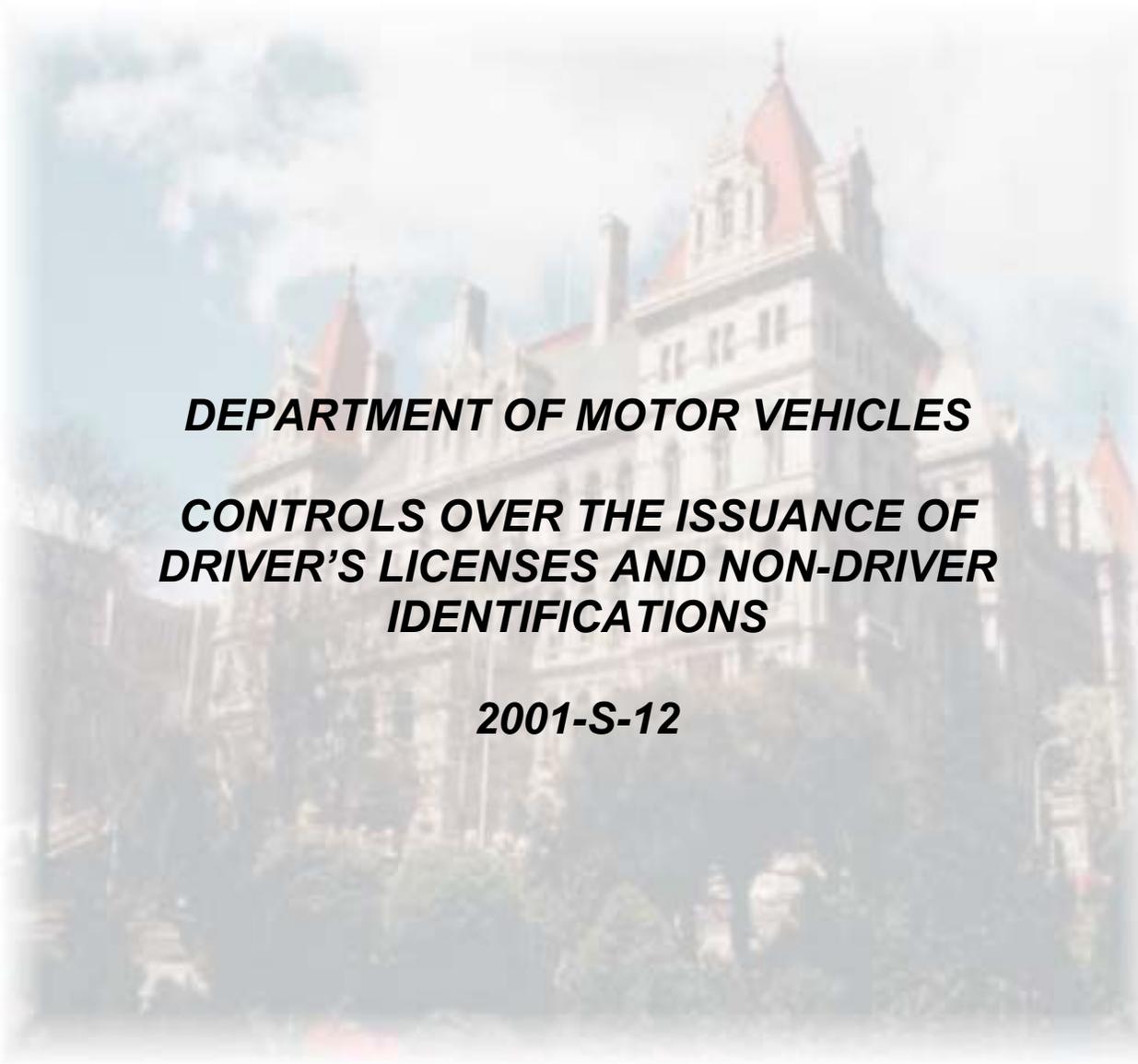


A REPORT BY THE NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

**Alan G. Hevesi
COMPTROLLER**



***DEPARTMENT OF MOTOR VEHICLES
CONTROLS OVER THE ISSUANCE OF
DRIVER'S LICENSES AND NON-DRIVER
IDENTIFICATIONS***

2001-S-12

DIVISION OF STATE SERVICES

OSC Management Audit reports can be accessed via the OSC Web Page:

<http://www.osc.state.ny.us>

If you wish your name to be deleted from our mailing list or if your address has

changed,

contact the Management Audit Group at (518) 474-3271

or at the

Office of the State Comptroller

110 State Street

11th Floor

Albany, NY 12236



Alan G. Hevesi
COMPTROLLER

Report 2001-S-12

Mr. Raymond P. Martinez
Commissioner
Department of Motor Vehicles
Swan Street Building
Empire State Plaza
Albany, NY 12228

Dear Mr. Martinez:

The following is our audit report addressing the controls over the issuance of driver's licenses and non-driver identifications by the Department of Motor Vehicles.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law. Major contributors to the report are listed in Appendix A.

Office of the State Comptroller
Division of State Services

March 3, 2003

EXECUTIVE SUMMARY

DEPARTMENT OF MOTOR VEHICLES CONTROLS OVER THE ISSUANCE OF DRIVER'S LICENSES AND NON-DRIVER IDENTIFICATIONS

SCOPE OF AUDIT

Driver's licenses and non-driver identifications (NDIDs) are issued by the Department of Motor Vehicles (Department) at more than 100 locations throughout New York State. Individuals seeking these documents must complete an application form and provide proof of their identity. If driver's licenses and NDIDs are issued to individuals who have not stated their true identity, they may be used to facilitate criminal activities or avoid sanctions resulting from prior driving offenses. Our audit addressed the following question relating to the Department's controls over the issuance of driver's licenses and NDIDs for the period April 1, 1998 through March 29, 2002:

- Has the Department established an effective system to determine if applicants for driving licenses meet all requirements for licensing and that only people eligible receive one?

AUDIT OBSERVATIONS AND CONCLUSIONS

We found that the Department's controls do not provide adequate assurance that licenses and NDIDs are issued only to applicants who have stated their true identity. In particular, the Social Security numbers provided by many license applicants do not appear to be valid. In response to our draft report, the Department indicated that it took steps to improve controls during our audit and plans to make additional improvements in the future. We acknowledge the steps the Department has already taken, and encourage it to further strengthen its controls.

Applicants for a driver's license must provide their Social Security number or proof they are ineligible for a number. We examined selected transactions involving the issuance, renewal, modification or replacement of driver's licenses. We found that many of the Social Security numbers provided by the applicants may have been stolen or fabricated. For example, we identified 38 instances in which the Social Security number provided by the applicant had actually been issued to someone else by the U. S. Social Security Administration (SSA), and

according to records maintained by the SSA, the person assigned the number was deceased when the number was used. We also identified seven Social Security numbers that were used by at least ten, and as many as 30, differently named applicants. Moreover, three of these applicants used two different Social Security numbers for different transactions. In other instances, the Social Security number provided by the applicant did not agree with the number already on file for that applicant. (See pp. 5-16)

While most of the questionable transactions that we identified require further review to determine whether they were legitimate, we were able to determine that at least two individuals obtained driver's licenses fraudulently. In these instances, the digital image of each individual was in two different driver history files, and each pair of history files had a different name and a different driver license identification number. (See p. 12)

When the Social Security number provided by a license applicant is not valid, the Department has less assurance that the applicant has stated his or her true identity. Even though Social Security numbers can be analyzed to identify invalid numbers and questionable transactions requiring further review, the Department performs such analyses on a limited basis. To provide better protection against the creation of fictitious and multiple identities, we recommend the Department analyze Social Security numbers on a more extensive basis, and not allow license transactions to be processed unless a valid Social Security number is on file for the applicant. We also recommend the Department follow up on the discrepancies and questionable transactions identified by our audit, and take legal and disciplinary actions as warranted. (See pp. 14-16)

While a valid Social Security number provides some assurance that an applicant has stated his or her true identity, additional assurance is needed. For this reason, applicants for driver's licenses and NDIDs are required to provide the Department with other proofs of their identity (such as a passport, utility bill or prior driver's license). To determine whether these requirements were met, we reviewed 963 license and NDID transactions that were processed in 12 of the Department's 28 regional districts. We found that, in 133 of the 963 transactions (14 percent), the identity of the applicant was not, or may not have been, verified in accordance with Department requirements. We also found that other internal controls established by the Department were not always functioning as intended. We recommend that local office practices be monitored more closely by the Department's central office. (See pp. 23-27)

Since applicants are photographed during the license/NDID issuance process, this digital image can be used to confirm an applicant's identity in subsequent transactions. However, 10 of the 12 district offices we visited do not retrieve the digital image on file to confirm the applicant's identity, as required by the Department's procedure. We also determined that fraud detection efforts could be enhanced if additional computer matches were performed with the digital images on file. To further improve the Department's fraud detection efforts, we

recommend the Department coordinate with law enforcement agencies to obtain information about fraudulent, or potentially fraudulent, driver's licenses and NDIDs that are identified by the agencies. (See pp. 27-30)

COMMENTS OF DEPARTMENT OFFICIALS

A draft copy of this report was provided to Department of Motor Vehicles officials for their review and comment. Their comments have been considered in preparing this final report. Department officials agreed with most of our recommendations and indicated actions taken or planned to improve their controls over the issuance of driver's licenses and non-driver identifications.

