

Statement of Reasons for the Modified Regulatory Text and
Addendum to the Initial Statement of Reasons
Title 13, Division 1, Chapter 1
Article 3.6 Interstate Carrier Program

On April 20, 2018, the Department of Motor Vehicles (department) published for comment its proposed adoption of Sections 226.00, 226.02, 226.04, 226.06, 226.08, 226.10, 226.16, 226.18, 226.20, 226.22, 226.24, 226.26, 226.30, 226.32, 226.38, 226.40, 226.42, 226.44, 226.46, 226.48, 226.50, 226.52, and 226.54 in Article 3.6, Chapter 1, Division 1, Title 13 of the California Code of Regulations, related to the Interstate Carrier Program (ICP). The comment period ended on June 4, 2018 with the department having received comments on the proposed regulatory adoptions. The proposed action was submitted to the Office of Administrative Law (OAL) for final review on July 18, 2018. Upon its review, the OAL determined that the proposed action failed to meet clarity and necessity standards in several forms referenced in the proposed regulations, in the initial statement of reasons, and in the proposed regulatory text.

In response to OAL's findings, the department has amended several forms, which will be discussed below, made clarifying changes to the proposed regulatory text, and provided additional necessity to certain provisions that were not sufficiently explained in the initial statement of reasons.

The purpose of this document is to provide additional explanation as to the need for certain requirements and to correct any misstatements made previously. To the extent there are any conflicts with the original Initial Statement of Reasons, the information contained herein supersedes the previous.

§ 226.02 Interstate Carrier Program Partner Application Requirements

Subsection (b) directs an individual, who wants to obtain an Interstate Carrier Program permit, to submit an application to the department's Interstate Carrier Program administrator and identifies which form is appropriate to use (Interstate Carrier Program Application form, REG 202 I). Additionally, the Interstate Carrier Program Application form, REG 202 I (NEW 11/2017) is incorporated into the regulation here.

Necessity: This section will make clear to anyone who wants to become an Interstate Carrier Program partner how to apply to the department. Having a specific form as the application makes processing and record keeping efficient for the department.

Interstate Carrier Program Application form, REG 202 I

The form REG 202 I is a new departmental form consisting of eleven sections.

Section 1 – Applicant Information

Section 1 requires the applicant to provide their identifying information including business name, Doing Business As, business address, and business mailing address.

The department must have complete and accurate information from any and all applicants who are seeking to become business partners with the department. In order for the department to verify that the information provided in these sections is consistent with all application documents, it is necessary to require applicants to provide this information here.

Section 2 – Owner Information

Section 2 requires the applicant to provide, through checkbox selection, the type of ownership under which they are operating (sole owner, partnership, association, corporation, LLC, or leasing company.)

In order for the department to be able to verify the validity of the business with the Secretary of State and to determine all application requirements are met related to their business type, it is necessary to require applicants to provide this information. If the ICP partner chooses to change their type of ownership once they are in the program (example: sole owner to corporation), then the application requirements may differ depending on the type of change. For example, changing from a sole owner to corporation requires the ICP partner to resubmit all application requirements because the department's Occupation Licensing (OL) unit will consider the business a new entity and issue a new OL number. However, a corporation requesting a change to the corporate officer(s) would not require the ICP partner to resubmit all application requirements as the OL number would remain the same.

Section 3 – Owner/Corporation Name and Information

Section 3 requires the applicant to provide owner/corporation name and information, if different than what was provided in Section 1, including name on file with the Secretary of State, corporation number, business address, office phone number and office fax number.

The department must have complete and accurate information from any and all applicants who are seeking to become business partners with the department. In order for the department to be able to verify that the information provided in these sections is consistent with all application documents, it is necessary to require applicants to provide this information, if it differs from the information provided in section 1.

Section 4 – Primary Contact Person

Section 4 requires the disclosure of the primary contact person's true full name, business address, primary contact telephone number, primary contact fax number, and email address.

Requiring the applicant to select a primary contact person and provide that person's name, business address, phone numbers, and email to the department is necessary so that the department can efficiently interact with its partners. Additionally, the requirement prompts the applicant to designate the primary contact person at the outset rather than waiting and potentially creating a situation in which it becomes difficult for the department to reach the correct person.

Section 5 – Agent for Service of Process

Section 5 requires the Interstate Carrier Program applicant to provide the business name of firm, designee's true full name, and business address for their Agent for Service of Process.

Requiring the applicant to select their Agent for Service of Process and provide that designee's name and business address to the department is necessary so that the department can efficiently interact with its partners. Additionally, the requirement prompts the applicant to make the designation at the outset rather than waiting and potentially creating a situation in which it becomes difficult for the department to reach the correct person.

Section 6 – Estimated Annual Volumes

Section 6 requires the Interstate Carrier Program applicant to provide an estimate of volumes they expect to process annually (transactions and vehicles they will register.)

Requiring the estimated volumes allows the department to ensure sufficient quantity of controlled inventory is on hand to fulfill orders placed by the ICP partners. In order for the department to provide its partners with timely service, it is necessary to require the applicant to provide this information.

Section 7 – Occupational License Information

Section 7 requires the disclosure of the Occupational License information, name and number of Registration Service, of the Interstate Carrier Program applicant when applicable.

In order for the department to efficiently verify the status of the applicant's Occupational License, for those who are Registration Services, it is necessary to require the applicant to provide the name and number here.

Section 8 – Employees who will Process Transactions

Section 8 requires the Interstate Carrier Program applicant to provide their employees' true full name for any and all employee(s) that they are employing to process transactions.

Employees of the department's partners who process transactions are required to be fingerprinted and to submit the Statement of Personal History. By requiring the applicant provide the names of the employees that will process transactions on their application, the department can more efficiently verify if those requirements have been met. Additionally, this business practice is already utilized in other departmental programs.

Section 9 – Corporate Declaration

Section 9 requires the Interstate Carrier Program applicant to print their business name and to then disclose the name, title, and effective date of any and all partners, officers, stockholders, and/or directors that will participate in the direction, control, and management of the Interstate Carrier Program.

The department must have complete and accurate information from any and all applicants who are seeking to become business partners with the department. In order for the department to more efficiently verify that the information provided in these sections is consistent with all application documents, it is necessary to require this information here.

Section 10 – Limited Liability Company (LLC) Declaration

Section 10 requires the Interstate Carrier Program applicant to print their business name and to then disclose the name and effective date of any and all Limited Liability Company member(s) that will participate in the direction, control, and management of the Interstate Carrier Program.

The department must have complete and accurate information from any and all applicants who are seeking to become business partners with the department. It is necessary to require this information in order for the department to document the current corporate officers and LLC members, if the ICP partner is a corporation or LLC, in its records. Also, if there is ever a change to this information in the future, the department will be able to determine how to proceed to implement the change more efficiently.

Section 11 – Certification

Section 11 is the certification section and requires the Interstate Carrier Program applicant to print their name, title, sign, and date the form certifying, under penalty of perjury, that the information provided to the department on this REG 202 I is true and correct. This certification is consistent with the provisions of Code of Civil Procedure section 2015.5(b) and is consistent with all other departmental forms containing certifications. Section 11 also provides the department's address that the form is to be mailed to by the Interstate Carrier Program applicant.

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This program is similar to other departmental programs (i.e. Business Partner Automation (BPA)) in which a private entity is facilitating vehicle registration transactions for the public on behalf of the department. Additionally, this program and the BPA program are managed by the same staff so to avoid confusion the department believes it is necessary to have as much consistency in the requirements among the partnership programs as possible. As in the department's BPA program, it is necessary for the department to only form partnerships with honest individuals and entities (to ensure protection of personal and confidential information). Requiring the certification, and that it be made under penalty of perjury, serves as a reminder to the applicant of the seriousness of providing true and correct information.

Subsection (c) directs an applicant to remit an application fee to the department in the non-refundable amount of \$349 when submitting an application to be approved as an Interstate Carrier Program partner.

In order to recoup costs related to processing the application it is necessary for the department to charge an application fee, which in this case is set at \$349. The fee amount was determined by adding the personnel costs, operating expenses, and overhead costs and dividing by the projected volume. The fee must accompany the application and is non-refundable because it is being charged for the purpose of covering the costs the department incurs related to reviewing applications and either issuing a permit or communicating the reasons for rejecting the application.

Subsection (d) directs an applicant to complete and sign the departmental form (Interstate Carrier Program (ICP) Security Agreement form, REG 216 I) related to the program's security requirements. The Interstate Carrier Program (ICP) Security Agreement form, REG 216 I (NEW 11/2017) is incorporated into the regulation here.

Interstate Carrier Program (ICP) Security Agreement form, REG 216 I

The form REG 216 I is a new departmental form consisting of seven sections and a glossary page.

Cover page – form name

First page:

Section 1 – Introduction

Section 1 provides a statement that the department is the provider of International Registration Plan (IRP) services and has developed its Interstate Carrier Program (ICP) to expand delivery options for products and services. Additionally, the introduction cites the Vehicle Code section 1685.1 that authorizes the department to partner with private entities for this purpose.

The department decided an introduction section is necessary to provide a brief explanation of why the ICP was developed and a convenient citation of its authority to do so for interested parties.

Section 2 – ICP Partner Primary Location

Section 2 requires the ICP applicant to provide their business name, total number of workstations to be used in the program, and business address for their primary place of business.

Requiring the applicant to provide their business name and address of their primary place of business is necessary so that the department's records are accurate. Requiring the applicant to provide the total number of workstations they will use at their primary location, while participating in the program, is necessary so that the department can verify each of the workstations is compliant with Section 5 below.

Section 3 – Additional Branch Locations

Section 3 requires the ICP applicant to provide their business name, total number of workstations to be used in the program, and business address for any branch locations of their business.

Requiring the applicant to provide their business name and address of any branch location(s) is necessary so that the department's records are accurate. Requiring the applicant to provide the total number of workstations they will use, at any branch location, while participating in the program, is necessary so that the department can verify each of the workstations is compliant with Section 5 below.

Section 4 – Authorized ICP Partner Representative

Section 4 requires the ICP applicant to provide the name, title, email address, and phone number of their authorized representative.

Requiring the applicant to select an authorized representative and provide their name, title, email address, and phone number is necessary so that the department can efficiently interact with its business partners. Additionally, the requirement prompts the applicant to designate the authorized representative at the outset rather than waiting and potentially creating a situation in which it becomes difficult for the department to reach the correct person.

Second page:

Section 5 – Floor Plan Diagram

Section 5 includes seven requirements that the Interstate Carrier Program applicant must meet related to providing the department with a computer-generated floor plan diagram of their business location(s). These requirements include identifying interior and exterior barriers, the interior placement of workstations, inventory storage rooms, dimensions, and labeling what is on the exterior of the building. Additionally, this section provides a chart of symbols to be used on the floor plan and a sample floor plan for reference.

Requiring the applicant to provide a computer-generated floor plan diagram is necessary so that the department can verify that the applicant's place of business, for purposes of participation in the program, is in compliance with Section 6 below, particularly numbers 10 and 11.

