

# Board Meeting Agenda Book

---



**Texas Department *of* Motor Vehicles**

HELPING TEXANS GO. HELPING TEXAS GROW.

**February 7, 2018**

**Finance and Audit**

**Committee Meeting, 3:00 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, FEBRUARY 7, 2018**  
**3:00 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**

PAGE

**BRIEFINGS AND ACTION ITEMS**

3. **Consideration and Possible Recommendation for Action to the Full Board:**
  - A. [Request TxDMV Board to recommend Unexpended Balance Authority for ABTPA](#) - Bryan Wilson and Linda M. Flores
  - 6 B. [Delegation of Signature Authority to the Executive Director for Execution of New Contract for Standard Presumptive Value Calculator](#) - Jonathan O'Quinn
4. **Briefing Items:**
  - 7 A. [2017 End of the Year Reports](#) - Linda M. Flores and Sergio Rey (BRIEFING ONLY)
    - Annual Financial Report
    - Annual Report of Nonfinancial Data
  - 62 B. [FY 2018 Quarterly Financial Report](#) - Linda M. Flores and Renita Bankhead (BRIEFING ONLY)
  - 73 C. [FY 2018 Operating Budget Contracts](#) - Linda M. Flores and Renita Bankhead (BRIEFING ONLY)
  - 81 D. [Facilities Update](#) - Linda M. Flores and Ann Pierce (BRIEFING ONLY)
  - E. [Peer Review Process](#) - Sandra Menjivar-Suddeath (BRIEFING ONLY)
  - 86 F. [Internal Audit Update](#) - Sandra Menjivar-Suddeath (BRIEFING ONLY)
    - 105 • Open Records Audit
    - TxDMV Fund Audit
    - Advisory Service on Law Enforcement Training Oversight by Tx. Commission on Law Enforcement (TCOLE)

**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.
- **Section 551.074** - Personnel matters.
  - Discussion relating to the appointment, employment, evaluation, reassignment, duties, discipline, and dismissal of personnel.
- **Section 551.089** - 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.

DATE: February 8, 2018

Action Requested: APPROVAL

---

**To:** Texas Department of Motor Vehicles (TxDMV) Board  
**From:** Bryan Wilson, ABTPA Director on behalf of the ABTPA Board  
**Agenda Item:** 5  
**Subject:** Request TxDMV Board to recommend to LBB Unexpended Balance Authority for ABTPA

---

**RECOMMENDATION**

Make a written request to the Legislative Budget Board on behalf of the board of the Automobile Burglary and Theft Prevention Authority (ABTPA) for unexpended balance authority for up to \$500,000 within the biennium for appropriations related to the ABTPA.

**PURPOSE AND EXECUTIVE SUMMARY**

Funds appropriated to ABTPA are from General Revenue (GR) and are a line item in the TxDMV Appropriations Act pattern. Under General Appropriations Act FY 2018-2019 Article IX, Section 14.05, the TxDMV may request from the Legislative Budget Board the authority to transfer any unexpended and unobligated balances remaining as of August 31, 2018 for the same purposes for the fiscal year beginning September 1, 2018.

**FINANCIAL IMPACT**

Unexpended balance authority will help ABTPA avoid deeper cuts to grant programs and avoid losing more of the specially trained motor vehicle burglary and theft investigators supported by those grants. It would provide ABTPA flexibility in managing the funds to better meet their statutory purpose to combat motor vehicle burglary and theft. Funds will be used to ensure as many officers as possible remain on the job and that they have equipment, supplies and operating costs to perform their duties to reduce motor vehicle crimes.

**BACKGROUND AND DISCUSSION**

ABTPA funds that are not obligated before the end of the fiscal year lapse back into the GR Fund. The balance of lapsed GR funds for the last closed year (AY2016) was \$527,882. These grant funds are used to maintain a statewide collaborative network of highly trained law enforcement investigators. These officers mainly investigate motor vehicle burglaries and thefts. They also investigate many related crimes to convert stolen vehicles and property into economic gain where criminal enterprises fraudulently use state titling and related systems. Also, the law enforcement officers funded by ABTPA constitute the bulk of qualified officers who can legally identify vehicles using confidential means to support title and registration activities in the state of Texas.

The appropriation for ABTPA for the current biennium was cut by 14.5% compared to the last biennium. While funding for ABTPA grant programs was reduced, the legislature also added additional border security requirements. Failure to carry forward any unexpended funds means a likely further erosion in the number of law enforcement officers who support the state title and registration system.

**ABTPA Board Members****Chief Carlos Garcia****Chair**Law Enforcement Representative  
Brownsville, Texas**Ken Ross**Insurance Representative  
Houston, Texas**Ashley Hunter**Insurance Representative  
Austin, Texas**Linda Kinney**Consumer Representative  
Dripping Springs, Texas**Armin Mizani**Consumer Representative  
Keller, Texas**Tommy Hansen**Law Enforcement Representative  
Galveston, Texas

Ex Officio Member

**Steven C. McCraw**Major Wynn Reynolds—Designee  
Texas Department of Public Safety  
Austin, Texas**Bryan E. Wilson**

Director

January 29, 2018

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

RE: Request to the Legislative Budget Board for Unexpended Balance Authority

Dear Chairman Palacios:

Please consider in the next meeting of the Texas Department of Motor Vehicles (TxDMV) Board directing TxDMV management, to make a written request to the Legislative Budget Board for unexpended balance authority for up to \$500,000 within the biennium for appropriations related to the Automobile Burglary and Theft Prevention Authority (ABTPA).

Per the General Appropriations Act FY 2018-2019 Article IX, Section 14.05, an agency may transfer any unexpended and unobligated balances remaining as of August 31, 2018 for the same purposes for the fiscal year beginning September 1, 2018 if the agency has been granted written approval of the Legislative Budget Board.

ABTPA funds that are not obligated before the end of the fiscal year lapse back into the General Revenue (GR) Fund. The balance of lapsed GR funds for the last closed year (AY2016) was \$527,882. These grant funds are used to maintain a statewide collaborative network of highly trained law enforcement investigators (referred to as Taskforces). These officers mainly investigate the motor vehicle crimes of motor vehicle burglary and theft. They also investigate many related crimes to convert stolen vehicles and property into economic gain where criminal enterprises use or falsify state titling and transaction systems. The ABTPA taskforce law enforcement officers constitute the bulk of qualified officers who can appropriately identify vehicles using confidential means to support title and registration activities for the state of Texas. Failure to carry forward these funds means a potential erosion of law enforcement officers who support the state title and registration system.

As you are aware, the appropriation for ABTPA for the current biennium was cut by 14.5% compared to the last biennium. While funding for ABTPA grant programs was reduced, the legislature also added additional border security requirements. Unexpended balance



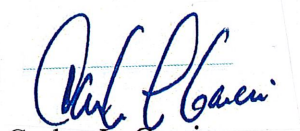
Page 2 – Letter to TxDMV Chairman Palacios

authority would be an important budgeting tool that will help ABTPA avoid deeper cuts to grant programs and avoid losing more of the specially trained motor vehicle burglary and theft investigators. The authorization would provide critical flexibility in managing the funds awarded to law enforcement agencies to their statutory purposes of combating motor vehicle burglary and theft. Funds will be used to ensure as many officers as possible remain on the taskforces and that the taskforces have equipment, supplies and operating costs to perform their service to the state of reducing these crimes

By submitting a formal, written request for unexpended balance authority for ABTPA related funds, you will help ensure ABPTA can continue its important work for the people of Texas.

Please contact me or the ABTPA Director, Bryan Wilson if you have any questions about this request.

Sincerely,



Carlos L. Garcia  
ABTPA Board Chair  
Chief of Police, Port of Brownsville

DATE: February 7, 2018

Action Requested: APPROVE DELEGATION TO THE EXECUTIVE  
DIRECTOR OF CONTRACT EXECUTION

To: Texas Department of Motor Vehicles (TxDMV) Board Finance & Audit Committee  
From: Jonathan O'Quinn, Chief Information Officer (Interim)  
Agenda Item: 3.B.  
Subject: Contract on Standard Presumptive Value (SPV) calculator for the TxDMV website

---

**RECOMMENDATION**

This agenda item is a request to delegate authority to the Executive Director to execute a contract for refresh of the Standard Presumptive Value (SPV) calculator for the TxDMV website.

**PURPOSE AND EXECUTIVE SUMMARY**

The Texas Department of Motor Vehicles (TxDMV) will request responses from vendors to provide software as a service (SaaS) for the purpose of calculation of the Standard Presumptive Value (SPV) of a vehicle to the public. The Request for Offer (RFO) for the services is not yet posted. Staff is requesting authority be delegated to the Executive Director to execute a contract, including up to three (2) optional renewals for two (2) years each for the service.

**FINANCIAL IMPACT**

This contract will be funded from FY18-19 Information Technology Services Division (ITSD) operating budget. As this is an ongoing procurement, financial implications should not be discussed in an open meeting.

**BACKGROUND AND DISCUSSION**

Texans who buy a used vehicle from anyone other than a licensed vehicle dealer are required to pay motor vehicle sales tax of 6.25 percent on the purchase price or standard presumptive value (SPV), whichever is the highest value.

SPV applies wherever the vehicle is purchased, in Texas or out of state. A vehicle's SPV is its worth based on similar sales in the Texas region. The Texas Legislature passed the law in 2009 to raise additional revenue to fund Texas schools.

Currently TxDMV is required to maintain information on standard presumptive value per Texas Tax Code §152.0412(f).

(f) The Texas Department of Motor Vehicles shall maintain information on the standard presumptive values of motor vehicles as part of the department's registration and title system. The department shall update the information at least quarterly each calendar year and publish, electronically or otherwise, the updated information.

This requirement by providing real time information obtained from the vendor and through the TxDMV website.

DATE: February 7, 2018

Action Requested: BRIEFING ONLY

To: Texas Department of Motor Vehicles (TxDMV) Finance and Audit Committee  
From: Linda M. Flores, Chief Financial Officer  
Agenda Item: 4. A.  
Subject: 2017 End of Year Reports

---

### RECOMMENDATION

This is a briefing of the Annual Financial Report and the Annual Report of Nonfinancial Data for year ended August 31, 2017. No action required.

### PURPOSE AND EXECUTIVE SUMMARY

The Annual Financial Report is prepared in compliance with Texas Government Code, Section 2101.011 and in accordance with the reporting requirements established by the Comptroller's Office. The report is not audited but will be considered for audit by the State Auditor's Office as part of the State of Texas Comprehensive Annual Financial Report. The annual report was submitted to the Texas Comptroller by November 20, 2017, in compliance with the established deadline.

Government Code Section § 2101.0115 was added by Act of May 26, 2001, 77th Leg., R.S., H.B. 2914 and requires state agencies to submit an *Annual Report of Nonfinancial Data*. This report includes nonfinancial schedules previously included in the Annual Financial Report. The *Annual Report of Nonfinancial Data* was submitted to the Office of the Governor in accordance with the established December 31, 2017, deadline.

### FINANCIAL IMPACT

In Fiscal Year 2017, the TxDMV's method of finance (funding source) was funded by the re-created Texas Department of Motor Vehicle Fund (Fund 0010) and General Revenue Fund (Fund 0001) making significant impacts in the agency's reporting.

### BACKGROUND AND DISCUSSION

#### *Annual Financial Report - Exhibit I – Combined Balance Sheet (Statement of Net Assets)*

The TxDMV closes FY 2017 with an increase of approximately \$30 million from last year's total net asset balance.

- Cash in State Treasury consist of revenues collected and deposited into the TxDMV Fund. Prior to this fiscal year, these same revenues were deposited to the General Revenue Fund and reported in the Comptroller's Office financial statements.
- Legislative Appropriations represents the unspent appropriations in General Revenue (Fund 0001.) This includes any benefits appropriations. In 2016, the TxDMV was funded 100% with General Revenue. In 2017, the decrease to Legislative Appropriations is from the changes in our funding structure from General Revenue to the TxDMV Fund.
- Accounts Receivable represents the amounts due from Tax Assessor Collectors and Regional Offices less collections.
- In Capital Assets, the non-current asset had a net decrease as a result of the increases in the amortization from prior fiscal year purchases of computer software.
- Accounts Payable has a significant decrease of accrued expenditures associated with Fiscal Year 2017 which processed in the month of September. Fewer material invoices associated with work performed or received in latter part of Fiscal Year 2017 were processed after the August 31<sup>st</sup> reporting deadline.

#### *Annual Financial Report - Exhibit II – Combined Statement of Revenues, Expenditures, and Changes in Fund Balances*



## Revenues

In the State's income statement exhibit, the TxDMV revenue collections were impacted by expected decreases in General Revenue.

- Legislative Appropriations: Original and Additional Appropriations (salary benefits, i.e. OASI, Retirement, Insurance, and Benefit Replacement Plan) decreased since our operations were funded by the TxDMV Fund (Fund 0010) in FY 2017.
- Licenses, Fees and Permits reflect only the revenue collected and reportable by the TxDMV. In 2017, State Highway Fund revenue increased approximately \$22 million, or 1.46% compared to FY2016 because of natural growth, and this year's TxDMV Fund revenue was approximately \$153 million.

## Expenditures

Expenditures increased overall during FY 2017 primarily due to expenditures associated with mailing contract changes and the computer equipment refresh projects.

- Salaries and Wages reflect an increase from last year as a result of the long-term liability adjustment. This adjustment reflects the accumulated dollar value of the employees' annual and sick leave balances from the current and prior years which has not been used.
- Professional Fees and Services reflect a decrease from FY 2016 from the reduction of data processing services (\$2.9 million) associated with the completion of projects, like eLicensing, and the reduction of services paid through the TxDOT Memorandum of Understanding (MOU).
- Materials & Supplies reflect the increases in postage costs (\$5.8 million) and the counties' computer equipment related costs (\$5.7 million).
- Repairs & Maintenance reflect an increase from additional computer software maintenance agreements procured in FY 2017.

## *Annual Financial Report - Exhibit VI – Combined Statement of Net Assets*

This exhibit reflects the August 31 cash balances in funds that are fiduciary in nature (i.e., non-operating activities such as child support, suspense fund, the Unified Carrier Registration Fund 1645, the International Registration Plan Fund 0021, City/County/MTA/SPD fund) to the TxDMV. These are detailed in Exhibit J-1.

## *Annual Report of Nonfinancial Data*

- **Appropriation Item Transfer Schedule** identifies transfers of appropriated money between the agency's appropriated strategies.
  - In Fiscal Year 2017, transfers were limited to one-time costs primarily for additional VTR postage expenditures and contract services in CRD for the implementation of the new eLicensing system.
- **HUB Strategic Plan Progress Form** provides a percentage of historically underutilized businesses (HUBs) used by an agency for specific procurement categories.
  - In 2017, TxDMV's continued growth in procurement history and HUB goals accurately reflect the department purchases. Fiscal year 2017 included major projects that HUB vendors were unable to bid upon ultimately affecting reporting numbers. Considering special projects, our HUB goals will be adjusted accordingly. TxDMV afforded HUBs the opportunity to meet with agency staff and participate in the mentor protégé program. TxDMV has also discussed upcoming projects and organizational needs with HUB vendors at outreach forums. Through this effort, HUBs are more successful in doing business with state agencies.
  - The decreases in FY2017 are associated with Fiscal year 2016 one-time building renovations for Camp Hubbard carpet and flooring repairs, and to large IT projects' expenditures with non-HUB vendors and state contract vendors offsetting against TxDMV HUB outreach to services vendors.

- **Indirect Cost Schedule** provides detailed information about expenditures paid by or on behalf of the TxDMV for employee benefits including Social Security benefits, health insurance, retirement contributions, benefit replacement pay, and workers' and unemployment compensation. It also includes indirect costs related to debt service and services provided by oversight agencies like the Comptroller, Attorney General, Department of Information Resources, and State Auditor.
  - Payroll-related costs were higher in FY2017 due to increases in employee insurance costs, specifically retiree insurance paid by the Employee Retirement System on the department's behalf. These costs are billed to agencies annually if the agencies' method of finance includes other funding sources. In 2016, TxDMV was not billed since its salaries expenditures were paid from General Revenue (Fund 0001).
  - The Statewide Cost Allocation Plan (SWCAP) identifies and allocates costs the State incurs for central services provided by specific agencies. Agencies reimburse General Revenue from other funding sources based on an allocation of current year appropriated funds. The TxDMV's FY2017 SWCAP allocation was based on actuals from FY2014. These costs allocated in FY2017 include services from the Comptroller, Department of Public Safety, Texas Facilities Commission, and the Office of Governor's Budget and Policy Division.
- **Schedule of Professional/Consulting Fees and Legal Service Fees** provides an itemized list of fees paid for professional, consulting and legal services. The schedule includes the name of the vendor paid, the amount paid, and the reason the services were provided.
  - In FY2017, there was a decrease of approximately \$3 million in expenditures specifically for data processing services with the completion of projects like eLicensing, and the reduction of services paid through the TxDOT Memorandum of Understanding (MOU). Below is a chart of vendors whose annual expenditures exceeded \$300,000:

**Professional/Consulting Services Vendors – Expenditures over \$300,000 in FY2017**

Name	Amount	Service Provided
Texas Department of Information Resources	9,348,192.78	Computer Services-Statewide Tech. Center
Deloitte Consulting LLP	8,846,761.58	Information Technology Services
TIBH Industries INC	1,167,700.91	Information Technology Services
Carahsoft Technology Corporation	805,103.51	Information Technology Services
Explore Information Services LLC	732,619.50	Information Technology Services
NTT Data Inc.	626,988.84	Data Processing Services
NF Consulting	568,834.50	Information Technology Services
Southwest Research Institute	368,026.73	Consultant Services Other

- **Schedule of Space Occupied** lists the name and address of each building an agency occupies, the total amount of square feet leased, and the amount of square feet used in a state-owned building. It also lists the cost per square foot leased, the annual and monthly costs of leased space, and the name of each lessor.
  - TxDMV moved into the Corpus Christi location in April, 2017, and into the San Antonio location on August 28, 2017.
- **Schedule of Vehicles Purchased** lists the vehicles purchased during this fiscal year.
  - There were no vehicles procured during FY2017.
- **Alternative Fuel Program Status** lists the number of vehicles purchased by fiscal year that use alternative fuel. Fuel usage is listed with the number of gallons used during the year.
- **Schedule of Itemized Purchases** identifies proprietary purchases that are procured from one vendor without considering an equivalent product to be supplied by another vendor. The schedule must provide a written justification explaining the need for the specifications, the reasons that competing products were not satisfactory and additional information as required by the Comptroller. The schedule identifies each product purchased, the amount of the purchase, and the name of the vendor.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

# Annual Financial Report

Fiscal Year Ended August 31, 2017



# **Annual Financial Report**

## Fiscal Year Ended August 31, 2017



Texas Department *of* Motor Vehicles

Prepared by the  
Finance & Administrative Services Division

November 20, 2017

February 7, 2018

**Texas Department of Motor Vehicles Board**

Raymond Palacios, Jr., Chair

Blake Ingram, Vice-Chair

Robert "Barney" Barnwell, III

Luanne Caraway

Brett Graham

Kate Hardy

Gary Painter

Guillermo "Memo" Treviño

John H. "Johnny" Walker, III

Whitney H. Brewster

Executive Director

## TABLE OF CONTENTS

	<b>Page</b>
<b>Letter of Transmittal</b>	v
<b>Combined Financial Statements:</b>	
Exhibit I Combined Balance Sheet/Statement of Net Assets - Governmental Funds	2
Exhibit II Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds	4
Exhibit VI Combined Statement of Fiduciary Net Assets - Fiduciary Funds	5
<b>Notes to the Financial Statements</b>	8
<b>Combining Financial Statements:</b>	
Exhibit A-1 Balance Sheet - All General and Consolidated Funds	24
Exhibit B-1 Balance Sheet - Special Revenue Funds	25
Exhibit A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All General and Consolidated Funds	26
Exhibit B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	27
Exhibit J-1 Combining Statement of Changes in Assets and Liabilities - All Agency Funds	28
<b>Schedules:</b>	
Schedule 1A Schedule of Expenditures of Federal Awards	32





November 20, 2017

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller  
Ms. Ursula Parks, Director, Legislative Budget Board  
Ms. Lisa R. Collier, CPA, CFE, CIDA, First Assistant State Auditor

Ladies and Gentlemen:

Attached is the Texas Department of Motor Vehicle's annual financial report for the year ended August 31, 2017, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Mr. Sergio Rey, Director of Accounting, at (512) 465-4203, or Ms. Linda M. Flores, CPA, Chief Financial Officer, at (512) 465-4125.

Sincerely,

Whitney H. Brewster  
Executive Director

## **COMBINED FINANCIAL STATEMENTS**

-UNAUDITED-

**EXHIBIT I**  
**COMBINED BALANCE SHEET**  
**Statement of Net Assets - Governmental Funds**  
**For the Year Ended August 31, 2017**

	<b>Governmental Fund Types</b>			<b>Capital</b>	<b>Long Term</b>	
	<b>General Revenue</b>	<b>Special Revenue</b>	<b>Total</b>	<b>Asset</b>	<b>Liabilities</b>	<b>Statement of</b>
	<b>(EXH A-1)</b>	<b>(EXH B-1)</b>	<b>Governmental</b>	<b>Adjustments</b>	<b>Adjustments</b>	<b>Net Assets</b>
<b>Assets</b>						
<b>Current Assets:</b>						
Cash on Hand	\$ 0.00	\$ 15,725.00	\$ 15,725.00	\$	\$	\$ 15,725.00
Cash in Bank	0.00	20,000.00	20,000.00			20,000.00
Cash in State Treasury	4,041,815.98	52,049,056.88	56,090,872.86			56,090,872.86
Legislative Appropriations	31,619,638.99	0.00	31,619,638.99			31,619,638.99
Receivables:						
Federal	0.00	0.00	0.00			0.00
Accounts Receivable	0.00	122,414,440.79	122,414,440.79			122,414,440.79
Due From Other Funds (Note 12)	0.00	0.00	0.00			0.00
Due From Other Agencies (Note 12)	9,817.18	0.00	9,817.18			9,817.18
Consumable Inventories	0.00	93,290.87	93,290.87			93,290.87
<b>Total Current Assets</b>	<b>35,671,272.15</b>	<b>174,592,513.54</b>	<b>210,263,785.69</b>			<b>210,263,785.69</b>
<b>Non - Current Assets:</b>						
Capital Assets:						
Non - Depreciable						
Land and Land Improvements						
Depreciable						
Buildings and Building Improvements						
Less - Accumulated Depreciation						
Furniture and Equipment				4,991,662.41		4,991,662.41
Less - Accumulated Depreciation				(3,133,671.17)		(3,133,671.17)
Vehicles, Boats, & Aircraft				887,375.54		887,375.54
Less - Accumulated Depreciation				(815,889.06)		(815,889.06)
Intangibles Computer Software				3,875,591.07		3,875,591.07
Less - Accumulated Amortization				(2,672,191.83)		(2,672,191.83)
<b>Total Non Current Assets</b>				<b>3,132,876.96</b>		<b>3,132,876.96</b>
<b>Total Assets</b>	<b>\$ 35,671,272.15</b>	<b>\$ 174,592,513.54</b>	<b>\$ 210,263,785.69</b>	<b>\$ 3,132,876.96</b>	<b>\$ 0.00</b>	<b>\$ 213,396,662.65</b>

The accompanying notes to the financial statements are an integral part of this exhibit.

	Governmental Fund Types					
	General Revenue (EXH A-1)	Special Revenue (EXH B-1)	Total Governmental	Capital Asset Adjustments	Long Term Liabilities Adjustments	Statement of Net Assets
<b>Liabilities</b>						
Current Liabilities:						
Payables:						
Vouchers Payable	\$ 1,328.00	\$ 301,658.17	\$ 302,986.17	\$	\$	\$ 302,986.17
Accounts Payable	3,006,424.52	7,636,149.13	10,642,573.65			10,642,573.65
Payroll Payable	41,575.53	4,523,654.29	4,565,229.82			4,565,229.82
Due to Other Funds (Note 12)	0.00	0.00	0.00			0.00
Due to Other Agencies (Note 12)	3,772,486.65	0.00	3,772,486.65			3,772,486.65
Unearned Revenues	0.00	0.00	0.00			0.00
Employees Compensable Leave (Note 5)					2,806,782.68	2,806,782.68
<b>Total Current Liabilities</b>	<b>6,821,814.70</b>	<b>12,461,461.59</b>	<b>19,283,276.29</b>		<b>2,806,782.68</b>	<b>22,090,058.97</b>
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)					1,484,351.12	1,484,351.12
<b>Total Non-Current Liabilities</b>					<b>1,484,351.12</b>	<b>1,484,351.12</b>
<b>Total Liabilities</b>	<b>6,821,814.70</b>	<b>12,461,461.59</b>	<b>19,283,276.29</b>		<b>4,291,133.80</b>	<b>23,574,410.09</b>
<b>Fund Financial Statement</b>						
Fund Balances:						
Non Spendable (Inventory)	0.00	93,290.87	93,290.87			93,290.87
Restricted	0.00	162,037,761.08	162,037,761.08			162,037,761.08
Unassigned	28,849,457.45	0.00	28,849,457.45			28,849,457.45
<b>Total Fund Balances</b>	<b>28,849,457.45</b>	<b>162,131,051.95</b>	<b>190,980,509.40</b>			<b>190,980,509.40</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 35,671,272.15</b>	<b>\$ 174,592,513.54</b>	<b>210,263,785.69</b>			
<b>Government-Wide Statement of Net Assets</b>						
Net Assets:						
Invested in Capital Assets, Net of Related Debt				\$ 3,132,876.96	\$	\$ 3,132,876.96
Unrestricted					(4,291,133.80)	(4,291,133.80)
<b>Total Net Assets</b>				<b>\$ 3,132,876.96</b>	<b>\$ (4,291,133.80)</b>	<b>\$ 189,822,252.56</b>

-UNAUDITED-

**EXHIBIT II**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Statement of Activities - Governmental Funds**  
**For the Year Ended August 31, 2017**

	Governmental Fund Types			Capital	Long-Term	
	General	Special Revenue	Total	Assets	Liabilities	Statement of
	(EXH A-2)	(EXH B-2)	Governmental	Adjustments	Adjustments	Activities
<b>Revenues</b>						
Legislative Appropriations:						
Original Appropriations	\$ 14,912,006.00	\$ 0.00	\$ 14,912,006.00		\$	\$ 14,912,006.00
Additional Appropriations	56,924.91	0.00	56,924.91			56,924.91
Federal Revenues	168,969.10	0.00	168,969.10			168,969.10
Federal Pass-Through Revenues	0.00	133,107.09	133,107.09			133,107.09
State Grant Pass- Through	0.00	0.00	0.00			0.00
Licenses, Fees and Permits	(7,605,832.32)	1,705,703,185.35	1,698,097,353.03			1,698,097,353.03
Interest & Investment Income	2,202.97	389,587.73	391,790.70			391,790.70
Settlement of Claims	0.00	866,978.26	866,978.26			866,978.26
Sales of Goods and Services	472.50	353,875.10	354,347.60			354,347.60
Other	2,723.79	470,495.65	473,219.44			473,219.44
<b>Total Revenues</b>	<b>7,537,466.95</b>	<b>1,707,917,229.18</b>	<b>1,715,454,696.13</b>			<b>1,715,454,696.13</b>
<b>Expenditures</b>						
Salaries and Wages	542,844.97	39,062,871.26	39,605,716.23		274,973.95	39,880,690.18
Payroll Related Costs	109,024.40	14,020,887.85	14,129,912.25			14,129,912.25
Professional Fees and Services	5,258,370.88	19,294,518.74	24,552,889.62			24,552,889.62
Travel	33,773.21	340,459.23	374,232.44			374,232.44
Materials and Supplies	2,922,414.71	21,218,382.61	24,140,797.32			24,140,797.32
Communications and Utilities	106,499.70	4,992,479.18	5,098,978.88			5,098,978.88
Repairs and Maintenance	1,620,511.63	4,310,815.76	5,931,327.39			5,931,327.39
Rentals and Leases	19,649.40	873,729.57	893,378.97			893,378.97
Printing and Reproduction	255,745.13	4,138,938.79	4,394,683.92			4,394,683.92
Claims and Judgements	0.00	40,000.00	40,000.00			40,000.00
Federal Pass-Through Expenditures	0.00	0.00	0.00			0.00
State Grant Pass-Through Expenditures	0.00	0.00	0.00			0.00
Intergovernmental Payments	13,306,747.28	0.00	13,306,747.28			13,306,747.28
Public Assistance Programs	0.00	0.00	0.00			0.00
Other Operating Expenditures	113,101.58	36,971,010.80	37,084,112.38			37,084,112.38
Capital Outlay	1,058,513.42	21,701.00	1,080,214.42	(1,080,214.42)		0.00
Depreciation Expense			0.00	1,476,071.54		1,476,071.54
<b>Total Expenditures</b>	<b>25,347,196.31</b>	<b>145,285,794.79</b>	<b>170,632,991.10</b>	<b>395,857.12</b>	<b>274,973.95</b>	<b>171,303,822.17</b>
Excess (Deficit) of Revenues over Expenditures	(17,809,729.36)	1,562,631,434.39	1,544,821,705.03	(395,857.12)	(274,973.95)	1,544,150,873.96
<b>Other Financing Sources (Uses)</b>						
Transfers In (Note 12)	0.00	23,000,000.00	23,000,000.00			23,000,000.00
Transfers Out (Note 12)	(36,079.37)	(1,535,182,923.08)	(1,535,219,002.45)			(1,535,219,002.45)
Sale of Capital Assets	(118.13)	118.13	0.00			0.00
Legislative Financing Sources	0.00	-	0.00			0.00
Insurance Recoveries	0.00	-	0.00			0.00
Legislative Transfers In (Note 12)	0.00	-	0.00			0.00
Legislative Transfers Out (Note 12)	0.00	-	0.00			0.00
Gain (Loss) on of Capital Assets	0.00	-	0.00	(75,796.88)		(75,796.88)
Inc (Dec) in Net Assets Due to Interagency Transfer	0.00		0.00	0.00		0.00
<b>Total Other Financing Sources (Uses)</b>	<b>(36,197.50)</b>	<b>(1,512,182,804.95)</b>	<b>(1,512,219,002.45)</b>	<b>(75,796.88)</b>	<b>0.00</b>	<b>(1,512,294,799.33)</b>
<b>Net Change in Fund Balances/Net Assets</b>	<b>(17,845,926.86)</b>	<b>50,448,629.44</b>	<b>32,602,702.58</b>	<b>(471,654.00)</b>	<b>(274,973.95)</b>	<b>31,856,074.63</b>
<b>Fund Financial Statement - Fund Balance</b>						
<b>Fund Balance - Beginning</b>	<b>49,106,306.00</b>	<b>111,682,422.51</b>	<b>160,788,728.51</b>			<b>160,788,728.51</b>
Restatements			0.00			0.00
<b>Fund Balance as Restated</b>	<b>49,106,306.00</b>	<b>111,682,422.51</b>	<b>160,788,728.51</b>			<b>160,788,728.51</b>
Appropriations Lapsed	(2,410,921.69)		(2,410,921.69)			(2,410,921.69)
<b>Fund Balances - August 31, 2017</b>	<b>\$ 28,849,457.45</b>	<b>\$ 162,131,051.95</b>	<b>\$ 190,980,509.40</b>			<b>\$ 190,233,881.45</b>
<b>Government-wide Statement of Net Assets</b>						
Net Change in Net Assets			\$ 190,980,509.40	(471,654.00)	(274,973.95)	\$ 190,233,881.45
Net Assets-Beginning				3,603,008.56	(4,016,159.85)	(413,151.29)
Restatements				1,522.40		1,522.40
Net Assets, September 1, 2016, as Restated and Adjusted				3,604,530.96	(4,016,159.85)	(411,628.89)
<b>Net Assets-August 31, 2017</b>			<b>\$ 190,980,509.40</b>	<b>3,132,876.96</b>	<b>(4,291,133.80)</b>	<b>\$ 189,822,252.56</b>

-UNAUDITED-

**EXHIBIT VI**  
**COMBINED STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**For Fiscal Year Ended August 31, 2017**

	<b>Agency Funds (Exhibit J-1)</b>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash in State Treasury	17,401,677.92
Accounts Receivable	0.00
<b>Total Current Assets</b>	<b>\$ 17,401,677.92</b>
<b>Total Assets</b>	<b>17,401,677.92</b>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	539,433.35
Funds Held for Others	16,862,244.57
<b>Total Current Liabilities</b>	<b>17,401,677.92</b>
<b>Total Liabilities</b>	<b>\$ 17,401,677.92</b>
<b>Net Assets</b>	
Net Assets:	0.00
<b>Total Net Assets</b>	<b>\$ 0.00</b>



## **NOTES TO THE FINANCIAL STATEMENTS**

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Scope of Entity

The Texas Department of Motor Vehicles (TxDMV), created in 2009 by the authority of H.B. 3097, 81st Legislature, Regular Session, is an agency of the State of Texas. TxDMV is responsible for titling and registering vehicles, licensing and regulating of the motor vehicle sales and distribution, salvage dealers, registering commercial oversize/overweight (OS/OW) vehicles, and providing auto theft prevention grants.

