INDEX

AGENDA ITEM PAGE
1. Roll Call and Establishment of Quorum 4
2. Comments and Announcements from Committee Chair, Committee Members, and Executive Director 5

BRIEFSNGS AND ACTION ITEMS
3. Consideration and Possible Recommendation for Action to the Full Board:
   A. Request TxDMV Board to recommend Unexpended Balance Authority for ABTPA 5
   B. Delegation of Signature Authority to the Executive Director for Execution of New Contract for Standard Presumptive Value Calculator 11

4. Briefing Items:
   A. 2017 End of the Year Reports 15
      • Annual Financial Report 16
      • Annual Report of Nonfinancial Data 22
   B. FY 2018 Quarterly Financial Report 23
   C. FY 2018 Operating Budget Contracts 38
   D. Facilities Update 43
   E. Peer Review Process 46
   F. Internal Audit Update 52
      • Open Records Audit 58
      • TxDMV Fund Audit 56
      • Advisory Service on Law Enforcement Training Oversight by Tx. Commission on Law Enforcement (TCOLE) 53

EXECUTIVE SESSION none
5. The Board may enter into closed session under one or more of the following provisions of the

ON THE RECORD REPORTING
(512) 450-0342
Texas Open Meetings Act, Government Code, Chapter 551:
- Section 551.071
- Section 551.074
- Section 551.089

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Action Items from Executive Session</td>
</tr>
<tr>
<td>7.</td>
<td>Public Comment</td>
</tr>
<tr>
<td>8.</td>
<td>Adjournment</td>
</tr>
</tbody>
</table>
PROCEEDINGS

MS. CARAWAY: I'll call this meeting to order.

Good afternoon. 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 is 3:00 p.m., and I am now calling the committee meeting for February 7, 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 January 30, 2018.

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

And now I'd like to have roll call of the committee members.

Member Graham?

MR. GRAHAM: Here.

MS. CARAWAY: Member Hardy?

MS. HARDY: Here.

MS. CARAWAY: Member Walker?

MR. WALKER: Present.

And I'm Luanne Caraway, chair of the committee. Let the record reflect that we have a committee quorum.
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, nor will any Board action be taken. And I see that Chairman Palacios is here for information gathering and discussion.

So we will begin with item 2. Any comments or announcements from any member or the executive director?

MS. BREWSTER: No, ma'am.

MS. CARAWAY: So we will go on to agenda item 3.A, and I'll turn it over to Bryan Wilson and Ms. Flores

MR. WILSON: Hi. My name is Bryan Wilson, I'm the director of the Automobile Burglary and Theft Prevention Authority, also referred to commonly in this discussion as ABTPA. I'll see if I can keep that alphabet soup straight.

So this action item is recommended by an official action for the Automobile Burglary and Theft Prevention Board requesting for the Texas Department of Motor Vehicles to request the Legislative Budget Board the authority to have an unexpended balance authority between biennium. This means that any balances that wouldn't be spent in 2018 would be available for the ABTPA Board to allocate and award in 2019 if this authority were granted.

Now, this is being presented to this committee and then
hopefully an action for the Board meeting tomorrow, so we hope to get a vote or an answer or response to the ABTPA Board.

Now, ABTPA, while it is its own entity with a governor appointed board, its authority or appropriation is a line within the DMV Board, and so that's why it's coming to you instead of just the ABTPA Board directly requesting that authority.

So the ABTPA Board provides grants and then we also have some administrative expenses, and so each year those grants are awarded prior to the start of a fiscal year but they're a reimbursement grant so that means that even though, say, Harris County gets $1.2 million, they can only get reimbursed for what they actually spend. And because some of these are large amounts, if somebody retires, it takes 60, 90, 120 days to replace a highly skilled trained investigator so there's almost always lapse in funding within the grant. So it's not like the money goes out to the county, it's always been here at TxDMV, and it only gets spent as they actually pull it down.

So with that, there's usually a small percentage of money that we don't spend internally that is required for administration. We budget, you know, $6,000 for transcription fees for ABTPA Board meetings but we
only spend $2-, or whatever, so there's accumulations there. We've had lapsed salary in the past here as well. So that's where the money comes from, this unexpended balance, and under the statute that's covered in the letter to Chairman Palacios from the ABTPA Board, it cites the specific statutory authority in the Appropriations Act that an agency may request this authority. It's not automatically granted but the Legislative Budget Board does have the authority to grant that.

I think that covers all the elements. If you have any questions, I'll be glad to answer any questions.

MR. WALKER: Linda is looking at me, she knows I have a question.

So of the $500,000 of unexpended balances, do we have an itemization of where that wasn't spent, who didn't send it?

MR. WILSON: I do, yes.

MR. WALKER: You have a list of that? And so have we ever asked? And I heard your explanation that it's reimbursed but is all of that money salaries?

MR. WILSON: No. Sometimes it's delayed purchases. Somebody asks for permission to buy a license plate reader or some expensive piece of equipment. It's mostly salaries.
MR. WALKER: So let's exclude the salaries now because you're going someplace that interests me. So if I'm going to buy a license plate reader and I come to the agency and I want a grant to do that with, and we say, okay, here's your $5,000 to buy a license plate reader. If they don't go purchase that license plate reader for some reason, so they lose the $5,000, it comes back to us, it goes to an unexpended balance. Do they come back and request that again, or do we say, hey, we gave it to you once and you didn't do anything about it? Or how does that work?

MR. WILSON: I mean, what we fund actually is task forces, regional and individual police department task forces, which I just want to be clear, 85 percent of the money we award is salaries and fringe, so only 15 percent is something other than salaries and fringe. Every once in a while a small amount may be awarded but because these are operational programs, it's not like I give a grant for an LPR of $5,000, I give a grant to the Houston Police Department to do all kinds of technical and operational combating auto theft, which may include LPRs, which may include computer systems, which may include surveillance equipment, pole cams. A lot of times on the bridges we fund cameras since the feds won't often share the equipment, in other words, the photographs of cars
going across the border, we have to set up our own in many jurisdictions. So that's just examples.

So if they didn't buy it this year and they have lapsed funding, they might be able to request that purchase in the next year but it's not because it's not because it's a grant for $5,000, it's just because it was it was an ongoing operation.

MR. WALKER: So in my nine years of doing this, Bryan -- and I'm in your corner -- these unexpended balances, very seldom do we get that money back. I mean, generally they send that into the general fund, is that not true? I mean, I'm for going out after it, let's try to get it back, but how many times have we succeeded in getting it back? Linda?

MS. FLORES: None.

MR. WALKER: I just want to make sure I remembered it right. So my point is what we really need to do, and it really ought to be your job, is you need to tell these police agencies it's their money and if they're losing it because they're not using it, they need to figure out how to take and make sure that the grant money that we're giving them that they're using it for the appropriate purposes and make sure they get their programs funded, make sure they buy the system if we said here's the money to buy it with, use it or lose it. When it goes
to the big government in their bucket over there --

MS. HARDY: It's hard to get it back.

MR. WALKER: -- you're not going to get it back because they've got somebody else that wants it.

MR. WILSON: We fully understand that, sir.

