



Texas Department  
*of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2025 Internal Audit Annual  
Report

26 – 01

Internal Audit Division  
October 2025

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## Introduction

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The Internal Audit Division (IAD) at the Texas Department of Motor Vehicles (TxDMV) prepared the Fiscal Year (FY) 2025 Internal Audit Annual Report to meet the requirements of Texas Government Code 2102 using guidelines established by the State Auditor's Office.

In FY2025, IAD completed 10 engagements which consisted of 3 audits, 2 advisory services, 3 follow-ups, and 2 compliance reports that provided management with information and analyses to assist in initiating improvements to operations and to strengthen internal controls. IAD provided advice on governance and other activities to work toward more effective and efficient processes

## **I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the Website**

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Texas Government Code, Section 2102.015 requires state agencies and institutions of higher education to post the entity's internal audit plans and internal audit annual reports on the entity's website within 30 days of approval. The statute also requires the entity to post any weaknesses or concerns resulting from the annual plan or annual report and a summary of actions taken to address the issues raised by the audit plan or annual report.

The Internal Audit Division (IAD) at the Texas Department of Motor Vehicles (TxDMV) posted the following on its [website](#):

- FY 2025 Internal Audit Plan
- FY 2024 Internal Audit Report

## II. Internal Audit Plan for Fiscal Year 2025

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The status of the Fiscal Year 2025 internal audit plan engagements is outlined below in Table 1.

Table 1. Fiscal Year 2025 Internal Audit Plan Status

Engagement Number and Name	Type	Division Impacted	Status / Report Date
25-00: Audit Recommendation Implementation Status Follow-Up	Follow-up	Various	Completed January 2025 Completed April 2025 Completed August 2025
25-01: Fiscal Year 2024 Internal Audit Annual Report	Compliance	Internal Audit	Completed October 2024
25-02: Quality Assurance - Internal Assessment	Compliance	Internal Audit	Completed October 2024
25-03: Fleet Management Audit	Audit	Finance and Operations	Completed February 2025
25-04: Consumer Relations Quality Assurance	Advisory	Consumer Relations	Completed February 2025
25-05: Public Information Request	Audit	Office of General Counsel	Completed July 2025
25-06: Motor Carrier Licensing	Advisory	Motor Carrier	Completed June 2025
25-07: Information Technology Governance	Audit	Information Technology	In progress

### Internal Audit Plan Deviations

IAD submitted the FY 2025 Internal Audit Plan in August 2024. There were no deviations to the Board-approved audit plan in FY 2025.

### III. Consulting Services and Nonaudit Services Completed

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#### Consulting Services

IAD conducted two advisory services, or consulting services, during FY2025. The advisory services were related to consumer relations quality assurance and motor carrier licensing processes.

The consumer relations advisory objective was to evaluate the Consumer Relations Division's quality assurance processes.

The motor carrier advisory objectives were to evaluate the licensing/renewal process for credentialing for the Motor Carrier Division through:

- An evaluation of current Motor Carrier Credentialing System (MCCS) controls.
- A gap analysis between MCCS and the new next generation credentialing system.
- Assessment of potential fraud risks in the credentialing process.

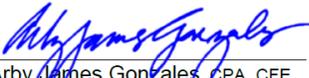
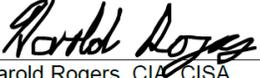
#### Nonaudit Services

IAD provided non-audit services during FY2025 which included coordinating external audits and reviews, providing advice on several Department workgroups, and participating as a non-voting member in the enterprise project governance process.

## IV. External Quality Assurance Review

IAD went through an external quality assurance review (peer review) in Fiscal Year 2021. Representatives of the State Agency Internal Audit Forum performed the peer review in accordance with current peer review policies and procedures. On March 2021, IAD received a rating of “pass” out of three possible ratings: pass, pass with deficiencies, or fail (see Figure 1).

