License Plate Manufacturing and Monitoring
21-06

Internal Audit Division
July 2021

Texas Department of Motor Vehicles

License Plate Manufacturing and Monitoring, 21-06

Executive Summary

BACKGROUND

The Texas Department of Motor Vehicles (TxDMV) regulates vehicle registration throughout the state of Texas and provides license plates and placards to motor vehicle users. These license plates and manufactured goods are manufactured by the Texas Department of Criminal Justice (TDCJ) for TxDMV.

The objectives of the audit were to determine the following:

- Determine whether the TxDMV effectively allocated and monitored the needs for manufactured license plates and other items.
- Determine whether the TxDMV's contract with TDCJ ensures continuity of goods and services.
- Determine whether manufactured license plates and other items are properly safeguarded until delivery of goods.
- Evaluate whether manufacturing contract roles and responsibilities are aligned appropriately.

RECOMMENDATIONS

The Internal Audit Division (IAD) made nine recommendations to strengthen inventory monitoring activities of license plate sequence generation, supply needs identification, labor-needs prioritization, and inventory software access and security. Four recommendations were rated HIGH; five recommendations were rated LOW.

RESULTS

IAD found that the license plate manufacturing and monitoring process is at a level 2 - Repeatable but Intuitive.

The audit identified that the TxDMV relies on TDCJ to determine which approved license plate sequences will be produced, however the TxDMV does not independently validate the produced license plate sequence are accurate.

The audit also identified that monitoring of license plates and other supplies at the Regional Service Centers and Tax Assessor-Collectors' Offices does not occur, potentially resulting in supplies not being available when needed. The audit identified that the TxDMV's interagency agreement with TDCJ is not designed to allow the TxDMV to prioritize its warehouse management and shipping needs.

The audit identified that the cloud-based inventory software used to support the manufactured goods process has access concerns. Additionally, the internally developed Access database used for inventory ordering and invoicing has security concerns.

MANAGEMENT RESPONSE

Management appreciates the time and effort the TxDMV Internal Audit Division provided on this needed review and will work toward implementing the recommendations as identified in the audit.

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Overall Conclusion

Maturity Assessment Rating

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

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

Strengths

+ Staff are focused on meeting customer needs to help deliver manufactured goods for customers. On average, it takes four days to receive an order and ship it to the customers.

+ Staff are dedicated employees that take significant pride in the work they conduct for the TxDMV.

+ The TxDMV proactively attempted to resolve issues that have presented themselves over past year by revising the interagency contract with the Texas Department of Criminal Justice (TDCJ).

+ The Compliance and Investigation Division (CID) created a monthly inventory report that is designed to evaluate minimum inventory on-hand at Tax Assessor-Collectors (TAC) offices. The report is based on a 5-year average usage. While it has not been updated since fiscal year (FY) 2019 to incorporate the anomalies that have occurred in the past two years, the methodology provides information to help monitor inventory needs.

Improvement

The IAD identified four results to improve monitoring of license plate sequence generation and customer supply needs and to improve the labor needs prioritization and information technology systems access and security. Below are the audit results that further expand on these areas (click on the links to go directly to the result and recommendations).

– **Audit Results #1: License Plate Sequence information is not independently validated by the TxDMV.**

  - Recommendation 1.1: The TxDMV should develop a method of validating the information in the Excel Spreadsheet to ensure accuracy prior to a production run and at the beginning of the fiscal year. (HIGH)

  - Recommendation 1.2: The TxDMV should consider updating the interagency agreement to include information on the production sequencing requirements. (LOW)

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- **Audit Results #2: Supply needs are not sufficiently monitored to help deliver key goods and services of customers.**
    - Recommendation 2.1:The TxDMV should consider ensuring the Inventory Monitoring Report is up to date. (LOW)
    - Recommendation 2.2: VTR should consider updating the Regional Services Section Manual to include formalizing implementation and usage of the Inventory Monitoring report. (HIGH)
    - Recommendation 2.3: The TxDMV should consider standardizing inventory receiving processes to monitor inventory levels and needs of its customers. (HIGH)
- **Audit Results #3: The TxDMV's contract with the Texas Department of Criminal Justice does not sufficiently allow the TxDMV to manage or prioritize its needs.**
    - Recommendation 3.1: The TxDMV should consider revising the interagency agreement to include requirements related direction of production and shipping needs and to include service level agreements on the production and shipment of manufactured goods. (LOW)
- **Audit Result #4: Information Technology systems that support the manufactured goods process have access and security concerns.**
    - Recommendation 4.1: FAS Division should document its process to ensure StockQuery access. (LOW)
    - Recommendation 4.2: FAS Division should work with the Information Technology Services Division to evaluate whether StockQuery should continue to be managed by ITSD or whether processes could be implemented to ensure ITSD is aware of the application and its needs. (LOW)
    - Recommendation 4.3: ITSD should review the Allocation Database to remediate non-compliant access configuration. (HIGH)