CONTENTS

Introduction

Background	1
Audit Scope, Objectives and Methodology	2
Response of Department Officials	3

Controls Relating to Social Security Numbers

Obtaining, Verifying and Recording Social Security Numbers	5
Analyzing the Repeated Use of the Same Social Security Number	10
Analyzing Other Questionable Social Security Numbers	14
Controlling the Assignment of Dummy Social Security Numbers	18
Recommendations	21

Other Controls

Controls Over Application Processing	23
Use of Digital Images	27
Prevention and Detection of Fraudulent Transactions	28
Recommendations	30

Appendix A

Major Contributors to This Report

Appendix B

Response of Department of Motor Vehicle Officials

Appendix C

State Comptroller's Notes

INTRODUCTION

Background

Most motorized vehicles cannot legally be operated without a valid driver's license. In New York State, such licenses are issued by the Department of Motor Vehicles (Department). Since a driver's license contains a photograph of the licensed individual and is possessed by most adults, individuals may be asked to show their driver's license to verify their identity when they conduct commercial transactions or seek to obtain government benefits. To provide a comparable form of identification to individuals who do not drive, the Department issues non-driver identifications (NDIDs).

Driver's licenses and NDIDs are issued at more than 100 locations throughout New York State, some of which are operated by the Department and the others operated by Counties under the supervision of the Department. Individuals seeking these documents must complete an application form and provide proof of their identity. This proof may consist of a prior driver's license, a passport, a certificate of naturalization, a Social Security card, a photo card used to obtain public assistance benefits, a credit card, a utility bill, or a number of other documents specified by the Department. Each of the specified documents is awarded a certain number of points by the Department, and the applicant must accumulate a total of six such points to be issued a driver's license or NDID. All transactions involving the issuance, modification or replacement of driver's licenses and NDIDs are recorded on the Department's Windows Information System Environment (WISE), a computerized transaction processing system.

Many of the documents used to prove an applicant's identity are not difficult to fabricate, especially with computer technologies. Moreover, the heavy volume of customer transactions at some Department locations and the pressure to promptly serve customers limit the amount of time that can be spent to review each application. As a result, it may be difficult for local Department representatives to detect fraudulent applications, which may be used to facilitate criminal activities such as identity theft, unlicensed operation of motor vehicles, and illegal access to government programs. In fact, according to a report

issued by the Department in December 2000, some individuals are willing to pay a high price for fraudulent driver's licenses and fraudulent NDIDs.

The demand for fraudulent identification makes the Department susceptible to employee malfeasance. Past investigations have identified instances of such malfeasance, as Department employees were found to have collaborated in the issuance of fraudulent driver's licenses and NDIDs. In light of the high costs and other dangers associated with criminal activities facilitated by fraudulent identity documents, it is critical that the Department's controls over the issuance of driver's licenses and NDIDs be as strong as possible.

Audit Scope, Objectives and Methodology

We audited the Department's controls over the issuance of driver's licenses and NDIDs for the period April 1, 1998 through March 29, 2002. The objectives of our performance audit were to determine whether the control system established by the Department provides adequate assurance that licenses and NDIDs are issued only to applicants who have stated their true identity and meet all the requirements for the documents. To accomplish our objectives, we interviewed Department officials and reviewed Department records, including electronic records maintained on the WISE system for all transactions excluding commercial license transaction, at the Department and County operated offices. We also tested transactions for the period April 1, 1998 through March 31, 2001 for both Department and County operated offices. In our review of the electronic records, we made use of commercial software products such as Audit Command Language to analyze transactions for missing or inaccurate data and VERIS to analyze and validate Social Security numbers. We also visited 12 of the 28 Department-operated district offices that have licensing responsibilities, but excluded County-operated offices from our visits.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations that are included in our audit scope. Further, these standards require that we understand the Department's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations included in our

audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records, and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an “exception basis.” This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Response of Department Officials

A draft copy of this report was provided to Department of Motor Vehicles officials for their review and comment. Their comments have been considered in preparing this final report and are included as Appendix B. Where appropriate, we have made changes to our report. In addition, the State Comptroller’s Notes to the Department’s response are included as Appendix C.

Department officials agreed with most of our recommendations and indicated actions taken or planned to improve their controls over the issuance of driver’s licenses and non-driver identifications.

Within 90 days after final release of this report, as required by Section 170 of the Executive law, the Commissioner of the Department of Motor Vehicles shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

CONTROLS RELATING TO SOCIAL SECURITY NUMBERS

Applicants for driver's licenses are required to provide their Social Security number. However, we identified a number of instances where the license applicants provided an invalid number or did not provide a number. In such instances, the Department has less assurance that the applicant has stated his or her true identity. In addition, even though Social Security numbers can be analyzed to identify invalid numbers and questionable transactions requiring further review, the Department performs such analyses on a limited basis only. When we performed these analyses on a more extensive basis, we identified a number of questionable transactions requiring further review, including instances in which individuals obtained more than one license under more than one name, or obtained a license using the Social Security number of someone who was deceased. We recommend that the Department analyze Social Security numbers on a more wide-ranging basis, and not allow license transactions to be processed unless a valid Social Security number is on file for the applicant. In response to our draft report, the Department reports that it began requiring customers for licenses to present their original Social Security Card as of February 1, 2002, and began an on-line verification of Social Security numbers for license applicants as of March 28, 2002.

Obtaining, Verifying and Recording Social Security Numbers

Effective October 1, 1995, Section 502 of the New York State Vehicle and Traffic Law was amended to require all applicants for a driver's license to provide their Social Security number. The number does not appear on the license document, and it is not to be given out to the public. Rather, it is used as a unique personal identifier to confirm an individual's identity when the Department conducts activities such as communicating with other jurisdictions to determine whether a license applicant has a history of driving problems in another state. If a license applicant is unable to obtain a Social Security number from the U. S. Social Security Administration (SSA), the

applicant may be required to obtain a letter from the SSA explaining why a number cannot be assigned. Such applicants may then be assigned a “dummy number” by the Department, and this dummy number is used to confirm the individual’s identity in communications with other jurisdictions. Applicants for NDIDs were not required to provide their Social Security number on the application for the NDID during our audit period. Subsequent to our audit fieldwork a law was passed requiring applicants for NDIDs to provide their Social Security number.

Department representatives should determine if license applications contain a Social Security number, make sure it agrees with the Social Security number already on the history file when applicable, and enter the Social Security number on the WISE system, if it is not already on file or if the number on file is incorrect. To determine whether local office representatives complied with the Department’s requirements for obtaining, verifying and recording the Social Security numbers of license applicants, we examined a sample of 89 transactions involving driver’s licenses or learner’s permits that were processed on the WISE system during the three years ended March 31, 2001. We obtained our sample by downloading all WISE transactions in the three-year period that, on the basis of their transaction codes, could have involved driver’s licenses and learner’s permits. We then used specialized VERIS software to analyze the Social Security numbers contained in the downloaded transactions. (Various aspects of this analysis are presented throughout this section of the report.) We determined that a Social Security number was not contained in 250,765 of approximately 5 million downloaded transactions. We randomly selected 246 of these 250,765 transactions for review. Because the Department cannot separate NDID transactions from driver license transactions, we determined that 157 of the 246 transactions were NDIDs that did not require a Social Security numbers and were excluded from our test. Therefore, we sampled the remaining randomly selected 89 transactions involving driver’s licenses or learner’s permits.

