

December 23, 2019

David S. Kim, Secretary  
California State Transportation Agency  
915 Capitol Mall, Suite 350-B  
Sacramento, CA 95814

Dear Mr. David S. Kim,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Motor Vehicles submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact Kathleen K. Webb, Chief Deputy Director, at (916) 657-6941, Kathleen.Webb@dmv.ca.gov.

## **GOVERNANCE**

### **Mission and Strategic Plan**

The Department of Motor Vehicles (DMV) is part of the California State Transportation Agency. DMV employs more than 9,700 employees, provides driver license and identification card services to 30 million customers, and registration services for 35 million vehicles. DMV provide services at more than 175 field offices located statewide. Customers are able to complete their business by mail, phone, online, self-service kiosks, at participating Business Partners or Auto Clubs, and DMV field offices.

### **DMV Vision, Mission, and Core Values**

**Vision** – A trusted leader in delivering innovative DMV services.

**Mission** – We proudly serve the public by licensing drivers, registering vehicles, securing identities, and regulating the motor vehicle industry.

#### **Core Values –**

- Honesty and integrity
- Commitment to serve the public
- Respect and consideration for each other, our customers, and the environment
- Accuracy and quality in all our products and services.

The DMV 2016-2021 Strategic Plan is posted on the DMV public website and focuses on the following five strategic goals:

1. Provide superior customer service

#### Strategies:

- Communicate DMV's services and successes.

- Redefine the customer experience by offering convenient, innovative, and virtual service options.

2. Develop and retain a versatile and informed workforce

Strategies:

- Enhance our workforce and succession plan.
- Provide professional development opportunities.
- Apply best practices in the hiring and selection process.
- Enhance our recruitment efforts.

3. Eliminate fraud

Strategies:

- Educate our workforce and the public about fraud.
- Implement fraud prevention measures.

4. Optimize our processes and update our technology

Strategies:

- Document systems and business processes.
- Improve business processes.
- Modernize our systems.

5. Equip our employees with the tools and facilities to meet DMV's current and future responsibilities

Strategies:

- Provide our employees with the technology and equipment to do their jobs.
- Improve our facilities infrastructure.

The DMV principal core functions are:

- **Driver License and Identification Card Program:** Test and issue licenses to qualified drivers, provide identification services to the public, and verify the identity of all licensed drivers and identification card holders.
- **Vehicle Title and Registration Program:** Issue titles and register all automobiles, motorcycles, trailers and vessels, as well as commercial vehicles for both interstate and intrastate commerce. Issue disabled person placards and personalized license plates.
- **Licensing of the Motor Vehicle Industry:** Provide customer protection through the licensing and regulation of occupations and businesses related to the manufacture, transport, sale and disposal of vehicles, including: vehicle manufacturers, dealers, registration services, salespersons, transporters, and dismantlers.
- **Driver Safety Program:** Promote traffic safety by monitoring the driving performance of licensed drivers. We evaluate high-risk drivers for driving competency and take corrective actions against the driving privilege of drivers who demonstrate safety risks.

The New Motor Vehicle Board (NMVB) is a program within the DMV reporting responsibility, and

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oversight is provided by the California State Transportation Agency. The mission of the NMVB is to enhance relations between dealers and manufacturers throughout the state by resolving disputes in the new motor vehicle industry in an efficient, fair, and cost-effective manner.

## **Control Environment**

As head of the DMV, Steve Gordon, Director, is responsible for developing the organizational structure that outlines the primary roles responsible for managing DMV's identified risks, which includes development of mitigation strategies, implementation of internal controls, and monitoring.

DMV's organizational structure consists of Deputy Directors and Directorate Advisors who are assigned accountability within their areas of responsibility. They are responsible for enforcing accountability through establishment of departmental policies, procedures, monitoring the effectiveness of controls, development and ongoing updates of DMV's Strategic Plan. On behalf of the Director, the DMV's Audits Office provides independent and objective assurance by reviewing and auditing DMV's programs, administrative services and information technology functions.

The DMV Enterprise Governance Council (EGC) provides sound leadership through collaborative stewardship, decisions, and recommendations to the Directorate.

The EGC provides leadership and support for current and future enterprise-wide projects by working to remove barriers, mitigate risks, and resolve inter-and intra-departmental project issues in a timely manner. The council also prioritizes department initiatives, projects, and programs for resource allocation and commitment for Directorate approval.

Honesty and integrity are part of the DMV core values in the DMV 2016-2021 Strategic Plan. Employees are required to complete fraud prevention training annually. Furthermore, posters with the California State Auditor's Whistleblower Hotline phone number are provided and posted at DMV headquarter buildings and field offices.

