



AN AUDIT OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES

AUDIT REPORT #608-25-01
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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The objectives of this audit were to determine whether the Texas Department of Motor Vehicles (Department):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Sept. 1, 2023, through Aug. 31, 2024.

BACKGROUND

The Texas Department of Motor Vehicles was created by the state Legislature in 2009 to enhance customer service, consumer protection, and the success of motor vehicle-related industries. The department administers broad-ranging motor vehicle programs including vehicle registration and titling; vehicle dealer regulation; bus and carrier credentialing for intrastate and interstate commerce; oversize and overweight permit issuance; and grants to law enforcement agencies to reduce vehicle burglaries and thefts.

Texas Department of Motor Vehicles website

<https://www.txdmv.gov/>

AUDIT RESULTS

The Department largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. Auditors found no issues with fixed assets, grants, and refund of revenue transactions. However, the Department should consider making improvements to its payroll, purchase, travel, third party payments, and vendor direct deposit processes.

Auditors did not reissue any findings from the previous audit, which was issued in April 2022. An overview of audit results is presented in the following table.



TABLE SUMMARY

AREA	AUDIT QUESTION	RESULTS	RATING
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none">Benefit Replacement Pay overpaymentIncorrect salary payment amounts	Compliant, Findings Issued
<u>Purchase, Payment Card, and Contract Transactions</u>	Did purchase, payment card, and contract transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	Missing Statewide Procurement Division delegation of purchasing authority	Compliant, Findings Issued
<u>Travel and Travel Card Transactions</u>	Did travel and travel card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	Lack of conservation of state funds/missing cost comparison	Compliant, Findings Issued
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting system?	No issues	Fully Compliant
Grants	Did grant transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Refund of Revenue	Did refund of revenue transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
<u>Targeted Analysis</u>	Did targeted analysis transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none">Incorrect Texas Identification NumberIncomplete Direct Deposit Authorization forms (international ACH transactions)	Compliant, Findings Issued



KEY RECOMMENDATIONS

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- Enhance internal controls and improve payroll processes to ensure that only eligible employees receive benefit replacement pay (BRP) and to prevent incorrect salary payments.
- Ensure staff obtains Statewide Procurement Division (SPD) delegation of authority before purchasing goods or services that fall outside of the pre-approved class of procurements delegated to agencies based on procurement type or amount.
- Require a cost analysis before management approves travel plans to ensure the most cost-efficient travel method.
- Enhance procedures to ensure payments for third-party transactions are processed in accordance with [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)\(login\)](#).
- Ensure all payees who request payment by direct deposit submit a completed, signed direct deposit authorization form with the international payment verification question answered.



DETAILED FINDINGS

PAYROLL TRANSACTIONS

Auditors developed a sample totaling \$383,472.33 from a group of 25 employees involving 131 payroll transactions to ensure the Department complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#), and pertinent statutes. Audit tests revealed one exception in this group of transactions.

BENEFIT REPLACEMENT PAY OVERPAYMENT

During the audit, auditors identified one employee who was receiving benefit replacement pay (BRP) in error because the individual was not a state employee on Aug. 31, 1995. From fiscal 2014 to fiscal 2025, the employee received \$11,799.99 in BRP overpayments.

During the hiring process, the Department completed a prior state service request. The Department itself accepted prior state employment information from a previous employer without confirming the dates of prior employment. However, the prior state service request received did not identify a break in service during which the individual was not employed on Aug. 31, 1995.

In order to receive BRP, an employee must be considered an eligible state employee as defined by [Texas Government Code, Section 659.121\(2\)](#), as it existed on Aug. 31, 1995.

The issue was identified during the audit and the Department corrected the records and updated its processes to ensure only eligible employees receive BRP.

The Department must determine whether funds should be recovered from the employee with the incorrect BRP payment, per [Texas Government Code, Chapter 666](#) and [Texas Payroll/Personnel Resource](#) – General Provisions – Overpayments.

RECOMMENDATION/REQUIREMENT

The Department must enhance its internal controls and improve its payroll processes to ensure that only eligible employees receive BRP. The Department should consider recovering the amount of the overpayment in accordance with [Texas Government Code, Chapter 666](#).

DEPARTMENT RESPONSE

Internal procedures have been updated to periodically review the eligibility of employees receiving BRP.



