

STATE OF COLORADO

DEPARTMENT OF REVENUE
State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
Phone (303) 866-3091
FAX (303) 866-2400



Bill Ritter, Jr.
Governor

Roxanne Huber
Executive Director

10 August 2008

Representative James Kerr, Chair
Legislative Audit Committee
200 East 14th Avenue
Denver, Colorado 80203

Dear Representative Kerr:

Relative to the report by the State Auditor's Office of Driver's License and Identification Card Security, the Motor Vehicle Division hereby submits an update to its previous response.

As part of the audit, the SAO submitted MV records to the Department of Public Health and Environment to be matched against death records, using the social security number and date of birth (but not the name of the deceased) as matching criteria. The initial match yielded approximately 47,000 persons that were present on the driver file that were listed by Vital Records as deceased. A follow-up investigation into the information contained in that report indicated that in approximately 50 cases, there appeared to have been activity on records of deceased persons subsequent to their dates of death that was fraudulent. The investigation cleared all but 19 of those records and of those, criminal charges have been filed in seven cases. In one case, it was determined that an error had been made on the death certificate, and that the person in question is not in fact deceased. The remaining nine cases have unidentified perpetrators and remain under investigation by the Motor Vehicle Investigations Unit, and the driver's licenses or IDs have been cancelled.

The case with the error on the death certificate was found to be the twin sister of the deceased, whose parents had inadvertently given the wrong sister's social security number for the death certificate. Because of this case, it was decided that a re-run of the file matching all three data elements (name, Social Security number and date of birth) would be in order. We also decided to enlarge the file that was matched. The initial run only included active driver's licenses and ID cards and the subsequent run would include expired documents as well.

In the follow-up data match, 207,023 MV records were matched to death records in the state. Again, those records with no activity past the date of death were eliminated and 1586 records remained. The post-date of death activity on those records included the following:

Document (DL/ID) issued	10
Citation	166
Administrative Action	259
Address Change	1022
Accident	250*

**Total activity adds to more than the number of individuals due to the fact that some individuals had more than one post-death addition to the record.*

Most of the activity is logically explained. Administrative actions can be taken for points accumulation, Express Consent arrests, or failure to pay child support. It would be logical that these actions would occur after a person expired, since it can take some time for the documentation to be sent to DMV. The accidents generally occurred on the same date as the death, as most were the cause of the death. Address changes are noted on the record based on the date that they are data-entered by MV staff. Due to a backlog of data entry in the Driver Control section, none of the address changes were found to have been problematic. The administrative actions were all reviewed and occurred normally. Some drivers, for example, had been suspended because they had cancelled their SR-22 insurance. Obviously, this would be appropriate as would failure to pay child support when the enforcement agency is unaware that the person required to pay had expired.

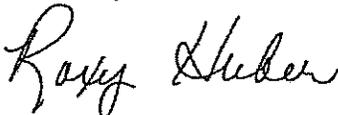
As a result, the only two areas in which there were incidences of fraud were DL/ID issuance and citations. In the review of the post-death activity information, it was determined that there was a span of PIN numbers that appeared to be missing and we learned that the data run had abended and we did not have a full data set. As a result, we re-ran the file to pick up the two activities that had indicated fraud – document issuance and citation issuance. We found an additional 121 documents issued after the date of death and another 80 citations.

Of those documents issued, 29 were renewed by mail and the dates of death were in close proximity to the issue date; 11 others had been voided off the record, which simply means that the MV clerk had realized s/he was working on the wrong record, 16 had already been previously marked fraudulent by the Investigations Unit. There were an additional 65 fraudulent licenses. All these fraud cases will be investigated by the MV Investigations staff. The licenses and IDs in question will be cancelled.

Of the citations, in most cases it is apparent that someone is using the deceased persons' identity or their driver's license. We have requested copies of all the citations, which have not been fully delivered at this point. It will be difficult for Motor Vehicle to investigate these frauds, as there is no way to determine what persons presented themselves as the deceased on traffic stops. Marking the records with the deceased information is the best means by which to prevent fraudulent use of the identity of a deceased person.

The Department wishes to thank the Vital Records Unit of the Department of Public Health and Environment for its assistance in matching these records. We will continue to work with CDPHE to find a means by which to update MV records on a regular basis with information on deceased persons. The Division will be present at the September 22nd meeting of the Committee to deliver this report and answer any questions that the members might have.

Sincerely,



Roxy Huber
Executive Director
Department of Revenue

STATE OF COLORADO

DEPARTMENT OF REVENUE
State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
(303) 866-3091
FAX (303) 866-2400



Bill Ritter, Jr.
Governor

Roxanne Huber
Executive Director

January 2, 2009

Sally Symanski, CPA
Office of the State Auditor
200 East 14th Avenue
Denver, Colorado 80203

Dear Ms. Symanski:

Attached please find the Department's status report regarding the State Auditor's recommendations to the Department of Revenue resulting from the Driver's License and Identification Card Security Audit completed in May 2008.

If you have any questions concerning these documents or the Department's implementation of the recommendations, please contact me at (303) 866-5610.

Sincerely,

A handwritten signature in cursive script that reads "Roxanne Huber".

Roxanne Huber
Executive Director

Attachment

Office of the State Auditor
Driver's License and Identification (ID) Card Security Performance Audit
Department of Revenue Status Update
As of December 2008

Recommendation No. 1:

The Department of Revenue should improve the security of the driver's license/ID issuance process by strengthening controls for ensuring driver's license examiners and supervisors are complying with required procedures. Specifically, the Department should:

- a. Update the procedure manual to ensure all requirements are clearly addressed.
- b. Program additional automated stops in the Driver's License Information System computer application to prevent issuance unless specified conditions are met.
- c. Provide relevant and timely training to examiners and supervisors on an ongoing basis.
- d. Monitor the operations of driver's license offices to assess compliance with issuance requirements and follow up and resolve problems identified.

Department of Revenue Response:

- a. Agree. Implementation date: June 2008.

The Department of Revenue uses memorandums as a way to disseminate procedural changes quickly to all the driver's license offices. This form of communication can be disseminated the same day as the procedural change. The process to update the procedure manual can take up to three weeks from start to finish and includes; updating the document, reviewing and approving the changes, printing, and distributing the manual to all the offices. Due to Cyber Security, driver's license offices do not have access to the Internet and there is typically only one computer in the office with access to the Department's intranet site. Since system access is not readily available to all driver's license examiners, the Department produces and provides hard copies of the manual. The Department agrees the procedure manual should include all requirements in a clear fashion. The procedure manual will be updated by June 2008 to clarify the out-of-state verification check also applies to IDs. In the future the Department will update the procedure manual as changes occur rather than waiting until there are numerous changes.

- b. Agree. Implementation date: June 2009.

The Department will perform an application analysis by June 2009 to determine the extent to which automated stops can be incorporated into the Driver's License System computer application. Changes will be implemented to the extent they are justified based on costs and benefits.

- c. Agree. Implementation date: June 2009.

The Department started a comprehensive training course for all examiners and supervisors in April 2008. The Department projects all employees will attend the training by June 2009.

The Department will also provide refresher training classes each month.

- d. Agree. Implementation date: June 2008.

The Department requires the regional managers to conduct monthly audits of each facility and submit the audit report to Driver's License Administration for review. The Department agrees the audit process could be improved and will update the audit procedures by May 2008. Additionally, a reporting mechanism will be developed by June 2008 to track the report submittals and findings.

Department of Revenue Status Update:

- a. Status of Implementation: In Progress.

The Licensing Background Information chapter (Section 2) of the driver's license procedure manual was updated in May 2008. The Commercial Driver's License chapter (Section 8) of the driver's license procedure manual was updated in June 2008. The identification requirement portion of Procedures for Document Issuance (Section 3) was last updated in November 2007. Updates and changes to laws/statutes have necessitated numerous changes in Section 3, but we are waiting for the final rules to be promulgated before updating this section. The final rules hearing is scheduled for December 24, 2008. If the rules are accepted, they will be promulgated. If not, driver's license will make any required adjustments based on the findings. Driver's license is currently complying with the new laws and statutes that will be detailed in Section 3.

- b. Status of Implementation: Implemented.

The major programming has been implemented and additional programming analysis has begun. The initial automated stop for commercial driver's license issuance was developed and moved to production in May 2008. This programming prevented issuance of a hazardous material endorsement to a commercial driver who did not have an approved background check on record from the Transportation Safety Administration. In October 2008, phase two of the automated stops project was moved to production and is fully functional. This programming prevents the issuance of a regular or commercial license to a customer while certain conditions exist such as restraint actions in other states.

- c. Status of Implementation: In Progress.

All employees have completed a refresher class for identifying fraudulent documents. Employees who were deemed below standard in issuance processes have completed training classes currently offered to new employees. Issuance staff knowledge assessments were conducted to identify weaknesses in various areas of issuance processes with field staff. Detailed refresher training courses are being developed for the field staff; however, no employees have been scheduled to attend refresher training due to FY09 budgetary shortfalls. Once the budget provides room for training, employees will be trained – most likely in FY10.

