



Texas Department
of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year (FY) 2022 First Six Month
Internal Audit Plan

Internal Audit Division

August 2021

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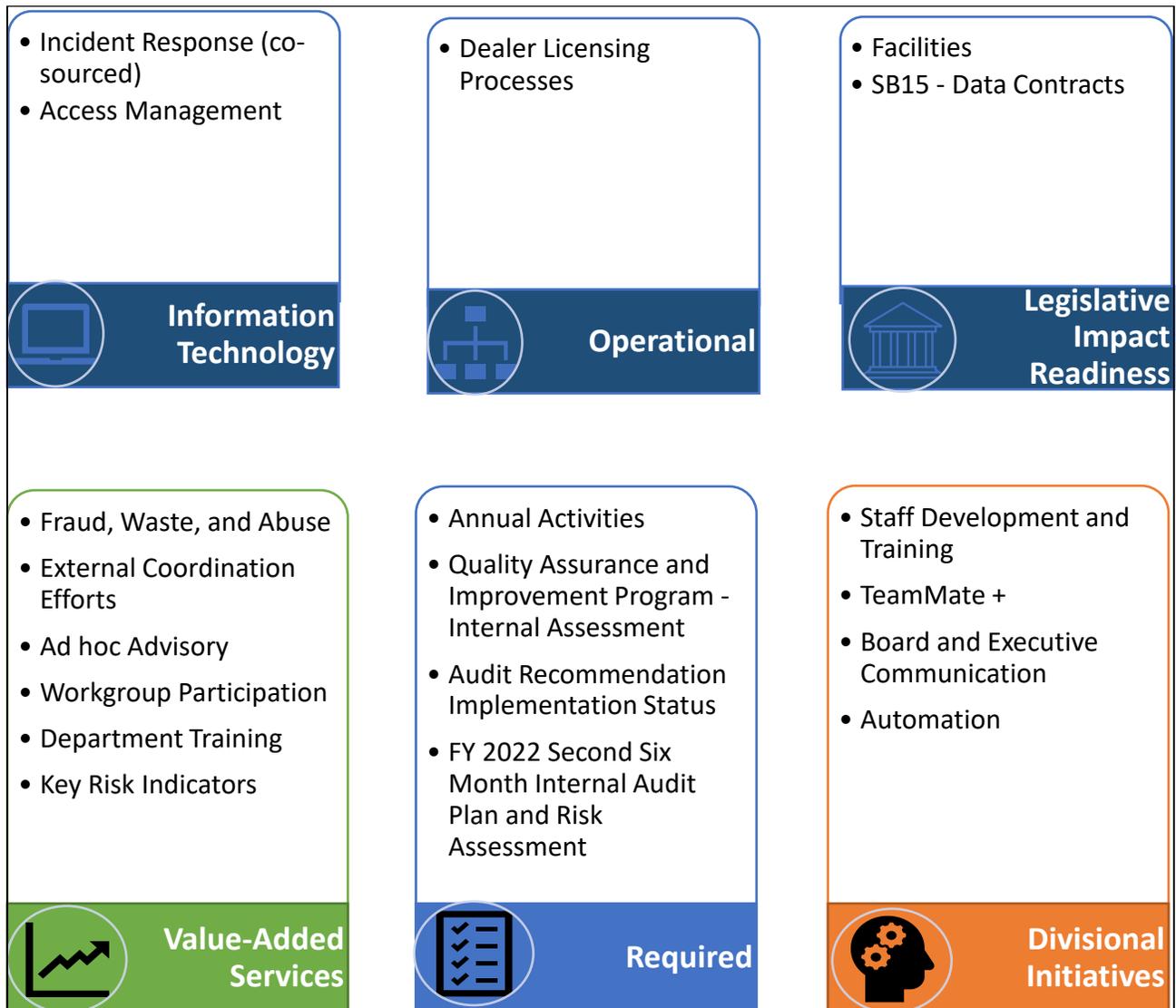
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FY 2022 First Six Month Half Summary

The Internal Audit Division (IAD) audit plan for fiscal year (FY) 2022 is divided into two six-month plans. IAD moved to a six-month audit plan to allow for flexibility as Texas Department of Motor Vehicles' (TxDMV) risks change rapidly.

The audit plan for the first six months of the fiscal year includes five risk-based engagements tied to three themes and four required engagements. In addition, the plan includes division initiatives, and added-value services. The second half summary is illustrated in figure 1.

