Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2018 Internal Audit Follow-Up
18-11

Internal Audit Division
August 2018

Table of Contents

Texas Department *of* Motor Vehicles

Fiscal Year 2018 Internal Audit Follow – Up, 18-11
Executive Summary

BACKGROUND

The Internal Audit Division (IAD) continuously conducts follow-up activities to determine if appropriate action has been taken to address internal and external audit recommendations. Throughout the year, IAD works with executive management to document and verify the implementation status of the audit recommendations.

In fiscal year (FY) 2018, IAD reviewed and verified the implementation status of 36 internal audit recommendations with estimated completion dates between January 1, 2017 and July 1, 2018. In addition, IAD reviewed and verified the implementation status of 60 external audit recommendations.

The follow-up objective was to determine and verify the implementation status of internal audit and external audit recommendations issued.

RECOMMENDATIONS

The IAD did not make any additional recommendations in this report as it was a follow-up report.

RESULTS

The Texas Department of Motor Vehicles (TxDMV) has taken an active approach to implementing internal audit recommendations, which resulted in all internal recommendations being started and almost all being fully implemented. IAD verified that TxDMV fully implemented 34 of 36 internal audit recommendations, with two recommendations started but not fully implemented. Both started audit recommendations have estimated completion dates before FY 2020.

TxDMV has improved its implementation rate by 9%, from 85% in FY 2017 to 94% in FY 2018.

Similarly, TxDMV has taken an active approach to implementing external audit recommendations and has implemented all 60 external audit recommendations.

MANAGEMENT RESPONSE

For started recommendations, management provided explanations and new completion dates. The information is available on page 9 of the report.

Background

Implementation Status

Throughout the fiscal year (FY), the Internal Audit Division (IAD) works with Texas Department of Motor Vehicles (TxDMV) management on follow-up activities by obtaining documentation and implementation statuses on audit recommendations. When management believes an audit recommendation is fully implemented, they submit it for IAD review. IAD reviews submitted documentation and status to determine if the audit recommendation has been fully implemented. Based on the review, the IAD will verify and assign one of the following implementation statuses:

- **Fully Implemented**: The division fully implemented the audit recommendation by developing and using processes, systems, or policies. The changes are operating as intended.

- **Fully Implemented – External Verification Needed**: Only used for audit recommendations not issued by the IAD (i.e. External Audit Recommendations). The IAD reviewed documentation and verified that the division has fully implemented the audit recommendation by developing and using processes, systems, or policies.
- **Started**: The division began developing and using processes, systems, or policies to implement a recommendation, but not all elements were completed. The division revised the completion date.
- **Pending:** The division has not begun developing processes or using processes, systems, or policies to implement a recommendation. The division revised the completion date.
- **Not Implemented/ Management Accepts the Risk**: The division and TxDMV no longer intends to develop a process, system, or policy to address a recommendation.
- **Not Applicable**[1]: The recommendation is no longer relevant.

Internal Audit Recommendations

In fiscal year 2018, IAD verified the status of internal audit recommendations issued from ten internal audit and advisory service reports. These reports reviewed operations in several TxDMV divisions, including the Automobile Burglary Theft & Prevention Authority, Motor Carrier, Information Technology Services, Vehicle Titles & Registration, and Finance & Administrative Services. The table below provides information on each audit report:

Report Number and Name	Summary
P14-14 Follow up Audit on the Implementation of Recommendations	The follow up audit determined the implementation status for recommendations issued in the Organizational Review conducted by the Azimuth Group and four State Auditor's Office (SAO) audit reports. The four SAO audit reports were the following: • Audit Report on the Financial Responsibility Verification Program (TexasSure) (No. 10-016), • Audit Report on the Department of Motor Vehicles (No. 11-007),