Appropriate funding will determine if this recommendation is implemented in FY09. No budget request has been submitted for employee training and will not be submitted until we have better figures for available dollars in either FY09 or FY10.

d. **Status of Implementation: In Progress.**

An improved audit form was developed in May 2008 and distributed to regional managers for their input and approval. The regional managers asked for time to use the draft form in the field before approving the new format. The draft audit forms were used during the summer and fall months - final approval from the regional managers was received in December 2008. The new audit form will be formalized in January 2009. It is important to note that the audit form is a "living" document and is updated as needed.

Recommendation No. 2:

The Department of Revenue should strengthen controls over the motor vehicle records of deceased persons by:

- a. Programming the Driver's License Information System application to verify the status of applicants' social security numbers with the U.S. Social Security Administration for renewal issuances.
- b. Working with the Colorado Department of Public Health and Environment to periodically match motor vehicle records to the death records contained in the Colorado Vital Information System's database.
- c. Changing the status on the 48,000 records we identified as belonging to deceased individuals from active to inactive in the Driver's License Information System database.

Department of Revenue Response:

- a. Agree. Implementation date: December 2008.

The Department agrees checking social security numbers for each renewal would strengthen controls over the issuance of driver's licenses. The Department estimates this additional check will cost approximately \$30,000 annually. If funding is available, a decision item for fiscal year 2010 will be submitted.

- b. Agree. Implementation date: June 2008.

The Department recognizes the weakness in the area of updating the DLS database for deceased individuals. The Department has made attempts over the past several years to work with the Colorado Department of Health and Environment to obtain this information, but these efforts were not successful. As a result of this audit, it appears that the Colorado Department of Health and Environment has identified a method to assist with identifying individuals in DLS that are deceased. In June 2008 the Department will start the process to provide the Colorado Department of Public Health and Environment with our records to check for deceased individuals.

The Intelligence Reform and Terrorism Prevention Act required changes to the definition of the Social Security Online Verification reply codes effective April 1, 2006. The Department was informed at that time the Social Security Administration (SSA) receives reports of death from multiple sources and it cannot always verify the source of the death report or the report

itself. Therefore, further action will be needed by the Department to verify identity of the individual when the SSA reply indicates the person with the assigned Social Security Number (SSN) is deceased. While the check with the SSA will indicate if the SSN information sent shows an indication of death present, it does not provide absolute assurance the individual is deceased.

- c. Agree. Implementation date: June 2008.

The Department will work with the Vital Records Section to run the entire DLS database against Vital Records' Mortality Data for Colorado to include all expired documents as well as active documents and will validate the information prior to updating the Department's records. Once the initial comparison is completed, the Department will further check the records for activity that occurred after the date of death and these cases will be referred to the Motor Vehicle Investigations Unit. The comparison will begin in June 2008.

Department of Revenue Status Update:

- a. Status of Implementation: Not Implemented.

The Department did not have adequate funding in its operating line to cover the costs of these expenses. We will request supplemental funding in Spring 2009 for this amount due to the fact that we are currently negotiating a contract amendment with our Driver's License vendor for an equipment upgrade to provide for such additional checks. That upgrade is planned to be completed within nine months of the amendment's acceptance, which would delay implementation of this effort until that time.

- b. Status of Implementation: In Progress.

Of 7,341,320 unit records provided to the Colorado Department of Public Health and Environment (CDPHE) for matching in July 2008, 2,200,952 were rejected with insufficient matching criteria, and 207,023 returned with dates of death. DMV identified several thousand with post-death activity indicators, almost all of which was attributable to routine file maintenance and normal lag times. 129 records had licenses or ID documents issued after the date of death; many of these also explained by normal business processes. DMV has identified and blocked the records with suspected fraud activity.

DMV identified some CDPHE files that appeared to have incorrect decedent identification or dates of death. Because marking based on incorrect data could subject a citizen to possible unwarranted criminal investigation or fraud allegation, DMV must have accurate data with sufficient source information in its system to inform the improperly identified citizen. DMV will continue to work with CDPHE to ensure that we have adequate business rules, expanded data components and resource information, then initiate periodic and routine data sharing and to appropriately mark records. DMV will develop a project and IT plan appropriately capture and house the data and to mark records in accordance with the developed business rules.

- c. Status of Implementation: In Progress.

The 48,000 records identified are part of the entire data set returned to DMV in July 2008.

As stated above, the returned CDPHE data set contains insufficient data to mark records as deceased with the level certainty necessary to address the potential for inaccurate decedent identification. As part of the ongoing process described above, DMV will ensure sufficient data matching components and business rules with programmed post-death activity screening to accurately mark records. These 48,000 records, once processed through the rigors of the plan as described in 2b and populated with adequate resource and certification information, will be marked as deceased along with the full and ongoing data set.

Recommendation No. 3:

The Department of Revenue should strengthen its controls for preventing and detecting employee-perpetrated fraud by:

- a. Tracking and analyzing data on driver's license and ID issuances and employee errors to identify suspicious or irregular employee activities.
- b. Programming audit trails in the Driver's License Information System to better track examiner activities.
- c. Conducting fingerprint-based background checks on job applicants through the Colorado Bureau of Investigation, flagging employees' records for notification of future criminal activity, and pursuing statutory change as appropriate.
- d. Defining the criminal-background criteria that would disqualify an applicant from employment.

Department of Revenue Response:

- a. Agree. Implementation date: July 2008.

Due to the Department's current program structure, there is no systemic tool available to track and analyze this information. Managers currently manually review employees' issuances for errors and document such errors on performance management forms maintained in the employee's file. When errors appear to be recurring, the manager refers the employee to Driver License Administration for possible further corrective or disciplinary action. The Department will create a database to track employee errors by July 2008, which will allow for the analysis of suspicious or irregular employee activities.

- b. Agree. Implementation date: December 2008.

The Department will perform an analysis of the DLS to determine the extent to which the system can be modified to implement an audit trail and the related costs by July 2009. The DLS is a mainframe system that does not lend itself to ad hoc reports. The requested audit trails could result in significant additions and modifications to the existing system. The Department will implement changes to the extent they are justified based on costs and benefits.

- c. Agree. Implementation date: December 2008.

The Department agrees with the importance of performing fingerprint-based background

checks on job applicants and believes checking the national database is most effective. The Department does not currently have funding to cover such an expense and will consider submitting a decision item for fiscal year 2010.

- d. Agree. Implementation date: July 2008.

The Department will define the criminal background criteria that would disqualify an applicant from employment by July 2008.

Department of Revenue Status Update:

- a. Status of Implementation: Implemented.

Driver's license administration mandated three statewide manager meetings to discuss tracking and auditing employee errors. These meetings were conducted in June, July and August 2008. Managers were required to report changes in their individual office procedures for oversight of employee document issuance. All office managers are now verifying correct and proper issuance of every document before the customer leaves the office. Regional managers are intermittently auditing office reports to ensure that the above is being accomplished. Tracking of employee errors began in 2003 and continues to date. An employee infraction database was developed in May 2008. This database is analyzed on a monthly basis by both the driver's license section Director and Field Operations Manager. No suspicious or irregular activities have been identified. The information is disseminated from the supervisors to the regional managers through office performance audits and one-on-one meetings with supervisors and employees.

Statewide manager meetings were discontinued due the expense and driver's license budgetary shortfalls.

- b. Status of Implementation: Not Implemented.

There have been high level discussions between ITD and the Driver's License Section. ITD will work with the Driver's License Section between February and May of 2009 to further discuss potential solutions and provide costs estimates to determine which, if any, of the solutions can be implemented based on cost and benefits.

- c. Status of Implementation: In Progress.

At this time, approximately 20 interviews are held on a monthly basis by the Driver's License section. All of those interviewed would require background checks. As a result, the total cost for a new FTE would result in a \$10,000 cost to the Division. There is currently not enough money in the operating line to absorb this amount. We plan to request supplemental funding in Spring 2009 to implement the recommendations of this audit. We would incur an additional expense to perform background checks on current employees, as well. Statutory change has not been pursued this session due to limitation on legislative initiatives; however, the Division would support legislation proposed by the Committee in this regard.

- d. Status of Implementation: Implemented.

The management staff within the Division has determined the disqualifying offense and those offenses that would require additional inquiry and secondary review, with approval by the Executive Director. The disqualifying offense is a recent fraud conviction.

Recommendation No. 4:

The Department of Revenue should ensure compliance with statutory mandates for establishing Colorado residency by requiring applicants to furnish evidence of residency before it issues them a Colorado driver's license or ID. This should include identifying the specific types of documentation that will be allowed as proof of residency and amending its rules accordingly.

Department of Revenue Response:

Disagree.