Figure 1. First Six Month Audit Plan Summary



Engagement and Services Information



Risk-Based Engagements

- **SB-15 - Data Contract:** With changes to how vehicle records are distributed and monitored, the Department will be enhancing its monitoring process for vehicle data usage. This advisory service engagement would review current and future monitoring processes to help ensure motor vehicle data is used appropriately.
- **Dealer Licensing Processes:** The Motor Vehicle Division is responsible for issuing dealer licenses. This audit engagement would evaluate processes designed to ensure verification of dealer identity, including systems used to review and document criminal history information.
- **Facilities:** The Finance and Administrative Service Division (FAS) is responsible for facilities at headquarter and works with the Regional Service Centers for their facility needs as well as being tasked with operational initiatives designed to improve working conditions and provide updated facilities to customers. The audit engagement would evaluate Facilities' capacity to maintain Departmental headquarters and evaluate whether Regional facilities meet Departmental need.
- **Incident Response:** Incident Response is key information technology control that outlines the steps needed to respond to an issue or incident. This engagement is on the Cybersecurity Roadmap as the next key control area to review. This audit engagement would review the effectiveness of our Incident Response. The engagement will be co-sourced.
- **Access Management:** Access management is a key preventative control that prevents unauthorized access to systems. The Department has many systems that are used by staff, including developers and infrastructure staff. Previous audits have identified potential access issues with applications. The audit engagement would review access management processes.



Required Engagements

- **Audit Recommendation Implementation Status Follow-Up:** Verification of the implementation status for internal and external audit recommendations.
- **FY 2022 Second Six Month Risk Assessment and Internal Audit Plan:** An enterprise-wide risk assessment to identify the high – risk engagement areas for the upcoming six months.
- **Quality Assurance and Improvement Program – Internal Assessment:** An internal self- assessment to determine compliance with audit standards and provide information on IAD's performance.
- **Annual Activities Report:** A statutorily required summary report to the State Auditor's Office of IAD's internal activities conducted in FY 2021.



Value-Added Services

- **Fraud, Waste, and Abuse (FWA) Items:** IAD works on detecting, tracking, and reviewing any internal FWA allegations or State Auditor's Office Hotline complaints. IAD investigates internal FWA allegations.
- **External Coordination Efforts:** IAD coordinates and facilitates any external audits. External coordination efforts include providing audit status update and coordinating responses.
- **Ad hoc Advisory:** IAD sets aside 250 hours to address any short-term assessment or information requests by TxDMV staff during the first half of the fiscal year.
- **Workgroup Participation:** IAD participates in TxDMV work groups to help identify any unforeseen risk in enterprise projects or activities.
- **Department Training:** IAD provides training to help TxDMV staff understand their responsibilities for audits, recommendation implementation, and preventing fraud, waste, and abuse.
- **Key Risk Indicators:** IAD will be monitoring the Fraud, Regional Service Centers, and Procurement & Contract Management risk indicators on a quarterly basis to help with risk mitigation.



Divisional Initiatives

- **TeamMate +:** IAD continues to enhance and support its audit software.
- **Staff Development Plans and Training:** IAD staff take training and create development plans to obtain required knowledge, skills, and abilities.
- **Communication Plans:** IAD continues refining dashboards, communication sites, and other items to provide a snapshot of the Department's risk management, governance, and engagement information to the Department.
- **Automation & Technology Improvement:** IAD will continue to work on automating routing process and leverage technology to be more efficient.

Detailed Engagement Information

Risk-Based and Required Engagements

Tables 1 and 2 provide information on the risk-based and required engagements that will be conducted in the first six month of the FY 2022. The information includes engagement name, engagement hours, TxDMV strategic goal alignment, impacted division(s), and background. The background includes information on how the engagement ties to Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Information on COSO can be found in Scope and Methodology section, under the [Committee of Sponsoring Organizations of the Treadway Commission \(COSO\) Methodology](#). Table 1 provides information on the risk-based engagement and table 2 provides information on the required engagements.

Table 1. Risk-Based Engagements

Engagement Area	Hours	Strategic Goal(s)	Impacted Division(s)	Background
Incident Response	TBD	Performance Driven	Information Technology Services Division	Over the past few years, organization’s incident response plans have been used more often. As natural disasters and cybersecurity events become more common as well as normal incident handling, having an incident response plan that is effective is key. This engagement would look at the Department’s incident response plan and would be conducted by the division’s co-sourced vendor. This engagement ties to COSO elements of Control Environment, Risk Assessment, and Information and Communication. This engagement will be co-sourced with the Department’s vendor and may not be conducted due to schedule or other unforeseen issue with the vendor.
Facilities	900	Optimized Services and Innovation	Finance & Administrative Services Division	With the approval from the Legislature, the Department will begin evaluation of building consolidation and facilities construction planning for headquarters. Additionally, the Department maintains Regional Services Facilities. This engagement would look at the