Third page:

Section 6 – ICP Security Requirements

Section 6 includes 18 requirements related to physical security that the ICP applicant must agree to comply with.

1) ICP partner assumes the responsibility of preventing unauthorized access and viewing of CADMV proprietary records and assets.

The department is responsible for protecting the personal information of its customers and therefore it is necessary to extend this responsibility to its ICP partners.

2) Exterior facility entry doors or closures are of solid construction (e.g., tempered glass and metal frame, solid wood, or steel, etc.).

Requiring exterior facility doors/closures be of solid construction is necessary to reduce the risk of unauthorized access to CADMV proprietary records and assets. The department follows this requirement at its facilities as well.

3) Exterior facility doors are equipped with positive locking devices such as mortise and latch; lever and/or dead bolt locks that meet American National Standards Institution/Builders Hardware Manufacturers Association (ANSI/BHMA Grade #1) standards.

Requiring exterior doors be equipped with positive locking devices that meet ANSI/BHMA Grade #1 standards is necessary to reduce the risk of unauthorized access to CADMV proprietary records and assets. The department follows this requirement at its facilities as well.

4) Exterior facility windows, skylights, and vents are secured in such a manner as to prevent unauthorized entry or viewing into areas where CADMV proprietary assets are stored.

Requiring exterior windows, skylights, and vents to be secured is necessary to reduce the risk of unauthorized access to CADMV proprietary records and assets. The department follows this requirement at its facilities as well.

5) Blinds, tinting, screens or other devices are in place on exterior and interior windows to prevent unauthorized viewing of monitors and printed documents.

Requiring exterior and interior windows to be covered is necessary to reduce the risk of unauthorized viewing of CADMV records.

6) Workstations shall not be left unattended while accessing the CADMV's IRP system.

Prohibiting work stations from being unattended when accessing the IRP system is necessary to reduce the risk of unauthorized viewing of CADMV records. The department follows this requirement at its facilities as well.

7) The Authorized ICP Workstation and Inventory Room must be enclosed with floor-to-ceiling constructed walls and only accessible through a door equipped with ANSI Grade #1 locks.

Requiring authorized ICP workstation and inventory room(s) to have floor-to-ceiling constructed walls and a door with the specified type of lock is necessary to reduce the risk of unauthorized access to CADMV proprietary records and assets.

8) Workstations and printers used to process or print CADMV records must be secured to the business site by means of a security cabling system, or physically affixing the workstation or printer to an enclosure or fixture/furniture located within the facility.

Requiring workstations and printers that are being used to participate in the ICP program to be secured to the business site as described is necessary to reduce the risk of theft/unauthorized access to CADMV proprietary records.

9) ICP partner designates a printer only for registration transactions that are utilized only by authorized users.

Requiring the ICP partner to designate a printer for use only by authorized users who are printing registration transactions is necessary in order to prevent unauthorized individuals from having access to CADMV proprietary records.

10) Workstation components (PC, monitors, and printers) are placed in secure areas to limit access and viewing of workstation components only to authorized ICP users approved by CADMV.

Requiring the ICP partner's workstation components reside in secure areas and limiting access to and viewing of them to authorized ICP users, approved by the department, helps ensure the CADMV's proprietary records are protected.

#11 is amended to add *video* in front of *camera* for clarity purposes.

11) The business facility is equipped with a functioning video camera and alarm for site surveillance.

Requiring the partner's business facility to be equipped with a functioning video camera and alarm is necessary to ensure security of the facility and that its contents, including CADMV proprietary assets, are monitored and protected. Video surveillance and alarm systems serve as deterrents to theft and/or fraud and, in the event unauthorized access occurs there is a video documentation of what occurred which could be useful in an investigation.

12) Alarm and video surveillance systems monitor all points of entry to the facility, authorized workstations, and location of CADMV Inventory.

Requiring the alarm and video surveillance systems to monitor all points of entry to the partner's facility, ICP authorized workstations, and storage location of CADMV inventory is necessary to ensure the security of CADMV proprietary assets and records.

13) Alarm and video surveillance systems are monitored in real time to identify and respond to security incidents.

Requiring the alarm and video surveillance systems to be monitored in real time is necessary to make having them meaningful for the purposes stated in numbers 11 and 12 above.

#14 is amended to replace *Video capturing systems are checked monthly to ensure operability and are continuously recording 24 hours a day and 7 days per week* with *Alarm system is to be activated during non-business hours*. The department determined that the original language was unnecessary because real time monitoring (#13) would accomplish the same goal. Adding the new language serves as a reminder to the ICP partner which supports the requirements in #11-13.

14) Alarm system is to be activated during non-business hours.

Requiring the alarm system to be activated during non-business hours is necessary to ensure to make #11-12 above meaningful.

#15 is amended to replace *rotated* with *overwritten* for clarity purposes.

15) Site surveillance videos are stored for at least six (6) months before video is overwritten.

Requiring the site surveillance videos be stored for a minimum of six (6) months before being overwritten is necessary to ensure the availability of video footage for a long enough period of time that they would be available in an investigation. Video files are very large and requiring longer than 6 months retention would be overly cumbersome to program participants.

16) CADMV proprietary assets are not left unattended when outside of their secure device or location.

Prohibiting the CADMV's proprietary assets from being left unattended outside of their secure device or location is necessary to help maintain the security of CADMV proprietary assets and deter unauthorized access.

17) During non-business hours, CADMV proprietary assets are secured in a metal safe or metal cabinet meeting or exceeding the following specifications:

- The metal safe or metal cabinet is at least 4 feet high or 4 feet wide; and weighs at least 150 pounds when empty.
- If the safe or cabinet is not of sufficient size or weight, it is permanently attached (bolted) to a facility wall or floor.
- The safe or cabinet is equipped with a locking device such as a combination pad, a padlock, or a cabinet lock.
- The knowledge and method for unlocking the safe or cabinet is restricted to authorized ICP users.

Requiring the ICP partner to securely store CADMV proprietary assets, during non-business hours, in a metal safe or metal cabinet, as specified, is necessary to ensure the security of CADMV proprietary assets. By having a minimum size and weight specified the department intends to make portability and concealment difficult thus reducing the risk of theft. In the alternative, allowing the safe/cabinet to be bolted to a facility wall or floor in the event it is smaller and/or lighter than 4 feet high or 4 feet wide and at least 150 pounds when empty also meets the department's goal of reducing the risk of theft. Additionally, restricting the knowledge and method for unlocking the metal safe/cabinet to authorized users further ensures the security of CADMV proprietary assets.

#18 is amended to remove the second and third bullet items which are covered earlier.

18) During business hours CADMV proprietary assets are secured in a metal cabinet, a desk or workstation drawer equipped with a locking device.

Requiring the ICP partner to securely store CADMV proprietary assets, during business hours, in a metal cabinet, a desk, or a work station drawer, as specified, is necessary to ensure the security of CADMV proprietary assets. The other two items were deleted because they are already covered earlier.

Fourth page:

Section 6 – ICP Security Requirements continued

Section 6 continued includes an additional three requirements related to physical security:

19) Physical access to network distribution and transmission lines within the facility is restricted to authorized personnel.

20) Physical access to output devices (e.g., monitors, printers, copiers) is restricted to prevent unauthorized individuals from obtaining the output.

21) Information system components (e.g., monitors, servers) are physically positioned within the facility to minimize unauthorized viewing and access.

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Requiring physical access to the ICP partner's network distribution and transmission lines, output devices, and information system components be restricted and minimizing the unauthorized viewing of their information system components (#19-21) is necessary to ensure protection from unauthorized access to the department's proprietary records.

And five requirements related to computer system security:

#22 and #23 were swapped for a more logical flow of the requirements.

22) ICP partner's information system is configured to prohibit wireless access to CADMV systems.

Access to the department's proprietary records must be protected from unauthorized access, therefore requiring the partner's information system to be configured to prohibit wireless access to the department's systems is necessary to ensure vulnerabilities to hacking risks are kept low.

New #23 is amended to add *installs all* related to updates and patches and to replace *they* with *updates and patches* for additional clarity purposes.

23) ICP partner installs all updates and patches all system software immediately as updates and patches become available from the software provider.

24) Malicious code protection (anti-virus) mechanisms are implemented to detect and eradicate malicious code in critical entry and exit points, workstations, and servers of your organization's information system.

25) Malicious code protection mechanisms are updated whenever new releases are available and include the latest malicious code definitions in accordance with organizational configuration management policy and procedures.

26) Information system vulnerabilities are remediated immediately when discovered by malicious code protection or anti-virus mechanisms.

Requiring the ICP partner to immediately update and patch all system software as soon the software provider makes them available, to configure their information system such that it prohibits wireless access to CADMV's systems, to implement malicious code protection mechanisms, to update the malicious code protection mechanisms whenever new releases are available, and to immediately remediate information system vulnerabilities when discovered (#23-#26) are necessary to reduce the risk of CADMV proprietary records

Also, eleven access control requirements are on page four including user ID requirements, that default passwords must be changed on first user logon, and specific safeguards to protect passwords.

Addendum to the ISOR
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27) User ID requirements must include the following:

- Each ICP user must have a unique user ID issued by CADMV.
- ICP partner must notify CADMV when an ICP user is no longer employed by the ICP in order to deactivate their access account.

In order for the department to identify who is accessing the system it is necessary for each ICP user to have a unique user ID. And since only authorized individuals are allowed to access the department's system it is necessary for the ICP partner to notify the department when one of their users should be deactivated.

28) Employees with direct or incidental access to CADMV workstation and proprietary assets must complete and sign the EXEC 200X statement at the time of hire or granting of access, and annually thereafter. See glossary for definition of EXEC 200X.

Since the ICP partner's employees have access to confidential and personal information related to vehicle registration just like departmental employees, who are required to complete and sign an internal version of the EXEC 200X, it is necessary to require the ICP partner's employees to complete and sign the EXEC 200X.

29) The EXEC 200X is available to CADMV for 3 years after removal or expiration of an individual's access authorization, upon written request.

Requiring the ICP partner to retain the EXEC 200X for the time period described is consistent with the department's retention policy and therefore necessary.

30) Default passwords must be changed on first user logon.

#31 is amended to delete *Be changed every 45 days* and to add *Passwords must be changed every 45 days* to the bottom of the bulleted items for a more logical flow of the requirements.

31) Passwords must contain the following requirements:

- Be 8 or more characters in length.
- Contain characters from each of the following 4 categories:
 - English uppercase characters (A-Z).
 - English lowercase characters (a-z).
 - Base 10 digits (0-9).
 - Special character (i.e. e.g. !@#\$%^&* etc.)

Passwords must be changed every 45 days.

Requiring default password to be changed on first logon (#30), the new password to be 8 characters or more with the characters being as described, and subsequently changed every 45 days (#31) is necessary for the ICP system users to be in compliance with item 4 of the EXEC 200X form.

