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Unlicensed Fraud:

How bribery and lax security at state motor vehicle offices nationwide lead to identity theft and illegal driver's licenses

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Since September 11, 2001, heightened attention has been placed on the driver's license issuance system in the United States. Several of the hijackers had driver's licenses illegally obtained through state motor vehicle offices.¹ This fact raised national security concerns and led many to realize, once and for all, that the driver's license has become more than just a license to drive.

Yet concerns about the integrity of the driver's license issuance system go beyond homeland security issues and into other important areas, such as:

- Identity Fraud and Theft — Driver's licenses have been a regular tool used to perpetrate identity fraud and identity theft crimes regularly cited as the fastest growing crime in America.
- Online Authentication — Individuals and Web sites cannot use traditional face-to-face techniques to establish each others identity creating a search for stable online credentials. Companies hoping to enter this marketplace must rely on traditional credentials, such as the driver's license, as a basis to verify identity when necessary.²
- Highway Safety — Public safety and security depends on the ability of authorities to properly issue and revoke driver's license from individuals.

Attempts to solve these problems have led many to believe that the driver's license should be a more reliable document. Debate continues about how these improvements should come. The National Academy of Sciences has documented how difficult this process will be.³ Most experts have looked at slow improvements in technologies, standards and processes.⁴ However, CDT believes that, generally speaking,

¹ CNN, "N.J. Man Charged with Helping Hijackers Get IDs," February 27, 2002 --
<http://www.cnn.com/2002/US/02/27/inv.fake.id.arrests/?related>

² See the work of the CDT led Authentication Privacy Principles, for more information —
<http://www.cdt.org/privacy/031100spyware.pdf>

³ IDs - Not That Easy: Questions About Nationwide Identity Systems, Stephen Kent and Lynette Millett, Editors, Computer Science and Telecommunications Board, National Research Council, National Academy Press, 2002.

⁴ The Markle Foundation's Report Creating a Trusted Information Network for Homeland Security Appendix A "Reliable Identification for Homeland Protection and Collateral Gains" is the most comprehensive, offering a detailed plan to move forward.

technologies and standards solutions have taken predominance in the public debate, causing many to overlook the dire condition of the current driver's license issuance management process in the states.

In October 2002, the Center for Democracy and Technology called upon the American Association of Motor Vehicle Administrators (AAMVA) to begin an index of cases of internal and external fraud at the state agencies that issue driver's licenses. AAMVA responded that they were interested in such an index, but it has never been created. Based on anecdotal evidence, CDT believed fraud was rampant and that all state agencies should be evaluated and ranked based on performance. CDT believes that reducing fraud at the state motor vehicle offices is a critical way to help stop identity fraud and identity theft, and make the driver's license more reliable for both driving and security purposes. Because no one else has been publicly monitoring the issue nationally, we decided to begin tracking news stories about internal fraud and security breaches at the agencies.

Our suspicion was that the fraud issue, of grave national consequence, was being treated mostly as a local concern. CDT was concerned that policymakers were too heavily focused on the quality of the driver's license as an identity document and were overlooking the bigger concern that the driver's license issuance system is riddled with internal fraud.

Once a week throughout 2003, we searched "Google News" for stories from local and national papers on driver's license fraud. This method did not capturing every case of fraud, just some of those publicly reported. Furthermore, some of the fraud figures in those stories are likely too low because they were based on the numbers provided by the guilty party or final numbers are not divulged by the police. We also did not track bribery in cases of ticket fixing or changing driving records because they are so common and even more difficult to track.

Nevertheless, our worst fears were proven true:

- CDT found 23 cases of publicly reported fraud or lax security in 15 different states across the country.
- Thousands of fraudulent driver's licenses were issued through bribed state employees in 2003.
- Dozens, if not hundreds, of cases of identity theft can be tied back to internal fraud and bad security practices.

While the full report gives brief information about each case, some cases were especially brazen:

- The entire 11-person staff of the Newark, New Jersey DMV office was fired after investigators determined fraud was so rampant that no one could be trusted. New Jersey had multiple cases of fraud or theft. This is not to suggest that New Jersey has the worst fraud record among the states, but that New Jersey has an ongoing investigation based on consistent concerns about the state agency. Later in the year the New Jersey DMV changed its name to the Motor Vehicle Commission (MVC) in order to enhance its tarnished image.

