

GAO

Report to the Ranking Minority Member,
Subcommittee on Crime, Committee on
the Judiciary, House of Representatives

April 1996

ANTI-CAR THEFT ACT

Implementation Status of Certain Provisions of the 1992 Act



General Government Division

B-270714

April 22, 1996

The Honorable Charles E. Schumer
Ranking Minority Member
Subcommittee on Crime
Committee on the Judiciary
House of Representatives

Dear Mr. Schumer:

Congress passed the Anti-Car Theft Act of 1992 in response to what it considered to be the nation's number one property crime—automobile theft.¹ The 1992 Act was designed to reduce automobile theft by making the selling of stolen cars and parts more difficult. This report responds to your November 29, 1995, request that we provide information on the following parts of the 1992 Act: (1) the national information system on motor vehicle titles, (2) the marking of major component parts of passenger motor vehicles with an identification number, and (3) the national information system on stolen passenger motor vehicles and parts. We also discuss the status of implementation and issues that may impede the implementation or influence the effectiveness of these parts of the 1992 Act.

Background

According to 1992 congressional testimony, thieves turn stolen cars into money in three ways. The most common way is for a thief to take a car to a “chop shop,” where the car is dismantled and its parts are sold as replacement parts for other vehicles. The second way is for a thief to obtain an apparently valid title for the car and then sell it to a third party. Finally, the third way is for a thief to export the vehicles for sale abroad.

The 1992 Act contains several approaches for dealing with these criminal activities. Title I directed the establishment of, among other things, a task force to study problems that may affect motor vehicle theft and created a new federal crime for armed car jacking. The task force was to be made up of representatives of related federal and state agencies and associations.

Title II called for establishment of the National Motor Vehicle Title Information System to enable state departments of motor vehicles to check the validity of out-of-state titles before issuing new titles. Title II authorized grants up to 25 percent of a state's start-up costs, with a limit of \$300,000 per state.

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

Title III expanded the parts marking program established in the Theft Act of 1984.² The program was intended to reduce the selling of stolen parts. Major component parts of designated passenger motor vehicles are to be marked with identification numbers so that stolen parts can be identified. Title III also required the Attorney General to develop and maintain a national information system, known as the National Stolen Passenger Motor Vehicle Information System (NSPMVIS),³ that is to contain the identification numbers of stolen passenger motor vehicles and stolen passenger motor vehicle component parts. This system is to be maintained within the Federal Bureau of Investigation's (FBI) National Crime Information Center (NCIC), unless the Attorney General determines that it should be operated separately.⁴

The 1992 Act also required that the Departments of Justice and Transportation prepare studies on various sections of the 1992 Act.

Scope and Methodology

To determine the implementation status of the marking and information systems parts of the 1992 Act, we reviewed the 1992 Act, including its legislative history, and the Theft Act of 1984. We also interviewed officials and reviewed documentation from the Departments of Justice and Transportation, the federal agencies responsible for implementing the 1992 Act's marking and information systems provisions. Specifically, we obtained information from Justice's FBI, National Institute of Justice, Criminal Division, and Office of Legislative Affairs and from Transportation's National Highway Traffic Safety Administration (NHTSA). We also interviewed officials from the American Association of Motor Vehicle Administrators (AAMVA) and the National Insurance Crime Bureau (NICB), which are involved in developing information systems called for in the 1992 Act's provisions.⁵

To identify any issues that may impede the implementation or influence the effectiveness of the marking and information systems parts of the 1992

²The Theft Act is the Motor Vehicle Theft Law Enforcement Act of 1984 (P.L. 98-547, Oct. 25, 1984).

³The original statute created a National Stolen Auto Parts Information System, which was changed by subsequent legislation to NSPMVIS.

⁴NCIC 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.

⁵AAMVA 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 use and laws. NICB is a private, nonprofit organization that provides investigative resources and information to its membership of about 1,000 property and casualty insurance companies.

Act, we developed a list of possible issues affecting the implementation or effectiveness of these parts of the act by reviewing documents and interviewing the same officials from these agencies. We then discussed this list with the officials and revised it on the basis of their comments. We did not determine the validity of these issues or verify the data provided to us.

We performed our work in Washington, D.C., from November 1995 to February 1996 in accordance with generally accepted government auditing standards. On February 27, 1996, we requested comments on a draft of this report from the Attorney General, the Secretary of Transportation, the NICB Project Manager, and the AAMVA Director of Vehicle Services. We discussed this report, separately, with representatives of these organizations, including NHTSA's Highway Safety Specialist; AAMVA Director of Vehicle Services; Executive Director of NICB-FACTA, Inc.;⁶ and the Director, Justice's Audit Liaison Office; on March 7, 11, and 14, 1996, respectively.⁷ They generally agreed with the factual information in the report. Their comments have been incorporated where appropriate.

