

Board Meeting Agenda Book



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

August 3, 2016

Finance and Audit

Board Committee Meeting, 11:00 a. m.



AGENDA
FINANCE AND AUDIT COMMITTEE MEETING
BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES
4000 JACKSON AVE., BUILDING 1, LONE STAR ROOM
AUSTIN, TEXAS 78731
WEDNESDAY, AUGUST 3, 2016
11:00 A.M.

All agenda items are subject to possible discussion, questions, consideration, and action by the Finance and Audit Committee of the Board of the Texas Department of Motor Vehicles (Committee). Agenda item numbers are assigned for ease of reference only and do not necessarily reflect the order of their consideration by the Committee. The Committee reserves the right to discuss any items in executive session where authorized by the Open Meetings Act. A quorum of the Board of the Texas Department of Motor Vehicles (Board) may be present at this meeting for information-gathering and discussion. However, Board members who are not Committee members will not vote on any Committee agenda items, nor will any Board action be taken.

1. CALL TO ORDER

A. Roll Call and Establishment of Quorum

B. Comments and Announcements from Committee Chairman, Committee Members, and Executive Director

PAGE 2. BRIEFINGS AND ACTION ITEMS

A. Consideration and Possible Recommendation for Action to the Full Board:

- 3** 1. **FY 2017 Interagency Agreement between TxDOT and TxDMV** - Whitney Brewster
25 2. **FY 2018 - 2019 Legislative Appropriation Request, Baseline and Exceptional Items** - Linda M. Flores and Renita Bankhead
47 3. **FY 2017 Recommended Operating Budget** - Linda M. Flores and Renita Bankhead
74 4. **FY 2017 Internal Audit Plan** - Sandra Menjivar-Suddeath

B. Briefing Items:

- 82** 1. **FY 2016 Quarterly Financial Report** - Linda M. Flores and Renita Bankhead
89 2. **Internal Audit Division Status Report** - Sandra Menjivar-Suddeath

3. EXECUTIVE SESSION

A. Section 551.071 - Consultation with and advice from legal counsel regarding:

1. pending or contemplated litigation, a settlement offer;
2. a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Government Code, Chapter 551; or
3. any item on this agenda.

- B. Section 551.074** - Personnel matters. Discussion relating to the appointment, employment, evaluation, reassignment, duties, discipline, and dismissal of personnel.

4. ACTION ITEMS FROM EXECUTIVE SESSION

5. PUBLIC COMMENT

6. ADJOURNMENT

The Committee will allow an open comment period to receive public comment on any agenda item or other matter that is under the jurisdiction of the Committee. No action will be taken on matters that are not part of the agenda for the meeting. For subjects that are not otherwise part of the agenda for the meeting, Committee members may respond in accordance with Government Code, Section 551.042 and consider the feasibility of placing the matter on the agenda for a future meeting.

Agenda items may be presented by the named presenters or other TxDMV staff.

Pursuant to Sections 30.06 and 30.07, Penal Code (trespass by license holder with a concealed or openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun or a handgun that is carried openly.

Any individual with a disability who plans to attend this meeting and requires auxiliary aids or services should notify the department as far in advance as possible, but no less than two days in advance, so that appropriate arrangements can be made. Contact Stacy Steenken by telephone at (512) 302-2380.

I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements.

CERTIFYING OFFICIAL: David D. Duncan, General Counsel, (512) 465-5665.



DATE: August 3, 2016

Action Requested: BRIEFING ONLY

To: Texas Department of Motor Vehicles Finance and Audit Committee
From: David Duncan, General Counsel
Agenda Item: 2.A.1 - FY 2017 Interagency Agreement between TxDOT and TxDMV
Subject: Annual Interagency Contract with Texas Department of Transportation

RECOMMENDATION

Staff wishes to brief the Finance and Audit (F&A) Committee members and receive any feedback they have regarding the annual Interagency Contract between TxDMV and TxDOT. While originally posted as an action item, the staff wishes to brief the F&A members today on likely points of negotiation. We plan to work with TxDOT staff on draft revisions, share those redlines and seek input from Board members in August, then seek final Board approval in the September meeting.

PURPOSE AND EXECUTIVE SUMMARY

Due to shared facilities, services and equipment, TxDMV has signed an "Interagency Contract" (IAC) with the Texas Department of Transportation (TxDOT) every year since the agency's inception. This IAC specifies the duties and obligations of the two agencies regarding IT functions, facilities operations and maintenance, and the division of costs for shared services between the two agencies.

FINANCIAL IMPACT

The not-to-exceed amount of the IAC has been reduced to \$2 million this year, reflecting continued reduction in TxDMV's need for TxDOT support.

THE STATE OF TEXAS §

THE COUNTY OF TRAVIS §

INTERAGENCY CONTRACT FOR FISCAL YEAR 2017

THIS AGREEMENT is entered into by and between the State agencies shown below under the authority granted and in compliance with the provisions of Chapter 771 of the Government Code.

I. PARTIES

TxDMV Texas Department of Motor Vehicles
TxDOT Texas Department of Transportation

II. LEGAL AUTHORITY

TxDMV and TxDOT are authorized to enter into this contract by Chapter 771, Government Code; HB 3097, 81st Leg., Regular Session, 2009 (hereafter HB 3097); and SB 1420, 82nd Leg., Regular Session, 2011 (hereafter SB 1420).

III. TERM

This contract begins September 1, 2016, and terminates at the end of August 31, 2017.

IV. MAXIMUM AMOUNT PAYABLE

The maximum amount payable by TxDMV to TxDOT under this contract shall not exceed \$2.~~0025~~ million, unless this amount is amended as provided by Section XIV of this contract.

The maximum amount payable by TxDOT to TxDMV under this contract shall not exceed \$1 million, unless this amount is amended as provided by Section XIV of this contract.

V. SCOPE AND INTENT

It is the intent of the parties that this contract shall govern the provision of services and the reimbursement of actual costs.

VI. NOTICES

Official notices under this contract shall be sent by first-class mail. Advance copies may be sent by facsimile transmission or email. Official notices shall be directed as follows.

Notices to TxDMV:
Executive Director
Texas Department of Motor Vehicles
4000 Jackson Avenue
Austin, TX 78731
(512) 465-3001 Phone
(512) 465-3004 Fax

Notices to TxDOT:
Director of Contract Services
Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701
(512) 416-4620 Phone
(512) 416-4621 Fax

VII. FUNDING

The agency that provides deliverables (performing agency) to the other agency (receiving agency) shall provide an itemized invoice to the receiving agency, except as otherwise stated in this contract.

The receiving agency shall pay the actual costs of all deliverables provided by or through the performing agency under this contract, except as stated otherwise in this contract.

The basis for calculating actual costs is set forth in Attachment A, which is incorporated by reference in this contract. Actual costs shall be invoiced no more frequently than monthly and within 90 days of the date those costs are incurred.

Neither agency shall make a profit from its participation in this contract.

VIII. FACILITIES, EQUIPMENT, AND PERSONNEL

- A. TxDMV personnel may occupy assigned TxDOT facilities and use TxDOT equipment on the same terms as TxDOT employees. [For facilities where TxDOT controls access to buildings,](#) TxDOT shall issue security badges to TxDMV employees, board members, and contractors. The badges shall associate the recipients with TxDMV and enable access to TxDOT facilities as required by TxDMV business operations. Neither agency shall have any right of access to buildings occupied exclusively by the other agency except to perform functions

authorized by the contract. Either party may mutually agree on an ad hoc basis to permit the other party access for the purpose of a particular function. TxDMV shall make no alterations or additions to TxDOT facilities without prior written approval from TxDOT.

- B. TxDMV shall give TxDOT one year written notice of its intent to vacate a TxDOT facility (whether owned by or leased to TxDOT) unless agreed otherwise by the parties. TxDOT shall give TxDMV one year written notice to vacate prior to the date TxDMV is required to vacate a TxDOT facility, regardless of whether TxDOT owns or leases the facility, ~~provided, however, that TxDOT shall not serve TxDMV with a notice to vacate prior to August 31, 2016.~~
- C. TxDMV employees shall have access to TxDOT resources (such as Crossroads ~~and HROnline~~) as agreed to by both parties. Domain Admin and Supervisor Access will no longer be provided without agreement in advance by TxDMV and TxDOT. ~~TxDOT shall continue to allow TxDMV employees to use the current installation of HROnline until TxDMV completely migrates all HR functions to the Centralized Accounting Payroll and Personnel System (CAPPS). During the term of this contract, TxDOT shall provide TxDMV with assistance in effecting secure data transfer using existing resources, including HROnline.~~ Use of TxDOT computer equipment by any TxDMV employee shall be conditioned on that employee's execution of and adherence to an agreement stating the employee shall adhere to all TxDOT policies governing the use of TxDOT computer equipment. TxDMV shall take appropriate action to protect TxDOT's network and computer system from misuse. In the case of contradiction between TxDOT and TxDMV policies or procedures governing equipment, network or systems, TxDOT policies and procedures take precedence as it relates to TxDOT equipment, network, or systems, and TxDMV policies and procedures take precedence as it relates to TxDMV equipment, networks or systems.
- D. Because TxDOT has outsourced most of its information technology functions and has no way of capturing the labor or incremental cost of those functions, TxDOT shall have no responsibility for providing TxDMV with services that TxDOT obtains through a contractor.
- E. TxDMV shall obtain prior approval (both via TxDMV Change Advisory Board (TxDMV CAB) and the TxDOT Change Advisory Board (TxDOT CAB)) from TxDOT before installing or maintaining hardware or software not included in the TxDOTNow Service Catalog on devices that are connected to TxDOT's network. If agreement cannot be reached between the TxDMV Chief Information Officer and the TxDOT Information Management Division Director, then the hardware or software shall not be used on TxDOT's network or other technical infrastructure. TxDOT may remove hardware or software placed into service that is not approved in advance via TxDMV CAB and TxDOT CAB, or cause such hardware or software to cease to function. Every effort should be made by TxDMV to add new software and hardware to the TxDMV network and not to the TxDOT

network. For all software installed on the TxDOT network, TxDMV will abide by the TxDOT Software Asset Management Policy; however, TxDOT must provide a copy of the Software Asset Management Policy to TxDMV within 15 days after the entry of this agreement, and must provide any amendments within 15 days after those amendments become effective..

- F. Wherever and whenever TxDMV employees occupy space owned or leased by TxDOT, TxDMV and its employees shall follow facility management, building maintenance, parking, and security policies, procedures, and standards established by TxDOT. Requests for deviation from these policies, procedures, and standards shall be reviewed as needed by a committee consisting of two persons appointed by TxDOT and two persons appointed by TxDMV. No deviation is permitted without TxDOT's advance written approval.
- G. In the event of a disaster affecting TxDMV headquarters, TxDOT agrees to provide additional office space to TxDMV as specified in Appendix I.
- H. During separation activities, TxDMV shall notify TxDOT of the separation of shared services and any costs anticipated as a result of the separation via TxDMV and TxDOT CAB. If TxDOT discontinues use of a shared service billed through DCS before TxDMV discontinues use of the same service, TxDMV shall pay for all DCS charges directly related to that service until DCS decommissions the service and discontinues associated billing. If TxDMV discontinues use of a shared service billed through DCS before TxDOT discontinues use of the same service, TxDOT shall pay for all DCS charges directly related to that service until DCS decommissions the service and discontinues associated billing.

IX. SHARING OF INFORMATION

The parties shall share information as necessary to fulfill the terms of this contract.

Each party shall promptly notify the other party of any changes that may reasonably affect the operations of the other party, and both parties shall cooperate fully in managing those changes. TxDMV shall promptly notify TxDOT of any significant changes in operations and shall promptly provide TxDOT with copies of any required documentation. Each party shall keep the other party informed of any significant issues relating to contemplated or pending litigation or requests for information that may affect the responsibilities of the other party.

Neither party is authorized to accept a public information request, service of a subpoena, or any other formal notice on behalf of the other party.

The parties shall cooperate fully in preparing any reports required by state or federal law.

To the extent permitted by law, each party shall treat the other party's information as confidential. As provided in HB 3097, SB 1420 and the Texas Public Information Act

(Tex. Government Code Ch. 552), confidential information of one party shall remain confidential despite its disclosure to the other party, and disclosure between the parties shall not act as a waiver of confidentiality.

TxDMV shall continue to provide TxDOT batch inquiry title and registration information from the Texas Motor Vehicle Title and Registration database and remote electronic access through Motor Vehicle Inquiry to the Motor Vehicle Title and Registration database without charge, as further outlined in Section XI, Services to be Provided by TxDMV.

TxDOT must use its best efforts to timely provide TxDMV with current information TxDMV needs to issue and to complete permits under Chapters 621 through 623, Transportation Code. TxDOT must use its best efforts to timely provide TxDMV with such information through direct lines of communication to enable TxDMV to timely serve the motor carrier industry. TxDOT shall continue to provide access to Crossroads resources necessary for TxDMV to map restrictions and route oversize/overweight loads (as specified further in subsection X.J., below).

TxDMV shall provide access to TxDOT to all records and reports necessary to enable TxDOT to determine that accurate road and maintenance information is being used by TxDMV to issue permits under Chapters 621 through 623, Transportation Code.

Both parties must use best efforts to ensure that they do not introduce into the other party's electronic systems any malware, including, but not limited to viruses, spyware, computer worms, Trojan horses, rootkits, dishonest adware, and other malicious or unwanted software.

Each party understands and acknowledges that it uses the other party's systems at its own risk. Neither party shall be responsible to the other for any injury, damage, liability, claims or suits resulting from the party's use of the other party's systems.

X. SERVICES TO BE PROVIDED BY TXDOT

At the request of TxDMV, TxDOT shall provide the following support services to TxDMV:

- A. Validation tests for license plates and other related registration and titling insignia per TxDMV specifications.
- B. Facility maintenance support to include building maintenance, parking, and security.
- C. Facility support and access to shop services for the TxDMV regional office employees in the same manner as TxDOT employees.

- D. Contact information for two employees per district assigned to coordinate with TxDMV on permit issues during regular TxDOT office hours and emergency contact information for after hour and weekend emergency situations.
- E. Information regarding road restrictions, maintenance schedules, and any other relevant information that will affect the issuance of oversize and overweight permits.
- F. Auditing of TxDMV records to determine that all road information provided by TxDOT is being used in the issuance of oversize and overweight permits.
- G. If TxDOT discovers that it has provided incorrect road information to TxDMV which has been or will be used in the issuance of an oversize or overweight permit, TxDOT shall take all actions available to correct the information to limit damage to the roadway or other hazards.
- H. TxDOT shall cooperate with TxDMV and provide access to shared servers as TxDMV implements the Application Migration and Server Infrastructure Transformation project. TxDMV agrees to pay for any contractor cost incurred by TxDOT and not explicitly contracted for by TxDMV.
- I. TxDOT shall provide continued access to TxDOT Intranet (Crossroads) resources used to map restrictions needed to route oversize/overweight loads, including:
 - 1. TxDOT Permanent Structure Numbers: <http://crossroads/apps/psn/>
 - 2. Mapping and Reporting: <http://crossroads/org/tpp/Mapping/BranchPage.html>
 - 3. TxDOT's TARHE Geodatabase
 - 4. GIS Coordinators: <http://txspapp1/tsd/esdss/sggs/gis/Lists/GIS%20Coordinators/GIS%20Coordinators.aspx>
 - 5. Bridge database: <http://txspapp1/brg/bu/default.aspx>
 - 6. TxDOT LZ bridges: <http://apps.dot.state.tx.us/apps/gis/lrbm/>
 - 7. TxDOT Crossroads: <http://crossroads/>
 - 8. TxDOT statewide mapping: <http://crossroads/org/tpp/StatewideMapping/>
 - 9. TPP: <http://crossroads/org/tpp/>
 - 10. TxDOT Roadway portal: http://iapps/apps/txdot_gis_portal/Map.aspx
 - 11. PonTex: <https://citrix.txdot.gov/Citrix/XenApp/auth/login.aspx>
 - 12. UCDB: <http://iapps/apps/ucdb/>

- 13. LIDAR data and updates: received from Bridge Division
- 14. Daily posting of Structure.Pontis_Brinsap_Mst_Pnt feature class data (Pontis data) from TxDOT GIS GDB to PSDC FTP site for use by TxPROS.

J. TxDMV shall send a representative to the weekly TxDOT CAB in order to receive notification of changes to shared infrastructure. In addition, TxDOT will distribute TxDOT CAB meeting minutes via the CAB distribution list, which includes key TxDMV IT personnel.

K. TxDOT shall ensure that TxDOT district offices and coordinate with TxDMV the handling of OS/OW traffic in emergency/disaster events. TxDOT will maintain TxDMV on the TxDOT's statewide Emergency Operations Center (EOC) notification list. TxDOT District Permit Coordinators and/or Maintenance Supervisors/Area Engineers shall provide TxDMV with timely emergency road closure notifications, including contra flow locations through the TxDMV's Emergency Operations Center email address MCD-EOC@txdmv.gov. TxDOT District Permit Coordinators and/or Maintenance Supervisors/Area Engineers shall provide TxDMV with alternate contact information, including contacts for local law enforcement and/or other emergency personnel, for the purposes of assisting with OS/OW loads in emergency/disaster events.

J.L. TxDOT shall provide TxDMV access to crash records information (CRIS) without charge.

XI. SERVICES TO BE PROVIDED BY TxDMV

- A. TxDMV shall scan any bonds filed with TxDMV (that are payable to TxDOT) and provide TxDOT with an electronic copy of any bond, upon TxDOT's request. TxDOT authorizes TxDMV to destroy the original bond once TxDMV creates an electronic copy.
- B. TxDMV shall provide contract management services for any enhancements or modifications TxDOT requests regarding the Texas Permitting & Routing Optimization System (TxPROS). TxDMV shall bill TxDOT for any time and materials associated with such contract management services.
- C. TxDMV shall not alter or disregard road information provided by TxDOT for the purposes of oversize or overweight permits. To the extent TxDOT provides TxDMV with a notification of a route or road restriction, TxDMV shall not issue an

oversize or overweight permit that does not apply the new route or road information. TxDMV shall also not alter a route designated or approved by TxDOT in the issuance of an oversize or overweight permit. If TxDMV needs to vary a route to complete a requested permit, TxDMV must work with TxDOT to obtain approval on an alternate route designation.

D. If TxDOT discovers that TxDMV did not take into account road information provided by TxDOT in the issuance of an oversize or overweight permit, TxDMV shall take all actions available to correct the permit to limit damage to the roadway.

D.E. ~~No~~ TxDMV shall not take actions that allow permitted loads shall to be routed onto any TxDOT-operated toll road, as long as TxDOT provides TxDMV with the applicable road restriction information as required by Section X.E. of this contract.

E.F. TxDMV shall continue to provide TxDOT batch inquiry title and registration information from the Texas Motor Vehicle Title and Registration database without charge. TxDMV shall continue providing the information to TxDOT or its vendor in a secure manner as it has under prior versions of the Interagency Contract with TxDOT. The parties may agree, through their respective Chief Information Officers, to a different delivery method. TxDMV shall also work with TxDOT to ensure the batch inquiry is inclusive of all Texas plates and tags registered with TxDMV, including, but not limited to eTags, temporary permits, commercial fleet plates such as apportioned plates, and dealer license plates. TxDMV shall also continue to provide the files required for processing special license plates. TxDMV and TxDOT shall jointly develop a process for exchanging updated customer address information to ensure the most current information available is maintained between the two agency systems who utilize registration information.

G. TxDMV shall take the actions required by Texas Transportation Code §502.011 to deny registration of a motor vehicle after TxDOT provides written notice of a final determination that the registered owner of a motor vehicle is a habitual violator (HV) in accordance with Transportation Code, Subchapter C, Chapter 372. TxDOT Toll Operations Division (TOD) shall provide the list of habitual violators, pay required fees for entry of registration blocks, and notify TxDMV when an HV is no longer determined to be a habitual violator or an appeal has been perfected.

~~F.H. TxDMV shall also provide TxDOT with remote electronic access through Motor Vehicle Inquiry to the Motor Vehicle Title and Registration database without charge. Except in connection with a criminal investigation or prosecution in conjunction with law enforcement, TxDOT shall be assessed the required fee(s) for TxDMV staff to without charge. TxDOT shall be assessed the required fee(s) for TxDMV staff to and conduct title history research, production of title history documents, and certification of these documents without charge. TxDOT may provide a part time or full-time employee to conduct this work. This employee would work under the supervision of TxDMV to perform title history searches exclusively for TxDOT at no cost. TxDOT shall provide TxDMV access to crash records information (CRIS) without charge.~~

~~I. TxDMV and TxDOT will jointly create a working group made up of staff from the two agencies to study discuss possible interfaces between TxDOT toll operations and TxDMV regional service centers. The working group shall publish a report to the respective executive directors of the two agencies Any recommendations developed through these discussions may be considered no later than May 31, 2016 for possible inclusion of additional terms in the FY 2017~~8~~ Interagency Contract.~~

~~G.J. TxDMV will provide TxDOT District offices with emergency contact information and instructions necessary to reach TxDMV OS/OW staff in the event of an emergency requiring coordination as required under paragraph X.K, above. The TxDMV will notify the EOC groups via email of procedures and hours of operations for each emergency/disaster situation.~~

~~H. TxDMV will complete the following separation tasks no later than the end of the term of this agreement:~~

- ~~1. Separation of all Antivirus services~~
- ~~2. Separation of all LANDesk services~~
- ~~3. Migrate all Voice services~~
~~— Migrate all WAN services~~
- ~~4. Separation of Active Directory, DNS, and eDir services for eGrants and FileNet.~~
- ~~4. Migrate the following TxDMV servers out of the TxDOT environment: eTags, eGrants, and FileNet.~~
- ~~4. TxDMV will patch any servers or workstations under TxDMV control in the TxDOT network within 30 days of the patch release date unless TxDMV determines applying such a patch will have negative operational impact. In such cases, TxDMV will promptly notify TxDOT of the affected patch,~~

~~expected negative impact, affected equipment, the risk of leaving the equipment unpatched in the environment, and the date by which such a patch will be applied.~~

- ~~5. Additionally, by no later than January 31, 2016, TxDMV will provide to TxDOT a list of all TxDMV applications, servers, and services running in TxDOT environments with planned dates for the migration of those applications, servers, and services out of the TxDOT environment.~~

XII. LITIGATION AND LIABILITY

TxDMV shall be solely responsible for any litigation that was managed before November 1, 2009, by one of the TxDMV divisions that transferred under HB 3097, without regard to when the litigation arose or was filed. TxDMV shall be solely responsible for any litigation that was managed before January 1, 2012, by the TxDOT Motor Carrier Division that transferred under SB 1420, without regard to when the litigation arose or was filed. With respect to any other litigation arising out of events that occurred before the November 1, 2009, transfer under HB 3097 or the January 1, 2012, transfer under SB 1420, TxDOT shall retain responsibility, without regard to whether the litigation relates to activities or employees of TxDMV.

Whenever one party is involved in litigation that relates to activities or employees of the other party or that may reasonably involve payments from appropriation strategies that are allocated to the other party, the party managing the litigation shall provide the other party with timely copies of all pleadings and shall not settle the litigation without the prior consent of the other party. Liability arising from litigation shall be charged to the appropriations strategy of the activity that gave rise to the litigation.

XIII. RESPONSIBILITIES OF THE PARTIES

This contract does not create a partnership, joint venture, or other joint enterprise. It is an agreement between two independent state agencies governing their mutual rights and obligations. Each party acknowledges that it is not an agent, servant, or employee of the other party. Each party is solely responsible for its own acts and deeds and for those of its agents, servants, or employees.

XIV. AMENDMENTS

This contract may only be amended by a written supplement executed by both parties prior to the expiration of the contract.

XV. TERMINATION

This contract may be terminated by satisfactory completion of all services and obligations

contained in this contract, by mutual written agreement, or as provided by Section III of this contract.

XVI. COMPLIANCE WITH LAWS

The parties shall comply with all federal, state, and local laws, statutes, ordinances, rules, and regulations and with the orders and decrees of any courts or administrative bodies or tribunals in any manner affecting the performance of this contract.

XVII. RIGHTS AND OBLIGATIONS OF THE PARTIES REGARDING TxPROS

- A. Although all ownership rights in TxPROS transferred to TxDMV on January 1, 2012, TxDMV shall provide TxDOT with reasonable access to and the right to use TxPROS for the purposes of carrying out TxDOT's statutory functions. TxDMV shall provide this access to TxDOT at no cost.
- B. TxDMV shall be responsible for maintaining TxPROS, using money specifically appropriated for this purpose.
- C. Each party is responsible for paying for any modifications or enhancements that it makes or causes to be made to TxPROS. TxDMV is responsible for contracting with a vendor or otherwise providing personnel to make any modifications or enhancements that TxDMV authorizes to be made to TxPROS.
- D. If TxDOT wants to make any modifications or enhancements to TxPROS, the TxDOT Information Management Division Director shall provide to the TxDMV Chief Information Officer the specifications and scope of work for the proposed modifications or enhancements. If agreement cannot be reached between the TxDMV Chief Information Officer and the TxDOT Information Management Division Director regarding any TxDOT proposed modifications or enhancements, then TxDOT's Executive Director may escalate the issue to the TxDMV Executive Director for consideration.
- E. The contact information for the respective Chief Information Officers is as follows:

Eric Obermier
TxDMV Chief Information Officer
E-mail: eric.obermier@txdmv.gov

Phone: (512) 465-4040

Tim Jennings

TxDOT Information Management Division Director

E-mail: tim.jennings@txdot.gov

Phone: (512) 467-3837

- F. TxDMV has the final say on any TxDOT requested modifications or enhancements to TxPROS. To the extent TxDMV determines any TxDOT proposed modification or enhancement shall not be made, TxDMV shall supply TxDOT with written justification for the decision.
- G. The primary purpose for TxPROS is for the permitting and routing of oversize or overweight motor vehicles. TxDMV shall consider this fact when making any decisions regarding any modifications or enhancements to TxPROS. Also, TxDOT is only authorized to request modifications or enhancements to TxPROS to enable TxPROS to run reports or to provide improvements on the collection of road information provided by TxDOT.
- H. To the extent TxDMV wants to make any modifications or enhancements to TxPROS that affect the report, access, or audit capabilities of TxDOT, the TxDMV Chief Information Officer shall coordinate those modifications with the TxDOT Information Management Division Director, including the specifications and scope of work for the proposed modifications or enhancements.
- I. The parties shall act in good faith regarding any modifications or enhancements to TxPROS to minimize the impact to the other agency's operations.
- J. To the extent TxDMV authorizes any TxDOT proposed modifications or enhancements, TxDMV shall serve as the contract manager for the modifications or enhancements.
- K. Regarding any TxDOT proposed enhancements or modifications to TxPROS, TxDOT shall do the following:
 - 1. Jointly participate in any contract negotiations,
 - 2. Approve any contracts prior to signature,
 - 3. Jointly review any deliverables with the TxDMV contract manager,
 - 4. Approve any receiving reports that TxDMV creates,

- 5. Timely notify TxDMV of any reason to dispute payment under Chapter 2251, Government Code, and
- 6. Timely transfer money to TxDMV to pay for any deliverables prior to any payment deadlines under Chapter 2251, Government Code. TxDOT is responsible for any interest that results from an overdue payment if the late payment is due to TxDOT's failure to timely transfer money to TxDMV to pay any invoice.

L. With the exception of the following, TxDOT owns the data it inputs or causes to be input into TxPROS:

- 1. Data regarding the issuance and completion of any permits; and
- 2. Any data purchased from a third party under a contract that says otherwise.

M. TxDMV owns the data regarding the issuance and completion of any permits.

XVIII. SEVERABILITY

If any provision of this contract is held by a final judgment or order of a court of competent jurisdiction to be invalid, unenforceable, or illegal, such provision shall be reformed to the minimum extent necessary to permit enforcement thereof. The validity, enforceability, or legality of the remaining provisions of this contract shall not be affected or impaired, even if such invalid, unenforceable, or illegal provision cannot be reformed.

THE UNDERSIGNED PARTIES bind their respective agency to the faithful performance of this contract.

