TEXAS DEPARTMENT OF MOTOR VEHICLES

FINANCE AND AUDIT COMMITTEE

MEETING

Wednesday,
June 13, 2018

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

COMMITTEE MEMBERS:

Luanne Caraway, Chair
Brett Graham
Kate Hardy
Johnny Walker
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EXECUTIVE SESSION

6. The Board may enter into closed session under none
   one or more of the following provisions of the
   Texas Open Meetings Act, Government Code,
   Chapter 551:
   • Section 551.071
   • Section 551.074
   • Section 551.089

7. Action Items from Executive Session none

8. Public Comment none

9. Adjournment 60
PROCEEDINGS

MS. CARAWAY: We'll call this meeting to order at two o'clock. My name is Luanne Caraway and I'm pleased to open the meeting of the Finance and Audit Committee of the Board of the Texas Department of Motor Vehicles. It's 2:00 p.m. and I am now calling the committee meeting for June 13, 2018 to order, and I want to note for the record that the public notice of this meeting, containing all items on the agenda, was filed with the Office of Secretary of State on June 5, 2018.

Before we begin today's meeting, please place all cell phones and other communication devices in a silent mode.

Do we have any public present? We don't have any public present. Right?

MS. BREWSTER: Not today.

MS. CARAWAY: Okay. Now I'd like to have a roll call of the committee members.

Member Hardy?

MS. HARDY: Here.

MS. CARAWAY: Member Walker?

MR. WALKER: Here.

MS. CARAWAY: And I'm Luanne Caraway, chair of the committee. Let the record reflect that we have a committee quorum, and also that committee Member Graham is
absent today. We also may have another board member joining us in the audience today; Chairman Palacios may appear.

The posted agenda stated that a quorum of the board may be present at this meeting, however, board members who are not members of the Finance and Audit Committee will not vote on any committee agenda items today nor will any board action be taken.

And please all stand and honor our country with the Pledge of Allegiance.

(The Pledge of Allegiance was recited.)

MS. CARAWAY: Thank you.

Item 3 is comments and announcements from the committee chair, committee members and the executive director.

MS. BREWSTER: I have no comments.

MS. CARAWAY: You have no comments?

MS. BREWSTER: No, ma'am.

MS. CARAWAY: Does any committee member have any comments?

(No response.)

MS. CARAWAY: Okay. So we'll go to item 4 which is consideration and possible action for recommendation to the full board.

Linda Flores and Renita Bankhead.

ON THE RECORD REPORTING
(512) 450-0342
MS. FLORES: For the record my name is Linda Flores. I'm the chief financial officer for the Texas Department of Motor Vehicles, and agenda item number 4 will require the committee's action to recommend to the full board approval for two particular items. This material begins on page 3 of your materials. And just to give you a little bit of a background, the agency was appropriated approximately $9 million for this biennium to undertake renovations and repairs needed for Camp Hubbard. This included Buildings 1 and 5. Since the agency was appropriated these dollars, we've also added the fifth floor Building 6, however, that floor has been totally renovated for Motor Carrier, so the $9 million is to cover Buildings 1 and 5.

We created a collaborative work group with TxDOT and DMV staff to come up with a list of projects that would be viable for this biennium, and we're asking for your consideration to: A, create a new capital line item in the agency's FY19 appropriations budget in the total amount of $4.2 million, as shown on table 1 in your materials on page 3; and second, B, to request carryforward of approximately $2.2 million from today's unspent balances to carry forward into FY19 to fund these additional maintenance projects that we've identified. This will require an adjustment to the TxDOT memorandum of
understanding and it will require both approvals from the Legislative Budget Board, as well as the Governor's Offices.

MR. WALKER: To carry forward.

MS. FLORES: As well as the creation of a capital line item. That's in Article 9, Section 14.

So in discussing what's available to carry forward, because we really didn't have enough runway to spend those dollars this year, we have, as you can see, approximately $4.6 million available to carry forward into '19. Again, we're only asking to carry forward $2.2 million of this available balance.

MR. WALKER: So why do we have to request a carryforward if it's not during a LAR.

MS. FLORES: So the Legislative Budget Board puts restrictions on state agencies between the fiscal years of a biennium. Normally if you don't spend your dollars, say, this year, they lapse. So as you remember when we requested the carryforward for the Automobile Burglary and Theft Prevention, we're doing the same thing for this particular line item.

MR. WALKER: I thought stuff only lapsed at the end of the biennium, that it was for two years normally, whether you spent it the first year or the second or evenly disbursed, it's just good for the biennium, I
thought.

MS. FLORES: That's true for capital line items but not for operating.

MR. WALKER: But this is capital.

MS. FLORES: No, sir. It was considered operating because at the time that we did our appropriations request, we didn't specify particular projects in our list, we had an estimate of what we thought we would need. Now that we've gone through this exercise of looking and establishing certain projects -- and that's included in your material as well on page 7 and 8 -- we had to specify particular things like weatherization of our windows, replacing the roof in Building 5. Those are particular line items that we now have to provide to the Legislative Budget Board. In talking with our analyst, he was aware that we would have to come back if things were over $100,000 and required capital authority, so he was waiting for us to come back to them to say, okay, now we have a list of projects, please help us create a capital line item.

MR. WALKER: So, Linda, why would -- I think I know the answer to this but I'm going to ask anyway. So the DMV -- well, the state has a facility agency, facilities and buildings.

MS. FLORES: Texas Facilities Commission.
MR. WALKER: I can't remember the guy's name that used to do that. So why wouldn't they be responsible for the maintenance and upkeep and the contracting of putting these buildings and maintaining the structures instead of each agency?

MS. FLORES: Normally most state agencies, especially in the complex, are under the purview of the Texas Facilities Commission, they do maintain all of those buildings in the complex. They do have other responsibilities for other state agencies, however, during our appropriations request and when we were getting some, we wanted control of the building for any buildings that we had, in the future may acquire, so we were exempt from that requirement to operate under the Facilities Commission's purview.

MR. WALKER: But I thought we were kind of attached when the buildings were given to us that they were kind of attached to the Facilities Commission in some way.

MS. FLORES: Actually, they haven't been given to us yet, they're still the responsibility of TxDOT, they're owned by TxDOT.

MR. DUNCAN: And, Member Walker, David Duncan, general counsel. TxDOT has an exemption from the Facilities Commission because they already own and
maintain real estate, so nothing has really been transferred. We have dealt with the Facilities Commission on our regional field offices, so you've heard the commission come up a lot, so where we have lease space, for example, in Waco, San Antonio, Corpus, but in places where we have, we have always used the Facilities Commission. But Linda properly correctly points out that when we amended the statute, we gave ourselves full authority.

Now, back to your base question, nothing precludes us -- assuming we get this carryover money, nothing precludes us from actually using the Facilities Commission to do this work. If they have the resources and capabilities and want to, we can contract it to them through an interagency contract.

MR. WALKER: So do we have to use an approved vendor that's set up, so to speak, with the Facilities Commission, or can we go get bids from Tom, Dick and Harry out here on who to do the work?

