

TEXAS DEPARTMENT OF MOTOR VEHICLES

FINANCE AND AUDIT COMMITTEE

MEETING

Wednesday,
June 13, 2018

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

COMMITTEE MEMBERS:

Luanne Caraway, Chair
Brett Graham
Kate Hardy
Johnny Walker

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6. 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:	none
• Section 551.071	
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7. Action Items from Executive Session	none
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9. Adjournment	60

P R O C E E D I N G S

1
2 MS. CARAWAY: We'll call this meeting to order
3 at two o'clock. My name is Luanne Caraway and I'm pleased
4 to open the meeting of the Finance and Audit Committee of
5 the Board of the Texas Department of Motor Vehicles. It's
6 2:00 p.m. and I am now calling the committee meeting for
7 June 13, 2018 to order, and I want to note for the record
8 that the public notice of this meeting, containing all
9 items on the agenda, was filed with the Office of
10 Secretary of State on June 5, 2018.

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

14 Do we have any public present? We don't have
15 any public present. Right?

16 MS. BREWSTER: Not today.

17 MS. CARAWAY: Okay. Now I'd like to have a
18 roll call of the committee members.

19 Member Hardy?

20 MS. HARDY: Here.

21 MS. CARAWAY: Member Walker?

22 MR. WALKER: Here.

23 MS. CARAWAY: And I'm Luanne Caraway, chair of
24 the committee. Let the record reflect that we have a
25 committee quorum, and also that committee Member Graham is

1 absent today. We also may have another board member
2 joining us in the audience today; Chairman Palacios may
3 appear.

4 The posted agenda stated that a quorum of the
5 board may be present at this meeting, however, board
6 members who are not members of the Finance and Audit
7 Committee will not vote on any committee agenda items
8 today nor will any board action be taken.

9 And please all stand and honor our country with
10 the Pledge of Allegiance.

11 (The Pledge of Allegiance was recited.)

12 MS. CARAWAY: Thank you.

13 Item 3 is comments and announcements from the
14 committee chair, committee members and the executive
15 director.

16 MS. BREWSTER: I have no comments.

17 MS. CARAWAY: You have no comments?

18 MS. BREWSTER: No, ma'am.

19 MS. CARAWAY: Does any committee member have
20 any comments?

21 (No response.)

22 MS. CARAWAY: Okay. So we'll go to item 4
23 which is consideration and possible action for
24 recommendation to the full board.

25 Linda Flores and Renita Bankhead.

1 MS. FLORES: For the record my name is Linda
2 Flores. I'm the chief financial officer for the Texas
3 Department of Motor Vehicles, and agenda item number 4
4 will require the committee's action to recommend to the
5 full board approval for two particular items. This
6 material begins on page 3 of your materials. And just to
7 give you a little bit of a background, the agency was
8 appropriated approximately \$9 million for this biennium to
9 undertake renovations and repairs needed for Camp Hubbard.
10 This included Buildings 1 and 5. Since the agency was
11 appropriated these dollars, we've also added the fifth
12 floor Building 6, however, that floor has been totally
13 renovated for Motor Carrier, so the \$9 million is to cover
14 Buildings 1 and 5.

15 We created a collaborative work group with
16 TxDOT and DMV staff to come up with a list of projects
17 that would be viable for this biennium, and we're asking
18 for your consideration to: A, create a new capital line
19 item in the agency's FY19 appropriations budget in the
20 total amount of \$4.2 million, as shown on table 1 in your
21 materials on page 3; and second, B, to request
22 carryforward of approximately \$2.2 million from today's
23 unspent balances to carry forward into FY19 to fund these
24 additional maintenance projects that we've identified.
25 This will require an adjustment to the TxDOT memorandum of

1 understanding and it will require both approvals from the
2 Legislative Budget Board, as well as the Governor's
3 Offices.

4 MR. WALKER: To carry forward.

5 MS. FLORES: As well as the creation of a
6 capital line item. That's in Article 9, Section 14.

7 So in discussing what's available to carry
8 forward, because we really didn't have enough runway to
9 spend those dollars this year, we have, as you can see,
10 approximately \$4.6 million available to carry forward into
11 '19. Again, we're only asking to carry forward \$2.2
12 million of this available balance.

13 MR. WALKER: So why do we have to request a
14 carryforward if it's not during a LAR.

15 MS. FLORES: So the Legislative Budget Board
16 puts restrictions on state agencies between the fiscal
17 years of a biennium. Normally if you don't spend your
18 dollars, say, this year, they lapse. So as you remember
19 when we requested the carryforward for the Automobile
20 Burglary and Theft Prevention, we're doing the same thing
21 for this particular line item.

22 MR. WALKER: I thought stuff only lapsed at the
23 end of the biennium, that it was for two years normally,
24 whether you spent it the first year or the second or
25 evenly disbursed, it's just good for the biennium, I

1 thought.

2 MS. FLORES: That's true for capital line items
3 but not for operating.

4 MR. WALKER: But this is capital.

5 MS. FLORES: No, sir. It was considered
6 operating because at the time that we did our
7 appropriations request, we didn't specify particular
8 projects in our list, we had an estimate of what we
9 thought we would need. Now that we've gone through this
10 exercise of looking and establishing certain projects --
11 and that's included in your material as well on page 7 and
12 8 -- we had to specify particular things like
13 weatherization of our windows, replacing the roof in
14 Building 5. Those are particular line items that we now
15 have to provide to the Legislative Budget Board. In
16 talking with our analyst, he was aware that we would have
17 to come back if things were over \$100,000 and required
18 capital authority, so he was waiting for us to come back
19 to them to say, okay, now we have a list of projects,
20 please help us create a capital line item.

21 MR. WALKER: So, Linda, why would -- I think I
22 know the answer to this but I'm going to ask anyway. So
23 the DMV -- well, the state has a facility agency,
24 facilities and buildings.

25 MS. FLORES: Texas Facilities Commission.

1 MR. WALKER: I can't remember the guy's name
2 that used to do that. So why wouldn't they be responsible
3 for the maintenance and upkeep and the contracting of
4 putting these buildings and maintaining the structures
5 instead of each agency?

6 MS. FLORES: Normally most state agencies,
7 especially in the complex, are under the purview of the
8 Texas Facilities Commission, they do maintain all of those
9 buildings in the complex. They do have other
10 responsibilities for other state agencies, however, during
11 our appropriations request and when we were getting some,
12 we wanted control of the building for any buildings that
13 we had, in the future may acquire, so we were exempt from
14 that requirement to operate under the Facilities
15 Commission's purview.

16 MR. WALKER: But I thought we were kind of
17 attached when the buildings were given to us that they
18 were kind of attached to the Facilities Commission in some
19 way.

20 MS. FLORES: Actually, they haven't been given
21 to us yet, they're still the responsibility of TxDOT,
22 they're owned by TxDOT.

23 MR. DUNCAN: And, Member Walker, David Duncan,
24 general counsel. TxDOT has an exemption from the
25 Facilities Commission because they already own and

1 maintain real estate, so nothing has really been
2 transferred. We have dealt with the Facilities Commission
3 on our regional field offices, so you've heard the
4 commission come up a lot, so where we have lease space,
5 for example, in Waco, San Antonio, Corpus, but in places
6 where we have, we have always used the Facilities
7 Commission. But Linda properly correctly points out that
8 when we amended the statute, we gave ourselves full
9 authority.

10 Now, back to your base question, nothing
11 precludes us -- assuming we get this carryover money,
12 nothing precludes us from actually using the Facilities
13 Commission to do this work. If they have the resources
14 and capabilities and want to, we can contract it to them
15 through an interagency contract.

16 MR. WALKER: So do we have to use an approved
17 vendor that's set up, so to speak, with the Facilities
18 Commission, or can we go get bids from Tom, Dick and Harry
19 out here on who to do the work?

20 MS. FLORES: We're going to collaborate with
21 TxDOT.

22 MR. WALKER: Not the building commission.

23 MS. FLORES: Not the building commission.

24 Since TxDOT owns the buildings, we're working with them to
25 come up with the bids and TxDOT will actually -- by

1 modifying the memorandum of understanding, we're going to
2 allow them to go out for the bids. We will have a seat at
3 the table to make sure that we're comfortable with those
4 bids and the vendors themselves, but they're going to do
5 the front end, if you will, in getting us price quotes and
6 scheduling for these big ticket items.

