TEXAS DEPARTMENT OF MOTOR VEHICLES
FINANCE AND AUDIT COMMITTEE
MEETING

OPEN MEETING VIA TELEPHONE CONFERENCE CALL
PURSUANT TO GOVERNOR'S MARCH 16, 2020,
TEMPORARY SUSPENSION OF CERTAIN
OPEN MEETING PROVISIONS

Wednesday,
June 10, 2020

COMMITTEE MEMBERS:

Brett Graham, Chair
Charles Bacarisse
Stacey Gillman
John Prewitt
## I N D E X

<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Roll Call and Establishment of Quorum</td>
<td>5</td>
</tr>
<tr>
<td>2. Pledges of Allegiance - U.S. and Texas</td>
<td>7</td>
</tr>
<tr>
<td>3. Comments and Announcements from Committee Chair</td>
<td>none</td>
</tr>
<tr>
<td>BRIEFINGS</td>
<td></td>
</tr>
<tr>
<td>4. Accounts Receivable Initiative</td>
<td>8</td>
</tr>
<tr>
<td>5. Preliminary FY 2022 - 2023 Legislative Appropriation Request, Baseline and Exceptional Items</td>
<td>14</td>
</tr>
<tr>
<td>6. Financial Impacts of COVID-19 on TxDMV</td>
<td>36</td>
</tr>
<tr>
<td>7. FY 2021 Internal Audit Risk Assessment</td>
<td>48</td>
</tr>
<tr>
<td>8. Internal Audit Division Status Update</td>
<td>55</td>
</tr>
<tr>
<td>EXECUTIVE SESSION</td>
<td></td>
</tr>
<tr>
<td>9. The Committee may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code, Chapter 551:</td>
<td>none</td>
</tr>
<tr>
<td>Section 551.071</td>
<td></td>
</tr>
<tr>
<td>Section 551.074</td>
<td></td>
</tr>
<tr>
<td>Section 551.076</td>
<td></td>
</tr>
<tr>
<td>Section 551.089</td>
<td></td>
</tr>
<tr>
<td>10. Action Items from Executive Session</td>
<td>none</td>
</tr>
<tr>
<td>11. Public Comment</td>
<td>none</td>
</tr>
<tr>
<td>12. Adjournment</td>
<td>60</td>
</tr>
</tbody>
</table>
MR. GRAHAM: This is the Finance and Audit Committee meeting for June 10, 2020. I'd like to thank my fellow members, Gillman, Prewitt and Bacarisse, for being in attendance.

My name is Brett Graham. I am pleased to open this Finance and Audit Committee of the Board of the Texas Department of Motor Vehicles. It is now 2:02 p.m., and I am calling the committee meeting for June 01, 2020 to order.

I want to note for the record that the public meeting notice of this meeting, containing all agenda items, was filed with the Office of the Secretary of State on June 2, 2020.

Before we begin today's meeting, please place all cell phones and other communication devices in the silent mode, and please, as a courtesy to others, do not carry on side conversations if possible.

This meeting is being held by telephone conference call in accordance with Texas Government Code 551, as temporarily modified under Governor Greg Abbott's authority to suspend certain statutes due to COVID-19. Governor Abbott suspended various provisions of the Texas Open Meetings Act that require government officials and members of the public to be physically present at
specified meeting locations.

Under that suspension, the public will not be physically able to attend this meeting in person. Instead, the public may attend this meeting by using the link or by calling the toll-free number, which are both posted in our agenda which was filed with the Office of the Secretary of State on June 2, 2020.

All committee members, including myself, will be participating remotely via Webex. At this time, please mute your phone for the entire duration of this meeting. I am asking our Webex meeting host to make sure all participants' phones and their video is turned off except for committee members and those who are presenting. Callers will be removed for any disruption, including background noise.

I would like to remind all participants that this is a telephone conference call meeting. Because this meeting is being held by telephone conference call, there are a few things that will assist in making the meeting run smoother and assist the court reporter in generating an accurate record.

First, department staff and any commenters should identify themselves before speaking. Secondly, speak clearly, and remember that there may be a slight delay due to the telephone conference call meeting, so
please wait a little bit longer than usual before responding to participants. Do not speak over others, and speakers should ask the committee chair permission to proceed and be sure to get recognized before speaking.

Because the number of dial-in participants is limited, if you wish to address the committee and speak on an agenda item during today's meeting, please send an email to GCO_General@txdmv.gov. Again, that is GCO_General@txdmv.gov.

Please identify in your email the specific item you're interested in commenting on, your name and address and whether you are representing anyone or speaking for yourself. If your comment does not pertain to a specific agenda item, we will take your comment during the general public comment portion of the meeting.

When addressing the board, please state your name and affiliation --

(Brief audio malfunction.)

MR. GRAHAM: At this time we'll have a roll call.

MS. BEAVER: Sorry for interrupting, Member Graham. It sounds like we're losing audio. I'm asking the meeting host to check.

MR. GRAHAM: Okay.

MS. BEAVER: Thank you. It sounds like it's
MR. GRAHAM: All right.

Member Bacarisse, are you present?

MR. BACARISSE: Present.

MR. GRAHAM: Thank you.

Member Gillman?

MS. GILLMAN: Present.

MR. GRAHAM: Thank you.

Member Prewitt?

MR. PREWITT: Present.

MR. GRAHAM: Outstanding. And let the record reflect that I, Brett Graham, am here as well. We have a quorum.

The posted agenda stated 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 the board take any action in whole. And I do not believe we have any other board members present at this time.

Would that be your understanding? If someone on the staff could advise.

MS. BEAVER: Member Graham, Tracey Beaver, general counsel, for the record.

At this point I don't see any other board members present but we'll let you know if anybody else
joins.

MR. GRAHAM: Okay, great.

With that, quorum established, we will move to agenda item 2, Pledges of allegiance for the U.S. and for Texas. We are very fortunate today to have Mr. Conner Kuntz, member of the Boy Scout Troop 157, and the son of Jeremiah Kuntz, to lead us in the pledges of allegiance.

Board members and panelists, if I could ask you to please turn off your microphones and also turn off your video so that we will be able to see Conner as he does this.

At this time I will pause just a moment to allow you time to do that. There we go. I will pause mine in just a moment. With that, I will ask everyone to please stand and honor our country and state with the pledges of allegiance.

Conner and Jeremiah, will you please lead us, and give me just a moment to turn off my video.

MR. KUNTZ: Thank you, Chairman.

(The Pledge of Allegiance and the Texas Pledge were recited.)

MR. GRAHAM: Conner, well done. Thank you very much for joining us today and leading us in those pledges. As always, you do a fantastic job and we're proud to have you.
CONNER KUNTZ: Thank you.

MR. GRAHAM: You're welcome.

Good job, Papa.

All right. Would all members and panelists please turn your microphones and your video back on, and we will move to agenda item 3, comments and announcements. And at this time I do not have any comments or announcements in addition to the agenda items, and it's my understanding the executive director does not either, and so unless she jumps in, we will proceed on to agenda item 4.

We will now hear from Linda Flores regarding agenda item 4, which is the accounts receivable initiative.

