



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Quality Assurance and Improvement Program Report 25-02

Internal Audit Division
October 2024

Quality Assurance and Improvement Program Report, 25-02

Executive Summary

The Internal Audit Division (IAD) at the Texas Department of Motor Vehicles (TxDMV or Department) follows (1) the audit standards prescribed by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards), (2) U.S. Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS); and (3) Texas Internal Auditing Act, Texas Government Code. These audit standards require IAD to develop and maintain a Quality Assurance and Improvement Program (QAIP) that includes both internal and external assessments.

Internal assessments include ongoing monitoring of the performance of the internal audit activity as well as annual self-assessment reviews. The IIA Standards require the results of internal assessments be communicated to the governing board annually.

WHAT WE FOUND

IAD issued five results from its internal assessment:



Result #1 and #2: IAD met compliance and performance audit standards.



Result #3: IAD met 4 of 5 metrics in its key performance indicators.



Result #4: IAD maintained its level 4 on the capability model.



Result #5: IAD received and referred 65 fraud, waste, and abuse allegations.

WHAT WE RECOMMEND



Recommendation #1: IAD should continue tracking all internal and external audit recommendations and ensure that recommendations are being implemented.



Recommendation #2: IAD should continue to track and monitor fraud, waste, and abuse complaints received.



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Background

The Internal Audit Division (IAD) at the Texas Department of Motor Vehicles (TxDMV or Department) follows audit standards prescribed by:

- (1) the audit standards prescribed by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards), the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics;
- (2) U.S. Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS); and
- (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act).

These audit standards require IAD to develop and maintain a Quality Assurance and Improvement Program (QAIP) that includes both internal and external assessments:

[Internal assessments](#) are ongoing monitoring of the performance of the internal audit activity, as well as annual self-assessment reviews. The IIA Standards require the results of the internal assessments to be communicated to the governing board annually. Internal assessments include a review of all audit documentation, audit recommendations, and reports for each engagement conducted by IAD in a fiscal year (FY) prior to finalizing an engagement file. The annual self-assessment includes verifying that IAD followed all required compliance and performance audit standards. In addition, IAD provides progress and results on the following:

- Key Performance Indicators (KPIs);
- Institute of Internal Auditors (IIA) – Internal Audit Capability Model for the Public Sector (Capability Model); and,
- Fraud, waste, and abuse allegations and disposition.

[External assessment \(Peer Review\)](#) is a review of the IAD conducted by a qualified, knowledgeable external party (Peer Review team). This review results in a report rendering an overall opinion on whether IAD complied with audit standards. The external assessment may also provide feedback on operational or strategic issues. IAD received its most recent Peer Review in March 2021. IAD implemented the Peer Review recommendation in FY2022.

Audit Engagement Team

The assessment was performed by Sonja Murillo, Sr. Internal Auditor and Jason Gonzalez, Interim Internal Audit Director.

Assessment Results

Assessment Result #1: IAD met compliance standards

IAD met all compliance standards based on a review of the IAD's audit charter, standard operating procedures, and engagement control programs. IAD was in adherence with all compliance standards:

- **Purpose, Authority, and Responsibility** - The internal audit function must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Institute of Internal Auditors (IIA) Standards, and the Definition of Internal Auditing). The IAD internal audit charter covering FY2024 was approved by the TxDMV Board in August 2022.
- **Independence and Objectivity** - The internal audit function must be independent and perform work in an objective manner.
- **Proficiency and Due Professional Care** - Engagements must be performed by staff who are proficient and have due professional care.
- **Quality Assurance and Improvement Program** - A quality assurance and improvement program must be established and must enable an evaluation of the internal audit function's conformance with the audit standards and any applicable other requirements. The program should also assess the efficiency and effectiveness of the internal audit function and identify opportunities for improvement for the function.
- **Managing the Internal Audit Activity** - The internal audit function must be effectively managed to ensure it adds value to the organization.
- **Nature of Work** - The internal audit function must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.
- **Monitoring Progress** - A system to monitor the disposition of results must be established, maintained, and communicated.

Assessment Result #2: IAD met performance audit standards

IAD reviewed the FY2024 Investigation Processes Audit to determine compliance with performance standards when planning, performing, and communicating engagement. IAD adhered to all performance audit standards:

- **Engagement Planning** - A plan must be developed and documented for each engagement.
- **Performing the Engagement** - Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.
- **Communicating Results** - Results from the audit engagements must be communicated to management and others in charge of governance. Audit results were communicated to the Department's Enforcement Division and in the August 2024 Department Board meeting.

