

DEPARTMENT OF MOTOR VEHICLES

Although Unable to Measure the Extent of Identity Fraud and the Effect of Recent Reforms, It Should Improve Its Technology, Procedures, and Staffing Further

REPORT NUMBER 2001-103, SEPTEMBER 2001

By issuing driver licenses and identification cards (ID cards)—California’s basic identification documents—the Department of Motor Vehicles (Motor Vehicles) enables residents to establish who they are for the purposes of driving, getting jobs, and making basic financial transactions such as purchasing goods and opening lines of credit. In fiscal year 2000–01, Motor Vehicles issued about 8 million driver licenses and ID cards, with an unknown number of them going to people who managed to outwit the issuing system and obtain fraudulent driver licenses or ID cards by taking over someone else’s personal information and “becoming” that person.

At the request of the Joint Legislative Audit Committee, we reviewed the procedures Motor Vehicles uses to issue driver licenses and its resources to determine whether they are adequate to detect or prevent the issuance of fraudulent documents. We also reviewed Motor Vehicles’ process for issuing ID cards, because the procedures are similar to those used to issue driver licenses. Based on our review, we found the following:

Finding #1: Motor Vehicles cannot use existing computer-mapped finger images to verify customer identity.

Although Motor Vehicles uses finger images to investigate potentially fraudulent applications, it cannot use them to verify the identity of all customers applying for driver licenses or ID cards because of inadequate technology, questionable image quality, and privacy concerns from opponents of finger imaging.

Because it lacks the necessary technology, Motor Vehicles cannot ensure that a customer applying for a renewal or duplicate driver license or ID card is the true holder by conducting a one-to-one search, which would compare a finger image in its database against the image the customer is providing in person. Technology limitations

Audit Highlights . . .

Our review of the Department of Motor Vehicles (Motor Vehicles) to determine whether it has adequate procedures and resources to detect or prevent the issuance of fraudulent documents revealed that:

- Motor Vehicles lacks the technology to use the computer-mapped finger images it collects to verify the identity of all applicants for driver licenses and ID cards.*
- Motor Vehicles cannot accurately quantify the effect of new procedures aimed at detecting or reducing fraud.*
- Motor Vehicles can implement further procedures such as requiring two employees to verify photos it retrieves for existing customers obtaining a temporary license, driver license, or ID card.*

continued on next page

- ☑ *Motor Vehicles can better help employees prevent fraud by standardizing its fraudulent document detection training course.*
 - ☑ *Motor Vehicles' Investigations and Audits Division, responsible for investigating fraud, lacks adequate policies, procedures, and resources.*
-

also prevent Motor Vehicles from making sure that a new customer does not already hold a driver license or ID card under another name by using a one-to-many search, which would compare a new or existing finger image with all other images in the database. Additionally, although the finger images in Motor Vehicles' existing database date back to early 1990, Motor Vehicles was not able to collect finger images that meet Federal Bureau of Investigation standards until 1999. Furthermore, after three unsuccessful attempts at capturing an acceptable image, field representatives can force the software to accept the image and record the last print taken, which may or may not be readable. Therefore, the finger images that Motor Vehicles has taken may not support computerized searches even if it does receive the funding to upgrade its technology. Finally, some opponents of the use of finger imaging have raised both legal and policy concerns about the potential for this technology to interfere with individual privacy rights. However, with appropriate limitations on their use, finger images can be a legal and effective way to reduce identity fraud that can harm the public.

We recommended that the Legislature should reconsider funding to support an upgrade of Motor Vehicles' finger-imaging technology if recent reforms to the process for issuing driver licenses and ID cards prove insufficient. If it provides the funds, the Legislature should consider protecting against unauthorized dissemination of finger images by allowing only those entities it believes have a legitimate interest in protecting the public, such as state and local law enforcement agencies, to access Motor Vehicles' finger-imaging data. The Legislature should also consider imposing criminal sanctions for unauthorized use of the data. Further, if the Legislature approves the use of finger imaging, it should consider directing Motor Vehicles to establish controls that protect the privacy of California citizens.

Finally, Motor Vehicles should train its field representatives to capture good-quality finger images and prohibit them from bypassing system requirements for obtaining readable customer images without prior approval from their managers.

Legislative Action: Unknown.

We are unaware of any legislative action implementing these recommendations.

Department Action: Pending.

Motor Vehicles states that it has begun work on a business case that will include a legislative proposal to authorize it to implement an Automated Fingerprint Identification System. While funding will be a prerequisite to implementation, Motor Vehicles states that it will not request funding at this time because it cannot accurately estimate the costs. Motor Vehicles' proposal will include a synopsis of current statutes, policies, and court rulings that it follows to prevent the unauthorized dissemination of confidential data, including finger images.