Results in Brief

Justice and Transportation have implemented some of the 1992 Act's requirements regarding the vehicle title information system, parts marking, and the stolen vehicle information system. For example, the task force representing the affected industries was established and provided the agencies with recommendations for addressing problems in the titling area. NHTSA drafted legislation to implement the task force recommendations, which is under review by Transportation. Also, Transportation issued the parts marking regulations for the first of two marking phases. Justice completed a pilot study to examine the concept and feasibility of maintaining a stolen vehicle parts database. Also, Justice expects to begin work on its study on the effectiveness of parts marking in reducing stolen vehicles and parts thefts in May 1996.

However, following are several issues that may impede the implementation or influence the effectiveness of the marking and information systems parts of the 1992 Act:

- The issue of whether states can implement uniform vehicle titling systems has yet to be resolved. According to NHTSA, uniform definitions and motor vehicle titling procedures need to be addressed by all states before a

⁶FACTA means Federal Anti-Car Theft Act.

⁷We discussed the report with NHTSA and AAMVA on March 7, 1996.

national titling system could function effectively. AAMVA officials said that a titling system can be 85 to 90 percent effective without the existence of uniform definitions and motor vehicle titling procedures. NICB officials also stated that a titling system could be successfully implemented without uniform definitions. Also, according to AAMVA and NHTSA, the lack of funding to assist states with the titling information system requirements would be an impediment to full implementation. For example, some states would have to modify their existing titling systems.

- According to FBI and NHTSA officials, marking effectiveness could be adversely affected by confusion that exists within the law enforcement community regarding those vehicles whose parts are to be marked. This confusion could occur when law enforcement officials investigate stolen vehicles and parts. For example, NHTSA officials said that some prosecutors were not aware of marking provisions. The NHTSA official said that NHTSA will provide guidance when requested by law enforcement officials identifying which vehicles and/or vehicle part(s) are required to be marked.
- According to FBI officials, the NSPMVIS will not be an effective enforcement tool to combat vehicle thefts unless local law enforcement agencies have resources available to respond and follow up on identified stolen vehicles and parts.

National Motor Vehicle Title Information System

The 1992 Act required Transportation to, among other things

- establish a task force by April 25, 1993, to study problems related to motor vehicle titling, registration, and salvage, which may affect motor vehicle theft, and to recommend (1) ways to solve these problems, including obtaining any national uniformity that it determines is necessary in these areas and related resources and (2) other needed legislative or administrative actions;
- review by January 1, 1994, state systems for motor vehicle titling and determine each state's costs for providing a titling information system; and
- establish the title information system by January 31, 1996, unless Transportation determines that an existing system meets the statute's requirement, and by January 1, 1997, report to Congress on those states that elected to participate in the information system and on those states not participating, including the reasons for nonparticipation.⁸

⁸The 1992 Act also authorized Transportation to award grants to participating states to be used in making state titling information available to a national title information system.

The title information system is intended to enable states and other users (e.g., law enforcement officials) to instantly and reliably determine, among other things, (1) the validity of title documents, (2) whether an automobile bearing a known identification number is titled in a particular state, and (3) whether an automobile titled in a particular state is, or has been, junked or salvaged.

Implementation Status of the 1992 Act's Requirements

The task force, established in April 1993, reported in February 1994 its recommendations on the legislative and administrative actions needed to address problems in the areas of titling, registration, and controls over salvage to deter motor vehicle theft. The task force recommended, among other things, (1) the passage of federal legislation that would require uniform definitions for terms such as salvage vehicles and uniform methods for titling vehicles, (2) possible funding sources to pay for and maintain the titling system, and (3) penalties to enforce compliance by the participating states. The recommendations are detailed in appendix I. According to the task force chairman, the recommendations would have to be implemented to achieve the uniformity needed to ensure that the titling system would operate as envisioned. In October 1994, Transportation accepted most of the task force's recommendations (see app. I regarding Transportation's views on the task force recommendations).

NHTSA contracted with AAMVA to identify the states' costs for a titling system. AAMVA surveyed the 50 states and the District of Columbia to obtain their estimated costs for implementing the titling system. On January 31, 1994, NHTSA's survey report stated that for the 37 states that provided cost estimates, the cost ranged from zero (1 state) to \$12.2 million.⁹ For example, some states would have to modify their existing titling systems. In March 1996, AAMVA officials estimated that about \$19 million in federal grants would be needed to fund states' implementation costs. NHTSA officials said that since 13 states and the District of Columbia did not provide a cost estimate, they did not believe that the total costs to the states could be accurately determined.¹⁰ AAMVA pointed out that about 80 percent of the nation's motor vehicle population is in the states that responded to the survey.