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32) ICP users must take specific measures to safeguard passwords such as:

- Do not share your password.
- Passwords shall not be written down or displayed in any plain text readable format.
- Do not use names, surnames, pet names of family members, friends or pets, birthdays, anniversaries, or common phrases.

33) The ICP user must change passwords if it is believed that a password has been compromised.

Requiring the ICP system users to safeguard passwords as described (#32) and to change their password if they believe it has been compromised (#33) is necessary for the ICP system users to be in compliance with item 4 of the EXEC 200X.

34) Authorized ICP users are authenticated to the local network by means of username and password prior to logging in to the IRP System.

It is necessary for the department to authenticate the authorized ICP users in order to protect the IRP System from unauthorized access.

35) Procedures are in place to disable CADMV access upon termination of an individual's employment.

36) Upon termination of employment, all CADMV related property is retrieved from terminated personnel.

37) Electronic and physical access authorizations to CADMV information are reviewed and terminated when personnel are reassigned or transferred to other positions within the organization.

Requiring the ICP partner to have procedures in place to disable CADMV access, retrieve all CADMV related property, and to terminate electronic and physical access authorizations to CADMV information (#35-37) of personnel who should no longer have access is necessary to ensure CADMV proprietary records and assets are protected.

Fifth page:

Section 6 – ICP Security Requirements continued

Section 6 continued includes an additional seven requirements related to audit and accountability:

#38 is amended to replace *Audit record* with *The ICP partner must maintain Daily Transaction Summary Sheets (DTS) whose* for clarity purposes. Also, it is amended to delete *IRP* in front of *account number* to match the DTS form.

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38) The ICP partner must maintain Daily Transaction Summary Sheets (DTS) whose content must include the following:

- Transaction date.
- Office number ID.
- ICP user ID.
- Transaction type.
- Account number.

Requiring the DTS to contain the information described is necessary to ensure that an auditor can complete the required verifications during an audit.

#39 is amended to replace *Audit records* with *DTS* for clarity purposes. And the 3 is replaced with 4 related to the years the DTS are to be retained to be consistent with the records retention requirements in these proposed regulations.

39) DTS are retained for 4 years from date of generation.

Requiring the DTS be retained for 4 years is necessary to ensure the ICP partner is in compliance with the records retention requirements throughout this program.

#40 is amended to replace *Audit records* with *DTS* for clarity purposes.

40) DTS are protected from unauthorized access, modification, and deletion.

Requiring DTS to be protected from unauthorized access, modification, and deletion is necessary to ensure the integrity of the reports required to be maintained by the ICP partner pursuant to subsection 226.52(a) of the proposed regulations.

#41 is amended to replace *audit records* with *DTS* for clarity purposes.

41) ICP partner reviews DTS content for indications for inappropriate or unusual activity at least monthly.

Requiring the ICP partner to review DTS content a minimum of monthly is necessary to ensure that any inappropriate or unusual activity is discovered timely so that any needed corrective action can be taken quickly. Additionally, this requirement helps ensure the ICP partner is maintaining employee work oversight.

#42 is amended to add *maintain a* and *ed* related to the documented list AND to add *ICP* related to *user ID* for clarity purposes.

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42) ICP partner must maintain a documented list of all authorized ICP users with the following:

- Name.
- Address.
- DL or ID number and state.
- Date of birth.
- ICP user ID.
- Period of time access permitted.
- Workstations on which access was permitted.
- Locations at which access was permitted.

Requiring the ICP partner to maintain a documented list of all authorized ICP users, as described, is necessary to ensure that the partner is maintaining compliance with the requirements in subsection 226.24(a) of these proposed regulations.

#43 is amended to add *ICP User* related to *ID of individual(s)* for clarity purposes.

43) ICP partner must maintain a documented list of all workstations that access CADMV information and be available to CADMV when requested. Workstation documentation must include:

- Make, model and serial number of the device.
- Physical location.
- Period of time access permitted.
- ICP User ID of individual(s) having access to workstation.
- Documentation must be maintained from 3 years following the last time the device is capable of access.

Requiring the ICP partner to maintain a documented list of all workstations that access CADMV information as described is necessary to ensure that the partner is maintaining compliance with the requirements in subsection 226.30(a) of these proposed regulations.

#44 is amended to add *by email response when requested by the department* for clarity purposes.

44) ICP partner must provide the Global Network Address Translation (NAT) Internet Protocol (IP) address to CADMV by email response when requested by the department.

Requiring the ICP partner to provide the department with their IP address is necessary so the department can allow access to the IRP system to the ICP partner's IP address. Having the ICP partner provide it to the department in an email response to the request is necessary for accurate and efficient communication.

Eight requirements related to proprietary assets and media protection:

45) CADMV records are NOT retained or stored on portable media such as, but not limited to: CDs, DVDs, removable chips, USB devices, or magnetic tapes.

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Prohibiting the retention or storage of CADMV records on portable media is necessary to ensure the protection of the department's proprietary records. Portable media is too vulnerable to theft risk and therefore not authorized for use in the program.

#46 is amended to add *of* after disposed for clarity purposes. It is also amended to remove *as follows by the* in front of *National* due to the phrase being unnecessary.

46) CADMV proprietary assets and records (hard/electronic copies) are appropriately disposed of and destroyed (National Institution of Standards and Technology Special Publication: NIST SP 800-88 Guidelines for Media Sanitation).

47) Disposed CADMV assets and records are rendered completely unreadable, unrecoverable, and unusable.

Requiring the proper disposal and destruction of CADMV proprietary records and assets (#46) such that they are rendered completely unreadable, unrecoverable, and unusable (#47) is necessary to ensure that the department's records and assets are not accessible to unauthorized individuals even beyond their useful life for the program.

48) ICP partner restricts access to CADMV proprietary assets only to authorized individuals.

Requiring the ICP partner to restrict access to CADMV proprietary assets to only authorized individuals is necessary to ensure the protection of the assets. Additionally, since the partner and not the department has daily control over their business environment it is necessary for the partner to have this responsibility.

49) Obsolete inventory and damaged inventory is recorded with CADMV before it is appropriately destroyed.

Requiring the ICP partner to inform the department of its obsolete inventory and damaged inventory prior to appropriately destroying it is necessary to ensure documentation, which will be utilized during audits, is made of the inventory.

50) All printers used to print CADMV documentation must be a standalone printer with limited functionality to prevent unauthorized wireless access or unauthorized information disclosure.

Requiring the ICP partner's printers that are used to print CADMV documentation to be of limited functionality is necessary to prevent unauthorized access to the department's proprietary records. Wireless access increases the risk of unauthorized individuals gaining access to systems and therefore is not allowed in the program.

51) All printers used to print CADMV documentation that contain any storage memory or hard drive must have a security kit installed to wipe any print data stored on those storage devices.

Requiring the ICP partner's printer that is used to print CADMV documentation and contains any storage memory or drive have a security kit installed to wipe data from them is necessary to ensure the CADMV proprietary records and assets are protected from unauthorized access.

52) CADMV information is not electronically combined, or linked with any third party database for resale or for any purpose not previously approved by CADMV.

Prohibiting electronic combining or linkage of the department's information with any third party database for resale or any purpose not previously approved by the department is necessary to ensure the protection of the department's proprietary records from unauthorized access.

Sixth page:

Section 6 – ICP Security Requirements continued

Section 6 continued includes an additional four requirements related to proprietary assets and media protection:

53) CADMV information is not stored beyond its intended business purpose, unless mandated by Federal or State record retention requirements.

#54 is amended to remove *using NIST approved techniques and procedures* and *See* due to the phrase and word being unnecessary.

54) CADMV information media is protected until the media is destroyed or sanitized (NIST SP 800-88).

#55 is amended to delete *using NIST approved techniques and procedures (See NIST SP 800-88)* related to *information is sanitized* and to add *(NIST SP 800-88)* at the end for clarity purposes.

55) All equipment used to process, transmit, or store CADMV information is sanitized prior to removal from your facilities for any offsite maintenance or repairs (NIST SP 800-88).

56) All paper documents containing CADMV data are appropriately destroyed after the legitimate business use has ended.

Requiring the ICP partner to not store, destroy, and/or sanitize information media, equipment, and paper documents (#53-56) is necessary to ensure the department's proprietary records are protected from unauthorized access and/or viewing.

The heading is amended to add *Security* related to *Incident Response & Reporting* for clarity purposes.

Five requirements related to security incident response and reporting:

#57 is amended to add *security* related to *incident reporting* for clarity purposes.

57) ICP partner ensures security incident reporting and privacy notification are consistent with the requirements of the California Information Practices Act of 1977, specifically (Civil Code 1798.29).

Requiring the ICP partner to ensure their security incident reporting and privacy notification are consistent with the requirements of Civil Code 1798.29 is necessary because the department is held to this standard and the department's partners must also comply with them.

#58 is amended to replace *information* with *proprietary records* related to *unauthorized access of* for clarity purposes.

58) ICP partner must notify CADMV ICP Program Administrator by:

- Email at rodicadministrators@dmv.ca.gov.
- Within 24 hours for any intrusion, theft, unauthorized disclosure, or unauthorized access of CADMV proprietary records or assets.

Since the ICP partner is required to protect CADMV proprietary records and assets it is necessary for the partner to notify the department in the timeframe and manner described when a breach has occurred. The department's ICP Program Administrator will need to assess the severity of the situation and determine the appropriate course of action therefore it is crucial for the partner to make the notification within 24 hours.

#59 is amended to add *security* related to *incident handling* for clarity purposes.

59) ICP partner implements security incident handling capability and procedures for the following:

- Detection.
- Recording.
- Analysis.
- Containment.
- Eradication/Remediation.
- Recovery.

Requiring the ICP partner to implement security handling capability and procedures during the application process is necessary to ensure that the partner will be prepared to fulfill the requirement in #60.

#60 is amended to add *security* related to *incident* and to replace *i.e.* with *e.g.* for clarity purposes.

60) ICP partner identifies, defines and documents appropriate actions and staff response to each type of security incident (e.g., security policy, procedures, malware, Distributed Denial of Service (DDOS) disclosure etc.)

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Requiring the ICP partner to identify, define and document appropriate action and staff responses to each type of security incident during the application process is necessary to ensure that the partner will be prepared to fulfill the requirement in #61.

#61 is amended to add *security* related to *incident response* for clarity purposes.

61) ICP partner provides annual security incident response procedures training to all new and current authorized ICP users (including managers, senior executives, and contractors) or when system changes are made. ICP partner must provide evidence of training to the department upon request.

Requiring the ICP partner to provide annual security incident response procedures training as described is necessary to ensure their authorized ICP users are kept up-to-date and requiring the partner to provide evidence of training upon the department's request is necessary for the department to maintain adequate oversight as authorized in Vehicle Code section 1685.1(d)(5).

Nine physical key management controls:

62) A policy is in place for the issuance and collection of all business facility keys.

63) A procedure is in place for tracking the issuance and collection of all keys.

Requiring the partner to have a policy in place for the issuance and collection of keys (#62) and a procedure in place for tracking the issuance and collection of keys (#63) is necessary in order for the partner to fulfill the requirements in #64-68.