Texas Department of Transportation

Texas Department of Motor Vehicles

James M. Bass
Executive Director

Whitney Brewster
Executive Director

Date: _____

Date: _____

Attachment A

Cost of Services Provided by TxDOT Generally to State Agencies

TxDOT provides some services to multiple state agencies, including flight services and printing services. These services shall not be included or invoiced under this contract, and TxDMV shall be eligible to use these services in the same way and on the same terms as other state agencies.

Cost of Operating and Maintaining Facilities

TxDOT shall invoice TxDMV for time and materials associated with routine building operations, including utilities, routine building and grounds maintenance, security, and lease payments made by TxDOT on TxDMV's behalf unless the expense was included in TxDOT's appropriations. As of September 1, 2016, this amount is estimated at \$50,000 per month and shall be adjusted to reflect demonstrated changes in the number or quantity of services provided by TxDOT with regard to facilities. TxDMV shall reimburse TxDOT for actual costs associated with requests for the relocation of fixed walls.

All Other Costs

All other costs shall be billed on the basis of actual costs incurred by TxDOT or TxDMV. Time of TxDOT or TxDMV employees shall be invoiced on an hourly basis at their appropriate pay rate. Materials shall be invoiced on a unit basis and shall consist of the actual cost to TxDOT or TxDMV for those materials.

Interagency Contract (IAC) Management

TxDMV and TxDOT agree to appoint a single point-of-contact for information technology (IT) issues, a single point-of-contact for non-IT issues, and back-up personnel to facilitate the process for requesting services and invoicing for those services between the two agencies. The designated points-of-contact in each agency shall act as the TxDMV and TxDOT project manager(s).

The Project Managers are as follows:

TxDMV Project Manager, Non-IT: Sergio Rey, Director of Accounting

TxDMV Back-Up Project Manager, Non-IT: David Chambers, Director of Purchasing

TxDMV Project Manager, IT: Eric Obermier, CIO

TxDMV Back-Up Project Manager, IT: Josh Kuntz, Information Security Officer

TxDOT Project Manager: Casey Rowe, Revenue Accounting Manager

TxDOT Back-Up Project Manager: Crystal Myers, Accounting Specialist

TxDOT Project Manager, IT: Tim Jennings, Information Management Division Director

TxDOT Back-Up Project Manager, IT: Dan Teczar, Operations Excellence Coordinator

“Emergency situation” is defined as any unexpected, non-routine event which damages or affects the utility or safety of any building, system, or portion or component of a building in such a way that it prevents the reasonable business operational use of some or all of the facility. This does not include routine maintenance or normal wear and tear events.

Non-Emergency Services

Except in the event of a non-emergency situation, all work to be performed under this contract involving the cost of labor for agency employees shall be requested and performed through the use of a "Work Authorization" (WA). A single WA shall be issued on recurring services at the beginning of the fiscal year.

The receiving agency's Project Manager (PM) shall provide the performing agency's PM with a signed WA prior to any non-emergency work being done. If the requesting receiving agency has not issued a WA, the other-performing agency shall have no obligation to provide the requested services. Any non-emergency work done without a signed WA shall not be billable under this contract. All approvals regarding work to be done under this contract shall occur between the TxDMV and TxDOT PM's.

Performing agency shall respond to all WA requests for non-emergency work, and shall arrange for work to be performed within X days, unless mutually agreed by both parties.

Emergency Services

In the event of an emergency situation requiring work to be performed before a WA can be issued, the receiving agency's PM must submit a request to the performing agency's PM in writing, outlining the requested work and noting that the work requested is due to an emergency. The receiving agency shall follow up with a written WA within two business days of the event. Upon receipt of an itemized invoice, the receiving agency will reimburse the performing agency for its actual costs in performing the work. ~~No WA will be required for reimbursement.~~ The receiving agency can request review of the causation of the emergency situation to determine if acts or omissions of the performing agency contributed to the event, and request that the performing agency pay some or all of the cost. TxDMV and TxDOT PM's shall discuss and negotiate any such request, which may subsequently be subject to the Dispute Resolution Procedure set forth in this Attachment.

Routine Maintenance, Service and Utility Costs

Receiving agency shall pay for routine facility costs as set forth in Appendix II. The designated Project Managers for the receiving and performing agency may review and adjust the charges on a periodic basis without the need for amending this contract, so long as any changes would not result in an expenditure in excess of an agency's overall "not to exceed" budget amount in Paragraph IV of the agreement.

Data Center Services

TxDMV shall reimburse TxDOT monthly for the actual cost of data center services (DCS) being billed through TxDOT and not directly to TxDMV. The amount shall be

adjusted based on changes in the number or quantity of services that are billed through TxDOT. **TxDOT will be conducting significant consolidation and decommissioning activities this year.** If these activities will impact a TxDMV/TxDOT shared service, TxDOT shall provide TxDMV notification in advance and parties shall coordinate as needed. Conversely, any DCS changes initiated by TxDMV that impact TxDOT infrastructure shall be approved in TxDOT CAB prior to the change being implemented by DCS.

Technology Daily Operations

Requests for unusual support or involving the performance of work by TxDOT employees shall be billed by TxDOT to TxDMV at actual cost. Any requests by TxDMV that are implemented by a TxDOT contractor, including NTT DATA, shall be coordinated under a direct agreement between TxDMV and the application contractor. Billings shall be made directly to TxDMV with no TxDOT involvement or action required.

Billing Review for IT Services

On a quarterly basis the IT Project Managers (IT PMs) shall review the receiving agency's use of DCS, software and server components governed by this agreement. The IT PMs may agree to adjust the charges for IT services without the need for amendment to this agreement, so long as any changes would not result in expenditure in excess of an agency's overall "not to exceed" budget amount in Paragraph IV of the agreement.

Work Authorization

Each WA shall include the following information:

- a. the date of the request;
- b. the date range of work authorized to be performed;
- c. the amount of time authorized for delivery of services;
- d. the amount of expenditure authorized;
- e. a description of the deliverables/services authorized;
- f. the physical location where the services are authorized to be performed;
- g. a WA number;
- h. the receiving agency's division number; and
- i. the receiving agency's index to be charged.

Submitting Invoices

The receiving agency shall pay the performing agency on the basis of itemized invoices submitted to and approved by the receiving agency, showing:

- a. a copy of the WA;
- b. the performing agency's Identification Number;
- c. the performing agency's PM's e-mail address and phone number;
- d. the date range of work performed for the associated charge;
- e. copies of the original documentation that validates the charges, including third party invoices, and the performing agency's Staff Name/Salary Rate/Hours Worked. The receiving agency shall require re-submission of any third party vendor invoices which are not clear in the description, are illegible in the

- description, or do not match the description of the WA. The receiving agency shall notify the performing agency that additional information is required;
- f. the USAS Comptroller Object of Expense;
 - g. allocation methodology; and
 - h. a certification that the charges shown are reasonable and necessary, and all appropriate and required supporting documentation is attached.

~~The methodology for utilities as (i.e., gas, water, waste, and electricity) and other service charges (i.e., security, grounds maintenance, etc.) shall be by square footage as indicated in the occupied space allocation kept by TxDOT's Building Services. Space allocation changes by service meter should be submitted by TxDOT SSD to be reviewed and approved by TxDMV annually and as changes occur. The space allocation approval must be presented to both the TxDOT and TxDMV Project Managers so that third party utility billing allocation percentages can be adjusted prior to future billings. Billing allocation percentages will be reviewed and updated annually at the time of contract. However, if a facility is occupied exclusively by TxDMV and TxDMV has a separate meter for such utilities or other services, TxDMV shall reimburse TxDOT for actual costs associated with such utilities or other services. In that case TxDMV shall use its best efforts to arrange for direct billing to TxDMV by the utility company.~~

TxDOT must e-mail all invoices and supporting documentation to TxDMV at: DMV_FIN-INVOICES@txdmv.gov

TxDMV must e-mail all invoices and supporting documentation to TxDOT at: casey.rowe@txdot.gov and crystal.myers@txdot.gov.

If the invoices are clear and complete, then the receiving agency shall process payment for all performing agency invoices submitted in accordance with this contract and Comptroller Post-Payment Audit guidelines. The receiving agency shall reimburse the performing agency within 30 calendar days of receipt. If the invoices are not clear and complete, then the receiving agency shall notify the performing agency of the need for clarification or documentation. The receiving agency may also request additional documentation necessary for post-payment audit purposes. In addition, the receiving agency shall inform the performing agency of disputed items in any invoice within five (5) calendar days of receipt. Any items not disputed within this five calendar day period will be deemed acceptable.

Dispute Resolution

Any dispute over billing, payment or other issues arising in this Attachment or the Interagency Contract (IAC) generally shall be first discussed and negotiated by the two parties assigned to the task under the IAC. If they cannot agree on a resolution, the matter shall be summarized by the two parties and submitted to the Project Managers (PMs) specified under the IAC. If the two PMs cannot agree on a resolution, the matter

shall be summarized and submitted to the Chief Financial Officer (CFO) of each agency. The agency CFOs shall be the final arbiter of all disputes.

Appendix I

TxDMV Use of TxDOT Austin Regional Office Space in the Event of Disaster

This Appendix is made part of the Interagency Contract between TxDOT and TxDMV, and is subject to all of the general terms and conditions of that Contract.

TxDMV responsibilities:

- A. TxDMV shall provide written notice (email allowed) to TxDOT upon declaration of a disaster. A disaster for which the TxDMV Continuity of Operations Plan is implemented may be declared only by the TxDMV Executive Director, Deputy Executive Director, Chief Financial Officer, Chief Information Officer or General Counsel. The notice shall reference this Appendix to the Interagency Contract and request use of the Austin Regional Center (ARC) at the TxDOT Austin Parmer Lane Regional Office pursuant to the requirements and limitations of this Appendix.
- B. TxDMV shall directly pay for and oversee any modifications necessary to the ARC, and any temporary installations, temporary facilities such as portable restrooms, generators, air conditioning or heating systems, computer or phone equipment, lighting, utilities or similar items needed to support temporary operations. TxDOT shall not be responsible for making any modifications unless otherwise agreed in writing.
- C. TxDMV shall reimburse TxDOT for any actual costs incurred due to TxDMV's use and occupancy of the ARC space, so long as TxDOT notifies TxDMV as soon as possible when it begins to incur costs (no longer than 48 hours after costs are being incurred) and allows TxDMV to provide alternative resources to offset TxDOT costs if possible.
- D. TxDMV shall be responsible and liable for the safety, injury, and health of all TxDMV employees or contractors in the alternative facility.
- E. During a disaster with a duration of more than 2 weeks, DMV may augment work space by leasing one or more temporary office trailers to be located in the ARC parking areas. TxDMV shall obtain and pay for the trailer(s) and any modifications, utility installation and expense, and all associated costs (including demobilization and removal). TxDMV shall consult with and obtain prior written permission from TxDOT for the location of these temporary trailers and all associated support structures.
- F. TxDMV shall remove and pay the cost of all modifications made to the ARC after cessation of emergency operations, unless TxDOT informs TxDMV in writing to

leave specific modifications in place.

- G. TxDMV shall repair any damage to the ARC caused during TxDMV use of the facility during the emergency.
- H. During the period of use of the ARC, TxDMV and its employees shall follow facility management, building maintenance, parking and security policies, procedures, and standards established by TxDOT. Requests for deviation from these policies, procedures, and standards shall be submitted in writing by TxDMV to TxDOT, who shall reply as soon as possible, but no later than 48 hours after the request.
- I. During the occupancy of space at the ARC, TxDMV shall provide TxDOT weekly status reports regarding the use of the ARC and TxDMV's progress in responding to the disaster and either returning operations to the TxDMV Headquarters site or another location.
- J. Within two weeks of the conclusion of the disaster and moving all equipment and personnel out of the ARC, TxDMV shall provide a final report to TxDOT documenting all modifications performed and any repairs needed or modifications not yet removed along with a schedule for completion of those items.

TxDOT responsibilities:

- A. Upon receipt of notice of a declared disaster as set forth in the TxDMV Responsibilities section, TxDOT shall provide as soon as practical, but in no case later than 24 hours after notice, the following support services to TxDMV for the duration of the disaster:
 - 1. Use of:
 - a. all available, unused office space in the TxDOT-controlled portions of the main building at the ARC, including all in-place utilities and fixtures;
 - b. the main conference room in the main building of the ARC;
 - c. two equipment maintenance bays (non-climate controlled space with overhead door access), preferably the two bays immediately adjacent at the rear of the main ARC office building.
 - 2. For a disaster of a duration of more than two weeks, upon written request from TxDMV, space for placement of one or more temporary office trailers, in a location as near as possible to the main ARC building.
 - 3. 24-hour controlled access to the referenced buildings, facilities and associated parking lots.
 - 4. Cooperation on installation and use of portable or temporary equipment or

facilities such as generators, portable buildings, computer or phone equipment, tables, chairs, desks, air conditioners, fans, cabling and the like.

- B. Within 30 days of notice from TxDMV of the cessation of a disaster, TxDOT shall provide notice to TxDMV of any necessary repairs or expenses incurred due to TxDMV's use of the ARC premises, and shall include in that notice any requests to retain any equipment or modifications which would otherwise be removed or surplus by TxDMV.
- C. TxDOT shall notify TxDMV within 48 hours of incurring any expenses as a result of TxDMV's occupancy of the additional ARC space under this Appendix, and shall allow TxDMV to provide alternative services or personnel to avoid or offset such costs.



DATE: August 3, 2016
Action Requested: Approval

To: Texas Department of Motor Vehicles Finance and Audit Committee
From: Linda M. Flores, CPA, Chief Financial Officer
Agenda Item: 2. A. 2.
Subject: FY 2018-2019 Legislative Appropriations Request, Baseline and Exceptional Items

RECOMMENDATION

Approval of the Legislative Appropriations Request, or LAR, for the upcoming 2018-19 biennium. As part of the approval recommendation staff requests that the Finance Committee give approval for staff to make minor changes to the LAR as needed, as well as more significant modifications with approval and input from the Executive Director and the Chairman of Finance and Audit.

PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles (TxDMV), in order to achieve its goals, strategies and objectives during the next biennium, and as the agency looks toward the future, is requesting \$328.3 million in its baseline budget request, which includes a request for capital authority in the amount of \$41.8 million. Additionally, the agency is requesting \$105 million in exceptional items.

FINANCIAL IMPACT

TxDmv is a net revenue-generating agency for the state. Effective September 1, 2016, TxDMV will begin depositing revenue into a new agency fund recreated by the 84th Legislature, the TxDMV Fund (0010). The agency's budget request is supported by collections. The staff estimates that TxDMV will collect approximately \$3.86 billion for the State while retaining \$328.3 million for baseline agency operations over the biennium. The majority of the LAR request will be funded from the TxDMV Fund which includes the newly created processing and handling fee (P&H). The LAR request also includes General Revenue (GR) funding for baseline and exceptional items for the Automobile Burglary & Theft Prevention Authority.

BACKGROUND AND DISCUSSION

The agency's baseline request includes several initiatives to reduce and refine the budget request to remain within the projected revenue including reducing capital expenditures primarily in automation budget requests which is offset by increased costs due to the implementation of centralized fulfillment of online registration renewals and absorbing credit card fees for online registration renewals.

The capital budget includes funding for Automation (\$11.7 million) primarily for Refactoring of the Registration and Titling System and costs related to the relocation of the TxDMV Headquarters; ongoing costs for the Data Center Services contract (\$16.7 million); replacement of computer equipment in the counties and at TxDMV headquarters (\$11.9 million); funding to relocate one regional service center and to replace aging fleet vehicles (\$1.5 million).

Five exceptional items totaling \$105 million and sixteen (16) full time equivalents (FTE) are recommended by the staff. The agency exceptional items includes:

- Operating costs related to the relocation of the TxDMV Headquarters a biennial total of \$74.8 million and three FTE
- Creation of a Special Investigation Unit, a biennial total of \$1.9 million and 13 FTE.
- Matching dollars for the Commercial Vehicle Information and Systems Networks (CVISN) grant are available for system and roadside projects that increase safety on the roads and increase the efficiency of moving commerce on



the roads. TxDMV is the lead agency for CVISN in Texas. A match of \$262,500 will allow the agency to receive \$1.5 million in federal funds.

The exceptional item list also includes a request from Chairman Garcia of the Auto Burglary and Theft Prevention Authority (ABTPA) for their items to be included in the final TxDMV LAR. The two items are restoration of the 4% GR reduction and an additional \$12.6 million per year (\$25.3 million biennial total) generated by a \$2.00 fee imposed on motor vehicle insurance policies for the express purpose of providing additional grant allocations to the agency's grantees.

The proposed LAR also includes one new rider which would allow the agency to spend any unexpended balances in appropriations between the first and second year of the biennium (FY 2018 and FY 2019).

Legislative Appropriation Request Process

OVERVIEW

Each year, TxDMV oversees the issuance of more than 24 million vehicle registration insignias and more than seven million vehicle titles. The agency licenses more than 34,000 motor vehicle dealers and a variety of other entities engaged in the motor vehicle sales and distribution industry, as well as salvage vehicle dealers. TxDMV credentials more than 50,000 motor carriers, issues more than 800,000 oversize/overweight permits and investigates approximately 16,000 complaints against dealers and motor carriers. It is estimated that in FY 2018-2019, the agency's deposit to the State Highway Fund will account for approximately 30 percent of that fund's total state revenues.

OVERVIEW OF BUDGET REQUEST

Aligning with the agency's FY 2017-2021 Strategic Plan, the agency's workforce focuses on three broad, strategic goals identified by the Board including: 1) Being Customer Centric, 2) Optimizing Services and Innovation, and 3) Being Performance Driven.

In complying with the directives of the 84th Legislature to become self-funded, the agency took several steps to reduce and refine its baseline budget in order to remain within the projected revenue the agency will generate including:

- Reducing Capital expenditures primarily in automation budget requests;
- Creating a processing and handling fee structure to fund registration and title services; and
- Reducing costs by implementing centralized fulfillment of online registration renewals and passing the cost savings on to customers.

In order to achieve its goals, strategies and objectives during the next biennium, and as the agency looks toward the future, TxDMV is requesting \$328.3 million in its baseline budget request, which includes a request for capital authority in the amount of \$41.8 million. Additionally, the agency is requesting \$105 million in exceptional items.

MAJOR FUNDING INITIATIVES

Three major initiatives have been identified as critical to TxDMV’s continued success. These items are included in the FY 2018-2019 baseline, capital budget and exceptional item appropriation request and are important steps in establishing TxDMV independence, both physically and systemically as follows:

- Acquisition and relocation of facilities;
- Automation Projects and Technological Innovation Activities; and
- Creating a Special Investigation Unit.

These initiatives are more fully discussed throughout this document.

10% GENERAL REVENUE REDUCTION

As part of the state’s budgeting instructions, state agencies are required to prepare a Legislative Appropriations Request (LAR) schedule reflecting a 10% biennial reduction to any programs funded from General Revenue (GR). The 10% reduction schedule is only implemented should the legislature decide that statewide budget cuts are needed for the upcoming biennium. Beginning in FY 2018, TxDMV will become a self-funded agency that will not be subject to the 10% GR reduction, with the exception of the Automobile Burglary and Theft Prevention Authority (ABTPA) program. The State deposits almost \$46 million annually in GR through the assessment of a \$2.00 fee on motor vehicle insurance policies. Statute states 50% of each fee collected may be appropriated only to the authority. Currently ABTPA is appropriated \$14.9 million annually. The agency is including a 10% reduction schedule in its request for the ABTPA program. The reduction schedules are prepared in 5% increments, and it is anticipated that each of the 5% reductions will impact grant funding.

LAR SUBMISSION TIMELINE



FY 2018-19 Estimated Revenue Collections by Fund

TxDMV is a net revenue-generating agency for the state, collecting revenues from registrations, licenses, titles, permits, and credentials for deposit into the State Highway Fund (Fund 0006), the primary source of funding for the state’s transportation and infrastructure system, and for deposit into the General Revenue Fund (Fund 0001). Effective September 1, 2016, TxDMV will begin depositing revenue into a new agency fund recreated by the 84th Legislature, the TxDMV Fund (0010). The agency collects significantly more revenue than its budget. For every \$1 the agency spends, it collects nearly \$12 in revenue.

TxDMV established a processing and handling fee (P&H) of \$4.75 in FY 2017. The table below reflects the impact to revenues for the five year period beginning in FY 2017, using moderate growth projections and implementation of P&H fee. For the FY 2018-19 biennium, TxDMV estimates it will collect approximately \$3.86 billion in total revenues: \$3.31 billion in the State Highway Fund 0006, \$212 million in General Revenue Fund 0001 and \$338 million in TxDMV Fund 0010. Revenue generated in General Revenue Fund 0001 remains fairly constant while revenue deposits in the State Highway Fund 0006 increase approximately \$47 million annually with the implementation of a P&H fee. In addition, TxDMV Fund 0010 revenue collections are projected to increase annually from natural growth and the P&H fee.

Estimated Revenue Collections					
Fund Type	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
State Highway Fund 0006	\$ 1,588,454,000	\$ 1,638,652,000	\$ 1,672,723,000	\$ 1,708,616,000	\$ 1,744,224,000
TxDMV Fund 0010	\$ 149,793,685	\$ 167,685,385	\$ 170,898,420	\$ 174,240,314	\$ 177,490,658
General Revenue Fund 0001	\$ 105,225,000	\$ 105,866,000	\$ 106,535,000	\$ 107,678,000	\$ 108,368,000
Total	\$ 1,843,472,685	\$ 1,912,203,385	\$ 1,950,156,420	\$ 1,990,534,314	\$ 2,030,082,658

FY 2018-19 Baseline Budget Appropriations Request by Strategy

The following table illustrates the estimated baseline budget appropriations by strategy. The baseline represents the amount of money necessary to maintain existing operations across the agency. TxDMV staff anticipates that the Legislative Budget Board (LBB) will approve the target for FY 2018-19 by late July. The table below reflects the budget request with the P&H fee implemented; decrease in the automation capital; and increases associated with TxOnline credit card processing fees and centralized online fulfillment.

Items of Appropriations	Appropriation			Base Request			Variance
	FY2016	FY2017	Biennial Total	FY 2018	FY 2019	Biennial Total	
Goal A. Optimize Services and Systems							
Strategy A.1.1. – Titles, Registrations, and Plates	\$ 74,020,416	\$ 73,600,156	\$ 147,620,572	\$ 85,491,517	\$ 87,765,993	\$ 173,257,510	\$ 25,636,938
Strategy A.1.2. – Vehicle Dealer Licensing	\$ 4,094,083	\$ 4,094,083	\$ 8,188,166	\$ 4,147,355	\$ 4,147,355	\$ 8,294,710	\$ 106,544
Strategy A.1.3 – Motor Carrier Permits and Credentials	\$ 7,943,892	\$ 8,793,892	\$ 16,737,784	\$ 8,488,145	\$ 8,488,145	\$ 16,976,290	\$ 238,506
Strategy A.1.4 – Technology Enhancement and Automation	\$ 26,016,149	\$ 2,583,993	\$ 28,600,142	\$ 14,435,457	\$ 2,719,379	\$ 17,154,836	\$ (11,445,306)
Strategy A.1.5 – Customer Contact Center	\$ 2,154,621	\$ 2,154,621	\$ 4,309,242	\$ 2,211,234	\$ 2,211,234	\$ 4,422,468	\$ 113,226
Total, Goal A: Optimize Services and Systems	\$ 114,229,161	\$ 91,226,745	\$ 205,455,906	\$ 114,773,708	\$ 105,382,106	\$ 220,105,814	\$ 14,649,908
Goal B. Protect the Public							
Strategy B.1.1. – Enforcement	\$ 5,370,265	\$ 5,370,265	\$ 10,740,530	\$ 5,680,758	\$ 5,630,758	\$ 11,311,516	\$ 570,986
Strategy B.2.1. – Automobile Theft Prevention	\$ 14,912,006	\$ 14,912,006	\$ 29,824,012	\$ 14,323,029	\$ 14,323,029	\$ 28,646,058	\$ (1,177,954)
Total, Goal B: Protect the Public	\$ 20,282,271	\$ 20,282,271	\$ 40,564,542	\$ 20,003,787	\$ 19,953,787	\$ 39,957,574	\$ (606,968)
Goal C: Indirect Administration							
Strategy C.1.1. – Central Administration	\$ 7,770,237	\$ 7,770,237	\$ 15,540,474	\$ 7,902,373	\$ 7,902,373	\$ 15,804,746	\$ 64,272
Strategy C.1.2. – Information Resources	\$ 23,579,214	\$ 22,135,425	\$ 45,714,639	\$ 23,002,722	\$ 23,002,721	\$ 46,005,443	\$ 290,804
Strategy C.1.3. – Other Support Services	\$ 2,319,336	\$ 3,814,023	\$ 6,133,359	\$ 3,164,953	\$ 3,264,953	\$ 6,429,906	\$ 296,547
Total, Goal C: Indirect Administration	\$ 33,668,787	\$ 33,719,685	\$ 67,388,472	\$ 34,070,048	\$ 34,070,047	\$ 68,140,095	\$ 851,623
Total Department of Motor Vehicles	\$ 168,180,219	\$ 145,228,701	\$ 313,408,920	\$ 168,847,543	\$ 159,455,940	\$ 328,303,483	\$ 14,894,564
Method of Finance							
General Revenue (GR) Fund 0001	\$ 168,180,219	\$ 14,912,006	\$ 183,092,225	\$ 14,323,029	\$ 14,323,029	\$ 28,646,058	\$ (154,446,167)
Texas Department of Motor Vehicles Fund 0010	\$ 0	\$ 130,316,695	\$ 130,316,695	\$ 154,524,514	\$ 145,132,911	\$ 299,657,425	\$ 169,340,730
Total Method of Finance	\$ 168,180,219	\$ 145,228,701	\$ 313,408,920	\$ 168,847,543	\$ 159,455,940	\$ 328,303,483	\$ 14,894,564
Full Time Equivalents (FTE)			763.0			763.0	

FY 2018-19 Baseline Budget Appropriations Request by Strategy**Key Variances from 2016/17 Appropriation****Strategy A.1.1. – Titles, Registrations, and Plates – Net increase \$25,636,938**

- Increase for TxOnline Credit Card Processing Fees - \$25,573,803
- Increase for Centralized Online Fulfillment - \$6,649,189
- Reduction to License Plate Production & Renewal Notices - **(\$6,263,000)**
- Legislative Salary Increase for State Employees - \$482,216
- Other adjustments – Including equalizing MyPlates expenses across the biennium -\$70,260; and transfers out to other strategies for vehicles and projected operating expenses - **(\$875,530)**

Strategy A.1.4. – Technology Enhancement and Automation **(\$11,445,306)**

- Reduction of Automation Projects - **(\$11,716,078)**
- Legislative Salary Increase for State Employees - \$84,992
- Transfer In for projected operating expenses - \$185,780

Strategy B.2.1. – Automobile Theft Prevention **(\$1,177,954)**

- Legislative Salary Increase for State Employees - \$15,632
- 4% Base Reduction – **(\$1,162,322)**

Other Strategy Adjustments (A.1.2., A.1.3., A.1.5., B.1.1., C.1.1., C.1.2. and C.1.3.)

- Legislative Salary Increase for State Employees - \$1,191,134
- Transfer In for projected and vehicles operating expenses - \$689,751

FY 2018-19 Capital Budget Project Summary Baseline

The following table illustrates FY 2018-19 Capital Budget:

Capital Budget	Biennial Appropriation	Baseline Request
	FY 2016-17	FY 2018-19
Technology Replacement and Upgrades - Regional Support for County Tax Assessor Collector Offices	\$ 11,000,000	\$ 10,025,000
Vehicles (33 replacements & 6 new)		\$ 975,000
Regional Service Center Relocation	\$ 871,500	\$ 480,300
TxDMV Automation System	\$ 16,078,201	\$ 11,716,078
Growth and Enhancement – Agency Equipment	\$ 1,898,996	\$ 1,898,996
Bull Creek Relocation	\$ 800,000	
Data Center Consolidation	\$ 16,716,655	\$ 16,716,655
Application Migration & Server Infrastructure Transformation (AMSIT)	\$ 7,353,955	
Total Capital Budget	\$ 54,719,307	\$ 41,812,029
Method of Finance		
General Revenue Fund 0001	\$ 39,833,376	
Texas Department of Motor Vehicles Fund 0010	\$ 14,885,931	\$ 41,812,029
Total Method of Finance	\$ 54,719,307	\$ 41,812,029

2018-19 Capital Budget Descriptions

County Equipment Technology Replacement and Upgrades (\$10 million) – This appropriation provides funding to deploy and maintain printers, computers, monitors, laptops, cash drawers, and printer toner deployed at county Tax Assessor/Collector (TAC) offices throughout the state. These funds also maintain connectivity between the county TAC offices and the TxDMV Registration and Titling (RTS) system, as well as connectivity throughout statewide TxDMV offices.

