



Texas Department  
*of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2019 Internal Audit Plan  
18-12

Internal Audit Division  
August 2018

## Fiscal Year 2019 Annual Audit Plan

The Internal Audit Plan for fiscal year (FY) 2019 will be composed of ten engagements, five contingency engagements, and five Internal Audit Division duties.

### Audit and Advisory Service Engagements

The table below provides information on the ten engagements that will be conducted in FY 2019, including the hours allocated to each engagement, the alignment to the TxDMV strategic goals, the initial contact division (if applicable), the engagement background information, and the preliminary objectives (if applicable).

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objectives
<p><b>1. Compliance &amp; Investigations Division</b> 650 hours</p>	<p>Customer Centric &amp; Performance Driven</p>	<p>Compliance &amp; Investigations Division (CID)</p>	<p><u>Background:</u> In the 85<sup>th</sup> Legislature, TxDMV requested an exceptional item of 13 Full – Time Equivalents (FTEs) with \$1.9 million in funding to address external fraud, waste, and abuse. The exceptional item was approved by the Legislature, which resulted in a new division (CID). CID is responsible for processing complaints and investigating fraud allegations of fraud related to motor vehicle title and registration, providing support for law enforcement, and working on compliance with tax assessor-collectors’ offices and Regional Service Centers.</p> <p><u>Preliminary Objectives</u></p> <ul style="list-style-type: none"> <li>• To determine whether CID established appropriate and valid objectives to meet desired outcomes.</li> <li>• To evaluate whether CID structure is sufficient to prevent, detect, and investigate fraud, waste, and abuse.</li> </ul>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objectives
<p><b>2. Lemon Law Investigation and Resolution Process</b> 500 hours</p>	<p>Customer Centric &amp; Performance Driven</p>	<p>Enforcement Division (ENF) &amp; Office of Administrative Hearing (OAH)</p>	<p><u>Background:</u> The Lemon Law resolution process was transferred from the State Office of Administrative Hearings (SOAH) to the Department when HB 1692 (83<sup>rd</sup> Texas Legislature, Reg. Session) passed. As of January 2014, the Office of Administrative Hearings, with help from the Enforcement Division, has been in charge of handling Lemon Law investigations and resolutions.</p> <p><u>Preliminary Objectives</u></p> <ul style="list-style-type: none"> <li>To determine whether the lemon law process provides equitable and objective resolution.</li> </ul>
<p><b>3. Employee Classification &amp; Hiring</b> 500 hours</p>	<p>Performance Driven</p>	<p>Human Resources Division (HRD)</p>	<p><u>Background:</u> Effective talent management, including hiring staff, is a critical function to ensure the Department is properly staffed. The HRD is responsible for acquiring, developing, and retaining talent to meet the business needs of the Department. For HRD to meet its responsibilities, it works with Department staff to hire for vacant positions and conducts job audits to make sure staff are in the correct position and classification. In FY 2018, it currently takes the Department 84 days to hire an employee, and it takes HRD anywhere from a day to 105 days to process a job audit.</p> <p><u>Preliminary Objectives</u></p> <ul style="list-style-type: none"> <li>To determine whether the hiring process is sufficiently agile to address current and emerging staffing needs.</li> </ul>
<p><b>4. Information Security Risk Management</b> 600 hours</p>	<p>Performance Driven</p>	<p>Information Technology Services (ITS) Division</p>	<p><u>Background:</u> Cybersecurity continues to be one of the highest risk areas for any state agency. Cybersecurity requires a process to identify and manage security risks to avoid costly and significant consequences.</p> <p><u>Preliminary Objectives</u></p> <ul style="list-style-type: none"> <li>To determine whether the Department has sufficient processes in place to monitor and identify information security threats.</li> </ul>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objectives
<p><b>5. Payment Card Industry (PCI) Compliance</b> 450 hours</p>	<p>Performance Driven</p>	<p>ITS</p>	<p><u>Background:</u> Customers' credit cards are accepted for some of the Department's transactions. To be able to accept credit cards, TxDMV has to attest to the Payment Card Industry (PCI) Security Standards Council that the credit card information obtained from transactions is being safeguarded, and that the Department is meeting the twelve PCI requirements. The requirements range from installing and maintaining a firewall to maintaining an information security policy.</p> <p><u>Preliminary Objectives</u></p> <ul style="list-style-type: none"> <li>• To determine whether TxDMV is compliant with certain PCI requirements.</li> </ul>
<p><b>6. Enterprise Project Management</b> <i>Advisory Service</i> 1100 hours</p>	<p>Optimized Services and Innovation</p>	<p>Enterprise Project Management Office (EPMO)</p>	<p><u>Background:</u> EPMO and ITS have completed an organizational assessment that identified significant issues in the process for project planning and management. The assessment is being used to help with organizational change for the project planning and management process. With any organizational change, the changes increase risks to the function that updated roles and responsibilities will not be fully understood and processes not being as efficient and effective as possible. Organizational changes may also increase risks concerning project assignments, management reporting structures, quality assurance, and overall governance.</p> <p><u>Advisory Service Objectives</u></p> <ul style="list-style-type: none"> <li>• To conduct a facilitated self-assessment to identify risks and controls for the following EPMO processes: <ul style="list-style-type: none"> <li>○ Project Planning and Development,</li> <li>○ Project Quality Assurance,</li> <li>○ Project Governance,</li> <li>○ Contractor and Contract Management, and</li> <li>○ Staff and Project Roles.</li> </ul> </li> </ul>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objectives
<b>7. Management or Board Requests</b> 650 hours	TBD	TBD	<u>Background:</u> Time has been allotted for a special requests or reviews of a new or emerging risk for the department. This time includes any type of request and may include specific reviews of Regional Service Centers, Driver's Privacy Protection Act, or other items.
<b>8. FY 2019 Internal Audit Follow-Up</b> 100 hours	Optimized Services and Innovation, Customer Centric, & Performance Driven	Department-wide	<u>Background:</u> This project would verify if outstanding internal and external audit recommendations have been fully implemented. Quarterly reporting and an annual report will be provided.
<b>9. FY 2020 Internal Audit Plan</b> 100 hours	Optimized Services and Innovation & Customer Centric	Department-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 as required by Government Code.
<b>10. FY 2018 Annual Internal Audit Report</b> 30 hours	Not Applicable	Department-wide	<u>Background:</u> A summary of internal audit activities, including the status of the FY2018 audit plan, non-audit services provided, and external audit services procured, and the FY2019 audit plan. Government Code requires this annual report be submitted before November 1 to the TxDMV Board, the Governor, the Legislative Budget Board, the State Auditor's Office, and the Sunset Advisory Commission.

