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**State Auditor**

An Audit Report on

# **The Financial Responsibility Verification Program (TexasSure)**

November 2009

Report No. 10-016



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### Overall Conclusion

The Texas Legislature enacted a centralized vehicle insurance verification program known as TexasSure to verify whether owners of motor vehicles have established financial responsibility by obtaining required insurance coverage. TexasSure went online in June 2008 with an automated system containing registered vehicle information that is matched with insurance policy information. As of June 2009, the Texas Department of Insurance (TDI) estimated that 23.22 percent of motorists on Texas roads were uninsured.

Multiple "implementing agencies" share a role in TexasSure. These include TDI, the Department of Transportation,<sup>1</sup> the Department of Public Safety (DPS), and the Department of Information Resources.

TexasSure has processes and controls in place to accurately retrieve vehicle registration data and personal vehicle insurance policy information. However, TexasSure does not contain complete information on commercial vehicle insurance policies because implementing agencies have not required insurance companies to report that information. As of October 2009, TDI reported that 101,401 commercial vehicles were voluntarily reported to TexasSure, and DPS reported that approximately 83,000 self-insured vehicles were reported to TexasSure. However, auditors could not obtain reliable information for the total number of commercial vehicles in Texas.

#### Background Information

Senate Bill 1670 (79th Legislature, Regular Session) created the Financial Responsibility Verification Program, which the implementing agencies named "TexasSure." Senate Bill 1670 stipulates that TexasSure should:

- Reduce the number of uninsured motorists in Texas.
- Operate reliably.
- Sufficiently protect the privacy of the motor vehicle owners.
- Sufficiently safeguard the security and integrity of information provided by insurance companies.
- Provide information that is accurate and current.

Also, TexasSure must include all vehicles covered under a personal automobile insurance policy, as well as vehicles covered under a commercial insurance policy, when the implementing agencies determine it is feasible. (See Appendix 2 for an excerpt from Senate Bill 1670.)

The Texas Department of Insurance, which is the lead agency for implementing the TexasSure program, entered into a \$15.8 million contract with HDI Solutions, Inc. to develop and manage the technology for TexasSure until November 2010.

TexasSure was rolled out to county tax assessor-collector offices across the state in June 2008 and to law enforcement officers in October 2008.

<sup>1</sup> Effective November 1, 2009, the duties of the Vehicle Titles and Registration Division at the Department of Transportation were transferred to the Department of Motor Vehicles (House Bill 3097, 81st Legislature, Regular Session).

For information reported in TexasSure, TDI's subcontractor has automated processes that accurately match insurance policies to registered vehicles in TexasSure 99 percent of the time. TexasSure also communicates with the Texas Law Enforcement Telecommunications System (TLETS) in a secure and reliable manner to provide information on insurance coverage to law enforcement officers.

Although auditors did not identify any instances in which TexasSure data was inappropriately accessed or modified, TDI's contractor should improve its security over motorists' information. For example, the contractor did not properly limit TexasSure access to only those employees with a valid business need. Also, the contractor has not developed formal procedures for modifying TexasSure's program code, performing software upgrades, or conducting general maintenance of computer operations.

To determine how law enforcement agencies (agencies) use TexasSure, auditors surveyed 21 agencies at the city, county, and state level. As of July 2009, 13 of those agencies reported they used TexasSure as a secondary method to determine vehicle insurance information, while 8 agencies did not use TexasSure but planned to use it in the future. The agencies that did not use TexasSure cited a lack of awareness and a lack of funds as the primary reasons for not implementing TexasSure.

Auditors identified opportunities for enhancing the effectiveness of TexasSure to further reduce the number of uninsured vehicles. One of these opportunities includes a recommendation that implementing agencies require motorists to renew a vehicle's registration at a county tax assessor-collector office when the vehicle is identified in TexasSure as uninsured.

## ***Key Points***

**TexasSure contains accurate and complete information on registered vehicles and personal vehicle insurance policies that is securely and reliably communicated to TLETS.**

- Information in TexasSure accurately reflected vehicle registration information provided by the Department of Transportation and insurance policy information provided by 240 insurance companies.
- The TexasSure system exchanges information securely and reliably with TLETS to provide information on insurance coverage to law enforcement officers.
- TDI has established a process for completely transferring vehicle registration information and insurance policy information into TexasSure.

### **TDI should improve its security over TexasSure data.**

Auditors reviewed electronic access and security controls protecting TexasSure servers and databases, and determined that:

- TDI's contractor does not have formal processes or procedures for assigning or revoking user access to TexasSure.
- TDI's contractor has not developed written policies or procedures for managing programming changes, software upgrades, and general maintenance of computer operations.

Auditors identified other security weaknesses. To minimize the risk of security breaches, auditors communicated these issues in writing directly to management at TDI and the Department of Motor Vehicles.

### **Law enforcement agencies use TexasSure as a secondary method to determine financial responsibility compliance.**

Auditors surveyed 13 agencies that reported using TexasSure as a secondary method to verify motorists' insurance, and they are satisfied with TexasSure's query response time. Agencies' law enforcement officers rely primarily on the liability insurance cards that insurance companies issue to motorists to verify insurance coverage. Auditors also surveyed eight agencies that reported they did not currently use TexasSure, but all eight stated they have plans to use it in the future (see Appendix 3 for survey information).

### **Opportunities exist for enhancing TexasSure to further reduce the number of uninsured vehicles on Texas roads.**

TDI previously established plans for improving the TexasSure program by working with its contractor to send letters to verify the insurance status of vehicles and to review and correct key pieces of information in TexasSure, including information regarding:

- An estimated 3.9 million owners of registered vehicles that cannot be matched to an insurance policy.
- An estimated 175,000 insurance policyholders who cannot be matched to a registered vehicle.

In conjunction with the implementing agencies, auditors identified additional opportunities for enhancing TexasSure's ability to reduce the number of uninsured vehicles. These include:

- Requiring an owner to renew a vehicle's registration at a county tax assessor-collector office when the vehicle is identified in TexasSure as uninsured.

- Expediting contracting processes that support TexasSure by requesting that all implementing agencies review and approve TexasSure contract modifications within 60 days.

## ***Summary of Management's Response***

The implementing agencies agree with the recommendations and findings in this report. TDI's overall management response is presented in Appendix 5. The management responses to the specific recommendations in this report are presented immediately following each set of recommendations in the Detailed Results section of this report.

## ***Summary of Objectives, Scope, and Methodology***

The audit objectives were to:

- Determine whether the Financial Responsibility Verification Program database has accurate and complete data on vehicle insurance coverage and interfaces properly with TLETS.
- Report on how law enforcement agencies use the insurance verification system.
- Determine whether there are opportunities for the Financial Responsibility Verification Program to further reduce the number of uninsured vehicles.

The scope of this audit covered implementation of TexasSure and the systems supporting this system. Auditors focused on the accuracy and completeness of TexasSure information as of June 2009.

The audit methodology included interviewing employees of the implementing agencies, TDI's contractor, TDI's subcontractor, and county tax assessor-collector offices; obtaining TexasSure information and reviewing it for accuracy and completeness; testing the process used to match vehicle information to insurance policy information; and reviewing the security over TexasSure servers and TexasSure's interfaces with other systems. Auditors also conducted a telephone survey of 21 law enforcement agencies at the state, city, and county levels.

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# Detailed Results

## Chapter 1

### *TexasSure Provides Accurate and Substantially Complete Information on Registered Vehicles and Insurance Policies and Communicates Securely and Reliably with Other Systems*

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TexasSure has a process for completely transferring vehicle registration information from the Texas Department of Transportation (TxDOT) and all personal vehicle and some commercial vehicle insurance policy information

from insurance companies into TexasSure. In October 2009, 101,401 commercial vehicle insurance policies and approximately 83,000 self-insured vehicles were voluntarily reported to TexasSure because implementing agencies do not require insurance companies to submit those policies to TexasSure. Auditors could not obtain reliable information for the total number of commercial vehicles in Texas.

TexasSure also has processes and controls to accurately recreate vehicle registration information provided by TxDOT and insurance policy information provided by 240 insurance companies. Insure-Rite, the Texas Department of Insurance's (TDI) subcontractor for matching motorist and vehicle information, has automated processes that matched insurance policies to vehicle registration information accurately 99 percent of the time.

TexasSure communicates securely and reliably with the Texas Law Enforcement Telecommunications System (TLETS) and other systems to collect motorist and vehicle information and provide motorists' insurance coverage status to law enforcement officers.

Multiple state agencies share a role in the implementation of TexasSure (see textbox). In June 2008, TexasSure went online with an automated system that state and local law enforcement officers and county tax assessors-collectors can use to verify

that personal vehicles and some commercial vehicles are insured. The 79th Legislature required full implementation of a financial responsibility verification program for personal vehicles before December 31, 2006, and implementation of commercial vehicles' insurance information into the program when implementing agencies determined that this was feasible.

