Employee Classification and Hiring Processes Audit Report
19-02

Internal Audit Division
January 2019

Texas Department *of* Motor Vehicles

Employee Classification and Hiring Processes Audit Report, 19-02
Executive Summary

BACKGROUND

Effective talent management, including hiring staff, is a critical function to ensure the Department is properly staffed. The Human Resources Division (HRD) is responsible for acquiring, developing, and retaining talent to meet the business needs of the Department. For HRD to meet its responsibilities, it works with Department staff to hire for vacant positions and conducts job classification reviews to make sure staff is in the correct position and classification.

The objective of the audit was to determine whether the hiring process is sufficiently agile to address current and emerging staffing needs.

RECOMMENDATIONS

Seven recommendations were made to HRD. These recommendations included clarifying the job classification review process, monitoring the contract performance of the background check vendor, identifying potential bias in the screening, and evaluating the hiring process timeframes. In addition, a recommendation was made related to data accuracy.

RESULTS

IAD found that employee classification and hiring processes are at a level 2 maturity level, where procedures are followed by several employees, but the results may not be consistent, the process is not completely documented, and has not been sufficiently evaluated to address risks.

Currently, there exists a well-defined hiring process and steps have been taken to improve the job classification review process.

However, improvements could be made to both the job classification review and hiring processes:

- Job classification reviews were conducted for various reasons varying in complexity and impact and did not have all expected approvals.
- Full criminal history background checks, required for all hires, were not always conducted within the contractual 72-hour timeframe.
- Hiring processes do not address the potential conflict of interest for personal relationships between interviewers and candidates.
- IAD found that there are delays in the hiring process, but could not conduct a thorough analysis to identify whether specific steps in the hiring process are inefficient because the data available was not accurate.

MANAGEMENT RESPONSE

Management agrees with the results and will implement actions to address each of the seven recommendations made. Management expects to implement five recommendations by the end of February 2019 and the remaining two actions by the end of August 2019.

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Overall Conclusion and Executive Director Response

Maturity Assessment Rating

2: <u>Repeatable but intuitive process level</u> - The function developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.

Other possible ratings and definitions can be found in Appendix 1, under Maturity Assessment Rating Definition.

Strengths

+ The Texas Department of Motor Vehicles (TxDMV or Department) has defined and communicated its hiring process in the Human Resource Manual.

+ Hiring managers obtained guidance from the Human Resource Division (HRD) on how to screen, interview, and select candidates. In addition, HRD provided forms to collect background check consent and reference check information.

+ The HRD Director and staff have taken the initiative to implement improvements to the job classification review process. The proposed changes more closely align the classification review process language with Texas State Auditor's Office (SAO) guidance, encourage a collaborative approach early on between HRD and hiring divisions, illustrate the decision points and workflow to hiring divisions, and define levels of approval from the Executive Office for classification outcomes.

Improvement

TxDMV can improve its processes for job classification reviews and hiring. TxDMV needs to clarify and document its procedure for job classification reviews, including scenarios in which they are required, necessary approvals, or expected workflow. The Department also needs to identify potential personal relationships between the interviewers and candidates in the hiring process, and monitor the delivery times of candidates' background criminal history check results.

Below are the audit results that further expand on these areas (click on the underlined section to go directly to the result and recommendations).

- **Audit Result #1: <u>The job classification review process needs to be clarified.</u>**

  o Recommendation #1: <u>The Human Resources Division should formally define and document the job classification review process and communicate to divisions the expected and required exhibits, approvals, and workflow for undergoing a classification review.</u> (**HIGH**)

- o Recommendation #2: The Human Resources Division should develop target timeframes for the job classification review process. (**LOW**)

  o Recommendation #3: The Human Resources Division should finalize its proposed changes to the Executive Office approval workflow in the job classification review process. (**LOW**)

- **Audit Result #2: Background checks are not always processed within the contract timeframes.**

  o Recommendation #1: The Human Resources Division should monitor criminal history background check processing times according to the contract terms with the vendor. (**LOW**)

