



An Audit Report on

Motor Vehicle Crime Prevention at the Department of Motor Vehicles

- The Motor Vehicle Crime Prevention Authority's grant administration and monitoring processes did not always ensure that grantees used grant funds properly and that reimbursements were supported, reasonable, and allowable.
- The Department of Motor Vehicles has implemented some controls to help prevent fraud and criminal activity related to the production and use of temporary vehicle tags.

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State Auditor

The Motor Vehicle Crime Prevention Authority (Authority) at the Department of Motor Vehicles (Department) had processes in place to ensure that it awarded, administered, and monitored grants in accordance with applicable requirements. However, it should strengthen certain administration and monitoring processes to ensure that grantees use grant funds properly and that reimbursements are supported, reasonable, and allowable. Additionally, it should develop policies and procedures for its Grant Management and Tracking System. The Authority had processes in place to ensure that it complied with certain statutory requirements for financial management, including limitations on administrative expenses.

The Department implemented controls to help prevent fraud and criminal activity related to the production and use of temporary vehicle tags. However, it should limit access to current employees and limit administrative roles to appropriate personnel in the webDEALER system.

- [Background](#) | p. 4
- [Audit Objectives](#) | p. 21

This audit was conducted in accordance with Texas Government Code, Sections 321.013 and 321.0132.

LOW

GRANT AWARD PROCESS

The Authority established adequate processes for reviewing applications and awarding grants.

[Chapter 1-A | p. 8](#)

MEDIUM

GRANT ADMINISTRATION AND MONITORING

The Authority's grant administration and monitoring processes did not always ensure that grantees used grant funds properly and reimbursements were supported, reasonable, and allowable.

[Chapter 1-B | p. 10](#)

For more information about this audit, contact Audit Manager Cesar Saldivar or State Auditor Lisa Collier at 512-936-9500.

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LOW**COMPLIANCE WITH STATUTORY REQUIREMENTS**

The Authority complied with certain statutory requirements for financial management.

[Chapter 1-C | p. 14](#)

HIGH**THE AUTHORITY'S INFORMATION TECHNOLOGY SYSTEM**

The Authority did not have information technology policies and procedures to ensure that Grant Management and Tracking System user access management, change management, or reviews of backup data recovery reports are performed effectively.

[Chapter 2 | p. 15](#)

LOW**TEMPORARY VEHICLE TAGS**

The Department implemented certain actions related to recommendations from a June 2022 internal audit of its licensing and monitoring process for temporary vehicle tags. Implementation of additional controls recommended in the internal audit report is ongoing.

[Chapter 3-A | p. 17](#)

MEDIUM**ACCESS TO THE DEPARTMENT'S INFORMATION TECHNOLOGY SYSTEMS**

The Department established adequate access controls in eLICENSING and Active Directory; however, it did not always limit access to current employees and limit administrative roles to appropriate personnel in the webDEALER system.

[Chapter 3-B | p. 19](#)

Summary of Management Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The Authority and the Department agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

Background Information

The Motor Vehicle Crime Prevention Authority is part of the Department of Motor Vehicles.

The Motor Vehicle Crime Prevention Authority (Authority) works to combat motor vehicle theft, burglary of motor vehicles, and fraud-related motor vehicle crime by providing grants to local law enforcement agencies. (See text box for information about the history of the Authority.)

Structure. The Authority is led by a board appointed by the governor. Board members include two law enforcement representatives, two consumer representatives, two insurance representatives, and the executive director of the Department of Public Safety, who serves as an ex-officio member.

The Authority is administratively attached to the Department of Motor Vehicles (Department). Its staff consists of a director and four full-time employees. The director of the Authority reports to the Board and to the deputy executive director of the Department.

Funding. Texas Transportation Code, Section 1006.153, imposes a fee on motor vehicle insurers and specifies that 20 percent of the fee collected shall be appropriated to the Authority.

History of the Authority

1991 – The 72nd Texas Legislature establishes the Texas Automobile Theft Prevention Authority (ATPA) in an effort to reduce auto theft.

2007 – The 80th Texas Legislature amends the ATPA’s mission to also reduce vehicle burglaries, resulting in the Texas Auto Burglary and Theft Prevention Authority (ABTPA).

