

TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

Thursday,
October 4, 2018

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:

Raymond Palacios, Chair
Robert "Barney" Barnwell, III, Vice Chair
Luanne Caraway
Brett Graham
Kate Hardy
Gary Painter
John Prewitt
Paul Scott
Guillermo "Memo" Treviño

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EXECUTIVE SESSION

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| 13. 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: | 93 |
| • Section 551.071 | |
| • Section 551.074 | |
| • Section 551.089 | |
| 14. Action Items from Executive Session | none |
| 15. Public Comment | none |
| 16. Adjournment | 101 |

P R O C E E D I N G S

1
2 MR. PALACIOS: Good morning, everyone. It's a
3 great day in Austin, Texas. So happy to see all of y'all
4 on this wonderful morning.

5 My name is Raymond Palacios, and I'm pleased to
6 open the Board meeting of the Texas Department of Motor
7 Vehicles. It is exactly 8:00 a.m., and I'm calling the
8 Board meeting for October 4, 2018 to order. I want to
9 note for the record that public notice of this meeting,
10 containing all items on the agenda, was filed with the
11 Office of Secretary of State on September 24, 2018.

12 Before we begin today's meeting, please place
13 all cell phones and other communication devices in the
14 silent mode, and please, as a courtesy to others, do not
15 carry on side conversations or other activities in the
16 meeting room.

17 If you wish to address the Board or speak on an
18 agenda item during today's meeting, please complete a
19 speaker's sheet at the registration table. Please
20 identify on the sheet the specific item you are interested
21 in commenting on and indicate if you wish to appear before
22 the Board and present your comment or if you only wish to
23 have your written comment read into the record. If your
24 comment does not pertain to a specific agenda item, we
25 will take your comment during the general public comment

1 portion of the meeting.

2 In accordance with the department
3 administrative rule, comments to the Board will be limited
4 to three minutes. To assist each speaker, a timer has
5 been provided. The timer light will be green for the
6 first two minutes, yellow for one minute, and red when
7 your time is over. Individuals cannot accumulate time
8 from other speakers. Comments shall be pertinent to the
9 issues stated on the comment sheet. When addressing the
10 Board please state your name and affiliation for the
11 record.

12 Before we begin today, I'd like to remind all
13 presenters of the rules of conduct at our Board meetings.

14 In the department rules Section 206.22, the Board chair
15 is given authority to supervise the conduct of the
16 meetings. This includes the authority to determine when a
17 speaker is being disruptive of the meeting or is otherwise
18 violating the timing or presentation rules I have just
19 discussed.

20 Now I'd like to take a roll call of our Board
21 members.

22 Board Member Barnwell?

23 MR. BARNWELL: Present.

24 MR. PALACIOS: Board Member Caraway?

25 MS. CARAWAY: Here.

1 MR. PALACIOS: Board Member Graham?

2 MR. GRAHAM: Here.

3 MR. PALACIOS: Board Member Hardy?

4 MS. HARDY: Here.

5 MR. PALACIOS: Board Member Prewitt?

6 MR. PREWITT: Here.

7 MR. PALACIOS: Board Member Painter?

8 MR. PAINTER: Here.

9 MR. PALACIOS: Board Member Treviño?

10 MR. TREVIÑO: Here.

11 MR. PALACIOS: And let the record reflect I,
12 Raymond Palacios, am here. We have a quorum. And let the
13 record reflect that Member Scott is absent today.

14 And now if you would all please stand and honor
15 our country with the Pledge of Allegiance.

16 (The Pledge of Allegiance was recited.)

17 MR. GRAHAM: Mr. Chairman, just a question, if
18 I may.

19 MR. PALACIOS: Yes.

20 MR. GRAHAM: Have we ever considered also
21 adding the Texas flag in addition to the U.S. flag to our
22 process?

23 MR. PALACIOS: I think that's a great idea.

24 Can we do this, or do we need to have certain
25 protocol for moving forward on that, or can we just do it?

1 MS. SWANSON: It would be at your wish, and I
2 believe we have done it at one Board meeting on Texas
3 Independence Day.

4 MR. GRAHAM: And we're in Texas, by God, let's
5 stand up and do the Texas Pledge, shall we?

6 MR. PALACIOS: Let's do it.

7 (The Texas Pledge was recited.)

8 MR. GRAHAM: Thank you, Mr. Chairman.

9 MR. PALACIOS: Thank you very much for that,
10 Board Member Graham. Thanks for leading us in the
11 recital.

12 Thank you for your guidance, Ms. Swanson.

13 I would like to acknowledge Sarah Swanson.
14 Sarah is serving as our interim general counsel, and in
15 that capacity she will take on all the general counsel
16 duties until we place a permanent general counsel, she
17 will be presiding as general counsel over this Board
18 meeting, she was the certifying officer for the agenda.

19 And I want to thank you, Sarah, for agreeing to
20 fill in on such short notice. Thank you very much.

21 We will now move on to agenda item number 4,
22 and I'll turn it over to our executive director, Ms.
23 Whitney Brewster.

24 Oh, yes, one administrative item here. The
25 2019 meeting schedule is in your board books in order to

1 keep all of you aware. You see most of the meetings we're
2 leaving them to be held on the first Thursday of every
3 month which, of course, we don't have them every month but
4 we want to keep those dates open in the event we do need
5 them. If there's a change, we'll notify everybody, and
6 once the meeting is officially scheduled, the meeting date
7 will be posted on the department website.

8 Now I'll turn it over to Ms. Brewster.

9 MS. BREWSTER: Thank you, Mr. Chairman. Good
10 morning, members.

11 The purpose of this first agenda item is to
12 provide a brief update to the Board on the agency's FY19
13 operational plan. The operational plan contains 38
14 initiatives that will be performed by each of the
15 divisions over the course of the next year, and these are
16 items that are above and beyond the day-to-day duties of
17 the agency. They are derived from the Sunset Advisory
18 Commission report, also from TxDMV's new balanced
19 scorecard, and some other statutory provisions. Some are
20 single year, some are multi year.

21 Just to hit on a few of the highlights:
22 Enforcement is looking at new processes to improve the
23 complaint resolution time frames; Finance and
24 Administrative Services are looking to automate motor
25 vehicle refunds; the Human Resources Division is looking

1 at providing new training, TxDMV 101 training for our
2 employees, as well as additional leadership training here
3 in the agency; the Office of Administrative Hearings is
4 looking at publishing all Lemon Law and warranty
5 performance decisions and final orders to the TxDMV
6 website. So there are a number of really great
7 initiatives that are being performed by the agency.

8 This report is in the final formatting stage
9 and will be provided to you in the very near future, but
10 just wanted to let you know that we're on the tail end of
11 that process and we have a lot of good things that we're
12 going to be doing over the course of the next year.

13 Mr. Chairman, if I can go on to item B?

14 MR. PALACIOS: Yes, please do.

15 MS. BREWSTER: Okay. Just to give you an
16 update on some fraud training we recently provided, the
17 tax assessor-collectors now have more tools available to
18 combat fraud. The department hosted almost 90 tax
19 assessor-collectors here in Austin over at the State
20 Capitol last week. It was a two-day training, September
21 26 and 27, for fraud awareness. Our special guest
22 presenter was Travis County District Attorney Margaret
23 Moore, and she did a great job. TxDMV staff led sessions
24 on various topics, including ethics, common transaction
25 issues, RTS access, monitoring of processes, and dealer

1 issues, as well as reporting.

2 It was a really excellent opportunity for the
3 agency to partner with the tax assessor-collectors and
4 really show greater accountability between the two
5 entities as we strive to provide ethical and quality
6 service to our customers. The attendees were extremely
7 engaged throughout the whole process, they asked lots of
8 insightful questions, made some great suggestions, and all
9 around it was, I believe, a very successful training. We
10 also took advantage of the time to give an update on
11 legislative issues that we're looking forward to as well
12 as giving an update on where we are with the kiosk pilot
13 project, which the tax assessor-collectors have been very
14 interested in having potentially those units in their
15 counties.