To minimize the risk of DMV employees performing work or making decisions in their official DMV capacity, which may be considered conflict of interest, DMV employees in designated conflict of interest positions are required to complete the annual Statement of Economic Interests (Form 700) and the Statement of Incompatible Activities (ADM 1305).

A competent workforce begins with hiring people with the knowledge, skills, abilities and attributes needed to be successful in the workplace. Immediately after onboarding, knowledge and skills training ensures employees develop competencies for their current responsibilities. Management is responsible for accomplishing the work in their respective units and maintaining an open communication with employees. Managers must evaluate and monitor employee performance (Report of Performance for Probationary Employee (STD 636), Individual Performance Plan (STD 637), Performance Appraisal Summary (STD 638), etc.) on a regular basis in order to enforce accountability. Continued development of analytical and leadership skills to sustain and retain employees is achieved via DMV's Leadership Development Academy, which offers comprehensive Executive, Mid-Manager, Supervisory and Non-Supervisory leadership training programs.

The Workforce Strategy Plan provides a framework for aligning the size, skill, and competency of DMV's workforce with the strategic needs of the department today and in the future. This plan provides direction for the continued development of DMV's workforce, and ensures there is an inclusive work

environment that values diversity, where all employees are treated with respect and feel valued and supported.

The Leadership Succession Plan will enable DMV to identify, assess, and develop employees with the potential to take on leadership roles in order to build talent from within the organization to ensure leadership continuity. Succession planning is an integral part of workforce planning efforts, and other training opportunities.

### **Information and Communication**

Management communicates policies and procedures to employees through various methods including weekly meetings at DMV field offices, work tools, procedure manuals on the department intranet, and employee training.

Additional communication methods include bulletin boards, email, intranet updates, video messaging for updates, tutorials, DMV Hot Topics, DMV Daily News Link, Divisional newsletter, etc. DMV leadership provides clear direction, priorities and ensures alignment with the Department's goals. As of September 2019, twice-weekly "Executive Huddle" among top managers were instituted by the Director to provide a platform for enterprise-wide awareness, thinking and management.

To improve customer experience, in 2019 DMV redesigned the DMV website and implemented a customer facing online chatbot to respond to customer questions 24 hours a day, 7 days a week (24/7). As of August 2019, a REAL ID marketing and communication campaign was launched to educate and inform DMV customers.

In 2019, DMV received funding and is in the process of hiring district managers that would perform frequent field office visits to promote communication and information sharing among the DMV headquarters, regional and field offices.

The DMV's Communication Programs Division, Customer Information Branch, Information Services Branch, Justice and Government Liaison Branch, and Publishing and Online Information Branch are responsible for internal and external customer communications.

DMV's Office of Public Affairs provides public news releases and contact with news media. In 2018, DMV hired and collaborated with a consulting firm, to create a digital REAL ID field office technician guide that is available on the DMV intranet. The guide is regularly updated to provide both Field Operations Division and Call Center employees the most current information regarding REAL ID policies and procedures to ensure accurate communications and efficient service to our customers.

### **MONITORING**

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Department of Motor Vehicles monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to:  
Kathleen K. Webb, Chief Deputy Director.

As the head of Entity, Steve Gordon, Director, is responsible for the overall establishment and maintenance of the risk management and internal control systems.

## EXECUTIVE MONITORING SPONSOR(S)

The executive monitoring sponsor responsibilities include facilitating and verifying that the DMV monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Kathleen K. Webb, Chief Deputy Director.

### Monitoring Activities

The DMV has implemented an internal dashboard for management to monitor the status of the various DMV Business Plan initiatives to mitigate the risks identified during the risk assessment process as well as the issues identified by external auditors. Key performance indicators will be identified and included in this process to ensure proactive management of risks and issues. Additionally, Unit Monitors can trace all DMV Business Plan initiatives and key performance indicators back to the DMV strategic goals.

To determine the effectiveness of internal controls, division managers and supervisors are responsible for the routine review of staff work to ensure compliance with established policies and procedures. Employees also perform cross review of their work to improve accuracy and completeness.

At DMV field offices, management will assign a team to perform quality assurance evaluations to ensure employees consistently follow policies and procedures.

The Enterprise Risk Management (ERM) Division analysts facilitate meetings with each Risk Unit Monitor to obtain updates on the status of the controls to mitigate enterprise risks. The Risk Unit Monitors also perform periodic review of the enterprise risks and controls to confirm the divisions are adequately mitigating the risks. After the divisions implement the controls, DMV Audits Office will test the controls to determine effectiveness.

## RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Motor Vehicles risk assessment process: executive management, and middle management.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

### Risk Identification and Ranking

DMV conducted risk assessments with different levels of management across the department to identify divisional and enterprise risks, which could prevent them from achieving their business objectives. The brainstorming sessions and deep dive discussions regarding risks were held with each DMV division and the New Motor Vehicle Board. Risks identified by the divisions were compiled and organized by categories and objectives such as Operations, Reporting, and Compliance. Various levels of management participated in assigning risk ranking in the areas of impact, likelihood, and velocity on a five-point scale. Risk impact is the extent the risk event will affect the department mission, goals or

objectives. Risk likelihood is the probability the risk will occur. Risk velocity is the speed of the impact when the risk occurs. The risk score results were shown on heat maps and presented to executive management. After conducting the risk ranking with the various management levels, ERM staff facilitated meetings with the executive management and the Directorate to determine the reportable enterprise risks and Risk Unit Monitor for each risk.

The Directorate identified enterprise risks based on several factors including risks that affected multiple divisions, residual risks from prior risk assessments, internal control monitoring, and audit results. The risks were analyzed and prioritized based on the department's risk tolerance, changes within the department, potential for fraud, the possibility of occurrence, and the speed of onset for risk event to manifest. The Directorate selected the enterprise risks for the 2019 State Leadership Accountability Act report. The ERM analysts worked with the applicable Risk Unit Monitors to identify the internal controls to mitigate the risks.

## **RISKS AND CONTROLS**

### **Risk: IT Resources – Outdated Technology**

Due to aging and disparate technology systems, DMV is at risk of not meeting current and future operational demands, which can lead to system failures, security breaches, delayed implementations, financial loss, and ultimately impacts the safety and service for Californians.

#### **Control: A**

DMV Information Systems Division (ISD) performed an assessment of all hardware and software to assess the immediate critical End of Life (EOL) equipment and to address the most urgent infrastructure refresh priorities that present high risk of failure. ISD goal is to complete the EOL equipment replacement in 2020. ISD will establish an annual maintenance and refresh process for the enterprise infrastructure systems to sustain the mission critical aging and disparate systems that supports the DMV Field Offices and customer services. The annual refresh will mitigate system failures, security breaches, delayed implementations, and financial losses.

#### **Control: B**

Migrate to Microsoft Office 365 as it offers better features and tools to enhance employee computing experience.

#### **Control: C**

Review and identify any redundancy in the network design and provisions related to DMV Field Offices, Contact Centers, and auto club data centers. The reduction of network redundancy will reduce the risk of system failures, security breaches and improve services provided to Californians.

#### **Control: D**

Develop a 5-Year Enterprise Architecture Plan that focus on DMV's future state. The Enterprise Architecture Plan will document the current (As-Is) state and determine the gaps between the

current and future (To-Be) states along with a roadmap to guide future efforts that will mitigate the risk of aging and disparate IT systems. DMV will be able to better serve Californians in the future state.

**Control: E**

DMV will exercise a containment strategy that restrict all changes to the most vulnerable IT systems to limit the risk of failures. A strict review, evaluation, and approval process was implemented in October 2019 to restrict coding changes and ensure that any changes made are rigorously reviewed and tested. Limiting change will reduce the risk of unwittingly creating vulnerabilities and ensuring no unauthorized changes are made to the systems. By exercising a containment strategy, DMV can focus on transitional architecture, upgrading hardware, and replacement of legacy programming language resulting in a modern and supportable platform.

**Risk: Governance and Organizational Culture**

Lack of an enterprise governance structure, inconsistent policies, practices, standards, and resource management may lead to conflicting priorities and inefficiencies, which hinders the department's ability to promote a consistent framework for operation and risk intelligent decision making.

**Control: A**

To assist DMV with improving its enterprise governance, DMV will hire a Performance Optimization vendor. The framework will include roles and responsibilities of the governing bodies, project prioritization process, and accountability measures. This will promote consistency and risk-intelligent decision making.

**Control: B**

Continue to hold the twice a week leadership meetings with the executive leadership, also known as the "Executive Huddle" to focus on the top mission critical priorities and address any potential issues proactively.

**Control: C**

DMV plans to collaborate with the Performance Optimization vendor to develop Key Performance Indicators (KPIs) for program areas and create a dashboard. The KPIs and dashboard will help DMV monitor critical operations and provide necessary data to make risk-intelligent decisions.

