

Board Meeting Agenda Book



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

June 1, 2016

Finance and Audit

Board Committee Meeting, 8:00 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, JUNE 1, 2016
8:00 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

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2. BRIEFINGS AND ACTION ITEMS

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

1. [FY18-19 Legislative Appropriation Request/Preliminary Baseline and Exceptional Items](#) - Linda M. Flores and Renita Bankhead
2. [Create a New Capital Project Line Item in the TxDMV FY16-17 Budget for Physical Security Project](#) - Eric Obermier and Linda M. Flores

B. Briefing Items:

1. [Contract on County Registration and Titling System \(RTS\) Equipment Refresh](#) - Eric Obermier and Linda M. Flores
2. [Financial Status Report](#) - Linda M. Flores and Renita Bankhead
3. [Internal Audit Report](#) - Arby Gonzales

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.

Texas Department of Motor Vehicles



Preliminary FY 2018 – 2019 Legislative Appropriations Request Summary

Legislative Appropriation Request Process

Baseline Development Process (Base Reconciliation) - The FY 2016-17 Base Reconciliation requires TxDMV to reconcile its original appropriations by method of finance and the full-time equivalent (FTE) positions to fiscal year 2015 expended, fiscal year 2016 estimated, and fiscal year 2017 budgeted amounts. The Base Reconciliation is due to the Legislative Budget Board (LBB) on June 16, 2016. The document is approved by the LBB and Governor's Office and becomes the basis for TxDMV's FY 2018-19 Legislative Appropriations Request (LAR).

- The baseline is calculated by taking the total of the FY 2016 estimated expenditures and the FY 2017 budget, a total of \$315.2 million. This total is then adjusted by the LBB to derive the target for the agency's 2018-19 baseline request. TxDMV staff anticipates that the baseline target for 2018/19 will be \$315.2 million, this is the underlying assumption for Option 1.

Legislative Appropriations Request (LAR) - The LAR is the agency's biennial funding budget request. The agency solicits information from all levels of management in order to identify future program needs and situations unique to each division. Advanced planning and comprehensive involvement provides the agency with the most complete budget information.

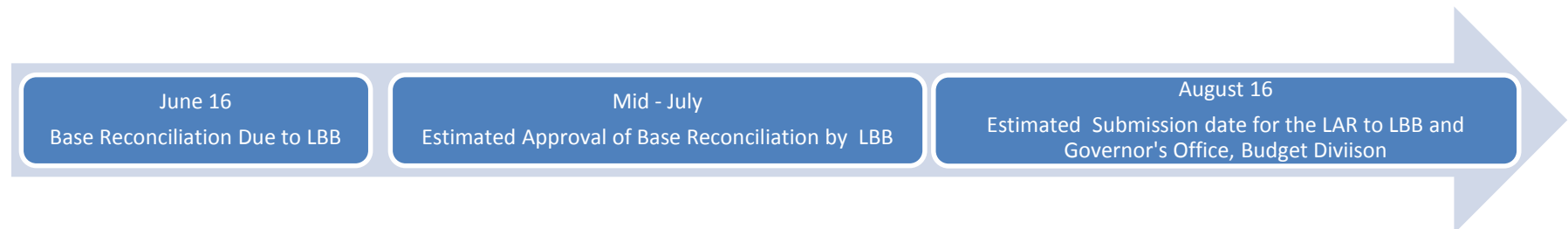
- The LAR begins with the base reconciliation and covers two separate fiscal years. The LAR becomes the basis for consideration of agency funding by the Legislature for the FY 2018-19 biennium, covering September 1, 2017 through August 31, 2019.

The LAR is divided into two components:

Baseline — funding necessary to maintain existing operations and existing capital projects; and,

Exceptional items — desired services above the baseline request.

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 (GR) 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.

- Option 1 assumes the existing revenue structure and fees will remain in place through FY 2021. The table below reflects revenue using moderate growth projections for the five year period beginning in FY2017. For the FY 2018-19 biennium, TxDMV estimates it will collect approximately \$3.7 billion in total revenues: \$3.2 billion in State Highway Fund 0006 and \$470 million in General Revenue Fund 0001.

Option 1 - "As Is"					
Existing Revenue and Fee Structure					
Fund Type	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
State Highway Fund 0006	\$1,563,373,000	\$1,597,104,000	\$1,630,452,000	\$1,665,677,000	\$1,700,541,000
TxDMV Fund 0010	\$122,189,400	\$123,879,500	\$125,354,500	\$127,094,500	\$128,699,500
General Revenue Fund 0001	\$109,386,000	\$110,082,000	\$110,767,000	\$111,966,000	\$112,673,000
Total	\$ 1,794,948,400	\$ 1,831,065,500	\$ 1,866,573,500	\$ 1,904,737,500	\$ 1,941,913,500

- Option 2 assumes TxDMV will establish a process and handling fee (P&H) (must include the existing automation fee) in FY 2017. The table below reflects the impact to revenues for the five year period beginning in FY2017, using moderate growth projections and implementation of a process and handling fee. For the FY 2018-19 biennium, TxDMV estimates it will collect approximately \$3.9 billion in total revenues: \$3.32 billion in the State Highway Fund 0006, \$220 million in General Revenue Fund 0001 and \$348 million in TxDMV Fund 0010. Revenue generated in General Revenue Fund 0001 remains the same in Options 1 and 2, however, 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 in option 2.

Option 2					
Post Implementation of Processing & Handling Fee					
Fund Type	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
State Highway Fund 0006	\$1,595,016,000	\$1,645,280,000	\$1,679,351,000	\$1,715,310,000	\$1,750,918,000
TxDMV Fund 0010	\$153,167,400	\$172,568,500	\$175,597,500	\$178,617,500	\$181,536,500
General Revenue Fund 0001	\$109,386,000	\$110,082,000	\$110,767,000	\$111,966,000	\$112,673,000
Total	\$ 1,857,569,400	\$ 1,927,930,500	\$ 1,965,715,500	\$ 2,005,893,500	\$ 2,045,127,500

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. The LBB approves the baseline target for each agency. TxDMV staff anticipates that the LBB will approve the target for 2018-19 by late July. Due to these time constraints staff has developed two options to address the impact of possible action on the creation of a P & H fee later this month.

- Option 1 Current "As Is" - This option is based on the current appropriations, revenue and fee structures. The 2018-19 baseline is calculated using the 2016-17 appropriations plus the additional appropriation for the 2.5% salary increase authorized by the 84th Legislature.

Items of Appropriations	Appropriation		Option 1 Current "As is"	
	FY2016	FY2017	Base FY 2018	Base FY 2019
Goal A. Optimize Services and Systems				
Strategy A.1.1. – Titles, Registrations, and Plates	\$ 74,020,416	\$ 73,600,156	\$ 74,058,076	\$ 73,577,776
Strategy A.1.2. – Vehicle Dealer Licensing	\$ 4,094,083	\$ 4,094,083	\$ 4,092,776	\$ 4,092,776
Strategy A.1.3 – Motor Carrier Permits and Credentials	\$ 7,943,892	\$ 8,793,892	\$ 8,177,295	\$ 8,177,295
Strategy A.1.4 – Technology Enhancement and Automation	\$ 26,016,149	\$ 2,583,993	\$ 26,152,842	\$ 2,720,686
Strategy A.1.5 – Customer Contact Center	\$ 2,154,621	\$ 2,154,621	\$ 2,288,992	\$ 2,288,992
Total, Goal A: Optimize Services and Systems	\$ 114,229,161	\$ 91,226,745	\$ 114,769,981	\$ 90,857,525
Goal B. Protect the Public				
Strategy B.1.1. – Enforcement	\$ 5,370,265	\$ 5,370,265	\$ 5,484,558	\$ 5,484,558
Strategy B.2.1. – Automobile Theft Prevention	\$ 14,912,006	\$ 14,912,006	\$ 14,919,822	\$ 14,919,822
Total, Goal B: Protect the Public	\$ 20,282,271	\$ 20,282,271	\$ 20,404,380	\$ 20,404,380
Goal C: Indirect Administration				
Strategy C.1.1. – Central Administration	\$ 7,770,237	\$ 7,770,237	\$ 7,997,068	\$ 7,997,068
Strategy C.1.2. – Information Resources	\$ 23,579,214	\$ 22,135,425	\$ 23,152,722	\$ 23,152,722
Strategy C.1.3. – Other Support Services	\$ 2,319,336	\$ 3,814,023	\$ 3,223,524	\$ 3,223,524
Total, Goal C: Indirect Administration	\$ 33,668,787	\$ 33,719,685	\$ 34,373,314	\$ 34,373,313
Total Department of Motor Vehicles	\$ 168,180,219	\$ 145,228,701	\$ 169,547,675	\$ 145,635,219
Method of Finance				
General Revenue (GR) Fund 0001	\$ 168,180,219	\$ 14,912,006	\$ 14,919,822	\$ 14,919,822
Texas Department of Motor Vehicles Fund 0010		\$ 130,316,695	\$ 154,627,853	\$ 130,715,397
Total Method of Finance	\$ 168,180,219	\$ 145,228,701	\$ 169,547,675	\$ 145,635,219
Full Time Equivalents (FTE)	763.0	763.0	763.0	763.0

FY 2018-19 Baseline Budget Appropriations Request by Strategy

- Option 2 Post P & H Fee Implementation – This option reflects the budget request that would be developed if the process and handling fee is implemented. The option assumes adjustments to meet anticipated revenue collections. The adjustments include a decrease in the automation fee and increases associated with TxOnline credit card processing fees and centralized online fulfillment.

