



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

# TxDMV Internal Audit Plan for Fiscal Year 2016

## TxDMV 15-3

Internal Audit Division

August 14, 2015





August 3, 2015

Mr. John H. Walker, III, Chairman  
Board of Texas Department of Motor Vehicles  
4000 Jackson Avenue  
Austin, Texas 78731

Subject: *Internal Audit Plan for Fiscal Year 2016* (TxDMV 15-3)

Dear Chairman Walker:

The Internal Audit Division has finalized the proposed Texas Department of Motor Vehicles (TxDMV) Internal Audit Plan for Fiscal Year 2016 (audit plan) for the TxDMV Board's review and approval.

The Texas Internal Auditing Act requires that internal audit develop an annual audit plan. This proposed audit plan incorporates the TxDMV Board and the agency's senior management comments.

The proposed audit plan includes the following:

- Statutorily required reports
- Risk-based audits and an advisory service project
- Two carry-over audits from the fiscal year 2015 audit plan that will be substantially completed by August 31, 2015, but will not be ready for release until the first quarter of fiscal year 2016
- One audit scheduled to begin in August 2015 that has been put on hold pending the results of an external peer review scheduled for November 2015

In addition to the audit plan projects, the Internal Audit Division anticipates other activities, such as coordinating with external auditors and investigating allegations of fraud, waste, and abuse.

If you have any questions or comments, please contact me at (512) 465-4118 or [Sandra.Vice@TxDMV.gov](mailto:Sandra.Vice@TxDMV.gov).

Respectfully,

Sandra H. Vice, CIA, CGAP, CISA  
Internal Audit Director

cc: Ms. Laura Ryan, Vice-Chair  
Mr. Raymond Palacios, Jr., Finance and Audit Committee Chair  
Mr. Blake Ingram, Finance and Audit Committee Member  
Mr. William Marvin Rush, Finance and Audit Committee Member  
Mr. Joseph O. Slovacek, Finance and Audit Committee Member  
Mr. Robert "Barney" Barnwell, Board Member  
Ms. Luanne Caraway, Board Member  
Mr. Victor Rodriguez, Board Member  
Ms. Whitney Brewster, TxDMV Executive Director  
Ms. Shelly Mellott, TxDMV Deputy Executive Director  
TxDMV Division Directors

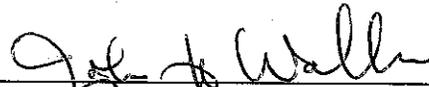
BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES  
RESOLUTION APPROVING THE TEXAS DEPARTMENT OF MOTOR VEHICLES  
INTERNAL AUDIT PLAN FY 2016

Texas Government Code §2102.005 requires a state agency to conduct a program of internal auditing that includes an annual audit plan that is prepared using risk assessment techniques. The agency audit plan identifies individual audits to be conducted during the year and periodic audits of agency's accounting, administrative, and electronic data processing systems and controls.

The Texas Department of Motor Vehicles Internal Audit Plan FY 2016 was reviewed by the Board of the Texas Department of Motor Vehicles (board).

IT IS THEREFORE ORDERED by the board that the Texas Department of Motor Vehicles Internal Audit Plan FY 2016, is approved.

The department is directed to take the necessary steps to implement the actions authorized in this resolution.



John H. Walker, III, Chairman  
Board of the Texas Department of Motor Vehicles

Recommended by:



Sandra Vice, Director of Internal Audit  
Texas Department of Motor Vehicles

Order Number: 15-031

Date Passed: August 14, 2015



# TxDMV Internal Audit Plan for Fiscal Year 2016

Table 1

| Texas Department of Motor Vehicles<br>Internal Audit Plan for Fiscal Year 2016  |               |   |
|---|---------------|---|
| Topic and Budgeted Hours  | Division      | Background and Preliminary Objectives   |
| <b>Required Reports under the Texas Internal Auditing Act</b>   |               |   |
| <b>1. Fiscal Year 2015 Annual Internal Audit Report</b><br>50 hours   | Agency-wide   | <u>Background:</u> A summary of internal audit activities, including the status of the FY 2015 audit plan, non-audit services provided, and external audit services procured; and the FY 2016 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 2017 Internal Audit Plan</b><br>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).   |
| <b>Risk Based Audit and Advisory Services</b>   |               |   |
| <b>3. Texas International Registration Plan (TxIRP)</b><br>600 hours<br><br><i>Carry-over from Fiscal Year 2015 Internal Audit Plan</i> | Motor Carrier | <u>Background:</u> In calendar year 2014, Commercial Fleet Services oversaw over 20,633 active apportioned fleets through TxIRP with 158,449 apportioned vehicles; collected more than \$206 million in fees; and conducted 431 compliance audits. The Motor Carrier Division’s Commercial Fleet Services manages apportioned registration, also known as the International Registration Plan. The IRP is an agreement providing for registration reciprocity among member jurisdictions. Under this agreement, commercial carriers pay a proportionate, or “apportioned,” amount to each jurisdiction in which they intend to operate. This gives commercial vehicles the ability to travel interstate without having to purchase trip permits.<br><br><u>Objective:</u> To be determined. Representatives from the IRP are scheduled to perform a peer review of the Texas program in November 2015. The peer review covers internal controls, including accounting procedures; a review of Texas compliance audits; and a review of records. The Internal Audit staff will re-evaluate the potential scope and need for an audit after reviewing the results of the peer review. |

