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October 17, 2006

Ms. Nancy A. Naples  
Commissioner  
NYS Department of Motor Vehicles  
Swan Street Building, Room 510  
6 Empire State Plaza  
Albany, New York 12228

Re: Report 2006-F-5

Dear Ms. Naples:

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, we have followed up on the actions taken by officials of the Department of Motor Vehicles to implement the recommendations contained in our audit report, *Controls Over the Issuance of Driver's Licenses and Non-Driver Identification* (Report 2001-S-12).

**Background, Scope and Objective**

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 125 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.

Our initial audit report, which was issued on March 3, 2003, examined whether the Department's system of controls over driver's licenses and NDIDs provided adequate assurance that licenses and NDIDs were issued only to applicants who stated their true identity and met all the requirements for the documents. Our report identified weaknesses in the Department's controls over the issuance of driver's licenses and NDIDs. For example, the Social Security numbers provided by numerous license applicants did not appear to be valid. In response to our draft audit report, the Department indicated that it took steps to improve controls and planned to make additional improvements in the future. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of September 11, 2006 of the 17 recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that the Department has made substantial progress in correcting the deficiencies we identified. Of the 17 prior recommendations, 14 have been implemented, two are no longer applicable, and one is partially implemented.

### **Follow-up Observations**

#### **Recommendation 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.*

Status - Implemented

Agency Action - On April 1, 2002, the Department implemented programming changes in the WISE system to verify Social Security numbers with the Social Security Administration (SSA) for original, first time license applicants, and for those customers who did not currently have a Social Security number on file. On September 30, 2002, the Department began collecting Social Security numbers for NDIDs, and on December 10, 2002 began on-line verification of Social Security numbers for original and renewal NDIDs. When an invalid Social Security number is entered, the WISE system does not allow the transaction to be completed until a valid Social Security number is entered. During our observations at four district offices, we noted that the WISE system required the Social Security numbers for all original licenses, NDID transactions, and new licenses exchanged for licenses from other states (referred to as reciprocity licenses) and NDID renewal transactions. We tested the on-line verification by applying for a license with a valid Social Security number using an erroneous name and the WISE system returned an error message that the Social Security number did not match the name, preventing the transaction from being processed.

### **Recommendation 2**

*Validate with the SSA the Social Security numbers provided in all license and NDID transactions.*

Status - Implemented

Agency Action - As noted in recommendation one, the Department began verifying Social Security numbers for original, first time applicants, and for those customers who did not have a Social Security number on file on September 30, 2002, and on December 10, 2002 began on-line verification of Social Security numbers for original and renewal NDIDs. Our observations at four district offices confirmed that the on-line verification process functioned as intended. In February of 2004, the Department began a process to verify Social Security numbers on the WISE that were unchecked, with the SSA. Department officials told us they submitted 11.2 million records to the SSA for verification, of which 10.6 million were verified. The Department sent letters to over 580,000 individuals whose Social Security numbers failed the verification process. (Letters were not sent to individuals who turned their license in to another state.) According to Department records, it issued batch suspensions to about 7,700 individuals who responded by submitting a fraudulent Social Security number or did not respond to the mailings. About 2,200 have been resolved with verified Social Security numbers. In addition, as of May 2006, an administrative stop was placed on 229,495 records preventing them from processing future transactions until the Social Security number discrepancy is resolved. We tested a random sample of 25 of the 1,908 history files the Department reported as suspended due to multiple licenses with the same Social Security number. Our test found that all 25 files had administrative stops on them.

### **Recommendation 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.*

Status - Implemented

Agency Action - The Department requires and verifies Social Security numbers for new applicants for driver's licenses and NDIDs. The Department also batch verified Social Security numbers for license and NDID records that preceded the on-line verification process.

### **Recommendation 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.*

Status - Implemented

Agency Action - The WISE system has an edit that will not permit the issuance of a license or NDID unless a Social Security number or a letter of ineligibility for a Social Security number from the SSA is provided. The on-line and batch verification processes diminish the need for a separate edit in the WISE system to flag files without a Social Security number.

### **Recommendation 5**

*Destroy all license application forms that do not contain a field for a Social Security number.*

Status - Implemented

Agency Action - During visits to four offices, we observed that only application forms that contain the Social Security number field were in use.

### **Recommendation 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.*

Status - Implemented

Agency Action - The Department's on-line and batch verification processes provide good controls to prevent the use of a Social Security number by more than one individual. Our attempt to use a valid Social Security number with a different name was prevented by the WISE system. These controls should prevent a Social Security number from being used by more than one individual. Although WISE will not prevent multiple license transactions for an individual the Social Security number verification process reduces the potential for inappropriate multiple transactions for an individual or a Social Security number.

### **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.*

Status - Implemented

Agency Action - Department officials told us that the Division of Field Investigation sent out twenty-one contact letters to the subjects identified in the audit. Our review of the Department's license files shows that as of July 2006, administrative holds had been issued in the past for all 21, of which 11 had been cleared. Of the ten records with administrative holds remaining, six have been suspended.

### **Recommendation 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.*

Status - Implemented

Agency Action - The Department verifies all Social Security numbers on-line with the SSA database. The Department also uses the Systematic Alien Verification for Entitlements Program (SAVE) to verify United States Citizenship and Naturalization Service (USCNS) documents. In addition, the National Driver Registry, Problem Driver Pointer System and the Commercial Driver License Information System are used to confirm information on driver licenses from other states. On field visits we observed verification of an out-of-state license with the National Driver Registry and the state issuing the original license. We also observed verification of USCNS documents through the SAVE program for an NDID transaction. Department officials told us they are trying to work out an arrangement with the Health Department to obtain information on deaths. However, they indicate that it would be difficult to cross-reference deaths to WISE files unless the death certificate includes a Social Security number.