Items of Appropriations	Appropriation			Option 2 Post P & H Fee Implementation			Variance
	FY2016	FY2017	Biennial Total	Base FY 2018	Base 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	\$ 85,691,517	\$ 88,015,993	\$ 173,707,510	\$ 26,086,938
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	\$ 114,973,708	\$ 105,582,106	\$ 220,555,814	\$ 15,099,908
Goal B. Protect the Public							
Strategy B.1.1. – Enforcement	\$ 5,370,265	\$ 5,370,265	\$ 10,740,530	\$ 5,480,758	\$ 5,480,758	\$ 10,961,516	\$ 220,986
Strategy B.2.1. – Automobile Theft Prevention	\$ 14,912,006	\$ 14,912,006	\$ 29,824,012	\$ 14,919,822	\$ 14,919,822	\$ 29,839,644	\$ 15,632
Total, Goal B: Protect the Public	\$ 20,282,271	\$ 20,282,271	\$ 40,564,542	\$ 20,400,580	\$ 20,400,580	\$ 40,801,160	\$ 236,618
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	\$ 264,272
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	\$ 3,164,953	\$ 6,329,906	\$ 196,547
Total, Goal C: Indirect Administration	\$ 33,668,787	\$ 33,719,685	\$ 67,388,472	\$ 34,070,048	\$ 34,070,047	\$ 68,140,095	\$ 751,623
Total Department of Motor Vehicles	\$ 168,180,219	\$ 145,228,701	\$ 313,408,920	\$ 169,444,336	\$ 160,052,733	\$ 329,497,069	\$ 16,088,149
Method of Finance							
General Revenue (GR) Fund 0001	\$ 168,180,219	\$ 14,912,006	\$ 183,092,225	\$ 14,919,822	\$ 14,919,822	\$ 29,839,644	\$ (153,252,581)
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	\$ 169,444,336	\$ 160,052,733	\$ 329,497,069	\$ 16,088,149
Full Time Equivalents (FTE)			763.0			763.0	

FY 2018-19 Baseline Budget Appropriations Request by Strategy**OPTION 2 Key Variances from 2016/17 Appropriation****Strategy A.1.1. – Titles, Registrations, and Plates – Net increase \$26,086,938**

- 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 projected operating expenses (\$425,530)

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

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

- Legislative Salary Increase for State Employees - \$1,206,766
- Transfer In for projected operating expenses \$239,751

FY 2018-19 Capital Budget Project Summary Baseline

The following table illustrates FY 2018-19 Capital budget:

Capital Budget	Biennial Appropriation	Option 1 "As Is" Biennial Base Request	Option 2 Post P & H Implementation Biennial Base Request
	FY 2016-17	FY 2018-19	FY 2018-19
Technology Replacement and Upgrades - Regional Support for County Tax Assessor Collector Offices	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000
Regional Service Center Relocation	\$ 871,500	\$ 480,300	\$ 480,300
TxDMV Automation System	\$ 16,078,201	\$ 23,432,156	\$ 11,716,078
Growth and Enhancement – Agency Equipment	\$ 1,898,996	\$ 1,898,996	\$ 1,898,996
Bull Creek Relocation	\$ 800,000		
Data Center Consolidation	\$ 16,716,655	\$ 16,716,655	\$ 16,716,655
Application Migration & Server Transformation (AMSIT)	\$ 7,353,955		
Total Capital Budget	\$ 54,719,307	\$ 53,528,107	\$ 41,812,029
Method of Finance			
General Revenue Fund 0001	\$ 39,833,376	\$ 13,807,826	
Texas Department of Motor Vehicles Fund 0010	\$ 14,885,931	\$ 39,720,281	\$ 41,812,029
Total Method of Finance	\$ 54,719,307	\$ 53,528,107	\$ 41,812,029

2018-19 Capital Budget Descriptions

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

Relocation of Regional Service Centers – 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 – 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. Option 1 assumes the collection of a \$1.00 automation fee and Option 2 assumes a reduced fee of \$.50. The primary focus of the 2018-19 Automation will be the completion of the RTS system upgrade.

Growth and Enhancement – Agency Equipment – 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 – 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 items 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	\$ 69,000,000	\$ 2,667,967
ENF/VTR	Special Investigations Unit	A newly created composed of experienced investigators and Field Service Representatives (FSR) 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.	13.0	\$ 1,091,571	\$ 831,560
MCD	TxCVIEW Maintenance	Funds will support the continued operation of the Texas Commercial Vehicle Information Exchange Window (TxCVIEW), a nationwide program for all states. TxCVIEW is a database providing information to FMCSA, TxDPS, TxDMV, & TWC systems.		\$ 300,000	\$ 300,000
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.		\$ 875,000	\$ 875,000
Total TxDMV Request			16.0	\$ 71,266,571	\$ 4,674,527
Division	Exceptional Items	Description		FY 2018	FY 2019
ABTPA	Grants	According to Vernon's Revised Civil Statutes 4413(37) Sec 10 (e), fifty percent of each fee collected under Subsection (b) may be appropriated only to the authority for the purposes of this article.		\$ 12,655,912	\$ 12,655,912
Total ABTPA				\$ 12,655,912	\$ 12,655,912
General Revenue Fund 0001				\$ 81,655,912	\$ 15,323,879
Texas Department of Motor Vehicles Fund 0010				\$ 1,522,821	\$ 1,262,810
Federal Funds				\$ 743,750	\$ 743,750
Total Exceptional Items			16.0	\$ 83,922,483	\$ 17,330,439

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, at minimum, intends to request five 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 2018 in FY 2019. 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 - Building New Construction	Item Priority:	1
Strategy:	C.1.3. Other Support Services	Description:	Facilities Operations
Code	Total Exceptional Item Request	Requested	
		2018	2019
	Objects of Expense:		
1001	Salaries		\$ 169,413
2004	Utilities		\$ 1,051,015
2009	Other Operating Expense	\$ 822,500	\$ 1,447,539
5000	Capital Expenditures	\$ 69,000,000	
	Total, Objects of Expense	\$ 69,822,500	\$ 2,667,967
	Method of Financing:		
001	General Revenue	\$ 69,822,500	\$ 2,667,967
	Total, Method of Finance	\$ 69,822,500	\$ 2,667,967
Number of Full-time Equivalent Positions (FTE):			3.0
Detail for Capital Appropriation Items: (included above)			
5002	Construction of Buildings and Facilities	\$ 66,200,000	
5007	Acquisition of Capital Equipment and Items	\$ 1,000,000	
7000	Data Center Consolidation Services	\$ 1,800,000	
	Total, Capital Appropriation Items	\$ 69,000,000	\$ -
Detail on Object of Expenses and FTEs: (Included above)			
	Program Specialist V (B21)		\$ 62,653
	Program Specialist III (B19)		\$ 54,761
	Program Specialist II (B18)		\$ 51,999
	Consumable Supplies		\$ 900
	Utilities		\$ 1,051,015
	Other Operating cost; training, healthcare, equipment, daily maintenance, groundkeeping, painting, window cleaning, insurance, building contingency, etc.	\$ 822,500	\$ 1,446,639
Subtotal, Detail on Object of Expenses and FTEs		\$ 822,500	\$ 2,667,967

TxDMV Headquarters

TxDMV is headquartered in Austin, Texas and maintains 16 Regional Service Centers across the state to deliver services to the motoring public. Currently, TxDMV occupies buildings at two campuses (Camp Hubbard – 4000 and 4300 Jackson Avenue) and Bull Creek. The Bull Creek property which houses the Motor Carrier Division was sold to a developer with a provision to allow TxDMV to occupy the space until February 2018. TxDMV received appropriations to relocate Bull Creek in the 84th Legislature and is pursuing leased office space for the Motor Carrier Division.

The agency has compiled an exceptional item to acquire a consolidated TxDMV campus that includes the Austin Regional Service Center.

In 2014, the architectural firm, O'Connell Robertson, estimated 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). The report determined agency needs for a minimum of a 9-acre site to house a new free-standing 5-story building; chiller plant, water-quality detention and parking related needs; and would be located in northern Travis or southern Williamson counties and include site development costs, office building costs, central plant costs and land costs, but did not also include other known costs associated with moving, day-to-day operations and staff support for a headquarters operation.

Since TxDOT currently provides TxDMV with facility, maintenance, grounds keeping, security, and a variety of other services, TxDMV is requesting 3 FTEs to handle facility and maintenance needs associated with the construction or purchase of leased property. The projected employees are as follows but have the potential to be reclassified based on the agency's final needs: One is a contract administrator, the second is a space planner and the third is a day-to day operations manager. These individuals perform skilled work in the maintenance, servicing, and repair of building, 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:	SIU Investigators and Field Service Reps	Item Priority:	
Strategy:	A.1.1. Titles, Registration & Plates B.1.1. Enforcement	Description:	Special Investigative Unit And FSR's
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)	\$ 135,140	
	Total, Objects of Expense	\$ 1,091,571	\$ 831,560
010	Method of Financing:		
	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 and Items (THP Radios)	\$ 135,140	
	Total, Capital Appropriation Items	\$ 257,240	\$ -
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 @ 4135/month Field Service Representatives)	\$ 248,100	\$ 248,100

Special Investigation Unit

Since its creation by the Legislature, the Texas Department of Motor Vehicles (TxDMV) has been largely ineffective in enforcing a number of laws designed and necessary to promote the motor vehicle manufacturing, distribution and sales, salvage and motor carrier industries, and to protect the public. Complaints involving violations of these laws have traditionally been initially investigated by the TxDMV and then referred to law enforcement and other agencies as the department can only impose administrative actions. Administrative action alone is not an effective in deterring violations or punishing violators, especially in the area of unlicensed activities. Few, if any, of the cases referred for criminal prosecution have been pursued beyond referral because local law enforcement and prosecutors do not have the subject matter expertise, resources and desire to pursue these matters. The situation described above is not new and existed prior to the creation of the TxDMV when the regulatory responsibilities for these industries was with the Texas Department of Transportation.