7 MR. WALKER: So there's an estimate of the
8 facelift is \$275,000, exterior facelift. How did we come
9 up with that \$275,000 number? Did we go get some
10 estimates on that?

11 MS. FLORES: We worked with TxDOT's support
12 operations division. It's a routine periodic meeting with
13 them and they provide representatives from their
14 facilities department. There are several individuals
15 there, they take care of plumbing, electrical, they've got
16 a space planner who all attend our meetings, and they help
17 provide those estimates for us.

18 MR. WALKER: So what facelift are we getting on
19 the building for \$275,000? What are we going to do, paint
20 the outside of the building, or do what?

21 MS. FLORES: If I may?

22 MS. CARAWAY: Go ahead.

23 MS. FLORES: For that particular line item, we
24 want to just kind of spruce up, if you will, some of the
25 outside exterior of the brick. There needs to be come

1 caulking performed around the building, we noticed some
2 blackened brick, so we're just trying to clean up the
3 exterior of our building.

4 MR. WALKER: Because \$275,000 -- I promise you,
5 I'm building a house right now -- it won't get you very
6 far.

7 MS. FLORES: We're going to use it as far as we
8 can go. We had a big rainstorm a while ago, and that's
9 the next item down, weatherization. We had a big
10 rainstorm and one side of the building, the water was just
11 pouring through, and that was something that we did not
12 expect to happen to us, so we since have bought they call
13 them snakes where you can put against the windows to block
14 the water from coming in. We know that there's going to
15 be substantial weatherization that needs to occur just in
16 our windows.

17 You know, these were our best estimates at the
18 time, and if we need to request further dollars, we will
19 do so at the appropriate time with the Legislative Budget
20 Board.

21 MS. CARAWAY: Any other questions?

22 MR. WALKER: So ADA assessment, \$31,000, is
23 that not doing any work, that's just somebody coming in
24 and say you're not doing this right or you're doing it
25 right.

1 MS. FLORES: Correct. That's to bring in a
2 vendor, a consultant, if you will, to look at our ADA, our
3 bathrooms, our plumbing to make sure that it's accessible
4 to individuals who need that assistance.

5 MR. WALKER: It's kind of shocking to me that
6 the State of Texas, who enforces those kind of
7 regulations, doesn't have somebody that they could just
8 send over here and say this is not in compliance or is,
9 instead of us paying \$31,000.

10 MS. FLORES: But if you recall, TxDOT had a lot
11 of exemptions, and so it's not until you have to renovate
12 something that you actually have to do that assessment.
13 These buildings are pretty old and they did a major
14 renovation I believe in the '90s here, however, nothing
15 has happened since then so if you want to repair, renovate
16 or look at your office space and reconfigure anything,
17 that's when you'll have to come as a governmental entity
18 to have that assessment performed.

19 MS. HARDY: So everything will be brought up to
20 code then.

21 MS. FLORES: Correct.

22 MR. WALKER: But the \$31,000 is only to come in
23 and tell us what needs to be done.

24 MS. FLORES: Yes.

25 MR. WALKER: And then you're buying a dock

1 leveler for \$21,000. I guess we do have a dock here
2 because we receive license plates.

3 MS. FLORES: Yes, sir. It's back here on the
4 first floor.

5 MR. WALKER: But I'm kind of shocked, I just
6 maybe haven't bought a dock leveler in a while but that's
7 kind of high for a dock leveler, \$21,000, I can tell you
8 that.

9 MS. FLORES: Again, these are our best
10 estimates. If they come in under, we won't spend it.
11 However, if it needs to go up, then we'll have to take
12 from another project, if you will.

13 MR. WALKER: I think you can get a dock leveler
14 for about six thousand bucks.

15 MR. WALKER: Then we can move the difference to
16 our weatherization project.

17 MR. WALKER: What is a lift truck shelter,
18 \$55,000? A lift truck is a forklift.

19 MS. FLORES: We're just trying to create some
20 kind of like -- what do you call those?

21 MR. WALKER: Shed.

22 MS. FLORES: Like an open shed, if you will,
23 for some of our heavier trucks to provide some kind of
24 protection.

25 MR. WALKER: So where is this warehouse and

1 dock facility right here?

2 MS. FLORES: It's back in the warehouse area.

3 MR. WALKER: And the forklift is outside or
4 inside? It should be inside the dock.

5 MS. FLORES: It is inside the dock.

6 MR. WALKER: And so why would we need a truck
7 shelter for \$55,000 which is an outdoor facility?

8 MS. FLORES: I don't have the specifics on that
9 particular line item. I can provide you with more
10 information about the truck shelter. I did not bring my
11 detailed work paper with me, I apologize.

12 MR. WALKER: Electric vehicle charging station,
13 so that's people who drive Tesla cars -- maybe I shouldn't
14 use the name brand.

15 MS. HARDY: Chevy Volt.

16 MR. WALKER: Chevy Volt.

17 MS. FLORES: We do plan to get a little low
18 speed vehicle unit to carry some of our supplies between
19 us and Buildings 1 and 5 and 6.

20 MR. WALKER: But why would we as an agency want
21 to spend \$30,000 of money to put in a charging station
22 here?

23 MS. FLORES: Again, it's in order to provide
24 that option for some of the vehicles that we're going to
25 have here on campus.

1 MR. WALKER: Do you know how much gasoline you
2 can buy for that?

3 MS. BREWSTER: May I interject?

4 MS. CARAWAY: Absolutely.

5 MS. BREWSTER: Member Walker, there is a
6 certain percentage of our fleet that we are required to
7 have as electric vehicles -- I'm sorry -- alternatively
8 fueled vehicles, and so this would be to allow us to be
9 able to meet that requirement.

10 MR. WALKER: So who made that requirement?

11 MR. DUNCAN: The State of Texas.

12 MR. WALKER: Who?

13 MR. DUNCAN: It's in statute.

14 MR. WALKER: State statute?

15 MR. DUNCAN: Yes, sir, it's in the Government
16 Code.

17 MR. WALKER: The Government Code says that
18 every government agency has to have alternatively fueled
19 vehicles.

20 MS. FLORES: That's through the Comptroller's
21 guidance.

22 MS. BREWSTER: Member Walker, we can get the
23 particular citation to you.

24 MR. WALKER: That's okay. It just seems to me
25 like that's a lot of money to spend to put in a charging

1 station.

2 MS. CARAWAY: Other questions?

3 MS. FLORES: So just to kind of summarize.

4 MS. CARAWAY: Sure.

5 MS. FLORES: We are asking for a two-part
6 approval to the full board to create the capital project
7 line item in the amount of \$4.2 million, and then second,
8 to request carryforward of \$2.2 million from this fiscal
9 year into the next fiscal year and to modify the agency's
10 memorandum of understanding with TxDOT.

11 MS. HARDY: I move that the committee recommend
12 that the full board approve the creation of the new
13 capital project line item in the fiscal year 2019 budget
14 for TxDMV headquarters maintenance repair project for the
15 total amount of \$4.2-, and to request carryforward the
16 \$2.2 million in unexpended balances in the TxDMV
17 headquarters.

18 MR. WALKER: I think you need to modify -- do
19 you have a script?

20 MS. HARDY: Yes.

21 MR. WALKER: You're asking for the board to
22 approve.

23 MS. HARDY: For the board to approve, that the
24 committee recommends.

25 MR. WALKER: But the board is not here, today

1 we're in a committee meeting and you would have to ask
2 that the committee make a recommendation.