MR. WALKER: Okay. That's all. I'm sorry I've wasted so much of your time.

MS. CARAWAY: Are there any other questions?

(No response.)

MS. CARAWAY: I'll call for a motion.

MR. GRAHAM: I move that the committee recommend that the full board approve a written request to the Legislative Budget Board, on behalf of the Automobile Burglary and Theft Prevention Authority for unexpended balance authority to transfer any unexpended and unobligated balances remaining as of August 31, 2018 for the same purposes for the fiscal year beginning September 1, 2018, for up to $500,000 within the biennium budget for appropriations related to ABTPA.

MS. CARAWAY: Do I have a second?

MS. HARDY: Second.

MS. CARAWAY: A second by Member Hardy.

Any other discussion?

MR. WALKER: But that has to go to the full Board. The recommendation is to send it to the full Board.
for a recommendation.

       MR. GRAHAM: Correct.

       MS. CARAWAY: All those in favor raise your
right hand.

          (A show of hands.)

       MS. CARAWAY: Any opposed?

          (No response.)

       MS. CARAWAY: The motion carries. Thank you.

And now we'll go to item 3.B, and Jonathan

O'Quinn.

       MR. O'QUINN: For the record, Jonathan O'Quinn.
I'm the interim CIO.

And today we'll be asking the Board to approve
the delegation of authority to the executive director to
execute the new contract for the standard presumptive
value web service. This service provides connectivity to
both the Registration and Title System, RTS, as well as
the public through our website.

The standard presumptive value provides
connectivity both to our Registration and Title System for
the sale of used vehicles between private parties, as well
as through the website, so they can check the standard
presumptive value and charge the 6.25 percent sales tax
that's required under Texas law.

Should I go into some additional background, or
are there any questions at this time?

MS. CARAWAY: Does anybody have any questions?

MR. GRAHAM: I do. How often do we update this?

MR. O'QUINN: Sir, this is updated weekly, and I've actually reached out to our vendor to confirm this. It's actually in our contract that it gets updated between 12:01 a.m. on Sunday and no later than 7:00 Monday morning of every calendar week. I've confirmed with the vendor and they have confirmed that it's updated once a week. I asked the very specific question: Is it updated between these contractually mandated times or at another time? Now, they did mention -- we actually consume two products, one is the online web service, we have a backup which gets pushed out to all county machines in case the web service is down, there's a little icon on county machines, that's the local backup, that's updated monthly. So there is a possibility that if for some reason a clerk was checking the local version versus the online version through RTS or the website, that there could be a potential difference.

MR. GRAHAM: And then this contract period annually?

MR. O'QUINN: It was annually -- I'm sorry.

MR. DUNCAN: That's okay. I was wondering whether that was the question.
MR. GRAHAM: But that was coming, I appreciate the information. And then wondering if this is an annual contract.

MR. DUNCAN: It was an annual contract previously. David Duncan, general counsel. In the prior version of the contract, which is running out of renewals, it was a contract renewed annually, and this time we've decided to up it to biennial, so it's only going to be renewed every two years, and that is actually what pushed the value up to threshold for Board review.

MR. GRAHAM: Okay. Thank you.

MR. WALKER: So what we're asking for today is for delegation authority to allow the executive director, with the approval of the chairman, to enter into contract negotiations for the presumptive value contract going forward for the next two years, so to speak.

MR. O'QUINN: Exactly, with two two-year renewals after that.

MR. WALKER: I'll make the recommendation.

MS. CARAWAY: A motion by Mr. Walker to approve. Is there a second?

MS. HARDY: Second.

MS. CARAWAY: Second by Member Hardy.

I would just request that it be put out to the county tax offices when that update happens, because I
know we've had the problem with it appearing that it happens more often than that. A customer gets information from us about what SPV is and then they come in and it's different than what we told them. Could be it was on Friday and they came in on Monday that caused that.

MR. O'QUINN: That would make a tremendous amount of sense when they update between Sunday and Monday.

MS. CARAWAY: Right, right. And that may be what the situation has been in the past, but it would just be nice for the tax offices to know exactly when it's updated so when they get that information they can tell them if you're not in this week, you know, it's going to possibly change.

MR. O'QUINN: Absolutely. We come up with a message with that and send that out through delivery.

MS. CARAWAY: That would be great. Thank you. Is there any other discussion?

(No response.)

MS. CARAWAY: All those in favor say aye.

(A chorus of ayes.)

MS. CARAWAY: Any opposed?

(No response.)

MS. CARAWAY: The motion carries.

Thank you, Jonathan.

MS. FLORES: Yes, ma'am.

For the record, Linda Flores, chief financial officer for the Texas Department of Motor Vehicles. With me today is Renita Bankhead, assistant CFO, Sergio Rey, director of accounting, Ann Pierce, the assistant director for Finance and Administrative Services.

This is a lot of information, I know, for you all and we are going to kick it off with Sergio Rey. He is going to discuss the financial activities for the agency's 2017 fiscal year. We are required by Government Code to submit our financial statements by November 20. We did so in accordance with those requirements. We adhere to the comptroller's rules and guidelines when it comes to preparing governmental fund statements, unlike the private sector balance sheet income statements.

On your table you will have a green folder that says: Balance Sheet/Income Statement Variance Analysis. The financial statements that we prepare do not include comparisons with prior year, however, internally we do an analysis between the two fiscal years for both of those financial statements, so we wanted to provided that for you. We did have a question from another Board member
come up. Mr. Rey will include some of those major differences between the two years for the balance sheet and the income statement.

And with that, I'm going to turn it over to Serg.

MR. REY: Good afternoon. My name is Sergio Rey, I'm director of accounting.

And today we'll start off with the annual financial statement that, as Linda mentioned, was submitted to our oversight agencies, the Legislative Budget Board, the Governor's Office, the State Auditor's Office and the Comptroller's Office, as required by statute on November 20.

Overall, one of the significant items in this report is the department's transition to the Texas Department of Motor Vehicles Fund. In 2017 the department became responsible for reporting the activities of the DMV Fund after two years of general revenue appropriations revenue and expenditure transactions. This slide represents a graphic of the balance sheet that and its major component, the balance sheet itself is in your packet on page 36.

In 2017 our balance sheet reports a fund balance with a net increase of $30 million, primarily because of this transition to the DMV Fund. Our move to
the DMV Fund as our funding source method meant that the legislative appropriations from general revenue decreased. That net difference from last fiscal year was a decrease of almost $33 million. There as a $53.5 million increase in the fund cash reported in the state treasury. This is from fees previously collected as general revenue and reported by the Comptroller's Office.

For our normal operations the balance sheet shows a decrease of liabilities. In 2017 there were fewer invoices that were due on August 31, on the books on August 31, and there were fewer invoices that paid in September that required and adjusting entry back into 2017. Our payroll liabilities, pretty much our August payroll got paid on September 1, which was slightly lower because of the hiring freeze of 2017. The hiring freeze also impacted our employee compensable leave balances in our liability there, reflecting an increase in higher leave balances that were left on the books either because of less leave taken or the higher amounts of accruals during the year.

