December 22, 2017

Brian Kelly, Secretary
California Transportation Agency
915 Capitol Mall, Suite 350-B
Sacramento, CA 95814

Dear Mr. Brian Kelly,

In accordance with the State Leadership Accountability Act (SLAA), 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, 2017.

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

BACKGROUND

The Department of Motor Vehicles (DMV) is a department within the California State Transportation Agency. With a workforce of more than 8,500 employees, DMV provides driver license and identification card services to 29 million customers and registration services for 35 million vehicles. DMV provides services to more customers than any other state department.

The mission of the DMV is to serve the public by providing quality licensing and motor vehicle-related services. 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 with oversight 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.

ONGOING MONITORING

As the head of Department of Motor Vehicles, Jean Shiomoto, Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

Executive Monitoring Sponsor(s)
The executive monitoring sponsor responsibilities include facilitating and verifying that the Department of Motor Vehicles internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:
William Davidson, Chief Deputy Director.

Monitoring Activities
The Department of Motor Vehicles (DMV) and the New Motor Vehicle Board (NMVB) are committed to ongoing monitoring of internal controls, and has tasked the Enterprise Risk Management division (ERM) Risk and Process Evaluation Section (RPES) with the responsibility of conducting department-wide risk assessments. The ERM ongoing monitoring framework is modeled using the Department of Finance, State Leadership Accountability Act lifecycle. Management at every level is responsible for the design, implementation, and monitoring of internal controls. Middle management and front line management are directly involved in the daily monitoring of these controls.

Addressing Vulnerabilities
RPES facilitates risk assessments to identify risks and controls. Risks are presented to the DMV Enterprise Governance Council (EGC) for discussion and approval. Unit Monitors are assigned to work with middle and front line managers in their respective areas to design controls for risk mitigation. In addition, recommendations made by the DMV Internal and External Audit Office to enhance the effectiveness of controls are implemented by frontline management. The Project Communications and Training (PCT) Work Group has been established to develop internal and external communications and training plans for new enterprise projects, policies and procedures.

Communication
The DMV Executive Monitoring Sponsor is responsible for selecting Unit Monitors and informing them of their roles and responsibilities associated with each risk. RPES then facilitates identifying controls and mitigation strategies with each Unit Monitor.

DMV executive management selects appropriate methods to communicate risk monitoring activities and results internally. Management considers a variety of factors in selecting an appropriate method of communication. Depending on the targeted audience, they utilize internal memoranda, quarterly performance management reports, DMV Intranet postings and employee surveys. Management understands the vital role communication plays in the risk management process and continually looks for ways to improve communication throughout the department. The department also reminds employees about the DMV whistleblower line so staff can leverage it as deemed necessary.

Additionally, RPES publishes reports on the status of the enterprise and divisional risks. These reports are shared with the DMV Director, Executive Monitoring Sponsor, Deputy Directors and staff.

Once the SLAA Report is approved by Department of Finance, the DMV will disseminate the finalized SLAA Report to all staff and publish it on DMV's website.

Ongoing Monitoring Compliance

The Department of Motor Vehicles is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the Department of Motor Vehicles systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Motor Vehicles risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

Risk Identification

RPES partners with each division to identify risks. Executive management is provided with training on the SLAA risk identification process, including SLAA categories, sub-categories and risk factors. Executive management then consults with divisional staff to identify potential risks. Risks that impact DMV strategic objectives are presented to the EGC for evaluation and consideration for enterprise risk categorization.

RPES is also developing a risk intake process that will be available to all employees. The intake process will allow employees to identify emerging risks and submit them confidentially.

Risk Ranking

Enterprise risks that are nominated by the EGC are evaluated and a root cause analysis is conducted by RPES. RPES works with the appropriate program areas and estimates the significance of a risk by considering the magnitude of impact, likelihood of occurrence, and nature of the risk. After risks are analyzed and ranked by RPES, the risks are presented and discussed with the Executive Monitoring Sponsor and the DMV Director. The Executive Monitoring Sponsor and Director determine which risks have significant impact on achieving the department's goals and objectives. The risks with the highest impact to the goals and objectives are included in the SLAA report.

RPES works with the assigned Unit Monitor to identify controls and mitigation strategies. Ongoing monitoring practices are performed until the risk has been mitigated.

RISKS AND CONTROLS

Risk: Operations -Internal-Technology—Compatibility

Maintaining existing core systems that are out of date can result in system failure and downtime.

Lack of maintenance and sustainability plans for existing technology, and lack of implementation of new technologies influences the department's ability to provide service to the public.

This results in increased processing times, workarounds and contributes to loss of data.

Control A

Document all technologies and their expected useful life for refresh planning.

Control B

Replace all legacy EDL programming language and retire the IBM Power Series hardware.

Control C
Convert legacy Assembler programing language to a more modern supportable platform.

Control D
Engage RPES in a process improvement effort from inception to implementation. This engagement will document and analyze current processes, and provide recommendations for process efficiencies.