MS. FLORES: We're going to collaborate with TxDOT.

MR. WALKER: Not the building commission.

MS. FLORES: Not the building commission.

Since TxDOT owns the buildings, we're working with them to come up with the bids and TxDOT will actually -- by
modifying the memorandum of understanding, we're going to allow them to go out for the bids. We will have a seat at the table to make sure that we're comfortable with those bids and the vendors themselves, but they're going to do the front end, if you will, in getting us price quotes and scheduling for these big ticket items.

MR. WALKER: So there's an estimate of the facelift is $275,000, exterior facelift. How did we come up with that $275,000 number? Did we go get some estimates on that?

MS. FLORES: We worked with TxDOT's support operations division. It's a routine periodic meeting with them and they provide representatives from their facilities department. There are several individuals there, they take care of plumbing, electrical, they've got a space planner who all attend our meetings, and they help provide those estimates for us.

MR. WALKER: So what facelift are we getting on the building for $275,000? What are we going to do, paint the outside of the building, or do what?

MS. FLORES: If I may?

MS. CARAWAY: Go ahead.

MS. FLORES: For that particular line item, we want to just kind of spruce up, if you will, some of the outside exterior of the brick. There needs to be come
caulking performed around the building, we noticed some
blackened brick, so we're just trying to clean up the
exterior of our building.

MR. WALKER: Because $275,000 -- I promise you,
I'm building a house right now -- it won't get you very
far.

MS. FLORES: We're going to use it as far as we
can go. We had a big rainstorm a while ago, and that's
the next item down, weatherization. We had a big
rainstorm and one side of the building, the water was just
pouring through, and that was something that we did not
expect to happen to us, so we since have bought they call
them snakes where you can put against the windows to block
the water from coming in. We know that there's going to
be substantial weatherization that needs to occur just in
our windows.

You know, these were our best estimates at the
time, and if we need to request further dollars, we will
do so at the appropriate time with the Legislative Budget
Board.

MS. CARAWAY: Any other questions?

MR. WALKER: So ADA assessment, $31,000, is
that not doing any work, that's just somebody coming in
and say you're not doing this right or you're doing it
right.
MS. FLORES: Correct. That's to bring in a vendor, a consultant, if you will, to look at our ADA, our bathrooms, our plumbing to make sure that it's accessible to individuals who need that assistance.

MR. WALKER: It's kind of shocking to me that the State of Texas, who enforces those kind of regulations, doesn't have somebody that they could just send over here and say this is not in compliance or is, instead of us paying $31,000.

MS. FLORES: But if you recall, TxDOT had a lot of exemptions, and so it's not until you have to renovate something that you actually have to do that assessment. These buildings are pretty old and they did a major renovation I believe in the '90s here, however, nothing has happened since then so if you want to repair, renovate or look at your office space and reconfigure anything, that's when you'll have to come as a governmental entity to have that assessment performed.

MS. HARDY: So everything will be brought up to code then.

MS. FLORES: Correct.

MR. WALKER: But the $31,000 is only to come in and tell us what needs to be done.

MS. FLORES: Yes.

MR. WALKER: And then you're buying a dock
leveler for $21,000. I guess we do have a dock here because we receive license plates.

MS. FLORES: Yes, sir. It's back here on the first floor.

MR. WALKER: But I'm kind of shocked, I just maybe haven't bought a dock leveler in a while but that's kind of high for a dock leveler, $21,000, I can tell you that.

MS. FLORES: Again, these are our best estimates. If they come in under, we won't spend it. However, if it needs to go up, then we'll have to take from another project, if you will.

MR. WALKER: I think you can get a dock leveler for about six thousand bucks.

MR. WALKER: Then we can move the difference to our weatherization project.

MR. WALKER: What is a lift truck shelter, $55,000? A lift truck is a forklift.

MS. FLORES: We're just trying to create some kind of like -- what do you call those?

MR. WALKER: Shed.

MS. FLORES: Like an open shed, if you will, for some of our heavier trucks to provide some kind of protection.

MR. WALKER: So where is this warehouse and
dock facility right here?

MS. FLORES: It's back in the warehouse area.

MR. WALKER: And the forklift is outside or inside? It should be inside the dock.

MS. FLORES: It is inside the dock.

MR. WALKER: And so why would we need a truck shelter for $55,000 which is an outdoor facility?

MS. FLORES: I don't have the specifics on that particular line item. I can provide you with more information about the truck shelter. I did not bring my detailed work paper with me, I apologize.

MR. WALKER: Electric vehicle charging station, so that's people who drive Tesla cars -- maybe I shouldn't use the name brand.

MS. HARDY: Chevy Volt.

MR. WALKER: Chevy Volt.

MS. FLORES: We do plan to get a little low speed vehicle unit to carry some of our supplies between us and Buildings 1 and 5 and 6.

MR. WALKER: But why would we as an agency want to spend $30,000 of money to put in a charging station here?

MS. FLORES: Again, it's in order to provide that option for some of the vehicles that we're going to have here on campus.
MR. WALKER: Do you know how much gasoline you can buy for that?

MS. BREWSTER: May I interject?

MS. CARAWAY: Absolutely.

MS. BREWSTER: Member Walker, there is a certain percentage of our fleet that we are required to have as electric vehicles -- I'm sorry -- alternatively fueled vehicles, and so this would be to allow us to be able to meet that requirement.

MR. WALKER: So who made that requirement?

MR. DUNCAN: The State of Texas.

MR. WALKER: Who?

MR. DUNCAN: It's in statute.

MR. WALKER: State statute?

MR. DUNCAN: Yes, sir, it's in the Government Code.

MR. WALKER: The Government Code says that every government agency has to have alternatively fueled vehicles.

MS. FLORES: That's through the Comptroller's guidance.

MS. BREWSTER: Member Walker, we can get the particular citation to you.

MR. WALKER: That's okay. It just seems to me like that's a lot of money to spend to put in a charging
station.

MS. CARAWAY: Other questions?

MS. FLORES: So just to kind of summarize.

MS. CARAWAY: Sure.

MS. FLORES: We are asking for a two-part approval to the full board to create the capital project line item in the amount of $4.2 million, and then second, to request carryforward of $2.2 million from this fiscal year into the next fiscal year and to modify the agency's memorandum of understanding with TxDOT.

MS. HARDY: I move that the committee recommend that the full board approve the creation of the new capital project line item in the fiscal year 2019 budget for TxDMV headquarters maintenance repair project for the total amount of $4.2-, and to request carryforward the $2.2 million in unexpended balances in the TxDMV headquarters.

MR. WALKER: I think you need to modify -- do you have a script?

MS. HARDY: Yes.

MR. WALKER: You're asking for the board to approve.

MS. HARDY: For the board to approve, that the committee recommends.

MR. WALKER: But the board is not here, today
we're in a committee meeting and you would have to ask that the committee make a recommendation.

    MS. CARAWAY: I move that the committee recommend that the full board approve. Correct.