Vehicles (\$975,000) – The agency is requesting to replace 33 vehicles (17 in FY 2018 and 16 in FY 2019) and procure six new vehicles (3 in FY 2018 and 3 in FY 2019) during the FY 2018-19 biennium. Thirty-one of the vehicles to be replaced will be 10 years and older; two vehicles will be eight years old; and all will exceed 150k miles by August 31, 2018. The six new vehicles will be used to support field operations.

Relocation of Regional Service Centers (\$480,000) – This request provides capital funding to relocate and reconfigure one mid-size Regional Service Centers (RSC) from Texas Department of Transportation (TxDOT) facilities.

TxDMV Automation (\$11.7 million) – The TxDMV Automation develops information technology assets to improve customer services and improve access to agency programs for customers and the public. This initiative is supported by a fee of \$0.50 per registration. The agency continues to enhance and expand its technological infrastructure through multiple ongoing and new projects. TxDMV is requesting approximately \$11.7 million in the FY 2018-19 biennium to fund the following 13 automation initiatives.

Refactoring of Registration and Titling System (RTS) - implement a variety of system enhancements to various RTS components. Improving the RTS system increases the agency's support to county TACs and other business partners who use the system to provide quick, reliable and efficient motor vehicle registration and titling services on behalf of the agency.

Construction of Information Technology Data Center for TxDMV Headquarters - funding for modifications to create a data center room in a TxDMV Headquarters building. Although the plans for the proposed building provides space for a data center room it does not include modifications such as a raised floor, climate controls and other adjustments needed for a data center.

Fraud Dashboard - utilize a Cognos (a specialized software tool) reporting cube to create a dashboard to analyze patterns and trends in transactions in order to identify possible fraud using predetermined thresholds to set possible fraud alerts. The reports will be available to both agency staff and TAC offices.

Cybersecurity - provide increased levels of encryption and authentication.

Mobile Applications - create applications for consumers' personal electronic devices to enable access to TxDMV's services more conveniently.

Online Title Tracking - centralize the printing and mailing of new, replacement, and certified copies of motor vehicle titles using a single vendor providing consumers with the ability to track the status of their request online.

E-Renewal Notices and E-Reminder - reduce paper registration renewal notices by replacing them with an option to receive an electronic registration renewal notice. This results in savings to the agency as well as reducing the agency's reliance on paper based transactions and aligns with customers' increased reliance on digital communication.

Online Certified Records - provide the ability for consumers to obtain certified vehicle records online, 24/7.

Kiosks - provide safe, secure, 24/7 service availability in multiple languages to efficiently deliver various TxDMV products and services. Utilizing kiosks reduces TxDMV's need for dedicated office space and staff. Kiosks can also reduce wait times in TACs and RSCs as customers will be able to complete transactions at alternative locations.

eLICENSING Project - increase self-service capabilities. The new eLICENSING system will allow current dealer and salvage licensees and those seeking licenses for the first time to renew and/or apply online. Online transactions enables dealers to attach and upload supporting documents, track the progress of a license renewal or application online and decreases the processing time needed to approve a license renewal or application. Similar benefits also apply to consumers filing complaints, including those related to Lemon Law and warranty performance

Call Center Upgrades - upgrade agency telephone equipment allowing TxDMV's call centers to incorporate new functionality.

Commercial Vehicle Information Exchange Window (CVIEW) – upgrade the data sharing capabilities and data quality of this information database used by various state agencies to ensure commercial carrier compliance.

Enterprise Reporting – agency initiative to continue enhancements to existing reports and to create new reports to monitor and improve the performance of the agency.

External Website Renovation - update and refresh the agency's public website.

Growth and Enhancement – Agency Equipment (\$1.9 million) – This appropriation provides funding for activities that enhance or expand information resources in TxDMV individual program areas. Items included in this appropriation are computer, printer, laptop, and peripheral device replacement; telephone and communication system replacements and upgrades; and software licenses for enterprise applications.

Data Center Services (\$16.7 million) – This appropriation supports information technology infrastructure assets and functions through statutorily required participation in the State Data Center maintained by the Department of Information Resources (DIR). The Data Center Services (DCS) program enables state agencies to access data center computing as a managed service. DCS fees are based on a consumption based model with costs varying based on statewide usage of DCS services.

FY 2018-19 Preliminary Exceptional Item Requests by Order of Priority

The following table illustrates the exceptional items that will be requested by TxDMV for the FY 2018-19 biennium. Exceptional items are those desired services above the baseline request. Detailed information on the exceptional item is contained in Appendix A.

Division	Exceptional Items	Description	Full Time Equivalents	FY 2018	FY 2019
Agency	TxDMV HQ Relocation	Consolidated TxDMV campus that includes the Austin Regional Service Center to allow for public "one stop shopping" in Austin.	3.0	\$ 70,347,766	\$ 4,443,554
ENF/VTR	Special Investigations Unit	A newly-created group composed of experienced investigators and Field Service Representatives (FSRs) to operate as a Special Investigations Unit to implement an anti-fraud, waste and abuse program to prevent, detect, investigate and report fraud, waste and abuse. The request includes 13 FTEs, all related equipment and office supplies, and 4 vehicles.	13.0	\$ 1,091,571	\$ 831,560
MCD	CVISN	Commercial Vehicle Information and Systems Networks (CVISN) grants are available for system and roadside projects that increase safety on the roads and increase the efficiency of moving commerce on the roads. TxDMV is the lead agency for CVISN in Texas.		State \$131,250 Fed \$743,750	State \$131,250 Fed \$743,750
Total TxDMV Request			16.0	\$ 72,314,337	\$ 6,150,114
Division	Exceptional Items	Description		FY 2018	FY 2019
ABTPA	Reinstatement of 4% Base Reduction	The FY 2018-19 LAR instructions required a 4% base reduction for the FY 2018-19 biennium for all General Revenue appropriations. ABTPA is making an exceptional item request to reinstate this reduction to avoid further reduction to law enforcement agencies.		\$ 596,793	\$ 596,793
ABTPA	Grants	ABTPA will utilize the additional funds to increase the tactical size and strength of regional law enforcement programs by adding 80 law officers, along with prosecutors, and other positions to reduce motor vehicle burglary and theft. ABTPA will also purchase equipment to protect communities and motor vehicle owners against motor vehicle crime.		\$ 12,655,912	\$ 12,655,912
Total ABTPA				\$ 13,252,705	\$ 13,252,705
General Revenue Fund 0001				\$ 82,252,705	\$ 13,252,705
Texas Department of Motor Vehicles Fund 0010				\$ 2,570,587	\$ 5,406,364
Federal Funds				\$ 743,750	\$ 743,750
Total Exceptional Items			16.0	\$ 85,567,042	\$ 19,402,819

Riders

A “rider” is a legislative directive or appropriation inserted in the General Appropriations Act (GAA) following the Items of Appropriation for an agency or in the special or general provisions of the act. A rider provides direction, expansion, restriction, legislative intent, or an appropriation. A rider may be requested by an agency or may be drafted and inserted by the legislature.

For the FY 2018-19 LAR, the agency intends to request four riders to assist in its operations. Three of the riders were previously approved in the FY 2016-17 General Appropriations Act and will be requested again in FY 2018-19. In addition to the previously-approved riders, a new rider will be requested in FY 2018-19.

Riders Previously Approved in FY 2016-17 and Re-requested for FY 2018-19

- **My Plates** – this rider provides additional appropriations each year of the biennium for the purpose of making payments to the contract vendor for the marketing and sale of personalized license plates. The rider also allows for unexpended balances to be carried forward into the next fiscal year of the biennium for the same purposes. This rider was included in the FY 2016-17 General Appropriation Act.
- **Federal Grants and State Matching Funds** – this rider allows the agency to spend any unexpended balances of state match funds for federal grants from FY 2017 in FY 2018. This rider was included in the FY 2016-17 General Appropriation Act.
- **Capital Projects—Unexpended Balance Authority** – this rider will allow the agency to spend money appropriated for capital projects during both years of the biennium. The agency is requesting that any unexpended funds appropriated for capital projects at the end of FY 2017 be carried forward to the new biennium beginning FY 2018 for the agency’s use. This rider was included in the FY 2016-17 General Appropriation Act.

New Rider Requested for FY 2018-19

- **Unexpended Balance Authority with the Biennium** – this rider would allow the agency to spend any unexpended balances in appropriations between the fiscal years. This is a newly-requested rider.

Appendix A – Exceptional Item Detail

2018-19 LAR Exceptional Item Request Schedule			
Division:	Finance and Administrative Services (FAS)	Division Director:	Linda Flores / Ann Pierce
Item Name:	HQ - Headquarters Relocation	Item Priority:	1
Strategy:	C.1.3. Other Support Services	Description:	Facilities Operations
Code	Total Exceptional Item Request	Requested w/building	
		2018	2019
	Objects of Expense:		
1001	Salaries	\$ 205,000	\$ 205,000
2004	Utilities		\$ 1,051,015
2009	Other Operating Expense	\$ 837,766	\$ 3,187,539
5000	Capital Expenditures	\$ 69,305,000	
	Total, Objects of Expense	\$ 70,347,766	\$ 4,443,554
	Method of Financing:		
001	General Revenue	\$ 69,000,000	
010	TxDMV Fund	\$ 1,347,766	\$ 4,443,554
	Total, Method of Finance	\$ 70,347,766	\$ 4,443,554
Number of Full-time Equivalent Positions (FTE):			3.0
Detail on Object of Expenses and FTEs: (Included above)			
	Program Specialist VI (B23)	85,000	\$ 85,000
	Program Specialist III (B19)	65,000	\$ 65,000
	Program Specialist II (B18)	55,000	\$ 55,000
	Consumable Supplies	\$ 900	\$ 900
	Utilities		\$ 1,051,015
	Building	\$ 69,000,000	
	Capital (security and badge system)	\$ 305,000	
	Other Operating cost; training, healthcare, equipment, daily maintenance, groundkeeping, painting, window cleaning, insurance, building contingency, etc.	\$ 836,866	\$ 3,186,639
Subtotal, Detail on Object of Expenses and FTEs		\$ 70,347,766	\$ 4,443,554
Detail for Capital Appropriation Items: (included above)			
	Construction of Buildings and Facilities	\$ 69,000,000	
	Security System	\$ 155,000	
	Badge System	\$ 150,000	
Subtotal, Detail on Object of Expenses and FTEs		\$ 69,305,000	\$ -
Description/Justification			
<p>TxDMV and TxDOT are working together to relocate the Austin Headquarters to a consolidated campus that includes the Austin Regional Service Center to allow for public "one stop shopping" in Austin. The proposal estimates that the agency would require approximately 146,000 square feet of administrative office and support operations space and 610 parking spaces (80 percent of FTEs at 505 staff spaces; 90 visitor spaces; and 15 headquarters based fleet vehicle spaces).</p> <p>TxDMV would be responsible for moving and ongoing operating expenses. These ongoing costs include maintenance, grounds keeping, security, and a variety of other services, TxDMV is requesting 3 FTEs to handle facility and maintenance needs for the property. The proposed staff is subject to change: Contract administrator; space planner and a day-to day operations manager. These individuals perform skilled work in the maintenance, building repairs, utility systems to include heating, ventilation, and air conditioning (HVAC) and may also involve electrical, plumbing, cabinetry, furniture, and equipment.</p>			

TxDMV Headquarters Relocation

Currently, TxDMV headquarter operations are located on two campuses in central Austin – one on Jackson Avenue and one on Bull Creek Road. Until recently, both of these campuses were owned and maintained by TxDOT, with TxDMV occupying the property through a Memorandum of Understanding with TxDOT. In February, 2015, TxDOT sold the Bull Creek property, which houses approximately 20% of headquarter staff. As a result of this sale, beginning in July 2017, headquarter operations will be geographically located in two different places. Also, the Austin RSC is not located near headquarters. TxDMV strongly believes that the most efficient and effective delivery of services to the motoring public is through a consolidated headquarter location. TxDMV and TxDOT are working together to relocate the Austin Headquarters. The proposal estimates that the agency would require approximately 146,000 square feet of administrative office and support operations space and 610 parking spaces (80 percent of FTEs at 505 staff spaces; 90 visitor spaces; and 15 headquarters based fleet vehicle spaces).

TxDMV is requesting \$69 million in GR to purchase land and a building and \$5.8 million from the TxDMV fund for relocation, ongoing operating expenses and three FTEs to handle facility and maintenance needs of the new facility. The ongoing costs include maintenance, grounds keeping, security, and a variety of other services. The proposed staff is subject to change: Contract administrator; space planner and a day-to day operations manager. These individuals perform skilled work in the maintenance, building repairs, utility systems to include heating, ventilation, and air conditioning (HVAC) and may also involve electrical, plumbing, cabinetry, furniture, and equipment.

2018-19 LAR Exceptional Item Request Schedule			
Division: Enforcement		Division Director: Bill Harbeson	
Item Name: Special Investigations Unit (SIU)		Item Priority:	
Strategy:	A.1.1. Titles, Registration & Plates B.1.1. Enforcement	Description: Special Investigations Unit (8 ENF FTEs, 5 VTR FTEs, 4 vehicles)	
Code	Total Exceptional Item Request	Requested	
		2018	2019
Objects of Expense:			
1001	Salaries	\$ 732,270	\$ 732,270
1002	Other Personnel Costs	\$ 1,241	\$ 1,241
2001	Professional Fees & Services	\$ 4,950	\$ 4,950
2002	Fuels and Lubricants	\$ 6,000	\$ 6,000
2003	Consumable Supplies	\$ 1,700	\$ 1,700
2004	Utilities	\$ 8,405	\$ 6,379
2005	Travel	\$ 46,820	\$ 48,070
2009	Other Operating Expense (includes law enforcement supplies for Investigators)	\$ 155,045	\$ 30,950
5000	Capital Expenditures (vehicles and THP radios)	\$ 135,140	
Total, Objects of Expense		\$ 1,091,571	\$ 831,560
Method of Financing:			
010	TxDMV Fund	\$ 1,091,571	\$ 831,560
Total, Method of Finance		\$ 1,091,571	\$ 831,560
Number of Full-time Equivalent Positions (FTE):		13.0	13.0
Detail for Capital Appropriation Items: (included above)			
5005	Acquisition of Information Resources Technologies	\$ 22,100	
5006	Transportation Items (4 vehicles @ \$25,000 each)	\$ 100,000	
5007	Acquisition of Capital Equipment (THP Radios)	\$ 35,140	
Total, Capital Appropriation Items		\$ 157,240	\$ -
Detail on Object of Expenses and FTEs: (Included above)			
	Chief Investigator VI (1 @ \$5,670/month) Austin	\$ 68,047	\$ 68,047
	Investigator V (4 @ \$4,695/month) (one each in Dallas/Fort Worth, San Antonio, El Paso and Houston)	\$ 237,892	\$ 237,892
	Program Spec IV (1 @ \$4,695/ month)	\$ 59,473	\$ 59,473
	Admin Assistant III (1 @ \$2,926/month)	\$ 35,118	\$ 35,118
	Attorney IV (1 @ \$6,970/month)	\$ 83,640	\$ 83,640
	Program Specialists III (5 FTE @ \$4,135/month Field Service Representatives)	\$ 248,100	\$ 248,100

Special Investigations Unit

TxDMV management requested an advisory service through TxDMV's Internal Audit Division who identified examples of industry best practices to combat fraud. In response to the advisory service report, the agency created an Anti- Fraud, Waste and Abuse Working Group. The agency determined that creating a Special Investigations Unit (SIU) would be an effective deterrent to reduce motor vehicle-related fraud. The following categories of criminal activity pose a threat to legitimate Texas businesses and to the public at large:

- Title fraud by dealers, individuals and title services;
- Odometer fraud;
- Theft of sales tax, title, registration and other fees by title services, dealers and individuals by fraud and other means;
- Drivers Privacy Protection Act (DPPA) Violations;
- Unlicensed sale of motor vehicles ("curb stoning");
- Unlicensed operation as motor carrier;
- Unlicensed operation as a household goods movers;
- Household goods moving fraud;
- Counterfeit of plates and temporary tags; and
- Misuse of farm, military, and other plates.

The agency is requesting funds through an exceptional item to create a SIU, including an additional 13 FTEs, four vehicles, travel and related expenses. This unit will include staff in two different divisions, Vehicle Titles and Registrations (VTR) and Enforcement (ENF), to identify, address and reduce fraud. The VTR SIU staff will be comprised of five additional Field Service Representatives (FSRs) who will focus on fraudulent activities in the agency's Regional Service Centers (RSCs) and in 254 Tax Assessor/Collector offices including their authorized deputies. ENF is requesting eight additional staff for the SIU comprised of an attorney, five investigators, a program specialist and an administrative assistant who will focus on fraudulent activities in new and used dealerships, salvage dealers, household goods movers, commercial fleet carriers, oversize/overweight loads, etc. Combined, the SIU will have a staff of 13 FTEs who will focus on combating fraud across the state and across industries in order to ensure compliance with Texas' laws and maximize the collection of state revenue.

2018-19 LAR Exceptional Item Request Schedule			
Division: Motor Carrier		Division Director: Jimmy Archer	
Item Name: CVISN		Item Priority:	
Strategy:	A.1.3.	Description: Motor Carrier Permits and Credentials	
Code	Total Exceptional Item Request	Requested	
		2018	2019
2001	Objects of Expense:		
	Professional Fees & Services	\$ 875,000	\$ 875,000
	Total, Objects of Expense	\$ 875,000	\$ 875,000
010 8082	Method of Financing:		
	TxDMV Fund	\$ 131,250	\$ 131,250
	Federal Reimbursements	\$ 743,750	\$ 743,750
	Total, Method of Finance	\$ 875,000	\$ 875,000

Commercial Vehicle Information and Systems Network (CVISN) Projects

CVISN is a key component of the Federal Motor Carrier Safety Administration’s (FMCSA) drive to improve commercial motor vehicle safety. The CVISN program supports FMCSA’s goals of focusing safety enforcement on high-risk operators; integrating systems to improve the accuracy, integrity and verifiability of credentials; improving efficiency through electronic screening of commercial vehicles; and enabling online application and issuance of credentials. TxDMV is committed to making Texas’ roadways the safest for the motoring public. The agency is requesting funds through an exceptional items for state match to draw down federal grant dollars to fund safety enhancements to Texas roadways, at a 15% state and 85% federal reimbursement split.

CVISN grants can be used for system and roadside projects that increase safety on the roads and increase the efficiency of moving commerce on the roads. The Texas CVISN Working Group and Steering Committee determine what projects the state will finance with CVISN grants. The TxDMV is the lead agency for CVISN in Texas. CVISN will be renamed to Innovative Technology Deployment (ITD) in 2017. The CVISN or ITD grants will no longer have limits and will only require a 15 percent match by the state. An estimated \$1,750,000 will be needed for the FY 2018-19 biennium. The CVISN Working Group and Steering Committee have worked since late 2015 on the following project list to pursue in the next CVISN (ITD) grant application (2017), with a decision scheduled in July 2016.

Projects include (in order of priority):

1. An automation project to provide permit data from TxDMV's size and weight permitting system in a manner that TxDPS or other law enforcement agencies can use in the electronic screening of vehicles on the roadside. TxDMV's Size and Weight Program also is looking at using TxVIEW web services to identify Out of Service (OOS) carriers that get size and weight permits and then notify enforcement. One year's size and weight data showed 341 permits issued to carriers OOS for safety reasons and 593 OOS for failing to update their data in the federal Motor Carrier Management Information System (MCMIS). TxDMV is considering asking for legislative authority to deny permits to OOS vehicles. No cost estimate at this time.
2. Upgrade TxDPS inspection stations to identify unsafe trucks by adding thermal imaging that checks for bad wheels, hubs, and exhausts. Other states have seen great gains in faster screening and catching brake problems. Estimated cost is \$780,000.
3. An automation project so that CPA can use CVIEW to complete International Registration Plan (IRP) information needed to issue International Fuel Tax Agreement (IFTA) registrations instead of providing more than 60 IRP logins to TxCPA. CPA is considering changing its day trip licenses for carriers leaving the state five or fewer times a year (IFTA not needed in these cases) from cashier checks in the truck cabs to having the carriers order on line. This data would then be pushed to the CVIEW. The current system is subject to fraud. No cost estimate at this time.
4. An automation project to modify TxDMV's Registration and Titling System (RTS) to check for OOS vehicles before issuing trip permits or registration (TxDMV is required to do this by statute). Estimated cost is \$950,000.

2018-19 LAR Exceptional Item Request Schedule			
Division: Automobile Burglary and Theft Prevention Authority		Division Director: Bryan Wilson	
Item Name: Reinstatement of 4% Reduction		Item Priority:	
Strategy: B.2.1. ABTPA		Description: Request to Reinstate 4% Reduction	
Code	Total Exceptional Item Request	Requested	
		2018	2019
4000	Objects of Expense:		
	Grants	\$ 596,793	\$ 596,793
	Total, Objects of Expense	\$ 596,793	\$ 596,793
010	Method of Financing:		
	General Revenue	\$ 596,793	\$ 596,793
	Total, Method of Finance	\$ 596,793	\$ 596,793

Automobile Burglary and Theft Prevention Authority (ABTPA)

ABTPA is requesting that the 4% biennial reduction (required for the FY 2018-19 LAR for all GR-funded programs) be reinstated to prevent additional loss of grant-funded motor vehicle burglary and theft-related law enforcement positions.

2018-19 LAR Exceptional Item Request Schedule			
Division: Automobile Burglary and Theft Prevention Authority		Division Director: Bryan Wilson	
Item Name: Additional ABTPA Funding		Item Priority:	
Strategy:	B.2.1. ABTPA	Description: Grants for enhanced law enforcement and hardened communities	
Code	Total Exceptional Item Request	Requested	
		2018	2019
4000	Objects of Expense:		
	Grants	\$ 12,655,912	\$ 12,655,912
	Total, Objects of Expense	\$ 12,655,912	\$ 12,655,912
001	Method of Financing:		
	General Revenue	\$ 12,655,912	\$ 12,655,912
	Total, Method of Finance	\$ 12,655,912	\$ 12,655,912
Detail on Object of Expenses and FTEs: (Included above)			
	Grants	\$ 12,655,912	\$ 12,655,912

Automobile Burglary and Theft Prevention Authority (ABTPA)

The ABTPA will use the additional funds to increase the tactical size and strength of regional law enforcement programs and to protect communities and motor vehicle owners against motor vehicle crime. More officers will be added to existing programs and increased law enforcement coverage will be expanded to high crime areas not currently served. The plan calls for adding staff for crime analysis and conducting vehicle identification number (VIN) inspections. Currently more than 100 counties do not have reasonable access to trained law enforcement personnel who can conduct VIN inspections. The new crime analysts will use data analysis and other methods to deter criminals and to interrupt criminal economic enterprises.

A portion of the funds will be used to protect communities and motor vehicle owners by providing education on how to avoid becoming a victim. The ABTPA will target specific high crime communities and neighborhoods to reduce motor vehicle burglary and theft. Using various technologies like car data port devices, tracking technology, and web and smart phone applications, the ABTPA will protect these communities and motorists against auto crimes.

DATE: August 3, 2016
Action Requested: Approval

To: Texas Department of Motor Vehicles Finance and Audit Committee
From: Linda M. Flores, CPA, Chief Financial Officer
Agenda Item: 2. A. 3.
Subject: FY 2017 Recommended Operating Budget and Contracts for American Association of Motor Vehicle Administrators (AAMVA) and Southwest Research Institute (SwRI)

RECOMMENDATION

Approval of the FY 2017 Recommended Operating Budget.

Approval for the Executive Director to negotiate and execute the routine and required contracts contained in Part II of the document and specific approval of the following two contracts:

- Southwest Research Institute (SwRI) - These funds will be used to increase the current contract with SwRI, a staff-recommended contractor that provides specialized assistance and consulting services, to modify the Texas Commercial Vehicle Information Exchange Window (TxCVIEW).
- American Association of Motor Vehicle Administrators (AAMVA) National Motor Vehicle Title Information System (NMVTIS) - To allow the agency to maintain access to the AAMVA National Motor Vehicle Title Information System (NMVTIS) for September 1, 2016-August 31, 2017.

PURPOSE AND EXECUTIVE SUMMARY

2017 Recommended Operating Budget

The Texas Department of Motor Vehicles (TxDMV) develops annual operating budgets based on approved biennial appropriations. The recommended operating budget implements Year 2 of the biennium. The recommended operating budget reflects the establishment of the TxDMV Fund and is structurally balanced to support recurring expenses. The budget allocates \$183.8 million through the agency's organization. The budget includes the following major initiatives:

- Implementation of the processing and handling (P&H) fee
- Relocation of three regional service centers and Bull Creek staff
- Establishment of the TxDMV fund
- Implementation of the eLICENSING project and the refresh of county technology equipment

Contracts

The purpose of the contract with SwRI is to make modifications to the TxCVIEW as Federal Motor Carrier Safety Administration (FMCSA) moves their data to a cloud environment, modifies some of their web services, changes databases or requirements for TxCVIEW, and FMCSA's rolling out a new Unified Carrier Registration application.

The purpose of the contract with AAMVA is to provide online access to meet the TxDMV's obligation to receive and report information to the National Motor Vehicle Title Information System (NMVTIS) as required by federal statute. NMVTIS serves as a repository of information related to vehicles that been in the possession of auto recyclers, junk yards and salvage yards. States and consumers use the information to ensure that junk or salvage vehicles are not later resold and ensures that VINS from destroyed vehicles are never used for stolen vehicles.

FINANCIAL IMPACT

2017 Recommended Operating Budget

TxDMV is a net revenue-generating agency for the state. Effective September 1, 2016, TxDMV will begin depositing revenue into a new agency fund recreated by the 84th Legislature, the TxDMV Fund (0010). The agency's budget request is supported by collections. The staff estimates that TxDMV will collect approximately \$3.86 billion for the State while retaining \$131.3 million for baseline agency operations in the next fiscal year. The remainder of the agency's budget is funded by a combination of General Revenue, the State Highway Fund (for Automation) and Federal reimbursements.

Contracts

SwRI – The Motor Carrier Division (MCD) requests to increase the SwRI contract by \$310,000. Of that amount MCD projects that \$130,000 will be received from the Federal Motor Carrier Safety Administration (FMCSA) 2016 CVISN grant when the grant is awarded (late August/early September) as part of a Memorandum of Understanding with the Texas Department of Public (TxDPs). MCD will use \$180,000 in currently budgeted funds for state match.

AAMVA - States are required to pay user fees approved by the U.S. Department of Justice and assessed by AAMVA as the system operator. AAMVA with state approval, has established a system of user fees for the states that is based on the number of vehicles titled in each state and, using a tier-based system, bills each state. The estimated amount of the contract is \$336,192.96. Texas receives a credit from a portion of the fee paid by consumers conducting a vehicle title history inquiry (Title Check), where Texas is the current state of record.

BACKGROUND AND DISCUSSION

2017 Recommended Budget

The FY 2017 Recommended Operating Budget is \$183.8 million. This budget includes \$52.5 million for capital projects which will provide funding for TxDMV Automation, AMSIT, Data Center Services (DCS), County Technology Replacement, Agency Growth and Enhancement, and RSC/Bull Creek facility relocations. The budget also reflects an allocation of 763 FTE approved as part of the 2016/17 state budget passed by the Legislature and signed by the Governor. \$131.3 million of the total budget is funded by the TxDMV Fund, with the remainder of the budget funded by a combination of General Revenue, the State Highway Fund (for Automation) and Federal reimbursements.