**Control: D**

Establish an enterprise level policy administration function to oversee all DMV policies. Incorporate the oversight of the policy administration into enterprise governance to ensure policies and procedures are current, consistent, and maintained in accordance with statutory provisions. Keeping policies and procedures current and up-to-date reduces risk by providing accountable persons with the tools needed to accurately, consistently, and effectively perform their duties.



### **Risk: IT Resources-Data Analytics & Process Improvement**

Lack of an enterprise data management framework contributes to data inaccuracy, errors, and multiple data streams, which impacts effective reporting and decision-making in support of DMV mission and goals.

#### **Control: A**

The DMV plans to hire a Chief Data Officer to establish an enterprise data management framework to address data inaccuracy, errors, and multiple data streams. The Chief Data Officer will provide oversight for data analytics, data governance, and data management. The DMV leadership team can make risk-intelligent decisions based on accurate collection of data.

#### **Control: B**

Utilize centralized data repository (Data Lake) and analytic tools to access, and review DMV data and identify inaccuracies, errors, and potential fraud for further actions.

#### **Control: C**

DMV is utilizing a Front End Sustainability (FES) Business Process Reengineering (BPR) vendor and DMV Lean 6 Sigma trained staff to review and identify business process improvement opportunities. In addition, DMV is expanding the utilization of data to identify process weaknesses and monitor operations to support DMV mission and goals.

### **Risk: Facilities Maintenance**

Due to deferred maintenance of facilities, DMV is at risk of not exercising sound financial management of assets, which impacts safety, efficiencies, and costs to maintain/comply with requirements for public buildings.

#### **Control: A**

Utilization of the 5-Year Maintenance Plan with prioritization of needed maintenance for Fiscal Year (FY) 2019/20 and FY 2020/2021. The Maintenance Plan is a strong commitment to maintain DMV facility infrastructure in good repair and to ensure DMV buildings are operationally functional. The key commitments are: an ongoing awareness of current facility conditions; a planned approach to ensure acceptable conditions are maintained; and the appropriate funding to support these efforts.

#### **Control: B**

Utilization of the 5-Year Infrastructure Plan with prioritization of infrastructure needs for FY 2019/20 and FY 2020/2021. The Infrastructure Plan outlines the department's approach to managing and planning for future infrastructure needs. The department's Strategic Plan goal is to design and maintain DMV facilities to delivery outstanding customer service, and an updated 5-Year Infrastructure Plan supports this goal. In addition, the plan establishes guiding principles, best business practices, and methodologies to assess future space needs and development strategies.



**Control: C**

Development of a Tactical Renovation Plan with prioritization of tactical needs for FY 2019/20 and FY 2020/2021. The DMV will perform evaluation to determine the needed tactical changes. This plan will document the short term and long term renovation changes needed. DMV will address renovation needs as availability of funding allows.

**Control: D**

Development of a prioritized list of necessary Americans with Disabilities Act (ADA) changes and develop and implementation plan based on the FY 2019/20 and FY 2020/2021 ADA funding. DMV will address the needed ADA changes to mitigate the safety risks and improve customer service.

**Risk: External Mandates**

Due to limited capacity and expedited implementation, DMV is unable to efficiently comply with external mandates, which impacts DMV's ability to effectively engage in policy development and proper implementations.

**Control: A**

DMV will collaborate with the Performance Optimization vendor to develop a change management plan. The change management plan will include an evaluation over time on the effectiveness of the change management strategy. Implementation of the change management plan will enable staff to be more flexible and adaptable to external mandate changes.

**Control: B**

DMV will increase legislative process and bill analysis training offerings to internal stakeholders starting in 2020. The legislative process and bill analysis training will give staff the tools to determine impacted policies, procedures, and processes. The staff then can better anticipate policy development or impacts, and meet mandated implementation.

**Control: C**

The current Legislative Handbook and the Legislative Kickoff presentation materials will be reviewed and revised to emphasize the importance of communication and identifying the necessary resources and costs to implement the bill. The updated Legislative Handbook and Legislative Kickoff presentation materials are tools that staff can utilize to perform a thorough bill analysis. This will ensure the needed resources, funding, and time are properly estimated to comply with external mandates and effective dates.

**CONCLUSION**

The Department of Motor Vehicles strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

**Steven Gordon, Director**

CC: California Legislature [Senate (2), Assembly (1)]  
California State Auditor  
California State Library  
California State Controller  
Director of California Department of Finance  
Secretary of California Government Operations Agency