16 We do intend to hold regular training like
17 this, and we've also, I just might note, recently pushed
18 out fraud training online for the tax assessor-collectors
19 and their staff through our LMS, our learning management
20 system. Again, just an update and a briefing for y'all,
21 but it was a really, really good forum and we will
22 certainly be doing it again.

23 With that, I'd be happy to answer any questions
24 on that.

25 MR. GRAHAM: Just a comment that my tax

1 assessor up in Grayson County was very appreciative and
2 made a comment about that training, said they were really
3 pleased with it and their people saw a lot of value in it.

4 MS. BREWSTER: Great. Thank you.

5 MS. CARAWAY: And I will echo that since I was
6 in attendance for one day. It was a very good training
7 and I think we have a lot of things we can do together
8 going forward and to build that relationship. So I
9 appreciate the department doing it and I appreciate all
10 the presenters that were there.

11 MS. BREWSTER: Thank you.

12 All right, Mr. Chairman, I'll move on to item
13 C.

14 MR. PALACIOS: Please do.

15 MS. BREWSTER: I just wanted to take an
16 opportunity to introduce Matthew Levitt. He's standing
17 over there to our left. He is our new HR director,
18 replacing Sharon Brewer who recently retired. He is day
19 four on the job, but we're really pleased that he's here.

20 Just to tell you a little bit about Matthew, he
21 has a lot of state experience, 25 years of human resources
22 management experience, and primarily in Texas state
23 government. Prior to coming to the agency, he was a
24 consultant for the Texas Association of School Boards, and
25 so he's been working with school boards across the state.

1 He was also the HR director for the Texas School for the
2 Deaf, and was an HR manager for various state agencies.
3 He taught college level classes for 15 years and was
4 selected as the outstanding instructor at Concordia
5 University's accelerated degree program in 2006 and 2007,
6 and he is the past president of the Texas State Human
7 Resources Association, so he has a lot of good contacts in
8 other state agencies as well. And he has a bachelor's
9 degree in economics from Antioch College and an MBA from
10 the University of Texas at Austin.

11 Mr. Chairman, members, if you will please join
12 me in welcoming Matthew Levitt as our new HR director.

13 (Applause.)

14 MR. PALACIOS: I will add I had a chance to
15 meet with Matthew yesterday, and I'll tell you his
16 credentials are impeccable and he's a really nice guy to
17 boot.

18 So welcome aboard. We're happy to have you.

19 MS. BREWSTER: Thank you, Mr. Chairman.

20 Moving on to item E, I just wanted to inform
21 the Board that our eLICENSING application received another
22 award from the Center for Digital Government. The agency
23 received that honor on September 28 here in Austin and we
24 were presented with that award. Daniel Avitia was there
25 to accept the award on behalf of the agency. This

1 application continues to rack up all sorts of awards, it's
2 filling up the trophy cabinet out there. But just want to
3 congratulate the eLICENSING team for the Government to
4 Business Award presented by the Center for Digital
5 Government. It's just an outstanding accomplishment again
6 by the agency.

7 MR. PALACIOS: This honor should not be
8 unrecognized. It's my understanding that we compete
9 against thousands of other state agencies, municipalities
10 and so forth, so this shouldn't be taken lightly. And I
11 just want to commend Daniel and everybody at the agency
12 that had a hand in this. Congratulations on a job well
13 done.

14 MS. BREWSTER: At this time we'd like to
15 recognize our recent retirees and employees who have
16 reached major state service milestones. We celebrate
17 these employees as a show of our appreciation for their
18 years of service to the citizens of Texas. I also want to
19 welcome the family and friends of these employees and say
20 thank you to them for sharing your loved ones with us. We
21 know that that is a commitment for you as well.

22 So, members, if you would please join me at the
23 front of the dais.

24 MS. YANCEY: Good morning. My name is Martha
25 Yancey, Human Resources Division, and I'm going to make

1 some announcements.

2 The following employee has reached a state
3 service milestone of 25 years, Linda Friar. Would you
4 please join the Board?

5 (Applause.)

6 MS. YANCEY: Linda began her career with the
7 state in 1993 and joined TxDOT in 1999, she transferred to
8 TxDMV in 2009. Since 1999 Linda has served exclusively
9 with the Vehicle Titles and Registration Division. In
10 2014 she was chosen as part of a select group to set up
11 and implement the department's National Motor Vehicle
12 Title Information System help desk, or NMVTIS. In August
13 2016 Linda was promoted to her current position as
14 coordinator of NMVTIS and represents the DMV nationally in
15 the NMVTIS community. She is an advocate for the citizens
16 of Texas and serves as an integral part of her division's
17 operations.

18 Thank you, Linda, for your contributions, and
19 congratulations on your 25 years of service.

20 (Applause; pause for presentation and photos.)

21 MS. YANCEY: Next, this employee has reached a
22 state service milestone of 35 years, William Klipple.
23 Come and join the Board members. He goes by Bill.

24 (Applause.)

25 MS. YANCEY: Bill began state service right

1 after high school in 1980 for TxDOT. His position as a
2 mail clerk quickly advanced to computer operations. He
3 progressed to mainframe support and then to the main
4 office, working directly with TxDOT administrators and
5 commissioners. He retired from TxDOT in 2013. Bill's
6 second career included contracting for TxDMV registration
7 and titling system program and then as an employee for the
8 Attorney General's Office. We welcomed Bill to the TxDMV
9 last December in our ITS infrastructure service section.

10 Congratulations on 35 years of service.

11 (Applause; pause for presentation and photos.)

12 MS. YANCEY: And last but not least, the
13 following employee has reached a state service milestone
14 of 40 years, Priscilla Tijerina. Please join the Board
15 members.

16 (Applause.)

17 MS. YANCEY: Priscilla began working for TxDOT
18 in 1976 at the age of 20. She was a title examiner for
19 some time and then became a customer service clerk. She
20 was assigned as a trainer in the Austin headquarters where
21 she conducted training presentations on motor vehicle
22 titles. Thereafter, she was promoted to lead worker.
23 Priscilla loved her job and her family but had to make a
24 decision to retire due to her ailing husband. She retired
25 with 33 years of service. In January 2011 she returned to

1 work but this time at TxDMV.

2 Priscilla has a daughter, a son and one
3 grandson. When she's not working she spends her time
4 between her family and boxing at the gym. She enjoys yard
5 work, since she has no choice, and she says she will
6 probably be with the agency until she's told it's time for
7 her to retire again.

8 Congratulations, Priscilla.

9 (Applause; pause for presentation and photos.)

10 MS. YANCEY: The following employees also
11 reached a state service milestone but were unable to join
12 us this morning: 20 years, Christy McDaniel, Vehicle
13 Titles and Registration Division; 25 years, Raul Vela,
14 Enforcement Division; 30 years, LaDonna Castañuela, Motor
15 Vehicle Division, Mary Eschenburg, Information Technology
16 Services Division. And last, employees who recently
17 retired from the agency are: Michael Chisum, Kim Hyatt,
18 Chris Reding, Debbie Nelson, Suzanne Koneman, Janet Reece,
19 Michael Cuellar, David Childers and Paul Maldonado.

20 Thank you.

21 (Applause.)

22 MR. PALACIOS: It's always nice to recognize
23 staff for their tenure and longstanding service and
24 dedication to this agency.

25 Moving right along now, we have a contested

1 case coming up, and Daniel Avitia and Brian Coats will
2 address agenda item number 5.

3 MR. AVITIA: Chairman, members, Ms. Brewster,
4 good morning. For the record, my name is Daniel Avitia.
5 I'm the director of the Motor Vehicle Division. With me
6 this morning is Mr. Brian Coats. Mr. Coats provided the
7 legal representation at the State Office of Administrative
8 Hearings on this case.

9 Agenda item 5, which can be found on page 9 of
10 your board books, is the contested case regarding the
11 Texas Department of Motor Vehicles v. Marshone Sheppard,
12 d/b/a MFJ Auto Shop. The issue before you today, members,
13 is whether the Board should approve or deny Mr. Sheppard's
14 application for a general distinguishing number or to
15 operate as an independent motor vehicle dealer.