3 MS. CARAWAY: I move that the committee
4 recommend that the full board approve. Correct.

5 MR. WALKER: Okay. Then that's correct. I'm
6 sorry.

7 MS. CARAWAY: Do I have a second?

8 MR. WALKER: I'm going to second but I'd like
9 to ask one more question before I finish up.

10 MS. CARAWAY: Okay.

11 MR. WALKER: We're asking for the board to
12 accept the recommendation of asking to lapse the funds
13 into the next part of the biennium, the two point
14 something million, and we're asking that we take \$4
15 million in expense and identify that as these particular
16 line items to authorize \$4 million in expenditures, but
17 it's my understanding, I think I heard you say earlier
18 that we already have a \$9 million appropriation for this
19 particular stuff in our budget. Is that not correct?

20 MS. FLORES: Correct. Five million today, four
21 million next year.

22 MR. WALKER: So why do we need to do this other
23 than go back for the lapse is the money is already there
24 in the budget approved for this particular purpose?

25 MS. FLORES: The money is in the operating

1 budget.

2 MR. WALKER: But has it not been tagged for
3 this particular purpose? It was appropriated for that.

4 MS. FLORES: It has but it's operating items
5 because we never specified, hey, I need to replace the
6 roof in Building 5. That's a million dollar estimate
7 today. Anything over \$100,000 requires capital authority
8 that we don't have for the roof. I have the money, I need
9 the authority.

10 MR. WALKER: We've got the money, the money has
11 already been appropriated for the particular purposes, but
12 what we're doing now is saying these are the specific
13 items for the delegations of the nine million and we're
14 only going to use \$4.2 million of the nine and these are
15 the particular items.

16 MS. FLORES: Actually, we're going to use six
17 of the nine. We're going to use 2.2- that we're going to
18 carry forward.

19 MR. WALKER: Yes.

20 MS. FLORES: The total for next year --

21 MR. WALKER: Oh, so it's four plus the two.

22 MS. FLORES: Yes.

23 MR. WALKER: I'm sorry, I didn't understand
24 that.

25 MS. FLORES: Correct.

1 MR. WALKER: It's just a technicality on my
2 part and maybe I should just let it ride, but it just
3 seems to me like we're beating something to death that
4 we've already got approval to do. It's already been
5 approved, we appropriated and we've identified it in the p
6 past and now we're asking us to do it again.

7 Mr. Duncan, can you give me -- and I'm okay and
8 I appreciate, and I like where you're going to say that,
9 but I just don't know that it needs board approval, to be
10 honest with you.

11 MS. FLORES: It does require approval by the
12 Governor's Office and the Legislative Budget Board, and in
13 order to reach out to those two entities, we need for the
14 board to also approve that for staff to do.

15 MR. WALKER: I'm okay with it then.

16 MS. FLORES: Thank you.

17 MR. WALKER: I call for the vote, unless you
18 have further questions.

19 MS. CARAWAY: All those in favor say aye.

20 (A chorus of ayes.)

21 MS. CARAWAY: That leaves none opposed, so it
22 passes.

23 MR. WALKER: Did you vote?

24 MS. CARAWAY: I did, I said aye.

25 (General laughter.)

1 MS. FLORES: Moving on to number 5.A., included
2 in your packet beginning on page 9, this item is a
3 briefing item of the agency's FY20-21 legislative
4 appropriations request baseline and exceptional items.
5 This is a preliminary presentation. Another presentation
6 will be in front of you in August for final approval of
7 the agency's LAR, and so this is just a briefing.

8 On page 12 of your materials we have included a
9 timeline as well as differentiated between baseline and
10 exceptional items. Baseline is what we believe should be
11 included in our base appropriations, exceptional items are
12 anything above that. The base has been adjusted primarily
13 for one-time items that do not continue to be funded over
14 and over and over, such as if a project is closing out and
15 there was no additional funding. For example, the RTS
16 project, we've been using the same dollar over and over
17 and over, that project about to end so we've removed all
18 of those additional carryforward dollars, that's out, so
19 that's in the base now or the base has been modified for
20 those dollars. Exceptional items are anything over and
21 above, and we do have a list of those exceptional items
22 that I'll address shortly.

23 So the baseline does provide sufficient
24 collections. We've reviewed that as well to make sure
25 that our revenue supports our agency operations. The

1 planned maintenance for the headquarters building, full
2 implementation of the Compliance and Investigations
3 Division, and it does provide some automation funding for
4 the RTS system, approximately \$5 million for defects that
5 we've kind of kept track of.

6 On page 13 of your material you will see our
7 revenue collection and we do believe that we'll collect
8 about almost \$4 billion, \$3.9 billion in total fees for
9 the State Highway Fund, general revenue, as well as the
10 DMV Fund. And we show you the top four fee collections
11 year over year from '18, '19, '20 and '21. For the DMV
12 Fund, the biggest fee revenue will be from the processing
13 and handling fee fund, followed by motor vehicle titles,
14 registration, we get little bits of registration fees,
15 motor carrier, and then we have miscellaneous.

16 We did an analysis of the exceptional items to
17 make sure that we could support the request from within
18 our budget, and as you can see, we will have sufficient
19 fund balances after we take care of the base as well as
20 the exceptional items out of the DMV Fund. We do have an
21 exceptional item related to ABTPA that is funded with
22 general revenue, but everything else is coming out of the
23 fund and we should have sufficient revenue to support
24 that.

25 MR. WALKER: So when I look down here at these

1 estimated forecasts of revenue, we're over the next four
2 years only going to increase by half a percent?

3 (Main dais microphone was cut off.)

4 MR. WALKER: My question is this, we have some
5 pretty flat line of growth for four years. Where do you
6 come up with that estimate for growth in the state with
7 titles.

8 MS. FLORES: We took a very conservative
9 approach with our revenue estimates. We do know that we
10 did include some growth for registration because we
11 normally do see that.

12 (Main dais microphone turned back on; general
13 talking and laughter.)

14 MR. WALKER: So I was just curious, Linda,
15 about why we flatlining for four years, whether a guru
16 somewhere said there's not going to be growth in the state
17 economy over the next four years, or are we just being
18 really conservative.

19 MS. FLORES: We are being very conservative.
20 We are assuming a 1 percent growth for most of our fees.
21 When it comes to salvage titles, we knew there was a spike
22 because of Hurricane Harvey, so we scaled back on our
23 titles but we still are assuming a 1 percent growth. And
24 I'm looking at our venue estimate, pretty much across the
25 board for the DMV Fund it's 1 percent growth year after

1 year. We normally take a very conservative approach, I
2 want to make sure that we hit our targets. We are seeing
3 some recovery on the motor carrier side so that's
4 encouraging, and if we collect more than we actually
5 estimate, our fund balance will grow as well.

6 So I try to be very conservative, especially
7 when it comes to the fund balance, considering that
8 there's a lot of visibility at the legislature when it
9 comes to growing a large fund balance. Legislators don't
10 appreciate having dollars sitting around and they're
11 always a target for repurposing, if you will, similar to
12 what they do with general revenue. So that's my story.

13 MR. WALKER: I love your story, Linda. I'm
14 just sitting here wishing if I could just get Linda to
15 work for me.

16 (General laughter.)

17 MS. FLORES: So as I mentioned, we did look at
18 our revenue and we can support not only our base budget
19 but our exceptional items as well, and that's included in
20 your board book on page 14. This is the total overview of
21 our agency's request, and I know that this is going to
22 make your eyes kind of squint a little. The agency is
23 appropriated for three major goals, and this is found on
24 page 15 of your book. We have our baseline and then our
25 preliminary request, and they're differentiated between

1 the blue and the sage green or gray kind of columns for
2 your review.

3 The \$311- is the base request moving into 20-21
4 and you can see the variances along the side, and those
5 variances, as I mentioned before are associated with one-
6 time funding items, with things that we don't anticipate
7 having over and over, like special capital authority
8 carryforward, we've modified the base to accommodate that.

9 MR. WALKER: What's going on here?

10 MS. FLORES: So you have to take your current
11 budget and then you have to modify it for one-time
12 fundings that will not continue going into the next
13 biennium. So like carryforward dollars are in our current
14 appropriation, specifically for use for the RTS program,
15 so because we knew we were carrying forward those dollars,
16 they end at some point.

17 MR. WALKER: What was confusing me, I didn't
18 see the title that says biennial total, so that's why that
19 number spiked so much there.