Motor Vehicles has also appointed a chief privacy officer and is drafting a privacy policy as required by California Government Code, Section 11019.9. Adherence to this privacy policy will also become a requirement of any future fingerprint identification system.

According to Motor Vehicles, on October 3, 2001, two field offices began conducting a survey to analyze the thumbprint capture process. The purpose of the survey is to identify any gaps in current training, procedures, or equipment use, and determine whether supervisory approval for overrides is necessary. Motor Vehicles anticipates reporting survey results in March 2002.

Finding #2: Its recent reforms should reduce fraud, but Motor Vehicles cannot measure their impact.

Between October 14, 2000, and January 2, 2001, Motor Vehicles implemented reforms to prevent the issuance of fraudulent driver licenses and ID cards. Motor Vehicles began verifying Social Security numbers with the federal Social Security Administration, retrieving renewal customers' most recent photographs from its database, and requiring two employees to verify birth-date and legal-presence documents that customers present to obtain original licenses. However, Motor Vehicles cannot accurately quantify the effect of its new procedures for three reasons. First, Motor Vehicles has inadequate methods of tracking potential fraud. Second, changes in the way Motor Vehicles categorizes and investigates fraud make it difficult to compare the number of potential fraud cases identified before and after the new procedures were in place. Third, the effect reforms have on preventing attempts to obtain fraudulent driver licenses or ID cards is impossible to measure.

Motor Vehicles should establish mechanisms to measure the effectiveness of its recent and future reforms because until it does there is no way of knowing how successful its recent reforms have been in reducing identity fraud.

Department Action: Pending.

Motor Vehicles is in the process of identifying performance measures that will quantify the effects of its fraud reforms.

Finding #3: Despite promising reforms, more improvements are needed to reduce fraud.

Although Motor Vehicles has taken significant action to reduce the possibility of issuing fraudulent driver licenses and ID cards, some reforms could be expanded. For example, photo retrieval to identify a prior customer would be a stronger reform if a second employee confirmed the original field representative's verification that the customer matched the retrieved photograph. Also, our review of the processes for issuing driver licenses and ID cards revealed additional opportunities for Motor Vehicles to improve its controls to reduce fraud. For instance, Motor Vehicles has yet to evaluate or implement most of the recommendations of its Anti-Fraud Task Force (task force) on ways to reduce driver license and ID card fraud. Finally, since the new fraud prevention procedures have increased the average waiting times of customers with appointments by 1.5 minutes and customers without appointments by 9.3 minutes, Motor Vehicles needs to continue its efforts to improve customer service and mitigate this effect.

To further improve its existing controls and reduce waiting times for customers at field offices, Motor Vehicles should take the following steps:

- Instruct its Driver License Fraud Analysis Unit (Fraud Analysis) to conduct a study to determine the benefits of verifying identification by comparing new photos of existing customers obtaining temporary licenses, driver licenses, or ID cards with photos already in the Motor Vehicles' database.
- Establish deadlines for staff to address all of the task force recommendations and conduct a timely evaluation of the merits of each recommendation.

- Continue its efforts to decrease field office waiting times by installing additional electronic traffic management systems and posting real-time data to its Web site. Also, it should complete a staffing analysis to assess the impact that the recent reforms have had on its ability to carry out its procedures.

Department Action: Pending.

Motor Vehicles believes that the number of records related to driver licenses and ID cards issued to existing customers with new photos is greater than 1.2 million. It states that because of Fraud Analysis' increasing workload, and the current hiring freeze, it will need to evaluate how the recommended study can be undertaken with the least amount of disruption to Motor Vehicles' services to the public.

Motor Vehicles reports that 20 task force recommendations have been approved of which 12 have been implemented and 8 are in the process of being implemented. Motor Vehicles expects responsible divisions to complete the analysis of 36 additional recommendations by March 31, 2002.

Motor Vehicles is planning to install electronic traffic management systems in 33 additional offices from December 2001 through June 2002. Motor Vehicles also plans to begin posting wait time data on its Web site during fiscal year 2002–03. Finally, Motor Vehicles states that it is in the process of identifying the appropriate methodology to accurately complete a staffing analysis to assess the impact recent reforms have had on its ability to carry out the new fraud procedures.

Finding #4: Motor Vehicles fraud detection training needs improvement.