The next slide we'll move on to the income statement and that is found in your packet on page 18. The changes in our funding source also affected our income statement. From our normal operations the department had an increase in both revenue collections and expenditures.
made. Notably, again, our legislative appropriations show a significant decrease from the change from general revenue to the DMV Fund. In 2017 the general revenue appropriations were solely for ABTPA and ABTPA related payroll expenditures. Revenue in all the categories, but primarily our licenses, fees and permits and in settlement of claims showing an increase of $163 million from fees that, again, are deposited now in the DMV Fund and were previously in general revenue. This aside, the DMV Fund aside, the revenue deposited into the State Highway Fund reflected its normal projected increases.

For expenditures, the bottom graph depicts the major items or categories in our income statement. The total expenditures concluded with a net increase of $5-1/2 million, as noted in the totals there at the bottom of the slide.

MR. WALKER: Back up a second.

MR. REY: Yes, sir.

MR. WALKER: I lost you when you said $163,000.

MR. REY: $163 million.

MR. WALKER: Tell me where that is, what line am I looking at?

MR. REY: The $163 million is a combination of the licensing fees and permits, settlements of claims and --
MR. WALKER: That's one billion, 698 million.

Is that right?

MR. REY: The $1.7 billion is the licensing fees and permits, yes, sir.

MR. WALKER: But the variance is $160 million, not $163-, that's where you lost me.

MR. REY: Correct. The other $3 million is a combination of the interest and investment income, the settlement of claims, and the sales of different services.

MR. WALKER: Okay. That's where I got lost.

I'm sorry.

MR. REY: So the biggest component, yes, was licensing fees and permits of that $163-.

Going back to our expenditures, the category with the significant impact was the materials and supplies, and this had an increase of expenses related to postage and county computer related costs, such as toner, which each of those two items have $5.5 million of increase apiece. We did see a decrease in our professional fees and services and that had to do with the completion of projects throughout the year, and I will discuss that one in a little bit more detail as we talk about the financial report, the annual report of nonfinancial data.

So at this time, before transitioning to the
next report, do you have any questions on the balance sheet or income statement.

    MR. WALKER: I do. The fines and penalties, $867,000, roughly.

    MR. REY: Yes, sir.

    MR. WALKER: So I don't think ever in the past have we ever seen that number, Linda?

    MR. REY: No. Those items were, again, fees that at the time were deposited to the general revenue.

    MR. WALKER: So if you fail to display a dealer sign or whatever it might be and you got a fine by the agency for those penalties, we never saw that before. Right?

    MS. FLORES: Correct.

    MR. WALKER: And so this is the first time we're seeing that and that money now is coming to us?

    MS. FLORES: Yes.

    MR. WALKER: Because it was always interesting, I know the Board had always had some concerns about how much of that we collected and if you don't pay what actions do we take with respect to how we collect that money.

    MS. FLORES: Correct. And so enforcement does a very good job going out and making sure they do collect whatever penalties are assessed. A portion will not going
into general revenue, let me put it that way, some will come to the DMV. We rely on our programs to help us make sure that they collect those fines. We in finance don't have a staff dedicated to collecting bad debt.

MR. WALKER: Don't go any further in this public meeting.

MS. FLORES: Okay.

MR. WALKER: David knows that I'm talking about.

MS. FLORES: Right. Okay. But we will be seeing those moving forward from now on.

MR. WALKER: So the other question is now the fines and penalties are actually coming into the fund, the agency's fund?

MS. FLORES: Yes.

MR. WALKER: Do we calculate that in on our budget initially?

MS. FLORES: We try not to estimate penalties. That's almost like making an assumption that people are not going to do what they're supposed to.

MR. WALKER: So that's like the gravy on the chicken fried steak.

MS. FLORES: Yes, sir.

MR. WALKER: Okay.

MS. FLORES: The other thing to note is that
this fund does retain the interest earnings through cash
management at the state level, which is unusual for a lot
of funds. A lot of funds are not allowed to retain
interest earned on their dollars.

MR. WALKER: They should have whispered that in
our ear during the budget process.

Go ahead. I'm sorry.

MR. REY: No problem.

Now is our annual report on nonfinancial data.

This package is a schedule of eight reports that
previously were part of the annual financial report but
now they've been grouped separately. The instructions
related to these schedules is from the Governor's Office
of Budget and Planning, and you'll find it in your board
packet and I will focus on the professional fees schedule
which is on page 54 of your packet.

MR. WALKER: So we're going to page 54?

MR. REY: Yes, sir.

The graphic here before you takes that
information into smaller categories of professional fees.
As noted earlier, professional fees did decrease by $30
million from the previous fiscal year. Much of that was
in the categories of data processing services because of
projects that completed during the year, like the
eLICENSING project and also the AMSIT transition that took
effect in 2017. Other areas that had reductions were
definitely our contractors in the other professional
category related to training and also the eLICENSING
project. The other item that had an increase was for
computer services statewide tech which is our Data Service
Center, so that had to do with our transition into the
servers that we're now directly responsible for paying in
the Data Service Center.

That concludes my presentation. Do you have
any further questions on this category?

(No response.)

MS. CARAWAY: Thank you.

MR. REY: Thank you.

MS. FLORES: So wrapping up the end of the
year, we're now going to transition into the first quarter
financial activities for the current fiscal year 2018, and
this is a briefing item only. You will find the material
beginning on page 65 of your book, and I'm going to turn
it over to Ms. Bankhead because this report has a new look
and feel to it and she's going to address some of the new
things in this report.

MS. BANKHEAD: Good afternoon. For the record,
my name is Renita Bankhead, assistant CFO, and as Linda
said, this is a briefing and there's no action.

So the new report is now a dashboard format.
The staff decided to update it to make it a little bit easier to read and to highlight information in a better way so you can kind of zero in on some information that we wanted the Board to know. So the report still includes the information that was there before, there's still revenues, there's still expenditures, we still talk about the capital budget, we still talk about My Plates, all those sorts of things, but we do have some things that are new.

Last year we had a TxDMV Fund status report that was a separate report, we've now incorporated that report into this document. We've also added some highlights on the processing and handling fee. Revenues for specific fees are now highlighted. We've included in the budget data FTE status, prior year budget comparisons, and some detailed information on some of the budget categories that might need a little bit more information. So those are some of the new things that we've tried. Hopefully you like the new look. If you have any feedback, we would be glad to hear it.

Thank you very much. And I'll turn it over to Linda to talk about revenues.

MS. FLORES: New and improved.

So on page 65 of your board book we start out with addressing some of the highlights, actual versus
projected revenue, and your eyes will be drawn to the reds and the greens. Some of the major items that we'd like to address are you will see dealer licenses up 19 percent and basically the reason for that is last year we had a backlog of dealer licenses being processed. That's no longer the case, we're pretty current due to eLICENSING, so we have seen a jump in revenue regarding the dealer licenses. We've also seen an increase because of registrations for the processing and handling fee. As more registrations are processed, the processing and handling fee revenue also goes up.

We are a little bit behind on registration but the primary reason for that is that registration category used to include the one dollar processing fee which is now going into the P&H fee, so it's a flip-flop between those two categories. Certificates of titles are also up compared to last year, and of course, that also includes salvage titles that have seen a major increase due to the storm. As I mentioned before, motor vehicle registration is down and the reason for that is that one dollar that used to be called the automation fee.