⁹In addition, one other state responded but did not provide a cost estimate.

¹⁰NHTSA also pointed out that according to the survey, only 17 states indicated that they could participate in the titling system by January 1996.

In May 1994, Transportation sent proposed legislation to Congress to allow the Secretary of Transportation to extend the target date (from January 1996 to October 1997) for implementation of the national title information system. According to NHTSA officials, the proposed legislation was not introduced in Congress. Transportation requested the authority to extend the implementation date for the titling system because it understood that AAMVA was planning a pilot study of a titling information system, using only state and private sector funds and resources, and Transportation wanted to evaluate the study results. Subsequently, AAMVA requested funding from NHTSA for the pilot. In December 1994, NHTSA denied AAMVA's request for funds to conduct a pilot study because, in NHTSA's view, such a study would have been premature without first having uniformity in state titling laws and regulations. However, Congress provided \$890,000 for a pilot study by NHTSA as part of Transportation's fiscal year 1996 appropriation.¹¹ NHTSA officials said that AAMVA would have responsibility for the pilot.

According to AAMVA officials, as of January 1996, they were in the process of acquiring contractors to conduct the pilot, using AAMVA's commercial driver's license information system as the pilot's model.¹² According to NHTSA, the pilot should assist in determining the feasibility of a national titling system and identifying any needed uniform titling requirements for an efficient and cost-effective system. In addition, NHTSA expects the pilot to assist in determining the estimated costs for full implementation, the time frame to implement a nationwide system, the current status of titling information exchange between states, and possible barriers, in particular the absence of uniform system definitions, that could impede the states from participating in a national system. NHTSA said that the pilot study may not be able to identify all costs associated with a national titling system. It also said the complexity of implementing a titling system on a nationwide basis may call for additional resources above those identified in the pilot.

NHTSA prepared legislation in response to the task force's recommendations. Its Office of Safety Assurance submitted a legislative proposal to NHTSA's Office of Chief Counsel in October 1994. The NHTSA Administrator approved the draft legislation for review by Transportation in May 1995. According to NHTSA, the draft legislative package contains two

¹¹Department of Transportation and Related Agencies Appropriations Act, 1996, P.L. 104-50; and Conference Report H.R. Rep. 104-286, 104th Cong., 1st Sess. at 53 (1995).

¹²This is a nationwide system operated by a subsidiary of AAMVA for the purpose of exchanging information on commercial drivers. Under the system, a state, for example, can determine if an applicant for a commercial driver's license had a similar license revoked in another state.

bills. One bill would provide (1) uniform definitions for categories of severely damaged passenger cars and their titles and (2) titling requirements for rebuilt salvage passenger vehicles. The other bill would remove the January 1996 implementation date and instead make the system contingent upon uniformity in state laws regarding the titling and control of severely damaged passenger vehicles. As of February 1, 1996, the bills were being reviewed by Transportation officials.

Legislation (H.R. 2803, Anti-Car Theft Improvements Act of 1995), introduced in December 1995 by the Chairman and the Ranking Minority Member of the House Judiciary Subcommittee on Crime and others would, among other things, (1) transfer Transportation's responsibilities for the titling area to Justice, (2) extend the implementation date of the titling system from January 31, 1996, to October 1, 1997, and (3) provide immunity for those participants (e.g., system operators, insurers, and salvagers) who make good faith efforts to comply with the 1992 Act's titling requirements.

Potential Issues Affecting the 1992 Act's Implementation or Effectiveness

On the basis of discussions with NHTSA and AAMVA officials, issues that may affect the 1992 Act's implementation or effectiveness are concerns about the size and scope of the pilot study, uniformity, funding for the states, responsibility for the titling system, and other factors, including states' willingness to participate and the complexity of the titling system.

NHTSA officials said that the pilot study needs to develop information on the ability to establish a national system and operate the system. For example, NHTSA and AAMVA officials told us that the congressionally authorized pilot may demonstrate whether the titling system can be implemented without the uniformity recommended by the task force. However, NHTSA officials noted that the size and scope of the pilot study could limit the amount of information the pilot will be able to provide. The size and scope are to be determined by the number of participating states and system operators. Therefore, the study may not enable NHTSA to identify or resolve all barriers or problems that would arise in creating and operating a national system. NHTSA said that it will have to ensure to the best of its ability that the lessons learned will enable it to develop a national system that meets the 1992 Act's requirements. NHTSA and AAMVA officials also stated that the pilot study could provide more information on other possible impediments to full implementation of the national title information system.

