



**Texas Department  
*of* Motor Vehicles**

HELPING TEXANS GO. HELPING TEXAS GROW.

**Fiscal Year 2018 Internal Audit Plan  
17-08**

**Internal Audit Division  
August 2017**

# Texas Department of Motor Vehicles (TxDMV) Fiscal Year 2018 Internal Audit Plan

The Internal Audit Plan for Fiscal Year (FY) 2018 is composed of ten audit and advisory services and two required items (engagements), six Internal Audit Division duties, and two contingency audits.

## Annual Audit Plan

The table below provides information on the twelve engagements that will be conducted in FY2018, including the hours allocated to each engagement, the alignment to the TxDMV strategic goals, the initial contact division (if necessary), the engagement background information, and the preliminary objectives (if necessary).

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
<p><b>1. TxDMV Fund Tables and Process &amp; Handling Fees</b> 800 hours</p>	<p>Optimized Services and Innovation</p>	<p>Finance &amp; Administrative Services (FAS)</p>	<p><u>Background:</u> In FY 2017, the TxDMV changed its method of finance from the General Revenue Fund (Fund 1) to the TxDMV Fund (Fund 10) for most of its operations. With the change, most of the TxDMV expenditures and revenues, including revenues produced from the Process &amp; Handling Fees, are recorded in Fund 10. As of April 2017, \$93.2 million of revenue had been deposited to the TxDMV Fund since the beginning of FY2017.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> <li>• Determine whether appropriate revenues, including motor vehicle registration fees, are deposited to the TxDMV fund appropriately</li> <li>• Determine whether appropriate amounts of revenue are transferred to counties per agency rule</li> </ul>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
<p><b>2. Inventory</b> 1000 hours</p>	<p>Optimized Services and Innovation &amp; Performance Driven</p>	<p>FAS, Information Technology Services (ITS), Vehicle Titles &amp; Registration (VTR)</p>	<p><u>Background:</u> Capitalized and controlled assets (e.g., printers, computers, cameras, vehicles) are located throughout the state, including at Tax Assessor-Collectors' offices, Full Service Deputies' locations, and TxDMV's Regional Service Centers. In FY2017, the TxDMV had over 8,300 capitalized and control assets that had an initial cost of \$11.9 million. In addition, the TxDMV upgraded assets located at Tax Assessor-Collectors' offices in FY2017.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> <li>• To determine if an adequate process exists to accurately and completely track assets</li> <li>• To determine if an adequate process exists to safeguard assets</li> <li>• To determine whether appropriate access controls exist to safeguard assets</li> <li>• To determine if the department is in compliance with statutory requirements</li> </ul>
<p><b>3. eLicensing</b> 1000 hours</p>	<p>Customer Centric &amp; Performance Driven</p>	<p>Enforcement (ENF), Motor Vehicle Division (MVD), Office of Administrative Hearings (OAH), Consumer Relations Division (CRD)</p>	<p><u>Background:</u> eLicensing has changed how the department processes and handles motor vehicle licenses and complaints. eLicensing allows motor vehicle dealers, salvage dealers, and industry licensees to apply, renew, or amend their license online. In addition, it allows customers to submit complaints about motor vehicle issues online.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> <li>• To determine if eLicensing is achieving desired outcomes related to faster services to customers</li> <li>• To review the adequacy of access controls within eLicensing</li> <li>• To determine eLicensing's impact on the licensing process</li> </ul>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
<p><b>4. Open Records</b> 500 hours</p>	<p>Optimized Services and Innovation</p>	<p>Office of General Counsel (OGC)</p>	<p><u>Background:</u> An estimated 20,000 open records requests, or Public Information Requests (PIRs), were received in FY2017. Although the PIRs are routed through the Office of General Counsel, each division is responsible for coordinating and providing the information for the PIRs. In addition, a new application, FOIAXpress, is used for handling PIRs.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> <li>• To determine if PIRs are handled consistently throughout the department</li> <li>• To determine whether costs for PIRs are appropriate</li> <li>• To determine if PIRs are handled in accordance with state laws</li> </ul>