- **Audit Result #3: Hiring procedures do not address potential personal relationship conflicts in the hiring process.**

  o Recommendation #1: The Human Resources Division should develop and implement an interviewer attestation that the interviewer shall disclose any potential conflict of interest arising from a personal relationship between themselves and the interviewing candidate. (**LOW**)

- **Audit Result #4: Hiring milestone dates should be tracked to identify opportunities for shortening hiring timeframes.**

  o Recommendation #1: The Human Resource Division should review how information is entered into the system and requires the hiring manager to enter the information accurately. (**LOW**)

  o Recommendation #2: The Human Resources Division should consider evaluating if there are other opportunities to shorten the hiring process timeline. (**LOW**)

The detailed audit results can be found under the Audit Results section of this report (begins on page 5).

Background

The Human Resources Division (HRD) is responsible for the Texas Department of Motor Vehicles' (TxDMV or Department) hiring and employee classification processes. The Department uses the Centralized Accounting and Payroll/Personnel System (CAPPS) to manage job postings, applications, and employee classifications.

Two HRD employees oversee the hiring process by reviewing, approving, and posting job requisitions prepared by division hiring managers. Hiring managers are responsible for preparing screening and interview criteria, reviewing applications, conducting and scoring interviews, and selecting top candidates. Once candidates are selected, the hiring managers must conduct a reference check prior to receiving HRD approval to make a conditional offer of employment pending favorable results of a criminal history background check. HRD conducts a criminal history background check using the Department's vendor, First Check, and gives the divisions approval to extend a final job offer pending the results of the background check. If a criminal history is present, then HRD consults with Office of General Counsel and the hiring division to decide if the offenses preclude hiring based on the type of work and the type of offenses. Executive Office is additionally consulted if a decision to hire the candidate moves forward.

The TxDMV's target for filling vacant positions is the lesser of 90 calendar days from vacancy or 60 days from the closing of the job posting. HRD tracks the hiring progress of each posting, working with divisions to maintain timely progress through the hiring process.

HRD is also responsible for ensuring TxDMV employees are appropriately classified. The state's Position Classification Plan defines the job duties, qualifications, and salary structure of the majority of state employee positions. The Texas State Auditor's Office (SAO) published guidance makes the following suggestions for performing classification reviews:
- at least annually on all positions
- when conducting annual performance evaluations
- establishing a new job position or creating a new job (and prior to job posting)
- a major change in duties and responsibilities results from job reassignment or division reorganizations - including promotions

An appropriate classification review is dependent on accurately capturing a position's responsibilities, in the job description. The SAO provides a list of standard job descriptions; however, these job descriptions are broad and generalized. SAO guidance states that agencies should develop functional job descriptions specific to the actual positions and duties. The Department's job classification review process requires a job description tailored specifically to the position under review be provided by the division.

Historically, the TxDMV has had one HRD employee dedicated to conducting job classification reviews. The employee used published SAO guidance as a resource to ensure classification reviews were complete and accurately supported a classification determination.

Audit Engagement Team

The audit was performed by Jacob Geray (Internal Auditor), Derrick Miller (Senior Auditor), and Sandra Menjivar-Suddeath (Internal Audit Director).

Audit Results

The job classification review process needs to be clarified.

Current State (Condition)

Job classification reviews were conducted for various reasons, including changes in the division organizational structure, job function, job location, and reporting manager. All these changes had to go through the same job classification review process even though the level of complexity for each job classification review varied. Similarly, Executive Office approval is required prior to the start of all job classification reviews regardless of Department impact.

In addition, certification of financial impacts and executive approval of final outcomes of job classification reviews are not formally required. The Executive Office is notified, but does not formally approve, final classification decisions, even if the final outcome has changed from initially approved expectations. The job classification review process does not require the Finance & Administrative Services (FAS) Division to approve a financial impact analysis for a job classification review. Instead, only a budget impact statement needs to be included. The budget impact statements can be filled out by the division, without knowledge from the FAS Division. Not all approved job classification reviews included the budget impact statement.

These issues were communicated to the Human Resources Director who, having self-identified some of the issues already, began work to immediately improve the process. Proposed process changes and guidance to divisions have been drafted and presented to the Department's executive management.

Impact (Effect)

Requiring that all job classification reviews to go through the same review process caused TxDMV to conduct job classification reviews in greater depth than warranted for position adjustments that resulted in no changes to assigned duties. These classification reviews take longer to complete, demand greater time commitments from division management, but result in no significant impact to position duties or division function. On average, it takes 52 days for a job classification review to be completed from the date which divisions begin inquiry and research into a position change to the date the change is completed in the Department's personnel system.

Further, some divisions anecdotally reported avoiding the process altogether due to misunderstandings on the review criteria, timelines, and process steps. Circumventing the job classification review process may increase the risk of inappropriate classifications or inappropriately approved personnel actions.

Cause

The TxDMV has not clarified and documented its procedure for job classification reviews, including scenarios requiring a job classification review, the level of review and approvals necessary, and expected workflow and time frames.

The HRD employee previously tasked with reviewing classifications did not have a documented job classification review process or tools available for division guidance.

Expected State (Criteria)

The Department should have current, complete, and accurate policy and procedure documents for all major processes and activities defining expectations and guidance allowing employees to better provide efficient and effective service to customers.

SAO guidance recommends job classification reviews be conducted any time job duties of a specific position change significantly, which may result from establishing a new position, an agency or division reorganization, or a management request.

Evidence

A sample of 14 job classifications was reviewed and the following was identified:

- Job classification reviews took from 7 days up to 134 days, averaging 52 days to complete. The job classification reviews begin the date divisions begin preparing for position adjustments and ends on the date which HRD updates the position in the Department's personnel system.

- 4 of the 14 (29%) job classification reviews were conducted for position adjustments that did not result in significant changes to assigned duties.

    o 3 job classification reviews were conducted where the position change was for the following:

        ▪ an intra-divisional staffing transfer between regional offices, changing only the specific office manager to which the position reports

        ▪ swapping oversight assignments of the two assistant regional services chiefs, changing only the assistant chiefs reporting lines to their respective regional offices

        ▪ an administrative transfer of the records management function from FAS to the Office of General Counsel

    o 1 job classification review was conducted to post a vacant position at a lower level within the same classification.

- 4 of the 14 (29%) job classification reviews did not include a budgetary impact statement.

- 14 of the 14 (100%) job classification reviews received Executive Office approval before the review commenced.

Recommendation

1.1 The Human Resources Division should formally define and document the job classification review process and communicate to divisions the expected and required exhibits, approvals, and workflow for undergoing a classification review. (**HIGH**)

1.2 The Human Resources Division should develop target timeframes for the job classification review process. (**LOW**)

1.3 The Human Resources Division should finalize its proposed changes to the Executive Office approval workflow in the job classification review process. (**LOW**)

Management Response and Action Plan

Management Response & Action Plan 1.1
Management agrees with the recommendation. The Human Resources Division has already been in the process of reviewing and revising the job classification review process. The revised process will be communicated to divisions including the expected and required exhibits, approvals, and workflow for undergoing a classification review.

Management Action Plan Owners:
HRD Director, Matthew Levitt
Human Resources Specialist Elithia Rangel

Anticipated Completion Date:
January 25, 2019

Management Response & Action Plan 1.2
Management agrees with the recommendation. The Human Resources Division will develop target timeframes for job classification reviews. HRD expects that the targets may be segmented into different categories depending on the type of reclassification review (i.e. a review for a single position that is unique within one division will have a significantly shorter timeframe than a review consisting of multiple positions across multiple divisions).