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

Observations

The TxDMV should continue to work and review which division should be responsible for the license plate manufacturing process. The majority of roles and responsibilities in the license plate manufacturing processes are conducted by key divisions that are not responsible in contract management or oversight of the contract. IAD identified 72 processes in license plate manufacturing and monitoring performed by 56 Departmental employees across four divisions. These 56 employees are assigned to VTR (71%), CID (17%), FAS (8%), and MVD (4%). Additionally, VTR develops and approves omitted license plate production sequences used to

create the license plates. However, the FAS Divisions oversees contract development and monitoring.

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Background

The Texas Department of Motor Vehicles (TxDMV) regulates vehicle registration throughout the state of Texas. TxDMV manufactures, through the Texas Department of Criminal Justice (TDCJ), license plates, handicap placards, decals, dealer stickers, annual permit stickers and forms to help regulate vehicle registration.

In fiscal year 2021, TxDMV signed an interagency agreement with TDCJ to manufacture 10.9 million general, specialty, motorcycle and dealer license plates and 1.06 million handicap placards, annual permit sticker, and dealer stickers. The agreement stipulated that cost cannot exceed $16.6 million and TDJC provides warehouse and manufacturing labor that includes both TDCJ employees and over 130 offenders, site facilities, equipment, and production of raw material. The manufactured goods are produced at the TDCJ Wynne Unit in Huntsville, Texas.

The Wynne Unit is also the work location of two TxDMV employees. The employees monitor license plate production, manage finished goods inventory, receive orders, and manage shipments.

Manufactured Goods Ordering Process

Manufactured goods, including license plates, are ordered by Tax Assessor Collectors (TACs) and TxDMV Regional Service Centers (RSCs) when inventory is needed. TACs order license plates using a TxDMV-designed order form and submit the form to their assigned RSC, which reviews the order for completeness and against the monthly inventory report developed and maintained by CID. After the RSC review, it is submitted to the Abilene RSC for additional review.

On a daily basis, the Abilene RSC compiles all orders received and submits them to the Finance and Administrative Services (FAS) Division for handling. Specifically, the orders are submitted by email to the Allocations Section within FAS. The Allocations Section compiles the orders and enters the orders in the Allocations database.

The database generates order information, including an order list used by the TxDMV staff at the Wynne Unit to fulfill the order. Other orders are received directly by email from the Motor Vehicle Division (MVD). TxDMV staff at the Wynne Unit process those emails, but they are not entered in the Allocation Database.

Upon receipt of the order, the TxDMV Wynne Unit Program Specialists fulfill orders using already-manufactured warehouse inventory. The inventory is boxed and shipped using 3rd party carriers. Once the order is shipped and received at its destination, TACs and RSCs inspect the shipped boxes and ensure that the items ordered match the items physically delivered. After physical inspection, inventory items such as general license plates and placards are received in the Registration and Tracking System (RTS), apportioned plates are received in Texas International Registration Plan (TxIRP). Finally, MVD enters dealer license plates and stickers into the eLICENSING system.

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Manufactured Goods Process

The manufactured goods are created by TDCJ with TxDMV guidance on the items to be manufactured. For license plates, TxDMV provides TDCJ a list of character combinations to omit from license plate production; character combinations identified as offensive or difficult to read are omitted from the provided sequence list. The list is created by the Vehicle Titles and Registration (VTR) Division. TDCJ uses this list to generate license plate sequences to produce for the year and for each production run. The sequence generation is produced through an Excel database developed and maintained by TDCJ offenders.

Once license plates or other manufactured goods are produced, they are entered into StockQuery, a third-party cloud application managed by FAS. StockQuery is used by FAS to manage the inventory at the Wynne Unit.

Engagement

During the engagement, the IAD coordinated with the TDCJ Internal Audit Division. TDCJ Internal Audit conducted an interagency contractual compliance engagement, which focused on billing and production specification compliance. The two internal audit teams discussed shared risks and coordinated meetings at the Wynne Unit. The audit teams communicated throughout the engagement.