2009 – The ABTPA becomes part of the newly established Department of Motor Vehicles.

2019 – The ABTPA is renamed the Motor Vehicle Crime Prevention Authority.

Source: The Authority’s website.

The Authority awards grants to local law enforcement agencies and related organizations.

During fiscal years 2021 and 2022, the Authority awarded three types of grants.

Taskforce grants are designed to support one of the following Authority program categories, which are specified in Texas Administrative Code, Title 43, Section 57.14:

- Law enforcement, detection, and apprehension.

- Prosecution, adjudication, and conviction.
- Prevention, anti-theft devices.
- Reduction of the sale of stolen vehicles or parts.
- Educational programs and marketing.

Rapid Response Strikeforce grants are intended to deliver a short-term infusion of resources to existing taskforce grantees or their participating agencies presented with immediate needs driven by outbreaks of criminal activity.

MVCPA Auxiliary grants, which were awarded in fiscal year 2022 only, are intended to provide law enforcement agencies with one-time funding for automatic license plate readers.

The Authority established a process for awarding grants.

- The Board authorizes a Request for Application (RFA), which is then issued by the Authority.
- Grant applications and required documentation are submitted using the Authority's Grant Management and Tracking System (GMTS).
- Authority staff review grant applications in the GMTS to determine eligibility, and Authority staff and Board members score eligible applications in the GMTS.
- Once a grant application has been recommended for approval, the Authority develops a recommended Award Allocation Schedule for the Board to consider. The Board approves the recommended schedule or adopts an alternative allocation award methodology.
- When an allocation schedule has been approved, the Authority provides a final Statement of Grant Award and Acceptance Notice (SGA) to the applicant, and the applicant accepts or rejects the award.

The Authority established processes for issuing reimbursements to grant recipients.

For Taskforce grantees:

- The Authority receives the signed SGA. The reimbursement percentage in the SGA is the rate at which grantees are reimbursed each quarter.
- Authority staff review and approve progress reports and expenditure reports in the GMTS each quarter.
- Grant adjustment requests, if received, are reviewed and approved in the GMTS.
- Once the progress and expenditure reports are approved in the GMTS, the Authority Director approves the quarterly expenditure report and payment is processed in the GMTS.
- A payment voucher is created and sent to the Department's Accounts Payable Department.

For Rapid Response Strikeforce grantees:

- The Authority receives the signed SGA.
- Once the grant activity has completed or the grant period has expired, the grantee submits an after-action report with a request for reimbursement.
- The Authority director or staff review the report and supporting documentation. The director may request additional supporting documentation prior to approval.
- After approving the request, the director asks the Accounts Payable Department to issue reimbursement to the grantee.

Figure 1 shows the total reimbursements made to grantees during fiscal years 2021 and 2022.

Figure 1

Grant Expenditures ^a

Grant Program	Fiscal Year 2021	Fiscal Year 2022
Taskforce	\$11,814,354	\$8,157,778 ^b
Rapid Response Strikeforce	\$170,595	\$0 ^c
Total Expenditures	\$11,984,949	\$8,157,778

^a The expenditures shown reflect total reimbursements made to grantees by grant program type and fiscal year from September 1, 2020, through August 31, 2022. MVCPA Auxiliary grants are not included because these grants were awarded in fiscal year 2022 only and the grant period had not expired; therefore, no reimbursements had been made by the Authority as of August 31, 2022.

^b This total does not include expenditures related to Taskforce grants for the last quarter of fiscal year 2022. At the time of testing, the deadline for grantees to submit the fourth quarter expense reports had not passed.

^c The grant period for the Rapid Response Strikeforce grants had not yet ended or the Authority had not yet received the request for reimbursement from the grantee; therefore, no reimbursements had been made by the Authority as of August 31, 2022.

Sources: GMTS and information from the Authority.



LOW

Chapter 1-A Grant Award Process

The Authority established adequate processes for reviewing applications and awarding grants.

Application Review and Grant Awarding. In fiscal years 2021 and 2022, the Motor Vehicle Crime Prevention Authority (Authority) had adequate processes in place for reviewing grant applications and approving final grant awards for the Taskforce, Rapid Response Strikeforce (RRS), and MVCPA Auxiliary Grant (MAG) programs. Specifically, the Authority appropriately reviewed the applications and ensured that applicants met eligibility requirements for the following grant applications:

- All 10 Taskforce grant applications tested (5 each for fiscal years 2021 and 2022).
- All 6 RRS grant applications tested for fiscal year 2021 and all 3 grant applications tested for fiscal year 2022.
- All 9 MAG applications tested for fiscal year 2022.