16 The ALJ in this case concluded that based on
17 the evidence presented and considering the applicable
18 factors for licensure, Mr. Sheppard's application should
19 be denied. Specifically, the ALJ determined that the
20 following factors do not weigh in favor of licensure:
21 number one, the extent and nature of Mr. Sheppard's past
22 criminal activity which includes four convictions for
23 possession of marijuana, two convictions for failure to
24 identify, and one conviction for deadly conduct; number
25 two, the age at which Mr. Sheppard committed the crimes of

1 which he was convicted; number three, the lack of evidence
2 presented regarding Mr. Sheppard's rehabilitation or
3 rehabilitative efforts; and four, Mr. Sheppard's numerous
4 convictions over an extensive span of time. The
5 respondent, Mr. Sheppard, did not file briefs, pleadings,
6 or exceptions to the ALJ's proposal for decision or
7 findings of fact or conclusions of law.

8 Staff believes that the ALJ's analysis of the
9 law and the evidence presented in this case is thorough
10 and that the conclusions of law reached are reasonable.
11 Staff requests that the Board issue an order which concurs
12 with the ALJ's proposal for decision, adopts the judge's
13 proposed findings of fact and conclusions of law, and
14 ultimately denies Mr. Sheppard's application for
15 licensure.

16 Mr. Sheppard did receive a formal notice of
17 this meeting this morning and several phone calls from us
18 and voicemails, none of which were replied to or returned.

19 To my knowledge, Mr. Sheppard is not present this morning
20 to address the Board or answer any questions.

21 Members, that concludes my remarks. I'm happy
22 to answer any questions you may have.

23 MR. PALACIOS: Thank you, Mr. Avitia.

24 Are there any questions for Mr. Avitia?

25 MS. CARAWAY: I do have one question. Is there

1 a length of time that you look at past record, like if
2 they've been clean for a certain length of time -- I use
3 the word clean -- is there some kind of time frame that
4 you use in determining when they're fit for being
5 licensed?

6 MR. AVITIA: Member Caraway, that's a great
7 question, and yes, there is a time frame that we look at.
8 We also look at the severity of the crimes, so for
9 example, with Mr. Sheppard's record he had about nine
10 years of criminal convictions, the last one was less than
11 five years, so basically the time frame that we look at is
12 five years, and also the types of convictions that are on
13 those records.

14 MS. CARAWAY: So he would qualify possibly at
15 some point in the future?

16 MR. AVITIA: Potentially, yes, ma'am. It's not
17 an across-the-board you're out forever.

18 MS. CARAWAY: Sure. Thank you.

19 MR. GRAHAM: Just one other comment.
20 Appreciate your work on this and I certainly support the
21 position. As a franchised dealer -- and there's hundreds
22 of us, if not thousands, in the State of Texas, not just
23 franchised but independent as well -- it seems like the
24 worst one is the one that ends up sort of being reflective
25 of all of us, and so I think it's the integrity of the

1 quality of our dealers is essential, and so I support
2 this, I appreciate it, and will support that. So thanks.

3 MR. PALACIOS: Okay. I, as well, do not have
4 anything that would indicate that Mr. Sheppard or a
5 representative are here to speak on his behalf, so in
6 light of that.

7 MS. HARDY: I'd like to move that the Board
8 adopt the ALJ's findings of fact and conclusions of law.

9 MR. PAINTER: Second.

10 MR. PALACIOS: Okay. We have a motion by Board
11 Member Hardy to accept the ALJ's findings, a second by
12 Board Member Painter. All in favor please signify by
13 raising your right hand.

14 (A show of hands.)

15 MR. PALACIOS: Motion passes unanimously.

16 Thank you very much, Mr. Avitia, Mr. Coats.

17 MR. AVITIA: Thank you.

18 MR. PALACIOS: Okay. We'll now move on to
19 agenda item number 6 regarding the adoption of rule in
20 Chapter 215, and I will turn it over to Ms. Corrie
21 Thompson and company.

22 MS. THOMPSON: Good morning, Chairman, members
23 of the Board, Executive Director Brewster. I'm Corrie
24 Thompson, director of the Enforcement Division. I'm
25 presenting item 6, found on page 32 of your board books.

1 Before you is a recommendation to approve the
2 adoption of amendments to Rule 215.155 for publication in
3 the *Texas Register*. The purpose of the amendment is to
4 make 215.155(b) consistent with Transportation Code 548
5 which includes exemptions from motor vehicle inspection
6 requirements.

7 Another amendment to the rule language in the
8 current 215.155(b) changes the language by adding the word
9 "on" which I will explain in a moment. The current rule
10 says that a buyer tag may only be displayed on a vehicle
11 that has a valid inspection in accordance with Chapter 548
12 of the Transportation Code, and the amendment would permit
13 a buyer's tag to be displayed on a vehicle that does not
14 have a valid inspection if that vehicle is exempt from
15 inspection requirements pursuant to 548 of the
16 Transportation Code.

17 Staff has determined that there will be no
18 significant fiscal impact associated with the amendments.

19 The proposal was previously published for comment in the
20 *Register* from July 6 through August 6, 2018, and we did
21 receive comments in support of the amendments from the
22 Texas Independent Automobile Dealers Association, as well
23 as the Texas Automobile Dealers Association. We also
24 received one comment from Governor's Office staff which
25 asked us to include the word "on" in the language of the

1 rule so that it reads: "A buyer's temporary tag may be
2 displayed only on a vehicle that has a valid inspection."

3 If the Board adopts the amendments during this
4 meeting, staff anticipates publication of the rule in the
5 October 26 issue of the *Texas Register*, with a November 4
6 effective date for that rule.

7 I'm happy to answer any questions. If there
8 are none, I would ask the Board for approval to publish
9 the adoption of the amendments in the *Register*.

10 MR. PALACIOS: Are there any questions for Ms.
11 Thompson?

12 MS. CARAWAY: I move that the Board approve the
13 adoption of amendments to Section 215.155, as recommended
14 by staff.

15 MR. TREVIÑO: Second.

16 MR. PALACIOS: Okay. We have a motion by Board
17 Member Caraway, second by Board Member Treviño to accept
18 the adoption of the amendments. All in favor please
19 signify by raising your right hand.

20 (A show of hands.)

21 MR. PALACIOS: Motion passes unanimously.

22 Thank you, Ms. Thompson.

23 Moving right along then to item number 7, the
24 proposed rule on Chapter 219. So, Ms. Thompson, stay
25 where you are, and I see Aline is already here.

1 MS. AUCOIN: For the record, my name is Aline
2 Aucoin, associate general counsel for the Texas Department
3 of Motor Vehicles. The materials begin on page 40 of your
4 board book materials.

5 The department is requesting Board approval to
6 publish a notice of intention to review Chapter 219 of our
7 rule regarding oversize and overweight vehicles and loads.

8 Section 2001.039 of the Government Code requires state
9 agencies to review their rules every four years and to
10 then either readopt, readopt with amendments, or repeal
11 the current rules. The department determined that the
12 reasons for initially adopting our rules in Chapter 219
13 continue to exist. We are proposing to readopt Section
14 219.101 with amendments and to readopt the remainder of
15 the rules in Chapter 219 without amendments, and Corrie
16 Thompson will explain the proposed amendments to Chapter
17 219.101.

18 MS. THOMPSON: Along with the recommendation to
19 approve the item that Aline spoke to, also before you is a
20 recommendation to approve publishing of proposed
21 amendments to Rule 219.101 in the *Texas Register* for
22 public comment.

23 The proposed amendments give the department
24 greater flexibility in how notices informing carriers that
25 we're going to come out and inspect records or inspect

1 their business location can be notified. So what the rule
2 is going to do, it currently authorizes the notice to be
3 sent via certified mail or via fax, the rule amendment is
4 going to remove the word "certified" and add in the word
5 "email" to give those alternatives for notification.

6 I would like to comment, though, that anything
7 that affects the carrier's or the registrant's due process
8 rights, if we're charging them formally with any
9 allegations that could result in sanction actions, such as
10 revocation of registration or blocking of permits or
11 imposition of a penalty, will still be sent via certified
12 mail. So I just wanted to make that clarification.

