



**Texas Department
of Motor Vehicles**
HELPING TEXANS GO. HELPING TEXAS GROW.

**Lemon Law Investigation and
Resolution Process Audit Report**
19-03

Internal Audit Division
January 2019



Lemon Law Investigation and Resolution Process, 19-03

Executive Summary

BACKGROUND

The Texas Legislature has provided an alternative for consumers and manufactures to resolve disputes related to issues with new motor vehicle purchases without having to go through costly litigation. This dispute resolution process is known as the Texas Lemon Law Program. In fiscal year 2015, the Texas Legislature gave the Texas Department of Motor Vehicles (TxDMV) authority to preside over the Texas Lemon Law (Lemon Law) complaints. Since then, TxDMV has reviewed 2,308 Lemon Law complaints.

Lemon Law is administered by two TxDMV divisions: the Enforcement Division and the Office of Administrative Hearings. Complaints are received by the Enforcement Division through eLICENSING. The Enforcement Division determines eligibility and attempts to resolve the dispute through informal resolution. If informal resolution does not work, the complaint is referred to the Office of Administrative Hearings. The Office of Administrative Hearings conducts a hearing and renders a final decision on the complaint.

The objectives of the audit were to determine the following:

- To determine whether the Lemon Law process provides equitable and objective resolution.
- To determine whether the Lemon Law process is achieving objectives.

RECOMMENDATIONS

The Internal Audit Division (IAD) made ten audit recommendations to improve case management and communication.

RESULTS

IAD found that the Lemon Law process is at a level 2 maturity level, where the process is repeatable but intuitive. The function developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.

The process developed for Lemon Law has been set up to provide impartial, equitable, and objective resolution. Both the Enforcement Division and the Office of Administrative Hearings have taken steps to show their impartiality and provide equitable and objective resolution to consumers and manufacturers.

However, the process has not been sufficiently developed to ensure that appropriate roles and responsibilities have been established. IAD also found that technology has not been fully leveraged and communication on the process to consumers and manufacturers could be improved. Finally, a formal process to identify and disclose conflict of interest has not been established.

MANAGEMENT RESPONSE

Management has reviewed the audit report and agrees with the audit recommendations. Management has begun working on the audit recommendations.

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Overall Conclusion and Executive Director Response

Maturity Assessment Rating

2: Repeatable but intuitive process level - The function developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.

Other possible ratings and definitions can be found in Appendix 1, under Maturity Assessment Rating Definition.

Strengths

The Enforcement Division (ENF) and Office of Administrative Hearings (OAH) have developed and defined processes to ensure public perceptions of the administration of the Lemon Law are impartial:

- + OAH Hearing Officers provided equal opportunity for both parties to present their cases during their facilitation of pre-hearings and administrative hearings.
- + OAH Hearing Officers have a practice of waiting for hearing parties outside of the hearing conference room. The practice is designed to ensure Hearing Officers remain unbiased prior to proceedings.
- + IAD conducted a survey of customers and manufacturers that had been part of the Lemon Law process. Survey responses included statements of gratefulness for the Lemon Law process and appreciation of the Department's professionalism.

Improvements

The Department could improve the definition of roles and responsibilities, utilization of technology to improve process efficiencies, customer communication, and conflict of interest perceptions.

Below are the audit results that further expand on these areas (click on the links to go directly to the result and recommendations).

- **[Audit Result #1: Roles and Responsibilities to ensure Lemon Law objectives are met have not been sufficiently established.](#)**
 - o Recommendation #1: The Office of Administrative Hearings and the Enforcement Division should develop and document all roles and responsibilities related to the Lemon Law process, including information needed to enforce Lemon Law written orders, when inspections should be conducted, and what constitutes final opportunity. (HIGH)
 - o Recommendation #2: The Office of Administrative Hearings should revise the pre-hearing process to make the process more efficient. (LOW)

