

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

**Alan G. Hevesi
COMPTROLLER**



***NEW YORK STATE DEPARTMENT OF MOTOR
VEHICLES***

***IMPLEMENTATION OF INSURANCE
INFORMATION AND ENFORCEMENT SYSTEM***

2001-S-61

DIVISION OF STATE SERVICES

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Report 2001-S-61

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

Dear Mr. Martinez:

The following is our report addressing our audit of the Department of Motor Vehicles' Insurance Information and Enforcement System.

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

April 2, 2004

EXECUTIVE SUMMARY

DEPARTMENT OF MOTOR VEHICLES IMPLEMENTATION OF INSURANCE INFORMATION AND ENFORCEMENT SYSTEM

SCOPE OF AUDIT

To help the Department of Motor Vehicles (Department), the insurance industry, and the law enforcement community identify motorists driving uninsured vehicles, the New York State Legislature passed Chapter 678 of the Laws of 1997 and Chapter 509 of the Laws of 1998 as amendments to Section 313 of the Vehicle and Traffic Law. These amendments required the Department to establish a pilot program that would create and maintain an up-to-date insured vehicle-identification database. In addition, the amendments required the Department to develop a computer indicator that could be imprinted on a vehicle registration sticker or on a sticker to be affixed to the vehicle license plate, enabling law enforcement personnel and other authorized persons on official business to access the department's database and verify that the vehicle has been insured.

The Department developed and implemented the Insurance Information and Enforcement System (IIES) in June 2000. It was developed from valid license plate records and active insurance activities noted in the Department's registration and license files. It contains the most current and complete insurance information that the Department has on a vehicle, including insurance cancellations, issuance of new policies, inquiries, insurance verifications, etc. Insurance-related suspension and revocation information now appears in both IIES and the Department's registration and license files. According to Department officials, the system receives data on 40,000 to 50,000 vehicle-related transactions a day.

We audited the Department's IIES operations for the period of June 1 1998, through November 30, 2002. Our audit addressed the following questions relating to the Department's Insurance Information and Enforcement System:

- Has IIES been implemented as designed?
- Is the information on the IIES accurate, complete and up-to-date?

- Have the intended benefits from implementing IIES and developing a computer indicator (bar code) to be added to vehicle registration stickers and insurance cards been realized?
- Is access to the IIES adequately controlled, and has an appropriate disaster recovery plan been developed for the system?
- Is appropriate performance measurement information maintained for the IIES?

AUDIT OBSERVATIONS AND CONCLUSIONS

We found that IIES was implemented in accordance with the contract. However, certain improvements are needed if the potential benefits of the system are to be fully realized. Improvements are also needed in certain aspects of system security.

We examined whether the information on the IIES was accurate, complete and up-to-date, and found that improvements were needed. For example, 46 percent of the sampled insurance updates processed at district offices did not meet the Department's timeliness standards. We also found that the Department has not always notified the State Insurance Department (SID) when insurance companies did not comply with reporting standards regarding new insurance policy transactions. Consequently, these companies are not subject to any enforcement action. Department officials told us they are working with SID to develop the criteria for performance standards for insurance companies, as well as a rating system. (See pp. 13-9)

The Department's 2-D bar code system, which imprints an encrypted bar code on the vehicle insurance card and another bar code on the vehicle registration sticker, helps prevent fraudulent or inaccurate insurance ID cards from being accepted during the registration process, and can help law enforcement agencies identify motorists who continue to operate uninsured vehicles. However, we found that most of the law enforcement agencies responding to our questionnaire were not familiar with the workings of these systems and had not taken advantage of them. (See pp. 10-16)

We also identified areas for improving computer system security and disaster readiness. (See pg.17)

IIES includes performance reports to track various operating statistics. Our analysis of the reports shows that the data in four of the five reports is not always accurate. Therefore, they do not always provide management with the information it needs to monitor IIES. Department officials told us that they are working to improve the accuracy and usefulness of the reports and to develop new reports that fulfill their needs. (See pp.18-21)

COMMENTS OF DEPARTMENT OFFICIALS

A draft copy of this report was provided to Department officials for their review and comment. Their comments have been considered in preparing this report. Department officials generally agreed with our recommendations and identified actions they have taken and plan to take to improve the Insurance Information and Enforcement System.

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INTRODUCTION

Background

The Department of Motor Vehicles (Department) promotes safety on the highways of New York State (State) by licensing drivers, registering motor vehicles, and providing other related services. The Department operates from its central office in Albany and three regional headquarters in Albany, Long Island, and New York City. It also administers 32 district offices that issue licenses and registrations.

To help the Department, the insurance industry, and the law enforcement community identify uninsured vehicles, the State Legislature passed Chapter 678 of the Laws of 1997 and Chapter 509 of the Laws of 1998 to amend Section 313 of the Vehicle and Traffic Law. These amendments required the Department to establish a pilot program that would create and maintain an up-to-date insured vehicle-identification database. They also required the Department to develop a computer indicator that could be imprinted on a vehicle registration sticker or on a sticker to be affixed to the vehicle license plate, enabling law enforcement personnel and other authorized persons to access the Department's database and determine if vehicles are insured.

In March 1998, the Department issued a Request for Proposal soliciting computer-related consulting services to design and implement upgrades and enhancements for its financial security program. The purpose of the project was to integrate Insurance Information and Enforcement System (IIES) data with those in other Department systems. Subsequently, the Department entered into a contract for \$4.5 million to complete the IIES database, including general system design for IIES as well as a plan that would provide detailed specifications and requirements for both programming and system implementation and operation. The contract also called for development of an Electronic Data Interchange (EDI) prototype for electronic reporting of insurance transactions by insurance companies. Additional contract modifications and enhancements brought the total value of the contract to \$6.3 million.

The Legislature modified section 317-3(d) of the Vehicle and Traffic Law (VTL) to provide funding for a pilot data base system

and bar code program. One source of revenue that the legislation authorized the Commissioner to use to fund the pilot and bar code projects is 25 percent of all civil penalties imposed upon persons fined pursuant to section 318 of the VTL. This section of the law allows motorists who had their driver's license and registration suspended for lack of insurance or lapsed insurance to terminate the order of suspension by surrendering their plates or submitting proof of insurance coverage within 90 days and paying a civil penalty of \$8 for each day that insurance coverage was not in effect. As a means to fund the pilot program, the legislation increased the civil penalty from \$6 to \$8 dollars, of which six dollars is to be deposited into the general fund and two dollars into the miscellaneous special revenue fund-compulsory insurance account. An ancillary goal of the IIES program was to reduce the costs assessed on the insurance industry by the Department.