Management Action Plan Owners:
HRD Director, Matthew Levitt
Human Resources Specialist Elithia Rangel

Anticipated Completion Date:
January 25, 2019

Management Response & Action Plan 1.3
Management agrees with the recommendation. The Human Resources Division has already been in the process of reviewing and revising the job classification review process and will provide the Executive Office the finalized proposed changes.

Management Action Plan Owners:
HRD Director, Matthew Levitt
Human Resources Specialist Elithia Rangel

Anticipated Completion Date:
January 25, 2019

Background checks are not always processed within the contract timeframes.

Current State (Condition)

Criminal history background checks ordered by the TxDMV are not always fulfilled by the Department's vendor within the 72-hour timeframe specified in the contract. Criminal history background checks are required for all hires, and requested from the Department's vendor by HRD prior to extending a final offer to a candidate.

Impact (Effect)

Allowing longer processing times than is contractually obligated prolongs the Department's overall hiring process. The Department has a 66-day average between submitting a job requisition for posting and making a final offer, though screening and selection processes by the hiring division account for the 40 of the 66 (61%) day span. Allowing for longer processing time anywhere in the hiring process further increases the likelihood that top candidates will be unavailable by the time a final offer is extended.

Cause

The Department staff responsible for monitoring background check results delivery was not aware of the 72-hour deadline as written in the contract. The Department staff had been operating on the expectation that background checks would be delivered in three to five business days, as originally requested during the procurement bid process.

Expected State (Criteria)

The vendor contract for conducting criminal history searches specifies a 48-72 hour standard turnaround time to provide the results of criminal history background check requests for a seven year criminal history search per county of residence inside Texas, outside of Texas, and on Texas statewide records. International criminal history background searches on an as-needed basis may take up to 2-10 days turnaround time.

Evidence

A sample of 187 criminal history background checks searches were reviewed and the following information was identified:

- 55 of 187 (29.4%) criminal history background check searches ordered were not completed within the 72-hour period (3 calendar days) specified in the contract.

    - 46 of those 55 (84%) were completed within 4 and 6 calendar days from submission of the background check request.

    - 9 of those 55 (16%) were completed between 7 and 11 calendar days from submission of the background check request.

- 8 of the 9 required out-of-state inquires; the remaining background check involved an unresponsive Texas county. The contract does not include these reasons as provisions for extending the background check completion time.

Recommendation

2.1 The Human Resources Division should monitor criminal history background check processing times according to the contract terms with the vendor. (**LOW**)

Management Response and Action Plan

Management Response & Action Plan 2.1
Management agrees with the recommendation. The amount of time spent conducting criminal background checks is a very small portion of the total time between vacancy and new hire. There are concurrent hiring tasks taking place during the time of the background check; the conditional job offer, salary negotiation and start date negotiation (if any), and offer acceptance all take place during the time of this background check. So there is very little time saved by condensing the current prompt background check process.

Additionally, the terms of the contract are more stringent (within 72 hours) than the terms requested by TxDMV during the contract procurement process (three to five business days). Fewer than 5 percent (9 of 187) took longer to complete than the terms initially requested, and all but one of those entailed out of state inquiries, which typically take longer to complete.

At the time of the next criminal history background check contract renewal, the Human Resources will:
- *establish processing timeframes/deadlines using working days rather than calendar days*
- *establish timeframes/deadlines for exceptions to the standard processing times, including out of state background checks, international background checks, and any other atypical circumstances.*

Management Action Plan Owners:
HRD Director, Matthew Levitt
Human Resources Specialists Pat Barnes and Tana Keeling

Anticipated Completion Date:
January 4, 2019 – The Human Resources Division will monitor criminal history background check processing times according to the contract terms with the vendor.

July 1, 2019 – The Human Resources Division will negotiate the terms of the criminal history background check contract (renewal date of contract for criminal history background check).

Hiring procedures do not address potential personal relationship conflicts in the hiring process.