- Recommendation #3: The Enforcement Division, with input provided by Office of Administrative Hearings, should establish guidelines on where information should be entered into eLICENSING. (LOW)
- **Audit Result #2: eLICENSING technology has not been fully leveraged to increase efficiencies.**
 - Recommendation #1: The Office of Administrative Hearings and Enforcement Division should eliminate redundant paper and outside documentation use, as feasible, including the use of spreadsheets to monitor case management information, and use eLICENSING. (LOW)
 - Recommendation #2: The Office of Administrative Hearings and Enforcement Division should redesign the case referral process to eliminate inefficiencies. (LOW)
- **Audit Result #3: Communications to guide customers could be written and focused more towards customer needs.**
 - Recommendation #1: The Enforcement Division and the Office of Administrative Hearing should consult with the Government Strategic and Communication Division to update the website and brochure information, including eliminating the reference to “court” on the website, providing information on the process and documentation needed, and making the information more plainly written. When updating the website and brochure information, a less formal approach should be considered. (HIGH)
 - Recommendation #2: The Enforcement Division and the Office of Administrative Hearing should consult with the Government Strategic and Communication Division on developing a social media strategy to better communicate the advantages of the Texas Lemon Law Program and the process. (LOW)
- **Audit Result #4: Divisions do not have a formal process for identifying conflict of interests.**
 - Recommendation #1: The Enforcement Division Case Advisors should sign disclosure/conflict of interest statements prior to informal resolution. (LOW)
 - Recommendation #2: The Office of Administrative Hearings should provide information on the disclosure and conflict of interest requirements prior to hearing. (LOW)
 - Recommendation #3: The Office of Administrative Hearings should inquire whether it would be possible to change the Texas Occupation Code to eliminate the segregation of duties issue. (HIGH)

The detailed audit results can be found under the Audit Results section of this report (begins on page 5).

Background

Texas Lemon Law Program

In 1983, the Texas Legislature created the Texas Lemon Law Program to provide consumers and manufactures an avenue to resolve disputes related to new motor vehicle purchases that develop problems without having to go through costly litigation in court.

The Texas Lemon Law Program is for newly purchased or leased motor vehicles that develop a defect or condition that substantially impairs the use, market value, or safety. A consumer must give the manufacturer reasonable opportunity, including a final opportunity, to repair the defect(s) before filing a complaint and seeking relief under the Texas Lemon Law Program. Texas State statutes define reasonable and final opportunity.

Since 1993, when the Texas Lemon Law Program was required to report on annual activities, approximately 17,900 Lemon Law complaints have been filed and the program has generated over \$119 million in repurchase or replacement value to Texas consumers. Most of these Lemon Law complaints involved passenger cars and light trucks. Complaints were also received on all-terrain vehicles, medium trucks, heavy trucks, motorcycles, motor homes and towable recreational vehicles. Purchase prices of the vehicles subject to complaint ranged from a few thousand dollars to over two hundred thousand dollars for luxury motor homes.

Lemon Law Investigation and Resolution Process

In fiscal year (FY) 2015, the 83rd Legislature transferred the entire Texas Lemon Law Program to the Texas Department of Motor Vehicles (TxDMV or Department). Before that, the Texas Lemon Law Program was split between TxDMV and the State Office of Administrative Hearings. The Legislature transferred the program because it believed that TxDMV could administer the program more efficiently and effectively. Since then, ENF and OAH have administered the Texas Lemon Law Program.

The Texas Lemon Law process begins with the consumer submitting a complaint to TxDMV. The consumer submits the initial complaint through eLICENSING, an online system. Once the complaint is submitted, ENF staff in the Lemon Law section determine whether the complaint is eligible for the Texas Lemon Law Program. If the complaint is eligible, ENF staff enter previous repair information, vehicle purchase history, and any missing complainant information into eLICENSING. Next, staff forward the case information and complaints to the case advisors, who are ENF staff that have automotive technical expertise and are trained to conduct informal resolutions between the consumer and the manufacturer's representative. Case advisors interview complainants to obtain vehicle information, inspect the vehicle (if needed), and assist both complainants and manufacturers through an informal resolution process. If the informal resolution process does not work, the complaint is referred to OAH for administrative hearing. The case is referred using a formal referral sheet which is emailed by the case advisor to OAH.