The Department implemented IIES in June 2000. Developed from valid license plate records and active insurance activities noted in the registration and license files, it contains the most current and complete insurance information that the Department has on a vehicle, including insurance cancellations, new business, inquiries, and insurance verifications. Insurance-related suspension and revocation information now appear on both the Department's registration and license files and IIES. According to Department officials, IIES receives data on between 40,000 and 50,000 vehicle-related transactions a day.

Audit Scope, Objectives, and Methodology

We audited the Department's IIES operations for the period of June 1, 1998, through November 30, 2002. The objectives of our performance audit were to determine whether (1) IIES was implemented as designed; (2) the information on the IIES is accurate, complete and up-to-date; (3) the intended benefits have been realized from implementing IIES and the computer indicator (bar code) to be added to vehicle registration stickers and insurance cards; (4) access to the IIES is adequately controlled, and an appropriate disaster recovery plan has been developed for the IIES; and (5) appropriate performance measurement information is maintained for the IIES.

To accomplish our objectives, we interviewed Department management and staff; reviewed Department records, including electronic records maintained on IIES and vehicle registration records that were used to create the files; and visited 3 of the 32 Department-operated district offices. We sent a questionnaire to 25 local law enforcement agencies throughout the State as well as the New York State Division of State Police (State Police) to obtain information about officers' familiarity with IIES and IIES bar coding technology. We also visited one local police department and observed their use of the bar code scanning devices. To determine whether there were operational problems with the use of IIES, we mailed questionnaires to all of the 178 representatives of 403 insurance companies, and sampled 25 vehicle insurance-related complaint cases that the Department forwarded to the State Insurance Department (SID).

We performed 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 of the Department that are included within the scope of our audit. Further, these standards require that we understand the Department's internal control structure, and compliance with those laws, rules and regulations that are relevant to the operations which are 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 that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these

management functions do not affect our ability to conduct independent audits of program performance.

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 to address information provided in the Department's response. In addition, State Comptroller's Notes to the Department's response are included on page B-5.

Department officials generally agreed with our recommendations and identified actions they have taken to improve the Insurance Information and Enforcement System.

Within 90 days after the 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 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.

IIES DESIGN AND IMPLEMENTATION

We reviewed the IIES development contract and its modifications, the payments made, and the documentation of IIES deliverables. We also used IIES terminals to observe how the system performed. We conclude that the IIES was implemented in accordance with the requirements contained in the contract. We further determined that the processes used for loading vehicle insurance data into IIES when it first began to operate and for updating IIES data on an ongoing basis were both generally effective.

In our test of the timeliness of IIES transactions, we found that a low proportion (4 percent) of the transactions initially entered by insurance companies were late. However, we found that a relatively-high proportion (46 percent) of subsequent updates sampled at district offices did not meet the Department's timeliness standards. We also found that the Department has not always notified the State Insurance Department (SID) when insurance companies did not comply with reporting standards regarding new insurance policy transactions. Consequently, these companies are not subject to any enforcement action.

Accuracy and Timeliness of Data

The IIES database was created during an initial conversion process that took place over the weekend of June 10-12, 2000. During subsequent months, insurance companies, following a schedule that ended in September 2000, were supposed to electronically load their current New York State motor vehicle insurance policy information into the system, using a format prescribed by the Department. To determine whether the insurance companies loaded the vehicle insurance information properly and included all vehicles, we obtained a download from the Department's transaction logs of registration originals (new registrations), registration renewals, re-registrations, and registration surrenders for the two years before the IIES conversion. From the 16,254,174 transactions in the download, we selected a random statistical sample of 153 to determine whether a record had been created in IIES during the initial conversion period for each transaction. We found that all

of the transactions either had been converted properly or had not been converted for a legitimate reason, as shown in the following table:

Test of Vehicle Registrations Converted to IIES		
Sample Result		Number
Converted Correctly		132
Not converted:		
Registration expired more than 1 year	5	
Vehicle type excluded (5 boats, 1 motorcycle, 3 snowmobiles)	9	
Vehicle replaced, not reregistered	7	
Total not converted		21
Total		153

Our sample showed that 132 transactions had been converted properly, including 129 as part of the initial conversion process as well as 3 others that were created after that weekend. In the latter three instances, the original registrant sold the vehicle before the conversion, and the new owner registered the vehicle afterwards. In the remaining 21 cases, either IIES excluded the vehicle type, or the vehicle was replaced and not reregistered. Therefore, there were no instances where the records should have been converted but were not. As a result, we conclude with 90 percent confidence, that the IIES transactions were converted with a reasonable level of accuracy.

Following the “initial load” of their data into IIES, insurance companies are responsible for posting new insurance transactions to IIES electronically. These insurance transactions are matched automatically with the Department’s registration transactions. If an owner purchases insurance for a vehicle but does not register it immediately, the electronic insurance verification will not be matched. IIES recycles the transaction for as long as 52 days, searching for a match. If an owner purchases insurance and registers a vehicle, but electronic verification is not received within a specified period of time, IIES automatically produces a computerized letter to the registrant indicating that insurance verification has not been received and recommending contact with the insurance carrier.