Go ahead, Ms. Flores.

MS. FLORES: Thank you. For the record, my name is Linda Flores, and I'm the chief financial officer for the Texas Department of Motor Vehicles.

Beginning on page 5 of your board documents, you will find a board memo regarding a status update of the accounts receivable initiative. Following on page 6 you'll see three approaches that the agency undertook to address the accounts receivable initiative.

This project started last fall, late fall, November-December time frame, and the agency decided to
tackle the issue of the decentralized process for accounts receivable after an internal assessment was performed by Internal Audit.

We took three different approaches to address accounts receivable. The first was to obtain a third-party vendor to come in and examine the agency's processes across the department. We have seven divisions who perform some type of accounts receivable function, and they work with 18 different applications that were never intended to perform an accounts receivable function. That initiative, third-party assistance, the agency has developed a statement of work for a request for qualifications.

We have submitted that statement of work to the Governor's Office on May 27th, as required by statute. We have to hear back from them whether or not they approve the agency moving forward before we can submit this out to the vendor community. So at that point we will then push the statement of work out.

It has four different requirements: to review the agency's processes across those divisions; to provide best practices for the department; third, to also look at whether we should maintain a decentralized or a centralized function for the department; and then finally, to identify different applications that are out there that
the agency could use to better manage our accounts receivable.

The second approach was for our own division, Finance and Administrative Services, to provide training on best practices to our divisions. That training did occur on April 20. We discussed billing, invoices, payment, tracking, reporting, billing, collection efforts, but we also intend to acquire the services of a professional training instructor, a professor at one of our local universities, to provide additional training to supplement what the division provided in April. That training is tentatively scheduled at the end of July.

The final approach was to identify what the State of Texas currently has in the way of an accounts receivable module.

The Centralized Accounting Payroll Personnel System, which the State of Texas uses, does have a module. We've worked with the CPA staff as well as our own IT staff to develop a cost estimate of roughly $3.5 million for the next biennium, and we'll go into this a little bit further when we discuss the agency's preliminary appropriations request. That project would have approximately $3.25 million in one-time costs, as well as ongoing costs of $111,000 a year.

And that concludes the status on the accounts
receivable initiative.

Are there any questions?

MS. GILLMAN: I have a question.

MR. GRAHAM: Yes, Board Member Gillman.

MS. GILLMAN: Linda, is it your desire -- is it something that you would like to see is a centralized accounts receivable system? I'll back up just a little bit and say I respect very much that you have seven divisions with 18 different applications that don't talk to each other, and so trying to gather and keep a handle on the money that we collect or should be collecting, the age of collections is really -- I don't know how you're doing it.

So it seems so logical to me -- and I'm so thankful and appreciative of the steps one, two and three, it all sounds great. I just was wondering would it be a really cool, neat thing to have the $3.5 million requested to get us on a better reporting platform?

MS. FLORES: Yes, ma'am, I do believe that would be the best way to approach this. Having a centralized function with financial folks would go a long way in making sure that the staff who are monitoring those accounts receivable do have a background in the financial function.

The divisions themselves who are doing this
function, they are doing it as an additional task that they're required to perform. Many of them are doing program functions in addition to the accounts receivable function, so their primary focus may not be on reporting delinquent debts or not having a standardized billing for a particular service, so by bringing it into a centralized function we should see better reporting, better monitoring and just better reconciliations of those dollars that are out there.

MS. GILLMAN: Amen. I'm hoping you get it.

MR. GRAHAM: All right. Member Prewitt.

MR. PREWITT: Linda, as far as the end result, would you do away with the eight different reporting systems and then consolidate this all into adapting the state software system?

MS. FLORES: No, sir. Those 18 different applications have a purpose. They issue permits, they're issuing different types of services, so that piece would have to stay there. It's just the payment and the accounts receivable, they would have to feed that information to the accounts receivable module.

MR. PREWITT: And then the two employees you have budgeted for $111,000, would that be sufficient to monitor the receivables for all the different seven divisions then?
MS. FLORES: Yes, sir. Plus we would probably have to look at perhaps realigning some of the staffing in the divisions to also supplement those two individuals.

MR. PREWITT: Okay. Thank you.

MR. GRAHAM: Are there any additional questions?

MS. GILLMAN: I've got one more comment on this because I think it's so important, Linda. I really want to support your efforts. Is there anything that we can do to support you in getting everything that you would like? First we have to get the governor to say yes.

MS. FLORES: Yes, ma'am. And we've had those conversations. We did have a conversation with the Governor's Office regarding the agency's overall exceptional items -- they call them exception items requests -- and this was one of them.

The support that we're looking for, you know, at this time is just to be open to the idea that the agency is moving towards a new accounts receivable module so that we can submit this to the budget writers, the LBB, the Governor's Office in August, and then after that -- and I'll go into it a little bit further, you know, what the steps are when it comes to the legislative session.

MS. GILLMAN: Well, I'm on your team.

MR. GRAHAM: All right. Thank you, Member
And just a few thoughts and comments on my behalf. If you look at the revenue that the DMV brings in on behalf of the state, those are significant dollars, and I think we all recognize the importance of having a system that creates accountability for the taxpayers and for the state, and it is certainly our hopes that the Governor's Office will support this and if they determine it's the best path forward, and I'm sure they'll give us guidance if they think it should look differently. But appreciate your work on this, Linda, and we will continue to support you the best we can.

I believe I will check and see, do we have any public comments on this issue?

MS. BEAVER: Tracey Beaver, general counsel, for the record. We have no public comments. Thank you.

MR. GRAHAM: Okay. Excellent.

That will conclude agenda item 4, and with that we will roll right into agenda item 5, which is preliminary fiscal year 2022-2023 legislative appropriation request on baseline and exceptional items.

Ms. Flores. You're muted, Linda.

MS. FLORES: Sorry.

MR. GRAHAM: That's okay.

MS. FLORES: I started talking.
Before we really get into the appropriations request, I do want to provide a general overview for our new board members who have never had to participate in a state legislative appropriations request.

The agencies begin this process way in advance of this document that we're presenting today. For the Texas Department of Motor Vehicles, the executive staff participated in work sessions to develop future needs that would need to be addressed in a five-year strategic plan.

That is the first step in putting together an agency's appropriations request, is setting up a five-year strategic plan that identifies future needs, the direction that the agency wants to pursue, and it's communicated to the governor, the legislature, our stakeholder groups and our agency staff.

That strategic plan for the Texas Department of Motor Vehicles was submitted on June 1, as required, and it includes three major strategic goals: being performance driven, optimizing services and innovation, and being customer-centric. That strategic plan also laid out activities that would address those major goals.

Those goals and those themes are identified and interwoven into the appropriations request as well.

Your role as the Finance and Audit Committee is to provide direction or guidance to the agency on behalf
of the board when it comes to the agency's appropriations request. This is your opportunity to review the agency's preliminary appropriations request. There's still a lot of work to be done with this request -- and I'll go into that a little bit more -- but we will be coming back to you in August for the final approval so that you in turn can recommend approval to the board.