Cases submitted to OAH go through a pre-hearing phone conference to discuss administrative hearing logistics including date and hearing location. Pre-hearing participants include an OAH

hearing officer, the complainant, and a manufacturer's representative. Finally, a hearing is held where both the complainant and the manufacturer present evidence and provide testimony. The hearing is held at a TxDMV or state facility within proximity to the vehicle's location. During the hearing, the OAH hearing officer listens to the testimony, reviews the presented evidence and inspects the vehicle. Upon conclusion of the hearing, the Hearing Officer provides a decision and final order. Final decisions can be submitted to OAH for rehearing. If a rehearing request is denied by OAH, the final decision can be submitted to the Travis County District court.

If OAH orders a repair or repurchase and the manufacturer does not adhere to the order, a complaint can be submitted to ENF for action.

Audit Engagement Team

The audit was performed by Frances Barker (Internal Auditor), Jason E. Gonzalez (Senior Internal Auditor), and Sandra Menjivar-Suddeath (Internal Audit Director).

Audit Results

Roles and Responsibilities to ensure Lemon Law objectives are met have not been sufficiently established.

Current State (Condition)

Lemon Law processes operate independently, with limited communication between ENF and OAH, which has resulted in process inefficiencies and misalignment as noted below:

- Final Opportunity Definition. ENF and OAH have interpreted manufacturer's final opportunity differently. The different interpretations led to one case taking longer to resolve.
- Final Orders Guidance. OAH Hearing Final Orders did not always communicate the information needed by ENF to act on the complainant's allegation of a manufacturer's nonadherence to OAH orders.
- Vehicle Inspection Guidelines. ENF case advisors can inspect vehicles for Lemon Law complaints, however, no guidance exists for when a case advisor should inspect a vehicle. Instead, case advisors subjectively decide when inspections occur. Additionally, OAH is not always informed that ENF inspections have occurred.
- OAH Pre-Hearing Meetings. OAH conducts administrative pre-hearings to confirm hearing logistics and obtain witness information. Although administrative hearing officers, who are lawyers, conduct the pre-hearings. This has limited their availability to conduct actual hearings.
- Case Notes. Case advisors enter case notes and information into eLICENSING in inconsistent locations, which makes it difficult to find information on the case and identify any pertinent information.

Impact (Effect)

By each division operating the Lemon Law process independently, the process has resulted in case inefficiencies where the consumer and manufacturer provide the same and similar information more than once and Department staff enter the same information multiple times in eLICENSING. In addition, the KPIs may not measure the process appropriately, as each division is measuring its own part of the Lemon Law process instead of the entire process.

Cause

The divisions have not established, communicated, and documented their roles and responsibilities for the Lemon Law process.

Expected State (Criteria)

The Department's Strategic Plan has established a goal of being performance driven evidenced by providing services in an effective and efficient manner that is consistent with best practices.

To achieve the performance driven goal, processes should be established that ensure alignment and efficiencies between the different functions that are tasked with carrying out a program.

Finally, the following information is needed on final orders to be enforced by ENF: exact vehicle part that violates the warranty, identification of how the defect links to the warranty, defected part's warranty compliance, and clear instructions of what needs to occur to end the case/complaint.

Evidence

The following evidence was collected to develop this result:

- IAD observed a pre-hearing conference where a continuance was granted by OAH. The continuance delayed the resolution of the case because the difference in opinion on what constitutes final opportunity. ENF interpreted the repair attempts made by the dealer as the manufacturer's final opportunity to repair the vehicle and had referred the case to OAH. However, OAH interpreted the dealer's repair attempts as insufficient and ordered the manufacturer to conduct another repair as final opportunity.
- All ten Office of Administrative Hearings Decisions and Orders reviewed did not consistently and clearly state or include information for ENF to carry out the final order. All ten orders reviewed did not describe how the defected parts did not comply with the warranty, including the following:
 - 4 orders did not document the exact part of the vehicle that violates the warranty.
 - 9 orders did not specifically identify how the defect links to the warranty.
 - 9 orders did not provide clear instructions of what needs to occur to resolve the case/complaints.
- 15 complaints received by ENF were reviewed. Out of the 15 complaints, 10 had inspections done by the case advisors. IAD could not determine or identify the criteria used to determine which complaints needed an inspection and required the case advisory to provide reasoning on why only 10 of the 15 complaints received an inspection.
- IAD observed and reviewed four pre-hearing conferences. All the conferences were conducted by a hearing officer, although the information provided to the consumer and manufacturer did not require a hearing officer. The information communicated was administrative, including explaining the hearing process and scheduling the date of the hearing.
- Case advisors document any case notes or communications in different locations in eLICENSING, which makes it difficult to determine what has occurred in the case. IAD

reviewed eLICENSING and noted that case information is entered into the call log or licensing comment section.

