



Texas Department
of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2022 Internal Audit Annual
Report

23 – 01

Internal Audit Division
October 2022

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Introduction

The Internal Audit Division (IAD) at the Texas Department of Motor Vehicles (TxDMV) prepared the Fiscal Year (FY) 2022 Internal Audit Annual Report to meet the requirements of the Texas Government Code using guidelines established by the State Auditor's Office.

The report includes information in seven areas, such as posting information on TxDMV's website, status of engagements, the audit plan, external reviews, and compliance with fraud reporting requirements.

In FY2022, IAD completed six engagements which consisted of two audits, one advisory service, one follow-up, and two compliance reports that provided management with information and analyses to assist in initiating improvements to operations and to strengthen internal controls. In addition, IAD provided advice on governance and other activities to work toward more effective and efficient processes.

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the Website

Texas Government Code, Section 2102.015 requires state agencies and institution of higher education to post the entity's internal audit plans and internal audit annual reports on the entity's website within 30 days of approval. The statute also requires the entity to post any weaknesses or concerns resulting from the annual plan or annual report and a summary of actions taken to address the issues raised by the audit plan or annual report.

The Internal Audit Division (IAD) at the Texas Department of Motor Vehicles (TxDMV) posted the following on its [website](#):

- FY2022 Internal Audit Plan (First Six Months);
- FY2022 Internal Audit Plan (Second Six Months);
- FY2023 Internal Audit Plan (First Six Months); and
- FY2022 Internal Audit Annual Report.

IAD also has the Quality Assurance and Improvement Program (QAIP) – Internal Assessment report on its website. This report provides information on how many recommendations were implemented by the Department.

The FY2022 QAIP, FY2023 Internal Audit Annual Report, and FY2023 Internal Audit Plan (Second Six Months), will be posted once issued and approved.

II. Internal Audit Plan for Fiscal Year 2022

The status of the FY2022 internal audit plan engagements is outlined below in Table 1.

Table 1. FY2022 Internal Audit Plan Status

Engagement Number and Name	Type	Division Impacted	Status / Report Date
22-00: Audit Recommendation Implementation Status Follow-Up	Follow-up	Various	Issued October 2021 Issued March 2022
22-01: FY2021 Internal Audit Annual Report	Compliance	IAD	Issued October 2021
22-02: Quality Assurance - Internal Assessment	Compliance	IAD	Issued November 2021
22-03: Dealer Licensing Process	Audit	Motor Vehicle Division	Issued June 2022
21-04: Access Management	Advisory	Information Technology Services Division (ITSD)	Issued April 2022
21-05: Website Components and Security	Audit	ITSD	Issued June 2022
22-06: Disaster Recovery and Business Continuity	Audit	ITSD	In-Progress
22-07: Contract Development	Audit	Financial and Administrative Division (FAS)	In-Progress
22-08: webDEALER	Advisory	ITSD	In-Progress

Internal Audit Plan Deviations

IAD submits two internal audit plan each fiscal year, each for six months. The FY2022 Internal Audit Plan (Second Six Months) acts as the updated plan for the fiscal year. Two audits listed in the FY2022 Internal Audit Plan (Second Six Months) were canceled. This includes an audit of facilities and an audit on Payment Card Industry (PCI) compliance. The audit of facilities was canceled because TxDMV has only recently begun the process of planning for its new headquarters. IAD canceled the PCI compliance audit because ITSD has separately procured an advisory (consulting) service to evaluate PCI compliance.

III. Consulting Services and Nonaudit Services Completed

Consulting Services

IAD conducted one advisory service, or consulting service, during FY2022. The advisory service was related to access management. The objective was to evaluate TxDMV's process design for managing access to Department systems and data while protecting user confidentiality, integrity, and user authenticity. The scope included access requests from FY2020 through FY2022.

Nonaudit Services

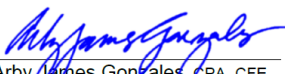
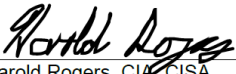
IAD provided nonaudit services during FY2022 which included coordinating external audits and reviews, providing advice on several Department workgroups, and participating as a non-voting member in the enterprise project governance process.