The Department disagrees with this recommendation. Over the course of time, the Department has attempted to comply with this statutory requirement with little success. Compliance with this law by means of requiring some paper proof of a residence address is infeasible. The types of documents that can and are used to prove residency are difficult, if not impossible, for some applicants to obtain. Additionally these documents do not have security features nor can they be verified. Thus, under these circumstances, there is little or no value-added to the integrity of the process using these documents. Such documents as apartment leases and utility bills are easily scanned and names changed. The Department has no means by which to assure the documents are valid. Also there are no available documents for people who live with friends, relatives with different last names, and others similarly situated, since they have no means by which to prove their residency.

While the Department agrees that it is important to process only applicants who are Colorado residents, we believe the most effective way to assure that people live in Colorado is through the central license issuance process, whereby the document is mailed to an address provided by the applicant. This method is not fool-proof, but is as effective as requiring provision of apartment leases, or bills mailed to a person at a given address. As a result, the Department believes this approach is functionally equivalent to having the applicant provide proof of residency by providing a piece of mail to him/herself at the address provided to prove residency.

Department of Revenue Status Update:

Status of Implementation: Not Implemented

The Department feels the compensating controls in place are sufficient to address the risk. We believe that the central license issuance process is the most effective and reliable means of determining residency.

Recommendation No. 5:

The Department of Revenue should establish procedures and mechanisms for tracking the effectiveness of its controls over the process of issuing driver's licenses and IDs by:

- a. Tracking and quantifying the number of attempts to obtain a fraudulent driver's license or ID that were stopped by each internal control.

- b. Developing a new case tracking database for the Motor Vehicle Investigations Unit and identifying and implementing procedures on the type and detail of data to be collected and summarized.
- c. Analyzing the information collected in Parts a. and b. on a regular basis and using the analysis to improve internal controls, target staff training efforts, and support budget and planning decisions.

Department of Revenue Response:

- a. Agree. Implementation date: December 2008.

When a driver's license examiner identifies a counterfeit or altered document the case is referred to the Motor Vehicle Investigations Unit. The case is entered and tracked in the Convergent Technologies Operating System (CTOS). The Department performed an analysis of CTOS to determine the extent the system can be modified to track the additional information and has made all possible changes to the system at this time. The Department has begun exploring the development of a more detailed and sophisticated Access based tracking program and will implement changes to the extent they are justified based on costs and benefits by December 2008.

- b. Agree. Implementation date: Implemented/Ongoing.

Based on the limited design of the antiquated CTOS system, the Department made some modifications in the system to increase the detail and classification of the cases in April 2008. Additionally, the Motor Vehicle Investigations Unit is currently exploring options that include the development of an Access based records management system that would provide even greater detail and more statistics and allow for the input of court/criminal disposition to cases.

- c. Agree. Implementation date: December 2008.

Once the additional data is available, the Department will analyze the information collected on a regular basis to determine changes needed to improve internal controls, target staff training efforts, and support budget and planning decisions.

Department of Revenue Status Update:

- a. Status of Implementation: Implemented.

The CTOS system has been analyzed and compared to the ACCESS program. Updating CTOS by modifying existing programs and creating new reports to address each internal control identified was determined to be the best solution. This will be accomplished in the first of four phases.

Phase one of the process has already been implemented. The "New Request for Investigation" form was modified to allow the driver's license offices to identify which internal control triggered the request for investigation. The internal controls added to the

form are: fraudulent documents, finger print, image, and SAVE/SSOLV. These controls will be marked by the driver's license line staff as to why the investigation is being requested. The line staff received notification and instruction regarding the new form on December 12, 2008.

A new table of codes has been created in CTOS to match the internal controls on the form for tracking purposes and new codes have been created that are identified as driver's license fraud dispositions. These modifications will allow better tracking of attempts to obtain a fraudulent driver's license or ID by the internal controls identified.

b. Status of Implementation: In Progress.

Phase two is expected to be completed January 2009. The update to CTOS will have several new areas of tracking and statistical reports for better tracking, improved detail to all reports, special end of month and annual reports for driver's license fraud to include Facial Recognition data.

Phase three is expected to be completed by February 2009. Phase three involves the creation of new disposition codes specific to the internal controls identified by the audit to coincide with the break out of driver's license fraud. Additional codes will also be added for other areas of investigation in the unit including Titles. The overhaul of the CTOS will add better tracking for all areas of investigation in the unit.

c. Status of Implementation: In Progress.

Phase four is expected to be completed by March 2009. The modifications and new programming in CTOS implemented with the prior phases will enable the Driver's License Section to analyze the data gathered in monthly and annual reports. The reports will reflect detailed tracking of driver's license fraud with the five internal controls identified by the audit. The report will target these areas both by statistical information from the point of first contact to the final dispositions of those cases identified as driver's license fraud.

Recommendation No. 6:

The Department of Revenue should develop a comprehensive cyber security program that protects the data contained in crucial information systems, including the Driver's License Information System, against unauthorized access, disclosure, use, modification or destruction. This should include establishing a centralized information security function managed by an Information Security Officer, as required by State Cyber Security Policies. Additionally, the Department, in cooperation with the Governor's Office of Information Technology, should correct the specific security deficiencies we identified during our audit, including:

- a. Developing a mechanism to manage user access to DLS that includes documentation of user access privileges, regular review and monitoring of user access levels to determine whether access is still appropriate, and removal or revision of access privileges for users who cease employment or change job responsibilities.
- b. Performing ongoing monitoring of user activities on the DLS information system to identify anomalous activity or violations of Department procedures, and taking appropriate action to resolve the problems identified.

- c. Conducting an inventory of DLS data contained in batch transmissions and encrypting all network transmissions of sensitive, personally identifiable information.

Department of Revenue Response:

Agree. Implementation date: December 2008.

The Department is currently reviewing and will update its cyber security policy by July 2008. The Department believes it has adequate information security expertise from various individuals now in place with such knowledge; however, we understand the importance of having one person responsible for this function. The Information Technology Division will evaluate and determine if the Information Security Officer duties will be the responsibility of an existing staff or hire a person to specifically fulfill these duties by December 2008.

- a. Agree. Implementation date: June 2009.

The Department is currently working on addressing the management of the user privileges and will perform an application analysis by June 2009 to determine the extent to which this can be incorporated into the DLS computer application and the related costs. Changes will be implemented to the extent they are justified based on costs and benefits.

- b. Agree. Implementation date: June 2009.

Due to the current DLS program structure, there is no systemic tool available to track and analyze data on user activities. The Department will perform an application analysis by June 2009 to determine the extent to which this can be incorporated into the DLS computer application and the related costs. Changes will be implemented to the extent they are justified based on costs and benefits.

- c. Agree. Implementation date: June 2009.

The Department will inventory the DLS data contained in the batch transmissions and encrypt the transmissions the Department has control over by June 2009.

Department of Revenue Status Update:

- a. Status of Implementation: Not implemented.

There have been high level discussions between ITD and the DL business. ITD plans to work with the DL business between February and May of 2009 to further discuss potential solutions and provide costs estimates to determine which if any of the solutions can be implemented based on cost and benefits.

- b. Status of Implementation: Not implemented.

There have been high level discussions between ITD and the DL business. ITD plans to work with the DL business between February and May of 2009 to further discuss potential solutions and provide costs estimates to determine which if any of the solutions can be

implemented based on cost and benefits.

c. **Status of Implementation: In Progress.**

The Department is in the process of implementing a process for non encrypted file transmission to a secured encrypted transmission. ITD is in the process of planning and scheduling with the receiving or sending entity and their vendor when necessary.

Recommendation No. 7:

The Department should improve disaster recovery planning and preparedness for the Driver's License Information System by:

- a. Identifying all critical data sets necessary to fully recover DLS and working to ensure the data sets are backed up and stored offsite according to Department data-retention needs and State Cyber Security Policies.
- b. Prior to the next disaster recovery test, developing sufficiently detailed, written procedures for testing the DLS disaster recovery plan and assessing its effectiveness.
- c. Ensuring that disaster recovery tests include other DLS users and the Department's photo imaging system contractor in the testing procedures. In addition, the Department should obtain the contractor's disaster recovery plan and review it to determine if it is sufficient.
- d. Ensuring the disaster recovery plan includes all components required by the State's disaster recovery policy and that it tests connections to all critical networks.

Department of Revenue Response:

- a. Agree. Implementation date: June 2009.

The Department will identify all critical data sets necessary to fully recover the DLS and ensure the data sets controlled by the Department are backed up and stored offsite in accordance with Department data retention policies and State Cyber Security Policies by June 2009.

- b. Agree. Implementation date: December 2008.

The Department will develop sufficient written test procedures by December 2008 for assessing the effectiveness of the DLS disaster recovery plan.

- c. Agree. Implementation date: December 2008.

The Department will include other DLS users and the Department's photo imaging system contractor in the testing procedures and in the next disaster recovery test. Additionally, the Department will work with the photo imaging system contractor to obtain its disaster recovery plan and review it to determine if the plan is sufficient by December 2008.

- d. Agree. Implementation date: December 2008.

