



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

**Fiscal Year 2017 Internal Audit Follow-Up
Report
17-05**

**Internal Audit Division
August 2017**

Table of Contents

Overall Conclusion	1
Strengths.....	1
Improvements	1
Background.....	2
Follow-Up Results.....	6
The department has fully implemented 106 of previously issued recommendations and has partially implemented 15 recommendations relating to key functions that need to be completed.	6
Appendix 1: Objectives, Scope, and Methodology.....	10
Objectives	10
Scope and Methodology.....	10



Fiscal Year 2017 Internal Audit Follow-Up, 17-05

Executive Summary

WHY AND WHAT WAS REVIEWED

The Internal Audit Division (IAD) produced twelve internal audit and advisory service reports between Calendar Year (CY) 2012 and 2016. In each of these reports, recommendations were made to improve the efficiency and effectiveness of the Texas Department of Motor Vehicles' (TxDMV) operations. In total, 136 internal audit recommendations (recommendations) were issued in the audit and advisory service reports. Out of those 136 recommendations, 125 recommendations (92%) had a completion date before January 1, 2017 or had no assigned completion date.

Although the TxDMV divisions had implemented many of the recommendations, the IAD had not verified the recommendations' implementation status. The verification of the recommendations is important and necessary to provide the Texas Department of Motor Vehicles (TxDMV) Board and Executive Management visibility on whether identified issues have been fully remediated.

This report provides the verified implementation status for the 125 recommendations that had implementation completion dates before January 1, 2017 or had no assigned completion date. The IAD determined if the recommendations were fully implemented, partially implemented, not applicable, or not implemented.

WHAT WE RECOMMENDED

The IAD did not make any additional recommendations in this report as it was a follow-up report. The 15 recommendations determined to be partially implemented remain open, although language updates were made to the recommendation if the function or division had changed.

WHAT WE DETERMINED

The TxDMV has fully implemented 106 (85%) recommendations and has partially implemented 15 (12%) recommendations. For the partially implemented recommendations, divisions provided updated responses (if needed) and new completion dates. All the new completion dates for the partially implemented recommendations are before December 31, 2018. In addition, the IAD determined that four (3%) recommendations were deemed no longer applicable because of changes to the program, division, or function.

MANAGEMENT RESPONSE

For partially implemented recommendations, management provided updated responses and new completion dates.

Overall Conclusion

Strengths

The Texas Department of Motor Vehicles has taken an active approach to implementing internal audit recommendations (recommendations), which resulted in all recommendations being started and most (85%) recommendations being fully implemented. In addition, each TxDMV division was aware of which recommendations were still pending.

Improvements

The Texas Department of Motor Vehicles has not fully implemented fifteen recommendations that affect ongoing issues and could create more efficiencies and effectiveness for the department. The partially implemented recommendations include items related to succession planning, strategic management system, staff skill assessment, information technology security, and data protection.

Below are the audit results that further expand on these areas.

Result #1: The department has fully implemented 106 of previously issued recommendations and has partially implemented 15 recommendations relating to key functions that need to be completed.

The detailed audit results can be found under the Results section of this report (begins on page 6).

Background

Between Calendar Year (CY) 2012 and CY2016, the Internal Audit Division (IAD) has issued twelve internal audit and advisory service reports about operations within the Texas Department of Motor Vehicles (TxDMV, department). These reports reviewed operations in several TxDMV divisions, including the Automobile Burglary Theft & Prevention Authority, Motor Carrier, Information Technology Services, Vehicle Titles & Registration, and the Finance & Administrative Services divisions. The table below provides a summary for each audit that was part of the follow-up.