Contracts

The agency executes contracts that are statutorily required and also executes contracts that are not required by law but enable it to perform its duties and operations. The Board's approval of the operating budget constitutes approval of contracts listed in the operating budget.

The agency will execute approximately 194 new contracts and renewals of existing contracts that are not statutorily required but assist the agency in performing its operations.

There are two contracts that require Board approval for the award and/or renewal and proposed contract amounts for Fiscal Year 2017.

SwRI for TxCVIEW - The TxDMV provides a one-stop shop for needed permits and registrations through its Motor Carrier Division (MCD). TxDMV is also the lead agency responsible for maintaining the Texas Commercial Vehicle Information Exchange Window (TxCVIEW), which increases Motor Carrier Safety in the state and aims to reduce fraud.



TxCVIEW currently provides the tools used to share safety and other data between TxDMV, other state agencies as well as all other states. Administration is handled by TxDMV and through a Working Group and a separate Executive Steering Committee. Voting members are TxDMV and the other state partner agencies include: the Texas Department of Transportation (TxDOT), Texas Department of Public Safety (TxDPS), and the Texas Comptroller of Public Accounts (TxCPA). Industry participates in decision making through the Texas Trucking Association (TxTA). Federal funds are available through the Federal Motor Carrier Safety Administration (FMCSA).

AAMVA for NMVTIS - The purpose of NMVTIS is to assist in efforts to prevent the introduction or reintroduction of stolen motor vehicles into interstate commerce, protect states and individual and commercial consumers from fraud, reduce the use of stolen vehicles for illicit purposes, including fundraising for criminal enterprises, and provide consumer protection from unsafe vehicles. State participation as of January 1, 2010, in the NMVTIS is mandatory.

Access allows the TxDMV Vehicle Titles and Registration (VTR) Division to seamlessly query the NMVTIS system to verify the accuracy of titles presented to them and improve the quality and method in which information is provided to the NMVTIS system.



Texas Department of Motor Vehicles
HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2017 Operating Budget

August 2016

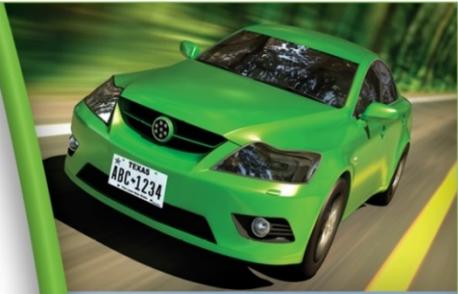




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Texas Department *of* Motor Vehicles

Part I: Fiscal Year 2017 Operating Budget

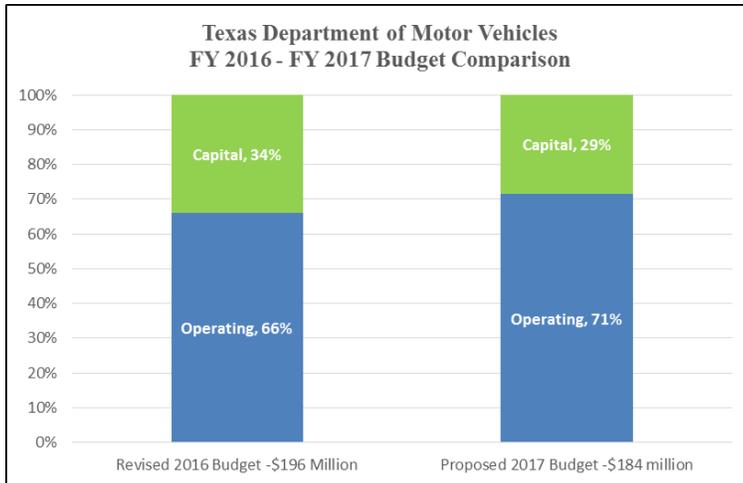


Texas Department of Motor Vehicles

Agency Summary

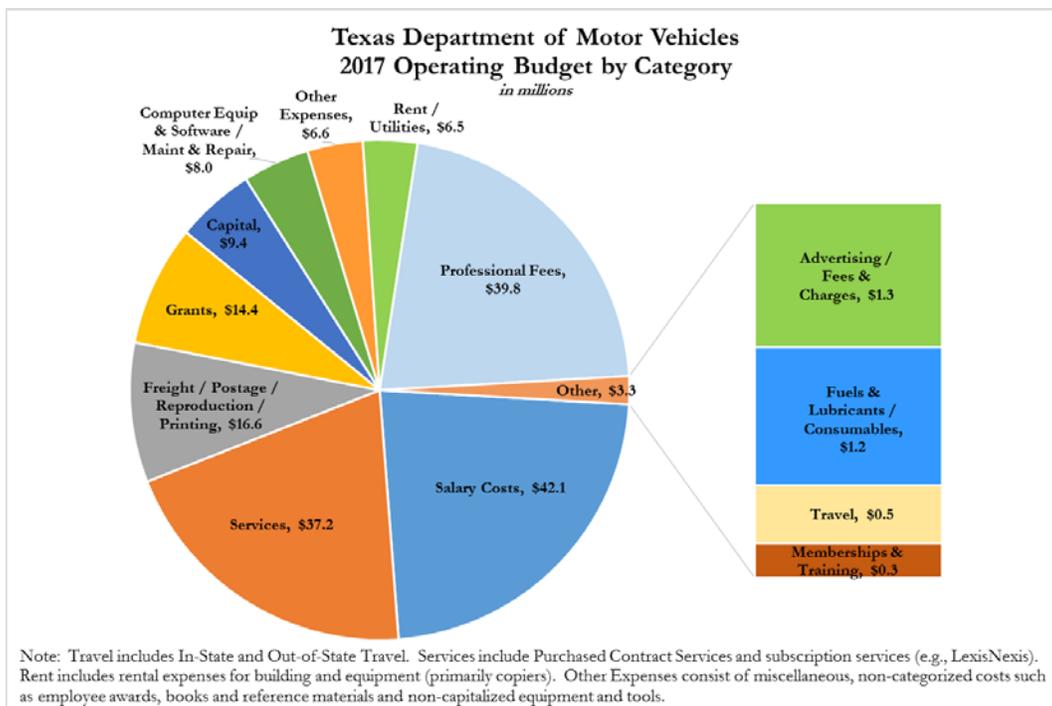
TxDMV is governed by a nine member board appointed by the Governor, with the advice and consent of the Senate, to serve six-year overlapping terms. The agency’s mission is “to serve, protect and advance the citizens and industries in the state with quality motor vehicle related services.”

The Executive Director, Whitney Brewster, and Deputy Executive Director, Shelly Mellott, oversee the agency’s day-to-day operations. The executive director reports to the agency board and directs staff to enact operational changes as a result of enacted legislation and implement policies and rules approved by the board.



The agency’s Fiscal Year 2017 operating budget of approximately \$184 million is a net decrease of \$12 million over the Fiscal Year 2016 revised budget of \$196 million. Reduced appropriations for technology projects (including Automation and AMSIT, which were front-loaded in 2016), and the Data Center Contract account for a \$25 million decrease. This decrease is offset by additional costs for online fulfillment, credit card fees and a \$10 million increase in the estimated carry-forward from Fiscal Year 2016 to 2017 (compared to the estimated carry-forward from Fiscal Year 2015 to 2016).

The pie chart below reflect the Fiscal Year 2017 operating budgets by category. A description of the budget categories can be found in [Appendix A](#).



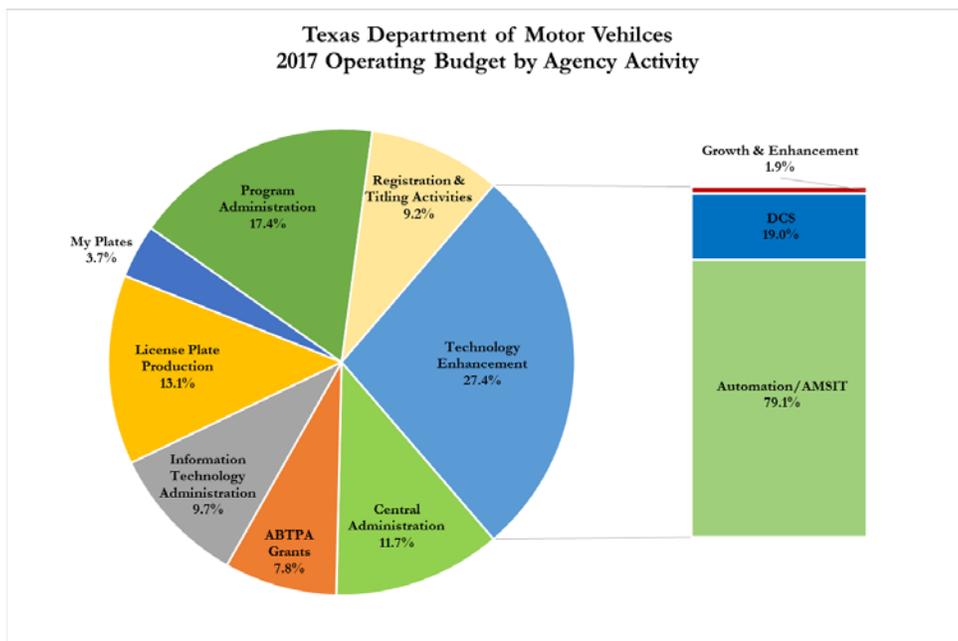


Beginning Fiscal Year 2017, the agency’s method of financing will change from General Revenue (except for the Automobile Burglary and Theft Prevention Authority), to the TxDMV Fund, which is funded by dedicated revenue streams.

Major agency initiatives in fiscal 2017 include implementation of the processing and handling (P&H) fee, relocation of three regional service centers, establishment of the TxDMV fund and relocation of headquarters staff at Bull Creek. Major capital budget initiatives includes the refresh of county technology equipment and implementation of the eLICENSING project.

The TxDMV budget is primarily allocated to registration, titling, and license plates and upgrading agency technology. The pie chart below shows that 37.1% of the budget is allocated to technology enhancement (27.4%) and technology administration (9.7%). Of the 27.4% budgeted for technology enhancement, more than three-quarters is earmarked for Automation projects. A total of 22.3% of the agency budget is dedicated to license plates (13.1%) and the production of registration and title materials (9.2%).

Program Administration (17.4%) includes budgets for administration of agency programs including ABTPA, Motor Vehicle, Motor Carrier programs (Oversize/Overweight and Texas IRP), Inspections and Enforcement, Lemon Law (including management and administrative hearings), and Registration and Titling activities. The remainder of the budget includes funding for central administration/support services (11.7%), grants for ABTPA (7.8%), and the MyPlates contract (3.7% percent).



Program Administration

ABTPA, Consumer Relations, Enforcement, Motor Carrier, Motor Vehicle, Office of Administrative Hearings, Vehicle Titles and Registration

Central Administration

Executive Office (including Civil Rights), Board Support Office, Finance and Administrative Services (excluding license plate production), Office of General Counsel, Government and Strategic Communications, Office of Innovation and Strategy, Internal Audit

Information Technology:

Enterprise Project Management
Information Technology Division



Texas Department of Motor Vehicles

Fiscal Year 2017 Strategy Appropriations

The GAA appropriated \$145 million for Fiscal Year 2017. The GAA also includes additional appropriations for legislatively approved salary increases, certain unexpended balances and other allowable costs. The following chart depicts the TxDMV Fiscal Year 2017 budget by Program Goal and Strategy.

A. Goal: Optimize Services and Systems		FY 2017
A.1.1. Strategy: Titles, Registrations, and Plates		\$ 73,600,156
A.1.2. Strategy: Vehicle Dealer Licensing		\$ 4,094,083
A.1.3. Strategy: Motor Carrier Permits & Credentials		\$ 8,793,892
A.1.4. Strategy: Technology Enhancement & Automation		\$ 2,583,993
A.1.5. Strategy: Customer Contact Center		\$ 2,154,621
Total, Goal A: Optimize Services and Systems		\$ 91,226,745
B. Goal: Protect the Public		
B.1.1. Strategy: Enforcement		\$ 5,370,265
B.2.1. Strategy: Automobile Theft Prevention		\$ 14,912,006
Total, Goal B: Protect the Public		\$ 20,282,271
C. Goal: Indirect Administration		
C.1.1. Strategy: Central Administration		\$ 7,770,237
C.1.2. Strategy: Information Resources		\$ 22,135,425
C.1.3. Strategy: Other Support Services		\$ 3,814,023
Total, Goal C: Indirect Administration		\$ 33,719,685
Total TxDMV Appropriation Budget		\$ 145,228,701
Other Adjustments		
Estimated Appropriation Salary Increase for General State Employees Article IX Sec 18.02		\$ 886,987
Estimated Increase for Benefit Replacement Pay		\$ 113,012
Projected Unexpended Balance Carry-Forward (\$37,629,162)		
Federal Grants and State Matching Fund (CVISN)		\$ 435,000
Capital - Tx Automation Systems Article VII Rider 5		\$ 23,693,671
Article IX, Sec. 14.03(i) Limitation on Expenditures - Capital Budget		
AMSIT		\$ 6,990,955
Data Center Services (DCS)		\$ 1,937,826
County Growth		\$ 3,699,003
Agency Growth & Relocation of RSC		\$ 872,707
Subtotal, Other Adjustments		\$ 38,629,161
Total TxDMV Operating Budget		\$ 183,857,862
Method of Finance		
General Revenue Fund		\$ 38,595,666
DMV Fund		\$ 131,307,851
State Highway Fund (estimated Automation UB)		\$ 13,736,845
Federal Reimbursements		\$ 217,500
Total, Method of Finance		\$ 183,857,862



Texas Department of Motor Vehicles

Fiscal Year 2017 Operating Budget by Division

The General Appropriations Act provides the agency with its total appropriation amount by goal and strategy. In comparison, the purpose of the operating budget is to establish a specific operating budget allocation by division and capital project.

The table below outlines TxDMV’s Fiscal Year 2017 operating budget and the number of FTEs by division/office.

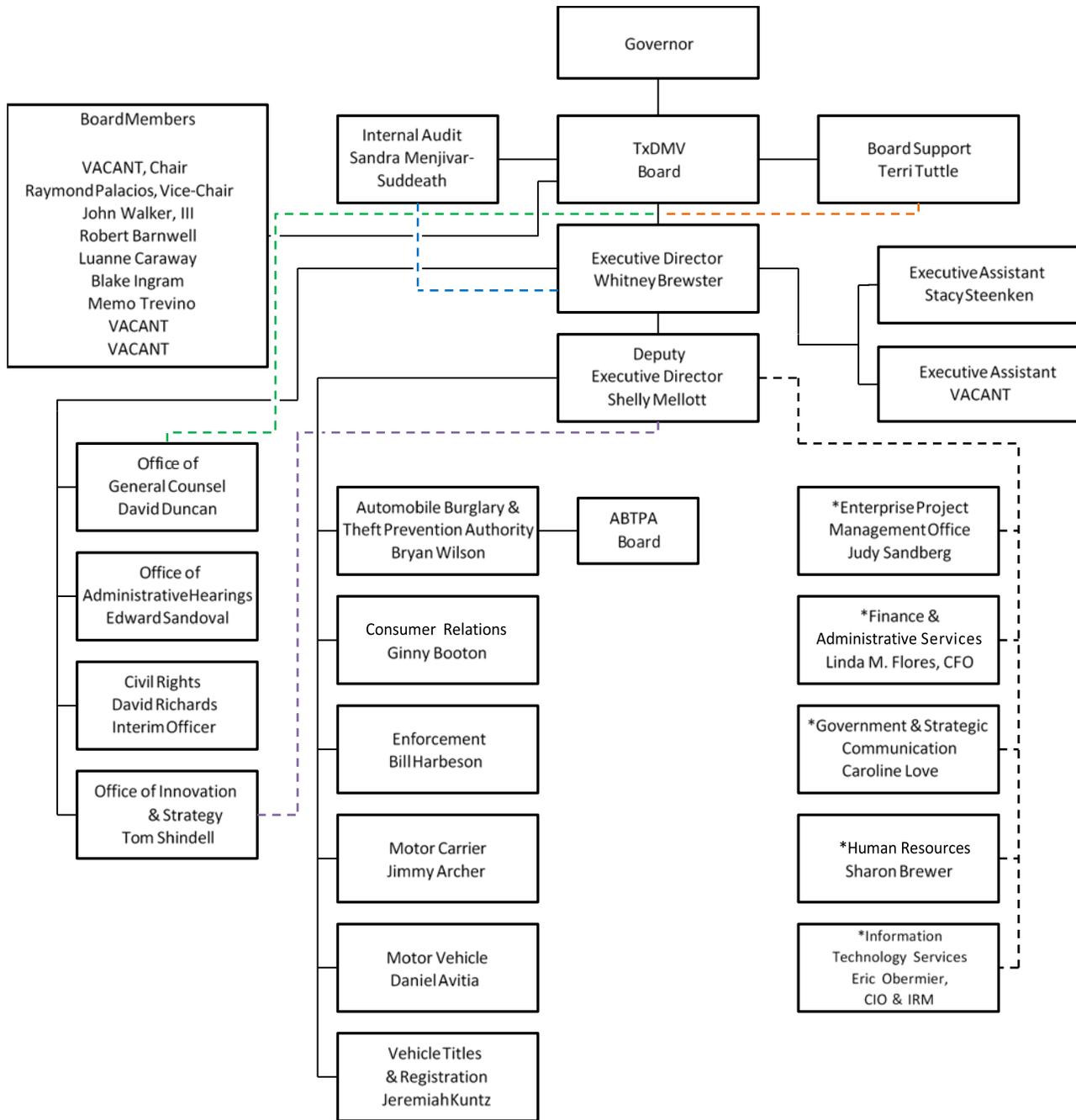
Division/Office	FY 2017 Preliminary Budget	FTE Allocation
Automobile Burglary and Theft Prevention Authority	\$ 14,920,849	5.0
Board Support Office	\$ 139,177	1.0
Consumer Relations Division	\$ 2,195,154	45.0
Enforcement Division	\$ 5,375,828	82.0
Enterprise Project Management Office	\$ 1,572,954	17.0
Executive Office*	\$ 637,411	5.0
Finance and Administrative Services Division	\$ 35,805,837	71.0
Office of General Counsel	\$ 1,025,938	11.0
Government and Strategic Communications Division	\$ 1,140,338	10.0
Human Resources Division	\$ 951,564	8.0
Information Technology Services Division	\$ 16,275,300	92.0
Office of Innovation & Strategy	\$ 128,150	1.0
Internal Audit Office	\$ 293,500	3.0
Motor Carrier Division	\$ 7,164,420	119.0
Motor Vehicle Division	\$ 2,423,586	38.0
Office of Administrative Hearings	\$ 413,685	5.0
Vehicle Titles and Registration Division	\$ 36,219,738	250.0
Agency Wide	\$ 4,659,340	0.0
Subtotal	\$ 131,342,769	763.0
Capital Projects and Projected Carry-forward		
Data Center Consolidation	\$ 7,636,433	
Technology Replacement & Upgrades - County Support	\$ 5,500,000	
Growth & Enhancements - Agency Operations Support	\$ 949,498	
Relocation of Bull Creek Campus Facilities	\$ 800,000	
Projected Unexpended Balance Carry-Forward	\$ 37,629,162	
Subtotal	\$ 52,515,093	
Agency Total	\$ 183,857,862	
Method of Finance		
General Revenue Fund	\$ 38,595,666	
DMV Fund	\$ 131,307,851	
State Highway Fund (estimated Automation UB)	\$ 13,736,845	
Federal Reimbursements	\$ 217,500	
Method of Finance Total	\$ 183,857,862	

*Executive office includes \$105,330 and 1 FTE for Civil Rights Office.



Texas Department of Motor Vehicles

TxDMV Organizational Chart



**Note: Although these positions report directly to the ED, rank is equivalent to the Motoring Services Division Directors. The DED assumes the responsibilities of the ED in absentia.*



Texas Department *of* Motor Vehicles

Part II: Fiscal Year 2017 Contracts



Fiscal Year 2017 Contract Summary

The agency executes contracts that are statutorily required and also executes contracts that are not required by law but enable it to perform its duties and operations. The Board's approval of the operating budget constitutes approval of any contracts listed in the operating budget.

The agency will execute approximately 194 new contracts and renewals of existing contracts that are not statutorily required but assist the agency in performing its operations.

The agency anticipates the renewal of 16 statutorily required contracts in Fiscal Year 2017.

The Fiscal Year 2017 budget currently includes:

- 14 contracts of more than \$200,000
 - ✓ 2 of which require board approval
- 9 contracts between \$100,000-\$200,000
- 137 contracts of less than \$100,000
- 18 IT Staff Augmentation contracts
- 16 statutorily required contracts

The following pages detail both statutorily required and optional contracts by division, vendor, purpose, contract period, and amount.

Note:

The contracts listed on the following pages are subject to change based on the final terms and conditions negotiated.



Texas Department of Motor Vehicles

Fiscal Year 2017 Delegated and Statewide Contracts more than \$200,000

Contracts, including Statewide Contracts that have a cumulative cost value of more than \$200,000, (Commodities over \$25,000 and Services over \$100,000 must be reviewed by the Texas Comptroller of Public Accounts; Government Code 2156.121) may be delegated to the agency by the Texas Comptroller of Public Accounts. The executive director must obtain board approval for contracts \$200,000 or more prior to award or renewal unless specifically excluded and ensure that the contract is within budget guidelines in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies.

The contracts listed below require Board approval for the award and/or renewal and proposed contract amounts for Fiscal Year 2017. Additional procurements may be conducted during the fiscal year and will be presented to the Board individually upon occurrence.

Division	Vendor	Purpose	Contract Period		FY 2017 Contract Amount	Total Contract Amount
			Award	Expire		
Motor Carrier	Southwest Research Institute	MCD requests to increase the Southwest Research Institute purchase order by \$310,000. Of that amount we project that \$130,000 will be received from the Federal Motor Carrier Safety Administration (FMCSA) 2016 CVISN grant when the grant is awarded (late August/early September) to DPS. These funds will be used to make modifications to the Texas Commercial Vehicle Information Exchange Window (TxCVIEW) as FMCSA moves their data to a cloud environment, modifies some of their web services, changes databases or requirements for TxCVIEW, and FMCSA's rolling out a new Unified Carrier Registration application.	3/31/2014	1/31/2018	\$ 310,000	\$ 1,960,000
Vehicle Titles and Registration	American Association of Motor Vehicle Administration	Information systems title check through AAMVA	10/1/2016	9/30/2017	\$ 240,000	\$ 240,000
Total					\$ 240,000	\$ 240,000

Excluded Contracts



Texas Department of Motor Vehicles

The following contracts have a cumulative cost value of more than \$200,000. In accordance with the Board Resolution Adopting Contract Approval Procedures, these contracts are excluded from Board approval procedures. These contracts include (1) routine operations; (2) procured from the Texas Council on Competitive Government (CCG); (3) Texas Department of Information Resources (DIR); and (4) Texas Procurement and Support Services (TPASS).

Division	Vendor	Purpose	Contract Period		FY 2017 Contract Amount	Total Contract Amount
			Award	Expire		
Capital Projects	Deloitte Consulting LLP	e-Licensing	8/31/2015	3/31/2017	\$ 237,193	\$ 4,570,480
Capital Projects	TX Dept. of Transportation	CVISN Advance Bridge Clearance	10/9/2015	3/31/2017	\$ 350,000	\$ 435,000
Capital Projects	Deloitte Consulting LLP	RTS Workstream 4	11/19/2015	11/18/2016	\$ 3,500,000	\$ 10,850,000
Capital Projects	INSIGHT PUBLIC SECTOR INC	County refresh and ongoing maintenance of County equipment	8/7/2016	8/6/2017	\$ 7,507,635	\$ 7,915,635
Capital Projects	Deloitte Consulting LLP	RTS Refactoring	8/1/2013	9/30/2017	\$ 1,183,173	\$ 22,349,791
Finance and Administrative Services	RAGSDALE-BROOK	Houston RSC	6/26/2014	8/31/2024	\$ 288,621	\$ 3,037,604
Information Technology Services	EXPLORE INFORMATION SERVICE LLC	IRP Software Maintenance	7/17/2014	3/31/2017	\$ 322,312	\$ 995,561
Information Technology Services	HP ENTERPRISE SERVICES LLC	eTags Application Maintenance	7/9/2014	7/7/2017	\$ 220,344	\$ 710,505
Motor Carrier	PROMILES SOFTWARE DEVELOPMENT CORP	TxPROS software maintenance	5/12/2016	8/31/2018	\$ 603,180	\$ 1,206,360
Vehicle Titles & Registration	RR DONNELLEY COMPANY	Title Paper	3/6/2016	3/8/2018	\$ 376,228	\$ 1,255,567
Finance and Administrative Services	Pitney Bowes	Postage	6/1/2017	8/31/2017	\$ 250,000	\$ 250,000
Vehicle Titles & Registration	Pitney Bowes	Postage	9/1/2016	8/31/2017	\$ 9,545,112	\$ 9,545,112
Total					\$ 24,383,799	\$ 63,121,613



Texas Department of Motor Vehicles

Fiscal Year 2017 Statutorily Required Contracts and Term Contracts (Informational Only)

Contracts required by statute include but are not limited to the State Office of Administrative Hearings (contested cases), the State Office of Risk Management (SORM), Workers' Compensation, vehicle liability insurance and property insurance, and the Texas Department of Criminal Justice (manufacturing of license plates, registration stickers and placards, etc.).

Anticipated statutorily required contracts for Fiscal Year 2017

Division	Vendor	Purpose	Contract Period		FY 2017 Contract Amount	Total Contract Amount
			Award	Expire		
Agency Wide	State Office of Risk Management	Workers compensation & Risk management service	9/1/2016	8/31/2017	\$ 64,084	\$ 128,168
Capital Projects	INFORMATION RESOURCES	Data Center Services	7/8/2014	8/31/2017	\$ 7,636,433	\$ 23,910,369
Finance and Administrative Services	ALLIANT INSURANCE SERVICES INC	Fleet liability ins premium	5/13/2016	8/31/2017	\$ 13,500	\$ 13,500
Finance and Administrative Services	Arthur J Gallagher Risk Management Services, Inc	Property Liability insurance per State Office of Risk Management	9/1/2016	8/31/2017	\$ 8,500	\$ 10,500
Finance and Administrative Services	Open Text	Digital Imaging services	9/1/2016	8/31/2017	\$ 3,385,295	\$ 6,801,171
Finance and Administrative Services	Texas Dept of Criminal Justice	Manufacturing of License Plates/Stickers	9/1/2016	8/31/2017	\$ 23,271,101	\$ 46,293,946
Finance and Administrative Services	Texas State Library	Records Storage	9/1/2016	8/31/2017	\$ 17,000	\$ 34,000
Finance and Administrative Services	TIBH Industries Inc.	RSC Janitorial Services	6/30/2015	6/30/2017	\$ 261,024	\$ 525,648
Finance and Administrative Services	TIBH Industries Inc.	HQ Janitorial Services	9/1/2016	8/31/2017	\$ 173,238	\$ 564,430
Finance and Administrative Services	TIBH Industries, Inc.	Transportation/freight services for plates provided by SVA Services	9/1/2016	8/31/2017	\$ 715,000	\$ 715,000
Finance and Administrative Services	TX Comptroller of Public Accounts	Fleet mgmt system support fee	5/11/2015	8/31/2020	\$ 407	\$ 2,033
Finance and Administrative Services	Texas Dept of Transportation	Interagency contract between TxDMV & TxDOT	9/1/2016	8/31/2017	\$ 2,000,000	\$ 2,000,000
Information Technology Services	NICUSA	Web Hosting TX.Gov	9/1/2016	8/31/2017	\$ 514,620	\$ 514,620
Motor Vehicle	State Office of Administrative Hearings	Interagency contract for administrative hearings	9/1/2015	8/31/2017	\$ 70,900	\$ 141,800
Vehicle Titles and Registration	Standard Register	Vehicle Registration Decals	4/16/2015	4/15/2017	\$ 4,250,900	\$ 8,738,853
Vehicle Titles and Registration	TIBH Industries, Inc.	Specialty license plates mail preparation & mailing service	9/1/2016	8/31/2017	\$ 146,990	\$ 146,990
Total					\$ 42,528,992	\$ 90,541,028



Texas Department of Motor Vehicles

Fiscal Year 2017 Delegated and Statewide Contracts \$100,000 - \$200,000 (Informational Only)

Contracts, including Statewide Contracts that have a cumulative cost value from \$100,000 to \$200,000 (Commodities over \$25,000 and Services over \$100,000 must be reviewed by the Texas Comptroller of Public Accounts; Government Code 2156.121) may be delegated to the agency by the Texas Comptroller of Public Accounts. If delegated, these are executed by FAS at the executive director’s discretion within budget guidelines in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies. The executive director will report contract executions to the board.