We compared the information recorded on the WISE system for each of these 89 transactions to the information in the applicant’s history file and original application form. The results of our comparison are as follows:

- For 70 of the 89 transactions, local office representatives complied with Department requirements relating to Social Security numbers. While a Social Security number was not contained in the WISE transaction, a Social Security number was recorded in the applicant's history file and this number matched the number provided by the applicant on the application form.
- For 10 of the 89 transactions, the original application form could not be located. As a result, for these ten transactions, we could not determine whether the local office representatives obtained and verified the applicants' Social Security numbers as required. We were able to determine that all ten Social Security numbers were recorded as required, and included in the history files.
- For 9 of the 89 transactions, local office representatives did not comply with Department requirements for obtaining, verifying and recording Social Security numbers. In four of the transactions, a Social Security number was not obtained, as no number was entered on the application form and there was no documentation indicating that the applicant was ineligible for a number, and in one transaction, only part of the Social Security number (seven of nine digits) was entered on the application form. (For all five of the transactions, a Social Security number was recorded in the applicant's history file.) In two transactions, the Social Security number on the application form did not match the number in the applicant's history file; and in two transactions, no Social Security number was recorded in the applicant's history file. In two of the four transactions in which no Social Security number was entered on the application form, the application form was outdated in that it lacked a field for a Social Security number.

Based on the results of our random, statistical sample, we estimate there is a 90 percent confidence that of the 250,765 transactions with blank Social Security numbers at least 12,350, and possibly as many as 26,385 are driver's licenses for which a Social Security number was not properly collected or a determination cannot be made because an application cannot be located. In response to our draft report, the Department indicated that it is scheduled to start a batch processing of its

existing Social Security numbers in March 2003, which will identify fictitious numbers and numbers that have been used multiple times.

We therefore conclude that improvements are needed in the process used by the Department to obtain, verify and record applicants' Social Security numbers. If a Social Security number is not obtained from applicants and is not verified as genuine, the Department has less assurance that the applicant has stated his or her true identity. If a license is issued to someone who has not stated his or her true identity, the license may be used to facilitate other criminal activities. The license may also be used to avoid sanctions resulting from prior driving violations, as someone who lost their license due to reckless driving could obtain another license in another name.

For example, when we reviewed the applicant's history file for one of the transactions in our sample, we found there were two history files for the applicant. The first history file was created when the individual received a ticket for driving without a license. This file did not contain the individual's Social Security number and did not contain a middle initial for the individual. The second history file was created when the individual subsequently applied for an NDID. Since the individual used a middle initial on this application, the first history file was not detected by the Department's automated process for matching identities. In this process, files are matched if they share the exact same name and date of birth. While we cannot determine if this individual deliberately tried to create a second identity in the Department's records, a second identity was created and was not detected by the Department control for preventing duplicate identities.

To provide better protection against the creation of fictitious and multiple identities, we believe that Social Security numbers should be required for NDIDs, and recommend that the Department validate all Social Security numbers provided by applicants, and not allow license or NDID transactions to be processed unless a valid Social Security number is on file for the applicant. (Subsequent to our fieldwork, legislation was passed on July 30, 2002 to require Social Security numbers for NDIDs effective 60 days from passage. On August 14, 2002 Department officials were not sure if Social Security numbers would be collected for NDIDs issued prior to the legislation. In December 2002, Department officials responded that NDID's

will be included in the batch verification process for Social Security numbers collected prior to the on-line verification process.) To validate a Social Security number, the Department should compare the name and date of birth associated with the number to the name and date of birth associated with that number in the records of the SSA. To prohibit transactions for applicants whose Social Security number is not on file, the Department should add an edit (i.e., automated control) to the WISE system that prevents transactions from being processed when a valid Social Security number is not recorded in the applicant's history file. The Department should also add an edit for identifying, and referring for follow-up action, all history files that are missing Social Security numbers.

In December 2001, the Department began to verify Social Security numbers with the SSA for certain license-related transactions, as it test piloted an on-line verification process at the Albany district office. In this process, the applicant's Social Security number is entered on the WISE system, and then matched against the records maintained by the SSA. If the applicant's Social Security number, name and date of birth do not match the records at the SSA, the transaction cannot be processed.

While this process provides good protection against the acceptance of invalid Social Security numbers, it is not used for all license-related transactions. Rather, according to Department guidelines, it is used only when applicants seek a first-time license or permit, or seek to exchange a license from another state. As a result, Social Security numbers will not be verified when applicants seek to renew, amend or replace their licenses. As is described later in this report, when we used the VERIS software to validate some of the Social Security numbers recorded on the WISE system, we identified several instances in which licenses may have been issued to individuals using fictitious or multiple identities. The on-line verification process will not correct Department records for licenses that were in the database prior to December 2001 with incorrect Social Security numbers. Department officials later informed us that they plan to validate Social Security numbers previously collected and are investigating a number of options for doing this, but as of August 14, 2002, had not made a determination as to the method to be used. Accordingly, we recommend that the Department take prompt action to resolve these issues and implement a process that extends its verification of Social Security numbers to all

license and NDID-related transactions on file. The Department's response to our draft report states that it plans to perform a batch processing of existing Social Security numbers including renewals starting in March 2003.

Analyzing the Repeated Use of the Same Social Security Number

A driver's license is currently valid for a period of eight years, at which time it may be renewed. While individuals occasionally need to replace lost licenses or amend their licenses to reflect a change of address or name change, most individuals do not need to make several license-related transactions within a short period of time such as three years. For this reason, if the same Social Security number is recorded for several license-related transactions within a relatively short period of time, it is unusual. While the transactions may be legitimate, it is possible that some of the Social Security numbers were recorded incorrectly. It is also possible that some of the transactions were not legitimate, as they may have been done by someone who was using more than one identity or they may have been done by more than one person, some or all of whom were using someone else's Social Security number. In such instances, the licenses relating to the transactions may have been used for criminal purposes.

We found that the Department does not routinely analyze its license-related transactions to determine whether the same Social Security number is repeatedly used within a given period. When we performed such an analysis using VERIS software, we identified a number of questionable circumstances warranting further review, as well as two instances in which individuals fraudulently obtained more than one driver's license.

From our review of the WISE transactions for the three years ended March 31, 2001, we determined that 151 Social Security numbers were used in at least ten, and as many as 48, different transactions in the three-year period, as follows:

Number of Different Transactions	Number of Social Security Numbers	Total Transactions
10 to 15	140	1,510
16 to 20	3	49
21 to 25	3	72
26 to 35	3	95
36 to 44	0	0
45 to 48	2	93
	151	1,819

Further analysis of these 1,819 transactions indicated the following questionable patterns:

- One Social Security number was repeated in 31 different transactions in a one-year period. In addition, someone with the same last name and same address as the person using this Social Security number used a slightly different Social Security number in 14 other transactions during the three-year period.
- One Social Security number was used in 16 different transactions in a three-month period, and 15 of the 16 transactions were license replacements.
- One Social Security number was used in 18 different transactions in a three-month period.
- One Social Security number was used in 13 different transactions in a three-month period.

We further determined that 38 of the 151 Social Security numbers were used with more than one name, and some of the different names appeared to belong to different genders. Seven of these 28 Social Security numbers were used with at least ten, and as many as 30, different names. Moreover, three of the names used two different Social Security numbers on the applications for different transactions. While the transactions associated with these 151 Social Security numbers require further review to determine whether they were legitimate, it seems likely that the Social Security numbers in some of the transactions were not valid.

We selected a judgmental sample of 10 of the 151 Social Security numbers for further review. In selecting the sample, we tried to select the Social Security numbers with the most questionable patterns of use (such as the two Social Security numbers that differed slightly and were used by persons with the same last name and same address). The ten Social Security numbers in our sample were used in a total of 210 transactions during the three-year period. For each of these 210 transactions, we compared the Social Security number on the downloaded WISE transaction to the Social Security number on the related application form and the Social Security number in the applicant history file. We also looked at the Department's

photographs of each applicant, taken when license documents were issued to the applicants and were stored in digital format on the WISE system, and compared these digital images to any other digital images on file for the same driver identification number. We also reviewed the signature on each application to determine whether the electronic signature captured with the digital photograph matched the name in the history file.

We found that two of the ten Social Security numbers were used to obtain licenses fraudulently, five of the ten Social Security numbers were used in questionable transactions that warrant further review, and three of the ten Social Security numbers were used in transactions that appear to be appropriate, as follows:

- We determined that two Social Security numbers were used by two different individuals. The digital image of each individual was in two different history files, and each pair of history files had a different name and a different driver license identification number. In one instance, one of the individuals signed a license application with the wrong name, as it did not match the name on that particular history file. Three of the four driver's licenses obtained by the two individuals were obtained in exchange for a license from another state.
- Five of the Social Security numbers were used with at least six, and as many as 30, different names. In addition, for three of the five Social Security numbers, the numbers recorded on the downloaded WISE transactions did not always match the Social Security numbers in the applicants' history files or related application forms. In nearly all of these discrepancies, the differences in the numbers were significant and therefore did not appear to be the result of data entry errors.
- Three of the Social Security numbers were used in transactions that appear to be appropriate.