Additionally, the final award amounts were properly approved by the Authority's Board for all 10 Taskforce, 9 RRS, and 9 MAG awards tested in accordance with the request for application or other Board-approved application processes.

Grants Awarded

The Authority awarded the following grants during fiscal years 2021 and 2022:

- 24 Taskforce grants in each fiscal year.
- 6 Rapid Response Strikeforce (RRS) grants in fiscal year 2021 and 3 RRS grants in fiscal year 2022.
- 43 MVCPA Auxiliary Grants in fiscal year 2022.

Source: The Authority's Grant Management and Tracking System.

Alternative Allocation Method. The Board approved an appropriate alternative grant allocation method for determining the final award amounts for Taskforce grants in fiscal years 2021 and 2022¹. The Authority applied its previously adopted scoring method to develop a recommended award amount allocation schedule and also included alternative grant allocation options for Board approval. In both fiscal years, the Board voted to accept an alternative grant allocation method. The alternative grant allocation method the Board selected and approved in each fiscal year was reasonable, complied with the Authority's *Grant Administrative Manual*, and generally complied with statute.

¹ The alternative grant allocation process did not apply to RRS and MAG grants.

MEDIUM

Chapter 1-B Grant Administration and Monitoring

The Authority had administration processes in place to ensure that (1) reimbursement rates for Taskforce grants were calculated correctly, (2) grantees certified that state funds were not used to supplant other funds, and (3) grant adjustments were approved by the Authority director. However, the Authority did not always ensure that cash match requirements were met or that certain expenses from grant adjustments were reasonable and allowable.

Additionally, the Authority's monitoring processes for Taskforce grants ensured that quarterly progress reports submitted by grantees contained information required by statute, such as performance measures, and were submitted in a timely manner. The quarterly expenditure reports were submitted in a timely manner, and the Authority reimbursed grantees for each quarter only after designated staff reviewed and approved both the progress and expenditure reports. However, the Authority did not always ensure that reimbursements made to grantees were supported by appropriate documentation or that the expenses the grantees reported were allowable.

The Authority also did not monitor its RRS grants in its Grant Management and Tracking System (GMTS). GMTS is a critical part of the Authority's ability to manage all aspects of its grants. The system also helps the Authority meet statutory obligations, such as legislative performance measures and reporting requirements.

The Authority's grant administration and monitoring processes did not always ensure that grantees used grant funds properly and that reimbursements were reasonable and supported.

Cash Match. Texas Administrative Code, Title 43, Section 57.36, requires grantees to contribute a cash match of 20 percent of the total award for each year of funding. In fiscal year 2021, 1 (20 percent) of 5 grantees tested did not contribute the minimum cash match. The grantee for that one grant reduced the cash match percentage from 20.00 percent to 19.51 percent during the

grant negotiation phase. However, the Authority did not identify this change in the grant application negotiation document because it did not have a process to ensure that budget changes from the grant negotiation phase met specific requirements, such as cash match. As a result, the Authority over-reimbursed that grantee by \$683.

Grant Adjustments. The Authority could not provide documentation of its review or approval for overtime expenditures that exceeded the 5 percent limit for Authority-funded direct salaries. Specifically, during fiscal year 2021, one grantee requested two grant adjustments that reduced the personnel budget but caused overtime to exceed the allowable limit. Although the grant adjustments to reduce the personnel budget were approved in accordance with the Authority's *Grant Administrative Manual*, there was no documentation of an approval for the overtime overage or an end-of-year review of the overtime budget to determine if the overtime overage expenses were reasonable and allowable.

The total overtime overage of \$2,373 caused the Authority to over-reimburse the grantee by \$1,985.

The *Grant Administrative Manual* states that overtime costs are allowable expenses but that overtime pay must not exceed 5 percent of Authority-funded direct salaries (not including fringe benefits) during the grant year.

