



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

# TxDMV Internal Audit Plan for Fiscal Year 2017 – Revised

Internal Audit Division

June 1, 2017



## TxDMV Revised Internal Audit Plan for Fiscal Year 2017

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Texas Department of Motor Vehicles Fiscal Year 2017 Revised Internal Audit Plan		
Topic	Division	Background and Preliminary Objectives
Required Reports under the Texas Internal Auditing Act		
<b>1. Fiscal Year 2016 Annual Internal Audit Report</b> 35 hours	Agency-wide	<u>Background:</u> A summary of internal audit activities, including the status of the FY 2016 audit plan, non-audit services provided, and external audit services procured; and the FY 2017 audit plan. This report must be submitted before November 1 of each year to the Governor, the Legislative Budget Board, the State Auditor’s Office, the Sunset Advisory Commission, and the TxDMV Board and be posted on the agency’s website (Government Code, Section 2102.009).
<b>2. Fiscal Year 2018 Internal Audit Plan</b> 100 hours	Agency-wide	<u>Background:</u> The annual audit plan is prepared using risk assessment techniques to identify individual audits to be conducted during the year. The TxDMV Board must review and approve the annual audit plan (Government Code, Section 2102.005).
Audits and Advisory Services		
<b>1. Oversize/ Overweight Permitting</b> 250 hours  <i>Carry-over from Fiscal Year 2016 Internal Audit Plan</i>	Motor Carrier	<u>Background:</u> The TxDMV regulates oversize vehicles and loads on highways and bridges. In fiscal year 2014, the Oversize/ Overweight Permits Section issued over 836,000 permits; responded to over 198,000 permit-related calls from customers, and collected more than \$178 million in fees. The agency uses the Texas Permitting and Routing Optimization System (TxPROS), an online permitting & mapping system, to allow customers to apply for and self-issue many permits.  <u>Tentative Objectives:</u> (1) Determine whether the TxDMV issues Oversize/Overweight permits and collects the appropriate fees in accordance with laws and regulations (2) Determine whether the TxDMV validates, updates, and communicates route restriction information on a timely basis to ensure routes are safe for permitted Oversize/Overweight loads

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Topic	Division	Background and Preliminary Objectives
<p><b>2. RTS Refactoring and Single Sticker Post-implementation Review</b> 1400 hours</p> <p><i>Carry-over from Fiscal Year 2016 Internal Audit Plan</i></p>	<p>Agency-wide</p>	<p><u>Background:</u> Refactored RTS included COGNOS reports that replaced standard reports from legacy RTS and included updated ad hoc reporting capabilities. Staff and management use information from COGNOS reports to make strategic and operational decisions.</p> <p><u>Tentative Objectives:</u></p> <p>(1) Determine whether COGNOS reports provide management and staff with complete and accurate information from RTS</p> <p>(2) Determine whether COGNOS reports provide <i>at least</i> the same level of information or service as reports from the legacy RTS</p>
<p><b>3. PCI Compliance with Credit Card Information Storage</b></p>	<p>ITS</p>	<p><u>Background:</u> The TxDMV accepts customers' credit cards for Motor Carrier, Motor Vehicle, and some Vehicle Titles and Registration transactions. To be able to accept credit cards, the agency has to attest to the Payment Card Industry (PCI) Security Standards Council that the credit card information obtained from transactions are being safeguarded. Specifically, the agency has to attest in several annual Self-Assessment Questionnaire (SAQ) documents that credit card information is not being stored electronically as well as other requirements (e.g., access controls, maintaining a security policy) to ensure compliance with PCI standards and the applicable PCI compliance level.</p> <p><u>Tentative Objective:</u></p> <p>To determine if credit card information is being stored electronically.</p>

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Topic	Division	Background and Preliminary Objectives
<b>4. Continuous Monitoring of Vehicle Registration and Title Transactions</b> 1000 hours <i>Advisory Project</i>	VTR/ITS	<u>Background:</u> Fiscal year 2016 had a number of suspicious and fraudulent registration and title transaction activities within the agency and through Tax-Assessor Collectors, including high visibility arrests related to alleged fraud. The agency employs 1 investigator to investigate suspected title fraud. Auditors would analyze registration and title transactions from the RTS on a scheduled basis to identify suspicious and possibly fraudulent transactions processed by the agency or Tax-Assessor Collectors. Refer suspicious and possible fraudulent transactions to VTR to investigate.
<b>5. Management or Board Request</b> 350 hours	TBD	Time has been allotted to management and commission for a special request or to review a new and emerging risk for the agency. If no request is received, one of the audits from the other possible project list will be conducted.