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

Report Number and Name	Summary
	• 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).
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 improvement for grant awarding and monitoring.
15-02 Internal Controls over the State of Texas Titling Processes Audit	The audit reviewed the process for titling vehicles. The audit identified areas of improvement related to monitoring of titling transactions.
15-05 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.
16-03 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.
17-02 RTS Refactored and Single Sticker Post-Implementation Audit	The audit reviewed implementation of the Cognos enterprise reporting application, which replaced the Registration and Titling System (RTS) legacy report tool. The audit identified that the Cognos application is pulling data accurately according to its design. However, users were skeptical of Cognos data reliability and completeness, leading them to spend additional time and effort verifying Cognos report output to RTS source data to ensure reports' accuracy. The audit identified areas to improve understanding of Cognos and the reports provided by Cognos.
17-03 Information Technology Services Organizational Assessment – Application	The advisory service reviewed the organizational assessment of the Information Technology Services – Application Services Section. The advisory service identified areas of improvement,

Report Number and Name	Summary
Services Section Advisory Services	including cross-training to reduce the over-allocation of staff workload.
17-07 Payment Card Industry (PCI) Compliance with Credit Card Information Storage Audit	The confidential audit reviewed TxDMV's compliance with PCI. The TxDMV accepts customers' credit cards for some transactions. To be able to accept credit cards, the TxDMV attests to the Payment Card Industry (PCI) Security Standards Council that credit card information obtained is being safeguarded. Recommendations were made in the confidential audit report.
18-03 Public Information Request Processes (Open Records) Audit	The audit reviewed TxDMV's Public Information Request process. The audit identified areas of improvement related to guidance and centralization.

In these 10 reports, the IAD issued 96 internal audit recommendations. Of the 96 internal audit recommendations issued, 36 had completion dates between January 1, 2017 and July 1, 2018. Specifically, each report had the following number of recommendations:

Report Number and Name	Number of Recommendations in the report	Number of Recommendations with completion dates between January 1, 2017 and July 1, 2018
P14-14 Follow up Audit on the Implementation of Recommendations	4	3
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	39	2
15-02 Internal Controls over the State of Texas Titling Processes Audit	10	1
15-05 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	16	7
16-03 Audit on the Efficiency of the Texas International Registration Plan (IRP) Compliance Audit Process	6	6
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	5	5
17-02 RTS Refactored and Single Sticker Post-Implementation Audit	2	1
17-03 Information Technology Services Organizational Assessment	3	2

Report Number and Name	Number of Recommendations in the report	Number of Recommendations with completion dates between January 1, 2017 and July 1, 2018
– Application Services Section Advisory Services		
17-07 Payment Card Industry (PCI) Compliance with Credit Card Information Storage Audit	7	7
18-03 Public Information Request Processes (Open Records) Audit	4	2
Total	96	36

External Audit Recommendations

The IAD also tracked and verified the implementation status of external audit recommendations. Since FY 2010, TxDMV has been audited by the SAO, State Office of Risk Management (SORM), Texas Comptroller of Public Accounts (CPA), Texas Commission on Law Enforcement (TCOLE), Texas Department of Public Safety, Sunset Commission, and the International Registration Plan. In total, 19 external audits have been fully conducted on TxDMV operations. The IAD has reviewed external audit recommendations from four State Auditor's Office audit reports and issued audit follow-up reports with results[2].

For FY 2018, the IAD reviewed 60 external audit recommendations that had not been assessed or were due prior to July 1, 2018. The audit recommendations come from the following 15 external audits. The table below summarizes the external audit objective's and the number of recommendations reviewed by IAD:

Issuing Agency and Report Name	Summary	Number of Recommendations Reviewed
CPA - #608-13-01 Post Payment Audit of the Texas Department of Motor Vehicles	The audit objectives were to determine whether the Department's expenditures complied with certain state laws and rules concerning expenditures, and with the processing requirements of the Uniform Statewide Payroll/Personnel System and the Uniform Statewide Accounting System.	5
SORM - FY 2013 Agency 608 Risk	The review was conducted under the authority of Texas Labor Code, Title V, Subtitle A, Chapter 412, and is designed to assist state	8

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[2] Internal Audit Report P 13-09 verified the implementation status of the SAO report 12-043, which focused on contract management. The SAO issued 18 audit recommendations. Audit Report P 14 -14 verified the implementation status of the following SAO reports: 10-016, 11-007, 12-043, and 13-026. These audits focused on multiple TxDMV processes, including Historically Underutilized Business Program, contract management, and the use of TexasSure. In total, 34 SAO audit recommendations were reviewed in P 14-14.