64) ICP partner has a designated Key Control Authority to implement, execute, and enforce key control policies and procedures.

Requiring the ICP partner to designate themselves or one of their authorized employees as a Key Control Authority is necessary to ensure the partner is in compliance with the requirements in #62 and #63.

65) Key Control Authority must execute the following functions:

- Develops and keeps current a list of personnel that have authorized access to the area(s) and components where CADMV proprietary information resides.
- Reviews and approves the access list and authorization credentials.
- Promptly deletes access of personnel no longer requiring access to the area(s) and components where CADMV proprietary information resides.

Requiring the ICP partner designated Key Control Authority to execute the functions, as described, is necessary to ensure adequate oversight and monitoring of access to CADMV proprietary records and property is maintained.

66) ICP partner stores keys (and key blanks, if applicable) in a locked cabinet/container in a secured area.

67) ICP partner inventories keys, combinations, and other access devices annually.

#68 is amended to add *authorized* related to individuals and to delete *who have a legitimate and official requirement for the key* for clarity purposes.

68) ICP partner issues keys only to authorized individuals.

Requiring the ICP partner to store keys in a locked cabinet/container (#66), to inventory keys etc. annually (#67), and to issue keys only to authorized individuals (#68) is necessary to ensure that the partner is protecting the CADMV proprietary records and assets.

#69 is deleted because the department determined that requiring the ICP partner to change combinations and keys annually may be onerous. #70 is renumbered to be the new #69.

69) ICP partner changes combinations and keys when keys are lost, combinations are compromised, or individuals are transferred or terminated.

Since the ICP partner is required to protect the CADMV proprietary records and assets it is necessary for the partner to change combinations and keys when any of the situations described occur.

Seventh page:

Section 7 – Certification

Section 7 is the certification section and requires the Interstate Carrier Program applicant to print their name, title, sign, and date the form certifying, under penalty of perjury, that the information provided to the department on this REG 216 I is true and correct. This certification is consistent with the provisions of Code of Civil Procedure section 2015.5(b) and is consistent with all other departmental forms containing certifications.

In order to maintain consistency across departmental programs it is necessary to require applicants to make the certification. Requiring the certification, and that it be made under penalty of perjury, serves as a reminder to the applicant of the seriousness of providing true and correct information.

Eighth page:

The Glossary is amended to delete *see SAM §4845* because it doesn't exist. It is also amended to add *consistent with Civil Code 1798.29 and* for clarity purposes.

The glossary contains definitions of terms used for purposes of this security agreement.

In order to help ensure participants understand the requirements in this form, it is necessary for the department to provide the definitions in this glossary.

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Subsection (e) is amended to add *Application Submission* to form name for clarity. Additionally, the department is amending the version of the Request for Live Scan Service Application Submission, form DMV 8016 to the most current version (REV. 10/2017) which has been previously adopted in section 25.22 of the department's Employer Testing Program (Register 2018, No. 18-2 – filed 8-16-2018).

Subsection (e) directs an applicant to have each of the applicant's business owner(s) and designated employee(s) to be fingerprinted through Live Scan and identifies which departmental form, Request for Live Scan Service Application Submission, DMV 8016 (REV. 10/2017), to use.

Since Interstate Carrier Program partner business owner(s) and their designated employee(s) work with confidential and personal information it is necessary for the department to know exactly who would be viewing and processing this information. Additionally, in order to help prevent misuse of information and/or fraud the department must be able to correctly identify all of these individuals and check for criminal history.

Subsection (h) directs an Interstate Carrier Program applicant to submit a statement of personal history for each of its business owners as a part of the application package and identifies which form is appropriate to use (Statement of Personal History - Owner Interstate Carrier Program (ICP) form, REG 2060 I.) The Statement of Personal History - Owner Interstate Carrier Program (ICP) form, REG 2060 I, (NEW 11/2017) is incorporated into the regulation here.

**Statement of Personal History - Owner Interstate Carrier Program (ICP) form,
REG 2060 I**

The form REG 2060 I is a new departmental form consisting of five sections and an introduction.

Introduction – explains that the department has a pre-implementation screening process that the information obtained is public record except where protected by law, and submission of incorrect information is grounds for the department to refuse to approve participation in the program.

Section 1 – Personal Information

Section 1 requires the business owner to provide personal information including true full name, residence address, and telephone number.

Since Interstate Carrier Program participants work with confidential and personal information it is necessary for the department to know exactly who is viewing and processing this information. Additionally, in order to help prevent misuse of information and/or fraud the department must be able to correctly identify these individuals to check for criminal history.

Section 2 – Physical Description

Section 2 requires the business owner to provide their physical description including hair color, eye color, height, and weight. Also, whether or not they hold a valid California Driver's License

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or Identification Card and if the answer is yes, to provide the associated number. And to answer if they have ever been known by or used another name. If the answer is yes, to provide the other name and signature used.

Since Interstate Carrier Program participants work with confidential and personal information it is necessary for the department to know exactly who is viewing and processing this information. Additionally, in order to help prevent misuse of information and/or fraud the department must be able to correctly identify these individuals to check for criminal history.

Section 3 – Employment History

Section 3 requires the business owner to provide their employment history by listing all jobs held for the past 3 years, including the most recent one. The information is to include from and to dates, job title, number of hours worked per week, total length of time worked in years plus any additional months, company name, business address, a description of duties performed, and reason for leaving.

Item I. (b) of Section 4 is amended to add *for or* and delete / after *applied* for clarity purposes.

Since an applicant for a permit to participate in the program shall not be issued a permit if they fall under any of the issues described in subsections 226.08(e)(3)-(7) of the proposed regulations, it is necessary for the department to collect the information requested in Section 3 of this form.

Section 4 – Personal History

Section 4 requires the business owner to provide their personal history by asking a series of questions that assist the department in determining trustworthiness including if the applicant has ever applied to be a Registration Service, for a Requester Code, if they have ever had a business or occupational license refused, revoked, suspended or subjected to other disciplinary action (and if yes, the details), if they were ever a partner, manager, officer, director, or stockholder of a business whose license was suspended or revoked.

The Important Notice is amended to delete *(b), (c), (d) and (e)*; after *11357* for clarity purposes.

Section 4 also includes an “Important Notice” regarding the information the applicant must provide related to convictions when having answered ‘Yes’ to V.

Since an applicant for a permit to participate in the program shall not be issued a permit if they fall under any of the categories described in subsections 226.08(e)(1)-(3) of the proposed regulations, it is necessary for the department to collect the information requested in Section 4 of this form.

Section 5 – Certification

Section 5 is the certification section and requires the Interstate Carrier Program applicant to print their name, sign, and date the form certifying, under penalty of perjury, that the information

provided to the department on this REG 206 I is true and correct. This certification is consistent with the provisions of Code of Civil Procedure section 2015.5(b) and is consistent with all other departmental forms containing certifications.

In order to maintain consistency across departmental programs it is necessary to require applicants to make the certification. Requiring the certification, and that it be made under penalty of perjury, serves as a reminder to the applicant of the seriousness of providing true and correct information.

Subsection (i) directs an Interstate Carrier Program applicant to submit a statement of personal history for each of their designated employees and identifies which form (Statement of Personal History - Employee Interstate Carrier Program (ICP) form, REG 206 I) is appropriate to use. The Statement of Personal History - Employee Interstate Carrier Program (ICP) form, REG 206 I, (NEW 11/2017) is incorporated into the regulation here.

Statement of Personal History - Employee Interstate Carrier Program (ICP) form, REG 206 I

The form REG 206 I is a new departmental form consisting of six sections and an introduction.

Introduction – explains that the department has a pre-implementation screening process that the information obtained is public record except where protected by law, and submission of incorrect information is grounds for the department to refuse to approve participation in the program.

Section 1 – Personal Information

Section 1 requires the Interstate Carrier Program applicant's designated employee to provide personal information including true full name, residence address, and telephone numbers.

Since Interstate Carrier Program partner's designated employees work with confidential and personal information it is necessary for the department to know exactly who is viewing and processing this information. Additionally, in order to help prevent misuse of information and/or fraud the department must be able to correctly identify these individuals to check for criminal history.

Section 2 – Physical Description

Section 2 requires the Interstate Carrier Program applicant's designated employee to provide their physical description including hair color, eye color, height, and weight. Also, whether or not they hold a valid California Driver's License or Identification Card and if the answer is yes, to provide the associated number. And to answer if they have ever been known by or used another name. If the answer is yes, to provide the other name and signature used.

Since Interstate Carrier Program partner's designated employees work with confidential and personal information it is necessary for the department to know exactly who is viewing and processing this information. Additionally, in order to help prevent misuse of information and/or

fraud the department must be able to correctly identify these individuals to check for criminal history.

Section 3 – Employment History

Section 3 requires the Interstate Carrier Program applicant's designated employee to provide their employment history listing all jobs held for the past three years, including the most recent one. The information to include from and to dates, job title, number of hours worked per week, total length of time worked in years plus any additional months, company name, business address, a description of duties performed, and reason for leaving.

Since an applicant for a permit to participate in the program shall not be issued a permit if any of their designated employees falls under any of the issues described in subsections 226.08(e)(3)-(7) of the proposed regulations it is necessary for the department to collect the information requested in Section 3 of this form.

Section 4 – Personal History

Section 4 requires the Interstate Carrier Program applicant's designated employee to provide their personal history by asking a series of questions that assists the department in determining trustworthiness including if the designated employee has ever applied to be a Registration Service, for a Requester Code, if they have ever had a business or occupational license refused, revoked, suspended or subjected to other disciplinary action (and if yes, the details), if they were ever a partner, manager, officer, director, stockholder of a business whose license was suspended or revoked.

Since an applicant for a permit to participate in the program shall not be issued a permit if any of their designated employees falls under any of the categories described in subsections 226.08(e)(1)-(3) of the proposed regulations it is necessary for the department to collect the information requested in Section 4 of this form.

Section 5 – Certification by Employee

Section 5 is the certification section and requires the Interstate Carrier Program applicant's designated employee to print their name, sign, and date the form certifying, under penalty of perjury, that the information provided to the department on this REG 206 I is true and correct. This certification is consistent with the provisions of Code of Civil Procedure section 2015.5(b) and is consistent with all other departmental forms containing certifications.

In order to maintain consistency across departmental programs it is necessary to require applicants to make the certification. Requiring the certification, and that it be made under penalty of perjury, serves as a reminder to the employee of the seriousness of providing true and correct information.

Section 6 – Employing ICP Partner’s Certification

Section 6 requires the Interstate Carrier Program partner’s authorized representative to provide their name, title, signature, and date signed when the form is being submitted by an individual that the Interstate Carrier Program partner intends to employ.

Since Interstate Carrier Program partner’s designated employees work with confidential and personal information it is necessary for the department to know exactly who is viewing and processing this information. Additionally, in order to help prevent misuse of information and/or fraud the department must be able to correctly identify these individuals and check for criminal history.