INCORRECT SALARY PAYMENT AMOUNTS

In a report outside the sample, auditors identified one employee who received incorrect salary payments in June 2023 at time of hire; in July 2023, when state employees received an across-the-board salary increase; and in August 2023. The total amount of the salary overpayment is \$356.40.

The Department became aware of the incorrect salary payments within a month after the employee was hired. The Department sent a Letter of Authorization for Data Changes to CAPPs HR/Payroll on July 28, 2023, explaining the errors that occurred and requested that CAPPs staff make the necessary corrections to the salaries in June, July, and August 2023.

According to the Department, the overpayment was not recouped because management acknowledged that the overpayment occurred due to an administrative error during the hiring process.

RECOMMENDATION/REQUIREMENT

The Department must improve its payroll processes to prevent incorrect salary payments. The Department should consider recovering the amount of the overpayment in accordance with [Texas Government Code, Chapter 666](#).

DEPARTMENT RESPONSE

Management is confident that appropriate controls are in place to prevent incorrect salary payments. This finding is related to a unique, one-time situation that was discovered and corrected by the Department prior to the audit. The overpayment was not recovered from the employee because the amount was immaterial and was not caused by any error, omission or oversight by the employee who received the payment.

PURCHASE TRANSACTIONS

Auditors developed a sample of 30 purchase transactions totaling \$8,754,297.77 and 20 payment card transactions totaling \$39,269.39 to ensure the Department complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Audit tests revealed some exceptions in these transactions.

MISSING STATEWIDE PROCUREMENT DIVISION DELEGATION OF PURCHASING AUTHORITY

Auditors identified four transactions (one for goods over \$50,000 and three for services over \$100,000) where delegation of Statewide Procurement Division (SPD) purchasing authority was missing from the procurement files. The Department stated that



purchasing staff failed to include this authorization in error. Agencies that do not obtain applicable delegation of purchasing authority from SPD run the risk of operating outside of the authority granted to them by the state.

The purchasing functions for certain types of goods or services are delegated to state agencies, such as the one-time purchases of goods that do not exceed \$50,000, and the purchase of services when the estimated cost does not exceed \$100,000. However, for purchases of goods that will exceed \$50,000, or purchases of services with an estimated value of more than \$100,000, the agency must request a delegation of purchase authority by submitting a procurement specific delegation request to SPD through the Procurement Oversight & Delegation portal. Once an agency has submitted a solicitation for review, the procurement is analyzed from a contract management and business perspective. If the delegation request is denied, SPD will procure the services on behalf of the agency. See [State of Texas Procurement and Contract Management Guide – Delegation Request for Services Exceeding \\$100,000](#).

RECOMMENDATION/REQUIREMENT

The Department must ensure its staff obtains SPD delegation of authority before purchasing goods or services that fall outside of the pre-approved class of procurements delegated to agencies based on procurement type or amount.

In addition, staff training programs and related documentation must include instructions to request SPD delegation of authority when applicable. Using a procurement checklist could help ensure staff completes all requirements; a template checklist is available in the [State of Texas Procurement and Contract Management Guide](#).

DEPARTMENT RESPONSE

The Department has a procurement checklist in place with standard review procedures; this finding was a result of human error. Staff have been retrained on the requirements of the review checklist and a new monitoring component has been added by management to periodically review the supporting files to ensure the checklist is being used effectively.

TRAVEL TRANSACTIONS

Auditors developed a sample of 15 travel transactions totaling \$9,891.08 and 25 travel card transactions totaling \$18,272.25 to ensure the Department complied with the GAA, [Textravel \(FPP G.005\)](#), and pertinent statutes. Audit tests revealed the following exception for this group of transactions.



LACK OF CONSERVATION OF STATE FUNDS/MISSING COST COMPARISON

Auditors identified one travel voucher where the Department reimbursed a traveler for mileage while operating a personal vehicle to conduct official business. In this instance, a cost comparison was not done prior to the trip to determine the most cost-effective method of travel. Auditors determined that it would have cost the state less if the traveler had used a rental vehicle instead of a personal vehicle. This determination was based on a comparison of the car rental rates, taxes, cost of gas, and standard mileage rates in effect at the time of travel. The Department's travel policy states that in the absence of an available fleet vehicle, employees must complete a rental car vs. mileage reimbursement calculation and document on the Travel Authorization form that using a personally owned vehicle is the most cost-effective means of transportation considering all relevant circumstances. The Department stated that this occurred due to employee error as the cost comparison was not done and travel reimbursement staff failed to generate one prior to making payment.