<p><b>5. Fraud, Waste, and Abuse Risk Assessment</b> 300 hours <i>Advisory Service</i></p>	<p>Optimized Services and Innovation &amp; Performance Driven</p>	<p>Executive Office, Department-Wide</p>	<p><u>Background:</u> The TxDMV has focused on identifying and managing fraud, waste, and abuse risks; however, a risk assessment has not been fully developed to determine which fraud, waste, and abuse risks are the highest risks for the department and how those risks should be mitigated. This advisory service will be a yearlong project to identify fraud, waste, and abuse risks for the department, to rank those risks, and to help the department develop mitigation responses to those risks.</p>
<p><b>6. Payment Card Industry (PCI) Compliance</b> 350 hours</p>	<p>Performance Driven</p>	<p>ITS, VTR</p>	<p><u>Background:</u> Customers' credit cards are accepted for some of the department's transactions. To be able to accept credit cards, the TxDMV has to attest to the Payment Card Industry (PCI) Security Standards Council that the credit card information obtained from transactions are being safeguarded and the department is meeting the twelve PCI requirements. The requirements range from installing and maintaining a firewall to maintaining an information security policy.</p>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
			<p>In addition, the IAD conducted a preliminary PCI Compliance audit in FY2017.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> <li>• To determine whether TxDMV is compliant with certain aspects of PCI</li> <li>• To determine the implementation status of previously issued PCI audit recommendations</li> </ul>
<p><b>7. Travel and Training</b> 500 hours</p>	<p>Optimized Services and Innovation &amp; Performance Driven</p>	<p>FAS, Department-Wide</p>	<p><u>Background:</u> In FY2017, the TxDMV budgeted \$375,000 for in-state and out-of-state travel and \$290,000 in training. In addition, the 85<sup>th</sup> Legislature showed concern on the appropriateness of travel and training done by state agencies.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> <li>• To determine if training requests have the appropriate approvals and justifications</li> <li>• To determine if travel requests have the appropriate approvals and justifications</li> <li>• To determine if a process exists to ensure travel and training requests are appropriate and meet the needs of the department</li> <li>• To evaluate how TxDMV's handling of board member travel compares with other state agencies</li> <li>• To determine if travel and training are in compliance with state law and guidance</li> </ul>
<p><b>8. Social Media</b> 350 hours</p>	<p>Customer Centric</p>	<p>Government Strategic &amp; Communication (GSC)</p>	<p><u>Background:</u> Social media (e.g., Twitter, Facebook, Instagram) is used by both public and private sector entities to connect with customers and provide more on-demand help/services. However, on-demand communication with customers carries risk to the department's brand if the messages do not align with the department's strategic goals and vision. The TxDMV uses Twitter and</p>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
			<p>Facebook to communicate with customers. The TxDMV receives about sixty-four and posts six to twelve social media messages/comments a month on its primary accounts.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> <li>To determine if the department's social media policies and processes have been sufficiently developed to protect the department's brand</li> </ul>
<p><b>9. Management or Board Request</b> 300 hours</p>	<p>TBD</p>	<p>TBD</p>	<p><u>Background:</u> Time has been allotted for a special request or a review of a new or emerging risk for the department. If no request is received, one of the audits from the contingent audit list will be conducted (see page 7).</p>
<p><b>10. FY2018 Internal Audit Follow-Up</b> 50 hours</p>	<p>Optimized Services and Innovation, Customer Centric, &amp; Performance Driven</p>	<p>Department-wide</p>	<p><u>Background:</u> This project would verify if outstanding internal and external audit recommendations have been fully implemented. Quarterly reporting will be provided as well as an annual report.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> <li>To determine if internal and external recommendations have been fully implemented</li> </ul>
<p><b>11. Fiscal Year 2019 Internal Audit Plan</b> 100 hours</p>	<p>Optimized Services and Innovation &amp; Customer Centric</p>	<p>Department-wide</p>	<p><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 as required by Government Code.</p>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
<b>12. Fiscal Year 2017 Annual Internal Audit Report</b> 30 hours	Not Applicable	Department-wide	<u>Background:</u> A summary of internal audit activities, including the status of the FY2017 audit plan, non-audit services provided, and external audit services procured; and the FY2018 audit plan. Government Code requires this annual report be submitted before November 1 to the TxDMV Board, the Governor, the Legislative Budget Board, the State Auditor's Office, and the Sunset Advisory Commission.

