



Texas Department
of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Dealer Licensing Process Audit
Report
22-03

Internal Audit Division
June 2022



Dealer Licensing Process, 21-03

Executive Summary

BACKGROUND

The Motor Vehicle Division (MVD) is responsible for licensing and regulating converters, distributors, franchise dealers, in-transit operators, lease facilitators, lessors, motor vehicle manufacturers, salvage industry and used motor vehicle dealers doing business in Texas.

In addition, the division determines license eligibility for licensure, protest standing, oversees and processes franchise dealer protest and complaint filings, mediates the protests and complaints, reviews products to determine if a license is required, and responds to licensing inquiries.

The objective of the audit was to evaluate the Department's processes designed to ensure verification of dealer applicant's identities and criminal history. The audit scope was September 2020 to October 2021.

RECOMMENDATIONS

IAD made four recommendations to improve application monitoring, quality control, and identification of trends in application review deficiencies. The audit recommendations were rated a priority of **HIGH**.

RESULTS

IAD found that the dealer application review processes are at a level 3 - Defined: The function followed a standardized, documented, and communicated process. The process, however, may not have been followed systematically or repeatedly.

MVD has documented policies, procedures, practices, and performance checklists. The dealer license application review process is defined, standardized, and monitored for efficiency and compliance. However, the current level of application review monitoring does not consistently detect deficient application materials or other red flags.

In addition, the review process alone is not enough to identify potential bad actors. Dealers whose license applications contained no deficiencies or red flags can subsequently commit violations warranting revocation.

IAD issued two results to address the items identified.

MANAGEMENT RESPONSE

Management has reviewed this report and agreed with the recommendations. The results section does not account for the 2021 & 2022 pre-licensing enhancements implemented by the Department prior to the Internal Audit Division's review. Management will work to implement the recommendations provided by the Internal Audit Division by the dates listed under each specific recommendation.



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Overall Conclusion

Maturity Assessment Rating

Level 3 – Defined: The function followed a standardized, documented, and communicated process. The process, however, may not have been followed systematically or repeatedly.

Other possible ratings and definitions can be found in Appendix 1, under Maturity Assessment Rating Definition.

Strengths

- + The Motor Vehicle Division has defined policies and procedures, desk guides, and checklists to ensure applications are systematically reviewed in detail.
- + The Motor Vehicle Division has developed key performance indicators to ensure applications are reviewed efficiently.
- + The TxDMV Board and Department have implemented new measures to prevent and deter fraudulent activity. Additional safeguards are being proposed through fingerprinting and pre-licensing rule changes.

Improvements

The Texas Department of Motor Vehicles (TxDMV) has application review inconsistencies and monitoring deficiencies which resulted in issues with excessive temporary license plate production.

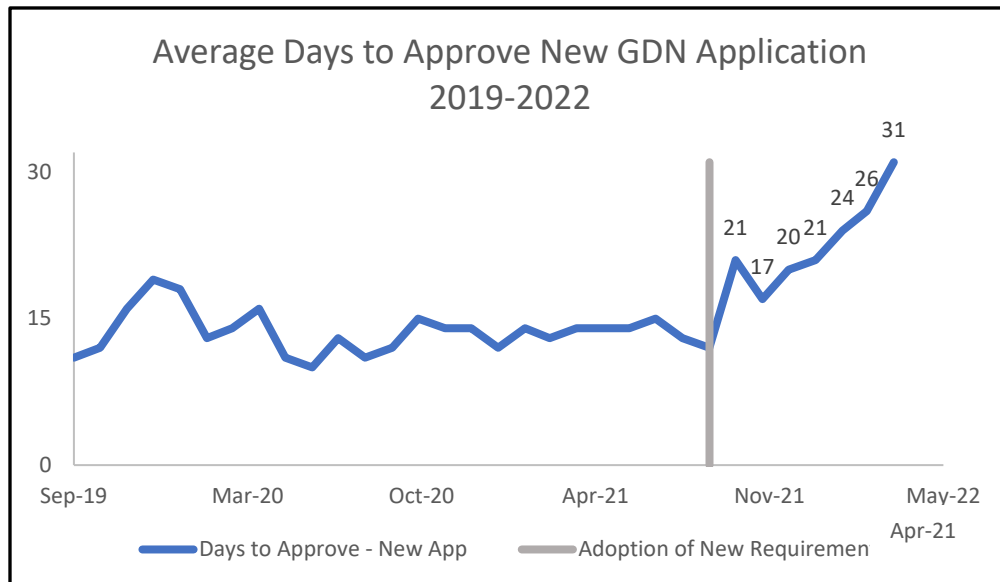
- **[Audit Results #1: The dealer application review process does not consistently detect deficient materials or other red flags.](#)**
 - o Recommendation 1.1 - The Department should improve quality control for the application review process (HIGH).
 - o Recommendation 1.2 - The Department should evaluate revoked licenses to identify trends in application deficiencies and implement training opportunities for licensing specialists (HIGH).
 - o Recommendation 1.3 - The Department should identify additional components to include in the application process and consider requirements from other states (HIGH).

