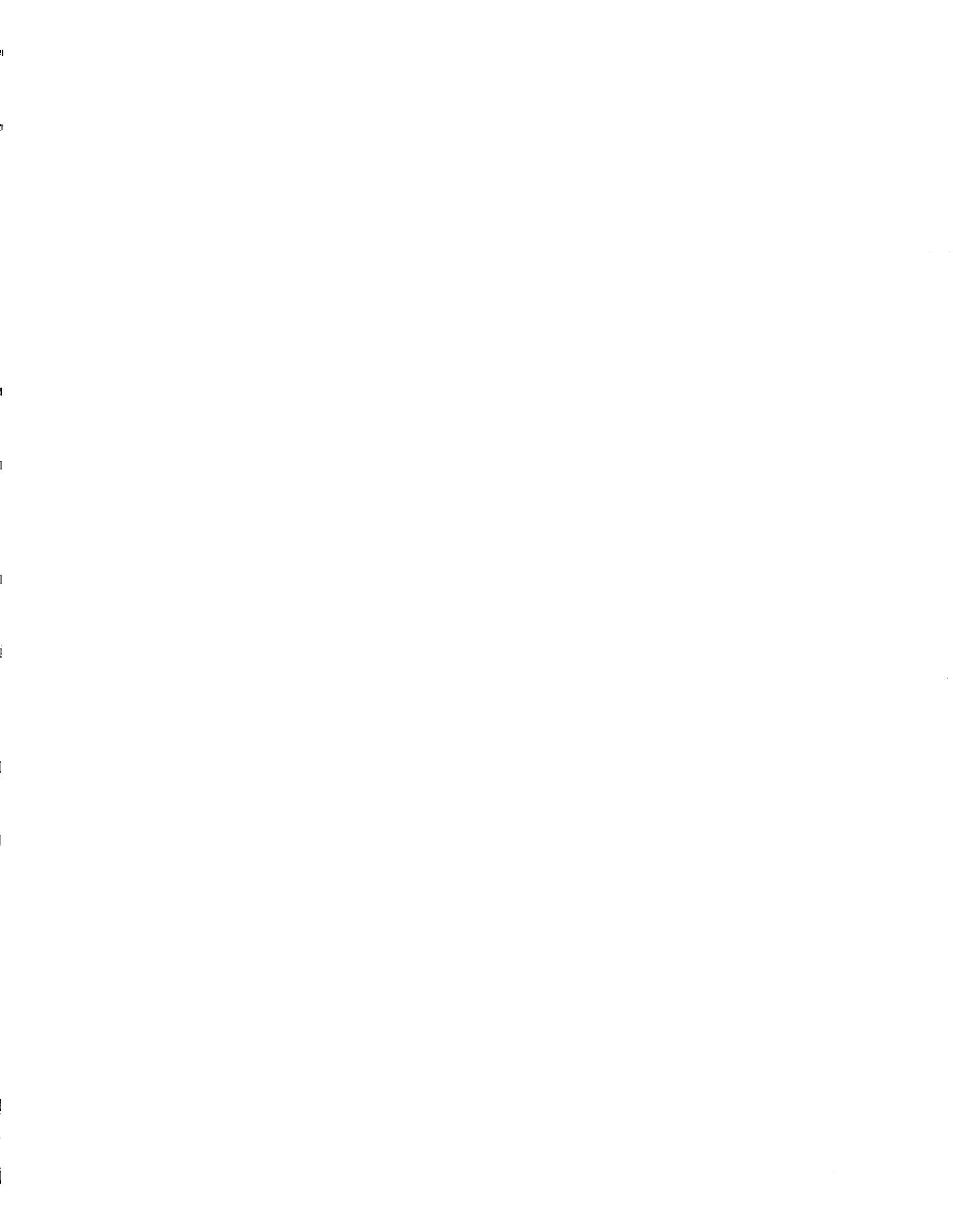
**We also found that the Department is not fully complying with State law in its dealings with the wire services.** During our review of the Department's contractual agreements with the wire service companies, we noted that State law requires the Department to pay those firms for their permit-selling services. K.S.A. 66-1327 says in part:

Any individual, firm, or corporation designated to transmit applications for, receive or issue licenses or permits by the Secretary of Revenue or the Secretary of Transportation...shall receive for such services, fees to be paid by the Secretary of Revenue in an amount to be determined by the Secretary of not to exceed eight percent of the total receipts collected for licenses or permits...In no event, however, shall the amount of such fees be less than \$25 per month, nor shall it exceed \$1,500 per month.