13 There's no fiscal impact associated with the
14 proposed amendments, and I'm happy to answer any
15 questions, but if you have none, then I would ask the
16 Board to approve the publishing of the rule amendments for
17 comment in the *Register*.

18 MR. BARNWELL: When you send out a notice that
19 you're going to inspect or audit, currently it's certified
20 mail, return receipt requested so you have some evidence
21 of delivery. What's going to happen now that we're doing
22 regular first class mail or email or fax?

23 MS. THOMPSON: Well, usually the result of the
24 notice -- that's a good question -- the result of the
25 notice being sent is that we actually make contact with

1 the carrier, and so we would have an investigator present
2 to testify that they were able to make contact, that they
3 actually visited the carrier.

4 MR. BARNWELL: So they do call.

5 MS. THOMPSON: Correct.

6 MR. BARNWELL: Okay. Well, as long as there's
7 a followup. We get notices from the Railroad Commission
8 all the time for auditors and inspections and things, and
9 we always have a conversation with that auditor to
10 discuss, first of all, the type of audit and the kind of
11 information they want so that when they get there we can
12 hand them a book with everything in it, and then move
13 forward in an expeditious manner.

14 MS. THOMPSON: Absolutely.

15 MR. BARNWELL: So I see what you're saying, but
16 I just didn't know if you were actually going to have a
17 phone call with anybody or just send an email that could
18 wind up in cyberspace somewhere.

19 MS. THOMPSON: No. And if an allegation in a
20 case was going to be something along the lines of that
21 person never responded or anything like that, we would
22 follow back up with a certified notice.

23 MR. BARNWELL: Okay. So you're going to give
24 them an opportunity.

25 MS. THOMPSON: Yes, absolutely.

1 MR. BARNWELL: Because it might not be there
2 and here comes the inspector one day. That was my only
3 question.

4 MS. THOMPSON: Correct.

5 MR. BARNWELL: And that would waste his time
6 and the dealer's time and require us to resend notice, et
7 cetera, not good. Okay. So I understand. Thank you.

8 MR. GRAHAM: I do have one question. You said
9 there's no fiscal impact. I would think in addition to
10 this giving you more flexibility in the way that you
11 communicate with these folks, certified mail also has a
12 cost associated with it. Explain that.

13 MS. THOMPSON: There could be reduced costs in
14 connection with not sending everything via certified mail,
15 but there are instances where we would follow up and send
16 certified mail as well.

17 MR. GRAHAM: Okay. And so that's why you take
18 the position that there's no.

19 MS. THOMPSON: Correct.

20 MR. GRAHAM: Okay. Thank you of the
21 clarification.

22 MR. PALACIOS: Are there any other questions?

23 (No response.)

24 MR. PALACIOS: Hearing none, I will entertain a
25 motion to accept the proposal.

1 MR. PREWITT: Mr. Chairman, I'd like to make a
2 motion to approve this amendment, as presented by staff.

3 MS. HARDY: Second.

4 MR. PALACIOS: Okay. Thank you.

5 MS. SWANSON: Mr. Chairman, if I may. You
6 might consider entertaining a motion to propose the notice
7 of intention to review the chapter as well. I can get you
8 the language if you'd like.

9 MR. PALACIOS: Would you like to modify your
10 motion?

11 MR. PREWITT: Yes, sir.

12 MR. PALACIOS: Okay. Motion by Board Member
13 Prewitt, second by Board Member Hardy. All in favor
14 please signify by raising your right hand.

15 (A show of hands.)

16 MR. PALACIOS: Motion passes unanimously.
17 Thank you very much.

18 Okay. Let's move on to agenda items number 8
19 and 9 regarding the proposal of rules in Chapter 217, and
20 I will turn it over to the esteemed Mr. Jeremiah Kuntz.
21 Good morning.

22 MR. KUNTZ: Good morning, members. For the
23 record, Jeremiah Kuntz, director of the Vehicle Titles and
24 Registration Division.

25 Before you are amendments to 217.27 relating to

1 personalized license plates. If you'll remember, in the
2 last Board meeting we actually adopted the final adoption
3 of these rules. Shortly following that, we recognized
4 that we had an oversight in the rules and that we had put
5 in a provision that prevented any references to
6 governmental entities on any kind of personalized license
7 plate. As such, what we are trying to do here is clarify
8 that our intent was not to not allow references to
9 institutions of higher education. We did not have an
10 intention of trying to ban references to schools or
11 military academies in that rule, and so this is a
12 clarifying amendment that we would like to go back out for
13 public comment to clarify that we will allow folks to put
14 A&M, UT, any references to their universities in the
15 personalized license plate.

16 And so before you are the amendments to 217.27.
17 Staff are requesting approval of authority to publish the
18 rules for public comment.

19 MR. PALACIOS: Are there any questions for Mr.
20 Kuntz on this issue?

21 (No response.)

22 MR. PALACIOS: Hearing none, I'll entertain a
23 motion to accept the amendment.

24 MR. BARNWELL: Mr. Chairman, I move that the
25 Board approve the proposed amendments to Section 217.27

1 for publication in the *Texas Register* for public comment.

2 MR. PAINTER: Second.

3 MR. PALACIOS: Okay. We have a motion by Board
4 Member Barnwell, second by Board Member Painter. All
5 those in favor please signify by raising your right hand.

6 (A show of hands.)

7 MR. PALACIOS: Motion passes unanimously.

8 Thank you.

9 Please proceed, Mr. Kuntz.

10 MR. KUNTZ: Also before you are some rules for
11 publication for public comment. These are amendments to
12 217.84. These amendments relate to the salvage and non-
13 repairable application for title. Currently we require
14 entities that are applying for salvage and non-repairable
15 titles, insurance companies in particular, to provide
16 information that they have made a proof of paid claim on a
17 salvage vehicle. That's just basically a notice in their
18 application that they have a vehicle that was totaled that
19 they've had a total loss payment claim that was paid to
20 the insured. That is not consistent with statutory
21 definitions and it's not any information that is necessary
22 in order for us to process salvage titles, so we're
23 removing that from our rules to lessen the burden on the
24 insurance industry.

25 That rule also required that they provide us

1 with that proof that they made a paid claim, i.e., a
2 canceled check or some kind of notice that a claim was
3 paid. Again, this is information that's not necessary in
4 order for us to process salvage and non-repairable titles.
5 And therefore, we're going to propose these amendments to
6 lessen that burden on the salvage and insurance industries
7 for their applications.

8 MR. PAINTER: Is the proof only on the
9 insurance companies or is there any written verification
10 required from the owner of the vehicle?

11 MR. KUNTZ: It's just an insurance requirement
12 that they provide us with that proof of paid claim, and
13 again, it's not necessary in order for us to process that
14 application.

15 Staff are requesting approval of authority to
16 publish the rules for public comment.

17 MR. PALACIOS: Okay. Are there any further
18 questions for Mr. Kuntz on this issue?

19 (No response.)

20 MR. PALACIOS: Okay. Hearing none, I'll
21 entertain a motion to accept the proposal.

22 MR. PREWITT: Mr. Chairman, I move that the
23 Board approve the proposed amendments to Section 217.84
24 for publication in the *Texas Register* for public comment.

25 MR. TREVIÑO: Second.

1 MR. PALACIOS: Okay. We have a motion by Board
2 Member Prewitt, second by Board Member Treviño to accept
3 the amendments. All those in favor please signify by
4 raising your right hand.

5 (A show of hands.)

6 MR. PALACIOS: Motion passes unanimously.

7 Thank you, Mr. Kuntz.

8 Okay. Let's move on now to the briefing and
9 action item portion of the agenda. I'll turn it over now
10 to Committee Chair Treviño, who will be assisted by
11 Caroline Love, our executive director, Ms. Brewster, and
12 Corrie Thompson.

13 MR. TREVIÑO: Great. Thank you, Mr. Chairman.

14 I'll give a committee update to the full Board, and then
15 I'll turn it over to staff for brief presentations.

16 The committee met yesterday here at TxDMV
17 headquarters. I presided over the meeting, which was also
18 attended by Members Barnwell and Painter; Member Scott was
19 unable to attend. Also, TxDMV Chairman Palacios was
20 present for information gathering and discussion.