**Texas Department of Motor Vehicles  
Internal Audit Plan for Fiscal Year 2016**

| Topic and Budgeted Hours   | Division    | Background and Preliminary Objectives   |
|--|-------------|---|
| <p><b>4. Fraud Prevention Program</b><br/>400 hours</p> <p><i>Advisory Service</i></p>         | Agency-wide | <p><u>Background:</u> Advisory Services allow internal audit to assist management on special projects. An agency that proactively identifies and manages fraud risks can save money by preventing fraud and increasing external oversight and the public's confidence in the agency. The Association of Certified Fraud Examiners offers tools for agencies to take a fraud prevention check-up, conduct a fraud risk assessment, and develop a fraud risk response.</p> <p><u>Objectives:</u></p> <ol style="list-style-type: none"> <li>(1) Assess the TxDMV staffs' preparedness and knowledge about their role in preventing, detecting, and reporting fraud, waste, and abuse.</li> <li>(2) Make recommendations to implement a robust agency-wide fraud prevention program.</li> </ol>  |
| <p><b>5. RTS Refactoring and Single Sticker Post-implementation Review</b><br/>1,600 hours</p> | Agency-wide | <p><u>Background:</u> The TxDMV is making changes to processes and systems with significant impact to citizens and stakeholders. In the fall of 2015, the TxDMV anticipates launching the refactored Registration and Titling System to all users, including Tax Assessor-Collectors statewide. In March 2015, TxDMV implemented the consolidation of the State Vehicle Inspection Certificate and the State Vehicle Registration Stickers into a single sticker.</p> <p><u>Objectives:</u></p> <ol style="list-style-type: none"> <li>(1) Verify that TxDMV approved contract deliverables the lead RTS refactoring vendor and the independent validation and verification vendor submitted prior to making payments</li> <li>(2) Determine that fees are assessed, collected, and remitted accurately and timely</li> <li>(3) Review if capital budget controls and expenditure transfers complied with General Appropriations Act provisions</li> <li>(4) Verify the accuracy of reports</li> <li>(5) Compile lessons learned</li> </ol> |

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| Topic and Budgeted Hours  | Division             | Background and Preliminary Objectives   |
|---|----------------------|---|
| <p><b>6. Oversize/Overweight Permitting</b><br/>1,400 hours</p>       | <p>Motor Carrier</p> | <p><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 and GIS-based mapping system, to allow customers to apply for and self-issue many permits.</p> <p><u>Objectives:</u></p> <ol style="list-style-type: none"> <li>(1) Determine if TxDMV has data it needs to issue permits in accordance with laws and regulations and to ensure public safety</li> <li>(2) Review whether TxPROS has accurate and complete data</li> <li>(3) Determine if the contract with the hosting services vendor is managed in accordance with the Texas Contract Management Guide</li> <li>(4) Verify that TxDMV is assessing and collecting the appropriate fees</li> </ol> |
| <p><b>7. Drivers' Privacy Protection Act (DPPA)</b><br/>600 hours</p> | <p>Agency-wide</p>   | <p><u>Background:</u> The Congress enacted DPPA to protect the release and use of certain personal information in state motor vehicle records. The law provides some exceptions including the courts and law enforcement. The Texas Legislature passed protections under the Motor Vehicle Records Disclosure Act and the Public Information Act.</p> <p><u>Objectives:</u></p> <ol style="list-style-type: none"> <li>(1) Determine whether the TxDMV's process for allowing individuals and companies access to the motor vehicle title and registration database is in compliance with the DPPA</li> <li>(2) Analyze service contracts and inter-local agreements to determine if TxDMV is monitoring and enforcing contract terms</li> <li>(3) Determine if TxDMV is sharing information securely</li> <li>(4) Verify the reasonableness of processing fees and other fees</li> </ol>   |
| <p><b>Total Budgeted Hours with TxIRP</b></p>                         |                      | <p><b>4,750</b></p>   |
| <p><b>Total Budgeted Hours without TxIRP</b></p>                      |                      | <p><b>4,150</b></p>   |

## Other Audit Topics if Audit Resources are Available

Other audit topics totaling 2,000 hours are proposed in the event that audits are completed in less time or additional audit resources become available during the year.