20 MS. FLORES: Yes, sir.

21 MR. WALKER: I got it. I'm sorry.

22 MS. FLORES: So we have to come up with an
23 estimate that we believe the LBB will complete. They also
24 have to do this analysis. This is our best estimate at
25 this point. We submitted our reconciliation back in May,

1 LBB is looking at it right now, they've asked us a few
2 questions about some of the numbers that we had on there.

3 We believe we'll get a final baseline number from them
4 this month, mid month, so we'll know for sure by the end
5 of this month what our baseline number is, that's our
6 target. Anything above that is considered an exceptional
7 item, so we have prepared an exceptional item list for
8 your consideration further into your book.

9 I did kind of want to provide an overview of
10 the base capital items and that's included on page 16 of
11 your book, and we've given you just an overview here in
12 charts but on page 16 you actually see the numbers.

13 MR. WALKER: This is not all exception items,
14 though.

15 MS. FLORES: No, no. This is the baseline
16 capital projects.

17 MR. WALKER: You have exception item stuff in
18 there, though. You have replacement vehicles in here of
19 \$100,000, that's an exception item.

20 MS. FLORES: No.

21 MR. WALKER: Used to be.

22 MS. FLORES: Used to be. We got \$800,000 this
23 year to replace 33 vehicles.

24 MR. WALKER: Yes.

25 MS. FLORES: We intend to keep a little bit of

1 that in our base. Once it's in your base, you get to keep
2 it. But I'm not replacing another 33 because our total
3 fleet is 47 today.

4 MR. WALKER: So we just replaced vehicles last
5 year.

6 MS. FLORES: Well, it's this year and next
7 year.

8 MR. WALKER: We got it in the last biennium, we
9 got enough to buy 33 vehicles, and so I'm looking down
10 here, it says \$100,000 Special Investigation Unit
11 vehicles, so that's three more cars probably.

12 MS. FLORES: Four.

13 MR. WALKER: Four cars.

14 MS. FLORES: That was for this year. Next year
15 we're wanting to add eight new cars for \$180,000. I used
16 the difference between that \$900,000 and the \$180- to
17 finance some new things, and you'll see that. The
18 regional service center managers maintenance and repairs,
19 we her routinely that certain field offices need to be
20 renovated, just like Camp Hubbard, so I created a new line
21 item. As long as I use what they gave me today, I can
22 keep that for tomorrow for something else as long as I
23 don't exceed that. So I'm planning for helping out the
24 regional service center managers, and we've also included
25 additional monies for laptops for the agency. So those

1 are some of how we've used today's vehicle appropriations
2 for tomorrow's needs. So I just kind of put that out
3 there for you.

4 The exceptional items, which is where we would
5 like for you to kind of help us with, that's on pages 18,
6 19 and 20. We have ten items. Seven are related to
7 Sunset, three are non-Sunset related. The items in your
8 board book specify which Sunset item the request is for,
9 the exceptional item is for. A lot of them are for IT.
10 We have, starting on page 18: some fraud reporting
11 related to Sunset item 2.4; to broaden ABTPA's statutory
12 mandate, this is a GR request, as I previously mentioned;
13 an enforcement online dealer and motor carrier history
14 database, as well as a case management system; a complaint
15 management system for \$4.2 million; infrastructure items
16 \$2.7-; organizational assessment -- this is the result of
17 an organizational assessment but it was also addressed
18 during Sunset that our IT are understaffed, so we're
19 asking for 12 FTEs and approximately \$2 million; and the
20 final sunset item is related to the motor carrier
21 credentialing system to modernize that application, and
22 that's \$6 million.

23 The non-Sunset related items have to do with
24 agency infrastructure. We're requesting \$5.3 million for
25 a data warehouse so that the agency as a whole can pull

1 out data and create certain reports that will help all of
2 the agency when it comes to reporting. We're data rich
3 but report poor, if you will.

4 MR. WALKER: So how much did Bryan get before
5 on his Auto Burglary request, ABTPA?

6 MS. FLORES: Last session? Zero.

7 MR. WALKER: Didn't you get --

8 MS. FLORES: No, sir, they didn't get their
9 exceptional item, nor the restoration of the GR cut.

10 MR. WALKER: So how much money did they get in
11 their fund?

12 MS. FLORES: It's \$25.6- for the biennium.

13 MR. WALKER: And so this \$13 million is in
14 addition to the \$25 million request on there?

15 MS. FLORES: Yes, sir.

16 MR. WALKER: And we're going to try to that
17 this time based on that the Sunset Commission has
18 recommended that we use that money more inclusively to
19 help fund some investigations within our own agency
20 instead of all of it going out to ABTPA.

21 MS. FLORES: No. All of the ABTPA dollars will
22 be pushed out the local enforcement police departments.

23 MR. WALKER: That \$24 million or whatever it
24 was. But this additional \$13- would be used to go out to
25 that? Or I thought there was some recommendation, and I

1 can't remember exactly. Help me out.

2 MS. BREWSTER: Madam Chair, if I may?

3 MS. CARAWAY: Yes, ma'am.

4 MS. BREWSTER: The recommendation is to expand
5 the scope of ABTPA from burglary and theft prevention to
6 also deal with title fraud and odometer fraud cases which
7 the funds are not distributed for those purposes
8 currently.

9 MR. WALKER: So would that be used outside the
10 agency?

11 MS. BREWSTER: Yes, sir. It would allow for
12 additional funds to go to local law enforcement for that
13 expanded use.

14 MS. HARDY: Is the enterprise data warehouse
15 specifically for DMV, or will other agencies be able to
16 use it, and how many other data warehouses, I guess, are
17 around?

18 MS. FLORES: This would be particularly for the
19 agency. The agency doesn't have a data warehouse at all.

20 MR. WALKER: The state does, though.

21 MS. FLORES: The state does but we do not.

22 MR. WALKER: Don't we go through the state's
23 warehouse.

24 MS. FLORES: Well, you're talking about the
25 Data Center.

1 MR. WALKER: Yes.

2 MS. FLORES: So the Data Center, they maintain
3 many of the agency's servers and they create backups for
4 us, but they don't have a large data warehouse. Most
5 state agencies have their own data warehouses so that they
6 can collect data and then be able to provide analytics to
7 their staff.

8 MS. HARDY: Okay.

9 MS. FLORES: And that's what we're seeking is
10 our own data warehouse.

11 We are asking for an exceptional item related
12 to customer service contact center, nine FTEs and
13 approximately a million dollars. Today the Vehicle Titles
14 and Registration Division assists in taking phone calls
15 related to titles, so it frees up the customer contact
16 center here to deal with registration calls. With these
17 additional staff, that responsibility would come back to
18 the Consumer Relations Division and allow VTR to perform
19 other activities that have taken a back seat, if you will,
20 because they've been taking phone calls. And then again,
21 the last item is for ABTPA, \$7.3 million and this is to
22 provide more funding for their basic responsibilities
23 today and it's not related to the expansion of their
24 responsibility. So the total for the exceptional items
25 that the agency is requesting that we can't afford if the

1 general revenue is appropriated along with the DMV Fund is
2 \$42 million.

3 MR. WALKER: That's a lot of money.

4 MS. FLORES: And that conclude our
5 presentation. Oh, I'm sorry. We are asking for three new
6 riders. We've asked for some of these before. UB
7 authority between the biennium. To Board Member Walker's
8 question about why can't we just do that, you have to have
9 specific authority in your bill pattern. We are going to
10 seek that again. I think we've done it for the last three
11 sessions that I can recall. We're also asking for them to
12 allow us to carry forward unspent dollars related to our
13 federal grants, and then giving us authority, again, to
14 carry forward unspent HQ maintenance dollars. We had a \$9
15 million appropriation, we know we're not going to spend
16 it, so we're going to seek approval to carry forward
17 unspent dollars moving forward.

18 That concludes my presentation.

19 MS. CARAWAY: Are there any other questions?

20 (No response.)