Recommendation

- 1.1 The Office of Administrative Hearings and the Enforcement Division should develop and document all roles and responsibilities related to the Lemon Law process, including information needed to enforce Lemon Law written orders, when inspections should be conducted, and what constitutes final opportunity. **(HIGH)**
- 1.2 The Office of Administrative Hearings should revise the pre-hearing process to make the process more efficient. **(LOW)**
- 1.3 The Enforcement Division, with input provided by Office of Administrative Hearings, should establish guidelines on where information should be entered into eLICENSING. **(LOW)**

Management Response and Action Plan

Management Response & Action Plan 1.1

Management agrees with the recommendation and agrees that criteria for inspections should be more fully developed and defined in department standard operating procedures.

OAH and Enforcement Division will meet to develop and document roles and responsibilities related to the Lemon Law process and resolve any policy issues.

Management Action Plan Owners:

Barbara Jordan, ENF Managing Attorney

Edward Sandoval, OAH Chief Hearings Officer

Anticipated Completion Date:

September 1, 2019

Management Response & Action Plan 1.2

Management agrees with the recommendation. The prehearing process will be reviewed to determine ways to increase efficiency.

Management Action Plan Owner:

Edward Sandoval, OAH Chief Hearings Officer

Anticipated Completion Date:

September 1, 2019

Management Response & Action Plan 1.3

Management agrees with the recommendation. However, eLICENSING issues with roles and permissions exacerbate users' ability to determine what has occurred in the case. In addition to establishing guidelines regarding where information should be entered, Information Technology

Services Division (ITSD) should review settings for all staff with Lemon Law user roles to ensure information is available to all users.

ENF staff will review and amend department standard operating procedures, with input from OAH, to establish guidelines on where information should be entered into eLICENSING.

Management Action Plan Owners:

Barbara Jordan, ENF Managing Attorney

Anticipated Completion Date:

September 1, 2019

eLICENSING technology has not been fully leveraged to increase efficiencies.

Current State (Condition)

Both ENF and OAH rely on a paper process and outside documentation that are duplicative of information already in eLICENSING. Currently, Lemon Law case documentation and information is contained within paper case files, shared network drives, eLICENSING, and spreadsheets. The information located in these different locations is the same. For example, information related to KPI data existed and was kept within eLICENSING and spreadsheets. KPI information on the spreadsheet and within ELICENSING did not always match.

Impact (Effect)

Process inefficiencies can create less effective and less timely case management.

Cause

The Department adopted the State Office of Administrative Hearings referral procedures and documentation conventions with limited revisions and has not revised the procedures to leverage current technology.

Expected State (Criteria)

eLICENSING was developed with the project goals to better integrate and automate business processes while utilizing staff and resources more efficiently.

Evidence

During the audit, IAD observed the following:

- ENF staff creating referral sheets to submit to OAH for case referrals. The information on the referral sheet includes the manufacturer and complaint information, which is already within eLICENSING. The referral sheet, once received by OAH, is then printed out and stamped with the “received” date. After the case is finalized, the referral sheet is then scanned into eLICENSING.
- Case file information stored in multiple locations on the Department’s network and eLICENSING. Case information such as the notice of hearing, pre-hearing documentation, exhibit lists, and the case order, are stored on the Department’s shared network drives and within multiple uploads in eLICENSING.
- Case information stored and maintained through paper files. Paper files contained case information such as the notice of hearing, pre-hearing documentation, exhibit lists, and the case order are physically maintained within the Office of Administrative Hearings. The information in the paper files is also the same information on the Department’s network and eLICENSING.