**Table 2**

| Other Audit Topics if Audit Resources are Available |                                 |   |
|---|---------------------------------|---|
| Topic and Budgeted Hours                            | Division                        | Background and Preliminary Objectives   |
| <b>8. My Plates Contract</b><br>800 hours           | Vehicle Titles and Registration | <p><u>Background:</u> TxDMV contracts with the vendor My Plates to market and sell specialty license plates. During its first award period, My Plates satisfied its guarantee of \$25 million in state general revenue over 5 years. In April 2014, the TxDMV renewed its contact with the specialty plate vendor, My Plates, to design, market and sell new specialty license plates in the State of Texas. Under this new 5-year contract, the TxDMV anticipates a significant increase in revenue to the state.</p> <p><u>Objectives:</u></p> <ol style="list-style-type: none"> <li>(1) Analyze the contract to determine if it contains required contract terms</li> <li>(2) Determine if TxDMV is monitoring vendor performance to ensure My Plates is in compliance with the contract</li> <li>(3) Verify the TxDMV is receiving the revenue it is due in a timely manner</li> </ol> |
| <b>9. Enforcement Division</b><br>1,200 hours       | Enforcement                     | <p><u>Background:</u> The Enforcement Division investigates complaints against licensees in industries TxDMV regulates and, when appropriate, files administrative charges alleging violation of laws. It also protects the public by enforcing the Lemon Law program.</p> <p><u>Objectives:</u></p> <ol style="list-style-type: none"> <li>(1) Review key performance measures, such as number of motor vehicle consumer complaints completed and average number of weeks to complete a motor vehicle complaint, to determine whether TxDMV is accurately reporting measures to the Automated Budget and Evaluation System of Texas (ABEST)</li> <li>(2) Identify potential efficiencies to streamline the investigative process</li> </ol>  |
| <b>Total Budgeted Hours</b>                         |                                 | <b>2,000</b>  |

## Methodology

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### Scope

The Internal Audit Plan for Fiscal Year 2016 covers the period of September 1, 2015 to August 31, 2016. The following audits from the Internal Audit Plan for Fiscal Year 2015 will carry over into fiscal year 2016:

- An audit of the TxDMV's administration of agency rules and statutes through tax assessor-collectors to be presented to the Board during the first quarter of fiscal year 2016
- A follow-up audit on the implementation of recommendations for information security gaps to be presented to the Board during the first quarter of fiscal year 2016
- An audit of the Texas International Registration Plan was to begin in August 2015 but has been placed on hold pending the results of the IRP Peer Review scheduled for November 2015

### 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 Internal Audit Division staff developed an estimate of the number of hours needed to complete each audit project based on the preliminary audit objectives. Internal Audit may revise preliminary objectives based on gaining an understanding of risks and controls during the planning phase of the audit.

Internal Audit estimates the total number of available hours for the Fiscal Year 2015 Internal Audit Plan is 4,200 hours (see Table 1). The proposed audit plan includes 4,750 hours if the TxIRP audit is included and 4,150 if it is not. The estimate of available hours takes into account statutory requirements, continuing professional education, other internal audit activities, and current audit resources. Other audit topics totaling 2,000 hours are proposed in the event that audits are completed in less time or additional audit resources become available during the year (see Table 2).

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:

- RTS Refactoring and Single Sticker Post-implementation Review will address expenditure transfers, capital budget controls, and contract management
- Oversize/Overweight Permitting will address contract management
- Drivers' Privacy Protection Act will address contract management and information technology risks related to Title 1, Texas Administrative Code, Chapter 202, Information Security Standards
- My Plates Contract, which will be conducted in fiscal year 2016 if resources are available, would address contract management

### **Other Internal Audit Activities**

Other Internal Audit activities anticipated for fiscal year 2016 include:

- Coordinating with external auditors and reviewers
- Investigating allegations of fraud, waste, and abuse that Internal Audit receives or that the State Auditor's Office refers from its fraud hotline
- Conducting an annual Quality Assurance and Improvement Program as required by auditing standards
- Tracking and monitoring the status of prior-year audit recommendations
- Advising the agency's Governance Team and Executive Steering Committees
- Commencing a multi-year Internal Audit Division initiative on information retrieval using financial and program information systems