21 MS. CARAWAY: Linda and Renita, thank you very
22 much.

23 MR. WALKER: As usual, excellent. And Renita,
24 thank you, I know you don't get enough praise

25 MS. FLORES: Thank you very much.

1 MR. DUNCAN: Member Walker, back to your
2 question on the alternative fueled vehicles, Government
3 Code Section 2158.005 requires that after September 30 of
4 2010 any state agency fleet that has 15 or more vehicles
5 must consist of at least 50 percent alternative fueled
6 vehicles.

7 MR. WALKER: Fifty percent.

8 MR. DUNCAN: Fifty percent. And there are
9 categories for that, you can do E-85, biodiesel blend,
10 LPG, LMG and electricity or plug-in. So we're trying to
11 meet that.

12 MR. WALKER: That's a state statute.

13 MR. DUNCAN: Yes, sir.

14 MR. WALKER: Fifty percent if you own 33 cars.

15 MR. DUNCAN: Fifteen cars or more, 15 vehicles
16 or more.

17 MR. WALKER: So DPS has to have 50 percent.

18 MR. DUNCAN: With the exception of law
19 enforcement. That's in their rider.

20 MS. CARAWAY: And before we move on, I want to
21 make sure and recognize, since I didn't earlier, that
22 Chairman Palacios is in the room with us.

23 So we will move on to agenda items 5.B., 5.C.
24 and 5.D., and we'll hear from Sandra Menjivar-Suddeath.

25 MS. MENJIVAR-SUDDEATH: Good afternoon. For

1 the record, my name is Sandra Menjivar-Suddeath, Internal
2 Audit director, and I'm presenting item 5.B. which is peer
3 review. This is a briefing item only.

4 At the previous Finance and Audit Committee, I
5 provided information on the peer review process. Just to
6 recap, we are required to have an external assessment
7 every three years to ensure that we're following audit
8 standards. Specifically, we need to make sure that we're
9 following the International Professional Practice
10 Framework, the Generally Accepted Auditing Standards, and
11 the Texas Internal Auditing Act which is Texas Government
12 Code 2102.

13 The team that did the review is here, Patrick
14 McKinney from Texas Department of Transportation, and
15 Harold Rogers from the Texas Workforce Commission. They
16 have been working on our peer review since February.
17 They've met with board members, executive staff, internal
18 audit staff, reviewed our self-assessment report, as well
19 as reviewed our actual audit files to make sure we're
20 following the compliance standards within the audits.
21 They finished their work in May and provided us a report.

22 The report is in your board book, it starts on page 49,
23 and I will pass it on to Mr. Rogers for them to kind of
24 give you the recap of the peer review results.

25 MR. ROGERS: Good afternoon. For the record,

1 my name is Harold Rogers. I'm a special projects auditor
2 at the Texas Workforce Commission, and I was the team lead
3 for this peer review, and I wanted to begin with what is
4 stated as the peer review objective, then move on to just
5 briefly describe the guidance that we use to perform the
6 peer review, and then I will turn it over them to Patrick
7 who will give you the results of our peer review of
8 Sandra's Internal Audit department.

9 The peer review objective was formally stated
10 to assess compliance with the Texas Internal Auditing Act,
11 the Institute of Internal Auditors Code of Ethics, and the
12 International Standards for the Professional Practice of
13 Internal Auditing, and the U.S. Government Accountability
14 Office Government Auditing Standards in effect at the time
15 that the audits and projects were performed by the
16 Internal Audit Division, when they were performed.

17 The guidelines we use are provided to us by the
18 State Agency Internal Audit Forum. There's a very broad
19 state agency coordinating committee. The State Agency
20 Internal Audit Forum, abbreviated as SAIAF, I think it's
21 one of seven subcommittees under that broad coordinating
22 committee, and they publish a peer review manual that
23 provides the guidance for the elements as stated in the
24 peer review objective related to the Texas Internal
25 Auditing Act, the code of ethics and other standards. It

1 incorporates all those standards into one document rather
2 than doing multiple types of assessments.

3 And I will now turn it over to Patrick to
4 provide the results.

5 MR. MCKINNEY: For the record, Patrick
6 McKinney, section director for external audit and advisory
7 services at TxDOT.

8 It is the opinion of the peer review team that
9 Texas Department of Motor Vehicles Internal Audit Division
10 receives a pass or generally conforms rating and is
11 compliance with the standards that Sandra and Harold
12 mentioned, those being the Institute of Internal Auditor
13 Standards for Professional Practice, the GAO Government
14 Auditing Standards, and the Texas Internal Auditing Act.
15 This is the highest rating possible, and what this means
16 is that the Internal Audit Division here has policies,
17 procedures and practices in place to ensure proficiency in
18 their work, independence and objectivity.

19 Now, we did identify one opportunity for
20 improvement, and during the course of our work we noticed
21 that the Internal Audit Division frequently give some of
22 its resources to evaluating fraud, waste and abuse
23 activities within the agency. Our recommendation is that
24 they consider doing an engagement periodically to assess
25 the effectiveness of those activities and to give

1 executive management and the board feedback on the
2 governance and controls of those activities and how
3 they're operating.

4 MS. MENJIVAR-SUDDEATH: We accepted the
5 recommendation and we'll be working with the board chair,
6 as well as the Finance and Audit Committee chair, on how
7 to best address it. We have considered doing ethics
8 projects in our FY19 audit plan. Obviously we have all
9 the other risks that we'll discuss in our next item but it
10 is something that we're considering. In addition, we are
11 thinking of different ways that we can provide more
12 proactive information on ethics. I've been working with
13 general counsel on potentially ethics training and things
14 like that to kind of address the recommendation as well.

15 Are there any questions?

16 MR. WALKER: Yep, always.

17 So Harold and Patrick -- and I know Sandra does
18 the same thing you do, it's just you kind of self-regulate
19 each other -- how often do you do one of these audits that
20 you come back and you say it's not the highest you can
21 get, it's the second to the highest. There's three
22 rankings, I think it said here.

23 MR. ROGERS: That's correct, sir.

24 MR. WALKER: So how often do you see something
25 that's not at the highest ranking?

1 MR. ROGERS: So to answer your question
2 specifically, I have seen peer reviews or anecdotally
3 heard of peer reviews where there were several
4 recommendations that you could almost argue would fit
5 within that second definition but would still pass. I
6 think part of the reason why we don't often see that in
7 peer review, we're so tightly bound by these standards.
8 They're also within the government statute as well, and
9 there's a lot of push-downs then coming down from both the
10 statute and from the internal audit directors that this is
11 the rules, these are the standards, follow the standards.
12 It's very clear, it's not prescriptive step-by-step but
13 the guidance is strong and it's widely recognized, and so
14 I don't think it's the most difficult thing to follow. So
15 I think that's part of the reason why -- it's a very good
16 question, but I think part of the reason why it's not seen
17 very often is because of the wide spread adoption and
18 adherence to those standards.

19 MR. WALKER: So that was a long answer to my
20 question, I'm not sure I know the answer yet. The
21 question was how often do you see somebody that is not at
22 the highest level.

23 MR. ROGERS: I have not personally seen, sir.

24 MS. MENJIVAR-SUDDEATH: If I may?

25 MR. WALKER: Yes, ma'am.

1 MS. MENJIVAR-SUDDEATH: It's not often. Now,
2 what I will tell you is I have seen some in my career and
3 that is usually immature shops that don't really have any
4 guidance or any information, usually a one-person shop,
5 those type of things. Now, the one thing about the peer
6 review process, the reason we went through the SIAAF
7 group, unlike other agencies that pay for theirs, is that
8 we tally have a committee in the SIAAF organization that
9 just looks at peer review and makes sure we're independent
10 and objective, so this is the best of the best for peer
11 review process. And I know that in our SIAAF group we've
12 had a few that they've issued multiple recommendations and
13 even said you're in compliance but not fully in compliance
14 with these sections with these sections that you need to
15 correct.

16 MR. WALKER: So the right answer would have
17 been this is the best we've ever seen, nobody does as good
18 a job as Sandra. That was the answer I was looking for but
19 now I know that it's just cookie cutter. But I know
20 Sandra does do a good job.

21 (General laughter.)