#### Implementing Agencies

Multiple state agencies share a role in the implementation of TexasSure. Specifically:

- The Department of Insurance (TDI) is the lead agency for implementing TexasSure, including the administration of the contractor that developed and maintains TexasSure. It also monitors the 240 insurance companies that provide insurance policy information to TexasSure. TDI is also responsible for reviewing and approving contractor invoices for payment.
- The Texas Department of Transportation (TxDOT) provided vehicle registration information, administered funds appropriated for TexasSure, and paid contractor invoices. It also provided access to TexasSure through its Registration and Titling System to county tax assessors-collectors to verify that motorists have insurance prior to vehicle registration or renewal. Effective November 1, 2009, the duties of the Vehicle Titles and Registration Division at TxDOT were transferred to the Department of Motor Vehicles.
- The Department of Public Safety (DPS) provides TexasSure access to state troopers, local police departments, county sheriff's offices, and other law enforcement agencies through its Texas Law Enforcement Telecommunications System (TLETS). Law enforcement officers may access this information during routine traffic stops to verify that motorists are insured.
- The Department of Information Resources (DIR) manages the State Data Center facility in San Angelo, Texas, where TexasSure is located.

## Records Submitted by TxDOT and Insurance Companies Are Transferred into TexasSure as Required by Statute

TDI has established a process for completely transferring into TexasSure the following: (1) all vehicle registration information TxDOT provides and (2) all personal vehicle insurance policy information that 240 insurance companies provide. However, this process does not include information for all commercial vehicle insurance policies or all vehicles that are self-insured.

As of October 2009, TDI reported that the implementing agencies had not established a schedule for requiring insurance companies to report all commercial vehicle insurance policies into TexasSure. Senate Bill 1670 (79th Legislature, Regular Session) requires insurance companies to report

### Financial Responsibility

Transportation Code, Section 601.002, defines "financial responsibility" as the ability to respond over a period of time to damages for liability for an accident that arises out of the ownership, maintenance, or use of a motor vehicle.

Texas Transportation Code, Section 601.053, provides seven methods of demonstrating financial responsibility. Examples include:

- A motor vehicle liability insurance policy that is issued by an authorized insurance company that meets requirements of Texas Transportation Code 601.071.
- A self-insurance certificate that the Department of Public Safety issues to a person or business that has registered more than 25 motor vehicles and is determined to have the ability to pay judgments obtained against them in accordance with Texas Transportation Code, Section 601.124.

commercial vehicle insurance policies to TexasSure when the implementing agencies determine that it is feasible to do so. As a result, auditors could not obtain reliable information for the total number of commercial vehicles in Texas. The companies insuring 101,401 commercial vehicles voluntarily submitted policies to TexasSure even though they were not required to do so. The Department of Public Safety (DPS) also reported that approximately 83,000 vehicles were self-insured (see text box) and were reported to TexasSure as of March 2009.

Insurance companies did not report all commercial vehicle insurance policies because of difficulties in collecting information on the vehicles covered by these policies. For example, an insurance company may insure a fleet of vehicles, but it may not collect the vehicle identification number (VIN) for each of the vehicles in the fleet.

Inclusion of these types of commercial vehicle policies will make TexasSure more comprehensive and help further reduce the number of vehicles currently reported as uninsured.

TxDOT vehicle registration information is completely transferred into TexasSure. Auditors reviewed the total number of vehicle registration update records that TxDOT transferred during its June 1, 2009, weekly file submission and verified that the total number matched the number of records received by the TDI's contractor. Based on this review, auditors concluded that 100 percent of TxDOT vehicle registration update information was transferred to the TDI's contractor.

Texas motorists have several options to choose from when changing or renewing their vehicle registration information. Vehicle owners may conduct registration transactions at:

- The TexasOnline portal.



- Their county tax assessor-collector office.
- A commercial business that has contracted with a county tax assessor-collector office.
- A vehicle dealership (after purchasing a vehicle).

TxDOT collects the records of all registration changes from these sources and records them in its Registration and Titling System database. On a weekly basis, TxDOT submits the new, modified, and deleted vehicle registration records to its vendor, which reformats the records for use in TexasSure and forwards them to TDI's subcontractor.

TDI has established a process to verify that insurance companies submit complete personal vehicle insurance policy information. Texas Insurance Code, Section 38.202, requires insurance companies to submit personal vehicle insurance

#### Texas Insurance Checking Office

The Texas Insurance Checking Office Inc. (TICO) is the statistical agent that TDI designated to collect data on private passenger automobile, residential property, and farm and ranch insurance. TDI uses the quarterly reports TICO obtains as a separate source of insurance information to verify the completeness of insurance information reported to TexasSure. However, differences exist between these two information sources, including:

- Insurance companies report to TICO on a quarterly basis and report to TexasSure on a weekly basis.
- Some types of vehicles are reported to TICO, but they are not reported to TexasSure.

policy information to TDI's statistical agent, the Texas Insurance Checking Office Inc. (TICO) on a quarterly basis (see text box). TDI uses these reports to monitor the completeness of the insurance information that each company reports to TexasSure. If the reported amounts vary by more than 5 percent, TDI contacts the insurance company to resolve the difference. Auditors reviewed TDI's monitoring of insurance information and verified that TDI contacted insurance companies to verify insurance policy information reported to TexasSure for the quarter ending December 31, 2008. However, TDI had not developed written policies and procedures for its monitoring of this process.

TexasSure receives insurance information that insurance companies submit in electronic files to TDI's subcontractor. All insurance companies that provide Texas liability insurance policies are required to submit insurance policy information to TexasSure in accordance with Texas Transportation Code, Section 601.454. Auditors contacted 22 insurance companies, which represented 58 percent of all insurance records submitted to TDI's subcontractor, and confirmed that the number of records the companies had submitted for the week of December 29, 2008, was similar to the number of records received by TDI's subcontractor.

TexasSure also includes all vehicle and motorist information included in each policy that the insurance companies provide. Auditors judgmentally selected six insurance companies and compared the detailed contents of insurance records the companies had submitted to the information in TexasSure. For all six companies, the detailed information that the insurance companies reported was completely transferred into TexasSure.

## Recommendations

TDI should:

- Set a schedule for insurance companies to submit commercial vehicle insurance policies to TexasSure.
- Develop written policies and procedures for its monitoring of TexasSure, including its review and analysis of quarterly TICO reports to determine the completeness of insurance information in TexasSure.

## Management's Response from TDI

*TDI agrees with the recommendations and has moved forward with both.*

- *On October 13, 2009, TDI met with representatives of the commercial auto insurance industry to begin discussing solutions for including commercially insured autos in the TexasSure system. Due to the complex nature of this insurance product, additional detailed discussions with industry representatives, the TexasSure contractor, TxDMV, and DPS are necessary in order to identify the optimal solution for all parties. It is unclear how long implementation of this recommendation may take.*
- *TDI completed development of written policies and procedures for monitoring TexasSure in October 2009.*

Chapter 1-B

## TexasSure Contains Accurate Information on Registered Vehicles and Insurance Policies

Information in TexasSure accurately reflected vehicle registration information provided by TxDOT and insurance policy information provided by 240 insurance companies. TDI hired HDI Solutions Inc. (TDI's contractor) to implement a process for collecting motorist and vehicle information and updating TexasSure's database on a weekly basis. Auditors reviewed the accuracy of motorist and vehicle information in TexasSure for June 2009 and determined that it was consistent with vehicle registration information that TxDOT submitted and insurance policy information that 240 insurance companies submitted for that time. Specifically:

- Twenty-nine of 30 TexasSure records that auditors judgmentally selected for review accurately reflected key vehicle registration information that TxDOT submitted. The license plate number for one vehicle in TexasSure was not consistent with the license plate number that TxDOT submitted for the same vehicle. Auditors judgmentally selected an additional 80 vehicle registration records processed by TDI's contractor and verified

that the TexasSure system accurately reproduced all license plate numbers and VINs.

- All 30 TexasSure records judgmentally selected for testing accurately reproduced insurance policy information that insurance companies submitted. Auditors contacted insurance companies for the 30 records selected for testing to verify key insurance information such as VIN, insurance expiration date, and driver's name.

Auditors' review focused on key data that is used by TDI's subcontractor to match registered vehicles with insurance policies, including the VIN, driver's name, driver's address, and license plate number. With accurate information, TDI's subcontractor can determine which vehicles have liability insurance. Auditors noted discrepancies in other types of information in TexasSure, but those discrepancies would not have affected TexasSure's ability to accurately report on the insurance status of vehicles.