We also used the sample of 153 vehicles to determine whether the system is processing new transactions correctly, by checking IIES for insurance transactions that occurred between the initial load June 10-12, 2000, and our test date, November

21, 2002. The following table is a breakdown of the results of our review:

Test of Insurance Company Verification of Vehicle Insurance Transactions Between the Initial Load and November 21, 2002	
Sample Result	Number
Insurer verification received	98
Active registration but no verification received from insurer	2
No activity - Registration expired over 1 year	28
Not registered in New York	11
Insurance verification not needed (5 boats, 5 light trailers*, 1 motorcycle, 3 snowmobiles)	14
Total	153

* *Note – Light trailers that are registered do not require insurance verification.*

We found two vehicles with active registrations for which no insurance activity had been listed, indicating that the Department had not received electronic verification of insurance coverage from an insurance company as of the date of our test. Our follow-up with Department officials showed that IIES effectively identified the lack of electronic verification and lead to corrective actions as follows:

- The Department sent a letter on November 16, 2002, to the insurance company concerning one of the vehicles included in the database. However, as of November 21, 2002, the company had not yet verified that the vehicle was insured. On December 18, 2002 a notice of registration suspension was sent. On February 25, 2003, electronic verification was received for insurance effective November 16, 2002, and a notice to rescind the registration suspension was sent February 26, 2003.
- The other vehicle was registered on October 4, 2002, but insurance verification had been received earlier (September 17, 2002) and posted to an older account because the insurance company used a license plate number previously assigned to the owner. On November 26, 2002, IIES sent a request for verification of insurance to the insurer and on November 27, 2002 the insurer verified the insurance effective October 4, 2002. The policy was subsequently cancelled effective December 18, 2002 and the registration was suspended. On

February 5, 2003 the motorist paid a civil penalty for the lapse in coverage.

To determine whether registration transactions were being entered properly into IIES, we performed tests at two district offices (Riverhead and Rochester). We randomly selected these offices from the 32 operated by the Department. To conduct our tests, we obtained all of the registration originals that had been processed on the day prior to our visit (173 processed on September 30, 2002, at Riverhead; and 66 processed on October 4, 2002, at Rochester). We then selected a random sample of 50 of these 239 registrations, and used the Vehicle Identification Number (VIN) to search for each one in IIES. We found that 48 of the 50 had been added properly to IIES and the remaining 2 did not need to be entered because they involved vehicles that did not require an entry.

Timeliness of IIES Conversion and Updates

Late filing by insurance companies prevents law enforcement agencies from having access to the most current and up-to-date insurance information for every vehicle registered in New York State. Therefore, we sought to determine whether insurance companies regularly submit verifications within timeliness standards set by the Department. Although our test included the initial data entered on IIES we also included additional insurance transactions that occurred between then and our test date, November 21, 2002. According to Part 34 of the Department's regulations, policies entered during the period of June through September were to be verified no later than September 12, 2000. For new policies issued through January 1, 2001, verification was required within 14 days of the effective date of the policy. Policies written since that date must be verified within seven days after they take effect. Of the 98 transactions that required insurance and for which verification was received, we identified 4 instances (4 percent) in which the insurance company had not met the Department's timeliness standard; they were late by an average of 39 days (the actual number of days - 4, 18, 22 and 113).

We also checked the sample of district office transactions for the timeliness of insurance company verification. Of the 48 that required verification, 26 of the insurance companies had met the respective time requirement at the time of the transaction; 22

(46 percent) had not complied by November 13, 2002, submitting verifications an average of 13 days late.

As illustrated in these cases, when insurers do not report timely that customers lack insurance, there is a risk because the motorist may continue to operate an uninsured vehicle. There is also a risk to properly-insured motorists when their insurer does not report their policy information timely; they may be inconvenienced or penalized inappropriately if stopped by law enforcement personnel before the data are entered in IIES.

We performed tests to determine whether insurance companies had been fined for non-compliance with the reporting timelines. According to Section 317 of the Insurance Law, as amended by Chapter 805 of the Laws of 1984, SID can fine insurers for not reporting insurance information timely or properly to the Department. However, SID officials do not know that insurers are not complying unless the Department tells them. We found that the Department reported non-compliance to SID for the initial load requirements. SID officials told us they had levied fines totaling \$1.9 million for these cases, but they said the Department has not reported non-compliance to SID for late filings of new insurance business transactions since then.

Department officials told us that their initial approach was to work with the insurance companies and help them comply with the IIES requirements. While this is a good approach initially, we believe that there needs to be a transition of the Department's role from that of technical assistance to enforcement, because the system has been in place for more than two years. In response to our findings, Department officials told us they are working with SID to develop the criteria for each performance standard, as well as a rating system. They also indicated that, in evaluating an initial test run, the Department and SID have found that the process was not accurate enough and was subject to interpretation. Work is continuing on an alternative design that can use indisputable individual records retrieved from EDI. We encourage the Department to establish a completion date, expedite implementation of this system and to take enforcement actions against companies that fail to comply with requirements.

Effectiveness of Bar Code Systems

As part of IIES, the Department developed a 2-D bar code system that imprints an encrypted bar code on the vehicle insurance card. This system helps prevent fraudulent or inaccurate insurance ID cards from being accepted during the registration process, and can help law enforcement agencies identify motorists who continue to operate uninsured vehicles. Additionally, the registration sticker required to be affixed to the vehicle windshield also contains a different bar code that can be used to help identify uninsured vehicles. However, we found that most of the law enforcement agencies responding to our questionnaire were not familiar with the workings of the 2-D bar coding system and had not taken advantage of it or the bar code on the registration sticker. If the benefits of these bar codes were marketed more aggressively, they might be used more widely, resulting in improved enforcement.

After IIES identifies a vehicle as uninsured, and the Department has revoked the motorist's driver's license and automobile registration, the motorist is instructed to turn in the vehicle license plates. However, motorists who fail to turn in their plates might continue to operate their vehicles while law enforcement officers are unaware that they are driving illegally. Because an effective program for removing uninsured vehicles from the State's roadways depends on the active involvement of the law enforcement community, the law requires the Department to develop a computerized visual indicator of insurance status that can be imprinted on a vehicle registration sticker or affixed to the insured vehicle's license plate.

To fulfill this requirement, the Department developed a 2-D bar code system that imprints an encrypted bar code on the insurance card (ID card). The encrypted 2-D bar code includes the following information:

- Motorist's name and address
- Type of vehicle and VIN
- Insurance company's digital signature and Insurance Company Code (ICC)
- Insurance policy number and effective date of policy

Department also developed a bar code for the vehicle registration sticker affixed to a vehicle's windshield. The registration sticker bar code contains information about the registrant and the vehicle.

Besides serving as an aid to law enforcement personnel, the coding system was designed to reduce the number of fraudulent ID cards in circulation and to minimize the number of clerical errors made by Motor Vehicle Representatives (MVRs). The Department requires the encrypted 2-D bar code to be imprinted on all renewal ID cards issued with an effective date on or after January 1, 2002. As of January 15, 2003, all insurance policyholders must also possess a bar-coded ID card that can be presented to law enforcement officers upon demand.