The reality is that many laws critical to the industries we regulate and to meeting our statutory charge to protect the public are not enforced.

Cases which fall in this category include:

- 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 ("curbstoning")

- Unlicensed operation as motor carrier

- Unlicensed operation as a household goods movers

- Household goods moving fraud

- Counterfeit of plates and temporary tags

- Misuse of farm, military, and other plates

All of these areas of criminal activity pose a threat to legitimate Texas businesses and to the public at large. Most of these crimes involve the loss of state revenue and others involve the loss of considerable money and other property by consumers.

In response to the issue cited above, TxDMV created an Anti-Fraud, Waste and Abuse Working Group. The objective of this group is to develop policies, procedures, resource plans and cost estimates to establish and implement an anti-fraud, waste and abuse program to prevent, detect, investigate and report fraud waste and abuse impacting TxDMV. This exceptional item is one of the results of this working group. TxDMV will hire a group of experienced investigators and Field Service Representatives (FSR) to operate as a Special Investigations Unit. The FSRs will maintain a presence in the county offices to educate and assist staff in reviewing operations for potential theft and fraud. The FSRs will work in tandem with

investigators to identify potential fraud and abuse related to state assets. The investigators in Enforcement will work on non-routine cases listed above in addition to issues raised by the FSRs. Most of the cases to be handled by this section do not involve licensees. As peace officers, investigators will be able to access databases necessary to fully develop cases that are not available to other department investigators. These investigators will be able to serve search warrants, file sworn complaints and will be able to work closely with other law enforcement agencies and prosecutors to assist in the prosecution of cases and to serve as witnesses.

2018-19 LAR Exceptional Item Request Schedule

Division: Motor Carrier		Division Director: Jimmy Archer	
Item Name: TxVIEW Maintenance		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	\$ 300,000	\$ 300,000
	Total, Objects of Expense	\$ 300,000	\$ 300,000
010	Method of Financing: TxDMV Fund	\$ 300,000	\$ 300,000
	Total, Method of Finance	\$ 300,000	\$ 300,000
Detail on Object of Expenses and FTEs: (Included above)			
2001	Professional Fees and Services - Software support provided by ProMiles	\$ 300,000	\$ 300,000
Subtotal, Detail on Object of Expenses and FTEs		\$ 300,000	\$ 300,000

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	Method of Financing: TxDMV Fund	\$ 131,250	\$ 131,250
	Federal Reimbursements	\$ 743,750	\$ 743,750
8082	Total, Method of Finance	\$ 875,000	\$ 875,000

Commercial Vehicle Information and Systems Network (CVISN) Projects and the Texas Commercial Vehicle Information Exchange Window (TxCVIEW)

Texas is the largest trucking state in the nation because of its central location and because of its position as the number one exporting state for the past 14 years. The TxDMV handles administration of the Motor Carrier industry in the state with safety as the paramount goal.

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

CVISN/CVIEW currently provides the tools used to share safety and other data between TxDMV, other state agencies as well as all other states. It costs about \$50,000 per month/\$600,000 per year (\$1.2 Biennium) to maintain and operate the system. This is financed by a combination of federal and state dollars.

The current cost maintains the TxCVIEW system and adds software components that allow state agencies to use the data available via the web in new ways to enhance safety on the highway by identifying Out of Service carriers and instances of potential fraud. New “web calls” allow agencies to pull data into their own proprietary systems and enable them to take advantage of the TxCVIEW system.

Texas became a CVISN participant in 1999 and has steadily invested both state and federal funds to develop the system that keeps track of carriers that operate here, those based in Texas and those passing through. CVISN/CVIEW provides roadside enforcement (TxDPS) with information about a carrier during a stop, especially those based in other states. The TxDMV’s Enforcement Division also uses the data for administrative investigations.

As the lead agency, TxDMV is responsible for maintaining CVISN/CVIEW. Participating agencies are: 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). Grants are awarded through the Federal Motor Carrier Safety Administration (FMCSA). 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.

The program is currently funded by a combination of state operating money and a 2013 federal 50/50 matching grant. Future grants will be an 85/15 match in the state’s favor.

CVISN goals as defined by the federal program are:

1. Improve highway safety by applying enforcement and other resources to commercial vehicle operations where safety risks are most likely to exist.
2. Streamline credentials and tax administration.
3. Improve the screening and selection of vehicles for roadside enforcement operations.
4. Organize and manage the implementation of Texas’ Expanded CVISN Program Plan so that it is an integral part of normal activities.

Current Value and Successes

- TxCVIEW provides Texas International Fuel Tax Agreement (IFTA) and Texas International Registration Plan (IRP) information to and from the Federal Motor Carrier Safety Administration (FMCSA). The nationwide data is used by TxDPS, TxDMV, TxCPA, and TxDOT to identify safety and fraud issues.
- TxDMV Credentialing uses TxCVIEW web services to verify the identity of applicants applying for operating authority to help prevent Out of Service (OOS)/chameleon carriers.
- TxDMV Enforcement uses the TxCVIEW to help in investigations and cross check OOS carriers
- TxDPS uses TxCVIEW web services to identify OOS vehicles by their U.S. Department of Transportation (USDOT) number and license plate (LP) readers for electronic screening at New Waverly and Devine safety/Weigh stations. They are expanding the number of USDOT and readers across the state. Some of these will be automated and collecting data 24/7. TxDMV enforcement and TxCPA are interested in using this information as well
- We are installing an Advanced Bridge Clearance (ABC) system to the Cesar Chavez Bridge in Austin on I-35 with completion scheduled for late 2016/early 2017.

The CVISN Legislative Appropriations Request is in two parts:**Operational Funds**

TxCVIEW – Operating: Funds provide for the operation of the Texas Commercial Vehicle Information Exchange Window (TxCVIEW), a nationwide program for all states. Current yearly expenses for operating costs, bug fixes, and core augmentation is \$600,000 a year or \$1.2 million for the Biennium to maintain the state's investment.

TxCVIEW provides Texas information to and national information from the Federal Motor Carrier Safety Administration (FMCSA) for TxDPS, TxDMV, TxCPA, and TxDOT. For example, this information is used to verify the identity of applicants applying for operating authority to help prevent chameleon carriers, assists in the department's enforcement investigations, and identifies Out of Service (OOS) carriers during screening at TxDPS roadside inspection sites. The \$300,000 requested is in addition to \$300,000 per year/\$600,000 per biennium already included in MCD's operating budget. If the request is approved, the CVIEW operating budget will total \$600,000 per year, \$1.2 million for the biennium. This will cover current operating expenditures of about \$50,000 per month. Without full funding, the TxDMV will not be able to continue to add new users or to provide new data feeds to current users, a detriment to the safety of the traveling public, carriers, cargoes and the highway system. CVISN grants can cover some operating costs. However, grants are competitive and we may not win a new grant. Therefore it is in the best interest of the state to secure recurring dollars to ensure safety on our roads.

Capital Funds

CVISN – Capital Projects: CVISN grants can also 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 Texas. An estimated \$1,750,000 will be needed for the 2018-19 biennium. The state's portion would be \$262,500 for the biennium or \$131,250 per year if FMCSA awards the full amount requested.

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 modify TxDMV's Registration and Titling System (RTS) to check for Out of Service (OOS) vehicles before issuing trip permits or registration (TxDMV is required to do this by statute). Estimated cost is \$950,000
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 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 is also considering using TxVIEW web services to identify OOS carriers that receive 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 may pursue legislative authority to deny permits to OOS vehicles. No cost estimate at this time.
4. An automation project that allows TxCPA to use CVIEW to compile International Registration Plan (IRP) information needed to issue International Fuel Tax Agreement (IFTA) registrations instead of providing more than 60 IRP logins to TxCPA. TxCPA 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 TxCVIEW. The current system is subject to fraud. No cost estimate at this time.

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: 1	
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)			
		\$ 12,655,912	\$ 12,655,912
<p>The ABTPA will use the additional funds to increase the tactical size and strength of regional law enforcement programs and to harden communities and motor vehicle owners against motor vehicle crime. More officers will be added to existing programs and increase law enforcement coverage will be expanded to high crime areas not currently served. The plan calls for adding additional 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 support interdiction of criminals and to interrupt criminal economic enterprises.</p>			

DATE: June 1, 2016

Continued From: -
Action Requested: BOARD APPROVAL**To: Finance and Audit Committee****From: Linda Flores****Agenda Item: 2.A.2****Subject: New Capital Project Line Item FY16-17 Budget for Physical Security Project****RECOMMENDATION**

It is requested that the Finance and Audit Committee recommend the Board of the Texas Department of Motor Vehicles (TxDMV) approve the following:

- Creation of a new capital project line item in the FY16-17 budget for a Physical Security Project with a total amount of \$1,334,196.
- The use of Rider 2 to transfer \$521,196 from TxDMV operating funds to the Physical Security Project budget to close the gap between the project cost of \$1,334,196 and the \$813,000 appropriated to the TxDMV for this purpose during the 83rd session of the Texas Legislature.

