



Texas Department
of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Travel and Training Policies and Practices
Audit Report
Audit 18-06

Internal Audit Division
April 2018

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Executive Summary

BACKGROUND

During the 85th Legislature, concerns arose on the appropriateness of travel and training events that state agencies attend. As a result, the Internal Audit Division (IAD) included an audit to review the Department’s travel and training processes. In fiscal year (FY), the Department only expended \$756,861 in travel and training. At the request of the TxDMV Board, board travel was also reviewed.

The Department travels in-state and out-of-state for various reasons, including attending annual conferences; conducting or assisting with investigations and monitoring site visits; attending staff development functions; and conducting other state business. Similarly, the Department purchases a variety of training materials and courses for its staff.

The objectives of the audit were the following:

- To determine if training and travel requests and reimbursements have the appropriate approvals and justifications.
- To determine if a process exists to ensure travel and training expenses are appropriate and achieve the needs of the Department.
- To evaluate how the TxDMV’s handling of board member travel compares with other state agencies.

RECOMMENDATIONS

The IAD made two recommendations related to better defining and clarifying the travel authorization process, including documentation requirements.

RESULTS

The TxDMV has developed processes to ensure training related requests are justified and expenses are appropriate. Training related requests and expenses are approved by the division director or designee and two sections of the Finance & Administrative Services (FAS) Division before the purchase can occur. Similarly, travel expenses are reviewed by FAS and the traveling division prior to reimbursement to verify that the expenses were appropriate and justified. Out-of-state travel is authorized by the executive director and the division director prior to the travel.

However, the authorization for in-state travel authorizations is informal. The Department has not sufficiently established procedures to ensure in-state travel authorization is fully documented and retained by divisions. In addition, there are unclear guidelines for what documentation needs to be included when submitting out-of-state travel plans for authorization.

The Department may have insufficient support demonstrating it authorized in-state travel with clear business justification prior to the trip. In addition, staff may not have sufficient supervisory authorization for travel prior to the trip.

TxDMV board travel practices are in compliance with the Texas Government Code, Comptroller rules, and the General Appropriations Act, and are like other state agencies’ reimbursement practices for board and commission members’ travel expenses.

MANAGEMENT RESPONSE

Management agrees with the audit results and recommendations. Management has begun working on the recommendations, including updating the Travel Authorization form and travel policies and procedures. Management expects recommendations to be implemented by December 2018.

Overall Conclusion

Maturity Assessment Rating

4 - *Managed and Measurable Process Level*: The process has a standardized, documented, communicated, and followed process. Management monitors and measures compliance with process. Process is under constant improvement and provides good practice. The use of information technology would help automate workflow and improve quality and effectiveness.

Other possible maturity assessment ratings and their definitions are found under Appendix 1.

Strengths

The Texas Department of Motor Vehicles (TxDMV) has developed several processes to ensure travel is appropriate and is being reimbursed for only allowable items, including the following processes:

- Finance and Administrative Services (FAS) Division developed controls to ensure that reimbursement claims submitted for all travel related expenses are documented, supported, and appropriate. IAD tested travel related expenses from 72 travel vouchers reimbursed in fiscal year (FY) 2017 and found all expenses tested were vetted by FAS in their travel voucher review process. All expenses tested contained the required supporting documentation in the purchase voucher file.
- The out-of-state travel process requires staff to request authorization through a form prior to traveling. The Travel Authorization form includes information on expected travel dates, locations, purpose of travel, and cost estimates of lodging, meal, travel, and incidental expenses. The out-of-state travel authorization form requires the employee's supervisor, division director, and executive director approval.
- The Vehicle Titles & Registration Division developed an in-state process that included obtaining authorization prior to traveling, confirming travel dates and destinations, and meeting quarterly to discuss and plan routine monitoring visits. After the travel occurs, the division keeps detailed records of the travel expenses incurred by division staff. The detailed record keeping includes information on the purpose of the travel.

The TxDMV has also developed processes to ensure training related requests and expenses are appropriate and justified. The training related requests and expenses are processed through the Centralized Accounting and Payroll/Personnel System (CAPPS) purchasing module. Before a purchase can occur, CAPPS requires division director or designee approval, the FAS Budget and Planning Section's approval, and the FAS Purchasing Section's approval. IAD tested training related expenses from 51 purchase orders paid in FY 2017 and found all training expenses received approval in CAPPS prior to the purchase.

Improvements

The TxDMV could improve its travel authorization processes defined in the TxDMV Travel Policies and Procedures manual.