21 The committee considered four agenda items.
22 Two of the items, 10.A and 10.D from the committee
23 meeting, require action today by the full Board. After
24 brief staff presentations of each item, a committee member
25 will make a recommendation for Board action. The

1 remaining two items, 10.B and 10.C are briefings. Staff
2 will make brief summary presentations of what was
3 considered by the committee without repeating the entire
4 presentations, and staff will be available for any
5 questions you may have.

6 So it was a quick meeting and Caroline and
7 staff gave excellent presentations and briefings, and I
8 want to thank you for all your hard work.

9 Caroline.

10 MS. LOVE: Good morning, and thank you. My
11 name is Caroline Love. I am the director of the
12 Government and Strategic Communications Division for the
13 department. And since we're running so well on time, I'm
14 going to bend your ear for a long time this morning.

15 (General laughter.)

16 MS. LOVE: So the first item that we have
17 before you today is agenda item A which is a request for
18 an action from the Board. This Board is charged in
19 statute with considering opportunities for improvements to
20 the department and reporting those opportunities for
21 changes in statute to the legislature. And so earlier
22 this year my division went out to all the divisions and
23 offices within the department and started talking with our
24 staff to see where they saw opportunities for improvements
25 and we kind of categorized them into four different

1 categories, which I'll go into in just a moment.

2 But then after we looked at those internally,
3 we did also spend time reaching out to stakeholders, which
4 you can see on the third bullet for the slide in front of
5 you has a list of all the entities that we did reach out
6 to to get feedback and comments. So that being said,
7 while we have the concepts that we are definitely wanting
8 to consider moving forward with, the language that is
9 associated with that will kind of remain in progress as we
10 continue to work through the feedback we received and
11 items that come up.

12 So moving on to the next page, the first
13 category that we found for areas for improvement related
14 to the department's experience with responding to the
15 Hurricane Harvey disaster. There were some items where we
16 felt like there could be efficiencies in statute.

17 This first one that you see here relates to
18 when a registration renewal is due but the motorist is
19 from a county that may be impacted by the disaster and the
20 county office is not available to process that
21 registration. During the hurricane the governor waived
22 certain laws and rules that related to registration and
23 allowed for that kind of flexibility, but having this
24 information in the statute would provide clarity that that
25 individual would not necessarily get a citation for having

1 an expired registration. So we're kind of working through
2 the details on that.

3 Another option there is that when an insurance
4 company pays out a claim on a vehicle that is considered
5 salvaged or non-repairable, there's no requirement that
6 that be reported to the department, and so we wouldn't
7 have a record unless the owner of that vehicle reported
8 that. So we are looking at opportunities for the
9 insurance companies to provide that information to the
10 department so we can make sure it is on record.

11 And then also there is no definition currently
12 in statute of what constitutes a flood vehicle so that is
13 something that we're looking at creating a definition for
14 as well.

15 MR. GRAHAM: Just a question on that if I
16 could. You know, I know we were discussing potential
17 impacts of these vehicles making their way back into the
18 marketplace. Do you have an update, has that transpired
19 or how has that gone? I know that's a great concern.

20 MS. LOVE: I may defer to Jeremiah on that. We
21 definitely do all we can to identify them in the national
22 database on titles, but I'll turn it over to Jeremiah.

23 MR. KUNTZ: Again, Jeremiah Kuntz, director of
24 the Vehicle Titles and Registration Division.

25 So there are really kind of two classes of

1 vehicles following a flood event like this that we are
2 concerned about. The ones that are fully insured come in
3 for salvage and unrepairable titles and we are able to
4 easily brand those and make sure that the National Motor
5 Vehicle Title Information System has all of those brands
6 to protect any future purchasers of those, that they can
7 see that there was a flood event that occurred. We
8 actually have a flood brand that is applied, as well as a
9 salvage brand, so that in case that vehicle every gets
10 rebuilt, that flood brand stays on that vehicle for the
11 life of it so any future purchaser can see it.

12 The other class of vehicles that really are the
13 ones that are more difficult to try and find are those
14 that do not have full coverage insurance or have liability
15 only policies where an insurance company does not make a
16 total loss claim payment and is not required to file for
17 salvage title for those vehicles. It is state law that
18 those individuals are required to apply for a salvage
19 title, but as we see, they do not always do that.

20 One of the things that we're really trying to
21 get at here is that vehicles that are owner retained where
22 there is at total loss claim payment but somebody wants to
23 retain their vehicles, today the insurance company does
24 not apply for a salvage title, however, we put a mark on
25 those vehicles, we put a legal restraint on them so that

1 they can't pass title to a future purchaser before salvage
2 title is applied for and the rebuilt process is gone
3 through. What we're proposing here is that the insurance
4 companies when they make that notice to us, we would go
5 ahead and process that as a salvage title application,
6 brand those vehicles for owner retained so that we ensure
7 that that shows up in any future title.

8 MR. GRAHAM: Thank you.

9 MR. TREVIÑO: And, Jeremiah, while you're
10 there, can you talk a little bit about the definition of
11 what constitutes a flood vehicle and how you arrived at
12 that. I know it's a difficult process, very difficult,
13 but I just wanted the thought process.

14 MR. KUNTZ: It is. That is something that we
15 have had a lot of discussions about. What we are looking
16 at right now with the new proposed flood definition is
17 that water has risen to the point that it has entered the
18 vehicle, so it's come up to the door sills, it's entered
19 the trunk or the main compartment of the vehicle, and then
20 we've made a change from our original version to where
21 it's entered the vehicle and it has come in contact with
22 electrical components or there's a requirement to replace
23 a major mechanical part. That would be the transmission,
24 rear end, motor, something major mechanical.

25 So we've got basically two conditions that must

1 be met: water has entered the vehicle and it's either
2 come in contact with electrical components or a major
3 mechanical part has to be replaced. And that was after we
4 had received some comments and feedback from the salvage
5 industry, insurance pool operators about our definition
6 that we had originally come up with, so we went ahead and
7 tightened that up a little bit. I fully anticipate there
8 will be additional comments on event that definition.
9 Flood is one of those that it's difficult to try and
10 really nail down what level do you want to mark those.

11 MR. TREVIÑO: Thank you.

12 MR. KUNTZ: Yes, sir.

13 MS. LOVE: Thank you.

14 The next category of changes for opportunities
15 for improvement that we have relate to creating
16 efficiencies in processes. One recommendation that we
17 have is allowing for the Auto Burglary and Theft
18 Prevention Authority appropriations to be directly
19 appropriated to the TxDMV Fund. Currently they're out of
20 the general revenue fund. This would help make our method
21 of finance consistent among all department operations and
22 functions.

23 And also, we would like to repeal the statutory
24 requirement that oversize/overweight permits be issued by
25 phone. We still intend to provide that service by phone

1 but by and large, our online permitting system, TxPROS,
2 does handle most all permit requests that come through, so
3 should technology continue to advance in a way that makes
4 phones obsolete -- I don't know that that will happen, but
5 we wouldn't want to be bound by that.

6 The next one relates to Public Information Act
7 requirements. Many state agencies that conduct
8 administrative investigations have an exemption from
9 information related to that case being subject to open
10 records. We do not have that exemption and so this would
11 add us to protect those cases until they're closed and
12 then we could provide that information if requested.

13 Another one is about a form that is currently
14 required for salvage dealers. It says in statute that the
15 department must create this inventory form, and we have
16 found by and large that it's not used, so we are looking
17 to remove that.

18 Another item relates to the title hearing
19 process that can be conducted by tax assessor-collectors.

20 We have noticed that there's not been consistent use of
21 that process throughout the state and we're working with
22 the tax assessor-collector association now in looking at
23 what we can do to streamline that process and make it more
24 efficient for everybody when there is a dispute on a
25 title.

1 And then the last one in this section would
2 allow the department to require escort flaggers as a part
3 of issuing an oversize/overweight permit. This would
4 certainly be a good safety measure to have in place.

