



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

TxDMV Internal Audit Plan for Fiscal Year 2017

Internal Audit Division

September 1, 2016

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Mr. Raymond Palacios, Jr., Chair
Board of Texas Department of Motor Vehicles
4000 Jackson Avenue
Austin, Texas 78731

Subject: *Internal Audit Plan for Fiscal Year 2017*

Dear Chair Palacios:

The Internal Audit Division has finalized the proposed Texas Department of Motor Vehicles (TxDMV) Internal Audit Plan for Fiscal Year 2017 (audit plan) for the TxDMV Board's review and approval.

The Texas Internal Auditing Act requires that internal audit develop an annual audit plan. This proposed audit plan incorporates the TxDMV Board and the agency's senior management comments.

The proposed audit plan includes the following:

- Statutorily required reports
- Risk-based audits and an advisory service project
- One carry-over audits from the Fiscal Year (FY) 2016 audit plan that will be substantially completed by August 31, 2016 but not ready for release until FY2017
- One carry-over audit from the FY2016 audit plan that we will start in FY2017

In addition to the audit plan projects, the Internal Audit Division anticipates other activities, such as coordinating with external auditors and investigating allegations of fraud, waste, and abuse.

If you have any questions or comments, please contact me at (512) 465-4118 or Sandra.Menjivar-Suddeath@txdmv.gov.

Respectfully,



Sandra Menjivar-Suddeath
Internal Audit Director

cc: Ms. Luanne Caraway, Finance and Audit Committee Member
Mr. Guillermo "Memo" Trevino, Finance and Audit Committee Member
Mr. Robert "Barney" Barnwell, Board Member
Mr. Brett Hillman Graham, Board Member
Ms. Catherine "Kate" Wiles Hardy, Board Member
Mr. Blake Ingram, Board Member
Mr. Gary Wayne Painter, Board Member
Mr. John Henry Walker III, Board Member
Ms. Whitney Brewster, TxDMV Executive Director
Ms. Shelly Mellott, TxDMV Deputy Executive Director
TxDMV Division Directors

TxDMV Internal Audit Plan for Fiscal Year 2017

Texas Department of Motor Vehicles Fiscal Year 2017 Internal Audit Plan		
Topic	Division	Background and Preliminary Objectives
Required Reports under the Texas Internal Auditing Act		
1. Fiscal Year 2016 Annual Internal Audit Report 35 hours	Agency-wide	<u>Background:</u> A summary of internal audit activities, including the status of the FY 2016 audit plan, non-audit services provided, and external audit services procured; and the FY 2017 audit plan. This report must be submitted before November 1 of each year to the Governor, the Legislative Budget Board, the State Auditor’s Office, the Sunset Advisory Commission, and the TxDMV Board and be posted on the agency’s website (Government Code, Section 2102.009).
2. Fiscal Year 2018 Internal Audit Plan 100 hours	Agency-wide	<u>Background:</u> The annual audit plan is prepared using risk assessment techniques to identify individual audits to be conducted during the year. The TxDMV Board must review and approve the annual audit plan (Government Code, Section 2102.005).
Audits and Advisory Services		
1. Oversize/Overweight Permitting 250 hours <i>Carry-over from Fiscal Year 2016 Internal Audit Plan</i>	Motor Carrier	<u>Background:</u> The TxDMV regulates oversize vehicles and loads on highways and bridges. In fiscal year 2014, the Oversize/Overweight Permits Section issued over 836,000 permits; responded to over 198,000 permit-related calls from customers, and collected more than \$178 million in fees. The agency uses the Texas Permitting and Routing Optimization System (TxPROS), an online permitting & mapping system, to allow customers to apply for and self-issue many permits. <u>Tentative Objectives:</u> (1) Determine whether the TxDMV issues Oversize/Overweight permits and collects the appropriate fees in accordance with laws and regulations (2) Determine whether the TxDMV validates, updates, and communicates route restriction information on a timely basis to ensure routes are safe for permitted Oversize/Overweight loads

Texas Department of Motor Vehicles
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Topic	Division	Background and Preliminary Objectives
<p>2. RTS Refactoring and Single Sticker Post-implementation Review 1400 hours</p> <p><i>Carry-over from Fiscal Year 2016 Internal Audit Plan</i></p>	<p>Agency-wide</p>	<p><u>Background:</u> Refactored RTS included COGNOS reports that replaced standard reports from legacy RTS and included updated ad hoc reporting capabilities. Staff and management use information from COGNOS reports to make strategic and operational decisions.</p> <p><u>Tentative Objectives:</u></p> <p>(1) Determine whether COGNOS reports provide management and staff with complete and accurate information from RTS</p> <p>(2) Determine whether COGNOS reports provide <i>at least</i> the same level of information or service as reports from the legacy RTS</p>
<p>3. TxDMV Fund tables and Process & Handling Fees 1150 hours</p>	<p>FAS, ITS, VTR</p>	<p><u>Background:</u> SB 1512 (84th Texas Legislature) re-created and re-directs revenue sources for the TxDMV fund starting September 1, 2016. HB 6 exempts the fund and its revenues from consolidation. The intent of the bill is to separate the fund from the General Revenue and State Highway funds, allowing the TxDMV to fund its operations.</p> <p>The TxDMV Board of Directors used its authority to adopt a P&H fee structure to fund agency operations during its June board meeting. The P&H fees are effective for motor vehicle registrations starting January 2017.</p> <p><u>Tentative Objectives:</u></p> <p>(1) Determine whether appropriate revenues, including registration fees, are deposited to the TxDMV fund appropriately</p> <p>(2) Determine whether appropriate amounts are transferred to counties per agency rule</p>