Below are the audit results and recommendations that further expand on these areas.

- Audit Result #1: Travel authorization processes need to be clarified and better defined.

- Recommendation # 1: The TxDMV should define and document the in-state travel authorization process, including identifying which authorization is needed based on the purpose of travel. (High)
- Recommendation #2: The TxDMV should update its travel policies and procedures to include guidance on the documentation requirements for travel authorizations, including expectations for retention of supporting documentation. (Low)
- Audit Result #2: The TxDMV's board travel policies and practices comply with Comptroller requirements and align with other state agencies' practices
 - No recommendations were made.

The detailed audit results can be found under the Audit Results section beginning on page 5.

Observation

The TxDMV's travel policy is currently being updated to create a uniform approval and documentation process across the Department all while balancing the Department's need to accommodate travel plans for a variety of business needs across the Department. Proposed updates included the changes to the Department's travel authorization policies and Travel Authorization form for both in-state and out-of-state travel. The proposed travel authorization form emphasizes cost efficiency more than the appropriateness or need for the travel. In its current draft, the form does not have sufficient detail to capture information on the appropriateness and justification for the travel. However, it does capture significant detail on the estimated expenses. Since the detail is an estimate, there is no indication that additional information capture beyond what is already on the Department's current travel authorization form would be beneficial. The IAD compared the cost estimates captured on the current out-of-state travel authorization form with the actual costs incurred for 20 out-of-state line item expenditures since the Department does not currently require a cost estimate or travel authorization form for in-state travel. The IAD found that 14 (70%) of the out-of-state cost estimates were within \$25 of actual costs and an additional 4 (20%) of the 20 are within \$60 of actual costs.

Background

In FY2017, the TxDMV expended \$756,861 for in-state and out-of-state travel and training. In addition, the 85th Legislature showed concern regarding the appropriateness of travel and training events that state agencies attend.

Travel

The TxDMV's travel authorization process allows divisions to respond to scheduled and unscheduled travel events based on each division's business needs. In the sample tested, TxDMV personnel traveled to conduct state business on behalf of the Department for the following reasons:

- conducting or assisting with investigations and monitoring site visits (31%),
- participating in motor vehicle industry and regulatory conferences (31%),
- attending staff development functions (17%),
- providing training to stakeholders (11%),
- coordinating with legislators (1%), and
- conducting other state business such as on-site equipment maintenance (10%).

Some travel events cannot be anticipated such as law enforcement requests for investigation assistance. Other travel can be foreseen and planned such as routine site visits and annual national conferences. For example, in FY 2017, Department managers and staff attended annual conferences and participated on regulatory boards including the following:

- American Association of Motor Vehicle Administrators
- American Association of State Highway and Transportation Officials,
- National Odometer and Title Fraud Enforcement Association,
- International Registration Plan board, and
- Unified Carrier Registration board.

The TxDMV's Travel Policies and Procedures manual requires all employees receive prior approval before traveling (e.g., authorization) from the employee's direct supervisor. Each division is responsible for authorizing proposed travel for their own staff traveling in-state.

Employees traveling outside of the state must submit the Travel Authorization form for approval prior to travel by their division director and executive director. The Travel Authorization form must include the purpose of travel and a cost estimate. Divisions can also submit a Travel Advance Request form to obtain a monetary advance for anticipated travel costs. The use of travel advances is optional and at the discretion of each division.

After traveling, an employee must submit a travel voucher to obtain reimbursement. FAS staff review the voucher and accompanying support documentation to verify that the reimbursement request is for actual costs incurred and the final approved reimbursement does not include disallowed costs (i.e. gratuities) or exceed allowable maximum rates set by the Texas Comptroller's Office (Comptroller).

The Department has taken steps to update its travel policy, which was last revised in October 2014. The draft travel policy is intended to help ensure sufficient lead time of travel approvals prior to the trip date, to select the most cost-effective travel arrangements are obtained considering the purpose of the travel, and to provide clearer guidance to Department staff arranging travel or submitting vouchers for claimed expenses. The draft travel forms are being designed to consolidate multiple forms such as; the travel advance request, mileage calculator, travel authorization, and travel voucher, into one workbook.

Training

The TxDMV utilizes the Comptroller's Centralized Accounting and Payroll/Personnel System (CAPPS) to submit and approve purchase requisitions for staff development materials and events. CAPPS enforces approval workflow by requiring authorization for training expenses from the division director or their designee, the FAS Budget and Planning Section, and the FAS Purchasing Section.