[Texas Government Code, Section 660.007\(a\)](#) requires a state agency to minimize the amount of travel expenses paid or reimbursed. The agency must ensure that each travel arrangement is the most cost effective considering all relevant circumstances. Agencies must examine all travel reimbursements before payment to ensure compliance with applicable regulations and limitations. See [Textravel – Home – Responsibilities](#) and [Textravel – Transportation – Mileage in Personal Vehicle – Mileage Calculation](#).

RECOMMENDATION/REQUIREMENT

The Department should consider restricting the mileage reimbursement amount to the lower of mileage reimbursement or car rental costs. The analysis can be completed and documented using the [Rental Vehicle vs. Mileage Reimbursement Calculator](#) or any other method the traveler/agency chooses to use. In addition, the Department should require a cost analysis before management approves travel plans to ensure the most cost-efficient method of travel.

DEPARTMENT RESPONSE

Department procedures require a cost analysis to be completed prior to travel being approved by management, and payment processing staff perform their own analysis prior to processing reimbursement requests. Staff have been retrained on mileage reimbursement requirements, and review checklists have been enhanced to ensure required adjustments to mileage reimbursements are not missed during payment processing.



FIXED ASSETS

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) system. Audit tests revealed no exceptions in these transactions.

GRANTS

Auditors developed a sample of five grant transactions totaling \$2,008,719.54, then conducted a limited review of the Department's transactions related to grant payments. The review consisted of verifying that the payments did not exceed the authorized amounts. The testing of these payments did not include a review of the Department's procedures for awarding the grants or monitoring payments made to grantees. Audit tests revealed no exceptions for this group of transactions.

REFUND OF REVENUE

Auditors tested five refund of revenue transactions totaling \$99,564.28 to ensure the Department complied with the GAA and pertinent statutes. Audit test revealed no exceptions.

TARGETED ANALYSIS

The audit included targeted analyses outside the main samples of payroll, purchase travel, grants, and refund of revenue transactions. Using Comptroller statewide financial systems, auditors generated several special reports to analyze additional processes relevant to the audited agency. Such processes may include proper coding of payment card transactions, procedures to comply with the federal mandate to properly identify and handle payments involving the international transfer of funds, and others. Audit tests revealed some exceptions in the Department's targeted analysis reports.

INCORRECT TEXAS IDENTIFICATION NUMBER

In a report outside of the sample, auditors noted the Department made payments to the payment card vendor using the non-specific payment card Texas identification number (TIN) for 33 documents (73 transactions) totaling \$41,258.68. This TIN may be used only on third-party payment card transactions if the TIN/mail code is unknown for the specific vendor and all efforts to obtain the vendor's TIN are unsuccessful.

The Department made corrections to \$31,841.10 of the transactions during the audit. The Department stated that staff may not have conducted thorough research before making the credit card transactions or staff may not have followed up with the vendors



for the required vendor information or W-9. The Department stated that a relevant TIN was not identified for the remaining \$9,417.58 transactions. In these cases, Department staff used the nonspecific TIN to continue with prompt processing of payment card vouchers to ensure the maximum rebate for the state was achieved.

The correct TIN is necessary to identify the actual vendor/individual doing business with the state. Improper processing procedures can result in inaccurate expenditure reporting for public information requests. See [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)\(login\)](#) for information on the use of T-codes, TINs, and comptroller objects to process third-party payments in the Uniform Statewide Accounting System (USAS).

RECOMMENDATION/REQUIREMENT

The Department must enhance its procedures to ensure payments for third-party transactions are processed in accordance with FPP A.043. This information is essential for an accountable and open government. It is also used for public information requests and post-payment auditing purposes.

DEPARTMENT RESPONSE

Management disagrees with this finding. FPP A.043 allows for the use of a nonspecific TIN on third-party payment card transactions. Management agrees that accountable and open government is a cornerstone of good governance, and department staff use a specific TIN for third party transactions when a TIN is available for the vendor at the time the invoice is processed. Because the department also has a responsibility to maximize the rebate earned on third-party transactions, management has determined that the benefit of the rebate outweighs the cost of setting up a specific TIN for third-party transactions that are immaterial to the total amount of the payment being processed.