Expenditures. During fiscal year 2021, the Authority did not identify that rent expenses that one grantee reported were related to a less-than-arms-length lease transaction; therefore the Authority did not determine if those expenses were reasonable and allowable. (See text box for the Office of the Comptroller of Public Accounts' requirements for less-than-arms-length leases.)

The Authority did not ensure that the grantee provided sufficient documentation to support that the rental expenses were reasonable for the less-than-arms-length lease transaction; as a result, the Authority may have reimbursed the grantee in excess of requirements if the rental costs were less than the rent expenses charged to the grantee. Auditors were not able to determine the amount that was incorrectly reimbursed to the grantee due to a lack of supporting documentation.

Requirements for Less-than-arms-length Leases

Rental costs under less-than-arms-length leases are allowable only up to the amount that would be allowed had title to the property vested in the governmental unit. For this purpose, less-than-arms-length leases include, but are not limited to, those where: (1) One party to the lease is able to control or substantially influence the actions of the other; (2) Both parties are parts of the same governmental unit; or (3) The governmental unit creates an authority or similar entity to acquire and lease the facilities to the governmental unit and other parties.

Source: Office of the Comptroller of Public Accounts' *Uniform Grant Management Standards*.

Rapid Response Strikeforce (RRS) Grants. The Authority did not include RRS grants in its GMTS. As a result, during fiscal year 2021, for all six RRS grants tested, the Authority did not:

- Require grantees to certify after funds were expended that Authority funds were not used to replace state or local funds that would have been available in the absence of the Authority funding. The Authority's Statement of Grant Award and Acceptance Notice (SGA) requires grantees to assert that Authority funds will not be used to supplant state or local funds; however, this agreement is executed before grant funds are expended. Under Texas Administrative Code, Title 43, Section 57.9, each grantee is required to certify with each expenditure report that grant funds have not been used to supplant state or local funds.
- Formally document approvals for the After Action Reports and Reimbursement Requests the six RRS grantees submitted, as required by the Authority's policies.
- Publicly post the purposes of the RRS grants valued at \$25,000 or more.

In addition, in fiscal year 2022, the purposes of 2 (67 percent) of 3 RRS grants valued at \$25,000 were not posted. Texas Government Code, Section 403.0245, requires that the purposes of grants valued at \$25,000 or more be publicly posted.

Recommendations

The Authority should develop and implement processes to ensure that:

- Grantees comply with cash match requirements as required by Authority policies and procedures and state rules.
- Grant adjustments are reviewed and approved in accordance with Authority's policies and procedures.
- Reimbursements made to grantees are supported, reasonable, and allowable.
- All grants are monitored in the GMTS.

Management's Response

The Authority agrees with the recommendations.

- The Authority will develop and implement processes to add stops to the Grant Management and Tracking System to ensure applications not meeting cash match requirements are submitted during the application or negotiation phase.
- The Authority will develop and implement processes to ensure grant adjustments are reviewed to ensure budget adjustments do not cause a violation of existing policies.
- The Authority has developed and implemented a thorough review process of applications and related expenditure reports to ensure reimbursements are reasonable and allowable.
- The Authority will identify and implement a solution for all grant types to be included in the Grant Monitoring and Tracking System. This solution will ensure automation and establish checks to indicate reports have been submitted, reviewed, and approved before grant payments can be issued. In addition, this solution will ensure all grants valued at \$25,000 are publicly posted.

Responsible Party: Motor Vehicle Crime Prevention Authority Director

Implementation: August 31, 2023

LOW

Chapter 1-C Compliance with Statutory Requirements

The Authority complied with certain statutory requirements for financial management.

Administrative Expenses. The Authority had processes in place to ensure that administrative expenses, including salaries, travel, marketing, and other overhead expenses, did not exceed 8 percent of total expenditures, in accordance with Texas Transportation Code, Section 1006.154(b). (See text box for applicable sections of the Texas Transportation Code.)

- In fiscal year 2021, the Authority's administrative expenses were 3.6 percent.
- In fiscal year 2022, the Authority's administrative expenses were 3.3 percent.