Audit Engagement Team

The audit was performed by Jason Gonzalez, (Senior. Internal Auditor), Jacob Geray (Internal Auditor), Frances Barker (Internal Auditor – Quality Assurance) and Sandra Menjivar-Suddeath (Internal Audit Director).

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Audit Results

Results #1: License Plate Sequence information is not independently validated by the TxDMV.

Current State (Condition)

The license plate sequences to be produced are dependent on an Excel spreadsheet managed and developed by TDCJ offender labor. Each time license plates are to be produced; the Excel spreadsheet is used to generate the sequencing for that production run. TxDMV does not verify that the sequences produced by the Excel spreadsheet are correct and accurately reflect the intended sequences to be produced.

TDCJ informed the auditors that new license plate machines would make the Excel spreadsheet obsolete, as the new machines will have software that automatically generates sequences given information from the TxDMV; however, no timeline on when the new machines will be operational was identified.

Impact (Effect)

The license plate production process has produced duplicate license plates and has skipped license plate sequences due to incorrect programming of the Excel spreadsheet. In these instances, the issue was identified after the license plates were produced either by the Allocation Database attempting to assign a license plate sequence that had not been manufactured, or when a TAC office identified they had issued duplicate plates due to customer complaint.

Cause

Although the TxDMV's Allocation Access database is programmed with the correct sequencing information, the database has not been able to generate a report that would give management the ability to validate the sequences generated by the Excel spreadsheet prior to a production run. The TxDMV has also not developed a process to monitor the accuracy of the sequencing until after the production run has occurred and/or delivered. The TxDMV's interagency agreement with TDCJ does not define license plate sequencing production requirements.

Expected State (Criteria)

Systems should generate accurate information to ensure reliability of the information and management can monitor and make sound business decisions.

Evidence

The Internal Audit Division (IAD) examined TDCJ's license plate number sequence generation and license plate production processes at the TDCJ Wynne Unit's manufacturing and warehouse facility and identified the following:

- Determination of license plate sequencing was done through an Excel spreadsheet that was programmed to include all available sequence and omissions. The spreadsheet produces the beginning and ending sequence of each production run, which is entered into the machine that manufactures the plates.

- The Excel spreadsheet was created by an offender who was mainly responsible for the programming and implementation of the spreadsheet. The Excel spreadsheet is backed up weekly; however, the backups have not been tested for accuracy.
- While access is controlled by TDCJ employees, the Excel spreadsheet is not reviewed or monitored by anyone that works at TDCJ. During the examination, the IAD identified that the FAS Division does not perform accuracy monitoring.
- In September 2020, the TxDMV approved license plate production for the 998#950K through 248#949M license plate series. The L series of plates should have been produced; however, the production of the L series was not performed by TDCJ because the Excel spreadsheet had incorrect information about which series to omit. The error was caught when the TxDMV's Allocation database attempted to allocate the L series to a customer, but there was no L series to ship.
- In October 2019, the TxDMV identified 262 duplicate license plates had been produced, entered into RTS, and issued to customers.

Recommendations

1.1 The TxDMV should develop a method of validating the information in the Excel Spreadsheet to ensure accuracy prior to a production run and at the beginning of the fiscal year. **(HIGH)**

1.2 The TxDMV should consider updating the interagency agreement to include information on the production sequencing requirements. **(LOW)**

Management Response and Action Plan

Management Response and Action Plan 1.1

FAS Management agrees with this recommendation. TxDMV is able to obtain a pre-production report from TDCJ at the beginning of each fiscal year. Currently, there is not a mechanism in place to provide information to validate the report information against to ensure accuracy (i.e., a program that create a formula using a starting sequence, the number of plates to be generated and can automate sequence omits to determine appropriate ending sequences). If TDCJ is unable to obtain the proposed new machines with software that automatically generates these sequences within a reasonable timeframe, FAS recommends submitting a ticket to TxDMV Information Technology Services requesting they either develop a new allocations program and/or enhance the existing allocations database so our own system might be able to provide this information for validation purposes.

Management Action Plan Owner

Ann Pierce, FAS, Assistant Division Director

Anticipated Completion Date

12/01/2021

Management Response and Action Plan 1.2

FAS Management agrees with this recommendation and will coordinate with TDCJ during the FY22 contract negotiations to add this as a new clause.