The TxDMV has not identified any component units which should have been blended into an appropriated fund.

#### Basis of Presentation

Due to the statewide requirements included in Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements of this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

#### Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

#### Governmental Fund Types & Government-wide Adjustment Fund Types

##### General Revenue Funds

General Revenue Fund (0001) – This fund is used to account for all financial resources of the state except those required to be accounted for in another fund. The following accounts are consolidated into the General Revenue fund.

License Plate Trust Fund (0802) – This fund is used to receive and account for fees charged from the sale of specialty license plates collected under Subchapter G, Transportation Code. Funds are to be used in accordance with their specific statutory purpose.

Suspense Fund (0900) – This fund is used to temporarily hold and account for receipts, until the correct disposition of the items is determined. Items held in the fund are cleared to the various other funds or refunded to the payer.

##### Special Revenue Funds

State Highway Fund (0006) – This fund is restricted to expenditures for the building, maintaining, and policing of the state highways. It derives its financing primarily from legally dedicated revenues such as motor fuels tax and vehicle registration fees, and from federal reimbursements for selected construction projects. This fund includes revenue which supports the TxDMV's automated registration and title system.

The agency collected \$18.4 million in revenue from the automation fee authorized by House Bill 3014, 76<sup>th</sup> Legislature, Regular Session, for a license plate or other registration insignia. The revenue is used to enhance the agency's automated registration and title system.

Texas Department of Motor Vehicles Fund (0010) – This fund is used by the Department for operations, administration, enforcement, accounting costs and related liabilities for the fund. Revenue includes fees from motor vehicle registration, title certificates, special vehicle permits, specialty license plates and other transportation-related permits. This fund was initially enacted by H.B. 2202, 83<sup>rd</sup> Legislature; however, it was not exempted from funds consolidation. The 84<sup>th</sup> Legislature recreated the fund through S.B. 1512, and it was exempted in funds consolidation.

#### **Capital Assets Adjustments Fund Type**

Capital Assets Adjustment fund type is used to convert governmental fund types' capital assets from modified accrual to full accrual.

#### **Long Term Liabilities Adjustments Fund Type**

The Long-Term Liabilities Adjustments fund type is used to convert all other governmental fund types' debt from modified accrual to full accrual. The composition of this fund type is discussed in Note 5.

### **Fiduciary Fund Types**

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

#### **Agency Funds**

Agency Funds are used to account for assets held in a custodial capacity for the benefit of other agencies or individuals.

Proportional Registration Distributive Trust Fund (0021) – This fund is used primarily to collect and distribute registration fees from trucking companies that operate in more than one state. The fees are distributed to the individual states based on mileage driven.

Unified Carrier Registration Unappropriated Fund (0645) – This fund is used primarily to collect and distribute registration fees from motor carriers, motor private carriers, brokers, freight forwarders, and leasing companies that operate in more than one state. The fees are distributed in accordance to the Unified Carrier Registration System (49 U.S.C. Section 13908.)

Unified Carrier Registration TxDMV Fund (1645) – This fund replaces Fund 0645 in Fiscal Year 2017, but retains the same functions. It moves the agency fund from within General Revenue Fund 0001 to the TxDMV Fund.

Child Support Deductions (0807) – This fund is used as a holding account where child support payroll deductions are held until disbursed.

City, County, MTA, & SPD Fund (0882) - This fund is used as a holding account where taxes for the state are collected until disbursed.

Suspense Fund (0900) - This fund is used when depositing funds where final disposition has not been determined at the time of the receipt of funds.

Direct Deposit Correction Account (0980) – This fund is used to temporarily hold and account for direct deposits that are unable to be processed until the correct disposition of the item is determined.

## Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified accrual basis. For federal contracts and grants, revenues have been accrued to the extent earned by eligible expenditures within each fiscal year. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments. The activity will be recognized in these new fund types.

## Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). The Board adopts an annual operating budget and policies consistent with these appropriations. Encumbrance accounting is utilized for budgetary control purposes. An encumbrance is defined as an outstanding purchase order or other commitment for goods or services. It reserves a part of the applicable appropriation for future expenditure. Encumbrance balances are reported in Note 15.

Unencumbered and unexpended funds are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

## Assets, Liabilities and Fund Balances

### Assets

#### Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. Cash in bank represents the TxDMV Travel Advance Fund.

#### Receivables

The receivables represent revenue from fees and federal funds that has been earned but not received. This account is presented net of Allowance for Bad Debts.

#### Inventories and Prepaid Items

This represents supplies and postage on hand. Supplies for governmental funds are accounted for using

the consumption method of accounting. The cost of these items is recognized as expenditure when items are consumed.

#### Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all “exhaustible” assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

### **Liabilities**

#### Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

#### Payroll Payable

Payroll payable represents the liability for the August payroll payable on September 1<sup>st</sup>.

#### Employees' Compensable Leave

Employees' compensable leave represents the liability that becomes due upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

### **Fund Balance/Net Assets**

The difference between fund assets and liabilities is “Net Assets” on the government-wide, proprietary and fiduciary fund statements, and the “Fund Balance” is the difference between fund assets and liabilities on the governmental fund statements.

#### **Fund Balance Components**

Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

#### **Invested in Capital Assets, Net of Related Debt**

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.

#### **Unrestricted Net Assets**

Unrestricted net assets consist of net assets that have no constraints placed on net asset use by external sources or by law through constitutional provisions or enabling legislation. Unrestricted net assets often have constraints on resources, which are imposed by management but can be removed or modified.

## Interfund Activities and Balances

The agency has the following types of transactions among funds:

### Transfers

Legally required transfers that are reported when incurred as Transfers In by the recipient fund and as Transfers Out by the disbursing fund.

### Reimbursements

Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures into the reimbursed fund.

Accrual of Operating Transfers, Reimbursements, and Residual Equity Transfers are shown as Due To and Due From instead of accounts receivable or accounts payable.



**NOTE 2: CAPITAL ASSETS**

A summary of changes in Capital Assets for the year ended August 31, 2017, is presented below:

	PRIMARY GOVERNMENT							
Governmental Activities	Balance 09/01/16	Adjust/ Restate	Reclass. Completed CIP	Reclass. Increase Inter-Agency Transaction	Reclass. Decrease Inter-Agency Transaction	Additions	Deletions	Balance 08/31/17
Non-Depreciable Assets	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Non-Depreciable Assets</b>								
Depreciable Assets								
Buildings/Building Improvements								
Furniture and Equipment	4,380,134.65	5,327.00				968,026.26	(361,825.50)	4,991,662.41
Vehicles, Boats, & Aircraft	887,375.54							887,375.54
Other Assets								
<b>Total Depreciable Assets</b>	<b>5,267,510.19</b>	<b>5,327.00</b>				<b>968,026.26</b>	<b>(361,825.50)</b>	<b>5,879,037.95</b>
Less Accumulated Depreciation for:								
Buildings/Building Improvements								
Furniture and Equipment	(2,707,907.25)	(3,804.60)				(708,253.94)	286,294.62	(3,133,671.17)
Vehicles, Boats, & Aircraft	(811,969.62)					(3,919.44)		(815,889.06)
Other Capital Assets								
<b>Total Accumulated Depreciation</b>	<b>(3,519,876.87)</b>	<b>(3,804.60)</b>				<b>(712,173.38)</b>	<b>286,294.62</b>	<b>(3,949,560.23)</b>
<b>Depreciable Assets, Net</b>	<b>1,747,633.32</b>	<b>1,522.40</b>				<b>255,852.88</b>	<b>(75,530.88)</b>	<b>1,929,477.72</b>
Amortizable Assets – Intangible:								
Land Use Rights								
Computer Software	3,768,722.91					112,188.16	(5,320.00)	3,875,591.07
Other Capital Intangible								
<b>Total Amortizable Assets – Intangible</b>	<b>3,768,722.91</b>					<b>112,188.16</b>	<b>(5,320.00)</b>	<b>3,875,591.07</b>
Less Accumulated Amortization for:								
Land Use Rights								
Computer Software	(1,913,347.67)					(763,898.16)	5,054.00	(2,672,191.83)
Other Capital Intangible								
<b>Total Accumulated Amortization</b>	<b>(1,913,347.67)</b>					<b>(763,898.16)</b>	<b>5,054.00</b>	<b>(2,672,191.83)</b>
<b>Amortizable Assets – Intangible, Net</b>	<b>1,855,375.24</b>					<b>(651,710.00)</b>	<b>(266.00)</b>	<b>1,203,399.24</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,603,008.56</b>	<b>1,522.40</b>				<b>(395,857.12)</b>	<b>(75,796.88)</b>	<b>\$ 3,132,876.96</b>

**NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS****Deposits of Cash in Bank**

As of August 31, 2017, the carrying amount of deposits was \$20,000.00 as presented below:

	Amount
Cash in Bank – Carrying Amount	\$ 20,000.00
<b>Total Cash in Bank (Exhibit I)</b>	<b>\$ 20,000.00</b>

**NOTE 4: SHORT-TERM DEBT**

Not applicable

**NOTE 5: LONG-TERM LIABILITIES****Changes in Long-Term Liabilities**

During the year ended August 31, 2017, the following changes occurred in liabilities.

Governmental Activities	Balance 9/01/16	Additions	Reductions	Balance 8/31/17	Amounts Due Within Year
Compensable Leave	\$4,016,159.85	\$4,543,383.77	\$4,268,409.82	\$4,291,133.80	\$2,806,782.68

**Employees' Compensable Leave**

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated vacation leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**NOTE 6: BONDED INDEBTEDNESS**

Not Applicable

**NOTE 7: DERIVATIVE INSTRUMENTS**

Not Applicable

**NOTE 8: LEASES****Operating Leases**

Included in the expenditures reported in the financial statement are the following amounts of rent paid or due under operating lease obligations:

<b>Fund Type</b>	<b>Amount</b>
Fund 0001	\$ 17,287.45
Fund 0010	\$ 838,286.16

Note: Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

<b>Year Ended August 31</b>	<b>Amount</b>
2018	\$ 824,402.57
2019	781,864.99
2020	637,727.54
2021	425,783.15
2022	380,642.64
2023-27	812,638.69
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$ 3,863,059.58</b>

**NOTE 9: PENSION PLANS AND OPTIONAL RETIREMENT PROGRAM**

Not Applicable

**NOTE 10: DEFERRED COMPENSATION**

Not Applicable

**NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Not Applicable

**NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS**

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement. Individual balances and activity at August 31, 2017, are as follows:

	Due from Other Agencies	Due to Other Agencies	Source
<b>General Revenue (01)</b>			
Appd Fund 0802, D23 fund 0802			
Agy 300, D23 fund 0803		41,786.93	Shared Fund
Agy 300, D23 fund 0804		29,333.43	Shared Fund
Agy 300, D23 fund 0805		12,946.60	Shared Fund
Agy 300, D23 fund 0807		1,414.75	Shared Fund
Agy 302, D23 fund 0804		73,357.30	Shared Fund
Agy 302, D23 fund 0805		8,999.44	Shared Fund
Agy 305, D23 fund 0015		21,657.64	Shared Fund
Agy 306, D23 fund 0802		12,882.83	Shared Fund
Agy 332, D23 fund 0802		222.28	Shared Fund
Agy 403, D23 fund 3005		878.60	Shared Fund
Agy 403, D23 fund 3006		489.11	Shared Fund
Agy 411, D23 fund 0802		2,885.51	Shared Fund
Agy 506, D23 fund 0802		6,690.02	Shared Fund
Agy 529, D23 fund 0802		24,990.32	Shared Fund
Agy 530, D23 fund 0802		5,316.12	Shared Fund
Agy 537, D23 fund 0802		23,129.86	Shared Fund
Agy 537, D23 fund 0803		957,780.45	Shared Fund
Agy 537, D23 fund 0804		19,751.77	Shared Fund
Agy 537, D23 fund 0805		44,733.15	Shared Fund
Agy 539, D23 fund 0802		277.98	Shared Fund
Agy 542, D23 fund 0802		50.26	Shared Fund
Agy 542, D23 fund 4100	9,806.18		Shared Fund
Agy 542, D23 fund 4200		20,136.46	Shared Fund
Agy 551, D23 fund 0802		78,611.25	Shared Fund
Agy 555, D23 fund 1802		8,576.45	Shared Fund
Agy 555, D23 fund 2802		9,775.80	Shared Fund
Agy 555, D23 fund 3802		2,177.21	Shared Fund
Agy 576, D23 fund 0802		11,999.12	Shared Fund
Agy 582, D23 fund 0802		993.75	Shared Fund
Agy 701, D23 fund 2242		1,090.64	Shared Fund
Agy 701, D23 fund 2250		3,734.94	Shared Fund
Agy 701, D23 fund 2260		22.00	Shared Fund
Agy 701, D23 fund 2270		3,138.33	Shared Fund
Agy 701, D23 fund 2271		3,361.60	Shared Fund
Agy 701, D23 fund 2273		6,321.26	Shared Fund
Agy 701, D23 fund 2274		4,145.78	Shared Fund
Agy 711, D23 fund 0802		40,792.90	Shared Fund
Agy 713, D23 fund 0802	11.00		Shared Fund

	Due from Other Agencies	Due to Other Agencies	Source
Agy 714, D23 fund 0802		14,831.76	Shared Fund
Agy 715, D23 fund 0802		115,671.20	Shared Fund
Agy 717, D23 fund 0802		18,752.88	Shared Fund
Agy 721, D23 fund 0802		239,590.22	Shared Fund
Agy 724, D23 fund 0802		49,547.20	Shared Fund
Agy 730, D23 fund 0802		18.61	Shared Fund
Agy 732, D23 fund 0802		1,358.25	Shared Fund
Agy 733, D23 fund 0802		18,444.90	Shared Fund
Agy 734, D23 fund 0802		618.92	Shared Fund
Agy 735, D23 fund 0802		1.00	Shared Fund
Agy 737, D23 fund 0802		116.91	Shared Fund
Agy 738, D23 fund 0802		2,852.69	Shared Fund
Agy 743, D23 fund 0802		110.01	Shared Fund
Agy 751, D23 fund 0802		1,992.31	Shared Fund
Agy 752, D23 fund 0802		36,375.48	Shared Fund
Agy 753, D23 fund 0802		4,447.40	Shared Fund
Agy 754, D23 fund 0802		50,178.20	Shared Fund
Agy 755, D23 fund 0802		18,265.42	Shared Fund
Agy 756, D23 fund 0802		20,683.23	Shared Fund
Agy 757, D23 fund 0802		7,403.18	Shared Fund
Agy 759, D23 fund 0802		578.86	Shared Fund
Agy 760, D23 fund 0802		11.00	Shared Fund
Agy 760, D23 fund 1802		1.83	Shared Fund
Agy 765, D23 fund 0802		1,743.82	Shared Fund
Agy 781, D23 fund 4001		22.00	Shared Fund
Agy 781, D23 fund 4002		20.16	Shared Fund
Agy 781, D23 fund 4003		1,595.88	Shared Fund
Agy 781, D23 fund 4004		102.66	Shared Fund
Agy 781, D23 fund 4005		2,889.56	Shared Fund
Agy 781, D23 fund 4006		22.00	Shared Fund
Agy 781, D23 fund 4007		628.82	Shared Fund
Agy 781, D23 fund 4008		80,609.34	Shared Fund
Agy 781, D23 fund 4009		35,488.15	Shared Fund
Agy 781, D23 fund 4010		.25	Shared Fund
Agy 781, D23 fund 4011		248.50	Shared Fund
Agy 781, D23 fund 4012		9,245.07	Shared Fund
Agy 781, D23 fund 4013		66.00	Shared Fund
Agy 781, D23 fund 4014		403.32	Shared Fund
Agy 781, D23 fund 4015		22.00	Shared Fund
Agy 781, D23 fund 4016		110.00	Shared Fund
Agy 781, D23 fund 4017		166.83	Shared Fund
Agy 781, D23 fund 4018		176.00	Shared Fund
Agy 781, D23 fund 4019		275.00	Shared Fund
Agy 781, D23 fund 4022		20.16	Shared Fund
Agy 783, D23 fund 0802		14,365.64	Shared Fund
Agy 802, D23 fund 3030		35,567.30	Shared Fund
Agy 802, D23 fund 3043		600,850.72	Shared Fund

	Due from Other Agencies	Due to Other Agencies	Source
Agy 802, D23 fund 3044		124,900.83	Shared Fund
Agy 802, D23 fund 3045		105,008.82	Shared Fund
Agy 802, D23 fund 3046		30,906.30	Shared Fund
Agy 802, D23 fund 3047		193,516.42	Shared Fund
Agy 802, D23 fund 3048		32,837.96	Shared Fund
Agy 802, D23 fund 3049		26,808.48	Shared Fund
Agy 802, D23 fund 3050		10,538.70	Shared Fund
Agy 802, D23 fund 3057		56,918.90	Shared Fund
Agy 802, D23 fund 3116		17,894.84	Shared Fund
Agy 802, D23 fund 3120		22,819.65	Shared Fund
Agy 802, D23 fund 3142		31,177.04	Shared Fund
Agy 802, D23 fund 3151		2,667.39	Shared Fund
Agy 808, D23 fund 0802		1,640.29	Shared Fund
Agy 813, D23 fund 0802		241,996.86	Shared Fund
Agy 902, D23 fund 8020		1,911.69	Shared Fund
<b>Total Due From/To Other Agencies</b>	<b>\$ 9,817.18</b>	<b>\$ 3,772,486.65</b>	

	Transfer In	Transfer Out	Source
<b>General Revenue (01)</b>			
Appd Fund 0001, D23 fund 0001			
Agy 902, D23 fund 0001		354.37	Surplus Property
Appd Fund 0001, D23 fund 0001			
Agy 902, D23 fund 0001		35,725.00	Petty & Travel Cash
<b>Special Revenue (02)</b>			
Appd Fund 0010, D23 fund 0010			
Agy 902, D23 fund 0001	23,000,000.00		Start Up Funds for Fund 0010
Appd Fund 0006, D23 fund 0006			
Agy 601, D23 fund 0006		1,535,182,923.08	Shared Cash
<b>Total Transfers In/Out</b>	<b>\$ 23,000,000.00</b>	<b>\$ 1,535,219,002.45</b>	

### NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2019, unless continued in existence by the Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2020, to close out its operations.

### NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During Fiscal Year 2017, a net increase in the amount of \$ 1,522.40, was made to total Net Assets. This adjustment was necessary due to a previously disposed asset recovered in Fiscal Year 2017.



**NOTE 15: CONTINGENCIES AND COMMITMENTS****Federal Assistance**

The TxDMV receives federal financial assistance for specific purposes that are subject to review or audit by the federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Management believes such disallowance, if any, will be immaterial.

**Encumbrances**

As of August 31, 2017, the TxDMV had encumbered the following amounts in governmental funds for signed contracts and purchase orders:

	General Revenue Fund (0001)	Special Revenue Fund (0006)	Tx Dept of Motor Vehicle Fund (0010)
Encumbrances	\$ 8,453,519.48	\$ 1,516,016.40	\$ 4,096,862.20

**NOTE 16: SUBSEQUENT EVENTS**

Not Applicable

**NOTE 17: RISK MANAGEMENT**

The department is exposed to a wide range of risks, due to the size, scope and nature of its activities. Some of these risks include, but are not limited to property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc. The department retains these risks, and manages them through insurance and safety programs. In FY2017, the department had \$ 40,000.00 in payments related to claims.

	Beginning Balance	Increases	Decreases	Ending Balance
2017	-	\$ 40,000.00	(\$ 40,000.00)	-

**NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS**

During Fiscal Year 2017, TxDMV transitioned to a new method of finance due to the re-creation of the TxDMV Fund. The agency's method of finance for FY 2017 appropriations was primarily funded through the TxDMV Fund, with the exception of the Automobile Burglary and Theft Prevention Authority strategy funded through General Revenue. Approximately \$25.1 million in General Revenue Funds were carry-forward from Fiscal Year 2016 for capital projects into Fiscal Year 2017. An additional \$16.2 million in State Highway Funds were carried forward from Fiscal Year 2016 into Fiscal Year 2017 for the same purpose. The TxDMV was granted authority to carry-forward these unexpended balances for capital projects through a rider in H.B. 1, 84th Legislature, Regular Session (the General Appropriations Act).

In August, 2016, the TxDMV adopted a Processing & Handling (P&H) Fee for registrations effective January 1, 2017, through the authority granted to the department with the enactment of H.B. 2202, 83rd Legislature, Regular Session. This fee was authorized and adopted to support the registration functions of the department, as well as to offset costs incurred by County Tax-Assessor collectors and authorized deputies for the collection of registration-related

duties. P&H fee deposits began in November 2016.

For Fiscal Year 2017, fund revenue collections for all funds were \$1.82 billion compared to Fiscal Year 2016 collections of \$1.75 billion. This represents an increase of \$68.4 million or 3.9% more than Fiscal Year 2016. The increases in revenue is attributable to increased oversized/overweight carrier permit, business dealer license and title revenues.

Fiscal Year 2017 expenditures through August 31, 2017 totaled \$168 million. Significant expenditure increases focused on postage, computer equipment and maintenance and repairs. Capital budget expenses totaled \$33.9 million primarily consisting of expenditures for the TxDMV Automation project (\$14.4 million), Data Center Consolidation contract (\$8.8 million), the County Technology Replacement & Upgrades (\$7.5 million) and the Application Migration and Server Transformation (AMSIT) project (\$1.7 million). Other capital expenditures for Agency Growth and Enhancement, Physical Security, Commercial Vehicle Information Systems and Networks (CVISN) and Regional Service Center relocations totaled \$1.5 million.

The largest portion of Automation expenditures were for costs associated with the Registration and Titling System (RTS) Refactoring project (\$6.9 million) and the eLICENSING project (\$6.0 million).

#### **NOTE 19: THE FINANCIAL REPORTING ENTITY**

Not Applicable

#### **NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Not Applicable

#### **NOTE 21:**

Not Applicable to the reporting requirement process.