    MR. WALKER: Okay. Then that's correct. I'm sorry.

    MS. CARAWAY: Do I have a second?

    MR. WALKER: I'm going to second but I'd like to ask one more question before I finish up.

    MS. CARAWAY: Okay.

    MR. WALKER: We're asking for the board to accept the recommendation of asking to lapse the funds into the next part of the biennium, the two point something million, and we're asking that we take $4 million in expense and identify that as these particular line items to authorize $4 million in expenditures, but it's my understanding, I think I heard you say earlier that we already have a $9 million appropriation for this particular stuff in our budget. Is that not correct?

    MS. FLORES: Correct. Five million today, four million next year.

    MR. WALKER: So why do we need to do this other than go back for the lapse is the money is already there in the budget approved for this particular purpose?

    MS. FLORES: The money is in the operating
MR. WALKER: But has it not been tagged for this particular purpose? It was appropriated for that.

MS. FLORES: It has but it's operating items because we never specified, hey, I need to replace the roof in Building 5. That's a million dollar estimate today. Anything over $100,000 requires capital authority that we don't have for the roof. I have the money, I need the authority.

MR. WALKER: We've got the money, the money has already been appropriated for the particular purposes, but what we're doing now is saying these are the specific items for the delegations of the nine million and we're only going to use $4.2 million of the nine and these are the particular items.

MS. FLORES: Actually, we're going to use six of the nine. We're going to use 2.2- that we're going to carry forward.

MR. WALKER: Yes.

MS. FLORES: The total for next year --

MR. WALKER: Oh, so it's four plus the two.

MS. FLORES: Yes.

MR. WALKER: I'm sorry, I didn't understand that.

MS. FLORES: Correct.
MR. WALKER: It's just a technicality on my part and maybe I should just let it ride, but it just seems to me like we're beating something to death that we've already got approval to do. It's already been approved, we appropriated and we've identified it in the past and now we're asking us to do it again.

Mr. Duncan, can you give me -- and I'm okay and I appreciate, and I like where you're going to say that, but I just don't know that it needs board approval, to be honest with you.

MS. FLORES: It does require approval by the Governor's Office and the Legislative Budget Board, and in order to reach out to those two entities, we need for the board to also approve that for staff to do.

MR. WALKER: I'm okay with it then.

MS. FLORES: Thank you.

MR. WALKER: I call for the vote, unless you have further questions.

MS. CARAWAY: All those in favor say aye.

(A chorus of ayes.)

MS. CARAWAY: That leaves none opposed, so it passes.

MR. WALKER: Did you vote?

MS. CARAWAY: I did, I said aye.

(General laughter.)
MS. FLORES: Moving on to number 5.A., included in your packet beginning on page 9, this item is a briefing item of the agency's FY20-21 legislative appropriations request baseline and exceptional items. This is a preliminary presentation. Another presentation will be in front of you in August for final approval of the agency's LAR, and so this is just a briefing.

On page 12 of your materials we have included a timeline as well as differentiated between baseline and exceptional items. Baseline is what we believe should be included in our base appropriations, exceptional items are anything above that. The base has been adjusted primarily for one-time items that do not continue to be funded over and over and over, such as if a project is closing out and there was no additional funding. For example, the RTS project, we've been using the same dollar over and over and over, that project about to end so we've removed all of those additional carryforward dollars, that's out, so that's in the base now or the base has been modified for those dollars. Exceptional items are anything over and above, and we do have a list of those exceptional items that I'll address shortly.

So the baseline does provide sufficient collections. We've reviewed that as well to make sure that our revenue supports our agency operations. The
planned maintenance for the headquarters building, full implementation of the Compliance and Investigations Division, and it does provide some automation funding for the RTS system, approximately $5 million for defects that we've kind of kept track of.

On page 13 of your material you will see our revenue collection and we do believe that we'll collect about almost $4 billion, $3.9 billion in total fees for the State Highway Fund, general revenue, as well as the DMV Fund. And we show you the top four fee collections year over year from '18, '19, '20 and '21. For the DMV Fund, the biggest fee revenue will be from the processing and handling fee fund, followed by motor vehicle titles, registration, we get little bits of registration fees, motor carrier, and then we have miscellaneous.

We did an analysis of the exceptional items to make sure that we could support the request from within our budget, and as you can see, we will have sufficient fund balances after we take care of the base as well as the exceptional items out of the DMV Fund. We do have an exceptional item related to ABTPA that is funded with general revenue, but everything else is coming out of the fund and we should have sufficient revenue to support that.

MR. WALKER: So when I look down here at these
estimated forecasts of revenue, we're over the next four
years only going to increase by half a percent?

(Main dais microphone was cut off.)

MR. WALKER: My question is this, we have some
pretty flat line of growth for four years. Where do you
come up with that estimate for growth in the state with
titles.

MS. FLORES: We took a very conservative
approach with our revenue estimates. We do know that we
did include some growth for registration because we
normally do see that.

(Main dais microphone turned back on; general
talking and laughter.)

MR. WALKER: So I was just curious, Linda,
about why we flatlining for four years, whether a guru
somewhere said there's not going to be growth in the state
economy over the next four years, or are we just being
really conservative.

MS. FLORES: We are being very conservative.
We are assuming a 1 percent growth for most of our fees.
When it comes to salvage titles, we knew there was a spike
because of Hurricane Harvey, so we scaled back on our
titles but we still are assuming a 1 percent growth. And
I'm looking at our venue estimate, pretty much across the
board for the DMV Fund it's 1 percent growth year after
year. We normally take a very conservative approach, I want to make sure that we hit our targets. We are seeing some recovery on the motor carrier side so that's encouraging, and if we collect more than we actually estimate, our fund balance will grow as well.

So I try to be very conservative, especially when it comes to the fund balance, considering that there's a lot of visibility at the legislature when it comes to growing a large fund balance. Legislators don't appreciate having dollars sitting around and they're always a target for repurposing, if you will, similar to what they do with general revenue. So that's my story.

MR. WALKER: I love your story, Linda. I'm just sitting here wishing if I could just get Linda to work for me.

(General laughter.)

MS. FLORES: So as I mentioned, we did look at our revenue and we can support not only our base budget but our exceptional items as well, and that's included in your board book on page 14. This is the total overview of our agency's request, and I know that this is going to make your eyes kind of squint a little. The agency is appropriated for three major goals, and this is found on page 15 of your book. We have our baseline and then our preliminary request, and they're differentiated between
the blue and the sage green or gray kind of columns for your review.

The $311- is the base request moving into 20-21 and you can see the variances along the side, and those variances, as I mentioned before are associated with one-time funding items, with things that we don't anticipate having over and over, like special capital authority carryforward, we've modified the base to accommodate that.

MR. WALKER: What's going on here?

MS. FLORES: So you have to take your current budget and then you have to modify it for one-time fundings that will not continue going into the next biennium. So like carryforward dollars are in our current appropriation, specifically for use for the RTS program, so because we knew we were carrying forward those dollars, they end at some point.