During the course of our audit, we learned that one of the ten Social Security numbers (i.e., one of the five that had been used with several different names) had been investigated by the Department's fraud investigation unit. As a result of the investigation, on February 15, 2000, the Department sent letters to the 23 individuals who had used the Social Security number.

The letters informed the individuals that the Department was seeking their agreement to a \$25 fine and suspension of their driving privileges for 90 days as a resolution of the cases. As of January 10, 2002, only 2 of the 23 individuals had responded to the Department's letter. While the Department advised us the other 21 individuals cannot complete any license-related transactions until a response is received, Department officials told us they plan to take no other action in regard to the 21 individuals. However, their driving privileges were never suspended. In our view, the Department needs to follow up more thoroughly on these 21 individuals. In the absence of such follow up they may not be deterred from further inappropriate activities.

We also learned that, in August 2000, the Department analyzed information on the WISE system to identify license records with duplicate Social Security numbers. The analysis identified 102,000 records with duplicate Social Security numbers. As a result of the analysis, in December 2001, the Department initiated an investigation of 57 different identities that used the same Social Security number, and found that none of the identities had been assigned the Social Security number by the SSA.

While the Department does conduct special investigations of questionable transactions involving Social Security numbers, these investigations are not conducted on a regular, ongoing basis. The Department could detect such questionable transactions in a more timely manner if it developed routine, automated procedures for this purpose. For example, the Department could add an edit to the WISE system that would regularly examine all Social Security numbers on the system and identify every time the same Social Security number was recorded in the history file of more than one individual. The Department could also develop an automated control feature that would alert Department officials whenever the number of license transactions processed for an individual or the same Social Security number exceeded a pre-established and undisclosed level within a specific period of time. Finally, the Department could use available software, such as VERIS, on a routine basis to analyze WISE transactions for patterns indicative of inappropriate activity. We recommend that the Department implement these kinds of ongoing procedures and practices.

Analyzing Other Questionable Social Security Numbers

We used the VERIS software and Audit Command Language to analyze the Social Security numbers in 4.78 million WISE transactions (except for 250,765 transactions that did not employ such a number) for the three years ended March 31, 2001. Our analyses identified many potentially questionable transactions. For example, as was previously discussed, the analyses identified numerous transactions containing the same Social Security number and numerous transactions containing no Social Security number. The analysis also identified 25,839 transactions containing Social Security numbers of deceased individuals, and 210,599 transactions containing Social Security numbers that appeared to be invalid for a number of reasons (e.g., the numbers in the WISE transactions had yet to be assigned by the SSA, or were assigned before the individual listed on the WISE system was born).

While it is possible that the apparently invalid Social Security numbers were recorded incorrectly, and were in fact valid, or were used by the persons before they died. It is also possible that the numbers were never assigned by the SSA and were used to create fictitious identities or were inappropriately used by unauthorized individuals after the deaths of the authorized individuals. Whatever the explanation, transactions involving Social Security numbers such as these should be reviewed to determine whether the numbers were recorded correctly and whether they were used by the authorized individuals only. However, the Department cannot perform such reviews, because it does not routinely analyze the Social Security numbers recorded on the WISE system to identify potentially questionable transactions.

For the purposes of our audit, we reviewed a sample of the transactions containing Social Security numbers of deceased individuals. We identified several instances in which a Social Security number was used long after the death of the individual who was assigned the number. We concluded that, in these instances, licenses may have been issued to individuals who were using stolen or fabricated Social Security numbers.

We randomly selected 214 of the 25,839 WISE transactions containing Social Security numbers of deceased individuals and matched them against the Social Security numbers recorded in a web site (Ancestry.com) that is generated from the SSA's

record of deceased persons who were assigned Social Security numbers and whose deaths had been reported to the SSA. At the time of our audit, the web site was current to the end of May 2001.

For 122 of the 214 transactions, the transactions were processed while the individual was still alive, the Social Security numbers were used by the individuals who were assigned the numbers, and there was no indication that the 122 transactions were not appropriate.

For the remaining 92 transactions, the Social Security numbers in the WISE transactions matched Social Security numbers recorded in the web site generated from the SSA's record of deceased persons who were assigned Social Security numbers. However, the names in the WISE transactions did not match the names of the people who were assigned the numbers. As the Social Security numbers in the WISE transactions could have been recorded incorrectly by a local office representative, we compared the Social Security number in the 92 WISE transactions to the Social Security numbers written on the related application forms and the Social Security numbers recorded in the appropriate applicant history files. We also looked at the digital images and electronic signatures on file at the Department for these 92 applicants to determine whether the images were consistent with one another, and to determine whether the signed names on the applications matched the name in the corresponding history file.

We found that 58 of the 92 transactions appear to be questionable, because the Social Security number written on the license application form by the applicant either was assigned to a different individual by the SSA or did not match the Social Security number recorded on the WISE system for that applicant. The remaining 34 of the Social Security numbers appear to have been recorded incorrectly on the WISE system by a local office representative. The results of our review are summarized as follows:

- For 38 of the 92 transactions, the Social Security number in the WISE transaction matched the number on the application form and applicant history file. According to the web site generated from the SSA's record of deceased persons, this Social Security number was not assigned to the applicant; rather, it was assigned to a

different person and this person was deceased. Moreover, 35 of the 38 transactions were processed after the person died, and some of the transactions were processed many years after the reported date of death. For example, three transactions were more than 30 years after the person assigned the number died. We concluded that it is likely that many, if not all, of the applicants in these 38 license-related transactions did not use the Social Security number that was assigned to them by the SSA.

- In 8 transactions, the Social Security number on the application form differed completely from the Social Security number in the WISE transaction and/or the Social Security number in the history file. These discrepancies could be indicative of questionable transactions and should be investigated by the Department to determine the reasons for the discrepancies (our review of the applicants' digital images and signatures identified no inconsistencies).
- In 6 cases, the Social Security number field on the application was left blank, but the transaction was processed using the Social Security number on the applicant's history file. In these six cases, the transaction date was after the date of death of the person the number was assigned to. Therefore, it appears that the applicant previously used a Social Security number that was not assigned to them by the SSA.
- For 6 other transactions, the Department could not find the application. Therefore, we could not determine whether the incorrect Social Security number was due to a data entry error, an applicant using a number not assigned to them or some other reason.
- In the remaining 34 discrepancies, the Social Security number on the download was different than the number on the application or the download (e.g., consecutive digits were inverted); however, due to the nature of the error, it appears to be a data entry error by the Department's local office representative rather than an intentional misuse of another person's Social Security number.

To summarize, with the use of the VERIS software, we identified 25,839 WISE transactions that contained Social Security numbers of deceased individuals. We randomly selected 214 of these transactions for review, and determined that 52 of the transactions (24 percent) may contain stolen or fabricated Social Security numbers, 34 of the transactions (16 percent) may contain Social Security numbers that were incorrectly recorded on the WISE system by local office representatives and 6 transactions may contain Social Security numbers that are either stolen or fabricated or they may be incorrectly recorded. Based on the results of our random, statistical sample, we conclude with 90 percent confidence that the Social Security numbers used in at least 9,675, and possibly as many as 12,540 of the 25,839 WISE transactions containing the Social Security numbers of deceased individuals, were stolen, fabricated or incorrectly recorded.

The accuracy of the Social Security numbers recorded on the WISE system could be improved if the Department implemented a control that requires the same Social Security number to be input twice by the local office representative before it is accepted by the WISE system. If a keypunching error occurred, the entry would be rejected. This double entry control edit would help to reduce keypunching errors in Social Security numbers. Although this control could increase the time it takes to process transactions, it may be warranted in light of the importance of accurate Social Security numbers. We note that this procedure would no longer be necessary if all Social Security numbers are verified when they are entered on the WISE system, as we recommend earlier in this report.

As previously noted, the Department should use available software, such as VERIS, to identify questionable Social Security numbers for follow-up review. In addition, the Department should investigate ways to match the Social Security numbers in its history files with the Social Security numbers in other State and Federal databases, such as those maintained by the SSA and New York State Department of Health (which maintains records of births and deaths). Other government agencies perform computer matches of this kind. For example, the SSA Office of the Inspector General issued a report describing the types of computer matches it performs.