TDI's subcontractor accurately matched registered insurance policy information to vehicle information 99 percent of the time. TDI's subcontractor collects and matches motorist and vehicle information for TexasSure. These matches are then uploaded into the TexasSure database. This matching process is critical to the effective operation of TexasSure. If TDI's subcontractor is able to match an insurance policy to a registered vehicle, the TexasSure system concludes that the vehicle has insurance coverage. However, if the insurance policy is not matched, TexasSure provides a response that may not provide the correct insurance status of a vehicle.

TDI reviewed the matching process, with its subcontractor's guidance, in January 2008<sup>2</sup> and concluded that 585 vehicles of 591 vehicles reviewed (99 percent) were accurately matched to insurance policies. If this rate was consistent across the population of insurance policies that are matched to registered vehicles, it would equate to approximately 13.4 million accurately matched vehicle registrations out of the approximately 13.5 million insurance policies that were matched to registered vehicles in TexasSure as of June 2009. Additionally, the subcontractors' current rate is above the contractual requirement of 95 percent and, according to the TexasSure project manager, it is also above rates in similar programs reported in September 2006 for Utah, Colorado, and New Mexico.

Auditors reproduced TDI's results by reviewing the same sample of 591 registered vehicles in TexasSure from January 2008 and the matching data elements that TDI and the subcontractor identified as being the most significant. Through this process, auditors confirmed that TDI's

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<sup>2</sup> The subcontractor considers the algorithm it uses in its matching process to be intellectual property, and it did not give access to allow either the implementing agencies or state auditors to review the algorithm's logic. See Chapter 4 for additional details on the subcontractor's matching algorithm.

subcontractor had accurately matched 99.0 percent of those insurance policies to vehicles. Auditors were unable to accurately match six vehicles, including:

- Five insurance policies that were matched to multiple registered vehicles. For three of these erroneous matches, the VINs appeared to be inaccurate because they did not conform to the automotive industry's numbering system.
- One policy for which the registered VIN matched with a VIN recorded on an insurance policy, but that both TDI and TxDOT had agreed was not the same vehicle based on make and model information. This vehicle's VIN also appeared to be inaccurate because it did not conform to the automotive industry's VIN numbering system.

Auditors also tested 150 different registered vehicle records randomly selected from TexasSure in June 2009 and determined that TDI's subcontractor matched only one record erroneously. This equates to 99.3 percent of registered vehicles that were accurately matched to insurance policies. One vehicle for which TexasSure showed there was no match should have been matched to an insurance policy. The registration information for that vehicle contained the same VIN and driver last name that were listed on an insurance policy. However, the subcontractor did not match this registration information to the insurance policy because the records contained different driver addresses and first names. If stopped by a law enforcement officer, the motorist would be asked to show a hard copy of proof of insurance coverage because TexasSure could not verify that the vehicle was insured.

Chapter 1-C

### **TexasSure's Communication with TLETS and Other Systems Is Secure and Reliable**

The TexasSure system exchanges information securely and reliably with the Texas Law Enforcement Telecommunications System (TLETS) to provide information on personal vehicle and some commercial vehicle insurance coverage to law enforcement officers. These two systems communicate through a private network maintained by DPS that protects confidential motorist and vehicle information. Access to TexasSure is also restricted by firewalls that permit connections only from DPS, TxDOT, and TDI.<sup>3</sup>

Law enforcement officers do not access TexasSure information directly. Instead, they look up vehicles in TLETS using license plate numbers or VINs. TLETS communicates with TexasSure to return information on the status of insurance coverage using one of four different responses:

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<sup>3</sup> Auditors obtained temporary access to TexasSure for many of the tests conducted during this audit. However, TDI's contractor terminated this access after audit work was completed.

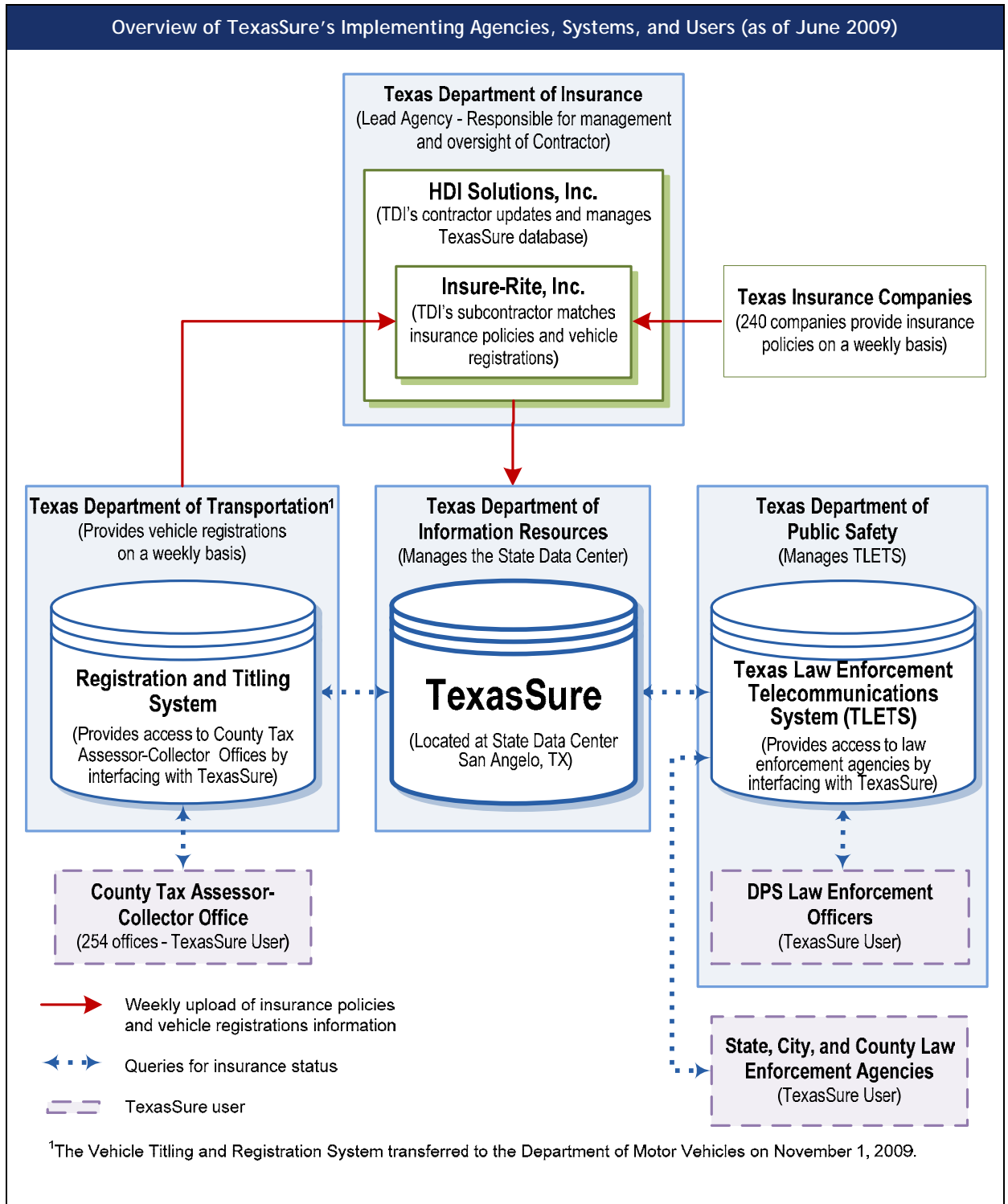
- A “confirmed” response indicates that the vehicle is identified in the TexasSure database with valid vehicle insurance coverage.
- An “unconfirmed” response indicates that the vehicle is included in the TexasSure database, but insurance coverage was not confirmed for reasons such as expired coverage or no coverage found. This response prompts the law enforcement officer to ask for a paper copy of the insurance policy information.
- A “verify manually” response indicates that the vehicle cannot be located in the TexasSure database due to lack of valid insurance, incorrect information, or recent changes to vehicle registration information. This response prompts the law enforcement officer to ask for a paper copy of the insurance policy information.
- A “multiple” response indicates that the vehicle’s license plate number and/or VIN is associated with two or more vehicles in the TexasSure database. In unique circumstances, TxDOT or county tax assessor-collector offices have issued the same license plate number to more than one vehicle, and DPS has instructed law enforcement officers to ask for a paper copy of insurance policy information in these instances.

According to its contract, TDI’s contractor is required to maintain a 3 to 5 second query response time from TLETS to TexasSure and back to TLETS. Auditors reviewed the response times for more than 33 million queries performed from October 1, 2008, through July 31, 2009, and determined that only 45 (or .0001 percent) queries took longer than 5 seconds. Auditors also tested the TexasSure response time for 80 vehicles using DPS equipment in downtown Austin and received a response in an average of 13 seconds.