MR. WALKER: What was confusing me, I didn't see the title that says biennial total, so that's why that number spiked so much there.

MS. FLORES: Yes, sir.

MR. WALKER: I got it. I'm sorry.

MS. FLORES: So we have to come up with an estimate that we believe the LBB will complete. They also have to do this analysis. This is our best estimate at this point. We submitted our reconciliation back in May,
LBB is looking at it right now, they've asked us a few questions about some of the numbers that we had on there. We believe we'll get a final baseline number from them this month, mid month, so we'll know for sure by the end of this month what our baseline number is, that's our target. Anything above that is considered an exceptional item, so we have prepared an exceptional item list for your consideration further into your book.

I did kind of want to provide an overview of the base capital items and that's included on page 16 of your book, and we've given you just an overview here in charts but on page 16 you actually see the numbers.

MR. WALKER: This is not all exception items, though.

MS. FLORES: No, no. This is the baseline capital projects.

MR. WALKER: You have exception item stuff in there, though. You have replacement vehicles in here of $100,000, that's an exception item.

MS. FLORES: No.

MR. WALKER: Used to be.

MS. FLORES: Used to be. We got $800,000 this year to replace 33 vehicles.

MR. WALKER: Yes.

MS. FLORES: We intend to keep a little bit of
that in our base. Once it's in your base, you get to keep it. But I'm not replacing another 33 because our total fleet is 47 today.

MR. WALKER: So we just replaced vehicles last year.

MS. FLORES: Well, it's this year and next year.

MR. WALKER: We got it in the last biennium, we got enough to buy 33 vehicles, and so I'm looking down here, it says $100,000 Special Investigation Unit vehicles, so that's three more cars probably.

MS. FLORES: Four.

MR. WALKER: Four cars.

MS. FLORES: That was for this year. Next year we're wanting to add eight new cars for $180,000. I used the difference between that $900,000 and the $180- to finance some new things, and you'll see that. The regional service center managers maintenance and repairs, we her routinely that certain field offices need to be renovated, just like Camp Hubbard, so I created a new line item. As long as I use what they gave me today, I can keep that for tomorrow for something else as long as I don't exceed that. So I'm planning for helping out the regional service center managers, and we've also included additional monies for laptops for the agency. So those
are some of how we've used today's vehicle appropriations for tomorrow's needs. So I just kind of put that out there for you.

The exceptional items, which is where we would like for you to kind of help us with, that's on pages 18, 19 and 20. We have ten items. Seven are related to Sunset, three are non-Sunset related. The items in your board book specify which Sunset item the request is for, the exceptional item is for. A lot of them are for IT. We have, starting on page 18: some fraud reporting related to Sunset item 2.4; to broaden ABTPA's statutory mandate, this is a GR request, as I previously mentioned; an enforcement online dealer and motor carrier history database, as well as a case management system; a complaint management system for $4.2 million; infrastructure items $2.7-; organizational assessment -- this is the result of an organizational assessment but it was also addressed during Sunset that our IT are understaffed, so we're asking for 12 FTEs and approximately $2 million; and the final sunset item is related to the motor carrier credentialing system to modernize that application, and that's $6 million.

The non-Sunset related items have to do with agency infrastructure. We're requesting $5.3 million for a data warehouse so that the agency as a whole can pull
out data and create certain reports that will help all of
the agency when it comes to reporting. We're data rich
but report poor, if you will.

MR. WALKER: So how much did Bryan get before
on his Auto Burglary request, ABTPA?

MS. FLORES: Last session? Zero.

MR. WALKER: Didn't you get --

MS. FLORES: No, sir, they didn't get their
exceptional item, nor the restoration of the GR cut.

MR. WALKER: So how much money did they get in
their fund?

MS. FLORES: It's $25.6- for the biennium.

MR. WALKER: And so this $13 million is in
addition to the $25 million request on there?

MS. FLORES: Yes, sir.

MR. WALKER: And we're going to try to that
this time based on that the Sunset Commission has
recommended that we use that money more inclusively to
help fund some investigations within our own agency
instead of all of it going out to ABTPA.

MS. FLORES: No. All of the ABTPA dollars will
be pushed out the local enforcement police departments.

MR. WALKER: That $24 million or whatever it
was. But this additional $13- would be used to go out to
that? Or I thought there was some recommendation, and I
can't remember exactly. Help me out.

MS. BREWSTER: Madam Chair, if I may?

MS. CARAWAY: Yes, ma'am.

MS. BREWSTER: The recommendation is to expand the scope of ABTPA from burglary and theft prevention to also deal with title fraud and odometer fraud cases which the funds are not distributed for those purposes currently.

MR. WALKER: So would that be used outside the agency?

MS. BREWSTER: Yes, sir. It would allow for additional funds to go to local law enforcement for that expanded use.

MS. HARDY: Is the enterprise data warehouse specifically for DMV, or will other agencies be able to use it, and how many other data warehouses, I guess, are around?

MS. FLORES: This would be particularly for the agency. The agency doesn't have a data warehouse at all.

MR. WALKER: The state does, though.

MS. FLORES: The state does but we do not.

MR. WALKER: Don't we go through the state's warehouse.

MS. FLORES: Well, you're talking about the Data Center.
MR. WALKER: Yes.

MS. FLORES: So the Data Center, they maintain many of the agency's servers and they create backups for us, but they don't have a large data warehouse. Most state agencies have their own data warehouses so that they can collect data and then be able to provide analytics to their staff.

MS. HARDY: Okay.

MS. FLORES: And that's what we're seeking is our own data warehouse.

We are asking for an exceptional item related to customer service contact center, nine FTEs and approximately a million dollars. Today the Vehicle Titles and Registration Division assists in taking phone calls related to titles, so it frees up the customer contact center here to deal with registration calls. With these additional staff, that responsibility would come back to the Consumer Relations Division and allow VTR to perform other activities that have taken a back seat, if you will, because they've been taking phone calls. And then again, the last item is for ABTPA, $7.3 million and this is to provide more funding for their basic responsibilities today and it's not related to the expansion of their responsibility. So the total for the exceptional items that the agency is requesting that we can't afford if the
general revenue is appropriated along with the DMV Fund is $42 million.

MR. WALKER: That's a lot of money.

MS. FLORES: And that conclude our presentation. Oh, I'm sorry. We are asking for three new riders. We've asked for some of these before. UB authority between the biennium. To Board Member Walker's question about why can't we just do that, you have to have specific authority in your bill pattern. We are going to seek that again. I think we've done it for the last three sessions that I can recall. We're also asking for them to allow us to carry forward unspent dollars related to our federal grants, and then giving us authority, again, to carry forward unspent HQ maintenance dollars. We had a $9 million appropriation, we know we're not going to spend it, so we're going to seek approval to carry forward unspent dollars moving forward.

That concludes my presentation.

MS. CARAWAY: Are there any other questions?

(No response.)

MS. CARAWAY: Linda and Renita, thank you very much.