**Recommendation 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.*

Status - Not Applicable

Agency Action - The Department no longer issues "dummy" Social Security numbers. When the batch verification for unchecked records was undertaken, anyone without a valid Social Security number was contacted by mail. During our visits to district offices we confirmed that "dummy" Social Security numbers are no longer issued.

**Recommendation 10**

*Require that dummy Social Security numbers be assigned to permit holders.*

Status - Not Applicable

Agency Action - As noted in recommendation nine, the Department no longer issues "dummy" Social Security numbers.

**Recommendation 11**

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

Status - Implemented

Agency Action - License and NDID applicants ineligible for a Social Security number must provide the Department with a letter of ineligibility from the SSA (form SSA L-676) and supporting USCNS documentation to confirm their ineligibility. The SSA L-676 contains the applicant's name, the date the form was issued, the SSA office address and a checklist of reasons why a Social Security number is not being issued. Additionally, the Department works with the Department of Homeland Security to confirm the accuracy and authenticity of an applicant's immigration status through their SAVE program. During our visits to district offices, we observed an individual submitting a SSA L-676 form from the SSA verifying the applicant's ineligibility for a Social Security number, and the confirmation of documents with the USCNS.

**Recommendation 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.*

Status - Implemented

Agency Action - The training manual was revised in July 2005 to inform all offices to comply with the batch audits, supervisory overrides, and using digital images to confirm the identity of applicants. Additionally, the Department formed a Fraud Malfeasance Prevention Implementation Team that reviews issues of accountability on an ongoing basis. During our district office visits, we observed that the offices had training manuals on these topics in hardcopy format or electronically on the Department's Intranet.

### **Recommendation 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.*

Status - Implemented

Agency Action - The Department's Division of Field Investigations (DFI) has approximately 105 sworn personnel, of which many investigators are certified police instructors and/or certified by the American Association of Motor Vehicle Administrators as fraudulent document recognition trainers. Investigators attend certified training programs in many law enforcement topics such as but not limited to, statement analysis, courtroom testimony, undercover operations, interview and interrogations, auto crime, fraudulent documents, identity theft, financial investigation techniques, criminal street gangs, and analytical investigative techniques. DFI staff members receive on the job training in fraudulent document identification, auto theft, odometer crimes, and identity theft on a regular basis and in-turn train front line Department staff on these topics. DFI investigators are stationed full-time at two offices and make routine visits to all issuing offices to assist with identifying fraudulent documents and apprehending subjects attempting to commit crimes against the Department. The Department's Audit Services unit also conducts unannounced audits at district offices about every three years. We reviewed Audit Services audit procedures and audit reports for the four offices we visited which demonstrate review of license transaction compliance, supervisory reviews, digital images and other office operations.

### **Recommendation 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.*

Status - Partially Implemented

Agency Action - The License Production Bureau compares images of retaken license photos with the image on file, with the exception of renewals. Department officials believe that the risk of identity theft on the renewal transaction is lower and do not believe that reviewing images for renewals would be the most effective use of resources. Also, the Department has met with several vendors about the possibility of using facial imaging software to automate this process. The Department is considering whether the return on investment is high enough to warrant such an expense. The Department saw demonstrations of new verification equipment from three vendors. According to Department officials, the Federal government has also been doing some testing of facial recognition as part of the release of the new E-Passport this year. However, based on the number of false alerts, the State Department is going to hold off on using facial recognition when they release the new E-Passport.

**Recommendation 15**

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

Status - Implemented

Agency Action - DFI issues monthly fraud reports. These reports contain an office-by-office breakdown of the types of fraudulent documents confiscated in offices, as well as arrests made. Ongoing investigations are not discussed. We reviewed the Fraud Audit Reports and reports alerting offices of issues such as stolen and fraudulent documents at the District Offices we visited.

**Recommendation 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.*

Status - Implemented

Agency Action - The Department has two investigators assigned to Upstate New York Regional Intelligence Center (UNYRIC). The mission of the UNYRIC is to advance the efficient, timely and accurate exchange of information between all New York State law enforcement agencies. As members of the UNYRIC, DFI investigators routinely share and collect information regarding all kinds of criminal activity including fraudulent documents. In addition, the DFI investigators provide fraudulent document training to federal, State, and local law enforcement agencies. As part of the training DFI provides a color brochure that describes and illustrates driver's license security features to assist in identifying fraudulent licenses. DFI also developed and provided a Law Enforcement Resource Guide to all law enforcement agencies in the State. The guide includes DFI contacts including the License and Registration Crimes Unit, and information available from the Department to assist in

investigations. DFI also receives daily faxes and teletypes from law enforcement agencies on suspected or actual fraudulent documents including driver's licenses.

**Recommendation 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.*

Status - Implemented

Agency Action - The two-stop process was implemented in all State run offices in Spring 2002. We verified that the four offices we visited used the two-stop process, including verification of the customers' proof of identity by two different Motor Vehicle representatives.

Major contributors to this report were Steve Goss and Bruce Brimmer.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issue discussed in this report. We also thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during our audit.

Very truly yours,

Carmen Maldonado  
Audit Director

cc: Lisa Ng, Division of the Budget  
Ed Wade, Department of Motor Vehicles