To determine whether the 2-D bar code and registration bar code systems provide law enforcement officers with access to IIES, reduces the ability to create fraudulent ID cards, and reduces clerical errors, we interviewed Department officials and submitted a questionnaire to 25 of the State's 459 local police departments, as well as the State Police because of its size and Statewide jurisdiction. We judgmentally selected the departments, which represented a variety of municipalities, as shown in the following table:

Department Type	Number	
	Statewide	Sampled
Village	264	1
Town	128	3
County	4	2
City	63	19
Total Local Departments	459	25
New York State Police	1	1
Total	460	26

Our selection considered the size and geographic location of each police department. To ensure that we included departments that had enough resources to implement a bar code scanning system, we intentionally selected a number of larger police departments.

We also visited one local police department to observe the way its patrol officers used bar code scanning equipment, and 3 of the 32 Department-operated district offices to observe methods used for processing registration transactions, as well as the

actual functioning of the 2-D bar coding scanner. We chose to review the Albany district office because of its close proximity to ours, and randomly selected the Riverhead and Rochester districts.

The encrypted 2-D bar coding system makes it more difficult to create and use fraudulent ID cards, because only authorized insurance companies are allowed to download the Department's bar code-generating software. To register a vehicle, the motorist must complete an application form, and provide proof of ownership, an insurance card, and proof of identity. During our site visits, we observed MVRs processing new registration transactions.

The system automatically compares the information in the bar code with the data entered by the MVR from the supporting documents. In this comparison function, if the information does not match, an error screen appears that prevents the MVR from further processing the transaction. (None of the transactions we observed met this condition, so we did not observe the error message.) These controls should help reduce the likelihood of input errors of registration data, detect inconsistencies between the vehicle ownership documents and the insurance card, and prevent fraudulent insurance cards from being used to register vehicles.

In addition, the 2-D bar coding and registration sticker bar coding systems should help law enforcement agencies identify motorists who continue to operate their vehicles even though they have not maintained valid insurance coverage. However, nine of the ten law enforcement agencies that responded to our questionnaire do not take advantage of the bar coding systems in their efforts to identify uninsured vehicles. Instead, most police departments continue to rely on the New York State Police Information Network (NYSPIN) system to identify infractions such as lack of insurance coverage.

Our questionnaire asked law enforcement agencies whether they were familiar with the bar code systems and used them to identify uninsured vehicles. Seven of the ten agencies that responded indicated they were not familiar with the systems. Of the remaining three police departments we surveyed, one department told us they were lacking equipment and did not see it as an improvement over NYSPIN, the State Police told us they were conducting a test pilot using bar code scanners, and the

Saratoga Police Department (Saratoga) reported using such a system to identify the lack of vehicle insurance as well as other irregularities.

When we observed Saratoga's use of the bar code scanning system, it was efficient and effective in identifying motorists with suspended or revoked licenses, a status that could indicate the motorist is driving without insurance coverage. Patrol officers use hand-held scanners that contain information downloaded from Department files identifying motorists who have suspended or revoked New York State licenses or registrations. (Information on motorists licensed or registered in other states is not included.) The downloading process takes 15 to 20 minutes for each scanner and the data must be updated on a regular basis; Saratoga police officials told us they update the scanners once or twice a week.

Officers use the scanners to read the bar code on a motorist's driver license and the vehicle registration sticker attached to the windshield. Within a few seconds, the scanner "flags" the name of the motorist if there is a problem with either the driver license or the registration, such as a suspension. To determine the nature of the problem, and to learn whether an infraction has been resolved between the times of downloading and scanning, the officer then contacts the dispatcher to run the flagged motorist's name or driver license number through NYSPIN. The more-detailed NYSPIN results identify the nature of any outstanding infractions and provide information from the National Criminal Information Center that indicates whether there are any outstanding warrants on the motorist. If the vehicle is uninsured, it is impounded.

The biggest advantage of the hand scanners is the time it saves officers. Without them, officers must use their laptop or call the dispatcher with each plate number, then wait while the number is run through NYSPIN. The speed of the response depends on the dispatchers' workload and the number of requests called in by other officers. An officer told us that it can take an average of four to six minutes to verify the status of one vehicle in this way. In contrast, we observed that an officer using the bar code scanner was able to scan the bar codes of about five vehicles within about three minutes. The hand held scanners reduce the officers' need to seek the more definitive and time-consuming NYSPIN information, for those vehicles that have been flagged by IIES to have some kind of violation. This time saving can

result in greater productivity for law enforcement agencies and, at the same time, identify uninsured motorists driving in the State for corrective action.

Department officials told us they were aware that law enforcement agencies are not generally utilizing the bar coding systems as a tool for identifying uninsured vehicles. Instead, most continue to access NYSPIN directly, or access the IIES database through the Dial-In system, which became available in September 2000. The dial-in system enables users to employ their own computer equipment for searching and displaying the Department's driver license, vehicle registration, and vehicle title records. However, it provides access only to New York State records. Department officials told us that law enforcement agencies may not be using the bar code systems due to the cost of purchasing scanning equipment and the fact that NYSPIN and the dial-in system still work.

Saratoga police officials told us they were able to purchase the computer indicator system through New York State Governor's Traffic Safety Committee (GTSC) funding. The GTSC was formed in 1967 by a combination of law and executive orders to promote and support the State's highway safety program to provide for the safe transportation of people and goods on New York's roadways. The GTSC disburses to State and local organizations, Federal highway safety funds that enable them to implement their traffic safety priority projects.