MR. WALKER: As usual, excellent. And Renita, thank you, I know you don't get enough praise

MS. FLORES: Thank you very much.
MR. DUNCAN: Member Walker, back to your question on the alternative fueled vehicles, Government Code Section 2158.005 requires that after September 30 of 2010 any state agency fleet that has 15 or more vehicles must consist of at least 50 percent alternative fueled vehicles.

MR. WALKER: Fifty percent.

MR. DUNCAN: Fifty percent. And there are categories for that, you can do E-85, biodiesel blend, LPG, LMG and electricity or plug-in. So we're trying to meet that.

MR. WALKER: That's a state statute.

MR. DUNCAN: Yes, sir.

MR. WALKER: Fifty percent if you own 33 cars.

MR. DUNCAN: Fifteen cars or more, 15 vehicles or more.

MR. WALKER: So DPS has to have 50 percent.

MR. DUNCAN: With the exception of law enforcement. That's in their rider.

MS. CARAWAY: And before we move on, I want to make sure and recognize, since I didn't earlier, that Chairman Palacios is in the room with us.

So we will move on to agenda items 5.B., 5.C. and 5.D., and we'll hear from Sandra Menjivar-Suddeath.

MS. MENJIVAR-SUDDEATH: Good afternoon. For
the record, my name is Sandra Menjivar-Suddeath, Internal Audit director, and I'm presenting item 5.B. which is peer review. This is a briefing item only.

At the previous Finance and Audit Committee, I provided information on the peer review process. Just to recap, we are required to have an external assessment every three years to ensure that we're following audit standards. Specifically, we need to make sure that we're following the International Professional Practice Framework, the Generally Accepted Auditing Standards, and the Texas Internal Auditing Act which is Texas Government Code 2102.

The team that did the review is here, Patrick McKinney from Texas Department of Transportation, and Harold Rogers from the Texas Workforce Commission. They have been working on our peer review since February. They've met with board members, executive staff, internal audit staff, reviewed our self-assessment report, as well as reviewed our actual audit files to make sure we're following the compliance standards within the audits. They finished their work in May and provided us a report. The report is in your board book, it starts on page 49, and I will pass it on to Mr. Rogers for them to kind of give you the recap of the peer review results.

MR. ROGERS: Good afternoon. For the record,
my name is Harold Rogers. I'm a special projects auditor at the Texas Workforce Commission, and I was the team lead for this peer review, and I wanted to begin with what is stated as the peer review objective, then move on to just briefly describe the guidance that we use to perform the peer review, and then I will turn it over to Patrick who will give you the results of our peer review of Sandra's Internal Audit department.

The peer review objective was formally stated to assess compliance with the Texas Internal Auditing Act, the Institute of Internal Auditors Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing, and the U.S. Government Accountability Office Government Auditing Standards in effect at the time that the audits and projects were performed by the Internal Audit Division, when they were performed.

The guidelines we use are provided to us by the State Agency Internal Audit Forum. There's a very broad state agency coordinating committee. The State Agency Internal Audit Forum, abbreviated as SAIAF, I think it's one of seven subcommittees under that broad coordinating committee, and they publish a peer review manual that provides the guidance for the elements as stated in the peer review objective related to the Texas Internal Auditing Act, the code of ethics and other standards. It
incorporates all those standards into one document rather than doing multiple types of assessments.

And I will now turn it over to Patrick to provide the results.

MR. McKinney: For the record, Patrick McKinney, section director for external audit and advisory services at TxDOT.

It is the opinion of the peer review team that Texas Department of Motor Vehicles Internal Audit Division receives a pass or generally conforms rating and is compliance with the standards that Sandra and Harold mentioned, those being the Institute of Internal Auditor Standards for Professional Practice, the GAO Government Auditing Standards, and the Texas Internal Auditing Act. This is the highest rating possible, and what this means is that the Internal Audit Division here has policies, procedures and practices in place to ensure proficiency in their work, independence and objectivity.

Now, we did identify one opportunity for improvement, and during the course of our work we noticed that the Internal Audit Division frequently give some of its resources to evaluating fraud, waste and abuse activities within the agency. Our recommendation is that they consider doing an engagement periodically to assess the effectiveness of those activities and to give
executive management and the board feedback on the governance and controls of those activities and how they're operating.

MS. MENJIVAR-SUDEATH: We accepted the recommendation and we'll be working with the board chair, as well as the Finance and Audit Committee chair, on how to best address it. We have considered doing ethics projects in our FY19 audit plan. Obviously we have all the other risks that we'll discuss in our next item but it is something that we're considering. In addition, we are thinking of different ways that we can provide more proactive information on ethics. I've been working with general counsel on potentially ethics training and things like that to kind of address the recommendation as well.

Are there any questions?

MR. WALKER: Yep, always.

So Harold and Patrick -- and I know Sandra does the same thing you do, it's just you kind of self-regulate each other -- how often do you do one of these audits that you come back and you say it's not the highest you can get, it's the second to the highest. There's three rankings, I think it said here.

MR. ROGERS: That's correct, sir.

MR. WALKER: So how often do you see something that's not at the highest ranking?
MR. ROGERS: So to answer your question specifically, I have seen peer reviews or anecdotally heard of peer reviews where there were several recommendations that you could almost argue would fit within that second definition but would still pass. I think part of the reason why we don't often see that in peer review, we're so tightly bound by these standards. They're also within the government statute as well, and there's a lot of push-downs then coming down from both the statute and from the internal audit directors that this is the rules, these are the standards, follow the standards. It's very clear, it's not prescriptive step-by-step but the guidance is strong and it's widely recognized, and so I don't think it's the most difficult thing to follow. So I think that's part of the reason why -- it's a very good question, but I think part of the reason why it's not seen very often is because of the wide spread adoption and adherence to those standards.

MR. WALKER: So that was a long answer to my question, I'm not sure I know the answer yet. The question was how often do you see somebody that is not at the highest level.

MR. ROGERS: I have not personally seen, sir.

MS. MENJIVAR-SUDEATH: If I may?

MR. WALKER: Yes, ma'am.
M. MENJIVAR-SUDDEATH: It's not often. Now, what I will tell you is I have seen some in my career and that is usually immature shops that don't really have any guidance or any information, usually a one-person shop, those type of things. Now, the one thing about the peer review process, the reason we went through the SAIAF group, unlike other agencies that pay for theirs, is that we tally have a committee in the SAIAF organization that just looks at peer review and makes sure we're independent and objective, so this is the best of the best for peer review process. And I know that in our SAIAF group we've had a few that they've issued multiple recommendations and even said you're in compliance but not fully in compliance with these sections with these sections that you need to correct.

MR. WALKER: So the right answer would have been this is the best we've ever seen, nobody does as good a job a Sandra. That was the answer I was looking for but now I know that it's just cookie cutter. But I know Sandra does do a good job.

(General laughter.)

M. MENJIVAR-SUDDEATH: Are there any more questions on this item?

MR. WALKER: No. Good job.