Current State (Condition)

The Department's hiring processes, associated forms, and hiring manager training do not address potential conflict of interest related to personal relationships between interviewers and candidates. Internal Audit Division found that the person interviewing the candidate also provided the candidate's reference for the position where the selected candidate was an internal employee.

Impact (Effect)

Though the Department prohibits nepotism based on familial relationships, the lack of prohibition or disclosure of a personal relationship conflict of interest in the hiring process may increase the risk of actual or perceived favoritism or bias in the screening, interviewing, and selection process. In addition, supervisors interviewing their own staff applying for a position may be practical reference for the applicant's work performance, but it increases the perception risk of bias in the interviewing process.

Cause

The TxDMV Human Resources Manual does not address potential conflict of interest regarding interviewing candidates for hire. The Human Resources Manual does not specify who may or may not act as a candidate's reference, though it does require at least one reference check be conducted before a conditional job offer is made.

Expected State (Criteria)

The TxDMV Human Resources Manual prohibits relatives from being placed in a position within the direct chain of command, and prohibits conflict of interest in personal relationships between supervisors and employees and in soliciting or selling products and services to parties doing business with the Department. The Department should similarly ensure personal relationships do not impair decisions during the hiring process.

Evidence

A sample of 27 job requisitions and associated hiring files were reviewed and the following was identified:

- 8 of the 27 (30%) hiring files reviewed contained reference check forms in which the person interviewing the candidate also provided the candidate's reference for the position being hired.

    o All eight candidates were internal employees.

- IAD did not find substantiating evidence that a potential conflict of interest existed between interviewers and candidates hired in the 27 hiring files sampled and reviewed.

Recommendation

3.1 The Human Resources Division should develop and implement an interviewer attestation that the interviewer shall disclose any potential conflict of interest arising from a personal relationship between themselves and the interviewing candidate. (**LOW**)

Management Response and Action Plan

Management Response & Action Plan 3.1
Management agrees with the recommendation of developing a form identifying cases in which the hiring supervisor has a personal relationship with an interviewing candidate. Having a personal relationship with an interviewing candidate, however, is not inherently a conflict of interest and should not automatically prohibit an interviewer from interviewing and hiring a candidate. TxDMV actions, based on information disclosed on the form, will be determined on a case-by-case basis.

Management Action Plan Owners:
HRD Director, Matthew Levitt
Human Resources Specialists Pat Barnes and Tana Keeling

Anticipated Completion Date:
February 15, 2019

Hiring milestone dates should be tracked to identify opportunities for shortening hiring timeframes.

Current State (Condition)

For the 27 job requisitions sampled, it took, on average, TxDMV over two months to provide a final offer to a candidate from the time the position was submitted for posting. Most of that time was taken by the hiring divisions. Hiring divisions took 27 days to screen and interview candidates and an additional 13 days to select a candidate for a position, on average.

IAD could not conduct a further root cause analysis to determine exactly where the hiring process timeline is impeded because the data available was not accurately entered and could not be relied upon. IAD found several instances in the data where the candidate screening, interviewing, and selection occurred on the same day, which is not feasible.

Impact (Effect)

The Department may not be able to obtain the best candidate for the position due to the prolonged hiring process. Hiring divisions have reported instances of losing top candidates to other job offers due to not being able to provide a final offer to the candidate quickly enough. In addition, job requisitions are canceled and reposted due to lack of remaining available selected candidates, prolonging a position's vacancy.

HRD manually tracks some dates related to the hiring process to monitor hiring division progress towards internal hiring target times, such as vacancy date, job requisitions submission date from hiring divisions, the posting and closing date, and the hire date.

Cause

CAPPS, the system used to hire candidates for the Department, can capture information on when candidates were screened, interviewed, selected, and hired; however, hiring managers are not entering the data accurately throughout the process. In addition, HRD is not manually tracking all key dates in the hiring process such as screening and interview dates.