Oversize/overweight, we're doing a good job in processing those permits through TxPROS. Dealer licenses are up, miscellaneous revenue is down primarily due to timing of collections and just different items which are
below. And then as mentioned before, we are now seeing our processing and handling fee, which, if you'll recall, went into effect September 2016, so we will see a brand new annual report for processing and handling fee, and we're on target to meet our projections.

MR. WALKER: Linda, at the last Board meeting we had we were told that the oversize/overweight revenues were down due to permitting down, and you're saying it's up by 11 percent. That doesn't make sense.

MS. FLORES: Oversize/overweight is up, the credentialing fee -- which if I can have you turn to page 64 of your board book -- the motor carrier credentialing fees are down by approximately 46 percent. The reason for that is those rates were not set until January of this year, whereas before they were normally set in October. So the bills have gone out, we expect to see those fees come in in the next couple of months, and we should be back on track when it comes to the credentialing fees.

MR. WALKER: Help me out. What is the credentialing fee?

MS. FLORES: This is the fees that uniform carriers have to -- it's a credential, it's almost like a registration.

MR. WALKER: UCR?

MS. BREWSTER: This is UCR.
MS. FLORES: Yes, UCR. Sorry.

MR. WALKER: Okay. But UCR doesn't have anything to do with oversize/overweight.

MS. FLORES: No. Oversize/overweight is a separate one.

MR. WALKER: I thought that's what was down, oversize/overweight was down.

MS. FLORES: Oversize/overweight --

MR. WALKER: -- is up 7 percent, according to the chart.

MS. FLORES: It's up 20.7 percent.

MR. WALKER: 7.8.

MS. FLORES: In the DMV Fund, yes, sir.

MR. WALKER: I don't know. 3.8, I'm lost.

MS. FLORES: On page 65 --

MR. WALKER: Stop, stop. Right here, oversize/overweight it says it's up 7.8 percent.

MS. FLORES: Yes, sir.

MR. WALKER: Is that for 2017 for the fiscal year?

MS. FLORES: For the current fiscal year, yes.

MR. WALKER: So it's my understanding at the last meeting we were told that that was down.

MS. FLORES: It might have been for the end of the year.
MR. WALKER: Because all year it has been down due to the --

MS. FLORES: It has been down but for this first quarter we've seen --

MR. WALKER: What are you saying, Jimmy?

MR. ARCHER: Jimmy Archer, director of the Motor Carrier Division.

This is a look at actual versus projected in this stat. I can tell you for the last couple of years our oversize/overweight fees have been up since 2015.

MR. WALKER: The dollar is up.

MR. ARCHER: Yes, it is up. And permits have incrementally been going up little by little since 2015. Wasn't the real big year in '14?

MR. WALKER: In '14, but I thought last year we were down. Okay. My mistake.

MS. FLORES: We did adjust our projections based on when they hit that valley, if you will, but they've been going up incrementally since. We're not back to where we were, for sure, where we were issuing 700-and-some-odd permits, but we've been coming back, if you will.

So other items to note on page 66, we do have a breakdown of the processing and handling fee mix, whether they're walk-ins, mail-ins, online, transactions processed by the deputies. We are providing that for you moving
And on page 67 we also include the information regarding the My Plates contract. As we previously reported, they hit their $50 million obligation in November and they still have almost a full year left to go in their current contract, so they're on board to deposit more revenue into the general fund than we anticipated.

MR. WALKER: So we're tracking the comparison to last year. I know that with the processing and handling fee and some of the restructuring we were hoping and anticipating that more people would not do walk-ins but would do more mail-ins and more online processing, so where would I see that differentiation? Where's our expectation versus our reality of today?

MS. FLORES: Regarding the mix?

MR. WALKER: Well, we expected there to be some movement into --

MS. FLORES: Twenty percent year over year, yes, sir.

MR. WALKER: And where are we? Are we hitting that projection, or no?

MS. FLORES: No, sir. We're holding steady with online transactions, I think at about 13 percent, if I remember right.

MR. WALKER: So why do you think that is?
What's our reason for that?

MS. BREWSTER: I would say we don't know entirely why it is not shifting with the dollar discount. I think certainly the efforts of the agency moving forward, we need to take a look at that and drill down a little bit as to why people are not using online services.

MR. WALKER: One of our projections were that our costs would go down somewhat because of the shift to online. Right?

MS. BREWSTER: Actually, the agency's costs would be going up as the agency sees more online growth because we are eating the credit card costs. We were hopeful with the renegotiation of the Texas.gov contract that we may see some reductions in credit card processing fees, but that isn't till later on in 2018 that that will be finalized.

MS. FLORES: And as more online transactions occur, we also experience more costs associated with printing the stickers because we've taken that on now as well. But I'm happy to provide that kind of information for you all.

MR. WALKER: I was just curious to know where we were because I know we anticipated some changes and I don't see a graph that shows where's the differences.

MS. FLORES: If I can have you all turn to page
69 of your book, I'll turn it over to Ms. Bankhead and
she'll cover the expenditure side of the house.

MS. BANKHEAD: For the first quarter the total
department budget was $171.4 million. It increased about
$3.1 million over the approved budget of $168.3. Those
adjustments were basically moving money forward from '17
to '18. One piece of it was the UB for automation, once
we finalized all of our bills and everything, we moved
that forward, and then the balances for Bull Creek
relocation, we moved that forward as well.

As you can see in the slide, most of our budget
is the TxDMV Fund, but we do have a little money in our
budget for ABTPA, there's a little UB in that blue slice,
and then Fund 6 is primarily carryforward balances in
automation.

On page 70 of your materials, you'll see first
quarter obligations and encumbrances. Those totaled $84
million, that's about half of the revised budget.
Salaries are a major expenditure category. If you see on
page 69 we talk about vacancies. As of November we had 95
vacancies, as of January 31 that's down to 79 vacancies,
so we are filling positions.

MR. WALKER: So the freeze is off?

MS. BREWSTER: Yes, sir.

MR. WALKER: Okay.
MS. BANKHEAD: So our professional fees include encumbrances for the RTS project and the Data Center contract, and then we have a bar there, you see kind of the third bar to the left on the slide on the second bar chart, you'll see operating expenses. That's about $48.4 million and it includes rent and utilities of about $1.8 million. Contract services and services, that's the biggest driver here, and that includes the contract for our plates, the plate production, the encumbrance and some expenditures, mostly the encumbrance.

Computer equipment, software and maintenance, that's about $5.4 million. Freight, postage, reproduction and printing, and we detailed that on the bottom of page 70, and if you look at the bottom of page 70 you'll see a little table down there that says First quarter budget status detail for freight, postage, reproduction and printing, the driver there is the postage for the renewal notices and our titles.

The other thing if you look on page 70 you'll see that there's a category called Advertising, travel, memberships, training, fuel consumables, that's kind of at the top of page 70 of your materials. It looks like there's quite a bit of money there for what seems like a small category, and basically what's there are some fees that are really salary related that should have been in
the salary category, and for future months we'll move that
to the salary category, so it's not like we have $2
million worth of advertising and that kind of thing. I
just wanted to make that clear.