- **Audit Results #2: Application review alone is not enough to identify potential bad actors.**

- o Recommendation 2.1 - The Department should develop a risk-based method of monitoring active dealer licenses that consider various criteria (e.g., tag to title ratios, volume threshold, etc). This should include a method to notate higher risk applicants from the application process (HIGH).

Observations

- Application review time: Efforts to combat fraudulent dealer applications include additional review by TxDMV licensing specialists such as verification of premise affidavits, corresponding photos, and certificates of occupancy. The additional review has caused an increase in the days required to approve new independent dealer (GDN) license applications. As shown in the chart below, the average number of days to approve a new GDN license application was 22.9 days from October 2021 through April 2022 compared to 13.7 average days in both FY2020 and FY2021.



- Fingerprinting requirements: Based on the partnership with the Department of Public Safety (DPS), the interagency agreements should be based on Criminal Justice Information System (CJIS) agreements. This will result in the following:
 - o Additional costs for criminal history reviews (\$1 for extended access to dealer criminal history)
 - o Enhanced controls for media protection, physical security, data encryption, formalization of security assessment plans, and further network segmentation of dealer/applicant criminal history information
 - o An audit every three years by the Federal Bureau of Investigation - Criminal Justice Information Services Division

The detailed audit results can be found under the Audit Results section of this report (begins on page 4).

Background

The Motor Vehicle Division (MVD) is responsible for licensing and regulating converters, distributors, franchise dealers, in-transit operators, lease facilitators, lessors, motor vehicle manufacturers, salvage industry and used motor vehicle dealers doing business in Texas. In addition, the division determines license eligibility, evaluates protest standing eligibility, oversees and processes protest and complaint filings by franchise dealers, conducts protest and complaint mediation, reviews products to determine if a license is required, and responds to licensing inquiries.

Under Texas law, applicants are required to provide information about all crimes resulting in convictions or deferred adjudications regardless of when the crimes occurred. Applications are subject to a criminal history background check and criminal history review to determine eligibility (or fitness) for licensure. The Licensing Section of MVD conducts the criminal history review before issuing or renewing a license and before amending a license due to changes in ownership or management.

MVD reviews the criminal history information provided by applicants and uses third party providers to identify relevant criminal history under guidelines established by the Texas Department of Motor Vehicles (TxDMV or Department). If the application and/or background checks reveal a conviction or deferred adjudication that could be a basis for denying the license, MVD will conduct a thorough review of the criminal history. Under Occupations Code Chapter 53, TxDMV may suspend or revoke an existing license or disqualify an applicant from receiving a license because of a person's conviction of a felony or misdemeanor if the crime directly relates to the duties and responsibilities of the licensed occupation. The Department may also consider a deferred adjudication as a conviction for up to five years after the completion of the sentence.

Audit Engagement Team

The audit was performed by Jacob Geray (IT Internal Auditor), Jason E. Gonzalez (Sr. Internal Auditor), Frances Barker (Quality Assurance) and Salem Chuah (Internal Audit Director).

Audit Results

Audit Results #1: The dealer application review process does not consistently detect deficient materials or other red flags.

Condition

Processes and checklists are in place to guide dealer license application reviews. However, there are instances where application deficiencies are not consistently identified. Also, other indicators that could be seen as red flags, such as current bankruptcies and liens, are not required components in the application review.

Applications for an independent (GDN) license are submitted by a dealer applicant through eLICENSING, TxDMV's online dealer licensing management system. After submission, each application is assigned to a licensing specialist within MVD for review. This well-defined review process ensures that all application components are included, such as:

- Texas Secretary of State filing number (if an LLC or corporation),
- Lease agreement or proof of property ownership,
- Dealer licensing education certificate,
- Business photographs,
- Photo identification,
- Ownership and management criminal history,
- Motor vehicle surety bond,
- Proof of adequate signage with posted business hours,
- Proof of appropriate office space, and
- Proof of vehicle display spaces.