#### **NOTE 22: DONOR RESTRICTED ENDOWMENTS**

Not Applicable

#### **NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS**

Not Applicable

#### **NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

Not Applicable

**NOTE 25: TERMINATION BENEFITS**

Not Applicable

**NOTE 26: SEGMENT INFORMATION**

Not Applicable

**NOTE 27: SERVICE CONCESSION ARRANGEMENTS**

Not Applicable

**NOTE 28: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

Not Applicable

**NOTE 29: TROUBLE DEBT RESTRUCTURING**

Not Applicable

**NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES**

Not Applicable

## **COMBINING FINANCIAL STATEMENTS**

-UNAUDITED-

**EXHIBIT A-1**  
**COMBINING BALANCE SHEET**  
**All General and Consolidated Funds**  
**For the Year Ended August 31, 2017**

	General Revenue Account (0001)	License Plate Trust Fund Account (0802)	Suspense Type Activities Account (0900)	Returned Items Type Activities Account (9001)	Total
<b>Assets</b>					
Current Assets:					
Cash on Hand	\$	\$	\$	\$	\$ 0.00
Cash in Bank					0.00
Cash in State Treasury	32,627.00	3,991,136.28	50,679.70	(32,627.00)	4,041,815.98
Legislative Appropriations	31,619,638.99				31,619,638.99
Receivables:					
Federal					0.00
Accounts Receivable					0.00
Due From Other Funds (Note 12)					0.00
Due From Other Agencies (Note 12)		9,817.18			9,817.18
Consumable Inventories					0.00
<b>Total Current Assets</b>	<b>31,652,265.99</b>	<b>4,000,953.46</b>	<b>50,679.70</b>	<b>(32,627.00)</b>	<b>35,671,272.15</b>
<b>Liabilities</b>					
Current Liabilities					
Payables:					
Vouchers Payable	1,328.00				1,328.00
Account Payable	3,006,424.52				3,006,424.52
Payroll Payable	41,575.53				41,575.53
Due to Other Funds (Note 12)					0.00
Due to Other Agencies (Note 12)		3,772,486.65			3,772,486.65
<b>Total Current Liabilities</b>	<b>3,049,328.05</b>	<b>3,772,486.65</b>	<b>0.00</b>	<b>0.00</b>	<b>6,821,814.70</b>
<b>Fund Balances</b>					
Non Spendable (Inventory)					0.00
Restricted					
Unassigned	28,602,937.94	228,466.81	50,679.70	(32,627.00)	28,849,457.45
<b>Total Fund Balance</b>	<b>28,602,937.94</b>	<b>228,466.81</b>	<b>50,679.70</b>	<b>(32,627.00)</b>	<b>28,849,457.45</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 31,652,265.99</b>	<b>\$ 4,000,953.46</b>	<b>\$ 50,679.70</b>	<b>\$ (32,627.00)</b>	<b>\$ 35,671,272.15</b>

-UNAUDITED-

**EXHIBIT B-1**  
**COMBINING BALANCE SHEET**  
**Special Revenue Funds**  
**For Fiscal Year Ended August 31, 2017**

	State Highway Fund (0006)	Texas Department of Motor Vehicles Fund (0010)	Suspense Type Activities Fund (0900)	Total
<b>Assets</b>				
Current Assets:				
Cash on Hand	\$	\$ 15,725.00	\$	\$ 15,725.00
Cash in Bank		20,000.00		20,000.00
Cash in State Treasury		51,856,042.60	193,014.28	52,049,056.88
Legislative Appropriations				0.00
Receivables:				
Federal				0.00
Accounts Receivable	118,830,427.03	3,584,013.76		122,414,440.79
Due From Other Funds (Note 12)				0.00
Due From Other Agencies (Note 12)				0.00
Consumable Inventories		93,290.87		93,290.87
<b>Total Current Assets</b>	<u>118,830,427.03</u>	<u>55,569,072.23</u>	<u>193,014.28</u>	<u><b>174,592,513.54</b></u>
<b>Liabilities</b>				
Current Liabilities				
Payables:				
Vouchers Payable		301,658.17		301,658.17
Account Payable	98,597.75	7,537,551.38		7,636,149.13
Payroll Payable		4,523,654.29		4,523,654.29
Due to Other Funds (Note 12)				0.00
Due to Other Agencies (Note 12)				0.00
<b>Total Current Liabilities</b>	<u>98,597.75</u>	<u>12,362,863.84</u>	<u>0.00</u>	<u><b>12,461,461.59</b></u>
<b>Fund Balances</b>				
Non Spendable (Inventory)		93,290.87		93,290.87
Restricted	118,731,829.28	43,112,917.52	193,014.28	162,037,761.08
Unassigned				0.00
<b>Total Fund Balance</b>	<u>118,731,829.28</u>	<u>43,206,208.39</u>	<u>193,014.28</u>	<u><b>162,131,051.95</b></u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 118,830,427.03</u>	<u>\$ 55,569,072.23</u>	<u>\$ 193,014.28</u>	<u><b>\$ 174,592,513.54</b></u>

-UNAUDITED-

**EXHIBIT A-2**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**All General and Consolidated Funds**  
**For the Year Ended August 31, 2017**

	General Revenue Account (0001)	License Plate Trust Fund Account (0802)	Suspense Type Activities Account (0900)	Returned Items Type Activities Account (9001)	Totals
<b>Revenues</b>					
Legislative Appropriations :					
Original Appropriations	\$ 14,912,006.00	\$	\$	\$	\$ 14,912,006.00
Additional Appropriations	56,924.91				56,924.91
Federal Revenues	168,969.10				168,969.10
Federal Pass-Through					0.00
State Grant Pass -Through					0.00
Licenses, Fees and Permits	(7,663,566.32)	7,054.30	50,679.70		(7,605,832.32)
Interest & Investment Income		2,202.97			2,202.97
Settlement of Claims					0.00
Sales of Goods and Services	472.50				472.50
Other Revenues				2,723.79	2,723.79
<b>Total Revenues</b>	<b>7,474,806.19</b>	<b>9,257.27</b>	<b>50,679.70</b>	<b>2,723.79</b>	<b>7,537,466.95</b>
<b>Expenditures</b>					
Salaries and Wages	542,844.97				542,844.97
Payroll Related Costs	109,024.40				109,024.40
Professional Fees and Services	5,258,370.88				5,258,370.88
Travel	33,773.21				33,773.21
Materials and Supplies	2,922,414.71				2,922,414.71
Communications and Utilities	106,499.70				106,499.70
Repairs and Maintenance	1,620,511.63				1,620,511.63
Rentals and Leases	19,649.40				19,649.40
Printing and Reproduction	255,745.13				255,745.13
Claims and Judgements					0.00
Federal Pass-Through Expenditures					0.00
State Grant Pass-Through Expenditures					0.00
Intergovernmental Payments	13,306,747.28				13,306,747.28
Public Assistance Programs					0.00
Other Operating Expenditures	113,101.58				113,101.58
Capital Outlay	1,058,513.42				1,058,513.42
<b>Total Expenditures</b>	<b>25,347,196.31</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>25,347,196.31</b>
Excess (Deficit) of Revenues over Expenditures	(17,872,390.12)	9,257.27	50,679.70	2,723.79	(17,809,729.36)
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In (Note 12)					0.00
Operating Transfers Out (Note 12)	(36,079.37)				(36,079.37)
Insurance Recoveries					0.00
Sale of Capital Assets	(118.13)				(118.13)
Legislative Financing Sources					0.00
Legislative Transfers In (Note 12)					0.00
Legislative Transfers Out (Note 12)					0.00
<b>Total Other Financing Sources (Uses)</b>	<b>(36,197.50)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(36,197.50)</b>
Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses	(17,908,587.62)	9,257.27	50,679.70	2,723.79	(17,845,926.86)
<b>Fund Balance - Beginning</b>	<b>48,922,447.25</b>	<b>219,209.54</b>	<b>0.00</b>	<b>(35,350.79)</b>	<b>49,106,306.00</b>
Restatements					0.00
<b>Fund Balance As Restated</b>	<b>48,922,447.25</b>	<b>219,209.54</b>	<b>0.00</b>	<b>(35,350.79)</b>	<b>49,106,306.00</b>
Appropriations Lapsed	(2,410,921.69)				(2,410,921.69)
<b>Fund Balance - Ending</b>	<b>\$ 28,602,937.94</b>	<b>\$ 228,466.81</b>	<b>\$ 50,679.70</b>	<b>\$ (32,627.00)</b>	<b>\$ 28,849,457.45</b>

-UNAUDITED-

**EXHIBIT B-2**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Special Revenue Funds**  
**For the Year Ended August 31, 2017**

	State Highway Fund (0006)	Texas Department of Motor Vehicles Fund (0010)	Suspense Type Activities Account (0900)	Totals
<b>Revenues</b>				
Legislative Appropriations:				
Original Appropriations	\$	\$	\$	\$ 0.00
Additional Appropriations				0.00
Federal Revenues				0.00
Federal Pass-Through		133,107.09		133,107.09
State Grant Pass -Through				0.00
Licenses, Fees and Permits	1,552,715,880.75	152,794,290.32	193,014.28	1,705,703,185.35
Interest & Investment Income		389,587.73		389,587.73
Settlement of Claims		866,978.26		866,978.26
Sales of Goods and Services	0.10	353,875.00		353,875.10
Other Revenues	427,140.74	43,354.91		470,495.65
<b>Total Revenues</b>	<b>1,553,143,021.59</b>	<b>154,581,193.31</b>	<b>193,014.28</b>	<b>1,707,917,229.18</b>
<b>Expenditures</b>				
Salaries and Wages	480.00	39,062,391.26		39,062,871.26
Payroll Related Costs	82.32	14,020,805.53		14,020,887.85
Professional Fees and Services	9,161,492.89	10,133,025.85		19,294,518.74
Travel	503.00	339,956.23		340,459.23
Materials and Supplies	782,887.86	20,435,494.75		21,218,382.61
Communications and Utilities		4,992,479.18		4,992,479.18
Repairs and Maintenance	2,195,784.30	2,115,031.46		4,310,815.76
Rentals and Leases		873,729.57		873,729.57
Printing and Reproduction		4,138,938.79		4,138,938.79
Claims and Judgements		40,000.00		40,000.00
Federal Pass-Through Expenditures				0.00
State Grant Pass-Through Expenditures				0.00
Intergovernmental Payments				0.00
Public Assistance Programs				0.00
Other Operating Expenditures	(1,230,538.63)	38,201,549.43		36,971,010.80
Capital Outlay		21,701.00		21,701.00
<b>Total Expenditures</b>	<b>10,910,691.74</b>	<b>134,375,103.05</b>	<b>0.00</b>	<b>145,285,794.79</b>
Excess (Deficit) of Revenues over Expenditures	1,542,232,329.85	20,206,090.26	193,014.28	1,562,631,434.39
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Note 12)		23,000,000.00		23,000,000.00
Operating Transfers Out (Note 12)	(1,535,182,923.08)	-		(1,535,182,923.08)
Sale of Capital Assets		118.13		118.13
Legislative Financing Sources				0.00
Insurance Recoveries				0.00
Legislative Transfers In (Note 12)				0.00
Legislative Transfers Out (Note 12)				0.00
<b>Total Other Financing Sources (Uses)</b>	<b>(1,535,182,923.08)</b>	<b>23,000,118.13</b>	<b>0.00</b>	<b>(1,512,182,804.95)</b>
Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses	7,049,406.77	43,206,208.39	193,014.28	50,448,629.44
<b>Fund Balance - Beginning</b>	<b>111,682,422.51</b>	<b>0.00</b>	<b>0.00</b>	<b>111,682,422.51</b>
Restatements				0.00
<b>Fund Balance As Restated</b>	<b>111,682,422.51</b>	<b>0.00</b>	<b>0.00</b>	<b>111,682,422.51</b>
Appropriations Lapsed				0.00
<b>Fund Balance - Ending</b>	<b>\$ 118,731,829.28</b>	<b>\$ 43,206,208.39</b>	<b>\$ 193,014.28</b>	<b>162,131,051.95</b>



-UNAUDITED-

**EXHIBIT J-1**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**All Agency Funds**  
**For Fiscal Year Ended August 31, 2017**

	Beginning Balances September 1, 2016	Additions	Deductions	Ending Balances August 31, 2017
<b>Unified Carrier Registration-Unappropriated Fund (0645)</b>				
Assets:				
Cash in State Treasury	0.00	9,887,406.44	9,887,406.44	0.00
Accounts Receivable	133,455.47	0.00	133,455.47	0.00
Total Assets	\$ 133,455.47	\$ 9,887,406.44	\$ 10,020,861.91	\$ 0.00
Liabilities:				
Accounts Payable	0.00	1,099,727.44	1,099,727.44	0.00
Funds Held for Others	133,455.47	9,753,950.97	9,887,406.44	0.00
Total Liabilities	\$ 133,455.47	\$ 10,853,678.41	\$ 10,987,133.88	\$ 0.00
<b>Unified Carrier Registration - Tx Department of Motor Vehicle Fund (1645)</b>				
Assets:				
Cash in State Treasury	0.00	7,116,194.47	6,990,074.00	126,120.47
Accounts Receivable	0.00	0.00	0.00	0.00
Total Assets	\$ 0.00	\$ 7,116,194.47	\$ 6,990,074.00	\$ 126,120.47
Liabilities:				
Accounts Payable	0.00	6,989,542.00	6,989,542.00	0.00
Funds Held for Others	0.00	7,116,194.47	6,990,074.00	126,120.47
Total Liabilities	\$ 0.00	\$ 14,105,736.47	\$ 13,979,616.00	\$ 126,120.47
<b>Proportional Registration Distributive Fund (0021)</b>				
Assets:				
Cash in State Treasury	10,941,001.78	105,592,757.49	99,930,737.80	16,603,021.47
Total Assets	\$ 10,941,001.78	\$ 105,592,757.49	99,930,737.80	\$ 16,603,021.47
Liabilities:				
Accounts Payable	0.00	26,711,063.84	26,711,063.84	0.00
Funds Held for Others	10,941,001.78	105,592,757.49	99,930,737.80	16,603,021.47
Total Liabilities	\$ 10,941,001.78	\$ 132,303,821.33	126,641,801.64	\$ 16,603,021.47
<b>Child Support - Employee Deduction (0807)</b>				
Assets:				
Cash in State Treasury	6,587.96	79,199.42	80,417.62	5,369.76
Total Assets	\$ 6,587.96	\$ 79,199.42	\$ 80,417.62	\$ 5,369.76
Liabilities:				
Accounts Payable	0.00	73,829.66	73,829.66	0.00
Funds Held for Others	6,587.96	79,199.42	80,417.62	5,369.76
Total Liabilities	\$ 6,587.96	\$ 153,029.08	154,247.28	\$ 5,369.76

**EXHIBIT J-1**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**All Agency Funds**  
**For Fiscal Year Ended August 31, 2017**

	Beginning Balances September 1, 2016	Additions	Deductions	Ending Balances August 31, 2017
<b>Suspense Fund (0900)</b>				
Assets:				
Cash in State Treasury	995,915.80	103,788,168.54	104,116,918.12	667,166.22
Total Assets	\$ 995,915.80	\$ 103,788,168.54	\$ 104,116,918.12	\$ 667,166.22
Liabilities:				
Accounts Payable	995,915.80	83,565,397.84	84,021,880.29	539,433.35
Funds Held for Others	0.00	103,788,168.54	103,660,435.67	127,732.87
Total Liabilities	\$ 995,915.80	\$ 187,353,566.38	\$ 187,682,315.96	\$ 667,166.22
<b>Direct Deposit Correction Account (0980)</b>				
Assets:				
Cash in State Treasury	0.00	252.33	252.33	0.00
Total Assets	\$ 0.00	\$ 252.33	252.33	\$ 0.00
Liabilities:				
Funds Held for Others	0.00	252.33	252.33	0.00
Total Liabilities	\$ 0.00	\$ 252.33	252.33	\$ 0.00
<b>Unappropriated GR (1000)</b>				
Assets:				
Cash in State Treasury	0.00	105,873,794.82	105,873,794.82	0.00
Total Assets	\$ 0.00	\$ 105,873,794.82	105,873,794.82	\$ 0.00
Liabilities:				
Accounts Payable	0.00	142,425.38	142,425.38	0.00
Funds Held for Others	0.00	105,873,794.82	105,873,794.82	0.00
Total Liabilities	\$ 0.00	\$ 106,016,220.20	106,016,220.20	\$ 0.00
<b>Total - All Agency Funds</b>				
Assets:				
Cash in State Treasury	11,943,505.54	332,337,773.51	326,879,601.13	17,401,677.92
Accounts Receivable	133,455.47	0.00	133,455.47	0.00
Total Assets	\$ 12,076,961.01	\$ 332,337,773.51	\$ 327,013,056.60	\$ 17,401,677.92
Liabilities:				
Accounts Payable	995,915.80	118,581,986.16	119,038,468.61	539,433.35
Funds Held for Others	11,081,045.21	332,204,318.04	326,423,118.68	16,862,244.57
Total Liabilities	\$ 12,076,961.01	\$ 450,786,304.20	\$ 445,461,587.29	\$ 17,401,677.92

(Exhibit VI)

The accompanying notes to the financial statements are an integral part of this exhibit.

## **SCHEDULES**

-UNAUDITED-

**SCHEDULE 1A**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended August 31, 2017**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through From			
	CFDA Number	Agency Number	State Agency or University Amount	Non-State Entities Amount
<b>U.S. Department of Transportation</b>				
<u>Direct Programs:</u>				
Commercial Vehicle Information Systems and Networks	20.237			
<u>Pass-Through Programs:</u>				
Texas Department of Public Safety				
Commercial Vehicle Information Systems and Networks	20.237	405	\$ 133,107.09	
<b>Total</b>			<u>\$ 133,107.09</u>	<u>0.00</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u><b>\$ 133,107.09</b></u>	<u><b>0.00</b></u>

**Note 2 - Reconciliation**

Per Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Governmental Fund Types)

Exhibit II

Federal Revenues	\$ 168,969.10
Federal Pass-Through Revenues	\$ 133,107.09
<b>Total</b>	<u><b>\$ 302,076.19</b></u>

February 7, 2018

Published and distributed  
by the  
Texas Department *of* Motor Vehicles  
4000 Jackson Avenue  
Austin, Texas 78731



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

# Annual Report of Nonfinancial Data

Fiscal Year Ended August 31, 2017



# **Annual Report of Nonfinancial Data**

## **Fiscal Year Ended August 31, 2017**



**Texas Department *of* Motor Vehicles**

Prepared by  
Finance & Administrative Services Division

December 31, 2017  
*Revised, January, 2018*



## **Texas Department of Motor Vehicles Board**

Raymond Palacios, Jr., Chair

Blake Ingram, Vice-Chair

Robert "Barney" Barnwell, III

Luanne Caraway

Brett Graham

Kate Hardy

Gary Painter

Guillermo "Memo" Treviño

John H. "Johnny" Walker, III

Whitney H. Brewster

Executive Director

Published and distributed  
by the  
Texas Department of Motor Vehicles  
4000 Jackson Avenue  
Austin, Texas

## Table of Contents

	Page
Letter of Transmittal	v
Appropriation Item Transfer Schedule	1
Historically Underutilized Business Strategic Plan Progress Report	2
Indirect Cost Schedule	3
Schedule of Professional/Consulting Fees and Legal Service Fees	4
Schedule of Space Occupied	6
Schedule of Vehicles Purchased	8
Alternative Fuel Program Status	9
Schedule of Itemized Purchases	10



December 31, 2017

The Honorable Greg Abbott, Governor  
Ms. Lisa R. Collier, CPA, CFE, CIDA First Assistant State Auditor  
Ms. Ursula Parks, Director, Legislative Budget Board

Ladies and Gentlemen:

We are pleased to submit the Texas Department of Motor Vehicle's *Annual Report of Nonfinancial Data* for the year ended August 31, 2017, in compliance with the TEX. GOV'T CODE ANN. §2101.0115 and in accordance with the instructions for completing the Annual Report of Nonfinancial Data.

The accompanying report has not been audited and is considered to be independent of the agency's *Annual Financial Report*.

If you have any questions, please contact Mr. Sergio Rey, Director of Accounting, at (512) 465-4203, or Ms. Linda M. Flores, CPA, Chief Financial Officer, at (512) 465-4125.

Sincerely,

Whitney H. Brewster  
Executive Director

(Unaudited)

**Appropriation Item Transfers\***

For the Fiscal Year Ended August 31, 2017

**ITEM OF APPROPRIATION**

				<u>Transfers-In</u>	<u>Transfers-Out</u>	<u>Net Transfers</u>
<b>A. Goal: Optimize Services &amp; Systems</b>						
<i>Strategies:</i>						
A.1.1	13001	Titles, Registrations & Plates	\$	1,479,898.91	\$ (76,836.10)	\$ 1,403,062.81
A.1.2	13002	Vehicle Dealer Licensing		856.00	(100,158.00)	(99,302.00)
A.1.3	13005	Motor Carrier Permits & Credentials		-	(1,255,296.91)	(1,255,296.91)
A.1.4	13006	Technology Enhancement & Automation		33,000.00	(249,842.00)	(216,842.00)
A.1.5	13007	Customer Contact Center		<u>201,378.10</u>	<u>-</u>	<u>201,378.10</u>
Total, Goal A:		Optimize Services & Systems	\$	<u>1,715,133.01</u>	\$ <u>(1,682,133.01)</u>	\$ <u>33,000.00</u>
<b>C. Goal: Indirect Administration</b>						
<i>Strategies:</i>						
C.1.2	13010	Information Resources		<u>-</u>	<u>(33,000.00)</u>	<u>(33,000.00)</u>
Total, Goal C:		Indirect Administration		<u>-</u>	<u>(33,000.00)</u>	<u>(33,000.00)</u>
<b>NET APPROPRIATION ITEM TRANSFERS</b>			\$	<u><b>1,715,133.01</b></u>	\$ <u><b>(1,715,133.01)</b></u>	\$ <u><b>(0.00)</b></u>

\* This schedule does not include Benefit Replacement Pay transfers or Rider Reduction transfers.

(Unaudited)

## HUB Strategic Plan Progress Report

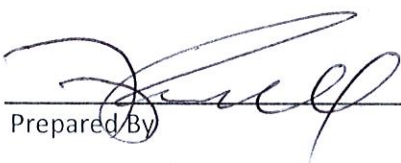
For the Fiscal Year Ended August 31, 2017

Source: Texas Government Code, Section 2161.124

Category	Actual for FY 16*	Actual for FY 17*	Goal for FY 18**
Heavy construction other than building contracts			
Building construction, including general contractors and operative builders contracts			
Special trade construction contracts	13.43%		
Professional services contracts			
Other services contracts	13.82%	4.38%	5.00%
Commodities contracts	28.50%	21.33%	23.00%

\* Actual Percent spent with HUBS from HUB Report

\*\* HUB Goal from the Strategic Plan


  
Prepared By

Fred Snell

Printed Name

512-465-4177

Phone Number

  
Approved By (Signature required.)

David Chambers

Printed Name

512-465-1257

Phone Number

(Unaudited)

**Indirect Cost Schedule**

For the Fiscal Year Ended August 31, 2017

**A. Payroll-related Costs***(Exhibit II, Annual Financial Report)*

FICA Employer Matching Contribution	\$	2,871,586.15	
Group Health Insurance		7,422,476.51	
Retirement		3,795,680.66	
Unemployment		40,168.93	
<b>Total Payroll-related Costs</b>			<b>\$ 14,129,912.25</b>

Workers' Compensation	\$	75,007.61	
Benefit Replacement Pay (BRP)		97,318.73	
<b>Total Workers' Compensation and BRP</b>			<b>\$ 172,326.34</b>

**B. Indirect Costs***(Not reported in Agency's Annual Financial Report)*

Bond Debt Service Payments			
Texas Facilities Commission (TFC)	\$	0.00	
Texas Public Finance Authority (TPFA)		0.00	
Other (if applicable)		0.00	
<b>Total Indirect Costs</b>			<b>\$ 0.00</b>

**C. Indirect Costs - Statewide Full Cost Allocation Plan (SWCAP)**

Comptroller of Public Accounts (CPA)	\$	243,139.00	
Department of Public Safety (DPS)		(212.00)	
Texas Facilities Commission (TFC)		2,915.00	
Governor Budget & Planning		2,958.00	
<b>Total Indirect Costs - Statewide Full Cost Allocation Plan</b>			<b>\$ 248,800.00</b>

<b>TOTAL INDIRECT COSTS</b>			<b>\$ 14,551,038.59</b>
-----------------------------	--	--	-------------------------

(Unaudited)

**Schedule of Professional/Consulting Fees & Legal Service Fees**

For the Fiscal Year Ended August 31, 2017

**Professional/Consulting Fees:**

<b>Name</b>	<b>Service Provided</b>	<b>Amount</b>
Abdeladim & Associates	Information Technology Services	201,327.17
Adjacent Technologies Inc	Information Technology Services	12,480.00
Allied Consultants	Information Technology Services	5,080.00
American Association of Notaries Inc	Educational/Training Services	25.00
Anchor Computer Inc	Data Processing Services	15,367.93
Apex Systems Inc	Information Technology Services	91,620.00
Black Book National Auto Research Division	Information Technology Services	93,500.00
C & T Information Tech. Consulting Inc	Information Technology Services	144,245.00
Carahsoft Technology Corporation	Information Technology Services	805,103.51
Carahsoft Technology Corporation	Consultant Services - Computer	3,279.53
Carahsoft Technology Corporation	Educational/Training Services	7,673.69
Capitol Systems Inc	Information Technology Services	85,455.00
Cogent Infotech Corporation	Information Technology Services	107,088.00
Dataspan Holdings	Data Processing Services	5,603.65
Dell Marketing LP	Information Technology Services	13,552.00
Deloitte Consulting LLP	Information Technology Services	8,846,761.58
Explore Information Services LLC	Information Technology Services	732,619.50
Fred Pryor Seminars	Educational/Training Services	199.00
Galton Cunningham & Bourgeois PLLC	Professional Services-Other	1,175.00
Intellipaate Software Services Pvt. Ltd.	Educational/Training Services	300.00
Inventrum LLC	Educational/Training Services	14.85
Kaeppel Consulting LLC	Information Technology Services	24,609.50
Learnquest Inc	Educational/Training Services	2,800.00
Madcap Software Inc	Educational/Training Services	1,299.00
National Human Resource Group Inc	Information Technology Services	189,559.00
Navayuga Infotech LLC	Information Technology Services	152,997.22
NF Consulting Services	Information Technology Services	568,834.50
NTT Data Inc	Data Processing Services	626,988.84
NU Info Systems Inc	Information Technology Services	196,473.50
Prelude Systems Inc	Information Technology Services	34,125.00
Presidio Networked Solutions Group LLC	Consultant Services - Computer	4,200.00

(Unaudited)

**Schedule of Professional/Consulting Fees & Legal Service Fees**

For the Fiscal Year Ended August 31, 2017

**Professional/Consulting Fees:**

<b>Name</b>	<b>Service Provided</b>	<b>Amount</b>
Promiles Software Development Corp.	Information Technology Services	295,941.78
Safari Books Online LLC	Educational/Training Services	5,985.00
SHI Government Solutions Inc	Consultant Services - Computer	22,300.00
Skillpath Seminars	Educational/Training Services	125.95
Software Engineering Services	Information Technology Services	156,937.51
Southwest Research Institute	Consultant Services - Other	368,026.73
State Bar of Texas	Educational/Training Services	65.00
Steel Digital Studios Inc	Professional Services-Other	600.00
Texas Comptroller of Public Accounts	Professional Services-Other	10,000.00
Texas Comptroller of Public Accounts	Educational/Training Services	50.00
Texas Department of Information Resources	Computer Services-Statewide Tech	9,348,192.78
Texas Department of Information Resources	Data Processing Services	43,725.00
Texas Department of Transportation	Data Processing Services	38,181.69
Texas Workforce Commission	Educational/Training Services	2,171.00
TIBH Industries Inc	Information Technology Services	1,167,700.91
TXC Texas Creative Ltd	Consultant Services - Other	7,610.08
University of Texas at Austin	Educational/Training Services	11,584.00
Voice Products Inc	Information Technology Services	5,919.33
Wolters Kluwer Financial Services Inc	Information Technology Services	8,070.00
Workers Assistance Program Inc	Educational/Training Services	1,200.00
Workers Assistance Program Inc	Professional Services-Other	13,245.89
<b>Total, Professional/Consulting Fees:</b>		<b>\$ 24,481,989.62</b>

**Legal Service Fees:**

<b>Name</b>	<b>Service Provided</b>	<b>Amount</b>
State Office of Administrative Hearings (SOAH)	Legal Services - Approved by SOAH	70,900.00
<b>Total, Legal Service Fees:</b>		<b>\$ 70,900.00</b>

**TOTAL, PROFESSIONAL/CONSULTING FEES & LEGAL SERVICE FEES** **\$ 24,552,889.62**



(Unaudited)

**Schedule of Space Occupied**

For the Fiscal Year Ended August 31, 2017

The Texas Department of Motor Vehicles is headquartered in Austin, Texas and maintains sixteen (16) regional offices across the state to facilitate delivery of services to the motoring public. Effective November 1, 2009, the Texas Department of Transportation allocated office space to the TxDMV through a Memorandum of Understanding as required by HB 3097, 81st Legislature, R.S.

Location	Address	Lessor	Lease No.
<b>State Owned Buildings</b>			
Camp Hubbard Complex	4000 Jackson Ave, Austin, Texas		
Building, CH 1			
Building, CH 2 (Fiesta Room)			
Building, CH 5			
Bull Creek Complex	4203 Bull Creek, Austin, Texas		
Building 22			
Building 40			
Building 43 A, B & C			
<b>Regional Offices</b>			
Abilene	4210 North Clack, Abilene, Texas		
Amarillo	5715 Canyon Drive, Building H, Amarillo, Texas		
Austin	1001 East Parmer Lane, Suite A, Austin, Texas		
Beaumont	8550 Eastex Freeway, Beaumont, Texas		
Huntsville Operations	810 FM 2821, Huntsville, Texas	TDCJ - Wynne Unit	
Longview	4549 West Loop 281, Longview, Texas		
Lubbock	135 Slaton Road, Lubbock, Texas		
Midland/Odessa	3901 East Hwy 80, Odessa, Texas		
Pharr	600 West Expwy 83, Pharr, Texas		
*San Antonio	TransGuide Building, 3500 NW Loop 410, San Antonio, Texas		
Wichita Falls	1601-A Southwest Parkway, Wichita Falls, Texas		
<b>Leased Space</b>			
Centimeter Warehouse Facility	2000 Centimeter Circle, Austin, Texas	RUT-3-4-7, LTD	MOU with TXDOT
CPA Warehouse	1811 Airport Blvd, Austin, Texas	4015 Limited Partnership	6728
<b>Regional Offices</b>			
Corpus Christi	602 N. Staples Street, Corpus Christi, Texas	Corpus Christi Regional Transp. Authority	303-7-20538
Dallas	1925 E. Beltline Road, Carrollton, Texas	RDT Leasing	7959
El Paso	1227 Lee Trevino Drive, Suite 100, El Paso, Texas	Burnham Properties, Ltd.	10263
Fort Worth	2425 Gravel Drive, Fort Worth, Texas	Gravel Drive Limited	10462
Houston	2110 East Governors Circle, Houston, Texas	Ragsdale-Brookwood Joint Venture	20399
Waco	2203 Austin Avenue, Waco, Texas	Tony Martin, Trustee	8365

\*Note: For the majority of FY 2017, the San Antonio office was located at 3500 NW Loop 410, San Antonio, Texas. The San Antonio office was relocated to 15150 Nacogdoches Road, San Antonio, Texas on August 28, 2017.