MS. CARAWAY: Move on to 5.C.
Thank you all.

MS. MENJIVAR-SUDEATH: Item 5.C. is the draft of the fiscal year 2019 annual audit plan. That is on page 59. This is a briefing item only, we're only asking for any input or changes to this plan. We will be asking for approval in the August board meeting.

The annual audit plan has a total of ten engagements and it was based on the highest risks for the agency. This year we took a different approach for our annual risk assessment. Instead of waiting till the very end of the year to start doing risk assessment, we have been collecting risks throughout the year through our system called Team Risk. In total we collected about 100 different department risks. These risks came from our own audit staff, from industry publication, from management, as well as the board.

And we started rating the risks, and you can see the rating colors on page 68, and so we actually developed a new risk model this year that took into consideration the revenue, expense, the asset liability and started marking things at high and low, and so we were able to categorize risks as low risk was zero to 1.9, medium risk 2 to 3.9, and then high risk 4 to 6. Anything that was considered high risk was actually put in the audit plan for further consideration.
In total, we ended up looking at our hour analysis as well and we identified ten projects that we could do for the annual year. Those items include a review of the Compliance and Investigation Division because it is a new division that was appropriated money through the legislature.

Hiring and classification. Hiring and classification is an important topic that keeps coming up in industry publications, ensuring that we have the right workforce and the right systems and processes in place to make sure that we can hire for the future.

The Lemon Law process. Lemon Law is right now currently shared between two different divisions. Enforcement does the initial intake of a Lemon Law complaint, and if the complaint cannot be resolved, then it goes to the Office of Administrative Hearings for resolution.

We also are looking at the information security risk assessment. Cybersecurity continues to be a topic of concern for agencies as well as industry, and so we want to look at our risk assessment methodology to ensure that we can identify any risks that come up from cybersecurity.

PCI, payment card industry compliance is on there again. This was a request from last year from the board. We continue to look at that every year, and the
way we do it is we piecemeal it. There's twelve requirements for the payment card industry so each year we look at a different item. That item is determined at the time of the engagement depending on what is going on in the agency.

We also have an Enterprise Project Management project that we want to do. This will be focusing on the staff that actually are involved in the project to make sure that they understand the roles when we do a project management.

Something different is the management and board requests. Usually we allocate just one project for the entire year for management/board request. On the average for the past few years we've been receiving about 700 hours of ad hoc advisory and so instead of just having one request and coming to you to ask for modifications in the plan, we want to put 800 hours out there that would allow us the flexibility to do special requests in addition to doing one-time items such as maybe a review at the regional service centers or walk-throughs of small processes, things that we don't get to do that may not be high risk but are important to the agency.

And then the last three are required items. The FY2019 internal audit followup. Just like this year we'll do the quarterly results and then we'll have an end
year report. The 2020 internal audit plan and then the
2018 annual internal audit report.

Those are the engagements we have identified as
the most important. Now, we also listed the top five high
risks that are contingency audits, and those include
procurement, IT, as well as the regional service centers.

I'm available for any questions you may have.

MR. WALKER: You're looking at me?

MS. MENJIVAR-SUDEATH: Yes, sir.

MS. CARAWAY: No questions?

MR. WALKER: So here's something I've been
thinking about with my company and it's something that we
all need to think about real hard. At our office today
our phone system runs on the internet, our computer system
runs on the internet, if the internet goes down in my
office, we are out of business. It's got to be the same
way here. What do we do in a contingency situation like
that there we are so dependent today on that technology
that it runs everything we do?

MS. MENJIVAR-SUDEATH: So the agency has a
disaster recovery and a business continuity plan. We've
actually audited it in the past, I believe it was fiscal
year 2015, and we're actually doing followup on that. I
can get more information from our information security
officer on what exactly would happen if the phones went
down, if the internet went down, but I do know we have
actual plans for that.

    MR. WALKER: Do our phone systems here run on
internet?

    MS. MENJIVAR-SUDDEATH: Yes. They're voice
over IP.

    MR. WALKER: I mean, it's disastrous at my
office. When the internet goes down, we are out of
business.

    MS. MENJIVAR-SUDDEATH: And the information
security risk management project, that is one type of risk
that we should be identifying and monitoring and making
sure that our business continuity plan actually addresses
and that we have it mitigated. So that's kind of what we
want to do with that is look at the information security
risks that we already know or don't know, and how are we
identifying them and monitoring them.

    MR. WALKER: For example, like in our building
we have Comcast cable, or whatever, coming in there, and
so somebody is coming into these buildings here, do we
have a backup plan that says if the line got cut over here
building the new highway and we're going to be down for 24
hours, can we switch to a different network, or what do we
do?

    MS. MENJIVAR-SUDDEATH: I can't answer that
question but I think if we want to continue this
discussion --

MR. WALKER: Well, it's just something I need
to be thinking about.

MS. MENJIVAR-SUDEATH: We definitely think
about it. I think the actual details are something that
would need to be discussed in executive session because
that is a security protocol.

MR. DUNCAN: She's exactly right. We could get
a briefing from Josh Kuntz, our chief information security
officer. Those contingency plans are highly protected by
statute, we're not required to release those, in fact,
we're not allowed to release those.

MR. WALKER: I'm just saying that we need to
have some kind of plan.

MR. DUNCAN: We do.

MR. WALKER: Because at our company right now
we're looking at how can we take and manage for those
downtime.

MS. BREWSTER: If it is the desire of the board
to have a briefing on that, we can certainly arrange for
that for the August board meeting.

MR. WALKER: Well, that would be up to Chairman
Palacios over there.

MR. PALACIOS: (Speaking from audience.) If
it's your desire, it's my desire.

MS. MENJIVAR-SUDEATH: And I will mention that we did have an audit recommendation open that is going to close in this fourth quarter related to some of these items, and so we can provide you more detail at that time.

MR. WALKER: Kate would like to see that done.

(General talking and laughter.)

MS. MENJIVAR-SUDEATH: Are there any more questions on the internal audit plan?

(No response.)

MS. CARAWAY: Go on to 5.D.

MS. MENJIVAR-SUDEATH: Okay. Item 5.D. is the Internal Audit Divisions status. It's a long one. We have currently eight engagements listed on the Internal Audit status update which is on page 70. As it is towards the end of the year, we are wrapping up all our projects. We are on target to finishing our projects by the end of the fiscal year, so that means we'll be able to start the FY2019 audit plan on September 1, which will be the second year in a row that we've done that.

To give you an update, the fraud, waste and abuse risk assessment advisory is still in field work. We are working with the last couple of divisions to finalize that but we are on target to having a report ready by August 31. The FY2018 followup, again, we're also working
on the report but that will be also ready by August.

In your booklet you have on page 72 the third quarter results. For the third quarter we actually reviewed seven audit recommendations. Five of those were fully implemented which was a 71 percent completion rate and two were started. Now, the two that were started were significantly completed. The last couple of items were they needed either approval from the executive office or approval from the board. We anticipate that both of those items will close in the next couple of weeks and then that way those will be completely wrapped up.