TexasSure also receives information securely and reliably from other systems as part of a weekly update process. Auditors reviewed the communications between several systems maintained by TxDOT, TDI’s contractor, and TDI’s subcontractor and determined that those systems securely and reliably transfer motorist and vehicle information to TexasSure. In addition, vehicle registration and insurance policy information is securely and reliably transferred from TxDOT and participating insurance companies to TexasSure. The TexasSure system also communicates reliably with the Registration and Titling System that county tax assessor-collector offices use to register vehicles, as well as with the TexasSure online portal that TDI uses to monitor TexasSure.

Figure 1 on the next page shows the roles of the four state agencies responsible for implementing and managing TexasSure, the state information systems used in the process, and the current users of TexasSure information.

Figure 1



Source: Developed by the State Auditor's Office based on interviews conducted with each of the agencies and users described in this figure.

Although TexasSure communicates securely and reliably with other systems, auditors identified some areas in which security monitoring could be improved. Specifically:

- Prior to June 2009, files that TxDOT sent over the Internet to its contractor for inclusion in TexasSure were not encrypted, potentially exposing vehicle registration information to unauthorized access. After auditors brought this to their attention, TxDOT staff began encrypting this information prior to sending it over the Internet. Auditors did not identify any instances in which unauthorized users accessed this motorist data.
- TDI's contractor does not retain logs for its process for updating data in TexasSure. This contractor's weekly update process encompasses millions of records that it updates in TexasSure each week based on new and updated registration information and updated insurance information.
- TDI's subcontractor currently collects insurance policy information from 240 insurance companies as part of a weekly process for updating TexasSure. This process includes some erroneous or unreadable insurance information. For example:
  - Some insurance companies report more or fewer insurance policies than they send for inclusion in TexasSure. In some instances, the subcontractor may contact the insurance company and adjust the reported number of insurance policies to resolve this difference.
  - Some files that insurance companies submit contain information that is improperly formatted and cannot be read by TDI's subcontractor's system. If less than 1 percent of an insurance company's total policies are not readable, the subcontractor may not contact the insurance company to obtain the information.

Auditors reviewed examples of both of these situations and determined that they have a minor impact on the completeness of information in TexasSure. However, TDI's contractor could improve its weekly update processes by logging and periodically reviewing instances of erroneous or inconsistent information.

## Recommendations

The Department of Motor Vehicles should continue to encrypt vehicle registration files before sending them over the Internet for inclusion in TexasSure.

TDI should:

- Require its subcontractor to log instances in which it receives erroneous or inconsistent vehicle registration or insurance information, and TDI should review this information as part of its monitoring of TexasSure.
- Require its contractor to retain logs that document the results of its weekly process of updating TexasSure. TDI should periodically review this information as part of its contract monitoring efforts.

## Management's Response from the Department of Motor Vehicles

*TxDMV agrees with this recommendation. The department took immediate action as soon as it was identified that the data was not encrypted. We will continue to look for ways to enhance the security of data transfers.*

## Management's Response from TDI

*TDI agrees with these recommendations. TDI will pursue these recommendations with the contractor and will use this information to enhance our monitoring processes.*



## *TDI Should Improve Security over TexasSure Data*

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Auditors reviewed electronic access and security controls protecting TexasSure servers and databases and did not identify any instances in which TexasSure data was inappropriately accessed or modified. However, TDI's contractor should improve its protection of Texas motorists' information.

TexasSure information is defined as confidential information in Texas Transportation Code, Section 601.454. Information collected includes VINs, driver names, driver addresses, insurance companies, and descriptions of all registered vehicles in Texas. TDI requires its contractor to adhere to the same data security requirements that state agencies follow in Title 1, Texas Administrative Code, Section 202.25 (1 TAC 202.25), which requires confidential information to be identified, documented, and protected in its entirety.

However, TDI's contractor does not have formal processes or procedures for assigning or revoking user access to TexasSure. Auditors reviewed 10 user accounts that had access to read all records in TexasSure and determined that 3 users did not have a valid business need for this access. 1 TAC 202.25 requires each user's access to be appropriately modified or removed when an employee's job responsibilities change.

TDI's contractor also has not developed written policies or procedures for managing programming changes, software upgrades, and general maintenance of computer operations (change management). 1 TAC 202.25 states that security requirements shall be identified, documented, and addressed in all phases of development of information resources, and it requires that all changes to data be made only in an authorized manner. Auditors identified some significant changes made to software installed on TexasSure servers that had not been documented or approved. Specifically:

- TDI's contractor did not detect a programming error caused by a change it made to TexasSure's online portal that caused unreliable insurance verification results prior to July 8, 2009. This issue affected only TDI's monitoring of TexasSure through the online portal and did not affect law enforcement officers' or county tax assessor-collector offices' use of TexasSure. The contractor resolved this issue in July 2009 after auditors raised this issue. Without formal processes and procedures for change management, however, the contractor risks a recurrence of this issue.
- TDI's contractor lacked documentation for the review, testing, or approval of three of four software changes that auditors tested. Documentation for the remaining change consisted of e-mails between the contractor's employees to demonstrate that the change was approved and completed; but, these e-mails did not specify a particular change and were not

reviewed or approved by any of the implementing agencies. Without a formal and documented process for change management, TDI has no assurance that the changes its contractor makes to TexasSure function as intended and are authorized.

- TDI's contractor used informal approval to modify codes in the TexasSure system that control the types of vehicles it included in system reports. Two agencies informally approved this modification before the contractor began modifying TexasSure programming. However, the resulting changes affected 16 types of vehicles tracked in TexasSure. A formal change management process would help TDI ensure that other significant changes to TexasSure are authorized.
- While TDI is the lead agency responsible for TexasSure's program performance, TDI's contractor plays a substantial role in developing and maintaining the TexasSure system. (See Figure 1 on page 8 for an overview of the contractor's role.) As a result, some changes that the contractor makes to the system could have a negative effect on the entire system if the changes are not performed correctly. Implementing agencies should take an active role in change management by testing and approving changes to TexasSure to ensure it operates effectively.

It is important to note that the TexasSure servers and databases are located at the State Data Center in San Angelo, Texas, through an interagency contract between the implementing agencies and the Department of Information Resources (DIR). The State Auditor's Office previously audited the physical security, environmental security, power, hardware disposal, and other security aspects at the State Data Center in San Angelo (see *An Audit Report on the Department of Information Resources and Security of the State's Data Centers*, State Auditor's Office Report No. 08-030, April 2008). That report concluded that the San Angelo Data Center is capable of protecting systems and safeguarding confidential data. Auditors considered that work when assessing the risks for the TexasSure servers and databases and elected to focus on electronic access controls for this audit.

## Recommendations

TDI should:

- Require its contractor to develop a formal process for granting and revoking user access to TexasSure. This process should include an access form that requires users to report changes in job responsibilities that affect their use of TexasSure and a requirement that confidential vehicle and motorist information be restricted, as required by Texas Transportation Code, Section 601.454.

- Require its contractor to develop a formal change management process that includes a documented review and approval by users at implementing agencies. TDI also should monitor this process to ensure that changes to TexasSure function as intended and are authorized and consistent with laws.

#### Management's Response from TDI

*TDI agrees with the recommendation. TDI will notify the TexasSure contractor and subcontractors of these issues and will establish a plan and schedule to correct these deficiencies. TDI will also establish a process to regularly monitor the contractor's compliance with Title 1, Texas Administrative Code, Chapter 202. TDI expects to complete these actions within 60 days.*

## Law Enforcement Agencies Use TexasSure as a Secondary Method to Determine Financial Responsibility Compliance

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In July 2009, auditors surveyed a total of 21 law enforcement agencies (agencies) at the city, county, and state levels, which provided services to 17 percent of Texas's population<sup>4</sup> (or 3.6 million of 20.6 million people). Overall, the 13 agencies that reported using TexasSure stated they use it as a secondary method to verify motorists' insurance and are satisfied with TexasSure's query response time. The remaining eight agencies reported that they did not use TexasSure, but all eight stated they have plans to use it in the future. There are no legal requirements to use TexasSure at the state or local agency level. (See Appendix 3 for survey participants and responses.)

Of the 13 agencies that reported using TexasSure:

**Texas Transportation Code,  
Section 601.053**

A motorist can demonstrate evidence of financial responsibility by presenting a motor vehicle liability insurance policy covering the vehicle or a photocopy of the insurance policy upon request from a peace officer.

**Texas Transportation Code,  
Section 601.072**

Effective April 1, 2008, the minimum amounts of motor vehicle liability insurance coverage required to establish financial responsibility are:

- \$25,000 for bodily injury to or death of one person in one accident;
- \$50,000 for bodily injury to or death of two or more persons in one accident, subject to the amount provided by Subdivision (1) for bodily injury to or death of one of the persons; and
- \$25,000 for damage to or destruction of property of others in one accident.