The same statute also requires the Department to set up a revolving fund for payment of these fees to the wire service companies. Neither of these required actions have been taken by the Department. The statute authorizes the Secretary to require the wire services to post a surety bond. Although the Department has not required such a bond, that provision of the statute is not mandatory.

### **Recommendation**

To ensure full compliance with State law, the Department of Revenue should either begin paying the wire service companies in accordance with K.S.A. 66-1327, or seek a change in the statute to eliminate that requirement.



**APPENDIX A**

**Fiscal Year 1984 Reported and Calculated Profitability  
of Motor Carrier Inspection Stations**

<u>Motor Carrier Inspection Station</u>	<u>Revenues</u>	<u>Amount Reported by Agency</u>		<u>Computed With Department Method</u>	
		<u>Expenditures</u>	<u>Profit(loss)</u>	<u>Expenditures</u>	<u>Profit(loss)</u>
Kansas City	\$440,605	\$215,230	\$225,375	\$186,935	\$253,670
Fort Scott	\$85,177	\$94,108	(\$8,931)	\$83,263	\$1,914
Belleville	\$152,960	\$155,694	(\$2,734)	\$131,112	\$21,848
(a) Englewood	\$85,715	\$91,130	(\$5,415)	\$83,263	\$2,452
(b) Elwood	\$25,666	\$122,238	(\$96,572)	\$107,187	(\$81,521)
Crestline	\$58,219	\$91,166	(\$32,947)	\$83,263	(\$25,044)
Chetopa	\$34,244	\$106,026	(\$71,782)	\$91,238	(\$56,994)
Coffeyville	\$59,967	\$91,323	(\$31,356)	\$83,263	(\$23,296)
(c) Opolis	\$43,628	\$91,692	(\$48,064)	\$83,263	(\$39,635)
Kiowa	\$99,070	\$91,253	\$7,817	\$83,263	\$15,807
Liberal (37)	\$134,467	\$92,455	\$42,012	\$83,263	\$51,204
Liberal (37A)	\$148,292	\$91,381	\$56,911	\$83,263	\$65,029
(a) Elkhart	\$34,748	\$91,683	(\$56,935)	\$83,263	(\$48,515)
Coolidge	\$29,580	\$31,265	(\$1,685)	\$27,440	\$2,140
(c) St. Francis	\$48,657	\$91,062	(\$42,405)	\$83,263	(\$34,606)
Norton	\$57,396	\$91,686	(\$34,290)	\$99,213	(\$41,817)
Phillipsburg	na	na	na	na	na
Lebanon	\$54,954	\$91,587	(\$36,633)	\$83,263	(\$28,309)
Marysville	\$32,673	\$91,396	(\$58,723)	\$83,263	(\$50,590)
Sabetha	\$92,561	\$106,045	(\$13,484)	\$91,238	\$1,323

**Fiscal Year 1985 Reported and Calculated Profitability  
of Motor Carrier Inspection Stations**

<u>Motor Carrier Inspection Station</u>	<u>Revenues</u>	<u>Amount Reported by Agency</u>		<u>Computed With Department Method</u>	
		<u>Expenditures</u>	<u>Profit(loss)</u>	<u>Expenditures</u>	<u>Profit(loss)</u>
Kansas City	\$402,822	\$207,422	\$195,400	\$196,313	\$206,509
Fort Scott	\$76,991	\$98,142	(\$21,151)	\$87,440	(\$10,449)
Belleville	\$141,258	\$145,581	(\$4,323)	\$120,939	\$20,319
(a) Englewood	\$83,866	\$94,376	(\$10,510)	\$87,440	(\$3,574)
(b) Elwood	\$28,312	\$126,059	(\$97,747)	\$112,564	(\$84,252)
Crestline	\$56,493	\$94,295	(\$37,802)	\$87,440	(\$30,947)
Chetopa	\$29,576	\$109,533	(\$79,957)	\$95,815	(\$66,239)
Coffeyville	\$63,089	\$94,726	(\$31,637)	\$87,440	(\$24,351)
(c) Opolis	\$39,269	\$79,582	(\$40,313)	\$70,690	(\$31,421)
Kiowa	\$72,279	\$79,226	(\$6,947)	\$70,690	\$1,589
Liberal (37)	\$129,599	\$95,242	\$34,357	\$87,440	\$42,159
Liberal (37A)	\$137,029	\$94,617	\$42,412	\$87,440	\$49,589
(a) Elkhart	\$36,061	\$94,635	(\$58,574)	\$87,440	(\$51,379)
Coolidge	\$34,234	\$32,622	\$1,612	\$28,816	\$5,418
(c) St. Francis	\$49,052	\$94,274	(\$45,222)	\$87,440	(\$38,388)
Norton	\$70,661	\$94,849	(\$24,188)	\$87,440	(\$16,779)
Phillipsburg	\$14,409	\$16,240	(\$1,831)	\$18,953	(\$4,544)
Lebanon	\$57,903	\$94,702	(\$36,799)	\$87,440	(\$29,537)
Marysville	\$31,486	\$94,628	(\$63,142)	\$87,440	(\$55,954)
Sabetha	\$80,889	\$126,332	(\$45,443)	\$95,815	(\$14,926)