Controlling the Assignment of Dummy Social Security Numbers

If a license applicant is ineligible for a Social Security number issued by the SSA, the Department may require the applicant to obtain a letter from the SSA explaining why a Social Security number cannot be assigned. In lieu of a number from SSA, these applicants may be given a “dummy” number based on a numbering system designed by the Department for this purpose. The dummy number is entered on the WISE system in the place of the Social Security number. The dummy number is not disclosed to the customer, since it is for license processing purposes only, and is not to be used for any other purpose. Dummy numbers were first assigned in January 1997. Department records indicate that during the 38 months ended June 5, 2001, a total of 4,263 dummy numbers were assigned.

The dummy number is used to check the National Driver Register (NDR) maintained by the National Highway Traffic Safety Administration of the U.S. Department of Transportation to determine if applicants have a license in another state, with a poor driving history. The NDR collects personal identification information including name, date of birth, sex, and Social Security number from participating states on individuals who have been denied a driver’s license; whose driver’s license has been revoked, suspended or cancelled; or who have been convicted of certain offenses such as driving while under the influence of alcohol or a controlled substance. This database is known as the Problem Driver Pointer System. By querying the NDR’s Problem Driver Pointer System, states can prevent the issuance of a license to applicants who have been entered in the NDR by another state for these types of problems. The Social Security number is a required field; as a result, the dummy number is needed to enable the computer search with the NDR. However, the search is based on the name and date of birth fields, not on the Social Security field.

We examined the Department’s process for assigning dummy numbers and found that the process has not been clearly established in writing and has not been clearly communicated to the local offices. For example, there were no written procedures issued when the dummy number process first started in 1997, and a Department training guide for new employees entitled *License, Permit and NDID Issuance Requirements and Processing Information*, dated January 2001, does not mention dummy numbers. A later version of this guide dated December

2001 states that a letter from the SSA is required for applicants not eligible for a Social Security number, and “N” is to be entered in the Social Security number field on the WISE system. The guidelines also state that there are times when a dummy Social Security number will have to be assigned to such applicants, and at these times the local office representatives will need to contact a certain Department unit to obtain the numbers for assignment. However, the guidelines do not specify what kinds of license-related transactions require a dummy number. In response to our draft report, the Department stated that it reissued procedures for the use of dummy numbers on September 6, 2002.

Department officials told us that dummy numbers are required only when applicants without Social Security numbers seek to exchange a driver’s license from another state for a New York State license (such licenses are referred to as reciprocity licenses). The officials also told us that applicants for a learner’s permit who are not eligible for a Social Security number must present a letter from the SSA, but a dummy number is not assigned; rather, an “N” is entered in the Social Security number field of the WISE system.

However, we found indications that a dummy number should be assigned to permit applicants, as a Department reference guide on the NDR Problem Driver Pointer System dated September 2001 states that searches are processed on permit transactions for first-time drivers age 17 and older and for license reciprocity transactions. In addition, Title 49 of the United States Code (Chapter 303 addressing the NDR) states that, before issuing a motor vehicle operator’s license, a state should request information from the NDR on the individual’s driving record. Therefore, it appears that the Problem Driver Pointer System is intended to include permit holders as well as license holders. If permit holders are to be recorded and searched on the System, they need a unique personal identifier such as a Social Security number or dummy Social Security number.

To determine whether the Department’s district offices share the same understanding of when dummy Social Security numbers are to be assigned, we selected a judgmental sample of 11 of the 28 Department-operated district offices. (The Manhattan License Express does not obtain dummy numbers because it does not issue permit originals). We selected the sample so that the offices were located in different areas of the State and

processed a relatively high number of license-related transactions. We visited the 11 districts and asked the officials which license applicants were assigned dummy numbers. As is shown in the following table, the practices varied widely among the 11 districts. For example, only applicants for reciprocity licenses with a letter of non-eligibility from the SSA were assigned dummy numbers in some districts, in other districts persons not eligible for a Social Security number were assigned dummy numbers only when applying for a reciprocity license or permit, and no applicants were assigned dummy numbers in other districts.

Type of Applicants Assigned a Dummy Number	Number of Districts
Non-citizens not eligible for SSN	1
Canadian citizens	1
Persons with letter from SSA applying for reciprocity licenses	2
Persons with letter from SSA applying for reciprocity licenses or fulfilling all driver license requirements, but not first time permit applicant	1
Persons not eligible for SSN applying for reciprocity licenses or permits	2
Dummy numbers not assigned	4
Total	11

To test whether dummy numbers were issued properly, we selected a random sample of 203 transactions. Of the 203, 43 included a letter from the SSA stating that the applicant was not eligible for a Social Security number. To determine whether these letters were authentic, we visited 13 SSA offices in the New York City area that issued 31 of the 43 letters. We were unable to verify the authenticity of the letters, because the SSA officials at the offices told us that they do not track such letters and, in their opinion, such letters could easily be fabricated. We note that one letter from an SSA office was not even signed, while the letters that were signed were not necessarily authorized, since it is an acceptable practice for employees to sign the SSA office manager's name at three offices and the letters can be easily duplicated. The Department needs to work with the SSA to establish a process for verifying that an individual is not eligible for a Social Security number. In response to our draft report, the Department stated that it now requires applicants who are ineligible for a Social Security number to submit valid Immigration and Naturalization Service documentation in addition to a letter of ineligibility.

Recommendations

1. Add an edit to the WISE system that prevents license and NDID transactions from being processed when a valid Social Security number is not recorded in the applicant's history file or is not provided for a first-time applicant.
2. Validate with the SSA the Social Security numbers provided in all license and NDID transactions.
3. Use software such as VERIS on a routine basis to analyze WISE transactions for invalid Social Security numbers and patterns indicative of inappropriate activity.
4. Add an edit to the WISE system that identifies, and refers for follow-up action, applicant history files that are missing Social Security numbers.
5. Destroy all license application forms that do not contain a field for a Social Security number.
6. Add edits to the WISE system that:
 - regularly examine all Social Security numbers on the system and identify all the instances where the same Social Security number is recorded in the history file of more than one individual, and
 - alerts Department officials whenever the number of license transactions processed for a single individual or single Social Security number exceeds a pre-established level within a specific period of time.

(Department officials replied they disagree with this recommendation indicating that current procedures for duplicate license issuance and referral to the Division of Investigation in certain cases are sufficient.

Recommendations (Cont'd)

Auditor's Comments: The edits to the WISE system would improve the controls and could identify transactions where procedures were not followed in a more timely manner. Therefore, we urge Department officials to reassess their position regarding this recommendation.)

7. Follow up on the discrepancies and questionable transactions identified in our analyses of Social Security numbers and the 21 individuals identified in the Department's investigation, and take legal and disciplinary actions as warranted.
8. Obtain information about how the Social Security numbers in WISE history files can be compared with the Social Security numbers in other State and Federal databases to determine whether the applicant is using a valid Social Security number.
9. Develop complete written procedures concerning the assignment of dummy Social Security numbers, distribute the procedures to all district offices, and periodically review the districts' assignment of dummy numbers to ensure that the numbers are assigned as required.
10. Require that dummy Social Security numbers be assigned to permit holders.

(Department officials replied they disagree with this recommendation and describe the limited cases where a dummy SSN will be assigned to a permit holder.

Auditor's Comments: While the Department's procedure as stated addresses "ineligible reciprocity applicants," it does not provide support for not issuing a dummy SSN to permit applicants, which would be used to check with the National Driver Register.)

11. Work with the SSA to establish a process for verifying that an individual is not eligible for a Social Security number.

OTHER CONTROLS

While a valid Social Security number provides the Department with some assurance that an applicant has stated his or her true identity, other assurance is needed. Therefore, applicants for driver's licenses and NDIDs are required to provide the Department with other proofs of their identity. In addition, since applicants are photographed during the license/NDID issuance process, this digital image can be used to confirm an applicant's identity in subsequent transactions. While sufficient proof of identity and image verification can provide the Department with reasonable assurance that an applicant has stated his or her true identity, we found that sufficient proof of identity is not always obtained from applicants and available images of applicants are not always used to confirm an applicant's identity. We also found that internal procedures designed to prevent errors and malfeasance by local office staff are not always followed. As a result of these various internal control weaknesses, the Department has less assurance that licenses and NDIDs are issued only to applicants who have stated their true identity.

Controls Over Application Processing

When individuals seek a driver's license or an NDID at a local Department office, they are required to complete an application form and provide proof of their identity. A number of different documents may be provided as proof of identity, but together these documents must meet the following requirements:

- all the documents must be originals,
- at least one of the documents must contain the applicant's signature, and
- the documents must be worth at least six points on the Department's rating scale (according to this scale, some types of documents are awarded more points than others; e.g., a current New York State photo driver's license is awarded six points, a current U. S. passport is

awarded four points, a valid foreign passport is awarded three points, a non-photo New York State food stamp card is awarded two points, and a utility bill is awarded one point).