5 If there's no questions on that section, I'll
6 move on.

7 MR. BARNWELL: What's the next section you're
8 going to? Are you still in A?

9 MS. LOVE: Yes, I am, and I was going to move
10 on to previous recommendations that this Board has
11 approved.

12 MR. BARNWELL: Okay. I'm sorry. Go ahead.

13 MS. LOVE: Okay. So the next section are items
14 that this Board has approved previously for moving forward
15 with legislative actions but for various reasons, usually
16 the legislature just ran out of time, did not make it into
17 law.

18 So those include allowing for administrative
19 sections for a vehicle that is loaded in excess of size
20 and not just weight. We do feel like that was likely an
21 oversight that only weight is currently included there.

22 Another relates to if the Federal Motor Carrier
23 Administration has placed a carrier out of service that we
24 are allowed to deny them an oversize/overweight permit.

25 In addition, there is currently in the

1 oversize/overweight permitting chapter in statute there's
2 not consistency with how those fees that are received from
3 those permits are distributed. Some go fully to general
4 revenue, some go fully to the State Highway Fund, but a
5 majority have approximately 10 percent that's dedicated to
6 the TxDMV Fund for purposes of covering our administrative
7 costs, so we would like to see that for any newly created
8 permits moving forward that that 10 percent be part of the
9 base, but that can certainly be changed by the legislature
10 per permit if they so choose.

11 And another one relates to having the person or
12 entity essentially that obtains an oversize/overweight
13 permit be that entity that moves that load. If they are
14 in an agreement with another entity to move the load, that
15 would be fine, but we've seen instances where they're
16 wholly separate entities that move under those permits.

17 And then lastly, if a shipper does not provide
18 a certificate of weight when they load to a carrier, they
19 can be subject to an administrative penalty.

20 And then we also have a couple of just general
21 clarifying items. One relates to making it clear that a
22 motor vehicle dealer can only sell from their licensed
23 location. And another one relates to there was a very
24 specific permit for Northeast Texas Intermodal permit that
25 was passed by the legislature last session that does not

1 clearly state that the Comptroller will provide the
2 revenues to the county in which that travel occurs, so we
3 just wanted to clarify that.

4 And so that wraps up all the recommendations
5 that we have. I'm happy to answer any questions.

6 MR. TREVIÑO: Caroline, is this the fifth
7 legislative cycle the agency has been through?

8 MS. LOVE: That's correct, yes.

9 MR. TREVIÑO: So is the process creating
10 legislative agendas maturing, do you feel more comfortable
11 going through it as more input, anything different about
12 the cycle?

13 MS. LOVE: You know, this cycle will certainly
14 be unique in that we have the Sunset legislation that will
15 also be considered and that legislation is pretty much all
16 encompassing of what the department is responsible for.
17 So that will certainly add a unique aspect to how these
18 items may even go through. It may all end up becoming
19 part of that legislation or they all may go separately.
20 So this one, 2019, will definitely be different but I
21 think that this being our first Sunset cycle it should
22 actually be, I feel like, pretty smooth.

23 MR. GRAHAM: I have one question on the
24 clarification regarding motor vehicle dealers selling from
25 their licensed location. Could you expand on that just a

1 little bit? It certainly was my understanding that the
2 statute clearly defines that they can only sell from their
3 location.

4 MR. PALACIOS: I was about to ask the same
5 question.

6 MS. LOVE: Well, thankfully, Ms. Thompson is
7 right next to me.

8 MS. THOMPSON: Yes, you would think that it's
9 clear. Again, Corrie Thompson, director of Enforcement.
10 But there is a provision in statute that says when a
11 dealer consigns a certain number of vehicles away from
12 their location, it confuses the issue that licensed
13 dealers can only sell from their licensed location, and so
14 we are just recommending striking that from statute.

15 MR. PALACIOS: Okay. So currently as I
16 understand, consignment is permissible off of a dealer's
17 location.

18 MS. THOMPSON: Right, but the wording of the
19 language in the statute is confusing the issue that you
20 can sell away from the licensed location.

21 MR. GRAHAM: Not just consign.

22 MS. THOMPSON: Correct.

23 MR. GRAHAM: So is there a distinction between
24 engines, transmissions, axles which constitute a motor
25 vehicle in Texas statute and a motor vehicle itself? And

1 I do not want to take us down that road if it's not
2 necessary, but I'm just asking a question because in Texas
3 an engine is considered a motor vehicle. But I think in
4 general we understand that an engine is not an entire
5 motor vehicle, so there may not be a distinction to be
6 made.

7 MS. LOVE: Let us take that back and as we
8 continue to work on the language we'll make sure that that
9 is something that's clear.

10 MR. GRAHAM: Sounds good.

11 MS. LOVE: Staff at this time would ask for
12 approval of the items included in 10.A.

13 MR. PALACIOS: Okay. Are there any further
14 questions on any of these items for Ms. Love or Ms.
15 Thompson?

16 (No response.)

17 MR. PALACIOS: Hearing none, I'll entertain a
18 motion to accept the recommendations.

19 MR. BARNWELL: Mr. Chairman, I move that the
20 Board approve the following recommendation of the
21 Legislative and Public Affairs Committee: first, I move
22 that the Board adopt the proposed legislative agenda as
23 developed by the department staff with stakeholder input
24 and involvement; second, I move that the Board direct
25 staff to finalize and submit this agenda to the

1 legislature as directed in Transportation Code 1001.025
2 for further consideration by members of the legislature
3 for bill drafting and potential filing; lastly, I move
4 that the staff be directed to provide the Board regular
5 updates throughout the session on the status of the
6 approved agenda items.

7 MS. HARDY: Second.

8 MR. PALACIOS: Okay. We have a motion by Board
9 Member Barnwell, a second by Board Member Hardy to accept
10 the recommendations as presented. All those in favor
11 please signify by raising your right hand.

12 (A show of hands.)

13 MR. PALACIOS: Motion passes unanimously.

14 Thank you.

15 Please proceed.

16 MS. LOVE: Thank you.

17 The next item, agenda item 10.B, is a briefing
18 item, and we were just going to highlight some of the
19 actions that we plan and key dates for the next session.

20 So although the legislature begins their first
21 day of session 96 days from now -- I know you're very
22 interested in that number -- truly the session will start
23 to begin when bill filing starts on November 12 of this
24 year 2018, and then the first day of the session is set
25 for January 8 of 2019. The last day to file legislation

1 will be March 8. That's always a big day when lots of
2 bills tend to hit the chief clerk's office, and then the
3 last day of session is May 27 of 2019, and just in case
4 you were wondering, that's 235 days from now.

5 MR. GRAHAM: I can hear the excitement in your
6 voice.

7 MR. BARNWELL: But who's counting?

8 (General laughter.)

9 MS. LOVE: So one of the things that we'll
10 start to do as an agency once the bill filing starts is
11 have weekly meetings with executive leadership and also
12 the subject matter experts throughout the agency to review
13 legislation that's filed for potential impacts to the
14 agency. And in addition to that, my division will work
15 with all those people to help develop analyses of impacts,
16 as well as fiscal impacts, and part of the process is the
17 Legislative Budget Board, if they identify that a bill has
18 a potential financial impact to an agency, they will
19 request that the agency complete a fiscal analysis, and so
20 we'll work with those as well, as well as the Finance and
21 Administrative Services Division.

22 And we'll be providing regular status reports
23 and updates to the executive team on the status of those
24 recommendation that you just adopted, as well as the
25 Sunset legislation since that will be the most critical

1 component. As I mentioned to the tax assessor-collector
2 group last week, currently in statute this agency will
3 cease to exist as of September 1, 2019, so the reason that
4 Sunset legislation is so critical is because per the
5 adopted Sunset Advisory Commission recommendations, it
6 will extend us out another twelve years, so that's very
7 important.

8 We'll also help coordinate the department's
9 involvement in legislative hearings and meetings. I'm
10 sure we'll have lots of requests from elected officials to
11 visit with them to kind of talk through maybe ideas that
12 they may have or legislation that's pending, and we often
13 provide witness support to legislation as a resource when
14 it comes up in the hearing process. And so my staff will
15 help monitor all of those substantive hearings as well as
16 all the floor debates at the House and Senate levels and
17 we'll provide reports on those, and then we'll make sure
18 that those get passed along to the Board for your
19 reference as well. We'll try not to over inundate you but
20 keep it enough to where you know all the important things
21 that are happening there.

