Fiscal Year (FY) 2019 Internal Audit Follow-Up Audit Report

19-09

Internal Audit Division
July 2019

Texas Department *of* Motor Vehicles

FY 2019 Internal Audit Follow-Up, 19-09

Executive Summary

BACKGROUND

The Internal Audit Division (IAD) continuously conducts follow-up activities to determine if appropriate action has been taken to address internal and external audit recommendations. Throughout the year, IAD works with executive management to document and verify the implementation status of the audit recommendations.

In fiscal year (FY) 2019, IAD reviewed and verified the implementation status of 62 internal and external audit recommendations with an estimated completion dates between July 2, 2018 and May 31, 2019. Of the 62 audit recommendations, 37 were recommendations issued by IAD and 25 were issued by external entities.

The follow-up objective was to determine and verify the implementation status of internal audit and external audit recommendations issued.

RECOMMENDATIONS

The IAD did not make any additional recommendations in this report as it was a follow-up report.

RESULTS

TxDMV continues to take an active approach to implementing any audit recommendation issued, which has led to a high percentage of recommendations that were implemented. In FY 2019, TxDMV implemented 56 of the 62 (90%) internal and external audit recommendations that were due. Specifically, TxDMV implemented all 25 (100%) external audit recommendations and implemented 31 of the 37 (84%) internal audit recommendations.

MANAGEMENT RESPONSE

For started recommendations, management provided new completion dates or provided reasoning for the delay.

Contents

Background

Implementation Status

Throughout the fiscal year (FY), the Internal Audit Division (IAD) works with Texas Department of Motor Vehicles (TxDMV) management on follow-up activities by obtaining documentation supporting implementation and implementation statuses on audit recommendations. When management believes an audit recommendation is fully implemented, they submit supporting documentation for IAD review. IAD reviews submitted documentation to determine if the audit recommendation has been fully implemented. If the audit recommendation is designed as a HIGH priority, IAD staff will conduct limited testing to ensure the recommendation has fully remediated the identified issue.

At the end of the fiscal year, IAD reports the implementation status of all audit recommendations reviewed to the TxDMV Board and executive management. The implementation status IAD assigns includes the following:

- **Closed - Fully Implemented**: The division fully implemented the audit recommendation by developing and using processes, systems, or policies. The changes are operating as intended.

- **Closed - External Verification Needed**: Only used for audit recommendations not issued by the IAD (i.e., External Audit Recommendations). The IAD reviewed documentation and verified that the division has fully implemented the audit recommendation by developing and using processes, systems, or policies.

- **Started**: The division began developing and using processes, systems, or policies to implement a recommendation but not all elements were complete. The division revised the completion date.

- **Pending**: The division has not begun developing processes or using processes, systems, or policies to implement a recommendation. The division revised the completion date.

- **Not Implemented/ Management Accepts the Risk**: The division and department no longer intends to develop a process, system, or policy to address a recommendation.

- **Not Applicable**: The recommendation is no longer relevant.

Audit Recommendations

During fiscal year (FY) 2019, the IAD verified the implementation status of 62 internal and external audit recommendations. 25 of the 62 (40%) audit recommendations were issued from external entities. 37 of the 62 (60%) audit recommendations were issued by the IAD.

Internal Audit Recommendations

In fiscal year 2019, the IAD verified the status of internal audit recommendations issued from twelve internal audit and advisory service reports. These reports reviewed operations in several

TxDMV divisions, including Information Technology Services, Vehicle Titles & Registration, and Finance & Administrative Services. Table 1 below provides information on each audit report and the number of recommendation due during the scope.

Table 1. Internal Audit report and recommendation summary

Report Number and Name	Summary	Recommendations due between July 2, 2018 – May 31, 2019
P12-15 County Equipment Replacement Project Audit	The audit reviewed FY2012 County Equipment Replacement Project (CERP), which updated computers, printers, cabling and networking equipment used by the county Tax Assessor-Collectors' (TACs) offices. The audit identified areas of improvement related to project management, inventory management, and technology enhancements.	1
P13-06 Audit of Agency Cash Handling Operations	The audit reviewed the cash handling process used in FY2011 at the 16 Regional Service Centers (RSCs) and the Finance & Administrative Services Division. The audit identified improvements related to securing cash and checks at the RSCs, including upgrading equipment (e.g., safes, cash counting machines, and check stamps). The audit also identified the need to have a dedicated team for Certified Copy of Title (CCO) applications submitted by mail.	1
P14-14 Follow up Audit on the Implementation of Recommendations	The follow up audit determined the implementation status for recommendations issued in the Organizational Review conducted by the Azimuth Group and four State Auditor's Office (SAO) audit reports. The four SAO audit reports were the following: • Audit Report on the Financial Responsibility Verification Program (TexasSure) (No. 10-016), • Audit Report on the Department of Motor Vehicles (No. 11-007), • Audit Report on Contract Management at the Department of Motor Vehicles (No. 12-043), and the • Audit Report on Selected State Entities' Compliance with Requirements Related to the	1