Division	Vendor	Purpose	Contract Period		FY 2017 Contract Amount	Total Contract Amount
			Award	Expire		
Consumer Relations	TIBH INDUSTRIES INC	Temporary staffing	5/27/2016	11/28/2016	\$ 103,228	\$ 129,412
Human Resources	TIBH INDUSTRIES INC	Temporary staffing	6/10/2016	6/15/2017	\$ 125,142	\$ 158,032
Finance and Administrative Services	SKY INVESTMENT PROPERTY INC	Dallas/Carrollton RSC	6/18/2013	3/31/2020	\$ 121,313	\$ 682,053
Finance and Administrative Services	VOYAGER FLEET SYSTEMS INC	Fleet fuel and maintenance	4/4/2014	4/30/2017	\$ 161,966	\$ 467,902
Agency	AT&T MOBILITY	Cellular usage fees	4/12/2016	4/11/2017	\$ 101,238	\$ 138,301
Information Technology Services	NIT DATA INC	Server Application Software Maintenance	1/29/2014	1/31/2017	\$ 130,498	\$ 529,389
Information Technology Services	AUTO RESEARCH DIVISION	Web Portal subscription	5/1/2014	5/31/2017	\$ 102,375	\$ 314,875
Vehicle Titles and Registrations	TIBH INDUSTRIES INC	Temporary staffing	5/23/2014	5/26/2017	\$ 135,872	\$ 389,574
Vehicle Titles and Registrations	TOSHIBA BUSINESS SOLUTIONS-TX	Copier lease	11/1/2014	9/30/2016	\$ 192,341	\$ 512,281
Total					\$ 1,173,973	\$ 3,321,819



Texas Department of Motor Vehicles

Fiscal Year 2017 Delegated and Statewide Contracts less than \$100,000 (Informational Only)

Contracts, including Statewide Contracts under \$100,000 for services and \$25,000 for commodities are delegated to state agencies by the Texas Comptroller of Public Accounts (Government Code 2155.132). These include but are not limited to competitively bid contracts for goods and services that are executed by FAS at the executive director’s discretion within budget guidelines in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies.

Category	Division	Vendor	Purpose	Contract Period		FY 2017 Contract Amount	Total Contract Amount
				Award	Expire		
Contractors	Motor Carrier	TIBH Industries, Inc.	Temporary staffing	3/24/2016	10/6/2016	\$ 46,335	\$ 64,328
	Enforcement	TIBH Industries, Inc.	Temporary staffing	7/6/2016	11/23/2016	\$ 55,384	\$ 63,803
	Motor Vehicle	TIBH Industries, Inc.	Temporary staffing	8/22/2014	10/17/2016	\$ 12,839	\$ 22,311
	Finance and Administrative Services	TIBH Industries, Inc.	Temporary staffing	1/29/2016	1/31/2017	\$ 48,419	\$ 76,560
Building Leases	Finance and Administrative Services	BURNHAM PROPERTIES LTD	El Paso RSC	7/3/2014	10/31/2017	\$ 8,972	\$ 116,559
	Information Technology Services	TEXAS DEPT OF INFORMATION	Data Recovery Center	4/16/2014	4/30/2018	\$ 12,000	\$ 36,000
	Finance and Administrative Services	4015 Limited Partnership	CPA Warehouse	5/1/2015	4/30/2020	\$ 20,337	\$ 101,684
	Finance and Administrative Services	TONY MARTIN TRUSTEE	Waco RSC	4/2/2012	8/31/2020	\$ 40,626	\$ 244,958
	Finance and Administrative Services	RIVERBEND COMPLEX LLC	Ft. Worth RSC	7/1/2015	9/30/2020	\$ 77,625	\$ 401,063
Total						\$ 322,537	\$ 1,127,265

The following table is a summary of the contracts that are less than \$100,000 grouped by category.

Category	Purpose	FY 2017 Average Contract Amount	FY 2017 Combined Contract Amount	Total Combined Contract Amount
Memberships & Licenses 40 Contracts	Bar Dues \$5,831 Memberships \$64,186 Subscriptions \$82,385	\$ 3,810	\$ 152,402	\$ 430,078
Technology, Hardware/Software Maintenance 3 Contracts	Software Maintenance \$114,864	\$ 38,288	\$ 114,864	\$ 301,378
Copier Leases 42 Contracts	42 Copiers \$230,375	\$ 5,119	\$ 230,375	\$ 941,273
Service Contracts 34 Contracts	IT-related \$43,796 Cellular \$8,200 Delivery/Courier \$109,973 Other \$177,844 Mailing Services \$131,268	\$ 13,855	\$ 471,082	\$ 1,841,514
Miscellaneous 9 Contracts	Miscellaneous	\$ 824	\$ 7,420	\$ 35,260
Total			\$ 976,143	\$ 3,549,503



Texas Department of Motor Vehicles

Fiscal Year 2017 Information Technology Staff Augmentation (Informational Only)

Generally, contracts over \$200,000 must be reviewed and approved by the TxDMV Board; however, the TxDMV Board resolution adopting contract approval procedures excludes from approval those contracts with DIR for routine operations. The list of Information Technology-related staff augmentation contracts for 2017 listed below are for informational purposes only.

Note that contract amounts are subject to change based on agency needs and the final terms and conditions negotiated.

Division	Vendor	Purpose	Contract Period		Primary Project	FY 2016 Estimated Expenditures	FY 2017 Contract Amount	Total Contract Amount
			Award	Expire				
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	5/11/2015	5/10/2017	WebDealer	\$ 97,237	\$ 108,389	\$ 325,166
Enterprise Project Management Office	Nu Info Systems Inc.	Technology Services Staff Augmentation	10/5/2015	10/4/2016	WebDealer	\$ 185,658	\$ 178,534	\$ 380,294
Enterprise Project Management Office	Abdeladim & Associates	Technology Services Staff Augmentation	12/28/2015	12/27/2016	AMSIT	\$ 136,844	\$ 215,634	\$ 431,268
Information Technology Services	TIBH Industries, Inc.	Technology Services Staff Augmentation	5/8/2015	5/7/2016	RTS Refactoring	\$ 62,845	\$ 108,389	\$ 216,778
Enterprise Project Management Office	Intratek Computer Inc.	Technology Services Staff Augmentation	9/16/2014	5/7/2016	eLicensing	\$ 71,755	\$ 108,389	\$ 216,778
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	3/14/2016	8/31/2016	Physical Security	\$ 118,940	\$ 185,546	\$ 304,356
Enterprise Project Management Office	Navavuga Infotech	Technology Services Staff Augmentation	4/11/2016	4/10/2017	WebDealer	\$ 72,214	\$ 182,998	\$ 255,212
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	6/13/2016	12/31/2016	eLicensing	\$ 29,565	\$ 122,013	\$ 189,120
Information Technology Services	TIBH Industries, Inc.	Technology Services Staff Augmentation	6/10/2016	12/8/2016	eLicensing	\$ 26,263	\$ 108,389	\$ 162,583
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	6/29/2016	6/28/2017	WebDealer	\$ 125,321	\$ 195,520	\$ 320,841
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	11/12/2012	11/11/2016	WebDealer	\$ 157,340	\$ 197,600	\$ 1,226,960
Information Technology Services	C & T Information Technology	Technology Services Staff Augmentation	9/1/2011	12/9/2016	IT Operating	\$ 162,690	\$ 176,800	\$ 904,740
Enterprise Project Management Office	National Human Resources Group, Inc.	Technology Services Staff Augmentation	7/14/2014	7/13/2016	RTS Refactoring	\$ 71,820	\$ 131,040	\$ 386,064
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	9/1/2011	7/31/2017	Multiple Projects	\$ 237,978	\$ 235,040	\$ 1,748,477
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	8/5/2014	8/4/2016	RTS Refactoring	\$ 112,140	\$ 145,600	\$ 407,680
Information Technology Services	TIBH Industries, Inc.	Technology Services Staff Augmentation	5/12/2011	8/31/2016	IT Operating	\$ 105,742	\$ 108,389	\$ 413,035
Information Technology Services	TIBH Industries, Inc.	Technology Services Staff Augmentation	9/6/2011	8/31/2016	IT Operating	\$ 90,671	\$ 108,389	\$ 404,761
Enterprise Project Management Office	Allied Consultants Inc.	Technology Services Staff Augmentation	9/2/2014	9/1/2016	Multiple Projects	\$ 162,720	\$ 166,400	\$ 505,500
Total						\$ 2,027,744	\$ 2,783,058	\$ 8,799,612



Texas Department *of* Motor Vehicles

Appendix A: Budget Category Definitions



Texas Department of Motor Vehicles

Budget Category Definitions

In Alphabetical Order

Advertising and Promotion – Includes radio/media ads, posters, signage, brochures, flyer production, and other promotional items.

Benefit Replacement Pay (BRP) – Benefit Replacement Pay (BRP) is compensation authorized by the Texas Legislature to offset the loss of state-paid Social Security contributions.

Capital – Includes items established as “Capital Items” by the agency, or greater than \$5,000, which have capital authority as outlined in Rider 2 of the General Appropriations Act, 84th Legislature, such as Acquisition of Information Resource Technology, land and buildings, relocation of facilities, and aggregate furniture purchases in excess of \$100,000.

Computer Equipment – The purchase and replacement of personal information technology equipment and peripherals such as workstations, monitors, keyboards, and laptops.

Consumables – Standard consumable costs required to run the day-to-day operations of the agency such as paper, pens, pencils, media discs and USB drives, paper clips and staples.

Contract Services – General jobs outsourced to third party companies and organizations for the benefit of the agency such as MyPlates and PrintMailPro.

Fees and Other Charges – Credit card processing fees, employee health insurance fees, State Office of Risk Management insurance charges, and court filing fees.

Freight – Costs to transport license plates to county tax offices.

Fuels and Lubricants – Fleet maintenance and operation costs related to oil changes and refueling fleet vehicles.

Grants – Pass through funds designated for use by city, county, and other state agencies for a specific, contractual requirement.

Maintenance and Repair – Expenditures related to the upkeep of agency facilities, equipment, and software used on agency systems for annual application support such as e-Tags and International Registration Plan (IRP).

Membership and Training – Fees for training courses and conference registrations for agency staff. Also included are expenditures for memberships for agency personnel such as Texas Association of Public Purchasers, American Association of Motor Vehicle Administrators (AAMVA) and the National Board of Motor Vehicle Boards and Commissions.

Other Expenses – Includes office furniture and equipment, and miscellaneous non-categorized costs such as employee awards, publication purchases, parts, promotional items, and non-capitalized tools. Also included in this category is a portion of the funding for TxDMV Automation, and Growth and Enhancement.

Postage – Includes costs of metered mailing for license plates, registration renewal notices, and titles; and includes the cost of the rental of agency post office boxes.

Professional Fees – Work, requiring specific expertise, provided by third party professionals holding specific certifications and qualifications.



Texas Department *of* Motor Vehicles

Rent – Building/Rent – Machine, Other – Costs associated with procurement of project facilities such as office rental, off-site training rooms; and costs associated with the rental of office equipment such as postage meters and copy machines.

Reproduction and Printing – Includes all agency printed materials primarily used in registration renewal notices and titles such as notification inserts, envelopes, and title paper.

Salary – Includes salaried workers and interns, longevity pay, health insurance contributions, and retirement contributions. Does not include contract workers who are not a part of the organization's normal payroll.

Services – Includes costs associated with services provided to TxDMV through subscription such as National Motor Vehicle Information System (NMVTIS) and LexisNexis.

Travel (In-State/Out-of-State) – Planned travel costs provided to participant. Includes transportation, meals and accommodations, and travel per-diems.

Utilities – Costs associated with providing services at facilities such as electricity, telephone, water, and natural gas.



Texas Department *of* Motor Vehicles

Appendix B: Budget Terms and Definitions



Budget Terms and Definitions

Annual Operating Budget – An agency’s approved Annual Operating Budget represents a one-year financial plan supporting the agency’s business operations and addresses base operating requirements and adjustments. The budget covers funding for each division and reflects the most appropriate method of finance and strategy for core activities and continuing programs. The TxDMV Recommended Annual Operating Budget reflects Fiscal Year 2017 appropriations as identified H.B. 1, 84th Legislature, Regular Session, GAA. The agency’s final Annual Operating Budget covers a one-year period from September 1 through August 31.

Appropriated – Refers to the dollars or associated full-time equivalent (FTE) positions authorized for specific fiscal years, and to the provisions for spending authority.

Appropriation Year (AY) – Refers to the specific fiscal year for which an appropriation is made. The appropriation year dictates the year to which the expenditure is authorized/charged.

Base Request – The base request represents the basis for the agency’s biennial budget. The base request cannot exceed the appropriated amount established by the legislature through the prior biennial GAA, adjusted for Article IX appropriation reductions.

Benefit Replacement Pay – Benefit Replacement Pay (BRP) is compensation authorized by the Texas Legislature to offset the loss of state-paid Social Security contributions. S.B.102, 74th Legislature eliminated the state-paid Social Security payment, effective December 31, 1995. After this date, eligible employees began receiving a supplement known as Benefit Replacement Pay (BRP) in place of the state-paid Social Security payment. Eligible employees include those that were employed by the state and subject to FICA taxes on August 31, 1995, and have been continuously employed by the state since that date; employees that left the state but returned within 30 consecutive calendar days and those that retired before June 1, 2005, and returned to work with the state before September 30, 2005.

Biennium – Two-year funding cycle for legislative appropriations.

Capital Budget – The portion of an agency’s appropriation that is restricted to expenditures for designated capital construction projects or capital acquisitions.

Centralized Accounting and Payroll/Personnel System (CAPPS) – CAPPS is the official name of the statewide Enterprise Resource Planning (ERP) system created by the Comptroller’s of Public Accounts (CPA) office ProjectONE team. CAPPS will replace legacy systems with a single software solution for financial and Human Resources (HR)/Payroll Administration for Texas state agencies. The modules for TxDMV’s CAPPS include: Asset Management; General Ledger/Commitment Control (Budget); Payables; Purchasing/eProcurement; HR and Payroll Administration.

Expended – Refers to the actual dollars or positions utilized by an agency or institution during a completed fiscal year; a goal or strategy; an object of expense; or an amount from a particular method of finance.

Federal Funds/Grants – Funds received from the United States government by state agencies and institutions that are appropriated to those agencies for the purposes for which the federal grant, allocation, payment or reimbursement was made.

Fiscal Year (FY) – September 1 through August 31 and specified by the calendar year in which the fiscal year end, e.g. fiscal year 2017 runs from September 1, 2016 through August 31, 2017.



Texas Department of Motor Vehicles

Full-Time Equivalents (FTEs) – Units of measure that represent the monthly average number of state personnel working 40 hours per week.

General Appropriations Act (GAA) – The law that appropriates biennial funding to state agencies for specific fiscal years and sets provisions for spending authority.

General Revenue (GR) Fund – The fund (Fund 001) that receives state tax revenues and fees considered available for general spending purposes and certified as such by the Comptroller of Public Accounts.

Lapsed Funds – The unobligated balance in an item of appropriation that has not been encumbered at the end of a fiscal year or at the end of the biennium. Appropriations expire if they are not 1) obligated by August 31 of the appropriation year in which they were made or 2) expended within two years following the last day of the annual year.

Line-item – An element of spending authority granted to an agency or institution in an appropriations bill. It is literally, a line in the General Appropriations Act specifying an agency's appropriations for a specific designated use. In Texas, the governor may veto a line-item.

Method of Finance – This term usually appears as a heading for a table that lists the sources and amounts authorized for financing certain expenditures or appropriations made in the General Appropriations Act (GAA). A source is either a "fund" or "account" established by the comptroller or a category of revenues or receipts (e.g. federal funds).

Rider – A legislative directive or appropriation inserted in the GAA following appropriation line-items for an agency or in the special or general provisions of the act. A rider provides direction, expansion, restriction, legislative intent or an appropriation. The term also applies to special provisions at the end of each article and general provisions in the GAA. A rider appropriation is distinguished from a regular appropriation (i.e., line-items in the GAA) and a special appropriation (i.e. legislation other than the GAA).

Salary Budget – Fiscal Year 2017 salaries include projected annual costs based on Fiscal Year 2016 actual salaries with adjustments for vacancies, merits and Fiscal Year 2017 longevity costs.

State Highway Fund (Fund 006) – Constitutionally created fund that dedicates net revenues from motor vehicle registration fees and taxes on motor fuels and lubricants. Revenue in the State Highway Fund is used for highway construction and maintenance, acquisition of rights-of-way and law enforcement on public roads.

TxDMV Fund – The TxDMV Fund is a dedicated Texas Department of Motor Vehicles Fund separate from the General Revenue and State Highway Fund. Several statutorily-dedicated revenue streams including certificates of title, motor vehicle registration, oversize/overweight permitting, business dealer licenses and other miscellaneous fees are deposited to the credit of the TxDMV Fund.

Unexpended Balance (UB) or Carry-Forward – The amount left in an item of appropriation at the end of an appropriation period and includes only that part of the appropriation, if any, which has not had an obligation or commitment made by the agency in charge of spending the appropriation. The term also refers to the amount of an appropriation, a fund or a category of revenue which is brought forward (appropriated) to the succeeding fiscal year. Agencies must have legislative authority to move funds from one year to the next and/or from one biennium to the next biennium.



Texas Department *of* Motor Vehicles

Appendix C: Finance and Administrative Services Contacts



Finance and Administrative Services Contacts

Linda Flores, Chief Financial Officer
512-465-4125

Renita Bankhead, Assistant Chief Financial Officer
512-465-1216

David Chambers, Purchasing Manager
512-465-1257

Sergio Rey, Financial Administration Manager
512-465-4203

Ann Pierce, Administrative Services Assistant Director
512-465-4100

Budget Analysts

Tricia Ueckert, Budget Team Lead
512-465-1401

John Ralston, Sr. Budget Analyst
512-465-4182

Diana Thomas, Budget Analyst
512-465-5831

Delores Hubbard, Budget Analyst
512-465-4195

Jack Starnes, Budget Analyst
512-465-4178

Revenue Forecasting

Theo Kosub, Financial Analyst
512-465-1448

Brian Kline, Financial Analyst
512-465-4194

Planning

Lisa Conley, Planner
512-465-4186



DATE: August 3, 2016

Action Requested: APPROVAL

To: Texas Department of Motor Vehicles Finance and Audit Committee
From: Sandra Menjivar-Suddeath, Internal Audit Director
Agenda Item: FY2017 Annual Audit Plan
Subject: Recommendation to the full board approval of the FY2017 Annual Audit Plan

RECOMMENDATION

Recommendation to the full board for approval of the Fiscal Year 2017 Internal Audit Plan

PURPOSE AND EXECUTIVE SUMMARY

The Texas Internal Auditing Act (Govt. Code 2102.008) requires that the annual audit plan be approved by the agency's governing Board. The Finance and Audit Committee recommends to the full board approval of the Fiscal Year 2017 Internal Audit Plan. The audit plan is the work plan for the Internal Audit Division in Fiscal Year 2017.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

The Texas Internal Auditing Act (Govt. Code 2102.008) requires that the annual audit plan be approved by the agency's governing Board. The audit plan lists the following:

- 7 proposed reports, audits, and advisory services to be done in Fiscal Year 2017,
- Other Internal Audit division duties, and
- 4 contingency audits and advisory services.

Specifically, the proposed audit plan includes 2 required reports, 3 audits, 1 advisory service, and a special request placeholder. The special request placeholder will allow Internal Audit to respond and address any unforeseen risks that may come up throughout the fiscal year. This special request can come from Management, the Board, or both. If there is no special request, Internal Audit will conduct one of the contingency audits (e.g., "Other Possible Projects to consider if Resources are Available" section). A total of 4 contingency audits and advisory services have been developed that include 3 audits and 1 advisory service.

The annual audit plan was developed using a risk based approach and input from the Board members and senior management. The audit plan also considers State Auditor's Office (SAO) guidelines when developing the plan.



Texas Department *of* Motor Vehicles
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TxDMV Internal Audit Plan for Fiscal Year 2017

Internal Audit Division

August 4, 2016



July 22, 2016

Mr. Raymond Palacios, Jr., Vice-Chair
Board of Texas Department of Motor Vehicles
4000 Jackson Avenue
Austin, Texas 78731

Subject: *Internal Audit Plan for Fiscal Year 2017*

Dear Vice-Chair Palacios:

The Internal Audit Division has finalized the proposed Texas Department of Motor Vehicles (TxDMV) Internal Audit Plan for Fiscal Year 2017 (audit plan) for the TxDMV Board's review and approval.

The Texas Internal Auditing Act requires that internal audit develop an annual audit plan. This proposed audit plan incorporates the TxDMV Board and the agency's senior management comments.

The proposed audit plan includes the following:

- Statutorily required reports
- Risk-based audits and an advisory service project
- One carry-over audits from the fiscal year 2016 audit plan that will be substantially completed by August 31, 2016 but not ready for release until fiscal year 2017
- One carry-over audit from the fiscal year 2017 audit plan that we will start in fiscal year 2017

In addition to the audit plan projects, the Internal Audit Division anticipates other activities, such as coordinating with external auditors and investigating allegations of fraud, waste, and abuse.

If you have any questions or comments, please contact me at (512) 465-4118 or Sandra.Menjivar-Suddeath@txdmv.gov.

Respectfully,

Sandra Menjivar-Suddeath
Internal Audit Director

cc: Mr. Raymond Palacios, Jr., Finance and Audit Committee Chair
Mr. Blake Ingram, Finance and Audit Committee Member
Mr. Robert "Barney" Barnwell, Board Member
Ms. Luanne Caraway, Board Member
Mr. Guillermo "Memo" Trevino, Board Member
Ms. Whitney Brewster, TxDMV Executive Director
Ms. Shelly Mellott, TxDMV Deputy Executive Director
TxDMV Division Directors

TxDMV Internal Audit Plan for Fiscal Year 2017

Texas Department of Motor Vehicles Fiscal Year 2017 Internal Audit Plan		
Topic	Division	Background and Preliminary Objectives
Required Reports under the Texas Internal Auditing Act		
1. Fiscal Year 2016 Annual Internal Audit Report	Agency-wide	<p><u>Background:</u> A summary of internal audit activities, including the status of the FY 2016 audit plan, non-audit services provided, and external audit services procured; and the FY 2017 audit plan. This report must be submitted before November 1 of each year to the Governor, the Legislative Budget Board, the State Auditor’s Office, the Sunset Advisory Commission, and the TxDMV Board and be posted on the</p>
2. Fiscal Year 2018 Internal Audit Plan	Agency-wide	<p><u>Background:</u> The annual audit plan is prepared using risk assessment techniques to identify individual audits to be conducted during the year. The TxDMV Board must review and approve the annual audit plan (Government Code, Section 2102.005).</p>
Audits and Advisory Services		
<p>1. Oversize/Overweight Permitting</p> <p><i>Carry-over from Fiscal Year 2016 Internal Audit Plan</i></p>	Motor Carrier	<p><u>Background:</u> The TxDMV regulates oversize vehicles and loads on highways and bridges. In fiscal year 2014, the Oversize/Overweight Permits Section issued over 836,000 permits; responded to over 198,000 permit-related calls from customers, and collected more than \$178 million in fees. The agency uses the Texas Permitting and Routing Optimization System (TxPROS), an online permitting and GIS-based mapping system, to allow customers to apply for and self-issue many permits.</p> <p><u>Tentative Objectives:</u></p> <p>(1) Determine whether the TxDMV issues Oversize/Overweight permits and collects the appropriate fees in accordance with laws and regulations</p> <p>(2) Determine whether the TxDMV validates, updates, and communicates route restriction information on a timely basis to ensure routes are safe for permitted Oversize/Overweight loads</p>

Texas Department of Motor Vehicles Fiscal Year 2017 Internal Audit Plan		
Topic	Division	Background and Preliminary Objectives
<p>2. RTS Refactoring and Single Sticker Post-implementation Review</p> <p><i>Carry-over from Fiscal Year 2016 Internal Audit Plan</i></p>	Agency-wide	<p><u>Background:</u> Refactored RTS included COGNOS reports that replaced standard reports from legacy RTS and included updated ad hoc reporting capabilities. Staff and management use information from COGNOS reports to make strategic and operational decisions.</p> <p><u>Tentative Objectives:</u></p> <p>(1) Determine whether COGNOS reports provide management and staff with complete and accurate information from RTS</p> <p>(2) Determine whether COGNOS reports provide <i>at least</i> the same level of information or service as reports from the legacy RTS</p>
<p>3. TxDMV Fund tables and Process & Handling Fees</p>	FAS, ITS, VTR	<p><u>Background:</u> SB 1512 (84th Texas Legislature) re-created and re-directs revenue sources for the TxDMV fund starting September 1, 2016. HB 6 exempts the fund and its revenues from consolidation. The intent of the bill is to separate the fund from the General Revenue and State Highway funds, allowing the TxDMV to fund its operations.</p> <p>The TxDMV Board of Directors used its authority to adopt a P&H fee structure to fund agency operations during its June board meeting. The P&H fees are effective for motor vehicle registrations starting January 2017.</p> <p><u>Tentative Objectives:</u></p> <p>(1) Determine whether appropriate revenues, including registration fees, are deposited to the TxDMV fund appropriately</p> <p>(2) Determine whether appropriate amounts are transferred to counties per agency rule</p>
<p>4. Continuous Monitoring of Vehicle Registration and</p>	VTR/ITS	<p><u>Background:</u> Fiscal year 2016 had a number of suspicious and fraudulent registration and title transaction activities within the agency and through Tax-Assessor Collectors, including high visibility arrests related to alleged fraud. The agency employs 1</p>

Texas Department of Motor Vehicles Fiscal Year 2017 Internal Audit Plan		
Topic	Division	Background and Preliminary Objectives
Title Transactions <i>Advisory Project</i>		investigator to investigate suspected title fraud. Auditors would analyze registration and title transactions from the RTS on a scheduled basis to identify suspicious and possibly fraudulent transactions processed by the agency or Tax-Assessor Collectors. Refer suspicious and possible fraudulent transactions to VTR to investigate.
5. Management or Board Request	TBD	Time has been allotted to management and commission for a special request or to review a new and emerging risk for the agency. If no request is received, one of the audits from the other possible project list will be conducted.
Other Internal Audit Division Duties		
<ul style="list-style-type: none"> • Coordinating with external auditors and reviewers • Investigating allegations of fraud, waste, and abuse that Internal Audit receives or that the State Auditor’s Office refers from its fraud hotline • Conducting an annual Quality Assurance and Improvement Program as required by auditing standards • Tracking and monitoring the status of prior-year audit recommendations • Advising the agency’s Governance Team and Executive Steering Committees 		
Other Possible Projects to Consider if Resources are Available		
1. Planning and Requirements Analysis Process for Major Projects <i>Advisory Project</i>	Agency-wide	<u>Background:</u> The TxDMV has experienced changes in scope, budget, and schedule in developing major systems. This project would review major project documentation to evaluate activities conducted during the planning and requirements analysis phases to determine what actions could be changed to facilitate a smoother system development in the future.
2. MyPlates Contract	FAS	<u>Background:</u> Executive Management Team rated this project for considerations for future audit plans during the FY2015 IAD risk assessment. <u>Tentative Objective:</u> Determine whether TxDMV and MyPlates adhere to contract provisions—including requirements related to fee collections and distributions.