22 MS. MENJIVAR-SUDDEATH: Are there any more
23 questions on this item?

24 MR. WALKER: No. Good job.

25 MS. CARAWAY: Move on to 5.C.

1 Thank you all.

2 MS. MENJIVAR-SUDDEATH: Item 5.C. is the draft
3 of the fiscal year 2019 annual audit plan. That is on
4 page 59. This is a briefing item only, we're only asking
5 for any input or changes to this plan. We will be asking
6 for approval in the August board meeting.

7 The annual audit plan has a total of ten
8 engagements and it was based on the highest risks for the
9 agency. This year we took a different approach for our
10 annual risk assessment. Instead of waiting till the very
11 end of the year to start doing risk assessment, we have
12 been collecting risks throughout the year through our
13 system called Team Risk. In total we collected about 100
14 different department risks. These risks came from our own
15 audit staff, from industry publication, from management,
16 as well as the board.

17 And we started rating the risks, and you can
18 see the rating colors on page 68, and so we actually
19 developed a new risk model this year that took into
20 consideration the revenue, expense, the asset liability
21 and started marking things at high and low, and so we were
22 able to categorize risks as low risk was zero to 1.9,
23 medium risk 2 to 3.9, and then high risk 4 to 6. Anything
24 that was considered high risk was actually put in the
25 audit plan for further consideration.

1 In total, we ended up looking at our hour
2 analysis as well and we identified ten projects that we
3 could do for the annual year. Those items include a
4 review of the Compliance and Investigation Division
5 because it is a new division that was appropriated money
6 through the legislature.

7 Hiring and classification. Hiring and
8 classification is an important topic that keeps coming up
9 in industry publications, ensuring that we have the right
10 workforce and the right systems and processes in place to
11 make sure that we can hire for the future.

12 The Lemon Law process. Lemon Law is right now
13 currently shared between two different divisions.
14 Enforcement does the initial intake of a Lemon Law
15 complaint, and if the complaint cannot be resolved, then
16 it goes to the Office of Administrative Hearings for
17 resolution.

18 We also are looking at the information security
19 risk assessment. Cybersecurity continues to be a topic of
20 concern for agencies as well as industry, and so we want
21 to look at our risk assessment methodology to ensure that
22 we can identify any risks that come up from cybersecurity.

23 PCI, payment card industry compliance is on
24 there again. This was a request from last year from the
25 board. We continue to look at that every year, and the

1 way we do it is we piecemeal it. There's twelve
2 requirements for the payment card industry so each year we
3 look at a different item. That item is determined at the
4 time of the engagement depending on what is going on in
5 the agency.

6 We also have an Enterprise Project Management
7 project that we want to do. This will be focusing on the
8 staff that actually are involved in the project to make
9 sure that they understand the roles when we do a project
10 management.

11 Something different is the management and board
12 requests. Usually we allocate just one project for the
13 entire year for management/board request. On the average
14 for the past few years we've been receiving about 700
15 hours of ad hoc advisory and so instead of just having one
16 request and coming to you to ask for modifications in the
17 plan, we want to put 800 hours out there that would allow
18 us the flexibility to do special requests in addition to
19 doing one-time items such as maybe a review at the
20 regional service centers or walk-throughs of small
21 processes, things that we don't get to do that may not be
22 high risk but are important to the agency.

23 And then the last three are required items.
24 The FY2019 internal audit followup. Just like this year
25 we'll do the quarterly results and then we'll have an end

1 year report. The 2020 internal audit plan and then the
2 2018 annual internal audit report.

3 Those are the engagements we have identified as
4 the most important. Now, we also listed the top five high
5 risks that are contingency audits, and those include
6 procurement, IT, as well as the regional service centers.

7 I'm available for any questions you may have.

8 MR. WALKER: You're looking at me?

9 MS. MENJIVAR-SUDDEATH: Yes, sir.

10 MS. CARAWAY: No questions?

11 MR. WALKER: So here's something I've been
12 thinking about with my company and it's something that we
13 all need to think about real hard. At our office today
14 our phone system runs on the internet, our computer system
15 runs on the internet, if the internet goes down in my
16 office, we are out of business. It's got to be the same
17 way here. What do we do in a contingency situation like
18 that there we are so dependent today on that technology
19 that it runs everything we do?

20 MS. MENJIVAR-SUDDEATH: So the agency has a
21 disaster recovery and a business continuity plan. We've
22 actually audited it in the past, I believe it was fiscal
23 year 2015, and we're actually doing followup on that. I
24 can get more information from our information security
25 officer on what exactly would happen if the phones went

1 down, if the internet went down, but I do know we have
2 actual plans for that.

3 MR. WALKER: Do our phone systems here run on
4 internet?

5 MS. MENJIVAR-SUDDEATH: Yes. They're voice
6 over IP.

7 MR. WALKER: I mean, it's disastrous at my
8 office. When the internet goes down, we are out of
9 business.

10 MS. MENJIVAR-SUDDEATH: And the information
11 security risk management project, that is one type of risk
12 that we should be identifying and monitoring and making
13 sure that our business continuity plan actually addresses
14 and that we have it mitigated. So that's kind of what we
15 want to do with that is look at the information security
16 risks that we already know or don't know, and how are we
17 identifying them and monitoring them.

18 MR. WALKER: For example, like in our building
19 we have Comcast cable, or whatever, coming in there, and
20 so somebody is coming into these buildings here, do we
21 have a backup plan that says if the line got cut over here
22 building the new highway and we're going to be down for 24
23 hours, can we switch to a different network, or what do we
24 do?

25 MS. MENJIVAR-SUDDEATH: I can't answer that

1 question but I think if we want to continue this
2 discussion --

3 MR. WALKER: Well, it's just something I need
4 to be thinking about.

5 MS. MENJIVAR-SUDDEATH: We definitely think
6 about it. I think the actual details are something that
7 would need to be discussed in executive session because
8 that is a security protocol.

9 MR. DUNCAN: She's exactly right. We could get
10 a briefing from Josh Kuntz, our chief information security
11 officer. Those contingency plans are highly protected by
12 statute, we're not required to release those, in fact,
13 we're not allowed to release those.

14 MR. WALKER: I'm just saying that we need to
15 have some kind of plan.

16 MR. DUNCAN: We do.

17 MR. WALKER: Because at our company right now
18 we're looking at how can we take and manage for those
19 downtime.

20 MS. BREWSTER: If it is the desire of the board
21 to have a briefing on that, we can certainly arrange for
22 that for the August board meeting.

23 MR. WALKER: Well, that would be up to Chairman
24 Palacios over there.

25 MR. PALACIOS: (Speaking from audience.) If

1 it's your desire, it's my desire.

2 MS. MENJIVAR-SUDDEATH: And I will mention that
3 we did have an audit recommendation open that is going to
4 close in this fourth quarter related to some of these
5 items, and so we can provide you more detail at that time.

6 MR. WALKER: Kate would like to see that done.

7 (General talking and laughter.)

8 MS. MENJIVAR-SUDDEATH: Are there any more
9 questions on the internal audit plan?

10 (No response.)

11 MS. CARAWAY: Go on to 5.D.

12 MS. MENJIVAR-SUDDEATH: Okay. Item 5.D. is the
13 Internal Audit Divisions status. It's a long one. We
14 have currently eight engagements listed on the Internal
15 Audit status update which is on page 70. As it is towards
16 the end of the year, we are wrapping up all our projects.

17 We are on target to finishing our projects by the end of
18 the fiscal year, so that means we'll be able to start the
19 FY2019 audit plan on September 1, which will be the second
20 year in a row that we've done that.

21 To give you an update, the fraud, waste and
22 abuse risk assessment advisory is still in field work. We
23 are working with the last couple of divisions to finalize
24 that but we are on target to having a report ready by
25 August 31. The FY2018 followup, again, we're also working

1 on the report but that will be also ready by August.

2 In your booklet you have on page 72 the third
3 quarter results. For the third quarter we actually
4 reviewed seven audit recommendations. Five of those were
5 fully implemented which was a 71 percent completion rate
6 and two were started. Now, the two that were started were
7 significantly completed. The last couple of items were
8 they needed either approval from the executive office or
9 approval from the board. We anticipate that both of those
10 items will close in the next couple of weeks and then that
11 way those will be completely wrapped up.