COMPTROLLER RESPONSE

The Department initially used the non-specific payment card TIN for 33 documents (73 line items) totaling \$41,258.68. During the audit, the Department staff made the appropriate search that should have been completed when the purchases were initiated, identified the appropriate existing TINs in the Comptroller's systems, and corrected them for 21 documents totaling \$31,841.10.

The Comptroller's office captures vendor-level detail in the Uniform Statewide Accounting System (USAS) for open records, historically underutilized business (HUB) reporting, 1099 reporting and more.

Agencies and institutions are required to design their internal accounting systems or method used for entry into USAS to provide the Comptroller's office with the original detailed third-party transactions' vendor information. The staff should



conduct a thorough search for the existing vendor TINs and follow up with the vendors for the required vendor information or W-9 at the time of the purchase to avoid delaying the payments.

The nonspecific payment card TIN may be used only on third-party payment card transactions if the TIN/mail code is unknown for a specific vendor and all efforts to obtain the vendor's TIN are unsuccessful.

The state receives a rebate based on all eligible payments made using a state payment or travel card. To maximize this benefit and comply with the Texas Prompt Payment Act, state agencies are required to pay all payment and travel card statements in full, less credits or disputed transactions, as soon as possible but no later than 30 days after receipt.

Contacting the vendor and obtaining the required information prior to the sale or at the time of purchase should not conflict with paying the vendor in a timely manner.

INCOMPLETE DIRECT DEPOSIT AUTHORIZATION FORMS

Auditors reviewed the Department's procedures to comply with the federal mandate to properly identify and handle payments involving the international transfer of funds.

Of the ten transactions selected for review, two direct deposit forms on file were not completed properly (Section 5: International Payments Verification was blank – neither "YES" nor "NO" was checked). Without the correctly completed forms on file, the Department is unable to indicate whether state funds were forwarded to a financial institution outside the United States. The Department stated that vendor maintenance staff failed to reject the forms and send them back to the requestors during their audit of the required documentation.

International Automated Clearing House transactions (IATs) are payments destined for a financial institution outside the United States. Because of federal requirements mandated by the Office of Foreign Assets Control (OFAC), the National Automated Clearing House Association (NACHA) has adopted specific rules on the identification and processing of these types of direct deposit payments.

To avoid federal penalties, each agency must:

- Show due diligence in the processing of all direct deposit payments.
- Do its best to ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside the United States.



RECOMMENDATION/REQUIREMENT

The Department must ensure all payees who request payment by direct deposit submit a completed, signed direct deposit authorization form with the international payment verification question answered. Additionally, the Department must ensure the forms are maintained according to record retention requirements.

DEPARTMENT RESPONSE

Management has addressed the issue with staff, and training has been provided along with improved monitoring that should ensure records are maintained as required. Additionally, procedures and checklists have been updated for reviewers and approvers to verify all requirements are met before direct deposit authorizations are allowed.



APPENDICES

APPENDIX 1 – OBJECTIVES, SCOPE, METHODOLOGY, AUTHORITY AND TEAM

AUDIT OBJECTIVES

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the statewide financial systems.
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.

AUDIT SCOPE

Auditors reviewed a sample of the Texas Department of Motor Vehicles (Department) payroll, purchase and travel transactions that processed through the statewide financial systems from Sept. 1, 2023, through Aug. 31, 2024, to determine compliance with applicable state laws.

The Department received detailed information about the identified errors. This information may be requested through a [Public Information Act](#) inquiry.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings section of this report. It is the Department's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure the Department's documents comply in the future. The Department must ensure the findings discussed in this report are resolved.

AUDIT METHODOLOGY

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.



FIELDWORK

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

AUDIT AUTHORITY

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

AUDIT TEAM

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APPENDIX 2 – DEFINITION OF RATINGS

COMPLIANCE AREAS

DEFINITION	RATING
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">Lack of appropriate and sufficient evidentiary matter.Restrictions on information provided to auditor.Destruction of records.	Scope Limitation

REPEAT FINDING ICON DEFINITION

 This issue was identified during the previous post-payment audit of the agency.