According to NHTSA officials, the task force recommendations have not been implemented. NHTSA officials said that a national titling system should not be implemented until uniformity existed among the states. NHTSA added that the titling system would be inherently defective without uniformity in titling definitions and titling control procedures. Also, according to NHTSA, uniform definitions and motor vehicle titling procedures need to be addressed by all states before a national titling system could function effectively. AAMVA and NICB, however, said that uniformity among the states is not necessary to implement the titling system. AAMVA officials said that a titling system can be 85 to 90 percent effective without the existence of uniform definitions and motor vehicle titling procedures. AAMVA also said that the existence of a titling system would cause states to implement uniform definitions and motor vehicle titling procedures. AAMVA officials added that they have experience dealing with systems containing nonuniform data, including the commercial driver's license information system upon which the pilot is to be based.

NHTSA and AAMVA officials identified lack of federal and state funding as an impediment to full implementation of the titling information system. The 1992 Act placed a \$300,000 limit on federal funds that could be granted to each state for start-up costs for the new titling system. H.R. 2803 would eliminate this limit and allow the Attorney General to make "necessary and reasonable" grants to the states that implement the system. However, according to NHTSA officials, no funds had been provided by the federal government to the states for implementing the titling system. NHTSA added that federal resources for system development, start up, and ongoing operations are harder to find each year.

NHTSA officials told us that they are proceeding with the 1992 Act's implementation, even though the responsibility for the titling area may be transferred to Justice. However, they pointed out that the question of responsibility for the 1992 Act could be an emerging issue regarding its implementation. As of January 1996, neither Transportation nor Justice had adopted an official position on the transfer of responsibilities.

Other issues that may affect the 1992 Act's implementation or effectiveness are as follows:

- **Prosecution Immunity:** NHTSA said concern outside Transportation has been raised about providing immunity to those individuals (e.g., system operators, insurers, and salvagers) acting in good faith to comply with the 1992 Act. H.R. 2803 could grant such immunity. AAMVA emphasized that the

immunity language was intended for system operators, not participants such as salvagers. AAMVA told us that the need for immunity would not be an issue unless it affected a state's decision to participate in the system. NICB officials stated that immunity is needed for all participants who will participate in any activities related to the database.

- Major Vehicle Damage Disclosure: Consumer groups may not support implementation of the titling system if the system, besides disclosing whether a vehicle had been previously junked or salvaged, does not identify vehicles that have sustained major damage. NHTSA said that the titling task force did not address this issue other than to note further study was needed.
- States' Participation: Presently, the 1992 Act does not mandate the participation of the states. In NHTSA's view, all states need to participate in the system to ensure the 1992 Act's effectiveness in preventing title fraud. NHTSA noted that the uniformity needs of the system would require many states to enact legislation at a time when they have strongly opposed federal "mandates" and "burdens." AAMVA officials said that it does not believe that states will need to pass new legislation to implement a titling system.
- Technological Challenges: According to NHTSA officials, the system envisioned by the 1992 Act would be extraordinarily complex. They said that the technology required to implement a large-scale system, which provides instantaneous response to inquiries, may take additional time or call for additional resources beyond those currently estimated. AAMVA officials said they recognize the complexity of the system but said that, by modeling the pilot after the commercial driver's license information system, many potential concerns would be lessened. They said that the pilot will identify the necessary requirements, technology, and costs to process the anticipated larger volume of transactions of the national titling system in a timely manner. NICB officials pointed out that proven technology exists to develop and implement the system. Therefore, the challenge is not technical but is procedural and philosophical—i.e., states will need to establish policies and procedures to act on identified problems and correct them.

Marking Major Component Parts of Passenger Motor Vehicles

The Theft Act of 1984 identified the parts subject to marking and allowed NHTSA to identify others that were to be marked. NHTSA issued regulations on marking major original and replacement component parts of high-theft lines of passenger motor vehicles. NHTSA could exempt some lines from marking if the vehicles included antitheft devices that NHTSA determined were likely to be as effective as marking in deterring thefts.

The 1992 Act broadened and extended the 1984 Act's marking provisions. Specifically, the 1992 Act broadened the definition of the types of passenger motor vehicles to be marked to include any multipurpose vehicle and light duty trucks rated at 6,000 pounds (gross vehicle weight) or less. It extended the marking requirement to designated vehicles, except for light duty trucks, regardless of their theft rate. However, the trucks could be subject to marking if the major parts were interchangeable with high-theft passenger vehicles. No limit was placed on the number of parts that NHTSA could require to be marked,¹³ except that the marking costs are not to exceed \$15 per vehicle (in 1984 dollars). According to an NHTSA official, local law enforcement officials look for markings when investigating stolen vehicles and parts.

The additional marking of passenger vehicles was to be done in two phases. By October 25, 1994, NHTSA was to issue regulations governing the marking for half of these additional passenger motor vehicles (excluding the light duty trucks), and by October 25, 1997, for the remaining additional vehicles. These regulations were to be issued provided the Attorney General did not determine that further marking would not be effective (i.e., would not substantially inhibit chop shop operations and motor vehicle thefts). Justice's National Institute of Justice will be responsible for conducting the required study upon which the Attorney General will make the determination concerning effectiveness. Like the earlier legislation, the 1992 Act also permitted exemptions from marking.