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4. Continuous Monitoring of Vehicle Registration and Title Transactions 1000 hours <i>Advisory Project</i>	VTR/ITS	<u>Background:</u> Fiscal year 2016 had a number of suspicious and fraudulent registration and title transaction activities within the agency and through Tax-Assessor Collectors, including high visibility arrests related to alleged fraud. The agency employs 1 investigator to investigate suspected title fraud. Auditors would analyze registration and title transactions from the RTS on a scheduled basis to identify suspicious and possibly fraudulent transactions processed by the agency or Tax-Assessor Collectors. Refer suspicious and possible fraudulent transactions to VTR to investigate.
5. Management or Board Request 350 hours	TBD	Time has been allotted to management and commission for a special request or to review a new and emerging risk for the agency. If no request is received, one of the audits from the other possible project list will be conducted.

Other Internal Audit Division Duties

- Coordinating with external auditors and reviewers (25 hours)
- Investigating allegations of fraud, waste, and abuse that Internal Audit receives or that the State Auditor’s Office refers from its fraud hotline and advising on the Anti-Fraud, Waste, and Abuse Workgroup (300 hours)
- Conducting an annual Quality Assurance and Improvement Program as required by auditing standards (75 hours)
- Tracking and monitoring the status of prior-year audit recommendations (100 hours)
- Advising the agency’s Governance Team and Executive Steering Committees (425 hours)

Total Budgeted Hours on Required Reports, Audits ,and Advisory Service:	4,285
Total Budgeted Hours on Other Internal Audit Division Duties:	925
Total Budgeted Hours:	5,210

Other Possible Projects to Consider if Resources are Available

<p>1. Planning and Requirements Analysis Process for Major Projects 1000 hours <i>Advisory Project</i></p>	<p>Agency-wide</p>	<p><u>Background:</u> The TxDMV has experienced changes in scope, budget, and schedule in developing major systems. This project would review major project documentation to evaluate activities conducted during the planning and requirements analysis phases to determine what actions could be changed to facilitate a smoother system development in the future.</p>
<p>2. MyPlates Contract 600 hours</p>	<p>FAS</p>	<p><u>Background:</u> Executive Management Team rated this project for considerations for future audit plans during the FY2015 IAD risk assessment.</p> <p><u>Tentative Objective:</u> Determine whether TxDMV and MyPlates adhere to contract provisions—including requirements related to fee collections and distributions.</p>
<p>3. Motor Vehicle Division Licensing Process and eLicensing 1400 hours</p>	<p>MVD</p>	<p><u>Background:</u> The MVD adjusted its process to license independent, franchise, and salvage dealers starting in 2013, which greatly reduced the time for applicants to receive a license (from as much as 6 months). The eLicensing system is scheduled to go live in October. This project would evaluate MVD's process after go live.</p> <p><u>Tentative Objectives:</u></p> <ul style="list-style-type: none"> (1) Determine if MVD's licensing process complies with statutory and rule requirements (2) Review eLicensing's impact on the licensing process post-implementation.
<p>4. Enforcement Division's Investigations Process 600 hours</p>	<p>ENF</p>	<p><u>Background:</u> The Enforcement Division investigates complaints against licensees regulated by TxDMV, and files administrative charges alleging violation of laws.</p> <p><u>Tentative Objectives:</u></p> <ul style="list-style-type: none"> (1) Determine whether investigations are conducted according to statutes, rules, and policies & procedures (2) Determine how the division's key performance indicators affect investigations

Methodology

Scope

The Internal Audit Plan for Fiscal Year 2017 covers the period of September 1, 2016 to August 31, 2017.

Risk Assessment

The audit plan was developed using a risk-based methodology including input from Board members and senior management. Internal Audit also analyzed agency information to rank potential audit topics by risk, including contracting risk.

The State Auditor's Office (SAO) guidelines for the Internal Audit Plan for Fiscal Year 2016, request that internal audit indicate which projects in the audit plan address expenditure transfers, capital budget controls, contract management, and information technology risks. The proposed audits that address these topics are the following:

- TxDMV Fund tables and Process & Handling Fees and RTS Refactoring and Single Sticker Post-implementation Review will address information technology risks
- TxDMV Fund tables and Process & Handling Fees will address expenditure transfers and capital budget controls
- TxDMV Fund tables and Process & Handling Fees and My Plates Contract—if resources are available—will address contract management

Hour Analysis

Hours were calculated using historical data and auditor's judgement. Hours are an estimate and could be adjusted during the fiscal year.