So at that point I'll ask if anybody has any questions about the process so far.

MR. GRAHAM: Any questions?

(No response.)

MS. FLORES: So, John, if you will advance the slide to the second slide, please. And this can also be found in your board book on page 11. Thank you, John.

So there is a sequence of events that goes along with this very prescriptive process, as you can imagine, since all state agencies are required to put together an appropriations request. There is a timeline that we follow.

The very first part, as I mentioned, was the strategic plan. Right on the heels of that strategic plan we did submit a baseline reconciliation for determining what our new appropriation amounts would be. That's what they call a baseline: what do you have today. And that computation is made up of three fiscal years, your actual
expenditures for FY 2019, what you estimate to spend in the current fiscal year FY20, and what you plan to do in FY21. There is a computation that we undergo.

And following on page 12 of your document, you will see what we estimate our baseline amounts to be. We believe, based on our spending, that we will have the same level of dollar values for the next biennium, which is approximately $310.8 million. That's what we're appropriated today, that's what we believe that we will hopefully receive from the Legislative Budget Board in mid-July.

We submitted our baseline reconciliation May 21, they have time to review it, they either approve it or they suggest adjustments, and they give us kind of like a not to exceed amount in mid July. And then in August, between July and August, the internal staff is filling out all of the required schedules that are required for an appropriations request.

If you'll advance to the next slide. John, if you'll advance.

So what does the baseline include? It includes enough dollars to provide for the current staffing levels of 802 FTEs. It continues several in-flight projects for automation, county technology growth and enhancements, cybersecurity, and the regional service center
maintenance.

And we did look at having sufficient funds to cover our baseline request as well as what we would consider an exception item request which are considered services above the base, above that $310.8 million appropriation.

Next slide. John, next slide. He might be having some technical difficulties as well.

MR. GRAHAM: That's okay. You can continue. I believe we all have these as well.

MS. FLORES: Exactly. Yes, sir.

So I will address it from your board document.

On page 13 of your board document we did provide estimated revenue collections by fund, and this is where we identified what we would be collecting not only for the agency from the DMV Fund, but also the General Revenue Fund and the State Highway Fund and then our own agency fund.

We anticipate bringing in $213 million for general revenue that we don't really receive general revenue, $3.33 billion for the State Highway Fund, and that comes from the registration fees primarily, and then as shown in this table in front of you, $332 million for Fund 10, and we've identified six of the major fees in that fund.
Moving forward, we did put together a pro forma for the agency's Fund 10 and whether or not we could support the exceptional items request. John, if you can advance the slide. If not, the same pro forma is found on page 14 of your board document.

We did take into account the impacts of COVID-19 on FY20. We are seeing some dips primarily in April, as you can imagine. The pandemic, the shelter in place took place in March. We didn't see an impact to revenues in March, but in April we did see a significant dip.

We know that the registration fees have been postponed, but when they actually get deposited to the state may not occur before the end of the fiscal year, so that is what is impacting Fund 6, and in the DMV Fund our process and handling fee is tied to that registration, so we're also anticipating not receiving almost $20 million in FY20.

But we do anticipate that the State of Texas economy will rebound in the next fiscal year, so our revenue assumptions include that rebounding. The FY22-23, as you can see on the screen, you'll see total revenues of approximately $177 million in '22 and $181 million in '23.

Taking into account all of our baseline requests, our obligations for credit card and employee benefits, and our exceptional items, you will see a bottom
line amount that is still very healthy, and that is the result of not being appropriated everything that we collect.

Next screen, John. And this is also found on page 15 of your board book.

So what does the baseline request look like?

This was our preliminary on page 15 of your board book -- John, if you can try to advance it, please.

For the preliminary presentation, we didn't really change our strategy from one biennium to the next, so this preliminary snapshot of the preliminary request by strategy doesn't have a lot of variances, so we pretty much copied from this biennium into the next one.

But I will tell you that before the August presentation, we will be making several modifications to this to address reorganizations that have occurred from one division to another division or we've taken on some new initiatives based on some just internal discussions about future needs, so this table in particular will look different.

The other thing that was brought to my attention is that for Automobile Theft Prevention should be renamed to the Motor Vehicle Crime Prevention Authority, and Bryan Wilson has indicated that for 22-23 instead of being $12.8 million it should reflect 20
percent of their revenue that is collected, and that's based in statute, so we will be making an adjustment to that.

But we will also need to run that by the Legislative Budget Board because that is a general revenue funded program. And I'll talk about general revenue and the impacts of COVID-19 in the next agenda item. But for now this is the from biennium to biennium review.

And at this point I'm going to turn it over to Sergio Rey, who is going to discuss the agency's capital project summary baseline, capital exceptional items and riders that we're including in our appropriations request.

MR. REY: Good afternoon. For the record, my name is Sergio Rey. I am the assistant chief financial officer for the department.

As before mentioned, the preliminary appropriations request includes our capital budget based request, and similar to the baseline, we're pretty much transferring that over from our current biennium to the next biennial request.

And on page 16 of your board book you will see the current biennial capital budget appropriation of $43.6 million, and for the 22-23, the same amount. The amounts focus on our continued looking forward of what the agency needs. For example, the focus on automation systems so
that we can continue to support our systems. Also,
looking at PC replacements. In this new environment,
PCs/laptops are essential, continue to be more essential,
and we are all seeing that with a decrease in replacement
of vehicles.

Continuing on, again from our preliminary
request, on our next slide and in your board books on page
18, we have our exceptional items. These exceptional
items are those items of desired services that are above
the baseline request, they're in addition to our operating
needs and our capital budget.

In this presentation I will summarize the six
items that we have included in our request; however, there
are some detailed descriptions and breakouts of
information of each of the exceptional items that begin on
page 21 of your board materials.

The first two exceptional items focus on system
needs: the complaint management system and the accounts
receivable system. The complaint management system is a
result of recommendations from the Sunset Commission
review with a focus on improving the decentralized process
for addressing and documenting complaints received by the
department into one process, one system, and one central
repository. The costs relate to professional and
contracted services to get this system deployed as well as
any software purchases related to the complaint management system.

The accounts receivable system is part of the initiative presented earlier by Ms. Flores. As mentioned earlier, there are 18 different applications throughout the department. The goal is to move from a decentralized function with multiple systems to a centralized process and a single system to track and report the accounts receivable.

The state's Centralized Accounting and Payroll Personnel System, or CAPPS, provides a module that could help us meet this goal, and the costs to deploy this module include contractors to build the interfaces between the existing agency applications and CAPPS, as well as accounting staff to help during the deployment, and a request for additional revenue accounting staff to manage the new centralized accounts receivable operations moving forward.

From a facilities infrastructure aspect, the department has three exceptional items: a new Building 5, and two new substations for the Dallas and Houston regional service centers.

This past February the TxDMV engaged the Texas Facilities Commission requesting the assessment and the condition of the buildings on the Camp Hubbard campus.
The Texas Facilities recommended that TxDMV build a new five-story building to replace Building 5, which was built in 1955. The cost for this new and larger building is estimated at $46.9 million, while the cost for repairing Buildings 1 and 5 is estimated at $44.5 million. A new building would provide a building that meets current codes and provides the latest infrastructure for our technology needs, as well as house staff from both buildings.