In addition, first-time applicants for driver's licenses are required to provide their Social Security card (for subsequent license transactions, applicants are required to write their Social Security number on the application form). The local office representative processing the application is expected to indicate which proofs of identity were provided, by listing them in the space provided on the application form.

The local office representative is also expected to examine the application form to make sure it is complete, to rewrite any information that is not clear, and to attach the applicant's waiting number to the application form and related documentation (this number indicates the applicant's place in line at the local office). This is an important control because it provides some assurance that the applicant was served in order of appearance at the local office and did not pre-arrange a fraudulent or otherwise inappropriate transaction with one of the representatives.

To determine whether local office representatives processed driver's license and NDID transactions in accordance with Department requirements, we reviewed a sample of 963 such transactions. We selected the sample from the transactions processed in 12 of the Department's 28 local districts. We selected the 12 districts because they are located in different areas of the State and process a relatively high number of transactions. Transactions are processed at computer terminals operated by different local office representatives. We randomly selected a sample of terminals in each of the 12 districts, and using the Department's computerized log of WISE transactions, randomly selected some of the transactions processed at those terminals on randomly selected dates. In addition, we visited six of the districts and reviewed selected transactions processed at randomly selected terminals on the day prior to our visit. The following table shows the number of transactions reviewed at each of the 12 districts:

District	Terminals	Transactions
Albany	19	57
Amityville	15	34
Bethpage	19	24
Coney Island	25	98
Hauppauge	22	72
Hempstead	11	117
Penn Plaza	10	216
Queens	34	82
Rochester	19	46
Syracuse	15	61
West Haverstraw	22	35
White Plains	16	121
Total		963

For each transaction we examined the original application form and the documentation attached to the form. According to Department requirements, every transaction should have the following two types of documentation: an image control strip (a strip of paper containing the applicant's signature and reference number for the applicant's digital image) and a tear strip (a strip of paper indicating the transaction code and the proofs of identity provided by the applicant). Some transactions also required other types of documentation (such as the applicant's waiting number or a letter from the SSA stating that the applicant was not eligible for a Social Security number).

We found that 255 of the 963 transactions (26 percent) were not processed, or were not documented, in accordance with Department requirements. (Some transactions had more than one exception.) In 133 of these transactions (14 percent), the identity of the applicant was not, or may not have been, adequately verified by the local office representative, as follows:

- The Social Security number was not entered on the application form and there was no letter from the SSA stating that the applicant was not eligible for a Social Security number (26 transactions).
- The proofs of identity indicated on the application form and tear strip did not add up to six points (20 transactions).

- The proofs of identity indicated on the application form did not match the proofs of identity listed on the tear strip (87 transactions).

In addition, in 122 of the transactions, either the tear strip or the applicant's waiting number was not attached to the application form (55 transactions); the transaction code was incorrect or missing (59 transactions); or the application form was not complete (8 transactions). These documents are required to show that applicants were randomly assigned to an MVR for processing, what proofs the MVR indicates were provided by the applicant and that the applicant supplied all required information for the transaction. As a result, when they are missing or incomplete, there is less assurance that the applicants' identity in these 255 transactions was adequately verified.

According to Department policy, the supervisors at the local offices should review all the transactions processed by one selected representative at that office each day (referred to as batch review). The purpose of the batch review is to determine whether the applications are complete and the transactions were processed in accordance with Department requirements. However, officials interviewed at the 12 district offices disclosed that the supervisors in eight of these districts do not perform batch reviews, as required. In the absence of thorough supervisory review, applications are less likely to be complete and transactions are less likely to be processed in accordance with Department requirements, as we found in our review of selected transactions processed in these 12 districts.

During our visit to the Queens district office, we reviewed a batch of transactions processed by a representative during one day (this batch was also reviewed by the representative's supervisor). We found that a driver's license reciprocity application was processed for a person with a U.S. Virgin Islands driver's license. In such cases, the license from the other state or territory should be surrendered by the applicant and attached to the application, however, the Virgin Islands license was not surrendered. The batch containing this transaction was reviewed by a supervisor, but the supervisor did not discover the error because only a sample of the transactions was reviewed. When we advised district officials of the error, they took steps to revoke the New York license.

We also note that, even though the district offices are overseen by the Department's central office, central office staff does not perform periodic visits to the district offices to determine whether the practices at the district offices comply with requirements. We believe the district office practices would be more likely to comply with requirements if such visits were performed.

In addition, the local office supervisor can override the requirement that an applicant's proofs of identity add up to six points. In such instances, the supervisor may accept other documents that are not on the list of acceptable proofs and must initial the space on the application form where the proofs of identity are listed. In addition, effective October 16, 2001, the supervisor also must enter a code in the supervisory override field on the WISE system and initial a subsequent report containing all the supervisory overrides for a certain period.

However, in 7 of the 12 districts that we visited, some of these procedures are not followed. In six of the districts, the supervisors do not initial the subsequent report of supervisory overrides to confirm that they did in fact allow a license or NDID to be issued to an applicant who normally would not have received the license or NDID. In the other district, the supervisor override report is destroyed after review. As a result, in these seven districts, there is less assurance that the licenses and NDIDs issued through supervisory overrides are, in fact, authorized.

Use of Digital Images

Individuals are photographed when they are issued a driver's license or NDID. The digital image is maintained by the Department. When the individual returns for subsequent license and NDID transactions, the local office representative processing the transaction is expected to retrieve the digital image to verify that the applicant matches the digital image on file and is therefore the same person. However, we found that digital images are not retrieved for verification purposes at 10 of the 12 district offices we visited. As a result, these offices have less assurance that applicants have stated their true identity. Department officials indicate that the applicants identity would be checked through the six-point requirement if an image retrieval is not done. However, due to the ease of creation of

fraudulent documentation and the risks associated with identity theft, we believe that the Department should require district offices to perform image retrievals for all transactions that have prior images on file.

The License Production Bureau reviews the digital images on file as part of their oversight of driver's licenses and NDIDs issued statewide. In September 1992, the Bureau began examining the images obtained when applicants for duplicate and amendment licenses/NDIDs are photographed. The purpose of this review is to determine whether the new image matches the image previously on file for the applicant. If the images do not match, the license/NDID transaction is suspended and referred to a supervisor, who determines whether the transaction should be processed. If the transaction appears questionable to the supervisor, it is referred to the Department's fraud investigation unit for further review.

Prevention and Detection of Fraudulent Transactions

According to Department records, during the year ended December 31, 2001, nearly 5,400 of the proofs of identity submitted to local office representatives were confiscated by the representatives and forwarded to the Department's fraud investigation unit. To help local office representatives detect fraudulent identity documents, the Department provides training classes explaining how such documents can be identified. The Department also issues internal bulletins addressing matters related to fraud, and maintains a manual for the local offices that provides guidance on document security.

When a local office representative suspects that an identity document provided by an applicant is fraudulent, the representative is supposed to confiscate the document and place a hold on the transaction. The document is then given to the Department's fraud investigation unit (DFI) for investigation. We were told by local staff at the 12 district offices we visited that they are not informed of the outcome of these investigations. As a result, local office representatives do not learn whether the documents they referred to the DFI were in fact fraudulent. If the representatives were informed, they could become more adept at identifying fraudulent documents. Accordingly, we recommend that the DFI inform the district

offices of the results of investigations that are initiated by district office referrals.

We also recommend that the Department establish a program of ongoing coordination with law enforcement agencies. Since such agencies may identify fraudulent driver's licenses and NDIDs in the course of their investigations, they could be a valuable source of information to the Department. If these agencies routinely notified the Department when they identified fraudulent, or potentially fraudulent, documents, the Department could revoke the fraudulent documents and perform investigations to determine how they were acquired.

Some fraudulent transactions are processed with the collaboration of local office representatives. For example, in 1997, the Office of the State Inspector General issued a report on its investigation into the issuance of fraudulent identification documents by the Department. This investigation found that some local office representatives were willing to sell fraudulent NDIDs to undercover investigators who did not supply any proof of identity. In response to these findings, the Department implemented an additional control called the "two-stop" process. In this process, an applicant's identity documents are examined by two different local office representatives: one representative at the camera station and another representative who processes the transaction. Both representatives must approve the identity documents, making it harder to process a fraudulent transaction. However, this process was implemented only in New York City, because the fraudulent activities identified by the Office of the State Inspector General occurred in New York City. In response to our audit findings, Department officials indicated that the two-stop process was expanded to include all Department-operated offices in April 2002.