Issuing Agency and Report Name	Summary	Number of Recommendations Reviewed
Management Program Review	agencies to develop and implement comprehensive risk management programs that meet Risk Management for Texas State Agencies (RMTSA) guidelines.	
SAO - State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2013	The audit objective was to determine whether the State's basic financial statements present fairly, in all material respects, the balances and activities for the State of Texas for the fiscal year that ended August 31, 2013.	3
SAO - State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014	The audit objective was to determine whether the State's basic financial statements present fairly, in all material respects, the balances and activities for the State of Texas for the fiscal year that ended August 31, 2014.	1
International Registration Plan, Inc - 2015 Texas Peer Review	The audit objective was to determine Texas compliance with the International Registration Plan.	2
SORM – FY 2016 Agency 608 On-Site Consultation - Beaumont Regional Service Center	A review to assist state agencies in implementing an effective risk management program and to identify the exposures to property and liability losses, including workers' compensation losses, through an on-site consultation. The review was conducted at a regional service center.	7
SORM – FY 2016 Agency 608 On-Site Consultation - Carrollton Regional Service Center	A review to assist state agencies in implementing an effective risk management program and to identify the exposures to property and liability losses, including workers' compensation losses, through an on-site consultation. The review was conducted at a regional service center.	5
SORM – FY 2016 Agency 608 On-Site Consultation – Headquarters	A review to assist state agencies in implementing an effective risk management program and to identify the exposures to property and liability losses, including workers' compensation losses, through an on-site consultation. The review was conducted at Headquarters.	1
SORM – FY 2016 Agency 608 On-Site	A review to assist state agencies in implementing an effective risk management	1

Issuing Agency and Report Name	Summary	Number of Recommendations Reviewed
Consultation - Longview Regional Service Center	program and to identify the exposures to property and liability losses, including workers' compensation losses, through an on-site consultation. The review was conducted at a regional service center.	
SORM – FY 2016 Agency 608 On-Site Consultation - Waco Regional Service Center	A review to assist state agencies in implementing an effective risk management program and to identify the exposures to property and liability losses, including workers' compensation losses, through an on-site consultation. The review was conducted at a regional service center.	5
SAO – FY 2017 An Audit Report on Complaint Processing at the Department of Motor Vehicles	The audit objective was to determine whether the Department of Motor Vehicles has processes and related controls to help ensure that it reviews, investigates, and resolves complaints in a timely manner and in compliance with applicable statutes, rules, policies and procedures, and other requirements.	11
SORM – FY 2018 Agency 608 Risk Management Program Review	The review was conducted under the authority of Texas Labor Code, Title V, Subtitle A, Chapter 412, and is designed to assist state agencies to develop and implement comprehensive risk management programs that meet RMTSA guidelines.	2
Texas Department of Public Safety - 2017 Criminal Justice Information Services (CJIS) Security Audit	The audit objective was to determine compliance with CJIS policies.	5
Sunset Commission - 2018 -2019 Sunset Advisory Commission Staff Report	An evaluation that reviews the Department's function to determine whether it needs to continue to exist.	3
TCOLE - 2018 Training Program Evaluation Report	The evaluation objectives are to determine the Department's compliance with TCOLE statutes and rules related to the training program.	2
Total		60

This follow-up engagement was included in the Fiscal Year 2018 Audit Plan. This follow-up engagement 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 follow- up engagement was performed by Jacob Geray (Internal Auditor), Frances Barker (Internal Auditor), Jason Gonzalez (Senior Auditor), Derrick Miller (Senior Auditor), and Sandra Menjivar-Suddeath (Internal Audit Director).

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.

Follow-Up Results

TxDMV has fully implemented 34 previously issued internal audit recommendations and has started 2 recommendations.

TxDMV has taken an active approach to implementing internal audit recommendations, which resulted in all recommendations being started and almost all internal audit recommendations being fully implemented. The IAD verified that TxDMV has fully implemented 34 internal audit recommendations (94%) and started 2 internal audit recommendations (6%). The table below summarizes the verified recommendation status (fully implemented, started) by report.