In this preliminary request the department is requesting funding for the initial planning services, the architectural, the engineering, environmental, the survey and the geotech engineering services.

In the next biennium, 24-25, the request will include the construction of the building and any associated costs, such as the demolition of existing, moving expenses, temporary office space, and furniture as needed.

The Dallas and the Houston regional service centers have outgrown their current facilities, and to properly serve the customers in these areas we're requesting funds for new substations in each of these locations.

For Dallas in our last legislative session, the department was asked to consider for this session adding the extra office in the southeast Dallas area. For
Houston the regional service center has experienced wait times in helping their customers, so the addition of a southeast substation would be a good fit to assist our customers in the Houston area.

Our last and sixth exceptional item that we have currently in our request is for the Motor Vehicle Crime Prevention Authority, or MVCPA. MVCPA is requesting three new positions to provide outreach and education to our insurance companies and to ensure compliance on the collection of the insurance fees.

The MVCPA Board approved this request, and the TxDMV is including the exceptional item on their behalf. The MVCPA request will be funded by general revenue. The first five items, which would be funded by the TxDMV Fund, can support the request from future estimated revenue and the fund balance as previously noted on pages 13 and 14.

I'll pause for any questions that you may have here.

MS. BEAVER: Member Graham, if I might? This is Tracey Beaver, general counsel, for the record. Member Graham, I just wanted to let everyone know that Chairman Treviño has joined the meeting as an attendee listening in to the conversation. He will not be voting on any committee agenda items, nor will any board action be taken today. Thank you.
MR. GRAHAM: Welcome, Chairman.

Do we have any questions?

Yes, sir, Member Prewitt.

MR. PREWITT: In terms of the staffing for your substations, you basically did the study based on your current volumes at your existing locations and sort of extrapolated that? I just know the volume in southeast Houston is extremely heavy on the truck side, and I didn't know if that was -- if four people is going to be enough.

MS. FLORES: Board Member, this is Linda Flores.

I know that the regional service center managers all did a very comprehensive review of their needs, and they did assist in developing this plan, so I believe they were looking at a ten-year space plan out in the regions, and so this was their four people.

They would also perhaps -- and I don't know if Jeremiah is still on the line -- look at realigning some of their current staff at the primary Houston location to deploy to the substation as well.

MR. PREWITT: That would make sense. Thank you.

MS. BEAVER: Tracey Beaver, general counsel, for the record. Sorry to interrupt.

I just wanted to note that Jeremiah Kuntz is
currently an attendee. If the web meeting host would like
to promote him to panelist, he would be able to provide
input on any question.

MS. GILLMAN: Chairman Graham.

MR. GRAHAM: Yes, ma'am.

MS. GILLMAN: I have a question. Of course at
the top of the page, the complaint management system, can
you tell me in a little bit more detail, because it's $5
million. To me, I don't understand. A complaint
management system sounds like organizing software. Why
was that $5 million? I'm sure I'm not understanding.

MR. GRAHAM: Well, so the major component of
that, Member Gillman, is going to be the accounts
receivables that we discussed earlier, if I am not
mistaken, but let me let --

MS. GILLMAN: I thought accounts receivable is
just below it.

MS. FLORES: Yes, ma'am. If I may? The
complaint management system is more about the enforcement
complaints and similar to accounts receivable, it is a
decentralized process, and during the Sunset report it was
noted that we have each division handles their own
complaints, and so again, you get to that very
decentralized function.

So the cost for that includes vendor costs,
contractual services, acquisition of IT resources to the tune of approximately $5 million, and then the balance of that is for the software cost of approximately $150,000. And that detail is located on page 22 of your board book.

MS. GILLMAN: So the software to compile, structure, organize the complaints is $155,000.

MS. FLORES: The services are the expensive part. Oh, and I'm sorry. It includes services at the data center, consolidation center. I'm sure they have to have some servers as well. But we can certainly get you some detail on the complaint management system, Board Member Gillman.

MS. GILLMAN: Where is the consolidated?

MS. FLORES: The state data center is located in Austin.

MS. GILLMAN: We're not talking about just the Enforcement department within your building. Is that right?

MS. FLORES: It's complaints across the agency.

MS. BREWSTER: Mr. Chairman, if I may? Whitney Brewster, executive director.

MR. GRAHAM: Yes, ma'am.

MS. BREWSTER: Thank you.

So the recommendation from Sunset, we have two different systems right now, we have the motor carrier
credentialing system as well as the eLICENSING system that house complaints from enforcement. We've got the motor carrier enforcement and the motor carrier credentialing system, and then we also have the regulated entity complaints in the eLICENSING system.

The recommendation by Sunset was to combine the complaint portion of the motor carrier credentialing system with those of the other licensees so that we had a single way to address complaints, both on the motor carrier side as well as the enforcement dealer side, so combining that so that we could have consistent reporting and data elements as well.

And so what is being considered here would be combining the complaint portion of the motor carrier credentialing system with the eLICENSING system so it's housed under a single umbrella potentially in the sales force platform.

And so the estimated cost that has been developed is what you see here for the services that Linda indicated earlier, as well as moving that function over into the eLICENSING system so we have a single way of tracking all complaints of our regulated entities in a single system.

MS. GILLMAN: I guess, number one, do you want to smush them all into one system? And I defer to you
guys but maybe decentralizing and having dealer complaints handled one way is definitely or might be very different than eLICENSING. Why would you want to smush them together?

MS. BREWSTER: We have the Enforcement Division working out of two different systems. I think for ease of working in a singular system I think that certainly would provide a benefit. In addition, it would be on a more current platform.

Additionally, this is, again, a Sunset requirement. The legislature did pass this, and so there was no funding associated with that, so that's why you see this as an exceptional item going back before the legislature for consideration, potentially, if the board agrees. But just to point out, it's a requirement that Sunset adopted and ultimately passed.

MS. GILLMAN: $5 million sounds like a lot. It sounds like a software program.

MR. BACARISSE: Mr. Chairman?

MR. GRAHAM: Yes.

MR. BACARISSE: This is Member Bacarisse. Member Gillman, you know, let me just speak from prior board experience and also having gone through two other Sunsets in my prior boards.

This is a legislative mandate, and sometimes
they tell you what size pants you're going to wear, and
they don't always tell you where to find the money.
That's why this is a rider, it's an exceptional item.

We have to go back to the legislature and say:
You told us to do this and now this is how much it's
going to cost to do it, and so members of the Legislature
Budget Committee, how would you like us to accomplish this
task that you've mandated we do? We don't often have a
lot of maneuvering room.

Is that a fair political inference, Whitney?

MS. BREWSTER: Sir, you're spot on. And this
is a recommendation. A lot of times there are
recommendations that are across-the-board recommendations
to all state agencies. In the regulated entities, we saw
a number of across-the-board recommendations around
enforcement, and I believe that this is one of them.