The above minimum motor vehicle liability insurance coverage requirements will increase starting on January 1, 2011.

- None uses TexasSure as its primary source of financial insurance verification during routine traffic stops. Instead, each agency's law enforcement officers primarily rely on the liability insurance cards that insurance companies issue to motorists to verify insurance coverage. Texas Transportation Code, Section 601.053, requires motorists to present physical proof of financial responsibility (see text box.)
- Eleven agencies stated that their law enforcement officers will contact the insurance company if there is a discrepancy between the liability insurance card presented by the motorist and TexasSure information to determine insurance status. However, if the officer is unable to contact the insurance company, the liability insurance card information prevails.
- Twelve agencies stated they are very satisfied or satisfied with TexasSure query response time. The 12 agencies indicated that TexasSure's response time was 30 seconds

or less, which includes the response time from each agency's information system to TLETS.

- Eleven agencies strongly agree or agree that TexasSure is user-friendly.
- Eight agencies access TexasSure via their agency dispatcher instead of from a laptop computer in a patrol vehicle.

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<sup>4</sup> Based on 2000 Census: Population of Texas Cities, State Library and Archives Commission.

Of the eight agencies that reported not using TexasSure:

- All stated they are planning to use TexasSure in the future. Four of these agencies reported they planned to use TexasSure within six months of the survey date.
- The two most common reasons that agencies cited for not implementing TexasSure were lack of awareness and lack of funds.

Based on information that DPS provided, the estimated average cost to equip one patrol vehicle with a laptop computer to access TexasSure directly is \$5,864. This includes only the cost for the required computer hardware, the Virtual Private Network (VPN) software needed to communicate with private networks, mount, and accessories. Agencies may incur other costs depending on the type of information systems they have. Many agencies use a dispatcher to relay TexasSure information, along with other law enforcement information, to patrol officers who do not have laptop computers in their patrol vehicles.

Auditors also noted that the application of fines and penalties for motorists who drive without proof of insurance varies among the agencies surveyed. Surveyed agencies reported that penalties and fines range from \$277 to \$1,000, depending on the number of offenses, plus any associated court costs. Additionally, some agencies have ordinances that allow officers to impound uninsured vehicles. These fines and penalties serve as the State's primary method of deterring motorists from driving uninsured vehicles. Variances across different areas and jurisdictions could affect compliance with the State's financial responsibility requirements.

## *Opportunities Exist for Enhancing TexasSure to Further Reduce the Number of Uninsured Vehicles on Texas Roads*

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TDI's subcontractor estimates that the percentage of registered vehicles in Texas that are uninsured declined from 25.05 percent in June 2008 to 23.22 percent on June 1, 2009 (see Appendix 4 for details). The actual number of uninsured vehicles in Texas cannot be precisely calculated using TexasSure statistics because some vehicles that appear to be uninsured may be vehicles insured under commercial insurance policies or self-insured vehicles (neither of which is reported completely to TexasSure) or registered vehicles that are no longer on the road.

As of September 2009, TDI was in the process of implementing a communications campaign through which it will send one of two letters to the owners of registered vehicles or insurance policies that cannot be matched to remind them of Texas insurance requirements. TDI refers to this process as its "Ongoing Verification Process." This process includes the following:

- TDI's contractor will send a letter to an estimated 3.9 million owners of registered vehicles that cannot be matched to an insurance policy for nine consecutive weeks. The purpose of this letter is to verify insurance status and encourage owners of uninsured vehicles to purchase insurance coverage. The letter will ask vehicle owners to verify their insurance status and encourage them to purchase insurance coverage as required by statute. The letter also will ask the vehicle owner to review several key pieces of information in TexasSure to identify any inaccuracies.
- TDI's contractor will send a letter to an estimated 175,000 insurance policyholders whose insurance policies cannot be matched to a registered vehicle for at least 60 consecutive days. Possible causes for these unmatched policies include newly purchased vehicles for which registration information is not submitted on a timely basis, or erroneous information provided to insurance companies that prevents the insurance policy from being matched to registration information. The letter will instruct policyholders on how to make necessary corrections or updates so that the insurance information can be properly matched to the registered vehicle.

The Ongoing Verification Process may encourage some motorists who drive uninsured vehicles to obtain insurance coverage. Without additional enforcement authority, however, TDI's Ongoing Verification Process may have a limited effect on the number of uninsured vehicles.

Additional opportunities exist to enhance TexasSure's effectiveness at reducing the number of uninsured vehicles on Texas roads. Auditors

identified several opportunities, in conjunction with the implementing agencies. These suggested improvements are discussed below.

Require motorists to renew their vehicle registrations at a county tax assessor-collector offices when TexasSure identifies vehicles as uninsured. Motorists have four options for where to renew their vehicle registrations. These are (1) county tax assessor-collector offices; (2) point-of-sale (POS) subcontractors (for example, grocery stores); (3) U.S. mail; and (4) TexasOnline. Currently, vehicle registrations renewed at POS subcontractors are not verified using TexasSure because those subcontractors do not have access to TexasSure. As a result, a risk exists that some individuals with uninsured vehicles may choose to renew registrations at these POS subcontractors to circumvent TexasSure. To address this risk, the owner of a vehicle that cannot be matched to an insurance policy prior to the vehicle registration's expiration could be required to renew the vehicle's registration only at a county tax assessor-collector office.

Implement a continuous communications campaign to inform and train law enforcement agencies about TexasSure's availability, functionality, and limitations. DPS announced the release of TexasSure via TLETS to local law enforcement agencies (agencies). DPS also issued a user guide to agencies that explains the purpose of TexasSure, the type of information included, and an explanation of how to interpret each of the four TexasSure responses. However, 3 of 8 agencies (38 percent) surveyed indicated that they do not use TexasSure because they were not aware it was available. In addition, TDI received frequent calls from insurers of commercial vehicles indicating that their policyholders received a citation or warning for lack of insurance based on TexasSure information despite providing proof of insurance coverage. This shows that agencies' employees need to be reminded about TexasSure's limitations. For example, TexasSure:

- Is not the system of record and, by law, a copy of insurance coverage prevails over TexasSure information.
- Does not identify all commercial vehicles covered under an insurance policy or self-insured vehicles.
- Can identify only vehicles covered by an insurance policy and cannot identify a vehicle that is uninsured.

It should be noted that there are no legal requirements to use TexasSure at the state or local agency level.

Clearly define criteria for what constitutes a strong, medium, and weak match of vehicle registration records and insurance policies, and use these criteria to monitor the quality of TDI's subcontractor's matching process. TDI's subcontractor uses a 14-tier algorithm to match insurance policies with registered vehicles. However, the algorithm is considered intellectual property and neither the implementing agencies nor auditors were given access to review the algorithm's logic.

Although TDI's subcontractor's process to match insurance policies with registered vehicles appears adequate, the subcontractor acknowledged that match results are not always accurate (see Chapter 1-B for details about the matching process). For example, an insurance policy and vehicle registration match that is based on unique identifiers such as VINs could be considered a strong match, while a match based on less unique identifiers, such as a motorist's name and address, could be considered a medium-to-weak match. TDI's subcontractor acknowledges that false-positive matches occur. The subcontractor is allowed to make a match that "may not result in a 100 percent match of all fields, but a match may be made with a reasonable degree of accuracy" in accordance with Title 28, Texas Administrative Code, Section 5.602 (2). TDI has not defined what constitutes a reasonable degree of accuracy.

Include insurance companies' toll-free numbers in TexasSure to assist law enforcement officers in resolving discrepancies about insurance status. TexasSure provides law enforcement officers the status of registered personal vehicles and some commercial vehicles' insurance coverage. When there is a discrepancy between TexasSure information and the insurance policy presented by a motorist, an officer may contact the insurance company to determine the motorist's insurance coverage. Including insurance companies' toll-free numbers will help officers identify invalid insurance policies resulting from cases in which, for example, motorists purchase insurance coverage and then cancel their policies soon after renewing their vehicle registrations.

Expedite contracting processes that support TexasSure by requesting that all implementing agencies review and approve TexasSure contract modifications within 60 days. TDI's contract for TexasSure is structured to include baseline services, with additional services provided through contract amendments. Therefore, the contracting process is critical to the successful implementation of changes to the TexasSure program, such as the Ongoing Verification Process described in this chapter. However, TDI has not received timely feedback on its contract amendments from implementing agencies. For example, TDI asserts that Amendment 4 to the TexasSure contract, which established the Ongoing Verification Process contract, took approximately 16 months to finalize. Implementation of changes to the TexasSure program would be substantially expedited if implementing agencies reviewed and approved TexasSure contract modifications within 60 days.