Refunds and Fee Imposed on Insurer. The Authority also had processes in place to ensure that it complied with statutory requirements related to (1) determining the sufficiency of payments made by an insurer and (2) collecting the required fee from insurers. Specifically:

- The Authority appropriately documented the results of all 14 refund requests that it received during the audit scope, in accordance with both its processes and statutory requirements.
- The Authority coordinated with the Office of the Comptroller of Public Accounts to ensure that the required fee was collected from insurers, and it notified the Texas Department of Insurance of any insurer that failed to pay the fee.

Select Requirements in the Texas Transportation Code

Refunds (Section 1006.152): The authority may make determinations regarding the sufficiency of payments made by an insurer of fees collected under Section 1006.153.

Fees Imposed on Insurer (Section 1006.153):

- An insurer shall pay to the authority a fee equal to \$4 multiplied by the total number of motor vehicle years of insurance for insurance policies delivered, issued for delivery, or renewed by the insurer.
- The authority may audit or contract for the audit of fees paid by an insurer.
- The authority shall notify the Texas Department of Insurance of any insurer that fails to pay the fee required.

Administrative Expenses

(Section 1006.154 (b)): In any fiscal year, the amount of the administrative expenses of the authority, including salaries, travel and marketing expenses, and other overhead expenses may not exceed eight percent of the total expenditures of the authority.

HIGH

Chapter 2 The Authority’s Information Technology System

The Authority uses its Grant Management and Tracking System (GMTS), which is administered by a contractor, to monitor grants from application to completion. (See text box for more information about GMTS.) However, the Authority does not have policies and procedures to ensure that GMTS user access management, change management, or reviews of backup data recovery reports are performed effectively.

The Authority should develop policies and procedures for GMTS.

User Access. Three (19 percent) of 16 users shown as active in GMTS were no longer employed by the Authority as of August 31, 2022. One individual with access to score grant applications in GMTS was no longer a board member.

Change Management. The Authority did not have a formal change management process for GMTS to ensure that changes to the system are documented and approved by the appropriate authority.

Backup and Recovery. Texas A&M University, which administers GMTS under a contract with the Authority, provides a formal backup and recovery plan and quarterly progress reports. However, the Authority did not have documented processes for reviewing the backup and recovery plan or the quarterly progress reports.

Texas Administrative Code, Title 1, Section 202.21, requires each state agency to develop, document, and implement information security policies and procedures. Having documented policies and procedures would help ensure that (1) access to GMTS is restricted to users who need that access to perform their duties; (2) changes to GMTS are properly documented and approved; and

GMTS

GMTS is a Web-based system that enables Authority-funded grantees to perform the following functions:

- Apply and manage grantee information.
- Submit reports.
- Manage inventory in compliance with statutory and grant requirements.

In addition, GMTS allows the Authority to interface with grantees to provide workflow tracking and reports.

Source: *FY22 Motor Vehicle Crime Prevention Authority (MVCPA) Statement of Grant Award and Grantee Acceptance Notice.*

(3) any reports provided by the outside administrator are reviewed by an individual with expertise in information technology.

Recommendation

The Authority should coordinate with the Department of Motor Vehicles to establish and implement policies and procedures related to user access, change management, and backup and recovery for its information technology systems.

Management's Response

The Authority agrees with the recommendation.

- The Authority will develop and implement procedures and audit schedules to ensure all users accessing the Grant Monitoring and Tracking System are authorized.
- The Authority will develop and implement policies and procedures to monitor, document, and approve changes made to the Grant Monitoring and Tracking System.
- The Authority will coordinate with the Department's Information Technology Services Division to monitor, review, and approve backup and recovery plans from Texas A&M. The Authority will develop and implement processes to review and approve quarterly progress reports.

Responsible Party: Motor Vehicle Crime Prevention Authority Director

Implementation: August 31, 2023

LOW

Chapter 3-A Temporary Vehicle Tags

As recommended in a June 2022 internal audit report, the Department of Motor Vehicles (Department) implemented licensing and monitoring controls to help prevent fraud and criminal activity related to the production and use of temporary vehicle tags. The Department put in place controls that include rule changes, additional license application review requirements, new quality control positions, and daily monitoring of temporary tag issuance. Implementation of additional controls recommended in the internal audit report is ongoing.

The Department implemented certain actions related to recommendations from a June 2022 internal audit of its licensing and monitoring process for temporary vehicle tags.