Location	Type	Usable Square Footage	FTEs	Cost Per			Contract Period
				Month	Sq.Ft. Per Mo.	Year	
State Owned Buildings							
Camp Hubbard Complex							
Building, CH 1	Office	71,684	270				
Building, CH 2 (Fiesta Room)	Office	1,102	-				
Building, CH 5	Office	33,134	116				
Bull Creek Complex							
Building 22	Office	7,664	51				
Building 40	Office	7,000	35				
Building 43 A, B & C	Office	5,030	20				
Regional Offices							
Abilene	Office	1,900	7				
Amarillo	Office	2,538	5				
Austin	Office	3,131	9				
Beaumont	Office	3,000	8				
Huntsville Operations	Office	260	2				
Longview	Office	3,120	10				
Lubbock	Office	2,579	7				
Midland/Odessa	Office	3,618	6				
Pharr	Office	3,500	13				
San Antonio	Office	1,760	16				
Wichita Falls	Office	2,665	11				
Total, State Owned Buildings		153,685	586	\$ -		\$ -	
Leased Space							
Centimeter Warehouse Facility	Warehouse	575	-	-	-	-	09/01/16 - 08/31/19
CPA Warehouse	Warehouse	3,000	-	1,694.73	0.5649	20,336.76	05/01/15 - 04/30/20
Regional Offices							
Corpus Christi	Office	3,141	7	3,737.79	1.1900	44,853.48	04/01/17 - 03/31/27
Dallas	Office	7,865	21	10,235.75	1.3014	122,829.00	04/01/15 - 03/31/20
El Paso	Office	3,771	10	4,485.78	1.1895	53,829.36	11/01/14 - 10/31/17
Fort Worth	Office	5,685	23	6,468.75	1.1379	77,625.00	08/01/13 - 09/30/20
Houston	Office	11,554	33	23,164.06	2.0049	277,968.72	11/01/16 - 09/30/24
Waco	Office	2,307	7	3,185.53	1.3808	38,226.36	09/01/15 - 08/31/20
Total, Leased Space†		37,898	101	\$ 52,972.39		\$ 635,668.68	
GRAND TOTAL†		191,583	687	\$ 52,972.39		\$ 635,668.68	

† Revised totals, January, 2018

(Unaudited)

**Schedule of Vehicles Purchased**

For the Fiscal Year Ended August 31, 2017

<u>Make</u>	<u>Model</u>	<u>Quantity</u>	<u>Purchase Price</u>	<u>Type of Use</u>	<u>Fuel Efficiency In Average Miles per Gallon</u>
No Vehicles Purchased FY2017					
TOTALS		<u>0</u>	<u>0.00</u>		

(Unaudited)

**Alternative Fuel Program Status**

For the Fiscal Year Ended August 31, 2017

**Alternative Fuel Vehicles Received Into Inventory by Fiscal Year**

The totals in the chart below represent the number of alternative fuel vehicles received into inventory between September 1 and August 31 of each fiscal year.

Fiscal Year	Type Of Fuel Capability				Total
	Natural Gas (CNG)	Propane (LPG)	Ethanol (E-85)	Gas/Electric Hybrid	
2017					0
2016			3		3
2015					0
2014			8		8
2013			8		8
2012			6		6
2011					0
2010		6	1	11	18
<b>Totals</b>	<b>0</b>	<b>6</b>	<b>26</b>	<b>11</b>	<b>43</b>

Texas Department of Motor Vehicles was created by the 81st Legislature with House Bill 3097. The vehicles listed for FY2010 were part of the transfer from Texas Department of Transportation when the TxDMV began operations. The purchases to date were surplus vehicles bought from the Texas Department of Public Safety and one new vehicle procured via the Comptroller of Public Accounts Term Contract.

**Fuel Usage for the Fiscal Year Ended August 31, 2017**

	Gallons Used
Unleaded Gasoline	19,120
Unleaded for Gas Hybrid	3,266
Propane	0
Ethanol	4,416

(Unaudited)  
**Schedule of Itemized Purchases**  
 For the Fiscal Year Ended August 31, 2017

Vendor Name	Amount	Product Purchased	Justification
<i>Promiles Software Development Corp.</i>	<i>\$ 269,400.00</i>	<i>Programming and Support Services</i>	<i>Competing Products Not Satisfactory</i>
		Software programming to modify our current TxPROS website, including production and disaster recovery, hardware, software and infrastructure.	Promiles Software Development Corporation wrote the source code for the system and currently supports it as well. As such, they are the only vendor that can supply the services required.
<b>TOTAL PURCHASES</b>	<b>\$ <u>269,400.00</u></b>		

Published and distributed  
by the  
Texas Department *of* Motor Vehicles  
4000 Jackson Avenue  
Austin, Texas 78731

DATE: February 7, 2018

Action Requested: Briefing

To: Texas Department of Motor Vehicles (TxDMV) Finance and Audit Committee  
From: Linda M. Flores, CPA, Chief Financial Officer  
Agenda Item: 4.B.  
Subject: 2018 Quarterly Financial Report

---

### RECOMMENDATION

The attached Financial Summary reflects revenues and expenditures for the Texas Department of Motor Vehicles (TxDMV) for the first quarter ending November 30, 2017.

### PURPOSE AND EXECUTIVE SUMMARY

The TxDMV Board are briefed quarterly by staff on the revenue collections and agency expenditures. Beginning in Fiscal Year (FY) 2018 the Financial Summary has been updated to reflect a dashboard format. The **revenue section** has a segment dedicated to the TxDMV Fund, including comparisons of FY2018 revenue to year to date revenue projections, FY2017 actual collections for the same time period and actual expenditures and obligations. The TxDMV Fund section also includes data on revenue collections by type and the Processing and Handling (P&H) Fee transaction mix for the first quarter. The section outlining overall revenue collections (including Fund 0006) also compares projections to actuals, and includes details of revenue collections associated with titles, registration and oversize/overweight.

The **expenditure section** includes expenditure/encumbrance data by fund and by budget category. Major operating categories are highlighted, and a graph on FTE status for the quarter is depicted in the report. Finally, the capital budget section includes information on capital projects as well as a separate section detailing Automation Projects.

TxDMV Fund first quarter collections of \$38,760,436 exceeded projections. Collections for all revenues (including Fund 0006) were also in excess of projections by 4.1%. Expenses for the same period totaled approximately \$22.4 million with salaries, contract services, and postage constituting the majority of the expenditures.

The agency completed the first quarter without any major cost overruns or unanticipated expenditures. Revenue collections were close to projections without any unanticipated fluctuations.

### FINANCIAL IMPACT

The department continues to be funded with the TxDMV Fund with the exception of the Automobile Burglary and Theft Prevention Authority (ABTPA), which is funded from General Revenue. FY 2018 will be the first full year of collections of the P & H fee.

### BACKGROUND AND DISCUSSION

#### **TxDMV Fund Status**

As of November 30, 2017 collections for the TxDMV Fund totaled \$41,441,199 consisting of \$38,760,436 in fee collections plus \$2,680,763 in collections for payments of fees for credit cards and Texas.gov.

- Year-to-date revenue collections for the P&H fee were above projections at \$13.5 million.

Obligations to the TxDMV Fund for the same period include \$21 million in operating expenses, plus \$2.9 million in obligations for fringe benefits and \$2.7 million for convenience and Texas.gov fees. The result is a net cash balance of \$14.9 million at November 30, 2017. This balance does not include the available fund balance at the end of FY2017 or the one-time transfer of \$23 million.

### **My Plates Status**

As of November 30, 2017, General Revenue collections for the new MyPlates contract exceeded \$33.9 million, of which approximately \$16.7 million deposited to General Revenue counts toward the \$15 million guarantee. The \$15 million General Revenue guarantee was met in August 2017.

### **Overall Revenues**

For the first quarter, collections for all revenues ended 4.1% over projections. The major drivers for higher than projected revenue collections were in motor vehicle registrations, P&H fees and oversize/overweight revenue. A comparison of current Registration revenue collections to the same period last year reflects a 6.6% increase. The increase is partially due to an increase in the number of registered vehicles of 1.2% compared over the same period last year. FY 2018 motor carrier credentialing revenue is down from FY 2017 and lower than projected for FY 2018, primarily due to delayed payments from motor carriers for Unified Carrier Registration (UCR) annual fees. The UCR board finalized and published the current fee structure later than expected. Now that the fee amounts have been revised, motor carriers have been given 90 days from early January to pay fees that were owed. TxDMV expects such fees will be paid in full within the current fiscal year. In the first quarter, oversize/overweight revenue has rebounded from the slump experienced in FY 2017 with an increase of 17.7% over the same period in FY 2017.

### **Expenditures**

Overall year-to-date expenditures through November 30, 2017 totaled \$22,416,581. Significant expenditure categories includes salaries, contract services for plate production, printing costs for Vehicles, Titles, and Registration (VTR) forms, postage, and Data Center Services (DCS) costs. Included in the year-to-date expenditures is approximately \$1,092,098 for contract payments to the MyPlates vendor. Contract payments to the MyPlates vendor are contingent upon revenues collected. As of the end of the first quarter, MyPlates TxDMV Fund revenues totaled \$1,158,366.

Included in the overall expenditure total are capital appropriation expenditures of approximately \$3.7 million. A major expenditure of \$1.3 million is associated with Data Center Services (DCS) costs. Automation expenditures total approximately \$1.6 million for the first quarter, primarily for project costs in RTS Refactoring.





Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

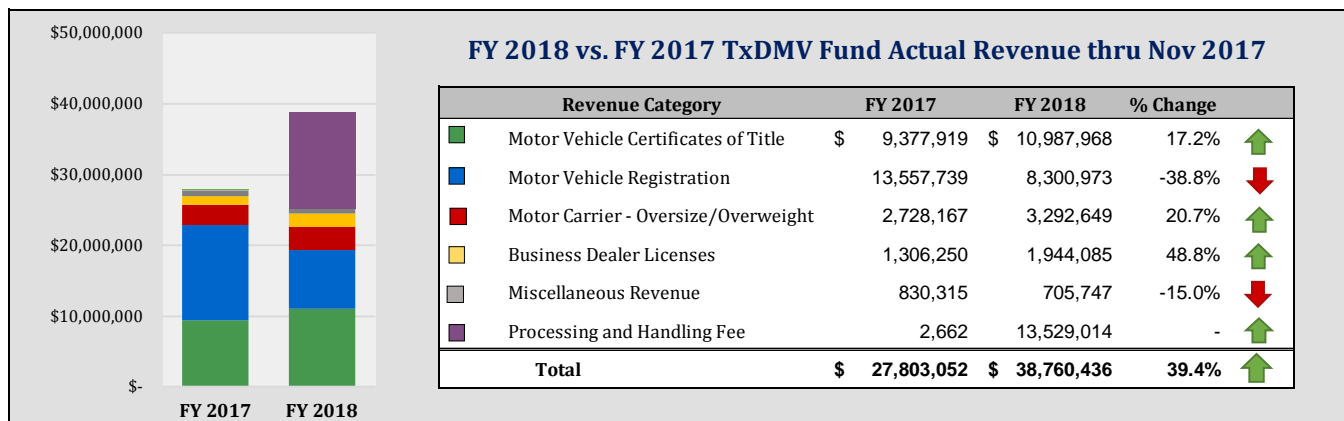
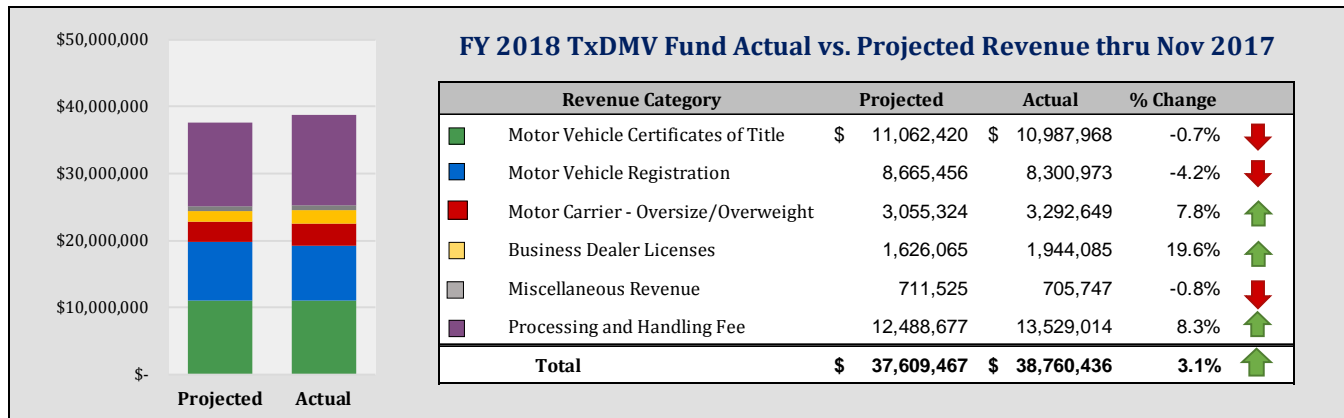
---

# FY 2018 Financial Summary for the 1st Quarter ending November 30, 2017

**Finance and Administrative Services Division**

**February 7, 2018**

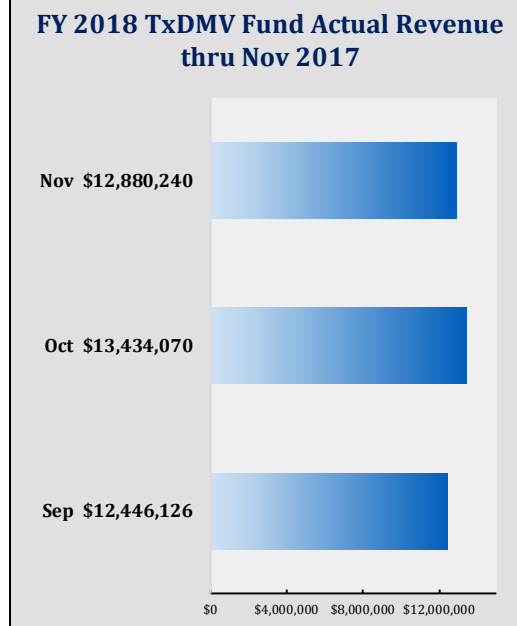
## TxDMV Fund Highlights



Overall, TxDMV Fund revenue was 3.1% over projections for the first quarter of FY 2018. Title revenue was 0.7% under projections, and registration revenue was 4.2% less than projected. FY 2018 oversize/overweight deposits to the TxDMV Fund were 7.8% above projections, as more than the expected number of permits were issued in the rebounding oil-price environment. Business dealer licenses finished the quarter 19.6% higher than expected.

The first quarter of FY 2018 saw a significant increase in revenue deposited to the TxDMV Fund, compared to FY 2017. This is primarily the result of the new processing and handling fee implemented in January 2017. The automation fee is now included in the processing and handling fee, resulting in a decrease in TxDMV Fund registration revenue.

The top-five revenue-generating TxDMV Fund fees for the quarter (processing and handling fee, \$3 portion of title fees, buyer's tag, oversize/overweight permits, and delinquent title transfer) accounted for 78.2% of all TxDMV Fund revenue.



## TxDMV Fund Highlights

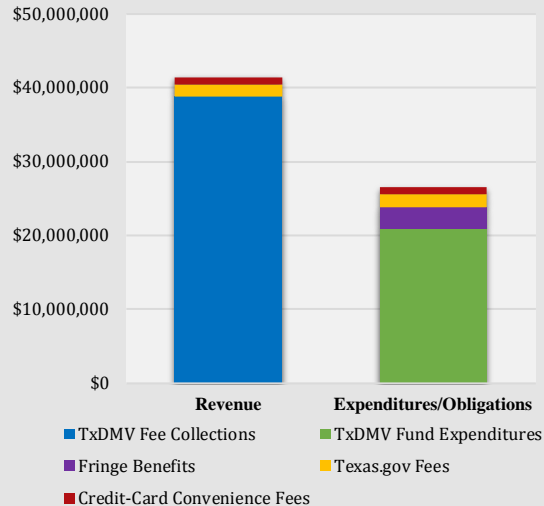
### FY 2018 TxDMV Fund Revenue Collections vs. Expenditures/Obligations thru Nov 2017

**Revenue:**

Motor Vehicle Certificates of Title	\$	10,987,968
Motor Vehicle Registration		8,300,973
Motor Carrier - Oversize/Overweight		3,292,649
Business Dealer Licenses		1,944,085
Miscellaneous Revenue		705,747
Processing and Handling Fee		13,529,014
<b>Total Fee Collections</b>	<b>\$</b>	<b>38,760,436</b>
Texas.gov Fees		1,676,435
Credit-Card Convenience Fees		1,004,328
<b>Total Revenue</b>	<b>\$</b>	<b>41,441,199</b>

**Expenditures/Obligations:**

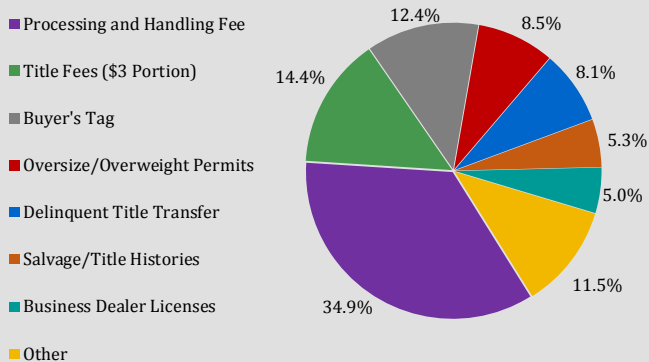
TxDMV Fund Expenditures	\$	20,986,441
Fringe Benefits		2,890,452
Texas.gov Fees		1,676,435
Credit-Card Convenience Fees		1,004,328
<b>Total</b>	<b>\$</b>	<b>26,557,656</b>



Total first-quarter revenue of approximately \$41.4 million primarily consists of \$38.8 million in TxDMV Fund fee collections. Texas.gov fees and credit-card convenience fees are also included.

First-quarter expenditures total \$21 million. At the end of the first quarter there is a balance of \$14.9 million. *Note: This does not include FY 2017 year-end fund balances.*

### FY 2018 TxDMV Fund Actual Revenue by Fee thru Nov 2017



**Total Deposits thru Nov 2017: \$38,760,436**

**Top TxDMV Fund Fees**

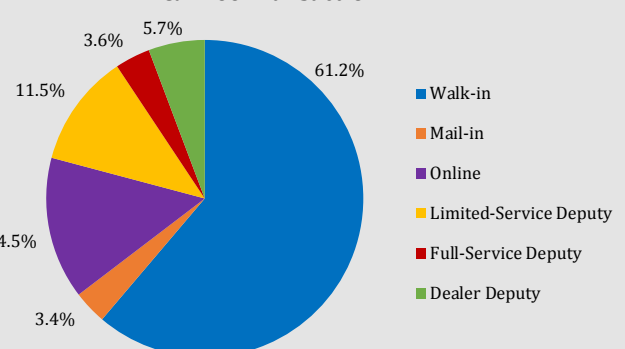
Fee	Revenue	% of Total
Processing and Handling Fee	\$ 13,529,014	34.9%
Title Fees (\$3 Portion)	5,573,517	14.4%
Buyer's Tag	4,791,789	12.4%
Oversize/Overweight Permits	3,292,649	8.5%
Delinquent Title Transfer	3,139,437	8.1%
Salvage/Title Histories	2,039,653	5.3%
Business Dealer Licenses	1,944,085	5.0%
Other Sources	4,450,292	11.5%

### Processing and Handling Fee

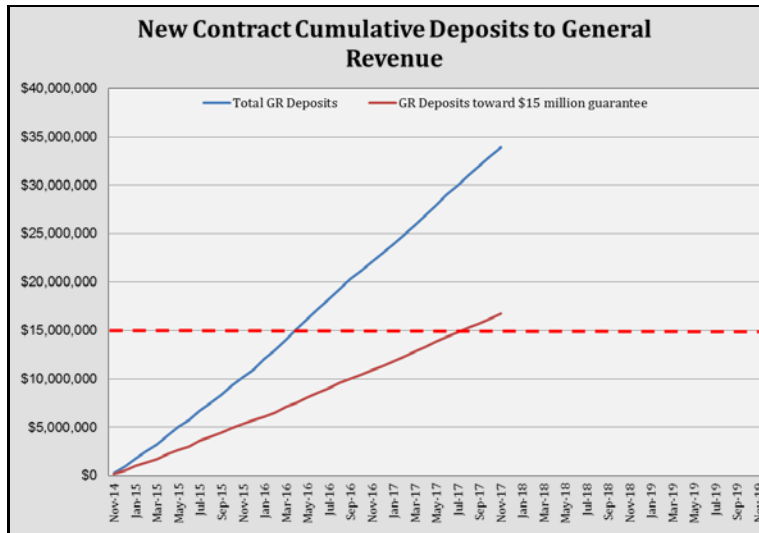


**FY 2018 P&H Fee Revenue thru Nov 2017: \$13,529,014**

- The processing and handling fee was implemented in January 2017. FY 2018 P&H fee revenue made up 34.9% of TxDMV Fund collections in the first quarter of FY 2018. One hundred percent of State P&H fee revenue was deposited to the TxDMV Fund, to cover to the cost of processing vehicle registration transactions.
- Year-to-date FY 2018 P&H fee revenue was 8.3% above projections. This is primarily due to a higher-than-expected number of vehicle registration transactions.
- FY 2018 year-to-date, an average of \$2.31 per annual registration transaction has been deposited to the TxDMV Fund (this excludes Texas.gov fees). For online annual registrations, \$1.50 per transaction is deposited to the TxDMV Fund. For all other annual registration transaction types, \$2.45 is deposited to the TxDMV Fund.

**P&H Fee Transaction Mix**


## My Plates Revenue



- Through November 2017, cumulative vendor deposits to General Revenue under the renewed contract totaled \$33,916,658.
- MyPlates met the \$15 million contractual guarantee the third week of August 2017. As of November 30, 2017, there has been \$16,738,357 deposited to General Revenue that counts 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 plate sales of one year
  - 95% of all renewal sales
  - 60% of all auction sales
  - 60% from all plate sales with a term of greater than one year
  - 10% of all ancillary products

## Overall Revenue Collections

### FY 2018 Actual vs. Projected Revenue - All Funds\* thru Nov 2017

Revenue Category	Projected	Actual	% Change
Motor Vehicle Certificates of Title	\$ 21,609,569	\$ 22,206,207	2.8% ↑
Motor Vehicle Registration	354,944,434	370,371,480	4.3% ↑
Motor Carrier - Oversize/Overweight	38,415,475	39,862,043	3.8% ↑
Motor Carrier Credentialing	2,132,498	1,151,016	-46.0% ↓
Business Dealer Licenses	1,626,065	1,944,085	19.6% ↑
Miscellaneous Revenue	1,858,025	1,615,138	-13.1% ↓
Processing and Handling Fee	12,488,677	13,529,014	8.3% ↑
<b>Total</b>	<b>\$ 433,074,743</b>	<b>\$ 450,678,983</b>	<b>4.1% ↑</b>

Overall, first-quarter FY 2018 revenue collections were 4.1% over projections. The following categories were above projections: title revenue (2.8% over), registration revenue (4.3% over), oversize/overweight revenue (3.8% over), business dealer licenses (19.6% over), and processing and handling fee revenue (8.3% over). Motor carrier credentialing fees were below projections due to delayed annual motor carrier UCR-fee payments. Miscellaneous revenue was below projections, but is expected to meet annual projections.

Overall, first-quarter FY 2018 revenues were up 11.0% over FY 2017. Title revenue increased by 11.7%, registration revenue by 6.6%, and oversize/overweight revenue by 17.7%. Combined revenue from business dealer licenses and motor carrier credentialing is up 2.3% from FY 2017. Motor carrier credentialing and miscellaneous revenue were less than FY 2017 first-quarter collections.

### FY 2018 vs. FY 2017 Actual Revenue - All Funds\* thru Nov 2017

Revenue Category	FY 2017	FY 2018	% Change
Motor Vehicle Certificates of Title	\$ 19,885,481	\$ 22,206,207	11.7% ↑
Motor Vehicle Registration	347,440,873	370,371,480	6.6% ↑
Motor Carrier - Oversize/Overweight	33,855,045	39,862,043	17.7% ↑
Motor Carrier Credentialing	1,718,610	1,151,016	-33.0% ↓
Business Dealer Licenses	1,306,250	1,944,085	48.8% ↑
Miscellaneous Revenue	1,762,067	1,615,138	-8.3% ↓
Processing and Handling Fee	2,662	13,529,014	↑
<b>Total</b>	<b>\$ 405,970,988</b>	<b>\$ 450,678,983</b>	<b>11.0% ↑</b>

\* All-funds revenue comprises revenue collected by the Department that is deposited to the General Revenue Fund, State Highway Fund, and TxDMV Fund.

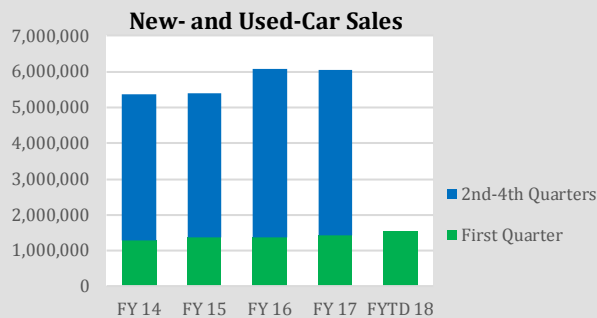
## Revenue by Category

### Motor Vehicle Certificates of Title



**FY 2018 Title Revenue thru Nov 2017: \$22,206,207**

- In the first quarter of FY 2018, 4.9% of TxDMV revenue collections were from motor vehicle certificates of title transactions. The \$22,206,207 collected was deposited as follows: \$9,092,739 (40.9%) to the General Revenue Fund; \$2,125,500 (9.6%) to the State Highway Fund; and \$10,987,968 (49.5%) to the TxDMV Fund.
- Year-to-date FY 2018 title revenue was 11.7% above FY 2017 collections, and 2.8% above projections.
- Strong vehicle sales continued in the first quarter of FY 2018. Total dealer sales (new and used) were 1,530,329 units, 6.1% higher than first-quarter FY 2017 sales. Average annual sales from FY 2014 to FY 2017 were 5,718,308 units.



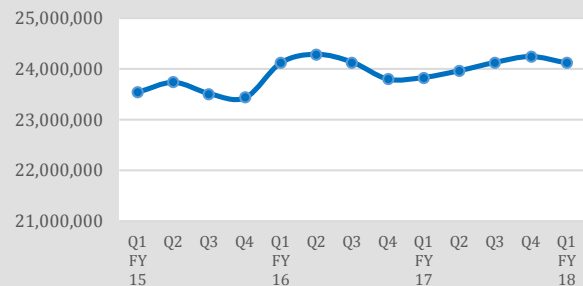
### Motor Vehicle Registration



**FY 2018 Registration Revenue thru Nov 2017: \$370,371,480**

- In the first quarter of FY 2018, 82.2% of TxDMV revenue collections were from motor vehicle registration fees. Of the \$370,371,480 collected, \$358,387,131 (96.8%) was deposited to the State Highway Fund.
- Year-to-date FY 2018 registration revenue was 6.6% above FY 2017 collections, and 4.3% above projections.
- As of November 30, 2017, there were 24,113,912 (non-exempt) registered vehicles in Texas. This is a 1.2% increase from the 23,830,075 registered vehicles in November 2016

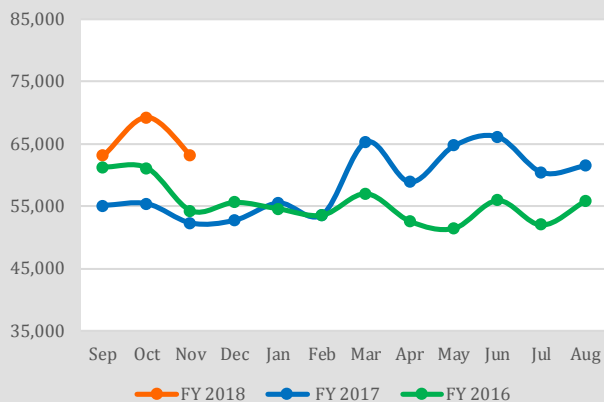
#### Number of Currently Registered Vehicles



### Motor Carrier - Oversize/Overweight



#### Number of Permits Issued

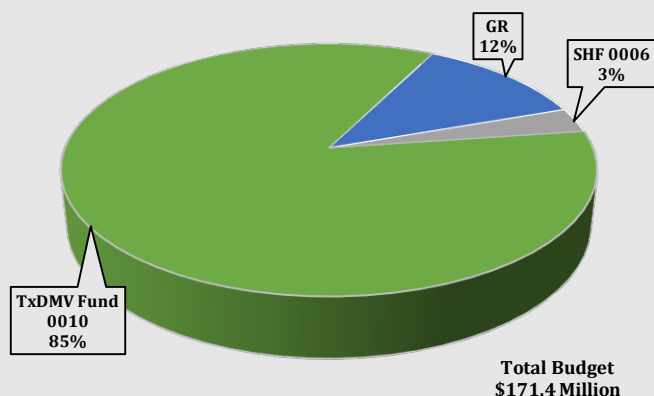


**FY 2018 Oversize/Overweight Revenue thru Nov 2017: \$39,862,043**

- In the first quarter of FY 2018, 8.8% of TxDMV revenue collections were from motor carrier oversize/overweight permit fees. The \$39,862,043 collected was deposited as follows: \$11,185,505 (28.1%) to the General Revenue Fund; \$25,383,888 (63.7%) to the State Highway Fund; and \$3,292,649 (8.3%) to the TxDMV Fund.
- Year-to-date FY 2018 oversize/overweight revenue was 3.8% higher than projected. Revenue collections were 17.7% higher than the first quarter of FY 2017.
- 195,541 oversize/overweight permits have been issued FY 2018 year-to-date, a 20.1% increase over first-quarter FY 2017.