In addition to conducting engagements, the Internal Audit Division (IAD) has other duties that it performs each fiscal year. The other duties include conducting quality control on issued audit and advisory service reports, preparing and facilitating the required Peer Review, working on Anti-Fraud, Waste, and Abuse Items, and providing ad hoc advisory services to the department. The table below summarizes the other Internal Audit Duties and the hours allocated to each item. In addition, the table provides information on the total budgeted hours for the IAD activities, including hours allocated to engagements and hours to other duties.

Other Internal Audit Duties	
1. Coordinating with external auditors and reviewers (30 hours) 2. Working on Anti-Fraud, Waste, and Abuse Items (450 hours) 3. Conducting an annual Quality Assurance and Improvement Program as required by auditing standards (50 hours) 4. Coordinating the required Peer Review (180 hours) 5. Advising the agency's Governance Team and Executive Steering Committees (200 hours) 6. Providing ad hoc advisory services or consultations (250 hours)	
<b>Total Budgeted Hours on Required Reports, Audits ,and Advisory Service: 5,280</b>	
<b>Total Budgeted Hours on Other Internal Audit Division Duties:</b>	<b>1,160</b>
<b>Total Budgeted Hours for Reports and Division Duties in FY 2018:</b>	<b>6,440</b>

## Contingency Audits

If resources become available, after completing the engagements and duties identified in the above tables, or no Management or Board Requests are received, the IAD has identified alternate, or contingency, audits that it can perform. The table below provides information on the contingent engagements for FY2018, including the alignment to the strategic goals, the initial contact division (if necessary), and the engagement background information. Preliminary objectives and allocated hours were not developed for the contingent audits. The objectives would be developed and the hours would be allocated if and when the audits are required.

Contingent Engagement Topic	Strategic Goal(s)	Division	Background
<p><b>1. Regional Service Centers</b></p>	<p>Customer Centric</p>	<p>VTR</p>	<p><u>Background:</u> The Regional Service Centers (RSCs) play an integral role in serving the TxDMV customers located throughout the state of Texas. Each RSC has a regional manager that manages the RSC and an assistant chief that oversees the RSC. This audit would review the monitoring done to ensure the RSCs are meeting the department's objectives and the customer needs.</p>
<p><b>2. Lemon Law Investigation and Resolution Process</b></p>	<p>Customer Centric &amp; Performance Driven</p>	<p>ENF, OAH</p>	<p><u>Background:</u> The lemon law resolution process was transferred from the State Office of Administrative Hearings (SOAH) to the department when HB 1692 (83<sup>rd</sup> Texas Legislature, Reg. Session) passed. As of January 2014, the Office of Administrative Hearings, with help from the Enforcement Division, has been in charge of handling lemon law investigations and resolutions. This audit would review if expected outcomes have been achieved and if there are any improvements to the process to help customers receive resolution faster.</p>



## Methodology

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### Scope

The Internal Audit Plan for Fiscal Year 2018 covers the period of September 1, 2017 to August 31, 2018.

### Risk Assessment

The audit plan was developed using a risk-based methodology including input from board members, senior management, and division management. The Internal Audit Division also analyzed department information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. Projects' risk rankings were developed using the following factors:

- Revenue or expense impact
- Asset or liability impact
- Operation effectiveness and efficiency impact
- Law or regulation impact
- Brand or reputation impact
- Degree of change in the program, function, or process
- Degree of complexity
- Degree of centralization

### State Auditor's Office Guidelines

The State Auditor's Office (SAO) guidelines for the Internal Audit Plan for Fiscal Year 2018, request that internal audit indicate which projects in the audit plan address expenditure transfers, capital budget controls, or any other limitation or restrictions in the General Appropriation Act, contract management, and information technology risks. The proposed audits that address these topics are the following:

- TxDMV Fund Tables and Process & Handling Fees, eLicensing, and PCI Compliance will address information technology risks.
- TxDMV Fund Tables and Process & Handling Fees, Open Records, Inventory, and eLicensing will address expenditure transfers and capital budget controls.
- Inventory, eLicensing, and Open Records will address contract management.

## Hour Analysis

Hours were calculated using historical data and auditor's judgement. For FY2018 hours, the IAD calculated having five FTEs for the majority of the audit year. Hours are an estimate and could be adjusted during the fiscal year.