Engagement Area	Hours	Strategic Goal(s)	Impacted Division(s)	Background
				Department’s capacity to maintain headquarter buildings and evaluate the Department’s capabilities to meet Departmental needs at Regional facilities. This engagement ties to COSO elements of Control Environment, Risk Assessment, and Control Activities.
SB-15 - Data Contracts	900	Customer Centric Optimized Services and Innovation	Vehicle Titles and Registration	Texas Senate Bill 15 requires enhanced consumer protection and data privacy. This advisory service engagement would evaluate the design of monitoring process concerning vehicle data usage and the appropriateness of data usage to help with the implementation of SB15. This engagement ties to COSO elements of Control Environment, Risk Assessment, and Monitoring.
Dealer Licensing Processes	750	Customer Centric Optimized Services and Innovation	Motor Vehicle Division	The Department is responsible for determining license eligibility for a multitude of dealer licenses. The engagement will evaluate the Department’s processes designed to ensure the verification of dealer applicant’s identities and applicant’s criminal history through the dealer licensing process. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, and Monitoring.
Access Management	600	Performance Driven	Information Technology Services Division	The engagement will evaluate the how access is managed through the Department as access management is designed to protect user confidentiality, integrity, and user authenticity. This engagement ties to COSO elements of Control Activities and Monitoring.

Table 2. Required Engagements

Engagement Area	Hours	Strategic Goal(s)	Impacted Division(s)	Background
Annual Activities	25	Performance Driven	Internal Audit Division	A statutorily required review that summarizes internal activities conducted in FY 2021. The State Auditor’s Office prescribes the report format and information.
Quality Assurance and Improvement Program – Internal Assessment	100	Performance Driven	Internal Audit Division	An internal assessment to determine compliance with audit standards and provide information on IAD’s performance. IAD’s performance includes an evaluation of Key Performance Indicators and Capability Model.
Audit Recommendation Implementation Status Follow-Up	75	Optimized Services and Innovation Customer Centric Performance Driven	Department-wide	An engagement to verify if outstanding audit recommendations have been fully implemented. Quarterly reporting for internal audit recommendations will be done.
FY 2022 Risk Assessment and Second Half Internal Audit Plan	200	Optimized Services and Innovation Customer Centric Performance Driven	Department-wide	An engagement to identify high – risks areas where engagement may be warranted in the upcoming year.

Contingency Engagements

Table 3 denotes the potential engagements that could be performed during the first six month of the fiscal year if one of the risk-based engagements cannot be done or could be conducted in the second six months.

Table 3. Contingency

Engagement Area	Strategic Goal(s)	Impacted Division(s)	Preliminary Engagement Information
Payment Card Industry Compliance	Performance Driven	Information Technology Services Division	The Department accepts credit cards and is required to meet PCI standards. This engagement would evaluate PCI compliance with one of the requirements. This audit was identified as an area of review in the Cybersecurity roadmap.
Motor Carrier Division	Optimized Services and Innovation Performance Driven	Motor Carrier Division	The Motor Carrier Division operates its own call center that provides information and services to motor carriers. The call center deals with obtaining permits for motor carriers as well as getting credentials to motor carriers. At the end of FY 2021, the Commercial Fleet Services was reorganized with Credentialing. This caused a change on how customers are serviced in the call center. This potential engagement would look at the new reorganization and its impact to the call center.
Strategic Communication (External Communication)	Performance Driven	Department-wide	Communication strategies is a key component to delivering consistent information to external customers. The engagement would evaluate the Department’s communication strategies to ensure they are designed to deliver accurate and critical information to stakeholders.
Placeholder	TBD	TBD	In case a risk emerges that requires immediate review, this engagement will be used to substitute one of the risk-based engagements. This engagement will only be conducted in consultation with the Finance & Audit Committee Chair and members and the Board Chair.

Scope and Methodology

Scope

The Internal Audit Plan covers activities and engagements for the first six months of the fiscal year, September 2021 to February 2022, and identifies potential engagements for the second half of the fiscal year.

Risk Assessment

Risk 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 audit staff through previous fiscal year engagements and observations. IAD also analyzed TxDMV information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. 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 included 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, or process
- Degree of complexity
- Degree of centralization
- Control design strength

354 Department operational risks have been identified through the risk assessment, including an additional 39 risks that had not been identified in previous risk assessments or were new risks due to the changing environments. Each risk identified was scored using the above factors to determine the engagements for the first six-month internal audit plan and contingency engagements.

The risk scores go up to seven and half, which is the highest risk score. Table 4 provides information on the risk scores and definitions for each category.