Report Number and Name	Summary	Recommendations due between July 2, 2018 – May 31, 2019
	Historically Underutilized Business Program and the State Use Program (No. 13-026).	
15-02 Internal Controls over the State of Texas Titling Processes Audit	The audit reviewed the process for titling vehicles. The audit identified areas of improvement related to monitoring of titling transactions.	1
15-05 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	The confidential audit determined the implementation status of the recommendations from a Texas Administrative Code (TAC) 202 assessment. TAC 202 outlines the Information Security Standards that are required to be followed by the Department.	1
17-02 RTS Refactored and Single Sticker Post-Implementation Audit	The audit reviewed implementation of the Cognos enterprise reporting application, which replaced the Registration and Titling System (RTS) legacy report tool. The audit identified that the Cognos application is pulling data accurately according to its design. However, users were skeptical of Cognos data reliability and completeness, leading them to spend additional time and effort verifying Cognos report output to RTS source data to ensure reports' accuracy. The audit identified areas to improve understanding of Cognos and the reports provided by Cognos.	2
17-03 Information Technology Services Organizational Assessment – Application Services Section Advisory Services	The advisory service reviewed the organizational assessment of the Information Technology Services – Application Services Section. The advisory service identified areas of improvement, including cross-training to reduce the over-allocation of staff workload.	1
18-02 TxDMV Fund Tables and Process & Handling Fees	The audit reviewed the monitoring of the TxDMV Fund to ensure appropriate revenues are correctly deposited. The audit identified areas of improvement related to documenting process and monitoring data table changes.	2
18-03 Public Information	The audit reviewed TxDMV's Public Information Request process. The audit identified areas of	2

Report Number and Name	Summary	Recommendations due between July 2, 2018 – May 31, 2019
Request Processes (Open Records) Audit	improvement related to guidance and centralization.	
18-05 Inventory Audit	The audit reviewed TxDMV's processes for managing inventory, including the information technology system used for inventory. The audit found that TxDMV has processes to ensure assets are managed as required and has taken steps to better protect inventory; however, improvement areas include monitoring physical and logical access to secured asset storage areas.	8
18-06 Travel and Training Policies and Practices Audit	The audit reviewed TxDMV processes related to training and travel request and expenses processes. The audit found that TxDMV is in compliance with expenses, however, improvements could be made to establishing established procedures to ensure in-state travel authorization is fully documented and retained by divisions and providing clarity to documentation requirements needed for out-of-state travel.	2
18-08 Payment Card Industry (PCI) Compliance	The audit reviewed TxDMV's compliance with requirement 12, which ensures TxDMV has an appropriate policy. In addition, IAD determined if previous audit recommendation were implemented.	1
18-09 eLICENSING Audit	The audit reviewed the implementation of the eLICENSING. The audit found that the new system reduced risk to TxDMV by automating several processes, but improvements were needed to resolve data integrity, reduce manual processes, and improve access management.	3
19-02 Employee Classification and Hiring	The audit reviewed the employee classification and hiring processes. The audit found areas of improvement related to clarifying the job classification review process, monitoring the contract performance of the background check vendor, identifying potential bias in the screening, and evaluating the hiring process timeframes.	6
19-03 Lemon Law Investigation and	The audit reviewed the Lemon Law program and associated processes. The audit identified areas	3

Report Number and Name	Summary	Recommendations due between July 2, 2018 – May 31, 2019
Resolution Process Audit	of improvement related to case management improvements and communication.	
19-05 Information Security Risk Management	The audit reviewed TxDMV's information security processes related to identifying risks and strategies to manage the risk.	2
Total		37

External Audit Recommendations

The IAD also tracked and verified the implementation status of external audit recommendations. Since FY 2010, the TxDMV has been audited by the State Auditor's Office (SAO), State Office of Risk Management (SORM), Texas Comptroller of Public Accounts (CPA), Texas Commission on Law Enforcement (TCOLE), Texas Department of Public Safety, Sunset Commission, and the International Registration Plan. In total, 19 external audits have been conducted on TxDMV operations.

For FY 2019, the IAD reviewed 25 external audit recommendations due prior to May 31, 2019. The external audit recommendations came from the following five external audits. The table below summarizes the external audit objective's and the number of recommendations reviewed by IAD:

Issuing Agency and Report Name	Summary	Number of Recommendations Due
CPA - #608-18-01 Post Payment Audit of the Texas Department of Motor Vehicles	The audit objectives were to determine whether the Department's expenditures complied with certain state laws and rules concerning expenditures, and with the processing requirements of the Uniform Statewide Payroll/Personnel System and the Uniform Statewide Accounting System.	3
SORM – FY 2019 Agency 608 On-Site Consultation – Houston Regional Service Center	A review to assist state agencies in implementing an effective risk management program and to identify the exposures to property and liability losses, including workers' compensation losses, through an on-site consultation. The review was conducted at a regional service center.	3

Issuing Agency and Report Name	Summary	Number of Recommendations Due
SAO – FY 2017 An Audit Report on Complaint Processing at the Department of Motor Vehicles	The audit objective was to determine whether the Department of Motor Vehicles has processes and related controls to help ensure that it reviews, investigates, and resolves complaints in a timely manner and in compliance with applicable statutes, rules, policies and procedures, and other requirements.	11
Sunset Commission - 2018 -2019 Sunset Advisory Commission Staff Report	An evaluation that reviews the Department's function to determine whether it needs to continue to exist.	6
SAO – An Audit on Selected Contracts at the Department of Motor Vehicles	The evaluation objectives are to determine the Department's compliance with TCOLE statutes and rules related to the training program.	2
Total		25

Audit Engagement Team

The follow- up engagement was performed by Jacob Geray (Internal Auditor), Frances Barker (Internal Auditor), Jason Gonzalez (Senior Auditor), Derrick Miller (Senior Auditor), and Sandra Menjivar-Suddeath (Internal Audit Director).

