



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Internal Audit Charter

Introduction

This charter sets forth the mission, purpose, authority, and responsibility of the internal audit activity (i.e., Internal Audit Division) at the Texas Department of Motor Vehicles (TxDMV). The charter establishes the Internal Audit Division's position within the TxDMV; authorizes access to records, personnel, and physical properties needed to conduct engagements; and defines the scope of the internal audit activities. The Internal Audit Division helps enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Division also helps TxDMV accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Audit Standards

The Internal Audit Division will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors' *International Professional Practices Framework*, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. Internal Audit will also follow the *Generally Accepted Government Auditing Standards* (GAGAS) as promulgated by the U.S. Government Accountability Office (GAO). The Internal Audit Director will report annually to TxDMV executive management and the TxDMV Board regarding the Internal Audit Division's conformance to the auditing standards.

In addition, Internal Audit Division will adhere to the TxDMV's policies and procedures and the Internal Audit Division's standard operating procedures.

Vision, Mission, and Goals

The Internal Audit Activity had established a vision, mission, and goal to achieve its objective:

- **Vision:** To be a future focused internal audit activity protecting and serving the Department and its customers.
- **Mission:** To identify emerging strategic risks, support adaptability in an evolving environment, and foster trusted relationships and an ethical environment.
- **Goals:** The Internal Audit Division will use a proactive future-based approach to provide opinions on industry risks, current events, and the anticipated impacts to the Department through audits and advisory services. The Internal Audit Division will also strategically assess its effectiveness and progressively improve roles through actively engaging in outreach and providing opportunities for feedback. In addition, the Internal Audit Division will conduct informational campaigns, including training on detecting fraud, waste and abuse; and investigate internal fraud, waste, and abuse allegations.

Purpose

The Internal Audit Division provides assurance services to the TxDMV Board by conducting audits of the Department's functions, operations, and information systems. Assurance services may include financial, compliance, economy, efficiency, and effectiveness audits. The Internal Audit Division also offers advisory services, the nature and scope of which may be agreed upon with TxDMV executive management or the Board. An advisory service is intended to add value and improve agency operations and may include, but are not limited to, advice and counsel, facilitation, and training. In addition, the Division will investigate suspected internal fraud, waste, or abuse allegations as necessary.

Authority

The Internal Audit Division, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to all TxDMV records, physical properties, and personnel pertinent to carrying out any engagement. All employees are expected to assist the Internal Audit Division in any assessment, engagement, or audit, as appropriate. The Internal Audit Division will also have free and unrestricted access to the TxDMV Board and its members and any TxDMV related records they possess for assessments, engagements, or audits, as appropriate.

The Internal Audit Director is authorized to do the following:

- Access (unrestricted), in the performance of authorized audits and other engagements and with strict accountability for safekeeping and confidentiality, all TxDMV activities, records, manual and automated systems, properties, and personnel, as appropriate.
- Audit or review any function, activity, or unit of the TxDMV, including vendors, contractors, and subcontractors (to the extent as related to the vendor/contractor/subcontractor deliverables and/or statements of work in applicable TxDMV contracts).
- Communicate and interact directly with the TxDMV Board and present any matter that may warrant immediate attention or action.
- Present any matter and have direct access to the TxDMV Executive Director and General Counsel that may warrant immediate attention or action.
- Allocate audit resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish the audit objectives, and issue reports.
- Obtain the necessary assistance of personnel in TxDMV units as appropriate, as well as other specialized services from within or outside of TxDMV that the Internal Audit Director engages for consulting with internal audit or providing assurance services in accordance with departmental policies and procedures.

Independence and Objectivity

To assure the independence of the internal audit function, the Internal Audit Director reports functionally to the TxDMV Board and administratively to the Executive Director.

In carrying out authorized assessments, engagements, or audits, the Internal Audit Division will remain independent and free from control on matters of audit selection, scope, procedures, frequency, timing, or final report content to permit maintenance of an independent and objective state of mind. The Internal Audit Division will also remain free from all restrictions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner.

The Internal Audit Division and its staff will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or by others in forming judgments.

The Internal Audit Division and its staff will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity related to non-audit functions that may impair internal auditor's independence. Internal auditors will not assess specific operations for which they had responsibility within the previous year.

The activity will conduct the following:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate TxDMV staff, the board, or agencies as appropriate.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- Establish safeguards to limit impairments to independence or objectivity if the Internal Audit Director has or is expected to have roles and/or responsibilities that fall outside of internal auditing.

The Internal Audit Director will confirm to the TxDMV Board at least annually, the organizational independence of the Internal Audit Division. The Internal Audit Director will disclose to the TxDMV Board any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope

The scope of Internal Audit Division encompasses, but is not limited to, objective examinations of information for the purpose of providing independent assessments to the TxDMV Board, management, and oversight entities on the adequacy and effectiveness of governance, risk management, and control processes for TxDMV and fraud, waste, and abuse activities. Internal audit assessments include collaborating with appropriate TxDMV legal staff and division employees in evaluating whether:

- Risks, relating to the achievement of TxDMV's strategic objectives, are appropriately identified and managed.

- Actions of TxDMV staff and contractors follow TxDMV's policies, procedures, and applicable laws, regulations, and governance standards.
- Results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact TxDMV
- Fraud, waste, and abuse may have occurred.