This audit was included in the fiscal year 2018 Audit Plan. The Internal Audit Division 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. These standards require that IAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. IAD believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit was performed by Jacob Geray (Internal Auditor), Derrick Miller (Project Manager), 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. The report was also distributed to the Department's executive management team.

Audit Results

Travel authorization processes needs to be clarified and better defined.

Condition

Travel expenses tested received a review by FAS prior to reimbursement, verifying that the expenses were appropriate, justified, and included appropriate signatures approving reimbursement.

However, in-state travel authorizations are informal and ad hoc, with evidence of authorizations varying by division. For example, IAD found verbal approvals were given to staff for monitoring visits and annual conferences, as well as unplanned events. In addition, documentation submitted with the Travel Authorization form for out-of-state travel authorization varied.

Effect

The Department may have insufficient support demonstrating that authorized travel has a clear business justification prior to the trip date. In addition, staff traveling for the Department may not have sufficient supervisory authorization of travel prior to the trip.

Cause

The Department has not sufficiently established procedures to ensure in state travel authorization is fully documented and retained by the division.

In addition, there are unclear guidelines for what documentation needs to be included when submitting out-of-state travel plans for authorization.

Criteria

The TxDMV Travel Policies and Procedures require staff receive approval from the direct supervisor prior to travel when traveling in-state. For both out-of-state and in-state travel, the Department is required under Texas Government Code §660.003 to ensure that travel expenses receiving reimbursement clearly involve official state business.

Evidence

The Internal Audit Division selected and tested 72 travel expense claims disbursed during FY 2017 from nine divisions. The 72 travel expense claims were related to in-state and out-of-state travel. Specifically, 62 of the expenses were for in-state travel and 10 expenses were for out-of-state travel. From the testing, the following items were noted:

- Five of the nine divisions sampled attested to having some in-state approval processes consisting of verbal discussion. One of these divisions reported that staff did not consistently obtain supervisory approval prior to travel, which the division has since corrected.
- 72 expenses were verified by FAS during their travel voucher review to be actual and allowable costs incurred.
- 10 out-of-state travel expenses included an approved Travel Authorization form.
- 14 in-state travel expenses had authorization documentation.
- 47 of the 62 in-state travel expenses tested did not have authorization evidence.

- 24 of the 47 expenses without authorization evidence were from one division which previously stated that it did not have an in-state travel authorization process prior to FY 2018.

Recommendations

The Internal Audit Division recommends the following:

- 1.1 The TxDMV should define and document the in-state travel authorization process, including identifying which authorization is needed based on the purpose of travel. (High)
- 1.2 The TxDMV should update its travel policies and procedures to include guidance on the documentation requirements for travel authorizations, including expectations for retention of supporting documentation. (Low)

Management's Response and Action Plan

Management Response & Action Plan 1.1

Management agrees with the recommendation. Staff has been working with stakeholders to identify improvements to the travel authorization form, including the incorporation of in-state travel documentation and approval requirements. The updated form will be rolled out to the Department by the end of the calendar year.

Management Action Plan Owner(s): Sergio Rey, Director of Accounting

Anticipated Completion Date: December 31, 2018

Management Response & Action Plan 1.2

Management agrees with the recommendation. Staff has been working with stakeholders to identify best practices for documenting travel purpose of trip and benefit statements. FAS has completed an initial review and edits of the Department's travel policies and procedures. A draft document will be routed to executive management for final recommendations before final roll out to the Department.

Management Action Plan Owner(s): Sergio Rey, Director of Accounting

Anticipated Completion Date: December 31, 2018

The TxDMV's board travel policies and practices comply with Comptroller requirements and align with other state agencies' practices

As part of this audit IAD compared the TxDMV's practices for board travel and reimbursement with the practices of other state agencies. IAD analyzed board member travel reimbursements disbursed during FY 2017 and surveyed 31 other state agencies regarding their travel policies for board and commission members, receiving responses from nine state agencies.

TxDMV board travel practices are in compliance with the Texas Government Code, Comptroller rules, and the General Appropriations Act requirements for allowable costs and reimbursement rates. TxDMV board members are allowed the same daily meal, lodging, and mileage rates as other TxDMV personnel subject to the General Appropriations Act. Mileage reimbursement rates applied by the Department for board member reimbursement of personal vehicle and personal aircraft use comply with those published by the Texas Comptroller's Office and the United States Government Services Administration.