Subsection (k) requires an applicant to put into place the ability for the department to receive funds directly from the applicant’s bank account through electronic transfer by completing and submitting, with their application, an Electronic Fund Transfer Authorization Form California Department of Motor Vehicles (CADMV) and Interstate Carrier Program (ICP) form, REG 214 I (NEW 11/2017) which is incorporated into the regulation here.

Electronic Fund Transfer Authorization Form California Department of Motor Vehicles (CADMV) and Interstate Carrier Program (ICP) form, REG 214 I

The form REG 214 I is a new departmental form consisting of five sections.

Section 1 – General Provisions

Sections 1 provides information to the Interstate Carrier Program partner/applicant related to the electronic funds transfer authorization for participation in this program.

Section 2 – Payment of DMV Fees Due

Sections 2 provides information to the Interstate Carrier Program partner/applicant related to the date fees are due, when the settlement date occurs, the amount of debit being authorized, what is acceptable proof of payment, that the electronic billing will serve as notification of payment, and what happens if there are insufficient funds or the account is closed.

Section 3 – Change of Authorization

Section 3 informs the Interstate Carrier Program partner/applicant that any changes related to their electronic funds transfer require a minimum of 60 days prior notice to the department.

Section 4 – Debit Authorization

Section 4 has a statement of authorization for the department to debit from the checking account identified with space for providing the depository name, branch, address, transit/aba number, and account number. There is a sample check with instruction to attach a voided check to it. And

there is a note with instructions to the Interstate Carrier Program partner/applicant to follow if they are using a concentration account instead of a checking account.

Section 5 – EFT Representative Authorized Signatures

Section 5 states that the authorization is valid once signed and dated by both the department and the Interstate Carrier Program partner/applicant. There is space for providing the printed name, title, signature, date, and phone number of both entities.

Since transferring funds electronically is the most secure and expedient way for the Interstate Carrier Program partner to transmit the vehicle registration fees they collect from the carriers to the department, the terms provided in Sections 1 – 3 and the information required in Sections 4-5 are necessary to set up an electronic funds transfer between the participant and the department. A very similar form is used in the department's BPA program the REG 4051 (NEW 12/2011) which was adopted into Section 225.30 (Article 3.6 of Title 13) of the CCRs (OAL File #2012-0619-01SR) and has been in use ever since. The differences between this form (REG 214 I) and the REG 4051 are related to the differences specific to each program (e.g. date fees due the third working date in BPA versus same day in ICP, weekend/holiday due date for payment of fees in BPA not in ICP, reimbursement of returned items by wire transfer for BPA versus overnighted for ICP.) The partners in the ICP will be collecting certain registration related fees due to the department from their customers, comparable to the partners in the BPA program, that must be remitted to the department securely and expediently therefore it makes sense to use a similar form as the one used in the BPA program here in this program.

Subsection (l) requires an applicant to submit an Interstate Carrier Program Surety Bond form, REG 208 I, (NEW 11/2017), which has been previously adopted in section 51.26 of Article 20, Chapter 2, Division 1, Title 11 of the California Code of Regulations.

Since the monetary risk (due to fraud) to the department being in partnership with an Interstate Carrier Program partner was determined to be most similar to the risk of the department being in partnership with a second-line business partner in the Business Partner Automation (BPA) program and \$50,000 is amount set for the BPA second-line business partners surety bond, \$50,000 was determined to be the necessary amount for this surety bond.

§ 226.06 Interstate Carrier Program Permit and Permit Authority

Subsection (a) informs the Interstate Carrier Program partner of the length of time the permit is valid and instructs them to place it in view of their customers. Interstate Carrier Program Permit form, REG 200 I (NEW 11/2017) is incorporated into the regulation here.

Interstate Carrier Program Permit form, REG 200 I

The form REG 200 I is a new departmental form and is designated by the department as the Interstate Carrier Program Permit. Upon approval by the department, an Interstate Carrier

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Program applicant will receive an Interstate Carrier Program Permit. The REG 200 I contains the Interstate Carrier Program partner's office number, the date of issue, the Interstate Carrier Program partner's business name and address, from and to dates the Permit is valid and signature of the department's employee authorized to issue the Interstate Carrier Program Permit.

The form REG 200 I is necessary because department approved Interstate Carrier Program partners must display their valid permit in view of their customers as required in subsection 226.06(a) of these regulations.

In order for consistency with the department's BPA program, it is necessary for the permit for this program to also have a 36 month term. Having the permit in view of customers is important so that the public can ensure they are doing business with someone who is authorized by the department. Due to the sensitive nature of this permit, the department is not posting the form to its website, however, an interested party may request copies of the form by contacting the department representative identified in the Notice of Proposed Regulatory Action. Subsection (b) establishes that any permit issued for a branch office will have the same expiration date as the permit of the primary office.

Subsection (b) is amended to delete *es* from *branches* to correct a typo made previously.

§ 226.08 Cause for Refusal to Approve Application and/or Issue a Permit

The introductory statement in this section is amended to add *to approve* after *refuse* for clarity purposes.

This section informs applicants for a permit to participate in the department's Interstate Carrier Program of reasons the department may refuse to approve an application.

Subsection (a) is amended to add *The information provided on the Statement of Personal History – Owner Interstate Carrier Program (ICP) form, REG 2060 I, (NEW 11/2017) and the results from the Request for Live Scan Service Application Submission form, DMV 8016, (REV. 10/2017) are the basis for the determination* at the end of this subsection.

Subsection (a) informs an Interstate Carrier Program applicant of character criteria (honesty, integrity, and reputation) that must be met to a satisfactory level and that information provided in the Statement of Personal History and the results of the Live Scan fingerprinting will be considered by the department in determining to approve or reject participation in the program.

Since an Interstate Carrier Program partner works with confidential and personal information it is important that they are trustworthy. And since it is the department's responsibility to safeguard the personal and confidential information provided by the public for registration purposes, it is necessary for the department to ensure that it enters into partnership with honest entities.

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Subsection (b) is amended to add *The information provided on the Statement of Personal History – Owner Interstate Carrier Program (ICP) form, REG 2060 I, (NEW 11/2017) and/or the Statement of Personal History – Employee Interstate Carrier Program (ICP) form, REG 206 I, (NEW 11/2017) and the results from the Request for Live Scan Service Application Submission form, DMV 8016, (REV. 10/2017) are the basis for the determination* at the end of this subsection.

Subsection (b) informs an Interstate Carrier Program applicant of criteria that all of their owner(s) and/or designated employee(s) must meet a satisfactory level of trustworthiness in order to have their application approved and a permit issued and that information provided in a Statement of Personal History and the results of the Live Scan fingerprinting will be considered by the department in determining to approve or reject participation in the program

Since the business owner(s) and/or designated employee(s) of Interstate Carrier Program partners work with confidential and personal information it is important that they are trustworthy. And since it is the department's responsibility to safeguard the personal and confidential information provided by the public for registration purposes, it is necessary for the department to ensure that it enters into partnership with honest entities.

Subsection (d) is removed to avoid duplication. OAL provided feedback that it would be clearer to have the language related to the information provided on the statement of personal history forms and the results of the live scans being the basis for the determination moved to subsections (a) and (b).

Subsection (e) is renumbered to be the new subsection (d).

Subsection (d) prohibits the department from issuing a permit if any of the factors listed in (d)(1) through (d)(8) are present (i.e. having been convicted of a crime or engaged in conduct involving moral turpitude that is substantially related to the function of a department business partner, holder/managerial employee of a departmental Occupational License that is not in good standing, commercial requestor that is not in good standing, made false statements on or withheld material fact from Interstate Carrier Program application or statement of personal history, in violation of section 25 of the Vehicle Code, engaged in or permitted employees to engage in fraudulent acts in relation to the department or clients, or was a departmental employee who resigned or was dismissed for cause related to honesty, integrity, good character, or reputation within the last 10 years with the applicant or their employees.

It is necessary for the applicant and their designated employees to meet the same standards that the department's employees, who are governed by Government Code section 1040 et seq., have to meet since they will have also access to personal and confidential information.

§ 226.10 Review for Criminal History

Subsection (a) is amended to replace *111.50* with *11150* due to typo.

§ 226.16 Electronic Fund Transfer

Subsection (b)(1) is deleted to avoid a duplication problem with existing regulations.

§ 226.20 Renewal of Permit

Subsection (a) makes clear that the Interstate Carrier Program partner is responsible for initiating and completing the permit renewal process and submitting the appropriate form to the department's Interstate Carrier Program administrator at least 30 days prior to the permit's expiration date.

To put the Interstate Carrier Program partner on notice that applying to renew their permit is their responsibility. In order for the department to have adequate time to process the renewal application before the partner's permit has expired, it is necessary for the department to have a minimum of 30 days. The 30 day time frame is also used in the department's BPA program and for consistency across the partnership programs it is necessary for the department to require 30 days in this program.

Subsection (a)(2) establishes the renewal fee at \$269.

In order to recoup costs related to processing the renewal application it is necessary for the department to charge an application fee, which in this case is set at \$269. The fee amount was determined by adding the personnel costs, operating expenses, and overhead costs and dividing by the projected volume. The fee must accompany the application and is non-refundable because it is being charged for the purpose of covering the costs the department incurs related to reviewing applications and either renewing a permit or communicating the reasons for rejecting the renewal application.

Subsection (a)(5) is amended to add *Application Submission* in form name and to replace the version date for clarity purposes.

Subsection (a)(5) directs a renewal applicant and each of the applicant's business owner(s) and designated employees to be fingerprinted through Live Scan using the Request for Live Scan Service Application Submission Service form, DMV 8016 (REV. 10/2017) and must not be completed more than 60 days prior to the expiration of the permit.

Since Interstate Carrier Program partner business owner(s) and their designated employee(s) work with confidential and personal information, it is necessary for the department to know exactly who is viewing and processing this information. Additionally, in order to help prevent misuse of information and/or fraud the department must be able to correctly identify all of these individuals and check for criminal history. In order for the department to obtain the most recent information as possible, regarding the criminal history of the permit renewal applicant and their designated employee(s), it is necessary for the DMV 8016 to be completed no more than 60 days prior to the expiration of the permit.

§ 226.22 Interstate Carrier Program Partner Responsibilities – Inventory Requirements

In Section 226.22(g) the REG 213 I form is incorporated and it was identified by the Office of Administrative Law that the necessity for requiring the ICP partner to limit their employee designation to 3 employees was not provided. The main reason for setting the limit is because the ICP partner needs to have at least one employee that is not designated to order inventory so that there is an employee available to conduct the required quarterly inventory. Additionally, in order for the department to verify that the ICP partner's employee who submits an inventory order has been designated to do so, there needs to be a limit set. It was decided that 3 employees is a reasonable number for both the department and the partners because the partners will have one or more backups in case their 'main' designated employee is unavailable to submit an inventory order when it is necessary.