- (a) Closed or scheduled to be closed in fiscal year 1989
- (b) Closed in fiscal year 1987
- (c) Closed in fiscal year 1988

**Fiscal Year 1986 Reported and Calculated Profitability  
of Motor Carrier Inspection Stations**

Motor Carrier Inspection Station	Revenues	Amount Reported by Agency		Computed With Department Method	
		Expenditures	Profit(loss)	Expenditures	Profit(loss)
Kansas City	\$302,337	\$277,888	\$24,449	\$196,648	\$105,689
Fort Scott	\$54,379	\$101,402	(\$47,023)	\$87,774	(\$33,395)
Belleville	\$112,453	\$166,404	(\$53,951)	\$121,274	(\$8,821)
(a) Englewood	\$59,916	\$96,991	(\$37,075)	\$87,774	(\$27,858)
(b) Elwood	\$17,071	\$82,939	(\$65,868)	\$112,899	(\$95,828)
Crestline	\$53,425	\$97,495	(\$44,070)	\$87,774	(\$34,349)
Chetopa	\$28,620	\$113,255	(\$84,635)	\$96,149	(\$67,529)
Coffeyville	\$54,609	\$81,843	(\$27,234)	\$87,774	(\$33,165)
(c) Opolis	\$32,740	\$82,389	(\$49,649)	\$71,025	(\$38,285)
Kiowa	\$55,830	\$65,688	(\$9,858)	\$71,025	(\$15,195)
Liberal (37)	\$104,014	\$98,761	\$5,253	\$87,774	\$16,240
Liberal (37A)	\$106,625	\$130,264	(\$23,639)	\$87,774	\$18,851
(a) Elkhart	\$22,075	\$97,525	(\$75,450)	\$87,774	(\$65,699)
Coolidge	\$23,933	\$33,775	(\$9,842)	\$29,150	(\$5,217)
(c) St. Francis	\$38,558	\$98,359	(\$59,801)	\$87,774	(\$49,216)
Norton	\$51,400	\$113,963	(\$62,563)	\$104,524	(\$53,124)
Phillipsburg	\$19,847	\$16,844	\$3,003	\$19,063	\$784
Lebanon	\$46,495	\$97,696	(\$51,201)	\$87,774	(\$41,279)
Marysville	\$29,130	\$97,743	(\$68,613)	\$87,774	(\$58,644)
Sabetha	\$61,987	\$113,245	(\$51,258)	\$112,899	(\$50,912)