The Department will review and update its disaster recovery plan by December 2008 to include all components required by the State's disaster recovery policy and test connections to critical networks prior to the next disaster recovery test.

Department of Revenue Status Update:

a. Status of Implementation: In Progress.

ITD has worked with representatives of DLS to identify critical data sets. The critical data sets are still in the process of being identified and documented by ITD testing (support services). Access to this information is obtained through a written or verbal request to testing. The latest disaster recovery test performed on December 11, 2008, confirmed that MVR-HISTORY data was retrieved from all related driver's license files, assembled and displayed correctly; add, update, and delete functions for existing mainframe data functioned correctly; and the connection to the DHS/US Citizenship and Immigration Services SAVE database for verification of immigration documents worked properly.

Items still to be included in testing that will be necessary to support critical processes include: getting transactions to appear on the Digimarc capture station for processing, connecting to AAMVAnet for national ID verification, and final printing of IDs at Digimarc. These items will be discussed in the post-mortem meeting, which is expected to occur in January 2009. We will not be able to estimate the schedule to test these items until we have implemented and tested this functionality on the test LPAR. We currently do not have a firm implementation date for the test LPAR.

b. Status of Implementation: In progress.

Test procedures are still being refined, as more of the DLS process and the disaster recovery needs to cover that process become clear. Some progress has been made and more progress is necessary. Written procedures for testing the DLS disaster recovery plan are dependent upon further discovery and communication with the business users, so that the entire process is understood. It will also be dependent upon communication with other areas of ITD who can confirm or deny that certain testing practices can be supported. This is not likely to occur before 2010.

c. Status of Implementation: In progress.

The 2008 disaster recovery testing included more DLS user participation than previous years. However, the photo imaging system contractor has yet to be included in the test. While the necessity for the participation of the contractor has been identified, there is no ITD individual assigned to this action item. This item does not yet have a scheduled date for completion. However, at the meeting in January 2009, ITD will discuss possible options for contractor inclusion in this test.

d. Status of Implementation: In progress.

The test plan has been updated to include more components required to support critical processes. However, some test connections to critical networks still do not exist and are in fact still being identified. ITD communicates with the DLS users prior to the test to attempt

to identify all pieces of the process, but time and personnel resources are limited on both sides, and not all information gets transferred prior to a single test. This item does not yet have a scheduled date for completion. The identification of critical functions to support the entire DLS process is in progress, and will be discussed at the post-mortem meeting, as will a scheduled date for completion of this discovery.

Recommendation No. 8:

The Department of Revenue should improve the physical-access controls and environmental controls over the data center by:

- a. Restricting access to only those individuals who have an established and valid need to routinely access the data center.
- b. Assigning a staff person to routinely review data center access and records and follow up on unusual activity.
- c. Developing policies and procedures related to data center access and emergency procedures and training Department staff on these procedures.
- d. Augmenting the current sprinkler system with an inert gas-based fire suppression system, once funding becomes available.

Department of Revenue Response:

- a. Agree. Implementation date: May 2008.

The Department reviewed the existing list of individuals with access to the data center in May 2008 and determined the majority of the individuals do require access to the data center for valid reasons. The Department will monitor requests for obtaining access to the data center and will restrict access to only those individuals who have an established and valid need to routinely access the data center.

- b. Agree. Implementation date: December 2008.

The Department will develop a process to routinely review data center access records and follow up on unusual activity by December 2008.

- c. Agree. Implementation date: December 2008.

The Department will develop policies and procedures related to data center access and emergency procedures and train Department staff on these procedures by December 2008.

- d. Agree. Implementation date: December 2008.

The Department received approval and funding for a FM2500 gas fire suppression system and the installation project is in progress. The Department is currently designing the system with building services and anticipates completion of the installation by the end of 2008.

Department of Revenue Status Update:

- a. Status of Implementation: Implemented.

This is completed as stated in the original response.

- b. Status of Implementation: Implemented.

This is completed as stated in the original response.

- c. Status of Implementation: Implemented.

The Department has in place an automated alarm system that will automatically notify managers and specific personnel of a change in environmental conditions (water, temperature, power, equipment alarm status). These specific personnel have a procedure that they would follow in the event of a notification being sent to them. These events generally occur during non-business hours. Should no one specific personnel be at the scene of a catastrophic event in a data center, they are instructed to follow the Department's Emergency Action Plan for that site and notify their manager as soon as it is reasonably safe to do so for further instructions.

- d. Status of Implementation: In Progress.

This is in progress with DPA and the Office of the State Architect. The next steps are approval and putting the fire suppression system out for bid, they didn't have a scheduled completion date but thought at least by June 30, 2009 We have decided on the type of suppressant. The engineer has drawn up the plans and the plan is being sent for the director to sign.

STATE OF COLORADO

Bill Ritter, Jr., Governor
James B. Martin, Executive Director

Dedicated to protecting and improving the health and environment of the people of Colorado

4300 Cherry Creek Dr. S.
Denver, Colorado 80246-1530
Phone (303) 692-2000
TDD Line (303) 691-7700
Located in Glendale, Colorado

Laboratory Services Division
8100 Lowry Blvd.
Denver, Colorado 80230-6928
(303) 692-3090

<http://www.cdphe.state.co.us>



Colorado Department
of Public Health
and Environment

December 15, 2008

Sally Symanski, CPA
State Auditor
Office of the State Auditor
200 East 14th Avenue
Denver, CO 80203-2211

Subject: Status of Implementation of Recommendation 2b set Forth in the Driver's License and Identification Card Security Performance Audit, Dated May 2008

Dear Ms. Symanski:

In response to the your letter dated December 11, 2008, attached is the Colorado Department of Public Health and Environment's (the department) status report of our implementation of the recommendation 2b, as set forth in the Driver's License and Identification Card Security Performance Audit, Dated May 2008.

The attached status report includes the auditor's recommendation to the department with our response and implementation date as presented in the audit report, together with the current implementation status of the auditor's recommendation.

Should you have any comments, questions, and/or concerns regarding our responses, please contact Bob O'Doherty, Director of Center for Health and Environmental Information and Statistics Division (CHEIS), at 303-692-2249 or our Internal Auditor, Scott Toland, at 303-692-2105.

Sincerely,

James B. Martin
Executive Director

Attachment

cc: Ned Calonge, MD, MPH, Chief Medical Officer
Bob O'Doherty, Director, CHEIS, CDPHE
Ron Hyman, State Registrar, CHEIS, CDPHE
Chuck Bayard, Director, Administration and Financial Services Division (AFSD), CDPHE
Ann Hause, Director, Legal and Regulatory Affairs, CDPHE
Adam Eichberg, Director, Policy and External Affairs, CDPHE
Jessie Ulmer, Legislative Liaison, CDPHE
Scott Toland, Internal Auditor, AFSD, CDPHE

**Driver's License and Identification Card Security Performance Audit
Colorado Department of Public Health and Environment (CDPHE)
Status Report
As of December 15, 2008**

Auditor Recommendation No. 2b

The Department of Revenue should strengthen controls over the motor vehicle records of deceased persons by working with the Colorado Department of Public Health and Environment to periodically match motor vehicle records to the death records contained in the Colorado Vital Information System's database.

Department of Public Health and Environment's Response to the Auditor

Agree. Implementation date: June 2008. The Colorado Department of Public Health and Environment (CDPHE) agrees with the desire to periodically match motor vehicle records to the death records contained in the Colorado Vital Information System's database. CDPHE will work with the Department of Revenue to negotiate a mutually agreeable process for CDPHE to conduct such matches. In addition to deaths occurring in Colorado, CDPHE will also match against death records from other jurisdictions within the limitations established by the Inter-jurisdictional Exchange Agreement of the National Association for Public Health Statistics and Information Services (NAPHSIS).

Implementation Status

Implemented. The CDPHE has developed a process to match motor vehicle records with death records. The CDPHE has matched all historical motor vehicle records with Colorado's death records and returned the results to the Department of Revenue.

STATE OF COLORADO

DEPARTMENT OF REVENUE

State Capitol Annex
 1375 Sherman Street, Room 409
 Denver, Colorado 80261
 Phone (303) 866-3091
 FAX (303) 866-2400



Bill Ritter, Jr.
 Governor

Roxanne Huber
 Executive Director

December 15, 2008

Representative James Kerr, Chairman
 Legislative Audit Committee
 C/O Office of the State Auditor
 200 East 14th Avenue
 Denver, Colorado 80203

Dear Representative Kerr:

In regard to your inquiry regarding the progress being made to improve customer service and the impact of funds on the service levels, the Driver's License section is happy to provide an update of the following accomplishments.

Your first inquiry requested an analysis of the "Feedback from people regarding the ease/difficulty of getting a driver's license/ID"

Driver's license administration encourages individuals visiting driver's license offices to complete a "comment card". The questions included on comment cards are; "Staff are friendly and helpful", "The office was clean", "Quality of service was satisfactory" and "I waited _____ minutes to get to the front counter". The comment cards are reviewed and summarized quarterly. Driver's license is proud to report the results of the analysis of the comment cards from first quarter fiscal year 2008 to the first quarter of fiscal year 2009.