- An identity theft ring in Oregon was found with a CD-ROM full of Oregon drivers' personal information, as well as casings and cards that could only have been taken from an Oregon Motor Vehicles Office. Officials say that they could point at least 40 cases of identity theft back to these thieves.
- In Virginia, DMV clerks received bribes of up to \$2,000 per license to provide over 1,000 fraudulent licenses. Some of those seeking licenses were ushered to the front of the line.
- Thieves used a forklift to break into a Utah DMV and steal the office safe and computer equipment. It is not known how much personal information was taken.
- Indiana officials are still investigating an ever-deepening bribery ring that led to the fraudulent issuance of more than 1,000 licenses across the state.

Policy Recommendations

The findings of this report point to major areas of concern for driver safety, government accountability and even homeland security across the nation.

Many individuals continue to call for a national ID card or "strengthened" driver's licenses using biometric information such as digital fingerprints to try to better secure the license. Yet, these programs do not even begin to address the most basic issue of rampant fraud in the system. As with many programs, technologies for providing better and more secure licenses are only as strong as the management procedures that utilize them. In fact, creating a nationally linked system without first reducing fraud would only increase pressure and incentives for abuses of the system. Today, we cannot be assured that any technological improvements in the quality of the license itself would result in fewer fraudulent licenses.

AAMVA has begun several programs to address security and internal fraud issues. First, they have created a "Branch Theft Notice" file that contains information on stolen equipment and materials to make IDs. The file is distributed to the motor vehicle offices in the states so that they can look for suspicious activities. AAMVA says that the use of this file has already led to several arrests. AAMVA is also working with a subsidiary organization on a "peer review process" where states would review other states security and anti-fraud practices. AAMVA says that other peer review processes have led states to put pressure on other states in various ways. Neither the Branch Theft Notice file nor the peer review process would be public.⁵

CDT believes that AAMVA's new programs as well as their recent anti-fraud and security symposia and best practice working groups offer a beginning to address this difficult problem. Yet, based on our research and the ongoing concern that these cases are mostly seen as local problems, CDT believes that more public actions should be taken to ensure that it is adequately being addressed, specifically:

⁵ AAMVA reviewed an early draft of this report and provided CDT with the details about these important, but otherwise unpublicized, programs.

- **An Accountability Index** —Congress should require the General Accounting Office (GAO) to build an internal and external⁶ fraud and security index and rank the states and their improvements in each area. While AAMVA could be the organization responsible for such an index, as a membership organization it is unlikely to make its tracking public in a manner that would provide true accountability. Therefore, Congress must act to make sure that we have satisfactory measurements in place to monitor this issue and place public pressure on the state motor vehicle agencies to improve. Eventually, after the measures have been in place for a couple of years, federal highway funds should be tied to performance in this index.
- **Federal Penalties for Bribery** — For the most part, states have not done enough to deter bribery of the employees at state motor vehicle agencies. It is time for the federal government to get tough and raise the federal offense for a crime that affects nationwide security. This will allow the federal government to bring cases where states have failed to act. There has also been a concern that state prosecutors are not actively bringing these important cases. Perhaps if they can bring real sentences, federal prosecutors will toughen.
- **Pilot Programs for Security** — Congress should offer pilot grants for new technologies, programs and training aimed specifically at rooting out fraud and improving physical security at state motor vehicle offices. AAMVA has a set of best practices for security, but the states need funding to put the new programs in place effectively.

CDT continues to promote the concept of **multiple forms of identity for different purposes**. We believe that a system that relies too heavily on a single form of identity will place a burden that cannot be sustained. This report shows the weaknesses from the stresses that are already being put on an overburdened identity system. Simply put, the driver's license should never be the only form of ID used for a wide range of purposes from homeland security to online authentication to highway safety.

⁶ GAO has already published several reports on the equally difficult external fraud problem including: U.S. General Accounting Office, Security: Vulnerabilities Found in Driver's License Applications Process, GAO-03-989RNI (Washington, D.C.: Sept. 9, 2003).