- Through review of KPI measures and recalculation, IAD determined that dates within eLICENSING did not always match the KPI Excel worksheets used to calculate KPIs.
- IAD reviewed date entry information for 9 complaints and found spreadsheet data entry errors for all 9 complaints.

Recommendation

2.1 The Office of Administrative Hearings and Enforcement Division should eliminate redundant paper and outside documentation use, as feasible, including the use of spreadsheets to monitor case management information, and use eLICENSING. **(LOW)**

2.2 The Office of Administrative Hearings and Enforcement Division should redesign the case referral process to eliminate inefficiencies. **(LOW)**

Management Response and Action Plan

Management Response & Action Plan 2.1

Management agrees with the recommendation. OAH and Enforcement Division will meet to discuss ways to eliminate redundant paper and using spreadsheets.

Management Action Plan Owners:

*Barbara Jordan, ENF Managing Attorney
Edward Sandoval, OAH Chief Hearings Officer*

Anticipated Completion Date:

May 31, 2019

Management Response & Action Plan 2.2

Management agrees with the recommendation. OAH and Enforcement Division will meet to discuss the redesign of the case referral process to streamline the process and to reduce inefficiencies.

Management Action Plan Owners:

*Barbara Jordan, ENF Managing Attorney
Edward Sandoval, OAH Chief Hearings Officer*

Anticipated Completion Date:

May 31, 2019

Communications to guide customers could be written and focused more towards customer needs.

Current State (Condition)

Although information has been made available to educate the customer on the Lemon Law process, the information is fragmented and the information provided is not always consistently given or communicated appropriately. For example, the Department's website has multiple locations where the Lemon Law process is discussed; however, a holistic view of the process is not given. Instead, the Lemon Law process is segregated by the division's responsibilities and written in legal form. Further, information provided to the consumer and manufacturer during the pre-hearing conference, which is done by OAH, does not always discuss the expected process to help guide the consumer and manufacturer through it.

The Department also has not engaged in social media to help consumers with general information. IAD found that information presented on social media is being done by law firms attempting to gain business.

Impact (Effect)

Online information related to the Texas Lemon Law program on social media is dominated by law firms attempting to gain business, which may impact perceptions of Lemon Law's mission of being an efficient cost-effective alternative to traditional litigation. In addition, it could lead to consumers having a negative public perception of the process if they do not understand it or cannot obtain the information easily.

Formal communications to complainants are presented in a legal format and could lead to consumers having a negative perception of the process if communications are misunderstood.

Cause

The Department has not revised a communication strategy for Lemon Law to actively inform consumers and manufacturers of current processes.

Expected State (Criteria)

Texas Government Code requires communications from ENF and OAH to consumers and manufacturers, through initial complaint filing, informal resolution (i.e., mediation), hearings, and written decisions/orders.

Evidence

- IAD reviewed the Department's Lemon Law website design and found the Lemon Law's segregated processes could create confusion for customers. For consumers and manufacturers to obtain information concerning the hearing process, users are required to exit to a different location on the Department's website rather than having the information documented as one process.

- The website design also describes the hearing process as “going to court”, which is incorrect and could misrepresent that the hearing process is more formal than intended.
- IAD observed hearing conferences where the consumer did not fully understand the process, although it had been explained to them during the pre-hearing conference, due to the formality of process.
- Pre-hearing communications did not consistently provide information concerning the upcoming administrative hearing process. Also, IAD observed a pre-hearing conference that did not describe the hearing process to the complainant.
- IAD reviewed 27 YouTube videos using search criteria related to the Texas Lemon Law Program and found the following:
 - 23 videos provided general automotive discussions or attorney’s advertising to provide legal advice.
 - 2 videos provided general Lemon Law advice from a consumer.
 - 1 video was a Canadian news program that documented “lemon” vehicles, but was unrelated to Texas Lemon Law although it was titled Texas Lemon Law.
 - 1 video was a legal talk radio program that discussed Texas Lemon law in detail.

