December 14, 2021

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

Dear Secretary 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, 2021.

Should you have any questions please contact Edward D. Swenson, Assistant Chief Deputy Director, at (916) 657-6947, Edward.Swenson@dmv.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Department of Motor Vehicles (DMV) is part of the California State Transportation Agency. DMV employs approximately 10,000 dedicated public servants, provides driver license and identification card services to 33.5 million customers, and registration services for 35.8 million vehicles. DMV provides services at 171 field offices and 33 specialty offices located statewide. Customers are able to complete their business by mail, phone, online, at self-service kiosks, at participating Business Partners (5,905 locations), or Auto Clubs (181 locations), and DMV field offices.

DMV's Mission – We proudly serve the public by licensing drivers, registering vehicles, securing identities, and regulating the motor vehicle industry in pursuit of public safety.

The DMV 2021-2026 Strategic Plan is posted on the DMV public website and focuses on the following five strategic goals and related objectives:

Goal 1 – Workforce: Foster the workforce and culture of innovation to make DMV a leader in talent attraction and retention.

Goal 1 objectives will move the DMV towards becoming an organization that its people, both present and future, are proud to call their place of work.

- Objective 1.1: Develop DMV into a desirable and dynamic employer
- Objective 1.2: Increase employee satisfaction
- Objective 1.3: Increase employee engagement in customer-facing roles

Goal 2 – Digital Services: Deliver simpler, faster ways to fulfill customer needs through expanded digital services.

Goal 2 objectives will expand service channels and facilitate the ease and convenience of self-service. These changes will help reduce wait times and allow team members to be more customer-focused and completing complex tasks.

- Objective 2.1: Substantially increase services outside of the in-person channels
- Objective 2.2: Increase ease of completing all transactions
- Objective 2.3: Increase completion of all transactions outside the in-person channels

Goal 3 – Technology & Data: Create flexible, secure technology systems to enable innovation and continuous improvement.

Goal 3 objectives will help the DMV develop a strategic approach to data in governance. They will also bolster privacy and security practices as DMV continues to adopt new technologies.

- Objective 3.1: Substantially increase the portion of IT portfolio that is offered on standard platforms
- Objective 3.2: Increase enterprise visibility through integrated, connected systems with an ability to monitor in real time
- Objective 3.3: Centralize the enterprise-wide data model to provide timely business intelligence
- Objective 3.4: Increase privacy and security capabilities across the enterprise

Goal 4 – Operational Efficiency: Embed measurable efficiency in every aspect of the organization.

Goal 4 objectives will bring tools and systems to the DMV to measure and manage performance. They will reveal how the DMV is performing as an organization by establishing performance baselines and industry benchmarks.

- Objective 4.1: Increase quantitative measuring of productivity and performance
- Objective 4.2: Increase productivity to surpass industry benchmarks for service delivery

Goal 5 – Customers: Become California's leading customer-centric public sector organization.

Goal 5 objectives help DMV better understand customers' needs and improve their journey through its services. These objectives will help build customer trust and satisfaction in DMV's integral government services.

- Objective 5.1: Increase overall customer satisfaction
- Objective 5.2: Apply a human-centered design approach to all new services and products

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. 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. The reporting responsibility and oversight is provided by the California State Transportation Agency. The mission of the NMVB is to enhance relationships 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 Director of DMV, Steve Gordon 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 the Directorate, Deputy Directors and various advisors and officers who are assigned accountability within their areas of responsibility. They are responsible for enforcing accountability through establishment of departmental policies and procedures, monitoring the effectiveness of controls, and the development of ongoing updates to 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) is central to the governance structure and is accountable for creating and driving the DMV strategic vision. The EGC optimizes the execution of DMV strategies, the utilization of DMV resources, and the value of DMV investments. This is done by ensuring decisions are made in alignment with the overall DMV Strategic Plan, policies, principles, and by prioritizing resource allocation to achieve strategic goals, objectives, and initiatives. It 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 Executive Steering Committee (ESC) is made up of the Directorate and is accountable for providing insight on key projects to allow executive leadership to administer guidance and support. It provides resolution to all escalated impediments from the execution of DMV strategies, the utilization of DMV resources, and DMV investments.