MR. WALKER: Linda.

MS. FLORES: Sir.

MR. WALKER: So we got a one-time infusion of
cash of $43 million.

MS. FLORES: $23 million.

MR. WALKER: $23, okay. Thought it was more
than that.

So did we track that individually and say how
much of it did we use, or did we just put it in and mix it
with all the rest of the money?

MS. FLORES: No, sir. We have tracked that
separately and it is sitting in our fund balance and it's
approximately -- at the end of 2017 the fund balance for
the DMV Fund was over $40 million, or which $23 million
was that one-time infusion.

MR. WALKER: So my question is since that was a
one-time infusion from the legislature to get us going and
if we don't expend that, it's kind of not like the Auto
Burglary and Theft deal where we're going to have to take
and give it back, is it?

MS. FLORES: You know, those fund balances are
subject to sweeps if the legislature so chooses. It will be made available to the legislature when they come into town next year. They normally do get a report from the Comptroller and the State Auditor asking what kind of fund balances are sitting out there. Those balances are also eligible to finance our appropriations request and any exceptional items that we may have on the table as well. So there will be some give and take, I'm sure, when it comes to our fund balances.

MR. WALKER: So I bet I already know the answer to this, but let's just say that we have an unexpended balance of $50 million there, and the legislative appropriations committee or budget committee comes over and says we're going to sweep that and take that, that money is going to go to the general fund or is it going to go to Fund 6?

MS. FLORES: It would be up to the legislature to decide where it goes and how it's used.

MR. WALKER: Because the intent of all of our funds, basically, is to build roads in the State of Texas.

MS. FLORES: Yes, sir.

MR. WALKER: And that's where it needs to stay, but we don't make that choice, I guess. Thank you.

MS. BANKHEAD: Another new schedule that we've included is a comparison of prior years, and you'll see on
the slide there that our expenditures and encumbrances -- it's at the bottom of page 69 of your materials -- basically there were variances in operating expenses over the last two years compared to this year, but the main driver for the budget and our expenditures was the capital budget.

In FY16 capital projects, specifically automation, was the largest percentage of the department's budget. If you see the $95.7 million, that's the green bar there on the very left one, of the $95.7 million in encumbrances, $42.6 million was for capital projects, most notably automation, consisting primarily of RTS and eLICENSING, or the LACE project back then, that's what they called it.

In FY17 the capital budget was a little less than '16 and the encumbrances decreased by $23 million, so that's why you see the encumbrances go down from '16 to '17, and then the same thing happened for '18 because our capital budget is now only $35.5 million, so as our capital budget decreases as we complete projects and as RTS winds down, you'll see that impact on our budget, but our expenditures for the first quarter are pretty much the same over the last two years. So that will give you a little comparison.

I'll talk a little bit about the capital
budget. Beginning on page 71 we talk about the capital budget. On this slide other capital projects include the vehicles, both the replacement and the new vehicles for the new CID division, plus the badge system, that's what other capital projects includes. The Comptroller awarded the new vehicle contract in November 2017, so we are now in the process of getting ready to purchase the vehicles for this year.

MR. WALKER: We haven't got those yet?

MS. BANKHEAD: We didn't get the contract until November from the Comptroller and we can't order before that.

MR. WALKER: So we as an agency don't go out and get competitive bidding on that, do we?

MS. FLORES: No, sir. But again, that's where the oversight has the --

MR. WALKER: The building facility commission, they have some kind of other agency that buys cars.

MS. FLORES: And the Comptroller has to get the statewide contract for vehicles and then agencies are allowed to purchase off of that.

MR. WALKER: Is Bravo Cadillac of that list of providers?

MS. FLORES: A mid-size truck is on the list.

MS. HARDY: General Motors.
(General laughter.)

MS. BANKHEAD: The other technology projects include everything else besides automation which is agency growth and enhancement, county technology replacement, the cybersecurity initiative, the Data Center services contract which is the largest portion of that little pie there, that little block there.

On page 72 is detailed information on automation projects. RTS refactoring is the major driver with our automation projects, with $5.7 million in obligations, followed by webDEALER and eLICENSING. Also included is the budget status for the planned automation initiatives, that's on page 72.

And that concludes my presentation. Are there any questions?

MR. WALKER: Good job. Don't let Linda take all the credit.

MS. FLORES: I should have also introduced the people who do support it, they've got my back. David Chambers, purchasing director, Brian Kline, he is the team lead for revenue estimation -- somebody left -- John Ralston, he's the budget team lead for budget. They're the folks who really put all of this stuff together, so thank you.

MR. WALKER: They do a good job.
MS. FLORES: So moving on to item 4.C, operating budget contracts, again this is a briefing item only. This was in response to the operating budget document that we had brought to you all for approval for the current fiscal year. We had some questions that were raised about our contracts and how we ensure that we obtain the best value for the state agency, and we also had a question about our license plate production and are we getting the best deal for our money. We did provide the Board with a survey that had been compiled of various states. Our plate cost is $1.50 which is one of the lowest costs around the nation. There is no one size fits all when it comes to plate production. Some states use private vendors, a lot of states have the same business model that we do where we have TDCJ convicts produce the plates, but for our money we do get a good deal at $1.50 per plate.

And I'm going to turn it over to Renita Bankhead. She's kind of going to walk you through your board book item starting on page 73, and if I could have you turn your attention to page 75, this is where she's going to pick it up.

MS. BANKHEAD: For the record, Renita Bankhead, of your staff.

State agencies are subject to the Government
Code and the Administrative Code and those are the things that govern contracting and procurement. The statutes are in place to ensure state agency contracts and procurement meet the needs of the agencies in an efficient, responsible, and cost-effective manner. Basically, the state basically kind of oversees most of the purchasing, so the agencies have very little leeway on the things that they can purchase. They do have some leeway but very little.

One of the questions that came up was how do we ensure that we're getting the best for our money, and beginning on page 75, the state does have some criteria for standard practices to ensure best value. In these criteria they not only consider cost but contractor performance, quality, reliability and the cost of future maintenance, and these things are set out in statute in the Government Code. There's also additional criteria for automated information systems purchases, and that list begins kind of on page 76, and that also includes price but also compatibility with existing systems, capacity for expansion, technical support requirements for maintenance and support. So the state has quite a few guidelines to make sure that agency procurement follow best practices and that we get the best for our money.

The state also has preferences and you'll see
on the list that there are some things that have
preferential treatment, so preferences are given to
specific vendors for procurement of specific items. For
example, TIBH, this was formerly known as the Texas
Industries for the Blind and Handicapped, it's now the
Central Nonprofit Agency for the Texas State Use Program.
This program establishes a set-aside purchasing program
for commodities and service from community rehabilitation
programs which employ disabled Texans. State agencies are
required to use these services, basically for pens,
pencils, that kind of thing, and the prices are set and
monitored by the Texas Workforce Commission, and they do
this periodically just to make sure that the state is
getting the best deal.