Control E
Evaluate current systems for infrastructure updating and refreshing. Perform an assessment of all hardware and software systems to address the immediate backlog of critical End of Life (EOL) equipment and address the most urgent infrastructural refresh priorities that present high risk of failure.

Risk: Operations -Internal-Technology—Data Security
A potential breach of customer data, including personally identifiable information (PII).

Lack of sufficient workforce, updated technologies and security upgrades are the cause of this risk.

This can result in a breach of customer PII.

Control A
Develop a Monthly Alerts and Incidents Report. This report will establish baselines from real-time security events data, which will allow for trending and forecasting to mitigate data security risks.

Control B
Maintain a knowledgeable security team with trained and competent employees.

Control C
Adopt and implement stronger use of techniques for data encryption.

Control D
Identify, evaluate, and implement additional monitoring efforts for the Security Operations Center.

Risk: Operations -Internal-New System Implementation (Other Than FI$Cal)
Implementation of new systems before they are fully vetted can result in manual workarounds, loss of data, system failures, and issues related to system maintenance, security upgrades, and software licensing.

Due to competing priorities and project timelines, project teams and subject matter experts may not be given sufficient time and resources to properly plan for new IT projects.

This results in an increase in transaction processing time, delayed project milestones, project rework, reduced customer service levels, and loss of credibility with internal and external stakeholders.

Control A
Project Management Office (PMO) participation in enterprise IT projects. The Project Manager (PM) or Project Specialist (PS) will follow the DMV PM Methodology and the best practice guidelines in the California Project Management Framework (CA-PMF).

Control B
PMO will establish and implement a process, which includes the review of applicable past "Lessons Learned" during new project kick-off meetings.

Control C
Establish and require work groups or dedicated teams to conduct Organizational Change Management (OCM) for changes resulting from new system implementations.

Control D
PMO to oversee resource allocation and schedule. Resource allocation and schedule will be tracked for each project via Time Reporting in the Enterprise Project Management (EPM) tool.

Risk: Operations -Internal-Staff—Key Person Dependence, Workforce Planning
DMV experiences employee attrition due to an increase in employees eligible for retirement, resulting in the loss of institutional knowledge and subject matter expertise.

Legislative mandates and technology changes require DMV to absorb new workloads. The hiring process, employee development, and retention practices, along with retirements, are contributing to this risk.

This results in the loss of historical and institutional knowledge.

Control A
Update of the DMV Enterprise Workforce Plan.

DMV is actively participating in the CalHR Workforce Planning Program to update DMV's Enterprise Workforce Plan to ensure the right number of people with the right skills are in the right jobs at the right time. This ongoing process seeks to align the needs and priorities of the organization to the number of staff and the respective knowledge, skills, and abilities required of its workforce.

Control B
Update of the DMV Succession Plan.

DMV is engaged in updating its Succession Plan to meet the critical needs of the organization now and in the future.

Control C
DMV Leadership Development Academy.

Continue offering the DMV Leadership Development Academy (LDA). Participation in the LDA is available to all DMV employees through a competitive application process, with each level of the LDA (Executive, Mid-Manager, Supervisory, and Non-Supervisory) mapped to corresponding job classifications within the department.

Risk: Operations -Internal-Staff—Training, Knowledge, Competence
Work not being completed in compliance with policies and procedures.

Strain to workloads does not allow for the continual review of existing policies and procedures to ensure that they are current and accurate.

Due to a strong learning curve, resource shortages and a cumbersome hiring process, work may not be

completed in accordance with policies, procedures or within agreed upon timeframes. Subject matter expert (SME) retirements and unfilled vacancies contribute to a lack of knowledge transfer. In addition, workload demands does not allow adequate time for staff training and development.

Control A

DMV is streamlining its hiring process by eliminating unnecessary steps in the process, improving position justification forms and consolidating the minimum qualifications and eligibility check process into a single step.

Control B

It is anticipated that implementation of the CalHR electronic submission of applications will further streamline the hiring process.

Control C

DMV maintains numerous written policies and procedures in multiple program areas throughout the department. Each program area will be responsible for reviewing their existing policies and procedures for accuracy and to remind staff to reference policies and procedures for their work.

Risk: Operations -Internal-Technology—Compatibility

DMV Call Centers utilize legacy telephony hardware and a PBX system. This phone system is end of life, replacement parts are scarce, and they are at risk of instability, downtime, and failure.

Legacy phone systems no longer support the business needs for the department.

This unsupported technology affects transaction processing times and results in disruption of service to customers.

Control A

Implement Windows-based PCs in call centers to ensure adequate resources to host all necessary applications and software, enabling call center technicians with better technology to perform their tasks.

Control B

Platform Stabilization: Address concerns related to platform instability, and continue to seek resolution from the vendor within the Service Level Agreement timeframe.

Control C

Retire legacy phone system in the call centers; replacing it with a state of the art, Voice over Internet Protocol (VoIP) managed system.

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 controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Jean Shiomoto, 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