## Operating Budget Status

**TxDMV Revised Operating Budget By Fund**



The Fiscal Year (FY) 2018 adjusted budget as of November 30, 2017 was \$171.4 million, an increase of \$3.1 million over the original approved budget of \$168.3 million.

Adjustments included the following:

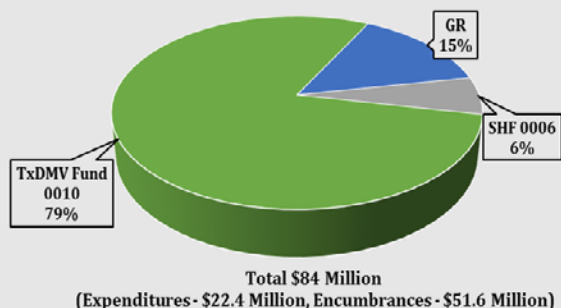
---> \$2.1 million in carry forward of unexpended balances in Automation for webDEALER and RTS Refactoring.

---> \$1.05 million in balances for the Bull Creek relocation.

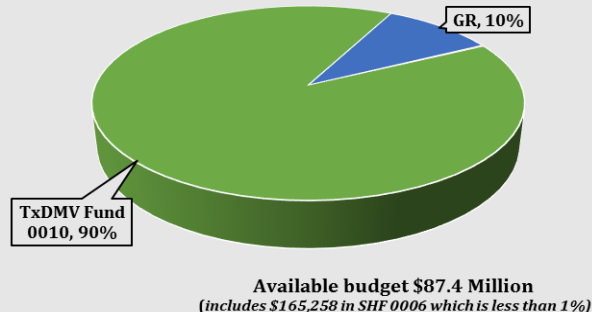
The TxDMV budget by method of finance is reflected in the revised budget shown at left. The TxDMV Fund is the predominate funding source for the department budget. The GR portion of the budget represents Automobile Burglary and Theft Prevention Authority. The State Highway Fund 0006 (SHF 0006) amounts are prior year Automation balances carried forward to the current year.

The two pie charts below show department expenditures/encumbrances and remaining budget amounts by fund as of the end of the 1st Quarter.

**TxDMV 1st Quarter Expenditures/Encumbrances By Fund**

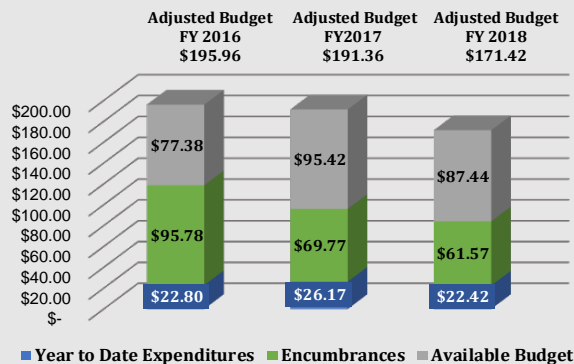


**TxDMV 1st Quarter Available Budget By Fund**

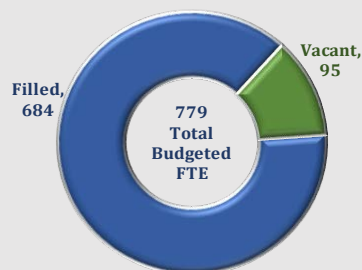


First quarter expenditures are at expected levels compared to this time period in fiscal years 2016 and 2017. Prior year budgets are higher due to funding for capital projects and the inclusion of unexpended balances for Automation.

**TxDMV Budget Prior Year Comparisons**  
in millions



**1st Quarter FTE Status**



Hiring in the department has increased since the end of the hiring freeze in September; however, vacancies are higher than at this time in FY 2017 when there were 54 vacancies reported.

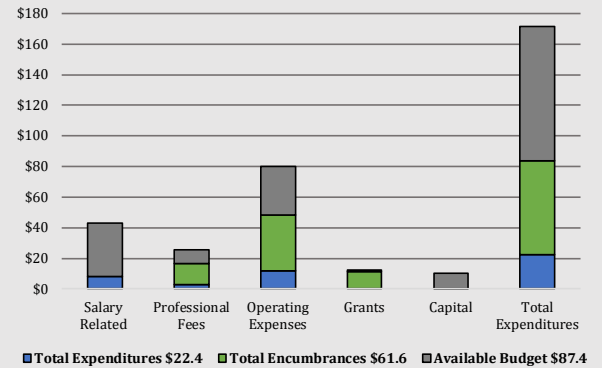
The new Compliance and Investigations Division (CID) became effective January 1, 2018, with the hiring of the new division director. Existing staff, including current Field Service Representatives, were transferred to the new division, also effective January 1, 2018.

It is anticipated that hiring of new positions approved as part of the exceptional item will begin in the upcoming months.

## Operating Budget Status

### FY 2018 TxDMV 1st Quarter Budget Status by Category

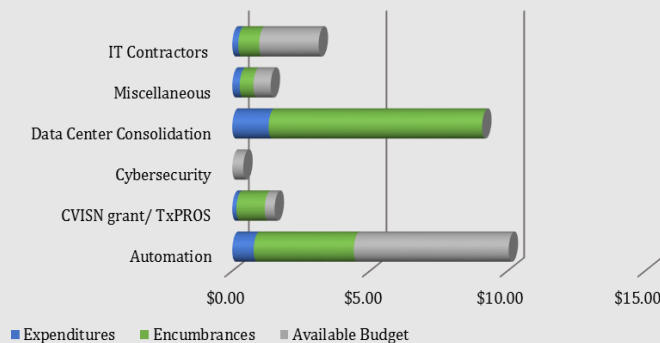
Budget Category	Revised Budget	Expenditures	Encumbrances	Available Budget
Salary Related	\$ 43,262,457	\$ 7,969,640	\$ -	\$ 35,292,817
Professional Fees	25,587,230	2,740,652	13,676,871	9,169,707
<b>Operating Expenses</b>				
Rent/Utilities	\$ 7,152,995	\$ 702,102	\$ 1,173,195	\$ 5,277,699
Contract Services and Services	35,181,712	3,516,645	19,813,397	11,851,671
Computer Equipment/Software and Maintenance & Repair	8,707,912	1,768,980	3,653,131	3,285,802
Freight, Postage, Reproduction & Printing	15,531,314	2,609,424	11,285,019	1,636,871
Advertising, Travel, Memberships/ Training, Fuel/ Consumables	7,478,672	3,085,964	681,986	3,710,722
Other Expenses	6,087,394	23,175	104,886	5,959,333
<b>Operating Expenses (Subtotal)</b>	<b>\$ 80,139,999</b>	<b>\$ 11,706,289</b>	<b>\$ 36,711,613</b>	<b>\$ 31,722,097</b>
Grants	\$ 12,303,182	-	\$ 11,173,618	\$ 1,129,564
Capital	10,128,448	-	5,281	10,123,167
<b>Total Expenditures</b>	<b>\$ 171,421,316</b>	<b>\$ 22,416,581</b>	<b>\$ 61,567,383</b>	<b>\$ 87,437,352</b>



Year to date expenditures through November 30, 2017 for all funds total \$22,416,581. Salaries (\$7.9 million) is a major expenditure category along with professional fees and operating expenses which includes expenditures for Huntsville license plates (in Contract Services), postage and reproduction and printing for renewal notices. The Other Expenses budget primarily consists of Bull Creek carryforward, funding for the Agencywide and HQ maintenance contingencies. Encumbrances includes obligations for capital projects, ABTPA grants, and license plate/registration. material production.

The bar charts below show detail for expenditures/encumbrances for Professional Fees, Freight, Postage, and Reproduction/Printing.

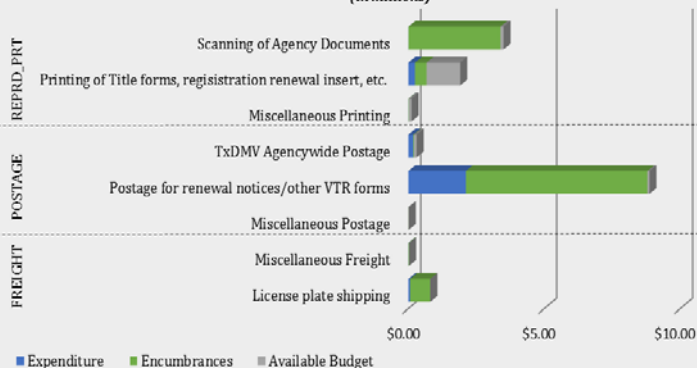
#### 1st Quarter Budget Status Detail for Professional Fees Expenditures, Encumbrances and Available Budget in millions



The majority of expenditures and encumbrances in the Professional Fees category for the first quarter were associated with the Automation project, specifically related to the Registration and Titling System (RTS) Refactoring project, and payments to the Department of Information Resources for Data Center Consolidation.

The Miscellaneous category consists of smaller contracts for temporary services, and other professional services.

#### 1st Quarter Budget Status Detail for Freight, Postage, Reproduction & Printing (in millions)



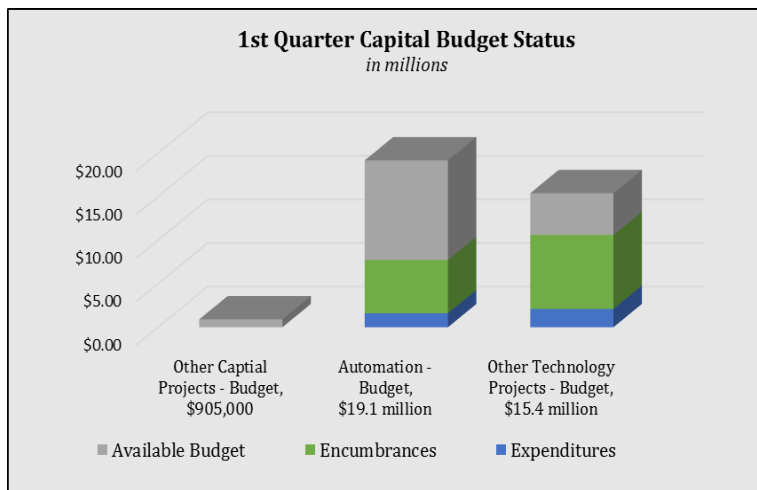
The bar chart at left primarily consists of obligations related to one of the department's core missions, registration and titling of motor vehicles.

In the Reproduction and Printing (Reprd\_Prt) category, the largest obligation is the contract for imaging of department documents, approximately \$3.5 million. Postage, approximately \$9.0 million, primarily consists of funding to mail renewal notices and other vehicle registration/titling forms. The contract for shipping license plates is in the Freight category.



## Capital Budget Status

	Revised Budget	Expenditures	Encumbrances	Available Budget
<b>Other Capital Projects</b>				
Agency Vehicles	\$ 500,000	\$ -	\$ -	\$ 500,000
CID Vehicles	100,000	-	-	100,000
TxDMV HQ Security/Badge System	305,000	-	-	305,000
<b>Total Other Capital Projects</b>	<b>\$ 905,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 905,000</b>
<b>Automation</b>	<b>\$ 19,160,048</b>	<b>\$ 1,599,901</b>	<b>\$ 6,117,758</b>	<b>\$ 11,442,389</b>
<b>Other Technology Projects</b>				
Agy Growth & Enhancement	\$ 808,998	\$ 189,485	\$ 395,117	\$ 224,397
County Technology Replacement	5,000,000	593,138	332,218	4,074,644
Cybersecurity Initiative	400,000	-	-	400,000
Data Center Consolidation	9,076,261	1,320,767	7,755,494	-
PC Replacement	102,295	-	-	102,295
<b>Other Technology Projects</b>	<b>\$ 15,387,554</b>	<b>\$ 2,103,389</b>	<b>\$ 8,482,829</b>	<b>\$ 4,801,336</b>
<b>Grand Total</b>	<b>\$ 35,452,602</b>	<b>\$ 3,703,291</b>	<b>\$ 14,600,587</b>	<b>\$ 17,148,724</b>



The FY2018 adjusted capital budget is \$35.5 million, an increase of \$2.1 million over the original approved budget of \$33.4 million. The increase reflects the final adjustment for the carryforward amount for Automation.

Year to date capital budget expenditures total \$3.7 million with the majority in the Data Center Consolidation and County Technology Replacement projects. Encumbrances total \$14.7 and primarily consists of obligations for the RTS Refactoring and the Data Center Consolidation project.

### Highlights for New Capital Budget Projects

The following is a status of capital projects were approved during the 85<sup>th</sup> Legislative session:

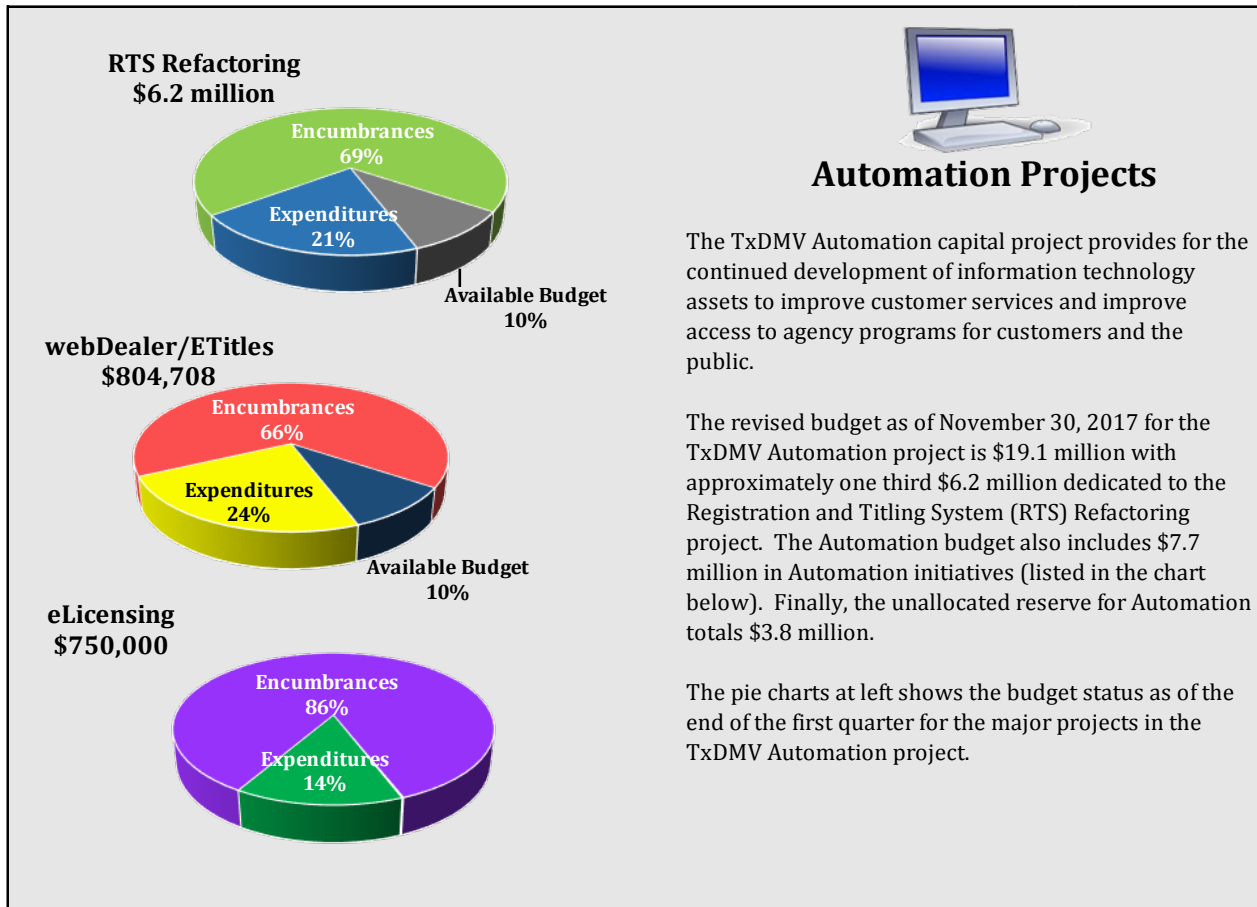
**Agency and CID Vehicles** – The development of specifications began in the 1st Quarter of FY 2018, and the initial Comptroller of Public Accounts (CPA) new vehicle contract was awarded in November 2017. Final specifications based on available contracts will be developed in January 2018.

**Cybersecurity** – Security initiatives being developed include email security enhancements, acquisition of a managed security services provider (MSSP), malware remediation services, and network security enhancements. These represent initial activities in the overall cybersecurity plan.

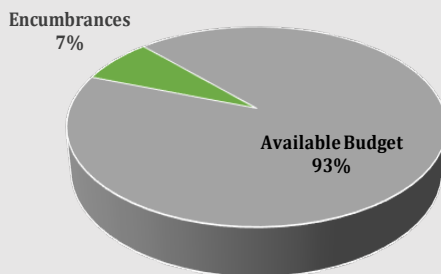
**TxDMV HQ Badge and Security** - Additional security needs for TxDMV HQ are being assessed and specifications are being developed.



## Capital Budget Status



### Automation Initiatives



#### Portfolio Projects

	Revised Budget	Expenditures	Encumbrances	Available Budget
Web Lien	\$ 2,514,732	\$ -	\$ 267,852	\$ 2,246,880
Call Center Upgrades	500,000	-	-	500,000
Kiosk Pilot	500,000	-	-	500,000
E-Renewals/E-Reminder	500,000	-	-	500,000
Fraud Data Dashboard	500,000	-	-	500,000
Enterprise Reporting	500,000	-	-	500,000
External Website Renovation	500,000	-	-	500,000
Mobile Applications	300,000	-	-	300,000
Cybersecurity	775,000	-	-	775,000
CVIEW	600,000	1,286	298,714	300,000
Online Certified Records*	500,000	-	-	500,000
<b>Total Automation Initiatives</b>	<b>\$ 7,689,732</b>	<b>\$ 1,286</b>	<b>\$ 566,566</b>	<b>\$ 7,121,880</b>

The projects listed under the category Portfolio Projects are in the initiation and planning stages at this point. The Enterprise Project Management Office along with the executive steering committee are in the process of finalizing project scope, schedules and budgets for the project charters.

\*The Online Certified Records initiative is being reviewed for level of effort to determine if it should be included in the project portfolio.

DATE: February 7, 2018

Action Requested: Briefing

**To:** Texas Department of Motor Vehicles (TxDMV) Finance and Audit Committee  
**From:** Linda M. Flores, CPA, Chief Financial Officer  
**Agenda Item:** 4.C.  
**Subject:** FY2018 Operating Budget Contracts

#### **RECOMMENDATIONS**

The attached is a summary of processes and procedures related to Board contracts.

#### **PURPOSE AND EXECUTIVE SUMMARY**

Response to Board inquiry on the processes that TxDMV uses to evaluate contracts to ensure that department procurements and contracts are as cost effective as possible. As part of the 2018 Operating Budget presentation there were questions raised about the cost effectiveness of contracts for license plate production, freight and the International Registration Plan (IRP). The attached information provides detail on the procurement methods for the contracts presented as part of the FY2018 Operating Budget presentation.

#### **BACKGROUND AND DISCUSSION**

Texas state agencies are governed by statutes and rules that set limitations on the state agency contracting and procurements. In addition, certain procurements are covered by statewide contracts which are negotiated and monitored by oversight agencies such as the Comptroller of Public Accounts (CPA), and the Department of Information Resources (DIR). These statewide contracts (defined as non-delegated) ensure economy in state procurement activities; obtaining commodities and services required by state agencies in a cost-effective and responsive manner. TxDMV must have specific authority delegated to the department either by statute or CPA rule, otherwise the department does not have the authority to solicit in the open market and must use established contract options. If goods or services cannot be obtained through the above contracts, the department must request delegation from the CPA to solicit the goods or services in the open market. TxDMV does have the authority to competitively bid information resources technology services/commodities in excess of \$5 million in the open market.

TxDMV adheres to the State of Texas standard practices to ensure best value for those contracts that are delegated to TxDMV ensure cost effectiveness. The department practices adheres to the provisions of Texas Government Code §§ 2155.074, 2155.075 and 2157.003 which outlines criteria (Attachment A) that state agencies much use in determining best value for procurements. Best value criteria not only considers cost effectiveness but also includes items such as contractor performance, quality and reliability of goods and/or services, future costs for maintenance and upkeep.

Attachment B lists 73 contracts as presented in the FY2018 Operating Budget, separated into the categories based on the statutes/rule governing the procurements. The table includes the FY2017 actual expenditure, procurement method, authority to procure (rule/statute), best value determinant, and comparable prices. Note the majority of these contracts comparable price information was not available since TxDMV does not have the authority competitively bid.

- Texas Administrative Code – Title 34, Part 1, Chapter 20 – CPA rules which defines types of procurements, outlines purchasing procedures and required sources for specific procurements.
- General Appropriations Act 85<sup>th</sup> Legislative Session – Section 15.02 (c) - Payments to the State Office of Risk Management for fleet liability insurance.

DATE: February 7, 2018

Page 2

Action Requested: Briefing

- Texas Government Code – Sections 771, 2113, 2155, 2157, 2162 and 2186 – Statutes granting authority for agencies such as CPA, DIR and the Texas Facilities Commission (TFC) to negotiate statewide contracts; outlining preferences to specific organizations for purchases and authorizes agencies to contract with each other for services.

The Purchasing Section within the Financial and Administrative Services Division (FAS) is responsible for the acquisition of all goods and services, as well as providing guidance to TxDMV staff in developing and managing procurements and contracts. Purchasing staff have all had extensive training which is required by law and hold current certifications. This training includes essential tools and knowledge to develop best value contracts and a clear understanding of statewide purchasing rules and best practices. Additionally, the purchasing staff is required to take training during their certification period to remain eligible for re-certification. All procurements are reviewed by purchasing staff to ensure that the purchase is cost effective, the best value (using criteria set by CPA and applicable statutes) and meets department requirements. Contracts are also reviewed by the Office of General Counsel to ensure that all legal requirements have been met and to identify any risks to the department.

In order to ensure cost effectiveness TxDMV adheres to the State of Texas standard practices to ensure best value for those contracts that are delegated to TxDMV. The department practices adheres to the provisions of Texas Government Code §§ 2155.074 and 2155.075 which outlines criteria (listed below) that state agencies much use in determining best value for procurements.

- the quality, availability, and adaptability of the supplies, materials, equipment, or contractual services to the particular use required;
- the number and scope of conditions attached to the respondent's proposal;
- the ability, capacity, and skill of the respondent to perform the contract or provide the service required;
- whether the respondent can perform the contract or provide the service promptly, or within the time required, without delay or interference;
- the character, responsibility, integrity, reputation, and experience of the respondent;
- the quality of performance of previous contracts or services;
- any previous or existing noncompliance by the respondent with specification requirements relating to time of submission of specified data such as samples, models, drawings, certificates, or other information;
- the sufficiency of the financial resources and ability of the respondent to perform the contract or provide the service; and
- the ability of the respondent to provide future maintenance, repair parts, and service for the use of the contract.

**Additional general best value evaluation factors found in Texas Government Code § 2155.074(b)**

- (1) installation costs;
- (2) life cycle costs;
- (3) quality and reliability of the goods and services;
- (4) delivery terms;
- (5) indicators of probable vendor performance under the contract such as past vendor performance, the vendor's financial resources and ability to perform, the vendor's experience or demonstrated capability and responsibility, and the vendor's ability to provide reliable maintenance agreements and support;
- (6) cost of any employee training associated with a purchase;
- (7) effect of a purchase on agency productivity;
- (8) vendor's anticipated economic impact to the state or a subdivision of the state, including potential tax revenue and employment; and
- (9) factors relevant to determining the best value for the state in the context of a particular purchase.

The Government Code also outlines specific requirements for determining best value for procurements related to Automated Information Systems (AIS)/Telecommunications component or services. A state agency may purchase or lease Automated Information Systems(AIS)/Telecommunications component or services directly from a vendor and may negotiate additional terms and conditions to be included in contracts relating to the purchase or lease. This is provided if the purchase or lease is based on the best value available and is in the

State's best interest. In determining which products or services are in the State's best interest, the agency shall consider Section 2157.003 of the Texas Government Code:

- (1) the purchase price;
- (2) the compatibility to facilitate the exchange of existing data;
- (3) the capacity for expanding and upgrading to more advanced levels of technology;
- (4) quantitative reliability factors;
- (5) the level of training required to bring persons using the system to a stated level of proficiency;
- (6) the technical support requirements for the maintenance of data across a network platform and the management of the network's hardware and software;
- (7) the compliance with applicable department statewide standards validated by criteria adopted by the department by rule;

Division	Vendor	Purpose	FY 2017 Actuals	FY2018 Contract Amount	Procurement Method	Authority to Procure	Best Value Determinant	Comparable Prices	Notes
1. These purchases are governed by Comptroller rules, Texas Administrative Code (TAC), Title 34, Part 1, Chapter 20. These rules ensure cost effective, consistent and uniform management of procurement processes and contracts.									
Motor Carrier	Promiles Software Development Corp.	Texas Permitting and Routing Optimization System (TxPROS) software maintenance	\$ 573,321	\$ 603,180	Request For Offer (RFO)	34 TAC 20.391	The bid response is evaluated to meet agency needs and proprietary restrictions. Negotiations are possible.	Since this is a proprietary product there are no comparable prices.	Proprietary - A proprietary product is one where the specifications or conditions of the proposed purchase allow only one product or service provider to be supplied, and preclude any other product or supplier from meeting the specifications.
Vehicle Titles & Registration	Taylor Communications	VTR RTS-500 Form (Title Application Receipt)	\$ 678,600	\$ 678,600	Comptroller of Public Accounts (CPA) Contract	34 TAC 20.40	CPA competitively bids and determines best value.	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not available.	CPA Statute/Rule/Process dictates source. TxDMV does not have the authority to competitively bid.
Finance and Administrative Services	Arthur J Gallagher Risk Management Services, Inc	Property Liability insurance per State Office of Risk Management (SORM)	\$ 8,400	\$ 9,000	SORM	34 TAC 20.41	CPA competitively bids and determines best value.	Since this is a proprietary product there are no comparable prices.	SORM Statute/Rule/Process dictates source. TxDMV does not have the authority to competitively bid.
Vehicle Titles and Registration	American Association of Motor Vehicle Administration (AAMVA)	Information systems title check through AAMVA	\$ 247,344	\$ 348,247	RFO	34 TAC 20.41	The bid response is evaluated to meet agency needs and proprietary restrictions. Negotiations are possible.	Since this is a proprietary product there are no comparable prices.	Proprietary - A proprietary product is one where the specifications or conditions of the proposed purchase allow only one product or service provider to be supplied, and preclude any other product or supplier from meeting the specifications.
Motor Carrier	Explore Information Service	International Registration Plan (IRP) Software Maintenance for Performance & Registration Information Management System (PRISM)	\$ 47,700	\$ 47,700	Direct Publication	34 TAC 20.41 (e) (5)	The quote/response is evaluated to meet agency needs and requirements.	Services tailored specifically to TxDMV needs, as a result price negotiations may not be possible.	Direct Publications are publications only available from a single source and therefore cannot be competitively bid.
Information Technology Services	Explore Information Service	IRP Maintenance and Support	\$ 272,587	\$ 63,000					
Information Technology Services	Explore	IRP Maintenance	\$ 320,288	\$ 209,588					
Information Technology Services	Smarty Streets	Address Lookup	\$ 17,400	\$ 17,400					
Information Technology Services	American Digital Cartography	TomTom MultiNet Find Annual License	NA	\$ 9,559					
Finance and Administrative Services	Alliant Insurance Services	Fleet liability insurance premium	\$ 13,140	\$ 17,700	SORM	General Appropriation Act (GAA) 85th Legislative Session Article IX, Sec. 15.02 (c)	SORM competitively bids and determines best value	Statewide contract costs competitively bid by SORM	GAA Article IX, Sec. 15.02 (c) dictates payments to SORM for these services. TxDMV does not have authority to competitively bid.
2. These purchases are governed by the Texas Government Code (TGC) specifying requirements for the use of state appropriations and agency authority related to purchasing.									
Finance and Administrative Services	Pitney Bowes	Agency postage	\$ 195,799	\$ 175,000	United States Postal Service (USPS)	TGC 2113. - Use of appropriated funds	Statute requires state agencies to use mailing services available from the United States Postal Service. Competitive bidding not available.	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not available.	Statute requires state agencies to use mailing services available from the United States Postal Service. competitive bidding not available.
Vehicle Titles & Registration	Pitney Bowes	Postage	\$ 14,116,000	\$ 9,577,474	USPS	TGC 2113 - Use of appropriated funds			
Finance and Administrative Services	Texas Dept of Criminal Justice (TDCJ)	Manufacturing of License Plates/Stickers	\$ 23,074,043	\$ 20,271,101	Texas Correctional Industries (TCI) Set Aside	TGC 2155.065; 497.024(a) Prison made goods act	CPA Competitively bids the sheeting and aluminum for TDCJ to determine the best value.		Statute dictates source for plates. TxDMV does not have the authority to competitively bid.

Division	Vendor	Purpose	FY 2017 Actuals	FY2018 Contract Amount	Procurement Method	Authority to Procure	Best Value Determinant	Comparable Prices	Notes
3. These purchases are governed by TGC 2155.441 which requires that a preference be given to organizations/corporations that train and employ individuals with mental retardation or physical disability. State agencies are required to use the vendor listed below.									
Human Resources	Texas Industries for the Blind & Handicapped (TIBH) Industries, Inc.	Temporary staffing	\$ 25,578	\$ 42,477	TIBH Set Aside	TGC 2155.441	Texas Workforce Commission (TWC) negotiates and approves pricing determining best value with set-aside vendor(s).	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not available.	TIBH commodities and services have must be given preference per statute. TxDMV does not have the authority to competitively bid.
Vehicle Titles and Registration		Temporary staffing	\$ 27,856	\$ 135,872					
Consumer Relations		Temporary staffing	\$ 34,518	\$ 44,832					
Motor Carrier		Temporary staffing	\$ 58,285	\$ 44,000					
Finance and Administrative Services		HQ Janitorial Services	\$ 171,400	\$ 173,238					
Finance and Administrative Services		Janitorial/Custodial Services at Regional Service Centers	\$ 219,897	\$ 210,143					
Vehicle Titles and Registration		Specialty license plates mail preparation & mailing service	\$ 538,092	\$ 480,000					
Finance and Administrative Services		Transportation/freight services for plates provided by Southeast Vocational Alliance (SVA) Services	\$ 545,688	\$ 715,000					
Finance and Administrative Services		Toner for County Tax-Assessor Collector offices	\$ 1,218,490	\$ 800,000					
4. The following purchases are governed by TGC 2157 which outlines the requirements for procurement of automated information systems. Purchases governed by section 2157.068 requires that DIR competitively bids such items, determines best value and makes awards to multiple vendors. TxDMV must choose from the vendors on the list developed by DIR; however the department does have the authority to competitively bid in open market for commodities and services in excel of \$5 million.									
Capital Projects	Deloitte Consulting LLP	RTS Refactoring WS4	\$ 2,450,000	\$ 750,000	RFO	TGC 2157	The bid response is evaluated to meet agency needs and proprietary restrictions. Negotiations are possible.		Proprietary - A proprietary product is one where the specifications or conditions of the proposed purchase allow only one product or service provider to be supplied, and preclude any other product or supplier from meeting the specifications.
Information Technology Services	National Auto Research Division	Web Portal subscription	\$ 102,000	\$ 102,375	RFO	TGC 2157	TxDMV competitively bid in Open Market		TxDMV competitively bid in open market. Evaluated responses based on capabilities and best cost to determine best value.
Capital Projects	Insight Public Sector Inc.	County refresh and ongoing maintenance of	\$ 5,872,599	\$ 300,000	RFO	TGC 2157			
Information Technology Services	SHI Govt Solutions	GoTo Webinar	\$ 4,277	\$ 13,608	Department of Information Resources (DIR)	TGC 2157.068	TxDMV requests quotes/bids from multiple vendors and determines award from best quoted price.	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not available.	DIR competitively bids all IT related commodities and services, determines best value and makes awards to multiple vendors. TxDMV does not have the authority to competitively bid in open market until cost exceeds \$5 million.
Information Technology Services	PCMG	Acrobat Licenses	\$ 36,573	\$ 72,000	DIR	TGC 2157.068			
Multiple	AT&T Mobility	Cellular usage fees	\$ 76,445	\$ 101,307	DIR	TGC 2157.068			
Information Technology Services	NTT Data, Inc.	Server Application Software Maintenance	\$ 86,694	\$ 162,985	DIR	TGC 2157.068			
Information Technology Services	HP Enterprise Services LLC	eTags Application Maintenance	\$ 217,513	\$ 224,460	DIR Deliverables-Based IT Services (DBITS)	TGC 2157.068	TxDMV requests quotes/bids from multiple vendors and determines award from best quoted price.	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not	DIR competitively bids all IT related commodities and services, determines best value and makes awards to multiple vendors. TxDMV does not have the authority to competitively bid in open market until cost
Information Technology Services	CDW	Cisco Smart Net	\$ 262,008	\$ 262,008	DIR	TGC 2157.068			
Information Technology Services	NICUSA	Web Hosting TX.Gov	\$ 468,776	\$ 514,620	DIR	TGC 2157.068			
Information Technology Services	Carahsoft	Salesforce.com Annual Fee	\$ 941,771	\$ 74,804	DIR	TGC 2157.068			

Division	Vendor	Purpose	FY 2017 Actuals	FY2018 Contract Amount	Procurement Method	Authority to Procure	Best Value Determinant	Comparable Prices	Notes
Capital Projects	Texas Dept. of Information Resources	Data Center Services	\$ 8,792,132	\$ 9,076,261	DIR - Interagency Contract (IAC)	TGC 2157.068		available.	exceeds \$5 million.
Agency Wide	NICUSA	Texas.Gov Transaction Fees	Not applicable	\$ 11,202,650	DIR	TGC 2157.068	DIR competitively bid, negotiated and determined best value pricing with sole vendor for all state agencies.		
5. The following contracts were governed by the Council on Competitive Government (CCG) which was abolished effective September 1, 2017. They are now governed by CPA or DIR who competitively bids these items and determines best value.									
Finance and Administrative Services	Voyager Fleet Systems Inc.	Fleet fuel and maintenance	\$ 53,543	\$ 153,562	CCG - Changed to CPA	TGC 2162.105	CPA Competitively bids and Determines Best Value.	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not available.	CPA Statute/Rule/Process dictates source. TxDMV does not have the authority to competitively bid.
Vehicle Titles & Registration	RR Donnelly Company	Title Paper	\$ 422,449	\$ 510,909	CCG - Changed to CPA	TGC 2162.105	CCG - Changed to CPA & bid and awarded to Multiple Vendors		TxDMV Competitively bid amongst awarded vendors. Evaluated responses based on capabilities and best cost to determine best value.
Finance and Administrative Services	Open Text	Digital Imaging services	\$ 2,432,010	\$ 3,367,581	CCG - Changed to DIR	TGC 2162.105	CCG - Changed to DIR & bid and awarded to Multiple Vendors		TxDMV Competitively bid amongst awarded vendors. Evaluated responses based on capabilities and best cost to determine best value.
6. The following contracts are governed by TGC 2166 which requires the Texas Facilities Commission to facilitate all state agency leases unless expressly exempted (TxDMV is only exempted for Headquarters acquisition).									
Finance and Administrative Services	Corpus Christi Regional Transportation	Corpus Christi RSC	\$ 18,689	\$ 44,853	TFC	TGC 2166	TFC Conducts all lease negotiations and determines Best Value with the cooperation of the state agency unless specifically exempted.	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not available.	While TxDMV does not have the authority to execute the lease on its own behalf the department does have the authority to request a lease amount that is within available funding.
	4015 Limited Partnership	CPA Warehouse	\$ 20,337	\$ 20,337					
	Tony Martin Trustee	Waco RSC	\$ 38,226	\$ 38,226					
	Burnham Properties LTD	El Paso RSC	\$ 53,829	\$ 56,565					
	Riverbend Complex LLC	Ft. Worth RSC	\$ 77,625	\$ 77,625					
	Sky Investment Property Inc.	Dallas/Carrollton RSC	\$ 121,944	\$ 122,929					
	Ragsdale-Brook	Houston RSC Lease	\$ 202,974	\$ 277,969					
	Acharya Investments	San Antonio RSC	NA	\$ 81,825					
	7. The following contracts are governed by TGC 771 which authorizes agencies to contract with each other. Agencies are statutorily required to use specific agencies for the services listed below.								
Finance and Administrative Services	TX Comptroller of Public Accounts	Fleet mgmt system support fee	\$ 447	\$ 407	Interagency Contract (IAC)	TGC 2171.101	CPA assesses a prorated annual system support fee based on fleet size.	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not available.	TGC Section 2171.101 requires agencies to use the CPA fleet management support system to report vehicle. TxDMV does not have the authority to competitively bid.
Finance and Administrative Services	Texas State Library	Records Storage	\$ 4,929	\$ 8,000	IAC	TGC 441	TxDMV determines the amount to spend annually. Monthly fees are assessed on the total volume of cubic feet of hard copy or microforms stored.		TGC Section 441 requires state agencies to use the Texas State Library to store state records. TxDMV does not have the authority to competitively bid.
Agency Wide	SORM	Workers compensation & Risk management service	\$ 75,008	\$ 76,000	IAC	Texas Labor Code Section 412.011	SORM competitively bids services and determines best value		Texas Labor Code Section 412 requires that the State Office of Risk Management provide workers compensation and risk management services to state agencies. TxDMV does not have the authority to competitively bid.



Division	Vendor	Purpose	FY 2017 Actuals	FY2018 Contract Amount	Procurement Method	Authority to Procure	Best Value Determinant	Comparable Prices	Notes
Motor Vehicle	State Office of Administrative Hearings (SOAH)	Interagency contract for administrative hearings	\$ 141,800	\$ 133,760	IAC	TGC 2003	SOAH Charges based on actual salary and time. Non-Profit Agency		TGC 2003 requires that agencies use the state office for administrative hearings. TxDMV Lemon Law and warranty performance hearings are not subject to this requirement. Those hearings were transferred from SOAH to TxDMV effective January 2014. TxDMV does not have the authority to competitively bid for any other administrative hearing services.
Finance and Administrative Services	Texas Dept of Transportation (TxDOT)	Interagency contract between TxDMV & TxDOT	\$ 454,711	\$ 900,000	IAC	TGC 771	TxDMV and TxDOT negotiates pricing during contract development process.		TxDMV and TxDOT share facilities and some services which is reflected in the negotiated and agreed upon pricing.
Information Technology Services	Texas Dept. of Information Resources (DIR)	Data Recovery Center	NA	\$ 12,000	IAC	TGC 771	DIR Competitively bid, negotiated and determined best value pricing with sole vendor for all state agencies.	Since TxDMV does not have the authority to competitively bid the contract data on comparable prices is not available.	DIR Competitively Bids all IT related commodities and services, Determines best value and makes awards to Multiple Vendors. TxDMV does not have the authority to competitively bid in open market until over \$5 million.
8. Competitively Bid by TxDMV									
Motor Vehicle	Integ (Anderton)	Printing, Folding, Metering	\$ 262,686	\$ 109,600	Request For Proposal process	TGC 2155.074 & 2155.075	TxDMV Competitively bid in Open Market	\$0.3 each vs. \$0.9 each	TxDMV Competitively bid in Open Market. Evaluated responses based on capabilities and best cost to determine best value.
Motor Carrier	Southwest Research Institute	TxCVIEW Annual Support	\$ 428,704	\$ 1,505,000				No Other Bids Received	
Capital Projects	Deloitte Consulting LLP	RTS Refactoring Project	\$ 3,397,882	\$ 1,084,575				Scoring 735.52 vs. 722.24	
Vehicle Titles and Registration	Standard Register	Vehicle Registration Decals	\$ 4,235,325	\$ 3,524,017				\$7,731,600 vs. \$7,768,320	

DATE: February 7, 2018

Action Requested: BRIEFING

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

---

**RECOMMENDATION**

For information purposes only.

**PURPOSE AND EXECUTIVE SUMMARY**

TxDMV Facilities Services presents updates regarding agency relocation projects and general facilities and maintenance activities:

- Bull Creek/Motor Carrier Division (Austin, Texas)
- Camp Hubbard, Building 1 Sewer Line Replacement

**FINANCIAL IMPACT**

- \$1.49 million was initially appropriated for the Motor Carrier Division (MCD) Relocation

**BACKGROUND AND DISCUSSION**

Please see the attached agency routine *Facilities Update Report* for further detail.



# FACILITIES UPDATE

*FEBRUARY 7, 2018*

## Agency Property Relocation Projects (PRP)

### 2018-2019 Biennial Plans

★ ★ ★ ★ ★

The agency received funding during the 2016-2017 biennium for the relocation of the Motor Carrier Division (MCD) to commercial property. Discussions with TxDOT and the Governor's Office resulted in plans to relocate MCD to Camp Hubbard, Building 6, 5<sup>th</sup> Floor. Since the projected move date is January 2018, the agency received approval during the 85<sup>th</sup> regular legislative session to carry forward unexpended balance appropriations into the new biennium.

SB 1349, 85<sup>th</sup> Legislature, Regular Session, granted TxDMV authority to buy, improve, sell, lease, property. SB 1349 also gave TxDOT legal authority to donate two tracts of property (Tract 1 is Camp Hubbard Buildings 1 through 5 and Tract 2 is Camp Hubbard Buildings 6 through 10 and the associated parking of both tracts) to TxDMV via negotiations and the sale of real property through the General Land Office.

Finally, the agency was appropriated \$9.8M for the biennium to begin undertaking maintenance related expenses associated with the buildings occupied by TxDMV staff. As part of the appropriation three (3) additional FTEs were approved to handle facilities and maintenance needs related to the property. The agency will collaborate with TxDOT to transition facilities maintenance tasks and costs at Camp Hubbard to TxDMV.

### >Bull Creek/Motor Carrier Division -MCD (Austin, Texas)

#### Final Status:

- The division was successfully relocated to their new site on the Camp Hubbard campus at building 6 on the 5<sup>th</sup> floor. The new location address is 3712 Jackson Avenue, Austin, Texas. MCD was successfully relocated Friday, January 12, 2018 through Saturday, January 13, 2018. Business operations continued through Friday to minimize impacts to our customers.
- \$1.49 million was initially appropriated for the Motor Carrier Division (MCD) relocation to commercial property through a lease. The agency received approval during the 85<sup>th</sup> regular legislative session to carry forward unexpended balance appropriations from that initial request into the new biennium.

#### ❖ 2018-2019 Projects

>Funding for the relocation of the Motor Carrier Division Relocation Project carried forward to 2018.

>Headquarters maintenance funding

#### ❖ Property Updates

- Bull Creek

#### ❖ Camp Hubbard Projects

- CH-1 Sewage Line Improvements

- Now that MCD is fully relocated, the division is consolidated into one location and agency headquarters operations are consolidated into one campus (Camp Hubbard) for the first time in TxDMV history.

### >Camp Hubbard Projects

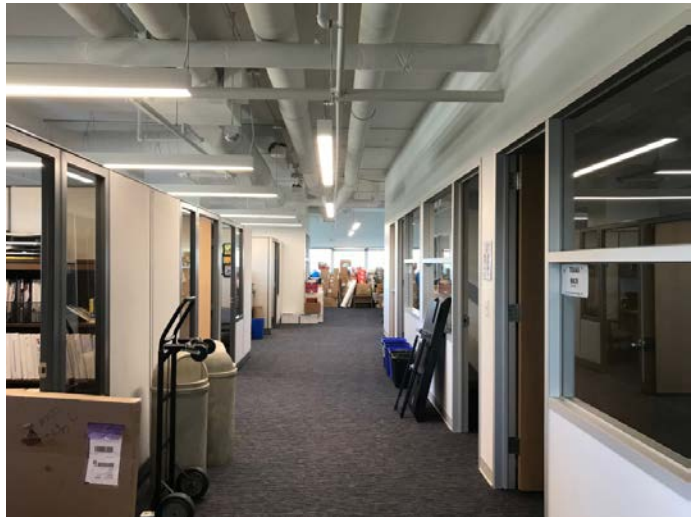
Parking lot renovations and ADA parking were completed the summer of 2017. The sewer line improvement project was the last pending project which began during the summer of 2017.

#### Final Status:

- TxDOT Sewer Line Improvement Project –TxDOT contractors replaced and re-routed old and decaying pipe lines that have adversely impacted CH-1 periodically over the years with flooding on the 1<sup>st</sup> floor. The project was completed before Thanksgiving and grass was installed December 16, 2017.

## MCD RELOCATION PROJECT January 2018

### ***NEW LOCATION*** – Camp Hubbard, Building 6, 5<sup>th</sup> Floor







***Bull Creek LOCATION*** – Bull Creek, Buildings 22, 40, 43A, 43B and 43C



DATE: February 7, 2018

Action Requested: BRIEFING

To: Texas Department of Motor Vehicles (TxDMV) Board – Finance & Audit Committee  
From: Sandra Menjivar – Suddeath, Internal Audit Director  
Agenda Item: 4E  
Subject: Peer Review Process

---

**RECOMMENDATION**

None.

**PURPOSE AND EXECUTIVE SUMMARY**

To provide information on the Peer Review process to the TxDMV Board – Finance & Audit Committee.

Every three years, the Internal Audit Division (IAD) is required to obtain an External Assessment (Peer Review) on whether the internal audit function complies with the applicable professional auditing standards. As part of the Peer Review process, the IAD is responsible for obtaining a Peer Review team, preparing a self-assessment report, coordinating the Peer Review activities, and providing information to stakeholders.

**FINANCIAL IMPACT**

None.

**BACKGROUND AND DISCUSSION**

Every three years, the Internal Audit Division (IAD) is required to obtain an External Assessment (Peer Review) on whether the internal audit function complies with the applicable professional auditing standards. As part of the 2018 Peer Review process, the IAD is responsible for obtaining a Peer Review team, preparing a self-assessment report, coordinating the Peer Review activities, and providing information to stakeholders.

Responsibilities and roles of those involved in the Peer Review, including IAD staff, TxDMV executive management, TxDMV Board members, and the Peer Review team are outlined in the Peer Review Engagement letter. The Peer Review Engagement letter also details the peer review period and the anticipated start and end date of the Peer Review. A more detailed timeline is available in the Peer Review Information document.

The Peer Review Information document also outlines information related to who will be conducting the Peer Review and what applicable professional auditing standards will be used as criteria for the Peer Review. The Peer Review team is made up of an auditor from the Texas Workforce Commission and an auditor from the Texas Department of Transportation. The auditors will be reviewing the IAD's compliance with the 1) Institute of Internal Auditors' (IIA) International Professional Practices Framework, 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 Government Auditing Standards, and 3) Texas Government Code, Chapter 2102 - Texas Internal Auditing Act. To help the Peer Review team evaluate the compliance with those auditing standards, the IAD conducted a self-assessment and provided the results of that self-assessment to the Peer Review team. The results were captured in the self-assessment report, which is also included in this item.

In the self-assessment, the IAD concluded that it generally conformed with the audit standards in all material aspects. Although the IAD was in compliance with the auditing standards, the IAD requested that the Peer Review team recommend potential performance measures and to rate the current level of the IAD on the IIA's Internal Audit Capability Model for Public Sector.

## **TxDMV Internal Audit Division (IAD) – Peer Review Information**

### **1. What is an External Assessment (Peer Review)?**

A Peer Review is an evaluation of the internal audit function to provide assurance that the function is in compliance with audit standards. Specifically, the Peer Review determines compliance with the following applicable audit standards:

- The Institute of Internal Auditors' (IIA) International Professional Practices Framework, the definition of internal auditing, the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics (IIA Standards)
- U.S. Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS)
- Texas Government Code, Chapter 2102 - Texas Internal Auditing Act (Act)

### **2. Is a peer review required?**

Yes. The IIA Standards, GAGAS and Act require internal audit activities to receive quality assurance reviews periodically. The Texas Internal Auditing Act requires the internal auditor to periodically take part in a comprehensive external peer review. To be compliant with all standards, the IAD is required to have a peer review every three years to be in compliance with both IIA Standards and GAGAS. The last peer review for the TxDMV – IAD was in February 2015.

### **3. Who performs the peer review?**

Other auditors from other state agencies will be performing the 2018 Peer Review. The peer review team for the 2018 Peer Review has two team members:

- Harold Rogers, CIA, CISA, Team Lead, Texas Workforce Commission
- Patrick McKinney, CIA, Team Member, Texas Department of Transportation

The State Agency Internal Audits Forum (SAIAF) oversees a peer review process (i.e., external quality assurance program) for Texas state agencies to voluntarily provide and receive peer reviews on a reciprocal basis at no charge.



#### 4. What are the steps and related timeframes of the peer review process?

What	When	Who
Sign Engagement Letter	January 2018	<ul style="list-style-type: none"> <li>• Board Chairman</li> <li>• Finance &amp; Audit Committee Chairman</li> <li>• Executive Director</li> <li>• Internal Audit Division (IAD) Director</li> <li>• Peer Review Team Leader</li> <li>• Peer Review Team member</li> </ul>
Conduct and provide self-assessment	January 2018	<ul style="list-style-type: none"> <li>• IAD</li> </ul>
Conduct the entrance Conference, management survey, interviews, and review audit documentation	February – April 2018	<ul style="list-style-type: none"> <li>• Executive Management Team and other Internal Audit customers</li> <li>• Board Members</li> <li>• Peer Review team</li> <li>• IAD Director</li> <li>• IAD Staff</li> </ul>
Prepare and review draft report	April 2018	<ul style="list-style-type: none"> <li>• Peer Review Team</li> <li>• IAD Director</li> </ul>
Finalize the Peer Review report and conduct the exit conference	May 2018	<ul style="list-style-type: none"> <li>• Peer Review Team</li> <li>• Executive Director and Deputy Executive Director</li> <li>• Finance &amp; Audit Committee Chair</li> <li>• Board Chairman</li> </ul>
Present Results to Board	June 2018	<ul style="list-style-type: none"> <li>• Peer Review Team</li> <li>• Board</li> <li>• IAD</li> </ul>

## 5. How are results of the peer review reported?

The peer review team prepares a report with its opinion expressed as a rating. There are three possible ratings that the team can give:

- **Pass/Generally Conforms.** A rating of *Pass/Generally Conforms* means that the internal audit function is in compliance with the IIA Standards, GAGAS, and the Texas Internal Auditing Act. The internal audit function's policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency.
- **Pass with Deficiencies/Partially Conforms.** A rating of *Pass with Deficiencies/Partially Conforms* means that the internal audit function generally complies with the IIA Standards, GAGAS, and the Texas Internal Auditing Act. The internal audit function has an internal quality control system that is suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards for assurance and consulting engagements during the review period. However, deficiencies in the internal quality control system have been noted that resulted in nonconformance with the IIA Standards, the GAO Standards, and/or the Texas Internal Auditing Act.
- **Fail/Does Not Conform.** A rating of *Fail/Does Not Confirm* means that the internal audit function is not in compliance with the *Standards* for assurance and consulting engagements during the review period. The Peer Review team found serious deficiencies in the internal quality control system for the internal audit function.

## 6. What are the main responsibilities of those that participate in the Peer Review?

Responsibilities are discussed in the Peer Review Engagement Letter. Executive management and board members are responsible for responding to the Peer Review on a timely basis. Board members are also responsible for being kept informed on the Peer Review Progress and review final recommendations and observations.

The majority of responsibilities are with the Internal Audit Division and the Peer Review team.



## Texas Department of Motor Vehicles

HELPING TEXANS GO HELPING TEXAS GROW

Harold Rogers, CIA, CISA  
Information Technology Audit Project Manager  
Texas Workforce Commission  
101 E 15<sup>th</sup> Street  
Austin, Texas 78778

Patrick McKinney, CIA  
External Audit & Advisory Services Section Director  
Texas Department of Transportation  
125 E 11<sup>th</sup> Street  
Austin, Texas 78701

January 12, 2018

Dear Mr. Rogers and Mr. McKinney:

This letter is to document the terms of our agreement regarding the peer review of the internal audit function at the Texas Department of Motor Vehicles. It is understood that Mr. Harold Rogers will serve as the Peer Review Team Leader and Mr. Patrick McKinney will serve as the Peer Review Team Member. No member of the review team has a conflict of interest with the Texas Department of Motor Vehicles or the Internal Audit Department.

The Peer Review Team will perform a quality assurance review of the Texas Department of Motor Vehicles internal audit activity to assess compliance with The Texas Internal Auditing Act (Texas Government Code, Chapter 2102), the Institute of Internal Auditors Code of Ethics and International Standards for the Professional Practice of Internal Auditing, and U.S. Government Accountability Office Government Auditing Standards in effect at the time the audits were conducted.

The review will be conducted in accordance with the State Agency Internal Audit Forum (SAIAF) Peer Review Manual. Completed audit and consulting projects performed by the Texas Department of Motor Vehicles Internal Audit Department from March 2015 to August 2017 (fiscal year 2015 through fiscal year 2017) may be reviewed during this engagement. The peer review team may cover any one year during that time period.

The Chief Audit Executive/Internal Audit Director (Director) agrees to:

- Provide the Peer Review Team with a completed self-assessment, reference file, and self-assessment report
- Coordinate with the Peer Review Team in sending out a survey to a sample of representatives from agency management
- Coordinate meetings with Executive Management and the Texas Department Of Motor Vehicles Board Members
- Assist the Peer Review Team throughout the fieldwork process

Mr. Harold Rogers & Mr. Patrick McKinney  
January 12, 2018  
Page 2

- Review the draft report for accuracy and provide comments or clarification as needed
- Provide management responses to the report as needed

The Board Members agree to:

- Be kept informed of the Peer Review Progress
- Respond to answers from the Peer Review Team
- Review the final report on the observations and recommendations

The Peer Review Team Leader agrees to:

- Review and approve the self-assessment prior to starting on-site work for the review
- Retain all working papers for one year after the report has been issued, in accordance with the SAIAF Records Retention Procedure

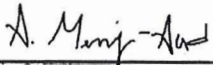
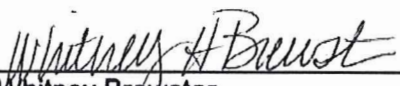
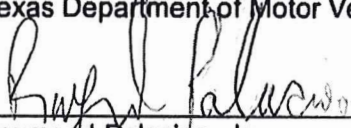
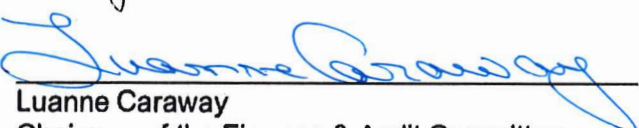
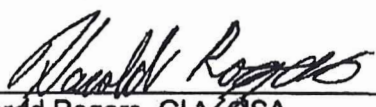

The Peer Review Team (Team) agrees to:

- Review all relevant documentation
- Administer a survey to a sample of representatives from agency management
- Review the working papers of at least one project completed during the review period that is representative of the work performed during the period
- Conduct interviews of Internal Audit management and staff, and a sample of representatives from agency management, Board members, and external auditors
- Provide the Director and Board Members with periodic progress updates
- Issue a final report on the observations and recommendations identified during the Peer Review to the Director, with the complete report also issued to the members of the Board and Executive Management
- Include the Peer Review Team's opinion in a letter on whether the internal audit function generally conforms/passes, partially conforms/passes with deficiencies, or does not conform/fails to comply with the Standards, as defined in the *SAIAF Peer Review Manual*, Table 1. The report will also include the Director's responses, including action plans for addressing any recommendations

Mr. Harold Rogers & Mr. Patrick McKinney  
January 12, 2018  
Page 3

The peer review will begin in February 2018 with fieldwork scheduled to start in March 2018. A draft report will be provided to the Director for review by April 2018 with a final report available to be released by May 2018. An exit conference will be scheduled with the Director and the Texas Department of Motor Vehicles Executive Director.

The signatures below indicate that the terms of this agreement are acceptable.

 Sandra Menjivar-Suddeath, CIA, CISA, CGAP Director of Internal Audit Texas Department of Motor Vehicles	<u>1/12/2018</u> Date
 Whitney Brewster Executive Director Texas Department of Motor Vehicles	<u>01-17-2018</u> Date
 Raymond Palacios, Jr. Chairman of the Board Texas Department of Motor Vehicles	<u>1/18/18</u> Date
 Luanne Caraway Chairman of the Finance & Audit Committee Texas Department of Motor Vehicles	<u>1/26/18</u> Date
 Harold Rogers, CIA, CISA Information Technology Audit Project Manager Texas Workforce Commission Peer Review Team Leader	<u>January 12, 2018</u> Date
 Patrick McKinney External Audit & Advisory Services Section Director Texas Department of Transportation Peer Review Team Member	<u>1/12/18</u> Date

cc: SAIAF Peer Review Committee





# Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

## Peer Review Self–Assessment Report

Internal Audit Division  
January 2018

## Table of Contents

<b>Background .....</b>	<b>1</b>
Peer Review Process .....	1
Self-assessment Process .....	2
<b>Self-Assessment Results .....</b>	<b>3</b>
Overall Conclusion .....	3
<b>Appendix 1: Internal Audit Capability Model for the Public Sector.....</b>	<b>7</b>
Internal Audit Capability Model for the Public Sector Levels .....	7
TxDMV Internal Audit Division – Capability Model .....	8

## Peer Review Self-Assessment

### Executive Summary

#### BACKGROUND

Every three years, the Internal Audit Division (IAD) is required to obtain an External Assessment (Peer Review) on whether the internal audit function complies with the applicable professional auditing standards (audit standards) in all material aspects. The audit standards are the (1) Institute of Internal Auditors' (IIA) International Professional Practices Framework, 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 Government Auditing Standards; and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102.

As part of the Peer Review process, the IAD conducts a self-assessment, produces a report with the results of the self – assessment, and provides the report to the Peer Review team. The Peer Review team uses the report to obtain information on how the IAD meets applicable auditing standards.

The IAD reviewed documentation created and maintained during the peer review period (February 2015 – August 2017), with a focus on documentation from fiscal year 2017, to develop this self – assessment.

#### RESULTS

From March 2015 to August 2017, the Texas Department of Motor Vehicles (TxDMV or Department) – IAD generally conformed with the audit standards in all material aspects. The IAD has established policies and procedures to ensure compliance with applicable auditing standards. The IAD followed those audit standards in work performed during the peer review period.

Although the IAD is in compliance with the auditing standards, the IAD should continue to work on improving its function by refining its performance measures. The performance measures would help evaluate the value add the division has provided. To help develop those performance measures, the IAD is requesting that the Peer Review team recommend potential performance measures and to rate the current level of the IAD on the IIA's *Internal Audit Capability Model for Public Sector*.



## Background

---

### Peer Review Process

Every three years, the Internal Audit Division (IAD) is required to obtain an External Assessment (Peer Review) on whether the internal audit function generally complies with the applicable professional standards (audit standards)<sup>1</sup> during the peer review period (period). The peer review period was from March 2015 to August 2017. The Peer Review determines if the IAD generally complies with audit standards by reviewing engagements conducted during the period and by evaluating the IAD's compliance with the eleven areas. Those eleven areas are the following<sup>2</sup>:

1. **Purpose, Authority, and Responsibility** - The internal audit function must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Institute of Internal Auditors (IIA) Standards, and the Definition of Internal Auditing).
2. **Independence and Objectivity** - The internal audit function must be independent and perform work in an objective manner.
3. **Proficiency and Due Professional Care** - Engagements must be performed by staff that are proficient and have due professional care.
4. **Quality Assurance and Improvement Program** - A quality assurance and improvement program must be established and must enable an evaluation of the internal audit function's conformance with the audit standards and any applicable other requirements. The program should, also, assess the efficiency and effectiveness of the internal audit function and identify opportunities for improvement for the function.
5. **Managing the Internal Audit Activity** - The internal audit function must be effectively managed to ensure it adds value to the organization.
6. **Nature of Work** - The internal audit function must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk based approach.
7. **Engagement Planning** – A plan must be developed and documented for each engagement.
8. **Performing the Engagement** – Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.
9. **Communicating Results** – Results from the audit engagements must be communicated to management and those in charge with governance.
10. **Monitoring Progress** – A system to monitor the disposition of results must be established, maintained, and communicated.

---

<sup>1</sup> The applicable professional standards are the (1) Institute of Internal Auditors' (IIA) International Professional Practices Framework, the definition of internal auditing, the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics (IIA Standards); (2) U.S. Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS); and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act).

<sup>2</sup> Definitions obtained from the IIA Standards.

11. **Resolution of Senior Management's Acceptance of Risk** – When it has been concluded that management has accepted a level of risk that may be unacceptable to the organization, the risk must be discussed with senior management. If the matter is not resolved, the risk acceptance must be communicated to the board.

The Peer Review team reviews this self-assessment report, engagement documentation, and other documentation submitted to them and concludes on whether the internal audit function has complied with the audit standards in all material aspects. It concludes whether the internal audit function is meeting audit standards by assigning one of the following ratings:

- **Pass/Generally Conforms** - the internal audit function is in compliance with the IIA Standards, GAGAS, and the Texas Internal Auditing Act. The internal audit function's policies, procedures, and practices are in place to implement the audit standards and requirements necessary for ensuring the independence, objectivity, and proficiency.
- **Pass with Deficiencies/Partially Conforms** - the internal audit function generally complies with the IIA Standards, GAGAS, and the Texas Internal Auditing Act. The internal audit function has an internal quality control system that is suitably designed and operating effectively to provide reasonable assurance of conformance with the audit standards for assurance and consulting engagements during the review period. However, deficiencies in the internal quality control system have been noted that resulted in nonconformance with the IIA Standards, the GAO Standards, and/or the Texas Internal Auditing Act.
- **Fail/Does Not Conform** - the internal audit function is not in compliance with the audit standards for assurance and consulting engagements during the review period. The Peer Review team found serious deficiencies in the internal quality control system for the internal audit function.

## Self-assessment Process

As part of the Peer Review Process, the IAD must conduct a self-assessment and produce a report with the results of the self-assessment. The self-assessment reviews the internal audit function's compliance with applicable audit standards. The self-assessment is provided to the independent Peer Review team for their evaluation and consideration in their review.

For this self-assessment, the IAD reviewed documentation created and maintained from September 2016 to August 2017.

The self-assessment was prepared the IAD during fiscal year (FY) 2018.

## Self-Assessment Results

---

### Overall Conclusion

Through the review conducted in this self-assessment, the Texas Department of Motor Vehicles (TxDMV or Department) – Internal Audit Division (IAD) concluded that it passed its peer review and was in compliance with the following applicable audit standards during the peer review period: the IIA Standards, GAGAS, Act. The IAD generally complies (Pass) with the auditing standards.

Although the IAD is in compliance with the applicable auditing standards, the IAD should continue to work on improving its function by refining its performance measures and by continuing to add-value to the Department.

### IIA Code of Ethics

The IAD maintains an ethical environment and complies with the IIA Code of Ethics by including the Code of Ethics in its Internal Audit Charter and Internal Audit Policies and Procedures Manual (standard operating procedures). In addition, the IAD demonstrates its commitment to ethics by being an active participant in reducing fraud, waste, and abuse in the Department and by conducting work in an ethical manner.

### Purpose, Authority, and Responsibility

The IAD maintains an active Internal Audit Charter where the purpose, authority, roles, and responsibilities are defined. The charter also provides information on the IAD's mission and the audit standards it must follow. The Internal Audit Charter is reviewed every year during the Quality Assurance & Improvement Program (QAIP) – Internal Assessment and is updated as necessary.

The most recent update to the Internal Audit Charter was in November 2016 when there was a new Internal Audit Director (Chief Audit Executive), Board Chairman, and Finance & Audit Committee Chairman. The charter was signed by the Executive Director, the Internal Audit Director, the Finance & Audit Committee Chairman, and the Board Chairman after it was approved by the Board. The Internal Audit Charter was sent to the TxDMV Executive Team.

### Independence and Objectivity

The IAD reports directly to the TxDMV Board and also has an administrative line to the Executive Director (and management). This structure ensures that the IAD is independent. Independence is confirmed during each engagement. Staff assigned to an engagement must confirm their independence prior to starting the engagement.

The IAD is objective since the IAD has no management responsibility. Moreover, the TxDMV Board is responsible for approving the audit plan, operating budget, and the appointment of the Internal Audit Director. The Internal Audit Charter also identifies roles and responsibilities to ensure independence and objectivity.

### Proficiency and Due Professional Care

The IAD assures internal auditors are proficient and have due professional care by having job descriptions that accurately describe roles and responsibilities and by having an annual training planning process that develops staff for current and future engagements. Currently, the IAD has over

30 years of audit experience and has staff with active certifications. Staff currently have the following certifications: Certified Internal Auditor, Certified Government Auditing Professional, Certified Fraud Examiner, and Certified Information Security Auditor.

Each year, the Internal Audit Director meets with the internal audit staff to go over individual training plans. The development of the training plan follows the process set in the IAD's standard operating procedures.

The standard operating procedures also outline the necessary steps needed to ensure that internal staff (including internal and external specialists) have sufficient proficiency and due professional care to meet audit standards. Information related to proficiency and due professional care is captured through proficiency forms and the TeamMate<sup>3</sup> control programs<sup>4</sup>.

## Quality Assurance and Improvement Program

The IAD has a comprehensive QAIP that ensures audit standards are met. For each engagement, the IAD follows the review steps outlined in the Teammate control programs and the standard operating procedures. This ensures that each engagement has sufficient, relevant, and appropriate evidence and that performance audit standards are followed. On an annual basis, the IAD conducts an internal assessment to ensure conformance and compliance with the applicable auditing standards. The internal assessment is done in accordance to the steps outlined in the standard operating procedures. Every three years, the IAD obtains a peer review to ensure conformance and compliance with the applicable auditing standards. The last peer review was done in 2015.

In addition, the QAIP also involves obtaining feedback on the division's performance through its two performance measures. The current performance measures are the recommendation implementation rate and customer satisfaction. The IAD also obtains feedback through staff evaluations.

Although the IAD has established two performance measures and consistently obtains feedback, it is still in the process of defining its performance measures and request that the Peer Review team make recommendations on which performance measures could be used to evaluate the IAD's performance. The IAD also request that the Peer Review team determine the IAD's current level on *Internal Audit Capability Model for the Public Sector* (see Appendix 1) to help with their evolution in developing performance measures.

## Previous Peer Review Recommendation Status

The IAD has implemented the previous Peer Review recommendation that recommended the IAD consider obtaining additional audit resources whose primary expertise and responsibility is auditing technology, including the complexities of contracts required for technology projects. The IAD believes this recommendation is fully implemented by having staff obtain specialized Information Technology (IT) audit knowledge. All staff take IT training each year as it continues to be a risk for the Department and the Auditor VI has joined the Information Systems Audit and Control Association (ISACA) to get access to more specialized IT training and knowledge. The Internal Audit Director, also, is a Certified Information Systems Auditor (CISA) and is currently working on her associate's degree in Computer science.

---

<sup>3</sup> TeamMate is the audit software used by the IAD.

<sup>4</sup> A TeamMate control program details the steps used to perform the engagement. The control program also ensures audit standards are followed. The IAD has two TeamMate control programs: Audit Engagement TeamMate Control Program and Advisory Service (Consulting) Engagement TeamMate Control Program.

## Managing the Internal Audit Activity

The IAD is managed through the division's standard operating procedures and TeamMate control programs. The activity is also managed by continuously assessing risk and through the annual audit plan. Throughout the year, the IAD collects risks that may need to be audited in future years<sup>5</sup>. The risks are evaluated by reviewing data and obtaining stakeholder and staff feedback. The risks that are considered high are added to a future audit plan. The audit plan is reviewed and approved the TxDMV Board.

The TxDMV Board also approves the IAD's operating budget and allocation of the number of full-time equivalents (FTEs). The TxDMV Board is kept abreast on the audit plan status through board meetings and through biweekly and monthly conversations with the Board Chairman and the Finance & Audit Chairman, respectively. In addition, TxDMV Executive Office is kept abreast on the audit plan status through monthly meetings.

## Nature of Work

The IAD is aligned with the Department's missions, vision, and goals to provide assurance on the risks that may have the most impact to the Department. For each risk identified, the IAD ties that risk to the Department's strategic plan, goal, and the Legislative Budget Board (LBB) performance and budget area/strategy. The IAD's risk approach provides the division a comprehensive view of the risk areas throughout the Department and which areas may have more risk.

The IAD's mission statement supports the Department's mission by being a value-added, technologically advanced internal audit unit that identifies, addresses, and helps mitigate high and emerging information technology, financial, contracting, and operational risks that impact the TxDMV's service to the public and achievement of its vision, mission, and goals. By aligning the IAD's mission to the Department's mission, the IAD can focus on where it can add-value and have the most impact.

## Engagement Planning

The IAD uses its standard operating procedures and the TeamMate Control programs to plan engagements. The IAD staff obtain an understanding of the process being evaluated, based on the preliminary objectives established in the audit plan. The staff collect and evaluate information from several sources: program data, interviews, and documented procedures. Next, the staff evaluate the risks to the Department and which controls are in place to mitigate the risk. The staff uses this information to develop final audit objective and fieldwork testing program. All testing and final objectives are approved by the IAD Director. The staff communicates this information to the clients through an entrance conference or over e-mail, depending on availability.

## Performing the Engagement

The IAD uses its standard operating procedures and the TeamMate control programs to perform its engagements. All engagements are documented within TeamMate. The IAD staff document work and summarize conclusions based on evidence gathered during fieldwork and as outlined in the fieldwork program. All work is reviewed by the engagement lead and the IAD Director, or designee. Work that may need clarification receives coaching notes and the staff address those coaching notes. Upon completion of coaching notes, the IAD Director or designee reviews and finalizes the corrected work.

---

<sup>5</sup> Any risk that is significant will be audited at the time (see the revision to the FY 2017 Annual Audit Plan).

While performing the engagement, staff enter and keep track of potential findings, observations, management discussions, and other items through the use of an issue tracker spreadsheet or through the Issue Viewer in TeamMate. The issues that become findings and observations are reviewed by the IAD Director to ensure sufficient, appropriate, and relevant evidence is used to support the finding or observation.

## Communicating Results

Results are communicated to TxDMV management and Board members in a timely manner. TxDMV management (client) obtains written and verbal communication on the audit's progress and results regularly. IAD has established a goal of communicating with the client every two weeks during the fieldwork phase. In addition, results and progress are communicated to the TxDMV Executive Office and the Finance & Audit Chair monthly. Moreover, the Board Chair receives an update on audit results and progress every two weeks.

Draft reports are reviewed by TxDMV Management, TxDMV Executive Office, TxDMV Finance & Audit Committee, and the TxDMV Board Chair prior to being issued. All audit reports are presented to the TxDMV Board during Board meetings.

## Monitoring Progress

The IAD monitors the progress of the issued recommendations (external and internal) as they become due. The IAD uses TeamMate - TeamCentral to track and determine if recommendations have been fully implemented. Based on the severity of the audit recommendation (high or low priority), the IAD may conduct additional testing when the audit recommendation is implemented. Beginning in FY 2018, TxDMV Management use TeamCentral to document its implementation and provide the IAD with the necessary documentation to evaluate if the recommendation was fully implemented. The monitoring progress process is detailed in the standard operating procedures.

## Resolution of Senior Management's Acceptance of Risks

The IAD would report any risk acceptance (management accepted risk) that were considered outside acceptable risk levels, as required by audit standards. During the review period, the Department did not accept any risk that the IAD found to be outside acceptable risk levels. Risk acceptance communication is implied and discussed in the standard operating procedures and TeamMate control programs.

## Appendix 1: Internal Audit Capability Model for the Public Sector

---

The TxDMV Internal Audit Division requests that the Peer Review team review the *Capability Model for the Public Sector* and provide an assessment on the current level of the Internal Audit Division (see next page). The Internal Audit Division plans to use this information in the future to develop more refined performance measures and to provide the TxDMV Board with information on its role and function within the Department.

### Internal Audit Capability Model for the Public Sector Levels

The Institute of Internal Auditors (IIA) Research Foundation developed the *Internal Audit Capability Model for the Public Sector*. The framework identifies the fundamentals needed an effective internal audit function in the public sector. The framework describes the path an internal audit function in the public sector should follow to meet the needs the organization's governance needs and professional expectations. The framework consists of five levels of maturity:

- **Level 1 - *Initial*:** no sustainable, repeatable capabilities - dependent upon individual efforts
- **Level 2 - *Infrastructure*:** sustainable and repeatable internal audit practices and procedures
- **Level 3 - *Integrated*:** internal audit management and professional practices uniformly applied
- **Level 4 - *Managed*:** internal integrates information from across the organization to improve governance and risk management
- **Level 5 - *Optimizing*:** internal audit learning from inside and outside the organization for continuous improvement

While each level establishes key process that must be implemented to attain, many key processes require coordination and action by both the internal audit activity and the organization.



## TxDMV Internal Audit Division – Capability Model

Internal Audit Capability Model for the Public Sector TXDMV Internal Audit Division						
	Services & Role of IA	People Management	Professional Practices	Performance Management & Accountability	Organizational Relationships & Culture	Governance Structure
Level 5 Optimizing	IA Recognized as Key Agent of Change	Leadership Involvement in Professional Bodies  Workforce Projection	Continuous Improvement in Professional Practices  Strategic IA Planning	Public Reporting of IA Effectiveness	Effective and Ongoing Relationships	Independence, Power, & Authority of the IA Activity
Level 4 Managed	Overall Assurance on Governance, Risk Management, & Control	IA Contributes to Management Development  IA Activity Supports Professional Bodies  Workforce Planning	Audit Strategy Leverages Organization's Management of Risks	Integration of Qualitative & Quantitative Performance Measures	CAE Advises & Influences Top-level Management	Independent Oversight of the IA Activity  CAE Reports to Top-level Authority
Level 3 Integrated	Advisory Services	Team Building & Competency	Quality Management Framework	Performance Measures	Coordination with Other Review Groups	Management Oversight of the IA Activity
	Performance/Value for Money Audits	Professionally Qualified Staff  Workforce Coordination	Risk-based Audit Plans	Cost Information  IA Management Reports	Integral Component of Management Team	Funding Mechanisms
Level 2 Infrastructure	Compliance Auditing	Individual Professional Development  Skilled People Identified & Recruited	Professional Practices & Processes Framework  Audit Plan Based on Management/ Stakeholder Priorities	IA Operating Budget  IA Business Plan	Managing within the IA Activity	Full Access to Organization's Information, Assets, & People  Reporting Relationships Established
Level 1 Initial	Ad hoc and unstructured; isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs dependent upon the skills of specific individuals holding the position; no specific professional practices established other than those provided by professional associations; funding approved by management, as needed; absence of infrastructure; auditors likely part of a larger organizational unit; no established capabilities; therefore, no key process areas.					
	Indicates the activity has been fully <b>institutionalized</b> by the Internal Audit Division					
	Indicates the activity is <b>in progress</b> , with the Internal Audit Division working towards institutionalization					
	Indicates the activity has <b>not been started</b> by the Internal Audit Division					
	Activities that Internal Audit Division can institutionalize independent of management					



Page left blank

DATE: February 7, 2018

Action Requested: BRIEFING

To: Texas Department of Motor Vehicles (TxDMV) Board - Finance & Audit Committee  
From: Sandra Menjivar – Suddeath, Internal Audit Director  
Agenda Item: 4F  
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 reviews.

**FINANCIAL IMPACT**

None.

**BACKGROUND AND DISCUSSION****Status of Fiscal Year (FY) 2018 Internal Audit Plan**

The IAD has finalized or is currently working on six engagements:

- Fraud, Waste, and Abuse Risk Assessment Advisory Service
- FY 2018 Internal Audit Follow-Up
- Travel and Training Audit
- Texas Commission for Law Enforcement (TCOLE) Advisory Service
- TxDMV Fund Audit
- Open Records (Public Information Requests) Process Audit

Of those six internal projects, the TxDMV Fund Audit and Public Information Requests Process Audit have been finalized. In addition, the TCOLE Advisory Service began in January 2018.

***TCOLE Advisory Service***

In December 2017, the Enforcement Division requested an advisory service to review whether the Department was in compliance with the TCOLE requirements for training that is provided to law enforcement. The IAD agreed. The agreed upon objectives are included in the advisory service agreement.

***TxDMV Fund Audit Summary***

The TxDMV has conducted detailed reviews of the TxDMV Fund to ensure appropriate revenues are correctly deposited; that interfaces are working appropriately; and, that processes have been developed to ensure revenue is distributed as intended. The TxDMV has processes to consistently monitor revenue account codes in the TxDMV Fund. Those processes ensure that appropriate fees are deposited to the TxDMV fund. Those processes, however, are not formally documented. In addition, the Department does not monitor changes made to data tables after those changes are in the production environment.

***Public Information Request Process Audit Summary***

The Texas Department of Motor Vehicles' FOIAXpress (FX) system provides the public with a central online portal to submit all PIR to the Department and a tracking number to follow the progress of the PIR being processed. The TxDMV's Office of General Counsel has provided training to the Department's Public Information Coordinators (PIC) outlining their responsibilities and the Department's obligations when receiving a public information request, statutory requirements and timelines, and how to use the FX system. In addition, the TxDMV complies with the Texas Public Information Act requirements. While the TxDMV has met requirements and provided training, it could streamline the process by consolidating additional PIR processes and improve guidance to divisions on PIR processing practices.

## Internal Audit Division Status Update

### Status of Fiscal Year (FY) 2018 Internal Audit Plan

Project	Description	Status
Fraud, Waste, and Abuse Risk Assessment Advisory Service	An advisory service to identify and rank fraud, waste, and abuse risks for the department.	Fieldwork  Anticipated release date: August 2018
FY 2018 Internal Audit Follow-Up	This project verifies if outstanding audit recommendations have been fully implemented. Currently, the IAD is reviewing internal recommendations that had a completion date or that a division submitted an implementation action between December 1, 2017 to February 28, 2018.	Fieldwork  Anticipated release date: August 2018
Travel and Training Audit	An audit to determine if training and travel requests have appropriate approvals and justifications as well as determining if the requests are appropriate and meet the need of the TxDMV.	Fieldwork  Anticipated release date: April 2018
Management Request - Texas Commission for Law Enforcement (TCOLE)	An advisory service, requested by TxDMV management, to review the Texas Commission for Law Enforcement (TCOLE) training compliance.	Planning  Signed Advisory Service Agreement attached.  Anticipated release date: April 2018
TxDMV Fund Audit	An audit to determine if appropriate revenue is being deposited to the TxDMV Fund as well as whether correct amounts of revenue are being transferred to counties per agency rule.	Completed  Report attached.
Open Records (Public Information Requests) Process Audit	An audit to determine if open records request, also known as Public Information Requests (PIRs) are handled consistently and in accordance with state law. In addition, the audit is reviewing whether the PIRs cost are appropriate.	Completed  Report attached.

### Attachments

1. TxDMV Fund Audit Report
2. Public Information Requests Process Audit Report
3. TCOLE Advisory Service Agreement



# Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

## TxDMV Fund Audit Report Audit 18-02

Internal Audit Division  
January 2018

## Table of Contents

<b>Overall Conclusion .....</b>	<b>1</b>
Maturity Assessment Rating.....	1
Strengths .....	1
Improvements.....	1
Observation .....	1
<b>Background .....</b>	<b>2</b>
TxDMV Fund .....	2
TxDMV Fund Data Table Changes .....	3
<b>Audit Results .....</b>	<b>4</b>
TxDMV Fund monitoring process should be documented and table changes should be validated once in production.....	4
<b>Appendix 1: Objectives, Scope, Methodology and Maturity Assessment.....</b>	<b>6</b>

## TxDMV Fund, 18-02

## Executive Summary

**BACKGROUND**

The Texas Department of Motor Vehicles (TxDMV or Department) collects fees to support three Treasury Funds: TxDMV (Fund 0010), State Highway (Fund 0006), and General Revenue (Fund 0001). These funds support transportation initiatives (Fund 0006), general government operations (Fund 0001), and the Department's operations (Fund 0010).

The TxDMV relies on the revenue deposits made into the TxDMV Fund to make its monthly payroll, postage, contracts, and other expenses, which is why it is important that appropriate revenues are distributed correctly. The TxDMV Fund revenue deposits are reported using 13 Texas Comptroller object codes (Comp Object Codes). The TxDMV Fund receives revenue deposits for fees it collects. The fees are for a variety of services to the public and the fees are primarily set by Texas State Statutes and enforced by the TxDMV. In fiscal year 2017, the Department collected \$144,143,998 in fees, or revenue, in Fund 0010.

The audit objective was to determine whether appropriate revenues are deposited to the TxDMV Fund and whether appropriate fees are distributed to counties.

**RECOMMENDATIONS**

The Internal Audit Division made two recommendations to ensure revenues are appropriately deposited to the TxDMV Fund. The two recommendations are monitoring data table changes in the production environment for effectiveness and formally documenting the monitoring process.

**RESULTS**

The TxDMV has conducted detailed reviews of the TxDMV Fund to ensure appropriate revenues are correctly deposited; that interfaces are working appropriately; and, that processes have been developed to ensure revenue is distributed as intended. The TxDMV has processes to consistently monitor revenue account codes in the TxDMV Fund. Those processes ensure that appropriate fees are deposited to the TxDMV fund. Those processes, however, are not formally documented.

In addition, the Department does not monitor changes made to data tables after those changes are in the production environment. The Department does, however, test those changes in the testing environment. Data table changes that are not reviewed in production could result in revenue being distributed to incorrect account codes or funds.

**MANAGEMENT RESPONSE**

Management agrees with the recommendations in this report. Finance and Administrative Services Division (FAS) will monitor data table changes for fee modifications after implementation in production and will document current revenue monitoring processes.

## Overall Conclusion

---

### Maturity Assessment Rating

3 - *Defined Process Level*: The process has been standardized, communicated, and is being followed. The process, however, may not detect any deviation due to the process not being sufficiently evaluated to address risks.

Other possible ratings and definitions can be found in Appendix 1, under Maturity Assessment Rating Definition.

### Strengths

The Texas Department of Motor Vehicles (TxDMV or Department) has processes to ensure revenues are distributed as intended to the TxDMV Fund and the counties.

The Finance and Administrative Services (FAS) Division has conducted detailed reviews of the TxDMV Fund to ensure appropriate revenue are correctly deposited and interfaces are working appropriately. The FAS Division has worked with several stakeholders, including the Enterprise Project Management Office, the Information Technology Service (ITS) Division, and the Texas Comptroller, to make sure funding is correctly deposited when significant changes are made to the fund structure.

In addition, the FAS Division conducts monthly, quarterly, and annual reviews of the fund to ensure that Texas Comptroller object codes are reviewed to ensure fees are appropriately collected and deposited. Monitoring of these codes ensures that collection errors are identified. At the end of each fiscal year, FAS Division collaborates with program areas on a fee-level basis and validates revenue deposits through program applications. FAS Division also performs reconciliations for Regional Service Center revenue transactions daily and monitors process and handling fees. Any discrepancies are noted and referred to the Vehicle Titles and Registration (VTR) Division for further review and analysis.

### Improvements

The FAS Division could improve the review of revenue and documentation related to monitoring the TxDMV Fund. Below are the audit results that further expand on these areas.

Audit Result #1: TxDMV Fund monitoring process should be documented and table changes should be validated once in production.

The detailed audit results can be found under the Audit Results section of this report (begins on page 4).

### Observation

The Internal Audit Division (IAD) attempted to test the TxDMV Fund by reviewing a sample of transactions. The IAD was not able to conduct the transactional review because obtaining the data would require an estimated 1,500 hours of RTS data table programming, which would be a significant constraint for the ITS Division. In addition, the information was not available through the Centralized Accounting and Payroll/Personnel System (CAPPS). Current system reporting and resource constraints may continue to impact the entire Department.

## Background

The TxDMV collects various fees for the State of Texas. All fees are deposited to the Texas Treasury through data interface tables between the CAPPs, the Uniform Statewide Accounting System (USAS), the State Treasury, and the various TxDMV revenue systems. Fees collected by the TxDMV and deposited at the Texas Treasury are transferred to the State Highway Fund (Fund 0006), which supports transportation initiatives; the General Revenue Fund (Fund 0001), which supports government operations; and to the TxDMV Fund, which supports the Department's operations (Fund 0010). Below are the totals deposited to each fund in fiscal year (FY) 2017.

<b>Total Combined Revenue (Funds 0001, 0006, and 0010)</b>	<b>\$ 1,796,455,892</b>
Fund 0001 General Revenue Fund	\$ 104,289,828
Fund 0006 State Highway Fund	\$1,548,022,066
Fund 0010 TxDMV Fund	\$ 144,143,998

## TxDMV Fund

The TxDMV Fund was recreated by S.B. 1512, 84th Legislature, Regular Session, with a beginning date of September 1, 2016. The Department implemented the TxDMV Fund revenue collection and reporting processes utilizing the Enterprise Project Management Office's (EPMO) approved project management process. The process was designed to provide a strategic framework for project governance and project implementation.

Revenue was reported using 13 Texas Comptroller object codes (Comp Object Codes or Revenue Categories) grouping the TxDMV Fund's 120 fees. The 13 Comp Object Codes include 3012, 3014, 3018, 3035, and nine comptroller objects grouped into one miscellaneous category. The TxDMV fund receives payments and revenue from fees collected for the Texas International Registration Plan, on-line Temporary Permits, Oversize/Overweight Permits, vehicle plates, dealer licensing, titles, processing and handling fees and enforcement penalties. The TxDMV fund receives revenues from various types of fees collected through several different payment methods. The fees are collected online; by mail, by phone, and in person at Texas County Tax Assessor-Collector offices or at TxDMV Regional Service Centers. Below are the fund revenues collected in FY 2017.

<b>Fund 0010 TxDMV Fund Revenue Categories</b>	<b>\$ 144,143,998</b>
Motor Vehicle Certificates of Title (3012)	\$ 40,210,435
Motor Vehicle Registration Fees (3014)	\$ 43,152,484
Motor Carrier – Oversize/Overweight (3018)	\$ 13,401,328
Business Dealer License (3035)	\$ 8,013,945



Miscellaneous Revenue <sup>1</sup>	\$ 2,895,360
Processing and Handling Fee (3727)	\$ 36,470,446

The Department safeguards revenue receipts through the monitoring done by the FAS Division. The FAS Division monitors the Comptroller object codes on a high level by reviewing projected revenue to current revenue. Comp Object Codes monitored include the Motor Vehicle Certificates of Title; Motor Vehicle Registration Fees; Motor Carrier Oversize/Overweight; Business Dealer Licenses; Miscellaneous Revenue; and Processing and Handling Fee.

In addition, the Department has processes in place to ensure that fee revenues are deposited in the correct amounts to the correct statutory funds on a monthly basis. The FAS Division reviews revenues at the Comptroller-object level. This review includes a detailed analysis of the Processing and Handling Fee (Transportation Code Section 502.1911), since the fee is new and composes a third of the fund deposits made into the TxDMV Fund.

## TxDMV Fund Data Table Changes

Any changes made to the Comp Object Codes, revenue deposit amounts, or the revenue fund location for the TxDMV Fund, also known as data table changes, are reviewed, approved, and submitted to the ITS Division by the FAS management. Prior to submitting data table changes, FAS staff review statutes and determine which funds need to be changed. The ITS Division programmers update data tables, and the ITS Quality Assurance team tests the changes to ensure completeness and accuracy. Upon completion of testing, the ITS Quality Assurance Manager notifies the FAS staff that testing has been completed. All testing is completed and reviewed in the testing environment, which should replicate the production environment.

This audit was included in the Fiscal Year 2018 Audit Plan. The Internal Audit Division conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit was performed by Jason Gonzalez (Senior Internal Auditor) and Sandra Menjivar-Suddeath (Internal Audit Director).

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. The report was also distributed to the Department's executive management team.

<sup>1</sup> Miscellaneous Revenue includes: the following Comp Object Codes: 3727, Fees for Administrative Services (excluding P&H fee revenue); 3036, Motor Vehicle Complaints/Protests; 3719, Fees for Copies or Filing of Records; 3050, Abandoned Motor Vehicles; 3022, Assigned VIN Fees; 3081, Equipment Lease to County RTS; 3851, Interest on State Deposits; 3775, certain nonsufficient funds service charges and 3717, Civil Penalties.

## Audit Results

---

TxDMV Fund monitoring process should be documented and table changes should be validated once in production.

### Condition

The Department could create a process to validate data table changes in the production environment and to document the overall monitoring process for the TxDMV Fund, so as to strengthen monitoring of revenue that comprise the fees deposited to the TxDMV Fund.

While data table change testing does occur in the testing environment prior to production environment implementation, no detailed and formalized monitoring is done after those changes are in production to ensure code changes were operating as intended.

The Department's monitoring of revenue is performed monthly, quarterly and annually. The monthly review includes comparing projected revenue with current revenue collected, a high-level review of Comp Object Codes, and a detailed review of the Processing & Handling fee. The monthly review includes all Comp Object Codes, such as the Comp Object Codes for Motor Vehicle Certificates of Title, Motor Vehicle Registration Fees, Motor Carrier Oversize/Overweight; Business Dealer Licenses; and Miscellaneous Revenue. Although monitoring is occurring, the monitoring process is not formally documented.

### Effect

Data table changes that are not reviewed in production could result in revenue being distributed to incorrect account codes or funds. Similarly, a lack of detailed continuous revenue monitoring could lead to difficulty in identifying causes for discrepancies during year-end financial reporting.

### Cause

Programming constraints impact the Department's ability to monitor changes within the production environment. In addition, attempts to formally document the process have begun, but they have not been finalized due to resource constraints.

### Criteria

Best practices state that documented revenue control and management policies should establish proper control over all receipts and receivables and ensure sound financial management policies. This includes monitoring changes made to the data tables in the production environment.

### Evidence

The following evidence was collected to develop this result:

- Although monitoring processes existed, there was no formally documented process of that monitoring.
- Two data table changes occurred during our scope period. Both changes were not monitored after going into production to ensure changes occurred correctly.

## Recommendations

The Internal Audit Division recommends the following:

- 1.1 FAS Division should develop and document a process to monitor data table changes in the production environment until FAS management is comfortable with data table changes. (High)
- 1.2 FAS Division should formally document a monitoring plan to ensure that any revenue discrepancies are within acceptable tolerance levels. (Low)

## Management's Response and Action Plan

### Management Response & Action Plan 1.1

Management agrees with the recommendation. FAS Division will monitor revenue deposits after fee data table changes. FAS will document a process to validate data table changes.

**Management Action Plan Owners:** Sergio Rey, Director of Accounting, FAS Division; Linda Flores, Chief Financial Officer, FAS Division

**Anticipated Completion Date:** December 31, 2018

### Management Response & Action Plan 1.2

Management agrees with the recommendation. FAS Division will document current processes to monitor revenue.

**Management Action Plan Owners:** Brian Kline, Revenue Section, FAS Division; Linda Flores, Chief Financial Officer, FAS Division

**Anticipated Completion Date:** August 31, 2018

## Appendix 1: Objectives, Scope, Methodology and Maturity Assessment

---

### Objectives

The objective of this audit was to determine whether appropriate revenues, including registration fees, are deposited to the TxDMV Fund appropriately; and, whether appropriate amounts are transferred to counties per Department rules.

### Scope and Methodology

The scope of the audit included areas of risks within the Department's processes; revenue receipts; and, revenue information of FY 2017.

The IAD reviewed reconciliations, Texas Comptroller object codes, quarterly and annual reporting detail, and data table structure changes.

Information and documents that we reviewed included the following:

- TxDMV IAD Audit Report 15-04 Administration Statutes and Rules through TACs
- State Auditor's Office (SAO) Audit 17-036 An Audit Report on Complaint Processing at the Department of Motor Vehicles on 5.23.17
- SAO Audit 16-555 State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended 8.31.15 on 3.14.16
- SAO Audit 15-555 State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended 8.31.14 on 2.27.15
- SAO Audit 15-015 A Report on Analysis of Quality Assurance Team Projects on 12.22.14
- SAO Audit 13-026 An Audit Report on Selected State of Entities' Compliance with Requirements Related to the Historically Underutilized Business Program and the State Use Program on 3.18.13
- SAO Audit 11-007 An Audit Report on the Department of Motor Vehicles on 10.11.10.
- Regional Service Center revenue reconciliations
- FY 2017 Quarterly and Annual Financial Reporting Revenue Receipts and Forecast
- Interviews with Department division directors, division managers, and division staff

### Maturity Assessment Rating Definitions

The maturity assessment rating and information were derived from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model and the Enterprise Risk Management (ERM) Maturity Model. The model was adapted for the TxDMV assurance audit purposes and does not provide a guarantee against reporting misstatement and reliability, non-compliance, or operational impacts. Below are the definitions for each rating level.

0 - A rating level of 0, also known as a non-existent process level, is defined as no process has been defined or used.

1 - A rating level of 1, also known as an initial and ad-hoc process level, is defined as a standardized process has not been developed and an ad hoc approach is being used when issues arise.

- 2 - A rating level of a 2, also known as repeatable but intuitive process level, is defined as having developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not documented and has not been sufficiently evaluated to address risks.
- 3 - A rating level of a 3, also known as a defined process level, is defined as having a standardized, documented, communicated, and followed process. The process, however, may not detect any deviation due to the process not being sufficiently evaluated to address risks.
- 4 - A rating level of a 4, also known as a managed and measurable process level, is defined as having a standardized, documented, communicated, and followed process. Management monitors and measures compliance with process. Process is under constant improvement and provides good practice. The use of information technology would help automate workflow and improve quality and effectiveness.
- 5 - A rating level of a 5, also known as refined level, is defined as having a good process (e.g., standardized, documented, communicated, and followed process) as a result of continuous improvement and the use of technology. Information technology is used in an integrated way to automate workflow and to improve quality and effectiveness.



# Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

## Public Information Request Processes Audit Report Audit 18-03

Internal Audit Division  
January 2018

## Table of Contents

<b>Overall Conclusion and Executive Management Response .....</b>	<b>1</b>
Maturity Assessment Rating.....	1
Strengths .....	1
Improvements.....	1
Executive Director's Management Response .....	1
<b>Background .....</b>	<b>2</b>
<b>Audit Results .....</b>	<b>4</b>
The TxDMV has multiple methods to receive PIRs.....	4
The TxDMV applies different processing and response practices across multiple divisions.....	6
<b>Appendix 1: Objectives, Scope, Methodology and Maturity Assessment.....</b>	<b>8</b>
Objectives.....	8
Scope and Methodology.....	8
Maturity Assessment Rating Definitions .....	8

## Public Information Request Processes, 18-03

### Executive Summary

#### BACKGROUND

A public information request (PIR) is a request for information written, produced, collected, assembled, or maintained in connection with the transaction of a governmental body's official business. A PIR is governed by the Texas Public Information Act (Act). The Act defines releasable information and stipulates how long an agency has to provide the information.

Although a PIR is routed through the Office of General Counsel (OGC), each division is responsible for coordinating and providing the information for the PIR. To facilitate the coordination of PIRs, a new application, FOIAXpress, was procured and configured.

Between March 1, 2017 and August 31, 2017, 12,334 PIRs were processed.

The audit objectives are to determine if public information requests:

- are handled consistently throughout the department;
- assess appropriate cost; and
- are handled in accordance with state laws.

#### RECOMMENDATIONS

The Internal Audit Division made four recommendations related to consolidation of the multiple PIR intake points and development of uniform guidance on issues related to law enforcement requests and requests that may require executive management attention.

#### RESULTS

The Texas Department of Motor Vehicles' (TxDMV or Department) FOIAXpress (FX) system provides the public with a central online portal to submit all PIR to the Department and a tracking number to follow the progress of the PIR being processed. The TxDMV's Office of General Counsel (OGC) has provided training to the Department's Public Information Coordinators (PIC) outlining their responsibilities and the Department's obligations when receiving a public information request, statutory requirements and timelines, and how to use the FX system.

The TxDMV complies with the Texas Public Information Act requirements. In the 44 PIRs tested, response time to the requestor was within the required 10 business days and fees to the requestor were applied or waived in accordance with requirements.

The TxDMV could streamline the process by consolidating additional PIR processes and improve guidance to divisions on PIR processing practices. Currently, there are multiple PIR intake points in the Department creating PIR reporting errors due to redundant data entry. In addition, the TxDMV applies different internal PIR response practices across the Department. Varying methods of defining law enforcement requests, identifying requests which should be brought to executive management's attention, and applying charges for PIR processing may result in requestors being charged inconsistently for the same request or executive management remaining unaware of public interest in certain information.

#### MANAGEMENT RESPONSE

TxDMV Management agrees with the recommendations contained in this report. The recommendations will be addressed by Motor Carrier Division, Motor Vehicle Division, Vehicle Titles and Registration, Information Technology Services Division, and Office of General Counsel. All recommendations will be addressed no later than December 1, 2018.



## Overall Conclusion and Executive Management Response

---

### Maturity Assessment Rating

**3 -Defined Process Level:** The process has been standardized, documented, communicated, and is being followed. The process, however, may not detect any deviation due to the process not being sufficiently evaluated to address risks.

Other possible ratings and definitions can be found in Appendix 1, under Maturity Assessment Rating Definition.

### Strengths

The Texas Department of Motor Vehicles (TxDMV or Department) has taken the initiative to simplify public information requests (PIR) for the general public and provide more insight into the processing status of their PIR. The TxDMV's FOIAXpress (FX) system provides the public with a central online portal to submit all PIR to the Department and a tracking number to follow the progress of the PIR being processed.

The TxDMV's Office of General Counsel (OGC) has provided training to Public Information Coordinators (PICs) stationed in each division outlining their responsibilities and the Department's obligations when receiving a public information request, statutory requirements and timelines, and how to use the FX system. The OGC has also hired an additional attorney in October 2017 specializing in assisting the Department with open records processes and inquiries.

The TxDMV complies with the Texas Public Information Act requirements. In the 44 PIR requests tested, response time to the requestor was within the required 10 business days and fees to the requestor were applied or waived in accordance with requirements.

### Improvements

The TxDMV could streamline the process by consolidating additional PIR processes and improve guidance to divisions on uniform PIR processing practices. Below are the audit results that further expand on these areas.

**Audit Result #1:** The TxDMV has multiple methods to receive PIRs.

**Audit Result #2:** The TxDMV applies different processing and response practices across multiple divisions.

The detailed audit results can be found under the Audit Results section beginning on page 4.

### Executive Director's Management Response

TxDMV Management agrees with the recommendations contained in the Internal Audit Division's (IAD) *Public Information Request Processes Audit Report*. Management has provided its responses to the recommendations and a plan to implement the necessary changes. The recommendations will be addressed by Motor Carrier Division (MCD), Motor Vehicle Division (MVD), Vehicle Titles and Registration (VTR), Information Technology Services Division (ITSD), and OGC. All recommendations will be addressed no later than December 1, 2018.

## Background

---

The Texas Public Information Act (Act) defines public information as information written, produced, collected, assembled, or maintained in connection with the transaction of a governmental body's official business. The Act prescribes it shall be liberally construed in favor of granting a request for information. In addition, the Act defines releasable information and stipulates how long an agency has to provide the information. The TxDMV accepts a written public information request (PIR) in accordance with the Act via email, mail, and the TxDMV's online FOIAXpress (FX) system, a centralized, online PIR processing system.

The TxDMV also accepts and processes Requests for Motor Vehicle Information using the Vehicle Title and Registration Form 275 (VTR-275). The VTR-275 must be used to obtain a title history, certified title history, title and registration verification, certified title and registration verification, or a duplicate registration receipt for the current registration.

The Department processes VTR-275 requests separately from other PIRs because they are statutorily allowed confidentiality exceptions that are not permitted for other PIR. The Act provides the TxDMV authority to redact personal information, as defined by Transportation Code §730, from a motor vehicle record without first seeking an opinion from the Office of the Attorney General (OAG).<sup>1</sup> The VTR-275s were historically treated as a separate workflow to more quickly serve customers requesting copies of their own vehicle information by promptly redacting the confidential information from the requested records.

The TxDMV's Office of General Counsel (OGC) is responsible for managing and implementing the TxDMV's PIR response processes through a decentralized network of TxDMV staff assigned as Public Information Coordinators (PIC) within each division. In addition to their programmatic duties, division PIC responsibilities include responding to PIRs assigned to their division, coordinating with other divisions as needed to compile responses, tracking response progress and timelines in compliance with the Act, identifying and redacting confidential information prior to release of documentation, and tracking PIR volume for public reporting by the OGC.

On March 9, 2017, the TxDMV implemented the FOIAXpress (FX) system, an online centralized PIR management system, which provides the Department's PICs electronic tools to assign, coordinate, and track PIRs and responses. The system also provides additional electronic tools for redacting and document retention. The FX system also allows PICs to electronically invoice requestors using a standardized fee table. Requestors can pay electronically by credit card or automatic clearing house (ACH) through a Texas.gov link provided by a PIC via email.

The OGC provides training and support to PICs regarding statutory requirements, TxDMV internal PIR processes, and FX system use; manages the Department's FX system user license distribution to PICs; reports and works with the FX system vendor to repair system bugs and make modifications as needed; compiles self-reported PIR information for quarterly reporting to the OAG; and refers non-disclosure requests to the OAG for opinion as required by the Act.

<sup>1</sup> Texas Government Code §552.130 states that a governmental body may redact a motor vehicle operator's or driver's license or permit, title or registration, or personal identification document from any information the governmental body discloses without the necessity of requesting a decision from the attorney general.

During the six-month period reviewed, March 1, 2017 through August 31, 2017, the TxDMV processed 12,334 PIR requests.

This audit was included in the fiscal year 2018 Audit Plan. The Internal Audit Division conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit was performed by Derrick Miller (Senior Internal Auditor) and Sandra Menjivar-Suddeath (Internal Audit Director).

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. The report was also distributed to the Department's executive management team.

## Audit Results

---

The TxDMV has multiple methods to receive PIRs.

### Condition

TxDmv implemented one centralized system to handle PIRs, however, three methods outside of the centralized system exist for requesting and obtaining PIR, including two PIR email inboxes and the TxDMV Request for Motor Vehicle Information form (VTR-275).

### Effect

Multiple methods for PIR submission could lead to not all request being entered into the appropriate system. During the scope period, 47 requests that were received and responded to from two active open records general email boxes were not recorded in the FX system.

In addition, each division tracks the PIRs they receive and self-reports their PIR activity to the OGC. The OGC manually enters and aggregates the information into a standalone reporting database. The sequence of self-reporting and data entry is a redundant use of TxDMV staff time as PIR volumes could be pulled more directly from the FX system if all PIR were reported into the system. In addition, the OGC database requires the assistance of an Information Technology Services (ITS) Division resource for continued maintenance. Direct reporting from the FX system would minimize the number of data entry points and the resulting increase in data entry errors, and reduce the demand on the Department's ITS Division resources for maintenance of the database.

### Cause

Prior to the implementation of the FX system, the general email boxes were used so that a shared location accessible by multiple division staff was available to receive and address PIR inquiries from external or internal sources. When the FX system was implemented, not all email boxes were eliminated and the TxDMV continues to allow requests to come in through these email boxes. Similarly, reporting of PIRs continues to be a manual process even though reporting exists within the FX system.

### Criteria

The risk of a process breakdown increases with complexity. A distributed system contains more processing points that need to be monitored for vulnerability or breakdown than compared to a truly centralized system.

### Evidence

The following evidence was collected to develop this result:

- 47 requests that were received and responded to from two active open records general email boxes were not recorded in the FX system.
- The OGC reporting database and the OAG Open Records Requests Summary reports containing the TxDMV's self-reported PIR volumes for the months of March-August 2017 did not match. For example, 93 PIR were double counted by the TxDMV in the month of April 2017. Additional smaller line item discrepancies were identified in each month reviewed. OGC

corrected the errors in the OGC reporting database and the OAG public reports as they were identified.

## Recommendations

The Internal Audit Division recommends the following:

- 1.1 The TxDMV should consolidate its open records general email boxes to one email intake point. (High)
- 1.2 The TxDMV should review processes to identify how best to consolidate the reporting of requests subject to Transportation Code §730 into the FOIAXpress. (High)

## Management's Response and Action Plan

### Management Response & Action Plan 1.1

Management agrees with the recommendation and will work with ITSD, and then each affected division, to funnel all initial intake of Public Information Request (PIR) emails through the main FOIAXpress email box maintained by OGC. Each division will still need to maintain a PIA email account, as certain communications, like clarifications with requestors, need to come from Public Information Coordinators (PICs) within the divisions. This would also allow the teams of PICs within the divisions to continue to collaborate on incoming requests.

**Management Action Plan Owners:** Jimmy Archer (MCD), Daniel Avitia (MVD), Jeremiah Kuntz (VTR), Jonathan O'Quinn (ITSD), David Duncan (OGC - primary)

**Anticipated Completion Date:** March 1, 2018

### Management Response & Action Plan 1.2

Management agrees with the recommendation and will work with VTR, including the Regional Service Centers, ITSD and OGC to determine how to facilitate the accurate reporting of responses to requests of information subject to Transportation Code §730 while minimizing or eliminating manual entry of such data.

**Management Action Plan Owners:** Jeremiah Kuntz (VTR), David Duncan (OGC - primary)

**Anticipated Completion Date:** December 1, 2018

The TxDMV applies different processing and response practices across multiple divisions.

### Condition

The TxDMV applies different internal public information request (PIR) response practices across the Department including varying methods of defining law enforcement requests, identifying requests which should be brought to executive management's attention, and applying charges for PIR processing.

Different divisions within the Department vary on which entities they consider to be valid law enforcement organizations (LEO) for PIR purposes, as the definition could apply to a range of local, state, and federal enforcement or prosecutorial entities.

Divisions also differ in what topics or information they deem high-profile or sensitive enough to be brought to the attention of executive management, depending on each division's area of business.

In addition, divisions waive fees for some requestors based on varying justifications. For example, requests from LEOs or the legislature are generally waived but media requests may be waived by some divisions, such as the TxDMV's Government and Strategic Communications Division (GSC), but not by others.

### Effect

Varying practices may result in the TxDMV inconsistently applying justifications for PIR fees or waivers for similar requests or requestors across the Department or being unaware of public interest in information which executive management needs to be prepared to address.

### Cause

The TxDMV has not provided an explicit definition for department-wide use on what entities the Department considers an LEO when considering the source of public information requests.

PIC training provided by the TxDMV's Office of General Counsel (OGC) instructs staff to notify OGC or the GSC of requests submitted by the legislature or media, but does not address division-specific circumstances.

Finally, the Texas Public Information Act allows governmental bodies discretion in waiving fees. The Act states that a state agency may waive or reduce PIR processing fees if it determines that doing so is in the public interest. However, the Act does not provide explicit guidance or requirements for weighing the public interest.

### Criteria

The TxDMV should have uniform processes and reasoning across the Department to apply consistent service to all requestors. In the absence of statutory or otherwise authoritative requirements, the Department should create and communicate expectations to staff internally.

Texas Public Information Act §552.267 states that a governmental body shall provide a copy of public information without charge or at a reduced charge if the governmental body determines that waiver or reduction of the charge is in the public interest because providing the copy of the information primarily benefits the general public. Further, if the cost to a governmental body of processing the collection of a

charge for providing a copy of public information will exceed the amount of the charge, the governmental body may waive the charge.

## Evidence

The following evidence was collected to develop this result:

- The TxDMV public information coordinators reported uncertainty as to what offices, outside of commissioned law enforcement entities, to treat as valid LEOs.
- Division standards for sensitive or high-profile information are division-specific, such as a motor carrier crash involving a bridge collision for the Department's Motor Carrier Division, or changes to allowable title and registration fees to the TxDMV's Vehicle Title and Registration Division.

## Recommendation

The Internal Audit Division recommends the following:

- 2.1 The TxDMV should develop uniform department-wide guidance addressing the TxDMV's definition of valid law enforcement requests and required procedures for validating law enforcement requests. (Low)
- 2.2 The TxDMV should develop guidance on topics, including when to charge PIR fees and when to bring a request to executive management attention. (Low)

## Management's Response and Action Plan

### Management Response & Action Plan 2.1

Management agrees that there should be standard operating procedures for the issuance of motor vehicle records to law enforcement. Guidance will be developed and all appropriate TxDMV employees will be trained on which entities are considered law enforcement and how those entities can demonstrate their identity as law enforcement.

**Management Action Plan Owner:** David Duncan (OGC)

**Anticipated Completion Date:** April 1, 2018

### Management Response & Action Plan 2.2

Management agrees with the recommendation and has begun streamlining the process of when to alert the Executive team, namely in regard to media and legislative requests. OGC will include in its law enforcement SOP a section regarding when and how a manager, OGC attorney, and the Executive team should be alerted to sensitive PIRs. Additionally, the board has authorized the department to publish for public comment rules regarding the waiver of fees for law enforcement inquires as well as the requirement to present law enforcement credentials to obtain motor vehicle records. This rulemaking will resolve any uncertainty about what entities or individuals qualify for PIR fee waivers. Upon completion of the rule making process the VTR division will update its standard operating procedures to incorporate the changes.

**Management Action Plan Owner:** David Duncan (OGC)

**Anticipated Completion Date:** September 1, 2018



## Appendix 1: Objectives, Scope, Methodology and Maturity Assessment

---

### Objectives

The objectives of the audit were to determine if public information requests:

- are handled consistently throughout the department;
- have appropriate costs; and
- are handled in accordance with state laws.

### Scope and Methodology

The scope of the audit included public information requests received by the Texas Department of Motor Vehicles between March 1, 2017 and August 31, 2017. Information and documents reviewed in the audit included the following:

- Government Code §552, Texas Public Information Act
- Texas Transportation Code §730, Texas Motor Vehicle Records Disclosure Act
- Texas Administrative Code §70.3, Charges for Providing Copies of Public Information
- Texas Department of Motor Vehicles Office of General Counsel Public Information Request database reports March 2017 – August 2017
- Texas Office of the Attorney General agency open records request reports March 2017 – August 2017
- Texas Department of Motor Vehicles Office of General Counsel Public Information Act training presentation
- Texas Department of Motor Vehicles FOIAXpress Users List
- Texas Department of Motor Vehicles Request for Motor Vehicle Information Form VTR-275
- Interviews with Texas Department of Motor Vehicles division public information coordinators
- FOIAXpress public information request records
- Texas Department of Motor Vehicles divisional public information request tracking sheets

### Maturity Assessment Rating Definitions

The maturity assessment rating and information were derived from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model and the Enterprise Risk Management (ERM) Maturity Model. The model was adapted for the TxDMV assurance audit purposes and does not provide a guarantee against reporting misstatement and reliability, non-compliance, or operational impacts. Below are the definitions for each rating level.

- 0 - A rating level of 0, also known as a non-existent process level, is defined as no process has been defined or used.
- 1 - A rating level of 1, also known as an initial and ad-hoc process level, is defined as a standardized process has not been developed and an ad hoc approach is being used when issues arise.



- 2 - A rating level of a 2, also known as repeatable but intuitive process level, is defined as having developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not documented and has not been sufficiently evaluated to address risks.
- 3 - A rating level of a 3, also known as a defined process level, is defined as having a standardized, documented, communicated, and followed process. The process, however, may not detect any deviation due to the process not being sufficiently evaluated to address risks.
- 4 - A rating level of a 4, also known as a managed and measurable process level, is defined as having a standardized, documented, communicated, and followed process. Management monitors and measures compliance with process. Process is under constant improvement and provides good practice. The use of information technology would help automate workflow and improve quality and effectiveness.
- 5 - A rating level of a 5, also known as refined level, is defined as having a good process (e.g., standardized, documented, communicated, and followed process) as a result of continuous improvement and the use of technology. Information technology is used in an integrated way to automate workflow and to improve quality and effectiveness.



## Advisory Service Agreement

### Introduction

The Internal Audit Division (IAD) will provide an advisory service to the Enforcement Division. Advisory services are those in which the auditor examines/evaluates a past, present, or future aspect of operations, and renders information to assist management in making decisions.

Management understands and agrees to the following:

- The work to be undertaken is not a formal audit and the work product produced shall not be represented as the results of an audit.
- In the event our work discloses fraud or other breach of law, Internal Audit will deviate from the agreement and work with General Counsel on best course of action.
- Results of the advisory service will be presented to the TxDMV Board and Executive Management.
- Information obtained during the advisory service may be used in other audits or advisory services.
- Auditors do not develop and install procedures or engage in activities that may be seen as management responsibility.
- Management has the necessary knowledge, skills, and abilities to oversee the advisory service.

### Advisory Service Objective(s) and Deliverables

The IAD has been requested and has agreed to review the Texas Commission for Law Enforcement (TCOLE) training compliance for the Enforcement Division. This advisory service will provide the following:

- A determination of whether the Texas Department of Motor Vehicles is compliant with TCOLE training requirements.
- An Identification of where improvements may be needed to be in compliance with TCOLE training requirements.
- An evaluation on whether the reporting structure has been sufficiently implemented to monitor TCOLE compliance.

IAD will provide a report with the above information. Recommendations may be made in the report, but the recommendations will not require a management response or action plan. Recommendations are for the use of the Enforcement Division and Executive Management.

The final report of the advisory service will be prepared solely for the use of management and will not be released to other parties by the IAD without first informing management. However, the final report is subject to open records requests. If requests for the report are received through open records, the IAD will inform you of the request.

A description and results of the advisory service project will also be included in the audit status updates to the TxDMV Board and in our statutory required annual report. The annual report is submitted to the TxDMV Board, The Governor's Office, the Legislative Budget Board, the Sunset Advisory Committee and the State Auditor's Office.

### Internal Audit Team and Milestones

The advisory service will be led by Jason Gonzalez and Frances Barker will serve as team member. The advisory service will be overseen by Sandra Menjivar-Suddeath, IAD Director.

The advisory service will begin in January 2018 and has an anticipated end date of February 2018. The anticipated release date for the report will be in March 2018, however, preliminary results will be given prior to the report release.

The above terms and conditions are acceptable to both offices.

Corrie Thompson  
Enforcement Division Director

Date: 12/11/17

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

Date: 12/21/17