Expected State (Criteria)

HRD provides programs, policies, and procedures for TxDMV to hire, develop, and retain talent to meet the business needs of the Department. HRD's priorities for internal customers includes providing accurate human resources information for all employees of the Department. HRD should track sufficient data points to allow for analysis of core functions such as hiring processes.

Evidence

A sample of 27 job requisitions was reviewed to identify timelines and data accuracy with the following results:

- 66 days on average were taken to extend a final offer to a candidate from the time the position was submitted for posting.

  - 27 of those 66 days were taken by the hiring division to screen and interview the candidate after the position was closed.

  - 13 of those 66 days were taken by the hiring division to select the candidate after the interviews were conducted.

- The following data accuracy issues were noted in CAPPS:

  - 24 of 27 (89%) job requisitions did not have the date for when candidates were interviewed.

  - 12 of 27 (44%) job requisitions did not have the date that interviews were completed.

  - 10 of 27 (37%) job requisitions did not have the date that candidates were screened.

  - 3 job requisitions had the same date entered for screening, interviewing, selecting, and conducting reference checks for a candidate. The hiring managers entered this information.

Recommendation

4.1 The Human Resource Division should review how information is entered into the system and requires the hiring manager to enter the information accurately. (**LOW**)

4.2 The Human Resources Division should consider evaluating if there are other opportunities to shorten the hiring process timeline. (**LOW**)

Management Response and Action Plan

Management Response & Action Plan 4.1
Management agrees with the recommendation. Based on anecdotal information, hiring delays are primarily due to the hiring division's internal processes, rather than delays by the Human Resources Division. In addition to the 40 days of processing time by the hiring division identified above, HRD staff believe that the vast majority of the remaining average 26 days are also days in which the process is within the hiring division. However, there is not currently any formal means of documenting and tracking the timeframes for each stage of the hiring process. Implementation of this recommendation will allow for tracking the specific number of days in each stage of the hiring process. Based on the new data tracking length of time for each stage, HRD expects average hiring times to decrease, because hiring supervisors know that their hiring processing times are being tracked and reported.

While management agrees with this recommendation, HRD staff potentially expect significant opposition from divisions in implementing this recommendation. Therefore, HRD plans to develop a clear communication plan (hopefully in conjunction with Internal Audit) to explain the benefits of this recommendation.

Management Action Plan Owners:
HRD Director, Matthew Levitt
Human Resources Specialists Pat Barnes and Tana Keeling

Anticipated Completion Date:
February 15, 2019

Management Response & Action Plan 4.2
Management agrees with the recommendation. The Human Resources staff are constantly looking for ways of improving all human resources processes; and HRD staff will continue to seek to improve the hiring process, including shortening the hiring process timeline in the future. Some impacts resulting from changes to the hiring process may not be immediately evident. Therefore, identification of some time-saving and other improvements to the hiring process are more easily identified retrospectively after aggregating several months of cumulative hiring data.

Management Action Plan Owners:
HRD Director, Matthew Levitt
Human Resources Specialists Pat Barnes and Tana Keeling

Anticipated Completion Date:
August 30, 2019

Appendix 1: Objective, Scope, Methodology, and Rating Information

Objective

The audit objective was to determine whether the hiring process is sufficiently agile to address current and emerging staffing needs.

Scope and Methodology

The scope of the audit included all job classification reviews conducted during fiscal year 2018, and all non-cancelled job requisitions submitted during fiscal year 2018 by divisions excluding Internal Audit Division.

The Internal Audit Division reviewed hiring document templates and documented hiring processes, as well as interviewing division hiring managers and the Human Resources Division staff to gain an understanding of hiring processes and workflow. IAD analyzed dates retrieved from hardcopy and electronic candidate hiring files, CAPPS, and background check summary reports to determine timeframes between each step in the hiring process to determine if inefficiencies are evident in certain hiring process steps. IAD also reviewed and researched interview documents and social media connections to determine whether potential conflict of interest based on personal relationships may have been present during hiring.