Texas Department of Motor Vehicles Fiscal Year 2017 Internal Audit Plan		
Topic	Division	Background and Preliminary Objectives
3. Motor Vehicle Division Licensing Process and eLicensing	MVD	<p><u>Background:</u> The MVD adjusted its process to license independent, franchise, and salvage dealers starting in 2013, which greatly reduced the time for applicants to receive a license (from as much as 6 months). The eLicensing system is scheduled to go live in October. This project would evaluate MVD's process after go live.</p> <p><u>Tentative Objectives:</u></p> <ul style="list-style-type: none"> (1) Determine if MVD's licensing process complies with statutory and rule requirements (2) Review eLicensing's impact on the licensing process post-implementation.
4. Enforcement Division's Investigations Process	ENF	<p><u>Background:</u> The Enforcement Division investigates complaints against licensees regulated by TxDMV, and files administrative charges alleging violation of laws.</p> <p><u>Tentative Objectives:</u></p> <ul style="list-style-type: none"> (1) Determine whether investigations are conducted according to statutes, rules, and policies & procedures (2) Determine how the division's key performance indicators affect investigations

Methodology

Scope

The Internal Audit Plan for Fiscal Year 2017 covers the period of September 1, 2016 to August 31, 2017.

Risk Assessment

The audit plan was developed using a risk-based methodology including input from Board members and senior management. Internal Audit also analyzed agency information to rank potential audit topics by risk, including contracting risk.

The State Auditor's Office (SAO) guidelines for the Internal Audit Plan for Fiscal Year 2016, request that internal audit indicate which projects in the audit plan address expenditure transfers, capital budget controls, contract management, and information technology risks. The proposed audits that address these topics are the following:

- TxDMV Fund tables and Process & Handling Fees and RTS Refactoring and Single Sticker Post-implementation Review will address information technology risks
- TxDMV Fund tables and Process & Handling Fees will address expenditure transfers and capital budget controls
- TxDMV Fund tables and Process & Handling Fees and My Plates Contract—if resources are available—will address contract management



Texas Department *of* Motor Vehicles

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FY 2016 Financial Summary for the 3rd Quarter ending May 31, 2016

Finance and Administrative Services

Division August 3, 2016

3rd Quarter FY 2016 Financial Status Highlights

Revenues:

Year-to-date revenue collections increased 1.1% or \$14.1 million over the same period last year.

The largest source of this increase is attributed to registration revenue as the number of registered vehicles continues to rise in FY 2016. Revenue increases were offset by decreases in Oversize/Overweight revenue as a result of fewer permits and a slump in the oil market. The remaining revenue categories of title revenue, business dealer license revenue, collections associated with federal interstate or international commerce (Unified Carrier Registration fees), intrastate motor carrier applications and credentialing fees are flat verses year-to-date fiscal year 2015.

Expenditures:

Year-to-date expenditures through May 31, 2016 total \$88,941,061. The significant expenditure categories are detailed below:

Salaries (\$28.4 million) – As of May 31, 2016, there were 714 filled positions and 49 vacancies.

Purchased Contract Services (\$21.0 million) – This line item includes Huntsville license plate production (\$15.1 million); Special License Plate Fees - Rider 3, (\$2.7 million); and registration renewal and specialty plate mailing (\$3.2 million).

Professional Fees (\$13.9 million) – The majority of these expenses are Data Center Services (DCS) (\$5.7 million) and Automation (\$5.5 million), Information Technology staff augmentation & TxDOT DCS (\$1.5 million), and CVISN (\$398,000).

Postage (\$6.7 million) – Print Mail Pro postage permit for registration renewal mailings.

Reproduction & Printing (\$3.4 million) – Printing of titles (\$1.8 million), title paper, envelopes, and registration inserts (\$1.4 million).

Encumbrance Summary:

As of May 31, 2016, encumbrances total \$55.3 million. The majority of the encumbrances (95%) are in Capital, primarily for the refactoring of the Registration and Titling System (RTS), E-Licensing system (formerly replacement of the Licensing, Administration, Consumer Affairs and Enforcement or LACE), and Application Migration and Server Infrastructure Transformation (AMSIT); Vehicle Titles and Registration (VTR) for postage and registration decals; Finance and Administrative Services (FAS) for the production of license plates; and Automobile Burglary and Theft Prevention Authority (ABTPA) for grants.

Details of the larger encumbrances by budget category are as follows:

Professional Fees and Services (\$24.1 million) – Automation (\$17.5 million, primarily RTS Refactoring and E-Licensing), and DCS (\$3.4 million). Also included are encumbrances for project services to implement the AMSIT project (\$1.4 million), which will separate TxDMV applications and related information technology infrastructure components from the TxDOT network. The remainder is attributable to various items including staff augmentation and TxDOT DCS.

Purchased Contract Services (\$10.2 million) – Includes license plates production (\$8.0 million) and imaging of registration and title documents (\$1.7 million).

Maintenance and Repair (\$5.6 million) – Software maintenance related to RTS refactoring.

Reproduction and Printing (\$2.4 million) – Printing of titles, registrations & envelopes.

Grants (\$8.7 million) – ABTPA grants.

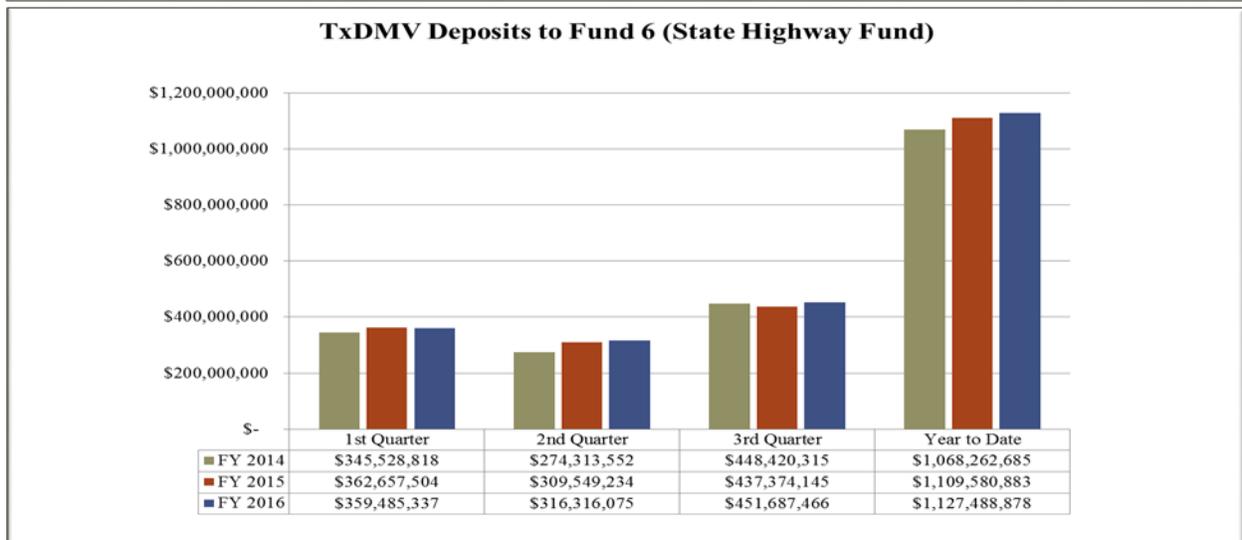
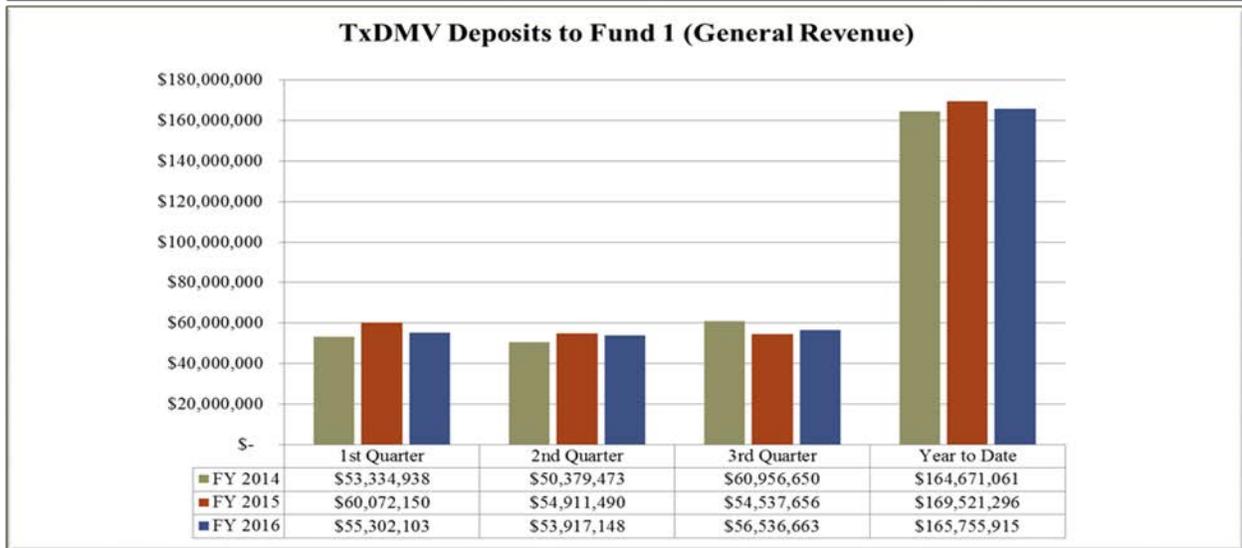
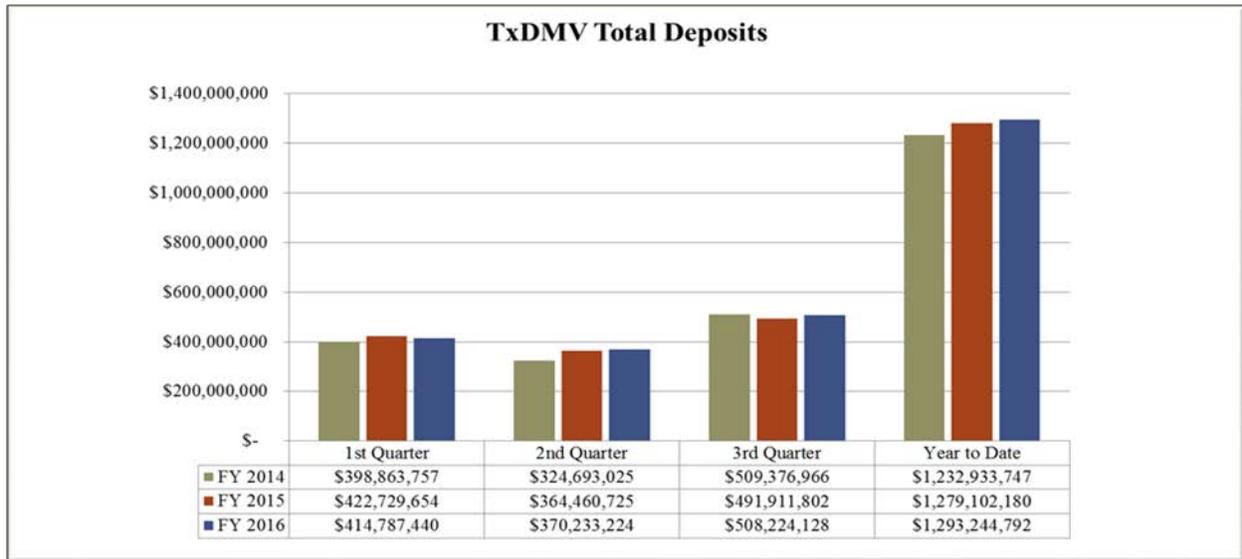
Comparison of Fiscal Year 2016 to Prior Year:

Expenditures for fiscal year 2016 are 3.5% lower than those in the same period last year due to the timing of the purchase of motor vehicle registration sticker decals and ABTPA grant reimbursements.

Encumbrances are 46.1% higher than this time last year primarily due to increased encumbrances for DCS and license plate production.

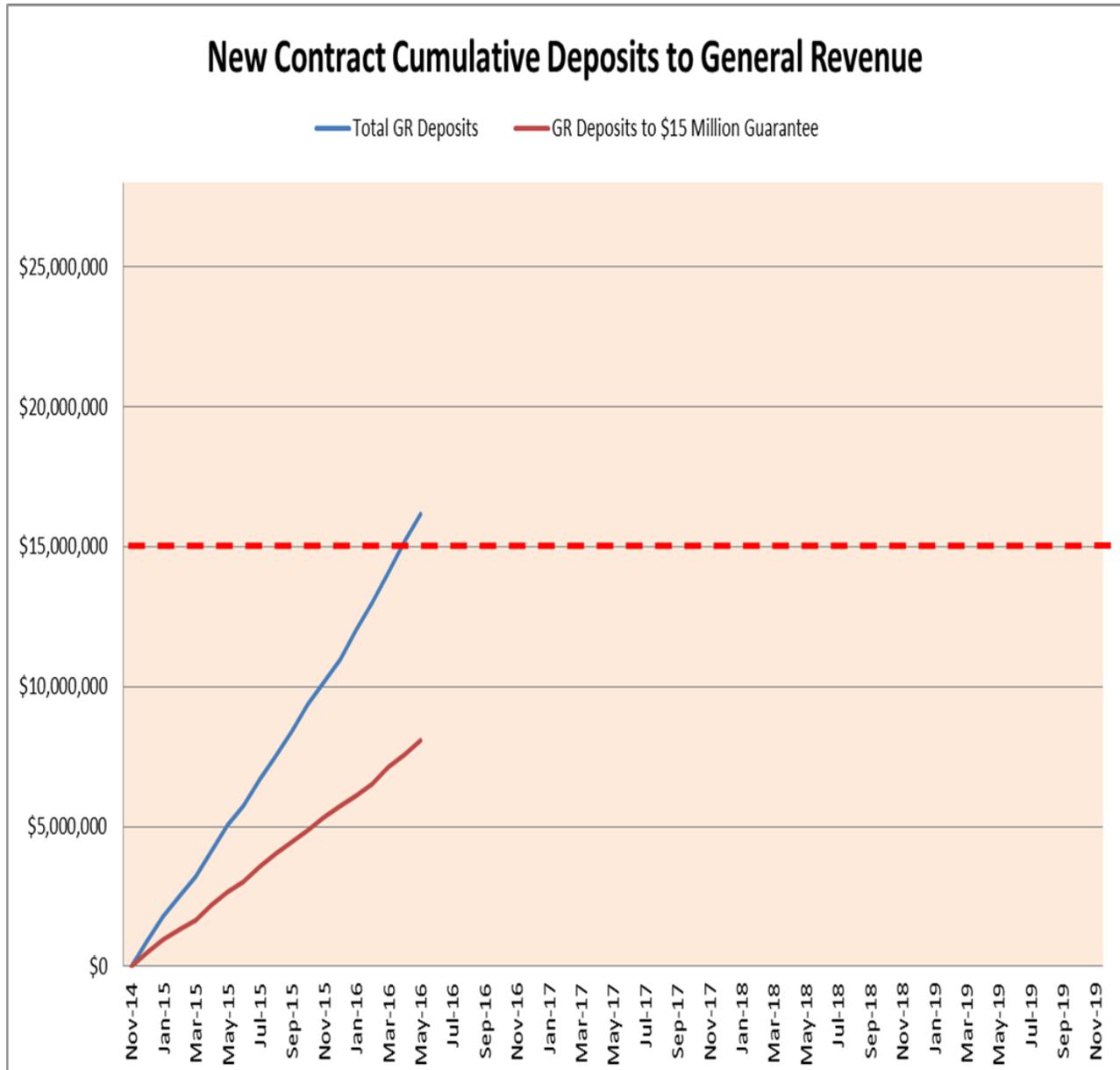
3rd Quarter FY 2016 Financial Status Highlights

TxDMV Deposits to Fund 1 & Fund 6



3rd Quarter FY 2016 Financial Status Highlights

MyPlates Analysis New Contract Revenue and Guarantee Status



Snapshot at 05/31/16	Total
New Contract Cumulative Deposits to General Revenue*	\$16,155,169
New Order Deposits to General Revenue	\$7,639,369
Renewal Deposits to General Revenue	\$8,515,799
General Revenue Deposits Counted Toward \$15 Million Guarantee ¹	\$8,065,159

* Figures exclude refund data and are subject to minimal revision.

1 – GR revenue from the sale of new plates and 5% of renewal plate revenue shall count toward the guarantee.

3rd Quarter FY 2016 Financial Status Highlights

Statement of Revenues and Expenditures through May 31, 2016

Revenues:	Projected Revenue	1Q	2Q	3Q	YTD Revenues
		Sep - Nov	Dec - Feb	Mar - May	
Motor Vehicle Certificates	\$ 57,958,864	\$ 19,351,920	\$ 19,020,758	\$ 22,699,733	\$ 61,072,411
Motor Vehicle Registration Fees	\$ 1,078,147,644	\$ 349,507,999	\$ 307,196,429	\$ 445,351,691	\$ 1,102,056,119
Motor Carrier - Oversize / Overweight	\$ 128,705,732	\$ 39,214,121	\$ 38,145,730	\$ 36,700,874	\$ 114,060,725
Commercial Transportation Fees *	\$ 5,054,047	\$ 3,255,514	\$ 2,518,563	\$ (419,719)	\$ 5,354,358
Motor Vehicle Business Licenses	\$ 5,502,757	\$ 1,657,698	\$ 1,803,863	\$ 2,025,209	\$ 5,486,770
Miscellaneous Revenue	\$ 5,280,525	\$ 1,800,188	\$ 1,547,881	\$ 1,866,340	\$ 5,214,409
Total DMV Revenue	\$ 1,280,649,570	\$ 414,787,440	\$ 370,233,224	\$ 508,224,128	\$ 1,293,244,792

Expenditures:	2016 Approved Adjusted Budget	1Q	2Q	3Q	YTD Expenditures	FY 2016 Available Budget	FY 2016 Encumbrances	FY 2016 Available Budget
		Sep - Nov	Dec - Feb	Mar - May				
Salaries and Wages	\$ 40,714,100	\$ 9,473,469	\$ 9,450,451	\$ 9,445,082	\$ 28,369,002	\$ 12,345,098	\$ -	\$ 12,345,098
Benefit Replacement Pay	\$ 114,563	\$ 11,121	\$ 71,679	\$ 19,273	\$ 102,073	\$ 12,490	\$ -	\$ 12,490
Other Personnel Costs	\$ 1,231,096	\$ 293,556	\$ 324,005	\$ 347,124	\$ 964,685	\$ 266,411	\$ -	\$ 266,411
Professional Fees and Services	\$ 56,382,123	\$ 2,671,678	\$ 5,658,671	\$ 5,551,224	\$ 13,881,573	\$ 42,500,550	\$ 24,060,193	\$ 18,440,357
Fuels & Lubricants	\$ 108,213	\$ 7,090	\$ 8,469	\$ 9,664	\$ 25,223	\$ 82,990	\$ 34,242	\$ 48,748
Consumable Supplies	\$ 1,206,355	\$ 246,901	\$ 161,617	\$ 360,941	\$ 769,459	\$ 436,896	\$ 64,201	\$ 372,695
Utilities	\$ 5,257,103	\$ 725,964	\$ 698,322	\$ 1,150,673	\$ 2,574,959	\$ 2,682,144	\$ 488,875	\$ 2,193,269
Travel In-State	\$ 425,706	\$ 52,883	\$ 54,522	\$ 85,553	\$ 192,958	\$ 232,748	\$ -	\$ 232,748
Travel Out-of-State	\$ 73,876	\$ 8,879	\$ 2,968	\$ 21,734	\$ 33,581	\$ 40,296	\$ -	\$ 40,296
Rent - Building	\$ 913,847	\$ 203,698	\$ 159,724	\$ 166,170	\$ 529,592	\$ 384,255	\$ 124,992	\$ 259,263
Rent - Machine and Other	\$ 337,503	\$ 50,651	\$ 76,646	\$ 67,243	\$ 194,540	\$ 142,963	\$ 119,289	\$ 23,673
Advertising & Promotion	\$ 504,003	\$ 13,881	\$ 9,252	\$ 17,530	\$ 40,663	\$ 463,341	\$ 84,253	\$ 379,088
Purchased Contract Services	\$ 36,216,936	\$ 4,569,375	\$ 7,543,118	\$ 8,929,741	\$ 21,042,234	\$ 15,174,702	\$ 10,244,162	\$ 4,930,541
Computer Equipment Software	\$ 1,065,661	\$ 220,556	\$ 139,093	\$ 326,139	\$ 685,788	\$ 379,873	\$ 266,665	\$ 113,208
Fees & Other Charges	\$ 1,257,004	\$ 241,080	\$ 268,270	\$ 276,046	\$ 785,396	\$ 471,608	\$ 320,794	\$ 150,814
Freight	\$ 1,168,784	\$ 166,990	\$ 160,710	\$ 235,004	\$ 562,704	\$ 606,081	\$ 259,283	\$ 346,798
Maintenance & Repair	\$ 9,458,350	\$ 341,746	\$ 543,239	\$ 1,232,837	\$ 2,117,822	\$ 7,340,528	\$ 5,618,212	\$ 1,722,317
Memberships & Training	\$ 397,198	\$ 81,443	\$ 22,959	\$ 51,309	\$ 155,711	\$ 241,487	\$ 34,324	\$ 207,163
Other Expenses	\$ 3,628,150	\$ 36,239	\$ 91,728	\$ 62,586	\$ 190,553	\$ 3,437,597	\$ 50,764	\$ 3,386,832
Postage	\$ 9,575,565	\$ 2,234,537	\$ 1,944,032	\$ 2,536,573	\$ 6,715,142	\$ 2,860,422	\$ 1,915,473	\$ 944,949
Reproduction & Printing	\$ 6,316,268	\$ 1,006,917	\$ 1,209,758	\$ 1,185,337	\$ 3,402,012	\$ 2,914,256	\$ 2,359,175	\$ 555,080
Services	\$ 1,295,663	\$ 140,620	\$ 161,971	\$ 242,526	\$ 545,117	\$ 750,545	\$ 556,934	\$ 193,612
Grants	\$ 13,939,820	\$ -	\$ 1,255,217	\$ 3,694,818	\$ 4,950,035	\$ 8,989,785	\$ 8,698,165	\$ 291,620
Other Capital	\$ 4,575,048	\$ -	\$ 102,880	\$ 7,359	\$ 110,239	\$ 4,464,809	\$ 600	\$ 4,464,209
Total	\$ 196,162,934	\$ 22,799,274	\$ 30,119,301	\$ 36,022,486	\$ 88,941,061	\$ 107,221,873	\$ 55,300,596	\$ 51,921,277

YTD May Net Surplus (Deficit) \$ 1,204,303,731

Budget Adjustments

Adjusted Automation UB	\$ (2,828,000) (1)
Adjustment to 2.5% Salary Increase Estimate	\$ (105,294) (2)
Adjustment to Benefit Replacement Pay (BRP)	\$ (6,623) (2)
Total adjustment to original approved budget of \$198.9 million	\$ (2,939,917)

1) Unexpended balance amount adjusted to reflect payments for the RTS project that were expected to be paid in 2016 funds; however, the payments were processed at the end of 2015.
 (2) The amounts for these items were estimates, adjustments were made to reflect the actual amount budgeted.

Comparison to Prior Year	Adjusted Fiscal Year 2015	Adjusted Fiscal Year 2016	Percent Change
Approved Adjusted Budget	\$ 171,370,297	\$ 196,162,934	14.47%
Year-to-Date Expenditures	\$ 92,143,072	\$ 88,941,061	-3.48%
Available Budget	\$ 79,227,225	\$ 107,221,873	35.33%
Encumbrances	\$ 38,195,764	\$ 55,300,596	44.78%
Available Budget	\$ 41,031,461	\$ 51,921,274	26.54%

* In November of FY 16, a Unified Carrier Registration (UCR) deposit in the amount of \$ 1.4 million was incorrectly coded by the Comptroller's automated lockbox processing. This resulted in an over reporting of commercial transportation fees in the Month of November FY 16. In April FY 16, a manual correction was made and the \$1.4 million was moved into a special fund that is used to pay invoices received from the Indiana National Unified Carrier Registration Depository. The correction, combined with a partial reporting period, makes the commercial transportation category appear negative in this financial summary. Although the reporting period in this summary appears negative, compared to FY 15 commercial transportation fees are up 1.5% YTD in FY 16.

3rd Quarter FY 2016 Financial Status Highlights

Capital Project Status

Technology Replacements and Upgrades - County Support

This project consists of funding to deploy and maintain printers, computers, monitors, laptops, cash drawers, etc. utilized at county Tax Assessor/Collector offices throughout the state. A major initiative in FY 2016 will be a refresh of technology at the county offices; this initiative was formally approved by the Governance Team as a project and a project manager has been appointed for the project. The technology refresh project will begin in FY 2016 and continue into FY 2017.

TxDMV Automation System

The TxDMV capital project provides for the continued development of information technology assets to improve customer services and improve access to agency programs for customers and the public.

The majority of the Automation expenditures are for the Registration and Titling System (RTS) Refactoring Project, which is estimated to be \$27.0 million at year end. The Point of Sale (POS) component has been implemented in all 254 counties and the migration of RTS off the mainframe onto DCS-based servers was completed in November 2016. The overall schedule for the project has been updated and work has begun for the impact of the new Process and Handling (P&H) fee on the RTS.

A purchase order in the amount of \$4.3 million for FY 2016 was issued to Deloitte for the Licensing, Administration, Consumer Affairs, and Enforcement (LACE) System Replacement, which is now known as the E-Licensing Project. Funding in 2016 will also provide for the independent verification & validation (IV&V) contract for the E-Licensing Project.

The Web Dealer Project is continuing with dealer implementation and enhancement testing. The modules implemented to date include New Vehicles, Used Vehicles, and Commercial Fleet. The next phase to be completed is the Salvage module, which is scheduled to be completed in July 2016. Adjustments are also being made for the impact to Web Dealer from the implementation of the TxDMV Fund and the new Process and Handling (P&H) fee.

The second phase of single sticker continues this fiscal year. The Automation funding for this project is \$1.2 million, with the majority of that cost to be utilized for the TxDMV International Registration Plan (IRP) system upgrade, which will implement an automated inspection process to replace the manual verification process for commercial fleet services.

Growth and Enhancement – Agency Operations Support

This budget provides funds to acquire hardware/software to support agency operations. Expenditures and encumbrances to date include costs for miscellaneous computer equipment, computer monitors, and security software. Encumbrances and pre-encumbrances are for miscellaneous computer equipment, laptop and desktop computers, cabling services, and generator installation.

Commercial Vehicle Information Systems and Networks (CVISN) Grant

The Commercial Vehicle Information Systems and Networks (CVISN) is a federal grant that focuses on safety enforcement on high-risk operators; integrating systems to improve the accuracy, integrity, and verifiability of credentials; improving efficiency through electronic screening and enabling online application and issuance of credentials. \$1.1 million was carry forwarded from FY 2015 to FY 2016. The Motor Carrier Division (MCD) works with three other state agencies – Texas Department of Transportation (TxDOT), Texas Department of Public Safety (DPS), and State Comptroller – to implement the grant, with expenditures planned for TxCVIEW maintenance and core augmentation, the ABC Warning Project, and travel. As of the end of May 2016 \$435,000 is encumbered for TxDOT services for the ABC Warning Project and \$2,000 is encumbered for work performed by the Southwest Research Institute (SwRI).

Data Center Services

The Data Center Services (DCS) program enables state agencies to access data center computing as a managed service. State agencies are billed for the amount of services consumed. Expenditures totaled \$5.7 million through the end of May. The year-to-date total reflects charges through April 2016 services. Total projected DCS charges for FY 2016 are projected to come in below the overall total budget. The total DCS budget of \$9.8 million does not include the projected \$1.5 million payment to TxDOT for DCS charges, which will be paid from IT Operating in FY 2016.

