



Texas Department
of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2023 Internal Audit Annual
Report

24-01

Internal Audit Division
October 2023

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Introduction

The Internal Audit Division (IAD) at the Texas Department of Motor Vehicles (TxDMV) prepared the Fiscal Year 2023 Internal Audit Annual Report to meet the requirements of the Texas Government Code using guidelines established by the State Auditor’s Office.

In fiscal year 2023, IAD completed 7 engagements which consisted of 3 audits, 1 advisory service, 2 follow-ups, and 2 compliance reports that provided management with information and analyses to assist in initiating improvements to operations and to strengthen internal controls. 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](#):

- Fiscal Year 2023 Internal Audit Plan (Second Six Months)
- Fiscal Year 2023 Internal Audit Plan (First Six Months)
- Fiscal Year 2022 Internal Audit Report

II. Internal Audit Plan for Fiscal Year 2023

The status of the Fiscal Year 2023 internal audit plan engagements is outlined below in Table 1.

Table 1. Fiscal Year 2023 Internal Audit Plan Status

Engagement Number and Name	Type	Division Impacted	Status / Report Date
23-00: Audit Recommendation Implementation Status Follow-Up	Follow-up	Various	Completed January 2023 Completed April 2023
23-01: Fiscal Year 2022 Internal Audit Annual Report	Compliance	IAD	Completed October 2022
23-02: Quality Assurance - Internal Assessment	Compliance	IAD	Completed November 2022
22-06: Business Continuity	Audit	Information Technology Services Division	Completed November 2022
22-07: Contract Development	Audit	Finance and Operations Division	Completed November 2022
22-08: webDEALER	Advisory	Information Technology Services Division	Completed November 2022
23-04: Hiring Process <i>(title changed from Employee Onboarding Process)</i>	Audit	Human Resources Division	Completed August 2023
23-05: Regional Service Centers	Audit	Vehicle Tiles and Registration	Carry-over project from fiscal year 2023; in-progress

Internal Audit Plan Deviations

IAD submitted two internal audit plans in fiscal year 2023, each for six months. The FY 2023 Internal Audit Plan (Second Six Months) acted as the updated plan for the fiscal year. There were no deviations from the FY 2023 Internal Audit Plan (First Six Months) or the FY 2023 Internal Audit Plan (Second Six Months).

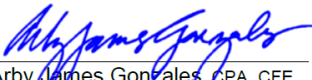
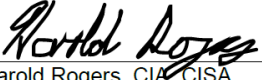
III. Consulting Services and Nonaudit Services Completed

IAD conducted one consulting service (advisory) during fiscal year 2023 on the webDEALER system which was completed in November 2022. The objective of the advisory was to identify system weaknesses, including management of user accounts and system logic and security. The scope included application security, application enhancements, change management, reporting and automation, and business processes.

IV. External Quality Assurance Review

IAD went through an external quality assurance review (peer review) in fiscal year 2021. 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).

Figure 1. Peer Review Opinion

Texas Department of Motor Vehicles Internal Audit Division External Quality Assurance Review – March 2021	
Overall Opinion	
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
Acknowledgements	
<p>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.</p>	
 Arby James Gonzales, CPA, CFE Internal Audit Director Texas Division of Insurance SAIAF Peer Review Team Leader	April 21, 2021 Date
 Harold Rogers, CIA, CISA Internal Auditor Texas Workforce Commission SAIAF Peer Review Team Member	April 21, 2021 Date

V. Internal Audit Plan for Fiscal Year 2024

Fiscal Year 2024 Engagements

The TxDMV Board approved the Fiscal Year 2024 Internal Audit Plan on August 17, 2023. The audit plan included 12 planned engagements (Table 2), five alternative engagements (Table 3), value-added services, and division initiatives.

Table 2. Fiscal Year 2024 Planned Engagements

Topic	Potential Objective
Regional Service Centers Audit (carryover from fiscal year 2023)	The objective is to assess the culture at selected RSCs, determine opportunities for RSCs to better serve its customers, and determine whether RSCs process transactions uniformly.
Investigation Processes Audit	This audit could evaluate the intake process for complaints, the method for how investigations are prioritized, and the actions taken on investigation results.
Inventory/Asset Management Audit	This audit could evaluate Department processes on accounting for, safeguarding, and reporting inventory and assets throughout the State.
Information Security Audit	This audit could evaluate how the Department assesses and tracks vulnerabilities, the defenses in place to prevent malware, and the methods used to establish and maintain a security awareness program.
Public Information Request Audit	This audit could evaluate the internal controls on the Department's processes used to receive, track, and fulfill public information requests.
Fleet Management Audit	This audit could determine the effectiveness of the vehicle maintenance practices, compliance with the State Vehicle Fleet Management Plan, and fleet monitoring.
Motor Carrier Licensing Processes Advisory	This advisory could look at the licensing/renewal process for credentialing.
Contract Monitoring Advisory	This advisory could determine how contracts are being managed.
FY 2023 Internal Audit Annual Report	A report produced in FY 2024 that summarizes IAD's activities conducted in FY 2023. This report will be submitted to the State Auditor's Office.

Topic	Potential Objective
Quality Assurance and Improvement Program - Internal Assessment	A report produced in FY 2024. This is an internal assessment to determine IAD's compliance with audit standards and performance.
Audit Recommendation Implementation Status	An engagement to verify if outstanding audit recommendations have been fully implemented.
FY 2025 Risk Assessment and Internal Audit Plan	An enterprise-wide risk assessment to identify risk areas for the upcoming year. The Internal Audit Plan will be submitted to the State Auditor's Office.

Table 3. Fiscal Year 2024 Alternative Engagements

Topic	Potential Objective
Key Performance Metrics Audit	This audit could determine the accuracy of the reported performance metrics and the adequacy of related controls over the collection and reporting of selected performance metrics.
Closed Data Portal Audit	This audit could evaluate the controls in place prior to granting access to the Closed Data Portal and for ensuring appropriate use.
Network Infrastructure and Monitoring Audit	This audit could evaluate how the Department establishes, implements, and actively manages network devices as well as the processes in monitoring the network.
Leave and Overtime Advisory	This advisory could provide analysis on leave balances (e.g., vacation/comp time) in various divisions and approval processes.
Information Technology Governance Advisory	This advisory could assess the effectiveness of the governance structure in providing oversight over key information technology projects.

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, complaints from external parties, and those from the State Auditor’s Office. IAD investigates internal fraud, waste, and abuse allegations.
- External Audit/Review Coordination:** 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 the role of IAD and staff's responsibilities in recommendation implementation and prevention of fraud, waste, and abuse.

Division Initiatives

- **TeamMate+ Process Optimization:** 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 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 reviewed internal audit and industry publications to identify and rank potential audit topics. 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 2023

TxDMV procured two external audit services during fiscal year 2023:

- Weaver and Tidwell, LLP conducted an advisory service for webDEALER.
- A separate contractor completed the Business Continuity and Disaster Recovery Audit.

VII. Reporting Suspected Fraud and Abuse

TxDMV has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09 of the General Appropriations Act and Section 321.022 of the Texas Government Code:

- TxDMV's Internal Audit intranet site includes a section on reporting fraud, waste, or abuse.
- TxDMV's public-facing website includes a "Report Fraud, Waste or Abuse" link to the State Auditor's Office "Reporting Fraud" page. This link is also provided on the Internal Audit Division's webpage.
- TxDMV's Fraud, Waste, and Abuse Policy includes definitions, examples, and procedures on how to report detected or suspected fraud, waste, or abuse.
- IAD 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.