The next item is the management request, Texas Commission on Law Enforcement. This was an advisory service requested by the TxDMV management, specifically the Enforcement Division, to review the Texas Commission on Law Enforcement training compliance. Specifically, the Texas Department of Motor Vehicles provides training to law enforcement through TCOLE, it's a free service. So in a way to foster our relationship with law enforcement, we provide them training through our dealer training, motor carrier training, eTags training. In total fiscal year 2017, 48 trainings were offered to law enforcement. Now, this is a voluntary program, TxDMV does not need to participate but there are benefits to participating in it.

We were requested and asked to look at the
compliance of the TCOLE system, the TCOLE program, and what we found was it was not in full compliance. There were six different categories that were reviewed; three of those categories were in full compliance and three of those categories were not. Those three categories are on page 78 and included the instructor qualifications. Not all instructor qualification information was in the folders that it needed to be so we could not find them in compliance. Training courses, some documents were missing from some of the files so they were not in compliance -- I'm sorry -- the training course submission documentation was not in full compliance, so they're required to submit the training course information to TCOLE in 30 days, we had a couple of examples where they did not.

What I would like to press on is that the staff have done a really great job on trying to bring this program into compliance and now TCOLE has actually allocated more of their FTEs to do more annual reviews of this program, and when they met with our TCOLE trainer, they said that this was one of the best run programs in the state, so that's something to be said.

Are there any questions on the TCOLE? We made no recommendations on this report since it was just a compliance review.

(No response.)
MS. MENJIVAR-SUDEATH: Moving on to travel and training audit, this audit is on page 85 of your board book. This audit was to determine if training and travel requests have appropriate approvals and justifications, as well as determining if the requests are appropriate and meet the need of the TxDMV. We found that overall the department has developed processes to ensure training requests are justified and expenses are appropriate. And in addition, we also reviewed travel related expenses to the board and they were also in full compliance.

We did issue two audit recommendations related to improving the in-state authorization and documentation requirements. One audit recommendation was high and the other one was low, and that information is on page 88 of your board book. We rated the engagement a four which is managed in a measurable process, so the process was standardized, documented, communicated and followed processes under constant improvement and provides good practice.

Derek Miller was the engagement lead on this project and so he's here to provide more details on the results of the audit.

MR. MILLER: Good afternoon. For the record, my name is Derek Miller, senior internal auditor.

The background on this report is that during
the previous legislative session concerns arose regarding the appropriateness of travel and training events attended by some state agencies, and as a result, our Internal Audit Division included this project on our FY2018 audit plan in order to review the department's travel and training processes to ensure our processes are strong.

During FY2017, the department expended over $756,000 on travel and training expenses. We reviewed travel vouchers and supporting documentation for in-state and out-of-state travel taken for various reasons across the department. These different reasons included annual conferences, investigations and monitoring visits, staff development courses, and other state business such as participating on national motor vehicle industry regulatory boards.

We also reviewed training related purchase requisitions and approvals and surveyed 40 other state agencies regarding their board travel policies and practices in order to compare it to the department's processes for board travel expenses. What we found is that the TxDMV has several strong processes that ensure travel is appropriate and only allowable items are reimbursed. The Finance and Administrative Services Division vets travel vouchers and supporting documentation prior to reimbursement. Out-of-state travel requires
formal authorization from an employee's supervisor, 
division director and the executive director, and in 
addition, the out-of-state travel form captures 
information including travel dates, locations, the 
business reason for travel and cost estimates.

We also highlighted the Vehicle Titles and 
Registration Division in particular for having a strong 
in-state travel approval and tracking process which 
includes supervisor authorization, travel date and 
location confirmations and quarterly planning meetings for 
monitoring visits. The VTR Division also maintains 
detailed records of travel expenses after the fact.

For training related expenses we found to be 
appropriate and justified with training expenses being 
processed through the CAPPS system, CAPPS Enforcement 
Division director, FAS budget and planning section and FAS 
purchasing section approvals before an order and payment 
can be processed.

We made two recommendations and one observation 
intended to improve the department's travel 
authorizations. The TxDMV should define and document the 
in-state travel process authorization, including 
identifying which authorization is needed based on the 
purpose of the travel, and the TxDMV should update its 
travel policies and procedures to include guidance on the
documentation requirements for travel authorizations to
include expectations for retention of support
documentation. Management accepted those recommendations
with an action plan target date for December 31, 2018.

The observation we made, we reviewed and made
one observation regarding the department's draft updates
to its travel policy and authorization form which are
currently in development. Observations are just for
management's information and consideration but do not
require an action plan.

We also provided information on the
department's policies and practices regarding board travel
expenses based on the survey of 40 other state agencies.
Thirty-one of those agencies responded and we found that
the DMV Board travel practices are in compliance with the
Texas Government Code, Comptroller rules, and the General
Appropriations Act for allowable costs and reimbursement
rates, and the other state agencies surveyed also reported
similar reimbursement practices as the TxDMV for their
board and commission member meals and lodging, vehicle
mileage, and air travel rates and expenses.

If there are any questions regarding the more
detailed work of the project, I'm happy to answer them.

MR. WALKER: Was the board travel included in
the $756- or excluded from that?
MR. MILLER: I believe it was included in that.

MS. MENJIVAR-SUDEATH: I'll check on that.

MR. WALKER: How much is the board expenditure.

It says nobody on the board uses their airplane but I know some of them do, I guess they don't charge them.

MS. MENJIVAR-SUDEATH: Where does it say that?

MR. WALKER: It says no board member uses private aircraft on page 94.

MR. MILLER: Are you referring to where it says none of the nine respondents reported board or commission member --

MR. WALKER: None of the nine respondents reported board or commission member use of a personal aircraft.

MS. MENJIVAR-SUDEATH: That was the respondents of other state agencies.

MR. WALKER: Oh. I thought it was our nine board members.

MS. MENJIVAR-SUDEATH: No. The other respondents did not discuss any personal aircraft usage so we put that in there because we couldn't have any comparable data to it.

MR. WALKER: So we do report personal aircraft?

MS. MENJIVAR-SUDEATH: Yes, we do.

MS. HARDY: I would assume, too, we're always
trying to use technology, right, versus travel, whether it's driving or flying or anything else. Right? With Webex, Telepresence, you know. And it always depends on where you're going whether they have that capability or not too. But I know from GM's perspective too, it's almost like travel is a huge expense and if you don't monitor it, it gets out of control. Right? And we've done things with people we work with, agencies we work with too, it's like, hey, you guys need to bring our technology capabilities up to speed so we're not traveling as much, your people aren't traveling as much because we end up paying for that too. Right?

MR. MILLER: If I may. Part of the travel authorization process is including consideration of is there a less expensive option to the travel, and if it's decided that travel should be done anyway, it still does through the authorization process.

MS. HARDY: I mean, you've got to do it. Right? But how many people go, all that stuff, I think every company goes through those questions, which you've got to be smart because it adds up quickly.