PURPOSE AND EXECUTIVE SUMMARY

The purpose of this document is to request the Finance and Audit Committee to recommend to the Board of the TxDMV to approve the use of authority in the TxDMV Capital Rider #2 to transfer \$521,196 from TxDMV operating funds to a new capital project line item in the FY16-17 budget for a Physical Security Project. The TxDMV Capital Rider #2 specifically exempts the agency from the transfer limits outlined in General Appropriation Act (GAA) Article IX (Section 14.03 Limitations on Expenditures – Capital Budget. (The complete text of Rider 2 is in the BACKGROUND AND DISCUSSION section of this document)

Four years ago, preceding the 83rd session of the Texas Legislature, TxDMV submitted a legislative appropriations request (LAR) to the Legislative Budget Board (LBB) for Regional Office (RO) Security, hereafter referenced as the Physical Security Project, to ensure the protection of property and personnel.

During its 83rd session, the Texas Legislature appropriated \$813,000 to TxDMV for this project. Staff succeeded in acquiring courier and security guard services and awarding a contract to a vendor, Sigma, for the full appropriation amount of \$813,000 by 8/31/2015, the deadline for encumbering the funds. The press of daily operations and high priority projects exceeded TxDMV's capacity for completing the scope of work.

To accelerate progress to complete the project before 8/31/2017, the TxDMV Governance Team formalized the Physical Security Project and assigned it to the EPMO.

In initiating and planning the project, EPMO determined the \$813,000 appropriation was insufficient to:

1. Complete the necessary site preparation work at 16 ROs,
2. Hire a project manager (PM), and
3. Establish a contingency for unplanned issues

The EPMO recommends an additional \$521,196 be added to the \$813,000 appropriation for a total capital project budget of \$1,334,196. (For more detail, please see this document, BACKGROUND AND DISCUSSION.)

FINANCIAL IMPACT**Table 1. Proposed Budget for Physical Security Project**

Table 1 outlines the total budget by funding source for the Physical Security Project.

Description	Estimated Costs
Regional Office Security - 2014/15 Capital Project	\$ 813,000
Project Manager FY16	118,840
Project Manager Travel FY16	3,200
Subtotal External Cost 2016	\$ 122,040
Project Manager FY17	150,000
Project Manager Travel FY17	3,495
Cabling	175,000
Electrical	10,000
Contingency Project Management/Travel	50,661
Technical Contingency	10,000
Subtotal External Cost 2017	\$ 399,156
Subtotal External Cost 2016/17	\$ 521,196
Total Project External Cost FY 2015/17	\$ 1,334,196

Table 2 Existing Funds to be Re-Purposed under Rider 2

The following outlines the existing funding sources to be re-purposed under Rider 2 and the impact to TxDMV or the division.

No.	Funding Source	Amount	Impact
1.	Capital Appropriation	\$813,000	Existing Encumbrance – No impact to other capital line items
	New Funding Sources		
2	EPMO Operating Funds (<i>New</i>)	\$275,535	The EPMO budget includes operating dollars to finance project management tasks.
3	ITSD Growth & Enhancement (<i>New</i>)	\$175,000	The funds will be used for cabling site preparation.
4	Agency Wide Funds (<i>New</i>)	\$ 70, 661	The funds serve as a contingency for unforeseen expenses and will be used for that purpose.
	Subtotal New Funding Sources	\$521,196	Rider 2 Authority Required
	Grand Total	\$1,334,196	

BACKGROUND AND DISCUSSION

Rider 2

TxDMV's capital rider (GAA, V11-13) exempts the agency from the 25% limitation for capital (emphasis added).

2. Capital Budget. Funds appropriated above may be expended for capital budget items listed below. Notwithstanding the General Provisions of this Act relating to limitations on the expenditure of appropriated funds on capital budget items, upon approval of the board of the Department of Motor Vehicles, (1) the amounts identified for each item below may be adjusted or may be expended on other capital budget items within the strategy to which the funds are appropriated or transferred to another capital budget item in another strategy; and (2) any funds appropriated above to the Department of Motor Vehicles may be expended for the acquisition of capital items, excluding construction of buildings and facilities and acquisition of land and other real property. If the Department of Motor Vehicles transfers an amount of appropriations into or out of a capital budget item in excess of 25 percent of the amount listed below for the capital budget item or acquires any capital budget items not expressly listed in this rider, the chair of the board of the Department of Motor Vehicles shall report such a transfer or acquisition in a quarterly report to the Governor and the Legislative Budget Board. Amounts appropriated above and identified in this provision as appropriations either for "Lease Payments to the Master Lease Purchase Program" or for items with a "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code §1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under "Acquisition of Information Resource Technologies" may be used to lease information resources hardware and/or software, if determined by agency management to be in the best interest of the State of Texas.

Background

Four years ago, preceding the 83rd session of the Texas Legislature, TxDMV submitted an LAR to the LBB for RO Security to ensure the protection of property and personnel. The scope included security cameras, badge entry, emergency door release, courier service, credit/debit card equipment, security monitoring, and security alert systems to notify law enforcement. First year costs included software, equipment, and training. Second year costs included annual security monitoring expense and, in addition, security guard salaries, courier services in Dallas, Fort Worth, and Houston, and alarm monitoring systems for all 16 ROs.

Beginning in FY14/15, the Texas Legislature appropriated \$813,000 to TxDMV for this project. FY14/15 pre-dated the current iterations of the ITSD and EPMO. TxDMV staff worked to fit the scope of work into existing workloads and other high priority projects such as Refactoring RTS and Single Sticker Phases 1 and 2. Early accomplishments included the following:

- FY15, courier services and security guard services were implemented
- A contract for \$813,000, the full appropriation was awarded to Sigma on 8/31/2015 for equipment and installation services for cameras, badge entry, emergency door release, security monitoring, and security alert systems to notify law enforcement, software, alarm monitoring systems, training, and contingency for moving the Corpus Christi, Pharr, and San Antonio ROs.

The press of daily operations and high priority projects exceeded TxDMV capacity for completing the scope of work. In addition, all \$813,000 had to be requisitioned by 8/31/2015 and actually spent by 8/31/2017 to avoid lapsing the appropriated funds.

The Governance Team and EPMO took the following actions to preserve the funds for their intended purpose:

- A project was formalized by the Governance Team and assigned to the EPMO on 12/19/2015
- January 2016, a project manager was hired but resigned before reporting to work
- On 3/8/2016, a second project manager was hired and began work
- On 5/9/2016, credit/debit cards were removed from the project scope and referred to ITSD for evaluation and future implementation as an operational activity.

In initiating and planning the project, the EPMO determined the following constraints:

- The full appropriation of \$813,000 had to be awarded by 8/31/2015 leaving no contingency for other costs
- The LAR exceptional item developed four years ago did not include site preparation costs such as cabling, electrical work, and/or telephone devices required for alerting law enforcement, or other unplanned contingencies
- The LAR exceptional item did not include costs for a full time project manager
- No full time equivalent (FTE) Project Managers are available to manage the Physical Security Project (the project) due to pre-existing project loads
- Assigning the project to a TxDMV Project Manager creates risks and issues for existing high priority projects such as LACE Replacement, webDealer, Single Sticker 2, TxDMV Funding/Process and Handling Fee
- Cost estimates indicate the appropriation of \$813,000 is insufficient and requires an additional \$521,196 to complete the scope of work authorized by the Governance Team. (For detail, see this document, Table 1.)

DATE: June 1, 2016
Continued From: -
Action Requested: None – Briefing Only

To: Finance and Audit Committee
From: Eric Obermier, Chief Information Officer
Agenda Item: 2.B.1
Subject: Contract on County Registration and Titling System (RTS) Equipment Refresh

RECOMMENDATION

N/A – This agenda item is only a briefing to provide current status on an active procurement for refresh of the computer equipment in the county offices across the state that support Vehicle Titling and Registration services. A recommendation from staff for board action is anticipated for the full Board Meeting on June 27, 2016.

PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles (TxDMV) is requesting responses from vendors to provide services and equipment for the 2016 statewide Registration and Title System (RTS) County Equipment Refresh Project (CERP). The vendor must be able to apply when necessary, the TxDMV image to the workstations, verify and test images on the workstations, provide storage of equipment while the refresh effort is underway, install, test and validate, as well as break down replaced RTS equipment, package, and ship, provide inventory tagging, documentation, support and maintenance. The Request for Offer (RFO) for the services and equipment was posted on May 4, 2016, with a closing date of June 1, 2016.

FINANCIAL IMPACT

This contract will be funded from FY16-17 capital appropriations. As this is an ongoing procurement, financial implications should not be discussed in an open meeting.

BACKGROUND AND DISCUSSION

TxDMV uses a five (5) year replacement cycle for computer equipment. The county RTS computer equipment was last replaced in FY11.

Currently TxDMV is required to provide access to the Registration and Titling Systems (RTS) for all county Tax Assessor Collectors (TAC's) offices. The Registration and Titling System requires dedicated hardware attached to a dedicated state-wide network. Each county has one or more locations where the RTS equipment is deployed.