MS. GILLMAN: I guess maybe what I'm asking is
do you really want to do it. I mean, is it going to
improve the efficiency of your department?

MS. BREWSTER: Yes, I do believe that it will
improve the efficiency, the fact that we're on a more
modern platform, a single system to be used by the
enforcement staff, as well as having a single system that
the IT staff works on for maintenance and operations. I
certainly think that there are benefits to moving to a
single system, yes, ma'am.

MR. GRAHAM: And just to add to that, since it was not funded, at the end of the day they can inevitably answer the question by not funding it or funding it. So you know, we're obligated to provide this information to them as to what those costs would entail, and then they'll decide whether they want to fund it.

Great question for sure, because when you look at that, it is hard to know exactly what that entails, because it's generally broke out into professional fees and services, which I presume would be contracting services to get the deal put together and then other operating expenses.

Those are really good questions, Member Gillman. Hopefully that helps answer. Would you like more detail provided by staff regarding the numbers?

MS. GILLMAN: You said what page is it on? I forget.

MR. GRAHAM: You can look in your packet on page 22, I believe. Yeah, page 22 should give you a little more detail.

MS. BREWSTER: Mr. Chairman. Whitney Brewster, for the record.

We would be happy to provide you with some additional information so you understand how we developed
that overall cost.

MR. GRAHAM: Great.

MS. BREWSTER: Happy to do that.

MR. GRAHAM: If you would, send that to all the committee members and we'll have that.

Did you have any more questions on this, Member Gillman?

MS. GILLMAN: No, sir.

MR. GRAHAM: Okay. And this will still come in front of the full board at some point, so we have some more time to digest it and dig into it.

Do any of the other members have any questions?

(No response.)

MR. GRAHAM: Thank you, Ms. Flores and Mr. Rey.

We appreciate it.

MS. FLORES: Actually, one more thing. Sorry. Not quite done.

MR. REY: Mr. Chairman, Sergio Rey here.

Our last item as part of our preliminary budget -- and you're correct, we'll definitely have plenty of time to review any of these items in the process -- and the last item here is the riders. In this final slide, the preliminary LAR will also propose continuation of five riders that currently exist in our current appropriations.

A rider is a legislative director or an
appropriation that is inserted in the General Appropriations Act. A rider can either provide direction, expansion of authority, restrictions, legislative intent, or additional appropriations or staffing. A rider may be requested by an agency or may be drafted and inserted by the legislature themselves.

For the upcoming biennium, again before you you'll see a list of five items, and these are just updated versions of the existing riders that we have, the very first one being the special license plate fees which basically provides the authority for the expenditures associated with this program.

There's three that provide authority to transfer any unexpended funds remaining from the current biennium into the next biennium in 22-23, and a fifth rider, the unexpended balances within the biennium that allow the DMV to transfer money within the biennium, any balances left from the first year to the second year.

And this does conclude my presentation of the last portions of the LAR and the preliminary request.

MR. GRAHAM: Thank you.

Whitney, I believe historically we have been able to carry these forward, if I'm not mistaken, but it's based on the next biennium, but it can change at any time. Is that correct?
MS. BREWSTER: Yes, sir. Historically we've been successful in having these riders included in our bill pattern, but certainly in light of COVID-19 and other financial situations involving the oil and gas industry, certainly there's no guarantee that would continue with these riders, but we are hopeful to be able to continue forward with them.

MR. GRAHAM: Okay. Questions?

(No response.)

MS. FLORES: This is Linda. And just as Sergio indicated, this is the beginning of some more work that need to be done on our appropriations request, and you will have another look at this in August.

I will kind of also give you the next steps. As I mentioned, internal staff will be working on this, and we'll bring it back to the Finance and Audit Committee in August for your recommendation to the board so that the agency can submit the request.

In September, after the agency submits the request, the Legislative Budget Board has time to review it. A public hearing will be held in September, and this is done every session. Following that, a recommendation is provided to all state agencies right before the beginning of the legislative session, and so at that point we will see what the budget riders are recommending and
we'll have another opportunity to modify our appropriations request during the legislative session. So you know, this is a long process, and so anything can happen between now and next May.

And that concludes my presentation on the appropriations request.

MR. GRAHAM: Thank you.

Any other questions before I check and see if we have any public comment?

(No response.)

MR. GRAHAM: Tracey, do we have any public comment?

MS. BEAVER: Thank you. No comments from the public. Tracey Beaver, general counsel, for the record.

MR. GRAHAM: Thank you.

All right. With that we'll move to agenda item 6, Financial impacts of COVID-19. We'll now hear from Linda Flores and Brian Kline.

MS. FLORES: Thank you.

This material, I don't have a PowerPoint, it is found beginning in your board book on page 43. So as you know, the pandemic has impacted everyone in the state and the nation and the world.

So when the governor directed agencies and the general public to shelter in place, we knew that this was
going to be a major event and the agency began establishing reporting elements so that when we were asked to provide information to our oversight agencies, including the Legislative Budget Board, the Governor's Office, the Comptroller, we were in a good place because we had established some project numbers for anything having to do with the pandemic.

So the governor directed the shelter in place around the 16th of March, I believe. On March 19th state agencies were directed by the Legislative Budget Board to start reporting. So our first monthly report was due April 5, and we are continuing to report on a monthly basis every expenditure, every revenue loss forecasted. So this has had major impacts to all the State of Texas.

And I'm going to take something a little out of order. There were three items that we report -- two items that we report on a monthly basis. One is the revenue forecast where we're estimating losses as well as deferred revenue, expenditures for the agency's response to the COVID pandemic, and then the final thing is the oversight agencies have requested that state agencies who are funded by general revenue and general revenue dedicated funds prepare a 5 percent reduction plan for this biennium.

So the one program that is funded in the agency by general revenue is the Motor Vehicle Crime Prevention
Authority. Their appropriation is roughly $25.7 million for the biennium, so their 5 percent plan is $1,283,585, or $641,792 a year. We did reach out to the Legislative Budget Board, they've given us some guidance. They said you can either do it by year or you can do it all next year.

So we have communicated that to the director, Bryan Wilson, and he has communicated that to his board, as well as his stakeholders. That 5 percent reduction plan is due June 15, and even as late as yesterday evening we received further guidance on the format that we're supposed to submit this 5 percent plan to the Legislative Budget Board. I know Bryan and his board and his grantees are working together to identify where they can make reductions, and so they're still working on that.

For the agency's expenditures -- and this can be found on page 44 -- through the month of April we had spent approximately $800,000. We spent it on personal protective equipment for our agency staff as well as customers, cleaning supplies, de-fogging services, and the installation of plexiglass partitions for areas that have a lot of public interaction.

We estimate that we're going to continue those cleaning services and de-fogging services through the rest of the fiscal year, and so our estimated cost is
approximately $1.6 million, and we've been able to accomplish that in our budget. By moving some dollars around for HQ maintenance and repairs, we've been able to absorb the costs.

So we did provide a detailed table on those expenditures in your board material, but I did want to mention that we do anticipate absorbing that and not having to request any type of reimbursement from FEMA or anyone else, any federal agency.