Recommendations

- 3.1 The Enforcement Division and the Office of Administrative Hearing should consult with the Government Strategic and Communication Division to update the website and brochure information, including eliminating the reference to “court” on the website, providing information on the process and documentation needed, and making the information more plainly written. When updating the website and brochure information, a less formal approach should be considered. **(HIGH)**
- 3.2 The Enforcement Division and the Office of Administrative Hearing should consult with the Government Strategic and Communication Division on developing a social media strategy to better communicate the advantages of the Texas Lemon Law Program and the process. **(LOW)**

Management Response and Action Plan

Management Response & Action Plan 3.1

Management agrees with the recommendation. The Enforcement Division and OAH will meet with GSC to determine what actions should be taken to institute the recommendation. At that point, the completion date will be amended once it is determined what actions will be taken.

Management Action Plan Owners:

Barbara Jordan, ENF Managing Attorney

Edward Sandoval, OAH Chief Hearings Officer

Caroline Love, Government Strategic & Communication Director

Anticipated Completion Date:

September 1, 2019

Management Response & Action Plan 3.2

Management agrees with the recommendation. The Enforcement Division and OAH will meet with GSC to determine what actions should be taken to institute the recommendation. At that point, the completion date will be amended once it is determined what actions will be taken.

Management Action Plan Owners:

Barbara Jordan, ENF Managing Attorney

Edward Sandoval, OAH Chief Hearing Officer

Caroline Love, Government Strategic & Communication Director

Anticipated Completion Date:

September 1, 2019

Divisions do not have a formal process for identifying conflict of interests.

Current State (Condition)

When a request for a motion of rehearing occurs on a case, the Chief Hearings Officer of OAH must review the motion and render a decision even if the Chief Hearings Officer made the initial decision on the case. Further, ENF and OAH do not document or communicate whether they have a conflict of interest prior to reviewing the complaint or case. Although OAH has a reporting requirement for conflict of interest, current communications do not inform the consumer and manufacturer of conflict of interest reporting requirements. IAD did not find any issues with conflict of interest in the cases and complaints reviewed.

Impact (Effect)

Consumers and manufacturers may perceive bias in the process, which may cause the process to not be used.

Cause

Texas Occupations Code Section 2301.103 requires Chief Hearings Officers to conduct case rehearing on any case, regardless of who rendered the initial decision. In addition, the OAH and ENF have not developed a conflict of interest or disclosure statement.

Expected State (Criteria)

The TxDMV Human Resources Manual discusses that TxDMV employees should not engage in any relationship with clients that would impair the objectivity in performing their duties and that employees should not intentionally solicit, accept, or agree to accept any benefit for having exercised their official powers in favor of another. Also, OAH Operating Procedures state, staff must remain impartial and must treat all parties fairly and equally.

Evidence

The following evidence was collected to develop this result:

- None of the 15 cases and complaints reviewed had conflict of interest documentation.
- IAD selected a sample of five cases where a request for rehearing occurred. Out of the five, one case was reviewed by the Chief Hearings Officer where he had also been the person to decide the initial case. The rehearing motion was denied in that case; however, IAD did not find an issue with the motion being denied.

Recommendations

4.1 The Enforcement Division Case Advisors should sign disclosure/conflict of interest statements prior to informal resolution. **(LOW)**

4.2 The Office of Administrative Hearings should provide information on the disclosure and conflict of interest requirements prior to hearing. (**LOW**)

4.3 The Office of Administrative Hearings should inquire whether it would be possible to change the Texas Occupation Code to eliminate the segregation of duties issue. (**HIGH**)

Management Response and Action Plan

Management Response & Action Plan 4.1

Management agrees with the recommendation. ENF will draft and implement disclosure/conflict of interest documents to be signed by case advisors prior to undertaking efforts to informally resolve Lemon Law cases for ENF, and will update the division's standard operating procedures accordingly.

Management Action Plan Owner:

Barbara Jordan, ENF Managing Attorney

Anticipated Completion Date:

June 28, 2019

Management Response & Action Plan 4.2

Management agrees with the recommendation. OAH will include a section in the Notice of Hearings sent to the parties advising them that if they have reason to question if the hearings examiner has a conflict of interest, they can ask that the hearings examiner recuse himself. The grounds for recusal will be included in the section.