The 1992 Act required a number of additional evaluations. NHTSA was required to report on theft rate-related issues and marking effectiveness by October 25, 1995, and October 25, 1997, respectively. (The 1984 Act contained similar reporting requirements for Transportation.) Furthermore, the Attorney General is to report by December 31, 1999, on the long-range effectiveness of parts marking and on the effectiveness of the antitheft devices permitted as alternatives to marking.

Implementation Status of the 1992 Act's Requirements

NHTSA issued the regulations for the first phase on December 13, 1994. With respect to the study that was due on October 25, 1995, NHTSA was preparing its report for public comment as of January 1996. According to an NHTSA official responsible for the marking requirements, the results will not be made public until about May or June 1996. According to the National Institute of Justice, it was to receive grant proposals to carry out

¹³Major component parts to be marked for high-theft lines included engines, transmissions, hoods, doors, and bumpers.

its study on March 29, 1996. The Institute expects work to begin on this study in May 1996.

Potential Issues Affecting the 1992 Act's Effectiveness

A determination of the effectiveness of the marking of major components of passenger motor vehicles is not expected to be made until the Justice and Transportation reports are completed. However, on the basis of a study done in response to the 1984 Act's reporting requirements, NHTSA reported that it was unable to statistically prove that marking reduced motor vehicle thefts. NHTSA noted, however, that there was wide support for parts marking in the law enforcement community.

Further, according to NHTSA and FBI officials, marking effectiveness could be adversely affected by confusion that exists within the law enforcement community regarding those vehicles whose parts are to be marked. This confusion could occur when law enforcement officials investigate stolen vehicles and parts, for example, at chop shops. The NHTSA official said that during discussions with some federal prosecutors, the prosecutors were not aware of the marking provisions. The official said that NHTSA will provide guidance when requested by law enforcement officials.

NHTSA and FBI officials also noted that some of the markings for certain major component parts were able to be removed from the parts, thus preventing checking the part against NSPMVIS. The NHTSA marking official told us that the manufacturer of the involved marking stickers had agreed to fix the problem.

National Stolen Passenger Motor Vehicle Information System

The 1992 Act required that by July 25, 1993, the Attorney General establish and maintain in NCIC an information system that was to contain vehicle identification numbers and other related data for stolen passenger motor vehicles and parts.¹⁴ If the Attorney General determined that NCIC was not able to perform the required functions, then the 1992 Act permitted the Attorney General to enter into an agreement for the operation of the system separate from NCIC.

The Attorney General is to prescribe procedures for the NSPMVIS verification system under which persons/entities intending to transfer vehicles or parts would check the system to determine if the vehicle or part had been reported as stolen. These persons/entities include insurance

¹⁴Data on stolen motor vehicles and stolen vehicle parts are to be provided by law enforcement officials when thefts are reported to them by the victims.

carriers when transferring titles to junk or salvage vehicles and motor vehicle salvagers, dismantlers, recyclers, or repairers when selling, transferring, or installing a major part marked with an identification number.¹⁵ The 1992 Act also required the Attorney General to establish an advisory committee by December 24, 1992, which was to issue a report by April 25, 1993, with recommendations on developing and carrying out NSPMVIS. The effectiveness of this system may also be addressed in the NHTSA studies that are to be completed on parts marking by October 25, 1995, and October 25, 1997, respectively.

Implementation Status of the 1992 Act's Requirements

The Attorney General authorized NICB to operate NSPMVIS on January 18, 1995. The FBI said that the authorization was the result of the Attorney General's approval of the final report and recommendations of the NSPMVIS Federal Advisory Committee. (The advisory committee recommendations are detailed in app. II.) According to FBI officials, all of the advisory committee's recommendations, including system administration activities, system security, theft status determination, and visual sight checks were addressed during the pilot study, as described below. However, according to the FBI, several of the recommendations cannot be implemented until regulations are developed to implement the system nationwide.

According to the FBI, NICB received approval from the NCIC Advisory Policy Board¹⁶ in June 1993 to receive a copy of the NCIC vehicle file to establish the system. According to the FBI, the resulting system became operational in June 1994, providing the NICB with the capability to process vehicle identification numbers against the NCIC vehicle records.¹⁷

In March 1995, Justice established a 6-month pilot study in Texas to examine the concept and feasibility of implementing NSPMVIS nationwide. In July 1995, the pilot was extended another 6 months and included another state, Illinois. According to the FBI, the pilot study was completed in December 1995. As of April 1, 1996, the FBI said that its report is to be issued by mid-to-late April 1996. FBI officials said that the pilot showed that the system is feasible but many issues, such as funding, will have to be

¹⁵These organizations do not have to check identification numbers against NSPMVIS if the parts were purchased directly from the manufacturer or were obtained from insurance carriers who had already checked NSPMVIS.