IV. External Quality Assurance Review

IAD went through an external quality assurance review (peer review) in FY2021. Representatives of the State Agency Internal Audit Forum performed the peer review in accordance with current peer review policies and procedures. On March 2021, IAD received a rating of “pass” out of three possible ratings: pass, pass with deficiencies, or fail (see Figure 1).

The report noted one opportunity for improvement: to better document sample selections in engagements. IAD implemented this recommendation by updating its engagement templates and procedures.

Figure 1. Peer Review Opinion

Texas Department of Motor Vehicles Internal Audit Division External Quality Assurance Review – March 2021			
Overall Opinion			
Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Motor Vehicles Internal Audit Division receives a rating of “Pass/Generally Conforms” and is in compliance with the Institute of Internal Auditors (IIA) <i>International Standards for the Professional Practice of Internal Auditing</i> and Code of Ethics, the United States Government Accountability Office (GAO) <i>Government Auditing Standards</i> , and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.			
The Internal Audit Division is independent, objective, and provides impartial and unbiased judgments on the audit work performed. Division staff are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are clear and concise.			
The Internal Audit Division is well managed. In addition, the Division has effective relationships with the Board and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall Department operations and finds that the audit process and report recommendations add value and help improve the Department’s operations.			
The Internal Audit Division has reviewed the results of the peer review team’s work and has accepted them to be an accurate representation of the Division’s operations.			
Acknowledgements			
We appreciate the courtesy and cooperation extended to us by the Internal Audit Division Director, Internal Audit staff, the Chairman of the Board and the Chair of the Finance and Audit Committee, the Executive Director, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.			
	April 21, 2021		April 21, 2021
Arby James Gonzales, CPA, CFE Internal Audit Director Texas Division of Insurance SAIAF Peer Review Team Leader	Date	Harold Rogers, CIA, CISA Internal Auditor Texas Workforce Commission SAIAF Peer Review Team Member	Date

V. Internal Audit Plan for Fiscal Year 2023

FY2023 Engagements

The TxDMV Board approved the FY2023 First Six Month Internal Audit Plan on August 11, 2022. The audit plan included four engagements for the first six months of the fiscal year (Table 2), four additional engagements for the second six months of the fiscal year (Table 3), required engagements (Table 4), division initiatives, and added value services.

Table 2. FY2023 Engagements – First Six Months

Engagement	Hours	Division Impacted	Objective
Business Continuity and Disaster Recovery Audit	600	Information Technology Services Division	To examine if controls to ensure operational resiliency have been developed, implemented, and updated to account for the expansion of telework.
Contract Development Audit	650	Finance & Administrative Services Division Office of the General Counsel	To determine if the processes are in place to ensure contracts are developed and reported in accordance with applicable requirements and if the statement of work is well defined. This audit addresses certain contract management processes.
webDEALER Advisory Service	150	Information Technology Services Division	To identify weaknesses in webDEALER and associated systems.
Employee Onboarding Process Audit	600	Human Resources Division	To determine if hiring policies and procedures are followed consistently, if controls exist around employee verification and eligibility, and the effectiveness and efficiency of the onboarding process.

Table 3. FY 2023 Engagements – Second Six Months (Potential)

Engagement	Hours	Division Impacted	Preliminary Objective
Regional Service Center Audit	700	Vehicle Titles and Registration	To determine whether selected RSCs are consistently following established procedures, evaluate the efficiency and effectiveness of the RSCs, and the culture of the RSCs.
Motor Carrier and Motor Vehicle Investigation Audit	600	Enforcement Division	To examine processes and controls related to the investigation process.

Key Performance Indicators Audit	550	Department-wide	To determine the accuracy of the reported performance metrics and the adequacy of related control systems over the collection and reporting of selected performance metrics.
Information Technology Advisory Service	TBD	TBD	This engagement will be used to substitute one of the risk-based engagements.

Table 4. Required Engagements

Engagement	Hours	Description
FY2022 Internal Audit Activities	70	A report that summarizes IAD activities conducted in FY2022. This report will be submitted to the State Auditor's Office.
Quality Assurance and Improvement Program - Internal Assessment	100	An internal assessment to determine IAD's compliance with audit standards and performance.v
Audit Recommendation Implementation Status Follow-up	60	An engagement to verify if outstanding audit recommendations have been fully implemented.
FY2023 Risk Assessment and Second Half Internal Audit Plan	250	An enterprise-wide risk assessment to identify risk areas for the upcoming six months. The Internal Audit Plan will be submitted to the State Auditor's Office.