Comment Card Question/Inquiry	FY08	FY09
Staff are friendly and helpful	61.79%	80.91%
The office was clean	64.78%	86.36%
Quality of service was satisfactory	43.02%	70.91%
Overall average wait time (as reported by customers)	74.64 min	33.50 min
Overall positive comment cards	50.91%	65.80%
Overall negative comment cards	47.27%	29.25%

As shown in the table above there has been significant improvement during the review time period. In the first quarter of FY08, the most common comments were: "Hire more employees", "Wait too long", "Helpful, polite, friendly staff", "Computers down frequently

10/17/07

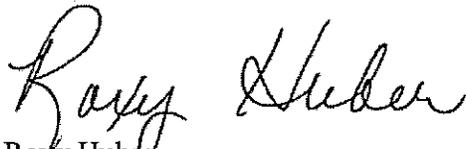
and system outdated”, “Website needs to be updated”, and “Open more offices”. The common comments in the first quarter of FY09 were much more positive: “Hire more employees”, “Helpful, polite, friendly, efficient, fast staff”, “System outdated”, and “Great improvement”. While we may not be able to control the staffing levels and computer equipment we have been able to improve the customer service provided by our staff.

In response to the second inquiry; “How the money invested in the driver’s license process has impacted service levels” we are happy to report:

As reference, SB07-241, in conjunction with the FY08 long bill (SB07-239), increased FTE appropriation by 53 and authorized driver’s license to open three new offices. All 53 FTE were hired and trained in FY08 and early FY09. New offices were opened in northeast Denver, Loveland and Golden. Average wait times decreased from 44 minutes to 28 minutes with many wait times less than 5 minutes in the Denver metro offices. Another concern that is being addressed was incorrect information on the State’s driver’s license website had not been updated. A streamlined motor vehicle website was launched in November 2008. We are also currently in the process of negotiating a revised contract with L1 Identity Solutions (the vendor who supplies computers to all 58 state and county offices). Once we receive final approval, all line staff computers and document printers will be updated in the driver’s license offices.

We are proud to report these accomplishments and would be happy to provide any additional information you may request.

Sincerely,



Roxy Huber
Executive Director
Department of Revenue

STATE OF COLORADO

DEPARTMENT OF REVENUE
State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
(303) 866-3091
FAX (303) 866-2400



Bill Ritter, Jr.
Governor

Roxanne Huber
Executive Director

July 31, 2009

Representative Diane Primavera
Legislative Audit Committee Chair
c/o Sally Symanski, CPA
Office of the State Auditor
200 East 14th Avenue
Denver, Colorado 80203

Dear Ms. Primavera:

Attached please find the Department's status report regarding the State Auditor's recommendations to the Department of Revenue resulting from the Driver's License and Identification Card Security Audit completed in May 2008.

If you have any questions concerning these documents or the Department's implementation of the recommendations, please contact me at (303) 866-5610.

Sincerely,

A handwritten signature in black ink, appearing to read "Roxanne Huber", is written over a faint, larger version of the signature.

Roxanne Huber
Executive Director

Attachment

Office of the State Auditor
Driver's License and Identification (ID) Card Security Performance Audit
Department of Revenue Status Update
As of July 2009

Recommendation No. 1:

The Department of Revenue should improve the security of the driver's license/ID issuance process by strengthening controls for ensuring driver's license examiners and supervisors are complying with required procedures. Specifically, the Department should:

- a. Update the procedure manual to ensure all requirements are clearly addressed.
- b. Program additional automated stops in the Driver's License Information System computer application to prevent issuance unless specified conditions are met.
- c. Provide relevant and timely training to examiners and supervisors on an ongoing basis.
- d. Monitor the operations of driver's license offices to assess compliance with issuance requirements and follow up and resolve problems identified.

Department of Revenue Response:

- a. Agree. Implementation date: June 2008.

The Department of Revenue uses memorandums as a way to disseminate procedural changes quickly to all the driver's license offices. This form of communication can be disseminated the same day as the procedural change. The process to update the procedure manual can take up to three weeks from start to finish and includes; updating the document, reviewing and approving the changes, printing, and distributing the manual to all the offices. Due to Cyber Security, driver's license offices do not have access to the Internet and there is typically only one computer in the office with access to the Department's intranet site. Since system access is not readily available to all driver's license examiners, the Department produces and provides hard copies of the manual. The Department agrees the procedure manual should include all requirements in a clear fashion. The procedure manual will be updated by June 2008 to clarify the out-of-state verification check also applies to IDs. In the future the Department will updated the procedure manual as changes occur rather than waiting until there are numerous changes.

- b. Agree. Implementation date: June 2009.

The Department will perform an application analysis by June 2009 to determine the extent to which automated stops can be incorporated into the Driver's License System computer application. Changes will be implemented to the extent they are justified based on costs and benefits.

- c. Agree. Implementation date: June 2009.

The Department started a comprehensive training course for all examiners and supervisors in April 2008. The Department projects all employees will attend the training by June 2009. The Department will also provide refresher training classes each month.

- d. Agree. Implementation date: June 2008.

The Department requires the regional managers to conduct monthly audits of each facility and submit the audit report to Driver's License Administration for review. The Department agrees the audit process could be improved and will update the audit procedures by May 2008. Additionally, a reporting mechanism will be developed by June 2008 to track the report submittals and findings.

Department of Revenue Status Update (December 2008):

- a. Status of Implementation: In Progress.

The Licensing Background Information chapter (Section 2) of the driver's license procedure manual was updated in May 2008. The Commercial Driver's License chapter (Section 8) of the driver's license procedure manual was updated in June 2008. The identification requirement portion of Procedures for Document Issuance (Section 3) was last updated in November 2007. Updates and changes to laws/statutes have necessitated numerous changes in Section 3, but we are waiting for the final rules to be promulgated before updating this section. The final rules hearing is scheduled for December 24, 2008. If the rules are accepted, they will be promulgated. If not, driver's license will make any required adjustments based on the findings. Driver's license is currently complying with the new laws and statues that will be detailed in Section 3.

- b. Status of Implementation: Implemented.

The major programming has been implemented and additional programming analysis has begun. The initial automated stop for commercial driver's license issuance was developed and moved to production in May 2008. This programming prevented issuance of a hazardous material endorsement to a commercial driver who did not have an approved background check on record from the Transportation Safety Administration. In October 2008, phase two of the automated stops project was moved to production and is fully functional. This programming prevents the issuance of a regular or commercial license to a customer while certain conditions exist such as restraint actions in other states.

- c. Status of Implementation: In Progress.

All employees have completed a refresher class for identifying fraudulent documents. Employees who were deemed below standard in issuance processes have completed training classes currently offered to new employees. Issuance staff knowledge assessments were conducted to identify weaknesses in various areas of issuance processes with field staff. Detailed refresher training courses are being developed for the field staff; however, no employees have been scheduled to attend refresher training due to FY09 budgetary shortfalls. Once the budget provides room for training, employees will be trained – most likely in FY10.

Appropriate funding will determine if this recommendation is implemented in FY09. No budget request has been submitted for employee training and will not be submitted until we have better figures for available dollars in either FY09 or FY10.

d. Status of Implementation: In Progress.

An improved audit form was developed in May 2008 and distributed to regional managers for their input and approval. The regional managers asked for time to use the draft form in the field before approving the new format. The draft audit forms were used during the summer and fall months - final approval from the regional managers was received in December 2008. The new audit form will be formalized in January 2009. It is important to note that the audit form is a "living" document and is updated as needed.

Department of Revenue Status Update (July 2009):

a. Status of Implementation: Implemented.

Since December 2008, we have completed and distributed updates to sections 5602 through 5605. This was finished in April 2009. The main section of concern, 5603 Procedures For Document Issuance, was included in this update and distribution. This is an ongoing process as it is a living document and will be updated as laws and procedures change.

b. Status of Implementation: Previously Implemented.

c. Status of Implementation: In Progress.

Detailed refresher training courses have been developed. No employees have attended due to budget shortfalls. With the new fiscal year and some funding available, scheduling has been completed for all drivers' license employees. The first training classes will be held July 28, 29 and 30, 2009 and will continue as long as funds are available.

d. Status of Implementation: Implemented.

The new audit form was formalized and has been in use since March 2009.

Recommendation No. 2:

The Department of Revenue should strengthen controls over the motor vehicle records of deceased persons by:

- a. Programming the Driver's License Information System application to verify the status of applicants' social security numbers with the U.S. Social Security Administration for renewal issuances.
- b. Working with the Colorado Department of Public Health and Environment to periodically match motor vehicle records to the death records contained in the Colorado Vital Information System's database.

- c. Changing the status on the 48,000 records we identified as belonging to deceased individuals from active to inactive in the Driver's License Information System database.