## Recommendations

The Legislature should consider providing governing boards of local municipalities and counties enforcement authority that would allow them to use TexasSure information to help reduce the number of uninsured vehicles.



Implementing agencies should:

- Review and approve TexasSure contract modifications within 60 days.
- Consider the other opportunities identified in this chapter to enhance TexasSure.

#### Management's Response from the Department of Information Resources

*The Department of Information Resources (DIR) agrees with the recommendations, and will work with the other agencies to implement these items.*

#### Management's Response from the Department of Motor Vehicles

*Agree. All agencies involved should sit down together and document the lessons learned. The lessons learned from past contract modifications should be applied to the review and approval process of any future amendments.*

#### Management's Response from DPS

*Agreed- The Department of Public Safety will initiate an extensive media and outreach program to educate the public and law enforcement entities on the TexasSure program and its functionality. This outreach and educational program will be coordinated by the Department's Public Information Office and will include, but not be limited to, the following plan:*

- *PIO, in coordination with TDI, will initiate press releases explaining the program and how it functions to better educate the public and law enforcement communities. The Department will send informational letters and user guides to the police chiefs, sheriffs and elected officials across the state explaining the program, functionality, limitations, and success stories. The Department will also provide informational letters about the program to the various law enforcement associations and Council of Governments across the state for distribution to entities within their respective areas. The Department will ensure that the TLETS and TCIC trainers across the state provide information about the program when conducting schools or have any type of liaison with a law enforcement entity. The Department will also send program information and where to access and download user guides to all law enforcement agencies through the All Points Bulletin and TLETS listserv account. This plan will begin immediately and will be completed no later than December 31, 2009.*
- *Limitations: It should be noted that agencies are not required by statute to utilize the program. As indicated in the report, some agencies may choose not to utilize the program due to cost associated with the integration of*

*their current interface systems such as a local message switch, Computer Aided Dispatch (CAD) or Mobile Data systems.*

#### **Management's Response from TDI**

*TDI agrees with the recommendations, and will work with other implementing agencies to address these items. TexasSure has benefited from the input and perspectives provided by the implementing agencies. TDI will continue to explore additional opportunities and improvements for TexasSure.*

# Appendices

Appendix 1

## **Objectives, Scope, and Methodology**

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### Objectives

The audit objectives were to

- Determine whether the Financial Responsibility Verification Program database has accurate and complete data on vehicle insurance coverage and interfaces properly with the Texas Law Enforcement Telecommunications System (TLETS).
- Report on how law enforcement agencies use the insurance verification system.
- Determine whether there are opportunities for the Financial Responsibility Verification Program to further reduce the number of uninsured vehicles.

### Scope

The scope of this audit covered implementation of the Financial Responsibility Verification Program (TexasSure) and the systems supporting this program. Auditors focused on the accuracy and completeness of TexasSure information as of June 2009.

### Methodology

The audit methodology included interviewing Texas Department of Insurance (TDI) personnel; Department of Information Resources (DIR) personnel; Department of Public Safety (DPS) personnel; Texas Department of Transportation (TxDOT) personnel; employees of HDI Solutions, Inc. (TDI's contractor); employees of Insure-Rite, Inc. (TDI's subcontractor); and employees of county tax assessor-collector offices. Auditors also obtained TexasSure information and reviewed it for accuracy and completeness. Auditors tested the process used to match vehicle registration information to insurance policy information. Auditors reviewed the security over TexasSure servers and TexasSure's interfaces with other systems including TLETS.

Auditors also conducted a telephone survey of 21 law enforcement agencies (agencies) at the state, city, and county levels. Auditors used the survey results to determine how these agencies use TexasSure.

Information collected and reviewed included the following:

- Vehicle registration data for June 2009 from TxDOT's Vehicle Title and Registration System.
- Insurance policy information submitted to the TexasSure program for June 2009.
- Files that TDI's subcontractor used to match vehicle registrations to insurance policies for the weeks ending June 6, 2009, and June 22, 2009.
- TDI's *Quarterly Variance Reports* for the third and fourth quarters of 2008.
- Texas Insurance Checking Office Inc.'s report on insurance policies in Texas for the fourth quarter of 2008.
- Data, system settings, user accounts, and server logs from the TexasSure system.
- TDI's contractor's estimates of the number of uninsured vehicles from June 2, 2008, through June 1, 2009.
- Survey responses from 21 law enforcement agencies.
- Financial Responsibility Verification Program (TexasSure) contract with HDI Solutions, Inc. and amendments.
- Financial Responsibility Verification Program (TexasSure) Reporting Guide and User Manual, Version 1.4, August 1, 2008.

Procedures and tests conducted included the following:

- Tested the accuracy of vehicle registration information in TexasSure provided by TXDOT.
- Tested the accuracy of vehicle insurance policies information in TexasSure as provided by insurance companies.
- Tested the accuracy of TexasSure's matching of vehicle registration information to vehicle insurance policies.
- Reviewed TDI's contractor's weekly process for updating TexasSure.
- Tested the completeness of insurance policy information submitted to TexasSure.
- Reviewed TDI's monitoring of insurance policy information submitted to TexasSure.

- Tested the transfer of vehicle registration information between TxDOT and TDI's subcontractor.
- Reviewed the completeness of TDI's subcontractor's processes for collecting insurance policies from insurance companies.
- Tested the reliability and security of TLETS's interface with TexasSure.
- Tested access controls for the TexasSure servers and database.
- Tested TDI's contractor's change management procedures.
- Tested the reliability of TexasSure system responses through TxDOT's Registration and Titling System, DPS's TLETS, and the TexasSure online portal.
- Surveyed 21 law enforcement agencies.

Criteria used included the following:

- Financial Responsibility Verification Program, Senate Bill 1670 (79th Legislature, Regular Session).
- Texas Transportation Code, Chapter 601.
- Texas Administrative Code, Title 28, Sections 5.601 through 5.611 (Financial Responsibility Verification Program).
- Texas Administrative Code, Title 1, Section 202.25 (Information Resources Security Safeguards).
- Financial Responsibility Verification Program's contract with TDI's contractor and amendments.
- Financial Responsibility Verification Program Reporting Guide and User Manual, Version 1.4, August 1, 2008.
- TDI's contractor's security policy.
- Red Hat Enterprise Linux 4.5.0 Reference Guide and System Administration Guide.

## **Project Information**

Audit fieldwork was conducted from June 2009 through August 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on audit objectives.

The following members of the State Auditor's staff performed the audit:

- Kels Farmer, MBA, CISA (Project Manager)
- Ileana Barboza, MBA, CGAP, CICA (Assistant Project Manager)
- Robert Burg, MPA
- Kamal Malik, CPA, MPA
- Kristyn Scoggins, CGAP
- Kenneth F. Wade, CGAP
- Brenda Zamarripa
- Marlen Kraemer, MBA, CGAP, CISA (Information Systems Audit Team)
- Michael Yokie, CISA (Information Systems Audit Team)
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Sandra Vice, CIA, CGAP, CISA (Assistant State Auditor)

## ***Senate Bill 1670 - Creation of a Financial Responsibility Verification Program by the 79th Legislature, Regular Session***

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Senate Bill 1670 (79th Legislature, Regular Session) created a financial responsibility verification program for motor vehicles. This bill was authored by Senator Todd Staples and sponsored by Representative Bill Callegari. It was signed by Governor Rick Perry on June 17, 2005, and it became effective on September 1, 2005. The text from this bill is provided below.

S.B. No. 1670 AN ACT relating to a motor vehicle financial responsibility verification program; providing a penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 601, Transportation Code, is amended by adding Subchapter N to read as follows:

### **SUBCHAPTER N. FINANCIAL RESPONSIBILITY VERIFICATION PROGRAM**

Sec. 601.451. DEFINITION. In this subchapter, "implementing agencies" means:

- (1) the department;
- (3) the Texas Department of Insurance; and
- (2) the Texas Department of Transportation;
- (4) the Department of Information Resources.

Sec. 601.452. IMPLEMENTATION OF PROGRAM; RULES.

(a) The Texas Department of Insurance in consultation with the other implementing agencies shall establish a program for verification of whether owners of motor vehicles have established financial responsibility. The program established must be:

- (1) the program most likely to:
  - (A) reduce the number of uninsured motorists in this state;
  - (B) operate reliably;
  - (C) be cost-effective;
  - (D) sufficiently protect the privacy of the motor vehicle owners;
  - (E) sufficiently safeguard the security and integrity of information provided by insurance companies;
  - (F) identify and employ a method of compliance that improves public convenience; and
  - (G) provide information that is accurate and current;and
- (2) capable of being audited by an independent auditor.