The Internal Audit Director will also coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers as needed. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Roles and Responsibilities

Internal Audit Division

The internal audit activity's responsibilities are defined by the Board as part of their oversight and include the following responsibilities:

- **Internal Audit Plan:** The activity will submit, at least annually, a risk-based internal audit plan for review and approval and monitor the progress of the plan to ensure its execution, including communicating the impact of resource limitations and resources needed on the internal audit plan. The activity will also review and adjust the internal audit plan, as necessary, in response to changes in TxDMV's business, risks, operations, programs, systems, and controls and communicate any significant interim changes to the internal audit plan to the TxDMV Board and executive management.
- **Quality Assurance and Improvement Program:** The activity will maintain a quality assurance and improvement program. The program will include an evaluation on conformance with audit standards and assess the efficiency and effectiveness of the activity on an annual basis. The program will identify opportunities for improvement, including reporting on key performance indicators. The Internal Audit Director will communicate to TxDMV executive management and the TxDMV Board on the Internal Audit Division's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) on an annual basis and external assessments conducted at least once every three years by a qualified, independent assessor or assessment team from outside TxDMV.
- **Internal Audit Standards and Requirements:** The activity will ensure conformance with audit standards and Texas Government Code 2102, including submitting required reports, conducting

economy, efficiency, and program results audits and carrying out advisory services that are not prohibited by statute or audit standards. The activity will also ensure it collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter, review resource needs, and keep an updated internal audit charter.

- **Risk Management:** The activity will work with the TxDMV management and the TxDMV Board to review and refine risk appetite for strategic, operational, and fraud, waste, and abuse risks. TxDMV management and Board will review and approve the risk appetite. The activity, however, will keep a list of risks and their scores as well as any additional information provided by management on risk mitigation and will alert the TxDMV Board of any risk accepted by management which may be unacceptable. In addition, the activity will keep abreast of trends and emerging issues, consider their potential impact to TxDMV, and communicate them to TxDMV management and the TxDMV Board as appropriate.
- **Fraud, Waste, and Abuse:** The activity will serve as a main contact for fraud, waste, and abuse allegations, including any complaints received from the State Auditor's Office, and take action as needed. The activity will also investigate internal fraud, waste, and abuse allegations and work with management in the prevention and detection of internal fraud, waste, abuse.
- **External Liaison:** The activity will act as an agency liaison for all external auditors and monitors external engagements, including the disposition of any external recommendations issued to the Department.
- **Communication:** The activity will communicate at least monthly to the Finance and Audit Committee, the Board Chair, and TxDMV Executive Director and quarterly to the TxDMV Board on internal audit activities. In addition, the internal audit activity will communicate the results of any audit, advisory service, follow-up, or other activities to the TxDMV Board and the TxDMV management. Significant risk exposures and control issues, including fraud, waste, and abuse risks, governance issues, and other matters requiring the attention of, or requested by, the TxDMV Board will also be communicated. The activity will provide training to the Department and Board members on the role and purpose of the internal audit activity.

TxDMV Board

The TxDMV Board, as part of their role in overseeing the internal audit activity, are responsible for the following:

- **Internal Audit Documents:** The Board will approve the activity's documents, such as the internal audit charter, risk-based internal audit plan(s), and the annual internal audit budget and resource plan.
- **Internal Audit Director:** The Board will approve decisions regarding the appointment and removal of the Internal Audit Director. The Board will also be responsible for providing an annual performance evaluation and approving the remuneration of the Internal Audit Director.
- **Internal Audit Activity Performance:** The Committee will review the resources dedicated to the internal audit program and determine if adequate resources exist to adequately cover the activity's scope.

Finance and Audit Committee

The TxDMV Board has charged the Finance and Audit Committee with oversight for monitoring of the internal audit function. As such, the Committee has the following responsibilities:

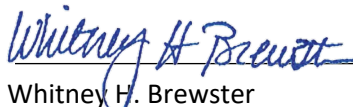
- **Internal Audit Activity Performance:** The Committee will monitor and assess the audit activity's performance.
- **Governance:** The Committee will review documents presented to them to stay abreast on all internal audit activities, including those that do not result in a report, and stay informed on all significant matters arising from work performed. The committee can make inquiries to determine whether there is inappropriate scope or resource limitation that impact the results of the internal audit activities.
- **Risk Management:** The committee will review risk information and use the information to oversee the effectiveness of risk management and risk reporting.

TxDMV management

TxDMV management is responsible for the following activities:

- Establishing and maintaining effective controls to ensure that goals and objectives are met, services are provided effectively, and assets are safeguarded.
- Providing information to internal audit as requested.
- Maintaining a process to ensure timely management responses and that appropriate action is taken on audit recommendations.
- Informing the activity of reviews, evaluations, assessments, audits, or inspections that evaluate TxDMV programs or controls.

Approvals

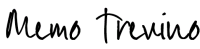


Whitney H. Brewster
Executive Director



Sandra Menjivar-Suddeath, CIA, CISA, CGAP, CFE
Internal Audit Director

The charter was approved by the Board of the Texas Department of Motor Vehicles on December 10, 2020.

DocuSigned by:

FDB22E52328347C...

Guillermo "Memo" Treviño, Chairman
Board of Texas Department of Motor Vehicles

DocuSigned by:

C7382D362011471...

Brett Graham, Chair
Finance and Audit Committee
Board of Texas Department of Motor Vehicles