Assessment Result #3: IAD should ensure, when possible, recommendations are implemented timely.

IAD has seven key performance indicators (KPIs) to measure the audit function's effectiveness and efficiency. IAD met 4 of 5 KPIs.

KPI #1: Percentage of audit recommendations overdue – IAD monitors the Department's implementation for internal and external audit recommendations. In FY2024, IAD tracked 45 audit recommendations consisting of 34 *internal* and 11 *external* audit recommendations.

IAD ended FY2024 with 16 of 45 (36%) audit recommendations overdue not meeting its goal of 20% or less. The overdue recommendations consist of 15 internal and 1 external audit. The Department is currently working with the Information Technology Systems Division on implementing new systems therefore, outstanding items are currently in progress and are being closely monitored.

IAD should continue tracking all internal and external audit recommendations and ensure that divisions are providing status updates on the progress of outstanding recommendations.

KPI #2: Percentage of audit plan completed – IAD completed 6 of 7 (90%) engagements listed in the FY2024 Internal Audit Plan, exceeding the 80% goal. The one engagement not completed is an audit that was completed in FY2024 but the report was not released until FY2025.

KPI #3: Percentage of complaint referred or investigated within 10 days – IAD referred 83% of complaints received within 10 days of exceeding the 80% goal.

In FY24 IAD received 65 complaints that consisted of 55 from the State Auditor's Office and 10 from external sources.

KPI #4: Number of internal audit education efforts conducted annually – IAD has a goal of completing four educational and outreach efforts. In FY2024, IAD met its goal by conducting four educational and outreach efforts as seen in Figure 2.

Figure 2: Educational and Outreach Efforts Conducted

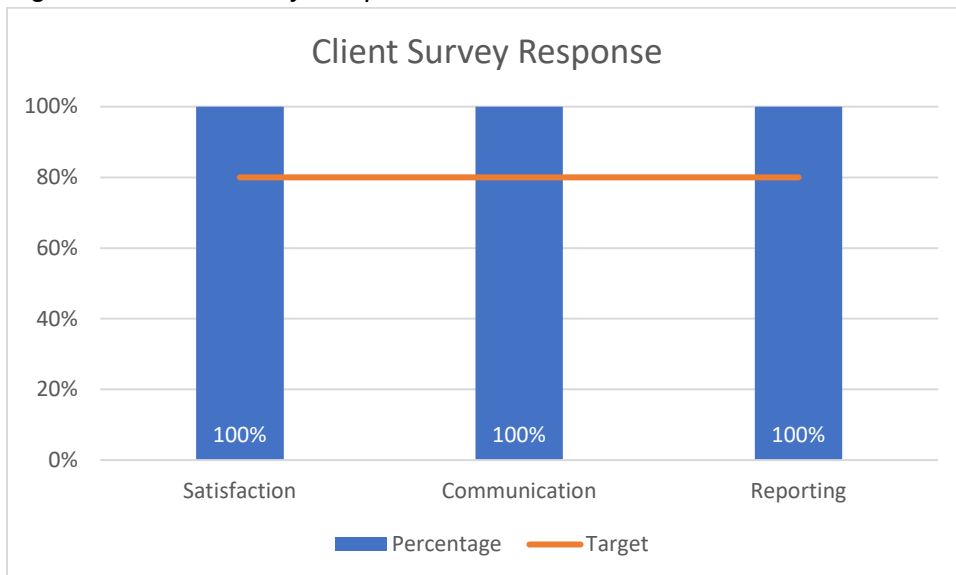
Number	Quarter	Topic	Audience
1	2	COSO Framework (E-team)	Internal
2	3	St. Edward's University Lunch and Learn	External
3	3	Client Educational Updates	Internal
4	4	Client Educational Updates	Internal

KPI #5, #6, #7: Survey results on client satisfaction, communication, and reporting – For three KPIs, IAD uses post-engagement surveys to determine Department staff's overall satisfaction with the engagement. The three metrics are:

- **Satisfaction:** Percentage in client survey who agree IAD provided value for the Department and/or Division
- **Communication:** Percentage in client survey who agree IAD communicated the status of audit work throughout the audit
- **Reporting:** Percentage in client survey who agree that the audit report was accurate, clear, and engaging to read.

