# Internal Audit Plan FY 2014

Internal Audit Division

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# Introduction

The Texas Internal Auditing Act[1] and *the International Professional Practices Framework*[2] require the Internal Audit function of an organization to develop an annual Internal Audit Plan.  The Internal Audit Plan establishes the framework for the audit and consulting activities to be performed by the Texas Department of Motor Vehicles (TxDMV) Internal Audit Division (IAD) during the 2014 Fiscal Year.

## Scope and Objective

This Internal Audit Plan covers the period of September 1st, 2013 to August 31st, 2014.

The preparation of the Internal Audit Plan serves as the process by which the Internal Audit Division accumulates the data necessary to identify and rank potential engagement areas according to risk.  The ultimate objective of IAD is to provide the Board of Directors and management with information to reduce exposure to the negative effects that may be associated with operations of the agency.  The degree or materiality (size) of exposure can be viewed as risks mitigated by establishing sound internal control.

## Responsibilities

The Internal Audit Division is responsible for preparing the Annual Audit Plan and submitting it to the Board of Directors for review and approval.  Periodic updates relating to project status, schedules and significant interim changes will also be communicated.

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[1] Texas Government Code, Section 2102.005.
[2] International Professional Practices Framework (Altamonte Springs, Florida; IIA, 2011 Edition Standard 2010)

# Recommended Engagements

Based on the results of the risk assessment process performed (Appendix A), IAD is recommending the engagements detailed in Tables 1 and 2 below, to comprise the Internal Audit Plan for the 2014 Fiscal Year.

Table 1

| FY 2014 Audit Engagements with reports to the Board | |
|---|---|
| **Audit Area** | **Identified Risks and Summary of Work to be Performed** |
| Review of Agency Approved Contracts | Potential Risks – To obtain reasonable assurance that the agency is receiving the goods or services contracted for.<br><br>Work Plan – This audit will focus on examining executed contracts to evaluate attributes including justification, authorization and sufficient documentation to support the purchases. |
| Information Security | Potential Risks – This is a statutorily[3] required engagement.<br><br>Work Plan – This audit would review the agency's compliance with the provisions of TAC 202 Information security requirements. |
| Web-enabled Subcontractor Renewals (Web Sub) | Potential Risks – This is a new program for processing a large volume of registration renewal transactions via the internet.<br><br>Work Plan – This engagement is a continuation of the audit previously started and will focus on reviewing the application controls over data. |
| Data Integrity of selected RTS Information | Potential Risks – The potential for corrupt or incomplete data within the RTS system which is used by law enforcement and other external stakeholders.<br><br>Work Plan – This project would be a follow-up to the current agency RTS data integrity clean-up project to determine the effectiveness of the effort to purify vehicle information and data contained within RTS. |
| Internal Audit Plan (FY 2015) | Potential Risks – This is a statutorily[4] required engagement.<br><br>Work Plan – Propose the engagements which will comprise the FY 2015 Internal Audit Plan. |
| Annual Audit Report (FY 2013) | Potential Risks – This is a statutorily[5] required engagement.<br><br>Work Plan – Report on the FY 2013 activities of the Internal Audit Division to the appropriate oversight agencies by November 1st, 2013. |

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[3] Statutory Mandate – Texas Administrative Code, Section 202.21 (e).
[4] Statutory Mandate – Texas Government Code, Section 2102.007 (2).
[5] Statutory Mandate – Texas Government Code, Section 2102.009.

Table 2

| FY 2014 Other Activities (Final Deliverable to be determined) | |
|---|---|
| **Project Area** | **Summary Description** |
| Board and Executive Management Requests | Potential Risks – Varied, depending on the nature of the request.<br><br>Work Plan –In anticipation of requests during the 2014 Fiscal Year, IAD is allocating time to assist the Board and Executive Management. |
| Monitoring of RTS Refactoring including IV&V | Potential Risks – The refactoring project is both highly visible and with large financial considerations which will have a significant impact on the various external and internal stakeholders of the agency.<br><br>Work Plan – On-going monitoring to include attending meetings, reviewing status reports, invoice processes and providing feedback on issues to the Executive Director and Board. |
| ABTPA Single Audit Reviews | Potential Risks – Statutorily[6] required engagement.<br><br>Work Plan – On-going monitoring of grantee compliance with Uniform Grant Management Standards. |

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[6] Statutory Mandate – Texas Government Code, Section 783.010.

# Appendix A – Risk Assessment Scores

Listed below are the results of the risk assessment scoring (RAS) process conducted by IAD. Those engagements in red have been included in the FY 2014 Audit Plan. Those engagements which are statutorily required were not part of the RAS process.

Table 3

| Risk Assessment Scores for identified Engagement Audit Areas - FY 2014 | | | |
|---|---|---|---|
| | Engagement Area | RAS Score | Assessed Risk Level[7] |
| 1 | Monitoring of RTS Refactoring Project | 4.84 | |
| 2 | Review of Agency Approved Contracts | 4.08 | |
| 3 | Data Integrity of selected RTS Information | 4.06 | |
| 4 | Web Sub | 4.02 | |
| 5 | Review of Motor Carrier Division | 3.96 | |
| 6 | Review of RTS Refactoring Contract Process | 3.94 | |
| 7 | Dealer Licensing | 3.90 | |
| 8 | Review of Agency Performance Scorecard | 3.71 | |
| 9 | Vehicle Registration | 3.61 | |
| 10 | TxPros | 3.59 | |
| 11 | Permits | 3.51 | |
| 12 | Review of HR Processes | 3.47 | |
| 13 | Vehicle Titling | 3.35 | |
| 14 | Revenue Processing Controls | 3.33 | |
| 15 | Regional Operations | 3.27 | |
| 16 | Vendor Payment Processing Controls | 2.96 | |
| 17 | Customer Service Process Review | 2.84 | |
| 18 | Vehicle Consumer Complaints | 2.33 | |
| 19 | Speciality Plate Testing and Implementation | 2.27 | |
| 20 | Investigations | 2.12 | |

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[7] Legend – Red represents Risk Scores > 4.0 (Highest Assessed Risk), Yellow represents Risk Score between 3.0 and 3.99 (Intermediate Risk), Green represents Risk Scores < 3.0 (Lowest Assessed Risk)

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# Appendix B – Estimated Hours

For each of the potential engagements noted above in Tables 1 and 2, IAD has developed an estimate of the number of hours needed for each project.  These estimates are based both on the time needed for each engagement as well as the amount of direct audit hours (3,600)[8] available for the year.

IAD will track and monitor the status of engagements as well as the availability of audit resources on an ongoing basis.  As circumstances occur which necessitate adjustments, IAD will include these changes in the FY 2015 Internal Audit plan.

Table 4

| Engagement | Estimated Hours |
|---|---|
| Monitoring of RTS Refactoring Project | 600 |
| Review of Agency Approved Contracts | 600 |
| Data Integrity of selected RTS Information | 500 |
| Web Sub | 400 |
| ABTPA Single Audit Reviews | 350 |
| Internal Audit Plan (FY 2015) | 150 |
| Annual Audit Report (FY 2013) | 150 |
| Board and Executive Management Requests | 500 |
| Information Security Review | 350 |
| **Total** | **3,600** |

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[8] This amount is calculated based on approximately 33% direct audit hours for the Division Director and 67% direct audit hours for division staff.