Department of Revenue Response:

- a. Agree. Implementation date: December 2008.

The Department agrees checking social security numbers for each renewal would strengthen controls over the issuance of driver's licenses. The Department estimates this additional check will cost approximately \$30,000 annually. If funding is available, a decision item for fiscal year 2010 will be submitted.

- b. Agree. Implementation date: June 2008.

The Department recognizes the weakness in the area of updating the DLS database for deceased individuals. The Department has made attempts over the past several years to work with the Colorado Department of Health and Environment to obtain this information, but these efforts were not successful. As a result of this audit, it appears that the Colorado Department of Health and Environment has identified a method to assist with identifying individuals in DLS that are deceased. In June 2008 the Department will start the process to provide the Colorado Department of Public Health and Environment with our records to check for deceased individuals.

The Intelligence Reform and Terrorism Prevention Act required changes to the definition of the Social Security Online Verification reply codes effective April 1, 2006. The Department was informed at that time the Social Security Administration (SSA) receives reports of death from multiple sources and it cannot always verify the source of the death report or the report itself. Therefore, further action will be needed by the Department to verify identity of the individual when the SSA reply indicates the person with the assigned Social Security Number (SSN) is deceased. While the check with the SSA will indicate if the SSN information sent shows an indication of death present, it does not provide absolute assurance the individual is deceased.

- c. Agree. Implementation date: June 2008.

The Department will work with the Vital Records Section to run the entire DLS database against Vital Records' Mortality Data for Colorado to include all expired documents as well as active documents and will validate the information prior to updating the Department's records. Once the initial comparison is completed, the Department will further check the records for activity that occurred after the date of death and these cases will be referred to the Motor Vehicle Investigations Unit. The comparison will begin in June 2008.

Department of Revenue Status Update (December 2008):

- a. Status of Implementation: Not Implemented.

The Department did not have adequate funding in its operating line to cover the costs of these expenses. We will request supplemental funding in Spring 2009 for this amount due to the fact that we are currently negotiating a contract amendment with our Driver's License vendor for an equipment upgrade to provide for such additional checks. That upgrade is planned to

be completed within nine months of the amendment's acceptance, which would delay implementation of this effort until that time.

b. Status of Implementation: In Progress.

Of 7,341,320 unit records provided to the Colorado Department of Public Health and Environment (CDPHE) for matching in July 2008, 2,200,952 were rejected with insufficient matching criteria, and 207,023 returned with dates of death. DMV identified several thousand with post-death activity indicators, almost all of which was attributable to routine file maintenance and normal lag times. 129 records had licenses or ID documents issued after the date of death; many of these also explained by normal business processes. DMV has identified and blocked the records with suspected fraud activity.

DMV identified some CDPHE files that appeared to have incorrect decedent identification or dates of death. Because marking based on incorrect data could subject a citizen to possible unwarranted criminal investigation or fraud allegation, DMV must have accurate data with sufficient source information in its system to inform the improperly identified citizen. DMV will continue to work with CDPHE to ensure that we have adequate business rules, expanded data components and resource information, then initiate periodic and routine data sharing and to appropriately mark records. DMV will develop a project and IT plan appropriately capture and house the data and to mark records in accordance with the developed business rules.

c. Status of Implementation: In Progress.

The 48,000 records identified are part of the entire data set returned to DMV in July 2008. As stated above, the returned CDPHE data set contains insufficient data to mark records as deceased with the level certainty necessary to address the potential for inaccurate decedent identification. As part of the ongoing process described above, DMV will ensure sufficient data matching components and business rules with programmed post-death activity screening to accurately mark records. These 48,000 records, once processed through the rigors of the plan as described in 2b and populated with adequate resource and certification information, will be marked as deceased along with the full and ongoing data set.

Department of Revenue Status Update (July 2009):

a. Status of Implementation: Implemented.

Programming and testing were completed earlier this month and the checks are currently being performed on all applicants, including renewals. We anticipate the passage of currently proposed federal legislation this session that will provide such checks at no cost to the states.

b. Status of Implementation: In Progress.

Since the last update, DMV has met with CDPHE and is in the process of establishing appropriate business rules, data elements, and source information for the continuing DMV / CDPHE data exchange and file matching. DMV and CDPHE have a draft MOU for the data exchange, but the specifics await full development of the process parameters.

DMV has formed an internal business workgroup to develop appropriate data matching, record posting, and post-death activity identification reporting. This group will also be responsible for drafting and recommending the policies and procedures to govern deceased record identification, retention, retrieval, investigation, re-activation, fraud investigation, and license issuance hard-stop maintenance. We anticipate having policy and procedure recommendations by September 30, 2009, finalized policies and data exchange agreement by November 30, 2009, and the fully scoped and finalized IT project request and priority setting by January 1, 2010.

c. Status of Implementation: In Progress.

The comments of the December 2008 update remain valid. Also see the update provided in 2b.

Recommendation No. 3:

The Department of Revenue should strengthen its controls for preventing and detecting employee-perpetrated fraud by:

- a. Tracking and analyzing data on driver's license and ID issuances and employee errors to identify suspicious or irregular employee activities.
- b. Programming audit trails in the Driver's License Information System to better track examiner activities.
- c. Conducting fingerprint-based background checks on job applicants through the Colorado Bureau of Investigation, flagging employees' records for notification of future criminal activity, and pursuing statutory change as appropriate.
- d. Defining the criminal-background criteria that would disqualify an applicant from employment.

Department of Revenue Response:

- a. Agree. Implementation date: July 2008.

Due to the Department's current program structure, there is no systemic tool available to track and analyze this information. Managers currently manually review employees' issuances for errors and document such errors on performance management forms maintained in the employee's file. When errors appear to be recurring, the manager refers the employee to Driver License Administration for possible further corrective or disciplinary action. The Department will create a database to track employee errors by July 2008, which will allow for the analysis of suspicious or irregular employee activities.

- b. Agree. Implementation date: December 2008.

The Department will perform an analysis of the DLS to determine the extent to which the system can be modified to implement an audit trail and the related costs by July 2009. The DLS is a mainframe system that does not lend itself to ad hoc reports. The requested audit trails could result in significant additions and modifications to the existing system. The

Department will implement changes to the extent they are justified based on costs and benefits.

- c. Agree. Implementation date: December 2008.

The Department agrees with the importance of performing fingerprint-based background checks on job applicants and believes checking the national database is most effective. The Department does not currently have funding to cover such an expense and will consider submitting a decision item for fiscal year 2010.

- d. Agree. Implementation date: July 2008.

The Department will define the criminal background criteria that would disqualify an applicant from employment by July 2008.

Department of Revenue Status Update (December 2008):

- a. Status of Implementation: Implemented.

Driver's license administration mandated three statewide manager meetings to discuss tracking and auditing employee errors. These meetings were conducted in June, July and August 2008. Managers were required to report changes in their individual office procedures for oversight of employee document issuance. All office managers are now verifying correct and proper issuance of every document before the customer leaves the office. Regional managers are intermittently auditing office reports to ensure that the above is being accomplished. Tracking of employee errors began in 2003 and continues to date. An employee infraction database was developed in May 2008. This database is analyzed on a monthly basis by both the driver's license section Director and Field Operations Manager. No suspicious or irregular activities have been identified. The information is disseminated from the supervisors to the regional managers through office performance audits and one-on-one meetings with supervisors and employees.

Statewide manager meetings were discontinued due the expense and driver's license budgetary shortfalls.

- b. Status of Implementation: Not Implemented.

There have been high level discussions between ITD and the Driver's License Section. ITD will work with the Driver's License Section between February and May of 2009 to further discuss potential solutions and provide costs estimates to determine which, if any, of the solutions can be implemented based on cost and benefits.

- c. Status of Implementation: In Progress.

At this time, approximately 20 interviews are held on a monthly basis by the Driver's License section. All of those interviewed would require background checks. As a result, the total cost for a new FTE would result in a \$10,000 cost to the Division. There is currently not enough money in the operating line to absorb this amount. We plan to request supplemental funding in Spring 2009 to implement the recommendations of this audit. We would incur an additional expense to perform background checks on current employees, as

well. Statutory change has not been pursued this session due to limitation on legislative initiatives; however, the Division would support legislation proposed by the Committee in this regard.

d. Status of Implementation: Implemented.

The management staff within the Division has determined the disqualifying offense and those offenses that would require additional inquiry and secondary review, with approval by the Executive Director. The disqualifying offense is a recent fraud conviction.

Department of Revenue Status Update (July 2009):

a. Status of Implementation: Previously Implemented.

b. Status of Implementation: In Progress.

Improvements to the system have been made to ensure that each time the Social Security Administration is accessed to do a SSN verification the transaction is logged in an audit file. This program is currently being tested and is expected to be in production by the end of August 2009.

c. Status of Implementation: In Progress

Without statutory authority, we cannot use the CCIC / NCIC system for fingerprint background checks. We did develop a decision item for FY10, but it was rejected due to the fact that this is more appropriately a legislative initiative. The Division would support legislation by the Committee in this regard.

d. Status of Implementation: Previously Implemented.