Other state agencies responding to the survey reported similar reimbursement practices regarding board and commission member meals and lodging, vehicle mileage, and use of commercial aircraft. None of the nine respondents reported board or commission member use of a personal aircraft. The responding agencies cited their own travel policies, Texas Travel Regulations Act (Government Code 660), and the state reimbursement rules promulgated by the Texas Comptroller's Office as the guidance governing their reimbursement practices.

Appendix 1: Objectives, Scope, Methodology and Maturity Assessment

Objectives

The objectives of the audit were the following:

- To determine if training and travel requests and reimbursements have the appropriate approvals and justifications.
- To determine if a process exists to ensure travel and training expenses are appropriate and achieve the needs of the Department.
- To evaluate how the TxDMV's handling of board member travel compares with other state agencies.

Scope and Methodology

The scope of the audit included travel and training related expenditures disbursed during fiscal year 2017.

IAD interviewed TxDMV Division Directors and division travel coordinators to gather information on the travel approval process for TxDMV personnel, and reviewed available documentation of supervisory travel approvals. IAD reviewed travel vouchers and supporting documentation for 72 travel expenses sampled from the population of FY 2017 expenditures in 27 travel related expenditure accounts, and reviewed purchase requisitions and approval signoffs for 51 training expenses sampled from the population of FY 2017 expenditures in 5 travel related expenditure accounts. The expenditure accounts were selected based on a review of CAPPs account code descriptions and in agreement with FAS. The sample size was selected based on the proportionate volume of FY 2017 expenditures by each TxDMV division, excluding the Internal Audit Division for objectivity.

IAD reviewed the Department's draft travel policies and forms currently under development. The TxDMV's current travel policy and procedures was finalized in October 2014. The proposed revisions have been in development by the Executive Office and FAS since fiscal year 2016.

At the request of the TxDMV's governing board, Internal Audit reviewed the Department's policies and practices regarding board member travel how those compare with the policies and practices of other state agencies. IAD surveyed other state agencies to gather information on their agency policies and practices for board member reimbursements, receiving responses from nine state agencies. The survey was sent through the State Agency Internal Audit Forum (SAIAF), which has approximately 40 members. A total of 31 of those members received the survey.

Information and documents reviewed in the audit included the following:

- Texas Travel Regulations Act (Texas Government Code 660)
- State of Texas Travel Guidance (Texas Administrative Code Title 34, part 1, Chapter 5, Subchapter C, §5.22)
- Texas General Appropriations Act Travel Regulations (Texas General Appropriations Act for the 2016-17 Biennium, Article IX, Part 5)
- Texas Government Code Chapter 656 Job Notices and Training (Texas Government Code Chapter 656)
- Texas Department of Motor Vehicles Finance and Administrative Services Division Travel Policies and Procedures, Version 1.1, October 2014
- Texas Department of Motor Vehicles Fiscal Year 2017 Expenditures by Coding Block

- Appendix E – Expenditure Account Codes (CAPPS Desk Reference Packet FY 2015)
- State Agency Internal Audit Forum members
- Texas Department of Motor Vehicles purchase vouchers and support documentation
- Texas Department of Motor Vehicles Draft Travel Authorization and Reimbursement Policy, November 2017
- Texas Department of Motor Vehicles Draft Travel Authorization Form, December 2017

Maturity Assessment Rating Definitions

The maturity assessment rating and information were derived 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. Below are the definitions for each rating level.

- 0 - A rating level of 0, also known as a non-existent process level, is defined as no process has been defined or used.
- 1 - A rating level of 1, also known as an initial and ad-hoc process level, is defined as a standardized process has not been developed and an ad hoc approach is being used when issues arise.
- 2 - A rating level of a 2, also known as repeatable but intuitive process level, is defined as having developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not documented and has not been sufficiently evaluated to address risks.
- 3 - A rating level of a 3, also known as a defined process level, is defined as having a standardized, documented, communicated, and followed process. The process, however, may not detect any deviation due to the process not being sufficiently evaluated to address risks.
- 4 - A rating level of a 4, also known as a managed and measurable process level, is defined as having a standardized, documented, communicated, and followed process. Management monitors and measures compliance with process. Process is under constant improvement and provides good practice. The use of information technology would help automate workflow and improve quality and effectiveness.
- 5 - A rating level of a 5, also known as refined level, is defined as having a good process (e.g., standardized, documented, communicated, and followed process) because of continuous improvement and the use of technology. Information technology is used in an integrated way to automate workflow and to improve quality and effectiveness.