Management Action Plan Owner:

Edward Sandoval, OAH Chief Hearing Officer

Anticipated Completion Date:

February 1, 2019

Management Response & Action Plan 4.3

Management agrees with the recommendation. OAH will meet with GSC to have a legislative proposal presented to the Board for consideration for the 87th Legislature.

Management Action Plan Owner:

Edward Sandoval, OAH Chief Hearing Officer

Anticipated Completion Date:

September 1, 2021

Appendix 1: Objectives, Scope, Methodology, and Rating Information

Objectives

The audit objectives were the following:

- To determine whether the Lemon Law process provides equitable and objective resolution.
- To determine whether the Lemon Law process is achieving objectives.

Scope and Methodology

The scope of the audit included areas of risk within the Department's Lemon Law processes identified from Lemon Law documentation for FY 2018. The IAD reviewed physical documentation, audio recordings, and eLICENSING documentation. Information and documents reviewed in the audit included the following:

- eLICENSING information and reports
- Texas Occupations Code
- Texas Government Code
- Texas Civil Practice and Remedies Code
- Divisional Policies and Procedures for the Enforcement Division and the Office of Administrative Hearing
- FY 2017 Lemon Law Annual Report
- FY 2018 Lemon Law KPI Division Reporting
- Texas Association of Mediators, Supreme Court of Texas Misc. Docket No. 9062, Approval of Amendments to the Ethical Guidelines for Mediators
- FY 2019 IAD Customer Survey Approved by ENF and OAH Management
- FY2018 list of all ENF vehicle inspections
- Websites: Facebook, Tweet Deck, Instagram, Google, Reddit, and YouTube
- TxDMV website
- OAH Notice of Hearing Documentation
- California Lemon Law Consumer Publication
- FY 2018 List of OAH Hearings
- OAH Decisions and Written Orders
- TxDMV Lemon Law Consumer Publication

Report Distribution

In accordance with the Texas Internal Auditing Act, this report is distributed to the Board of the Texas Department of Motor Vehicles, Governor's Office of Budget, Planning, and Policy, Legislative Budget Board, State Auditor's Office, and the Sunset Advisory Commission. The report was also distributed to the Department's executive management team.

Ratings Information

Maturity Rating Definition

IAD derived the maturity assessment ratings and definitions from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model and the Enterprise Risk Management (ERM) Maturity Model. The model was adapted for the TxDMV assurance audit purposes and does not provide a guarantee against reporting misstatement and reliability, non-compliance, or operational impacts. Below are the definitions for each rating level.

0: Non-existent process level - The function used no process since a standardized process is not defined or being used.

1: Initial and ad-hoc process level - The function used an ad hoc approach when issues arise because a standardized process is not defined.

2: Repeatable but intuitive process level - The function developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.

3: Defined process level - The function followed a standardized, documented, and communicated process. The process, however, may not detect any deviation due to the process not being sufficiently evaluated to address risks.

4: Managed and measurable process level - The function followed a standardized, documented, and communicated process that is monitored and measured for compliance. The function evaluated the process for constant improvement and provides good practice. The process could be improved with the use of more information technology to help automate the workflow and improve quality and effectiveness.

5: Refined level - The function followed a standardized, documented, and communicated process defined as having a good process that results from continuous improvement and the

use of technology. Information technology was used in an integrated way to automate workflow and to improve quality and effectiveness of the process.

Recommendation Rating Criteria

The IAD rates audit recommendation’s priority (i.e., HIGH or LOW) to help the TxDMV board and executive management identify the importance of the recommendation (see Table 1 below).

Table 1. Recommendation Criteria

Priority	Criteria
Low	<ul style="list-style-type: none"> • Requires only a written policy or procedure update • Requires documentation submittal (e.g., evidence of risk analysis, cost benefit analysis, or TAC/TGC revision) • Exception rates are within the acceptable risk tolerance range of the division • External audit recommendations identified as that are not a reoccurring or regulatory issue
High	<ul style="list-style-type: none"> • Request by TxDMV board or executive management • Exception rates higher than the acceptable risk tolerance range of the division • Requires developing new process or procedures to address recommendations • Audit recommendations identified as a reoccurring or regulatory issue