Report Number and Name	Summary
P12-15 County Equipment Replacement Project Audit	The audit reviewed the Fiscal Year (FY) 2012 County Equipment Replacement Project (CERP), which updated computers, printers, cabling and networking equipment used by the county Tax Assessor-Collectors' (TACs) offices. The audit identified areas of improvement related to project management, inventory management, and technology enhancements.
P13-06 Audit of Agency Cash Handling Operations	The audit reviewed the cash handling process used in FY2011 at the 16 Regional Service Centers (RSCs) and the Finance & Administrative Services Division. The audit identified improvements related to securing cash and checks at the RSCs, including upgrading equipment (e.g., safes, cash counting machines, and check stamps). The audit also identified the need to have a dedicated team for Certified Copy of Title (CCO) applications submitted by mail.
P13-09 Follow up Audit to State Auditor's Office Report 12-043	The follow up audit determined the implementation status of recommendations issued in the State Auditor's Office (SAO) Report 12-043. The SAO audit reviewed the procurement process of contracted goods and services during FY2010 and FY2011. The SAO determined that the department demonstrated inconsistencies in the procurement of contracted goods and services.
P14-14 Follow up Audit on the Implementation of Recommendations	<p>The follow up audit determined the implementation status for recommendations issued in the Organizational Review conducted by the Azmith Group and four SAO audits. The four SAO audits were the following:</p> <ul style="list-style-type: none"> • Audit Report on the Financial Responsibility Verification Program (TexasSure) (No. 10-016), • Audit Report on the Department of Motor Vehicles (No. 11-007), • Audit Report on Contract Management at the Department of Motor Vehicles (No. 12-043), and the • Audit Report on Selected State Entities' Compliance with Requirements Related to the Historically Underutilized Business Program and the State Use Program (No. 13-026).

Report Number and Name	Summary
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	The audit reviewed the Automobile Burglary and Theft Prevention Authority grant program, including the awarding and monitoring of grants. The audit identified several areas of opportunities.
15-1 Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	The audit reviewed the management of the TxDMV's contract workers. The audit identified improvements related to the oversight of contractors, including completing a needs assessment prior to obtaining contractors, improving the procurement process, and overseeing the time worked by the contractors.
15-2 Internal Controls over the State of Texas Titling Processes	The audit reviewed the process for titling vehicles. The audit identified areas of improvement related to monitoring of titling transactions.
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	The audit reviewed the processes used to administer department rules and statutes to register and title motor vehicles through TACs. The audit identified improvements in communicating with the TACs, monitoring late registration fee collections, and potential legislative improvements on registration fee collection.
15-5 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	The confidential audit determined the implementation status of the recommendations from a Texas Administrative Code (TAC) 202 assessment. TAC 202 outlines the Information Security Standards that are required to be followed by the department.
16-2 Implementing an Anti-Fraud, Waste and Abuse Program	The advisory service assessed the TxDMV staffs' preparedness and knowledge in preventing, detecting, and reporting fraud, waste, and abuse and provided recommendations to implement a fraud prevention program.
16-3 Audit on the Efficiency of the Texas International Registration Plan (IRP) Compliance Audit Process	The audit reviewed the International Registration Plan (IRP) Audit Compliance Section within the MCD. The IRP allows licensed commercial vehicles that engage in interstate operations to obtain registration credentials in one jurisdiction. The IRP Audit Compliance Section conducts audits to ensure proper payment is given to all states for commercial vehicles that are registered in Texas. The audit identified areas of improvement related to reviewing audits, developing an annual audit plan, and creating an electronic process for conducting and storing audit documentation.
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	The confidential audit reviewed how the department ensures compliance with the Driver Privacy Protection Act and the Motor Vehicle Records Act. The audit identified improvements related to monitoring usage and legislative changes.

To improve the operations of the reviewed divisions, the IAD issued 136 internal audit recommendations (recommendations) across the 12 reports. One hundred twenty five of these

recommendations had completion dates before January 1, 2017 or had no assigned completion date. Specifically, each report had the following number recommendations:

Report Number and Name	Number of Recommendations in the report	Number of Recommendations with completion dates before January 1, 2017 or no completion date
P12-15 County Equipment Replacement Project Audit	16	16
P13-06 Audit of Agency Cash Handling Operations	17	17
P13-09 Follow up Audit to State Auditor's Office Report 12-043	3	3
P14-14 Follow up Audit on the Implementation of Recommendations	4	4
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	39	39
15-1 Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	13	13
15-2 Internal Controls over the State of Texas Titling Processes	10	9
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	5	5
15-5 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	16	14
16-2 Implementing an Anti-Fraud, Waste and Abuse Program	2	2
16-3 Audit on the Efficiency of the Texas International Registration Plan (IRP) Compliance Audit Process	6	2
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	5	1
Total	136	125