According to the Department procedures in effect at the time of our review, the two-stop process should have been followed for 58 of the 963 transactions in our sample of driver's license and NDID transactions from 12 selected local districts. However, it was not followed for 22 of the 58 transactions resulting in less assurance that these higher risk transactions were processed appropriately.

Recommendations

12. Issue guidelines to the local districts offices emphasizing the need to comply with the Department's requirements for performing supervisory batch reviews, confirming and documenting supervisory overrides, and using digital images to confirm the identity of applicants.
13. Periodically make unannounced visits to district offices to audit driver's license and NDID transactions to determine whether they are processed in compliance with Department requirements.
14. Regularly review license holders' image files to identify images that are associated with more than one identity, and follow up on any such images to determine whether corrective action needs to be taken.
15. Inform the district offices of the results of the investigations that are initiated by their referrals.
16. Coordinate with law enforcement agencies to obtain information about fraudulent, or potentially fraudulent, driver's licenses and NDIDs that are identified by the agencies.
17. Implement the two-stop process in Department-operated offices and periodically review the applicant processing practices at the offices, and take corrective action at any offices not using the process as required.

MAJOR CONTRIBUTORS TO THIS REPORT

Carmen Maldonado

Dominick Vanacore

Abraham Markowitz

Robert Mehrhoff

Stephen Goss

Marianne Boyer

Keith Dickter

Lisa Dunleavy

Kathleen Hotaling

Nadiuska Piedra

James Pugliese

Brandon Ogden

Eric Swanson

Gayle Clas

James Golembieski

Dana Newhouse



STATE OF NEW YORK
DEPARTMENT OF MOTOR VEHICLES
6 EMPIRE STATE PLAZA
ALBANY, NY 12228

RAYMOND P. MARTINEZ
Commissioner

GREGORY J. KLINE
Deputy Commissioner
For Administration

December 6, 2002

Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 William Street – 21st Floor
New York, NY 10038

Dear Ms. Maldonado:

The following is the Department of Motor Vehicles response to the draft audit report (2001-S-12), Controls Over the Issuance of Driver's Licenses and Non-Driver Identifications.

EXECUTIVE SUMMARY

Audit Observations and Conclusions

Paragraph 1 - The Department instituted a new program with tighter controls prior to the conclusion of the audit. We began a program that required our customers to present their original Social Security card for all original licenses, driving permits and out-of-state license reciprocity transactions. This program was instituted on February 1, 2002. In addition we started on-line verification of Social Security Numbers for this same group of licensees on March 28, 2002.

*
Note
1

INTRODUCTION

Background

Paragraph 3 - We do not agree with this assessment. Although there is pressure to provide good customer service and the volumes of some of our offices are heavier than in others, the Division of Field Investigation has formulated a fraudulent documents training program which each of our issuing office employees receives. This program covers the major security features used on the majority of the documents that are received by our Department. These include all of the overt and covert features currently in use. This initial training is bolstered with refresher courses that are provided on demand along with the continuing initial training of all new hires. A modified version of this training course is also given to Federal, State, and Local Law Enforcement.

*
Note
2

* See State Comptroller's Notes, Appendix C

The Department also routinely issues alerts to all issuing offices, both State and County, detailing specific document fraud, documents and equipment that have been stolen from other jurisdictions as well as our own, and current trends that we are seeing in documents being presented in our issuing offices.

This training and notification system is supplemented by on-site office visits by our investigative staff. These visits involve our investigators verifying and cataloging the fraudulent documents that have been collected by our office staff, answering questions on document authenticity, talking with supervisors and staff and providing hands on real-time training on the documents that staff are receiving while we are there. These visits are conducted weekly in all of the offices within the burroughs of New York City, which are our most productive locations.

Paragraph 4 - Our investigators are constantly reviewing the paperwork that is being presented in our offices. We are looking for trends, and also looking for patterns of the same types documents being offered by an inordinate amount of our customers. When we find this type of activity, or are told of suspicious activities by our contacts within the office or from our arrestees attempting to cut deals with the local prosecutors for lighter charges or sentences, it is passed through the Division of Field Investigation's chain of command and given to the Office of the New York State Attorney General. This office is responsible for the investigation of any malfeasance or criminal activity by our employees.

Page 4, 1st paragraph, 1st Sentence - We now require the customer to present his original Social Security Card as of February 1, 2002.

Page 4, 1st paragraph - We now verify Social Security numbers on-line as of March 28, 2002.

Page 6, last paragraph - The Department is scheduled to start a batch processing of our existing Social Security number file in March of 2003. This will be done initially on our renewal transactions and then will be done on-line for original licenses, Non Driver Identifications (NDID) and reciprocities.

Page 8, 2nd paragraph - The Department is scheduled to start a batch processing of our existing Social Security number file in March 2003. This process will identify fictitious numbers as well as numbers used multiple times.

Page 10/11 - The Division of Field Investigation did not receive this information to review.

Page 11/12, last paragraph, page 11, first paragraph page 12 - The individuals mentioned in this section all have administrative prohibits placed on their license records. All of these individuals have licenses that expire during the next fourteen months. When these expirations occur these subjects will be directed to contact our Fraudulent Documents Unit where they will be interviewed and appropriate criminal or administrative action will be taken.

*
Note
1

*
Note
1

*
Note
3

*
Note
4

* See State Comptroller's Notes, Appendix C

Response to Recommendations

1. *Add an edit to the WISE system that prevents license and NDID transactions from being processed when a valid social security number is not recorded in the applicant's history file or is not provided for a first-time applicant.*

In November 2001, a pilot was implemented in 4 offices for the on-line verification of social security numbers. On April 1, 2002 the program was expanded to include on-line verification in all issuing offices. On-line SSN verification is a system by which we verify social security numbers with the Social Security Administration (SSA). The process will not permit the issuance of a document if the SSN does not verify with SSA. The WISE system verifies the SSN on-line for original, first-time applicants, as well as those seeking to renew a license that does not have a SSN on file.

We presently have a team working on the development of a batch verification system for the remaining SSNs and to prohibit a license/NDID renewal of any individual whose SSN does not successfully verify (anticipated implementation in early 2003). We have further strengthened the process by requiring the applicant to submit the original social security card (effective 2/1/2002) or a letter of ineligibility from the Social Security Administration. The letter of ineligibility must be submitted along with the valid INS documentation that was submitted to SSA.

Effective September 30, 2002, NDID transactions were added to this process. Legislation has been enacted that requires a social security number to be submitted at the time of application for a NDID.

2. *Validate with the SSA the social security numbers provided in all license and NDID transactions.*

See above.

3. *Use software such as VERIS on a routine basis to analyze WISE transactions for invalid social security numbers and patterns indicative of inappropriate activity.*

Once the processes described in response to question 1 is fully implemented by DMV, there will be no need to use VERIS for periodic review.

*
Note
1

*
Note
5

* See State Comptroller's Notes, Appendix C

4. *Add an edit to the WISE system that identifies, and refers for follow-up action, applicant history files that are missing social security numbers.*

The WISE system has an edit that will not permit the issuance of a license or NDID if a social security number or letter of ineligibility is not submitted, and such license or NDID will not be issued if it has not been verified with the Social Security Administration. Furthermore, the batch verification process as outlined in (1) above will include a plan for following up on all records that do not have a verified SSN through the batch process.

5. *Destroy all license application forms that do not contain a field for a social security number.*

All old forms are routinely replaced in the field offices as changes occur. New forms will indicate that SSN is required for NDIDs as well.

6. *Add edits to the WISE system that:*

- *regularly examine all social security numbers on the system and identify all the instances where the same social security number is recorded in the history file of more than one individual, and*
- *alerts Department officials whenever the number of license transactions processed for a single individual or single social security number exceeds a pre-established level within a specific period of time.*

We disagree with this recommendation. The procedure for a duplicate license issuance requires image retrieval or alternatively, the submission of the 6 points of proof of name, date of birth and social security card. If image retrieval is used as proof of ID, the image on file is compared to the individual in the office requesting the duplicate. If the individual submits the 6 points of proof of name, date of birth and social security card, and requests a new image, and a discrepancy is found, the discrepancy is reported to the Division of Investigation for action.

Furthermore, the batch verification process, once implemented, should include a process of identifying and weeding out the duplicate and erroneous numbers on file (including enforcement).