Figure 1. Peer Review Opinion

Texas Department of Motor Vehicles Internal Audit Division External Quality Assurance Review – March 2021	
<b>Overall Opinion</b>	
<p>Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Motor Vehicles Internal Audit Division receives a rating of <b>“Pass/Generally Conforms”</b> and is in compliance with the Institute of Internal Auditors (IIA) <i>International Standards for the Professional Practice of Internal Auditing</i> and Code of Ethics, the United States Government Accountability Office (GAO) <i>Government Auditing Standards</i>, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.</p> <p>The Internal Audit Division is independent, objective, and provides impartial and unbiased judgments on the audit work performed. Division staff are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are clear and concise.</p> <p>The Internal Audit Division is well managed. In addition, the Division has effective relationships with the Board and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall Department operations and finds that the audit process and report recommendations add value and help improve the Department’s operations.</p> <p>The Internal Audit Division has reviewed the results of the peer review team’s work and has accepted them to be an accurate representation of the Division’s operations.</p>	
<b>Acknowledgements</b>	
<p>We appreciate the courtesy and cooperation extended to us by the Internal Audit Division Director, Internal Audit staff, the Chairman of the Board and the Chair of the Finance and Audit Committee, the Executive Director, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.</p>	
 Arby James Gonzales, CPA, CFE Internal Audit Director Texas Division of Insurance SAIAF Peer Review Team Leader	April 21, 2021 Date
 Harold Rogers, CIA, CISA Internal Auditor Texas Workforce Commission SAIAF Peer Review Team Member	April 21, 2021 Date

## V. Internal Audit Plan for Fiscal Year 2026

### Fiscal Year 2026 Engagements

The TxDMV Board approved the Fiscal Year 2026 Internal Audit Plan on September 18, 2025. The audit plan included 10 planned engagements (Table 2), six alternative engagements (Table 3), value-added services, and division initiatives.

Table 2. Fiscal Year 2026 Planned Engagements

Topic	Potential Objective
Cybersecurity Audit	This audit could evaluate the effectiveness of cybersecurity training and identify whether cybersecurity metrics are defined and effective.
Motor Vehicle Crime Prevention Authority Grant Approval Audit	This audit could evaluate the financial grant review/approval processes used to provide grant funding and the established criteria for scoring grant applications ensuring appropriate and consistent steps are taken throughout scoring process.
Travel and Training Reimbursement Audit	This audit could provide insight into the current approval and review processes involving travel payments or reimbursement and their compliance with current Department policy.
Offboarding and Access Management Audit	This audit could evaluate how the Department maintains effective access management relative to the offboarding of staff.
License Plate Inventory Management Advisory	This advisory could review the design of newly implemented license plate inventory distribution and management processes.
Accounts Receivable Funds Adjustment Advisory	This advisory could review the funds adjustment process; specifically, the RTS and Tx.GOV reconciliation process, and the Tax Assessor Collector ticketing process.
FY 2025 Internal Audit Annual Report	A report produced in FY 2026 that summarizes IAD's activities conducted in FY 2025. This report will be submitted to the State Auditor's Office.
Quality Assurance and Improvement Program - Internal Assessment	A report produced in FY 2026. This is an internal assessment to determine IAD's compliance with audit standards and performance.
Audit Recommendation Implementation Status	An engagement to verify if outstanding audit recommendations have been fully implemented.

Topic	Potential Objective
FY 2027 Risk Assessment and Internal Audit Plan	An enterprise-wide risk assessment to identify risk areas for the upcoming year. The Internal Audit Plan will be submitted to the State Auditor's Office.
Internal Audit division Peer Review	Representatives of the State Agency Internal Audit Forum will perform a peer review in accordance with current peer review policies and procedures.