Licensing Controls. The Department incorporated eight changes to its process for new and renewal dealer license applications. For all 25 applications tested, the Department had implemented all applicable process changes. The eight process changes consisted of:

- Verifying that 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 applicants 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.
- Requiring a notarized premises affidavit and additional premises photos to be submitted when a license up for renewal has a premises-related complaint history.

In addition, the Department adopted rules to strengthen fraud deterrence in the licensing process. As of September 1, 2022, a person applying for a new dealer license, a license amendment due to change in ownership, or a license renewal must submit fingerprints to the Department of Public Safety. The fingerprints are used to obtain criminal history information from the Department of Public Safety and the Federal Bureau of Investigation.

Other rules that took effect during the audit scope give the Department the authority to (1) deny a dealer access to the Temporary Tag System, (2) establish temporary tag limits for dealers, and (3) instruct dealers to restrict access to the temporary tag system.

In addition, the Department filled two new Quality Assurance Specialist positions to assist in identifying concerns with license applications.

Monitoring Controls. Effective March 1, 2022, the Department established limits for how many temporary tags dealers could produce. To monitor compliance with those limits, the Department established a daily report for temporary tag production. The Department is required to review the report each day to determine if there are any indications of abuse, fraud, or misuse. The Department appropriately reviewed all 13 daily temporary tag production reports tested.

MEDIUM

Chapter 3-B

Access to the Department's Information Technology Systems

The Department established adequate access controls in eLICENSING and Active Directory.

Access Controls in eLICENSING. The Department's access controls in the eLICENSING system were operating effectively. All users were current employees and had reasonable access based on their job responsibilities.

Access Controls in Active Directory. The Department's access controls in Active Directory were generally operating effectively. All users had reasonable access based on their job responsibilities, and access generally was limited to current employees.

Access to the webDEALER system was not appropriately restricted.

Access Controls in webDEALER. The Department did not always limit webDEALER access to current employees, as required by its policies and procedures. Specifically, 103 (20 percent) of 506 active users in webDEALER could not be identified as current employees, although the Department's prior removal of Active Directory access for 88 (85 percent) of those 103 users prevented them from accessing webDEALER.

Additionally, administrative roles in webDEALER were not always limited to Department users who required that level of access. Twenty-two (20 percent) of 112 users with administrative roles in webDEALER did not need those roles to fulfill their job responsibilities. Not limiting administrative roles could increase the risk of temporary tags being improperly allocated to dealers and potentially being misused.

Details related to webDEALER access controls were communicated to the Department separately in writing.

Recommendation

The Department should ensure that it complies with its policies and procedures to limit user access to its systems to current employees and to grant users only the access privileges required for their job responsibilities.

Management's Response

The Department agrees with the recommendation to only grant users the access required for their job responsibilities. While there are processes in place to ensure initial user access is approved according to existing policies and procedures, the Department has limited resources dedicated to identity and access management (IAM) to conduct and coordinate access reviews on a regular basis. The Department will develop and establish a more thorough access review process to ensure employee access privileges are verified annually. Additionally, the Department has requested funding for a more robust IAM tool and additional employees to enhance our IAM capability in the Department's legislative appropriation request for fiscal years 2024 and 2025.

Responsible Party: Chief Information Officer

Implementation: August 31, 2023



Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Motor Vehicle Crime Prevention Authority (Authority) has processes in place to ensure that it:
 - Awards, administers, and monitors its grants in accordance with applicable requirements.
 - Complies with selected statutory requirements, including limitations on administrative expenses.
- Evaluate the Department of Motor Vehicles' (Department) processes and controls related to ensuring the appropriate production and use of temporary vehicle tags.

Scope

The scope of this audit includes:

- The Authority's processes and controls related to awarding, administration, and monitoring of grants awarded in fiscal year 2021

The following members of the State Auditor's staff performed the audit:



- Bianca F. Pineda, CFE, CGAP (Project Manager)
- Jacqueline Thompson, CFE (Assistant Project Manager)
- Lance Cofield
- Brandy Corbin, CFE
- Sarah Ogunmayin, CC
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Cesar Saldivar, CIA, CFE, CGAP (Audit Manager)

and fiscal year 2022 (September 1, 2020, through August 31, 2022) and its processes for ensuring compliance with select statutory requirements during that period.