Although statewide contracts are negotiated and
bid by oversight agencies, TxDMV does have the opportunity
for input. Oversight agencies, they do all the legwork.
They take advantage of statewide economies of scale to get
the best prices but the agency still has to be involved.
The statewide contracts are negotiated and monitored by
oversight agencies such as the Comptroller and the
Department of Information Resources. These contracts, if
you've heard the term before, I think some people call
them non-delegated, that's because they're not delegated
to the agencies.
TxDMV must have specific authority by statute or rule to be able to solicit on the open market, and that means even getting bids. So when you look at the information that we provided, a lot of them do not have any prices because we can't even go out and solicit to get any information, we're not required to do that. We do have the authority to competitively bid on information resources technology services in excess of $5 million, so we do have that authority.

As far as the statewide contracts, I have a couple of examples about that. We talked about the TDCJ contracts, I'm not going to go back over that. One recent example that we've all gone through was with the Texas Facilities Commission with the Bull Creek relocation. They provided us with a number of facilities and most of those were not in our price range, so we went back to them and said, This is not in our price range, and we explored other options. The same thing happened in Pharr where they provided us with a list and we said, No, we can't deal with that. So it's not that the agencies are locked into whatever the oversight agencies come up with, we still have a seat at the table.

So beginning on page 77 of your materials is a listing of the contracts that were presented at the August Board meeting where this discussion came up, and the
contracts have been grouped based on the statute or code
by which they are governed, and I'm not really going to go
through those. The table does include FY17 actuals,
actual expenses, the FY18 contract amount, the procurement
method, the authority for the procurement either by rule
or by statute, and what's the determinate for best value.
Like I said before, there's a column for comparable
prices but in most cases this information was unavailable
either because we were unable to bid on the open market or
the item was a proprietary or sole source item.
So if you have any specific questions about
some of the contracts on the list, I can address those, or
David Chambers, who is here with me, he can address those
as well, but that concludes my presentation.

MS. FLORES: Moving on to item 4.D, facilities
update. Again, this is just a very quick briefing item.
I have some pictures for you. This is going to go very,
very quick.

As you know, our colleagues over at Bull Creek
were about to get evicted this month. The new landlord
was itching to get in there and do some boring and digging
and whatever, and so we successfully moved our staff,
over 100 people, on January 12. We estimated that we
would have a two-day move, we ended up getting everything
done on Friday, and I'm going to turn it over to Ann and
she can kind of walk you through all the logistics of
Friday evening.

MS. PIERCE: For the record, I'm Ann Pierce, the deputy division director of Finance and
Administration.

We were very successful in completing the move
earlier than anticipated, and it was through a lot of
organization and cooperation from several different areas
of the agency, including a lot of information technology
staff, a lot of facilities services, staff, as well as all
of the Motor Carrier staff. This move was a little more
involved than a lot of the ones that you have participated
with us on where we've moved regional offices with between
12 and 32 employees, this involved 115 employees and a
whole lot of stuff, great amounts of equipment and
furniture, plus the project itself was composed of several
sub projects because the initial project involved working
with TxDOT and their contractors to ready the floor at the
new location here on campus at Building 6, so that was
kind of the first phase.

The second phase we worked with Texas
Correctional Industries and we did designs on the layout
of the modular and we ordered the product and made
whatever adjustments we needed and then we did the setup
of that.
The third phase was the move itself and we're still finalizing the fourth phase which we will be finishing Friday of this week where we had to go take all of the stuff that was left behind for surplus purposes and repurpose it or set it up for auction, we had to tear down all of the old modular and organize it and get it ready, which you see in some of the photos. In the photo to your right there you'll see Jimmy is very happy in his new location, he's smiling really big.

So it was definitely a great effort across the agency and over the period of about a year and a half, and this is the first time in the history of DMV, now that they're on campus with us, that we're all actually consolidated, the entire agency is consolidated on one campus, so we wanted to celebrate that.

MR. WALKER: So, Ann, how much was our appropriation for not the move but the furniture?

MS. FLORES: Well, the whole project was a million four. We had actually set aside about $250,000 for furniture but it ended up costing us twice, so it was more like $450-, I believe. And we're in the middle of reconciling all of those invoices. We will have a closeout report where we reconcile everything, but those bills are still kind of ending.

MR. WALKER: So all of the old furniture is
either repurposed or sold?

MS. FLORES: Salvaged.

MR. WALKER: And we would get $5 a table?

MS. FLORES: No, sir. Anything that's sold goes to the general revenue.

MR. GRAHAM: You've heard that before, haven't you?

MS. FLORES: We kept as much as we could that was worth something.

MR. WALKER: So all I want to know is, Jimmy, did you get that good coffeepot you had over there and bring it over here, because we don't have a good one over here.

MR. ARCHER: (Speaking from audience.) That coffeepot went with the IT guys that left three years ago.

MR. WALKER: They took that with them? They had the best coffee.

(General talking and laughter.)

MS. FLORES: That concludes our presentation.

MS. CARAWAY: Thank you, Ms. Flores and team.

MR. GRAHAM: I'll just add for the Board that I actually inspected this facility earlier today, and it looks really good. They've got almost everything put up, everybody was operational, they were just stacking them up and knocking them down. So it looks good, Jimmy.
MS. CARAWAY: Thank you all for your reports today.

And we'll move on to agenda item 4.E and F, and Sandra Menjivar-Suddeath.

MS. MENJIVAR-SUDDEATH: Good afternoon, Board members. For the record, I'm Sandra Menjivar-Suddeath, Internal Audit director, and I am presenting item 4.E which is the peer review process. This is a briefing item only and is found on page 86 of your board book. The board book material includes the peer review engagement letter, information on the peer review process, as well as the consolidated version of the internal audit self-assessment report, which I've consolidated into this presentation.

So before we begin, just some background information. The Texas Internal Auditing Act requires that agencies that exceed more than $10 million, have more than 100 FTEs, or receive and process more than $10 million in cash have an internal audit function. The Internal Audit Act also requires that the internal audit function go through a quality assurance process, including external assessments, also known as peer reviews, on a periodic basis according to the audit standards.

So the applicable audit standards are the Generally Accepted Government Auditing Standards,
promulgated by the U.S. Government Accountability Office, also known as GAGAS, the International Standards for the Professional Practice of Internal Auditing, which is developed by the Institute of Internal Auditors, the IIA, and the Texas Government Code 2102 which the Internal Auditing Act. The act itself has requirements on both where the reporting of this function should be, as well as qualifications for the chief auditor, specifically there's requirements on certifications that I have to have; I have to be either a certified internal auditor or a certified public accountant.

The GAGAS and the IIA standards have both compliance and performance standards. What that means is the compliance standards are related to our independence, objectivity, those type of items. And the performance standards are things related specifically to our audit work, how do we make sure that we get and collect sufficient information.

So the peer review is required to be done at least every three years, and without doing a peer review, our work cannot be done under standards nor can it be relied on by other auditors. So the State Auditor's Office sometimes uses our work to review a function before they come in; they wouldn't be able to rely on our work.

In addition, in our reports we have a specific statement
in the background that says: The Internal Audit Division conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for Professional Practice of Internal Auditing. We would not be able to cite that in our reports if we did not have a peer review every three years.