§ 226.24 Interstate Carrier Program Changes

Subsection (b) requires an Interstate Carrier Program partner requesting to make changes to notify the department's Interstate Carrier Program administrator, within the timeframes identified for the changes listed, by completing, signing and submitting the Interstate Carrier Program Application for Changes form, REG 201 I. The Interstate Carrier Program Application for Changes form, REG 201 I (NEW 11/2017) is incorporated into the regulations here.

Interstate Carrier Program Application for Changes form, REG 201 I

The form REG 201 I is a new departmental form consisting of six sections.

The top of the form has a space for the Interstate Carrier Program partner to provide their business name and office number. Next is a series of check boxes for the partner to indicate the type of change they are making and direction of which sections to complete based on that type of change.

Section 1 – Employee Change

Section 1 requires the Interstate Carrier Program partner to fill in the effective date of the change, true full name, birthdate, DL or ID number with state issued, prior true full name if making a name change, residence address, and reason for deletion (if deleting an employee).

Section 2 – Interstate Carrier Program Partner Business Information

Section 2 requires the Interstate Carrier Program partner to provide current business address, effective date of change, and phone number.

Section 3 – Relocation or Adding a Branch Office

Section 3 requires the Interstate Carrier Program partner to provide new business address and phone number.

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Section 4 – Changing Business Name

Section 4 requires the Interstate Carrier Program partner to provide new business name.

Section 5 – Change to Corporation, Association, Partnership, or Limited Liability Company

Section 5 requires the Interstate Carrier Program partner to provide date added or deleted, true full name, and title when making changes to employees who direct, control, or manage the partner's office. Information is provided by business structure type to assist the partner with identifying who they must include.

Necessity: The information requested in Sections 1 through 5 is necessary to ensure the department's records are kept current and so that the department can process the requested change.

Section 6 – Certification

Section 6 is the certification section and requires the Interstate Carrier Program applicant to print their name, title, sign, and date the form certifying, under penalty of perjury, that the information provided to the department on this REG 201 I is true and correct. This certification is consistent with the provisions of Code of Civil Procedure section 2015.5(b) and is consistent with all other departmental forms containing certifications.

The department's address of where to mail the form is provided below section 6.

In order to maintain consistency across departmental programs it is necessary to require applicants to make the certification. Requiring the certification, and that it be made under penalty of perjury, serves as a reminder to the applicant of the seriousness of providing true and correct information.

§ 226.30 Information Security Requirements

Subsection (b) is amended to add *et seq.* after 6250 for clarity purposes.

Subsection (b) informs the Interstate Carrier Program partner that they and their employees shall comply with the Information Practices Act of 1977 (section 1798 *et seq.* of the Civil Code), the Public Records Act (section 6250 *et seq.* of the Government Code), section 1808.21 and 1808.47 of the Vehicle Code, sections 11015.5 and 11019.9 of the Government Code and any and all related statutes pertaining to information security.

Since the ICP partner and their designated employees have access to personal and confidential information, it is necessary to require them to abide by the governing laws related to information privacy and security.

Subsection (c) is amended to delete the requirement of the ICP partner providing one year credit monitoring service because section 1798.29 of the Civil Code does not require credit monitoring services as an obligation in the event of a security breach.

Subsections (c) and (c)(1) establish requirements that an Interstate Carrier Program partner who has experienced a security breach, that has caused personal information to be disclosed, must notify that person or entity by written letter, at its own expense, and send a copy of that letter to the department.

Since the department is required to notify affected persons or agencies when it experiences a security breach that has caused personal information to be disclosed, it is necessary for the department to require the same of its partners. The partners must incur this expense because the breach would have occurred with their system. In order to ensure compliance with the requirement, it is necessary for the department to require proof from the partner in the form of a copy of any notification letters sent out.

§ 226.38 Retention of Business Records

Subsection (a) is amended to replace *termination* with *revocation* because the department determined that revocation is the more accurate term for clarity purposes.

§ 226.40 Audit Requirements

OAL identified that as written the language was too broad and therefore the department is amending subsection (a) to add *program* and delete *including but not limited to practices and finances* related to the ICP partner's activities. The department determined that *revoked* is more the more accurate term than *terminated* so for clarity purposes is replacing *terminated* with *revoked*.

Subsection (a) establishes that the department may conduct audits of all of the Interstate Carrier Program partner's activities related to the program even if the Interstate Carrier Program partner's permit is revoked, suspended, expired, or no longer valid.

Since the department is ultimately responsible for the registration of vehicles and protection of the carrier's personal and confidential information, it is necessary for the department to audit its partners to ensure they are in compliance with the requirements of the program. Also, an audit of records and practices may become necessary due to a reason for investigation coming to light against the Interstate Carrier Program partner or the partner's customer that is discovered only after the Interstate Carrier Program permit has been revoked or has expired.

OAL identified that the term *reasonable* is unclear in subsection (d) therefore the department is amending it to replace *reasonable* with *actual* related to the amount of salary and other compensation paid to department staff and the expenses for travel, meals and lodging incurred when auditing the ICP partner.

Subsection (d) establishes that the Interstate Carrier Program partner must pay the actual amount of the salary and other compensation paid to the department staff, and actual expenses for travel, meals, and lodging for the department staff incurred during the audit within 30 calendar days of receipt of an invoice from the department.

Subsection (d) of Section 226.40 is necessary so that the department can recoup the necessary costs of providing the oversight and monitoring (authorized by VC 1685.1 (d)(5)) necessary for program success without negatively impacting the department's ability to fund other programs and services. The private entity has to cover the costs associated with being in the business of an Interstate Carrier Program partner and it is the business practice of the department to recoup the costs of audits/investigations across all of its partnership programs. The BPA program regulations Section 225.66(c)(1)-(3) of Article 3.6, Chapter 1, Division 1 of Title 13 also have this requirement and to maintain consistent business practices the department is requiring the same in this program. Since each audit is unique to a particular partner's business, it is necessary for the department to determine the cost on a case-by-case basis.

§ 226.42 Investigation and Review

OAL provided feedback that subsection (a) had a clarity issue as written, therefore the department is amending subsection (a) to remove *and charging and collecting the reasonable costs for these activities. Any civil, criminal, and administrative authority and remedies to the department may be sought and employed in any combination deemed advisable by the department to enforce the provisions of this article. Nothing in this section shall be construed to impede the department's authority under any other provision of law* for clarity purposes.

Subsection (a) asserts that the department will pursue any and all enforcement actions within its authority including administrative, civil, and criminal action.

Since the department is responsible for oversight of its business partners, it is necessary for the department to examine and investigate its partner's program activities and to pursue enforcement actions when warranted.

Subsection (b) was amended to replace *terminated* with *revoked* AND *termination* with *revocation* for consistency with similar amendments made in these proposed regulations.

§ 226.44 Interstate Carrier Program Permit Suspension

Subsection (a) establishes that the department may suspend an Interstate Carrier Program partner's permit at any time without notice for any cause listed in subsections (a)(1) through (a)(9).

Subsection (a)(1) has been amended to delete *fraudulent* and add *containing incorrect information* for clarity purposes. The department made this amendment to distinguish this subsection which relates to permit suspension, from subsection (a)(9) in Section 226.46 which relates to permit revocation.

(1) The submission and processing of International Registration Plan vehicle registration applications containing incorrect information.

The department cannot allow its partners, who are processing transactions on behalf of the department, to submit and process inaccurate applications since the department is ultimately responsible for the accurate processing of vehicle registration. Therefore, it is appropriate and necessary to suspend the permit of a partner who is found to have submitted and processed International Registration Plan vehicle registration applications containing incorrect information.

Subsection (a)(2) has been amended to add *a* and *designated* related to *closed accounts* and delete the *s* from *accounts* for clarity purposes.

(2) Insufficient Electronic Funds Transfer funds a closed designated account for the payment of department transaction fees.

A partner's bank account that is utilized for the depositing of fees collected from the carriers and designated for the electronic funds transfer to the department for the transmission of fees must be managed carefully by the partner. Insufficient funds or a closed account means the partner is mismanaging the account at best or, at worst, embezzling fee money that was collected from the carrier, on behalf of the department. The department cannot allow its partners to not transmit the fees collected and therefore would need to suspend the permit of a partner who has insufficient funds or a designated account that has been closed.

Additionally, subsection 226.02(k) establishes the requirement for applicants to submit a completed and signed Electronic Fund Transfer Authorization Form California Department of Motor Vehicles (CADMV) and Interstate Carrier Program (ICP) form, REG 214 I, and the incorporated REG 214 I form sets the requirement for partners to submit the collected fees to the department through an electronic funds transfer, and subsection 226.16(a) sets the requirement for partners to comply with all of the terms and conditions of the REG 214 I form. A violation of the requirements would be cause for permit suspension.

(3) Failure to notify the department's Interstate Carrier Program Administrator of any changes within the timeframes specified in this article.

Since a partner processes International Registration Plan vehicle registration transactions on behalf of the department, it is necessary for the department to be notified of changes made timely.

Additionally, subsections 226.24(b)(1)-(9), the incorporated REG 201 I form, subsection 226.04(b), and subsection 226.16(c) set the requirements for a partner to notify the

department's Interstate Carrier Program Administrator of any changes. A violation of those requirements would be cause for permit suspension.

Subsection (a)(4) has been amended to delete *cancellation* related to the Surety Bond and to add *Two (2) incidents of a* related to lapse of the Surety Bond for clarity purposes. The department made this amendment to distinguish this subsection which relates to permit suspension, from subsection (a)(2) of Section 226.46 which relates to permit revocation.

(4) Two (2) incidents of a lapse of the Surety Bond.

Necessity: the partners must maintain a surety bond in order to participate in the program therefore, if there is a lapse of the surety bond the department may need to suspend the partner's permit until it is remedied. If there is more than one lapse of the surety bond it could signal a pattern of non-compliant behavior and the department would need to suspend the partner's permit.

Additionally, subsections 226.02(l) and 226.04(a) set the requirement for partners to maintain a surety bond and a violation of the requirements would be cause for permit suspension.

Subsection (a)(5) is amended to delete , *or terminated* related to the ICP partner's Occupational License AND add *or* for clarity purposes.

(5) Occupational License has expired or been suspended.

Vehicle Code Section 1685.1 allows the department to enter into an Interstate Carrier Program partnership with registration services (as defined by VC 505.2) and section 330.02 of Article 4.2, Chapter 1, Division 1, Title 13 of the California Code of Regulations requires an Occupational License of registration services, therefore those entities must hold a valid Occupational License in order to have an Interstate Carrier Program permit and participate in the program.

Additionally, subsection 226.02(g) sets the requirement for those partners who must be holders of a valid occupational license and a violation of the requirements would be cause for permit suspension.

(6) Adverse audit findings.

Subsection 226.40(a) sets the rule that the department may audit a partner's activities and subsection 226.54(a) sets the requirement for the partner to hire an independent certified public accountant to perform an annual compliance audit. Since both types of audits are required to ensure that the partner is in compliance with the requirements to hold a permit

and participate in the program, adverse audit finding could point to a violation that would be cause for permit suspension.

(7) Error rates that exceed the acceptable monthly percentage rate of three percent in any three months of a six-month period.