(b) The implementing agencies shall jointly adopt rules to administer this subchapter.

(c) The implementing agencies shall convene a working group to facilitate the implementation of the program, assist in the development of rules, and coordinate a testing phase and necessary changes identified in the testing phase. The working group must consist of representatives of the implementing agencies and the insurance industry and technical experts with the skills and knowledge, including knowledge of privacy laws, required to create and maintain the program.

Sec. 601.453. AGENT. (a) The Texas Department of Insurance in consultation with the other implementing agencies, under a competitive bidding procedure, shall select an agent to develop, implement, operate, and maintain the program.

(b) The implementing agencies shall jointly enter into a contract with the selected agent.

(c) A contract under this section may not have a term of more than five years.

Sec. 601.454. INFORMATION PROVIDED BY INSURANCE COMPANY; PRIVACY. (a) Each insurance company providing motor vehicle liability insurance policies in this state shall provide necessary information for those policies to allow the agent to carry out this subchapter, subject to the agent's contract with the implementing agencies and rules adopted under this subchapter.

(b) The agent is entitled only to information that is at that time available from the insurance company and that is determined by the implementing agencies to be necessary to carry out this subchapter.

(c) Information obtained under this subchapter is confidential. The agent may use the information only for a purpose authorized under this subchapter and may not use the information for a commercial purpose.

(d) A person commits an offense if the person knowingly uses information obtained under this subchapter for any purpose not authorized under this subchapter. An offense under this subsection is a Class B misdemeanor.

SECTION 2. Subsections (c) and (d), Section 502.1715, Transportation Code, are amended to read as follows:

(c) Fees collected under this section shall be deposited to the credit of the state highway fund. Subject to appropriation, the money may be used by the Department of Public Safety, the Texas Department of Insurance, the Department of Information Resources, and the department to carry out Subchapter N, Chapter 601.

(d) The Department of Public Safety, the Texas Department of Insurance, the Department of Information Resources, and the department shall jointly adopt rules and develop forms necessary to administer this section.

SECTION 3. Subsection (b), Section 502.1715, Transportation Code, is repealed.

SECTION 4. The Texas Department of Insurance shall select an agent required by Section 601.453, Transportation Code, as added by this Act, before December 31, 2005. The agencies responsible for implementing



Subchapter N, Chapter 601, Transportation Code, as added by this Act, shall adopt rules and establish and publish a user guide clearly specifying requirements and procedures for providing information under the verification program under that subchapter not later than seven months before the full implementation of the program. Those implementing agencies shall require full implementation of the financial responsibility verification program for vehicles covered under a personal automobile insurance policy before December 31, 2006, and implementation of that program for vehicles covered under a commercial insurance policy when the implementing agencies determine that implementation for vehicles covered under a commercial insurance policy is feasible.

SECTION 5. This Act takes effect September 1, 2005.

Auditors conducted a telephone survey of 21 law enforcement agencies (agencies) in July 2009. The survey's purpose was to determine how agencies use TexasSure information and, for agencies that do not use TexasSure, to identify the primary reason(s) that prevent some agencies from using TexasSure. The most significant survey responses are summarized below. It is important to note that survey responses have not been audited. Table 1 lists the law enforcement agencies surveyed that reported they use TexasSure; and Table 2 on the next page lists the law enforcement agencies surveyed that reported they do not currently use TexasSure.

### Questions Asked of Agencies That Reported Using TexasSure

Table 1

Law Enforcement Agencies Surveyed That Reported Using TexasSure		
Agency Name	Size	Jurisdiction
Balch Springs Police Department	Small	Municipal
Brazos County Sheriff's Office	Large	County
Del Rio Police Department	Small	Municipal
Department of Public Safety, Austin District 6B	Large	State
Dewitt County Sheriff's Office	Small	County
Fort Stockton Police Department	Small	Municipal
Gaines County Sheriff's Office	Small	County
McLennan County Sheriff's Office	Large	County
San Antonio Police Department	Large	Municipal
Sugarland Police Department	Medium	Municipal
Temple Police Department	Medium	Municipal
Victoria County Sheriff's Office	Medium	County
Walker County Sheriff's Office	Medium	County

1. Does your agency have policies and procedures for using the TexasSure system? If yes, please provide a copy.

*Eleven agencies, or 85 percent of agencies that reported using TexasSure, responded that they did not have policies and procedures for using TexasSure.*

2. How does your agency use the TexasSure system?

- A. The TexasSure system is the primary system of record, and the insurance policy certificate is used as a secondary form of insurance confirmation.

- B. The insurance policy certificate is the primary document of record, and the TexasSure system is used as a secondary form of insurance confirmation.
- C. Other. Please explain.

*All 13 agencies that reported using TexasSure responded that they use the insurance policy certificate as the primary document to confirm insurance status.*

- 3. According to your agency's policies and procedures, if a law enforcement officer identifies a discrepancy between information in the TexasSure system and the insurance policy certificate presented by the driver, what would the officer's course of action be? The officer would:

- A. Call the insurance company to determine the status of insurance and then determine the course of action (e.g., issue a traffic ticket or citation) based on information provided by the insurance company.

*Seven agencies, or 54 percent of agencies that reported using TexasSure chose this response.*

- B. If the officer is not able to contact the insurance company, accept the insurance policy certificate presented by the driver as valid.

*Four agencies, or 31 percent of agencies that reported using TexasSure, chose this response.*

- C. Determine the appropriate course of action based on information available through the TexasSure system.

*No agency chose this response.*

- D. Take other action. Please explain.

*Two agencies chose this response. Both responded that their officers use their own discretion in identifying fake or altered insurance cards.*

- 4. Has your agency initiated any type of program to help implement compliance with liability insurance requirements (e.g., inspection points to verify insurance requirements)?
  - A. Yes. Please explain the type of program.

*Two agencies, or 15 percent of agencies that reported using TexasSure, chose this response. One agency responded that it conducts random checks, and another agency responded that it checks TexasSure during driver's license and insurance checkpoints.*

- B. No. If you answered no, is your agency planning to implement a program? Please explain.

*Eleven agencies, or 85 percent of agencies that reported using TexasSure, chose this response.*

5. Has your agency noticed a change in the number of uninsured vehicles since the implementation of the program described in question #4 above or the implementation of the TexasSure system? Has your agency collected any type of data that can support your answer?

*Three agencies, or 23 percent of agencies that reported using TexasSure, responded that they had noticed a reduction in the number of uninsured vehicles since the implementation of TexasSure.*

6. According to your agency's policies, what is the range of fines that can be issued to drivers who do not meet the minimum state insurance requirements?

*Agencies responded that fines range from \$277 to \$1,000, depending on the number of offenses, for driving without insurance.*

7. Based on your agency's experience, what percent of time is the TexasSure system information accurate and complete?

- A. 1 = 100 percent of the time  
B. 2 = At least 90 percent of the time, but less than 100 percent  
C. 3 = At least 80 percent of the time, but less than 90 percent  
D. 4 = Other. Please provide estimated percentage.  
E. Do not know

*Five agencies (38 percent of agencies that reported using TexasSure) responded that TexasSure is accurate 90 to 100 percent of the time, and an additional four agencies (31 percent of agencies that reported using TexasSure) responded that TexasSure is accurate at least 80 percent of the time, but less than 90 percent of the time. Three agencies were not able to provide an estimate, and the remaining agency responded that TexasSure is accurate 65 to 70 percent of the time.*

8. When you query the TexasSure system for information, how long does it take to get a response?
- A. Fewer than 5 seconds
  - B. 6 – 30 seconds
  - C. 31 – 60 seconds
  - D. Other. Please provide system query response time.

*Twelve agencies, or 92 percent of agencies that reported using TexasSure, stated that TexasSure responses are received in 30 seconds or less.*

9. On a scale of 1 to 5, how satisfied are you with the TexasSure system response time?
- A. 1 = Very satisfied
  - B. 2 = Satisfied
  - C. 3 = Neutral
  - D. 4 = Dissatisfied
  - E. 5 = Very dissatisfied

*Twelve agencies, or 92 percent of agencies that reported using TexasSure, responded that they were either “Very Satisfied” or “Satisfied” with the TexasSure system’s response time.*

10. If you are not satisfied with the TexasSure system response time, what would you consider a reasonable amount of time for a response?

*None of the agencies responded that they were “Dissatisfied” with the TexasSure system’s response time.*

11. On a scale of 1 to 5, how strongly do you agree or disagree with the following statement: The TexasSure system is user-friendly.
- A. 1 = Strongly agree
  - B. 2 = Agree
  - C. 3 = Neutral
  - D. 4 = Disagree
  - E. 5 = Strongly disagree

*Five agencies responded that they “Strongly agree” and six agencies responded that they “Agree” that TexasSure is user-friendly. The remaining two agencies responded that they were “Neutral.”*

12. What suggestions do you have to increase the effectiveness of the TexasSure system in reducing the number of uninsured vehicles?