2003 Reports of Internal Fraud and Physical Security Problems at State Motor Vehicle Offices (organized by state)

Cases of Bribery Leading to Creation of Fraudulent IDs

- Arkansas — Four Arkansas State employees have been charged with bribery in cases mostly involving commercial licenses. One has already pleaded guilty along with an Arkansas resident who bribed officials. [AP, "Two Plead Guilty In Driver's License Cases" KARK-TV June 24, 2003.]
- Indiana — An investigation into how a volunteer translator for the Indiana Bureau of Motor Vehicles (BMV) helped hundreds of people illegally obtain driver's licenses uncovered a massive internal fraud ring. Six BMV employees have been suspended while the investigation deepens. Officials are already reporting that at least 1000 illegal Indiana licenses have been issued. [Fred Kelly, "License Fraud Linked to Unpaid Volunteer" Indianapolis Star November 26, 2003] and [Star Report, "Governor commissions BMV review" Indianapolis Star December 17, 2003]
- Louisiana — A Louisiana state worker was indicted on allegations that she accepted \$5,000 in bribes to create 25 illegal driver's licenses, [Associated Press "Former New Orleans DMV Worker Indicted For Fraud" June 2003].
- Nevada — A former Nevada Department of Motor Vehicles employee has pleaded guilty to five felonies, admitting she took more than \$300,000 in bribes to provide unauthorized identification documents to immigrants. It is alleged that illegal immigrants were charged between \$1,100 and \$1,200 for DMV documents. [Associated Press, "Former Nevada DMV clerk pleads guilty in identity fraud case," San Francisco Chronicle December 10, 2003]
- New Jersey — A NJ Motor Vehicle Services (MVS) examination technician was charged with conspiring to commit document fraud at the Mount Holly MVS center. She and an unnamed conspirator made at least multiple 13 fake licenses during September, selling them for up to \$3000 for each. The alleged offenses occurred after the reorganization of the NJ DMV into the new MVS department and during the ongoing intensive investigation into MVS employee practices. [Joel Bewley and Jennifer Moroz, "Motor Vehicle worker charged" Philadelphia Inquirer November 6, 2003]
- New Jersey — After another case of internal fraud was traced back to the Newark DMV Office, the NJ DMV Director fired the entire 11 person staff. [Joe Malinconico, "DMV uncovers bottomless pit of corruption," The Star Ledger, February 10, 2003 and Joe Malinconico, "DMV chief, citing fraud, fires all Newark staffers," The Star Ledger, February 4, 2003]
- New Jersey — 2 NJ DMV employees were arrested for selling more than 25 fake licenses made with DMV equipment. [Brian X. McCrone, "2 DMV Clerks Charged in Fraud", Star-Ledger January 10, 2003]
- New York — 10 people - including a New York DMV employee - were indicted by a grand jury in Albany on charges related to conspiring to fraudulently obtain

driver's licenses and learner's permits. [AP, "Grand jury indicts DMV worker, nine others for fraud," Newsday April 3, 2003]