Dedicated hardware includes personal computers with associated peripherals such as cash drawers and printers, as well as network equipment required to communicate with the RTS application servers located in the consolidated data centers managed by the Department of Information Resources. The network consists of dedicated T1 line(s) which provide the connectivity from county locations to the RTS system. Network routers and/or switches reside in each county office location.

Ongoing maintenance and support of the RTS equipment located in the county offices will also be provided by the vendor that is awarded the contract. These services are required due to the geographic disperse location of the county offices across



the state. The TxDMV Information Technology Services Division is not staffed to provide desk-side support to the county locations across the state where on-site services are required to resolve equipment related issues.

Currently, there are approximately 515 registration related offices across 254 Counties. A detailed list of main county tax office and sub-station information has been provided to the vendors requesting the information to assist with their response to the RFO.

County RTS locations have various building structures, including site locations housed in historical buildings. Special challenges may be faced in the historical buildings if additional cabling is required.

The refresh of county RTS equipment was approved by the TxDMV Governance Team in November 2015 and the Enterprise Project Management Office has assigned a project manager for this effort.



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.



FY 2016 Financial Summary
as of
April 30, 2016

By: Finance and Administrative Services Division

June 1, 2016

Financial Status Highlights As of April 30, 2016

Revenues:

Year-to-date revenue collections increased 0.5% or \$5.5 million over the same period last year.

Registration revenue collections reflect a 2.4% increase compared to the same period last year. After the implementation of single sticker, the state experienced a temporary decline in the number of registered vehicles and registration revenue. Although Fiscal Year 2015 registration revenue ended 2.5% higher for the year compared to Fiscal Year 2014, registration revenue slipped for the last five months of Fiscal Year 2015 by approximately 4%. This trend reversed in October 2015 and has continued through April 2016. Through the first eight months of Fiscal Year 2016, registration deposits are up approximately 2.6% compared to the same period of Fiscal Year 2015.

There was a decrease (2.2%) attributed to Oversize/Overweight revenue as a result of reduced permitting and a downturn in the oil, natural gas and related industries. 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 versus year-to-date fiscal year 2015.

Expenditures:

Year-to-date expenditures through April 30, 2016 total \$78,358,754. The significant expenditure categories are detailed below:

Salaries (\$25.2 million) – As of April 30, 2016, there were 716 filled positions and 47 vacancies.

Purchased Contract Services (\$18.3 million) – This line item includes Huntsville license plate production (\$13.3 million); registration renewal and specialty plate mailing (\$2.8 million); and Special License Plate Fees - Rider 3, (\$2.1 million).

Professional Fees (\$12.6 million) – The majority of these expenses are DCS (\$5.1 million) and RTS Refactoring (\$2.8 million).

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

Reproduction & Printing (\$3.0 million) – Printing of titles (\$1.6 million), title paper, envelopes, and registration inserts (\$1.3 million).

Encumbrance Summary:

As of April 30, 2016, encumbrances total \$60.6 million. The majority of the encumbrances (95%) are in Capital, primarily for the refactoring of the Registration and Titling System (RTS), replacement of the Licensing, Administration, Consumer Affairs and Enforcement (LACE) system, and Application Migration and Server 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 (\$25.2 million) – RTS Refactoring project (\$11.6 million), LACE Replacement project (\$4.8 million), and the Department of Information Resources for Data Center Services project (\$4.0 million). Also included are encumbrances for project services to implement the AMSIT project (\$1.5 million), which will separate TxDMV applications and related information technology infrastructure components from the TxDOT network, and project services in the Single Sticker Phase II project (\$1.0 million).

Purchased Contract Services (\$11.4 million) – License plates production and imaging of registration and title documents.

Grants (\$10.0 million) – ABTPA grants.

Maintenance and Repair (\$5.8 million) – Software maintenance related to RTS Refactoring project.

Reproduction and Printing (\$2.6 million) – Printing of titles, registrations and envelopes.

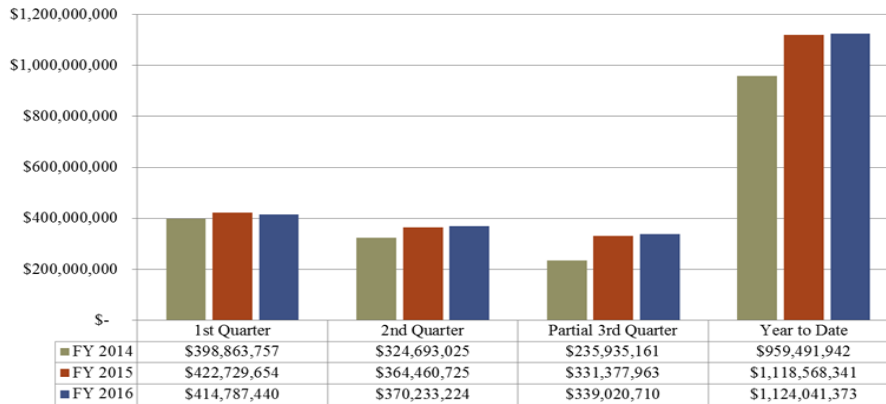
Mid-Year Review

Staff prepared an estimate of year-end balances based on accumulated salary lapse and anticipated obligations for the remainder of the year. The divisions were asked to submit requests for items funded either with lapses identified through the mid-year process or estimated balances identified in division budgets. A total of \$4.5 million in mid-year items were approved for funding leaving an estimated year-end balance of approximately \$2.0 million. The projected year-end balance of approximately \$2.0 million will be transferred into Automation Capital to accumulate dollars to help finance capital requests in the next biennium.

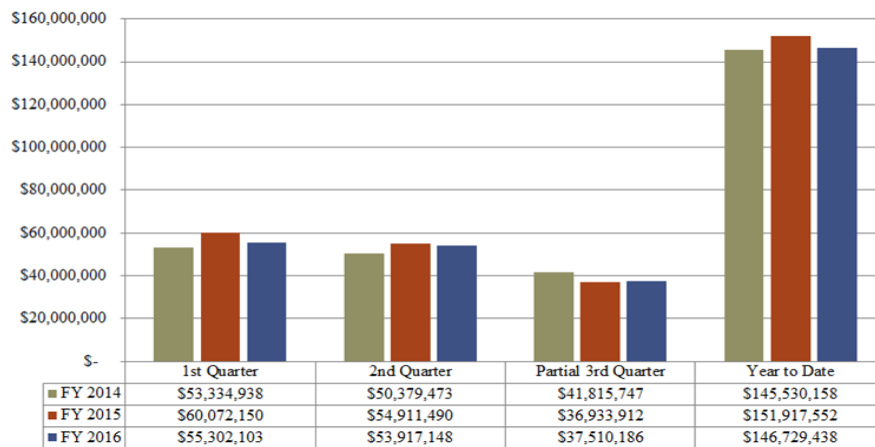
Financial Status Highlights As of April 30, 2016

TxDMV Deposits to Fund 1 & Fund 6

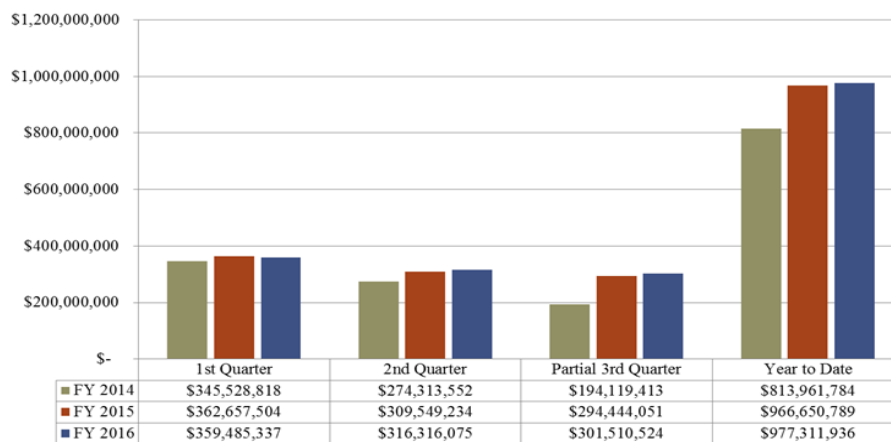
TxDMV Total Deposits



TxDMV Deposits to Fund 1 (General Revenue)