**Fiscal Year 1987 Reported and Calculated Profitability  
of Motor Carrier Inspection Stations**

Motor Carrier Inspection Station	Revenues	Amount Reported by Agency		Computed With Department Method		Actual Amounts (d)	
		Expenditures	Profit(loss)	Expenditures	Profit(loss)	Expenditures	Profit(loss)
(e) Kansas City	\$295,305	\$211,215	\$84,090	\$237,100	\$58,205	\$211,895	\$83,410
(e) Fort Scott	\$57,475	\$73,175	(\$15,700)	\$90,431	(\$32,956)	\$83,746	(\$26,271)
(e) Belleville	\$114,319	\$107,685	\$6,634	\$142,196	(\$27,877)	\$129,112	(\$14,793)
(a) Englewood	\$50,489	\$38,665	\$11,824	\$90,431	(\$39,942)	\$66,508	(\$16,019)
(b) Elwood	\$11,775	na	na	\$64,548	(\$52,773)	\$56,155	(\$44,380)
Crestline	\$52,795	\$38,665	\$14,130	\$90,431	(\$37,636)	\$80,568	(\$27,773)
Chetopa	\$25,374	\$55,920	(\$30,546)	\$99,058	(\$73,684)	\$76,629	(\$51,255)
Coffeyville	\$61,716	\$55,920	\$5,796	\$73,176	(\$11,461)	\$57,383	\$4,333
(c) Opolis	\$29,892	na	na	\$73,176	(\$43,284)	\$50,903	(\$21,011)
Kiowa	\$53,461	\$38,665	\$14,796	\$55,920	(\$2,459)	\$41,209	\$12,252
(e) Liberal (37)	\$91,376	\$73,175	\$18,201	\$90,431	\$945	\$78,785	\$12,591
(e) Liberal (37A)	\$110,543	\$73,175	\$37,368	\$107,686	\$2,857	\$78,336	\$32,207
(a) Elkhart	\$17,966	\$55,920	(\$37,954)	\$90,431	(\$72,465)	\$74,055	(\$56,089)
Coolidge	\$28,947	\$55,920	(\$26,973)	\$30,038	(\$1,091)	\$25,121	\$3,826
(c) St. Francis	\$32,296	na	na	\$90,431	(\$58,135)	\$67,091	(\$34,795)
Norton	\$41,948	\$90,430	(\$48,482)	\$107,686	(\$65,738)	\$87,865	(\$45,917)
Phillipsburg	\$18,050	\$21,410	(\$3,360)	\$19,655	(\$1,605)	\$20,964	(\$2,914)
Lebanon	\$43,354	\$55,920	(\$12,566)	\$90,431	(\$47,077)	\$88,302	(\$44,948)
Marysville	\$27,195	\$55,920	(\$28,725)	\$90,431	(\$63,236)	\$79,848	(\$52,653)
Sabetha	\$55,269	\$55,920	(\$651)	\$99,058	(\$43,789)	\$75,125	(\$19,856)

(a) Closed or scheduled to be closed in fiscal year 1989

(b) Closed in fiscal year 1987

(c) Closed in fiscal year 1988

(d) Some operating expenses such as postage, Kans-A-N charges, and motor pool charges were not identified by individual inspection station and are not included in these numbers.

(e) Under 1987 HCR 5029, these are the only motor carrier inspection stations that would have been retained.

**Fiscal Year 1988 Reported and Calculated Profitability  
of Motor Carrier Inspection Stations**

<u>Motor Carrier Inspection Station</u>	<u>Revenues</u>	<u>Amount Reported by Agency</u>		<u>Computed With Department Method</u>	
		<u>Expenditures</u>	<u>Profit(loss)</u>	<u>Expenditures</u>	<u>Profit(loss)</u>
Kansas City	\$275,067	\$222,105	\$52,962	\$267,499	\$7,568
Fort Scott	\$51,602	\$82,194	(\$30,592)	\$91,437	(\$39,835)
Belleville	\$104,631	\$148,741	(\$44,110)	\$153,059	(\$48,428)
(a) Englewood	\$31,863	\$40,516	(\$8,653)	\$56,225	(\$24,362)
(b) Elwood	na	na	na	na	na
Crestline	\$54,069	\$41,070	\$12,999	\$56,225	(\$2,156)
Chetopa	\$24,801	\$59,469	(\$34,668)	\$65,028	(\$40,227)
Coffeyville	\$49,739	\$59,615	(\$9,876)	\$73,831	(\$24,092)
(c) Opolis	na	na	na	na	na
Kiowa	\$42,259	\$40,783	\$1,476	\$56,225	(\$13,966)
Liberal (37)	\$73,964	\$79,290	(\$5,326)	\$91,437	(\$17,473)
Liberal (37A)	\$108,219	\$79,242	\$28,977	\$109,043	(\$824)
(a) Elkhart	\$18,227	\$59,516	(\$41,289)	\$73,831	(\$55,604)
Coolidge	\$21,587	\$40,380	(\$18,793)	\$47,422	(\$25,835)
(c) St. Francis	na	na	na	na	na
Norton	\$43,185	\$78,661	(\$35,476)	\$91,437	(\$48,252)
Phillipsburg	\$20,114	\$19,591	\$523	\$20,156	(\$42)
Lebanon	\$49,738	\$59,704	(\$9,966)	\$65,028	(\$15,290)
Marysville	\$22,309	\$59,756	(\$37,447)	\$73,831	(\$51,522)
Sabetha	\$42,442	\$59,458	(\$17,016)	\$82,634	(\$40,192)

- (a) Closed or scheduled to be closed in fiscal year 1989  
(b) Closed in fiscal year 1987  
(c) Closed in fiscal year 1988