Our last review and our only peer review was in 2015, so this will be our second peer review, and it's being done by the State Agency of Internal Audit Forum, or SAIAF, at no charge. So this is other internal audit directors, we get together and we do peer reviews, in addition to discussing issues that are going on in the internal audit community to kind of help each other out. If we were going to go procure this in the private sector, it would be anywhere towards $10,000 to $30,000, depending on what we're asking. In addition, some of the private sector people that provide this service either focus just on one standard or the other standard, so it's really hard to find auditors that can understand both audit standards as well as the Internal Auditing Act, which is why we do it through the SAIAF program.

So this year's peer review team is made up of two individuals. One is a senior IT project manager from the Texas Workforce Commission, Harold Rogers. He is a
certified information auditor, as well as a certified information system auditor. He led his department's self-assessment and he's worked as a peer review on other as a team member. The other member is Patrick McKinney. He is a certified information auditor. He is the external section director for the Texas Department of Transportation, and he has participated in his peer review. And both the Texas Department of Transportation and the Texas Workforce Commission follow the same audit standards that we do.

So the peer review process, it first starts out with me in consultation with the Finance and Audit Committee chair, as well as the Board chair, selecting the peer review team. In about the November-December time period, I requested volunteers for the peer review team, had a couple of selections, and then I forwarded that information on to the chairs for their review and approval. After that, the Internal Audit Division prepared their self-assessment report and that was provided to the peer review team. The peer review team is reviewing the self-assessment report and the documentation. In addition, they'll come in and actually review our audit files, they'll be going into the files, looking at them, seeing if we have sufficient evidence, did we tie out our results, did we do everything we were
supposed to do. The peer review team will also be interviewing Internal Audit staff, executive management and the Board members. They've already set up some meetings and they'll be setting up a couple more after this Board meeting.

So once they review all that information, they're going to evaluate our compliance with those audit standards. They're going to provide us updates on how they're progressing, any issues -- I already have a couple of questions from them on some of our self-assessment items, so I'll be responding to that -- but if you have any questions on the peer review process or where they are, please feel free to reach out to me and I'll make sure they give you an update.

The peer review team will provide an assessment and they'll give us an overall opinion. There's only three possible ratings that they can give us: pass, pass with deficiencies, and fail, and pass is the highest. Pass means that we generally conformed, that our policies and procedures and the actions we've taken with our policies and procedures are in place to ensure conformance with those auditing standards.

MR. WALKER: This is the second time we've gone through one of those.

MS. MENJIVAR-SUDEATH: This is the second
time. And the first time we've done this we did receive pass/generally conforms.

Pass with deficiencies/partially conforms means just that, we've mostly conformed but there were some significant areas where the peer review team felt that we were lacking and we were not conforming with audit standards.

MR. WALKER: This is the one we got pass with partial?

MS. MENJIVAR-SUDEATH: No. We got pass last time.

And then the final is fail, which fail means we have absolutely no processes in place to actually ensure conformance with those audit standards -- which I highly doubt we'll get fail, but if we were, we don't have to wait three years to get another peer review, we can address this issues and fix it before and then that way we will make sure that our work can be done under standards.

So the peer review timeline. In January we finalized the engagement letter, we provided the self-assessment report to the peer review team, and they are starting to review it, so between now and April the peer review team will reviewing the self-assessment report, reviewing our audit files, they'll begin field work, they'll conduct the interviews and they will provide us
updates. In the May-June time period they will be giving us an overall opinion and they'll be giving us a draft report on what they think of our conformance. I will be looking at that and reviewing it with the Financial and Audit Committee chair, as well as the Board chair, especially if they have audit recommendations. And then the report will be finalized and we will distribute it and provide the Finance and Audit Committee, as well as the Board, an update on it.

Any questions?

(No response.)

MS. MENJIVAR-SUDEATH: That ends 4.E. I'll go forward to item 4.F which is the internal audit status update, and that begins on page 105 of your board book.

The audit status update has six items, six engagements that we're currently working on or have just finalized. The first item is the fraud, waste and abuse risk assessment. This is an advisory service, it's a year-long advisory service to identify and rank all fraud, waste and abuse risk throughout the department. We are in field work, we're working with 14 divisions on this, we're about 50 percent complete on it, and we anticipate having it done by August 2018, if not earlier.

The next item is the fiscal year 2018 internal audit followup. This is also a year-long project, it is
to verify the implementation status of internal audit recommendations. We're currently looking at quarter two which is December 1 through February 28. We will provide a memo to the Board on what has been completed, what has not been completed at the probably early March time period. It will be similar to the memo that we sent out in quarter one.

The next audit we're working on is travel and training. This is an audit to determine if training and travel requests have appropriate approvals and justifications, as well as determining if requests are appropriate and meet the needs of TxDMV. We're also looking at Board travel policies, as a special request. We are in field work on this and we anticipate finishing this in late April and providing the report to you at that time.

The next item is the management request, the Texas Commission of Law Enforcement, TCOLE. This was a special request by the Enforcement Division. The agreement is on page 129 of your board book. Basically what we're doing is looking at the training that we provide for law enforcement credit. For a training to be eligible for law enforcement, it has to meet compliance rules set up by TCOLE, and so we're reviewing our compliance processes to make sure that we have good
processes, good policies and procedures to ensure that we are compliant in the future for any requirements for that law enforcement credit.

MR. WALKER: So question on that.

MS. MENJIVAR-SUDEATH: Yes.

MR. WALKER: We've never done an audit before on the enforcement of this stuff, have we?

MS. MENJIVAR-SUDEATH: No. Internal Audit was not aware of the training compliance requirements until recently.

MR. WALKER: I wasn't either so that's why I'm asking the question.

MS. MENJIVAR-SUDEATH: So no, we haven't. So the Enforcement director, Ms. Corrie Thompson, reached out to us when she became aware of this Enforcement requirement, and we are working with her on this advisory service to make sure she gets that information.

MR. WALKER: But aren't we taking on some additional roles with respect to law enforcement that we weren't doing in the past?

MS. MENJIVAR-SUDEATH: We have always been approving the training. This was a function that transferred over with TxDOT, from my understanding, so this is something we've been doing since 2007.

MR. WALKER: So do our law enforcement people
need to be certified?

MS. MENJIVAR-SUDDEATH: No. This is for the training we provide to law enforcement. So for them to get credit hours for it, it has to be approved.

MR. WALKER: This is our training of law enforcement?

MS. MENJIVAR-SUDDEATH: Yes. This is the dealer training or the salvage training that we provide, or recently we've been providing the ABTPA training. That training has to go through this process internally for approval so that way that it's certified TCOLE and that way law enforcement can get the hours.

MR. WALKER: So it's not our Enforcement Division.

MS. MENJIVAR-SUDDEATH: No.

MR. WALKER: Okay. I'm sorry.

MS. MENJIVAR-SUDDEATH: It is just being run through the Enforcement Division currently.

MR. WALKER: Okay.

MS. BREWSTER: Madam Chair, if I may?

MS. CARAWAY: Yes.

MS. BREWSTER: And just to be clear, this is not an audit, this is an advisory service, so there won't be specific audit findings, as you would see in a typical audit.
MR. WALKER: And you're saying that we were just advised by somebody, I didn't hear you say who.