As far as losses, they are substantial. As I mentioned, in March we didn't see the impact of the revenue loss. We did see a substantial dip in April. We're estimating for the fiscal year a loss of $16.6 million to general revenue, $94.9 million to the State Highway Fund, and $22.3 million to the DMV Fund.

And at this point I'd like to turn it over to Brian Kline -- he is the team lead for the revenue forecasters -- to provide more detailed overview on the methodologies to develop that forecast.

MR. KLINE: Thank you so much, ma'am.

Honorable board members, my name is Brian Kline. I work in the Administrative Services Division, and I'm going to speak with you about some of the detail behind the revenue figures that Ms. Flores just mentioned to you.
As she said earlier, we have been tasked by the Legislative Budget Board, as well as our internal managers and the board as a whole, to provide monthly updates regarding the loss in revenues due to the virus situation, and we do that by revenue category and by fund, and they're the same revenue categories and funds that you all are used to seeing in the board meetings.

And this is the drops in revenue within fiscal year 2020 only, which ends August 31 of this year. And we have provided monthly updates to the Legislative Budget Board and the Governor's Office starting back in early April, and we have been updating it as we go along. The last one we provided was last week, and the next one will be the first week in July.

And what we do as we go along is we take the latest month of data that we have actual for and we plug that in where we had an estimate the prior month, and then we look at whether we need to revisit any of our assumptions as the fiscal year goes forward.

If I may -- and obviously, stop me any time if you have any questions -- take about five or ten minutes to show you the ending number in terms of the loss, talk about some of the waivers and postponements of revenues, a little bit about our methodology, some of the major fee categories as well.
And I don't think it's on the screen as a slide but if you'll look, please, at page 45 in the Finance and Audit Committee e-book, that's the file page that I'd like to focus on, page 45, and you should see four tables: one for General Revenue Fund 1, State Highway Fund 6, TxDMV Fund 10, and the three of those roll up to the table block you see on the top.

And you'll see an original forecast column for FY20 revenue, a COVID-19 forecast for FY20 revenue -- in other words, that's our new estimates for the year -- and then the final column in red is the variance from the original forecast to the COVID-19 forecast.

The end result, as Ms. Flores said, was a drop in all of our revenue collections of $133.8 million. I say drop; I mean that's less than projections. That's all the revenue categories in all three funds.

Why do we see that kind of a drop? A couple of things in play: First of all, Governor Abbott, around March 16 issued some proclamations that outright waived some of our fees through a particular period from that date or postponed some of the fees.

The waivers are three or four key fees. One, the delinquent title transfer penalty is waived. People cannot go into the county offices or in many county offices if they transfer a title late, so that fee is
waived. Thirty-day temporary permits are also waived, and
for motor carriers that are using vehicles strictly for
virus-relief efforts, if there's a 72-hour temporary
permit or a 144-hour temporary permit, those are also
waived. That means we're not going to get that money
back.

Now, the postponements is the registration
revenue and because a lot of people do go in person and
register their vehicles, with county offices being closed,
there may be people not being comfortable going out if you
have an expired registration sticker, but you can pay for
it later and not have any kind of penalty.

So what are the dates involved? The start date
of the waivers or the postponement was March 16. They end
60 days after TxDMV announces to the public that "normal
operations have resumed." So in other words, if on July 1
we make that announcement to the public, these waivers or
postponements go on another 60 days. I imagine that we're
not just talking literally about the TxDMV headquarters
buildings, we're talking about all of our county partners
as well. So that's the end date, so what that meant is we
had to assume some dates as we go along as when then
normal start of operations would be.

The numbers you see before you actually
assumed -- because we put these numbers together a few
weeks ago, actually assumed that normal operations would resume on June 1st, and so therefore, the 60-day period meant they would end July 31. That hasn't happened yet, and I can talk about that more in a moment, but we're going to have to update this type of document that you see assuming a date of starting normal operations that will be later than June 1, matter of fact, later than today as well.

So we took into account the fees that were affected by the waivers and the postponements but really most of the revenue drops that you see within that $133 million are not just because of the fees that are waived but because of the general economic downturn.

So by far, most of our fees were not named in any of these postponements or waivers by the governor but the economic downturn related to the whole situation we're in is going to result in revenue losses.

So for example, business dealer licenses or your motor vehicle dealer licenses, your GDNs, your franchised dealer licenses, your converter licenses, well, none of those fees were waived or postponed in any way, but perhaps because some dealers may have gone out of business or they're waiting to renew their license a little bit later to see what the economic situation is, we're seeing drops in that category and that goes along in
other the other categories. So most of the revenue loss is actually because of the economic downturn and not because of the fee waiver proclamations.

Any questions so far before I go in and talk about maybe two or three of the major fee categories?

(No response.)

MR. KLINE: Okay. I just want to highlight a few of the larger categories. First of all, motor vehicle certificates of title, you see about $14.8 million less revenue that we expect to collect than we originally projected at the beginning of the year.

About 40 percent of that drop is due to the outright waiver of the delinquent title transfer penalty. The other 60 percent of that $14.8 million is simply because of a decline in economic activity. So for example, people are buying fewer cars, they're also purchasing fewer original titles from the agency.

Registration you see a $79 million drop. About 15 to 20 percent of that is because of the waivers of the temporary permits, so we're just not going to see that money come back. But the other 85 percent is simply due to a lowered economic activity in the fees that are in that category.

Motor carrier permits, actually you see a $33.8 million drop there. I mentioned earlier the motor
carriers who are doing virus-relief activities, if they need a 72-hour or a 144-hour permit normally, they will not need if they are doing virus-relief efforts. However, those two permit revenues actually go into the registration category, so the $33.8 million you see in motor carrier oversize/overweight permits is pretty much strictly due to the drop in economic activity.

And we actually started to see that a couple of months ago before the virus activities came into play because of the drop in the oil prices, so some of that is just lower oil prices, also lower general construction activities. So what you see in motor carrier there is not because of any waivers or postponements.

I'll skip motor carrier credentialing. It's a very small loss.

Business dealer licenses, the $1.8 million decline is, again, not because of any waivers or postponements or proclamations from the governor; that's just a drop in dealer licensing activity.

Miscellaneous revenue includes a number of different revenue streams. One thing that's in there is interest on the TxDMV Fund, and we're seeing a lower interest rate on the fund due to the economic situation, so we're just taking in less interest on that fund even if the fund balance is growing because we have a lower
interest rate.

And then finally, board members, the processing and handling fee, you see about a $2.26 million drop. Roughly 60 percent of that is because of the waivers of the 30-day, 72-hour and 144-hour temporary permits, because when those permits are purchased there's a processing and handling fee that's levied on those transactions, so with those temporary permit transactions not taking place, there's no processing and handling fee being captured as well.

And the rest of the drop in the processing and handling fee is because either just a drop in economic activity or we are seeing -- because people can't go into county offices, we are seeing a bit of a shift, it's not large but we are seeing a bit of a shift toward people renewing their vehicle registrations online because they can't get into a county office or they can't go to a deputy.