In previous fiscal years, the IAD had not verified the implementation status of recommendations issued in previous internal audit and advisory service reports. As part of the Fiscal Year (FY) 2017 Annual Audit Plan, the IAD decided to verify the implementation status of previously issued recommendations that had a completion date before January 1, 2017 or had no assigned completion date. The IAD determined that a recommendation could have the following implementation status:

- **Fully Implemented:** The department has taken all actions necessary for processes, systems, or policies for a prior recommendation to operate as planned.
- **Partially Implemented:** The department has begun to develop and use processes, systems, or policies to implement a prior recommendation but all elements have not been completed.
- **Not Applicable**¹: The recommendation is no longer relevant.
- **Not Implemented:** The department has not taken any steps to develop a process, system, or policy to address a prior recommendation.

This audit was included in the Fiscal Year 2017 Audit Plan. This follow-up audit was conducted in accordance with Generally Accepted Government Auditing Standards and in conformance with the International Standards for the Professional Practice of Internal Auditing. These standards require that the division plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The IAD believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

The audit was performed by Sandra Menjivar-Suddeath (Internal Audit Director) and reviewed by Mary Lupo (Audit Staff Contractor).

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. In addition, this report was distributed to the Texas Department Of Motor Vehicles' Executive Management Team.

¹ Some recommendations are no longer applicable due to the age of the recommendation and organizational changes.

Follow-Up Results

The department has fully implemented 106 of previously issued recommendations and has partially implemented 15 recommendations relating to key functions that need to be completed.

Condition

The IAD verified that the department had fully implemented 106 recommendations (85%) and had partially implemented 15 recommendations (12%). In addition, four recommendations (3%) were deemed not applicable because of changes to the program, function, or department and zero (0%) recommendation were not implemented. The table below summarizes the verified recommendation status (fully implemented, partially implemented, and not applicable) by each report.

Report Number and Name	Fully Implemented	Partially Implemented	Not Applicable	Grand Total
P12-15 County Equipment Replacement Project Audit	14	1	1	16
P13-06 An Audit of Agency Cash Handling Operations	14	1	2	17
P13-09 A Follow-up Audit to State Auditor's Office Report 12-043	3	0	0	3
P14-14 A Follow up Audit on the Implementation of Recommendations	1	3	0	4
P14-15 An Audit of the Automobile Burglary and Theft Prevention Authority	36	2	1	39
15-1 An Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	13	0	0	13
15-2 Internal Controls over the State of Texas Titling Processes	9	0	0	9
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	5	0	0	5

Report Number and Name	Fully Implemented	Partially Implemented	Not Applicable	Grand Total
15-5 A Confidential Follow-up Audit Report on the Information Security Standards Gap Assessment	9	5	0	14
16-2 Implementing an Anti-Fraud, Waste, and Abuse Program	2	0	0	2
16-3 An Audit on the Efficiency of the Texas International Registration Plan Compliance Audit Process	0	2	0	2
16-04 A Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	0	1	0	1
Grand Total	106 (85%)	15 (12%)	4 (3%)	125

For the fifteen recommendations that were partially implemented, management provided updated completion dates and responses (as needed). The table below summarizes the recommendations and responses and the updated completion date for each report.

Report Number and Name	Summary of Partially Implemented Recommendation(s) and Response(s)	Updated Completion Date(s)
P12-15 County Equipment Refresh Project	One recommendation remains open related to developing an allocation model for toner, registration paper, and other consumables used at the Tax Assessor-Collectors' offices. The Vehicle Titles & Registration (VTR) Division is working with Finance & Administrative Services Division to identify and compile data elements for toners and forms distributed to the TACs and develop a methodology to assist the department in analyzing consumptions.	<ul style="list-style-type: none"> 08/31/2017
13-06 Audit of Agency Cash Handling Operations	One recommendation remains open related to accepting credit and debit cards (cards) at the TxDMV Regional Service Centers (RSCs). The Information Technology Services (ITS) Division	<ul style="list-style-type: none"> 12/31/2018

Report Number and Name	Summary of Partially Implemented Recommendation(s) and Response(s)	Updated Completion Date(s)
	– Information Security Section is working with the VTR Division on piloting a card system at the RSCs.	
P14-14 A Follow-Up Audit on the Implementation of Recommendations	Three recommendations remain open related to developing staff competency models, a Strategic Management System program, and a succession plan and talent management program for the department. The Human Resource Division and the Office of Innovation & Strategy are working on these recommendations.	<ul style="list-style-type: none"> • 08/31/2017 • 12/31/2017 • 01/31/2018
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	Two recommendations remain open related to conducting desk reviews of grantees and updating the audit requirements in the Operational Guide to match in the Uniform Grant Management Standards. The Automobile Burglary and Theft Prevention Authority are updating their procedures.	<ul style="list-style-type: none"> • 12/31/2017 • 12/31/2017
15-5 A Confidential Follow-Up Audit Report on the Information Security Standards Gap	Five recommendations remain open related to gaps identified in a Texas Administrative Code (TAC) 202 assessment. The ITS Division – Information Security Section is working on addressing these recommendations.	<ul style="list-style-type: none"> • 08/31/2017 • 08/31/2017 • 08/31/2017 • 08/31/2017 • 06/30/2018
16-3 An Audit on the Efficiency of the Texas International Registration Plan Compliance Audit Process	Two recommendations remain open related to establishing an electronic audit documentation system and reclassifying staff that conduct the audits to auditors (job audit). An electronic audit documentation system was implemented; however, staff were not using it consistently. In addition, a job audit is in the process of being submitted to the Human Resource Division for review and approval by the Motor Carrier Division.	<ul style="list-style-type: none"> • 08/31/2017 • 12/31/2017
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	One recommendation remains open related to seeking legislative changes to Transportation Code §730.007. Legislation was filed in the 85 th Legislature, but the legislation did not pass. VTR and the Office of General Counsel will propose rules to address the recommendation.	<ul style="list-style-type: none"> • 03/31/2018

For the four recommendations that were deemed not applicable, the table below describes each recommendation and the reason it was considered not applicable.

Report Number and Name	Recommendation	Reason for No Longer Applicable
P12-15 County Equipment Refresh Project	Require staff to utilize the AICS system whenever transferring equipment.	The department began using the Centralized Accounting and Payroll/Personnel System (CAPPS) for all inventory and no longer uses AICS.
13-06 Audit of Agency Cash Handling Operations	The VTR Division should develop or work with the Government and Strategic Communication Division to develop a communication to Tax Assessor-Collector offices to remind them that Vehicle Transfer Notifications (VTNs) no longer require any payment to TxDMV and that updated forms should be used.	Communication was no longer needed as the no-charge VTN transfer policy has been in effective for several years and issues no longer exist with the enforcement of that policy.
13-06 Audit of Agency Cash Handling Operations	Consider implementing a check verification process.	The check verification process is no longer applicable since a pilot will be conducted for accepting debit and credit cards at an RSC in the near future.
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	Review access levels in eGrants periodically to ensure they are appropriate and remove access for users that are no longer with the Automobile Burglary and Theft Prevention Authority or a grantee.	eGrants is no longer used for the management of ABTPA grants and no electronic system was in place during the follow-up.

Appendix 1: Objectives, Scope, and Methodology

Objectives

The objective of this audit was to determine and verify the implementation status of internal audit recommendations issued.

Scope and Methodology

The scope of the audit included any internal audit recommendation that had a completion date before January 1, 2017 or had no assigned completion date for audits issued between Calendar Year 2012 and 2016.

Information and documents that IAD reviewed included the following:

- *Department policies and procedures*
- *Department forms*
- *ABTPA grant documentation*
- *Meeting minutes and notes*
- *Texas legislature documents*
- *TxDMV contractor information*
- *Job descriptions*
- *Division recommendation status documentation*
- *TxDMV Internal Audit Division reports*