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**ADOPTION OF**

**SUBCHAPTER H. RISK-BASED MONITORING AND PREVENTING FRAUDULENT ACTIVITY**

**43 TAC §206.151**

**INTRODUCTION.** The Texas Department of Motor Vehicles adopts new 43 TAC §206.151, concerning an internal risk-based system of monitoring and preventing fraudulent activity related to vehicle registration and titling in order to efficiently allocate resources and personnel. The new section is necessary to implement Transportation Code §520.004(4) as added by Senate Bill (SB) 604, 86th Legislature, Regular Session (2019). The department adopts §206.151 without changes to the proposed text as published in the August 21, 2020, issue of the *Texas Register* (45 *TexReg* 5867).

This adoption addresses risk-based monitoring of department operations, including regional services centers. The department has also adopted new 43 TAC §223.101 concerning the risk-based monitoring of external persons in this issue of the *Texas Register*.

**REASONED JUSTIFICATION.** New §206.151 is necessary under Transportation Code §520.004(4), as enacted in SB 604. Transportation Code §520.004(4) requires the department, by rule, to establish a risk-based system of monitoring and preventing fraudulent activity related to vehicle registration and titling in order to efficiently allocate resources and personnel. The requirement is included within Sunset Advisory Commission's Change in Statute Recommendation 2.4, as stated in the Sunset Staff Report with Final Results, 2018-2019, 86th Legislature (2019). The Sunset recommendation envisioned that the department develop criteria to determine varying risk levels, such as transaction volume and past violations, to strategically allocate resources and personnel. Further, monitoring and investigation would extend both to counties and their contractors, dealers, and the department's regional service centers.

To implement Transportation Code §520.004(4) in line with the Sunset recommendation, the department has developed internal and external risk-based monitoring systems. The internal system is

1 overseen through department management and the Internal Audit Division. The external system is  
2 overseen through the department's Compliance and Investigations Division. Each system rule is placed in  
3 its appropriate chapter based on its focus.

4 Section 206.151 outlines the program generally, to allow flexibility for change over time and  
5 because detailed disclosure of the means and methods that the department's system could be used to  
6 evade the monitoring. The monitoring system does not add additional requirements or costs on any  
7 regulated person.

8 **SUMMARY OF COMMENTS.**

9 The department received no written comments on the proposed text.

10 **STATUTORY AUTHORITY.** The department adopts new section to §206.151 under Transportation Code  
11 §§520.003, 520.004, and 1002.001.

12 Transportation Code §520.003 authorizes the department to adopt rules to administer  
13 Transportation Code Chapter 520.

14 Transportation Code §520.004 requires the department to establish by rule a risk-based system  
15 of monitoring and preventing fraudulent activity related to vehicle registration and titling in order to  
16 efficiently allocate resources and personnel.

17 Transportation Code §1002.001, authorizes the board to adopt rules that are necessary and  
18 appropriate to implement the powers and the duties of the department.

19 **CROSS REFERENCE TO STATUTE.** Transportation Code §520.004.

20 **TEXT.**

21 **SUBCHAPTER H. RISK-BASED MONITORING AND PREVENTING FRAUDULENT ACTIVITY**

22 **43 TAC §206.151**

23 §206.151. Internal Risk-Based Monitoring System.