Follow-Up Results

TxDMV has fully implemented 90% of audit recommendations.

TxDMV continues to take an active approach to implementing audit recommendations both internally and externally. TxDMV divisions provide status updates on the recommendation implementation status. When a division believes it will miss the estimated completion date for a recommendation, the division must provide a reason for missing the deadline and propose a revised implementation date to the TxDMV Executive Director. The TxDMV Executive Director approves or denies the proposed revision.

In FY 2019, TxDMV implemented 56 recommendations and started 6 recommendations, which gives TxDMV an overall implementation rate of 90% for the period. Specifically, TxDMV implemented all 25 (100%) external audit recommendations and implemented 31 of the 37 (84%) internal audit recommendations. The implementations status is depicted in table 2 and table 3.

Table 2. Internal Audit Recommendations Implementation Status

Report Number and Name	Fully Implemented	Started	Total
P12-15 County Equipment Replacement Project Audit	0	1	1
P13-06 Audit of Agency Cash Handling Operations	0	1	1
P14-14 Follow up Audit on the Implementation of Recommendations	1	0	1
15-02 Internal Controls over the State of Texas Titling Processes Audit	1	0	1
15-05 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	1	0	1
17-02 RTS Refactored and Single Sticker Post-Implementation Audit	2	0	2
17-03 Information Technology Services Organizational Assessment – Application Services Section Advisory Services	1	0	1
18-02 TxDMV Fund Tables and Process & Handling Fees	2	0	2
18-03 Public Information Request Processes (Open Records) Audit	2	0	2
18-05 Inventory Audit	8	0	8

Report Number and Name	Fully Implemented	Started	Total
18-06 Travel and Training Policies and Practices Audit	0	2	2
18-08 Payment Card Industry (PCI) Compliance	1	0	1
18-09 eLICENSING Audit	2	1	3
19-02 Employee Classification and Hiring	6	0	6
19-03 Lemon Law Investigation and Resolution Process Audit	2	1	3
19-05 Information Security Risk Management	2	0	2
Total	31	6	37

Table 2. External Audit Recommendation Implementation Status

Issuing Agency and Report Name	Fully Implemented	Fully Implemented – External Entity Verification Needed	Total
CPA - #608-18-01 Post Payment Audit of the Texas Department of Motor Vehicles	0	3	3
SORM – FY 2019 Agency 608 On-Site Consultation – Houston Regional Service Center	0	3	3
SAO – FY 2017 An Audit Report on Complaint Processing at the Department of Motor Vehicles	11	0	11
Sunset Commission - 2018 -2019 Sunset Advisory Commission Staff Report	0	6	6
SAO – An Audit on Selected Contracts at the Department of Motor Vehicles	0	2	2
Total	11	14	25

For the six audit recommendations that were started, management provided updated completion dates. Some of the started audit recommendations do not have a completion date as management is still determining how long it will take to implement. Table 4 summarizes the recommendation and completion date.

Table 4. Started Recommendations

Report Number and Name	Summary of Started Audit Recommendations	Revised Completion Date
P12-15	IAD recommends developing an allocation model for toner, RTS paper, and other consumables.	09/01/2019
P13-06	Work with the Enterprise Project Management Office (EPMO) to develop a project proposal for accepting credit/debit cards within the RSCs.	08/31/2019
18-06	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.	Pending
18-06	The TxDMV should define and document the in-state travel authorization process, including identifying which authorization is needed based on the purpose of travel.	Pending
18-09	The ENF Division, MVD, and ITSD should work together to resolve manual bypasses for conflicting data and case consolidation issues highlighted in this report.	10/1/2019
19-03	The Office of Administrative Hearings and Enforcement Division should eliminate redundant paper and outside documentation use, as feasible, including the use of spreadsheets to monitor case management information, and use eLICENSING.	Pending

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

Objectives

The objective of this audit was to determine and verify the implementation status of internal audit and external audit recommendations issued

Scope and Methodology

The scope of the audit included any audit recommendation that had a completion date between July 2, 2018 to May 31, 2019.

Information and documents reviewed in the audit included the following:

- TeamCentral Recommendation Implementation Status report
- TeamCentral Project Information report
- TxDMV Internal Audit Division reports

The audit was included in the FY 2019 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. Those 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 the findings and conclusions based on the audit objectives.

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. State Auditor's Office, and the Sunset Advisory Commission. The report was also distributed to the Department's executive management team.