

Texas Department of Licensing and Regulation

IA # 2024-02 Internal Audit Follow-Up Procedures Report
over Fleet Management Prior Year's Open Internal
Audit Findings

Report Date: September 9, 2024

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Commissioners of the
Texas Department of Licensing and Regulation
920 Colorado St.
Austin, Texas 78701

This report presents the results of the internal audit follow-up procedures performed for the Texas Department of Licensing and Regulation (TDLR) during the period June 14, 2024, through September 8, 2024, related to the outstanding findings identified in the audit over Fleet Management performed in fiscal year 2022.

The objective of these follow-up procedures was to validate that adequate corrective action has been taken in order to remediate the issues identified in the prior fiscal year's internal audit report.

To accomplish this objective, we conducted interviews with key TDLR personnel responsible for Fleet Management. We also reviewed documentation and performed specific testing procedures to validate actions taken. Procedures were performed remotely, and an exit meeting was conducted on September 9, 2024.

The following report summarizes the findings identified, risks to the organization, recommendations for improvement and management's responses.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

September 9, 2024

Weaver and Tidwell, L.L.P.

CPAs AND ADVISORS | [WEAVER.COM](https://www.weaver.com)

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Background

In fiscal year 2022, we performed internal audit procedures over the Fleet Management process and reported our results to the Commission. The internal audit identified five areas for improvement related to developing a Fleet Management Guide, creating and implementing an Initial Inspection Checklist to assess vehicle additions, incorporating a process during vehicle acquisition to submit applications for alternative fuel waivers, formalize a process to ensure compliance with Defensive Driving training requirements with guidelines to revoke driving privileges, and update Annual Evaluations to include all vehicles, including Special Purpose Vehicles.

For fiscal year 2023, we performed internal audit follow-up procedures over Fleet Management. The internal audit follow-up procedures identified that four of the five findings had been remediated and the remaining finding was partially remediated.

The 2024 Internal Audit Plan included performing procedures to validate that TDLR management has taken steps to address the remaining internal audit finding.

Follow-Up Procedures Objective and Scope

The follow-up procedures focused on the remediation efforts taken by TDLR management to address findings included in the 2022 Internal Audit Report over Fleet Management, and to validate that appropriate corrective action had been taken. The one partially remediated finding from the 2022 report identified the following finding:

- TDLR does not have a Fleet Management Guide that establishes policies and procedures to guide and maintain the fleet management effectively.

Our follow-up procedures included verification of the following:

- That TDLR developed and approved a Fleet Management Guide to ensure that policies and procedures for fleet management are consistent.
- TDLR Fleet Management Guide is physically present within vehicles operated and managed by TDLR.
- TDLR Fleet Management Guide has been disseminated to vehicle operators by the Fleet and Asset Manager.

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Executive Summary

The findings from the prior year's Fleet Management internal audit report includes those items that were identified and are considered to be non-compliance issues with TDLR's policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to TDLR. These issues could have significant financial or operational implications.

Through our interviews, review of documentation, observations and testing we determined that of the five prior findings, four were fully remediated in the 2023 follow up, and the remaining finding was fully remediated in the current fiscal year.

Risk Rating	Total Findings	Remediated	Partially Remediated
High	1	1	-
Moderate	3	3	-
Low	1	1	-
Total	5	5	0

A summary of our results is provided in the table below. See the Appendix for an overview of the Assessment and Risk Ratings.

FOLLOW-UP ASSESSMENT		Strong
SCOPE AREA	RESULT	RATING
Objective: Validate that adequate corrective action has been taken in order to remediate the issues identified in the prior fiscal year's internal audit follow-up report.	We identified that procedures implemented by management addressed and remediated all prior open findings.	Strong

Conclusion

Based on our evaluation, key personnel in each of their respective program areas made efforts to remediate the findings from the prior year's internal audit reports. The prior year finding has been remediated.

**Detailed Follow-Up Results, Findings,
Recommendations and Management
Response**

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Detailed Follow-Up Results, Recommendations and Management Response

Our procedures included interviewing key personnel responsible for Fleet Management to gain an understanding of the corrective actions taken in order to address the findings identified in the 2022 Internal Audit over Fleet Management as well as examining existing documentation and performing testing in order to validate those corrective actions. We evaluated the existing policies, procedures, and processes in their current state.

Objective: Validate Remediation

Validate that adequate corrective action has been taken to remediate the remaining partially remediated finding identified in the 2022 Internal Audit over Fleet Management.

Finding 1 – High – TDLR Fleet Management Guide: TDLR does not have a Fleet Management Guide that establishes policies and procedures to guide and maintain the fleet management effectively. Currently, TDLR has a draft fleet management guide submitted to Human Resources for final approval. Throughout our procedures, we identified areas that are not included in the fleet management guide. Without the implementation of the fleet management guide, the fleet operations management is lacking in efficiency, accuracy, and effectiveness. Due to the lack of fleet management guide, the following issues were identified:

Missing Coverage Areas

- Warranties are maintained for current fleet

Draft Fleet Management Guide Areas Covered

- For all samples tested, weekly vehicle inspection checklists were completed instead of drivers completing the daily vehicle inspection checklists portion on a daily basis.
- Monthly use reports are not signed off on by supervisors on the report itself
- Annual vehicle inspections and reports are not performed by supervisors
- For six out of 13 samples, registration documentation was not maintained
- For one out of the 25 samples, a purchase made outside of approved Voyager Card transaction codes did not have proper approval supporting documentation maintained
- For seven out of 25 samples selections, some, or all, receipts were missing for each transaction in the Monthly Use Report
- For eight out of 25 samples, total dollar amount of some receipts do not agree to Monthly Use Reports
- For 13 out of 25 samples, not all transactions are recorded by the 15th of the month in TxFS
- For eight out of 25 samples, not all receipts contain vehicle number and operator's name
- Voyager Cards were not deactivated for decommissioned vehicles
- The disposal of surplus vehicles does not occur

Results: Finding Remediated

We verified that TDLR has a Fleet Management Guide that was approved by management on August 15, 2023. The guide covers the missing coverage area from the prior year's finding. The TDLR Fleet Management guide has also been disseminated by the Fleet and Asset Manager to vehicle operators. Additionally, we verified that TDLR operated vehicles now have the updated Fleet Management Guide physically present within the vehicle.

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The appendix defines the approach and classifications utilized by Internal Audit to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

Report Ratings

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of the agency
- Agency objectives and goals are being met
- The activity under review is functioning in a manner which ensures:
 - Reliability and integrity of financial and operational information
 - Effectiveness and efficiency of operations and programs
 - Safeguarding of assets
 - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

Strong

The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified.

Satisfactory

The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment.

Unsatisfactory

The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct.

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Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High

High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten the agency's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the agency or beyond a single function or department
- Potential material impact to operations or the agency's finances
- Remediation requires significant involvement from senior agency management

Moderate

Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of the agency
- Impact could be felt outside of the agency or across more than one function of the agency
- Noticeable and possibly material impact to the operations or finances of the agency
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior agency management to be updated

Low

Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the agency's strategic priorities
- Impact is limited to a single function within the agency
- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk