Board Meeting Agenda Book

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

August 16, 2017

Finance & Audit Committee Meeting, 2:00 p. 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 16, 2017
2:00 P.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. **Roll Call and Establishment of Quorum**

2. **Comments and Announcements from Committee Chair, Committee Members, and Executive Director**

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BRIEFINGS AND ACTION ITEMS

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

3   A. **FY 2018 Interagency Agreement between TxDOT and TxDMV** - Whitney Brewster

25   B. **FY 2018 Recommended Operating Budget** - Linda M. Flores and Renita Bankhead

          C. **FY 2018 Internal Audit Plan** - Sandra Menjivar-Suddeath

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4. **Briefing Items:**

86   A. **FY 2017 Quarterly Financial Report** - Linda M. Flores and Renita Bankhead

98   B. **TxDMV Fund Update** - Linda M. Flores and Renita Bankhead

100   C. **Facilities Update** - Linda M. Flores and Ann Pierce

108   D. **Internal Audit Division Status Report** - Sandra Menjivar-Suddeath

EXECUTIVE SESSION

5. **The Board may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code, Chapter 551:**
    * **Section 551.071** - Consultation with and advice from legal counsel regarding:
        - pending or contemplated litigation, or a settlement offer;
        - 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
        - any item on this agenda.

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

- **Section 551.076** - Security devices or security audits:
  - the deployment, or specific occasions for implementation, of security personnel or devices; or
  - a security audit.

6. Action Items from Executive Session

7. Public Comment

8. 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**

HELPING TEXANS GO. HELPING TEXAS GROW.

Date: August 16, 2017

Action Requested: APPROVE DELEGATION TO THE EXECUTIVE

DIRECTOR OF FINAL CONTRACT EXECUTION

To: **Texas Department of Motor Vehicles Board (TxDMV) Finance and Audit Committee**
From: **David Duncan, General Counsel**
Agenda Item: **3.A.**
Subject: **Biennial Interagency Contract with Texas Department of Transportation (TXDOT)**

PURPOSE AND EXECUTIVE SUMMARY

The TxDMV has negotiated and executed an Interagency Contract (IAC) with TXDOT every year since we were separated into two agencies. This is necessary due to shared facilities, IT infrastructure, and management interplay issues.

The staff requests that the Board authorize Executive Director Brewster to negotiate any final changes to the contract, and execute the IAC on behalf of the agency.

FINANCIAL IMPACT

The IAC sets the agency's maximum payment under the agreement to $1 million per

BACKGROUND AND DISCUSSION

The IAC this year has several new elements. The most important is that both agencies agree that we can now move to a biennial negotiation, which matches with the state budgeting structure and meetings of the Legislature. The shared facilities and infrastructure issues between the two agencies are now well understood and routinely managed, allowing for a longer timeframe between renegotiations.

The other changes in this year's agreement include:

1. Removing references to shared IT infrastructure which has been closed due to the successful completion of the TxDMV AMSIT project.
2. Lowering the TxDMV "not to exceed" expenditure amount by half due to successful separation activities.
3. Establishing a "facilities management workgroup" to begin the process of discussing a possible takeover of Camp Hubbard facility maintenance by TxDMV, if and when TXDOT transfers all or some of the property to TxDMV.
4. Clarifying information sharing and IT infrastructure relationships in the new environment where TxDMV is almost totally separated from TxDOT equipment.
5. Removing and updating language that is no longer correct due to separation activities.

THE STATE OF TEXAS §

THE COUNTY OF TRAVIS §

INTERAGENCY CONTRACT FOR FISCAL YEARS 2018 2019

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, 2017, and terminates at the end of August 31, 2018 2019.

IV. MAXIMUM AMOUNT PAYABLE

The maximum amount payable by TxDMV to TxDOT under this contract shall not exceed $1 2 million per fiscal year, 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 per fiscal year, 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 to the appropriate project manager or point of contact. 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 ~~if such notice is given after March 15, 2017 during the 2017 Texas Legislative Session~~, ~~it~~ TxDOT may not require TxDMV to vacate prior to the midpoint of the following scheduled legislative session.

C. TxDMV employees shall have access to TxDOT resources (such as Crossroads) as agreed to by both parties. Domain Admin and Supervisor Access will no longer be provided without agreement in advance by TxDMV and TxDOT. Use of ~~TxDOT~~ either party's computer equipment by any ~~TxDMV~~ employee of the other party shall be conditioned on that employee's execution of and adherence to an agreement stating the employee shall adhere to ~~all TxDOT~~ the providing agency's policies governing the use of ~~TxDOT~~ their computer equipment. ~~TxDMV~~ Each party shall take appropriate action to protect ~~TxDOT's~~ the other party'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 (CIO) 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 30 days after those amendments become effective.~~

~~F.~~ E. 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.F.   In the event of a disaster affecting TxDMV headquarters, TxDOT agrees to provide additional office space to TxDMV as specified in Appendix I.

H.G.   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 Data Center Services (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.

I.H.   TxDMV and TxDOT agree to establish as soon as practicable a facility maintenance workgroup consisting of facilities, maintenance, and purchasing staff from both agencies. The objective of the group is to develop a strategy which will allow TxDMV to assume responsibility for the maintenance of Buildings 1, 2, 3, 4, 5 and 6 located at Camp Hubbard after such time asif and when TxDOT transfers ownership of the above-referenced property to TxDMV. Nothing in this agreement obligates TxDOT to transfer ownership or sets any timeframes or deadlines for such transfer. TxDOT agrees to share with TxDMV through the working group all relevant information relating to the facility maintenance and upkeep, including but not limited to current maintenance or service contracts, utility locations, specifications, drawings, designs, safety information and the like.

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 Each party shall promptly notify TxDOT the other party of any significant changes in operations affecting obligations under this Contract and shall promptly provide TxDOT the other agency 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 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.I., 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. TxDMV is scheduled to separate from be off the TxDOT IT infrastructure by August 31, 2017. In the event this separation is not complete by August 31, 2017, TxDMV shall continue to reimburse TxDOT for TxDOT's IT infrastructure-related costs as agreed in the FY2017 interagency agreement.

I. TxDOT shall provide continued access to the following resourcesTxDOT Intranet (Crossroads) resources used to map restrictions needed to route oversize/overweight loads, including:

   1. TxDOT Permanent Structure Numbers: http://crossroads/apps/psn/
   2. TxDOT's TARHE Geodatabase: provided by TxDOT IT/NTT Data
   3. TxDOT LZ bridges: http://apps.dot.state.tx.us/apps/gis/lrbm/
   4. TxDOT Crossroads: http://crossroads/ (Necessary to access division and district organization charts and personnel info for contact information)
   5. TxDOT statewide mapping: http://crossroads/org/tpp/StatewideMapping/
   6. TxDOT Roadway portal: http://iapps/apps/txdot_gis_portal/Map.aspx
   7. Bridge Underclearance database (UCDB): http://iapps/apps/ucdb/
   8. LIDAR data and updates: received from Bridge Division
   9. Daily posting of Structure.Pontis_Brinsap_Mst_Pnt feature class data (Pontis data) from TxDOT GIS GDB to PSDC FTP: provided by TxDOT IT/NTT Data
   10. TxDOT Facilities and Maintenance System (FMS): http://crossroads/org/mnt/FacManInfo.htm

   | Commented [WF1]: Update name |

J. In the event TxDMV is not offseparated from the TxDOT IT infrastructure by August 31, 2017, TxDMV shall send a representative to the weekly TxDOT CAB in order to receive notification of changes to shared infrastructure. In addition, and 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 coordinate with TxDMV the handling of oversize or overweight (OS/OW) traffic in emergency/disaster events. TxDOT will maintain TxDMV on 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.

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

M. ~~TxDOT and TxDMV will separate data pertaining to HROnline so that each agency no longer retains the other agency's data per a mutually agreed upon plan signed by each agency's Information Security Officer. Due to the sensitivity of this personally identifiable information within HROnline, this information will be separated and destroyed/purged per the guidance of the National Institute of Standards and Technology and within the process of the State of Texas Data Center Services. TxDOT will not be held liable for damage or loss resulting from TxDMV data remaining in HROnline after separation.~~

> **Commented [WF2]:** TxDOT to determine status

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.

E. TxDMV shall not take actions that allow permitted loads 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.

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 (IAC) with TxDOT. TxDOT shall ensure its vendors use the Texas Motor Vehicle Title and Registration database and all data retrieved only for TxDOT operations and as requested by TxDMV, will provide signed certifications from vendors verifying compliance. The parties may agree, through their respective CIO's, 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 dealer, eTags, temporary permits, commercial fleet plates such as apportioned plates, and dealer license plates maintained in the various DMV systems. TxDMV shall also continue to provide the files required for processing special license plates and the weekly VTR update file. TxDMV will also provide a one-time copy of the complete VTR database on media supplied by TxDOT. 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.

> **Commented [WF3]:** DMV to propose changes
>
> **Commented [PD4]:** The process for obtaining the vehicle information is changing. We would like to have access to the SFTP site with access to all Texas plates and tags registered with TxDMV.
>
> **Commented [PD5]:** We would like to have the complete registered plates and tags data with access to update files (noted above)

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.

H. TxDMV shall also provide TxDOT with remote electronic access through Motor Vehicle Inquiry to the Motor Vehicle Title and Registration database without charge. Upon request from TxDOT, TxDMV shall provide a written certification verifying the accuracy of the Motor Vehicle Title and Registration database (to

standard that current processes support). Except in connection with a criminal investigation or prosecution, TxDOT shall be assessed the required fee(s) for TxDMV staff to conduct title history research, production of title history documents, and certification of these documents, provided, however, that TxDMV shall provide the first 20 certified title history searches per fiscal year to TxDOT at no charge.

I.   TxDMV and TxDOT will discuss possible interfaces between TxDOT toll operations and TxDMV regional service centers. Any recommendations developed through these discussions may be considered for possible inclusion of additional terms in the FY 2018existing or future IACs.

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. In no event shall OS/OW traffic be routed onto TxDOT operated toll roads without specific written approval from TxDOT's Toll Operations Division.

K.   TxDMV IT will provide quarterly updates on all transition items to TxDOT IMD.

L.   TxDMV will separate all below services out of the TxDOT environment by 8/31/2017 unless otherwise noted:

1. All Wide Area Network (WAN) services including Texas Law Enforcement Telecommunications System (TLETS) and Comptroller of Public Accounts (CPA)
2. Filenet - 12/31/2016
3. Active Directory
4. Domain Name Services
5. eDIR (Novell)

The following list is the current servers that will be transitioned out of the TxDOT environment by 8/31/2017:

TXDOT-HQ65
HQ8
TXDOT-HQ1
TXDOT-HQ5
TXDOT-HQ6
TXDOT-HQ8

TxDOT will not be liable for damage or loss resulting from data remaining in the TxDOT environment.

M. TxDOT and TxDMV will meet quarterly beginning with February 28, 2017 to adjust the sever list to ensure accurate billing charges.

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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 CIO the specifications and scope of work for the proposed modifications or enhancements. If agreement cannot be reached between the TxDMV CIO 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 information technology contacts is as follows:

Eric Obermier
TxDMV Chief Information Officer
E-mail: eric.obermier@txdmv.gov
Phone: (512) 465-4040

Dana Glover
TxDOT Information Management Division Director
E-mail: dana.glover@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 CIO 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   Whitney H. Brewster
Executive Director   Executive Director

Date: _____   Date: _____

Attachment A

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, Non-IT: Casey Rowe, Revenue Accounting Manager
TxDOT Back-Up Project Manager, Non-IT: Crystal Myers, Accounting Specialist
TxDOT Project Manager, IT: Dana Glover, Information Management Division Director
TxDOT Back-Up Project Manager, IT: ~~Dan Teczar, Operations Excellence Coordinator~~Keith Handrick, Business Relationship Manager

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 recurring monthly building and maintenance costs at a flat rate of $~~34,000.00~~38,000.00 per month. This flat rate includes electricity, water, gas, Centimeter storage space, window washing, HVAC maintenance, elevator maintenance, and trash collection and is allocated based on TxDMV's occupancy of TxDOT-owned or -leased facilities as of September 1, ~~2016~~2017. TxDOT will not be required to provide invoices or supporting documentation for these costs. TxDMV may request a one-time recalculation of the allocated costs and adjustment of the flat rate if TxDMV's total occupancy changes by more than 10%.

TxDOT shall invoice TxDMV at the end of ~~the contract term~~each fiscal year for security costs.

All other costs, including landscaping, pest control, and non-recurring time and materials costs associated with building operations, such as requests for the relocation of fixed walls, will be requested through a Work Authorization and billed on the basis of actual

costs incurred by TxDOT or TxDMV, as set forth below. 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.

Work Authorizations
Except in the event of an emergency situation as defined below, 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).

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 receiving agency has not issued a WA, the 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 within 10 days, unless mutually agreed by both parties.

Emergency Services
"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.

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. 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. In the event the parties assigned to the task cannot reach an agreement on allocation of costs, the WA may subsequently be subject to the Dispute Resolution Procedure set forth in this Attachment.

Work Authorization
Each WA shall include the following information:
   a. the date of the request;
   b. the amount of estimated expenditure authorized;
   c. a description of the deliverables/services authorized;
   d. the physical location where the services are authorized to be performed, including address, complex, and building number;

    e. a WA number;

    f. the receiving agency's division name; and

    g. the receiving agency's coding block to be charged.

<u>Data Center Services</u>

TxDMV shall reimburse TxDOT monthly for 50% of the actual cost of shared data center services (DCS) being billed to 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 and TxDMV will both 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.

<u>Billing for Servers and Responsibility for Data</u>

TxDOT shall not bill TxDMV for utilization of any servers which store data which TxDMV has notified TxDOT it no longer needs. ~~This includes the following servers as of the date of the execution of this IAC:~~

~~ABL1~~	~~SAT1~~	~~TXEPOLICY2~~
~~AMA1~~	~~TXDB18~~	~~TX-IM7APP1~~
~~AUS-NTRAVIS~~		~~TX-MRTG~~
~~BMT1~~	~~TXDOT-HQ41~~	~~TX-OC1~~
~~CRP1~~	~~TXDOT-HQ59~~	~~TX-PSFT-TD~~
~~ISDAIS-HR-VS4~~		~~TYL-LONGVIEW~~
~~ISDAIS-HR-VS7~~		~~WFS1~~
~~LBB1~~	~~TXEDMSAPP2~~	~~WT-PSFT-PD~~
~~PHR1~~	~~TXEDMSAPP5~~	~~WT-RTS-LBT1~~

For data residing on servers that TxDMV is no longer financially responsible for under the language above, TxDOT shall not be held responsible for any TxDMV data remaining on those servers so long as TxDOT and/or its contractors use standard industry practices in the handling of such data. Once the servers are finally decommissioned, TxDOT shall destroy any remaining TxDMV data consistent with the guidance of the National Institute of Standards and Technology and within the process of the State of Texas Data Center Services. Any disputes over data handling or destruction practices under this section shall be resolved by consultation with the state Chief Information Security Officer.

<u>Technology Daily Operations</u>

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

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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.

Submitting Invoices
The receiving agency shall pay the performing agency on the basis of the flat rate services as referenced in this Attachment A and non-recurring service invoices submitted to and approved by the receiving agency, showing:
   a. a reference to the WA number by line item (not applicable to flat rate utility invoices);
   b. the performing agency's Agency Number and Recurring Transaction Index (RTI);
   c. the performing agency's non-IT PM's e-mail address and phone number;
   d. the date range of work performed for the associated charge, unless otherwise specified on the WA or supporting documentation;
   e. copies of the original documentation that validates the non-recurring charges, including third party invoices with clear, legible descriptions, and the performing agency's Staff Name/Salary Rate/Hours Worked (not applicable to flat rate utility invoices);
   f. the USAS Comptroller Object of Expense used by TxDOT;
   g. a certification that the charges shown are reasonable and necessary, and all appropriate and required supporting documentation is attached.

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: FIN_Invoices@txdot.gov

If both parties agree that any invoices paid contain charges that should not have been billed to one party, the other party shall apply a credit to the over-billed party's future invoices within 90 days of the original invoice with incorrect charges.

Invoices for flat rate utility costs must be paid within 30 calendar days of receipt.

If the invoices for non-recurring services are clear, complete, and include all required supporting documentation, 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 within fifteen (15) calendar days of receipt. 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 fifteen (15) calendar days of receipt. Any items not disputed within this fifteen calendar day period will be deemed acceptable.

Dispute Resolution
Any dispute over billing, payment or other issues arising in this Attachment or the 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 non-IT 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, or the CFO's designee, who shall be the final arbiters 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 (IAC) 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 IAC and request use of the Austin, Regional Service Center (RSC) 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 Austin, RSC, 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 Austin, RSC 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 Austin, RSC 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 Austin, RSC 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 Austin, RSC caused during TxDMV use of the facility during the emergency.

H. During the period of use of the Austin, RSC, 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 Austin, RSC, TxDMV shall provide TxDOT weekly status reports regarding the use of the Austin, RSC 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 Austin, RSC, 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 Austin, RSC, including all in-place utilities and fixtures;

      b. the main conference room in the main building of the Austin, RSC;

      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 Austin, RSC 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 Austin, RSC 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 Austin, RSC premises, and shall include in that notice any requests to retain any equipment or modifications which would otherwise be removed or surplused by TxDMV.

C. TxDOT shall notify TxDMV within 48 hours of incurring any expenses as a result of TxDMV's occupancy of the additional Austin, RSC space under this Appendix, and shall allow TxDMV to provide alternative services or personnel to avoid or offset such costs.

Texas Department *of* Motor Vehicles

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Action Requested: Recommend for Approval by the Full Board

To: **Texas Department of Motor Vehicles Board (TxDMV) Finance and Audit Committee**
From: **Linda M. Flores, CPA, Chief Financial Officer**
Agenda Item: **3.B.**
Subject: **FY 2018 Recommended Operating Budget**

RECOMMENDATIONS

1. Recommend approval of the FY 2018 Operating Budget to the full Board of the Texas Department of Motor Vehicles (TxDMV).

2. Recommend approval to the full Board of the TxDMV for the department to use authority provided in the TxDMV Capital Rider #2 to transfer $5,869,823 from TxDMV capital projects to TxDMV Automation. 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 Unexpended Balance Authority section of the Fiscal Year 2018 Recommended Operating Budget.

3. Recommend approval to the full Board of the TxDMV 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 three 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.
   - Interagency Agreement with the Texas Department of Transportation (TxDOT) - To specify the duties and obligation of the two agencies for shared facilities, services and equipment. This IAC is for the period September 1, 2017 – August 31, 2019

PURPOSE AND EXECUTIVE SUMMARY

2018 Recommended Operating Budget

The Texas Department of Motor Vehicles (TxDMV) develops annual operating budgets based on approved biennial appropriations. The recommended Fiscal Year 2018 operating budget implements the first year of approved appropriations for the 2018-2019 biennium. The attached recommended budget is presented as authorized by the 85th Legislative Regular Session General Appropriations Act. This recommended operating budget allocates $168 million in appropriations and is structurally balanced to support recurring expenses throughout the agency's organization.

FINANCIAL IMPACT

2018 Recommended Operating Budget

Effective September 1, 2016, TxDMV began depositing revenue into a new agency fund recreated by the 84th Legislature, the TxDMV Fund (0010). The agency's recommended Fiscal Year 2018 operating budget of $168 million will be primarily supported by TxDMV Fund collections estimated to be $160 million. In addition to the TxDMV Fund the agency's budget is also funded by a combination of General Revenue appropriations ($12.8 million), estimates of carryforward of Fiscal Year 2017 Automation balances ($10.5 million, which includes $4.6 million from the State

Texas Department *of* Motor Vehicles

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Highway Fund) and Federal reimbursements ($743,750). This recommended budget document also includes a list of contracts funded as part of the Fiscal Year 2018 budget including those that are statutorily required, in excess of $200,000, between $100,000 and $200,000, less than $100,000 and contracts in excess of $200,000 excluded from board approval.

<u>BACKGROUND AND DISCUSSION</u>

2018 Recommended Operating Budget

Revenues

In Fiscal Year 2017 the department implemented a new Processing and Handling Fee on registration transactions and began collecting revenue in TxDMV Fund 0010 on November 14, 2016. Estimated Fiscal Year 2018 revenue of $160 million includes collections from the Processing and Handling Fee estimated to be $58 million. In addition, collections also include $74.4 million associated with titles and other registration fees and $13.8 million in fees for Oversize/Overweight permits. Staff projects a continued upward trend of overall revenue collections, with an increase of approximately 4.4% in Fiscal Year 2018. Natural population growth, strong auto sales and healthy overall economic activity are expected to drive growth in revenue collections. The staff estimates that TxDMV will collect approximately $1.94 billion for the State.

Appropriations

The FY 2018 recommended operating budget is $168 million and is based on the current approved appropriations approved by the 85th Legislature, Regular Session. . The attached budget document includes funding for:
- 779 full time equivalents,
- online fulfillment of vehicle registrations,
- license plate production and,
- Automobile Burglary and Theft Prevention Authority (ABTPA) grants to local entities.

This recommended budget also includes the following exceptional items approved by the 85th Legislature:

- Headquarters (HQ) Maintenance
- Commercial Vehicle Information System and Networks (CVISN)
- Special Investigations Unit exceptional item
- Partial Restoration of Automation
- Reductions to ABTPA grants
- Riders related to the use of unexpended balances for the Bull Creek relocation and reporting of TxDMV revenues and expenditures

The capital portion of the budget consists of $33.3 million which provides funding for TxDMV Automation projects, Data Center Services (DCS) contract with the Department of Information Resources, vehicle replacements and other projects.

Unexpended Balance Authority

In addition to $22.8 million in Fiscal Year 2018 capital appropriations, the recommended capital budget includes $10.5 million in estimated unexpended balance carry-forward. The carry forward consists of $4.6 million in Fiscal Year 2017

Texas Department *of* Motor Vehicles

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DATE: August 16, 2017
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Action Requested: Recommend for Approval by the Full Board
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TxDMV Automation balances and the use of authority in the TxDMV Capital Rider #2 to transfer $5,869,823 from balances in the Fiscal Year 2017 TxDMV capital projects listed below to the TxDMV Automation capital project.

- County Technology Enhancement: $1,125,000
- AMSIT: $4,500,000
- Physical Security and RSC Relocation: $244,823

These transfers along with $4.6 million in Fiscal Year 2017 TxDMV Automation balances will be carried forward to Fiscal Year 2018 to fund several automation initiatives including the implementation of the webLIEN project.

Contracts

The agency's resolution adopting contract approval procedures specifies that the Executive Director must obtain board approval for contracts $200,000 or more prior to award or renewal unless specifically excluded. The contracts listed below require Board approval for the award and/or renewal and proposed contract amounts for Fiscal Year 2018.

- The SwRI contract stipulates 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 facilitates FMCSA's rollout of a new Unified Carrier Registration application.

- AAMVA provides online access to meet the TxDMV's obligation to receive and report information to the National Motor Vehicle Title Information System (NMVITIS) as required by federal statute. NMVTIS serves as a repository of information related to vehicles that have 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.

- TxDMV has signed an Interagency Contract (IAC) with the Texas Department of Transportation (TxDOT) every year since the agency's inception.   The IAC with TxDOT outlines 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. The not to exceed amount of this contract for the two year period beginning September 1, 2017 will be $1.8 million. The prior year contract had an annual cost of $2 million per fiscal year. The reduction in the contract amount is due to the progress of separation activities, particularly in IT which has reduced TxDMV's need for TxDOT support.

Texas Department *of* Motor Vehicles

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Fiscal Year 2018
Recommended Operating Budget

Texas Department *of* Motor Vehicles

Table of Contents

Part I: Fiscal Years 2018-19

Legislative Appropriations Request

Fiscal Years 2018-19 Legislative Appropriations Request

The Legislative Appropriations Request (LAR) is the starting point for the agency's budget. In August 2016, the Texas Department of Motor Vehicles (TxDMV) submitted its appropriations request of $367.8 million – ($327.8 million baseline plus $40.0 million in exceptional items). The current approved biennial budget totals $332.9 million – ($321.1 million baseline plus $14.7 million in approved Conference Committee exceptional items, less $3.0 million in additional reductions), a difference of $34.9 million less than requested.

	Legislative Appropriations Request (LAR)	Approved FY 2018-2019
A. Goal: Optimize Services and Systems		
A.1.1. Strategy: Titles, Registrations, and Plates	$ 173,328,562	$ 172,723,262
A.1.2. Strategy: Vehicle Dealer Licensing	$ 8,294,710	$ 8,294,710
A.1.3. Strategy: Motor Carrier Permits & Credentials	$ 18,726,290	$ 18,726,290
A.1.4. Strategy: Technology Enhancement & Automation	$ 17,154,836	$ 12,004,836
A.1.5. Strategy: Customer Contact Center	$ 4,422,468	$ 4,422,468
Total, Goal A: Optimize Services and Systems	**$ 221,926,866**	**$ 216,171,566**
B. Goal: Protect the Public		
B.1.1. Strategy: Enforcement	$ 12,652,118	$ 12,627,118
B.2.1. Strategy: Automobile Theft Prevention	$ 55,151,468	$ 25,671,702
Total, Goal B: Protect the Public	**$ 67,803,586**	**$ 38,298,820**
C. Goal: Indirect Administration		
C.1.1. Strategy: Central Administration	$ 15,804,746	$ 15,804,746
C.1.2. Strategy: Information Resources	$ 46,005,443	$ 46,328,538
C.1.3. Strategy: Other Support Services	$ 16,257,906	$ 16,257,906
Total, Goal C: Indirect Administration	**$ 78,068,095**	**$ 78,391,189**
Grand Total, Department of Motor Vehicles	**$ 367,798,547**	**$ 332,861,576**
Difference		**$ (34,936,971)**
Detail for Adjustments to Fiscal Year 2018-19 LAR Request		
A.1.1. Strategy: Titles, Registrations, and Plates		
Baseline reduction - Regional Service Center (RSC) Relocation and New Vehicles	$	(605,300)
A.1.4. Technology Enhancement & Automation		
Baseline reduction - Automation		$ (5,950,000)
Automation Restoration		$ 800,000
B.1.1. Strategy: Enforcement		
Baseline reduction - New Vehicles		$ (25,000)
B.2.1. Strategy: Automobile Theft Prevention		
Exceptional items not funded - 4% Restoration/Grants		$ (26,505,410)
Additional Reduction - ABTPA*		$ (2,974,356)
C.1.2. Strategy: Information Resources		
Baseline reduction - Agency Growth & Enhancement		$ (76,905)
Cybersecurity Initiative - Capital		$ 400,000
Total Adjustments to Fiscal Year 2018-19 LAR Request	**$**	**(34,936,971)**

Includes a $109,750 biennial reduction related to Article IX, Section 17.10 - Contract Cost Containment.

Texas Department *of* Motor Vehicles

Exceptional Items and Riders Disposition for TxDMV

Exceptional Items:

Priority	Exceptional Items	TxDMV Biennial Request		Conference Committee Biennial Recommendations	
		FTE	**Amount**	**FTE**	**Amount**
1	TxDMV Headquarters Maintenance	3.0	$ 9,828,000	3.0	$ 9,828,000
2	Special Investigations Unit	13.0	$ 1,923,131	13.0	$ 1,923,131
3	CVISN		$ 1,750,000		$ 1,750,000
4	Restoration of Automation		$ 2,500,000		$ 800,000
	Subtotal TxDMV Fund/Federal	**16.0**	**$ 16,001,131**	**16.0**	**$ 14,301,131**
1	ABTPA 4% Reinstatement		$ 1,193,586		$ 0
2	ABTPA Grants		$ 25,311,824		$ 0
	Subtotal General Revenue		**$ 26,505,410**		**$ 0**
	Total TxDMV Request	**16.0**	**$ 42,506,541**	**16.0**	**$ 14,301,131**

Riders

Riders Previously Approved in FY 2016-17 and Requested for FY 2018-19	
MyPlates – 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.	Approved
Federal Grants and State Matching Funds – This rider allows the agency to spend unexpended balances of state match funds for federal grants from FY 2017 in FY 2018.	Not Approved
Capital Projects—Unexpended Balance Authority – This rider will allow the agency to spend money appropriated for capital projects each year 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.	Approved

TxDMV Rider Request	
Unexpended Balance Authority within the Biennium – This rider would allow the agency to spend any unexpended balances in appropriations between the fiscal years.	Not Approved

New Riders Added by Conference Committee	
Texas Department of Motor Vehicles Fund Report – This rider requires the agency to submit an annual report on TxDMV Fund 0010 expenditures/revenues to the Legislative Budget Board.	Approved
Unexpended Balance Appropriation Department of Motor Vehicles Austin Bull Creek – This rider allows the agency to carry forward any unexpended funds appropriated for the Bull Creek relocation remaining at the end of FY2017 to the new biennium.	Approved

Texas Department *of* Motor Vehicles

<u>**Article IX General Provisions**</u>

Article IX riders provides specific authority to all state agencies for funding and administrative process such as salary administration, travel process, legal representation, information technology, expenditure reporting and appropriation management. Also included in these riders are Legislative mandates to specific state agencies for reporting requirements and authorized expenditures. There are three riders in Article IX that specifically impact operations of the Automobile Burglary and Theft Prevention Authority (ABTPA).

| New Article IX Riders Impacting Automobile Burglary and Theft Prevention Authority (ABTPA) |
|---|
| **Section 7.11 Border Security** - ABTPA along with several other agencies will be required to report to the Legislative Budget Board, budget, expenditures and performance indicator results for borders security as of February 28 and August 31st of each fiscal year. The rider outlines the definition of "border security" and the specific items required for the report. |
| **Section 17.07 Border Security** - Informational Listing - This rider is a listing agencies with amounts for allocated to border security in their appropriations. There is $5.6 million for the 2018-19 biennium, listed in the rider for ABTPA grants. |
| **Section 17.10 Contract Cost Containment** - ABTPA, along with other agencies funded with General Revenue and General Revenue Dedicated, was reduced by $109,750 for the 2018-2019 biennium to achieve General Revenue cost savings. |

Texas Department of Motor Vehicles

<u>Texas Department of Motor Vehicles - Appropriations History</u>

Since the agency's inception in Fiscal Year 2010, agency appropriations have more than doubled from the original $142.9 million. In **Fiscal Years 2012-2013**, the agency's appropriation increased due to the addition of the Motor Carrier Oversize/Overweight permitting program after passage of S.B. 1420, (82nd Legislature). Appropriations in subsequent years include additional funding for Automation Capital and license plate production. With the passage of H.B. 1692, 83rd Legislature, Regular Session, the agency established the Office of Administrative Hearings to conduct contested case hearings for warranty performance and "Lemon Law" disputes internally, rather than referring such cases to the State Office of Administrative Hearings.

In **Fiscal Years 2016-2017**, the agency's appropriations increased almost seven percent from **Fiscal Years 2014-2015**. The agency received funds in 2016-2017 to cover higher license plate production and volume costs, relocation of two regional service centers and the Bull Creek campus. In addition, the agency's ongoing Automation Project (including information technology separation efforts) was fully funded.

The 85th Legislature provides funding for **Fiscal Years 2018-2019** in an approved amount of $332.9 million, a 6% increase over the 2016-2017 biennium. The increase in Fiscal Years 2018-2019 is primarily driven by the approval of funding for TxDMV Headquarters maintenance costs ($9.8 million).
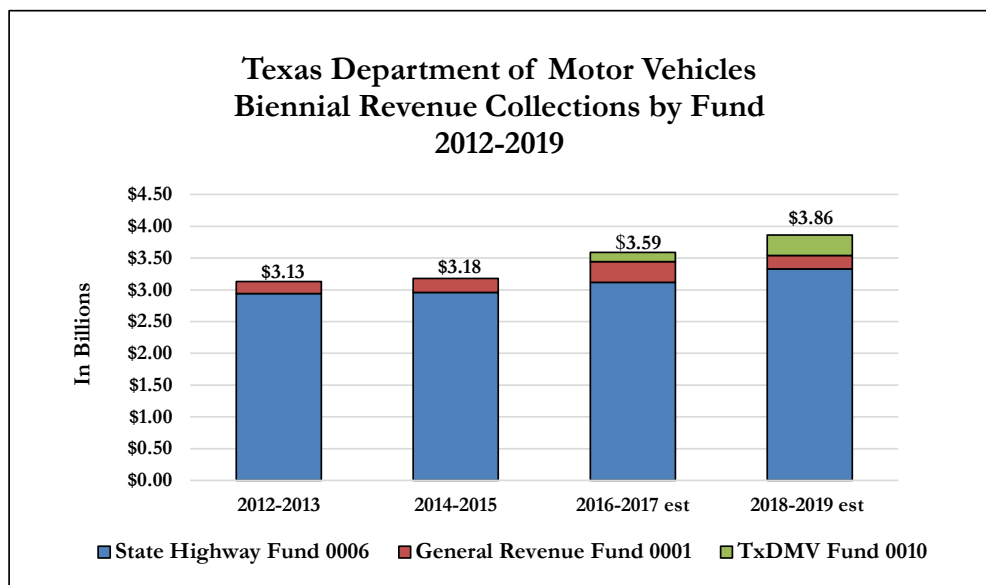
The TxDMV's method of finance for **Fiscal Years 2018-2019** will be primarily funded by the TxDMV Fund, which was established on September 1, 2017 (with the exception of the ABTPA program). The ABTPA program will continue to be funded through General Revenue.

7 | Fiscal Year 2018 Recommended Operating Budget – August 2017
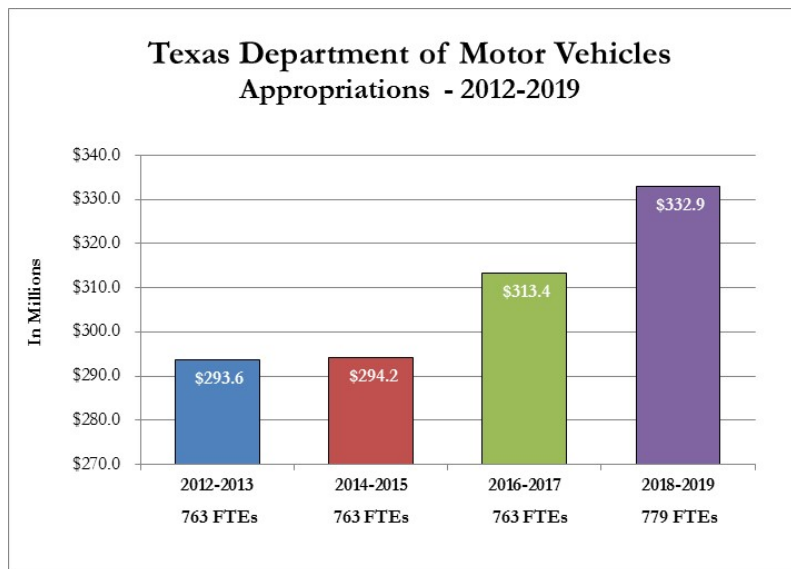
Texas Department *of* Motor Vehicles

Agency revenue collections continue to rise in the current biennium (Fiscal Years 2016-2017) as compared to the previous biennium. In Fiscal Year 2016, the TxDMV collected approximately $1.75 billion in total revenue for the State of Texas. This includes $1.53 billion for the State Highway Fund and approximately $222 million to the General Revenue Fund (GR). In Fiscal Year 2017, the agency estimates an increase of 4.9% in total revenues from Fiscal Year 2016 with State Highway Fund collections estimated at $1.59 billion, General Revenue collections estimated at $105.2 million, and TxDMV Fund collections estimated at $143.7 million. In Fiscal Year 2017, the department implemented a new Processing and Handling Fee on registration transactions and began collecting revenue in the TxDMV Fund on November 14, 2016. The upward revenue trend is expected to continue into the Fiscal Year 2018-2019 biennium, with a revenue increase of approximately 4.4% in Fiscal Year 2018 and 1.3% in Fiscal Year 2019, for a biennial total of approximately $3.86 billion. Natural population growth and healthy auto sales are factors included in the Comptroller's 2018-2019 Biennial Revenue Estimate (BRE).

Texas Department of Motor Vehicles
Biennial Revenue Collections by Fund
2012-2019

	2012-2013	2014-2015	2016-2017 est	2018-2019 est
Total	$3.13	$3.18	$3.59	$3.86

In Billions

■ State Highway Fund 0006   ■ General Revenue Fund 0001   ■ TxDMV Fund 0010

Part II: Fiscal Year 2018 Revenues

Fiscal Year 2018 Revenue Summary

TxDMV collects revenues from registrations, licenses, titles, permits, and credentials for deposit into the State Highway Fund (Fund 0006), the General Revenue (GR) Fund (Fund 0001) and the TxDMV Fund (Fund 0010). Total revenue collections are estimated to be approximately $1.84 billion in Fiscal Year 2017 in all funds combined. Growth in the revenues is the result of natural population growth and healthy overall economic activity.

Revenue Fund Revenue Descriptions	FY 2016 TxDMV Annual Revenue	FY 2017 TxDMV Estimated Annual Revenue	FY 2018 TxDMV BRE Estimated Annual Revenue [1]	FY 2019 Comptroller Biennial Revenue Estimates
FUND 0001 (General Revenue Fund)				
Certificate of Titles	$ 74,740,339	$ 35,360,000	$ 35,890,000	$ 36,428,000
Motor Vehicle Registration Fees	$ 70,206,394	$ 13,000,000	$ 12,500,000	$ 12,500,000
OverSize/OverWeight	$ 57,095,387	$ 46,000,000	$ 47,618,000	$ 47,618,000
Commercial Transportation Fees*	$ 13,487,125	$ 6,471,000	$ 6,568,000	$ 6,667,000
Miscellaneous Fees	$ 6,899,208	$ 4,394,000	$ 4,448,000	$ 4,480,000
Total Estimated Fund 0001 Revenue	**$ 222,428,453**	**$ 105,225,000**	**$ 107,024,000**	**$ 107,693,000**
FUND 0006 (State Highway Fund)				
Certificate of Titles	$ 7,664,800	$ 6,782,000	$ 7,500,000	$ 7,500,000
Motor Vehicle Registration Fees	$ 1,425,042,883	$ 1,476,672,000	$ 1,523,428,000	$ 1,544,756,000
OverSize/OverWeight	$ 95,968,514	$ 105,000,000	$ 120,766,000	$ 123,181,000
Total Estimated Fund 0006 Revenue	**$ 1,528,676,197**	**$ 1,588,454,000**	**$ 1,651,694,000**	**$ 1,675,437,000**
FUND 0010 (TxDMV Fund)				
Certificate of Titles		$ 37,817,000	$ 38,384,000	$ 38,960,000
Motor Vehicle Registration Fees		$ 43,245,000	$ 36,057,000	$ 36,768,000
OverSize/OverWeight		$ 13,712,000	$ 13,849,000	$ 13,849,000
Commercial Transportation Fees		$ 7,670,000	$ 7,747,000	$ 7,747,000
Processing and Handling Fee [2]		$ 38,635,569	$ 58,036,235	$ 58,010,719
Miscellaneous Fees		$ 2,572,400	$ 5,888,300	$ 6,000,300
Total Estimated Fund 0010 Revenue		**$ 143,651,969**	**$ 159,961,535**	**$ 161,335,019**
TOTAL ESTIMATED REVENUE	**$ 1,751,104,650**	**$ 1,837,330,969**	**$ 1,918,679,535**	**$ 1,944,465,019**

1 - The Biennial Revenue Estimate (BRE) includes $3,290,000 in electronic service fees and interest on state deposits.

2 - In FY 2017, Processing and Handling (P&H) Fee revenue is 8 months of collections. In FY 2018-2019, P&H Fee revenues do not reflect $11.2 million in payments to Texas.gov for online transactions since these fees are retained by Texas.gov and not deposited into the TxDMV Fund.

Source: Texas Comptroller of Public Accounts, Biennial Revenue Estimate, 2018-2019 Biennium, 85th Texas Legislature, January, 2017.

Texas Department *of* Motor Vehicles

Fiscal Year 2018 TxDMV Revenues vs. Obligations

Total revenues of approximately $194.5 million primarily consists of $160 million in estimated TxDMV Fund collections, Texas.gov fees, GR appropriations for ABTPA and estimated carry-forward of Fiscal Year 2017 automation balances. The chart below reflects the estimated available funds are sufficient to cover TxDMV obligations of $192.5 million for Fiscal Year 2018.
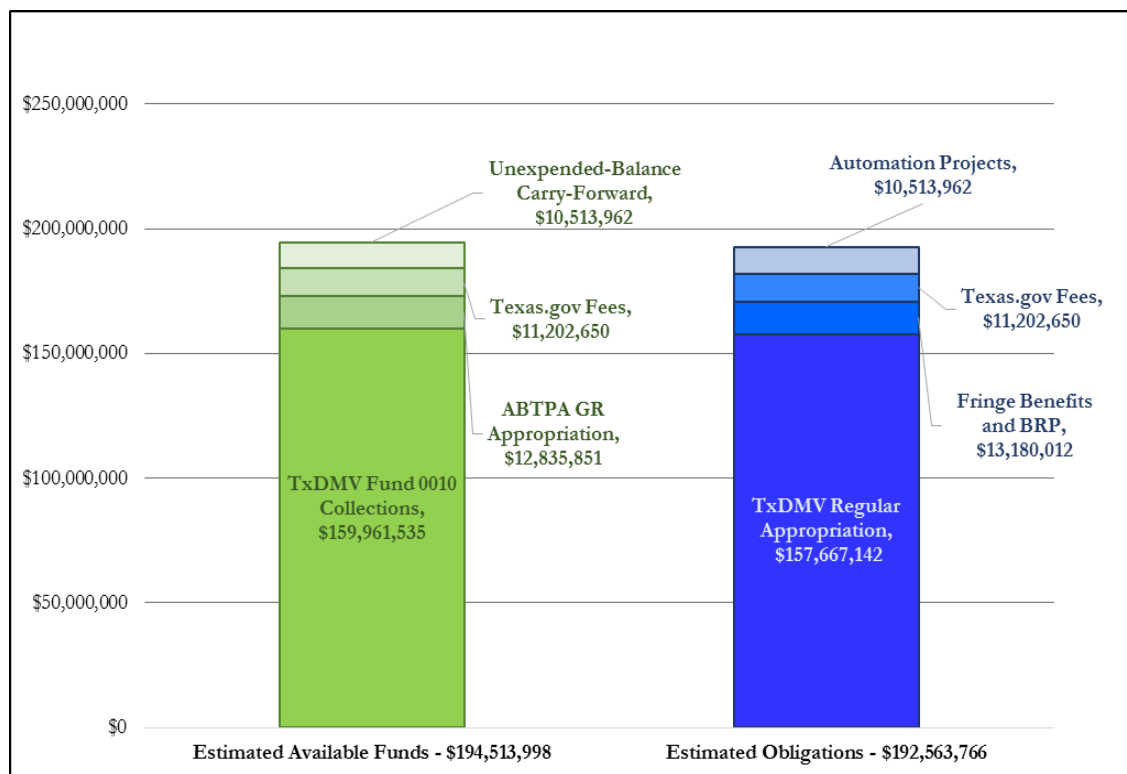
The Fiscal Year 2018 Recommended Operating Budget treats the $11.2 million in Texas.gov fess for online registrations renewals as an obligation to the TxDMV Fund and are excluded from the agency's operating budget.

Texas Department *of* Motor Vehicles

MyPlates Highlights

Contract Term:

The new contract began November 19, 2014, and will run for a term of five years. As of May 31, 2017, total General Revenue (GR) collections from the sale of vendor plates totaled **$27,934,412.** As laid out under the existing contract provisions, only a portion of this total fi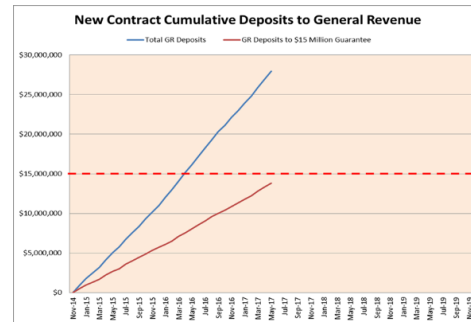gure counts toward the $15 million guarantee. The first contract with MyPlates, Inc. expired on November 18, 2014 with GR collections totaling **$27,334,768.**

Renewal Contract Provisions

Revenue Guarantee

The revenue guarantee for the renewed MyPlates contract is established at $15 million to GR from the sale of vendor plates for the five-year renewal period that runs from November 19, 2014 through November 18, 2019. Revenue counted toward meeting the minimum guarantee includes new sales, renewal sales, auction sales and ancillary products. However, the renewal contract is significantly different from the initial contract in that nearly all plate renewal revenue will flow to the state instead of MyPlates. As of May 31, 2017, MyPlates has generated $13,833,559 in GR deposits that count towards the $15 million contractual guarantee. The previous contract generated $27,334,769 in GR deposits.

Revenue Share

New Plate Sales - TxDMV will continue to receive $8 per plate per year as an administrative fee. The net revenue received for all new license plate sales will be divided with MyPlates receiving 60% and the state (GR) receiving 40%.

Plate Renewals - The net revenue received for all plate renewals will be divided with MyPlates receiving 5% and the state (GR) receiving 95%. This represents a significant change to the compensation structure of the first contract period. During the initial contract period renewal revenue was divided in the same manner as new plate sales.

Multi-Year and Auction Plates

The contract renewal eliminated the option of the 10-year plate.   The contract renewal limits plate terms to one, three and five year terms. Revenue for the new multi-year and auction plate sales are divided 60% to the state and 40% to MyPlates.

Plate Inventory Management

New Plate Designs – The TxDMV board maintains sole discretion to approve new plate designs. Once a plate design has been approved by the TxDMV Board, MyPlates is required to provide 200 customer commitments within 180 days before the new design may be sold.

Existing Plate Designs – If a plate design fails to meet a milestone listed below, it will no longer be offered for sale. The previous contract did not place a lower limit on plate sales, but the renewed contract added the 200 plate minimum requirement to clean up inventory and remove slow selling plates.

90 days – 50 plates	180 days – 100 plates
270 days – 150 plates	365 days – 200 plates

Redesign "T" Plate – MyPlates is required, not later than the effective date of the renewal, to redesign the "T" Plate. Existing customers with a "T" Plate will be allowed to maintain their plate until they reach the replacement cycle (seven years). They will also be given the option of replacing the plate immediately at no cost.

Design Specifications

All existing and new plate designs are required to meet the TxDMV standards for content, layout, color and other limitations. TxDMV is required to notify MyPlates as soon as possible of any changes to the design standards, and MyPlates will be granted 180 days to submit redesigned plates to TxDMV.

MyPlates Facts:

Number of Plates in MyPlates Catalog

Of the 173 plate designs approved since 2009, MyPlates has removed 58 designs. Of the removed designs, 55 were permanently discontinued, two were not produced, and one, Texas A&M Helmet, was removed temporarily while it is being redesigned. This leaves 115 vendor plates currently available for the public to order. Two more plates, Colorado School of Mines and Carbon Fiber could be implemented if a 200 prepaid order threshold is met.

Top Ten Plates

The table at right shows top 10 plates ranked by plates ordered (both new and renewals) since November, 2009.

Top 10 Plates		
Rank	**Plate Description**	**Number ordered**
1	Lone Star Black	76,094
2	Texas Black 1845	24,845
3	T for Texas - Black	17,137
4	Small Star Black	15,679
5	Classic Black	11,440
6	Texas Vintage Black	7,510
7	Texas White	7,190
8	Lone Star Pink	6,301
9	Small Star Silver	5,774
10	Come And Take It Flag	5,019

Highest All Time Plate Sold

MyPlates has auctioned 182 personalized patterns to date. These patterns generated an average of $175 a year in revenue to GR. The record for the highest price fetched at a Texas plate auction is still $115,000, for 12THMAN ($79,590 to GR).

General Revenue Collections

At the end of the five-year vendor contract (from 2009-2014), 38% of the gross revenue generated was distributed to GR and 50% to the vendor. Two and a half years into the amended, renewed five-year vendor contract (from 2014 to 2019), the distribution of revenue is 63% to GR, and 26% to the vendor. (Under the renewed contract, GR receives 95% of the renewal revenue.)

Renewal of One, Three and Five-Year Term Plates

The GR Fund currently derives most of its renewal revenue from vendor plates with one-year terms (87%). Plates with five-year terms account for 12% and plates with three-year terms account for 1% of the renewal revenue to GR.

Part III: Fiscal Year 2018 Recommended Operating Budget

Fiscal Year 2018 Recommended Budget By Appropriation

The General Appropriation Act (GAA) has appropriated $168.9 million for Fiscal Year 2018. This amount funds agency Fiscal Year 2018 operations ($157.7 million) and Texas.gov fees ($11.2 million for Processing and Handling (P&H) Fee transactions). The GAA also includes additional appropriations for certain unexpended balances and other allowable costs. The following chart depicts the TxDMV Fiscal Year 2018 budget by Program Goal and Strategy. This recommended budget includes adjustments between strategies for position transfers and increases to appropriations for Benefit Replacement Pay (BRP) and estimated carry-forward of Fiscal Year 2017 unexpended balances in Automation.

Not included are fringe benefits and appropriated payments to Texas.gov, which are listed as obligations to the TxDMV Fund on page 20.

These amounts reflect the amounts approved by the 85th Legislature and signed by the Governor.

	2018 Recommended Budget *
A. Goal: Optimize Services and Systems	
A.1.1. Strategy: Titles, Registrations, and Plates	73,826,655
A.1.2. Strategy: Vehicle Dealer Licensing	4,147,355
A.1.3. Strategy: Motor Carrier Permits & Credentials	9,255,352
A.1.4. Strategy: Technology Enhancement & Automation	9,285,457
A.1.5. Strategy: Customer Contact Center	2,377,427
Total, Goal A: Optimize Services and Systems	**98,892,246**
B. Goal: Protect the Public	
B.1.1. Strategy: Enforcement	6,462,452
B.2.1. Strategy: Automobile Theft Prevention	12,835,851
Total, Goal B: Protect the Public	**19,298,303**
C. Goal: Indirect Administration	
C.1.1. Strategy: Central Administration	7,902,373
C.1.2. Strategy: Information Resources	23,364,517
C.1.3. Strategy: Other Support Services	8,209,703
Total, Goal C: Indirect Administration	**39,476,593**
Total TxDMV Appropriation Budget	**157,667,142**
Other Adjustments	
Estimated Increase for Benefit Replacement Pay	113,012
Projected Unexpended Balance Carry-Forward	
Capital - Tx Automation Systems Article VII Rider 5	10,513,962
Subtotal, Other Adjustments	**10,626,974**
Total TxDMV Operating Budget	**168,294,116**
Method of Finance	
General Revenue Fund (includes estimated Automation UB)	18,650,366
State Highway Fund (estimated Automation UB)	4,644,639
TxDMV Fund	144,255,361
Federal Reimbursements	743,750
Total, Method of Finance	**168,294,116**

* Fiscal Year 2018 Strategy Appropriations are adjusted for transfers between strategies that were implemented in Fiscal Year 2017 after the submission of the LAR. Article IX of General Appropriations Act allows transfers up to 20% of the approved appropriation amount of each strategy. Transfers between strategies for Fiscal Year 2017 were to accommodate the reallocation of FTEs between divisions. The Fiscal Year 2018 Recommended Operating Budget treats the $11.2 million in Texas.gov fees for online registrations renewals as an obligation to the TxDMV Fund and are excluded from the agency's operating budget.
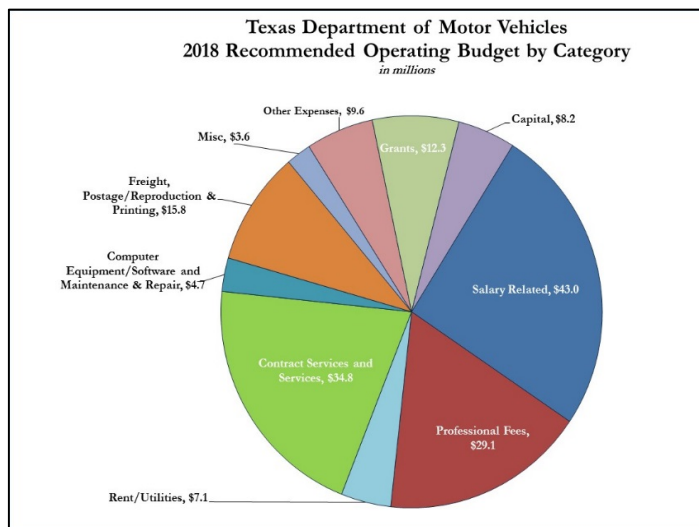
Agency Summary

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 pie chart below reflects the Fiscal Year 2018 operating budget by category.

Texas Department of Motor Vehicles
2018 Recommended Operating Budget by Category
in millions

Detail Contract Services & Services		Amount
Huntsville Plate Production	$	20,452,057
Registration stickers, motor vehicle and speciality plates mailing	$	5,185,345
MyPlates contract payments	$	6,836,637
Facility Support (Headquarters/RSC)	$	1,586,323
Contracts for online training, subscriptions & Interagency agreements	$	708,426
Total	**$**	**34,768,788**

Detail for Professional Fees		Amount
Data Center Contract - DIR	$	9,076,261
UB for Capital Projects (primarily contractors)	$	7,388,962
Deloitte for RTS Refactoring	$	5,766,078
Info Technology (IT) Operating for eLicensing	$	1,000,000
CVISN Grant and CVIEW (Commercial Vehicle Information Exchange Window)	$	1,175,000
TxDOT DCS	$	1,200,000
Cybersecurity and Automation Initiatives	$	1,200,000
Contractors and Miscellaneous Contracts	$	1,909,329
TxPROS (Texas Permitting & Routing Optimization System)	$	333,780
Total	**$**	**29,049,410**

Detail for Other Expenses		Amount
Agency Wide - Contingency	$	4,741,603
Agency Wide - Specialized Programs - Credit Card Fees (TxPROS, Temp Permits, MCCS, etc)	$	3,267,440
Contingency Facility Operations	$	960,470
Capital - Growth & Enhancement	$	249,498
SIU - Onboarding Expenses	$	155,045
Other Expenses	$	261,834
Total	**$**	**9,635,890**

The agency's Fiscal Year 2018 operating budget of approximately $168 million is a decrease of $24 million over the Fiscal Year 2017 original approved budget of $192 million. The decrease is primarily due to the completion in 2017 of major capital projects for LACE Replacement and AMSIT, and a reduction in the Fiscal Year 2018 budget for Automation funding. Approximately one-third of the budget consists of Professional Fees (associated with Automation projects). The majority of the remaining budget is related to the production of registration materials, titles and plates (services, freight, postage, reproduction, printing, and other expenses) and salary expenses.

Miscellaneous Expense totaling $3.6 million is comprised of the following items: $1.5 million in Advertising, Fees and Other Charges; $1.2 million in Fuels, Lubricants and Consumables; In-State and Out-of-State Travel of $600,000; and Memberships & Training of $300,000.

Texas Department *of* Motor Vehicles

<u>Fiscal Year 2018 Recommended Operating Budget by Category</u>

The table below outlines the Fiscal Year 2018 operating budgets by TxDMV budget categories. The allocations represent estimates of anticipated costs based on prior year expenditures and planned obligations.

| Budget Category	FY 2018 Approved Budget
Salaries and Wages	$ 41,793,206
Benefit Replacement Pay	$ 113,012
Other Personnel Costs	$ 1,241,310
Professional Fees and Services	$ 29,049,410
Fuels & Lubricants	$ 81,000
Consumable Supplies	$ 1,153,561
Utilities	$ 5,545,221
Travel In-State	$ 474,002
Travel Out-of-State	$ 86,135
Rent - Building	$ 1,268,550
Rent - Machine and Other	$ 320,573
Purchased Contract Services	$ 33,643,862
Advertising & Promotion	$ 95,050
Computer Equipment Software	$ 898,974
Fees & Other Charges	$ 1,355,486
Freight	$ 828,290
Maintenance & Repair	$ 3,758,227
Memberships & Training	$ 300,795
Other Expenses	$ 9,635,890
Postage	$ 9,178,744
Reproduction & Printing	$ 5,827,275
Services	$ 1,124,926
Grants	$ 12,303,182
Other Capital	$ 8,217,435
Total	**$ 168,294,116**

A description of the budget categories are in [Appendix A](#).

The TxDMV budget is primarily allocated to registration, titling, license plates, and upgrading agency technology. The pie chart below shows that a total of 22.4% of the agency budget is dedicated to the production of plates (12.6%) and registration and title materials (9.8%). In addition, 10.2% of the budget is allocated to technology administration while Capital expenditures account for 19.9% of the total budget. The chart below details the various spending levels by program.

Program Administration (19.2%) includes budgets for administration of agency programs including ABTPA, Motor Vehicle, Motor Carrier programs (Oversize/Overweight and Texas International Registration Plan [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 (17.1%), grants for ABTPA (7.3%) and the MyPlates contract (4.1%). Central Administrative costs represent a larger share of costs than in prior years due to the funding for Headquarters (HQ) maintenance costs.

**Texas Department of Motor Vehicles
2018 Recommended Operating Budget By Agency Activities**
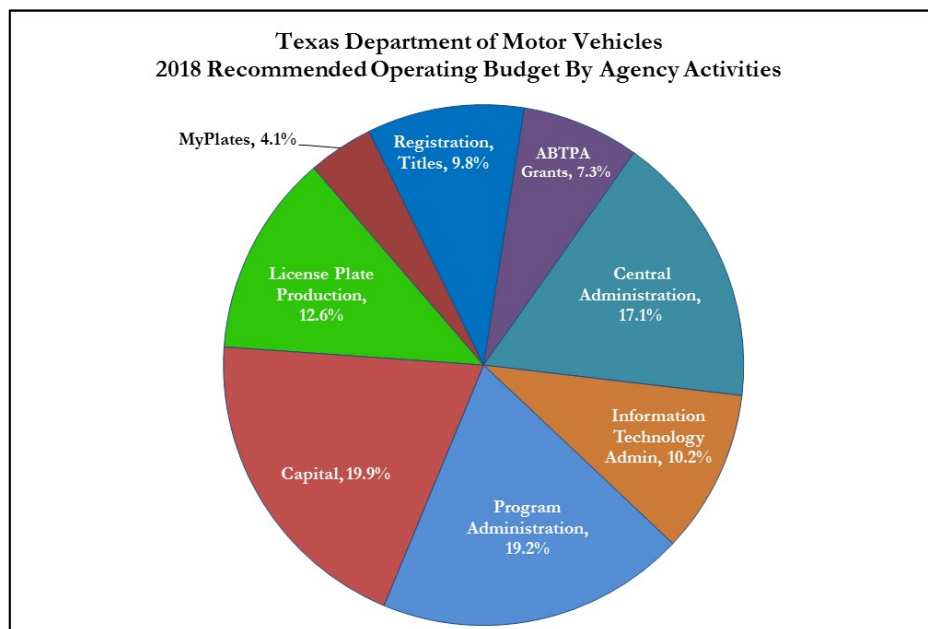
Program Administration
ABTPA, Consumer Relations, Enforcement, Motor Carrier, Motor Vehicle, Office of Administrative Hearings, Vehicle Titles and Registration

Information Technology:
Enterprise Project Management
Information Technology Division

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

Fiscal Year 2018 Recommended 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 2018 recommended operating budget and the number of FTE by division/office.

Division/Office	FY 2018 Recommended Budget	FTE Allocation
Automobile Burglary and Theft Prevention Authority	$ 12,847,260	5.0
Board Support Office	$ 139,177	1.0
Consumer Relations Division	$ 2,361,347	48.0
Enforcement Division	$ 6,061,321	90.0 [1]
Enterprise Project Management Office	$ 1,572,954	17.0
Executive Office*	$ 553,486	4.0
Finance and Administrative Services Division	$ 37,544,560	74.0 [2]
Office of General Counsel	$ 1,026,965	11.0
Government and Strategic Communications Division	$ 1,140,338	10.0
Human Resources Division	$ 1,035,489	10.0
Information Technology Services Division	$ 15,557,367	92.0
Office of Innovation & Strategy	$ 128,150	1.0
Internal Audit Office	$ 293,500	3.0
Motor Carrier Division	$ 7,998,294	115.0
Motor Vehicle Division	$ 2,434,221	38.0
Office of Administrative Hearings	$ 413,685	5.0
Vehicle Titles and Registration Division	$ 35,814,747	255.0 [1]
Agency Wide	$ 7,998,661	0.0
Subtotal	**$ 134,921,522**	**779.0**
Capital Projects		
TxDMV Automation System Project (includes estimated UB from 2017)	$ 17,080,040	
Data Center Consolidation	$ 9,076,261	
Technology Replacement & Upgrades - County Support	$ 5,000,000	
Growth & Enhancements - Agency Operations Support	$ 808,998	
PC Replacement	$ 102,295	
Cybersecurity Initiative	$ 400,000	
Vehicle Replacement	$ 500,000	
Special Investigations Unit Vehicles	$ 100,000	
Capital Equipment (HQ Security and Badge System)	$ 305,000	
Subtotal	**$ 33,372,594**	
Agency Total	**$ 168,294,116**	
Method of Finance		
General Revenue Fund (includes Automation UB)	$ 18,660,748	
State Highway Fund (estimated Automation UB)	$ 4,644,639	
TxDMV Fund	$ 144,244,979	
Federal Reimbursements	$ 743,750	
Method of Finance Total	**$ 168,294,116**	
TxDMV Fund Obligations not included in operating budget		
- Fringe Benefits	$ 13,067,000	
- Payments to Texas.gov for online transaction fees[3]	$ 11,202,650	
Subtotal	**$ 24,269,650**	
Grand Total TxDMV FY 2018 Recommended Obligations	**$ 192,563,766**	

*Executive Office includes $21,405 for Civil Rights Office.
1 - FTE allocation for Enforcement is increased by 8 FTE and VTR by 5 FTE for Special Investigations Unit
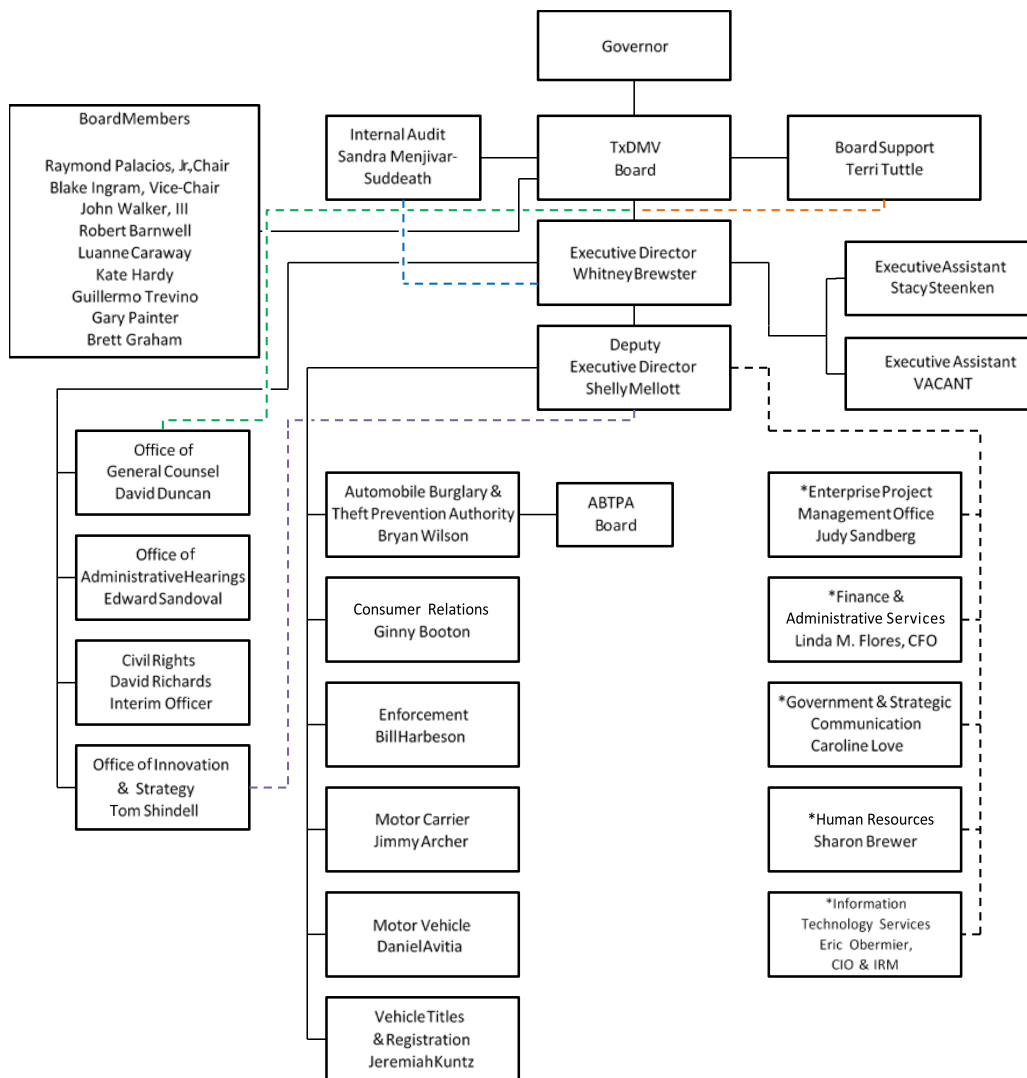2 - FTE allocation for Finance and Administrative Services is increased by 3 FTE for HQ Maintenance Exceptional Item
3 - The Fiscal Year 2018 Recommended Operating Budget treats the $11.2 million in Texas.gov fess for online registrations renewals as an obligation to the TxDMV Fund and are excluded from the agency's operating budget.

TxDMV Organizational Chart

Texas Department *of* Motor Vehicles

Governor

BoardMembers

Raymond Palacios, Jr.,Chair
Blake Ingram, Vice-Chair
John Walker, III
Robert Barnwell
Luanne Caraway
Kate Hardy
Guillermo Trevino
Gary Painter
Brett Graham

Internal Audit
Sandra Menjivar-Suddeath

TxDMV
Board

Board Support
Terri Tuttle

Executive Director
Whitney Brewster

Executive Assistant
Stacy Steenken

Deputy
Executive Director
Shelly Mellott

Executive Assistant
VACANT

Office of
General Counsel
David Duncan

Automobile Burglary &
Theft Prevention Authority
Bryan Wilson

ABTPA
Board

*Enterprise Project
Management Office
Judy Sandberg

Office of
Administrative Hearings
Edward Sandoval

Consumer Relations
Ginny Booton

*Finance &
Administrative Services
Linda M. Flores, CFO

Civil Rights
David Richards
Interim Officer

Enforcement
Bill Harbeson

*Government & Strategic
Communication
Caroline Love

Office of Innovation
& Strategy
Tom Shindell

Motor Carrier
Jimmy Archer

*Human Resources
Sharon Brewer

Motor Vehicle
Daniel Avitia

*Information
Technology Services
Eric Obermier,
CIO & IRM

Vehicle Titles
& Registration
Jeremiah Kuntz

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.

20 Fiscal Year 2018 Recommended Operating Budget – August 2017

Part IV: Fiscal Year 2018 Recommended Capital Projects

Fiscal Year 2018 Recommended Capital Budget

TxDMV Capital Project Appropriations		FY 2018
Fiscal Year 2018 Appropriation	$	22,858,632
Estimated Unexpended Balance Carry-Forward	$	10,513,962
Total Capital Appropriations	**$**	**33,372,594**

TxDMV Automation System [1]		2018 Recommended Budget
RTS Refactoring	$	5,016,078
eLicensing/LACE	$	750,000
Kiosk and Mobile Applications Pilot Programs	$	800,000
*WebLIEN**	*$*	*2,514,732*
*Automation Initiatives**	*$*	*4,375,000*
*Unallocated**	*$*	*3,624,230*
TxDMV Automation System Subtotal	**$**	**17,080,040**
Other Technology Projects		
Growth and Enhancements - Agency Operations Support	$	808,998
Technology Replacement & Upgrades - County Support	$	5,000,000
PC Replacement	$	102,295
Data Center Consolidation	$	9,076,261
Cybersecurity Initiative	$	400,000
Other Technology Projects Subtotal	**$**	**15,387,554**
Other Capital Projects		
Vehicle Replacement	$	500,000
Special Investigations Unit Vehicles	$	100,000
Capital Equipment *(HQ Security and Badge System)*	$	305,000
Other Capital Projects Subtotal	**$**	**905,000**
TxDMV Total Capital Budget	**$**	**33,372,594**

1. The TxDMV Automation project includes project funds for Fiscal Year 2018 which will be funded from budget balances remaining at year end of Fiscal Year 2017.

* - Project funded through Unexpended Balance (UB) carry-forward from Fiscal Year 2017

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Unexpended Balance Authority

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 department is authorized, with TxDMV Board approval and notification to the Legislative Budget Board and Governor's Office, to transfer funds in excess of the 25% transfer limitation into another capital budget line item. The text of the rider is below with emphasis added.

> **TxDMV Rider #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.

The FY2018 recommended capital budget includes the use of authority in the TxDMV Capital Rider #2 to transfer $5,869,823 from balances in the FY2017 TxDMV capital projects listed below to the TxDMV Automation capital project.

- County Technology Enhancement…………………………………………...$1,125,000
- AMSIT …..………………………………………………..……………………$4,500,000
- Physical Security and RSC Relocation…………………………………………...$ 244,823

The $5.9 million transfer will be added to $4.6 in balances in the TxDMV Automation project and carried forward to FY 2018 as authorized by Rider #4 (language below) in the TxDMV 2018-2019 appropriation. These monies will be used to fund the webLIEN initiative and other automation initiatives. A detailed listing of the programs to be funded with these funds begins on page 25.

> **TxDMV Rider #4. Unexpended Balance and Capital Authority: TxDMV Automation Systems.** In addition to amounts appropriated above for the TxDMV Automation System capital budget item in Rider 2, Capital Budget, any unexpended balances remaining as of August 31, 2017 (estimated to be $0), from appropriations made to the Department of Motor Vehicles in Strategy A.1.4, Technology Enhancement and Automation, for the state fiscal biennium ending August 31, 2017, for the TxDMV Automation System capital budget project are appropriated for the same purpose in the state fiscal biennium beginning September 1, 2017.

Capital Project Details
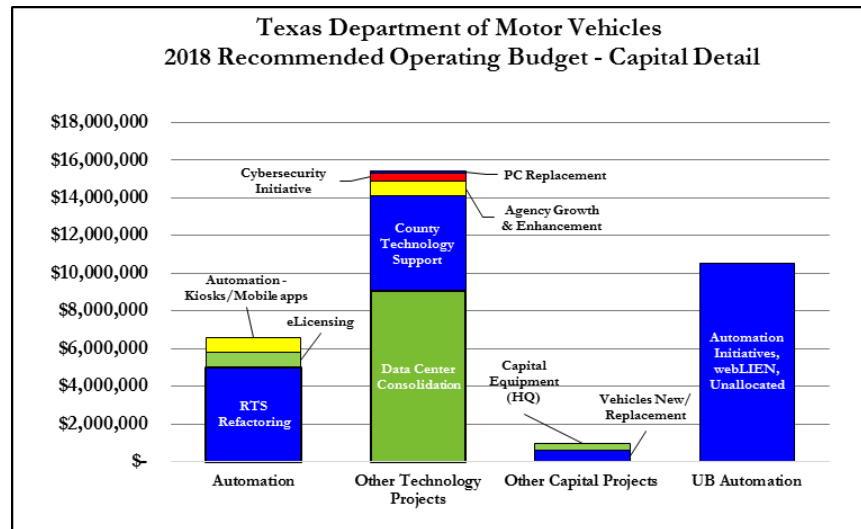
TxDMV Automation Systems Project ($6.5 million + estimated $10.5 million unexpended balance carry-forward)

TxDMV is developing information technology assets to improve customer services and access to agency programs for the public through the TxDMV Automation System Project. This project encompasses entire agency operations in order to take advantage of operational efficiencies. This project also allows data sharing between agency functions to improve customer service. There are multiple initiatives in Fiscal Year 2018 that will be addressed through the TxDMV Automation Systems Project. Major projects include:

Capital Appropriations:

RTS Refactoring Project – In June, 2013, TxDMV entered into a contract with Deloitte Consulting LLP to refactor the former Registration and Titling System (RTS) by converting the code from a mainframe program to a JAVA web-based system. The system holds nearly 100 million current and archived vehicle registration and titling records. The contract consisted of multiple work streams that will continue through 2018.

The RTS Refactoring project, which began implementation in May, 2015, is currently fully deployed to TxDMV headquarters staff, the Regional Service Centers and all 254 counties. The team is currently working on work streams four and five which include Maintenance and Operations (M&O) and Knowledge Transfer activities, respectively. Additionally, work stream four includes quarterly enhancement releases.

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eLicensing – The new eLicensing system, launched in March, 2017, allows current dealer and salvage licensees and those seeking licenses for the first time to renew and/or apply online. The funding for the upcoming biennium will increase self-service capabilities.

Kiosks and Mobile Application Pilot Projects– These planned applications are to provide customers with the ability to electronically access TxDMV services more conveniently.

Unexpended Balance:

webLIEN Project – webLIEN is an expansion of the current Electronic Lien and Title (ELT) system providing lienholders with an internet enabled application. The application will facilitate the recording and removal of liens electronically. The project is expected to be approximately 19 months.

Automation Initiatives – A number of automation and technology initiatives are planned to begin in 2018. Workgroups consisting of program and IT staff have been formed to outline scope for the following projects:

- **Cybersecurity** – Provide increased levels of encryption and authentication.
- **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.
- **Call Center Upgrades** – Upgrade agency telephone equipment allowing TxDMV's call centers to incorporate new functionality.
- **Fraud Data 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.
- **External Website Renovation** – Update and refresh the agency's public website in an effort to improve customer usability.
- **E-Renewals/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.
- **Enterprise Reporting** – Agency initiative to continue enhancements to existing reports and to create new reports to monitor and improve the performance of the agency.

Technology Replacement & Upgrades for Counties ($5.0 million)

This appropriation provides funding to maintain printers, computers, monitors, laptops, cash drawers, etc. deployed at county tax assessor-collector offices throughout the state. Additionally, it provides funding to support point-to-point connectivity to the agency's Registration and Titling System for all 254 counties and their 508 primary and substation locations.

Data Center Consolidation ($9.1 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). Also included are costs for printing and mailing of registration processed online. This allows TxDMV to fund data center services from resulting continued efforts to build an IT infrastructure, the implementation of the RTS Refactoring project, and the ongoing impact of separating from Texas Department of Transportation (TxDOT) networks.

Agency Growth and Enhancement ($0.8 million)

Agency operations support includes information resources activities that enhance or expand existing information resources services in TxDMV's individual program areas. This project includes replacement of desktop computers, desktop printers, laptops, and peripheral devices; telephone system replacements and upgrades; replacement and upgrades of network equipment; the development of a VOIP (Voice over Internet Protocol) infrastructure; and the software licenses for enterprise applications. Additionally, the project includes division-level imaging and document management in the development of workgroup applications.

PC Replacement ($0.1 million)

The PC Replacement project was situated in Growth & Enhancement in previous years. It has now been separated into its own project.

Cybersecurity Initiative ($0.4 million)

This is a new project providing funding to agencies for initiatives to improve security for statewide information technology systems.

Other Capital Projects ($0.9 million)

This category consists of two new projects for TxDMV. Vehicles, funding for 33 replacement and 4 new vehicles for Enforcement's Special Investigations Unit (SIU); and Equipment which includes funding for headquarters security/badging equipment.

Part V – Fiscal Year 2018 Contracts

Fiscal Year 2018 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. Procedures for Board contract procedures may be found in Appendix A, of this document.

The agency will execute approximately 173 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 2018.

The Fiscal Year 2018 budget currently includes:

- 15 contracts of more than $200,000
- 8 contracts between $100,000-$200,000
- 128 contracts of less than $100,000
- 22 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.

Fiscal Year 2018 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 2018. Additional procurements may be conducted during the fiscal year and will be presented to the Board individually upon occurrence.

Division	Vendor	Purpose	Contract Period Award	Contract Period Expire	FY 2018 Contract Amount	Total Contract Amount
Motor Carrier	Southwest Research Institute	TxCVIEW Annual Support	3/31/2014	1/31/2018	$ 1,505,000	$ 3,273,157
Vehicle Titles and Registration	American Association of Motor Vehicle Administration	Information systems title check through AAMVA	10/1/2017	9/30/2018	$ 348,247	$ 957,138
Finance and Administrative Services	Texas Dept of Transportation	Interagency contract between TxDMV & TxDOT	9/1/2017	8/31/2018	$ 900,000	$ 900,000
				Total	$ 2,753,247	$ 5,130,295

Excluded Contracts

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 (Appendix A). These contracts include (1) routine operations; (2) procured from the Texas Council on Competitive Government (CCG); (3) procured from Texas Department of Information Resources (DIR); and (4) procured Texas Procurement and Support Services (TPASS).

Division	Vendor	Purpose	Contract Period Award	Expire	FY 2018 Contract Amount	Total Contract Amount as of FY 2018
Capital Projects	Deloitte Consulting LLP	RTS Refactoring WS4	11/19/2015	11/18/2017	$ 750,000	$ 8,100,000
Capital Projects	Insight Public Sector Inc.	County refresh and ongoing maintenance of County equipment	8/7/2017	8/6/2018	$ 300,000	$ 6,961,134
Capital Projects	Deloitte Consulting LLP	RTS Refactoring	8/1/2013	9/30/2017	$ 1,084,575	$ 39,624,197
Finance and Administrative Services	Ragsdale-Brook	Houston RSC	6/26/2014	8/31/2024	$ 277,969	$ 3,037,604
Finance and Administrative Services	TIBH Industries, Inc.	Toner for County Tax-Assessor Collector offices	9/1/2017	8/31/2018	$ 800,000	$ 800,000
Information Technology Services	HP Enterprise Services LLC	eTags Application Maintenance	7/9/2014	7/7/2018	$ 224,460	$ 934,965
Information Technology Services	CDW	Cisco Smart Net	7/29/2016	7/28/2019	$ 262,008	$ 524,016
Information Technology Services	Explore	IRP Maintenance	4/1/2017	3/31/2018	$ 209,588	$ 1,205,149
Motor Carrier	Promiles Software Development Corp.	TxPROS software maintenance	5/12/2016	8/31/2018	$ 603,180	$ 1,809,540
Vehicle Titles & Registration	RR Donnelly Company	Title Paper	3/6/2016	3/8/2018	$ 510,909	$ 1,766,476
Vehicle Titles & Registration	Taylor Communications	VTR RTS-500 Form	9/1/2017	8/31/2017	$ 678,600	$ 1,357,200
Vehicle Titles & Registration	Pitney Bowes	Postage	9/1/2016	8/31/2018	$ 9,577,474	$ 19,122,586
Total					$ 15,278,763	$ 85,242,866

Fiscal Year 2018 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.).

Division	Vendor	Purpose	Contract Period Award	Contract Period Expire	FY 2018 Contract Amount	Total Contract Amount as of FY 2018
Agency Wide	State Office of Risk Management	Workers compensation & Risk management service	9/1/2017	8/31/2018	$ 76,000	$ 204,168
Capital Projects	Texas Dept. of Information Resources	Data Center Services	7/8/2014	8/31/2018	$ 9,076,261	$ 32,986,630
Finance and Administrative Services	Alliant Insurance Services	Fleet liability ins premium	5/13/2016	8/31/2018	$ 17,700	$ 31,200
Finance and Administrative Services	Arthur J Gallagher Risk Management Services, Inc	Property Liability insurance per State Office of Risk Management	9/1/2016	8/31/2018	$ 9,000	$ 19,500
Finance and Administrative Services	Open Text	Digital Imaging services	9/1/2016	8/31/2018	$ 3,367,581	$ 10,168,752
Finance and Administrative Services	Texas Dept of Criminal Justice	Manufacturing of License Plates/Stickers	9/1/2016	8/31/2018	$ 20,271,101	$ 66,565,047
Finance and Administrative Services	Texas State Library	Records Storage	9/1/2016	8/31/2018	$ 8,000	$ 42,000
Finance and Administrative Services	TIBH Industries Inc.	Janitorial/Custodial Services at Regional Service Centers	7/1/2017	6/30/2018	$ 210,143	$ 771,886
Finance and Administrative Services	TIBH Industries Inc.	HQ Janitorial Services	9/1/2016	8/31/2018	$ 173,238	$ 737,668
Finance and Administrative Services	TIBH Industries, Inc.	Transportation/freight services for plates provided by Southeast Vocational Alliance (SVA) Services	9/1/2016	8/31/2017	$ 715,000	$ 1,430,000
Finance and Administrative Services	TX Comptroller of Public Accounts	Fleet mgmt system support fee	5/11/2015	8/31/2020	$ 407	$ 2,440
Information Technology Services	NICUSA	Web Hosting TX.Gov	9/1/2016	8/31/2018	$ 514,620	$ 2,573,100
Motor Vehicle	State Office of Administrative Hearings	Interagency contract for administrative hearings	9/1/2015	8/31/2018	$ 133,760	$ 275,560
Vehicle Titles and Registration	Standard Register	Vehicle Registration Decals	4/16/2015	4/15/2017	$ 3,524,017	$ 12,262,870
Vehicle Titles and Registration	TIBH Industries, Inc.	Specialty license plates mail preparation & mailing service	9/1/2016	8/31/2017	$ 480,000	$ 1,766,773
Agency Wide	NICUSA	Texas.Gov Transaction Fees	9/1/2017	8/31/2018	$ 11,202,650	$ 11,202,650 1
				Total	**$ 49,779,477**	**$ 141,040,244**

Footnote 1 - NICUSA Texas.gov contract for transactions fees for online registration renewals is considered an obligation to the TxDMV Fund but is excluded from the agency's operating budget

Fiscal Year 2018 Delegated and Statewide Contracts $100,000 - $200,000 (Informational Only)

Contracts, including Statewide Contracts that have an annual 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 Award	Expire	FY 2018 Contract Amount	Total Contract Amount as of FY 2018
Finance and Administrative Services	Sky Investment Property Inc.	Dallas/Carrollton RSC	6/18/2013	3/31/2020	$ 122,829	$ 804,882
Finance and Administrative Services	Voyager Fleet Systems Inc.	Fleet fuel and maintenance	4/4/2014	4/30/2017	$ 153,562	$ 621,464
Finance and Administrative Services	Pitney Bowes	Agency postage	9/1/2017	8/31/2018	$ 175,000	$ 175,000
Multiple	AT&T Mobility	Cellular usage fees	4/12/2017	8/31/2017	$ 101,307	$ 101,307
Information Technology Services	NTT Data, Inc.	Server Application Software Maintenance	1/29/2014	8/31/2017	$ 162,985	$ 692,374
Information Technology Services	National Auto Research Division	Web Portal subscription	5/1/2014	5/31/2018	$ 102,375	$ 417,250
Motor Vehicle	Integ (Anderton)	Printing, Folding, Metering	10/22/2013	11/27/2017	$ 109,600	$ 314,132
Vehicle Titles and Registrations	TIBH Industries, Inc.	Temporary staffing	5/23/2014	5/26/2017	$ 135,872	$ 525,446
				Total	$ 1,063,530	$ 3,651,854

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Fiscal Year 2018 Delegated and Statewide Contracts less than $100,000 (Informational Only)

Contracts, including Statewide Contracts under $100,000 annually 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 Award	Contract Period Expire	FY 2018 Contract Amount	Total Contract Amount as of FY 2018
Contractors	Motor Carrier	TIBH Industries, Inc.	Temporary staffing	3/24/2016	9/20/2017	$ 44,000	$ 108,328
	Consumer Relations	TIBH Industries, Inc.	Temporary staffing	4/18/2017	4/18/2018	$ 44,832	$ 107,266
	Human Resources	TIBH Industries, Inc.	Temporary staffing	6/16/2016	12/31/2017	$ 42,477	$ 69,294
Building Leases	Finanace and Administrative Services	Burnham Properties LTD	El Paso RSC	7/3/2014	10/31/2017	$ 56,565	$ 173,124
	Information Technology Services	Texas Dept. of Information Resources	Data Recovery Center	4/16/2014	4/30/2018	$ 12,000	$ 48,000
	Finance and Administrative Services	Corpus Christi Regional Transportation	Corpus Christi RSC	4/1/2017	3/31/2018	$ 44,853	$ 63,542
	Finance and Administrative Services	4015 Limited Partnership	CPA Warehouse	5/1/2015	4/30/2020	$ 20,337	$ 122,021
	Finance and Administrative Services	Tony Martin Trustee	Waco RSC	4/2/2012	8/31/2020	$ 38,226	$ 283,184
	Finance and Administrative Services	Riverbend Complex LLC	Ft. Worth RSC	7/1/2015	9/30/2020	$ 77,625	$ 478,688
	Finance and Administrative Services	Acharya Investments	San Antonio RSC	5/1/2017	4/30/2027	$ 81,825	$ 81,825
Software Maint/License Fees	Motor Carrier	Explore Information Service	IRP Software Maintenance for PRISM	7/17/2014	3/31/2018	$ 47,700	$ 95,400
	Information Technology Services	Explore Information Service	IRP Maintenance and Support	4/12/2014	3/31/2018	$ 63,000	$ 1,131,796
	Information Technology Services	SHI Govt Solutions	GoTo Webinar	5/18/2015	5/18/2018	$ 13,608	$ 13,608
	Information Technology Services	American Digital Cartography	TomTom MultiNet Find Annual License	4/12/2016	4/11/2017	$ 9,559	$ 9,559
	Information Technology Services	PCMG	Acrobat Licenses	9/1/2017	8/31/2018	$ 72,000	$ 72,000
	Information Technology Services	Carahsoft	Salesforce.com Annual Fee	12/31/2016	12/30/2017	$ 74,804	$ 74,804
	Information Technology Services	Smarty Streets	Address Lookup	7/1/2016	6/30/2017	$ 17,400	$ 17,400
					Total	**$ 380,915**	**$ 1,453,447**

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

Category	Purpose	FY 2018 Average Contract Amount	FY 2018 Combined Contract Amount	Total Combined Contract Amount
Memberships & Licenses 20 Contracts Subscriptions 19 Contracts	Bar Dues $4,903 Memberships $57,969 Subscriptions $199,173	$ 6,551	$ 262,045	$ 692,123
Technology, Hardware/Software Maintenance 6 Contracts	Software Maintenance $202,761	$ 33,794	$ 202,761	$ 504,139
Copier Leases 47 Contracts	47 Copiers $234,213	$ 4,592	$ 234,213	$ 1,175,486
Service Contracts 19 Contracts	IT-related $90,000 Broadband Services $9,985 Delivery/Courier $7,000 Other $120,015 Mailing Services $75,236	$ 13,855	$ 471,082	$ 2,312,596
		Total $ 1,170,101	$ 4,684,344	

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Fiscal Year 2018 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 2018 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 Award	Contract Period Expire	Primary Project	FY 2017 Estimated Expenditures	FY 2018 Contract Amount	Total Contract Amount
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	5/11/2015	5/10/2018	WebDealer	$ 94,180	$ 108,389	$ 433,555
Enterprise Project Management Office	Nu Info Systems Inc.	Technology Services Staff Augmentation	10/5/2015	10/12/2017	WebDealer	$ 212,947	$ 201,760	$ 582,054
Enterprise Project Management Office	Navayuga Infotech	Technology Services Staff Augmentation	4/11/2016	4/10/2018	WebDealer	$ 152,381	$ 182,998	$ 518,378
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	6/29/2016	6/28/2018	WebDealer	$ 129,532	$ 195,520	$ 520,572
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	11/12/2012	11/11/2017	WebDealer	$ 192,090	$ 197,600	$ 1,424,560
Information Technology Services	C & T Information Technology	Technology Services Staff Augmentation	9/1/2011	12/9/2017	IT Operating	$ 160,933	$ 176,800	$ 1,081,540
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	9/1/2011	7/31/2018	Multiple Projects	$ 244,984	$ 235,040	$ 1,983,517
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	8/5/2014	8/4/2018	RTS Refactoring	$ 116,293	$ 145,600	$ 553,280
Information Technology Division	TIBH Industries, Inc.	Technology Services Staff Augmentation	5/12/2011	8/31/2018	IT Operating	$ 115,502	$ 108,389	$ 521,424
Information Technology Division	TIBH Industries, Inc.	Technology Services Staff Augmentation	9/6/2011	8/31/2018	IT Operating	$ 97,650	$ 108,389	$ 513,150
Information Technology Division	Kaeppel Consulting	Technology Services Staff Augmentation	6/8/2017	12/11/2017	Multiple Projects	$ 44,488	$ 172,640	$ 217,128
Information Technology Division	Apex Systems	Technology Services Staff Augmentation	1/5/2017	1/4/2018	RTS Refactoring/ IT Operating	$ 97,560	$ 187,200	$ 284,760
Enterprise Project Management Office	National Human Resource Group	Technology Services Staff Augmentation	1/13/2017	1/12/2018	WebDealer	$ 53,690	$ 201,760	$ 255,450
Information Technology Division	Capitol Systems Inc	Technology Services Staff Augmentation	2/13/2017	2/12/2018	IT Operating	$ 45,915	$ 187,200	$ 233,115
Information Technology Division	TIBH Industries, Inc.	Technology Services Staff Augmentation	6/10/2016	12/7/2017	IT Operating	$ 109,501	$ 108,389	$ 217,889
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	1/3/2017	7/3/2018	RTS Refactoring	$ 137,770	$ 201,802	$ 339,571
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	1/2/2017	7/3/2018	RTS Refactoring	$ 140,922	$ 201,802	$ 342,724
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	11/14/2016	11/13/2017	RTS Refactoring	$ 154,558	$ 196,747	$ 351,305
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	4/17/2017	4/16/2018	RTS Refactoring/ IT Operating	$ 64,320	$ 196,747	$ 261,067
Enterprise Project Management Office	TBD	Technology Services Staff Augmentation	TBD	TBD	RTS Refactoring	$ 16,800	$ 208,000	$ 224,800
Enterprise Project Management Office	TBD	Technology Services Staff Augmentation	TBD	TBD	RTS Refactoring	$ 16,800	$ 208,000	$ 224,800
Enterprise Project Management Office	TBD	Technology Services Staff Augmentation	TBD	TBD	RTS Refactoring	$ 16,800	$ 208,000	$ 224,800
					Total	$ 2,415,618	$ 3,938,771	$ 11,309,440

Appendix A: Purchasing Contract Resolution

BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES

CONTRACT APPROVAL PROCEDURES
Revised November 03, 2016

The Board of the Texas Department of Motor Vehicles (Board) finds it necessary to adopt procedures relating to contracts executed on behalf of the Texas Department of Motor Vehicles (department). The Executive Director (or designee) has the authority to sign and/or approve contracts on behalf of the department without Board approval, to the extent this contract approval procedures does not require prior Board approval and Board approval is not required by law. The Board authorizes the Executive Director to adopt separate internal procedures to assist with the implementation of this contract approval procedures.

Procurement Process:
The department may enter into the procurement process to acquire goods and/or services without consultation or prior Board approval provided that the department complies with the General Contract Approval procedures below.

General Contract Approval:
Department contracts must be submitted to the Board by the Executive Director (or designee) for review and approval prior to execution and/or award if:

- the contract or contract renewal exceeds $200,000.
- a change order, individually or in combination with other change orders (other than the exercise of available renewal options), increases the original contract by twenty-five percent or more, as long as the dollar amount of the change order is $50,000 or more.
- any change order, individually or in combination with other change order (other than the exercise of available renewal options), increases the original contract by $100,000 or more.

At the discretion of the Executive Director (or designee), the department may request the Board consider any contract of any amount.

Exclusions:
The department is not required to obtain approval for any grants awarded to the department or awarded by the department or any contracts which do not obligate the department to pay, such as the contract for the TexasSure program.

The following department contracts are for routine operations and are excluded from the contract approval procedures listed above:

Texas Department *of* Motor Vehicles

Statewide Procurement Division (SPD) Contracts	Lawn Services
Department of Information Resources (DIR) Contracts	Janitorial Services
Council on Competitive Government (CCG) Contracts	Vehicles
Hardware/Software Maintenance	Leased Copiers
Vehicle Registration Renewal Notices	Copier Maintenance
Vehicle Titles	Trash Disposal
TXMAS Contracts[1]	Interagency/Interlocal Agreements[2]
Registration Stickers	Software – Off-the shelf
Equipment Maintenance	Set-Aside Contracts[3]
Temporary Staff Services	Postage

Emergency Procurements:
In the event a contract is needed on an emergency basis, the Executive Director (or designee) will contact the Board Chairman or the Finance and Audit Committee for approval to execute such a contract and will brief the full Board at the next regularly scheduled Board meeting.

An emergency procurement is an unforeseeable situation requiring a procurement and the possible execution and/or award of a contract to:
- prevent a hazard to life, health, safety, welfare, or property;
- avoid undue additional costs to the state; or
- avoid undue delay to any department operations.

Budgeting and Reporting:
Even though the routine contracts listed above are excluded from Board review, the Executive Director (or designee) must still ensure that all contracts are within budget guidelines and adhere to all established procurement contract laws, rules, regulations and policies of oversight agencies.

No later than August 31st of each fiscal year, the Chief Financial Officer (or designee) shall submit to the Board an annual report which identifies all agency contracts which are expected to exceed $200,000 in the next fiscal year. This report shall include, but not be limited to, vendor name, contract purpose, contract amount, and contract duration. Additionally, the Chief Financial Officer (or designee) shall state whether sufficient funds are available in the agency's proposed operating budget for such contracts.

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[1] Texas Multiple Award Schedule (TXMAS) contracts are contracts that have been developed from contracts awarded by the federal government or any other governmental entity of any state.

[2] However, the interagency contract between TxDMV and the Texas Department of Transportation pursuant to House Bill 3097 from the 81st Regular Legislative Session and/or Senate Bill 1420 from the 82nd Regular Legislative Session is excluded from this exclusion. So the department must obtain Board approval for this contract prior to execution of such contract, to the extent the dollar amount triggers the requirement for Board approval.

[3] Set-aside contracts are a specific set of contracts for which a competitive procurement is not required, such as contracts for commodities or services that are available from Texas Correctional Industries and the Central Nonprofit Agency under contract with the Texas Workforce Commission (TWC). Currently, TIBH Industries, Inc. is the Central Nonprofit Agency under contract with TWC.
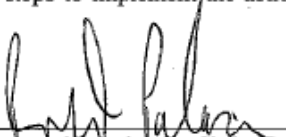
Contract Approval Procedures   9-20-2016

Texas Department *of* Motor Vehicles

Funds for the department's contracts are first considered when the Board reviews and approves the department's operating budget. The Board's approval of the operating budget constitutes approval of any contracts listed in the operating budget. After the Board approves the operating budget, the department's Executive Director (or designee) is authorized to execute such contracts according to established procurement and contract laws, rules, regulations and policies of oversight agencies.

IT IS THEREFORE ORDERED by the Board that these contract approval procedures are adopted. The contract approval procedures dated November 14, 2013, and titled *Board of the Texas Department of Motor Vehicles, Contract Approval Procedures* is rescinded, effective November 03, 2016.

The Department is directed to take necessary steps to implement the actions authorized in this contract approval procedures.

November 03, 2016

Raymond Palacios, Jr., Chairman
Board of the Texas Department of Motor Vehicles

Appendix B: Budget Category Definitions

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 – 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, 85th 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 Standard Register.

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).

Memberships 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.

Texas Department *of* Motor Vehicles

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.

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.

<u>Appendix C: Budget Terms and Definitions</u>

Texas Department *of* Motor Vehicles

Budget Terms and Definitions

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.

Annual Operating Budget – An agency's Recommended 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 2018 appropriations as identified in the 85th Legislature, Regular Session, GAA. The agency's Recommended Annual Operating Budget covers a one-year period from September 1 through August 31.

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.

Texas Department *of* Motor Vehicles

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.

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 0001) that receives state tax revenues and fees considered available for general spending purposes and certified as such by the Comptroller of Public Accounts.

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.

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

Fiscal Year (FY) – September 1 through August 31 and specified by the calendar year in which the fiscal year end, e.g. Fiscal Year 2018 runs from September 1, 2017 through August 31, 2018.

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).

Processing and Handling Fee – In accordance with H.B. 2202, 83rd Legislature, Regular Session, in June 2016, effective January 1, 2017, a new processing and handling (P&H) fee for registration activities has been adopted. The new P&H fee is set at an amount sufficient to cover the costs of registration services.

Salary Budget – Fiscal Year 2018 salaries include projected annual costs based on Fiscal Year 2017 actual salaries with adjustments for vacancies, merits and Fiscal Year 2018 longevity costs.

State Highway Fund (Fund 0006) – 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 (Fund 0010) – S.B. 1512, 84th Legislature, Regular Session, re-created the TxDMV Fund outside of the GR Fund and directed the agency to change its deposit schedule beginning in Fiscal Year 2017.

S.B. 1512 also redirected the revenues previously identified in H.B. 2202, 83rd Legislature, Regular Session associated with certain TxDMV fees to be deposited to the credit of the newly established TxDMV Fund. ABTPA, however, continues to be self-funded through the collection of a $2 fee on insurance policy renewals and its fees are deposited to the credit of the General Revenue.

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.

Appendix D: 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 Director
512-465-1257

Sergio Rey, Accounting Operations, Director
512-465-4203

Ann Pierce, Deputy Division Director, Administrative Services
512-465-4100

Budget Analysts

John Ralston, Budget Team Lead
512-465-4182

Jack Starnes, Sr. Budget Analyst   Delores Hubbard, Budget Analyst
512-465-4178   512-465-4195

Sheila Bledsoe, Budget Analyst
512-465-5831

Revenue Forecasting

Theo Kosub, Revenue Forecasting Team Lead   Brian Kline, Financial Analyst
512-465-1448   512-465-4194

Laura Fowler, Financial Analyst
512-465-5851

Planning

Lisa Conley, Planner
512-465-4186

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 16, 2017
Action Requested: Recommend for Approval by the Full Board

To:	**Texas Department of Motor Vehicles (TxDMV) Finance & Audit Committee**
From:	**Sandra Menjivar-Suddeath, Director, Internal Audit**
Agenda Item:	**3. C.**
Subject:	**Recommendation to the full board for approval of the Fiscal Year (FY) 2018 Annual Audit Plan**

RECOMMENDATION
Recommendation to the full board for approval of the Fiscal Year 2018 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 TxDMV Finance and Audit Committee recommends to the TxDMV Full Board that the Fiscal Year 2018 Internal Audit Plan be approved.

The audit plan is the work plan for the Internal Audit Division in Fiscal Year 2018. The audit plan lists the 12 items, audits, and advisory services (engagements) that will be done in Fiscal Year 2018 as well as the other internal audit duties and contingency audits. For the 12 engagements and other internal audit duties, an estimate on the time it will take to complete these items is provided. In addition, background information and preliminary objectives is provided for the 12 engagements.

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:
- 12 proposed items, audits, and advisory services to be done in Fiscal Year 2018;
- other Internal Audit division duties; and
- two contingency audits.

Specifically, the proposed audit plan includes two required items, eight audits, one advisory service, and a special request placeholder. The special request placeholder will allow the Internal Audit Division 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, the Internal Audit Division will conduct one of the contingency audits. Two contingency audits have been developed.

The annual audit plan was developed using a risk based approach and input from the Board members and senior management. Hour estimates were included in the plan.

Texas Department
of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2018 Internal Audit Plan
17-08

Internal Audit Division
August 2017

Texas Department of Motor Vehicles (TxDMV) Fiscal Year 2018 Internal Audit Plan

The Internal Audit Plan for Fiscal Year (FY) 2018 is composed of ten audit and advisory services and two required items (engagements), six Internal Audit Division duties, and two contingency audits.

Annual Audit Plan

The table below provides information on the twelve engagements that will be conducted in FY2018, including the hours allocated to each engagement, the alignment to the TxDMV strategic goals, the initial contact division (if necessary), the engagement background information, and the preliminary objectives (if necessary).

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
1. **TxDMV Fund tables and Process & Handling Fees** 800 hours	Optimized Services and Innovation	Finance & Administrative Services (FAS)	Background: In FY 2017, the TxDMV changed its method of finance from the General Revenue Fund (Fund 1) to the TxDMV Fund (Fund 10) for most of its operations. With the change, most of the TxDMV expenditures and revenues, including revenues produced from the Process & Handling Fees, are recorded in Fund 10. As of April 2017, $93.2 million of revenue had been deposited to the TxDMV Fund since the beginning of FY2017. Preliminary Objective(s): • Determine whether appropriate revenues, including motor vehicle registration fees, are deposited to the TxDMV fund appropriately • Determine whether appropriate amounts of revenue are transferred to counties per agency rule

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
2. Inventory 1000 hours	Optimized Services and Innovation & Performance Driven	FAS, Information Technology Services (ITS), Vehicle Titles & Registration (VTR)	Background: Capitalized and controlled assets (e.g., printers, computers, cameras, vehicles) are located throughout the state, including at Tax Assessor-Collectors' offices, Full Service Deputies' locations, and TxDMV's Regional Service Centers. In FY2017, the TxDMV had over 8,300 capitalized and control assets that had an initial cost of $11.9 million. In addition, the TxDMV upgraded assets located at Tax Assessor-Collectors' offices in FY2017. Preliminary Objective(s): • To determine if an adequate process exists to accurately and completely track assets • To determine if an adequate process exists to safeguard assets • To determine whether appropriate access controls exist to safeguard assets • To determine if the department is in compliance with statutory requirements
3. eLicensing 1000 hours	Customer Centric & Performance Driven	Enforcement (ENF), Motor Vehicle Division (MVD), Office of Administrative Hearings (OAH), Consumer Relations Division (CRD)	Background: eLicensing has changed how the department processes and handles motor vehicle licenses and complaints. eLicensing allows motor vehicle dealers, salvage dealers, and industry licensees to apply, renew, or amend their license online. In addition, it allows customers to submit complaints about motor vehicle issues online. Preliminary Objective(s): • To determine if elicensing is achieving desired outcomes related to faster services to customers • To review the adequacy of access controls within eLicensing

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
			• To determine eLicensing's impact on the licensing process
4. Open Records 500 hours	Optimized Services and Innovation	Office of General Counsel (OGC)	Background: An estimated 20,000 open records requests, or Public Information Requests (PIRs), were received in FY2017. Although the PIRs are routed through the Office of General Counsel, each division is responsible for coordinating and providing the information for the PIRs. In addition, a new application, FOIAXpress, is used for handling PIRs. Preliminary Objective(s): • To determine if PIRs are handled consistently throughout the department • To determine whether costs for PIR are appropriate • To determine if PIRS are handled in accordance with state laws
5. Fraud, Waste, and Abuse Risk Assessment 300 hours *Advisory Service*	Optimized Services and Innovation & Performance Driven	Executive Office, Department-Wide	Background: The TxDMV has focused on identifying and managing fraud, waste, and abuse risks; however, a risk assessment has not been fully developed to determine which fraud, waste, and abuse risks are the highest risks for the department and how those risks should be mitigated. This advisory service will be a yearlong project to identify fraud, waste, and abuse risks for the department, to rank those risks, and to help the department develop mitigation responses to those risks.
6. Payment Card Industry (PCI) Compliance 350 hours	Performance Driven	ITS, VTR	Background: Customers' credit cards are accepted for some of the department's transactions. To be able to accept credit cards, the TxDMV has to attest to the Payment Card Industry (PCI) Security Standards Council that the credit card information obtained from transactions are being safeguarded and the department is meeting the twelve PCI requirements. The

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
			requirements range from installing and maintaining a firewall to maintaining an information security policy. In addition, the IAD conducted a preliminary PCI Compliance audit in FY2017. Preliminary Objective(s): • To determine whether TxDMV is compliant with certain aspects of PCI • To determine the implementation status of previously issued PCI audit recommendations
7. Travel and Training 500 hours	Optimized Services and Innovation & Performance Driven	FAS, Department-Wide	Background: In FY2017, the TxDMV budgeted $375,000 for in-state and out-of-state travel and $290,000 in training. In addition, the 85th Legislature showed concern on the appropriateness of travel and training done by state agencies. Preliminary Objective(s): • To determine if training requests have the appropriate approvals and justifications • To determine if travel requests have the appropriate approvals and justifications • To determine if a process exists to ensure travel and training requests are appropriate and meet the needs of the department • To evaluate how board member travel is handled at other state agencies • To determine if travel and training are in compliance with state law and guidance
8. Social Media 350 hours	Customer Centric	Government Strategic &	Background: Social media (e.g., Twitter, Facebook, Instagram) is used by both public and private sector entities to

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
		Communication (GSC)	connect with customers and provide more on-demand help/services. However, on-demand communication with customers carries risk to the department's brand if the messages do not align with the department's strategic goals and vision. The TxDMV uses Twitter and Facebook to communicate with customers. The TxDMV receives about sixty-four and posts six to twelve social media messages/comments a month on its primary accounts. Preliminary Objective(s): • To determine if the department's social media policies and processes have been sufficiently developed to protect the department's brand
9. **Management or Board Request** 300 hours	TBD	TBD	Background: Time has been allotted for a special request or a review of a new or emerging risk for the department. If no request is received, one of the audits from the contingent audit list will be conducted (see page 7).
10. **FY2018 Internal Audit Follow-Up** 50 hours	Optimized Services and Innovation, Customer Centric, & Performance Driven	Department-wide	Background: This project would verify if outstanding internal and external audit recommendations have been fully implemented. Quarterly reporting will be provided as well as an annual report. Preliminary Objective(s): • To determine if internal and external recommendations have been fully implemented
11. **Fiscal Year 2019 Internal Audit Plan** 100 hours	Optimized Services and Innovation & Customer Centric	Department-wide	Background: 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 as required by Government Code.

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
12. Fiscal Year 2017 Annual Internal Audit Report 30 hours	Not Applicable	Department-wide	Background: A summary of internal audit activities, including the status of the FY2017 audit plan, non-audit services provided, and external audit services procured; and the FY2018 audit plan. This annual report must be submitted before November 1 to the TxDMV Board, the Governor, the Legislative Budget Board, the State Auditor's Office, and the Sunset Advisory Commission.

In addition to conducting engagements, the Internal Audit Division (IAD) has other duties that it performs each fiscal year. The other duties include conducting quality control on issued audit and advisory service reports, preparing and facilitating the required Peer Review, working on Anti-Fraud, Waste, and Abuse Items, and providing ad hoc advisory services to the department. The table below summarizes the other Internal Audit Duties and the hours allocated to each item. In addition, the table provides information on the total budgeted hours for the IAD activities, including hours allocated to engagements and hours to other duties.

Other Internal Audit Duties
1. Coordinating with external auditors and reviewers (30 hours) 2. Working on Anti-Fraud, Waste, and Abuse Items (450 hours) 3. Conducting an annual Quality Assurance and Improvement Program as required by auditing standards (50 hours) 4. Coordinating the required Peer Review (180 hours) 5. Advising the agency's Governance Team and Executive Steering Committees (200 hours) 6. Providing ad hoc advisory services or consultations (250 hours)
Total Budgeted Hours on Required Reports, Audits ,and Advisory Service: 5,280 **Total Budgeted Hours on Other Internal Audit Division Duties:**   **1,160** **Total Budgeted Hours for Reports and Division Duties in FY 2018:**   **6,440**

Contingency Audits

If resource become available, after completing the engagements and duties identified in the above tables, or no Management Request are requested, the IAD has identified alternate, or contingency, audits that it can perform. The table below provides information on the contingent engagements for FY2018, including the alignment to the strategic goals, the initial contact division (if necessary), and the engagement background information. Preliminary objectives and allocated hours were not developed for the contingent audits. The objectives would be developed and the hours would be allocated if and when the audits is required.

Contingent Engagement Topic	Strategic Goal(s)	Division	Background
1. **Regional Service Centers**	Customer Centric	VTR	Background: The Regional Service Centers (RSCs) play an integral role in serving the TxDMV customers located throughout the state of Texas. Each RSC has a regional manager that manages the RSC and an assistant chief that oversees the RSC. This audit would review the monitoring done to ensure the RSCs are meeting the department's objectives and the customer needs.
2. **Lemon Law Investigation and Resolution Process**	Customer Centric & Performance Driven	ENF, OAH	Background: The lemon law resolution process was transferred from the State Office of Administrative Hearings (SOAH) to the department when HB 1692 (83rd Texas Legislature, Reg. Session) passed. As of January 2014, the Office of Administrative Hearing, with help from the Enforcement Division, has been in charge of handling lemon law investigations and resolutions. This audit would review if expected outcomes have been achieved and if there are any improvements to the process to help customers receive resolution faster.

Methodology

Scope

The Internal Audit Plan for Fiscal Year 2018 covers the period of September 1, 2017 to August 31, 2018.

Risk Assessment

The audit plan was developed using a risk-based methodology including input from board members, senior management, and division management. The Internal Audit Division also analyzed department information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. Projects risk rankings were developed using the following factors:

- Revenue or expense impact
- Asset or liability impact
- Operation effectiveness and efficiency impact
- Law or regulation impact
- Brand or reputation impact
- Degree of change in the program, function, or process
- Degree of complexity
- Degree of centralization

The State Auditor's Office (SAO) guidelines for the Internal Audit Plan for Fiscal Year 2018, request that internal audit indicate which projects in the audit plan address expenditure transfers, capital budget controls, or any other limitation or restrictions in the General Appropriation Act, contract management, and information technology risks. The proposed audits that address these topics are the following:

- TxDMV Fund tables and Process & Handling Fees, eLicensing, PCI Compliance will address information technology risks.
- TxDMV Fund tables and Process & Handling Fees, Open Records, Inventory, and eLicensing will address expenditure transfers and capital budget controls.
- Inventory and eLicensing will address contract management.

Hour Analysis

Hours were calculated using historical data and auditor's judgement. For FY2018 hours, the IAD calculated having five FTEs for the majority of the audit year. Hours are an estimate and could be adjusted during the fiscal year.

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 16, 2017

Action Requested: Briefing Only

To: **Texas Department of Motor Vehicles Board (TxDMV) Finance and Audit Committee**
From: **Linda M. Flores, CPA, Chief Financial Officer**
Agenda Item: 4A.
Subject: **FY 2017 Quarterly Financial Report**

RECOMMENDATION

The attached Financial Summary reflects revenues and expenditures for the TxDMV as of the May 31, 2017. No action required.

PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles (TxDMV) Board is briefed quarterly by staff on revenue collections and agency expenditures. The attached Financial Summary includes financial information for third quarter (ending May 31, 2017).

Year-to-Date (YTD) TxDMV Fund 0010 collections of $125,903,788 exceeded projections, however; collections for all revenues (including Fund 0006 and Fund 0001) were under projection. TxDMV revenue collections were close to projections without any unanticipated fluctuations. Expenses for the same period totaled $95.1 million with salaries, professional fees, and contract services constituting the majority of the expenditures.

FINANCIAL IMPACT

Beginning in Fiscal Year 2017 the agency is funded from the newly created TxDMV Fund which includes the Processing and Handling Fee (P&H). The exception is the Automobile Burglary and Theft Prevention Authority (ABTPA), which will continue to be funded from General Revenue. The department completed the first nine months without any major cost overruns or unanticipated expenditures.

BACKGROUND AND DISCUSSION

Revenues

Through May of Fiscal Year 2017, TxDMV Fund collections exceeded expectations with overall revenue 1.3% higher than projected. Strong registration and title revenue both finished above projection, offsetting diminished oversize/overweight revenue. Business dealer licenses revenue continues to exceed projections with revenue 6% higher than anticipated year to date. P&H revenue including the automation portion and temporary permits totaled $17,296,681 through May 2017.

As of May 31, 2017, revenue collections for the new MyPlates contract totaled approximately $27.9 million of which $13.8 million counts toward the $15 million General Revenue guarantee. At the current collection rate it is estimated the $15 million General Revenue guarantee will be met in late summer of calendar year 2017.

Through the first 9 months of Fiscal Year 2017, collections for all revenues ended 3.3% lower or $45.3 million less than projected. The major drivers for lower than projected revenue collections are a decline in registration revenue and oversize/overweight revenue. Registration revenue is lower than anticipated, as the state has experienced a decrease in the number of registered vehicles compared to the same period last year. Through May, oversize/overweight revenue is 6.6% below projected levels, but revenue in this category trended upward during the third quarter. The slump in oil prices and the related downturn in the oil patch continue to put pressure on the oversize/overweight category, but the number of permits issued on a monthly basis improved during the third compared to the same period of Fiscal Year 2016.

Expenditures

Year-to-date expenditures through May 31, 2017 for all funds total $102,088,957 of which 79% ($81.1 million) is funded by the TxDMV Fund. In addition to TxDMV Fund expenses of $81.1 million, obligations to the fund includes $14.1 million for fringe benefits, credit card convenience fees and payments to Texas.gov results in total TxDMV Fund expenses to over $95.2 million.

Texas Department *of* Motor Vehicles

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Overall the largest expenditures incurred were in salary related categories, contract services (plate production/registration renewal) and professional fees (Data Center Services and Automation). Included in the year-to-date expenditures is approximately $3.3 million for contract payments to the MyPlates vendor. Contract payments to the MyPlates vendor are contingent upon revenues collected. As of the end of May, MyPlates revenues totaled $3,385,080.   Also included are capital appropriation expenditures of approximately $25.1 million, of which half are for Automation projects associated with RTS Refactoring and LACE Replacement/eLicensing.

The department estimates $2.2 million in lapse ($1.6 in salaries and $600,000 in fringe benefits) associated with the Governor's Office hiring freeze effective February 1, 2017. In addition, the department anticipates lapsing approximately $12 million in the operating budget primarily consisting of set aside payments to Texas.gov for fees related to online processing of the P&H fee. TxDMV does not collect these amounts as revenue, Texas.gov retains $2.00 fee from each online transaction and remits the states portion to the treasury, and therefore a payment is not processed.

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FY 2017 Financial Summary

for the period ending

May 31, 2017

Finance and Administrative Services Division

May 31, 2017

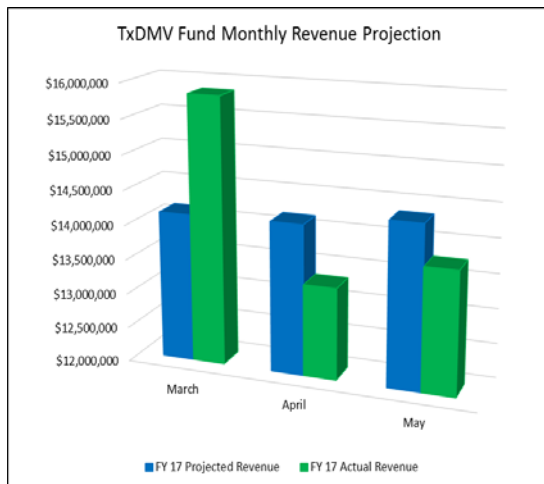# FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

TxDMV Fund Overview

Revenues:	FY 2017 YTD Projected Revenue	FY 2017 YTD Actual Revenue
Motor Vehicle Certificates of Title	$ 27,866,684	$ 29,530,721
Motor Vehicle Registration Fees	32,269,913	34,359,268
Motor Carrier - Oversize / Overweight	9,861,743	9,440,329
Business Dealer Licenses	5,529,282	5,862,017
Miscellaneous Revenue	1,929,300	1,802,056
TxDMV Fund One-time Transfer	23,000,000	23,000,000
Processing and Handling Fee	23,885,612	21,909,397
Total TxDMV Fund Revenue	**$ 124,342,534**	**$ 125,903,788**

Note: The table above reflects FY2017 collections for fees assessed by TxDMV and the one time transfer. An additional $4.9 million in collections for credit cards and Texas.gov fees are not included. These collections are automatically paid out to these entities for credit card and online transactions.

Overall, TxDMV Fund revenue is 1.3% over projection through the first 9 months of FY 2017. Certificate of Title revenue is 6% higher than projected while registration revenue is 6.5% higher than projected.

Through the first 9 months of FY 2017 Oversize/Overweight deposits to the TxDMV Fund are 4.3% below projections, as fewer permits have been issued YTD in the depressed oil price environment. In the 3rd quarter the department saw an uptick in the number of permits issued and revenue received. In the 3rd quarter, the department issued approximately 17% more Oversize/Overweight permits than the same period of FY 2016. After a slow revenue start to the year and recent implementation of eLicensing, Business Dealer Licenses revenue is now 6% higher than projected.

TxDMV Fund Monthly Revenue Projection

The department has been collecting Processing and Handling Fee (P&H) revenue since November and through May has collected nearly $22 million. After a solid start to the year, P&H revenue slipped in May to finish the reporting period 8.3% under projection. Revenue staff monitors P&H revenue on a monthly basis. Overall collections remain slightly below projections.

Through May FY 2017, the top four TxDMV Fund fees (P&H, Title - $3 Portion, Buyer's Tag and Automation) accounted for approximately 54% of all TxDMV Fund revenue. The Automation Fee was reduced to $0.50 in January via the P&H rule package and is included below in the Processing and Handling (Automation Portion). Salvage Titles/ Title Histories and MyPlates Renewal Fees round out the top 10 TxDMV Fund fees. The one-time $23,000,000 transfer is not included below.

Top 10 TxDMV Fund Fees through May FY 2017 [1]			% of Total
Processing and Handling Fee (P&H)	$	17,296,681	16.8%
Title Fees ($3 Portion)		14,458,434	14.1%
Buyer's Tag		13,647,483	13.3%
Automation Fee		10,435,452	10.1%
Oversize/Overweight Permits		7,336,498	7.1%
Business Dealer Licenses		5,856,067	5.7%
Delinquent Title Transfer (Public)		5,692,522	5.5%
Processing and Handling Fee (Automation Portion)		4,776,064	4.6%
Salvage/Title Histories		3,575,476	3.5%
MyPlates Renewal Fees		3,374,307	3.3%
Top 10 TxDMV Fund Fees Deposits	**$**	**86,448,983**	**84.0%**
Total TxDMV Fund Deposits	**$**	**102,903,788**	**100.0%**

1 - Overall collections remain in line with projections.

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

My Plates Contract Revenue and Guarantee Status

Through May of FY 2017, cumulative vendor deposits to GR totaled $27,934,412. Of these deposits, $13,833,559 counts toward the contractual guarantee of $15 million in deposits to GR. At the current rate of growth and using conservative methodology, it is estimated MyPlates will meet the revenue guarantee in the summer of FY 2017.

New Contract Cumulative Deposits to General Revenue
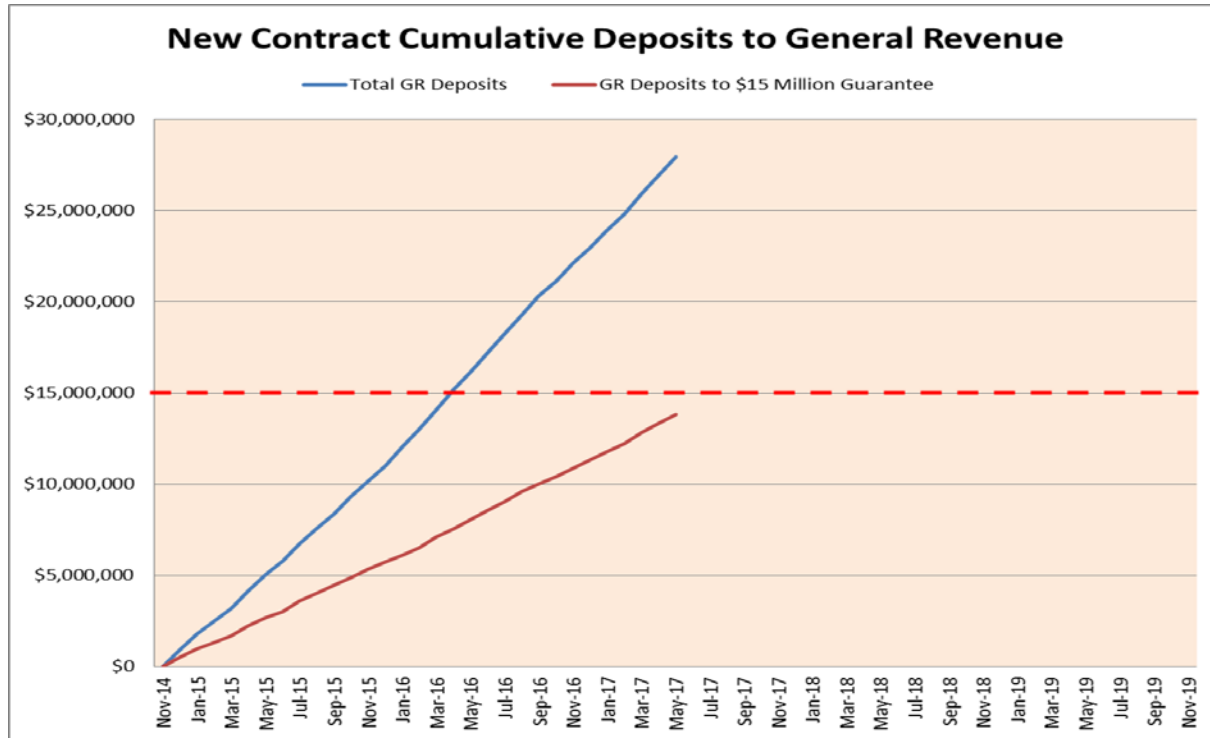
Snapshot at 5/31/17	Total
New Contract Cumulative Deposits to General Revenue*	**$27,934,412**
New Order Deposits to General Revenue	$13,091,409
Renewal Deposits to General Revenue	$14,843,003
General Revenue Deposits Counted Toward $15 Million Guarantee [1]	$13,833,559

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

General Revenue deposits from the sale of vendor specialty plates are determined by plate type and plate term with the state receiving:

- 40% from all plates sales of one year
- 95% of all renewals sales
- 60% of all auction sales
- 60% from all plate sales with a term of greater than one year
- 10% of all ancillary products

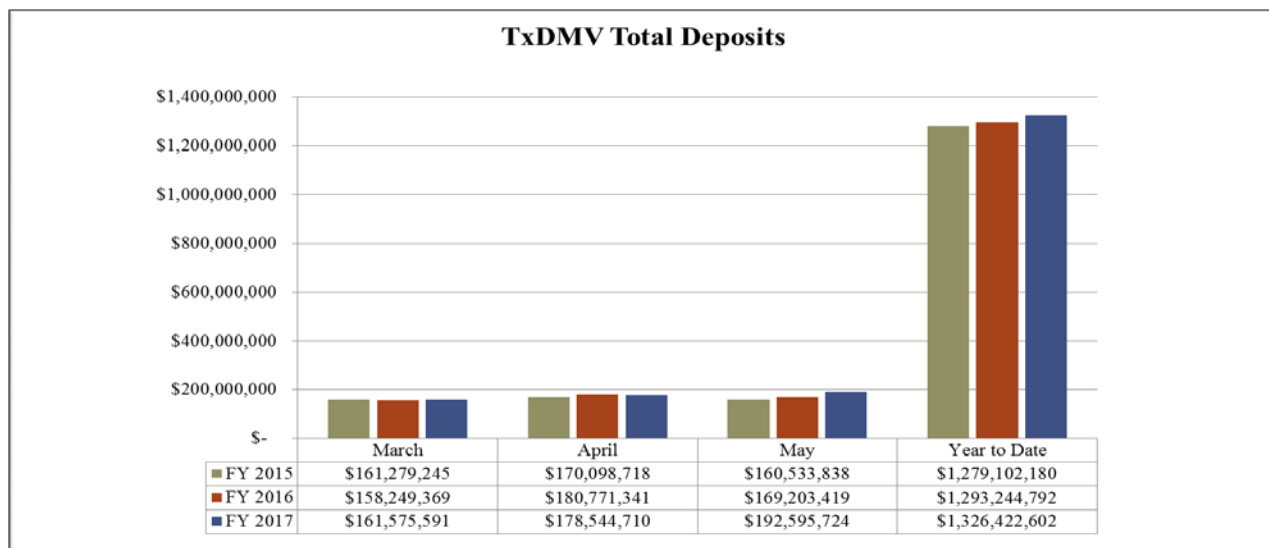# FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

Overview All Revenues

Revenues:	FY 2017 YTD Projected Revenue	FY 2017 YTD Actual Revenue
Motor Vehicle Certificates of Title	$ 58,823,301	$ 62,190,075
Motor Vehicle Registration Fees	1,128,674,940	1,090,480,139
Motor Carrier - Oversize / Overweight	121,080,636	113,033,127
Commercial Transportation Fees	5,506,218	5,025,801
Business Dealer Licenses	5,529,282	5,862,017
Miscellaneous Revenue	5,224,800	4,922,046
TxDMV Fund One-time Transfer	23,000,000	23,000,000
Processing and Handling Fee	23,885,612	21,909,397
Total DMV Revenue	**$ 1,371,724,789**	**$ 1,326,422,602**

Overall, revenue is 3.3% under projection through May of FY 2017 for all revenue collections. For the month of May revenue was 13.8% higher compared to May 2016, but total year-to-date revenues are slightly below FY 2016 collections.
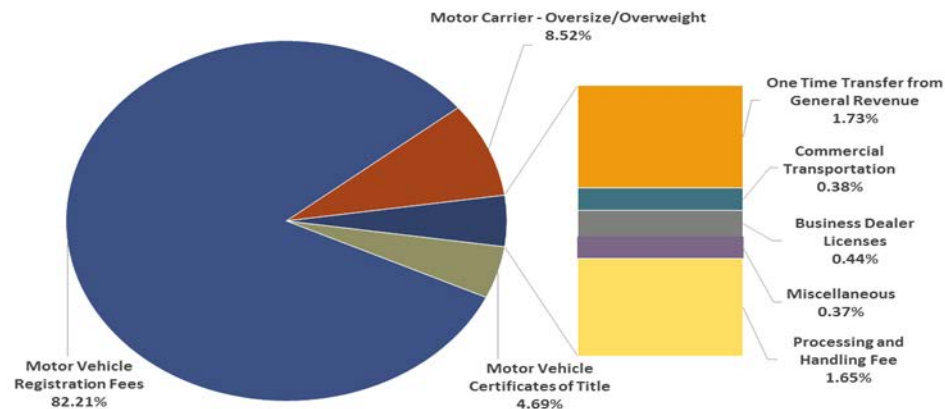
Certificate of Title revenue is 5.7% over projection, helped by strong overall auto sales. In the third quarter of FY 2017, the department recorded 1,650,206 vehicle sales, of which 448,789 (27.2%) were dealer-new sales and 1,201,417 (72.8%) were dealer-used or private-party sales. The overall sales of 1,650,206 in the third quarter of FY 2017 is 0.5% less than the same period in FY 2016. In contrast to TxDMV Fund registration revenue, overall registration revenue is 3.4% below projected levels as the state has experienced a slight decrease in the number of registered vehicles compared to the same period last year. As of May, there were 24,124,000 (excluding exempt vehicles) registered vehicles in Texas. Although TxDMV's registration forecast is more conservative than both the Biennial Revenue Estimate (BRE) and TxDOT Cash Forecast, registration revenue may not meet the FY 2017 projection. Based on the first 9 months of FY 2017, registration deposits to the State Highway Fund are estimated to finish the year approximately $30 million below staff projections.

Oversize/Overweight revenue is down 6.6% YTD compared to projections, but has seen a revenue rise in the 3rd quarter of this fiscal year. Oil prices remain depressed, but if recent revenue momentum continues, Oversize/Overweight revenue may meet projections. Commercial Transportation Fees revenue is 8.7% below projections. Business Dealer Licenses revenue is 6.0% higher than projections after a slow start in FY 2017. The Motor Vehicle Division has worked through a backlog of credential applications and recently implemented eLicensing. TxDMV total deposits YTD through May for the past three fiscal years is shown below. Typically the months of March, April and May are the highest revenue months for the department.

TxDMV Total Deposits

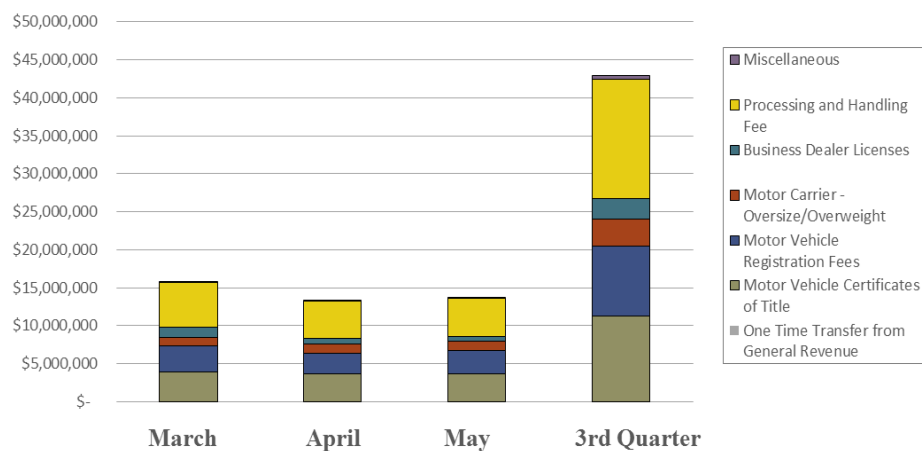|	March	April	May	Year to Date
FY 2015	$161,279,245	$170,098,718	$160,533,838	$1,279,102,180
FY 2016	$158,249,369	$180,771,341	$169,203,419	$1,293,244,792
FY 2017	$161,575,591	$178,544,710	$192,595,724	$1,326,422,602

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

FY 17 YTD Revenue by Category
($1,326,422,602)

Motor Carrier - Oversize/Overweight 8.52%
One Time Transfer from General Revenue 1.73%
Commercial Transportation 0.38%
Business Dealer Licenses 0.44%
Miscellaneous 0.37%
Processing and Handling Fee 1.65%
Motor Vehicle Registration Fees 82.21%
Motor Vehicle Certificates of Title 4.69%

Fund 10 Monthly Revenue by Category

Miscellaneous
Processing and Handling Fee
Business Dealer Licenses
Motor Carrier - Oversize/Overweight
Motor Vehicle Registration Fees
Motor Vehicle Certificates of Title
One Time Transfer from General Revenue

March | April | May | 3rd Quarter

Fund 1 Monthly Revenue by Category

Miscellaneous
Commercial Transportation
Motor Carrier - Oversize/Overweight
Motor Vehicle Registration Fees
Motor Vehicle Certificates of Title

March | April | May | 3rd Quarter
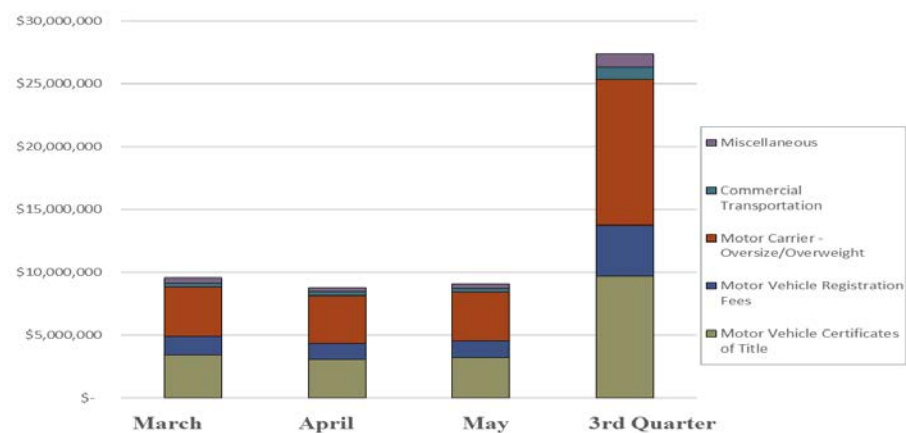
FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

May 2017 Budget Status

Expenditures:	2017 Adjusted Budget	1Q Sep - Nov	2Q Dec - Feb	3Q Mar - May	YTD Expenditures	FY 2017 Available Budget	FY 2017 Encumbrances	FY 2017 Available Budget
Salaries and Wages	$ 40,975,493	$ 9,391,703	$ 9,525,759	$ 9,429,065	$ 28,346,526	$ 12,628,967	$ -	$ 12,628,967
Benefit Replacement Pay	$ 113,282	$ 10,266	$ 63,400	$ 14,752	$ 88,418	$ 24,864	$ -	$ 24,864
Other Personnel Costs	$ 1,614,246	$ 293,343	$ 394,704	$ 372,598	$ 1,060,645	$ 553,601	$ -	$ 553,601
Professional Fees and Services	$ 43,913,707	$ 2,530,505	$ 5,524,176	$ 9,208,814	$ 17,263,496	$ 26,650,212	$ 6,449,725	$ 20,200,487
Fuels & Lubricants	$ 75,650	$ 8,358	$ 11,976	$ 12,522	$ 32,856	$ 42,794	$ 26,915	$ 15,879
Consumable Supplies	$ 1,570,263	$ 268,597	$ 348,632	$ 656,584	$ 1,273,814	$ 296,450	$ 168,376	$ 128,074
Utilities	$ 4,709,027	$ 713,743	$ 815,835	$ 1,523,127	$ 3,052,705	$ 1,656,322	$ 190,441	$ 1,465,881
Travel In-State	$ 442,156	$ 76,095	$ 52,977	$ 85,138	$ 214,209	$ 227,947	$ -	$ 227,947
Travel Out-of-State	$ 83,723	$ 9,336	$ 2,300	$ 8,237	$ 19,873	$ 63,850	$ -	$ 63,850
Rent - Building	$ 1,272,970	$ 184,379	$ 171,063	$ 171,671	$ 527,113	$ 745,857	$ 133,280	$ 612,577
Rent - Machine and Other	$ 341,190	$ 25,754	$ 81,458	$ 72,897	$ 180,109	$ 161,081	$ 103,975	$ 57,106
Advertising & Promotion	$ 647,468	$ 1,323	$ 5,631	$ 16,920	$ 23,874	$ 623,594	$ 25,496	$ 598,097
Purchased Contract Services	$ 36,058,378	$ 5,580,386	$ 8,343,429	$ 8,609,897	$ 22,533,712	$ 13,524,666	$ 9,492,650	$ 4,032,016
Computer Equipment Software	$ 8,170,883	$ 145,893	$ 914,288	$ 3,539,417	$ 4,599,597	$ 3,571,285	$ 2,021,254	$ 1,550,031
Fees & Other Charges	$ 1,457,962	$ 251,321	$ 259,263	$ 467,105	$ 977,689	$ 480,273	$ 287,391	$ 192,882
Freight	$ 829,716	$ 13,098	$ 235,582	$ 160,797	$ 409,477	$ 420,239	$ 371,094	$ 49,145
Maintenance & Repair	$ 8,153,516	$ 753,363	$ 1,003,304	$ 1,797,624	$ 3,554,291	$ 4,599,226	$ 2,744,616	$ 1,854,609
Memberships & Training	$ 300,520	$ 91,523	$ 42,979	$ 58,539	$ 193,042	$ 107,478	$ 24,310	$ 83,169
Other Expenses	$ 9,301,427	$ 15,583	$ 26,644	$ 91,450	$ 133,677	$ 9,167,750	$ 118,947	$ 9,048,803
Postage	$ 14,523,871	$ 4,556,567	$ 2,187,353	$ 2,247,297	$ 8,991,218	$ 5,532,653	$ 4,923,478	$ 609,174
Reproduction & Printing	$ 5,037,662	$ 1,129,177	$ 1,064,138	$ 1,185,096	$ 3,378,411	$ 1,659,251	$ 1,070,751	$ 588,500
Services	$ 1,227,211	$ 127,394	$ 284,561	$ 184,991	$ 596,946	$ 630,265	$ 448,403	$ 181,862
Grants	$ 13,681,480	$ -	$ 1,241,538	$ 3,074,909	$ 4,316,447	$ 9,365,033	$ 8,240,379	$ 1,124,654
Other Capital	$ 1,822,882	$ 5,519	$ -	$ 315,295	$ 320,814	$ 1,502,068	$ 6,050	$ 1,496,018
	$ 196,324,682	$ 26,183,225	$ 32,600,990	$ 43,304,742	$ 102,088,957	$ 94,235,725	$ 36,847,530	$ 57,388,195

Total budget adjustment (UB from FY2016) to original approved budget of $191.7 million [1] $ 4,583,896

Comparison to Prior Year	Adjusted Fiscal Year 2016	Adjusted Fiscal Year 2017	Percent Change
Approved Adjusted Budget	$ 196,162,934	$ 196,324,682	0.08%
Year-to-Date Expenditures	$ 88,941,061	$ 102,088,957	14.78%
Available Budget	$ 107,221,873	$ 94,235,725	-12.11%
Encumbrances/Remaining Expenses	$ 55,300,596	$ 36,847,530	-33.37%
Available Budget	**$ 51,921,277**	**$ 57,388,195**	**10.53%**

Notes:

1. Unexpended balance (UB) amount adjusted to reflect actual costs in FY 2016 for Automation, County RTS, AMSIT and Physical Security capital budgets.

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

Expenditures:

Year-to-date expenditures through May 31, 2017 for all funds total $102,088,957. The significant expenditure categories are detailed below:

Salaries and Other Personnel ($29.4 million) – As of May 31, 2017 there were 701 filled positions and 62 vacancies. Effective February 1, 2017, the Governor's Office implemented a mandatory hiring freeze to be in effect through August 31, 2017. The estimated salary lapse from the hiring freeze is approximately $1.6 million, the total lapse with benefits will be $2.2 million.

Purchased Contract Services ($22.5 million) – This line item includes Huntsville license plate production ($15.2 million); Special License Plate Fees - Rider 3, ($3.3 million); and registration renewal and specialty plate mailing ($3.5 million).

Professional Fees ($17.3 million) – The majority of these expenses are Data Center Services (DCS) ($5.3 million), Automation ($10.0 million), AMSIT ($555K), and IT technology services ($428K).

Postage ($8.9 million) – Postage permits for registration renewal mailings.

Reproduction & Printing ($3.4 million) – Printing and imaging of titles ($1.7 million), title paper, envelopes, and registration inserts ($1.5 million).

Utilities ($3.0 million) – Information Technology data circuit and telephone costs ($2.6 million); and reimbursement to TxDOT for facility costs ($256K)

Maintenance and Repair ($3.5 million) – Annual software maintenance costs ($994K); RTS Refactoring ($2.1 million); and County technology support ($476K)

TxDMV Fund

Year-to-date TxDMV fund operating/capital expenditures totaled $81,059,337, with the largest expenditures in salary related and contract services. Contract services expenditures includes payments to MyPlates of $3,342,696 with the majority of the remainder consisting of expenditures for the manufacture of plates. In addition to the $81.1 million in expenditures there are also obligations to the fund of $14,106,080 for fringe benefits, credit card convenience fees and payments to Texas.gov bringing total TxDMV fund expenses to $95,165,417 as of the end of May 2017.

The department estimates approximately $12.2 million in lapse primarily consisting $7.8 million in set aside payments to Texas.gov for fees related to online processing of the P&H fee. TxDMV does not collect these amounts as revenue, Texas.gov retains $2.00 fee from each online transaction and remits the states portion to the treasury, and therefore a payment is not processed. The remaining lapse of approximately $4 million represents approximately 3% of the revised operating budget. Unspent operating balances will lapse to the TxDMV Fund increasing funding available for future appropriations.

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

Capital Project Status

Technology Replacements and Upgrades - County Support

The FY 2017 budget is $9.2 million. This includes $5.5 million in FY 2017 appropriations and $3.7 million in unexpended balance from FY 2016. Expenditures to date include toner cartridges for county offices, network equipment maintenance, and equipment and services for the County Equipment Refresh Project (CERP). The CERP provides workstation and printer upgrades to the 508 County offices throughout the state. The majority of the encumbrance ($3.5 million) is allocated for the County Equipment Refresh Project (CERP). The deployment of the workstation and printer upgrades was completed in early April. Staff is in the process of disposing of old equipment and closing the project.

TxDMV Automation System

The TxDMV Automation 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 associated with the Registration and Titling System (RTS) Refactoring Project, which is estimated to be $16.2 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 2015. The overall schedule for the project has been updated and the new Process and Handling (P&H) fee for RTS was implemented in October 2016. Work continues with the deployment of releases, Workstream 4 tasks, and legislative implementation that impacts RTS release schedules.

The LACE Replacement/eLicensing project was successfully launched in March 2017.

The Web Dealer Project continues with dealer implementation and enhancement testing. The modules implemented to date include New Vehicles, Used Vehicles, and Commercial Fleet. The Salvage module was implemented in July 2016. Adjustments have been made for the impact to Web Dealer from the implementation of the TxDMV Fund and the new Process and Handling (P&H) fee. The Centralized Payment module is in the business requirements development phase. Additional releases are scheduled for deployment later in calendar year 2017.

The second phase of Single Sticker was completed in April 2017. The Automation funding for this project was $1.2 million. The majority of that cost was to upgrade the TxDMV International Registration Plan (IRP) system, which implemented an automated inspection process to replace the manual verification process for commercial fleet services.

The unallocated reserve for Automation was increased in August 2016 by $1.9 million to $3.8 million, through a transfer from operating lapse to fund the new WebLien project (budgeted at $2.5 million) anticipated to begin in FY 2017. The unallocated reserve amount is currently budgeted at $3.8 million.

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 and laptops.

Commercial Vehicle Information Systems and Networks (CVISN) Grant

The Commercial Vehicle Information Systems and Networks (CVISN) federal grant 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. 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

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

expenditures planned for TxCVIEW maintenance and core augmentation, the ABC Warning Project, and travel. Expenditures of $222,000 have occurred through April 2017 and $213,000 is encumbered for the ABC Warning Project.

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 $5.3 million through the end of May. The year-to-date total reflects charges for services through the April 2017 billing period. The total DCS budget of $9.5 million does not include payments to TxDOT for DCS charges, which will be paid from Information Technology (IT) operating funds in FY 2017.

Relocation of Regional Service Centers

This project provides funding in FY 2017 for the relocation of three Regional Service Centers from TxDOT facilities. On Monday, April 3, 2017, the Corpus Christi Regional Service Center began operations in its new location and Vehicles, Titling, and Registration (VTR) stakeholders reported operations went smoothly. The TxDMV Board approved the lease for the new San Antonio RSC at its January 6, 2017 meeting. The new address will be 15150 Nacogdoches Road in Suite 100 and an August 2017 move date is anticipated. The Pharr Regional Service Center will remain at its current location on TxDOT property due to the inability to find viable properties within budget allowances and suitable to agency needs.

Relocation of Bull Creek Campus

Capital funding in the amount of $800,000 for FY 2017 will be used to address costs related to the relocation of MCD staff from Bull Creek to the 5th Floor of Building 6 at Camp Hubbard. This move is anticipated to occur by January 2018.

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. Primary costs in FY 2016 were for allotted for project management and services provided by NTT Data. The FY 2017 adjusted budget is $6.5 million, and expenditures total $978,000 through the end of May 2017, primarily for project management, NTT data project services, and capital equipment.

Physical Security

In June 2016, the TxDMV Board approved transfers from EPMO operating ($122,040), and Growth and Enhancement, ($175,000), to create the FY 2016 Physical Security Project budget. FY 2017 funding in the amount of $354,156 includes $130,000 in unexpended balance (UB) funding from FY 2016. This amount financed project management costs and other miscellaneous implementation expenses. Expenses to date in FY 2017 are associated with project management, cabling costs, and minor facility costs. This project was closed in April 2017 and equipment has been installed at fifteen Regional Service Centers. The last site remaining is the San Antonio Regional Service Center, which is scheduled to move in August 2017. Physical security cameras and badges will be installed at the new location as part of the Physical Security project and the installation will be managed by IT personnel.

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

Statement of Capital Project Expenditures
through May 31, 2017

Capital Projects	2017 Approved Adjusted Budget	1Q Sep - Nov	2Q Dec - Feb	3Q Mar - May	FY 2017 YTD Expenditures	FY 2017 Available Budget	FY 2017 Encumbrances	FY 2017 Available Budget
Application Migration & Server Transformation (AMSIT)	6,480,559	37,010	76,181	865,573	978,764	5,501,795	752,128	4,749,667
Commerical Vehicle Information Systems & Network (CVISN)	435,000	-	-	221,951	221,951	213,049	-	213,049
Data Center Consolidations	9,574,259	1,486,448	1,866,500	1,963,832	5,316,780	4,257,479	2,319,653	1,937,826
Growth & Enhancements - Agency Operations Support	1,216,786	66,983	124,672	57,177	248,832	967,954	215,557	752,397
Technology Replacement & Upgrades - County Support	9,199,003	522,752	1,034,547	4,127,351	5,684,650	3,514,353	2,045,632	1,468,721
TXDMV Automation System Project	28,391,882	885,543	3,741,054	7,633,573	12,260,170	16,131,712	4,027,206	12,104,506
Regional Office Relocation	871,500	-	293	91,681	91,974	779,526	69,812	709,714
Bull Creek Relocation	800,000	-	-	-	-	800,000	-	800,000
Physical Security	354,156	48,987	120,384	104,290	273,661	80,495	19,042	61,453
Total	**57,323,145**	**3,047,722**	**6,963,631**	**15,065,428**	**25,076,781**	**32,246,363**	**9,449,029**	**22,797,332**

Statement of TxDMV Automation Project Expenditures
through May 31, 2017

TxDMV Automation Project Appropriations	FY 2017
Original Estimated Unexpended Balance Carry-Forward from FY 2016	$ 28,391,882
Total Automation Appropriations	**$ 28,391,882**

TxDMV Automation	2017 Approved Adjusted Budget	1Q Sep - Nov	2Q Dec - Feb	3Q Mar - May	2017 YTD Expenditures	2017 YTD Encumbrances	Available Budget
813010 RTS Refactoring	$ 16,171,826	$ 327,249	$ 2,395,052	$ 2,407,828	$ 5,130,129	$ 3,420,135	$ 7,621,562
813015 WebDealer E-Titles	$ 1,380,817	$ 117,949	$ 241,345	$ 304,457	$ 663,751	$ 484,088	$ 232,978
813020 E-Licensing	$ 6,380,272	$ 440,345	$ 738,347	$ 4,829,710	$ 6,008,402	$ 31,405	$ 340,465
815028 Single Sticker Phase II	$ 572,857	$ -	$ 366,310	$ 91,578.00	$ 457,888	$ 91,578	$ 23,391
84BDGT Unallocated	$ 3,886,109	$ -	$ -	$ -	$ -	$ -	$ 3,886,109
TxDMV Automation Total	**$ 28,391,882**	**$ 885,543**	**$ 3,741,054**	**$ 7,633,573**	**$ 12,260,170**	**$ 4,027,206**	**$ 12,104,506**

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 16, 2017

Action Requested: Briefing Only

To: **Texas Department of Motor Vehicles Board (TxDMV) Finance and Audit Committee**
From: **Linda M. Flores, CPA, Chief Financial Officer**
Agenda Item: **4.B.**
Subject: **TxDMV Fund Update**

RECOMMENDATION

This is a briefing of the TxDMV Fund revenue and expenditure activities for May, 2017. No action required.

PURPOSE AND EXECUTIVE SUMMARY

On September 1, 2016, the TxDMV began depositing revenue into the Texas Department of Motor Vehicle Fund (TxDMV Fund or Fund 0010.) The operating budget for Fiscal Year 2017 is primarily funded by revenues collected in the TxDMV Fund. Legislation authorized a one-time $23 million transfer of funds from General Revenue (Fund 0001) to the TxDMV Fund as start-up resources.

FINANCIAL IMPACT

For the month ending May 2017, collections for the TxDMV Fund totaled $130.9 million consisting of $107.9 million in revenue deposits (including $4.9 million in collections for payments of fees for credit cards and Texas.gov) plus the $23 million one-time transfer.

- Revenue collections for the Processing and Handling Fee (P&H) as of May 2017 are within projected levels at $21.9 million.

Obligations to the TxDMV Fund for the same period includes $81.1 million in operating expenses, plus $9.2 million in obligations for fringe benefits and $4.9 million for convenience and Texs.gov fees. The result is a projected net cash balance of $35.7 million for the month ending May 2017.

Staff project that collected revenues will continue to cover operating costs. Unspent operating expenses will lapse to the TxDMV Fund increasing balances available for future year appropriations.

BACKGROUND AND DISCUSSION

The 83rd Legislature, Regular Session, enacted two bills—H.B. 2202 and H.B. 6—that significantly affect TxDMV's revenue disposition for funds collected by the department and its method of finance for the 2014-2015 biennium. The 84th Legislature, Regular Session enacted SB 1512 which ensured that the TxDMV Fund and its revenue dedications were recreated and rededicated revenues for deposit into the TxDMV Fund.

The TxDMV Fund 0010 was created effective September 1, 2016, changing the agency's method of financing from General Revenue (with the exception of the Automobile Burglary and Theft Prevention Authority [ABTPA]) to the TxDMV Fund.
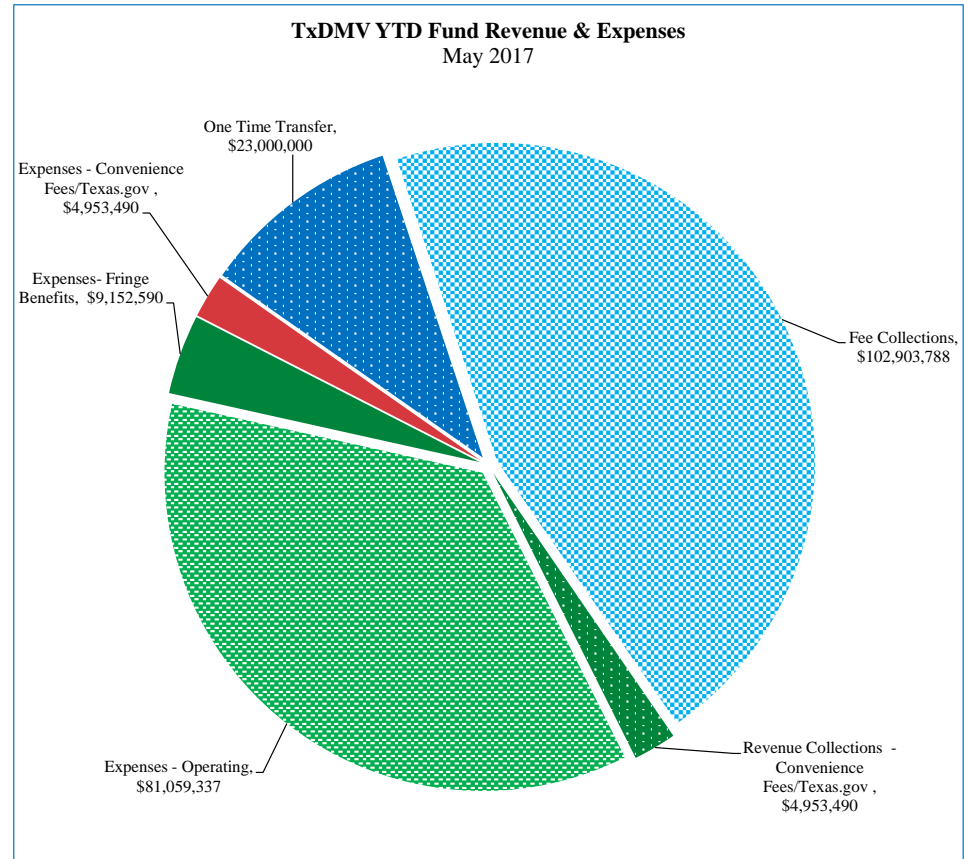
TxDMV Fund Revenue & Expenses

Revenues

One Time Transfer		$	23,000,000
Motor Vehicle Certificates	$	29,530,721	
Motor Vehicle Registration Fees	$	34,359,268 [1]	
Motor Carrier - Oversize / Overweight	$	9,440,329 [2]	
Motor Vehicle Business Licenses	$	5,862,017	
Miscellaneous Revenue	$	1,802,056	
Processing & Handling (P&H) Fees	$	21,909,397	
Subtotal Fee Collections		**$**	**102,903,788**
Total Fee Collections with Transfer		**$**	**125,903,788**
Credit Card Convenience Fees	$	2,624,340 [3]	
Texas.gov Fees for Online P&H	$	2,329,150	
Total Revenue for Convenience Fees and Texas.gov		**$**	**4,953,490**
Total Revenue		**$**	**130,857,278**

Expenditures

Salary Related	$	28,088,970	
Benefit Replacement Pay	$	88,418	
Other Personnel	$	1,052,377	
Professional Fees	$	6,696,327	
Fuels & Lubricants	$	32,856	
Consumables	$	1,006,386	
Utilities	$	3,051,970	
Travel In-State	$	202,902	
Travel Out-of-State	$	20,365	
Rent - Building	$	526,251	
Rent - Machine and Other	$	177,315	
Advertising & Promotion	$	12,544	
Purchased Contract Services	$	22,123,745 [1]	
Computer Equipment & Software	$	2,061,511	
Fees & Other Charges	$	974,474	
Freight	$	409,477	
Maintenance & Repair	$	1,312,803	
Membership & Training	$	191,756	
Other Expenses	$	77,128	
Postage	$	8,989,718	
Reproduction & Printing	$	3,360,017	
Services	$	596,509	
Other Capital	$	5,519	
Subtotal Operating Expenses		**$**	**81,059,338**
Fringe Benefits		$	9,152,590
Credit Card Convenience Fees		$	2,624,340
Texas.gov Fees for Online P&H		$	2,329,150
Total Expenses		**$**	**95,165,418**
Net Cash Balance		**$**	**35,691,860**

TxDMV YTD Fund Revenue & Expenses
May 2017

One Time Transfer, $23,000,000

Expenses - Convenience Fees/Texas.gov , $4,953,490

Expenses- Fringe Benefits, $9,152,590

Fee Collections, $102,903,788

Expenses - Operating, $81,059,337

Revenue Collections - Convenience Fees/Texas.gov , $4,953,490

Notes:

[1] MyPlates TxDMV Fund revenues for this period total $3,385,080 with expenses totaling $3,342,696

[2] Motor Carrier - Oversize/Overweight excludes escrow deposits of $2.6 million.

[3] Credit Card Convenience Fees includes fees for Temp Permits, Oversize/Overweight Permits, TxIRP, Motor Carrier Credentialing System (MCCS) and eLICENSING.

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: **August 16, 2017**

Action Requested: Briefing Only

To:	**Texas Department of Motor Vehicles Board (TxDMV) Finance and Audit Committee**
From:	**Linda M. Flores, CPA, Chief Financial Officer**
Agenda Item:	**4.C.**
Subject:	**Facilities Update**

RECOMMENDATION
For information purposes only.

PURPOSE AND EXECUTIVE SUMMARY
Finance and Administrative Services provides updates regarding agency relocation projects:
- ➢ Bull Creek/Motor Carrier Division (Austin, Texas)
- ➢ Corpus Christi Regional Service Center (Corpus Christi, Texas)
- ➢ San Antonio Regional Service Center (San Antonio, Texas)
- ➢ Pharr Regional Service Center (Pharr/Edinburg, Texas)

FINANCIAL IMPACT
- ➢ $$1.49 million was initially appropriated for the Motor Carrier Division (MCD) Relocation in the FY 2016-2017 biennium. The 85th Legislature, Regular Session authorized the TxDMV to carry forward unspent balances associated with the project into Fiscal Year 2018.
    - ❖ The division is tentatively scheduled to move to Camp Hubbard, Building 6, 5th floor in January 2018.

- ➢ $1.4 million was appropriate for the relocation of Regional Service Center Relocations.
    - ❖ Corpus Christi began normal business operations on Monday, April 3, 2017 at its new location 601 North Staples.
    - ❖ San Antonio is scheduled to move August 18, 2017.
    - ❖ Pharr was de-scoped from relocation efforts in March 2017.

BACKGROUND AND DISCUSSION
Please see the attached agency routine *Facilities Update Report* and the *Corpus Christi Regional Service Center Relocation Final Update Report* for further detail.

2017 TxDMV Corpus Christi RSC Relocation
Facilities Services Update
08/01/17

EXECUTIVE SPONSOR: Executive Director's Office (EDO) – Whitney Brewster/Shelly Mellott

STAKEHOLDER TEAM: Finance and Administrative Services (FAS - Finance, Facilities and Purchasing), Vehicle Titles and Registration (VTR - Headquarters, Regional Services Section and Corpus Christi Regional Service Center), Enforcement (ENF), Office of Administrative Hearings (OAH), Enterprise Project Management Office (EPMO), Office General Counsel (OGC) and Government and Strategic Communications (GSC) –

- Linda Flores (FAS-Finance)
- Ann Pierce (Project Manager/Facilities)
- Donny Ruemke (FAS-Facilities)
- Dawn McNabb (FAS-Facilities)
- David Chambers (FAS-Purchasing)
- Paula Ramsey (FAS-Purchasing)
- Rhonda Gips (FAS-Purchasing)
- Jeremiah Kuntz (VTR-HQ)
- Tim Thompson (VTR-HQ)
- William Diggs (VTR-RSS)
- Boyd Bush (VTR-RSS)
- Stefan Krisch (VTR-CC)

- Bill Harbeson (ENF)
- Edward Sandoval (OAH)
- Eric Obermier (ITS)
- Tom Benavides (ITS)
- Jason Hoke (ITS)
- Lance Chambers (ITS)
- Jeff Templeton (ITS)
- Jack Rutledge (ITS)
- Craig Archer (contractor – EPMO)
- David Duncan (OGC)
- Adam Shaivitz (GSC)

PROJECT GOAL: Relocate the VTR Corpus Christi Regional Service Center and designated ENF investigators to support daily business needs at a new facility by or before April 3, 2017 (first day of business) while also ensuring the facility will meet enhanced agency needs supporting Board video conferencing meetings and potential on-site OAH hearings.

PROJECT TIMEFRAME: TxDMV made notification to TxDOT of our intention to relocate from our current Corpus Christi Regional Service Center on TxDOT property once a lease was in place and the Board had made approval of the relocation site and lease. Notification to Vacate was sent to TxDOT on 12/21/16. Board approved property was identified as 602 N. Staples, Corpus Christi, Texas 78405 in Nueces County and a lease was signed on behalf of TxDMV by the Texas Facilities Commission as of August 31, 2016. The lease covers a 10 year period, commencing on April 1, 2017 and expiring on March 31, 2027 with two 60 months each renewal options.

NEW SITE ADDRESS: 602 N. Staples, Corpus Christi, Texas 78405

MOVE-IN COMMENCEMENT: After 5pm on Friday, March 31, 2017 (through Saturday, April 1, 2017 with staff testing on Sunday, April 2, 2017)

FIRST DAY OF BUSINESS OPERATIONS AT NEW SITE: Monday, April 3, 2017

LEASE EXPIRATION: March 2027

PROJECT BUDGET AND ACTUAL EXPENSES:

Corpus Christi RSC Relocation Close-Out Budget Analysis

TxDMV Corpus Christi RSC Relocation
Reporting as of 06/13/2017

Recurring Annual Costs	Original Budget Amount	One Time Cost Year 0	LEASE COST Recurring Annual Cost	Variance
Projected 12 month annual (inclusive) rent set at $44,854; plus 3% CPI annual cost per year beginning April 2018 for 3,141 occupied square feet (all office space) - overall is 10 year lease of April 1, 2017 thru March 31, 2027. (1)	$ 39,577.00		$ 44,853.48	$ (5,276.48)
Telephone	$ 8,000.00		$ 8,000.00	$ -
Badge System (Monitoring)	$ 3,000.00		$ 3,000.00	$ -
Security (guard)	$ 19,500.00		$ -	$ 19,500.00
Janitorial*	$ 2,262.00		$ -	$ 2,262.00
Modular Reconfiguration	$ 10,000.00		$ -	$ 10,000.00
Electrical, Gas, Waste Disp *	$ 6,031.00		$ -	$ 6,031.00
Total Recurring Annual Costs	**$ 88,370.00**	**$ -**	**$ 55,853.48**	**$ 32,516.52**
One time Costs				
Contingency	$ 21,635.00	$ -		$ 21,635.00
Estimated Move of Staff/Equipment	$ 8,000.00	$ 6,972.00		$ 1,028.00
Hardcase Furniture	$ 25,000.00	$ 28,594.00		$ (3,594.00)
Modular Furniture	$ 22,611.00	$ 16,721.00		$ 5,890.00
Security System (2)	$ 50,000.00	$ -		$ 50,000.00
IT and Call Center infrastructure technology cost (2)	$ 38,000.00	$ 36,032.05		$ 1,967.95
One time Costs	**$ 165,246.00**	**$ 88,319.05**	**$ -**	**$ 76,926.95**
Totals	**$ 253,616.00**	**$ 88,319.05**	**$ 55,853.48**	**$ 109,443.47**

Estimate based on 10 year lease at 600 N. Staples, Corpus Christi, TX 78401
(1) Estimate based on a full service lease inclusive of these costs: electricity, gas, and janitorial.
(2) Part of Facility Physical Security System Project
FTEs = 9 Required Sq Ft = 3,141

The project came in on time and under budget.

TIMELINE:

October 2015
- TxDMV submits portal to Texas Facilities Commission (TFC) to begin discussions regarding a property search and potential relocation of several TxDMV regional service centers, to include Corpus Christi.

January 2016
- TFC posts request for proposal (RFP) 303-7-20538 on 01/20/16.

March 2016
- RFP closes 03/03/16.
- TFC received one proposal from the Corpus Christi Regional Transit Authority (CCRTA) at their Staples Service Center to be built and located at 600 North Staples, Corpus Christi, Texas 78401.
- Property site visit conducted by TxDMV.

June 2016

- TFC presents property for approval at June Commission meeting; approval received 06/15/16.
- TxDMV presents property for approval at June Board meeting; approval received 06/27/16.

September 2016
- Final lease approved by TxDMV, TFC and CCTRA commissions/boards; TxDMV receives official lease execution through TFC portal on 09/13/16.

October 2016 – March 2017
- Space planning conversations between TxDMV and CCRTA take place; layout designs are drafted, distributed, discussed and updated several times.

December 21, 2016
- Notice to vacate sent to TxDOT Executive Director, James Bass.

March 2017
- Modular installation occured on 03/14/17.
- A week prior to the move, ITD staff have new IT equipment (computers, printers, cash drawers) delivered to new site.
- ITD staff arrive in advance of the move (03/30/17) to begin installations at new site.
- On 03/31/17, Facilities Services arrives at old location and move begins right at 5:00pm with all items transitioning from old location to new location and staff available to finalize packing at old site and to unpack and organize new site late into the evening; ITD representatives continue with installations at the new site and de-installations at the old site.

April 2017
- On 04/01/17, Facilities Services, RSC manager, ITD representatives and move vendor meet at old site; move vendor begins tear down of modular furniture and packing of surplus for overnight storage.
- On 04/01-02/17, ITD and CC RSC staff perform testing and final set up.
- On 04/03/17, CC RSC has a successful first day of operations in their new location.
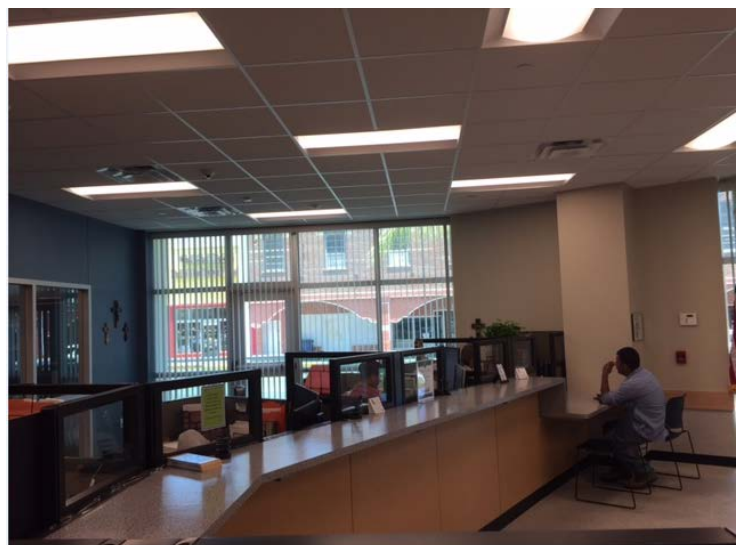
2017 TxDMV San Antonio RSC Relocation
Facilities Services
Photo Diary Progress Update
07/27/2017

PROJECT GOAL: Relocate the VTR San Antonio Regional Service Center and designated ENF investigators to support daily business needs at a new facility by or before August 1, 2017, while also ensuring the facility will meet enhanced agency needs supporting Board video conferencing meetings and potential on-site OAH hearings.
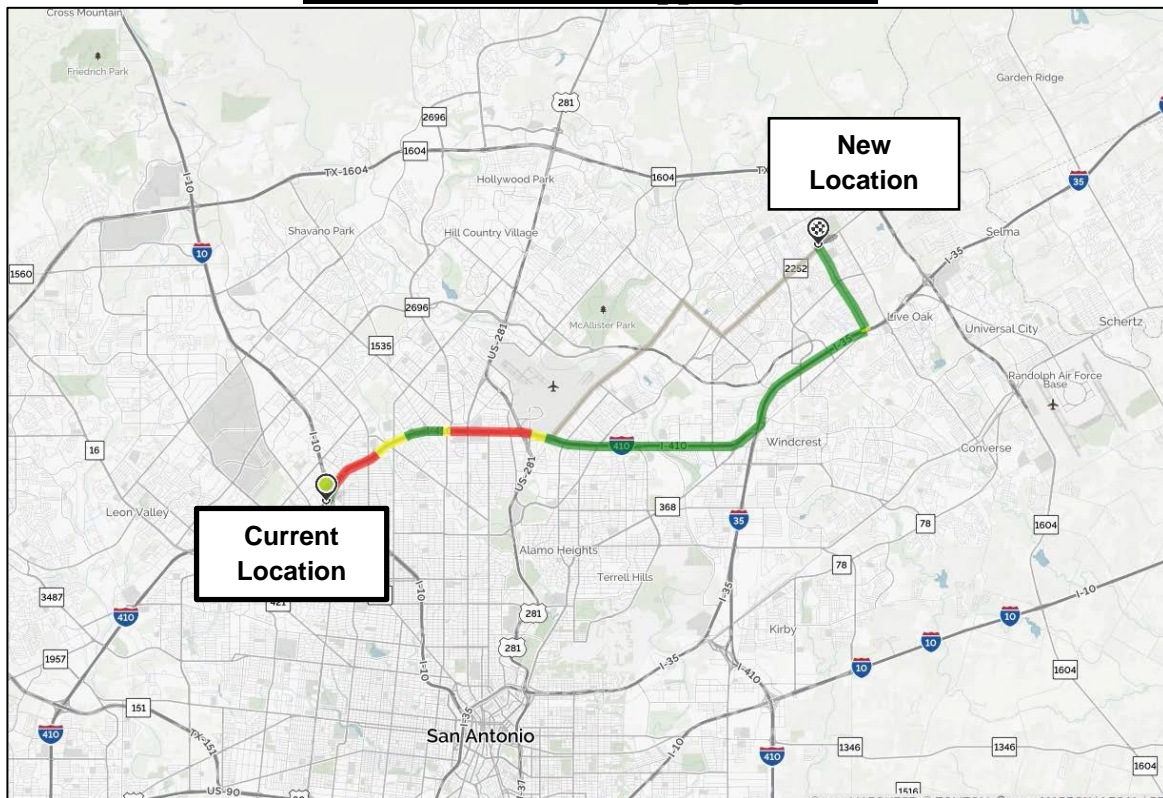
NEW SITE ADDRESS: 15150 Nacogdoches Road, Suite 100, San Antonio, Texas 78233

MOVE-IN COMMENCEMENT: After 5pm on Friday, August 18, 2017 (through Saturday, August 19, 2017 with staff testing on Sunday, August 20, 2017)

FIRST DAY OF BUSINESS OPERATIONS AT NEW SITE: Monday, August 21, 2017

LEASE EXPIRATION: September 2027

New Location Site
(Comanche Trails Shopping Center)

As of 07/17/17 Night Visit (*Continued*)

Building Retrofitting Progress
As of 07/21/17

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 16, 2017
Action Requested: Briefing Only

To: **Texas Department of Motor Vehicles (TxDMV) Finance & Audit Committee**
From: **Sandra Menjivar-Suddeath, Director, Internal Audit**
Agenda Item: **4. D.**
Subject: **Internal Audit Division Status**

RECOMMENDATION
None.

PURPOSE AND EXECUTIVE SUMMARY
The status update provides information on current Internal Audit Division (IAD) activities. This status update includes information on audit and advisory service engagements and external coordination and reviews.

FINANCIAL IMPACT
None.

BACKGROUND AND DISCUSSION

Internal Projects
The IAD has finalized or is currently working on five internal projects:
- Internal Audit Recommendation Follow-Up Engagement
- Annual Quality Assurance Review
- Fiscal Year 2018 Annual Audit Plan
- Payment Card Industry (PCI) Compliance with Credit Card Information Storage
- Continuous Monitoring of Vehicle Registration and Title Transactions Advisory Service

Of those five internal projects, three projects have been finalized: 1) Internal Audit Recommendation Follow-Up Engagement, 2) Annual Quality Assurance Review , and 3)Fiscal Year 2018 Annual Audit Plan.

The Internal Audit Recommendations Follow-Up Engagement reviewed 125 internal audit recommendations that were issued in twelve different audit and advisory service reports. The department had fully implemented 106 (85%) internal audit recommendations. The remaining 19 recommendations either were no longer applicable (four recommendations) due to the age of the recommendation or were partially implemented (fifteen recommendations). The fifteen partially implemented recommendations all have new completion date with the furthest completion date being June 2018.

The Annual Quality Assurance Review determines whether the division is complying with all required audit standards (the Institute of Internal Auditors' International Professional Practices Framework, the U.S. Government Accountability Office's (GAO) Generally Accepted Auditing Standards (GAGAS), and the Texas Internal Auditing Act, Texas Government Code, Chapter 2102). The IAD reviewed work produced from June 2016 to June 2017 to determine compliance with the audit standards. The IAD concluded that the division complies with all required audit standards. Although the IAD complies with all audit standards, there are three opportunities for improvement related to our policies and procedures. Specifically, the IAD should update its policies and procedures to include the following:

- the process for notification when an auditor, who is performing an advisory service, has a threat to independence that could not be mitigated;
- the process for determining if temporary personnel are qualified and competent to participate in an audit; and
- that fraud training be one of the training subjects that should be considered when each auditor develops their annual training plan.

Texas Department *of* Motor Vehicles

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These opportunities for improvement have been addressed in the IAD's policies and procedures and the updated policies and procedures will be in effect at the beginning of Fiscal Year 2018 (September 1).

In addition, the IAD followed up on a previous peer review recommendation related to Information Technology knowledge.

The Fiscal Year 2018 Annual Audit Plan is the work plan for the upcoming fiscal year for the IAD. The audit plan is includes twelve proposed items, audits, and advisory services to be done in Fiscal Year 2018, other Internal Audit division duties, and two contingency audits.

Payment Card Industry (PCI) Compliance with Credit Card Information Storage Audit is in the reporting phase and has an anticipated release date of August 31, 2017.

Continuous Monitoring of Vehicle Registration and Title Transactions Advisory Service is in the reporting phase and has an anticipated release date of August 31, 2017.

State Auditor's Office (SAO) Fraud Hotline Coordination
On June 28, the TxDMV provided the SAO with the SAO Fraud Hotline Coordination Letter for referrals received during the third quarter of FY 2017.

External Coordination
The Internal Audit Division has been tracking the implementation status of recommendations issued in the SAO's audit of the complaint process. Of the 11 recommendations issued, the department has addressed nine of them.

Texas Department *of* Motor Vehicles

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Internal Audit Division August Status Update

Status of Fiscal Year (FY) 2017 Internal Audit Plan

Project	Description	Current Status	Expected Report Release
Internal Audit Recommendation Follow-Up Engagement	This engagement is verifying the implementation status of the internal audit recommendations that had a completion date prior to December 2016.	Completed	See attachment 1
Annual Quality Assurance Review	To assess if the Internal Audit Division is meeting both the Generally Accepted Government Auditing Standards and International Standards for the Professional Practice of Internal Auditing.	Completed	See attachment 2
FY 2018 Internal Audit Plan	To identify audits and advisory services in high- risk areas that will be conducted in FY2018.	Completed	See Board Item - FY2018 Internal Audit Plan
Payment Card Industry (PCI) Compliance with Credit Card Information Storage	To determine if credit card information is being stored electronically.	Reporting	This audit report has been sent to Executive Management for review. The expected released in August 31, 2017.
Continuous Monitoring of Vehicle Registration and Title Transactions Advisory Service	Advisory Service for Vehicle Titles & Registration (VTR) where the division will identify reports that could be used to continuously monitor potentially fraudulent transaction.	Reporting	This audit report has been sent to Executive Management for review. The expected released in August 31, 2017.

State Auditor's Office (SAO) Fraud Hotline Coordination

On June 28, the TxDMV provided the SAO with the SAO Fraud Hotline Coordination Letter for referrals received during the third quarter of FY 2017. The letter included the official agency response to four referrals and provided an updated on two internal referrals.

External Audits

1. SAO – An Audit Report on Complaint Processing at the Department of Motor Vehicles Recommendations Status

Attachments

1. Fiscal Year 2017 Internal Audit Follow-Up Report
2. Letter on the Quality Assurance Review
3. State Auditor's Office – An Audit Report on Complaint Processing at the Department of Motor Vehicles: Recommendation Status

Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2017 Internal Audit Follow-Up Report
17-05

Internal Audit Division
August 2017

Table of Contents

Texas Department *of* Motor Vehicles

Fiscal Year 2017 Internal Audit Follow-Up, 17-05

Executive Summary

WHY AND WHAT WAS REVIEWED

The Internal Audit Division (IAD) produced twelve internal audit and advisory service reports between Calendar Year (CY) 2012 and 2016. In each of these reports, recommendations were made to improve the efficiency and effectiveness of the Texas Department of Motor Vehicles' (TxDMV) operations. In total, 136 internal audit recommendations (recommendations) were issued in the audit and advisory service reports. Out of those 136 recommendations, 125 recommendations (92%) had a completion date before January 1, 2017 or had no assigned completion date.

Although the TxDMV divisions had implemented many of the recommendations, the IAD had not verified the recommendations' implementation status. The verification of the recommendations is important and necessary to provide the Texas Department of Motor Vehicles (TxDMV) Board and Executive Management visibility on whether identified issues have been fully remediated.

This report provides the verified implementation status for the 125 recommendations that had implementation completion dates before January 1, 2017 or had no assigned completion date. The IAD determined if the recommendations were fully implemented, partially implemented, not applicable, or not implemented.

WHAT WE RECOMMENDED

The IAD did not make any additional recommendations in this report as it was a follow-up report. The 15 recommendations determined to be partially implemented remain open, although language updates were made to the recommendation if the function or division had changed.

WHAT WE DETERMINED

The TxDMV has fully implemented 106 (85%) recommendations and has partially implemented 15 (12%) recommendations. For the partially implemented recommendations, divisions provided updated responses (if needed) and new completion dates. All the new completion dates for the partially implemented recommendations are before June 30, 2018. In addition, the IAD determined that four (3%) recommendations were deemed no longer applicable because of changes to the program, division, or function.

MANAGEMENT RESPONSE

For partially implemented recommendations, management provided updated responses and new completion dates.

Overall Conclusion

Strengths

The Texas Department of Motor Vehicles has taken an active approach to implementing internal audit recommendations (recommendations), which resulted in all recommendations being started and most (85%) recommendations being fully implemented. In addition, each TxDMV division was aware of which recommendations were still pending.

Improvements

The Texas Department of Motor Vehicles has not fully implemented fifteen recommendations that affect ongoing issues and could create more efficiencies and effectiveness for the department. The partially implemented recommendations include items related to succession planning, strategic management system, staff skill assessment, information technology security, and data protection.

Below are the audit results that further expand on these areas.

> Result #1: The department has fully implemented 106 of previously issued recommendations and has partially implemented 15 recommendations relating to key functions that need to be completed.

The detailed audit results can be found under the Results section of this report (begins on page 6).

Background

Between Calendar Year (CY) 2012 and CY2016, the Internal Audit Division (IAD) has issued twelve internal audit and advisory service reports about operations within the Texas Department of Motor Vehicles (TxDMV, department). These reports reviewed operations in several TxDMV divisions, including the Automobile Burglary Theft & Prevention Authority, Motor Carrier, Information Technology Services, Vehicle Titles & Registration, and the Finance & Administrative Services divisions. The table below provides a summary for each audit that was part of the follow-up.

Report Number and Name	Summary
P12-15 County Equipment Replacement Project Audit	The audit reviewed the Fiscal Year (FY) 2012 County Equipment Replacement Project (CERP), which updated computers, printers, cabling and networking equipment used by the county Tax Assessor-Collectors' (TACs) offices. The audit identified areas of improvement related to project management, inventory management, and technology enhancements.
P13-06 Audit of Agency Cash Handling Operations	The audit reviewed the cash handling process used in FY2011 at the 16 Regional Service Centers (RSCs) and the Finance & Administrative Services Division. The audit identified improvements related to securing cash and checks at the RSCs, including upgrading equipment (e.g., safes, cash counting machines, and check stamps). The audit also identified the need to have a dedicated team for Certified Copy of Title (CCO) applications submitted by mail.
P13-09 Follow up Audit to State Auditor's Office Report 12-043	The follow up audit determined the implementation status of recommendations issued in the State Auditor's Office (SAO) Report 12-043. The SAO audit reviewed the procurement process of contracted goods and services during FY2010 and FY2011. The SAO determined that the department demonstrated inconsistencies in the procurement of contracted goods and services.
P14-14 Follow up Audit on the Implementation of Recommendations	The follow up audit determined the implementation status for recommendations issued in the Organizational Review conducted by the Azmith Group and four SAO audits. The four SAO audits were the following: • Audit Report on the Financial Responsibility Verification Program (TexasSure) (No. 10-016), • Audit Report on the Department of Motor Vehicles (No. 11-007), • Audit Report on Contract Management at the Department of Motor Vehicles (No. 12-043), and the • Audit Report on Selected State Entities' Compliance with Requirements Related to the Historically Underutilized Business Program and the State Use Program (No. 13-026).

Report Number and Name	Summary
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	The audit reviewed the Automobile Burglary and Theft Prevention Authority grant program, including the awarding and monitoring of grants. The audit identified several areas of opportunities.
15-1 Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	The audit reviewed the management of the TxDMV's contract workers. The audit identified improvements related to the oversight of contractors, including completing a needs assessment prior to obtaining contractors, improving the procurement process, and overseeing the time worked by the contractors.
15-2 Internal Controls over the State of Texas Titling Processes	The audit reviewed the process for titling vehicles. The audit identified areas of improvement related to monitoring of titling transactions.
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	The audit reviewed the processes used to administer department rules and statutes to register and title motor vehicles through TACs. The audit identified improvements in communicating with the TACs, monitoring late registration fee collections, and potential legislative improvements on registration fee collection.
15-5 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	The confidential audit determined the implementation status of the recommendations from a Texas Administrative Code (TAC) 202 assessment. TAC 202 outlines the Information Security Standards that are required to be followed by the department.
16-2 Implementing an Anti-Fraud, Waste and Abuse Program	The advisory service assessed the TxDMV staffs' preparedness and knowledge in preventing, detecting, and reporting fraud, waste, and abuse and provided recommendations to implement a fraud prevention program.
16-3 Audit on the Efficiency of the Texas International Registration Plan (IRP) Compliance Audit Process	The audit reviewed the International Registration Plan (IRP) Audit Compliance Section within the MCD. The IRP allows licensed commercial vehicles that engage in interstate operations to obtain registration credentials in one jurisdiction. The IRP Audit Compliance Section conducts audits to ensure proper payment is given to all states for commercial vehicles that are registered in Texas. The audit identified areas of improvement related to reviewing audits, developing an annual audit plan, and creating an electronic process for conducting and storing audit documentation.
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	The confidential audit reviewed how the department ensures compliance with the Driver Privacy Protection Act and the Motor Vehicle Records Act. The audit identified improvements related to monitoring usage and legislative changes.

To improve the operations of the reviewed divisions, the IAD issued 136 internal audit recommendations (recommendations) across the 12 reports. One hundred twenty five of these

recommendations had completion dates before January 1, 2017 or had no assigned completion date. Specifically, each report had the following number recommendations:

Report Number and Name	Number of Recommendations in the report	Number of Recommendations with completion dates before January 1, 2017 or no completion date
P12-15 County Equipment Replacement Project Audit	16	16
P13-06 Audit of Agency Cash Handling Operations	17	17
P13-09 Follow up Audit to State Auditor's Office Report 12-043	3	3
P14-14 Follow up Audit on the Implementation of Recommendations	4	4
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	39	39
15-1 Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	13	13
15-2 Internal Controls over the State of Texas Titling Processes	10	9
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	5	5
15-5 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	16	14
16-2 Implementing an Anti-Fraud, Waste and Abuse Program	2	2
16-3 Audit on the Efficiency of the Texas International Registration Plan (IRP) Compliance Audit Process	6	2
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	5	1
Total	**136**	**125**

In previous fiscal years, the IAD had not verified the implementation status of recommendations issued in previous internal audit and advisory service reports. As part of the Fiscal Year (FY) 2017 Annual Audit Plan, the IAD decided to verify the implementation status of previously issued recommendations that had a completion date before January 1, 2017 or had no assigned completion date. The IAD determined that a recommendation could have the following implementation status:

- **Fully Implemented**: The department has taken all actions necessary for processes, systems, or policies for a prior recommendation to operate as planned
- **Partially Implemented**: The department has begun to develop and use processes, systems, or policies to implement a prior recommendation but all elements have not been completed.
- **Not Applicable**[1]: The recommendation is no longer relevant.
- **Not Implemented**: The department has not taken any steps to develop a process, system, or policy to address a prior recommendation.

This audit was included in the Fiscal Year 2017 Audit Plan. This follow-up audit was conducted in accordance with Generally Accepted Government Auditing Standards and in conformance with the International Standards for the Professional Practice of Internal Auditing. These standards require that the division plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The IAD believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

The audit was performed by Sandra Menjivar-Suddeath (Internal Audit Director) and reviewed by Mary Lupo (Audit Staff Contractor).

In accordance with the Texas Internal Auditing Act, this report is distributed to the Board of the Texas Department of Motor Vehicles, Governor's Office of Budget, Planning, and Policy, Legislative Budget Board, State Auditor's Office, and the Sunset Advisory Commission. In addition, this report was distributed to the Texas Department Of Motor Vehicles' Executive Management Team.

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[1] Some recommendations are no longer applicable due to the age of the recommendation and organizational changes.

Follow-Up Results

The department has fully implemented 106 of previously issued recommendations and has partially implemented 15 recommendations relating to key functions that need to be completed.

Condition

The IAD verified that the department had fully implemented 106 recommendations (85%) and had partially implemented 15 recommendations (12%). In addition, four recommendations (3%) were deemed not applicable because of changes to the program, function, or department and zero (0%) recommendation were not implemented. The table below summarizes the verified recommendation status (fully implemented, partially implemented, and not applicable) by each report.

Report Number and Name	Fully Implemented	Partially Implemented	Not Applicable	Grand Total
P12-15 County Equipment Replacement Project Audit	14	1	1	16
P13-06 An Audit of Agency Cash Handling Operations	14	1	2	17
P13-09 A Follow-up Audit to State Auditor's Office Report 12-043	3	0	0	3
P14-14 A Follow up Audit on the Implementation of Recommendations	1	3	0	4
P14-15 An Audit of the Automobile Burglary and Theft Prevention Authority	36	2	1	39
15-1 An Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	13	0	0	13
15-2 Internal Controls over the State of Texas Titling Processes	9	0	0	9
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	5	0	0	5

Report Number and Name	Fully Implemented	Partially Implemented	Not Applicable	Grand Total
15-5 A Confidential Follow-up Audit Report on the Information Security Standards Gap Assessment	9	5	0	14
16-2 Implementing an Anti-Fraud, Waste, and Abuse Program	2	0	0	2
16-3 An Audit on the Efficiency of the Texas International Registration Plan Compliance Audit Process	0	2	0	2
16-04 A Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	0	1	0	1
Grand Total	**106 (85%)**	**15 (12%)**	**4 (3%)**	**125**

For the fifteen recommendations that were partially implemented, management provided updated completion dates and responses (as needed). The table below summarizes the recommendations and responses and the updated completion date for each report.

Report Number and Name	Summary of Partially Implemented Recommendation(s) and Response(s)	Updated Completion Date(s)
P12-15 County Equipment Refresh Project	One recommendation remains open related to developing an allocation model for toner, registration paper, and other consumables used at the Tax Assessor-Collectors' offices. The Vehicle Titles & Registration (VTR) Division is working with Finance & Administrative Services Division to identify and compile data elements for toners and forms distributed to the TACs and develop a methodology to assist the department in analyzing consumptions.	• 08/31/2017
13-06 Audit of Agency Cash Handling Operations	One recommendation remains open related to accepting credit and debit cards (cards) at the TxDMV Regional Service Centers (RSCs). The Information Technology Services (ITS) Division	• 12/31/2018

Report Number and Name	Summary of Partially Implemented Recommendation(s) and Response(s)	Updated Completion Date(s)
	– Information Security Section is working with the VTR Division on piloting a card system at the RSCs.	
P14-14 A Follow-Up Audit on the Implementation of Recommendations	Three recommendations remain open related to developing staff competency models, a Strategic Management System program, and a succession plan and talent management program for the department. The Human Resource Division and the Office of Innovation & Strategy are working on these recommendations.	• 08/31/2017 • 12/31/2017 • 01/31/2018
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	Two recommendations remain open related to conducting desk reviews of grantees and updating the audit requirements in the Operational Guide to match in the Uniform Grant Management Standards. The Automobile Burglary and Theft Prevention Authority are updating their procedures.	• 12/31/2017 • 12/31/2017
15-5 A Confidential Follow-Up Audit Report on the Information Security Standards Gap	Five recommendations remain open related to gaps identified in a Texas Administrative Code (TAC) 202 assessment. The ITS Division – Information Security Section is working on addressing these recommendations.	• 08/31/2017 • 08/31/2017 • 08/31/2017 • 08/31/2017 • 06/30/2018
16-3 An Audit on the Efficiency of the Texas International Registration Plan Compliance Audit Process	Two recommendations remain open related to establishing an electronic audit documentation system and reclassifying staff that conduct the audits to auditors (job audit). An electronic audit documentation system was implemented; however, staff were not using it consistently. In addition, a job audit is in the process of being submitted to the Human Resource Division for review and approval by the Motor Carrier Division.	• 08/31/2017 • 12/31/2017
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	One recommendation remains open related to seeking legislative changes to Transportation Code §730.007. Legislation was filed in the 85th Legislature, but the legislation did not pass. VTR and the Office of General Counsel will propose rules to address the recommendation.	• 03/31/2018

For the four recommendations that were deemed not applicable, the table below describes each recommendation and the reason it was considered not applicable.

Report Number and Name	Recommendation	Reason for No Longer Applicable
P12-15 County Equipment Refresh Project	Require staff to utilize the AICS system whenever transferring equipment.	The department began using the Centralized Accounting and Payroll/Personnel System (CAPPS) for all inventory and no longer uses AICS.
13-06 Audit of Agency Cash Handling Operations	The VTR Division should develop or work with the Government and Strategic Communication Division to develop a communication to Tax Assessor-Collector offices to remind them that Vehicle Transfer Notifications (VTNs) no longer require any payment to TxDMV and that updated forms should be used.	Communication was no longer needed as the no-charge VTN transfer policy has been in effective for several years and issues no longer exist with the enforcement of that policy.
13-06 Audit of Agency Cash Handling Operations	Consider implementing a check verification process.	The check verification process is no longer applicable since a pilot will be conducted for accepting debit and credit cards at an RSC in the near future.
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	Review access levels in eGrants periodically to ensure they are appropriate and remove access for users that are no longer with the Automobile Burglary and Theft Prevention Authority or a grantee.	eGrants is no longer used for the management of ABTPA grants and no electronic system was in place during the follow-up.

Appendix 1: Objectives, Scope, and Methodology

Objectives

The objective of this audit was to determine and verify the implementation status of internal audit recommendations issued.

Scope and Methodology

The scope of the audit included any internal audit recommendation that had a completion date before January 1, 2017 or had no assigned completion date for audits issued between Calendar Year 2012 and 2016.

Information and documents that IAD reviewed included the following:

- *Department policies and procedures*
- *Department forms*
- *ABTPA grant documentation*
- *Meeting minutes and notes*
- *Texas legislature documents*
- *TxDMV contractor information*
- *Job descriptions*
- *Division recommendation status documentation*
- *TxDMV Internal Audit Division reports*

Memorandum

To:	Texas Department of Motor Vehicles Board Members
From:	Sandra Menjivar-Suddeath, Internal Audit Director
Date:	July 24, 2017
Subject:	Letter on the Quality Assurance Review of the Texas Department of Motor Vehicles (TxDMV) Internal Audit Division

SUMMARY OF RESULTS

The Internal Audit Division (IAD) has completed the annual review of internal audit's Quality Assurance and Improvement Program for the period of June 2016 to June 2017. The review included an internal self-assessment review and a follow-up on the opportunity of improvement identified in the IAD's April 2015 External Quality Assurance Review (peer review).

The internal self-assessment concluded that the IAD complies with the (1) Institute of Internal Auditors' *International Professional Practices Framework* (IIA Standards*)*, the definition of internal auditing, the *Core Principles for the Professional Practice of Internal Auditing* and the *Code of Ethics*; (2) U.S. Government Accountability Office's (GAO) *Generally Accepted Auditing Standards* (GAGAS); and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act). The external peer review concluded in 2015 that the IAD complies with the (1) *International Professional Practices Framework* (IIA Standards*)*, the definition of internal auditing, and the *Code of Ethics*; (2) U.S. Government Accountability Office's (GAO) *Generally Accepted Auditing Standards* (GAGAS); and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act). The external peer review did not review compliance with the IIA's *Core Principles for the Professional Practice of Internal Auditing* since it was not required at the time of the review.

The internal self-assessment identified three opportunities for improvement related to updating the division's policies and procedures. Specifically, the division's policies and procedures needed to be updated to include the following:

- the process for notification when an auditor, who is performing an advisory service, has a threat to independence that could not be mitigated;
- the process for determining if temporary personnel are qualified and competent to participate in an audit; and
- that fraud training be one of the training subjects that should be considered when each auditor develops their annual training plan.

The IAD has drafted these changes in its division's policies and procedures and the changes will be in effect on September 1, 2017 (the beginning of Fiscal Year (FY) 2018).

The external peer review conducted in April 2015 by a peer review team gave the IAD a rating of "pass" out of three possible ratings: pass, pass with deficiencies, or fail. In its report, the peer review team identified one opportunity for improvement about considering the addition of audit resources whose primary expertise is auditing information technology (IT). The IAD Director agreed and also stated that the division would take steps to increase the IT knowledge of their current resources. Since the peer review, the IAD staff has increased their IT knowledge by taking training on emerging and current IT audit issues and having one staff member join the Information Systems Audit and Control Association (ISACA). In addition, the Internal Audit Director is a Certified Information Systems Auditor (CISA) and is currently taking coursework to obtain her associates in computer science.

BACKGROUND

Audit standards require that the director of internal audit develop and maintain a Quality Assurance and Improvement Program that includes both internal and external assessments of the internal audit activity. The IIA Standards require that the results of these periodic assessments be communicated to the governing board at least annually. The IIA Standards and the GAGAS require that internal audit's Quality Assurance and Improvement Program 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 Quality Assurance and Improvement Program provides reasonable assurance that internal audit complies with applicable professional standards in all material aspects.

INTERNAL SELF-ASSESSMENT

The IAD maintains an ongoing Quality Assurance and Improvement Program and performs ongoing monitoring as required. As part of this program, the IAD completed an annual internal self-assessment in July 2017 and had an independent internal auditor (e.g., auditor was not responsible for conducting the audit work or project management on the projects reviewed) review the self-assessment. The auditor validated the results of the annual internal self-assessment done by the Internal Audit Director, as prescribed by the IAD's current policies and procedures.

Based on the self-assessment results, the TxDMV Internal Audit Division complies with the IIA Standards, the definition of internal auditing, the *Core Principles for the Professional Practice of Internal Auditing,* the IIA's *Code of Ethics*, GAGAS, and the Act. The results identified three

opportunities for improvement related to the policies and procedures being more specific about independence issues in advisory services, temporary personnel qualifications, and including fraud training in the annual training plan.

Opportunity for Improvement: The Internal Audit Division should state the process for notification when an auditor has an independence issue, during an advisory service that could not be mitigated. Currently, the division's policies and procedures discuss auditor's independence during an audit or advisory service and the need to put in safeguards when issues arise. However, the policies and procedures do not explicitly discuss the action and notification needed when an auditor's independence issue cannot be mitigated. The IAD has updated its policies and procedures to address this opportunity. The updated policies and procedures will be in effect at the beginning of Fiscal Year 2018.

Opportunity for Improvement: The Internal Audit Division should include fraud training as training subjects to consider when each auditor develops their annual training plan. The division's policies identify the types of training subjects that should be considered when each auditor is developing their annual training plan. The policies imply fraud courses, however, there is no explicit statement in the policies. The IAD has updated its policies and procedures to address this opportunity. The updated policies and procedures will be in effect at the beginning of Fiscal Year 2018.

Opportunity for Improvement: The Internal Audit Division should state how the division will determine if temporary personnel, who are assisting on audits, are qualified and competent to work on the audit. The division's policies and procedures require any auditor, regardless if they are Full-Time Equivalents (FTEs) or temporary personnel, to attest that they are qualified and competent to work on an audit. However, since temporary personnel, are on audits as needed, the division's policies and procedures should include a section on what additional documentation may be need to ensure temporary personnel are qualified and competent. The IAD has updated its policies and procedures to address this opportunity and the policies. The updated procedures will be in effect at the beginning of Fiscal Year 2018.

EXTERNAL PEER REVIEW

The TxDMV IAD completed its inaugural peer review in March 2015, and the peer review team released its report on April 1, 2015, which rated the TxDMV IAD as "pass". The following is an excerpt from the peer review report's overall opinion:

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Motor Vehicles (TxDMV) Internal Audit Division receives a rating of "pass" and is in compliance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (effective January 1, 2013) and Code of Ethics, the United States Government Accountability Office (GAO) Government Auditing Standards (December 2011 Revision), and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). This opinion, which is the highest

of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.

The report noted one opportunity for improvement; the opportunity and the Internal Audit Director's response is as follows:

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.

Director's Response:
The Director agrees with the above opportunity for improvement. Current staff will take steps to increase their technology skills and knowledge through professional development. If an audit requires technical skills the audit team does not possess, the Division will request approval to hire a temporary contract IT auditor. Also, the Internal Audit Division will seek an auditor with information technology experience when it has a vacancy or if additional resources are assigned to the division.

The IAD is actively working on addressing this opportunity of improvement and has taken several steps to increase its knowledge in auditing technology. The steps taken have included more training focused on IT for each auditor and having our auditor VI become a member of the Information Systems Audit and Control Association (ISACA). The auditor VI will begin studying for the Certified Information Systems Auditor (CISA) exam in FY2018. In addition, the Internal Audit Director is a CISA and is currently taking coursework to obtain her associates in computer science.

The IAD will be obtaining another peer review in FY2018 to maintain compliance with the audit standards. The peer review team will follow up on the Opportunity for Improvement as well as review compliance with all audit standards that the IAD is required to follow.

Please let me know if you have any questions or concerns.

cc: Whitney Brewster, Executive Director
       Shelly Mellott, Deputy Executive Director
       Terri Tuttle, Board Liaison

Texas Department *of* Motor Vehicles

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State Auditor's Office – An Audit Report on Complaint Processing at the Department of Motor Vehicles: Recommendation Status

Background

In May 2017, the State Auditor's Office (SAO) issued their audit report on the department's process for handling complaints. The SAO looked at the department's complaint process and complaints received in Fiscal Year (FY) 2016 to the first quarter of FY 2017 and the two Information Technology (IT) systems used by the department to handle the complaints. Those two systems were the Complaint Management System (CMS) and the Licensing, Administration, Consumer Affairs, and Enforcement (LACE) system.

The SAO found that the department had sufficient evidence to show that complaints were investigated properly. The SAO also found that the department could improve the complaint process by updating the standard operating procedures, restricting system access, and providing definition information when complaint information is reported to stakeholders. Specifically, the SAO issued 11 recommendations. The department agreed with the recommendations and stated that they would correct all the recommendations by June 30, 2017.

The Internal Audit Division tracked the recommendations and worked with the Enforcement (ENF) and the Information Technology Services (ITS) divisions to collect the evidence to show that the recommendations were implemented. In the section below, the Internal Audit Division provides its assessment on whether the recommendations were implemented, based on the evidence reviewed. [1]

Recommendation Status

SAO Chapter Number	SAO Recommendation	IAD Implementation Assessment
Chapter 1-B	Document its required process for reviewing complaint investigations, and appropriately restrict access in its complaint tracking systems for its reviews of complaint investigations. Completion Date: May 15, 2017	Implemented and Verified. The Enforcement Division updated its standard operating procedures to document the required process for reviewing complaint investigations. In addition, the ITS Division restricted access to the systems.

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[1] The Internal Audit Division did not close the recommendations as it is the division's policy to only provide a preliminary assessment of the implementation status for external audit recommendation.

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Chapter 1-B	Maintain sufficient documentation to show the reasons it did not take action on complaints and the reasons it deleted complaints. Completion Date: May 15, 2017	Pending. The Enforcement Division is working with the vendor to update eLicesning to require comments on complaints that are inactive (e.g., no action taken). Once eLicensing is changed, standard operating procedures will be updated.
Chapter 1-B	Notify parties to complaints of the status of the complaints with the frequency that statute requires, or maintain sufficient documentation to show the reasons that notification would jeopardize an ongoing investigation. Completion Date: June 30, 2017	Implemented and Verified. Complaint status notifications are being sent to complainants in eLicensing and CMS as of June 30, 2017. In addition, the Enforcement Division has updated their standard operating procedures to include the requirement to notify complainants of their complaint status.
Chapter 1-C	Implement a process to review the accuracy of complaint data entered into its complaint tracking systems, including key dates that it uses for internal reporting and to track the timeliness and effectiveness of complaint investigations. Completion Date: N/A	Implemented and Verified. Updates were made to the CMS system in April to restrict access and to automate dates.
Chapter 1-C	To reduce the risk of misinterpretation of its reports on complaints, ensure that those reports include (1) its definition of a complaint and (2) only activities that meet that definition. Completion Date: May 15, 2017	Pending. The Enforcement Division is working with the vendor to allow eLicensing to identify when a complaint is derived from an external or internal source. The standard operating procedures will updated once eLicensing is changed .
Chapter 2	Ensure that password controls for its complaint systems comply with Department security policies and industry best practices. Completion Date: N/A	Verified and Implemented. The ITS Division made the necessary changes on April 6, 2017, prior to the release of the report.

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Chapter 2	Disable employees' and contractors' access to its complaint systems promptly upon termination of employment or services. Completion Date: N/A	Verified and Implemented. The ITS Division removed access of employees and contractors that were no longer employed or had their services terminated on March 10, 2017. In May 2017, the ITS Division updated its standard operating procedures to include access validations for server and database accounts.
Chapter 2	Ensure that user access privileges for its complaint systems align with users' job duties, and promptly modify user access privileges when users' job duties change. Completion Date: N/A	Verified and Implemented. The ITS Division removed access of employees and contractors that were no longer employed or had their services terminated on March 10, 2017. In May 2017, the ITS Division updated its standard operating procedures to include access validations for server and database accounts.
Chapter 2	Remove access that allows developers to move their own code into the production environment. Completion Date: May 31, 2017	Verified and Implemented. The ITS Division made the necessary changes on May 31, 2017.
Chapter 2	Ensure that its complaint systems contain the applications controls necessary to ensure data integrity and appropriate segregation of duties related to complaint processing. Completion Date: N/A	Verified and Implemented. On April 6, 2017, the ITS Division made the necessary changes to the CMS system to ensure data integrity and appropriate segregation of duties. eLicensing already had those controls.