## Contingency Audit and Advisory Services

The IAD has identified alternate, or contingency, engagements that it can perform. These engagements were identified through the annual risk assessment process and are high risk areas for the Department, but they are not as high risk as the primary engagements identified.

The table below provides information on the contingent engagements for FY2019, including the alignment to the strategic goals, the initial contact division (if necessary), and the engagement background information.

The engagements below may be conducted if additional resources become available or if no Management or Board Requests are received. The objectives would be developed if and when the audits are required.

Engagement Topic	Strategic Goal(s)	Division	Background
<b>1. Procurement &amp; Contract Management</b> 800 hours	Optimized Services and Innovation & Performance Driven	FAS, EPMO	<u>Background:</u> Procurement processes and contracts continue to be an area of focus for the Texas Legislature and external regulators. Recently, there has been a focus on ensuring that contracts are properly procured, reviewed by management, and have oversight by the Board of Directors. As of April 2018, the Department had issued over \$78 million in procurements for FY 2018.
<b>2. ELinc Application Review</b> 600 hours	Optimized Services and Innovation	ITS & Motor Carrier Division	<u>Background:</u> ELinc will allow motor carriers to self-issue operating authority in Texas, which will reduce the approval time.
<b>3. Access Management</b> 600 hours	Performance Driven	ITS	<u>Background:</u> Access Management is a pivotal and key component of any information technology system. Ensuring that access is managed properly, to ensure only those employees or staff access only the right data, is needed.
<b>4. ITS Infrastructure</b> 800 hours	Optimized Services and Innovation & Performance Driven	ITS	<u>Background:</u> The Department relies on the Texas Data Center Services (DCS) to host and manage its key IT infrastructure, including services. DCS is responsible for ensuring servers are appropriately patched and maintained to reduce the risk of a cyber-attack and keep up with technology changes. Since DCS is a third-party provider, oversight by the Department is key to ensure objectives are met and IT infrastructure is properly maintained.
<b>5. Regional Service Centers</b> 800 hours	Customer Centric & Performance Driven	VTR	<u>Background:</u> The Regional Service Centers (RSCs) play an integral role in serving TxDMV customers located throughout the state of Texas. Each RSC has a regional manager that manages the RSC and an assistant chief that oversees the RSC.

## Other Internal Audit Duties

In addition to conducting engagements, the Internal Audit Division (IAD) has other duties that it performs each fiscal year. These duties include conducting quality control on issued audit and advisory service reports, working on Anti-Fraud, Waste, and Abuse Items, and providing ad hoc advisory services to the Department. The table below summarizes the other Internal Audit duties and the hours allocated to each item. In addition, the table provides information on total budgeted hours for IAD activities, including hours allocated to engagements and to other duties.

Other Internal Audit Duties	
1. Coordinating with external auditors and reviewers (50 hours)	
2. Working on Anti-Fraud, Waste, and Abuse Items (200 hours)	
3. Conducting an annual Quality Assurance and Improvement Program as required by auditing standards (80 hours)	
4. Advising the agency's Governance Team and Executive Steering Committees (200 hours)	
5. Providing ad hoc advisory services or consultations (100 hours)	
<b>Total Budgeted Hours on Audit and Advisory Service Engagements:</b>	<b>4,700</b>
<b>Total Budgeted Hours on Other Internal Audit Division Duties:</b>	<b>630</b>
<b>Total Budgeted Hours for Reports and Division Duties in FY 2019:</b>	<b>5,330</b>

## Methodology

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### Scope

The Internal Audit Plan for FY 2019 covers the period of September 1, 2018 to August 31, 2019.

### Risk Assessment

The audit plan was developed using a risk-based methodology, which incorporated input from board members, senior management, division management, and risks identified by audit staff through FY 2018 engagements and observations. The Internal Audit Division also analyzed department information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk.

Projects' risk rankings were developed using the following factors:

- Revenue or expense impact
- Asset or liability impact
- Operational effectiveness and efficiency impact
- Legal or regulatory impact
- Brand or reputational impact
- Degree of change in the program, function, or process
- Degree of complexity
- Degree of centralization

In total, 100 Department risks were identified through the risk assessment. Each risk was scored using the above factors. The risk scores ranged from zero, which is the lowest risk score, to six, which is the highest risk score. An inherent risk score of four or higher is consider high risk for the Department. Low and medium risk scores are from 0 to 3.99, as depicted below.

Low Risk	Medium Risk	High Risk
0 – 1.99	2 – 3.99	4 - 6

### Hour Analysis

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