Advisory Groups are divided into three areas of expertise: Technical/Data/Security, Business, and Policy/Legislative. Members of these Advisory Groups are subject matter experts from divisions across DMV and are responsible for providing insight and guidance on new projects and new or revised policies, as well as recommendations to EGC on project or policy adoption. They also act as advisors to ESC on an as-needed basis. Significant enterprise-wide projects are required to report directly to EGC on project status, major decisions, and any impediments requiring EGC action.

The Portfolio/Performance Management Group (PPMG) is accountable for facilitating strategic planning, enterprise governance, and performance management at DMV. PPMG is responsible for

coordination, facilitation, and monitoring of the enterprise governance process. It provides a hub of information for all enterprise governance activities.

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 and the Statement of Incompatible Activities.

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. Continued development of analytical and leadership skills to sustain and retain employees is achieved via DMV's Leadership Development Academy, which offers comprehensive Non-Supervisory, Supervisory, Mid-Manager, and Executive 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 enables Management 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 team meetings, work tools, procedure manuals on the department intranet, and employee training.

DMV leadership provides clear direction, priorities, and ensures alignment with the goals of the Department using additional communication methods including bulletin boards, email, intranet updates, video messaging for updates, tutorials, DMV Hot Topics, DMV Daily News Link, Divisional newsletter, etc. "Executive Huddles" among top managers are held weekly to provide the DMV Director a platform for enterprise-wide awareness, exposure, and management.

During the redesign on the DMV website, Google Translate was utilized to assist customers in their native language along with a chatbot for those who prefer an interactive approach. During the COVID-19 pandemic, DMV implemented the online Virtual Field Office (VFO) to provide safe and immediate access to customer services. The VFO allows the public to have instant availability to many services provided by the DMV without the need of coming into a field office.

DMV's Field Office Division hires Assistant Division Chiefs to perform frequent field office visits to promote communication and information sharing among its employees.

The DMV's Customer Services Division's (CSD), Customer Information Branch, Information Services

Branch, and Digital Information Branch are responsible for internal and external customer communications. The DMV's Office of Public Affairs (OPA) provides public news releases and contact with news media.

DMV's Chief Information Security Officer (CISO) and Assistant Deputy Director over the Information Security Services Branch are responsible for the Information Security Office as well as the Security Operations Center. These deliver the enterprise-wide implementation of the Information Security, Information Technology Risk Management Program, and provides 24/7 security and operational threat monitoring for the enterprise.

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:
Edward D. Swenson, Assistant Chief Deputy Director.

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

EXECUTIVE MONITORING SPONSOR(S)

The Executive Monitoring Sponsor's responsibilities include facilitating and verifying that the DMV monitoring practices are implemented and functioning as intended.

Monitoring Activities

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.

The DMV is working with an independent consultant to create a robust Management System which when implemented will include project tracking and key performance indicator (KPI) dashboards for leadership enterprise-wide. This will monitor the status of various DMV Strategic Plan initiatives to mitigate the risks identified during the risk assessment process, as well as the issues identified by external auditors. To encourage proactive management of risks and issues, KPI's are being identified.

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

The Executive Division (EXE) analysts facilitate meetings with each risk owner to obtain updates on the status of the controls to mitigate enterprise risks. The Enterprise Risk Oversight (ERO) team also performs periodic reviews of the enterprise risks and controls to confirm the divisions are adequately mitigating the risks. After the divisions implement the controls the DMV Audits Office tests the controls to determine effectiveness.

