

FY 2008-09 Supplemental Capital Construction Request

Revenue

Document Management and Facial Recognition Systems Upgrade

Motion:

Approve the supplemental request for the Document Management and Facial Recognition Systems Upgrade project (\$3,400,120, including 1,858,000 CF and 1,542,120 FF).

GENERAL INFORMATION

2010-076

1. Which supplemental criterion does the request meet?

New Data

The Department of Motor Vehicles' facial recognition and document issuance systems are outdated and unable to support new applications and enhancements. The department says these systems need to be updated as soon as possible in order to address growing concern about identity theft and fraud perpetrated using state-issued driver's licenses and identity cards.

2. Which projects will be restricted to fund the supplemental request?

An emergency restriction is not necessary because the project is funded from cash sources.

3. Has the request been approved by OSPB or CCHE?

Yes

PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill: *Not applicable, no prior appropriation*

<u>Fund Source</u>	<u>Prior Appropriations</u>	<u>Supplemental Request</u>	<u>Future Requests</u>	<u>Total Cost</u>
CF	\$0	\$1,858,000	\$0	\$1,858,000
FF	\$0	\$1,542,120	\$0	\$1,542,120
	\$0	\$3,400,120	\$0	\$3,400,120

REASON FOR SUPPLEMENTAL REQUEST

The department says identity theft is a growing problem for citizens and the government. Driver's licenses are commonly used by merchants to verify customer identity and can be used to perpetrate identity fraud. Furthermore, improvements to the process and systems used by the department to issue identity documents are needed in order to meet the increased standards of security required by the Department of Homeland Security since 9/11.

The existing equipment was installed in 2001, but due to the state's economic recession in 2001 and 2002, there have been no equipment upgrades and only limited acquisitions since. In 2007 the General Assembly adopted legislation to create a new source of revenue for the operation of driver's license offices. The Licensing Services Cash Fund was created pursuant to Section 42-2-114.5, C.R.S. According to the department, there is now sufficient revenue in the fund for system upgrades. Also, the longer the wait for system upgrades, the more vendor costs will increase, says the department.

SUMMARY OF PROJECT

The project will make upgrades to the document issuance and facial recognition systems for 55 offices, including 38 Department of Motor Vehicle (DMV) offices and 17 county offices, in order to deter identity theft and improve customer service. The project makes upgrades to meet three objectives:

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1. *Replace the facial recognition system.* Facial recognition systems compare the characteristics of a live scan against a stored template of facial characteristics. The existing system used by the Colorado DMV was installed in 2001. According to the department, the new system is less complicated and more efficient, allowing investigators to review more possible matches and identify potential fraud in a shorter period of time.

2. *Allow for gated issuance.* A gated issuance system separates the collection of data and the verification of data into a two-step process. DMV employees verify applicant data using several federal databases before issuing driver's licenses. The department says that this leads to staff inefficiencies and negative interactions with customers whenever one or more of the federal databases is inoperable. The gated issuance system will allow employees to collect data, issue temporary driver's licenses, and later verify and cross-reference the customer data against national databases.

3. *Document authentication.* The project will enhance the department's document authentication capabilities through the addition of machine authentication of source documents used to establish identity. The new system will also allow the department to record and store images of source documents for use as evidence in later fraud investigations.

Source of cash funds. The project will be funded from three cash sources, including \$1,858,000 from the Licensing Services Cash Fund; \$1,168,00 from a federal REAL ID grant, and \$374,120 from a federal community-oriented policing services grant.

QUESTIONS / OUTSTANDING ISSUES

The department has been asked to provide this information.

1. Please explain how a gated-issuance system improves the security of issuing identity documents. Are there limits on the use of temporary licenses? Is it possible for identity fraud to be perpetrated using a temporary license?
2. Will source documents be automatically authenticated with the new machine authentication systems?
3. What is the source of revenue to the Licensing Services Cash Fund?