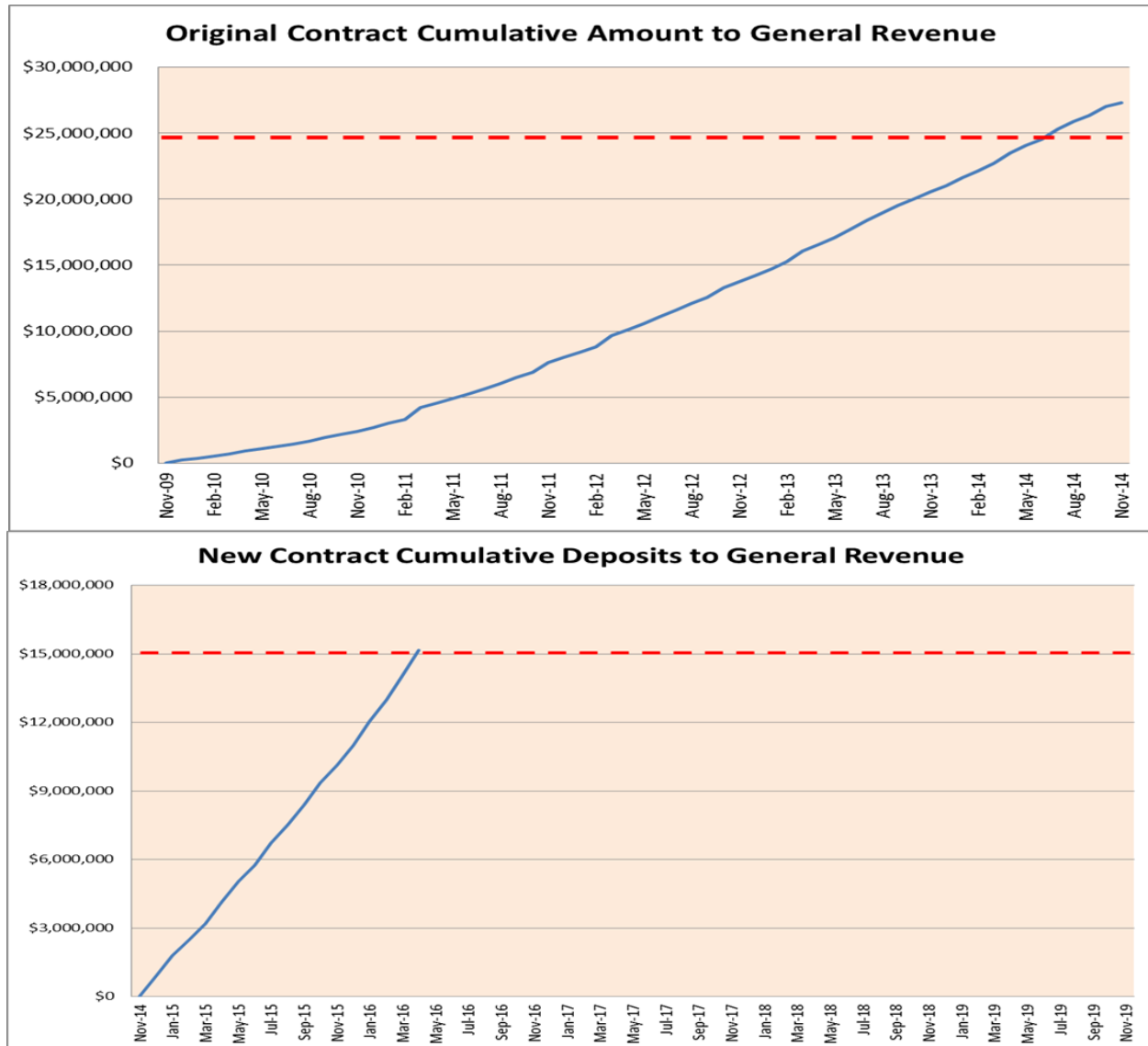


TxDMV Deposits to Fund 6 (State Highway Fund)



Financial Status Highlights As of April 30, 2016

MyPlates Analysis Original Contract vs. New Contract



	Total
Cumulative Deposits Original Contract (through November 2014)	\$27,334,769
New Contract Cumulative Deposits to General Revenue through 4/30/16* (contract guarantee met)	\$15,175,464
New Order Deposits to General Revenue	\$7,163,176
Renewal Deposits to General Revenue	\$8,012,288

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

Financial Status Highlights As of April 30, 2016

Statement of Revenues and Expenditures through April 30, 2016

Revenues:	FY 2016 YTD Projected Revenue	2016 Quarterly Revenue Collections			FY 2016 YTD Actual Revenue
		1st Qtr Sept - Nov	2nd Qtr Dec - Feb	Partial 3rd Qtr Mar - Apr	
Motor Vehicle Certificates	\$ 36,811,203	\$ 19,351,920	\$ 19,020,758	\$ 15,352,163	\$ 53,724,841
Motor Vehicle Registration Fees	\$ 629,657,337	\$ 349,507,999	\$ 307,196,429	\$ 297,059,534	\$ 953,763,962
Motor Carrier - Oversize / Overweight	\$ 84,447,738	\$ 39,214,121	\$ 38,145,730	\$ 24,718,787	\$ 102,078,638
Commercial Transportation Fees ⁽¹⁾	\$ 4,022,055	\$ 3,255,514	\$ 2,518,563	\$ (743,109)	\$ 5,030,968
Motor Vehicle Business Licenses	\$ 3,621,976	\$ 1,657,698	\$ 1,803,863	\$ 1,362,173	\$ 4,823,734
Miscellaneous Revenue	\$ 2,933,626	\$ 1,800,188	\$ 1,547,881	\$ 1,271,161	\$ 4,619,230
Total DMV Revenue	\$ 761,493,935	\$ 414,787,440	\$ 370,233,224	\$ 339,020,709	\$ 1,124,041,373

Expenditures:	2016 Adjusted Budget	2016 Quarterly Expenditures			Total YTD Expenditures	FY 2016 Encumbrances	FY 2016 Available Budget
		1st Qtr Sept - Nov	2nd Qtr Dec - Feb	Partial 3rd Qtr Mar - Apr			
Salaries and Wages	\$ 40,722,100	\$ 9,473,469	\$ 9,450,451	\$ 6,312,953	\$ 25,236,873	\$ -	\$ 15,485,227
Benefit Replacement Pay	\$ 114,563	\$ 11,121	\$ 71,679	\$ 15,679	\$ 98,479	\$ -	\$ 16,084
Other Personnel Costs	\$ 1,231,096	\$ 293,556	\$ 324,005	\$ 228,900	\$ 846,461	\$ -	\$ 384,635
Professional Fees and Services	\$ 56,584,604	\$ 2,671,678	\$ 5,658,671	\$ 4,234,477	\$ 12,564,826	\$ 25,268,554	\$ 18,751,224
Fuels & Lubricants	\$ 108,213	\$ 7,090	\$ 8,469	\$ 5,731	\$ 21,290	\$ 75,180	\$ 11,743
Consumable Supplies	\$ 1,197,609	\$ 246,901	\$ 161,617	\$ 340,995	\$ 749,513	\$ 38,155	\$ 409,941
Utilities	\$ 5,253,503	\$ 725,964	\$ 698,322	\$ 819,767	\$ 2,244,053	\$ 496,022	\$ 2,513,428
Travel In-State	\$ 424,656	\$ 52,883	\$ 54,522	\$ 49,651	\$ 157,056	\$ -	\$ 267,600
Travel Out-of-State	\$ 68,076	\$ 8,879	\$ 2,968	\$ 16,114	\$ 27,961	\$ -	\$ 40,115
Rent - Building	\$ 913,847	\$ 203,698	\$ 159,724	\$ 104,105	\$ 467,527	\$ 186,638	\$ 259,682
Rent - Machine and Other	\$ 337,303	\$ 50,651	\$ 76,646	\$ 47,972	\$ 175,269	\$ 139,671	\$ 22,363
Advertising & Promotion	\$ 514,878	\$ 13,881	\$ 9,252	\$ 14,743	\$ 37,876	\$ 81,867	\$ 395,135
Purchased Contract Services	\$ 36,217,436	\$ 4,569,375	\$ 7,543,118	\$ 6,172,527	\$ 18,285,020	\$ 11,438,372	\$ 6,494,044
Computer Equipment Software	\$ 850,910	\$ 220,556	\$ 139,093	\$ 155,442	\$ 515,091	\$ 247,190	\$ 88,629
Fees & Other Charges	\$ 1,251,099	\$ 241,080	\$ 268,270	\$ 176,208	\$ 685,558	\$ 383,266	\$ 182,275
Freight	\$ 1,168,784	\$ 166,990	\$ 160,710	\$ 142,442	\$ 470,142	\$ 679,750	\$ 18,892
Maintenance & Repair	\$ 9,393,050	\$ 341,746	\$ 543,239	\$ 831,584	\$ 1,716,569	\$ 5,753,060	\$ 1,923,421
Memberships & Training	\$ 349,198	\$ 81,443	\$ 22,959	\$ 32,046	\$ 136,448	\$ 28,415	\$ 184,335
Other Expenses	\$ 3,648,926	\$ 36,239	\$ 91,728	\$ 44,223	\$ 172,190	\$ 49,195	\$ 3,427,541
Postage	\$ 9,574,001	\$ 2,234,537	\$ 1,944,032	\$ 2,533,953	\$ 6,712,522	\$ 2,516,641	\$ 344,838
Reproduction & Printing	\$ 6,319,367	\$ 1,006,917	\$ 1,209,758	\$ 788,105	\$ 3,004,780	\$ 2,554,843	\$ 759,744
Services	\$ 1,259,663	\$ 140,620	\$ 161,971	\$ 183,664	\$ 486,255	\$ 580,868	\$ 192,540
Grants	\$ 13,939,820	\$ -	\$ 1,255,217	\$ 2,181,539	\$ 3,436,756	\$ 10,038,900	\$ 464,164
Other Capital	\$ 4,720,232	\$ -	\$ 102,880	\$ 7,359	\$ 110,239	\$ 600	\$ 4,609,393
Total	\$ 196,162,934	\$ 22,799,274	\$ 30,119,301	\$ 25,440,179	\$ 78,358,754	\$ 60,557,187	\$ 57,246,993

Notes:

(1) 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.

Financial Status Highlights As of April 30, 2016

Capital Project Status

TxDMV Automation: All Automation project balances for 2016 are based on adjusted 2015 expenditures.