MVD also has an additional process where applicants with certain relevant criminal offenses, or who are affiliated with persons with relevant criminal offenses, undergo additional background research by a background research analyst.

Evidence

Research was performed using a subscription background research service on individuals associated with 84 dealer licenses revoked from September 2020 through October 2021. Research included reviewing current bankruptcies and liens, criminal history, business affiliations, business addresses, and contacts' residence history. Of the 84 revoked dealer licenses, 35 (42%) had either deficiencies in the application materials that were overlooked by a licensing specialist or other red flags not being evaluated.

Specifically, 20 of the 35 revocations had application deficiencies that should have been identified during application review, based on established procedures. These revocations had the following deficiencies:

- Inappropriate business signs with photoshopped pictures;
- Business hours not within established requirements;
- Inappropriate office spaces;
- Inappropriate locations; and
- Insufficient designated vehicle parking spaces.

The remaining 15 of the 35 revocations could have been identified during the application review process before license issuance if additional components, such as current bankruptcies and liens or expanded criminal history review, were a required part of the application process.

Impact (Effect)

The 35 dealers with deficiencies or red flags identified from September 2020 through October 2021 generated 647,110 temporary tags in excess of five times the number of estimated vehicle sales. These dealers could sell the excess temporary tags on various social media platforms.

Excessive Temporary Tags and Potential Illegitimate Proceeds		
Type	Revoked Dealer Count	Excess Temporary Tags
Bankruptcy/Lien	8	461,177
Criminal History	7	30,319
Application Deficiencies	20	155,614
Total	35	647,110

Cause

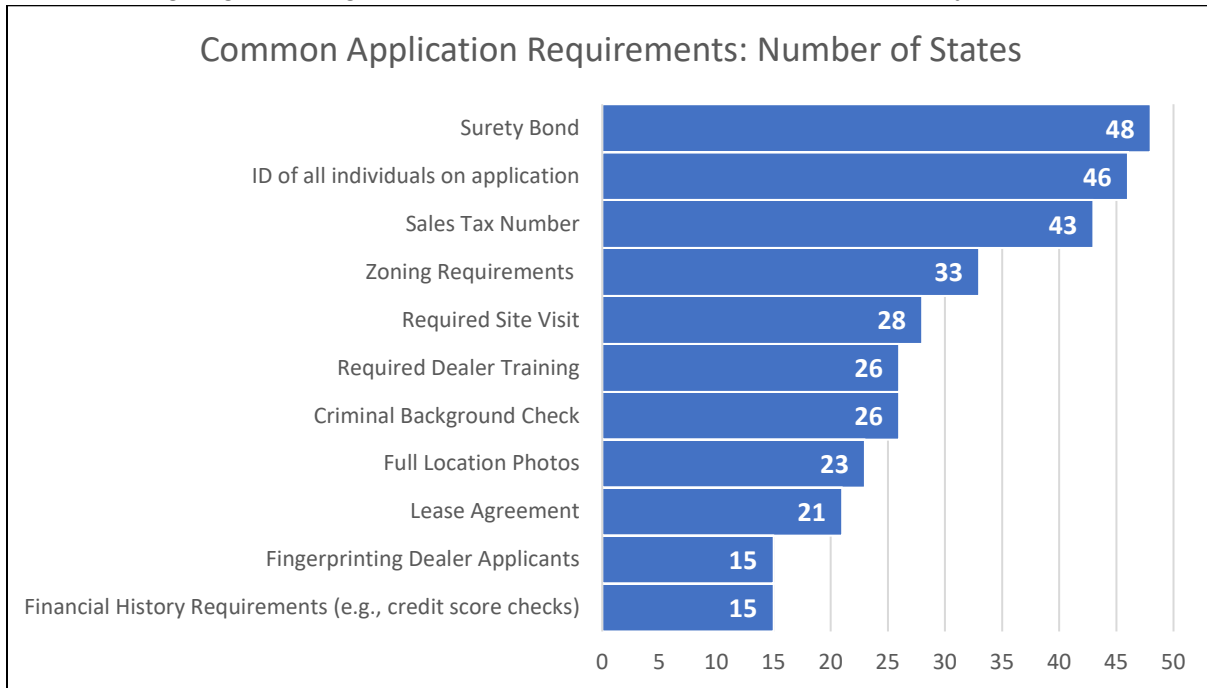
The Department implemented data integrity checks for application reviews. However, the number of application reviews checked is not enough to detect mistakes by licensing specialists. The review process includes monthly quality control checks of each licensing specialists. The quality control checks are conducted on various types of applications but do not focus on higher risk applicants. Also, according to MVD, staffing limitations limit the ability to implement application review of additional components.