- New York — A New York License examiner was charged with accepting bribes to provide licenses to at least 9 unqualified applicants. [Associated Press, "Immigrant Sentenced in License Scheme" Newsday September 18, 2003].
- North Carolina — A Halifax County, NC DMV worker and a DMV Deputy were charged on 22 counts of multiple crimes related to creating illegal licenses for an undisclosed amount of money. [WRAL, "Former DMV Worker, Ex-Deputy Charged," February 25, 2003 <http://www.wral.com/news/2001894/detail.html>] In March 2003, another 41 counts were added against the official to total at least 63 fraudulently issued licenses. [Lance Martin, "Former DMV Official Faces More Counts," Daily Herald, March 19, 2003
- Pennsylvania — A Former PA state driver's license examiner and another man were charged with bribery, tampering with public records, obstruction of justice and criminal conspiracy in providing at least ten individuals (primarily from the NY area) with driver's licenses for between \$500 and \$1,300 at the Jonestown, PA Driver's Exam Center [AP, "Two Men Accused of Running Driver's License Scam," Pocono Record, March 4, 2003]
- Pennsylvania — A Pennsylvania state worker pleaded guilty to selling bogus commercial driver's licenses to Iraqi nationals around the US. No terrorism link was found. [AP, "Ex-Pa. license examiner pleads guilty to record fraud," <http://www.woodtv.com/Global/story.asp?S=1267427&nav=0RceFfxN> May 7, 2003]
- South Carolina — Four SC DMV workers were charged with selling fraudulent driver's licenses. The workers were in different DMV offices throughout the state. [E. Richard Walton, "Four DMV workers face charges" Greenville News September 12, 2003].
- Virginia — Two Virginia DMV employees were indicted for taking part in selling over 1000 fraudulent driver's licenses for between \$800-\$2000. "The two DMV employees allegedly guided [those purchasing fraudulent licenses] through the DMV office in Tysons Corner and even vaulted them to the head of the long lines." [Jerry Markon "DMV Fraud Ring Broken Up, U.S. Says" Washington Post, July 3, 2003]
- Washington DC — A Washington DC DMV clerk was placed on leave for selling licenses for \$350-\$500 a piece from the District's Georgetown satellite office where he worked. Authorities say the events took place between 2000 and 2001. [Carol D. Leonnig, "Clerk Accused of Selling Licenses: City DMV Probe Nets More Charges" Washington Post October 24, 2003]
- Washington DC — 3 people - including a Washington, DC DMV employee - were charged with selling over 900 illegally obtained licenses for about \$1500 a piece. [Alan Lengel, Ex-Clerk Accused of DMV Fraud, Washington Post, January 10, 2003 <http://www.washingtonpost.com/wp-dyn/articles/A35890-2003Jan9.html>] The DMV employee pleaded guilty and was sentenced to four years in prison.

[Associated Press, "Ex-DMV employee sentenced for providing licenses illegally to aliens," New York Newsday, October 31, 2003].

Cases of Alleged Identity Theft Involving State Employees

- Florida — Miami-Dade police raided a tag and title agency after eight month of suspicious activity. Three employees were arrested and could be charged with title fraud and forgery, and identity theft. Police also said more arrests could follow. [NBC 6 News Miami "Tag Agency Raided In Fraud Probe" June 11, 2002].
- Washington DC — A Washington DC DMV employee allegedly stole a person's identity after the person turned in an old driver's license. The DMV employee was supposed to shred the old license, but instead allegedly used it to write over \$2000 in bad checks. Elizabeth Manresa, ["ABC 7 Consumer: DMV ID Theft," WJLA ABC News 7, December 3,2003]

Cases of Poor Physical Security Leading Directly to Identity Theft

- Alaska — A man arrested in Alaska for identity theft, told investigators that he went "dumpster diving" at the state Department of Motor Vehicles in order to obtain personal information about real people. AK DMV officials admit that the records should have been shredded. [Tataboline Brant, "California man charged in forgery, identity theft case" Anchorage Daily News October 9, 2003]
- Oregon -- Two individuals were convicted of falsifying IDs using stacks of casings to make Oregon driver's licenses and a compact disc with OR DMV records. The origin of these items is unknown, but as the prosecutor in the case told reporters "these are not something you can buy at Fred Meyer," referring to the popular Oregon store chain. Over 40 cases of Identity theft have been tied to the ring. [Patrick Harrington, "Authorities snip identity theft ring" The Oregonian September 23, 2003]

Cases of Unsolved Break-Ins

- New Jersey — Thieves stole documents from a safe of a Wayne NJ DMV that could be used to create fraudulent driver's licenses. [\$1,500 in checks, cash stolen from DMV office, Star-Ledger, January 1, 2003]
- North Carolina — A DMV office in Hillsborough, NC was broken into. Police are withholding sensitive information about the case and have refused to say whether computers or materials to manufacture ID cards were stolen. [Burglary Reported at Hillsborough DMV Office, The News and Observer, January 5, 2003]
- Utah — Burglars broke in to a South Salt Lake, UT DMV office and stole an unreported amount of equipment and information. [Derek P. Jensen, "Burglars use stolen dolly, forklift to break into DMV" The Salt Lake Tribune July 28, 2003].