- The majority of the Automation expenditures are for the **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. Work continues with the deployment of releases and Workstream 4 tasks related to the TxDMV Fund. Contract adjustments for additional Deloitte services were implemented in November. RTS Refactoring was allocated a portion of the ForgeRock software costs in FY 2016.
- **LACE Replacement Project;** a scope of work was completed and the solicitation process was finalized with the issuance of purchase orders for LACE Replacement and Independent Verification and Validation (IV&V) services. A purchase order in the amount of \$4.3 million for FY 2016 was issued to Deloitte for LACE Replacement. LACE Replacement was also allocated a portion of the ForgeRock 2016 software costs. Encumbrances also include the IV&V vendor in the amount of \$247,000. The overall project schedule is currently under review for possible adjustments.
- The **Web Dealer Project** is continuing with dealer implementation and enhancement testing. Commercial Fleet module deployed in early May 2015, and the next phase is WebSalvage. The Private Party enhancements were removed from the overall project plan which results in a budget reduction of \$761,000 in the overall project. Future phases of the Web Dealer Project are under review for consideration in relationship to other agency project needs. Web Dealer was also allocated a portion of the ForgeRock FY 2016 software costs. Adjustments are also being made for the impact to Web Dealer from the TxDMV Fund and the Processing and Handling Fee (P&H) implementation.

Commercial Vehicle Information and Systems Network (CVISN): \$1.1 million in unexpended balance (UB) was transferred from FY 2015 to FY 2016 (\$222,000 from operating was transferred to capital and combined with the \$857,000 capital balance to total the \$1,079,000 carry-forward). Currently \$435,000 is encumbered to Texas Department of Transportation (TxDOT) for the Advanced Bridge Clearance (ABC) Warning Project and \$50,000 is encumbered to Southwest Research Institute (SwRI). \$326,000 has been expensed YTD and the remaining \$268,000 is currently unencumbered. The Motor Carrier Division (MCD) works with three other state agencies to facilitate the grant, with expenditures planned for Texas Commercial Vehicle Information Exchange Window (TxCVEIW) maintenance and core augmentation, the ABC Warning Project, and travel.

Data Center Consolidation: Expenditures totaled \$5,178,117 through the end of April. The year-to-date total reflects payments for September 2015 charges through March 2016 charges. Total projected Data Center Services (DCS) charges for FY 2016 are approximately \$7.7 million. 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.

Growth and Enhancement: Expenditures and encumbrances to date include miscellaneous computer equipment, computer monitors, cabling services, security software, and generator installation.

County Technology Replacement & Upgrades: Expenditures to date are for toner cartridges, technology support costs, monitors, printers, and cash drawers for county offices. Encumbrances to date are for county technology support services and toner cartridges. 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 named. The technology refresh project will begin in the 4th Quarter of FY 2016 and continue into FY 2017.

Application Migration & Server Information Transformation (AMSIT): Expenditures have begun for project management. Encumbrances are for project management and ForgeRock FY 2016 software implementation. A purchase order in the amount of \$1.1 million was issued in February 2016 to NTT Data for project services.

Relocation of Regional Service Centers and Bull Creek: No expenditures to date; \$30,000 has been encumbered for future 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.

Financial Status Highlights As of April 30, 2016

- TxDMV has engaged TFC to commence negotiations with the Corpus Christi bidder to finalize lease terms.
- The proposed site in San Antonio was determined to not meet TxDMV needs.
- TFC has engaged realty broker Aquila Commercial to compile available properties for the San Antonio and Pharr offices.

The agency received ten (10) preliminary sites to relocate Motor Carrier staff currently housed at Bull Creek. The list was narrowed to four sites and on May 2, 2016 Executive staff toured each site. Three of the four sites are available for occupancy and one was a property yet to be built. Executive staff decided to pursue the sites available for occupancy. Requests for proposals should be received and evaluated in early June 2016 for board consideration.

Financial Status Highlights As of April 30, 2016

Statement of Capital Project Expenditures through April 30, 2016

	2016 Approved Adjusted Budget	2016 Quarterly Expenditures			FY 2016 YTD Expenditures	FY 2016 Encumbrances	FY 2016 Available Budget
		1st Qtr Sept - Nov	2nd Qtr Dec - Feb	Partial 3rd Qtr Mar - Apr			
Capital Projects							
Application Migration & Server Transformation (AMSIT)	\$ 7,353,955		\$ 18,868	\$ 88,819	\$ 107,687	\$ 1,414,703	\$ 5,831,565
Commerical Vehicle Information Systems & Network (CVISN)	\$ 1,078,944	\$ 65,032	\$ 149,045	\$ 111,875	\$ 325,952	\$ 485,239	\$ 267,754
Data Center Consolidations	\$ 9,080,222	\$ 1,483,313	\$ 2,682,555	\$ 1,012,250	\$ 5,178,118	\$ 3,902,104	\$ -
Growth & Enhancements - Agency Operations Support	\$ 949,498	\$ 92,464	\$ 47,046	\$ 63,951	\$ 203,461	\$ 453,866	\$ 292,171
Technology Replacement & Upgrades - County Support	\$ 5,500,000	\$ 410,012	\$ 216,332	\$ 453,392	\$ 1,079,736	\$ 77,937	\$ 4,342,327
TXDMV Automation System Project	\$ 41,980,422	\$ 686,604	\$ 2,383,417	\$ 3,051,038	\$ 6,121,059	\$ 22,979,437	\$ 12,879,926
Regional Office Relocation	\$ 871,500		\$ -	\$ -	\$ -	\$ 30,000	\$ 841,500
Total	\$ 66,814,541	\$ 2,737,425	\$ 5,497,263	\$ 4,781,325	\$ 13,016,013	\$ 29,343,286	\$ 24,455,243

Statement of TxDMV Automation Project Expenditures through April 30, 2016

TxDMV Automation Project Appropriations	FY 2016
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

	2016 Approved Adjusted Budget	2016 Quarterly Expenditures			2016 YTD Expenditures	2016 YTD Encumbrances	Available Budget
		1st Qtr Sept - Nov	2nd Qtr Dec - Feb	Partial 3rd Qtr Mar - Apr			
TxDMV Automation							
813003 HQ Communication Infrastructure	\$ 433,934	\$ 60,355	\$ 258,437	\$ 16,148	\$ 334,940	\$ 9,774	\$ 89,220
813010 RTS Refactoring	\$ 27,012,027	\$ 440,652	\$ 1,587,161	\$ 2,442,170	\$ 4,469,983	\$ 16,480,450	\$ 6,061,595
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	\$ 259,319	\$ 696,387	\$ 791,439	\$ 1,165,168
813020 LACE	\$ 8,660,994	\$ 85	\$ 225,200	\$ 118,780	\$ 344,065	\$ 4,758,699	\$ 3,558,231
815028 Single Sticker Phase II	\$ 1,200,000	\$ 24,957	\$ 19,953	\$ 214,621	\$ 259,531	\$ 939,075	\$ 1,394
84BDGT Unallocated	\$ 1,890,472		\$ -	\$ -	\$ -	\$ -	\$ 1,890,472
TxDMV Automation Total	\$ 41,980,422	\$ 686,603	\$ 2,383,418	\$ 3,051,038	\$ 6,121,059	\$ 22,979,437	\$ 12,879,926 *

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



I. Fiscal 2016 Internal Audit Plan remaining projects

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	Finalizing Report	We will release the report to management for responses in June 2016. We will present the report to the TxDMV Board of Directors during the August 2016 board meeting.
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 June 2016. We will present the report to the TxDMV Board of Directors during the August 2016 board meeting.
Oversize/Over weight Permitting	Audit of the agency's processes to issue OS/OW permits	Expect to kick-off audit in June.	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.	Carry-over to FY2017	To be decided
Fiscal Year 2017 Internal Audit Plan	Project to propose audit plan to the Board of Directors in accordance with the Internal Auditing Act	Project Kicked off late May	We will request feedback from Board members in early July. We will present the report to the TxDMV Board of Directors during the August 2016 board meeting. Board approval is required for this project.
Annual Quality Assurance Review	Required project to internally assess internal audit processes per auditing standards	Completed	See compliance letter in Attachment 1

**II. External Audit/Project Coordination**

- a. State Auditor's Office Analysis of Quality Assurance Team (QAT) Projects – RTS Refactoring Project
The SAO reviewed six major projects at 5 state agencies, including TxDMV's RTS Refactoring Project (see Attachment 2)
- b. State Office of Risk Management
 - i. On-site visit of the Beaumont Regional Service Center – Completed (see Attachment 3)
 - ii. On-site visit of the Dallas Regional Service Center (Carrollton) – In progress

III. SAO Fraud Hotline Coordination

Provided the SAO with the 3rd quarter SAO Fraud Hotline Coordination letter on May 6, 2016. The letter included 6 referrals resolved by the agency, and it provided status updates for 30 previously unresolved referrals from FY2011 through FY2016.

IV. IAD Personnel

Internal Audit Summer Intern, Stephen Schultz, started June 1
Derrick Miller received his Certified Internal Auditor on May 5

Attachments

1. Quality Assurance Improvement Program Letter
2. SAO Analysis of QAT Projects – RTS Refactoring Project excerpt
3. SORM On-site visit TxDMV transmittal letter



Texas Department
of Motor Vehicles

A Review of the TxDMV Internal Audit Division's Quality Assurance and Improvement Program (QAIP)

June 1, 2016

Members of the Texas Department of Motor Vehicles Board

The Internal Audit Division (Division) has completed the annual review of its Quality Assurance and Improvement Program (QAIP) for the period of April 2015 through April 2016. This review included an internal audit self-assessment review and follow-up on the opportunity for improvement identified in the Division's April 2015 external quality assurance review (peer review).