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Management Action Plan Owner
Ann Pierce, FAS, Assistant Division Director

Anticipated Completion Date
12/01/2021

Return to Overall Summary

Results #2: Supply needs are not sufficiently monitored to help deliver key goods and services of customers.

Current State (Condition)

License plates and other manufactured goods (handicap placards, controlled papers) are ordered by Regional Service Centers, Tax-Assessor Collectors Offices, Motor Vehicle Division, and the Motor Carrier Division. The majority of orders are from the Regional Service Centers or Tax-Assessor Collectors Office.

These orders are processed and shipped to their respective destination by three different shipping companies. Prior to this this fiscal year, shipments were not tracked by the TxDMV, which relied on the ordering unit to notify them if there was an issue with their order. During this fiscal, the TxDMV began documenting shipment information to more easily identify shipping issues communicated by customers.

Once the ordered materials are delivered to the ordering unit, they may be received in inventory immediately or at a later date into at least three different systems (RTS, eLICENSING, TxIRP). For example, the MVD only receives the ordered material into eLICENSING in small batches, not all at once. RSCs and Tax Assessor-Collectors receive within RTS, however, the order may not be received within RTS or TxIRP when the material is received.

Impact (Effect)

The TxDMV is not able to meet the needs of both its internal and external customers as they may not be aware of what the supply needs are for their customers.

At the beginning of the COVID-19 pandemic, the TxDMV experienced a significant increase in ordering, shipping, and inventory receiving problems impacting the TxDMV's ability to meet customer needs due to Wynne Unit lockdown. Between FY 2019 and FY2020, the TxDMV saw an increase of 324% orders marked urgent due to shortages or other errors. Of the increase, 58% were related to critically low inventory at TACs or TAC sub-stations.

Additionally, inventory is not accurately reflected in the multiple inventory recording systems, since it is not received in the system, on average, until four days after delivery.

Cause

TxDMV has not established monitoring or consistent receiving processes for manufactured goods. While the Compliance and Investigation Division has developed the monthly inventory report to ensure Tax Assessor-Collectors offices have at least two months of manufactured goods in inventory, the Regional Services Centers do not consistently utilize the report because it has not been updated in a couple of years. RSCs that do utilize the report use it to validate TAC inventory orders instead of monitoring supply levels.

Although the Regional Services Section Manual discusses the need to verify inventory and receive it upon delivery, the TxDMV has not established receiving timelines for RSCs or TACs to receive inventory after delivery.

Expected State (Criteria)

Monitoring of processes and inventory allows the TxDMV to ensure that ordering and receiving processes are working as intended and items on hand accurately reflect what has been shipped. It allows the TxDMV to identify potential process issues before they impact customers.

Evidence

IAD reviewed orders from FY2019 to FY2020 as well as reviewed conducting interviews with Regional Service Center management:

- 16 Regional Service Centers were surveyed concerning the utilization of the Monthly Inventory Monitoring Report of which 11 Regional Service Centers provided a response:
    - 9 of 11 (82%) reported they use the monitoring report to validate reasonableness of TAC orders, order validation does not include monitoring inventory supply to ensure customer needs are met in the case of emergency or prison lockdown.
    - 2 of 11 (18%) reported they either do not use the report due to information being out of date.
- From March to August, the TxDMV received 251 orders or order-related emails in FY 2019. Order emails significantly increased during that same time in FY 2020 as the TxDMV received 1,673 order via emails.
    - A review of those email orders from FY 2019 (March through August) to FY 2020 (March through August) saw an increase of 51 to 216, or 324% increase, in orders that were marked as urgent needs from customers.
    - Of the 216 emails, 126 were related to critically low inventory for 89 RSCs, TACs, or TAC sub-stations.
        - 16 of 216 emails were related to incorrect shipments or incorrect receipts, due to not having receiving processes that immediately identify warehousing issues.
- An analysis of inventory items received in RTS identified that from May 2020 through August 2020 IAD estimates that it took an average of 4 days from the delivery of goods to receipt in RTS, with a minimum of same day receipt and a maximum of 54 days to receive. However, IAD is unsure of the data reliability as 21 records were documented as “received” in the system prior to recorded delivery date.
- An analysis of MVD dealer license plates and stickers inventory receiving processes, identified that dealer stickers are received into eLICENSING in 2,000 sticker increments. For example, when 50,000 stickers are physically received, only 2,000 are received into the systems.