Table 3. FY 2026 Alternative Engagements

Topic	Potential Objective
Regional Service Center Roles and Responsibilities Audit	This audit could evaluate the RSC transaction oversight and quality assurance processes to ensure that transactions are accurate.
ITSD Business Return on Investment Audit	This audit could evaluate the effectiveness of return on investment and whether selected projects are evaluated to ensure they meet stakeholder needs.
Special Plates Audit	This audit could evaluate the process and controls in processing special plates, such as personalized and military service license plates.
Contract Monitoring Audit	This audit could evaluate the Department’s monitoring processes to determine whether contracts are being managed efficiently and effectively.
Motor Vehicle Division Dealer Licensing Advisory	This advisory could review the Department’s current processes on validating dealer applicant identity and determine whether the process is operating efficiently.
Mobile RSC Special Project	This project consists of developing a strategy document for management to initiate discussion on a mobile RSC platform.

**Value-Added Services and Division Initiatives**

**Value-Added Services**

- **Investigations on Fraud, Waste, and Abuse:** Detecting, tracking, and reviewing any internal fraud, waste, and abuse allegations, complaints from external parties, and those from the State Auditor’s Office. IAD investigates internal fraud, waste, and abuse allegations.
- **External Audit/Review Coordination:** Coordinating external audits or reviews by providing audit status updates and facilitating management responses to recommendations.
- **Workgroup Participation / Ad-hoc Advisory:** Participating in TxDMV workgroups, such as the Executive Steering Committee and the Governance Team, to help identify unforeseen risks in enterprise projects or activities. IAD also sets aside hours to address any short-term assessment

or information requests by TxDMV staff.

- **Department Training:** Providing training to help TxDMV staff understand the role of IAD and staff's responsibilities in recommendation implementation and prevention of fraud, waste, and abuse.

#### Division Initiatives

- **TeamMate+ Process Optimization:** Enhancing the software's functionality by continuing to update the risks stored within the software, creating and automating reports, and staying current on best practices for optimized software functionality.
- **Staff Development & Hiring:** Taking the minimum required hours of training each year (40 hours) in accordance with auditing standards. This includes creating development plans to obtain required knowledge, skills, and abilities for audit and advisory services. Hiring internal audit staff to fill IAD vacancies and providing training to integrate new hires into the office.

### Risk Assessment Methodology

The audit plan was developed using a risk-based methodology, which incorporated input from TxDMV board members, executive management, division management, and risks identified by the audit team through previous fiscal year engagements and observations. IAD also reviewed internal audit and industry publications to identify and rank potential audit topics. In addition, IAD collected information on the potential controls that were in place to mitigate the identified risks.

Each risk was reviewed using approved Department risk guidance that took into consideration the following factors: financial impact, operational effectiveness and efficiency impact, legal or regulatory impact, brand or reputational impact, degree of change in the program/function/process, degree of complexity, degree of centralization, and control design strength. Risks were scored using the factors mentioned to determine the engagements in the audit plan.

## **VI. External Audit Services Procured in Fiscal Year 2025**

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TxDMV procured external audit services during FY2025:

- Weaver is conducting a co-sourced audit (Information Technology Project Governance), which will be completed in Fiscal Year 2026.

## VII. Reporting Suspected Fraud and Abuse

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TxDMV has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09 of the General Appropriations Act and Section 321.022 of the Texas Government Code:

- TxDMV’s Internal Audit intranet site includes a section on reporting fraud, waste, or abuse.
- TxDMV’s public-facing website includes a “Report Fraud, Waste or Abuse” link to the State Auditor’s Office “Reporting Fraud” page. This link is also provided on the Internal Audit Division’s webpage.
- TxDMV’s Fraud, Waste, and Abuse Policy includes definitions, examples, and procedures on how to report detected or suspected fraud, waste, or abuse.
- IAD evaluates all instances of fraud, waste, or abuse reported to IAD to determine appropriate action. If the Internal Audit Director has reasonable cause to believe that fraudulent or unlawful conduct has occurred in relation to the operation of the TxDMV, the Director will work with appropriate parties and notify the SAO.