APPENDIX B

Permits Sold by the Motor Carrier Inspection Bureau

<u>Type of Permit</u>	<u>Fiscal Year 1984</u>		<u>Fiscal Year 1985</u>		<u>Fiscal Year 1986</u>	
	<u>Number Sold</u>	<u>Permit Revenue</u>	<u>Number Sold</u>	<u>Permit Revenue</u>	<u>Number Sold</u>	<u>Permit Revenue</u>
KCC Emergency	45,965	\$114,912	39,894	\$99,735	26,080	\$65,200
KCC Special	132,825	\$664,125	131,375	\$656,875	105,737	\$528,865
Oversize	20,079	\$100,395	19,552	\$97,760	18,174	\$90,870
Temporary						
Liquid Fuel						
Carrier License	323	\$1,615	424	\$2,120	559	\$2,795
Fuel	161,736	\$1,011,156	147,543	\$959,029	112,971	\$734,311
72-Hour						
Registration	54,261	\$1,085,220	48,449	\$968,980	40,276	\$805,520
30-Day						
Registration	8,430	\$364,286	7,204	\$316,400	4,813	\$219,988
Total	423,619	\$3,341,709	394,441	\$3,100,899	308,610	\$2,447,549

<u>Type of Permit</u>	<u>Fiscal Year 1987</u>		<u>Fiscal Year 1988</u>	
	<u>Number Sold</u>	<u>Permit Revenue</u>	<u>Number Sold</u>	<u>Permit Revenue</u>
KCC Emergency	17,208	\$43,020	14,189	\$35,472
KCC Special	96,238	\$481,190	85,305	\$426,525
Oversize	17,584	\$87,965	19,220	\$96,820
Temporary				
Liquid Fuel				
Carrier License	437	\$2,185	544	\$2,720
Fuel	101,617	\$660,510	92,046	\$598,299
72-Hour				
Registration	36,692	\$733,840	33,680	\$673,600
30-Day				
Registration	3,508	\$166,054	3,346	\$160,880
Total	273,284	\$2,174,764	248,330	\$1,994,316



## **APPENDIX C**

### **Agency Responses**

On January 18, 1989, we sent copies of the draft audit report to the Department of Revenue and the Kansas Highway Patrol for review and comment. Those written responses are included in this appendix.



KANSAS DEPARTMENT OF REVENUE

Office of the Secretary  
Robert B. Docking State Office Building  
Topeka, Kansas 66612-1588



Meredith Williams  
Legislative Post Auditor  
Legislative Division of Post Audit  
109 West 9th, Suite 301  
Mills Building  
Topeka, Kansas 66612-1285

RE: Performance Audit Report, Motor Carrier Inspection Stations

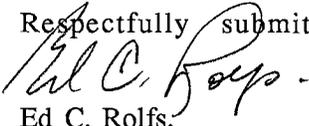
Dear Mr. Williams:

As requested by Legislative Division of Post Audit, the Department of Revenue hereby submits its response to the above-referenced Post Audit draft report. I will address the issues in the order that they are presented in the report.

We regret the apparent errors which were made in the calculation of station expenditures in prior years. Although costs versus revenues could be considered by the Highway Patrol in future staffing considerations, it should be noted that remote stations are more costly to operate than a centralized permit function. As noted in the audit report, a minority of states maintain field offices where permits can be purchased.

The Department of Revenue is committed to maintaining and improving the service provided by the Central Permit Office in any way possible. As suggested in the audit report, we will investigate the benefits of purchasing a facsimile machine for the office. As is also suggested, we will continue to monitor the service provided by the wire service companies.

To comply with the only recommendation contained in the report, the Department will seek a change in K.S.A. 66-1327, to eliminate the requirement that the Department pay a monthly fee to the wire service firms. The wire service companies already receive a fee for their service from the motor carriers. If we are unable to effect a legislative change, we will set up an appropriate funding mechanism to accomplish the required payment.

Respectfully submitted,  
  
Ed C. Rolfs,  
Secretary of Revenue

# KANSAS HIGHWAY PATROL

*Service—Courtesy—Protection*



Mike Hayden  
Governor

Col. Donald L. Pickert  
Superintendent

January 20, 1989



Mr. Meredith Williams  
Legislative Post Auditor  
Legislative Division of Post Audit  
109 W. 9th, Suite 301  
Topeka, Kansas 66612-1285

Dear Mr. Williams:

We appreciate the opportunity to review and respond to the draft copy of the performance audit concerning motor carrier inspection stations.

Being in the infancy stage of administering the Motor Carrier Inspection Division, we can offer no specific comments regarding the audit. We do, however, certainly appreciate the information contained therein, as we are certain it will assist us in the years to come.

We welcome the opportunity to appear before the Legislative Post Audit Committee when the audit is heard.

Very truly yours,

  
DONALD L. PICKERT  
Superintendent

DLP/DH/dls

cc: Lt. Colonel Laynard Shearer  
Major David Hornbaker