Recommendation No. 4:

The Department of Revenue should ensure compliance with statutory mandates for establishing Colorado residency by requiring applicants to furnish evidence of residency before it issues them a Colorado driver's license or ID. This should include identifying the specific types of documentation that will be allowed as proof of residency and amending its rules accordingly.

Department of Revenue Response:

Disagree.

The Department disagrees with this recommendation. Over the course of time, the Department has attempted to comply with this statutory requirement with little success. Compliance with this law by means of requiring some paper proof of a residence address is infeasible. The types of documents that can and are used to prove residency are difficult, if not impossible, for some applicants to obtain. Additionally these documents do not have security features nor can they be verified. Thus, under these circumstances, there is little or no value-added to the integrity of the process using these documents. Such documents as apartment leases and utility bills are easily scanned and names changed. The Department has no means by which to assure the documents are valid. Also there are no available documents for people who live with friends, relatives with

different last names, and others similarly situated, since they have no means by which to prove their residency.

While the Department agrees that it is important to process only applicants who are Colorado residents, we believe the most effective way to assure that people live in Colorado is through the central license issuance process, whereby the document is mailed to an address provided by the applicant. This method is not fool-proof, but is as effective as requiring provision of apartment leases, or bills mailed to a person at a given address. As a result, the Department believes this approach is functionally equivalent to having the applicant provide proof of residency by providing a piece of mail to him/herself at the address provided to prove residency.

Recommendation No. 5:

The Department of Revenue should establish procedures and mechanisms for tracking the effectiveness of its controls over the process of issuing driver's licenses and IDs by:

- a. Tracking and quantifying the number of attempts to obtain a fraudulent driver's license or ID that were stopped by each internal control.
- b. Developing a new case tracking database for the Motor Vehicle Investigations Unit and identifying and implementing procedures on the type and detail of data to be collected and summarized.
- c. Analyzing the information collected in Parts a. and b. on a regular basis and using the analysis to improve internal controls, target staff training efforts, and support budget and planning decisions.

Department of Revenue Response:

- a. Agree. Implementation date: December 2008.

When a driver's license examiner identifies a counterfeit or altered document the case is referred to the Motor Vehicle Investigations Unit. The case is entered and tracked in the Convergent Technologies Operating System (CTOS). The Department performed an analysis of CTOS to determine the extent the system can be modified to track the additional information and has made all possible changes to the system at this time. The Department has begun exploring the development of a more detailed and sophisticated Access based tracking program and will implement changes to the extent they are justified based on costs and benefits by December 2008.

- b. Agree. Implementation date: Implemented/Ongoing.

Based on the limited design of the antiquated CTOS system, the Department made some modifications in the system to increase the detail and classification of the cases in April 2008. Additionally, the Motor Vehicle Investigations Unit is currently exploring options that include the development of an Access based records management system that would provide even greater detail and more statistics and allow for the input of court/criminal disposition to cases.

- c. Agree. Implementation date: December 2008.

Once the additional data is available, the Department will analyze the information collected on a regular basis to determine changes needed to improve internal controls, target staff training efforts, and support budget and planning decisions.

Department of Revenue Status Update (December 2008):

- a. Status of Implementation: Implemented.

The CTOS system has been analyzed and compared to the ACCESS program. Updating CTOS by modifying existing programs and creating new reports to address each internal control identified was determined to be the best solution. This will be accomplished in the first of four phases.

Phase one of the process has already been implemented. The "New Request for Investigation" form was modified to allow the driver's license offices to identify which internal control triggered the request for investigation. The internal controls added to the form are: fraudulent documents, finger print, image, and SAVE/SSOLV. These controls will be marked by the driver's license line staff as to why the investigation is being requested. The line staff received notification and instruction regarding the new form on December 12, 2008.

A new table of codes has been created in CTOS to match the internal controls on the form for tracking purposes and new codes have been created that are identified as driver's license fraud dispositions. These modifications will allow better tracking of attempts to obtain a fraudulent driver's license or ID by the internal controls identified.

- b. Status of Implementation: In Progress.

Phase two is expected to be completed January 2009. The update to CTOS will have several new areas of tracking and statistical reports for better tracking, improved detail to all reports, special end of month and annual reports for driver's license fraud to include Facial Recognition data.

Phase three is expected to be completed by February 2009. Phase three involves the creation of new disposition codes specific to the internal controls identified by the audit to coincide with the break out of driver's license fraud. Additional codes will also be added for other areas of investigation in the unit including Titles. The overhaul of the CTOS will add better tracking for all areas of investigation in the unit.

- c. Status of Implementation: In Progress.

Phase four is expected to be completed by March 2009. The modifications and new programming in CTOS implemented with the prior phases will enable the Driver's License Section to analyze the data gathered in monthly and annual reports. The reports will reflect detailed tracking of driver's license fraud with the five internal controls identified by the audit. The report will target these areas both by statistical information from the point of first contact to the final dispositions of those cases identified as driver's license fraud.

Department of Revenue Status Update (July 2009):

- a. Status of Implementation: Previously Implemented.

- b. Status of Implementation: Implemented.

Phase two of the CTOS upgrade is in progress. The large number of new legislation caused this project to be postponed until IT staff completed all the required programming changes. The additional time allowed a better look at possibilities that could be included in our new system including a report writing section that will allow the reports to be accessed from one program rather than needing a second program for this function.

The rewrite will be in the new computer language that will allow it to be taken from a dedicated system and placed on the DOR network.

The total rewrite of our system will also have the benefit of allowing individual investigators the ability to access the system from their desk adding a level of efficiency by removing the need for the administrative staff to close the cases on their behalf. It will enable the investigators to better monitor and track their cases by having a section available to them showing all their assigned cases on command. It will allow the lead worker the opportunity to review the case load by investigator (cases open and closed) for any given time period for a more complete view of the office case load and where there may be problems to address.

The program rewrite is in the development stage, no completion date has been given by the IT staff.

- c. Status of Implementation: In Progress.

The new system will include reports required by Drivers License Administration and more detailed reports for the unit that would have been available by modifying the existing program. A complete rewrite allows for the inclusion of all reports that have been discussed in previous responses and for the ease of additional ones as they are identified by having the program written in the new computer language currently be used.

The program rewrite is in the development stage, no completion date has been given by the IT staff.

Recommendation No. 6:

The Department of Revenue should develop a comprehensive cyber security program that protects the data contained in crucial information systems, including the Driver's License Information System, against unauthorized access, disclosure, use, modification or destruction. This should include establishing a centralized information security function managed by an Information Security Officer, as required by State Cyber Security Policies. Additionally, the Department, in cooperation with the Governor's Office of Information Technology, should correct the specific security deficiencies we identified during our audit, including:

- a. Developing a mechanism to manage user access to DLS that includes documentation of user access privileges, regular review and monitoring of user access levels to determine whether access is still appropriate, and removal or revision of access privileges for users who cease employment or change job responsibilities.
- b. Performing ongoing monitoring of user activities on the DLS information system to identify anomalous activity or violations of Department procedures, and taking appropriate action to resolve the problems identified.
- c. Conducting an inventory of DLS data contained in batch transmissions and encrypting all network transmissions of sensitive, personally identifiable information.

Department of Revenue Response:

Agree. Implementation date: December 2008.

The Department is currently reviewing and will update its cyber security policy by July 2008. The Department believes it has adequate information security expertise from various individuals now in place with such knowledge; however, we understand the importance of having one person responsible for this function. The Information Technology Division will evaluate and determine if the Information Security Officer duties will be the responsibility of an existing staff or hire a person to specifically fulfill these duties by December 2008.

- a. Agree. Implementation date: June 2009.

The Department is currently working on addressing the management of the user privileges and will perform an application analysis by June 2009 to determine the extent to which this can be incorporated into the DLS computer application and the related costs. Changes will be implemented to the extent they are justified based on costs and benefits.

- b. Agree. Implementation date: June 2009.

Due to the current DLS program structure, there is no systemic tool available to track and analyze data on user activities. The Department will perform an application analysis by June 2009 to determine the extent to which this can be incorporated into the DLS computer application and the related costs. Changes will be implemented to the extent they are justified based on costs and benefits.

- c. Agree. Implementation date: June 2009.

The Department will inventory the DLS data contained in the batch transmissions and encrypt the transmissions the Department has control over by June 2009.

Department of Revenue Status Update (December 2008):

- a. Status of Implementation: Not implemented.

There have been high level discussions between ITD and the DL business. ITD plans to work with the DL business between February and May of 2009 to further discuss potential solutions and provide costs estimates to determine which if any of the solutions can be implemented based on cost and benefits.

- b. Status of Implementation: Not implemented.

There have been high level discussions between ITD and the DL business. ITD plans to work with the DL business between February and May of 2009 to further discuss potential solutions and provide costs estimates to determine which if any of the solutions can be implemented based on cost and benefits.