Subsection 226.32(d) sets the requirement that the partner must maintain a processing error rate of three percent or less monthly therefore exceeding that would be cause for permit suspension.

Subsection (a)(8) has been amended to replace *three* times with *two* in order to distinguish the cause for permit suspension from the cause for revocation.

(8) Incidents of accountable inventory that is issued out of sequence, issued in error, voided/damaged and not reported to the department, and/or missing two times in any consecutive three month period.

Subsection 226.22(a) sets the requirement that the partner is responsible for the accountable inventory under their control and subsection 226.32(b) sets the requirement that the partner must process International Registration Plan vehicle registrations as the department would, since the partner is acting on behalf of the department. Therefore, a violation of the requirements would be cause for permit suspension.

The three month time period was chosen specifically to coincide with the quarterly reporting requirement of submitting the REG 210 I form, Interstate Carrier Program (ICP) Quarterly Inventory Report. The department's control cashier processes the requests for accountable inventory (which will be ordered with the REG 215 I form, Interstate Carrier Program (ICP) Inventory Order Form) and keeps track of what accountable inventory has been distributed to which partner. The quarterly report is utilized by the control cashier to reconcile the department's records with the partner's records. The goal is to have an accurate tracking of all accountable inventory. The quarterly basis is the department's business practice.

(9) Incomplete, inaccurate, missing, or late reports.

Subsections 226.22(f), 226.38(a), and 226.52 et seq. establish the requirements related to report keeping expected of the partners. Therefore, a violation of the requirements would be cause for permit suspension.

226.46 Interstate Carrier Program Permit Revocation

(a) The department shall revoke an Interstate Carrier Program permit at any time without notice for any cause listed below:

The title of this section and subsection (a) have been amended to replace *termination/terminate* with *revocation/revoke* respectively. The department determined that revocation/revoke is the more accurate term so for clarity it is making this edit.

Subsection (a)(1) has been amended to add *a* and *designated* related to *closed account* AND *within a one year time period* has been amended to read *within any twelve month time period* for clarity purposes.

(1) Three (3) incidents of insufficient Electronic Funds Transfer funds or a closed designated account for the payment of DMV transaction fees within any twelve month time period.

Necessity: a partner's bank account that is utilized for the depositing of fees collected from the carriers and designated for the electronic funds transfer to the department for the transmission of fees must be managed carefully by the partner. Insufficient funds or a closed account means the partner is mismanaging the account at best or, at worst, embezzling fee money that was collected from the carrier, on behalf of the department. The department cannot allow its partners to not transmit the fees collected and therefore would need to suspend the permit of a partner who has insufficient funds or a designated account that has been closed. Three incidents of insufficient funds or of a designated account being closed points to a pattern of non-compliant behavior of the partner and would be cause for permit revocation.

Additionally, subsection 226.02(k) establishes the requirement for applicants to submit a completed and signed Electronic Fund Transfer Authorization Form California Department of Motor Vehicles (CADMV) and Interstate Carrier Program (ICP) form, REG 214 I and the incorporated REG 214 I form sets the requirement for partners to submit the collected fees to the department through an electronic funds transfer and subsection 226.16(a) sets the requirement for partners to comply with all of the terms and conditions of the REG 214 I form. A violation of the requirements would be cause for permit suspension and three violations within any twelve month period of time would necessitate the revocation of the partner's permit by the department.

Subsection (a)(2) is amended to replace *Lapse or cancellation* with *Cancellation* and to add *or three (3) incidents of a lapse of the Surety bond within any twelve month time period* to distinguish the cause for permit revocation from the cause for permit suspension.

(2) Cancellation of the Surety Bond or three (3) incidents of a lapse of the Surety bond within any twelve month time period.

Addendum to the ISOR
Interstate Carrier Program

Necessity: the partners must maintain a surety bond in order to participate in the program therefore, if there is a lapse of the surety bond the department may need to suspend the partner's permit until it is remedied. If there is more than one lapse of the surety bond it could signal a pattern of non-compliant behavior and the department would need to suspend the partner's permit. Cancellation of the surety bond puts a partner completely out of compliance and the department would need to revoke the partner's permit. Three incidents of a lapse in the surety bond within any twelve month time period would establish a pattern on non-compliant behavior and the department would need to revoke the partner's permit.

Additionally, subsections 226.02(1) and 226.04(a) establish the requirement for partners to maintain a surety bond and continuous violation of the requirements would be cause for permit revocation.

Subsection (a)(3) is amended to add *Three (3) consecutive incidents of the same and reported by the department's Audit Branch or by the annual compliance audit specified in section 226.54* related to *adverse audit findings* for the purpose of distinguishing the cause for permit revocation from the cause for suspension.

(3) Three (3) consecutive incidents of the same adverse audit finding reported by the department's Audit Branch or by the annual compliance audit specified in section 226.54.

Necessity: Subsection 226.40(a) establishes the rule that the department may audit a partner's activities and subsection 226.54(a) sets the requirement for the partner to hire an independent certified public accountant to perform an annual compliance audit. Both types of audits are required to ensure that the partner is in compliance with the requirements to hold a permit and participate in the program. While an adverse audit finding could point to a violation that would be cause for permit suspension, consecutive incidents of the same adverse audit finding points to a pattern of behavior that would be the cause for permit revocation.

Subsection (a)(4) is amended to replace *three* with *five* related to the number of months and to replace *of a six month* with *within any twelve month time* related to the length of time for the purposes of distinguishing the cause for permit revocation from the cause for suspension.

(4) Error rates that exceed the acceptable monthly percentage rate of three percent in any five months within any twelve month time period.

Necessity: Subsection 226.32(d) establishes the requirement that the partner must maintain a processing error rate of three percent or less monthly therefore exceeding that would be cause for permit suspension. Error rates exceeding the acceptable rate, as described, on a continuous basis would be cause for permit revocation.

Subsection (a)(5) is amended to add (3) after *three* related to the number of times in any consecutive three month period for clarity purposes.

(5) Incidents of accountable inventory that is issued out of sequence, issued in error, voided/damaged and not reported to the department, and/or missing three (3) times in any consecutive three month period.

Necessity: Subsection 226.22(a) establishes the requirement that the partner is responsible for the accountable inventory under their control and subsection 226.32(b) sets the requirement that the partner must process International Registration Plan vehicle registrations as the department would, since the partner is acting on behalf of the department. Therefore, a violation of the requirements would be cause for permit revocation.

Subsection (a)(6) is amended to add *within one (1) calendar year* related to the minimum transaction requirement for clarity purposes.

(6) Failure to meet the minimum transaction requirement within one (1) calendar year as specified in section 226.32.

Necessity: Subsection 226.32(e) establishes the requirement that the partner shall process at least 100 transactions per year per office therefore falling below that level would be cause for permit revocation.

Subsection (a)(7) is amended to add *Three (3) incidents of and within any twelve month time period* related to incomplete, inaccurate, missing, or late reports to distinguish to cause for permit revocation from the cause for suspension.

(7) Three (3) incidents of incomplete, inaccurate, missing, or late reports within any twelve month time period.

Necessity: Subsections 226.22(f), 226.38(a), and 226.52 et seq. establish the requirements related report keeping/making expected of the partners. A violation of the requirements would be cause for permit suspension and multiple incidents would be cause for permit revocation because it would point to a pattern of behavior of non-compliance on the part of the partner.

Subsection (a)(8) is amended to delete *in good standing* related to possession of a valid Occupational License because it is implied that a valid license is a license in good standing and therefore having both is duplicative.

Addendum to the ISOR
Interstate Carrier Program

(8) Failure to possess a valid Occupational License for Registration Services (if applicable).

Necessity: Vehicle Code Section 1685.1 allows the department to enter into an Interstate Carrier Program partnership with registration services (as defined by VC 505.2) and section 330.02 of Article 4.2, Chapter 1, Division 1, Title 13 of the California Code of Regulations requires an Occupational License of registration services, therefore those entities must hold a valid Occupational License in order to have an Interstate Carrier Program permit and participate in the program.

Additionally, subsection 226.02(g) establishes the requirement for those partners who must be holders of a valid occupational license and an expired or suspended occupational license would be cause for permit suspension. If the expiration or suspension of the occupational license is not remedied, the department would need to revoke the ICP permit.

(9) Fraudulent submission and processing of International Registration Plan vehicle registration applications.

The department cannot allow its partners, who are processing transactions on behalf of the department, to commit fraud since the department is ultimately responsible for the honest and reliable processing of vehicle registration. Therefore, it is necessary and appropriate to revoke the permit of a partner who is found to have submitted and processed fraudulent International Registration Plan vehicle registration applications.

(10) The failure of an Interstate Carrier Program partner to comply with the information security requirements identified in the Interstate Carrier Program (ICP) Security Agreement form, REG 216 I, (NEW 11/2017).

Necessity: Subsection 226.02(d) and the REG 216 I establish the requirements related to the protection of personal and/or confidential information and the department would need to revoke the permit of Interstate Carrier Program partners who fail to comply since the department is ultimately responsible for the protection of the personal and/or confidential information provided by the carriers on their applications for International Registration Plan vehicle registrations.

Subsection (b) has been amended to replace *terminate* with *revoke* for consistency with similar amendments made to these proposed regulations.

Subsection (c) has been amended to replace *terminated* with *revoked* AND *termination* with *revocation* for consistency with similar amendments made to these proposed regulations.

Subsection (d)(4) is amended to replace *termination* with *revocation* for consistency with similar amendments made to these proposed regulations.

Subsection (d)(4) establishes that the Interstate Carrier Program partner's records and practices related to the International Registration Plan vehicle registration transactions shall be subject to audit by the department or its representatives for a period of four (4) years following the revocation of the permit. As permitted by state and federal law, the department shall safeguard the Interstate Carrier Program partner's records and practices as being proprietary to the Interstate Carrier Program partner.

An audit of records and practices may become necessary due to a reason for investigation coming to light against the Interstate Carrier Program partner or the partner's customer that is discovered only after the Interstate Carrier Program permit has been revoked. Additionally, the four (4) year time period is needed to remain consistent with the Vehicle Code section pertaining to apportioned registration (8057(a)) and the CCRs (330.48(a), Article 4.5 of Title 13) for Registration Services.

§ 226.48 Voluntary Closure of Interstate Carrier Program business

The department is amending to replace the term *site* with *branch* in the introductory statement of this section for consistency with the term used in 226.06, 226.24, and the REG 201 I form. Additionally, the department is amending the introductory statement of this section by adding *their primary place of business or...* for the purpose of clarifying that the section applies to both the closing of a partner's primary business location as well as the closing of a branch location.

This section requires an Interstate Carrier Program partner who chooses to close their business to comply with several items within 30 days described in subsections (a) through (f).

The introduction of this section puts the Interstate Carrier Program partner on notice that applying to renew their permit is their responsibility. In order for the department to have adequate time to process the office closure, it is necessary for the department to have a minimum of 30 days. The 30 day time frame is also used in the department's BPA program and for consistency across the partnership programs it is necessary for the department to require 30 days in this program.