Well, the TxDMV Fund takes in less revenue from the P&H fee when it's done online and the P&H fee as a whole is a dollar cheaper if it's done online, and so as more people take advantage of online registration renewal, the TxDMV Fund will see less than it otherwise would.

That's where we are. We are going to continue to update month by month as we go along, and we will have
to assume a new date of normal operations as well and look at our assumptions and see, like maybe we thought vehicle sales would drop 30 percent and so we figured that in but, hey, they're dropping 20 percent and not 30 percent, so we're also incorporating all of that.

I know that was a lot of information. Some of these drops will continue into FY21, but the FY21 revenue figures that you saw in the legislative appropriations request documents earlier already took into account that FY21 is going to start off a little bit sluggish.

Thank you so much. Any questions?

(No response.)

MR. GRAHAM: Thank you, Brian.

MR. KLINE: Thank you, sir. Thank you, board members.

MR. GRAHAM: Do you have any closing comments before we check for any further questions?

MS. FLORES: No.

MR. GRAHAM: Okay. All right. Well, if there are no further questions, I'll check with Tracey to see if we have any public comment.

MS. BEAVER: Thank you. Tracey Beaver, general counsel, for the record. No comments.

MR. GRAHAM: Okay. Well, we'll move to the last briefing item regarding the fiscal year 2021 Internal
Audit risk assessment. So I will call on Ms. Menjivar-Suddeath to address us on that issue.

MS. MENJIVAR-SUDDEATH: Good afternoon, Finance and Audit Committee. For the record, Sandra Menjivar-Suddeath, Internal Audit director. And like the chair said, I'm presenting the 2021 Internal Audit risk assessment. It is on page 63 of your committee book. I don't have any slides to go with it.

To give you some background information, during the latter part of the fiscal year, the Internal Audit Division begins the process of evaluating all the risks that we've collected through the year and identifying any new risks that may have not existed or were not identified in previous risk assessments.

The risks we collect come from various sources, including discussions with staff, other internal audit directors, reviewing of reputable publications, as well as current events. Now, the risks that we collect and evaluate eventually make up the two six-month audit plans, which the first six-month audit plan will be coming for approval to the board in August.

Now, for each risk that we've identified -- and so far we've identified 260 -- each one is reviewed through multiple factors to identify the impact and likelihood of that risk occurring.
We look at the financial impact of it; you know, is this going to cause to increase our revenue or be a significant expense, is there an asset or a liability issue with it. We look at the operational effectiveness and efficiency, how does this impact our current offices. We look if there's a legal and regulatory impact as well as a brand and reputational impact.

From the likelihood perspective, we look at the change of the risk, how has this risk changed in the past six months to a year. We also look at the complexity of the risk, is the risk very simple, something manageable, or is it a very big risk that we think will take more effort to address. And then finally, we look at the centralization of it. Is this risk contained within one function or is it multiple functions that's impacted by this risk.

We also look at the controls around it. If we've already identified some controls or if the divisions themselves have identified controls, we look at the design of those controls to identify if there's any mitigation on it.

We use all these factors to really identify if the risk is very high, high, medium, low, or very low. And those risk scores are on page 59 of the board book information. And just to let you know, the risk scores
were developed based off of proved risk guidance that was reviewed by the department.

So in previous years we usually used the June board meeting to just talk about the high risks that we've identified. This year we're taking a little bit of a different approach. Instead of presenting those high risks, we really wanted to discuss the theme that will shape the six-month audit plan in the next upcoming year.

These themes, which are on page 59, include transformation. The transformation are areas where new solutions are going to be needed to address post-COVID environment. So these are things where our processes may have been significantly disrupted because of COVID and will continue to be disrupted going forward.

Then we have information technology. These are new technology, data collection methodologies, automation, as well as cybersecurity functions.

And then we have human resources. Human resources are areas that impact the organization's ability to maintain a competitive advantage in hiring and retaining staff, as well as looking at the morale of the staff and the coaching of staff to make sure that they're ready for the next level, whatever that is.

Finally, we have the procurement and supply chain management. So these are areas in our procurement
and supply chain that are critical to ensure that our
costs are being contained and that the services either
that we obtain or manufacture are being provided on time
and as needed.

So in the six-month audit plan that we'll
present in August you'll see these things tied
specifically to the engagements in the high-risk areas
that we'll be auditing.

What you'll also see is the specific estimated
hours for each engagement, which in this risk assessment
we've already identified the available hours for the
upcoming fiscal year. So currently we anticipate having
about 2,000 hours for audit and advisory engagements, as
well as 775 hours for added value services, so these are
including like our fraud program as well as ad hoc
advisories, in addition to work group participation in the
agency.

And finally, we have about 325 for required
items. This number is a little bit higher than you're
usually seeing. The reason for that is next year we'll
enter our peer review year so we'll have someone come in
from the external, usually another state agency, come in
and review us to see if we're meeting audit standards, and
that requires a little bit more preparation on our side.

So that's where we are in the Internal Audit
risk assessment. Are there any questions for me?

MR. GRAHAM: Member Gillman is muted. There you go.

MS. GILLMAN: So, Sandra, you said that you -- I mean I can't leave you hanging me out there like that. You said that there's 260 risks identified in the last year and that you normally reveal the high-risk ones in the June board meeting.

MS. MENJIVAR-SUDDEATH: Yes.

MS. GILLMAN: I'm on the edge of my seat.

MS. MENJIVAR-SUDDEATH: It's very riveting stuff, I can tell you that.

MS. GILLMAN: So of the 260, how many fall into the high-risk category?

MS. MENJIVAR-SUDDEATH: I don't have those numbers in front of me but we can provide it to you. We've gone through an initial scoring, but I can definitely look at those numbers in our database and provide you which ones are the very high and the high.

MS. GILLMAN: Well, you're just going to leave me on the edge of my seat then.

MS. MENJIVAR-SUDDEATH: Yes, I am. I apologize. I will look at those numbers this evening and get them back to you this afternoon.

MS. GILLMAN: Are you going to -- I guess what
I'm asking is after the reveal is there a here's how we're going to attack it?

MS. MENJIVAR-SUDDEATH: Absolutely. So my plan is by mid-July to send Finance and Audit Committee the preliminary six-month plan, and so that will have what will be audits and what will be advisory services and which ones we'll conduct, and so that will have a little bit more detail on the high-risk numbers and which ones we've determined this is where we're going.

MS. GILLMAN: Okay. Thanks.

MR. PREWITT: Chairman Graham, can I ask a question? Hello. Can y'all hear me?

MS. GILLMAN: Yes, we do.

MS. MENJIVAR-SUDDEATH: Yes.

MR. PREWITT: The question is you mentioned you had 2,000 hours budgeted for audit and then another 775 hours. That sounds like about two FTEs as far as full-time equivalents for your audit staff. I guess right now you're running with a staff of three or four people, Sandra. Is that right?

MS. MENJIVAR-SUDDEATH: That's correct.

MR. PREWITT: And so I guess the question I'm thinking is would it make sense if you expanded your staff to both cover some of these risk areas, I guess, more adequately for the organization as well as sort of fulfill
the goal of trying to increase the audit maturity of all these different divisions within TxDMV. What are your thoughts on that, or is that appropriate to talk about at this time?