**Other Internal Audit Division Duties**

- Coordinating with external auditors and reviewers (25 hours)
- Investigating allegations of fraud, waste, and abuse that Internal Audit receives or that the State Auditor’s Office refers from its fraud hotline and advising on the Anti-Fraud, Waste, and Abuse Workgroup (300 hours)
- Conducting an annual Quality Assurance and Improvement Program as required by auditing standards (75 hours)
- Tracking and monitoring the status of prior-year audit recommendations (100 hours)
- Advising the agency’s Governance Team and Executive Steering Committees (425 hours)

Total Budgeted Hours on Required Reports, Audits ,and Advisory Service:	4,285
Total Budgeted Hours on Other Internal Audit Division Duties:	925
<b>Total Budgeted Hours:</b>	<b>5,210</b>

## Methodology

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### Scope

The Internal Audit Plan for Fiscal Year 2017 covers the period of September 1, 2016 to August 31, 2017.

### Risk Assessment

The audit plan was developed using a risk-based methodology including input from Board members and senior management. Internal Audit also analyzed agency information to rank potential audit topics by risk, including contracting risk.

The State Auditor's Office (SAO) guidelines for the Internal Audit Plan for Fiscal Year 2016, request that internal audit indicate which projects in the audit plan address expenditure transfers, capital budget controls, contract management, and information technology risks. The proposed audits that address these topics are the following:

- TxDMV Fund tables and Process & Handling Fees and RTS Refactoring and Single Sticker Post-implementation Review will address information technology risks
- TxDMV Fund tables and Process & Handling Fees will address expenditure transfers and capital budget controls
- TxDMV Fund tables and Process & Handling Fees and My Plates Contract—if resources are available—will address contract management

### Hour Analysis

Hours were calculated using historical data and auditor's judgement. Hours are an estimate and could be adjusted during the fiscal year.

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<b>1. Fiscal Year 2016 Annual Internal Audit Report</b> 35 hours	Agency-wide	<u>Background:</u> A summary of internal audit activities, including the status of the FY 2016 audit plan, non-audit services provided, and external audit services procured; and the FY 2017 audit plan. This report must be submitted before November 1 of each year to the Governor, the Legislative Budget Board, the State Auditor’s Office, the Sunset Advisory Commission, and the TxDMV Board and be posted on the agency’s website (Government Code, Section 2102.009).
<b>2. Fiscal Year 2018 Internal Audit Plan</b> 100 hours	Agency-wide	<u>Background:</u> The annual audit plan is prepared using risk assessment techniques to identify individual audits to be conducted during the year. The TxDMV Board must review and approve the annual audit plan (Government Code, Section 2102.005).
Audits and Advisory Services		
<b>1. Oversize/Overweight Permitting</b> 250 hours  <i>Carry-over from Fiscal Year 2016 Internal Audit Plan</i>	Motor Carrier	<u>Background:</u> The TxDMV regulates oversize vehicles and loads on highways and bridges. In fiscal year 2014, the Oversize/Overweight Permits Section issued over 836,000 permits; responded to over 198,000 permit-related calls from customers, and collected more than \$178 million in fees. The agency uses the Texas Permitting and Routing Optimization System (TxPROS), an online permitting & mapping system, to allow customers to apply for and self-issue many permits.  <u>Tentative Objectives:</u> (1) Determine whether the TxDMV issues Oversize/Overweight permits and collects the appropriate fees in accordance with laws and regulations  (2) Determine whether the TxDMV validates, updates, and communicates route restriction information on a timely basis to ensure routes are safe for permitted Oversize/Overweight loads



