Texas Department of Motor Vehicles

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Fiscal Year 2023 Internal Audit Plan (Second Six Months)
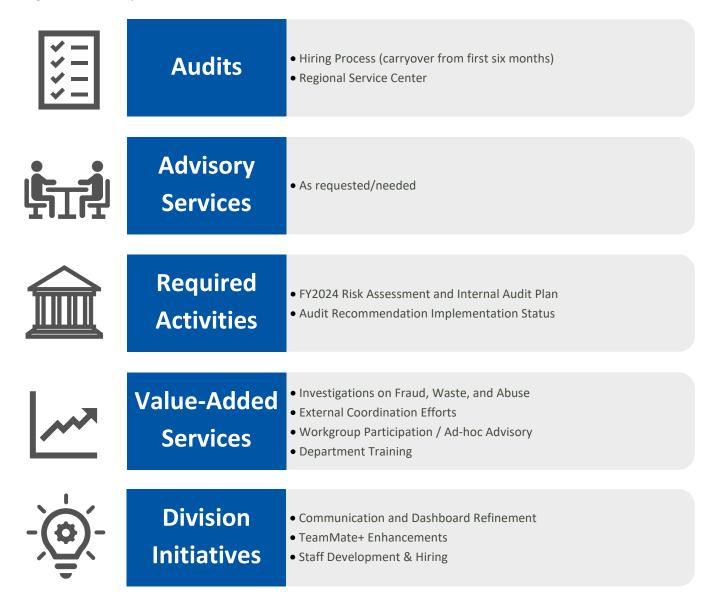
Internal Audit Division

February 2023

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Executive Summary

The Internal Audit Division (IAD) audit plan for fiscal year (FY) 2023 is divided into six month plans. The FY2023 Internal Audit Plan (Plan) for the second six months covers the period of March 2023 through August 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 (Second Six Months):

Audits
- Hiring Process (carryover from first six months)
- Regional Service Center

Advisory Services
- As requested/needed

Required Activities
- FY2024 Risk Assessment and Internal Audit Plan
- Audit Recommendation Implementation Status

Value-Added Services
- Investigations on Fraud, Waste, and Abuse
- External Coordination Efforts
- Workgroup Participation / Ad-hoc Advisory
- Department Training

Division Initiatives
- Communication and Dashboard Refinement
- TeamMate+ Enhancements
- Staff Development & Hiring

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 second six months of FY2023. The information includes engagement name, engagement hours, division impacted (if applicable), and background/objective. Table 3 provides information on alternative engagements in place of the risk-based engagements presented from Table 1.

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

Engagement	Hours	Division Impacted	Preliminary Engagement Information
Hiring Process Audit (carryover from first six months)	600	Human Resources Division	The hiring process includes various aspects such as screening, interviewing, and onboarding. This audit will determine the effectiveness and efficiency of the hiring process and whether policies and procedures are followed consistently.
Regional Service Center Audit	650	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 assess the culture at selected RSCs, whether RSCs adequately serve its customers, and whether RSCs process transactions uniformly.

Table 2. Required Engagements

Engagement	Hours	Description
Audit Recommendation Implementation Status Follow-up	60	An engagement to verify if outstanding audit recommendations have been fully implemented.

FY2024 Risk Assessment and Internal Audit Plan	250		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. Contingency Engagements

Engagement	Hours	Division Impacted	Preliminary Engagement Information
Key Performance Indicators Audit	550	Department-wide	There are 72 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.
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 and complaint process.

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 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 second six months of FY2023, March 2023 to August 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

- Control design strength

Risks identified were scored using the above factors to determine the engagements for the second 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 4 provides information on the risk scores and definitions for each category.
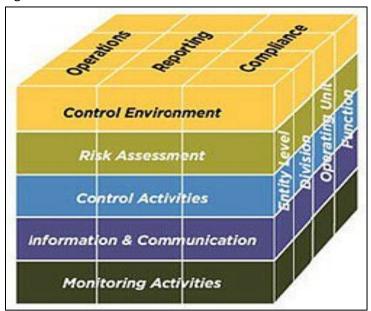
Table 4. Risk Scores

Risk Category	Scores	Definition
High	> 3.99	The risk may substantially hinder the Department, division, and/or function in achieving its objectives or goals.
Medium-High	3.00 – 3.99	The risk may significantly hinder the Department, division, and/or function in achieving its objectives or goals.
Medium	2.00 – 2.99	The risk should be monitored on a regular basis to ensure it does not become an issue; however, it is not currently hindering the Department, division, or function from achieving its objectives or goals.
Low	< 2.00	The risk is mostly mitigated and may not hinder 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.