*
Note
6

* See State Comptroller's Notes, Appendix C

7. *Follow up on the discrepancies and questionable transactions identified in our analyses of social security numbers and the 21 individuals identified in the Department's investigation and take legal and disciplinary actions as warranted.*

Agree. When a person is identified, the DMV takes action as allowed under our existing statutes. These actions range from placing a prohibit on a record which will not permit another transaction until they have met with DMV representatives to asking the offender to accept sanctions such as suspension/revocation, to arresting individuals on criminal charges. We will follow up on the specific cases identified in your analyses.

8. *Obtain information about how the social security numbers in WISE history files with the social security numbers in other State and Federal databases to determine whether the applicant issuing a valid social security number.*

We currently search the Social Security Administration database for verification of the social security number and are working with INS to start verifying INS documentation through the SAVE program. DMV also utilizes the National Driver Registry, Problem Driver Pointer System and the Commercial Driver License Information System to confirm driver license information.

9. *Develop complete written procedures concerning the assignment of dummy social security numbers, distribute the procedures to all district offices, and periodically review the districts' assignment of dummy numbers to ensure that the numbers are assigned as required.*

The procedures for the use of dummy social security numbers were reissued on 9/6/02 to all issuing offices.

10. *Require that dummy social security numbers be assigned to permit holders.*

Disagree. All original license applicants are required to submit a social security card or letter of ineligibility from the Social Security Administration. Furthermore, successful verification of the SSN is required in order for the transaction to be completed. Dummy social security numbers are only used in the following instances:

- Permit applicants that are SSN ineligible will have the ineligibility letter issued by SSA and the supporting INS documentation. An "N" is entered into the SSN field on the WISE processing system. This entry will place a batch trailer on the client record, which indicates the client is SSN ineligible.
- SSN ineligible reciprocity applicants with the letter of ineligibility and the appropriate INS documentation will receive a dummy social security number.

*
Note
1

*
Note
7

* See State Comptroller's Notes, Appendix C

11. *Work with SSA to establish a process for verifying that an individual is not eligible for a social security number.*

DMV procedures require certain INS documentation from an SSN ineligible customer to support the ineligible status indicated by the SSA letter. We cannot directly verify the ineligible status with SSA, as SSA does not maintain records of the ineligible letters issued.

*
Note
8

12. *Issue guidelines to the local district offices emphasizing the need to comply with the Department's requirements for performing supervisory batch reviews, confirming and documenting supervisory overrides, and using digital images to confirm the identity of applicants.*

All State issuing office district directors, office managers and supervisors received procedural and processing training. Guidelines and policy statements were distributed as part of this training emphasized the need to perform batch audits. The number of batch audits performed by each office is routinely reported each month in the office monthly activity reports to management.

Reports of supervisory overrides are produced on a daily basis. The supervisors who granted the overrides review the report and confirm with their signature that they approved the overrides listed on the report.

All district directors and office managers are reminded periodically of the importance of using digitized images when confirming the identity of applicants. However, we will continue to make compliance with this and the abovementioned requirements a top priority.

13. *Periodically make unannounced visits to district offices to audit driver's license and NDID transactions to determine whether they are processed in compliance with department requirements.*

In the next fiscal year, we anticipate increasing the amount of fraudulent document training we provide to our staff and partners. In addition, we plan on increasing the number of investigators dedicated to ensuring the integrity of the license and NDID application process throughout the state.

* See State Comptroller's Notes, Appendix C

14. Regularly review license holders' image files to identify images that are associated with more than one identity, and follow up on any such image to determine whether corrective action needs to be taken.

Our License Production Bureau already has a program in place whereby the images of all retaken license photos, with the exception of renewals are compared with the existing image on file. If they cannot make a decision, the images are forwarded to the Division of Field Investigation. They in turn conduct an investigation and notify the License Production Bureau of their results.

*
Note
9

15. Inform the district offices of the results of the investigations that are initiated by their referrals.

The Division of Field Investigation routinely advises all operations personnel of the arrests that have been made based on the documents that have been submitted by their offices. This is accomplished by the means of a Frauds Unit Monthly Report. This report contains an office by office breakdown of the types and number of fraudulent documents confiscated in the offices as well as a listing of the arrests made on criminal cases originated by the confiscation of fraudulent documents by the issuing offices. We do not discuss ongoing investigations with the issuing office staff.

16. Coordinate with law enforcement agencies to obtain information about fraudulent, or potentially fraudulent, driver's licenses and NDID's that are identified by the agencies.

The Division of Field Investigation has since its inception conducted fraudulent document identification training for members of Local, State and Federal Law Enforcement. As a direct result of these training sessions we have developed a rapport with law enforcement, which includes our participation in their investigations of the manufacture, sale and use of fraudulent drivers licenses and Non-driver identification cards. We are routinely called in to lend our expertise in these areas and both provide and receive intelligence on the sources and individuals who are using and trafficking in these documents.

*
Note
10

17. Implement the two-stop process in Department-operated offices and periodically review the applicant processing practices at the offices, and take corrective action at any offices not using the process as required.

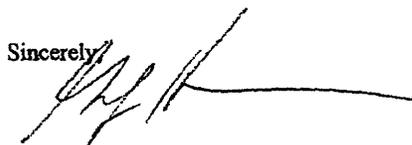
The two-stop process was implemented in all Department-operated offices in spring 2002. The newly appointed regional directors review processing practices each time they visit one of their offices. Corrective action shall be taken as necessary. Compliance with this process remains a top priority, and we will remind the office staff of the importance of complying with the requirement.

*
Note
1

* See State Comptroller's Notes, Appendix C

Thank you and your staff for reviewing this program. If there are any questions concerning this document, they may be referred to Marcel Chevalier, Director of Internal Audit and Quality Control, at (518) 474-0881.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. J. Kline', followed by a long horizontal line extending to the right.

Gregory J. Kline

State Comptroller's Notes

1. We have revised the report to reflect information provided in the Department's response.
2. We recognize the Department's efforts to provide issuing office employees with training to detect fraudulent documents. However, there are certain conditions that can make it more difficult to catch fraudulent applications, and, as a result, increase the need for the Department to have strong controls. We do not mean to imply that the Department stresses customer service at the expense of reviewing the authenticity of documents.
3. The details of our findings were shared with the Department during our audit. On December 12, 2002, we provided the Department with detailed support for each of the findings on pages 11 and 12.
4. The Department states that it plans to wait until the individuals' licenses expire within 14 months. We urge the Department to take prompt enforcement action for individuals who, since February 2000, have ignored the Department's letter without any penalty despite the fact that it was determined that driving privileges should be suspended.
5. We agree that once the processes described in response to Recommendation 1 are fully implemented, this recommendation will no longer be needed. However, in the interim, and in the event there are delays in implementing the batch verification process, prompt action should be taken to implement this recommendation. Additionally, VERIS can help to detect if other controls that were implemented have been effective, or possibly been overridden or compromised.
6. The Department has good controls in place that should prevent processing of transactions without valid Social Security numbers. However, we believe that it would be prudent to implement additional controls that would determine whether the same Social Security number appears on more than one history file and is used on multiple transactions with the same identity. The Department will then know that the identification procedures and batch verification process are functioning properly or are being circumvented or otherwise compromised, either externally or internally. While referring cases to the Division of Field Investigation is a reasonable action to take when discrepancies are detected, it can take several months, or in some cases, more than a year to complete an investigation. Therefore, the Department should not dismiss the notion of having a front-end edit in addition to an investigation by DFI.
7. The Department disagrees with our recommendation, but does not indicate why permit holders who are Social Security ineligible should not be assigned a dummy number to enable a check with the National Driver Register (NDR).

When such permit holders convert to a driver's license, a dummy number will be assigned for a check with the NDR. We question why the check with the NDR is delayed until then.

8. The Department replied that applicants are required to submit INS documents in addition to a letter from the SSA supporting the applicant's ineligible status. This should improve controls over the issuance of dummy numbers. The Department also restates that it cannot verify the ineligibility status with SSA because the SSA does not maintain records of ineligible letters issued. However, this is the reason why we recommended that the Department work with the SSA to find an alternative solution to provide greater assurance of the authenticity of SSA documents. For example, standardized letters containing certain security features would make it easier for Motor Vehicle Representatives to determine if the letters are authentic.
9. While we believe that the risk of identity theft for a license renewal is lower than the risk for other transactions, we recommend that image retrieval be done, considering that it is quick and can help prevent identity theft.
10. We recognize the Department's role in providing fraudulent document training and participation in investigations. However, we believe the Department should have a formal procedure requiring law enforcement entities to notify the Department of any suspected fraudulent Department documents.