Relocation of Regional Service Centers

This project provides funding in FY 2016 for the relocation of Regional Service Centers from TxDOT facilities. There are no expenditures to date; \$30,000 has been encumbered for cabling services related to relocations. TxDMV staff completed work with Texas Facilities Commission (TFC) on stakeholder feedback and preliminary space planning and specifications have been submitted to TFC. The Regional Service Centers at San Antonio, Pharr, and Corpus Christi have been identified as the facilities to be relocated. Requests for Proposal (RFP) deadlines closed in March for all of the facilities, and proposals were received for San Antonio and Corpus Christi; no proposals were submitted for Pharr. A site visit was conducted for the one proposal in San Antonio, but the property was determined to not meet TxDMV needs. TFC engaged the services of a realty company to assist with property searches for Pharr and San Antonio, and the Aquila firm provided property lists for both locations that are under review. The property submitted for Corpus Christi has been determined to be suitable for TxDMV needs and a contract for lease space was submitted to the TxDMV Board at the June 2016 meeting.

Application Migration & Server Infrastructure Transformation (AMSIT)

The Application Migration and Server Infrastructure Transformation project will identify shared assets, applications, and servers to be relocated from their current position to satisfy the goal of establishing a standalone agency environment. Although this project is related to Automation, it is a separate capital project. Funds have been encumbered for project management, software implementation, and a \$1.1 million purchase order was issued in February 2016 for project services, with the remaining balance of \$5.8 million to be used for future project costs.

3rd Quarter FY 2016 Financial Status Highlights

Statement of Capital Project Expenditures through May 31, 2016

Capital Projects	2016 Approved Adjusted Budget	2016			FY 2016 YTD Expenditures	FY 2016 Available Budget	FY 2016 Encumbrances	FY 2016 Available Budget
		1Q Sep - Nov	2Q Dec - Feb	3Q Mar - May				
Application Migration & Server Transformation (AMSIT)	\$ 7,353,955	\$ 18,868	\$ -	\$ 105,510	\$ 124,378	\$ 7,229,577	\$ 1,398,012	\$ 5,831,565
Commerical Vehicle Information Systems & Network (CVISN)	\$ 1,078,944	\$ 65,032	\$ 149,045	\$ 184,906	\$ 398,983	\$ 679,961	\$ 437,208	\$ 242,753
Data Center Consolidations	\$ 9,080,222	\$ 1,483,313	\$ 2,682,555	\$ 1,531,362	\$ 5,697,230	\$ 3,382,992	\$ 3,382,992	\$ -
Growth & Enhancements - Agency Operations Support	\$ 949,498	\$ 92,464	\$ 47,046	\$ 156,610	\$ 296,120	\$ 653,378	\$ 345,682	\$ 307,697
Technology Replacement & Upgrades - County Support	\$ 5,500,000	\$ 410,012	\$ 216,332	\$ 471,001	\$ 1,097,345	\$ 4,402,655	\$ 668,672	\$ 3,733,983
TXDMV Automation System Project	\$ 41,980,422	\$ 686,604	\$ 2,383,417	\$ 3,998,133	\$ 7,068,154	\$ 34,912,268	\$ 22,148,754	\$ 12,763,514
Regional Office Relocation	\$ 871,500	\$ -	\$ -	\$ -	\$ -	\$ 871,500	\$ 30,000	\$ 841,500
Total	\$ 66,814,541	\$ 2,737,425	\$ 5,497,263	\$ 6,447,522	\$ 14,682,210	\$ 52,132,331	\$ 28,411,319	\$ 23,721,011

Statement of TxDMV Automation Project Expenditures through May 31, 2016

<u>TxDMV Automation Project Appropriations</u>	<u>FY 2016</u>
Original Estimated Unexpended Balance Carry-Forward from FY 2015	\$ 28,730,221
Unexpended Balance Adjustments	\$ (2,828,000)
Fiscal Year 2016 Appropriation	\$ 16,078,201
Total Automation Appropriations	\$ 41,980,422

TxDMV Automation	2016 Approved Adjusted Budget	2016			2016 YTD Expenditures	2016 YTD Encumbrances	Available Budget
		1Q Sep - Nov	2Q Dec - Feb	3Q Mar - May			
813003 HQ Communication Infrastructure	\$ 433,934	\$ 60,355	\$ 258,437	\$ 16,148	\$ 334,940	\$ 12,359	\$ 86,635
813010 RTS Refactoring	\$ 27,012,027	\$ 440,652	\$ 1,587,161	\$ 2,839,920	\$ 4,867,733	\$ 16,133,295	\$ 6,010,999
813013 RTS Data Purification/Name Address	\$ 130,000	\$ 11,560	\$ 4,593	\$ 0	\$ 16,153	\$ -	\$ 113,847
813015 WebDealer E-Titles	\$ 2,652,994	\$ 148,994	\$ 288,074	\$ 397,844	\$ 834,912	\$ 648,634	\$ 1,169,448
813020 E-Licensing	\$ 8,660,994	\$ 85	\$ 225,200	\$ 528,899	\$ 754,184	\$ 4,415,391	\$ 3,491,420
815028 Single Sticker Phase II	\$ 1,200,000	\$ 24,957	\$ 19,953	\$ 215,322	\$ 260,232	\$ 939,075	\$ 693
84BDGT Unallocated	\$ 1,890,472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,890,472
TxDMV Automation Total	\$ 41,980,422	\$ 686,603	\$ 2,383,418	\$ 3,998,133	\$ 7,068,154	\$ 22,148,754	\$ 12,763,514

* Balances in Automation will be brought forward to FY 2017 for project expenses.



**Internal Audit Division Status Update
Finance and Audit Committee and TxDMV Board Meeting**

Status of the Fiscal Year 2016

Remaining projects in FY2016 Internal Audit Plan			
Project	Description	Current Status	Expected Report Release/Presentation Date
Texas International Registration Plan	Audit of the Motor Carrier Division's IRP audit process	Completed	See Report in Attachment 1
Drivers' Privacy Protection Act	Audit of the agency's processes to allow and monitor access to DPPA information	Finalizing Report	We will release the report to management for responses in August 2016. We will present the report to the TxDMV Board of Directors during FY2017.
Oversize/Over weight Permitting	Audit of the agency's processes to issue OS/OW permits	Fieldwork	We will present the report to the TxDMV Board of Directors during FY2017.
RTS Refactoring and Single Sticker Post-implementation review	Audit to ensure reports from Refactored RTS provide accurate data to management for decision-making.	<i>Carry-over to FY2017</i>	Project will commence and be finalized in Fiscal Year 2017
Fiscal Year 2017 Internal Audit Plan	Project to propose audit plan to the Board of Directors in accordance with the Internal Auditing Act	Completed	See Annual Audit Plan in Attachment 2

Coordinating External Audits

- I. State Office of Risk Management
 - 1. On-site visit of the Waco Regional Service Center – August 12th

Attachments

- 1. Audit on the Efficiency of the Texas Internal Registration Plan Compliance Audit Process
- 2. FY2017 Annual Audit Plan



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Audit on the Efficiency of the Texas International Registration Plan Compliance Audit Process TxDMV 16-3

Internal Audit Division
August 03, 2016

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Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

August 04, 2016

Mr. Raymond Palacios, Jr., Vice-Chairman
Texas Department of Motor Vehicles
4000 Jackson Avenue
Austin, Texas 78731

Subject: *Efficiency of the Texas International Registration Plan Compliance Audit Process (TxDMV 16-3)*

Dear Vice-Chairman Palacios:

The Internal Audit Division has completed the report on the *Efficiency of the Texas International Registration Plan Compliance Audit Process*, which was included in the *Internal Audit Plan for Fiscal Year 2016*. We provided the report to the TxDMV management for their review and comment; management responses are found at the end of Chapter 1 and in Appendix 2 of the report.

The objectives of this project were to:

- evaluate the efficiency of IRP compliance audit procedures, and
- determine whether the TxDMV's IRP audit procedures overlap with audits performed by the Texas Comptroller of Public Accounts.

We thank TxDMV management and staff for their cooperation and assistance throughout this project.

If you have any questions or comments, please contact me at (512) 465-4118 or Sandra.Menjivar-Suddeath@txdmv.gov.

Respectfully,

Sandra T. Menjivar-Suddeath, CISA, CIA, CGAP
Internal Audit Director

cc: Ms. Luanne Caraway, Member, Finance and Audit Committee
Mr. Guillermo "Memo" Treviño, Finance and Audit Committee
Mr. Blake Ingram, Board Member
Mr. Robert "Barney" Barnwell, Board Member
Mr. John H. Walker, III, Board Member
Ms. Whitney Brewster, TxDMV Executive Director
Ms. Shelly Mellott, TxDMV Deputy Executive Director
Mr. Jimmy Archer, Motor Carrier Division Director



EVALUATING ENTITY

The Internal Audit Division, which reports functionally to the Board of Directors, provides the Texas Department of Motor Vehicles (TxDMV) independent and objective assurance and consulting services. Assurance services may include financial audits, compliance audits, economy and efficiency audits, effectiveness audits, and investigations. Also, the Division offers advisory services—which may include advice and counsel, facilitation, and training.

PURPOSE OF THE ENGAGEMENT

The purpose of this audit was to:

- evaluate the efficiency of IRP compliance audit procedures
- determine whether the TxDMV's IRP audit procedures overlap with audits performed by the Texas Comptroller of Public Accounts

SCOPE AND METHODOLOGY

The scope of this audit was the TxDMV Motor Carrier Division's (MCD) IRP compliance audit processes and IRP audits initiated during calendar year 2015.

We used the following methodology to address audit objectives of this engagement:

- Interviewed TxDMV MCD management and staff.
- Reviewed the MCD's procedures for selecting and notifying auditees, reviewing IRP audit work performed by staff, and managing audit file documentation
- Analyzed audit tracking records maintained by the Division to determine the frequency of responses by IRP registrants to the TxDMV's requests for required audit documentation
- reviewed International Fuel Tax Agreement (IFTA) audit requirements and IFTA audit procedures performed by the Texas Comptroller of Public Accounts

Internal Audit Division Report Summary

August 2016

Report Number TxDMV 16-3

Audit on the Efficiency of the Texas International Registration Plan Compliance Audit Process

REPORT SUMMARY

The Texas Department of Motor Vehicles (TxDMV) has opportunities to gain efficiencies in its Texas International Registration Plan (IRP) compliance audit process by

- selecting audits annually rather than monthly, creating an annual audit plan that would allow the agency to forecast audit scheduling and auditee notifications on a longer time frame,
- establishing a two-tier review system to alleviate bottlenecks in the review process created by an increasing number of audits with one available reviewer,
- using an electronic system to document and track IRP audit work papers and eliminate the need to create, convert, store, and destroy physical audit files, and
- reducing staff time spent on manual data entry through further use of formulas in the IRP audit workbook and requiring large registrants to use electronic formats that minimize data entry.

In addition, the TxDMV should

- consider conducting a job audit, including updating job descriptions as needed, to ensure IRP auditors' classification accurately reflects their required duties and skills

The TxDMV should also be open to opportunities to cooperate with the Texas Comptroller of Public Accounts (CPA) on conducting motor carrier compliance audits. The CPA performs these audits in accordance with the International Fuel Tax Agreement (IFTA), a separate program than IRP. However, the International Fuel Tax Association approved a ballot measure designed to more closely align IFTA criteria for acceptable distance records with those required by IRP. In addition, both IRP and IFTA have the same record retention period for documents used as audit support.

MANAGEMENT RESPONSE

The management and staff of the Texas Department of Motor Vehicles are committed to establishing an effective system to ensure Texas International Registration Plan audits are completed in a timely and thorough manner, and we recognize that audits provide us important feedback on areas of improvement.

Management of the TxDMV agrees with the recommendations contained in the Internal Audit Division's (IAD) report on the *Efficiency of the Texas International Registration Plan Compliance Audit Process (TxDMV 16-3)* and has provided within the report a plan for implementation of the recommendations (see page 5).

We appreciate the work performed by the IAD; the team was professional, capable and diligent. The team's assessment will help us to continuously improve the efficiency and effectiveness of our operations.

Chapter 1: The IRP Compliance Audit Process Could Gain Efficiencies by Utilizing Automation and Electronic Documents and Leveraging Opportunities to Cooperate with Other State Agencies.

In November 2015, a peer review was conducted on the International Registration Plan (IRP) operations of the Texas Department of Motor Vehicles (TxDMV) Motor Carrier Division (MCD). The peer review is intended to determine a jurisdiction’s compliance with Plan requirements. The peer review team identified the state as out of compliance with its frequency of audits. The Plan requires each member jurisdiction to audit 3 percent per year of the number of fleets that renewed their registration (see textbox). According to the peer review team, Texas completed 1,849 of the 2,121 or 87 percent of the required audits for the registration years 2010 through 2014. During this period, Texas experienced an increase of nearly 14 percent registrations.

Although Texas met the required number of audits for the 2015 reporting period, TxDMV management requested that the Internal Audit Division review the current compliance audit process to identify opportunities for increased efficiency.

Chapter 1-A: The IRP Compliance Audit Processes Should Be Revised

The MCD Commercial Fleet Services Section conducts IRP audits with a staff of nine auditors and one audit supervisor. Currently, auditees are randomly selected and the registrants notified on a monthly basis. Registrants are given 30 days to provide requested audit documents, though some registrants take additional time. IRP auditors enter fleet and mileage information from the registrants’ documents and distance logs into various spreadsheets contained in an audit workbook. The audit supervisor reviews and approves all audit work before results are presented to registrants. A hardcopy audit file is maintained throughout the audit and upon completion any electronic documents are printed and placed in the hardcopy file. The file is then scanned for records retention and subsequently shredded.

Audit Selection and Notification

The TxDMV could gain efficiency from selecting audits annually rather than monthly, creating an annual audit plan that would allow the agency to forecast audit scheduling and auditee notifications on a longer time frame.

The IRP requires jurisdictions to give auditees 30 days to provide documentation. On average, 20 to 30 percent of registrants provide audit documentation approximately one month (between 27 and 34 days) after the TxDMV’s requested deadline according to our review of MCD’s audit records for IRP audits initiated between January 1, 2015 and December 31, 2015. These delays by registrants create potential bottlenecks of audit work when operating on a monthly audit cycle.

International Registration Plan and Definitions

The International Registration Plan (IRP) is an agreement among Member Jurisdictions for registration reciprocity. Under the IRP, apportionable fees are paid to various Jurisdictions in which vehicles of a fleet are operated based on the proportion of total distance operated in all Jurisdictions.

Fleet means one or more apportionable vehicles designated by a registrant for distance reporting under the IRP.

Jurisdiction means a country or a state, province, territory, possession, or federal district of a county.

Registrant means a person in whose name a properly registered vehicle is registered.

Total Distance means all distance operated by a Fleet of apportioned vehicles. Total Distance includes the full distance traveled in all vehicle movements, both interjurisdictional and intrajurisdictional, and including loaded, empty, deadhead, and bobtail distance.

Source: International Registration Plan with Official Commentary, amended Jan. 1, 2016

An annual audit plan would allow the TxDMV to schedule auditee notifications as needed to provide registrants sufficient time to prepare and submit necessary documentation. In addition, IRP auditors could work on audits for registrants that provide timely documentation while awaiting documentation from registrants who request additional time. Registrants' audit eligibility is based on their IRP renewal status during the prior year and therefore does not change month to month. An annual audit selection also has a supplemental benefit of saving staff time each month by eliminating the monthly selection task.

Audit Reviews

Establishing a two-tier review system may help alleviate bottlenecks in the audit process. Currently, the MCD has one supervisor tasked with reviewing all audits, which constrains the volume of audit reviews the division can perform. According to the 2015 IRP peer review, Texas experienced a nearly 14 percent increase in IRP registrations between registration years 2010 and 2014. During that period the TxDMV completed 1,849 of the 2,121 or 87 percent of the required audits. The current audit review process is unlikely to match future audit volume based on the IRP program's growth.

A two-tier review system could include an initial review identifying data or procedural errors for correction and a second review by the supervisor to resolve more complex issues or remaining errors. An auditor not involved with preparing the audit under review could conduct the first-level review. This would spread review capability among more than one person, and shift the supervisor's review away from clerical errors.

Audit Documentation and Retention

The TxDMV could more efficiently utilize resources by using an electronic system to document and track IRP audit work papers and eliminate the need to create, convert, store, and destroy physical audit files.

The TxDMV currently manages IRP audit documentation primarily using hardcopy files. Any electronic working papers are printed out and placed in the file. Once an audit is complete, the physical file is scanned for document retention and then shredded. This consumes unnecessary staff time and resources converting electronic files to physical files which will ultimately be shredded after conversion back into electronic format.

An electronic audit work paper filing and tracking system benefits includes ease of access to files not reliant on the location of a hardcopy folder, and availability and accessibility of individual documents for review as they are completed. The electronic files can be archived according to any retention schedules applicable to IRP audits and working papers. In addition, an electronic system would save physical space currently dedicated to storing a backlog of completed files, and staff time currently spent scanning and shredding the files.

Auditing Tools

Auditors can further utilize formulas in the IRP audit workbook to reduce time spent performing manual data entry. The audit workbook is designed to capture information about fleet size and distances traveled in each IRP member jurisdiction and calculate additional fees or refunds owed to a registrant. Registrants can submit fleet and distance records to IRP auditors in electronic spreadsheets, scanned records, or hardcopy formats. Data received in hardcopy or scanned formats must be manually entered into the workbook. Some calculations use the same mileage total that are keyed into the spreadsheet multiple times. Using formulas to populate data from one initial point of entry can reduce the need for manual data and time spent populating certain fields and spreadsheets within the workbook.

Manual data entry could also be reduced by requiring some registrants to use available online forms that allow staff to import rather than manually enter data. Some registrants already opt to

submit distance logs using the online forms or other electronic format that can be readily copied into the audit workbook. Further efficiencies could be realized by requiring carriers with large fleets, and the technological capability, to utilize these electronic formats in order to facilitate data entry and reduce the overall audit preparation time.

Chapter 1-B: Opportunities to Cooperate with the Texas Comptroller of Public Accounts on Motor Carrier Audits are Growing

The TxDMV and the Texas Comptroller of Public Accounts (CPA) are each responsible for conducting annual motor carrier compliance audits. The TxDMV conducts audits of the IRP and the CPA conducts audits in accordance with the International Fuel Tax Agreement (IFTA)¹.

IRP and IFTA are separate programs with their own audit requirements and methodologies. However, the opportunity and feasibility for the agencies to conduct joint audits is growing as the International Fuel Tax Association passed a ballot measure designed to align IFTA standards more closely to IRP standards effective January 1, 2017. The ballot amends IFTA procedures language to more closely mirror the criteria for acceptable distance records defined by IRP.

In addition, both IRP and IFTA prescribe the same record retention period for documents used as audit support. The TxDMV generally selects IRP auditees with four years of program history, which aligns with the IRP's and IFTA's four year record retention period.² Joint audits may benefit registrants by combining the need for registrants to gather and submit documentation for two separate audits into one joint audit.

¹ Texas implemented the provisions of the International Fuel Tax Agreement (IFTA) on July 1, 1995. The members (jurisdictions) include the 48 contiguous states and 10 Canadian provinces. The purpose of IFTA is to ensure that fuels tax is paid or accrued to jurisdictions where the fuel is used. (Audit and IFTA Software Procedures, January 2012, Texas Comptroller of Public Accounts, Audit Division)

² International Registration Plan, Article X Records and Audits, 1000(a) Retention and Availability of Records; IFTA Procedures Manual (Last Revised January 2013) P510.100 Preservation of Records

Chapter 1-C: IRP Auditor Classification May be Contributing to Turnover

The IRP Auditors have experienced 29 percent turnover between fiscal years 2013 and 2015. MCD managers cited difficulty finding qualified applicants to fill vacant positions. IRP auditors' official classification title may be contributing to difficulty finding qualified candidates.

We reviewed the classification and tenure of the eight IRP auditors on staff at the time fieldwork was conducted, and found all auditors held the same Accountant III classification regardless of role or experience. We found that the Accountant III classification description did not accurately reflect the duties and tasks of IRP auditors as observed during our audit.

For example, we compared the Auditor classification to IRP auditor duties and found the Auditor classification more accurately describes their work performed than the Accountant classification. We used only the Accountant and Auditor classifications in our comparison. We did not perform a comprehensive review of all potential job classifications.

The MCD should evaluate whether IRP auditor job descriptions are current and accurate. Job descriptions document the essential functions of a position and are used for job audits, job requisitions, performance plans, and employee evaluations. Current, accurate job descriptions can assist management in determining whether IRP auditors are appropriately classified.

Job descriptions can also communicate to employees which skills they need to cultivate in order to advance. The descriptions for higher positions within the same series can clearly state the skills and responsibilities expected of employees in more advanced positions, such as supervising a team or conducting quality assurance reviews.

Recommendations

The TxDMV should:

- 1.1 select IRP registrants for audit on an annual basis, creating an annual audit plan.
- 1.2 adjust auditee notification and record request scheduling as needed to provide registrants sufficient time to prepare and submit audit documentation.
- 1.3 establish a two-tier audit review method.
- 1.4 establish an electronic audit documentation system to track and archive audit work papers.
- 1.5 consider establishing thresholds requiring large registrants to submit documentation in formats that minimize data entry by staff.
- 1.6 consider conducting a job audit, including updating job descriptions as needed, to ensure IRP auditors' classification accurately reflects their required duties and skills.

Management's Response

Recommendation 1.1 and 1.2

TxDMV Management agrees with these recommendations. Commercial Fleet Services (CFS) has begun implementing this process of developing an annual audit plan. Specifically, International Registration Plan (IRP) Audits conducted by CFS will be selected by September 30, 2016 and will be due for review by the CFS Audit Review Team no later than October 31, 2017, of the following year. Once motor carriers are selected for audit, the CFS Audit Supervisor will assign them to individual auditors; this will provide each auditor with an inventory of work throughout the year. The due date of October 31 will allow time for the Audit Supervisor to review the audits before they are submitted to IRP. The audit reports are uploaded to the IRP audit exchange and distributed to each affected member jurisdiction. Each affected member jurisdiction has 45 days to protest the audit. The IRP due date is December 31st of each year.

Recommendation 1.3

TxDMV Management agrees with this recommendation. Establishing a two-tier review system will allow for a smoother flow of work during the review phase of the audit process. CFS will evaluate current auditors' abilities to conduct initial reviews of audits by assigning them based on skill level and experience, and monitoring the results. If this does not prove feasible or impacts CFS's ability to meet its annual audit goal, MCD management will review staffing patterns in the division by January 1, 2017, to ascertain whether assigning an FTE to review audits is feasible.

Recommendation 1.4

TxDMV Management agrees with this recommendation. The IRP audit workbook, correspondence and contact log are now maintained on a secure network at TxDMV. CFS will request that each registrant submit documents electronically and CFS will forward those to IT to scan for potential viruses. If a registrant cannot submit documents electronically, the auditor will manually scan the documents and maintain them on the secure network. This

will eliminate the need to send audit folders to administrative services for scanning in to the FileNet system. CFS expects to implement the electronic system by September 30, 2016.

Recommendation 1.5

TxDMV Management agrees with this recommendation. CFS will have formulas created in the IRP audit workbook to eliminate manual data entry. After the formulas have been created, the audit workbook will be sent to Explore for testing in TxIRP before placing the formulas in production. CFS expects to have the updated IRP audit workbook in the TxIRP System by June 1, 2017.

Recommendation 1.6

TxDMV Management agrees with this recommendation. This is also needed so that TxDMV complies with the State Auditor's Office Job Classifications. The Director of the Motor Carrier Division will prepare a Job Audit Request to submit to Executive Management by November 1, 2016.

Appendix 1: Objectives, Scope, and Methodology

Objectives

In accordance with the TxDMV *Internal Audit Plan for Fiscal Year 2016*, the Internal Audit Division has reviewed the IRP peer review completed in November 2015 to determine the objectives of the IRP audit. To complement the work of the peer review team and to assist the Motor Carrier Division complete the required number of compliance audits annually, the audit objectives are:

- To evaluate the efficiency of IRP compliance audit procedures
- To determine whether the TxDMV's IRP audit procedures overlap with audits performed by the Texas Comptroller of Public Accounts

Scope and Methodology

The scope of this audit included the Texas Department of Motor Vehicles (TxDMV) Motor Carrier Division's IRP compliance audit processes and IRP audits initiated during calendar year 2015. To address audit objectives we interviewed TxDMV Motor Carrier Division management and staff, reviewed the Division's procedures for selecting and notifying auditees, reviewing IRP audit work performed by Division staff, and managing audit file documentation. We also analyzed audit tracking records maintained by the Division to determine the frequency of responses by IRP registrants to the TxDMV's requests for required audit documentation.

In addition, we reviewed International Fuel Tax Agreement (IFTA) audit requirements and IFTA audit procedures performed by the Texas Comptroller of Public Accounts (CPA) to identify possible areas for coordination between the CPA and the TxDMV.

Project Information

This audit was included in the *Internal Audit Plan for Fiscal Year 2016*.

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was also conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Information and documents that we reviewed included the following:

- International Registration Plan with Official Commentary, amended January 1, 2016
- International Registration Plan Audit Procedures Manual, Effective January 1, 2016
- Texas Department of Motor Vehicles Motor Carrier Division Texas Apportioned Audit Appeal procedures
- Texas Department of Motor Vehicles Motor Carrier Division audit assessment billing procedures
- Texas Department of Motor Vehicles Motor Carrier Division refund processing procedures

- Texas Department of Motor Vehicles Motor Carrier Division audit assessment fee collection procedures
- Texas Department of Motor Vehicles Motor Carrier Division International Registration Plan policy on conducting joint audits
- Texas Administrative Code Title 43, Part 10, Chapter 217, Subchapter B, Rule §217.56 Registration Reciprocity Agreements
- Texas International Registration Plan Audit Workbook v6.3
- Texas Department of Motor Vehicles Motor Carrier Division IRP Audit Tracking spreadsheet
- 2015 Texas IRP Peer Review Final Report
- Texas Response to the 2015 Texas IRP Peer Review Final Report
- Texas Department of Motor Vehicles Motor Carrier Division Accounting Specialist III Job Requisition
- Texas State Auditor's Office State Classification Team Job Descriptions and Salary Schedule B for the 2016-2017 Biennium
- Texas Department of Motor Vehicles Human Resources employment data for the TxDMV Motor Carrier Division
- Interviews with Texas Department of Motor Vehicles Motor Carrier Division management and staff
- Texas Comptroller of Public Accounts webpage on International Fuel Tax Agreement (<http://comptroller.texas.gov/taxinfo/fuels/ifta.html>)
- Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter A, Rule §3.9 Electronic Filing of Returns and Reports; Electronic Transfer of Certain Payment by Certain Taxpayers
- Memorandum of Understanding to Exchange Information Between the Texas Comptroller of Public Accounts and the Texas Department of Motor Vehicles
- International Registration Plan, Inc. IRP Audit Training Manual, December 2008
- International Registration Plan, Inc. IRP Audit References and Best Practices Guide, January 2016

The following contributed to this report:

- Sandra H. Vice, CIA, CGAP, CISA, TxDMV Internal Audit Director
- Arby J. Gonzales, CPA, CFE, TxDMV Internal Audit Deputy Director
- Derrick D. Miller, CIA, TxDMV Internal Audit Senior Auditor

Report Distribution

In accordance with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102) this report is distributed to the following entities:

- Board of the Texas Department of Motor Vehicles
- Governor's Office of Budget, Planning, and Policy
- Legislative Budget Board
- State Auditor's Office
- Sunset Advisory Commission

Appendix 2: Executive Director's Management Response



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

July 7, 2016

Mr. Arby Gonzalez
Texas Department of Motor Vehicles
Internal Audit Division
4000 Jackson Ave
Austin, TX 78731

RE: *Efficiency of the Texas International Registration Plan Compliance Audit Process*

Dear Mr. Gonzalez:

The management and staff of the Texas Department of Motor Vehicles (TxDMV) are committed to establishing an effective system to ensure Texas International Registration Plan audits are completed in a timely and thorough manner, and we recognize that audits provide us important feedback on areas of improvement.