Expected State (Criteria)

The Texas Administrative Code Title 43, Chapter 215 § 215.89 states the Department shall consider licensing requirements and evidence of an applicant's fitness in determining whether an applicant is qualified to obtain a license.

The MVD Procedures GDN License Checklist requires detailed review of supporting material from the applicant. The checklist requires validation of all documents uploaded by applicants into eLICENSING.

While no industry standard has been established for dealer applicants, a review of requirements from all 50 states identified common application components. For example, 15 (30%) of 50 states require site visits and/or fingerprinting for all applicants, components that are not currently part of the dealer application process at the Department. The Department includes all of the identified common application requirements except for three: site visits for all applicants, fingerprinting, and financial history (e.g., credit score checks). While site visits are not required for all dealers, site visits are required for some applicants. Also, the Department is currently implementing fingerprinting process, which should be completed in fiscal year 2022.



Recommendations

- 1.1 The Department should improve quality control for the application review process **(HIGH)**.
- 1.2 The Department should evaluate revoked licenses to identify trends in application deficiencies and implement training opportunities for licensing specialists **(HIGH)**.
- 1.3 The Department should identify additional components to include in the application process and consider requirements from other states **(HIGH)**.

Management Response and Action Plan

Management Response and Action Plan 1.1

MVD has recently expanded Licensing's background section to include two Quality Assurance (QA) Specialist positions. Hiring for these two new positions is currently underway. The job posting closed on May 31, 2022 and offers for employment are expected to be extended by June 30, 2022. Initial checks will be conducted by the QA specialists to identify any possible issues or concerns with location, premise, ownership, or affiliation prior to the application being assigned to a Licensing Specialist. This will centralize quality controls, ensure consistency in

various checks, and identify potential bad actors earlier on in the process. Training of the QA Specialists will be conducted by the Background and Fraud Unit Supervisor and the QA Specialists are expected to be fully trained by the end of the calendar year.

Management Action Plan Owners: *Monique Johnston, Motor Vehicle Division Director & Brittney Kruse, Licensing Manager*

Anticipated Completion Date: *December 31, 2022*

Management Response and Action Plan 1.2

MVD is currently reviewing the licensing applications associated with dealers denied access to the eTAG system to identify possible trends and commonalities among these license holders. With the expansion of MVD's background section, a similar action can be incorporated for revoked licenses as part of the quality assurance checks. The Background and Fraud Unit can begin to evaluate revoked licenses to identify possible trends and commonalities. However, resources for this section are limited as the new positions were created using current MVD FTEs and evaluation of revoked licenses will require increased coordination with the Enforcement division and SOAH.

The additional checks already implemented by MVD have greatly reduced the deficiencies noted in the revoked licenses reviewed during this audit. MVD will utilize the trends and commonalities identified in revoked licenses and dealers denied access to the eTAG system and will implement quarterly trainings with the Licensing Specialists to review best practices and areas of improvement in current policies and procedures.

Management Action Plan Owners: *Monique Johnston, Motor Vehicle Division Director & Brittney Kruse, Licensing Manager*

Anticipated Completion Date: *August 31, 2023*

Management Response and Action Plan 1.3

MVD implemented several actions in 2021 and 2022 to strengthen the pre-licensing process and help stop individuals who may be attempting to obtain a license for the purpose of committing fraud or criminal activity.