¹⁶The NCIC Advisory Policy Board, composed of representatives from criminal justice agencies throughout the United States, is responsible for establishing and implementing the NCIC system's operational policies.

¹⁷NICB does not have any record entry capability and does not receive felony vehicle records.

addressed. FBI also said it will not proceed with implementing the system until further direction is provided by Congress.

Potential Issues Affecting the 1992 Act's Implementation or Effectiveness

On the basis of discussions with FBI officials and review of the advisory committee report and FBI-provided information, a number of issues were identified regarding NSPMVIS. According to the FBI, these issues are related to the system's feasibility and effectiveness and will be addressed in its pilot study report. The FBI added that the response by law enforcement to NSPMVIS thefts is a state and local issue. It is impossible to predict the level of response from law enforcement to NSPMVIS thefts because the response is likely to vary on a case-by-case basis. However, there is no provision in the 1992 Act to fund NSPMVIS, including parts inspections, salvage vehicle inspections, or law enforcement participation and assistance. NICB officials stated that local law enforcement officials would need more resources to report stolen parts and follow up on possible thefts identified through NSPMVIS.

Also, according to FBI officials, the implementation of NSPMVIS might have an adverse economic impact on insurance companies and smaller businesses involved in vehicle parts. For example, insurance carriers would have to identify the vehicle identification number of each vehicle part that is disposed. The FBI added that the insurance industry is concerned about the cost of inspecting parts. The insurance industry cooperated with the FBI throughout the pilot study and conducted parts inspections. However, the FBI stated that industry officials have said that it may be too time-consuming and costly for insurance adjusters to inspect vehicle identification numbers on all total-loss, high-theft vehicles. According to FBI officials, the parts inspections are a major concern to all of the affected industries because of the potential costs associated with the process.

NICB officials stated that the pilot study should not be the basis for assuming that the entire insurance industry would not support a parts identification process.

According to FBI and NICB officials, there is a need to provide immunity from prosecution to participants acting in good faith to comply with the NSPMVIS requirements. H.R. 2803 would grant such immunity.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time, we will send copies to the Departments of Justice and Transportation, AAMVA, and NICB and make copies available to others upon request.

The major contributors to this report are listed in appendix III. If you need additional information, please contact me on (202) 512-8777.

Sincerely yours,

A handwritten signature in black ink that reads "Norman Rabkin". The signature is written in a cursive, flowing style.

Norman J. Rabkin
Director, Administration
of Justice Issues

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Abbreviations

AAMVA	American Association of Motor Vehicle Administrators
FACTA	Federal Anti-Car Theft Act
FBI	Federal Bureau of Investigation
NCIC	National Crime Information Center
NHTSA	National Highway Traffic Safety Administration
NICB	National Insurance Crime Bureau
NSAPIS	National Stolen Auto Part Information System
NSPMVIS	National Stolen Passenger Motor Vehicle Information System

Recommendations of the Motor Vehicle Titling, Registration, and Salvage Task Force

The following information is based on the Final Report of the Motor Vehicle Titling, Registration, and Salvage Task Force, dated February 10, 1994.

(1) Uniform Definitions: The task force recommended the enactment of federal legislation to require the following definitions be used nationwide to describe seriously damaged vehicles and to require all states to use these definitions.

Salvage Vehicle: Any vehicle that has been wrecked, destroyed, or damaged to the extent total estimated or actual cost to rebuild exceeds 75 percent of the vehicle retail value as set forth in a nationally recognized compilation of retail values approved by Transportation.

Salvage Title: Issued by the state to the owner of a salvage vehicle. The title document will be conspicuously labeled with the word “salvage” across its front.

Rebuilt Salvage Title: Issued by the state to the owner of a vehicle that was previously issued a salvage title. The vehicle has passed antitheft and safety inspections by the state. The title document will be conspicuously labeled with the words “rebuilt salvage - inspections passed” across its front.

Nonrepairable Vehicle: A vehicle incapable of safe operation and has no resale value other than as source for parts or scrap only. Such vehicle will be issued a nonrepairable vehicle certificate and shall never be titled or registered.

Nonrepairable Vehicle Certificate: Issued for nonrepairable vehicle. The certificate will be conspicuously labeled with “nonrepairable” across its front.

Flood Vehicle: Any vehicle that has been submerged in water over door sill. Any subsequent titles will carry brand “flood.”

(2) Titling and Control Methods: The task force recommended the enactment of federal legislation to require the following.