Figure 3 below depicts the survey results with satisfaction at 100%, communication at 100%, and reporting at 100%, exceeding the goal of 80% for each area. These survey results are based on the Regional Services Audit, the Investigation Processes Audit, and the Inventory and Assets Audit, all of which were completed in FY2024.

Figure 3: Client Survey Responses



Assessment Result #4: IAD maintained its level 4 on the capability model

IAD tracks its effectiveness through the *Capability Model for the Public Sector*. The goal for the division is to achieve *Level 5*, Optimizing. In 2018, IAD was at a *Level 2*, Informal and Reactive. Since then, IAD has consistently improved with each fiscal year. In FY2024, IAD maintained a capability model of *Level 4*, *Predictable*. For example, IAD supports professional bodies, including external participants in education and outreach efforts as mentioned above. Also, IAD reports to top-level authority in the Department for governance structure and IAD provides management with insight into organizational risks.

Figure 4: FY2023 TxDMV IAD Capability Model

	Services and Role of IAD	People Management	Professional Practices	Performance Management and Accountability	Organizational Relationships and Culture	Governance Structures
Level 5 – Optimized	IAD Recognized as Key Agent of Change	Leadership Involvement with Professional Bodies Workforce Projection	Continuous Improvement in Professional Practices Strategic IAD Planning	Outcome Performance and Value to Organization Achieved	Effective and Ongoing Relationships	Independence, Power, and Authority of the IAD Activity
Level 4 – Predictable	Overall Assurance on Governance, Risk Management, and Control	Contributes to Management Development IAD Activity Supports Professional Bodies Workforce Planning	Audit Strategy Leverages Organization's Management of Risk	Integration of Qualitative and Quantitative Performance Measures	Chief Audit Executive Advises and Influences Top-level Management	Independent Oversight of the IAD Activity Chief Audit Executive Reports to Top-level Authority
Level 3 – Established	Advisory Services Performance and Value-for-Money Audits	Team Building and Competency Professionally Qualified Staff	Quality Management Framework Risk-based Audit Plans	Performance Measures Cost Information IAD Management Reports	Coordination with Other Review Groups Integral Component of Management Team	Management Oversight of the IAD Activity Funding Mechanism
Level 2 – Informal and Reactive	Compliance Auditing	Individual Professional Development Skilled People Identified and Recruited	Professional Practices and Processes Framework Audit Plan Based on Management/ Stakeholder Priorities	IAD Operating Budget IAD Business Plan	Managing within the IAD Activity	Full Access to the Organization's Information, Assets, and People Reporting Relationship Established

	Services and Role of IAD	People Management	Professional Practices	Performance Management and Accountability	Organizational Relationships and Culture	Governance Structures
Level 1 – Minimal	Ad hoc and unstructured; isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs dependent upon the skills of specific individuals holding the position; no specific professional practices established other than those provided by professional associations; funding approved by management, as needed; absence of infrastructure; auditors likely part of a larger organizational unit; no established capabilities; therefore, no specific key process areas					

Assessment Result #5: IAD received and tracked 65 fraud, waste, and abuse allegations

IAD tracks and investigates fraud, waste, and abuse (FWA) allegations. The allegations are received from multiple sources: internal sources (employees), external sources, and the State Auditor’s Office (SAO). In FY2024, IAD received a total of 65 complaints compared to 57 in FY2023 and 90 in FY2022.

Figure 5: Fraud, Waste, and Abuse Allegations in FY2022 thru FY2024

Allegation Type	FY2022	FY2023	FY2024
Internal	9	0	0
External	2	8	10
SAO	79	49	55
Total	90	57	65

Of the 65 allegations received in FY2024, 55 were referred, 10 were reviewed and closed. In FY2024, the top categories of FWA allegations pertain to dealers (22) and titles (12).

Appendix 1: Objective, Scope, and Methodology

Objective

To provide a summary of the Internal Audit Division activities and compliance with applicable audit standards.

Scope and Methodology

The scope of the assessment included fiscal year 2024 Internal Audit Division activities. Information and documents reviewed in the assessment included the following:

- End of engagement survey results
- August 2022 approved Internal Audit Charter
- IAD Standard Operating Procedures
- IAD Engagement Control Programs
- TxDMV Operational Plan
- TeamMate+ Audit Programs
- IIA's Capability Model
- Regional Service Centers Audit
- Investigation Processes Audit
- Inventory Assets Audit

Report Distribution

This report is distributed to the Board of the Texas Department of Motor Vehicles.