These actions have been aimed at strengthening fraud deterrence, while also ensuring that legitimate applicants can meet licensure requirements without unnecessary burden. These actions include the following:

- *Verifying the property owner in the County Appraisal District Records matches the property owner listed on the property deed or lease;*
- *Requiring a notarized statement from the property owner listed in the County Appraisal District record if that person is not a party included in the lease;*

- *Requesting applicants verify that the proposed business location meets all applicable state laws and municipal ordinances;*
- *Requiring a valid Certificate of Occupancy and/or Certificate of Compliance, if required by local zoning authorities;*
- *Requiring the applicant to affirm whether other businesses are operating at the same location;*
- *Flagging all associated accounts and specific addresses for review on license renewal based on Licensing Committee concerns;*
- *Requiring a notarized premises affidavit and additional premises photos for new applicants and current license holders who are relocating; and*
- *Requiring a notarized premise affidavit and additional premises photos to be submitted when a license up for renewal has a premises-related complaint history.*

Additional enhancements require possible rule changes and are currently being drafted by staff. These changes could include the following:

- *Requiring identification for all owners and managers or other authorized representatives;*
- *Performing criminal background checks on all persons listed on the application, not just owners, president and managing partners;*
- *Requiring a notarized photo affidavit to be submitted with the identification;*
- *Requiring the eTAG administrator to be an owner or manager listed on the application; and*
- *Requiring more stringent premises requirements based on updated Rule language.*

Rule proposal for fingerprinting is currently published in the Texas Registrar for public comment and is expected to be presented to the Board for possible adoption in June 2022.

Review of an applicant's financial background, specifically the applicant's assets and liabilities, was required prior to application requirements simplification in 2012 and 2013. Based on data generated in connection with this audit, MVD should consider adding a review of an applicant's financial background back to its licensure requirements but instead focus on the applicant's bankruptcies and liens.

Required site visits for all applications are also being considered by the Board but would require additional resources for enforcement and would increase the processing time for applications. Based on data provided through this audit the TxDMV appears to have more stringent licensing requirements than many other states. The division will continue to monitor the American Association Motor Vehicle of Administrators (AAMVA) best practices for new trends and advancements in licensing and regulation of the motor vehicle industry.

Management Action Plan Owners: *Monique Johnston, Motor Vehicle Division Director & Brittney Kruse, Licensing Manager*

Anticipated Completion Date: *August 31, 2023*

Audit Results #2: Application review alone is not enough to identify potential bad actors.

Condition

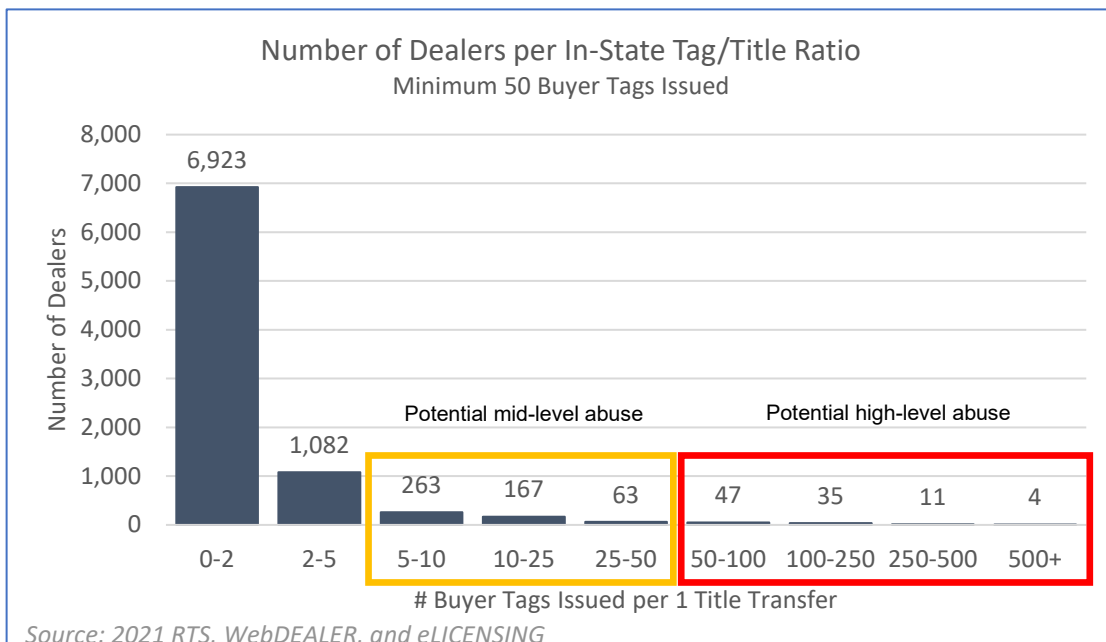
Dealers who go through the application review process and meet all requirements are licensed and have access to various TxDMV systems, such as webDEALER. The application review process does not create a barrier to entry for certain dealers. Some of these dealers commit various violations such as temporary tag abuse, falsifying statements to the Board, or premise violations.