If an insurance company is not involved in a damage settlement, the owner must apply for a salvage title or nonrepairable vehicle certificate. If an insurance company is involved, it must apply.

State records shall be noted when nonrepairable vehicle certificate is issued.

When a vehicle has been flattened, baled, or shredded, the title or nonrepairable vehicle certificate is to be returned to the state. State records will show the destruction, and no further ownership transactions for the vehicle will be permitted.

State records shall be noted when a salvage title is issued. The vehicle cannot be titled without a certificate of inspection.

After a vehicle with a salvage title has passed antitheft and safety inspections, a decal will be affixed to left front door, and a certificate will be issued indicating that inspections were passed.

Owner of a vehicle with a salvage title may obtain a rebuilt salvage title by presenting the salvage title and certificate that inspections were passed.

(3) Duplicate Title Issuance: The task force recommended the states strengthen and have uniform controls on the issuance of duplicate titles as follows.

If duplicate titles are issued over the counter, they will be issued only to the vehicle owner and only after proof of ownership and personal identification are presented.

Applications for duplicate titles should be multipart forms with sworn statements as to truth of the contents.

When power of attorney is involved, the duplicate title should be mailed to a street address, and not to a post office box. Also, states should consider mailing one part of the multipart application form to the owner of record.

Fees are to be set to offset costs of adoption of these recommendations.

Criminal penalty for offenses in this area should be a felony crime.

Duplicate titles should be conspicuously marked as duplicate.

(4) National Uniform Antitheft Inspection for Rebuilt Salvage Vehicles: The Task Force recommended the following specific steps.

Requesters for inspections provide declaration of vehicle damages and replacement parts, supported by vehicle titles, etc.

Component parts and/or vehicles, if unidentified, having an altered, defaced, or falsified vehicle identification number be contraband and destroyed.

Provide minimum selection and training standards for certified inspectors who are employed by the states. The inspectors should be afforded immunity when acting in good faith.

Inspection program should be self-supported by fees.

(5) National Uniform Safety Inspection for Rebuilt Salvage Vehicles: The Task Force recommended the following.

All states institute a safety inspection for rebuilt salvage vehicles. (The Task Force recommended criteria that it said should be considered as the minimum standards.)

If contracted to a private enterprise, the entity must meet Transportation-established training and equipment standards.

The vehicles be inspected and certified with respect to individual repair and inspections, but not with respect to the states' obligation to license and audit the performance of private enterprise chosen as licensees.

(6) Exportation of Vehicles: The task force recommended the following.

No exportation without proof of ownership being provided U.S. Customs Service. Customs will provide vehicle identification numbers to the titling information system.

(7) Funding: The task force recommended that the federal, state, and local costs be funded from the following sources:

- federal appropriations and grants,
- state revenues and user fees,
- federally mandated fees, and

— money obtained from enforcement penalties and from sale of seized contraband.

(8) Enforcement: The task force recommended the following.

Investigative authority and sanctions should parallel those contained in Title IV of the Motor Vehicle Information and Cost Savings Act. A portion of federal highway funds should be withheld if a state does not comply with federal legislation implementing the task force's recommendations, within 3 years after enactment.

**Department of
Transportation Position**

Transportation agreed with all task force recommendations except the exportation (recommendation 6) and highway fund sanctions recommendations (part of recommendation 8). It took no position on the exportation recommendations, saying that was the responsibility of the U.S. Customs Service. Transportation opposed using the highway fund as an enforcement tool.

Recommendations of the Federal Advisory Committee on the National Stolen Auto Part Information System

The following information was excerpted from the Final Report of the National Stolen Auto Part Information System (NSAPIS) Federal Advisory Committee, dated November 10, 1994.

System Administration and Oversight

(1) The Committee recommends that the National Insurance Crime Bureau (NICB) serve as the System Administrator for NSAPIS, and the Attorney General enter into an agreement with NICB, at no cost or a nominal cost to the government, for the operation of NSAPIS. The Committee believes that NICB possesses the necessary resources, skills, and infrastructure to successfully maintain and administer NSAPIS.

(2) The Committee recommends that a written agreement be developed that clearly defines the role, responsibilities, and requirements for NICB as the NSAPIS Administrator.

(3) The Committee recommends that Congress enact legislation establishing an Oversight Committee to work with NICB to develop and maintain NSAPIS. The Committee recommends that the NSAPIS Oversight Committee be formed immediately. In addition, the Committee recommended a list of pre-and post-implementation functions that the NSAPIS Oversight Committee should handle.

(4) The Committee strongly recommends that the Oversight Committee have representation from all affected elements of the automobile industry, insurance industry, and law enforcement. Specific industries and organizations the Committee believes should have representation on the Oversight Committee include the NSAPIS Administrator, Justice, NHTSA, Consumer Affairs Group, and two members each representing the Automobile Recycling Industry, Automobile Repair Industry, Automobile Insurance Industry, Law Enforcement Agencies, and Automobile Parts Rebuilders Industry.