*Two agencies responded that TexasSure should be the system of record for verifying insurance. Two agencies stated that information in TexasSure could be more current. Two agencies stated that they would like law enforcement officers to have more enforcement authority based on information in TexasSure.*

13. How many patrol vehicles does your agency have, and how many of these patrol vehicles are NOT equipped to access the TexasSure system via laptop computers? Please explain why some patrol vehicles are not equipped to access the TexasSure system.

*Six agencies, or 46 percent of agencies that reported using TexasSure, responded that one or more patrol vehicles in their agency were not equipped with laptop computers.*

### Questions Asked of Agencies That Reported They Do Not Use TexasSure

Table 2

Law Enforcement Agencies Surveyed That Reported They Do Not Use TexasSure		
Agency Name	Size	Jurisdiction
Austin Police Department	Large	Municipal
Bowie County Sheriff’s Office	Medium	County
Burnet County Constable	Small	County
Edinburg Police Department	Small	Municipal
El Paso Sheriff’s Office	Large	County
Stratford Police Department	Small	Municipal
Uvalde County Sheriff’s Office	Small	County
Webb County Sheriff’s Office	Large	County

1. It is our understanding that your agency does not currently use the TexasSure system, is this correct?

A. Yes

B. No

*All eight agencies responded that they did not use TexasSure.*

2. Is your agency aware that the TexasSure system is available for use?
- A. Yes
  - B. No

*Five agencies, or 63 percent of agencies that reported they did not use TexasSure, responded that they were aware about TexasSure availability, while the other three agencies, or 38 percent, surveyed responded that they did not know TexasSure was available for them to use.*

3. Is your agency planning to use the TexasSure system in the near future?
- A. Yes, in the next:
    - a. 0 – 6 months
    - b. 7 – 12 months
    - c. 12 months or more
    - d. Do not know

*Four agencies, or 50 percent of agencies that reported they did not use TexasSure, responded that they planned to implement TexasSure in the next 6 months. Two other agencies planned to implement TexasSure in 12 months or more, and two agencies had not established a schedule to implement TexasSure at the time of the survey.*

- B. No. Please cite the primary reason(s) for not planning to use the TexasSure system.

*The primary reasons cited for not implementing TexasSure included lack of awareness and lack of funding to equip patrol vehicles for direct access to TexasSure.*

4. For the Texas State Auditor's Office to estimate the cost to equip patrol vehicles for an agency of your size, please tell us how many patrol vehicles your agency has.

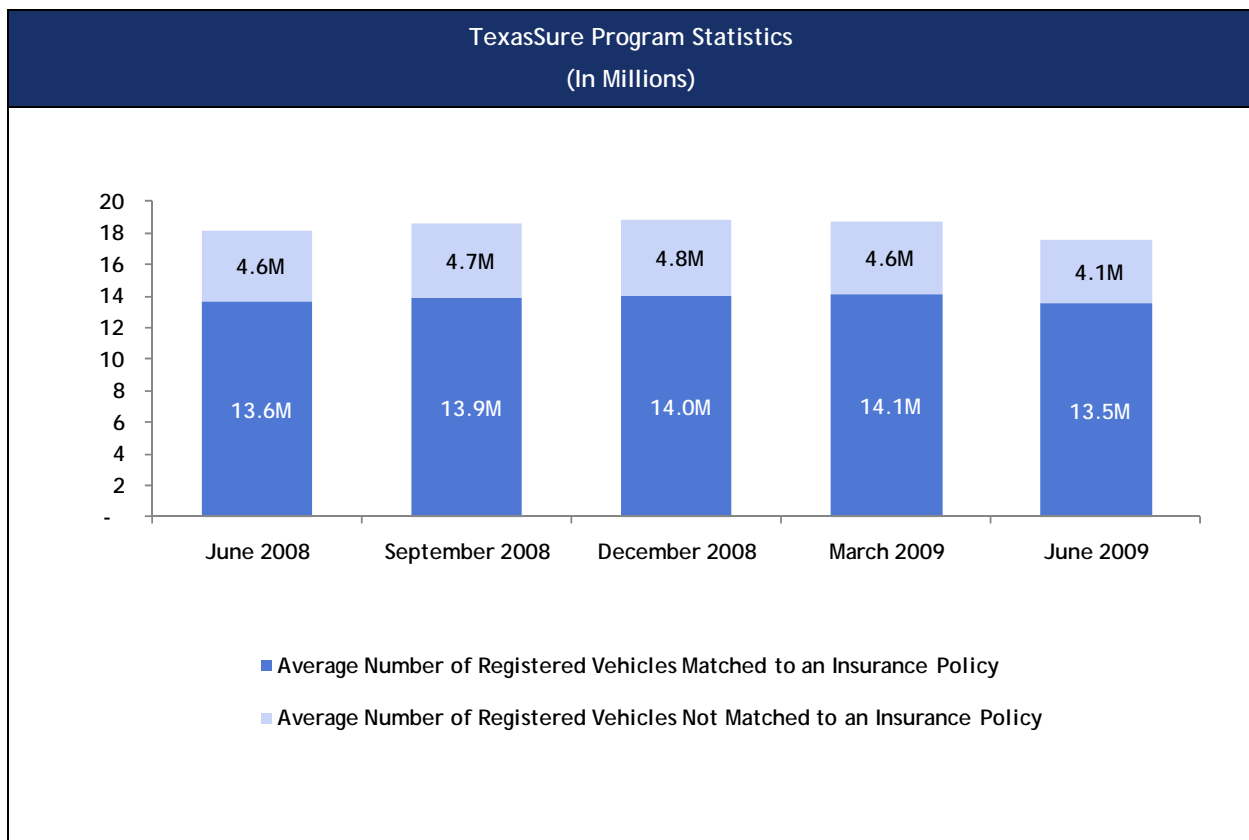
*Information was collected from agencies to assist auditors in estimating the average cost of equipping a patrol vehicle (see Chapter 3).*

## TexasSure Program Statistics

The Texas Department of Insurance's (TDI) subcontractor tracks the rate of uninsured vehicles, which it defines as the total number of currently registered vehicles that cannot be matched to an insurance policy divided by the total number of currently registered vehicles. The average number of uninsured vehicles reported for June 2008 was 4,554,546, or 25.05 percent of registered vehicles in Texas. On June 1, 2009, the number of uninsured vehicles reported was 4,083,847, or 23.22 percent of registered vehicles in Texas (see Figure 2).

Of the estimated 23.22 percent of registered vehicles without a matching insurance policy, the actual number of uninsured vehicles in Texas cannot be precisely calculated using TexasSure statistics. This is because TexasSure does not currently include both registration and insurance policy data for some commercial vehicles, self-insured vehicles, or unregistered vehicles. Also, registered vehicles that are not operated on Texas roads may not be matched with a current insurance policy.

Figure 2



Source: Unaudited weekly TexasSure status reports provided by Insure-Rite, Inc., which is TDI's subcontractor for matching registered vehicles to insurance policies.



## Overall Management's Response from TDI

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**Texas Department of Insurance**  
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512 463-6464 telephone • 512 475-2005 fax • www.tdi.state.tx.us

November 12, 2009

Mr. John Keel, State Auditor  
State Auditor's Office  
P. O. Box 12067  
Austin, TX 78711-2067

Dear Mr. Keel:

Thank you for the opportunity to respond to your Audit Report on An Audit of the Financial Responsibility Verification Program (TexasSure). We agree with your findings and value the perspective the audit provided us on the operation of TexasSure.

I'd like to commend the audit team for their courtesy, expertise and professionalism during the audit. SAO staff asked critical questions and took the time to delve into issues and understand our processes, the core objectives, and the processes and procedures necessary to help us improve. I am pleased that the overall conclusion found that TexasSure contains accurate and complete information on registered vehicles and personal insurance policies that is securely and reliably communicated to TLETS. The inclusion of commercially insured autos will serve to further enhance TexasSure, and staff is already taking steps toward this goal.

The security weaknesses linked to the vendor will be promptly addressed at the highest levels of vendor management, and we will regularly monitor the vendor's compliance with these issues. The Department continually seeks opportunities to further reduce the number of uninsured motorists on Texas roads, and we appreciate the SAO's suggestions toward this effort.

Over the coming months we will implement the recommendations we address in our management response. Again, we appreciate the opportunity to objectively examine our processes. If you or others have questions about our response to this audit, please contact me or Melissa Burkhart at 305-7201.

Sincerely,

A handwritten signature in black ink that reads "Mike Geeslin".

Mike Geeslin  
Commissioner of Insurance

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