MS. CARAWAY: I think it was great to get this one done, you know, with the eye that was on the last legislative session. So that's great.

MR. WALKER: I don't imagine that our board
travels that much, I mean, just to the board meetings.

MS. MENJIVAR-SUDEATH: And we do have a number, I'm looking for it right now, I will give you that number as soon as I can find it in my folder. If not, I'll get it to you tomorrow. But we did a separate memo to the board chair on the board travel, and I can forward that to you as well.

MR. WALKER: Just out of curiosity, I don't own an airplane, but what is the statute on if you fly a private aircraft, how does the state reimburse that? Let's just say I fly from Houston on Southwest Airlines and it costs $200. What does the state reimburse if I flew my private jet here, two hundred bucks?

MS. MENJIVAR-SUDEATH: There is a rate for it.

MR. WALKER: I don't know, I'm asking.

MS. MENJIVAR-SUDEATH: There's a specific rate for it. Let's see, here we go. I believe the rate is, I want to say $2, I think, is what we discussed. I am not sure so I will double check that number. But I do have the number on the amount of travel, so in fiscal year 2017, board travel expenses totaled $30,000.

MR. WALKER: That includes the hotels, I assume?

MS. MENJIVAR-SUDEATH: Yes, sir.

MR. WALKER: That's probably the biggest part
of it.

MR. MILLER: Meals and lodging, all travel and any incidental expenses.

MR. WALKER: But that $10,000 a board member, that's high. I would never have thought it was that much.

MS. HARDY: That's on average.

MS. CARAWAY: Not $10,000 each.

MR. WALKER: There's nine board members. Oh, $30,000. I'm sorry. $3,000.

(General laughter.)

MR. MILLER: And regarding the personal aircraft, I don't recall the exactly mileage reimbursement rate but the miles is calculated based the same as vehicle mileage.

MR. WALKER: That's it. Oh, heck, that's not a deal, that's a loser.

MR. MILLER: It's a higher rate than vehicle mileage, but the miles are counted equally.

MS. MENJIVAR-SUDEATH: And like I said, I will get you the number on the overall rate.

MR. WALKER: That's okay. I was just curious, I just thought you might know.

MS. MENJIVAR-SUDEATH: Any other questions?

MR. WALKER: I ride my bicycle, just so you know.
MS. MENJIVAR-SUDEATH: Is that who I see on MoPac?

(General laughter.)

MS. MENJIVAR-SUDEATH: So we'll move on to the last report. The last report is actually a printout on your desk area. We had a minor error on the Finance and Audit Committee board book, and so we printed it out showing the modifications. On your board book for tomorrow, you will have the correct version loaded.

We just completed the social media audit. The social media audit was to determine if the department's social media policies and processes have been sufficiently developed to protect the department's brand. We found that the department actually uses social media pretty well and they use it in very cost-effective way. They've been able to reach 36,391 users at a rate of about 16 cents per user for outreach, and that was for a six-month period.

Now, we do note that the department has not really developed agency-wide social media strategies to align the use of social media throughout the various divisions, so currently there are three divisions that are using social media. Government and Strategic Communications are the main users of social media, but ABTPA as well as MCD have their own Facebook and Twitter accounts, and so all three of them are using social media.
for various reasons. And so one of our recommendations was to align the strategy for that to ensure that we all are using social media for the same purposes.

The other recommendation was related to ensuring that privacy protocols for official social media accounts are all followed the same, just ensuring that we are comparing apples to apples, so if a consumer wants to go to social media and, for example, go to MCD, they're going to get the same review process, ability to comment, as well as Government and Strategic Communications so everyone is aligned. Those were the two audit recommendations for the first issue.

For the second issue we identified that the department really needs to develop a process for evaluating, approving and tracking all social media accounts. When you sign up for social media accounts, you do have to accept their terms and conditions, and so we want to make sure that information security office, our general counsel and our executive director are aware of what social media we are approving and that we are in agreement with the terms and conditions. And so we've made a recommendation to develop a process to document that evaluates and approves and tracks and periodically reviews the social media accounts, because we did find a case where one of the divisions had a Twitter handle,
which is fine, but they hadn't tweeted in two years, and
so you need to evaluate whether we need to continue to
have that Twitter handle just because.

Management agreed to all the recommendations
and plan to implement by August 31, 2019.

We did have one recommendation. Both Facebook
and Twitter are very rich in data and so you could really
use that information to identify if you're really reaching
your target customer and consumer base, so as we develop
our social media strategy, we made an observation to
continue using that information.

(General talking and laughter.)

MS. MENJIVAR-SUDDATH: But we just want to
make sure that everything is good, and overall, I mean, we
did not find anything that was posted incorrectly or any
issues like that, it's just to prevent things from the
future and keep going forward.

So those are three audit reports. Inventory
audit, the audit to evaluate whether we have adequate
processes to control, safeguard and track our assets,
we're actually currently in reporting. We will be
presenting that in the August board meeting. It will be
an executive session report because we do have some issues
related to security that we want to make sure it's
confidential.
eLICENSING has kicked off, we are in our planning phase, we are on schedule for finishing that by August 31, getting that through the review process. The FY19 audit plan, we have obviously seen the draft completed, we will ask for approval in the August board meeting. And the payment card industry, we have not started that yet but we are planning to send the engagement letter out in the next couple of weeks, and because it's a shorter review, we will have that also done by the end of the fiscal year.

Are there any questions on all that information?

MS. CARAWAY: That's a lot, Sandra.

MS. MENJIVAR-SUDEATH: So, Mr. Walker, vehicle reimbursement is 54 cents, so if you use your personal vehicle it is 54 cents, but if you have a personal aircraft, it is $1.15 per mile.

MR. WALKER: That won't pay for the fuel.

MS. MENJIVAR-SUDEATH: No, it won't pay for the fuel, but that is the rates set by the Comptroller.

MS. CARAWAY: Thank you, Sandra and Derek. We will now be going into closed session. Oh, we don't.

MR. DUNCAN: No, ma'am. That's if needed.

MS. CARAWAY: Okay. I'm sorry.
In that case.

MR. WALKER: I move that we close, if that's it.

MS. HARDY: Second.

MS. CARAWAY: If no members have any further items of business, I will entertain a motion to adjourn.

MR. WALKER: I already did.

MS. HARDY: Second.

MS. CARAWAY: I didn't hear you.

MR. WALKER: I move, Madam Chairman, that we close this meeting.

MS. HARDY: I strongly second.

MS. CARAWAY: So if everyone agrees, can we vote on that. All say aye.

(A chorus of ayes.)

MS. CARAWAY: And we will adjourn the meeting at 3:22 p.m. Thank you.

(Whereupon, at 3:22 p.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: Finance & Audit Committee
LOCATION: Austin, Texas
DATE: June 13, 2018

I do hereby certify that the foregoing pages, numbers 1 through 61, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

DATE: 6/21/2018

/s/ Nancy H. King
(Transcriber)

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