- c. Status of Implementation: In Progress.

The Department is in the process of implementing a process for non encrypted file transmission to a secured encrypted transmission. ITD is in the process of planning and scheduling with the receiving or sending entity and their vendor when necessary.

Department of Revenue Status Update (July 2009):

- a. Status of Implementation: In Progress

ITD submitted a decision item for a cyber security tool that would provide IT staff better user management capabilities. Unfortunately this decision item was denied. With the recent deployment of Active Directory (June, 2009) there may be better user management tools that can be utilized.

- b. Status of Implementation: In Progress

Due to the structure of the DLS there isn't a tool available to provide the ability to track and analyze user activities. Recent changes have been made to DLS that further restrict user access to particular screens where the SSN is located. Programming changes were made to limit the number of users that have access to the SSN and the SSA verification code. There also have been improvements made in logging user access to SSA. While these programming changes do not provide global user management, the SSA user access tracking is more complete. It is thought the L1 refresh project may provide improved user management.

- c. Status of Implementation: In Progress

The Department continues to move all non secured transmissions to secure. We have made progress and continue to work with the Department cyber security officer and vendors to move all data transfers to a secure transmission. Expected completion date is June 30, 2010.

Recommendation No. 7:

The Department should improve disaster recovery planning and preparedness for the Driver's License Information System by:

- a. Identifying all critical data sets necessary to fully recover DLS and working to ensure the data sets are backed up and stored offsite according to Department data-retention needs and State Cyber Security Policies.

- b. Prior to the next disaster recovery test, developing sufficiently detailed, written procedures for testing the DLS disaster recovery plan and assessing its effectiveness.
- c. Ensuring that disaster recovery tests include other DLS users and the Department's photo imaging system contractor in the testing procedures. In addition, the Department should obtain the contractor's disaster recovery plan and review it to determine if it is sufficient.
- d. Ensuring the disaster recovery plan includes all components required by the State's disaster recovery policy and that it tests connections to all critical networks.

Department of Revenue Response:

- a. Agree. Implementation date: June 2009.

The Department will identify all critical data sets necessary to fully recover the DLS and ensure the data sets controlled by the Department are backed up and stored offsite in accordance with Department data retention policies and State Cyber Security Policies by June 2009.

- b. Agree. Implementation date: December 2008.

The Department will develop sufficient written test procedures by December 2008 for assessing the effectiveness of the DLS disaster recovery plan.

- c. Agree. Implementation date: December 2008.

The Department will include other DLS users and the Department's photo imaging system contractor in the testing procedures and in the next disaster recovery test. Additionally, the Department will work with the photo imaging system contractor to obtain its disaster recovery plan and review it to determine if the plan is sufficient by December 2008.

- d. Agree. Implementation date: December 2008.

The Department will review and update its disaster recovery plan by December 2008 to include all components required by the State's disaster recovery policy and test connections to critical networks prior to the next disaster recovery test.

Department of Revenue Status Update (December 2008):

- a. Status of Implementation: In Progress.

ITD has worked with representatives of DLS to identify critical data sets. The critical data sets are still in the process of being identified and documented by ITD testing (support services). Access to this information is obtained through a written or verbal request to testing. The latest disaster recovery test performed on December 11, 2008, confirmed that MVR-HISTORY data was retrieved from all related driver's license files, assembled and displayed correctly; add, update, and delete functions for existing mainframe data functioned correctly; and the connection to the DHS/US Citizenship and Immigration Services SAVE database for verification of immigration documents worked properly.

Items still to be included in testing that will be necessary to support critical processes include: getting transactions to appear on the Digimarc capture station for processing, connecting to AAMVAnet for national ID verification, and final printing of IDs at Digimarc. These items will be discussed in the post-mortem meeting, which is expected to occur in January 2009. We will not be able to estimate the schedule to test these items until we have implemented and tested this functionality on the test LPAR. We currently do not have a firm implementation date for the test LPAR.

b. Status of Implementation: In progress.

Test procedures are still being refined, as more of the DLS process and the disaster recovery needs to cover that process become clear. Some progress has been made and more progress is necessary. Written procedures for testing the DLS disaster recovery plan are dependent upon further discovery and communication with the business users, so that the entire process is understood. It will also be dependent upon communication with other areas of ITD who can confirm or deny that certain testing practices can be supported. This is not likely to occur before 2010.

c. Status of Implementation: In progress.

The 2008 disaster recovery testing included more DLS user participation than previous years. However, the photo imaging system contractor has yet to be included in the test. While the necessity for the participation of the contractor has been identified, there is no ITD individual assigned to this action item. This item does not yet have a scheduled date for completion. However, at the meeting in January 2009, ITD will discuss possible options for contractor inclusion in this test.

d. Status of Implementation: In progress.

The test plan has been updated to include more components required to support critical processes. However, some test connections to critical networks still do not exist and are in fact still being identified. ITD communicates with the DLS users prior to the test to attempt to identify all pieces of the process, but time and personnel resources are limited on both sides, and not all information gets transferred prior to a single test. This item does not yet have a scheduled date for completion. The identification of critical functions to support the entire DLS process is in progress, and will be discussed at the post-mortem meeting, as will a scheduled date for completion of this discovery.

Department of Revenue Status Update (July 2009):

a. Status of Implementation: In progress.

The post-mortem meeting took place in January 2009. The need for better communications to ensure the ability to connect to all entities necessary to create a document, driver license or identification card, was discussed. The new L1 system used to create the documents is scheduled for installation in May 2010 and it should be better integrated into the disaster recovery plan.

b. Status of Implementation: In progress.

The comments of the December 2008 update remain valid and this is an area that cannot be completed until the new L1 system is in place.

- c. Status of Implementation: In progress.

The contractor's disaster recovery plan for the L1 system is required to be delivered as part of their contract. It is very important that the disaster recovery needs be considered during the development of the new L1 system. It is also anticipated that the new system will be better integrated into the State disaster recovery plan.

- d. Status of Implementation: In progress.

In addition to the network connectivity mentioned in the December 2008 response, the new L1 system will accommodate improved performance; however, this is still an outstanding issue. The Department continues to seek improvement with disaster recovery planning.

Recommendation No. 8:

The Department of Revenue should improve the physical-access controls and environmental controls over the data center by:

- a. Restricting access to only those individuals who have an established and valid need to routinely access the data center.
- b. Assigning a staff person to routinely review data center access and records and follow up on unusual activity.
- c. Developing policies and procedures related to data center access and emergency procedures and training Department staff on these procedures.
- d. Augmenting the current sprinkler system with an inert gas-based fire suppression system, once funding becomes available.

Department of Revenue Response:

- a. Agree. Implementation date: May 2008.

The Department reviewed the existing list of individuals with access to the data center in May 2008 and determined the majority of the individuals do require access to the data center for valid reasons. The Department will monitor requests for obtaining access to the data center and will restrict access to only those individuals who have an established and valid need to routinely access the data center.

- b. Agree. Implementation date: December 2008.

The Department will develop a process to routinely review data center access records and follow up on unusual activity by December 2008.

- c. Agree. Implementation date: December 2008.

The Department will develop policies and procedures related to data center access and emergency procedures and train Department staff on these procedures by December 2008.

- d. Agree. Implementation date: December 2008.

The Department received approval and funding for a FM2500 gas fire suppression system and the installation project is in progress. The Department is currently designing the system with building services and anticipates completion of the installation by the end of 2008.

Department of Revenue Status Update (December 2008):

- a. Status of Implementation: Implemented.

This is completed as stated in the original response.

- b. Status of Implementation: Implemented.

This is completed as stated in the original response.

- c. Status of Implementation: Implemented.

The Department has in place an automated alarm system that will automatically notify managers and specific personnel of a change in environmental conditions (water, temperature, power, equipment alarm status). These specific personnel have a procedure that they would follow in the event of a notification being sent to them. These events generally occur during non-business hours. Should no one specific personnel be at the scene of a catastrophic event in a data center, they are instructed to follow the Department's Emergency Action Plan for that site and notify their manager as soon as it is reasonably safe to do so for further instructions.

- d. Status of Implementation: In Progress.

This is in progress with DPA and the Office of the State Architect. The next steps are approval and putting the fire suppression system out for bid, they didn't have a scheduled completion date but thought at least by June 30, 2009 We have decided on the type of suppressant. The engineer has drawn up the plans and the plan is being sent for the director to sign.

Department of Revenue Status Update (July 2009):

- a. Status of Implementation: Previously Implemented.

- b. Status of Implementation: Previously Implemented.

- c. Status of Implementation: Previously Implemented.

- d. Status of Implementation: Not Implemented

The project to install the fire system has been cancelled because we are consolidating data centers to reduce costs. We have moved several of the main enterprise systems to the 690

Kipling location including Directory Services, File services, Web services, Email Services. Expected completion to fully implement this move is June 30, 2010. The L1 systems are scheduled to be moved by December 31, 2009.