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Topic	Division	Background and Preliminary Objectives
<p><b>2. RTS Refactoring and Single Sticker Post-implementation Review</b> 1400 hours</p> <p><i>Carry-over from Fiscal Year 2016 Internal Audit Plan</i></p>	<p>Agency-wide</p>	<p><u>Background:</u> Refactored RTS included COGNOS reports that replaced standard reports from legacy RTS and included updated ad hoc reporting capabilities. Staff and management use information from COGNOS reports to make strategic and operational decisions.</p> <p><u>Tentative Objectives:</u></p> <p>(1) Determine whether COGNOS reports provide management and staff with complete and accurate information from RTS</p> <p>(2) Determine whether COGNOS reports provide <i>at least</i> the same level of information or service as reports from the legacy RTS</p>
<p><del><b>3. TxDMV Fund tables and Process &amp; Handling Fees</b></del> <del>1150 hours</del></p>	<p><del>FAS, ITS, VTR</del></p>	<p><del><u>Background:</u> SB 1512 (84th Texas Legislature) re-created and re-directs revenue sources for the TxDMV fund starting September 1, 2016. HB 6 exempts the fund and its revenues from consolidation. The intent of the bill is to separate the fund from the General Revenue and State Highway funds, allowing the TxDMV to fund its operations.</del></p> <p><del>The TxDMV Board of Directors used its authority to adopt a P&amp;H fee structure to fund agency operations during its June board meeting. The P&amp;H fees are effective for motor vehicle registrations starting January 2017.</del></p> <p><del><u>Tentative Objectives:</u></del></p> <p><del>(1) Determine whether appropriate revenues, including registration fees, are deposited to the TxDMV fund appropriately</del></p> <p><del>(2) Determine whether appropriate amounts are transferred to counties per agency rule</del></p>
<p><u><b>3. PCI Compliance with Credit Card</b></u></p>	<p><u>ITS</u></p>	<p><u>Background:</u> The TxDMV accepts customers' credit cards for Motor Carrier, Motor Vehicle, and some Vehicle Titles and</p>

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Topic	Division	Background and Preliminary Objectives
<p><u>Information Storage</u> <u>1150 hours</u></p>		<p><u>Registration transactions. To be able to accept credit cards, the agency has to attest to the Payment Card Industry (PCI) Security Standards Council that the credit card information obtained from transactions are being safeguarded. Specifically, the agency has to attest in several annual Self-Assessment Questionnaire (SAQ) documents that credit card information is not being stored electronically as well as other requirements (e.g., access controls, maintaining a security policy) to ensure compliance with PCI standards and the applicable PCI compliance level.</u></p> <p><u>Tentative Objective:</u> <u>To determine if credit card information is being stored electronically.</u></p>
<p><b>4. Continuous Monitoring of Vehicle Registration and Title Transactions</b> 1000 hours <i>Advisory Project</i></p>	VTR/ITS	<p><u>Background:</u> Fiscal year 2016 had a number of suspicious and fraudulent registration and title transaction activities within the agency and through Tax-Assessor Collectors, including high visibility arrests related to alleged fraud. The agency employs 1 investigator to investigate suspected title fraud. Auditors would analyze registration and title transactions from the RTS on a scheduled basis to identify suspicious and possibly fraudulent transactions processed by the agency or Tax-Assessor Collectors. Refer suspicious and possible fraudulent transactions to VTR to investigate.</p>
<p><b>5. Management or Board Request</b> 350 hours</p>	TBD	<p>Time has been allotted to management and commission for a special request or to review a new and emerging risk for the agency. If no request is received, one of the audits from the other possible project list will be conducted.</p>

Other Internal Audit Division Duties

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		<ul style="list-style-type: none"> <li>• Coordinating with external auditors and reviewers (25 hours)</li> <li>• Investigating allegations of fraud, waste, and abuse that Internal Audit receives or that the State Auditor’s Office refers from its fraud hotline and advising on the Anti-Fraud, Waste, and Abuse Workgroup (300 hours)</li> <li>• Conducting an annual Quality Assurance and Improvement Program as required by auditing standards (75 hours)</li> <li>• Tracking and monitoring the status of prior-year audit recommendations (100 hours)</li> <li>• Advising the agency’s Governance Team and Executive Steering Committees (425 hours)</li> </ul>
		<p>Total Budgeted Hours on Required Reports, Audits ,and Advisory Service: 4,285</p> <p>Total Budgeted Hours on Other Internal Audit Division Duties: 925</p> <p>Total Budgeted Hours: 5,210</p>

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- TxDMV Fund tables and Process & Handling Fees and My Plates Contract—if resources are available—will address contract management

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