MS. MENJIVAR-SUDDEATH: No. It's completely appropriate to talk about it. We've had internal discussions on how we could basically we could reorganize our area and get potentially additional help to be able to do more audit coverage and then have the ability to do those value-added services on specific fraud, waste, and abuse as like a separate item.

MR. PREWITT: It just seems like they're running hard to stay even, is what I would just say, just from appearances. But you're doing great.

MS. GILLMAN: I'm sorry, John, what did you say, she's running hard to?

MR. PREWITT: Stay even.

MS. GILLMAN: Stay even.

MR. PREWITT: Because there's just so much to do and the staff is limited and just the mass of stuff they have to do is quite a bit.

MS. MENJIVAR-SUDDEATH: I appreciate that. We're definitely trying to find innovative ways, but I think we've gone so far where we've stretched our staff to the point where they can't stretch anymore.
MR. PREWITT: Right, right. Understand. Thank you.

MS. MENJIVAR-SUDDEATH: Chair, if it's okay, I can move on to item 8, which is the last item. Okay, great.

So item 8 is also a briefing item, it's an Internal Audit Division status. That's on page 61 of your materials. So the division status only includes three items. One is the status of the internal audit plan, the other one is external coordination, and then internal audit activities.

For the internal audit divisions status, or where we are in our plan, we're currently working on four engagements. One is the risk assessment that we just discussed. The other one is the law enforcement information request advisory service, and we're in field work on that, that means we're doing testing. We're pretty much wrapped up with testing. We'll be entering our reporting stage shortly in a couple of weeks. We do anticipate completing that engagement on time and having that ready for the Finance and Audit Committee before August.

The next engagement is the payment card industry compliance requirement II audit. So this audit is really looking at our default settings on our servers,
you know, are we actually giving people passwords. We do anticipate completing this engagement prior to the end of the fiscal year. We just kicked it off in mid-May, so we are in planning, but we'll transitioning to field work in the next couple of weeks as well.

And then we still continue to work on the fiscal year 2020 internal audit followup, which implementations have been implemented. We do plan on releasing the third quarter and fourth quarter status in September as the fourth quarter ends on August 31st.

For external coordination, the Texas Comptroller of Public Accounts let us know this past week that they're going to come in to do an engagement regarding overpayment. It's specifically looking if we've overpaid any of our vendors.

And we're not the only agency getting this audit at this moment, several other agencies are getting the same audit. The audit is supposed to take about six months, and the engagement letter is on page 63 of your materials.

And then the final item, which is very dear to my heart, is the Internal Audit Division celebration of Internal Audit Month, which as most of you may know, May is Internal Audit Month, and it is my second favorite month of the year. And typically we do an open house
where we have food and coffee and have people come talk to us and just get to learn about us.

This year obviously we weren't able to do that, but my staff is very creative, and they suggested doing videos of themselves to talk about our role as well as who they are, and we created a bingo card to go with the videos so staff would be more enticed to watch it.

So I first of all have to recognize my staff because they're very introverted, so for them to put that out there was pretty amazing and they were really funny. But they took the initiative, put the videos out there, and then we had a lot of staff comment and tell us they had a lot of fun, but we had about seven staff actually submit a completed bingo card, and I'm going to just name them through when they submitted it. So first was Yvonne Murray from the Finance and Administrative Services Division; the second one was Sergio Rey from the Finance and Administrative Services Division; then Sara Alexander from the Consumer Relations Division; then Lisa Martinez from the Enforcement Division; and then we had Connie Green from the Finance and Administrative Services Division, and Grady Meyer from the Motor Carrier Division and Tammy Gunnels from the Motor Carrier Division.

So they actually participated, submitted a card, and we had a lot of fun doing it, so we may rise to
the challenge again and do it again next year.

And that concludes my division status.

MR. PREWITT: Great idea on the bingo. That's awesome.

MS. MENJIVAR-SUDEATH: Thank you.

MS. BEAVER: Chairman Graham, it looks like you might be muted.

MR. GRAHAM: I don't know how it happens but it happens. Right?

I was just saying that in the private sector when someone says something about audit there's not really a lot of positive feelings that come with that, but it's awesome to see y'all get so excited about that.

And didn't Carrie -- didn't our board liaison, Carrie Fortner, participate in that as well?

MS. MENJIVAR-SUDEATH: So there were a lot of division directors that said they watched the videos and actually showed us parts of what they watched, but they didn't submit the bingo card, so I didn't feel it was right to give them credit for it.

(General laughter.)

MR. GRAHAM: Carrie. I just knew she was going to nail it. I'm sure she did, she just didn't want to take the limelight.

Well, that's fun, that's super cool.
So with that, does anybody have any questions regarding any of the audit items?

MS. MENJIVAR-SUDDDEATH: Chairman, if I may? My staff just sent me a message, so for Board Member Gillman, we have about 93 risks that are high or very high in our risk assessment right now. Now, 46 of those are what we call borderline, between medium and high, they're like a 3.51, but the rest of them are high. But we'll give you the breakdown between very high and high in an email.

MS. GILLMAN: Thank you.

MR. GRAHAM: Great. All right. Well, thank you.

I guess I should check to see if we have any public comment.

MS. BEAVER: Tracey Beaver, general counsel, for the record. No comments. Thank you.

MR. GRAHAM: Outstanding.

Well, so I show that on the expectation of timeline that we were to move to agenda item 9 at 3:40. We are two minutes ahead of schedule -- that's always good -- and we have no executive session items to cover today. So I will skip to agenda item 11, if I can find it. Here we go. Well, we're moving on to 12, I think, aren't we? Y'all help me out. I'm looking through my notes.
MS. BEAVER: Yes, Member Graham. Tracey Beaver, general counsel, for the record.

There's also no public comments for the general comment period either so we can move on to item 12.

MR. GRAHAM: Item 12. Okay, it's a wrap. I'll entertain any requests for further business before I accept a motion to adjourn. Any additional business?

(No response.)

MR. GRAHAM: So thank you, Member Prewitt. The sunlight from my window is hitting my face and making me look like a super hero. Okay. It was definitely hurting. It was like bam, all of a sudden the sun just got in the right spot. So it's a great time to entertain a motion to adjourn.

MR. BACARISSE: Mr. Chairman, I'd move we adjourn this meeting of the Finance and Audit Committee.

MR. GRAHAM: Thank you, Member Bacarisse.

MS. GILLMAN: I'll second.

MR. GRAHAM: All right. We have a motion and a second. Thank you very much. All in favor?

(A chorus of ayes.)

MR. GRAHAM: Let the vote is unanimous.

With that, at 3:40, right on time, we are adjourned.

Everybody have a great rest of the day, and we
look forward to seeing you tomorrow.

(Whereupon, at 3:40 p.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: TxDMV Finance & Audit Committee

LOCATION: via Webex

DATE: June 10, 2020

I do hereby certify that the foregoing pages, numbers 1 through 62, 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: June 15, 2020

/s/ Nancy H. King
(Transcriber)

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