12 The next item is the management request, Texas
13 Commission on Law Enforcement. This was an advisory
14 service requested by the TxDMV management, specifically
15 the Enforcement Division, to review the Texas Commission
16 on Law Enforcement training compliance. Specifically, the
17 Texas Department of Motor Vehicles provides training to
18 law enforcement through TCOLE, it's a free service. So in
19 a way to foster our relationship with law enforcement, we
20 provide them training through our dealer training, motor
21 carrier training, eTags training. In total fiscal year
22 2017, 48 trainings were offered to law enforcement. Now,
23 this is a voluntary program, TxDMV does not need to
24 participate but there are benefits to participating in it.

25 We were requested and asked to look at the

1 compliance of the TCOLE system, the TCOLE program, and
2 what we found was it was not in full compliance. There
3 were six different categories that were reviewed; three of
4 those categories were in full compliance and three of
5 those categories were not. Those three categories are on
6 page 78 and included the instructor qualifications. Not
7 all instructor qualification information was in the
8 folders that it needed to be so we could not find them in
9 compliance. Training courses, some documents were missing
10 from some of the files so they were not in compliance --
11 I'm sorry -- the training course submission documentation
12 was not in full compliance, so they're required to submit
13 the training course information to TCOLE in 30 days, we
14 had a couple of examples where they did not.

15 What I would like to press on is that the staff
16 have done a really great job on trying to bring this
17 program into compliance and now TCOLE has actually
18 allocated more of their FTEs to do more annual reviews of
19 this program, and when they met with our TCOLE trainer,
20 they said that this was one of the best run programs in
21 the state, so that's something to be said.

22 Are there any questions on the TCOLE? We made
23 no recommendations on this report since it was just a
24 compliance review.

25 (No response.)

1 MS. MENJIVAR-SUDDEATH: Moving on to travel and
2 training audit, this audit is on page 85 of your board
3 book. This audit was to determine if training and travel
4 requests have appropriate approvals and justifications, as
5 well as determining if the requests are appropriate and
6 meet the need of the TxDMV. We found that overall the
7 department has developed processes to ensure training
8 requests are justified and expenses are appropriate. And
9 in addition, we also reviewed travel related expenses to
10 the board and they were also in full compliance.

11 We did issue two audit recommendations related
12 to improving the in-state authorization and documentation
13 requirements. One audit recommendation was high and the
14 other one was low, and that information is on page 88 of
15 your board book. We rated the engagement a four which is
16 managed in a measurable process, so the process was
17 standardized, documented, communicated and followed
18 processes under constant improvement and provides good
19 practice.

20 Derek Miller was the engagement lead on this
21 project and so he's here to provide more details on the
22 results of the audit.

23 MR. MILLER: Good afternoon. For the record,
24 my name is Derek Miller, senior internal auditor.

25 The background on this report is that during

1 the previous legislative session concerns arose regarding
2 the appropriateness of travel and training events attended
3 by some state agencies, and as a result, our Internal
4 Audit Division included this project on our FY2018 audit
5 plan in order to review the department's travel and
6 training processes to ensure our processes are strong.

7 During FY2017, the department expended over
8 \$756,000 on travel and training expenses. We reviewed
9 travel vouchers and supporting documentation for in-state
10 and out-of-state travel taken for various reasons across
11 the department. These different reasons included annual
12 conferences, investigations and monitoring visits, staff
13 development courses, and other state business such as
14 participating on national motor vehicle industry
15 regulatory boards.

16 We also reviewed training related purchase
17 requisitions and approvals and surveyed 40 other state
18 agencies regarding their board travel policies and
19 practices in order to compare it to the department's
20 processes for board travel expenses. What we found is
21 that the TxDMV has several strong processes that ensure
22 travel is appropriate and only allowable items are
23 reimbursed. The Finance and Administrative Services
24 Division vets travel vouchers and supporting documentation
25 prior to reimbursement. Out-of-state travel requires

1 formal authorization from an employee's supervisor,
2 division director and the executive director, and in
3 addition, the out-of-state travel form captures
4 information including travel dates, locations, the
5 business reason for travel and cost estimates.

6 We also highlighted the Vehicle Titles and
7 Registration Division in particular for having a strong
8 in-state travel approval and tracking process which
9 includes supervisor authorization, travel date and
10 location confirmations and quarterly planning meetings for
11 monitoring visits. The VTR Division also maintains
12 detailed records of travel expenses after the fact.

13 For training related expenses we found to be
14 appropriate and justified with training expenses being
15 processed through the CAPPs system, CAPPs Enforcement
16 Division director, FAS budget and planning section and FAS
17 purchasing section approvals before an order and payment
18 can be processed.

19 We made two recommendations and one observation
20 intended to improve the department's travel
21 authorizations. The TxDMV should define and document the
22 in-state travel process authorization, including
23 identifying which authorization is needed based on the
24 purpose of the travel, and the TxDMV should update its
25 travel policies and procedures to include guidance on the

1 documentation requirements for travel authorizations to
2 include expectations for retention of support
3 documentation. Management accepted those recommendations
4 with an action plan target date for December 31, 2018.

5 The observation we made, we reviewed and made
6 one observation regarding the department's draft updates
7 to its travel policy and authorization form which are
8 currently in development. Observations are just for
9 management's information and consideration but do not
10 require an action plan.

11 We also provided information on the
12 department's policies and practices regarding board travel
13 expenses based on the survey of 40 other state agencies.
14 Thirty-one of those agencies responded and we found that
15 the DMV Board travel practices are in compliance with the
16 Texas Government Code, Comptroller rules, and the General
17 Appropriations Act for allowable costs and reimbursement
18 rates, and the other state agencies surveyed also reported
19 similar reimbursement practices as the TxDMV for their
20 board and commission member meals and lodging, vehicle
21 mileage, and air travel rates and expenses.

22 If there are any questions regarding the more
23 detailed work of the project, I'm happy to answer them.

24 MR. WALKER: Was the board travel included in
25 the \$756- or excluded from that?

1 MR. MILLER: I believe it was included in that.

2 MS. MENJIVAR-SUDDEATH: I'll check on that.

3 MR. WALKER: How much is the board expenditure.
4 It says nobody on the board uses their airplane but I know
5 some of them do, I guess they don't charge them.

6 MS. MENJIVAR-SUDDEATH: Where does it say that?

7 MR. WALKER: It says no board member uses
8 private aircraft on page 94.

9 MR. MILLER: Are you referring to where it says
10 none of the nine respondents reported board or commission
11 member --

12 MR. WALKER: None of the nine respondents
13 reported board or commission member use of a personal
14 aircraft.

15 MS. MENJIVAR-SUDDEATH: That was the
16 respondents of other state agencies.

17 MR. WALKER: Oh. I thought it was our nine
18 board members.

19 MS. MENJIVAR-SUDDEATH: No. The other
20 respondents did not discuss any personal aircraft usage so
21 we put that in there because we couldn't have any
22 comparable data to it.

23 MR. WALKER: So we do report personal aircraft?

24 MS. MENJIVAR-SUDDEATH: Yes, we do.

25 MS. HARDY: I would assume, too, we're always

1 trying to use technology, right, versus travel, whether
2 it's driving or flying or anything else. Right? With
3 Webex, Telepresence, you know. And it always depends on
4 where you're going whether they have that capability or
5 not too. But I know from GM's perspective too, it's
6 almost like travel is a huge expense and if you don't
7 monitor it, it gets out of control. Right? And we've
8 done things with people we work with, agencies we work
9 with too, it's like, hey, you guys need to bring our
10 technology capabilities up to speed so we're not traveling
11 as much, your people aren't traveling as much because we
12 end up paying for that too. Right?

13 MR. MILLER: If I may. Part of the travel
14 authorization process is including consideration of is
15 there a less expensive option to the travel, and if it's
16 decided that travel should be done anyway, it still does
17 through the authorization process.

18 MS. HARDY: I mean, you've got to do it.
19 Right? But how many people go, all that stuff, I think
20 every company goes through those questions, which you've
21 got to be smart because it adds up quickly.