The mission of the Audits Office is to provide independent and objective assurance designed to add value and improve DMV operations. Compliance is guided by the US General Accounting Office (GAO) "Yellow" Book. The Audits Office is comprised of these areas of responsibility:

- **International Registration Plan (IRP)** – oversees over 17,000 commercial carriers to accurately report the distance traveled, jurisdictions traveled in, and cost of the vehicles in the apportioned fleet so as to adjust regulation fees accordingly.
- **Commercial and Government Requester Program** - allows over 19,000 businesses and 7,600 government agencies to use the DMV registration and licensing information for business needs so that codes are used according to the application terms, laws, and regulations.
- **Field Office** - performs internal control reviews by examining financial information, compliance to California codes and regulations, and performs audits of operational processes at non-headquarters sites across the state.
- **Headquarters** - performs audits at Headquarters which have been designated as high risk, compliance or mandated review and special requests.
- **Business Partners** – under California Vehicle Code Section 1865, conducts audits of qualified private industry business partners to ensure adherence to the provisions of the program, applicable laws, regulations and Business Partner Automation Program Contract requirements.
- **Interstate Carrier Program (ICP)** – DMV is the principle provider of IRP services and ICP which authorizes an electronic interface with the IRP Operating System (a.k.a., mCarrier). Audits determines whether the BWUs adhere to the Agreement terms, safeguard DMV's assets, records and inventory, and maintain adequate processing control procedures.
- **Information Technology** - assesses the control structure and vulnerabilities in DMV's automated systems and the automated systems of DMV's business partners and information requester customers, in the private sector and in government.

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, audit/review results, and other/prior risk assessments.

The following criteria were used to rank risks: likelihood of occurrence, and potential impact to mission/ goals/objectives.

The following personnel were involved in the Department of Motor Vehicles risk assessment process: Executive Management, Mid-Management, Enterprise Risk Manager, and Enterprise Risk Oversight Team.

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.

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. 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 and likelihood on a five-point scale. Risk impact is the extent the risk event will affect the department achieving its mission, goals or objectives. Risk likelihood is the probability the risk will occur. After conducting the risk ranking with the various management levels, the Enterprise Risk Oversight (ERO) team facilitates meetings with the executive management and the Directorate to determine the reportable enterprise risks and owners 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, and the possibility of occurrence. The Directorate selected the enterprise risks for the 2021 State Leadership Accountability Act report. The ERO team worked with the applicable risk owners to identify the internal controls to mitigate the risks.

RISKS AND CONTROLS

Risk: IT Resources – Outdated Technology

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

Control: A

The DMV's Information Systems Division (ISD) continues to execute on the plan to mitigate End of Life (EOL) equipment with an established annual maintenance and refresh process to update mission critical enterprise infrastructure and systems that supports the DMV Field Offices and customer services. DMV is working with vendors and vendor partners to replace systems where possible, or to use transitional architectures such as cloud-based solutions to mitigate system failures, security breaches, delayed implementations, and financial losses.

Control: B

Continue to migrate to platforms such as Microsoft Office 365, SharePoint, and One Drive which offer enhanced features, tools, and systems which enhance employee computing, collaboration, and access.

Control: C

Review and identify where reliability and redundancy are needed in the network design and provisions related to DMV Field Offices, Contact Centers and partners networks. Adding redundancy where identified will improve availability and monitoring through primary and back-up systems and reduce the risk of system failures and security breaches. The new Software Defined Wide Area Network (Comcast network) directly addresses this area.

Control: D

Continue to evolve DMV's 5-Year Enterprise Architecture Plan to focus on DMV's future state. The Enterprise Architecture Plan documents 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 obsolete IT systems. DMV is focused on building a new system that can easily last fifty-plus years its previous system and has initiated the Digital eXperience Platform (DXP) efforts. The DXP project intends to take full advantage of modern cloud technologies as well as newer software development methods to provide solutions that are usable, scalable, flexible, supportable, and secure in delivering customer-centric services, enhancing DMV's ability to better serve Californians in the future.