While application review and background research processes are designed to identify possible potential bad actors and prevent their licensure, those processes cannot catch bad actors who submit all required documents and do not have identifiable red flags.

Evidence

Of the 84 revocations reviewed, 35 had an application deficiency or other red flags that could have been caught by a current or more detailed application review (See Audit Results #1). However, of the remaining 49 (58%) of 84 revocations reviewed during September 2020 to October 2021, there were no application deficiencies or red flags that could have been identified through the application process (e.g., licensee business location or was not operating a business at the licensed location). The application process cannot be expected to have prevented these dealers from being licensed.

Additionally, a review of active GDN dealers' FY2021 activity showed a number of dealers with high temporary tag to title transfer ratios as of September 2021 that successfully went through the application process. Texas Transportation Code Title 7, Chapter 503.063 states a dealer shall issue to a person who buys a vehicle one temporary buyer's tag for the vehicle. Data shows that some active dealers are issuing excessive temporary tags per title transaction:



Temporary tag limits were recently adopted through formula to reduce excessive over-production by licensed dealers. Dealers are allocated a maximum volume of temporary tags based on estimated vehicle sales. Current limitations on maximum temporary tag production are designed to reduce large scale fraudulent activity. While limitations on maximum temporary tag production have impacted large scale temporary tag misuse, low to moderate temporary tag misuse may exist.

Impact (Effect)

The 49 identified revoked licenses from September 2020 through October 2021 did not have deficient application materials or other red flags in their license application. These dealers with revoked licenses could have generated 432,137 excess temporary tags and sold them on various social media platforms. These temporary tags can be used in criminal activities, avoidance of vehicle registration or toll tag payments.

Cause

The Department did not have a continuous monitoring process to identify dealers who are operating business outside of their licensed authority such as printing excessive temporary tags. There were not established thresholds to identify excessive temporary tag usage for the testing period. However, there are currently measures in place to track usage of temporary tags. Once this allocation reaches a certain threshold, the Department receives a report to further investigate.

Expected State (Criteria)

The Committee of Sponsoring Organizations (COSO) framework states that control activities and monitoring activities are components of internal control. Control activities should be developed to mitigate risks to acceptable levels. Control activities are performed at all levels of the organization, at various stages within the business processes, and are preventative or detective in nature. There should be strong preventative controls like the application review process in conjunction with strong detective controls such as continuous monitoring.

Texas Transportation Code Title 7, Chapter 503.0632 states the Department by rule may establish the maximum number of temporary tags that a dealer may obtain in a calendar year. The code establishes that the Department has the authority to establish thresholds concerning temporary tag limitations.

Recommendation

- 2.1 The Department should develop a risk-based method of monitoring active dealer licenses that consider various criteria (e.g., tag to title ratios, volume threshold, etc.). This should include a method to notate higher risk applicants from the application process. **(HIGH)**.

Management Response and Action Plan

Management Response and Action Plan 2.1

MVD has been working closely with the Enforcement Division on Denial of Access to the temporary tag database. MVD receives a daily tag report of dealers who have used 50% or more of their allotted temporary tags. MVD utilizes the report to identify dealers who may be eligible for a tag increase. The division also reviews the report for dealers possibly engaging in eTAG abuse, misuse, and/or fraud.

MVD has referred 39 applications to ENF for further review based on possible fraud since implementation of the temporary tag usage report on 3/1/2022. Thresholds are reviewing the tag reports, application documentation, Google Map photo review, & reviewing the tag vs. title report. These referrals are tracked on a spreadsheet and documented through comments in the eLICENSING license record.

In addition, MVD's Background and Fraud Unit is reviewing the licensing applications associated with dealers denied access to the eTAG system to identify possible trends and commonalities among these license holders and are drafting summaries of findings for review by MVD management.

MVD reviewed some of the photos in relation to the revoked licenses mentioned in this audit. While the division agrees with many of the findings, it should be noted that the department does not currently have rules in place to dictate certain requirements, such as a specific type of structure needed for an office or a minimum size. Also, current rules do not disallow residential type structures if no one is residing at the location. Additional requirements to the office space could be addressed under the pending pre-licensing rule changes, which are currently undergoing review by the department's General Counsel division.