(5) The Committee recognizes that NICB may establish a Vehicle Parts History File. The Committee said that tracking recycled parts data may deter using stolen auto parts in repairing vehicles. The information in the NICB's Vehicle Parts History File would be supplied to law enforcement for investigative purposes.

(6) The Committee recommends that any organization serving as the NSAPIS Administrator be prohibited from engaging in a parts locating service. The Committee wants to ensure that the NSAPIS Administrator does

not compete with current parts locating services as a result of their NSAPIS association and activity.

(7) The Committee recommends that the FBI, in conjunction with Transportation and affected associations, engage in a comprehensive training and awareness program to educate manufacturers, repairers, insurers, safety inspectors, and law enforcement officials on relevant issues, which affect the success of NSAPIS, such as parts marking regulations and enforcement tactics.

Law Enforcement and Notification

(1) The Committee recommends that NSAPIS provide automatic notification to a law enforcement agency having investigative jurisdiction over the locality in which the inquiring NSAPIS user is located, on stolen vehicle and vehicle part NSAPIS hits. The notification should include a message to the law enforcement agency to “confirm the current theft status through NCIC and conduct a logical investigation.”

(2) The Committee recommends, in the case of an NSAPIS hit, the following message be sent to the person attempting to sell, transfer, or install the vehicle part: “THE VEHICLE OR PART QUERIED HAS BEEN REPORTED STOLEN AND THE SALE, TRANSFER, OR INSTALLATION OF THIS VEHICLE OR PART MUST BE TERMINATED. YOUR LOCAL LAW ENFORCEMENT AGENCY HAS BEEN PROVIDED THE DETAILS OF THIS TRANSACTION.”

(3) The Committee recommends, in the case where there is no NSAPIS hit, that the person or organization attempting to sell, transfer, or install the vehicle or part receive an NSAPIS-generated authorization number.

System Security

(1) The Committee recommends that NSAPIS, at minimum, meet the C2 level security requirements as stated in the Department of Defense Trusted Computer System Evaluation Criteria (DOD 5200.28-STD), commonly referred to as the Orange Book.

Data Quality

(1) The Committee recommends that manufacturers be encouraged to provide updated information to NICB, including component numbering sequences.

(2) The Committee recommends that efforts be undertaken to further encourage law enforcement officials to dutifully report and verify data for the NCIC Vehicle file.

(3) The Committee recommends that NSAPIS documentation include information that informs inquirers of what occurs following both a positive and a negative hit from NSAPIS.

**Salvage and Junk Vehicle
Definition**

(1) The Committee suggests that any vehicle that sustains damage equal to or greater than 100 percent of its predamaged actual cash value be declared “unrepairable - parts only.” The NSAPIS Committee said that the number of motor vehicle thefts can be significantly reduced by eliminating the availability of salvage and junk vehicle identification numbers and related paperwork.

**Theft Status Determination
and Verification**

(1) The Committee recommends that the theft status determination occur through an electronic verification process that provides an NSAPIS-generated authorization number to the inquirer.

(2) The Committee recommends that the only exception to electronic verification be in those instances where NSAPIS cannot provide a response within a “timely manner.”

(3) The Committee recommends that in those instances where NSAPIS cannot provide insurers a theft status verification in a timely manner, a certificate be provided to the insurer, or a contracting agent for the insurer, which allows for the sale or transfer of the vehicle or part. The certificate shall be generated by the NSAPIS Administrator. The Committee listed specific information that at a minimum should be contained on the certificate.

(4) The Committee recommends that Congress enact legislation that would provide for limited immunity (e.g., persons or organizations authorized to receive or disseminate information from NSAPIS) to protect NSAPIS participants acting in good faith.

**Visual Sight Check and
Verification**

(1) The NSAPIS Committee recommends that any person engaged in business as an insurance carrier shall, if such carrier obtains possession of and transfers a junk motor vehicle or a salvage motor vehicle

(a) verify, after performing a visual sight check on all applicable major parts, whether any of those major parts are reported stolen. The applicable major parts are those parts that have been designated by NHTSA.

(b) provide verification to whomever such carrier transfers or sells any such salvage or junk motor vehicle.

(2) The Committee recommends that insurers be allowed to contract out the verification tasks, but the insurer must still be identified on the certificate, when necessary, to the purchaser.

(3) The Committee recommends that all self-insured entities be required to perform vehicle and parts verifications in the same manner that insurance companies are required to do.

(4) The Committee recommends that salvage and junk vehicles that are impounded and to be sold at government auction be verified through NSAPIS before any sale or transfer takes place.

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