



Texas Department
of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2023 Internal Audit Plan
(First Six Months)

Internal Audit Division

August 2023

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Executive Summary

The Internal Audit Division (IAD) audit plan fiscal year (FY) 2023 is divided into two six-month plans. The FY2023 Internal Audit Plan (Plan) for the first six months covers the period of September 2022 through February 2023. This Plan includes risk-based audits, advisory services, required activities, value-added services, and division initiatives as illustrated in Figure 1 below.

Figure 1. Summary of the FY2023 Internal Audit Plan (First Six Months):



Detailed Information

Risk-Based Engagements and Required Activities

Tables 1 and 2 provide information on the risk-based engagements and required activities that will be conducted in the first six months of FY2023. The information includes engagement name, engagement hours, division impacted (if applicable), and background/objective. Table 3 provides information on potential engagements that could be performed during the second six months of FY2023 or alternative engagements in place of the risk-based engagements presented from Table 1.

Table 1. Risk-Based Engagements for FY2023 (First Six Months)

Engagement	Hours	Division Impacted	Background/Objective
Business Continuity and Disaster Recovery Audit	600	Information Technology Services Division	Business continuity and disaster recovery are key processes to minimize the effect of outages and disruptions (e.g., from natural disasters or cyberattacks) on TxDMV operations. This audit will 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	Contracts are the primary control to ensure that TxDMV receives deliverables from vendors that are timely and meet specifications. This audit will examine the contract development process, including collaboration between Purchasing and other Divisions, to determine if the processes and controls currently in place support the Department's objectives.
webDEALER Advisory Service	150	Information Technology Services Division	webDEALER is the online platform that is used by dealers to create buyer tags and process title applications. This advisory service will identify weaknesses in webDEALER and associated systems.
Employee Onboarding Process Audit	600	Human Resources Division	Onboarding refers to the processes in which new hires are integrated into the organization. This audit will examine 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 2. Required Engagements

Engagement	Hours	Description
FY2022 Internal Audit Activities	70	A report that summarizes the Internal Audit Division 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.
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.

Table 3. Contingency Engagements

Engagement	Hours	Division Impacted	Preliminary Engagement Information
Regional Service Center Audit	700	Vehicle Titles and Registration	The Vehicle Title and Registration (VTR) Division is the largest division at TxDMV. Regional Service Centers (RSCs) provide various motor-related services to TxDMV customers. This audit could 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	The Criminal Investigations Division was merged into the Enforcement Division in 2021. This audit could examine processes and controls related to the investigation process.
Key Performance Indicators Audit	550	Department-wide	There are currently 81 key performance indicators (KPIs) that are reported to the Board on a monthly and/or quarterly basis. KPIs help the Board and Management determine whether the organization is meeting operational and strategic goals. This audit could 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. This engagement will only be conducted in consultation with the Finance & Audit Committee Chair and the Board Chair.

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.

Scope and Methodology

Scope

The Internal Audit Plan covers engagements and activities for the first half of FY2023, September 2022 to February 2023.

Risk Assessment

Risk 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 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 included 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, or process
- Degree of complexity
- Degree of centralization
- Control design strength

The risk assessment process identified 375 Department risks. Each risk identified was scored using the above factors to determine the engagements for the first six-month internal audit plan and contingency engagements.

The risk scores ranged from zero, which is the lowest risk score, to five, which is the highest risk score. Table 3 provides information on the risk scores and definitions for each category.

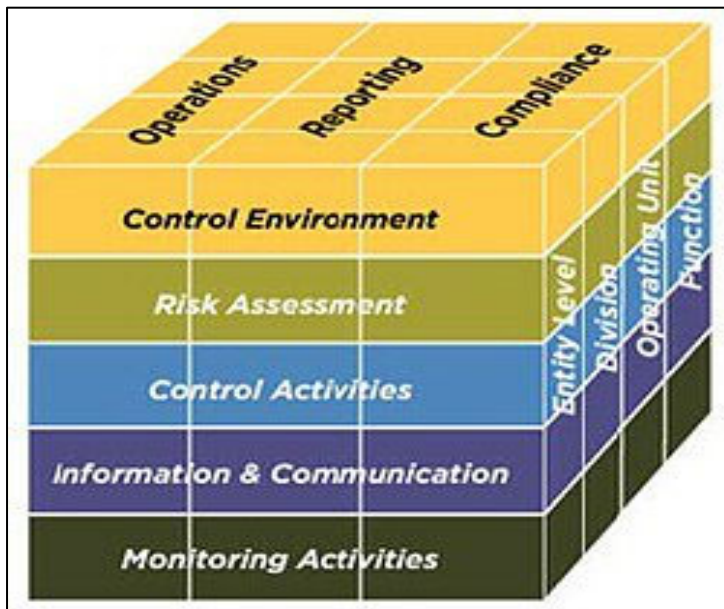
Table 3. Risk Scores

Risk Category	Scores	Definition
Very High	> 4.50	The risk may substantially hinder the Department's, division's, and/or function's achieving its objectives or goals.
High	3.50 – 4.49	The risk may significantly hinder to the Department, division, or function achieving its objectives or goals.
Medium	2.50 – 3.49	The risk should be monitored on a regular basis to ensure it does not become an issue; however, it is not currently hindering a Department, division, or function from achieving its objectives or goals.
Low	1.50 – 2.49	The risk is mostly mitigated and may not hinder the Department, division, or function from achieving its objectives or goals.
Very Low	< 1.50	The risk is mitigated and is not hindering the Department, division, or function from achieving its objectives or goals.

Committee of Sponsoring Organizations of the Treadway Commission (COSO) Methodology

Once all risks were reviewed and ranked, the audit team evaluated each risk using the COSO *Internal Control – Integrated Framework*. The framework integrates three broad objectives (Operations, Reporting, and Compliance) and ties those objectives to risks and controls through five internal control components and four structural levels as depicted in Figure 2, COSO cube. The COSO cube depicts how the internal controls framework has a direct relationship between objectives, the components needed to achieve objectives, and a typical organizational structure.

Figure 2. COSO Cube



The definition for the COSO Internal Control Components are as follows:

- **Control Environment:** The foundation for an internal control system. The Control Environment is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It provides the discipline and structure to help an entity achieve its objectives. The TxDMV Board and executive management establish the tone at the top regarding the importance of internal control including expected standards of conduct.
- **Risk Assessment:** The processes used to determine how risk is to be managed. TxDMV management assesses the risks facing the entity as it seeks to achieve its objectives.
- **Control Activities:** The actions TxDMV management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes information systems.
- **Information and Communication:** The quality of information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.
- **Monitoring:** The activities TxDMV management established to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two. The activities are used to ascertain whether each of the five components of internal control, are present and functioning.

Hour Analysis

Engagement hours were calculated using historical data and auditor's judgement. Hours are an estimate and could be adjusted at the beginning of an engagement. IAD identified 2,500 hours available for the first six months.