MVD currently flags all associated licenses, accounts, and specific addresses for review on license renewal based on Licensing Committee concerns, reviews conducted by the Background and Fraud Unit, and/or possible issues discovered during normal processing of a file by MVD staff. Additional flags can be added as a method to notate higher-risk applications, such as those with premises concerns that currently meet the minimum rule requirements and/or applications with current bankruptcies or liens. These flags can include a requirement to request a site visit be conducted by the Enforcement division within a certain period of time after the license has been issued (e.g., six months).

Management Action Plan Owners: *Monique Johnston, Motor Vehicle Division Director & Brittney Kruse, Licensing Manager*

Anticipated Completion Date: *December 31, 2022*

Appendix 1: Objectives, Scope, Methodology, and Rating Information

Objectives

To evaluate the Department's processes designed to ensure verification of dealer applicant's identities and criminal history.

Scope and Methodology

The scope of the audit included dealer revocations from September 2020 to October 2021. The audit included review of dealer application and application review requirements. Information and documents reviewed in the audit included the following:

- Interviews with TxDMV Motor Vehicle Division management and staff
- Interviews with GDN license holders
- GDN New Processing Guide
- New GDN License Checklist
- eTAG Limitation Data
- FY 2022 revocations and case comments
- eLICENSING system
- Criminal History Review Committee meetings
- Texas Administrative Code, Chapter 211
- Texas Administrative Code, Chapter 215.89
- Texas Transportation Code, Chapter 503
- COSO Framework Executive Summary

This audit was included in the FY 2022 First Six Month Internal Audit Plan. IAD conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for the Professional Practice of Internal Auditing. Those standards require that IAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. IAD believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives

COSO Elements

This engagement reviewed risks and controls that were relevant to the audit objective. As part of the evaluation and testing of the risks and controls, the audit team used the following COSO components and principles as depicted in table 1:

Table 1. COSO Elements and Principles in Scope

COSO Element	Definition	Applicable Principles
Control Environment	The foundation for an internal control system as it 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.	<p>1- The organization demonstrates a commitment to integrity and ethical values.</p> <p>5 - The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.</p>
Risk Assessment	The processes used to determine how risk is to be managed. The function assesses the risks facing the entity as it seeks to achieve its objectives.	<p>6 -The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.</p> <p>7 - The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.</p>
Control Activities	The actions management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes TxDMV's information systems.	<p>10 -The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.</p> <p>12 - The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.</p>

COSO Element	Definition	Applicable Principles
Information and Communication	The quality information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.	13 - The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
Monitoring	The activities establishes and operates to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning.	16 -The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

Report Distribution

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, and the State Auditor’s Office.

Ratings Information

Maturity Assessment Rating Definition

IAD derived the maturity assessment ratings and definitions from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model and the Enterprise Risk Management (ERM) Maturity Model. The model was adapted for the TxDMV assurance audit purposes and does not provide a guarantee against reporting misstatement and reliability, non-compliance, or operational impacts. The ratings and definitions are provided in Table 2.

Table 2. Maturity Assessment Rating Definitions

Rating	Name	Definition
0	Non-Existent	The function used no process since a standardized process is not defined or being used.
1	Initial and Ad-Hoc	The function used an ad hoc approach when issues arise because a standardized process is not defined.
2	Repeatable but Intuitive	The function developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.
3	Defined	The function followed a standardized, documented, and communicated process. The process, however, may not have been followed systematically or repeatedly.
4	Managed and Measurable	The function followed a standardized, documented, and communicated process that is monitored and measured for compliance. The function evaluated the process for constant improvement and provides good practice. The process could be improved with the use of more information technology to help automate the workflow and improve quality and effectiveness.
5	Refined	The function followed a standardized, documented, and communicated process defined as having a good process that results from continuous improvement and the use of technology. Information technology was used in an integrated way to automate workflow and to improve quality and effectiveness of the process.

Recommendation Rating Criteria

The IAD rates audit recommendation’s priority (i.e., HIGH or LOW) to help the TxDMV Board and executive management identify the importance of the recommendation. The criteria for Low and High Priority are documented in Table 3.

Table 3. Recommendation Priority Criteria

Priority	Criteria
Low	<ul style="list-style-type: none"> • Requires only a written policy or procedure update • Is within an acceptable range of risk tolerance for the Department • A non-reoccurring or regulatory external audit issue
High	<ul style="list-style-type: none"> • Executive Management or Board Request • Not within an acceptable range of the risk tolerance of the division • New process had to be developed to address recommendations • Regulatory impact or reoccurring issue