Risk: Data & Analytics Process Improvements

An immature enterprise data management framework contributes to a lack of data quality, gaps in data literacy, and a proliferation of data streams lacking interoperability. This directly impacts reporting effectiveness, the ability for data driven decision-making and operational transparency in support of DMV's mission and goals.

Control: A

Evolve the enterprise data management framework to address data quality and access through data democratization. The Chief Data Officer will provide oversight for data analytics, data governance, and master data management.

Control: B

Institute a multidivisional steering committee to facilitate data and analytics prioritization and further support decision-making at a program and enterprise level.

Control: C

Improve data literacy across the organization to equip individuals and business units to leverage data to its fullest extent. Implement analytical tools and training to provide strategic and operational insights in key areas of organizational investment.

Risk: Customer & Employee Safety

DMV has identified that insufficient preparation, prevention, and training of staff to identify and de-escalate events may impact office operations or result in office closures. Increased safety and reputational risk exposure may lead to potential liability.

Control: A

Engage staff in awareness and de-escalation techniques training.

Control: B

Identify possible scenarios which may occur involving the department and create or acquire training techniques to protect customers and employees. These scenarios may include, but are not limited to, disruptive and unruly customers and public demonstrations.

Control: C

Develop a DMV Threat Assessment Matrix tool to identify possible security gaps within DMV facilities.

Risk: Information Security

Insufficient deployment, configuration, and monitoring of security controls and capabilities could impact the confidentiality, integrity, and availability of DMV information assets. The risk is caused by aging technology, insufficient resources to implement mandated security requirements, standards, and policies and alignment gaps with the California Department of Technology Office of Information Security Cal-Secure Information Security Roadmap. Potential impacts include financial (e.g., ransomware) and reputational risks related to personal data breaches (Personal Identifying Information and notice triggering information), and the inability to provide DMV services to the public.

Control: A

Improve DMVs alignment with the State's Cal-Secure roadmap through security control and capability improvements in the areas of incident response and investigation, risk management, continuous monitoring, and security and privacy awareness training.

Control: B

Improve DMVs alignment with the State's Cal-Secure roadmap through enhanced patch and vulnerability management, cloud security monitoring and privileged account management.

Risk: Policy and Procedure System

Due to aging systems, processes, and various divisional level policies, the DMV needs to ensure that department policies and procedures stay current and are effectively implemented. The DMV often discovered inconsistencies among multiple policies regarding the same subject dependent on the division and implementation strategy. Inaction could lead to inappropriate departmental decisions, potential fraud, and potential lawsuits.

Control: A

Create an enterprise policy management process that maintains certainty of authority for all policies and provides critical transparency into all regulations, polices, and procedures in effect.

Control: B

Coordinate cross-department strategy for managing policy throughout the enterprise.

Control: C

Create structured accountability by establishing framework relative to the recommendation, creation, and updating of policies and by defining the audience and purpose of such policies.

Control: D

Coordinate the policy management lifecycle to ensure consistency in policies across the organization.

Risk: Operations, Internal Staff, Key Person Dependence

DMV employee attrition can result in the loss of institutional knowledge and subject matter expertise. Several conditions including legislative mandates and technology changes, hiring process, employee development, and retention practices, along with retirement, are contributing factors. Additionally, certain classifications within the Department require a high degree of knowledge and experience. The state salary pay scale is unable to compete with more attractive pay that external institutions are able to offer, leaving a small candidate pool for a qualified workforce.

Control: A

Continue to enhance the DMV 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

Continue to update the DMV Succession Plan 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. Changing needs due to new emphasis on digital-first service delivery.

Control: C

Improve the hiring process to ensure that candidates are identified, screened, interviewed, and hired in a timely manner.

Control: D

Enhance the DMV University training program to ensure that employees have adequate access to learning the skills needed for the current and future workforce.

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.

Steve 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