The Department has communicated the implementation of the 2-D bar coding system to the State Police and local law enforcement agencies through communications devices known as "P memos." However, the P memos did not communicate the potential advantages of the bar coding system or the possible availability of grants that could help defray the cost of obtaining scanning equipment. In addition to the GTSC grants, another potential source of funds for implementing bar code technology is the Motor Vehicle Law Enforcement Fee (Fee) – a fee of one dollar collected for each insured motor vehicle by insurance companies and remitted to the State Insurance Department. The SID transfers the Fees collected to the Office of the State Comptroller, which reserves these funds for expenditures from two accounts: the State Police Motor Vehicle Law Enforcement Account (State Police Account) and the Division of Criminal Justice Services' Motor Vehicle Law Enforcement Fund (Motor Vehicle Fund). State Police Account

monies, derived from Fees assessed on passenger vehicles, are designated for the support of operating expenses of the State Police, including the costs of detecting, prosecuting, and reducing auto theft and insurance fraud. Motor Vehicle Fund monies, derived from Fees assessed on all other types of motor vehicles (e.g., taxicabs, commercial vehicles), are reserved for the support of local law enforcement efforts to reduce auto theft and insurance fraud. According to Division of Criminal Justice officials, they awarded grants of \$4.2 million for such programs throughout the State in 2001-2002. Similarly, the State Police Account funds could be used to implement a bar coding system in State Police operations.

Another potential source of funds to expand the use of the bar coding system is from excess civil penalties collected. We reviewed Department records as well as amounts reported to the Office of the State Comptroller and found that the collection of fines from uninsured motorists substantially exceeded the cost of the pilot program. Department records show that it collected \$24,022,044 from civil penalties from January 1998 to August 2002. Of this amount, \$6,308,844 was paid to the contractor for development of the pilot program (the IIES). Department officials told us that they would transfer the excess money back from the Miscellaneous Special Revenue Fund back to the general fund.

We concluded that Section 318 (1-a)(b) of the VTL also allows the Department to use the civil penalties collected to fund the expenses incurred under Article 6 if the IIES pilot program is completed prior to 2007. However, the Department has not used the excess civil penalties collected to fund expenses under Article 6, such as costs of administering IIES. Department officials told us that they do not interpret the law this way and cannot isolate the cost of maintaining and administering the IIES database. As a result, the cost of administering the IIES has been included in the amount assessed to insurance companies operating in New York State, which is ultimately passed on to insurance consumers.

The experiences of the Saratoga Police Department illustrate that bar code scanners can be used effectively to identify uninsured motorists more quickly than NYSPIN. The fact that some police departments remain unfamiliar with the bar coding systems and their potential benefits, and with the grants that are available to fund purchases of scanning equipment, suggests

that additional efforts to inform the law enforcement community could broaden its success.

Recommendations

1. Continue to work with the State Insurance Department to develop standards for enforcement actions, including fines for insurance companies that do not comply with reporting-timeliness standards. Monitor insurance company compliance and report non-compliance conditions to SID for enforcement.
2. Take additional steps to inform law enforcement agencies of the 2-D bar coding and the registration bar coding systems, their potential advantages and disadvantages, and available grant funds, and demonstrations that show how the systems are used.
3. Use excess civil penalties collected to fund expenses incurred to carry out work done under Article 6 such as administration of the IIES, including expansion of the bar coding systems by law enforcement agencies.

SYSTEM CONTROLS

According to Technology Policy 96-8 of the State Office for Technology (OFT), it is the responsibility of each State agency to protect confidential and sensitive information if it appears intentional, inappropriate, or accidental disclosure of the information might expose the State or an individual to loss or harm. OFT guidelines also point out that, because the Internet is an unsecured network without built-in security controls, an agency's internal security framework should include provisions for access controls and disaster recovery. Detailed guidance on the types of controls necessary for information systems is provided in the OFT Preferred Standards and Procedures for Information Security (OFT Preferred Standards), the United States General Accounting Office Federal Information System Controls Audit Manual (GAO Manual), and materials produced by the National Institute of Standards & Technology (NIST).

To evaluate the adequacy of the Department's controls, we compared them with features described in these generally accepted guidelines. Detailed results of this area of our audit were provided to Department officials during the conduct of our audit. The details of our findings and recommendations are not identified here due to the sensitivity of the information and the potential risk associated with release of such information. As part of our audit, areas improving computer system security and disaster readiness were identified and presented to Department officials. Department officials responded that they are taking steps to make improvements in these areas.

Recommendations

Recommendations 4 and 5 were provided to Department officials during the conduct of our audit. They are not identified here due to the sensitivity of the information and potential risk associated with such information.

PERFORMANCE MEASURES

According to Section 34.2 of the Commissioner's Regulations, the following performance reports are required by the Department: Edit Error Report, Filing Report, Late Filing Profile, Initiated Verification Transaction Report, and the Matched Resubmission Report. IIES produces these reports automatically on a daily, weekly, quarterly, or annual basis. Insurance companies can obtain the most-recent reports from the Department's web site. They serve as monitoring tools for measuring IIES performance statistics, such as the number of errors identified for correction by insurers, the number of insurance policies requiring verification, and the number that are verified by insurers; and the timeliness of transmissions by insurance companies.

We analyzed the five performance reports for the period of June 2000 through December 2001 to determine whether they captured these statistics accurately so that IIES operations could be monitored effectively. We also interviewed Department officials to determine how the statistics are calculated and used. We found that the data in four of the five reports are not always accurate; therefore, they do not always provide management with the information it needs to monitor IIES.

Department officials explained that the errors were not identified during the development of IIES because the system did not have enough transactions to depict every type of circumstance. They said the Department also does not have written procedures or standards for the monitoring of the performance reports for accuracy and integrity. As a result, staff review the reports only when their supervisor asks them to do so, not on a regular basis. IIES managers told us they were not overly concerned, because the reports alone may not provide a complete assessment of an insurance companies' performance. Data Production Unit officials told us that IIES performance reports are problematic and they are working to resolve the issues.

We also determined that the Department's monitoring of IIES effectiveness would be enhanced if outcome measures were

developed for actions taken against uninsured motorists and if complaints about vehicle insurance were tracked in a systematic manner.

Compliance with Timeliness Standards

It is important for the insurance data IIES contains for each vehicle to be as current as possible. Up-to-date information enables the Department to identify uninsured vehicles promptly and to determine whether new insurance is in effect. When insurance is not in effect, the Department can take appropriate enforcement action, such as suspending the registration and fining the motorist. To keep the data as current as possible, the Department has established certain time periods, within which insurance companies are to update IIES to reflect changes in insurance coverage (e.g., new policies or cancellations).