Management of the TxDMV agrees with the recommendations contained in the Internal Audit Division's (IAD) report on the *Efficiency of the Texas International Registration Plan Compliance Audit Process (TxDMV 16-3)* and has provided within the report a plan for implementation of the recommendations.

We appreciate the work performed by the IAD; the team was professional, capable, and diligent. The team's assessment will help us to continuously improve the efficiency and effectiveness of our operations.

Please contact me at (512) 465-3001 if there are any questions or if we can be of further assistance.

Sincerely,

A handwritten signature in blue ink that reads "Whitney H Brewster".

Whitney Brewster
Executive Director

cc: Laura Ryan, Chairman, TxDMV Board
Raymond Palacios, Vice-Chairman, Finance and Audit Committee Chairman, TxDMV Board
Shelly Melloit, Deputy Executive Director, TxDMV



Board Policy Documents

[Governance Process](#) (10/13/11)

[Strategic Planning](#) (10/13/11)

[Board Vision](#) (4/7/16)

[Agency Boundaries](#) (9/13/12)

[KPIs](#) (9/12/14)

Texas Department of Motor Vehicles TxDMV Board Governance Policy

1. PURPOSE

The directives presented in this policy address board governance of the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. The TxDMV Board Governance Policy shall be one that is comprehensive and pioneering in its scope.

3. POLICY

3.1. TxDMV Board Governing Style

The Board shall govern according to the following general principles: (a) a vision for the agency, (b) diversity in points of view, (c) strategic leadership, providing day-to-day detail as necessary to achieve the agency vision, (d) clear distinction of Board and Executive Director roles, (e) collective decision making, (f) react proactively rather than reactively and with a strategic approach. Accordingly:

- 3.1.1. The Board shall provide strategic leadership to TxDMV. In order to do this, the Board shall:
 - 3.1.1.1. Be proactive and visionary in its thinking.
 - 3.1.1.2. Encourage thoughtful deliberation, incorporating a diversity of viewpoints.
 - 3.1.1.3. Work together as colleagues, encouraging mutual support and good humor.
 - 3.1.1.4. Have the courage to lead and make difficult decisions.
 - 3.1.1.5. Listen to the customers and stakeholders needs and objectives.
 - 3.1.1.6. Anticipate the future, keeping informed of issues and trends that may affect the mission and organizational health of the TxDMV.
 - 3.1.1.7. Make decisions based on an understanding that is developed by appropriate and complete stakeholder participation in the process of identifying the needs of the motoring public, motor vehicle industries,

and best practices in accordance with the mission and vision of the agency.

- 3.1.1.8. Commit to excellence in governance, including periodic monitoring, assessing and improving its own performance.
- 3.1.2. The Board shall create the linkage between the Board and the operations of the agency, via the Executive Director when policy or a directive is in order.
- 3.1.3. The Board shall cultivate a sense of group responsibility, accepting responsibility for excellence in governance. The Board shall be the initiator of policy, not merely respond to staff initiatives. The Board shall not use the expertise of individual members to substitute for the judgment of the board, although the expertise of individual members may be used to enhance the understanding of the Board as a body.
- 3.1.4. The Board shall govern the agency through the careful establishment of policies reflecting the board's values and perspectives, always focusing on the goals to be achieved and not the day-to-day administrative functions.
- 3.1.5. Continual Board development shall include orientation of new Board members in the board's governance process and periodic board discussion of how to improve its governance process.
- 3.1.6. The Board members shall fulfill group obligations, encouraging member involvement.
- 3.1.7. The Board shall evaluate its processes and performances periodically and make improvements as necessary to achieve premier governance standards.
- 3.1.8. Members shall respect confidentiality as is appropriate to issues of a sensitive nature.

3.2. TxDMV Board Primary Functions/Characteristics

TxDMV Board Governance can be seen as evolving over time. The system must be flexible and evolutionary. The functions and characteristics of the TxDMV governance system are:

- 3.2.1. Outreach
 - 3.2.1.1. Monitoring emerging trends, needs, expectations, and problems from the motoring public and the motor vehicle industries.
 - 3.2.1.2. Soliciting input from a broad base of stakeholders.

3.2.2. Stewardship

3.2.2.1. Challenging the framework and vision of the agency.

3.2.2.2. Maintaining a forward looking perspective.

3.2.2.3. Ensuring the evolution, capacity and robustness of the agency so it remains flexible and nimble.

3.2.3. Oversight of Operational Structure and Operations

3.2.3.1. Accountability functions.

3.2.3.2. Fiduciary responsibility.

3.2.3.3. Checks and balances on operations from a policy perspective.

3.2.3.4. Protecting the integrity of the agency.

3.2.4. Ambassadorial and Legitimizing

3.2.4.1. Promotion of the organization to the external stakeholders, including the Texas Legislature, based on the vision of the agency.

3.2.4.2. Ensuring the interests of a broad network of stakeholders are represented.

3.2.4.3. Board members lend their positional, professional and personal credibility to the organization through their position on the board.

3.2.5. Self-reflection and Assessment

3.2.5.1. Regular reviews of the functions and effectiveness of the Board itself.

3.2.5.2. Assessing the level of trust within the Board and the effectiveness of the group processes.

3.3. Board Governance Investment

Because poor governance costs more than learning to govern well, the Board shall invest in its governance capacity. Accordingly:

3.3.1. Board skills, methods, and supports shall be sufficient to ensure governing with excellence.

- 3.3.1.1. Training and retraining shall be used liberally to orient new members, as well as maintain and increase existing member skills and understanding.
 - 3.3.1.2. Outside monitoring assistance shall be arranged so that the board can exercise confident control over agency performance. This includes, but is not limited to, financial audits.
 - 3.3.1.3. Outreach mechanisms shall be used as needed to ensure the Board's ability to listen to stakeholder viewpoints and values.
 - 3.3.1.4. Other activities as needed to ensure the Board's ability to fulfill its ethical and legal obligations and to represent and link to the motoring public and the various motor vehicle industries.
- 3.3.2. The Board shall establish its cost of governance and it will be integrated into strategic planning and the agency's annual budgeting process.

3.4. Practice Discipline and Assess Performance

The Board shall ensure the integrity of the board's process by practicing discipline in Board behavior and continuously working to improve its performance. Accordingly:

- 3.4.1. The assigned result is that the Board operates consistently with its own rules and those legitimately imposed on it from outside the organization.
 - 3.4.1.1. Meeting discussion content shall consist solely of issues that clearly belong to the Board to decide or to monitor according to policy, rule and law. Meeting discussion shall be focused on performance targets, performance boundaries, action on items of Board authority such as conduct of administrative hearings, proposal, discussion and approval of administrative rule-making and discussion and approval of all strategic planning and fiscal matters of the agency.
 - 3.4.1.2. Board discussion during meetings shall be limited to topics posted on the agenda.
 - 3.4.1.3. Adequate time shall be given for deliberation which shall be respectful, brief, and to the point.
- 3.4.2. The Board shall strengthen its governing capacity by periodically assessing its own performance with respect to its governance model. Possible areas of assessment include, but are not limited to, the following:
 - 3.4.2.1. Are we clear and in agreement about mission and purpose?

- 3.4.2.2. Are values shared?
- 3.4.2.3. Do we have a strong orientation for our new members?
- 3.4.2.4. What goals have we set and how well are we accomplishing them?
- 3.4.2.5. What can we do as a board to improve our performance in these areas?
- 3.4.2.6. Are we providing clear and relevant direction to the Executive Director, stakeholders and partners of the TxDMV?
- 3.4.3. The Board Chair shall periodically promote regular evaluation and feedback to the whole Board on the level of its effectiveness.

Texas Department of Motor Vehicles Strategic Planning Policy

1. PURPOSE

The directives presented in this policy address the annual Strategic Planning process at the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. TxDMV Strategic Planning Policy attempts to develop, document and expand its policy that is comprehensive in its scope in regards to the strategic planning process of the Board and the Department beyond that of the state strategic planning process.

3. POLICY

3.1. TxDMV Board Strategic Planning

This policy describes the context for strategic planning at TxDMV and the way in which the strategic plan shall be developed and communicated.

- 3.1.1. The Board is responsible for the strategic direction of the organization, which includes the vision, mission, values, strategic goals, and strategic objectives.
- 3.1.2. TxDMV shall use a 5-year strategic planning cycle, which shall be reviewed and updated annually, or as needed.
- 3.1.3. The 5-year strategic plan shall be informed by but not confined by requirements and directions of state and other funding bodies.
- 3.1.4. In developing strategic directions, the Board shall seek input from stakeholders, the industries served, and the public.
- 3.1.5. The Board shall:
 - 3.1.5.1. Ensure that it reviews the identification of and communication with its stakeholders at least annually.
 - 3.1.5.2. Discuss with agency staff, representatives of the industries served, and the public before determining or substantially changing strategic directions.

-
- 3.1.5.3. Ensure it receives continuous input about strategic directions and agency performance through periodic reporting processes.
 - 3.1.6. The Board is responsible for a 5-year strategic plan that shall identify the key priorities and objectives of the organization, including but not limited to:
 - 3.1.6.1. The creation of meaningful vision, mission, and values statements.
 - 3.1.6.2. The establishment of a Customer Value Proposition that clearly articulates essential customer expectations.
 - 3.1.6.3. A Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis, to be updated annually.
 - 3.1.6.4. An assessment of external factors or trends (i.e., customer needs, political factors, economic factors, industry trends, technology factors, uncertainties, etc.)
 - 3.1.6.5. Development of the specific goals and objectives the Department must achieve and a timeline for action.
 - 3.1.6.6. Identification of the key performance indicators to measure success and the initiatives that shall drive results.
 - 3.1.6.7. Engage staff at all levels of the organization, through the executive director, in the development of the strategic plan through surveys, interviews, focus groups, and regular communication.
 - 3.1.6.8. Ensure the strategic planning process produces the data necessary for LBB/GOBPP state required compliance while expanding and enhancing the strategic plan to support the needs of the TxDMV. The overall strategic plan shall be used as a tool for strategic management.
 - 3.1.7. The Board delegates to the Executive Director the responsibility for **implementing** the agency's strategic direction through the development of agency wide and divisional operational plans.
-

Texas Department of Motor Vehicles TxDMV Goals and Objectives

1. PURPOSE

The information presented in this policy addresses the goals and key objectives of the Board of the Texas Department of Motor Vehicles (TxDMV) as they relate to the mission, vision, and values of the TxDMV.

2. SCOPE

The scope of this policy is to define the desired state the TxDMV Board is working to achieve. This policy is designed to be inspirational in outlining the desired state of the agency that supports the TxDMV Board vision and meeting agency goals.

3. TxDMV MISSION

To serve, protect and advance the citizens and industries in the state with quality motor vehicle related services.

4. TxDMV VISION

The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.

5. TxDMV VALUES

To earn the trust and faith of all citizens of Texas with transparency, efficiency, excellence, accountability, and putting stakeholders first.

- 5.1. **Transparency** – Being open and inclusive in all we do.
- 5.2. **Efficiency** – Being good stewards of state resources by providing products and services in the most cost-effective manner possible.
- 5.3. **Excellence** – Working diligently to achieve the highest standards.
- 5.4. **Accountability** – Accepting responsibility for all we do, collectively and as individuals.
- 5.5. **Stakeholders** – Putting customers and stakeholders first, always.

6. TxDMV GOALS

6.1. GOAL 1 – Performance Driven

The TxDMV shall be a performance driven agency in its operations whether it is in customer service, licensing, permitting, enforcement or rule-making. At all times the TxDMV shall mirror in its performance the expectations of its customers and stakeholder by effective, efficient, customer-focused, on-time, fair, predictable and thorough service or decisions.

6.1.1. Key Objective 1

The TxDMV shall be an agency that is retail-oriented in its approach. To accomplish this orientation TxDMV shall concentrate the focus of the agency on:

- 6.1.1.1. Delivering its products and services to all of its customers and stakeholders in a manner that recognizes that their needs come first. These needs must be positively and proactively met. TxDMV works for and with its customers and stakeholders, not the other way around.
- 6.1.1.2. Operating the agency's licensing and registration functions in a manner akin to how a private, for-profit business. As a private, for-profit business, TxDMV would have to listen to its customers and stakeholders and implement best practices to meet their needs or its services would no longer be profitable or necessary. Act and react in a manner that understands how to perform without a government safety net and going out of business.
- 6.1.1.3. Simplify the production and distribution processes and ease of doing business with the TxDMV. Adapting and maintaining a business value of continuous improvement is central to TxDMV operations and processes.
- 6.1.1.4. All operations of the TxDMV shall stand on their own merits operationally and financially. If a current process does not make sense then TxDMV shall work within legislative and legal constraints to redesign or discard it. If a current process does not make or save money for the state and/or its customers or stakeholders then TxDMV shall work within legislative and legal constraints to redesign or discard it. TxDMV shall operate as efficiently and effective as possible in terms of financial and personnel needs. Divisions should focus on cost savings without sacrificing performance. Division directors are accountable for meeting these needs and applicable measures. All division directors are collectively responsible for the performance of TxDMV as a whole.
- 6.1.1.5. Focus on revenue generation for transportation needs as well as the needs of its customers.
- 6.1.1.6. Decisions regarding the TxDMV divisions should be based on the overriding business need of each division to meet or provide a specific service demand, with the understanding and coordination of overarching agency-wide needs.

- 6.1.1.7. Developing and regularly updating a long-range Statewide Plan describing total system needs, establishing overarching statewide goals, and ensuring progress toward those goals.
- 6.1.1.8. The TxDMV shall establish a transparent, well-defined, and understandable system of project management within the TxDMV that integrates project milestones, forecasts, and priorities.
- 6.1.1.9. The TxDMV shall develop detailed work programs driven by milestones for major projects and other statewide goals for all TxDMV divisions.
- 6.1.1.10. The TxDMV, with input from stakeholders and policymakers, shall measure and report on progress in meeting goals and milestones for major projects and other statewide goals.

6.2. GOAL 2 – Optimized Services and Innovation

The TxDMV shall be an innovative, forward thinking agency that looks for ways to promote the economic well-being and development of the industries it serves as well as the State of Texas within the legislative boundaries that have been established for the agency.

6.2.1. Key Objective 1

The TxDMV shall achieve operational, cultural, structural and financial independence from other state agencies.

- 6.2.1.1. Build the TxDMV identity. This means that TxDMV shall make customers aware of what services we offer and how they can take advantage of those services.
- 6.2.1.2. Build the TxDMV brand. This means that TxDMV shall reach out to the stakeholders, industries we serve and the public, being proactive in addressing and anticipating their needs.
- 6.2.1.3. Determine immediate, future, and long term facility and capital needs. TxDMV needs its own stand-alone facility and IT system as soon as possible. In connection with these needs, TxDMV shall identify efficient and effective ways to pay for them without unduly burdening either the state, its customers or stakeholders.
- 6.2.1.4. All regulations, enforcement actions and decision at TxDMV shall be made in a timely, fair and predictable manner.

6.2.2. Key Objective 2

Provide continuous education training on business trends in the industry with a particular emphasis on activities in Texas.

6.2.3. Key Objective 3

Provide continuous outreach services to all customers and stakeholders to access their respective needs and wants. This includes helping frame legislative or regulatory issues for consideration by other bodies including the legislature.

6.2.4. Key Objective 4

Examine all fees to determine their individual worth and reasonableness of amount. No fee shall be charged that cannot be defended financially and operationally.

6.3. GOAL 3 – Customer-centric

The TxDMV shall be a customer-centric agency that delivers today's services and decisions in a positive, solution-seeking manner while ensuring continuous, consistent and meaningful public and stakeholder involvement in shaping the TxDMV of tomorrow.

6.3.1. Key Objective 1

The TxDMV shall seek to serve its customer base through a creative and retail oriented approach to support the needs of its industries and customers.

6.3.2. Key Objective 2

The TxDMV shall develop and implement a public involvement policy that guides and encourages meaningful public involvement efforts agency-wide.

6.3.3. Key Objective 3

The TxDMV shall develop standard procedures for documenting, tracking, and analyzing customer complaint data. Successful problem resolution metrics should be monitored to support continuous improvement activities that shall permanently improve customer facing processes.

6.3.4. Key Objective 4

The TxDMV shall provide a formal process for staff with similar responsibilities to share best practices information.

6.3.5. Key Objective 5

The TxDMV shall provide central coordination of the Department's outreach campaigns.

6.3.6. Key Objective 6

The TxDMV shall develop and expand user friendly, convenient, and efficient website applications.

6.3.7. Key Objective 7

TxDMV shall timely meet all legislative requests and mandates.

Agency Operational Boundaries as Defined by Department Policies of the TxDMV Board (Board)

The Board is responsible for the policy direction of the agency. The Board's official connection to the day-to-day operation of the Texas Department of Motor Vehicles (TxDMV) and the conduct of its business is through the Executive Director of the TxDMV (ED) who is appointed by the Board and serves at its pleasure. The authority and accountability for the day-to-day operations of the agency and all members of the staff, except those members who report directly to the Board, is the sole responsibility of the ED.

In accordance with its policy-making authority the Board has established the following policy boundaries for the agency. The intent of the boundaries is not to limit the ability of the ED and agency staff to manage the day-to-day operations of the agency. To the contrary, the intent of the boundaries is to more clearly define the roles and responsibilities of the Board and the ED so as to liberate the staff from any uncertainty as to limitations on their authority to act in the best interest of the agency. The ED and staff should have certainty that they can operate on a daily basis as they see fit without having to worry about prior Board consultation or subsequent Board reversal of their acts.

The ED and all agency employees shall act at all times in an exemplary manner consistent with the responsibilities and expectations vested in their positions. The ED and all agency employees shall act in a manner consistent with Board policies as well as with those practices, activities, decisions, and organizational circumstances that are legal, prudent, and ethical. It is the responsibility of the ED to ensure that all agency employees adhere to these boundaries.

Accordingly, the TxDMV boundaries are as follows:

1. The day-to-day operations of the agency should be conducted in a manner consistent with the vision, mission, values, strategic framework, and performance metrics as established by the Board. These elements must not be disregarded or jeopardized in any way.
2. A team-oriented approach must be followed on all enterprise-wide decisions to ensure openness and transparency both internally and externally.
3. The agency must guard against allowing any financial conditions and decision which risk adverse fiscal consequences, compromise Board financial priorities, or fail to

show an acceptable level of foresight as related to the needs and benefits of agency initiatives.

4. The agency must provide timely, accurate, and honest information that will afford the Board, public, stakeholders, executive branch and the legislature the best ability to evaluate all sides of an issue or opportunity before forming an opinion or taking action on it. Any information provided that is intentionally untimely, inaccurate, misleading or one-sided will not be tolerated.
5. The agency must take all reasonable care to avoid or identify in a timely manner all conflicts of interest or even the appearance of impropriety in awarding purchases, negotiating contracts or in hiring employees.
6. The agency must maintain adequate administrative policies and procedures that are understandable and aid in staff recruitment, development and retention.
7. The agency must maintain an organizational structure that develops and promotes the program areas from an enterprise-wide perspective. No organizational silos or sub-agencies will be allowed. We are the TxDMV.
8. The agency must empower its entire staff to deliver a positive customer experience to every TxDMV customer, stakeholder or vendor to reduce their effort and make it easier for them to do business with the TxDMV.
9. The agency must at all times look to flattening its organizational structure to reduce cost as technology advances allow.
10. Agency staff shall anticipate and resolve all issues timely.
11. The agency must maximize the deployment and utilization of all of its assets – people, processes and capital equipment – in order to fully succeed.
12. The agency must not waste the goodwill and respect of our customers, stakeholders, executive branch and legislature. All communication shall be proper, honest, and transparent with timely follow-up when appropriate.
13. The agency should focus its work efforts to create value, make sure that processes, programs, or projects are properly designed, budgeted and vetted as appropriate with outside stakeholders to ensure our assumptions are correct so positive value continues to be created by the actions of the TxDMV.
14. The ED through his or her staff is responsible for the ongoing monitoring of all program and fiscal authorities and providing information to the Board to keep it apprised of all program progress and fiscal activities. This self-assessment must result in a product that adequately describes the accomplishment of all program

goals, objectives and outcomes as well as proposals to correct any identified problems.

15. In advance of all policy decisions that the Board is expected to make, the ED will provide pertinent information and ensure board members understand issues/matters related to the pending policy decision. Additionally, the ED or designee will develop a process for planning activities to be performed leading up to that particular policy decision and the timeframe for conducting these planning activities. It is imperative that the planning process describes not only when Board consideration will be expected but also when prior Board consultation and involvement in each planning activity will occur.
16. In seeking clarification on informational items Board members may directly approach the ED or his or her designee to obtain information to supplement, upgrade or enhance their knowledge and improve the Board's decision-making. Any Board member requests that require substantive work should come to the Board or Committee Chairs for direction.
17. The agency must seek stakeholder input as appropriate on matters that might affect them prior to public presentation of same to the Board.
18. The agency must measure results, track progress, and report out timely and consistently.
19. The ED and staff shall have the courage to admit a mistake or failure.
20. The ED and staff shall celebrate successes!

The Board expects the ED to work with agency staff to develop their written interpretation of each of the boundaries. The ED will then present this written interpretation to the Board prior to discussion between the Board and ED on the interpretation. The Board reserves the right to accept, reject or modify any interpretation. The intent is that the Board and the ED will come to a mutually agreeable interpretation of agency boundaries that will then form the basis of additional written thought on the part of the ED and staff as to how these boundaries will influence the actions of the agency.

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Performance Driven	Effective and efficient services	1	Average processing time for new franchise license applications	45 days	35 days		MVD
		2	Average processing time for franchise renewals	11 days	5 days		MVD
		3	Average processing time of franchise license amendments	20 days	8 days		MVD
		4	Average processing time for new Dealer's General Distinguishing Number (GDN) license applications	35 days	17 days		MVD
		5	Average processing time for GDN renewals	14 days	7 days		MVD
		6	Average processing time for GDN license amendments	19 days	7 days		MVD
		7	Average turnaround time for single-trip routed permits	33.88 mins	32 mins		MCD
		8	Average turnaround time for intrastate authority application processing	1.47 days	1.4 days		MCD
		9	Average turnaround time for apportioned registration renewal applications processing	2 days	2 days		MCD
		10	Average turnaround time to issue salvage or non-repairable vehicle titles	5 days	4 days		VTR
		11	Average time to complete motor vehicle complaints with no contested case proceeding	131 days	120 days		ENF
		12	Average time to complete motor vehicle complaints with contested case proceeding	434 days	400 days		ENF
		13	Average time to complete salvage complaints with no contested case proceeding	131 days	120 days		ENF
		14	Average time to complete salvage complaints with contested case proceeding	434 days	400 days		ENF
		15	Average time to complete motor carrier complaints with no contested case proceeding	297 days	145 days		ENF
		16	Average time to complete motor carrier complaints with contested case proceeding	133 days	120 days		ENF
		17	Average time to complete household goods complaints with no contested case proceeding	432 days	145 days		ENF
		18	Average time to complete household goods complaints with contested case proceeding	371 days	180 days		ENF
		19	Average time to complete Oversize/Overweight (OS/OW) complaints with no contested case proceeding	40 days	35 days		ENF
		20	Average time to complete OS/OW complaints with contested case proceeding	265 days	250 days		ENF
		21	Percent of lemon law cases resolved prior to referral for hearing	76%	60%		ENF
		22	Average time to complete lemon law cases where no hearing is held	147 days	65 days		ENF
		23	Average time to complete lemon law cases where hearing is held	222 days	150 days		ENF
		24	Percent of total renewals and net cost of registration renewal: A. Online B. Mail C. In Person	A. 15% B. 5% C. 80%	A. 16% B. 5% C. 79%		VTR
		25	Total dealer title applications: A. Through Webdealer B. Tax Office	Baseline in development	A. 5% B. 95%		VTR

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Optimized Services and Innovation	Implement appropriate best practices	26	Percent of total lien titles issued: A. Electronic Lien Title B. Standard Lien Title	A. 16% B. 84%	A. 20% B. 80%		VTR
		27	Percent of total OS/OW permits: A. Online (self-issued) B. Online (MCD-issued) C. Phone D. Mail E. Fax	A. 57.47% B. 23.03% C. 11.33% D. 1.76% E. 6.4%	A. 58% or greater B. 25% or greater C. 10% or less D. 1.7% or less E. 5.3% or less		MCD
		28	Average time to complete lemon law and warranty performance cases after referral	Baseline in development	25 days		OAH
		29	Average time to issue a decision after closing the record of hearing	Baseline in development	30 days		OAH
	30	Percent of audit recommendations implemented	Baseline in development	90% annual goal for these recommendations which Internal Audit included in a follow-up audit		IAD	
	31	Percent of projects approved by the agency's governance team that finish within originally estimated time (annual)	57%	100%		EPMO	
	32	Percent of projects approved by the agency's governance team that finish within originally estimated budget (annual)	71%	100%		EPMO/ FAS	
	33	Percent of monitoring reports submitted to Texas Quality Assurance Team (TXQAT) by or before the due date	79%	100%		EPMO	
	34	Percent of project manager compliance with EPMO project management standards based upon internal quality assurance reviews	Baseline in development	100%		EPMO	
	35	Percent of employees due a performance evaluation during the month that were completed on time by division.	Baseline in development	100%		HR	
36	Percent of goals accomplished as stated in the directors performance evaluation	Baseline in development	Measure annually at the end of the fiscal year		EXEC		
37	Employees who rate job satisfaction as above average as scored by the Survey of Employee Engagement (SEE)	3.47 (SEE 2012)	3.65	3.60 (SEE 2013)		HR	
38	Increase in the overall SEE score	337 (SEE 2012)	360	351 (SEE 2013)		HR	
Focus on the internal customer	Focus on the internal customer	39	Percent of favorable responses from customer satisfaction surveys	Baseline in development	90%		EPMO
		40	Annual agency voluntary turnover rate	6.5% (FY 2013)	5.0%		HR
	Increase transparency with external customers	41	Number of education programs conducted and number of stakeholders/customers attending education programs	4.48/80.61	4/80		MCD
		42	Number of education programs conducted and number of stakeholders/customers attending education programs	36/335	42/390		VTR
		43	Number of eLearning training modules available online through the Learning Management System and number of modules completed by stakeholders/customers	eLearning Modules Available - 28 Completed - 735	Available - 31 Completed - 814		VTR

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Customer Centri		44	Number of Shows and Exhibits attended to educate stakeholders/customers about TxDMV services and programs	6	7		MVD
		45	Number of education programs conducted and number of stakeholders/customers attending education programs	3/250	3/250		ENF
		46	Number of education programs conducted and number of stakeholders/customers attending education programs	3/150	4/300		ABTPA
		47	Percent of customers and stakeholders who express above average satisfaction with communications to and from TxDMV	Baseline in development	80%		All Divisions
	Excellent Service Delivery	48	Average hold time	9 min	9 min		CRD
		49	Abandoned call rate	22%	20%		CRD
		50	Average hold time	Baseline in development	1 min		ITS
		51	Abandoned call rate	Baseline in development	5%		ITS
		52	Average hold time	Credentialing - 1.6 minutes Permits - 2.08 minutes CFS - 54.38 seconds	Credentialing - 1.5 minutes Permits - 2 minutes CFS - 50 seconds		MCD
		53	Abandoned call rate	Credentialing - 7% Permits - 6.42% CFS - 5.63%	Credentialing - 6% Permits - 5% CFS - 5%		MCD
Key:		Critical	Off Target	On target	Not yet started		
Vision: The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.							
Mission: To serve, protect, and advance the citizens and industries in the state with quality motor vehicle related services.							
Philosophy: The Texas Department of Motor Vehicles is customer-focused and performance driven. We are dedicated to providing services in an efficient, effective and progressive manner as good stewards of state resources. With feedback from our customers, stakeholders and employees, we work to continuously improve our operations, increase customer satisfaction and provide a consumer friendly atmosphere.							
Values: We at the Texas Department of Motor Vehicles are committed to: TEXAS-Transparency, Efficiency, EXcellence, Accountability, and Stakeholders.							