22 MS. CARAWAY: I think it was great to get this
23 one done, you know, with the eye that was on the last
24 legislative session. So that's great.

25 MR. WALKER: I don't imagine that our board

1 travels that much, I mean, just to the board meetings.

2 MS. MENJIVAR-SUDDEATH: And we do have a
3 number, I'm looking for it right now, I will give you that
4 number as soon as I can find it in my folder. If not,
5 I'll get it to you tomorrow. But we did a separate memo
6 to the board chair on the board travel, and I can forward
7 that to you as well.

8 MR. WALKER: Just out of curiosity, I don't own
9 an airplane, but what is the statute on if you fly a
10 private aircraft, how does the state reimburse that?
11 Let's just say I fly from Houston on Southwest Airlines
12 and it costs \$200. What does the state reimburse if I
13 flew my private jet here, two hundred bucks?

14 MS. MENJIVAR-SUDDEATH: There is a rate for it.

15 MR. WALKER: I don't know, I'm asking.

16 MS. MENJIVAR-SUDDEATH: There's a specific rate
17 for it. Let's see, here we go. I believe the rate is, I
18 want to say \$2, I think, is what we discussed. I am not
19 sure so I will double check that number. But I do have
20 the number on the amount of travel, so in fiscal year
21 2017, board travel expenses totaled \$30,000.

22 MR. WALKER: That includes the hotels, I
23 assume?

24 MS. MENJIVAR-SUDDEATH: Yes, sir.

25 MR. WALKER: That's probably the biggest part

1 of it.

2 MR. MILLER: Meals and lodging, all travel and
3 any incidental expenses.

4 MR. WALKER: But that \$10,000 a board member,
5 that's high. I would never have thought it was that much.

6 MS. HARDY: That's on average.

7 MS. CARAWAY: Not \$10,000 each.

8 MR. WALKER: There's nine board members. Oh,
9 \$30,000. I'm sorry. \$3,000.

10 (General laughter.)

11 MR. MILLER: And regarding the personal
12 aircraft, I don't recall the exactly mileage reimbursement
13 rate but the miles is calculated based the same as vehicle
14 mileage.

15 MR. WALKER: That's it. Oh, heck, that's not a
16 deal, that's a loser.

17 MR. MILLER: It's a higher rate than vehicle
18 mileage, but the miles are counted equally.

19 MS. MENJIVAR-SUDDEATH: And like I said, I will
20 get you the number on the overall rate.

21 MR. WALKER: That's okay. I was just curious,
22 I just thought you might know.

23 MS. MENJIVAR-SUDDEATH: Any other questions?

24 MR. WALKER: I ride my bicycle, just so you
25 know.

1 MS. MENJIVAR-SUDDEATH: Is that who I see on
2 MoPac?

3 (General laughter.)

4 MS. MENJIVAR-SUDDEATH: So we'll move on to the
5 last report. The last report is actually a printout on
6 your desk area. We had a minor error on the Finance and
7 Audit Committee board book, and so we printed it out
8 showing the modifications. On your board book for
9 tomorrow, you will have the correct version loaded.

10 We just completed the social media audit. The
11 social media audit was to determine if the department's
12 social media policies and processes have been sufficiently
13 developed to protect the department's brand. We found
14 that the department actually uses social media pretty well
15 and they use it in very cost-effective way. They've been
16 able to reach 36,391 users at a rate of about 16 cents per
17 user for outreach, and that was for a six-month period.

18 Now, we do note that the department has not
19 really developed agency-wide social media strategies to
20 align the use of social media throughout the various
21 divisions, so currently there are three divisions that are
22 using social media. Government and Strategic
23 Communications are the main users of social media, but
24 ABTPA as well as MCD have their own Facebook and Twitter
25 accounts, and so all three of them are using social media

1 for various reasons. And so one of our recommendations
2 was to align the strategy for that to ensure that we all
3 are using social media for the same purposes.

4 The other recommendation was related to
5 ensuring that privacy protocols for official social media
6 accounts are all followed the same, just ensuring that we
7 are comparing apples to apples, so if a consumer wants to
8 go to social media and, for example, go to MCD, they're
9 going to get the same review process, ability to comment,
10 as well as Government and Strategic Communications so
11 everyone is aligned. Those were the two audit
12 recommendations for the first issue.

13 For the second issue we identified that the
14 department really needs to develop a process for
15 evaluating, approving and tracking all social media
16 accounts. When you sign up for social media accounts, you
17 do have to accept their terms and conditions, and so we
18 want to make sure that information security office, our
19 general counsel and our executive director are aware of
20 what social media we are approving and that we are in
21 agreement with the terms and conditions. And so we've
22 made a recommendation to develop a process to document
23 that evaluates and approves and tracks and periodically
24 reviews the social media accounts, because we did find a
25 case where one of the divisions had a Twitter handle,

1 which is fine, but they hadn't tweeted in two years, and
2 so you need to evaluate whether we need to continue to
3 have that Twitter handle just because.

4 Management agreed to all the recommendations
5 and plan to implement by August 31, 2019.

6 We did have one recommendation. Both Facebook
7 and Twitter are very rich in data and so you could really
8 use that information to identify if you're really reaching
9 your target customer and consumer base, so as we develop
10 our social media strategy, we made an observation to
11 continue using that information.

12 (General talking and laughter.)

13 MS. MENJIVAR-SUDDEATH: But we just want to
14 make sure that everything is good, and overall, I mean, we
15 did not find anything that was posted incorrectly or any
16 issues like that, it's just to prevent things from the
17 future and keep going forward.

18 So those are three audit reports. Inventory
19 audit, the audit to evaluate whether we have adequate
20 processes to control, safeguard and track our assets,
21 we're actually currently in reporting. We will be
22 presenting that in the August board meeting. It will be
23 an executive session report because we do have some issues
24 related to security that we want to make sure it's
25 confidential.

1 eLICENSING has kicked off, we are in our
2 planning phase, we are on schedule for finishing that by
3 August 31, getting that through the review process. The
4 FY19 audit plan, we have obviously seen the draft
5 completed, we will ask for approval in the August board
6 meeting. And the payment card industry, we have not
7 started that yet but we are planning to send the
8 engagement letter out in the next couple of weeks, and
9 because it's a shorter review, we will have that also done
10 by the end of the fiscal year.

11 Are there any questions on all that
12 information?

13 MS. CARAWAY: That's a lot, Sandra.

14 MS. MENJIVAR-SUDDEATH: So, Mr. Walker, vehicle
15 reimbursement is 54 cents, so if you use your personal
16 vehicle it is 54 cents, but if you have a personal
17 aircraft, it is \$1.15 per mile.

18 MR. WALKER: That won't pay for the fuel.

19 MS. MENJIVAR-SUDDEATH: No, it won't pay for
20 the fuel, but that is the rates set by the Comptroller.

21 MS. CARAWAY: Thank you, Sandra and Derek.

22 We will now be going into closed session. Oh,
23 we don't.

24 MR. DUNCAN: No, ma'am. That's if needed.

25 MS. CARAWAY: Okay. I'm sorry.

1 In that case.

2 MR. WALKER: I move that we close, if that's
3 it.

4 MS. HARDY: Second.

5 MS. CARAWAY: If no members have any further
6 items of business, I will entertain a motion to adjourn.

7 MR. WALKER: I already did.

8 MS. HARDY: Second.

9 MS. CARAWAY: I didn't hear you.

10 MR. WALKER: I move, Madam Chairman, that we
11 close this meeting.

12 MS. HARDY: I strongly second.

13 MS. CARAWAY: So if everyone agrees, can we
14 vote on that. All say aye.

15 (A chorus of ayes.)

16 MS. CARAWAY: And we will adjourn the meeting
17 at 3:22 p.m. Thank you.

18 (Whereupon, at 3:22 p.m., the meeting was
19 adjourned.)

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C E R T I F I C A T E

MEETING OF: Finance & Audit Committee

LOCATION: Austin, Texas

DATE: June 13, 2018

I do hereby certify that the foregoing pages, numbers 1 through 61, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

DATE: 6/21/2018

/s/ Nancy H. King
(Transcriber)

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