To monitor the insurance companies' compliance with these requirements, the Department has established the Late Filing Profile, a summary of late transmissions and transaction types filed each day by each insurance company. A release of this summary report obtained from the Department showed that 2,652,112 late transactions occurred in 2000 and 3,206,307 occurred in 2001. However, we found that the summary contained inaccurate information and might not reflect the true number of late transactions. For example, it shows that, on some days, the total number of transactions matched to the IIES database exceeded the total number processed, an indication that the report statistics are being calculated with flawed methods. Consequently, the Department does not have reliable statistics that would indicate trends in insurance company compliance with IIES timeliness requirements.

Insurance Policy Verification Process

When motorists register new vehicles and report insurance information on their vehicles to the Department, IIES verifies the accuracy of the insurance information with the insurer. If an insurance company does not submit electronic verification of insurance within 60 days after the registration is effective, IIES automatically sends a request to the insurer reported by the motorist - referred to as a mandatory verification of insurance (MVF). Insurers are required to respond to the verification request. To enable both the insurer and the

Department to track the verification process, IIES assigns a unique tracking number to each transaction. This verification is important, because it enables the Department to identify inaccurate or fraudulent insurance information submitted by motorists. When an insurance company responds to the Department that the insurance policy is not in effect, the transaction is referred to as a No Insurance (NIS). The Department created the Initiated Verification Transaction Report to track transactions needing confirmation with the insurer, as well as indications of whether verification from the insurer has been received, and the number of negative verifications received. This report is an important management tool, because it tracks statistics that are important measures of the IIES performance. However, we found some of the statistics in the report to be inaccurate.

According to IIES reports, it sent a total of 13,801 MVFs in 2000 and 281,520 in 2001. (Department officials also told us that the numbers for 2000 and 2001 would be confusing because most companies had difficulty with the MVF transaction at first, causing it to be suspended until late 2001.) The reports show that responses were received for just 5,887 (43 percent) of the MVFs in 2000, and 130,680 (46 percent) of those in 2001. These low response rates suggest that many insurance companies did not respond to requests for verification of transactions. However, Department officials told us that the number of outstanding MVFs is inaccurate because the insurance companies often submit responses to the MVF, but they code it as a new business transaction (NBS) and do not include the tracking number that was previously assigned. Consequently, although insurers verify transactions, many MVFs remain outstanding on the Initiated Verification Transaction Report because IIES does not match the verifications with the MVFs if it does not have the tracking number. Department officials have acknowledged the problem and agreed that grand total amounts have been exaggerated. A similar situation occurs with the Matched Resubmission Report, which tracks the number of resubmission requests for edit errors, matched transactions, and unresolved no-hits, and the number responded to by the insurer. This report shows that the Department received responses to just 36 percent of its requests in 2000, and to 46 percent in 2001, partly because insurers do not include tracking numbers in all of their responses.

The Filing Report categorizes all of the submitted transactions into process types, such as new business, reinstatement, and no insurance. In calendar years 2000 and 2001, the Filing Report lists a grand total of 23,888,122 processed transactions (12,529,477 in 2000 and 11,358,645 in 2001). However, our calculations indicate that the grand total was 23,852,629 (12,499,611 in 2000 and 11,353,018 in 2001), a difference of 35,493. Although the size of the error is relatively small, it shows that there is a flaw in the calculation process used to prepare this report.

In response to our findings, Department officials indicated that they are working to improve the accuracy and usefulness of the reports and to develop new reports that fulfill their needs.

Identification of Uninsured Vehicles

During our review of the 153 sample transactions, a Department official told us that, when the Department's registration data were converted to IIES, 577,032 vehicles were identified as either containing no insurance information or containing information that had not been verified electronically by an insurance company. As a result, the Department initiated an effort, referred to as the NIA (No Insurance Activity Project), to obtain verification in the most efficient manner for each vehicle. For vehicles that do not have verification of insurance, the Department issues a letter to the registrant. The registrant must respond within 30 days with proof of insurance or the registration is suspended. Department officials provided a report on the statistics generated by the project, as shown in the following table:

NIA Project Case Status As of 11/19/02	
Description	Count
Resolved	
Electronic verification after 6/12/00	190,752
Registration surrendered	37,790
Registration expired	131,900
Exempt vehicles	37,236
Self-insured	945
Total resolved	398,623
Unresolved	
Letter sent – resolution unknown	68,482
Miscellaneous	4,768
Open	5,893
Outstanding	99,266
Total unresolved	178,409
Total	577,032

As the table indicates, the use of IIES has made it possible for the Department to identify some uninsured motorists and take action against them. However, the majority of the approximately 400,000 resolved cases were either verified or identified as exempt vehicles or expired registrations. The Department has initiated action on many other cases that were still pending at the time of our review. The Department has continued the NIA project and Officials told us that as of May 2003, they have about 7,000 cases left. They also told us that many of these cases are unique and involve auto dealers who do not have VINs associated with their plates, and some are farm vehicles.

Identification of uninsured motorists and enforcement efforts is an important program outcome measure. It is not clear how many uninsured vehicles that were operating before IIES was established have been identified and stopped because IIES is now available. About 38,000 (10 percent) of the resolved cases involved surrendered registrations, and could have represented vehicles being operated without insurance. This group was a relatively-small fraction of the State's approximately 8.8 million registered vehicles that are covered by IIES. Even though there is no precise measure of uninsured vehicles caught by the conversion to IIES, our review shows that the conversion of existing records to IIES was generally successful, and that IIES effectively tracks vehicle insurance through electronic

verification with insurance companies. For example, in two cases in our sample of 153 transactions, electronic verification of insurance was not obtained initially. In both cases, IIES detected the discrepancy and corrective actions were taken. In one case the registration was suspended until verification was received and in the other case, the motorist had a lapse in coverage and paid a civil penalty after the registration was suspended. Additionally, law enforcement agencies can access up-to-date information on uninsured vehicles through either the Dial-in or NYSPIN, making it possible for them to take action. The Initiated Verification Transaction report includes the number of transactions that have been confirmed by insurers as not having insurance (NIS transaction). Insurers confirmed that insurance was not in effect in 862 instances (6 percent of verifications) in 2000; and 13,772 instances (5 percent of verifications) in 2001. This data illustrates that IIES has helped prevent uninsured registrations from continuing unnoticed in these cases, and will enable law enforcement officers to identify the vehicles as uninsured if they stop them. Therefore, we conclude that the implementation of IIES has significantly improved the identification of uninsured vehicles and the initiation of action against their owners.