Value-Added Services and Division Initiatives

Value-Added Services

- Investigations on Fraud, Waste, and Abuse:** Detecting, tracking, and reviewing any internal fraud, waste, and abuse allegations or State Auditor’s Office Hotline complaints. IAD investigates internal fraud, waste, and abuse allegations and also administers the Fraud Pulse Survey twice a year.
- External Coordination Efforts:** Coordinating external audits or reviews by providing audit status updates and facilitating management responses to recommendations.
- Workgroup Participation / Ad-hoc Advisory:** Participating in TxDMV workgroups, such as the Executive Steering Committee and the Governance Team, to help identify unforeseen risks in enterprise projects or activities. IAD also sets aside hours to address any short-term assessment or information requests by TxDMV staff.
- Department Training:** Providing training to help TxDMV staff understand their responsibilities for audits, recommendation implementation, and prevention of fraud, waste, and abuse.

Division Initiatives

- **Communication and Dashboard Refinement:** Communicating audit and advisory results in a digestible manner with icons, pictures, and graphics. Also, continuing to refine dashboards to show monthly and quarterly IAD metrics, maintain communication sites to show the Department's risk management, governance, and engagement information.
- **TeamMate+ Enhancements:** Enhancing the software's functionality by continuing to update the risks stored within the software, creating and automating reports, and staying current on best practices for optimized software functionality.
- **Staff Development & Hiring:** Taking the minimum required hours of training each year (40 hours) in accordance with auditing standards. This includes creating development plans to obtain required knowledge, skills, and abilities for audit and advisory services. Hiring internal audit staff to fill all IAD vacancies and providing training to integrate new hires into the office.

Risk Assessment Methodology

The audit plan was developed using a risk-based methodology, which incorporated input from TxDMV board members, executive management, division management, and risks identified by audit staff through previous fiscal year engagements and observations. IAD also analyzed TxDMV information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. In addition, IAD collected information on the potential controls that were in place to mitigate the identified risks.

Each risk was reviewed using approved Department risk guidance that took into consideration the following factors: financial impact, operational effectiveness and efficiency impact, legal or regulatory impact, brand or reputational impact, degree of change in the program/function/process, degree of complexity, degree of centralization, and control design strength. Risks were scored using the factors mentioned to determine the engagements in the audit plan.

VI. External Audit Services Procured in Fiscal Year 2022

TxDMV procured two external audit services during FY2022:

- Weaver conducted a co-source audit (Website Components and Security Audit); and
- Contractor assisted on various engagements throughout FY2022, including the Access Management Advisory Service, the FY2022 Second Six Month Risk Assessment, and the Business Continuity and Disaster Recovery Audit.

VII. Reporting Suspected Fraud and Abuse

Fraud Reporting Requirements

To comply with the fraud reporting requirement of Section 7.09, page IX-38 of the General Appropriation Act (87th Legislature), TxDMV has taken the following actions:

- External website: included a link (Report Fraud, Waste or Abuse) in the footer of the TxDMV [home page](#) that directly links to the “How to Report Fraud, Waste, or Abuse” page on the State Auditor’s Office (SAO) website.
- External website: included a Reporting Fraud section on TxDMV’s IAD [page](#) that includes information on reporting fraud to the SAO or to IAD, with a direct link to the SAO’s fraud hotline website.
- Internal website: included a Fraud, Waste, and Abuse section with a direct link to the SAO’s fraud hotline website.
- Policy: developed a Fraud, Waste, and Abuse policy that includes definitions, examples, and procedures on how to report detected or suspected fraud, waste, or abuse.

Investigation Coordination Requirements

To support compliance with Texas Government Code, Section 321.022 related to investigation coordination requirements, IAD has documented procedures for supporting SAO investigations.

IAD also evaluates all instances of fraud, waste, or abuse reported to IAD to determine appropriate action. If the Internal Audit Director has reasonable cause to believe that fraudulent or unlawful conduct has occurred in relation to the operation of the TxDMV, the Director will work with appropriate parties and notify the SAO.