Recommendations

2.1 The TxDMV should consider ensuring the Inventory Monitoring Report is up to date. **(LOW)**

2.2 VTR should consider updating the Regional Services Section Manual to include formalizing implementation and usage of the Inventory Monitoring report. **(LOW)**

2.3 The TxDMV should consider standardizing inventory receiving processes to monitor inventory levels and needs of its customers. **(HIGH)**

Management Response and Action Plan

Management Response and Action Plan 2.1

Management agrees with the recommendation. Compliance & Investigations Division (CID) has requested an updated 2020 inventory report from ITSD and will proceed to update the Inventory Monitoring Report with CY 2020 data. CID will further ensure that the report is updated on an annual basis going forward to reflect updated inventory counts.

Management Action Plan Owners:

Corrie Thompson, Interim Director, CID
Charlie Escobedo, Manager, CID- Field Services Section

Anticipated Completion Date

12/01/2021

Management Response and Action Plan 2.2

Management agrees with the recommendation to update the Regional Services Section Manual.

Management Action Plan Owners

Roland D. Luna, Sr., Director, VTR
William Diggs, Regional Services Section Chief, VTR

Anticipated Completion Date

12/01/2021

Management Response and Action Plan 2.3

Management agrees with the recommendation and will update the Regional Services Section Manual to reflect the inventory thresholds utilized by VTR and CID. VTR and CID developed a minimum supply of three (3) months and a maximum amount of two (2) years of inventory. The methodology used to determine the minimum and maximum was based on an average inventory sold by year. Field Service Representatives update the tracking mechanism and disseminate to Regional Service Center Managers to assist with county inventory orders. Each county has the discretion to adjust inventory levels within the prescribed parameters to achieve operational effectiveness.

Management Action Plan Owners

Roland Luna, Sr., Director, VTR
William Diggs, Regional Services Section Chief, VTR

Anticipated Completion Date

12/01/2021

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Results #3: The TxDMV's contract with the Texas Department of Criminal Justice does not sufficiently allow the TxDMV to manage or prioritize its needs.

Current State (Condition)

The TxDMV has an interagency agreement with the Texas Department of Criminal Justice (TDCJ) for the production and shipping of manufactured goods. The TxDMV, through the interagency agreement, relies upon both TDCJ employee labor and offender labor for production and shipment of manufactured goods. While the agreement states TDCJ will provide labor to manufacture and ship finished goods, including employee labor, the agreement does not provide the TxDMV with the authority to direct or prioritize how the labor will be used on a regular basis. The agreement further does not provide the TxDMV with ability to monitor if the needs of the TxDMV are being fulfilled as the agreement does not have any service level requirements for when items should be produced or shipped.

Impact (Effect)

As the manufactured goods are produced and shipped from within a prison unit, it is normal to have periods where offender or TDCJ employee labor is not regularly available to fulfill the interagency agreement needs (e.g., lockdowns). Prior to an extended lockdown due to COVID-19, TDCJ provided up to 148 offender laborers for production and warehousing needs. During the extended lockdown that occurred during the beginning of COVID-19, only 40 offender laborers and 12 TDCJ employees were available to fulfill the needs of the contract, including the production and shipping of manufactured goods. The TxDMV was not able to ship manufactured goods during the extended lockdown period. Although the TxDMV needed warehouse and shipping services, TDCJ focused on producing license plates. TDCJ produced 5,736,040, an increase of 248,962 general issue license plates from the previous year, during the extended lockdown, even though management has asserted that the TxDMV maintains a 9 month supply of already-manufactured, general inventory.

Cause

Although the TxDMV made significant revisions to the contract for FY2021, including a requirement that TDCJ inform the TxDMV of service disruption within two hours, the TxDMV still relies on informal agreements concerning labor assignment to ensure that shipment and warehouse needs are prioritized over production during lockdowns. As personnel has changed over the past two years, those informal agreements are not always adhered to. Further, the contract has been developed to pay on the production of the manufactured goods.

Expected State (Criteria)

The Texas Comptroller Procurement and Contract Management Guide states that when developing the scope of work, the agency should consider the strategy it will utilize to monitor the quality of the contractor’s performance. The Comptroller Guide also states that the contract should have specifications in a manner with a clear description of products and services to be provided. Typically, this occurs through clear definition of services needed, to include timelines.