Subsection (f) establishes that the Interstate Carrier Program partner's records and practices related to the International Registration Plan vehicle registration transactions are subject to audit by the department or its representatives for a period of four (4) years following the cancellation of the permit. Also, as permitted by state and federal law, the department will safeguard the Interstate Carrier Program partner's records and practices as being proprietary to the Interstate Carrier Program partner.

Necessity: An audit of records and practices may become necessary due to a reason for investigation coming to light against the Interstate Carrier Program partner or the partner's customer that is discovered only after the Interstate Carrier Program permit has been cancelled. Additionally, the four (4) year time period is needed to remain consistent with the Vehicle Code section pertaining to apportioned registration (8057(a)) and the CCRs (330.48(a), Article 4.5 of Title 13) for Registration Services.

§ 226.50 Training Requirements

Subsection (b) is deleted. Upon further consideration, the department determined that the form DMV 350, which is utilized internally, is not necessary for this program.

Subsection (c) is renumbered to be the new (b).

Subsection (d) is renumbered to be the new (c).

§ 226.52 Reporting Requirements

Subsection (b) establishes the requirement that the Interstate Carrier Program partner maintains their Interstate Carrier Program (ICP) Quarterly Inventory Report form, REG 210 I (NEW 11/2017) and all Inventory Order forms REG 215 I (New 11/2017) and Notice of Transfer of Accountable or Controlled Items forms, ADM 518 (REV. 11/2001), that correspond to the REG 210 I reports.

Necessity: For consistency with the requirements adopted in section 226.54 related to audits.

Interstate Carrier Program Notice of Transfer of Accountable or Controlled Items, form ADM 518

The form ADM 518 is designated by the department as the form required when an Interstate Carrier Program partner is reconciling the inventory shipment they receive from the department with the order they placed.

There is space for the department to indicate which location the order is being fulfilled from, when the order is fulfilled, who it is being sent to, which departmental employee fulfilled the order, and details of what inventory is in the shipment. There is space for the partner to indicate any discrepancies (REMARKS), when they received it, and who received and verified the shipment.

This form is necessary as a receipt to ensure these items (Accountable or Controlled), not available to the public, are received by an authorized person, the partner verifies the shipment, sends a copy back to the department, and keeps a copy of the form for the required records retention utilized during auditing.

§ 226.54 Annual Compliance Audit Requirements

Subsection (a) establishes that an annual compliance audit performed by a Certified Public Accountant must be completed at the Interstate Carrier Program partner's expense for their primary business location and any branch locations. Subsections (a)(1) and (a)(2) specify that the Certified Public Accountant must be licensed and not have any interest in the partner's business.

Necessity: The private entity has to cover the costs associated with being in the business of an Interstate Carrier Program partner. Additionally, it is the business practice of the department to require independent compliance audits of its business partners.

Subsection (a)(3) establishes that the Certified Public Accountant shall conduct the audit using generally accepted government auditing standards and the department's Interstate Carrier Program Independent Audit Plan Guide for the Interstate Carrier Program Participant form, REG 217 I. The Interstate Carrier Program Independent Audit Plan Guide for the Interstate Carrier Program Participant form, REG 217 I (NEW 11/2017) is incorporated into the regulation here:

Interstate Carrier Program Independent Audit Plan Guide for the Interstate Carrier Program Participant form, REG 217 I

The form REG 217 I is a new departmental form consisting of five sections.

Section 1 is amended to delete *IRP, Inc.* for clarity purposes.

Section 1 – Background

Section 1 provides background information related to the International Registration Plan and the department's Interstate Carrier Program.

Section 2 is amended to delete the third bullet item, which has been moved to Section 4. Also, section 2 is amended to replace *will* with *shall* and add *overview* to the website referenced for clarity purposes.

Section 2 – Accountability

Section 2 discusses accountability of the Interstate Carrier Program partner including how often the partner must secure an independent compliance audit, that the Certified Public Accountant (CPA) hired to perform the audit must hold a valid license and that the audit is to be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) as promulgated by the Comptroller General of the United States.

Since the department ultimately has the responsibility for safeguarding the personal/confidential information of the public, it sets forth numerous requirements that must be adhered to by the partners to ensure the responsibility is met and maintained. Therefore, it is a necessary part of adequate oversight and monitoring (authorized in VC 1685.1 (d)(5)) for the department to require partners to have an independent compliance audit as described. Additionally, it is necessary for the partner hired auditor to be a Certified Public Accountant with a valid license to ensure that they are qualified to conduct the audit. Also, in order for the audit to be meaningful for the purposes of this program, it is necessary for it to be conducted in accordance with acceptable standards. The department views the GAGAS promulgated by the Comptroller General of the United States as the acceptable standard.

Addendum to the ISOR
Interstate Carrier Program

Section 3 is amended to add *regulations* to the end of the first bullet item for clarity purposes. Also, section 3 is amended to delete the original instruction to the ICP partner relating to the list of documents they should have available for the CPA and the original list of documents and is amended to add new instructions and relevant lists of documents that the ICP partner shall have for the CPA as part of the audit.

Section 3 – Audits Areas

Section 3 outlines the areas subject to audit and lists numerous documents that the Interstate Carrier Program partner shall have available to their hired CPA.

It is necessary for the department to be able to determine that the partner is in compliance with the requirements of the Interstate Carrier Program as detailed in these proposed regulations as authorized by Vehicle Code section 1685.1 (d)(4), Inventory Vehicle Code section 1685.1 (a)(2) and section 226.22 of these proposed regulations, Access controls Vehicle Code section 1685.1 (d)(6) and sections 226.22, and 226.24 (a) and (b)(1)-(3), and Security controls Vehicle Code section 1685.1 and sections 226.02 and 226.30. The documents listed in Section 3 were identified because they are required to become a partner in the program and/or to continue participation in the program and need to be available to the hired CPA for verifications made during the audit.

Section 4 is amended to delete the original statement regarding the CPA providing a written audit report and to add the statement moved over from section 2 which has also been amended to add *and the ICP partner* to receive a copy of the complete audit report.

Section 4 – The Report

Section 4 instructs the Certified Public Accountant to provide the Interstate Carrier Program partner and the department's Interstate Carrier Program administrator a copy of the written report and sets a deadline for completion.

In order for the department to ensure that the partners are in compliance with the independent audit requirement in section 226.54 of these proposed regulations it is necessary for the CPA to provide a copy of their written report to the department's Interstate Carrier Program Administrators. Additionally, in order to ensure that the ICP partners are made aware of any findings resulting from the audit it is necessary for the CPA to provide a copy of their written report to the partner. The department set the deadline for the complete audit report submission at 60 days to allow enough time for the partner hired CPA to perform the audit, write the audit report, and provide the required copies while balancing the department's need to suspend a partner whose audit report reveals adverse audit findings (per subsection 226.44 (a)(6).)

Section 5 is amended to replace *will* with *shall* and delete *The CADMV reserves the right to perform an audit at any time for any reason* for clarity purposes.

Section 5 – Audit Follow-Up

Section 5 establishes that the department's Internal Audits Branch is responsible for reviewing the completed audit reports and requesting any further documentation needed.

In order for the review of the audit completed by the partner hired CPA to be accepted by the department, it is necessary for the department's Internal Audits Branch to be responsible for reviewing the audit reports prepared by the partner hired CPA to ensure that it was conducted in accordance with generally accepted government auditing standards and 226.54 (a)(4) of these proposed regulations. The department has the responsibility of notifying the partner of findings.

Subsection (a)(4): requires the Interstate Carrier Program partner to allow the Certified Public Accountant to perform the annual compliance audit according to the Interstate Carrier Program Independent Audit Program Audit Guide For The Certified Public Accountant form, REG 218 I. The Interstate Carrier Program Independent Audit Program Audit Guide For The Certified Public Accountant form, REG 218 I (NEW 11/2017) is incorporated into the regulation here:

Interstate Carrier Program Independent Audit Program Audit Guide For The Certified Public Accountant form, REG 218 I

The form REG 218 I is a new departmental form consisting of six sections.

Section 1 – General Information

Section 1 provides general instructions to the Certified Public Accountant performing the independent compliance audit including prepare an observation control sheet, prepare a reference points sheet, and prepare an audit report that includes all reportable findings.

Necessity: The instructions provided are necessary to ensure consistency in the performance of the audits completed by partner hired Certified Public Accountants.

Section 2 is amended to add *REGULATIONS* in the title for clarity purposes. Also, it is amended to delete the *Request for Live Scan Service (DMV 8016)* and *a copy of the driver's license that was submitted to CADMV* because the department will have these in its records and are unnecessary for the audit. Additionally, section 2 is amended to replace *fully completed* with *department approved* and to add *and number* after *check account name* for clarity purposes. And, it is amended delete *Verify insufficient funds or closed checking account payments were overnighted by trackable mail* to be consistent with the amendment made in subsection (b)(1) of 226.16.

Section 2 – Compliance with the ICP

Section 2 discusses compliance requirements related to the Interstate Carrier Program including verifying that the application and related documents are complete and that a valid permit is displayed in public view.

Addendum to the ISOR
Interstate Carrier Program

Necessity: The instructions provided are necessary to ensure the partner hired Certified Public Accountant audits all of the components that the department needs verified in order to determine if the partner is in compliance with the program requirements.

Section 3 – Reports

Section 3 specifies which reports to verify, specifically the transactions per year and the employee listing.

Necessity: The instructions provided are necessary to ensure the partner hired Certified Public Accountant audits the reports that the department needs verified in order to determine if the partner is in compliance with reporting requirements and that they are being maintained accurately.

Section 4 is amended to delete the first item under the ‘Receiving and Recording’ bullet item as it was determined the CPA will not be able to verify during the audit.

Section 4 – Inventory

Section 4 instructs the Certified Public Accountant to verify across five areas, subject to audit, numerous documents and reports that the Interstate Carrier Program partner is responsible for maintaining.

Necessity: The instructions provided are necessary to ensure the partner hired Certified Public Accountant is aware of all of the components that the department needs verified in order to determine if the partner is in compliance with properly ordering (not in excess), issuing, securing, and reporting inventory.

Section 5 – Access Controls

Section 5 instructs the Certified Public Accountant to verify that user authorization and access authorization controls are in place and being utilized.

Necessity: The instructions provided are necessary to ensure the partner hired Certified Public Accountant audits whether or not the partner has notified the department of any occurrence of the listed situations and that only authorized employees have processed transaction that the department needs verified in order to determine that unauthorized individuals do not have access to CADMV information or the International Registration Plan system.

Section 6 – Security

Section 6 instructs the Certified Public Accountant to verify that the Interstate Carrier Program partner is in compliance with the security agreement including that the current office layout matches the approved floor plan diagram.

Addendum to the ISOR
Interstate Carrier Program

The instructions provided are necessary to ensure the partner hired Certified Public Accountant audits if the partner is in compliance with the program's security requirements and the partner's current office layout so that the department can determine if the partner is in compliance with all security requirements.