22 That's all I have unless you have any
23 questions.

24 MR. TREVIÑO: And, Caroline, you're also in
25 contact with the Governor's Office as well.

1 MS. LOVE: Absolutely.

2 MR. TREVIÑO: Great.

3 MR. PALACIOS: Thank you, Caroline.

4 I guess we'll move on to item number 10.C. Ms.
5 Brewster.

6 MS. BREWSTER: Thank you, Mr. Chairman,
7 members. For the record, Whitney Brewster, executive
8 director.

9 I had the opportunity to provide a briefing to
10 the Legislative and Public Affairs Committee yesterday on
11 the implementation efforts of the TxDMV on Sunset Advisory
12 Commission recommendations. It was a briefing, no action
13 was taken, and no action is being requested of the Board
14 on this item today.

15 The Sunset Advisory Commission met on August 29
16 to make decisions on recommendations made in the Sunset
17 staff report as well as to consider any new
18 recommendations that were developed from our initial
19 hearing on May 23. Again, just as a reminder,
20 recommendations can come in two forms: one, statutory
21 recommendations to be considered by the legislature when
22 they convene in January, and also, management
23 recommendations and those became effective immediately
24 upon adjournment of the hearing on August 29.

25 In an effort to make sure that the agency is

1 making progress towards implementation of these important
2 recommendations, the agency is tracking them very closely.
3 On page 84 of your board books and also on the screen in
4 front of you, I've provided you with a high level tracking
5 document that includes a summarized description of the
6 recommendations, as well as due dates that are specified
7 in the report, as well as the division at the agency that
8 is really spearheading the effort for implementation.

9 Further, I've included some color coding so
10 hopefully you can easily distinguish between where we're
11 at on those items with relative ease. Green indicates
12 that there's nothing further for the agency to do at this
13 time or that it is fully implemented, yellow indicates
14 that we are in progress, and red means that at this time
15 no action has yet occurred.

16 I will note that the items that you see in red
17 are primarily statutory recommendations, and obviously the
18 agency can't move too much on those items until the
19 legislature considers those things during the legislative
20 session.

21 This document, and I think it's important to
22 point out, is supposed to be a helpful document for y'all,
23 as well as the agency to gauge our progress, so if there
24 are improvements that you would like to see to this
25 document, please know that I welcome your feedback. We

1 just more than anything want this to be a useful document.

2 As for where we are today, three
3 recommendations have been fully implemented.
4 Recommendation 3.8 regarding publishing of penalty
5 matrices has been implemented by the Enforcement Division.

6 That information was published to our website, I believe,
7 on May 22, so that information is out there for viewing.

8 Recommendation 4.5 regarding criminal history
9 checks for motor vehicle license renewals, that has also
10 been implemented by the Motor Vehicle Division. And just
11 to point out, we were doing background checks on initial
12 application, what this recommendation was around is
13 requiring the agency to do it upon renewal as well, so
14 that process has been updated and the Motor Vehicle
15 Division is now doing that.

16 And recommendation 4.7 regarding unnecessary
17 application requirements for salvage license, that has
18 been implemented by the Motor Vehicle Division, and that
19 really has to do with the potential licensee providing
20 business references and the agency is no longer requiring
21 that of applicants for a salvage license.

22 There are 17 recommendations in progress. One
23 other item that I should point out is that there are two
24 recommendations, 3.4 and 3.5, on the agenda today for your
25 consideration. Ms. Thompson will be providing you with

1 further information on those two items here momentarily,
2 but should the Board favorably vote to accept our policy
3 changes, those items would move to green as being fully
4 implemented.

5 Last, but certainly not least, you may notice
6 that one recommendation is not on here that has gotten
7 quite a bit of attention, and that is the concept of
8 moving driver licensing to the Texas Department of Motor
9 Vehicles, and it is not reflected in this document because
10 it is not within our report. That recommendation is
11 within the Department of Public Safety's report, and
12 certainly we are paying very close attention to that and
13 would be providing various updates to you all as things
14 progress on that front.

15 But just to let the Board know how that
16 recommendation finally ended up being adopted by the
17 Sunset Advisory Commission, the recommendation for that
18 requires the Department of Public Safety to hire an
19 independent third party to do a study of the transfer of
20 driver licensing from the Department of Public Safety to
21 our agency, and that study should be completed by
22 September of 2020. The recommendation goes on to say that
23 should the 86th Legislature not appropriate funding for
24 that study, that the transfer would occur anyway and would
25 be effective September 1 of 2021.

1 So obviously we are very interested in how that
2 recommendation shapes up, I know this Board is as well,
3 and we will certainly provide ongoing updates on that.

4 Members, that concludes my briefing and I'd be
5 happy to answer any questions that you have.

6 MR. PALACIOS: Are there any questions for Ms.
7 Brewster?

8 (No response.)

9 MR. PALACIOS: Okay. Thank you very much for
10 the briefing.

11 All right. Let's move on to item number 10.D,
12 the Board approval of policy on guidance on Enforcement
13 case prioritization and complaint resolution.

14 MS. THOMPSON: Good morning. Again, Corrie
15 Thompson, director of Enforcement. I'm presenting agenda
16 item 10.D which begins starting on page 89 of your board
17 books.

18 Before you is a request for Board approval of a
19 policy concerning case prioritization and complaint
20 resolution in the Enforcement Division. The policy is
21 being presented to you in order to implement Sunset
22 Advisory Commission management recommendations 3.4 and
23 3.5. This information was presented as well yesterday at
24 the Legislative and Public Affairs Committee meeting.

25 There is no fiscal impact associated with the

1 policy, and the reason it's being presented to you for
2 approval today is because Sunset, during their review,
3 made recommendations to help the department reduce its
4 complaint resolution time frames, and as part of those
5 recommendations they asked that we bring the policy to the
6 Board to approve those new policies that address the
7 factors that contribute to longstanding complaint
8 resolution time frames, including: having the Enforcement
9 Division develop an intake system and a plan to close and
10 refer non-jurisdictional cases; to identify stages where
11 delays occur in the case process in order to minimize
12 potential for bottlenecks; to develop priorities based
13 upon the type of allegation and the associated risks with
14 each case balanced with the need to close out those
15 longstanding cases; and to present a plan to the Board for
16 bringing those longstanding cases to the Board for review.

17 The policy that we are presenting for you today
18 that's found in your board books does just this and it
19 provides a commitment to the goals identified by the
20 Sunset Advisory Commission. The policy refers back to
21 standard operating procedures created by the Enforcement
22 Division, and those standard operating procedures outline
23 the details as to how we are accomplishing those stated
24 goals within the division.

25 The policy on presentation of longstanding

1 cases to the Board for review would involve Enforcement
2 staff being required to bring cases aged beyond three
3 years where an Enforcement attorney has not brought formal
4 allegations against a dealer or a carrier to the Board for
5 review at specified times throughout the year. So the
6 proposal would be probably twice a year, probably at the
7 end of the fiscal year in August and probably at the
8 February Board meeting, and if we do have any cases that
9 are aged to that certain point.

10 I'm happy to answer any questions that you may
11 have about that, but again, this relates to Enforcement's
12 SOPs on prioritization of cases and bringing those
13 longstanding cases to you of review.

14 MR. TREVIÑO: The agency did prioritize cases
15 prior to this, didn't it? This just establishes a policy
16 to make it more transparent. Is that correct?

17 MS. THOMPSON: That's correct, and just to
18 refine and enhance some of the prioritization so that
19 we're focusing on the greatest risk to public harm and to
20 consumers.

21 MR. PALACIOS: Are there any further questions
22 for Ms. Thompson on this item?

23 (No response.)

24 MR. PALACIOS: Hearing none, I'll entertain a
25 motion to accept the recommendation.

1 MR. PAINTER: Mr. Chairman, I move that the
2 Board approve the recommendation of the Legislative and
3 Public Affairs Committee to approve the policy on TxDMV
4 guidance on Enforcement case prioritization and complaint
5 resolution, to implement Sunset Advisory Commission's
6 recommendations 3.4 and 3.5.