Department officials told us that other measures of the effectiveness of IIES actions against uninsured motorists include the number of insurance lapses identified by IIES and the civil penalties collected for these lapses. Now that these types of outcome measures are identifiable, the Department should establish standard reports to capture these and any other relevant outcome measures of efforts to stop uninsured motorists. The Department should also establish benchmarks of track these statistics to identify trends over time.

Complaints from Motorists Driving Insured Vehicles

IIES was designed to facilitate the identification and the enforcement of action against motorists driving uninsured vehicles, at the same time minimizing contacts with motorists whose vehicles are insured. When insurance is not verified electronically by an insurer, IIES automatically issues notices to the owner of the vehicle and ultimately suspends the vehicle's registration and license until insurance coverage is verified. Therefore, it is important that IIES data be accurate so that the drivers of insured vehicles are not penalized erroneously. Because IIES compares data entered by MVRs during the

vehicle-registration process with data transmitted by insurers, any discrepancy between the two is supposed to prevent an electronic verification. Non-matches can occur for a number of reasons, such as data entry errors by MVRs or insurance company employees, or the submission of incorrect information by policyholders to their insurance company or to the Department.

To determine whether an operational problem within IIES has caused motorists to be identified incorrectly as uninsured, we interviewed Department officials about their customer relations practices. We also obtained information from SID as to how referrals from the Department are handled, selected a sample of vehicle insurance-related items that had been referred to SID, and compiled data on their disposition. We also received comments from insurance companies in response to our questionnaire about IIES.

The Insurance Service Bureau (ISB) handles contacts with customers who have problems, some of which can be related to insurance verification. For example, Department officials told us that ISB may review Department records and contact the insurance company in an attempt to determine what the problem is and how it can be resolved. They said that, if an insurance company is having problems with the EDI filing process used for IIES but confirms coverage of the vehicle, the Department accepts other evidence as a temporary solution until electronic verification is successful. However, ISB refers customers with complaints about insurance companies to SID because it is the responsible regulatory agency for the industry. The Department maintains no records of customer complaints about insurance companies that are referred to SID; nor do Department officials follow up to learn how the cases were resolved.

The Department also operates an IIES Industry Help Line that works with insurance companies, brokers, and agents to resolve customer problems by reviewing the customers' record and providing guidance. This unit maintains a log sheet of each call handled that shows basic information regarding the call, but not the nature of the problem and how it was resolved. Therefore, the Department does not have the information needed to determine if drivers of insured vehicles were subject to incorrect actions caused by any IIES deficiencies.

We also sent a questionnaire to all 178 representatives of 403 insurance companies that write automobile insurance in New York, requesting data regarding their general awareness of IIES, any effect IIES has had on their operation, and any problems they may have encountered with its use. Of the 86 responses to the questionnaire, 35 included written comments that criticized the IIES process, suggested ways to improve IIES, and/or complimented Department staff and improvements made to IIES that they had found helpful.

The comments included the following topics:

Issue or Suggestion	Number Of Respondents *
Department responses to insurance company faxes or help line calls were slow and/or inconsistent.	11
A transaction by one company can be cancelled or overridden by a transaction from another company.	5
Entire registration and insurance record should be available on-line to assist in correcting problems.	3
Each company should have a Department contact person or account representative.	2
Would like Department confirmation on transactions that are accepted.	6
Slow processing of registrations by auto dealers creates errors for insurance companies.	3

* Note: Some respondents' comments contained more than one of these comments, and others contained none.

Nine comments also included complimentary remarks about the Department's efforts to improve IIES operations, such as introducing the IIES Web Inquiry service, described Department staff as responsive and helpful. We encourage the Department to consider ways to address the concerns and suggestions of the insurance companies.

We also contacted SID to determine the extent of complaints regarding automobile insurance. According to SID records for the period of June 2000 through November 25, 2002, it investigated and closed 231 complaints in which the insurance companies were found not to be at fault. We excluded cases in which the company was at fault, because that conclusion excluded IIES as the responsible party. To determine whether IIES was responsible for some of the problems, we selected a random sample of 25 of the 231 cases for review. Our review did not disclose any indication that IIES caused the problem leading to the complaint in the 25 cases. However, this does

not mean that the complaints were not IIES-related, but merely that we did not find any. In our view, the Department needs to establish a process for recording all complaints they receive, the nature of the complaint, and how it is resolved.

Recommendations

6. Improve IIES performance monitoring by:
 - Modifying the IIES performance reports to provide accurate, relevant information that will help management determine which insurance companies are not in compliance so that corrective actions can taken; and
 - Establishing formal procedures for monitoring IIES performance reports, including benchmarks.
7. Establish standard reports to track measures of outcomes against uninsured motorists including benchmarks.
8. Address the concerns and suggestions of insurance company representatives regarding IIES, and use them as guidelines for further improvements to IIES.
9. Establish a process for recording the complaints referred to SID and the outcome of the complaints particularly the cause.

MAJOR CONTRIBUTORS TO THIS REPORT

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RAYMOND P. MARTINEZ
Commissioner

GREGORY J. KLINE
Deputy Commissioner for
Administration

October 9, 2003

Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
123 Williams Street – 21st floor
New York, NY 10038

Dear Ms. Maldonado:

The attached document contains the Department of Motor Vehicles' response to the draft audit report issued on September 3, 2003 by the Office of the State Comptroller on the Implementation of the Insurance Information and Exchange System (Report 2001-S-61). We appreciate the opportunity to respond to the draft recommendations.

*
Note
1

We would like to state that any information concerning information security at the Department of Motor Vehicles is considered sensitive information per the State's Information Security Policy (P03-002). Therefore, we ask that you provide appropriate protection of this information.

If you have any questions relative to this response, please contact Edward J. Wade, Director of Audit Services, at (518) 474-0881.

Sincerely,

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

Gregory J. Kline

Attachment

* See State Comptroller's Notes, page 43

**Department of Motor Vehicles
Response to OSC Draft Audit Report
Insurance Information and Enforcement System**

Recommendation 1:

Continue to work with the State Insurance Department to develop standards for enforcement actions, including fines for insurance companies that do not comply with reporting timeliness standards. Monitor insurance company compliance and report non-compliance to SID for enforcement.