Report Name and Number	Fully Implemented	Started	Total
P14-14 Follow up Audit on the Implementation of Recommendations	3	0	3
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	2	0	2
15-02 Internal Controls over the State of Texas Titling Processes Audit	0	1	1
15-05 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	7	0	7
16-03 Audit on the Efficiency of the Texas International Registration Plan (IRP) Compliance Audit Process	6	0	6
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	5	0	5
17-02 RTS Refactored and Single Sticker Post-Implementation Audit	0	1	1

17-03 Information Technology Services Organizational Assessment – Application Services Section Advisory Services	2	0	2
17-07 Payment Card Industry (PCI) Compliance with Credit Card Information Storage Audit	7	0	7
18-03 Public Information Request Processes (Open Records) Audit	2	0	2
Total	34	2	36

For the two audit recommendations that were started, management provided updated completion dates and an explanation for why the date needed to be revised. The table below summarizes the recommendation, updated completion date, and explanation for the revision.

Report Number and Name	Summary of Started Audit Recommendations	Revised Completion Date	Explanation for the Revision
15-02 Internal Controls over the State of Texas Titling Processes Audit	One audit recommendation was started related to creating a process to proactively monitor titling performance and transactions. Original Due Date: September 1, 2017	August 31, 2019	The completion date was revised because more time was needed to develop the reports that facilitate the monitoring of transactions.
17-02 RTS Refactored and Single Sticker Post-Implementation Audit	One audit recommendation was started related to developing and providing training for internal agency Cognos users. Original Due Date: February 28, 2018	December 31, 2018	The completion date was revised due to the Information Technology Service (ITS) Division needing to obtain a vendor to provide the training.

The Department has improved its implementation rate by 9%, from 85% in FY 2017.

TxDMV has fully implemented 60 of previously issued external audit recommendations.

The IAD verified that 60 external audit recommendations had been fully implemented by TxDMV. Out of 60 audit recommendations, the issuing entity conducted some follow up activity in FY 2018 and confirmed IAD evaluation. In the table below, IAD has listed the audits, the number of recommendations fully implemented, the number of audit recommendations that still need to be verified by the external entity, and the total number of recommendations reviewed.

Issuing Agency and Report Name	Number of Fully Implemented External Recommendations	Number of Fully Implemented Recommendations – External Verification Needed	Total Reviewed
CPA - #608-13-01 Post Payment Audit of the Texas Department of Motor Vehicles	5	0	5
SORM - FY 2013 Agency 608 Risk Management Program Review	8	0	8
SAO - State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2013	3	0	3
SAO - State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014	1	0	1
International Registration Plan, Inc - 2015 Texas Peer Review	2	0	2
SORM – FY 2016 Agency 608 On-Site Consultation - Beaumont Regional Service Center	7	0	7
SORM – FY 2016 Agency 608 On-Site Consultation - Carrollton Regional Service Center	5	0	5
SORM – FY 2016 Agency 608 On-Site Consultation - Headquarters	1	0	1
SORM – FY 2016 Agency 608 On-Site Consultation - Longview Regional Service Center	1	0	1

SORM – FY 2016 Agency 608 On-Site Consultation - Waco Regional Service Center	5	0	5
SAO – FY 2017 An Audit Report on Complaint Processing at the Department of Motor Vehicles	0	11	11
SORM – FY 2018 Agency 608 Risk Management Program Review	0	1	1
Texas Department of Public Safety - 2017 Criminal Justice Information Services (CJIS) Security Audit	5	0	5
Sunset Commission - 2018 - 2019 Sunset Advisory Commission Staff Report	0	3	3
TCOLE - 2018 Training Program Evaluation Report	0	2	2
Total	43	11	60

Appendix 1: Objectives, Scope, and Methodology

Objectives

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

Scope and Methodology

The scope of the audit included any audit recommendation that had a completion date between January 1, 2017 to July 1, 2018, or that had no assigned completion date.

Information and documents reviewed in the audit 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