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Evidence

IAD reviewed the current TDCJ and TxDMV interagency contract to determine whether the contract is designed to allow TxDMV management to determine prioritization over general issue license plates and reviewed production and shipping that occurred during FY2020. Through that review IAD identified the following:

- Interagency Agreement does not have any information on required level of service, including when items will be produced or shipped.
- Contract is not designed to allow TxDMV management to determine prioritization for labor assignments, such as warehouse needs rather than license plate production.
- Contract does not provide TxDMV authority to assign or request offender or TDCJ labor for warehouse needs, e.g. forklift operation and finished goods preparation for shipment.
- Contract does not define warehouse roles and responsibilities – forklift operation, preparation for shipment (pulling goods from finished goods inventory to staging and preparation for shipment, including bill of lading documentation).
- A comparison of license plate production from March 2019 through August 2019 and March 2020 through August 2020 identified 248,962 (5%) more plates were produced during the COVID-19 pandemic than the previous year. The TxDMV incurred an increase in license plate cost of $36,348 over the same timeframe.

Recommendation

3.1 The TxDMV should consider revising the interagency agreement to include requirements related to direction of production and shipping needs and to include service level agreements on the production and shipment of manufactured goods. **(LOW)**

Management Response and Action Plan

Management Response and Action Plan 3.1

Management agrees with the recommendation and will consider additional revisions to the interagency agreement as suggested.

Management Action Plan Owner

Ann Pierce, FAS, Assistant Division Director

Anticipated Completion Date

December 1, 2021

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Audit Result #4: Information Technology systems that support the manufactured goods process have access and security concerns.

Condition

While the TxDMV has several systems to receive and ship manufactured goods, the TxDMV relies on two systems to track of inventory at the Wynne Unit and to allocate inventory to the Regional Service Centers and Tax Assessor-Collectors Office: StockQuery and the Allocation Database.

StockQuery is managed by FAS Division without ITSD support. StockQuery's access had not been appropriately managed prior to the audit, as the application's administrator was a terminated employee and user credentials were being shared by two current employees. However, FAS Division took corrective action after IAD informed them of the issues, and both were resolved prior to the end of the audit.

The Allocation Database is a critical application due to its role in inventory and assignment of manufactured goods to be shipped, but the database and the application are based on Microsoft Access. While reviewing source code, auditors found non-compliant access configuration.

Effect

Inappropriate access and insecure applications may cause increase security vulnerabilities to the TxDMV. Further, appropriate technical support may not be available if key technical resources leave the organization or end users are unable to identify these resources.

Cause

The termination process in place does not ensure that all terminated employees and contractors have had their complete access to StockQuery revoked in a timely manner.

The Allocations Database has not been evaluated to ensure the application has the stability and security needed to ensure it can securely and reliably meet the needs of the TxDMV.

Expected State (Criteria)

The Texas Cybersecurity Framework states that processes should be in place to ensure access to applications is limited to authorized users and unused accounts should be disabled. The Framework further discusses that systems and applications should be evaluated to ensure the design and architecture mitigate threats within the TxDMV's risk tolerance.

Evidence

IAD reviewed access permission for StockQuery and the Allocation Database and identified the following:

- StockQuery is managed and overseen by FAS Division without any ITSD oversight although ITSD is responsible for TxDMV applications.

- 2 of 3 (67%) of StockQuery users who had active access were no longer with the TxDMV.
    - The administrator of StockQuery was one of the users that was no longer with the TxDMV. This issue was corrected during the audit and a new administrator was selected.
- A StockQuery credential was being shared. The credential was used by both employees to log into the application and review inventory information.
    - This issue was corrected during the audit. IAD validated that log in credentials exist for four active employees.
- The Allocation Database is on an Access platform for both the Application and Database.
- A review of code and functions within the Allocation Database application identified the user information to log into RTS Data Server from the application did not conform to Department policy and standards.

Recommendation

4.1 FAS Division should document its process to ensure StockQuery access. **(LOW)**

4.2 FAS Division should work with the Information Technology Services Division to evaluate whether StockQuery access and administration should continue to be managed by FAS, or whether it should be subject to formal access management overseen by ITSD. **(LOW)**

4.3 ITSD should review the Allocation Database to remediate non-compliant access configuration. **(HIGH)**

Management Response and Action Plan

Management Response and Action Plan 4.1
Management agrees with this recommendation. FAS-ADM will develop an appropriate Standard Operating Procedure (SOP) for implementation.