MS. MENJIVAR-SUDEATH: Yes. The Enforcement Division director, Ms. Thompson, reached out actually to Internal Audit, me specifically, to discuss the TCOLE training when she became aware of it.

MR. WALKER: And had we been doing this before?

MS. MENJIVAR-SUDEATH: Yes. We've been doing it since 2007, I believe, not 2009. I'll check on that.

MR. WALKER: I'm sorry. Thank you.

MS. MENJIVAR-SUDEATH: With that, I'll move on to the last two items on the audit status update, and these are both reports that we have completed. The first one is the TxDMV Fund report, and that's on page 109 of your board book. Now, the audit's objective was to determine whether appropriate revenue was being deposited into the TxDMV Fund and whether appropriate fees were being distributed to the counties. We found that the department did have processes in place to ensure appropriate revenue was being deposited and distributed to the DMV Fund and the counties. We were not able to do a transactional review because we did have some reporting constraints, so a report did not exist where we could actually pull the transactional information and do what we like to do, a cradle to grave review.
But, however, we did review Finance's processes. They do monthly, quarterly and annually reviews of the DMV Fund and the distribution of what's happening with that. Those processes go into depth, especially for the P&H fund and they do significant review on that. The only thing we found that they were not documented, so we asked them to document those processes to make sure that if there was any turnover in that division or that section, people would know what to do.

The other recommendation we made was looking at changes made to the DMV Fund table. So when there's a change made to the DMV Fund table, such as a new permit or we get a new split, those changes are validated in the testing environment, it is reviewed, however, no one reviews them once they go into production environment, and it's just a best practice to make sure that they are reviewed in production because sometimes the testing environment doesn't always match specifically the production environment.

And so FAS has agreed to both audit recommendations and they're in the process of addressing those issues. Overall we gave this audit a rating of three which means that they have standardized, communicated and they are following processes, but there is some area of improvement.
Any questions on the DMV Fund audit?

(No response.)

MS. MENJIVAR-SUDEATH: The next audit that we're closing out is the open records public information process audit, and that's on page 117 of your board book. The audit's objective was to determine if public information requests were being handled consistently, in accordance to state law, and whether they had overall appropriate costs. We found that overall the department was handling these public information requests appropriately, handled consistently in accordance with law, and had appropriate costs. However, we did make four audit recommendations to help ensure the consistency continues on, as well as to gain some efficiencies, and I'll let Derek Miller, the senior auditor who led the engagement, give more detail on it.

MR. MILLER: Good afternoon. Derek Miller, senior internal auditor.

We did review the Texas Department of Motor Vehicles public information request processes. The entire process is overseen by the Office of General Counsel, and they're responsible for overseeing the receipt, responding to and reporting on public information requests received by the department. OGC has a designated open records attorney on staff that provides guidance to the division.
staff that are actually responding to the requests received for the related information in each division, and OGC also provides guidance on the statutory requirements and obligations of the department when responding to those.

On March 9, 2017, so last year, OGC implemented what is called the FOIAXpress system. It's a public information request management system, and that provides sort of a central hub for the public to submit requests and for the department staff to track and coordinate their responses and the work flow as they're working on it. It also allows the department to invoice the requester based on a standardized fee table. OGC also provides training to staff using the system and also works with the vendor if any troubleshooting bugs or anything like that comes up.

We did find that the DMV complies with the requirements of the Texas Public Information Act, including response times, confidentiality, and applicable fees when applying or waiving fees for requests. As Sandra mentioned, we did make four requests related to streamlining some processes. One recommendation was related to multiple divisions having general email boxes open for the public to submit requests. We recommended those be consolidated to run through the Office of General
Counsel's email box.

There was a separate work stream for title history requests which was resulting in some redundant manual data entry that was causing some minor reporting errors when reporting the volumes to the Office of Attorney General. OGC corrected those as we found them and management will be working to try to consolidate some of the data entry to avoid some of those reporting errors in the future.

MR. WALKER: Let me ask you a question, and I'm kind of lost here. I'm reading it says here Recommendation: the Internal Audit Division has made four recommendations related to consolidation of multiple PIR intake points and development of uniform guidelines it issues. Where do I see that, where are those four recommendations?

MS. MENJIVAR-SUDDEATH: So the four recommendations -- well, the summary is on -- I'm assuming that you're looking at the summary on page 119, so the actual recommendations are per audit results, so they start on page 123, so the first audit result was: The TxDMV has multiple methods of PIR. On page 124 there's a section called recommendations, those are the two recommendations to that issue. And then on the second issue, The TxDMV applies different processing and response
practices across multiple divisions, the recommendations
are on 126. But in future we'll put that in the executive
summary, the specific recommendations so that way it's
there.

MR. WALKER: Because it's hard. If I read an
audit report, generally I want to see the recommendations
and see how they list out what they are. It's kind of
difficult to look at this and see what your
recommendations are, in my mind. And it may be just that
I'm an Aggie, too.

MS. MENJIVAR-SUDEATH: No, no. We try to
summarize just the basic information in the executive
summary but we'll make sure to add the actual
recommendations in that section so that way you have them
there.

MR. WALKER: Thank you.

MR. MILLER: The two remaining recommendations
in the report were related to developing additional
guidance for staff related to identifying what would be
considered a law enforcement request, guidance on when to
charge certain requesters or for certain requests, make
that a little more uniform throughout the department, and
also when to bring certain items to executive management's
attention as some division-specific requests may be
critical to one division but may not necessarily be
recognized by another division as critical.

And that covers all four of the recommendations and end of the report, so any other questions on the report?

(No response.)

MS. MENJIVAR-SUDEATH: With that, we conclude the Internal Audit Division status. Thank you.

MS. CARAWAY: Thank you, Sandra. So we need no executive session. Correct?

MS. BREWSTER: No, ma'am.

MS. CARAWAY: So that means we get to adjourn.

MR. GRAHAM: Move to adjourn.

MS. CARAWAY: I think we get to adjourn. It's approximately 4:23, and the Finance and Audit Committee of the Board of the Texas Department of Motor Vehicles is now in closed session. Sorry, I'm on the wrong one.

MR. WALKER: We're going back in closed session?

MS. CARAWAY: No, we're not.

If no members have any further items of business, I would like to entertain a motion to adjourn.

MR. GRAHAM: So moved.

MS. CARAWAY: I have a motion by Member Graham, and a second by?

MS. HARDY: Second.

ON THE RECORD REPORTING
(512) 450-0342
MS. CARAWAY: Member Hardy.

All in favor?

(A chorus of ayes.)

MS. CARAWAY: Let the record reflect that the vote is unanimous. It is now 4:24 and we are adjourned.

(Whereupon, at 4:24 p.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: TxDMV Board Audit & Finance Committee
LOCATION: Austin, Texas
DATE: February 8, 2018

I do hereby certify that the foregoing pages, numbers 1 through 64, 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: 02/13/2018

/s/ Nancy H. King
(Transcriber)

On the Record Reporting & Transcription, Inc.
7703 N. Lamar Blvd., Ste 515
Austin, Texas 78752