IAD compared job classification review processing times tracked by HRD with the time dedicated to the reviews by divisions. IAD also identified the scenarios for which job classification reviews are warranted according to guidance from the Texas State Auditor's Office with the circumstances of the position adjustment requests by divisions which resulted in a classification review. IAD reviewed job classification review supporting documentation maintained separately by HRD and divisions to identify required documentation and any duplication, redundancies, or conflicting information in the Department's job classification review process.

Information and documents reviewed in the audit included the following:
- Human Resources Manual, Texas Department of Motor Vehicles. Updated November 2017.
- Job Classification Review Guide, State Auditor's Office. Updated November 2017.
- Job Description Guide, State Auditor's Office. Updated August 2017.
- Fiscal Year 2018 New Hire Log, Texas Department of Motor Vehicles
- Fiscal Year 2018 Completed Job Audits Log, Texas Department of Motor Vehicles
- Selection Summary Form 1991, Texas Department of Motor Vehicles
- Screening Document Form 1989, Texas Department of Motor Vehicles
- Job Audit Request Form 1942, Texas Department of Motor Vehicles
- Interview Questions and In-Basket Exercises Form 1990, Texas Department of Motor Vehicles
- Background Check Consent Form 2222, Texas Department of Motor Vehicles
- First Check Applicant Screening Vendor Contract 608001400961

- Texas Department of Motor Vehicles Invitation for Bids Requisition 608-14-00961
- Interviews with Department directors, managers, and staff involved in hiring and job classification review processes.

This audit was included in the FY 2019 Audit Plan. The Internal Audit Division conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for the Professional Practice of Internal Auditing. Those standards require that IAD 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. IAD believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Report Distribution

In accordance with the Texas Internal Auditing Act, this report is distributed to the Board of the Texas Department of Motor Vehicles, Governor's Office of Budget, Planning, and Policy, Legislative Budget Board. State Auditor's Office, and the Sunset Advisory Commission. The report was also distributed to the Department's executive management team.

Ratings Information

Maturity Rating Definition

IAD derived the maturity assessment ratings and definitions from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model and the Enterprise Risk Management (ERM) Maturity Model The model was adapted for the TxDMV assurance audit purposes and does not provide a guarantee against reporting misstatement and reliability, non-compliance, or operational impacts. Below are the definitions for each rating level.

0: <u>Non-existent process level</u> - The function used no process since a standardized process is not defined or being used.

1: <u>Initial and ad-hoc process level</u> - The function used an ad hoc approach when issues arise because a standardized process is not defined.

2: <u>Repeatable but intuitive process level</u> - The function developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.

3: <u>Defined process level</u> -The function followed a standardized, documented, and communicated process. The process, however, may not detect any deviation due to the process not being sufficiently evaluated to address risks.

4: <u>Managed and measurable process level -</u> The function followed a standardized, documented, and communicated process that is monitored and measured for compliance. The function evaluated the process for constant improvement and provides good practice. The process could be improved with the use of more information technology to help automate the workflow and improve quality and effectiveness.

5: <u>Refined level</u> - The function followed a standardized, documented, and communicated process defined as having a good process that results from continuous improvement and the use of technology. Information technology was used in an integrated way to automate workflow and to improve quality and effectiveness of the process.

Recommendation Rating Criteria

The IAD rates audit recommendation's priority (i.e., HIGH or LOW) to help the TxDMV board and executive management identify the importance of the recommendation (see Table 1 below).

Table 1. Recommendation Criteria

Priority	Criteria
Low	- Requires only a written policy or procedure update - Requires documentation submittal (e.g., evidence of risk analysis, cost benefit analysis, or TAC/TGC revision) - Exception rates are within the acceptable risk tolerance range of the division - External audit recommendations identified as that are not a reoccurring or regulatory issue
High	- Request by TxDMV board or executive management - Exception rates higher than the acceptable risk tolerance range of the division - Requires developing new process or procedures to address recommendations - Audit recommendations identified as a reoccurring or regulatory issue