Overall Conclusion

Based on the results of the annual review, the Division complies with the following:

- Institute of Internal Auditors *International Professional Practices Framework* (IIA Standards), the definition of internal auditing, and the IIA's Code of Ethics
- U.S. Government Accountability Office's *Government Auditing Standards* (GAO Standards)
- Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act)

Background

Auditing Standards require that the director of internal audit develop and maintain a QAIP that includes both internal and external assessments of the internal audit activity. The IIA and GAO auditing standards require that the results of the periodic assessments be communicated to the governing board at least annually. The IIA and GAO Standards require that internal audit's QAIP include:

- Internal assessments that include ongoing monitoring of the performance of the internal audit activity, as well as periodic reviews performed through self-assessment.
- External assessments conducted every three years by a qualified, knowledgeable peer review team independent of the agency. The peer review issues a public report rendering an overall opinion on whether internal audit's QAIP provides reasonable assurance that internal audit complies with applicable professional standards in all material aspects.

Internal Self-Assessment

Based on the self-assessment results, the Division complies with the IIA Standards, the definition of internal auditing, the IIA's Code of Ethics, the GAO Standards, and the Texas Internal Auditing Act. The Division identified one opportunity for improvement, which was to review the *TxDMV Internal Audit Policies and Procedures Manual* and update it as necessary to align with the agency's updated fraud policy. The Division updated its manual April 13, 2016.

The Division maintains a QAIP with ongoing monitoring as required. In May 2016, the Division performed a self-assessment that included a review of (1) its compliance with standards and (2) audit documentation of an audit completed during the review period.

External Peer Review Opportunity for Improvement

The Division's underwent an external peer review last year, and the peer review team identified the following opportunity for improvement:

In evaluating the impact of technology on the Agency's future resource needs, consideration should be given to additional audit resources whose primary expertise and responsibility is auditing technology, including the complexities of contracts required for technology projects.

The Division reports that the status of implementing this recommendation is ongoing. The Division hired a summer intern majoring in Management Information Systems from June 2015 through August 2015 to assist on an information security audit. Effective April 21, 2016, the Division lost its Internal Audit Director, who is a Certified Information Systems Auditor (CISA). The Division will continue to work with the Board to ensure that it has the skills necessary to address the agency's risks.

If you have any questions, please contact me at (512) 465-1450.

Sincerely,



Arby Gonzales
Deputy Director

Attachments

cc: Whitney Brewster, Executive Director
Shelly Mellott, Deputy Executive Director

Chapter 3

The Texas Department of Motor Vehicles' Registration and Titling System Refactoring Project

Project Summary

As of February 29, 2016

Original:

- End Date: December 31, 2018
- Budget: \$28,222,300

Current:

- End Date: December 31, 2018
- Budget: \$71,610,340

Status: 78 percent complete.

Project History/Overview

The purpose of the Registration and Titling System (RTS) Refactoring³ project initiated by the Texas Department of Motor Vehicles (TxDMV) was to replace the agency's aging legacy mainframe system and associated code with a new Web-based system. TxDMV uses the RTS system to process vehicle registrations and titles for the State of Texas.

According to TxDMV, its prior RTS consisted of older generation technology and infrastructure that resulted in the following business problems:

- Increased costs and time to maintain the system and implement any changes.
- Inability to produce reports from registration and titling in a reasonable amount of time and without having to create customized code to produce the reports.
- Difficulties in deploying system changes or upgrades to the client desktop workstations located at hundreds of county tax assessor-collector offices throughout the state.

The RTS Refactoring project involves the implementation of a core system that will allow TxDMV to update legacy technology and allow for the support of future RTS enhancements not possible with the current RTS legacy system.

Project Status

The QAT approved the RTS Refactoring project on March 29, 2012. The project began on May 31, 2012, and has an expected end date of December 31, 2018. It consisted of two main production releases, which included the implementation of the Web-based RTS point-of-sale application, conversion of the mainframe application and database to the new system, and scheduled knowledge transfer and training activities to shift maintenance responsibilities from the vendor to the TxDMV. As of February 29, 2016, both production releases were complete and the new RTS was in use.

³ "Refactoring" refers to the process of restructuring existing computer code without changing its external behavior.

As of February 29, 2016, approximately 78 percent of the RTS Refactoring project was complete, as reported by TxDMV management. The expected completion date of the entire project is December 31, 2018.

According to TxDMV, the remaining work associated with the RTS Refactoring Project includes: system enhancements, knowledge transfers, and training activities facilitated between the project vendor and TxDMV's information technology staff. TxDMV's information technology staff will support and maintain the new RTS after deployment.

Project Costs

Table 5 summarizes budgeted and actual expenditures for the RTS Refactoring project. The TxDMV used the *Business Case Workbook* as the tool to estimate costs for the project.

Table 5

Budgeted and Actual Expenditures for the RTS Refactoring Project As of February 29, 2016				
Original Budget: \$28,222,300				
Budget Category	Original Budget ^a	Revised Budget ^b	Total Expended and Encumbered ^c	Original Budget Increase/(Decrease)
Agency Personnel Expenditures	\$ 7,792,300	\$ 9,589,500	\$ 3,884,592	\$ 1,797,200
Contract/Consultant Services	20,280,000	61,870,840	34,718,505	41,590,840
Other Expenditures	150,000	150,000	0	0
Total Encumbrances	Not Applicable	Not Applicable	23,590,896	Not Applicable
Total Project Costs	\$28,222,300	\$71,610,340	\$62,193,993	\$43,388,040
^a The original budget amount is from TxDMV's <i>Business Case Workbook</i> submitted to the QAT on March 8, 2012. ^b The revised budget amount is from TxDMV's <i>Business Case Workbook</i> submitted to the QAT on June 9, 2014. ^c Total project expenditures are as of February 29, 2016, as reported to auditors. Total encumbrances (authorized purchase orders) for the project are as of February 29, 2016, as reported to auditors.				

Sources: The QAT and information that TxDMV provided.

The initial project budget was \$28,222,300; however, TxDMV increased the project's budget to \$71,610,340. TxDMV prepared the initial project budget prior to bidding out the project and it included only updates to the RTS point-of-sale application. TxDMV added plans to modernize the database platform allowing end users access to information in a customer-centric (rather than a vehicle-centric) manner. The revised budget also included software and associated maintenance costs and data center services costs for the RTS Refactoring project. According to TxDMV, unexpended balances in its

appropriated Automation Fund are sufficient to cover the increased project costs.

TxDMV reported to auditors that, as of February 29, 2016, the total amount expended was \$38,603,097 and encumbrances were \$23,590,896, for a total of \$62,193,993 expended and encumbered.

The entire amount of \$71,610,340 in budgeted project funds was sourced from state appropriated funds and did not consist of any federal funds.

Project Benefits

TxDMV reported that the RTS Refactoring project provides various benefits, which include the following:

- Allowing for the complete separation of TxDMV from the Department of Transportation for maintenance and operations of the RTS.
- Moving from an outdated mainframe system to a Web-based system that can be more easily updated and enhanced.
- Providing enhanced enterprise business reporting capabilities through use of a reporting tool.

Project Demonstration

Auditors, representatives from the Department of Information Resources, and representatives from the Legislative Budget Board attended a demonstration of the updated RTS and, according to TxDMV, the system is functioning as intended. The demonstration provided an overview of the functionality that the RTS Refactoring project achieved, including the processing of a standard registration renewal and title request within the RTS point-of-sale application, as well as the capability of generating standard and ad hoc reports through the use of an enterprise reporting tool.

Additional Information

The overall goal of the RTS Refactoring project was to ensure that the new system looked and behaved in the same manner as the previous system for the approximately 2,800 users located across 254 counties. To achieve that, TxDMV used a phased implementation approach across the counties to ensure that the servers were not overloaded during the implementation process. TxDMV management indicated that the new RTS was rolled out to the smaller counties first to resolve any issues prior to implementing it in the larger counties.

TxDMV attributed the successful implementation of the RTS Refactoring project to a rigorous governance process, which included regular vendor oversight and a high degree of executive management involvement during the project.



April 28, 2016

Ms. Lisa Bell
Risk Manager
State Office of Risk Management
P.O. Box 13777
Austin, TX 78711-3777

Subject: Agency 608 On-site Consultation – Beaumont Regional Service Center

Dear Ms. Bell:

The State Office of Risk Management (SORM) conducted an on-site consultation at the Texas Department of Motor Vehicles (TxDMV) Beaumont Regional Service Center on March 4, 2016. TxDMV appreciates the information and observations you provided in your On-Site Consultation Report.

Per your request, I have included with this correspondence the action plan addressing the recommendations included in your report.

If you have any questions, please contact Ann Pierce, TxDMV Risk Manager, at (512) 465-4100.

Sincerely,

Whitney H. Brewster
Executive Director

cc: Shelly Mellott, Deputy Executive Director
Linda Flores, Chief Financial Officer
Jeremiah Kuntz, Director of Vehicle Title and Registration
Ann Pierce, Risk Manager
William Diggs, Chief of Regional Services
Idalia Illa-Lopez, Beaumont Regional Supervisor
Arby Gonzales, Deputy Director of Internal Audit

Attachment