Motor Vehicles is not maximizing the benefits of its training course in detecting fraudulent documents. The Field Operations Division (Field Operations) and field office managers' goals conflict regarding which employees should receive the training. Also, database flaws prevent Field Operations from knowing if it even meets its goals. Further, in interviewing trainees and reviewing departmental evaluations, we found significant concerns with the trainers, the curriculum, and available resources. Problems include a lack of hands-on experience with original documents, uniformity among trainers' presentations, and time to cover the material. Consequently,

the training is less useful to employees responsible for fraud detection and prevention and a less effective tool for Motor Vehicles in its efforts to reduce the issuance of fraudulent driver licenses and ID cards.

To improve its fraudulent document detection training, Motor Vehicles should take the following steps:

- Instruct Field Operations management to meet with field office managers to reiterate training expectations and monitor them for compliance with Field Operations' training goals.
- Correct training database errors and modify the Departmental Training Branch's database to allow users to view and sort employees' attendance at the training course for fraudulent document detection by reporting unit location.
- Continue to communicate with trainers and supervisors regarding Motor Vehicles' commitment to standardization and uniformity. Determine if additional funding is necessary to improve its training program.

Department Action: Partial corrective action taken.

Field Operations management has reiterated to field office managers its training expectations and short- and long-term training goals as they relate to fraudulent document detection training. Additionally, it generates a weekly report to reflect all field office personnel who have received this training and shares this information with region and office managers monthly.

Motor Vehicles states that discrepancies in the tracking of training for fraudulent document detection have been identified and resolved. The Departmental Training Branch also requested a modification of its tracking system to allow viewing and sorting of the information by reporting unit location.

Finally, Motor Vehicles reports that its Investigations' management has met with all training staff and instructors to emphasize the necessity for standardization and uniformity of fraudulent document detection training. A smaller working group has also been established to update the course curriculum. This group met the first week in November 2001. However, it plans to wait until appointments are made to the two vacant management positions within Investigations to finalize the plans for the continuing operation of the training program.

Finding #5: Missing procedures and flawed data prevent Motor Vehicles from properly managing its fraud complaints.

Despite its safeguards against driver license and ID card fraud, Motor Vehicles finds that both customers and employees sometimes violate procedures and break the law. Motor Vehicles' Investigations and Audits Division (Investigations) is responsible for looking into cases of possible fraud. However, a lack of procedures and resources hinder Investigations' inquiries into driver license and ID card fraud. Without improvements, Investigations will remain limited in how well it can carry out its mission of stopping fraud, assisting victims, and helping to prosecute wrongdoers. For example, the Field Investigations Branch (Field Investigations) lacks procedures dictating how its staff should manage and resolve complaints. Consequently, Motor Vehicles cannot accurately determine how long it takes to conduct an investigation from start to finish and what its true staffing needs are. A weakness in Field Investigations' case management database also prevents its investigators from sharing information such as current fraud trends. Finally, Fraud Analysis lacks sufficient staffing to handle an increased workload caused by Motor Vehicles' new fraud prevention procedures and consumer fraud hotline.

To increase its effectiveness in preventing fraud, assisting victims, and helping to prosecute wrongdoers, Motor Vehicles should take these actions:

- Establish procedures to more effectively manage its complaints and track accurate data. These procedures should cover, at a minimum, logging a complaint on receipt, promptly sending an acknowledgment letter to the complainant, prioritizing and assigning complaints, and deadlines for completing the investigation and reporting the results.
- Evaluate the feasibility of upgrading the case management database so that field offices can share data.
- Evaluate the staffing needs of Investigations' branches and units.

Department Action: Pending.

Because Investigations still has two vacant management positions, no reportable progress has been made toward establishing procedures for more effectively managing its complaints and tracking accurate data or studying the feasibility of upgrading its case management database.

Finally, Motor Vehicles' study to evaluate the staffing needs of Investigations' branches and units will not be complete until end of March 2002.

Finding #6: Clearer policies and definitions are needed to ensure that Motor Vehicles' Special Investigations Branch receives all employee fraud cases.

Motor Vehicles has not established a clear policy that precisely identifies the role of the Special Investigations Branch (Special Investigations) in investigating employee misconduct. Moreover, clear definitions of employee misconduct and fraudulent or dishonest behavior do not exist, creating inconsistencies in staff reports of possible fraudulent activity. Until it clearly establishes definitions and policies, and identifies Special Investigations' role in investigating employee misconduct, Motor Vehicles cannot ensure that it investigates all questionable employee activities or that employees participating in these activities receive consistent discipline.

To increase its effectiveness in preventing employee fraud, Motor Vehicles should establish a clear policy that identifies Special Investigations' role in investigating employee misconduct; defines such misconduct; and clarifies how employees, managers, and regional administrators are to report employee misconduct.

Department Action: Pending.

Special Investigations reviewed all of its policies and procedures regarding employee misconduct to identify conflicting statements, and is in the process of drafting a new comprehensive policy.