Table 4. Risk Scores

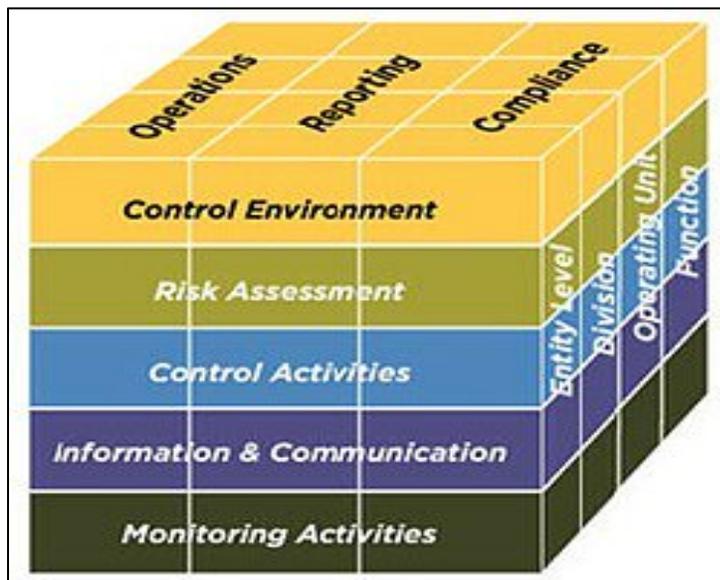
Risk Category	Score	Definition
Very High	> 4.50	The risk may substantially hinder the Department's, division's, and/or function's achieving its objectives or goals.
High	3.50 – 4.49	The risk may significantly hinder to the Department, division, or function achieving its objectives or goals.
Medium	2.50 – 3.49	The risk should be monitored on a regular basis to ensure it does not become an issue; however, it is not currently hindering a Department, division, or function from achieving its objectives or goals.
Low	1.50 – 2.49	The risk is mostly mitigated and may not hinder the Department, division, or function from achieving its objectives or goals.
Very Low	< 1.50	The risk is mitigated and is not hindering the Department, division, or function from achieving its objectives or goals.

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Methodology

Once all risks were reviewed and ranked, the audit team evaluated each risk using the COSO *Internal Control – Integrated Framework*. The framework integrates three broad objectives (Operations, Reporting, and Compliance) and ties those objectives to risks and controls through five internal control components and four structural levels as depicted in Figure 2, COSO cube. The COSO cube depicts how the internal controls framework has a direct relationship between objectives, the components needed to achieve objectives, and a typical organizational structure.

Figure 2. COSO Cube



The definition for the objectives are as follows:

- **Operations objectives:** relate to program operations that achieve an entity's mission. An entity's mission may be defined in a strategic plan. Such plans set the goals and objectives for an entity along with the effective and efficient operations necessary to fulfill those objectives. Effective operations produce the intended results from operational processes, while efficient operations do so in a manner that minimizes the waste of resources.
- **Reporting objectives:** relates to the preparation of reports for use by the entity, its stakeholders, or other external parties.
- **Compliance objectives:** relates to the compliance with applicable law and regulations.

The definition for the COSO Internal Control Components are as follows:

- **Control Environment:** The foundation for an internal control system. The Control Environment is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It provides the discipline and structure to help an entity achieve its objectives. The TxDMV Board and executive management establish the tone at the top regarding the importance of internal control including expected standards of conduct.
- **Risk Assessment:** The processes used to determine how risk is to be managed. TxDMV management assesses the risks facing the entity as it seeks to achieve its objectives.
- **Control Activities:** The actions TxDMV management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes information systems.
- **Information and Communication:** The quality of information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.
- **Monitoring:** The activities TxDMV management established to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two. The activities are used to ascertain whether each of the five components of internal control, are present and functioning.

Fraud, Waste, and Abuse Consideration

During the risk assessment, the IAD also conducted an update to the fraud, waste, and abuse risk assessment. Those risks were reviewed as part of this risk assessment.

Themes

For the FY 2022, three themes were developed to help provide an overall perspective on internal audit's focus for the first six months:

- **Legislative Implementation Readiness:** Areas and functions significantly impacted by legislation changes.
- **Operational effectiveness:** Areas and functions where processes and overall operations had significant change in management or processes are expected to be changed.
- **Information Technology:** Areas where the spread of new technologies, data collection methodologies, and automation increases risks to our organization and customers.

Hour Analysis

Engagement hours were calculated using historical data and auditor's judgement. Hours are an estimate and could be adjusted at the beginning of an engagement. IAD identified 1500 hours available for the second six months.