We have worked with SID throughout implementation of IIES and continue to work with them to ensure program compliance from the insurance industry. Enforcement actions have been taken against non-compliant companies when necessary.

The success of IIES is contingent on a strong working relationship with the insurance industry. It is in the best interest of DMV, SID, the insurance industry and the registrants of NY that we continue to address compliance with the insurance industry through a collaborative and cooperative communication and training effort to the extent possible. This approach has effectively contributed to the success of the program, and will be valuable in improving compliance by the industry.

We agree that there should be sanctions for companies that are unwilling to cooperate in this effort, and to that end we are developing an appropriate structure in conjunction with SID. This structure will be established based on a sound methodology and will ensure that the reports used as a basis for this process are of the highest integrity.

Recommendation 2:

Take additional steps to inform law enforcement agencies of the 2-D bar coding system, its potential advantages and disadvantages, and available grant funds, and demonstrations that show how the system is used.

This issue was discussed at the Exit Conference, but there still appears to be some confusion as to the function of the bar code and also the distinction between the insurance card and the registration sticker.

The 2-D bar coded card is an insurance card produced by the insurance companies, agents and brokers. The insurance card contains information pertaining to the name of the insured, the issuer of the insurance policy, and information pertaining to the insurance policy. This card is not displayed on, or affixed to, the windshield of the vehicle. However, the motorist is required by law to carry a copy of the insurance card in the vehicle.

The registration document is required to be displayed on the vehicle windshield. There is also a barcode on the registration document. Information stored in the barcode of the registration document includes information pertaining to the registrant and the vehicle.

* Note 2

* See State Comptroller's Notes, page 43

**Department of Motor Vehicles
Response to OSC Draft Audit Report
Insurance Information and Enforcement System**

The Saratoga Police Department is not actually using the '2-D bar coding system'. They are scanning the registration document from the windshield of the vehicle and comparing it to information downloaded from DMV's registration and license files.

Enforcement agencies can currently obtain the same information through NYSPIN, without having to maintain a separate database or investing in additional equipment.

Recommendation 3:

Use excess civil penalties collected to fund expenses incurred to carry out work done under Article 6 such as administration of the IIES, including expansion of the 2-D bar coding system by law enforcement agencies.

*
Note
4

It is not DMV's province to determine where and how revenues derived from civil penalties and initially deposited to the credit of the Compulsory Insurance Account are ultimately allocated. DMV can only use monies to the extent and for the purposes that those funds are allocated to DMV by the Legislature.

Any information concerning information security at the Department of Motor Vehicles is considered sensitive information per the State's Information Security Policy (P03-002). Therefore, we ask that you provide appropriate protection of the following information.

*
Note
1

Recommendation 4:

Recommendation 5:

Department comments were redacted to protect security sensitive information.

Department comments were redacted to protect security sensitive information.

* See State Comptroller's Notes, page 43

**Department of Motor Vehicles
Response to OSC Draft Audit Report
Insurance Information and Enforcement System**

*
Note
3

**Recommendation 6:
Improve IIES performance monitoring by:**

a. Modifying the IIES performance reports to provide accurate, relevant information that will help management determine which insurance companies are not in compliance so that corrective actions can be taken; and

DMV will continue to modify the reports.

b. Establishing formal procedures for monitoring IIES performance reports, including benchmarks.

DMV will continue its effort, in conjunction with the State Insurance Department, to develop a sound methodology for transaction-based compliance.

Recommendation 7: Establish standard reports to track measures of outcomes against uninsured motorists including benchmarks.

Since the inception of IIES, there have been standard reports that measure the number of actions taken against registrants that appear to be uninsured. The report tracks the volumes of inquires, registration suspensions, license suspensions and revocations issued on a weekly basis.

DMV has refined the reports which track IIES system activity, and will continue to periodically review and further refine them as deemed necessary.

Recommendation 8: Address the concerns and suggestions of insurance company representatives regarding IIES, and use them as guidelines for further improvements to IIES.

DMV has been working with the insurance industry to develop an interactive relationship so that we can obtain their concerns and suggestions for further improvements. We will continue to foster that relationship, as noted in the section regarding compliance (Recommendation # 1).

Regarding the responses to the survey conducted as part of the review, the two most cited suggestions have already been implemented:

Department responses to insurance company faxes or help line calls were slow and inconsistent.

* Since January 2003, IIES Help Line callers had an average wait time of 2 minutes 10 seconds.

* All faxes received by the Help Line were answered with 24 hours.

* Periodic staff meetings are held with the phone representatives so that current issues can be discussed and any questions staff have can be addressed.

* See State Comptroller's Notes, page 43

**Department of Motor Vehicles
Response to OSC Draft Audit Report
Insurance Information and Enforcement System**

* Call monitoring is also conducted to ensure that accurate and courteous responses are given.

Would like Department confirmation on transactions that are accepted.

* In June 2002 DMV developed the EDITS database. This database tracks the status of all EDI transactions that are submitted to the IIES system by the insurance companies. The database contains information pertaining to date of receipt, the record to which it posted, and/or any discrepancy in data that resulted in an error being returned to the company. Insurance companies have access to this database in order to track the status of transactions they submitted to IIES.

Recommendation 9: Establish a process for recording the complaints referred to SID and the outcome of the complaints particularly the cause.

As previously stated, DMV does not have the authority to impose disciplinary actions or sanctions upon members of the insurance industry. This authority lies solely with the Insurance Department.

DMV's role in the process is to advise motorists who have complaints about the insurance industry on how to resolve their particular issue. We have a process in place to communicate with the Insurance Department so that they can take the actions that they deem appropriate.

State Comptroller's Notes

1. Recommendations 4 and 5 and the Department's response to them are not identified in this report due to the security-related sensitivity of the information and the potential risk associated with the disclosure of such information.
2. We have revised the report to reflect information provided in the Department's response.
3. Our point is that the Department should compile outcome information from SID to identify if any inaccuracies in IIES were a factor, and should be corrected.
4. Based on our legal opinion, we conclude that the provisions of section 318(1-a)(b) were extended and will not expire until June 30, 2007. In addition, the IIES pilot program is completed and, as such, the Department could use the revenues derived from the civil penalties that are deposited in the compulsory insurance account for work done under Article 6 such as the administration of IIES, including the expansion of the 2-D bar coding system.