- The Department's processes and controls related to the production and use of temporary tags between September 1, 2021, and August 31, 2022.

The scope also included a review of significant internal control components related to the Authority's grants and the Department's oversight of the production and use of temporary vehicle tags.

Methodology

We conducted this performance audit from August 2022 through December 2022 in accordance with generally accepted government auditing standards. Those standards require that we 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Department and Authority management for consideration.

Addressing the Audit Objectives

For the first objective, we performed the following:

- Interviewed Authority management and staff to identify the Authority's processes related to awarding, administering, and monitoring of grants and for compliance with selected statutory requirements, including limits on administrative expenses.
- Identified the relevant criteria:
 - Texas Transportation Code, Sections 1006.152, 1006.153, and 1006.154.
 - Texas Government Code, Section 403.0245.
 - Texas Administrative Code, Title 43, Chapter 57.
 - Terms and conditions for individual grant types.

- The Authority's *Grant Administrative Manual*.
- *Uniform Grant Management Standards* and *Texas Grant Management Standards*.
- Texas Administrative Code, Title 1, Chapter 202.
- Minutes of the Authority's Board meetings.
- Tested certain general controls over the Authority's Grant Management and Tracking System (GMTS).
- Tested a sample of the Taskforce grants to ensure grant application, scoring, awards, and reimbursement requests were performed, supported, and approved in accordance with the Authority's policies and procedures.
- Tested all of the Rapid Response Strikeforce grants to ensure that grant applications, awards, and reimbursement requests were supported and approved in accordance with the Authority's policies and procedures.
- Tested a sample of the MVCPA Auxiliary Grants to ensure that grant applications and awards were supported and approved in accordance with the Authority's policies and procedures.

For the second objective, we performed the following:

- Interviewed the Department to identify processes and controls related to ensuring the appropriate production and use of temporary vehicle tags.
- Identified the relevant criteria:
 - The Department's internal audit report *Dealer Licensing Process*, issued in June 2022.
 - Texas Administrative Code, Title 43, Chapters 211 and 215.
 - The Department's *Information Security Manual*.
- Tested certain general controls over the Department's webDEALER and eLICENSING systems.
- Tested samples of new and renewal applications from dealers to determine if the Department implemented controls described in its internal audit report.

- Tested a sample of daily temporary tag usage reports to determine if Department staff created and reviewed the reports.

Data Reliability and Completeness

For the first objective, auditors (1) extracted data populations from the GMTS, (2) performed user access testing, and (3) analyzed the populations for reasonableness and completeness. Auditors determined that the population of grants awarded from September 1, 2020, through August 31, 2022, was sufficiently reliable for the purposes of the audit.

For the second objective, auditors (1) observed Department staff extract requested data populations, (2) performed user access testing, and (3) analyzed the populations for reasonableness and completeness. Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- Population of new and renewal license applications from September 1, 2021, through August 31, 2022.
- Population of temporary tag reports created from March 1, 2022, through August 31, 2022.

Figure 2 on the next page identifies the sampling methodologies used for grants, dealer licenses, and daily temporary tag usage reports. It also includes determinations of whether or not the samples were representative. If a sample was representative, it would be appropriate to project those test results to the population, but the accuracy of the projection could not be measured. If a sample was not representative, it would not be appropriate to project those test results to the population.

Figure 2

Total Populations and Samples Selected for Testing

Description	Population	Sample Size	Sampling Methodology ^a	Representative Determination
Taskforce grants the Authority awarded during fiscal years 2021 and 2022	48	10	Random selection	Representative
MAG grants the Authority awarded during fiscal year 2022	43 ^b	9	Random selection	Representative
Dealer applications for new and renewal licenses the Department issued	7,752	25	Random selection of: <ul style="list-style-type: none"> • 4 of 1,210 new dealer license applications and • 21 of 6,542 renewal license applications 	Not Representative
Daily temporary tag usage reports the Department issued	130	13	Random selection	Representative

^a Random selection was chosen to ensure that the sample included a cross section of license types, issued permits, and awarded grants.

^b Three of the 43 grantees ultimately declined the MAG award.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



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The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Department of Motor Vehicles

Members of the Department of Motor Vehicles Board

Mr. Daniel Avitia, Executive Director

Motor Vehicle Crime Prevention Authority

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