Management Action Plan Owner
Ann Pierce, FAS, Assistant Division Director

Anticipated Completion Date
12/01/2021

Management Response and Action Plan 4.2
Management agrees with this recommendation. FAS-ADM will submit an IT ticket to request ITSD work with FAS-ADM to evaluate whether StockQuery should continue to be managed by ITSD or whether processes could be implemented to ensure ITSD is aware of the application and its needs.

Management Action Plan Owner
Ann Pierce, Administrative Services, Assistant Division Director

Anticipated Completion Date
12/01/2021

Management Response and Action Plan 4.3
ITSD agrees with this recommendation. ITSD will review the Allocation Database to remediate non-compliant access configuration or explore other risk mitigation options.

Management Action Plan Owner
David Brandon, ITSD Application Development Director,

Anticipated Completion Date
6/1/2022

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

Objectives

The audit objectives were the following:

- Determine whether the TxDMV effectively allocated and monitored the needs for manufactured license plates and other items.
- Determine whether the TxDMV's contract with TDCJ ensures continuity of goods and services.
- Determine whether manufactured license plates and other items are properly safeguarded until delivery of goods.
- Evaluate whether manufacturing contract roles and responsibilities are aligned appropriately.

Scope and Methodology

The scope of the audit included assessment of inventory ordering, production, warehouse, order fulfillment, shipping, and inventory receipt. The coverage period was September 1, 2018 through March 30, 2021.

Information and documents reviewed in the audit included the following:

- License Plate Production and Warehousing Interagency Agreement between TDCJ and TxDMV signed August 2019
- License Plate Production and Warehousing Interagency Agreement between TDCJ and TxDMV signed February 2021
- Interviews with MVD, VTR, RSC, CID, MCD, FAS, and TAC management and staff.
- CID Monthly Inventory Monitoring Reports
- License Plate Sequence Generation Tables
- TDCJ License Plate Sequence Generations Excel Database
- eLICENSING Inventory Reports
- TxIRP Inventory Reports and Design Documents
- RTS Inventory Reports
- Allocations Database emails from March through August 2019 and 2020
- Allocations Database tables and source code
- Regional Services Section Manual

This audit was included in the FY 2021 Audit Plan. IAD conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with

the Internal Standards for the Professional Practice of Internal Auditing. Those standards require that IAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. IAD believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives

COSO Elements

This engagement reviewed risks and controls that were relevant to the audit objective. As part of the evaluation and testing of the risks and controls, the audit team used the following COSO components and principles as depicted in table 1:

Table 1. COSO Elements and Principles in Scope

COSO Element	Definition	Applicable Principles
Control Environment	The foundation for an internal control system as it is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It provides the discipline and structure to help an entity achieve its objectives. The TxDMV Board and executive management establish the tone at the top regarding the importance of internal control including expected standards of conduct.	5 - The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Control Activities	The actions management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes TxDMV's information systems.	11 - The organization selects and develops general control activities over technology to support the achievement of objectives. 12 - The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
Information and Communication	The quality information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.	13 - The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
Monitoring	The activities establishes and operates to assess the quality of performance over time. The activities include ongoing	16 -The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the

COSO Element	Definition	Applicable Principles
	evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning.	components of internal control are present and functioning.

Report Distribution

In accordance with the Texas Internal Auditing Act, Texas Government Code Chapter 2102, 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, the State Auditor's Office, and the Sunset Advisory Commission.

Ratings Information

Maturity Assessment 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. The ratings and definitions are provided in Table 2.

Table 2. Maturity Assessment Rating Definitions

Rating	Name	Definition
0	Non-Existent	The function used no process since a standardized process is not defined or being used.
1	Initial and Ad-Hoc	The function used an ad hoc approach when issues arise because a standardized process is not defined.
2	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.
3	Defined	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.

Return to Overall Summary

Rating	Name	Definition
4	Managed and Measurable	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	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. The criteria for Low and High Priority are documented in Table 3.

Table 3. Recommendation Priority Criteria

Priority	Criteria
Low	▪ Requires only a written policy or procedure update ▪ Is within an acceptable range of risk tolerance for the Department ▪ A non-reoccurring or regulatory external audit issue
High	▪ Executive Management or Board Request ▪ Not within an acceptable range of the risk tolerance of the division ▪ New process had to be developed to address recommendations ▪ Regulatory impact or reoccurring issue