7 MR. BARNWELL: Second.

8 MR. PALACIOS: Okay. We have a motion by Board
9 Member Painter, a second by Board Member Barnwell to
10 accept the recommendations. All in favor please signify
11 by raising your right hand.

12 (A show of hands.)

13 MR. PALACIOS: Motion passes unanimously.

14 Thank you very much, Ms. Love and Ms. Thompson,
15 for your presentations.

16 Let's move on now to agenda item number 11,
17 Finance and Audit, and I will turn it over to Sandra
18 Menjivar and Linda Flores and their staff, Ms. Bankhead.

19 MS. MENJIVAR-SUDDEATH: Good morning. I'm
20 Sandra Menjivar-Suddeath, Internal Audit director, and I'm
21 presenting item 11.A which is the internal audit charter,
22 I'm requesting approval for it, and it can be found on
23 page 94 of your board book.

24 The internal audit charter defines the internal
25 audit's purpose, authority, responsibility and position

1 within the TxDMV. Our audit charter was last approved in
2 2016 and we review it internally every year. This year
3 the audit charter was updated because the quality
4 assurance program found that we had an opportunity to
5 strengthen our charter by stating that we follow the
6 definition of internal audit instead of just listing it.
7 We also had updates to our internal audit standards, and
8 we're aligning internal audit with the department's
9 vision, mission and goals.

10 And those changes can be found on page 101 of
11 your board book, and specifically there's a lot of changes
12 but part of it is that we've updated the charter to
13 actually match our style guide. Internal audit has
14 developed its own style guide so now we are having all our
15 documents be consistent. We have included a vision,
16 mission and goals section of the internal audit charter.
17 We've added a scope area which better defines what you can
18 expect from internal audit when it comes to audits that we
19 do. And then we've added a quality assurance and
20 improvement section which kind of provides more
21 information to the Board on what you can expect from us on
22 an annual basis.

23 So with that, I'm open to any questions; if
24 not, I request approval of the internal audit charter.

25 MR. TREVIÑO: Ms. Menjivar, staff helped you

1 create this document, this was not something internal
2 audit just created on its own. Right?

3 MS. MENJIVAR-SUDDEATH: No. It was a
4 collaborative effort with my staff and it also was sent
5 out to the executive director and deputy executive
6 director for their review, as Ms. Brewster has to sign off
7 on the charter as well.

8 MR. TREVIÑO: Great. And everyone was
9 supportive?

10 MS. MENJIVAR-SUDDEATH: Of course, always.

11 MR. TREVIÑO: And you feel that staff sees
12 internal audit as a useful tool for making the agency more
13 responsive and better serve the needs of Texas.

14 MS. MENJIVAR-SUDDEATH: Yes, sir. And
15 actually, in the briefing item we'll go over some of the
16 performance measures that we've developed to actually
17 start getting that information from staff.

18 MR. TREVIÑO: Great. Well, I want to commend
19 you on this work. It's very thorough, excellent.

20 MR. PALACIOS: Any further questions for Ms.
21 Menjivar?

22 (No response.)

23 MR. PALACIOS: Hearing none, I will entertain a
24 motion to accept the recommended internal audit charter.

25 MS. HARDY: I move that the Board approve the

1 recommended internal audit charter, as presented.

2 MS. CARAWAY: Second.

3 MR. PALACIOS: Okay. We have a motion by Board
4 Member Hardy, second by Board Member Caraway. All in
5 favor please signify by raising your right hand.

6 (A show of hands.)

7 MR. PALACIOS: Motion passes unanimously.

8 This is one of the most unanimous meetings I've
9 ever attended. It's great.

10 (General talking and laughter.)

11 MR. PALACIOS: Please proceed.

12 MS. MENJIVAR-SUDDEATH: Thank you. I'm
13 presenting item 11.B which is on page 111 of your board
14 books. This is a briefing item only, it's the Internal
15 Audit Division status. It includes the five internal
16 audit engagements that we are working on are completed,
17 and five external audit engagements that we are
18 coordinating.

19 The first item on the Internal Audit Division
20 status is the fiscal year 2018 internal audit activities
21 report. That is on page 112 of your board book. This is
22 a required report that must be submitted to the State
23 Auditor's Office, Sunset Commission, Legislative Budget
24 Board, and the Governor's Office by November 1, 2018. The
25 report is also required to be posted on our website and we

1 will be doing that after this meeting.

2 We are required to provide information on our
3 fiscal year audit plan, fiscal year 2018 audit plan, any
4 consulting and non-audit services, which we call advisory
5 services, that were conducted in fiscal year 2018, our
6 external quality assurance information which is our peer
7 review, our fiscal year 2019 internal audit plan, any
8 external audit services that have been procured by the
9 department, and any information on reporting suspected
10 fraud and abuse.

11 Something just to note in the report, although
12 we did not procure any external audits, we were audited
13 five times in fiscal year 2018 by external services, and
14 that trend is still continuing with this year.

15 The next item on the Internal Audit Division
16 status is our actual quality assurance and improvement
17 program report, and that is on page 136 of your board
18 book. Traditionally the quality assurance and improvement
19 program has just been an overview and information on our
20 compliance with our audit standards which are the
21 Institute of Internal Audit's International Professional
22 Practice Framework, the Generally Accepted Government
23 Auditing Standards, and Texas Government Code 2102.

24 But in the past year I've been working with Ms.
25 Brewster, the Finance and Audit chair and our Board chair

1 to actually provide a more comprehensive quality assurance
2 and improvement program by developing key performance
3 indicators for internal audit, as well as helping develop
4 the trajectory for internal audit going forward. We
5 developed 10 performance measures for the year and we've
6 started reporting out on fiscal year 2018 but we'll report
7 out truly in FY19.

8 In addition, the report is actually going to
9 include information on our fraud, waste and abuse
10 allegations and dispositions. This is another activity
11 that internal audit does that we have not been
12 communicating what exactly happens with those fraud, waste
13 and abuse allegations we receive.

14 One thing to note in the report, as we reviewed
15 our compliance with audit standards, we did have an
16 opportunity, as I mentioned in the previous item, to
17 improve our audit charter, so that has been resolved.

18 So our key performance indicators going
19 forward, so as I said, we've developed ten. Out of the
20 ten, eight are provided in the report. There's two that
21 we did not fully put into place, implement in FY18 and
22 that was just because of the timing of when we developed
23 the key performance indicators. The two that we'll be
24 reporting going forward will be percentage of staff
25 working on operational plans, because we do participate in

1 the agency's operation initiatives, as well as percent of
2 clients that believe our audit recommendations were useful
3 and beneficial after implementation. So after our
4 internal audit recommendations are fully implemented, we
5 will be sending out a survey to those that implemented to
6 obtain their feedback if our audit recommendations
7 actually met what they needed and actually were useful for
8 them, to make sure that we are providing good
9 recommendations.

10 So our first performance measure is the
11 internal audit recommendations implementation rate, so
12 although we report this implementation out, it is an
13 agency-wide measure, so we review how many internal audit
14 recommendations are actually implemented throughout the
15 year. Our key performance indicator is 80 percent for the
16 year, this year the agency actually implemented 94 percent
17 which is an increase from last year when we only
18 implemented 85 percent, which both of those numbers are
19 very high and one of the highest I've seen in any state
20 agency.

21 The next one is more of an internal audit key
22 performance indicator and it's our completion for our
23 audit plan, so our goal is to have 80 percent complete by
24 the end of the fiscal year. So in fiscal year 2018 we had
25 82 percent audits fully completed and two audits in

1 reporting, so we actually went beyond our measure. Now,
2 the two audits that were in reporting have actually been
3 completed since then and we will be providing that
4 information to you in executive session.

5 The next key performance indicator is the
6 engagement budget, so we set in our internal audit plan
7 and allocate a certain amount of hours for each audit or
8 advisory service. To ensure that we're actually meeting
9 those, we want to measure how well we're actually
10 estimating that. This past year we actually started using
11 a new program to help us better estimate the hours that
12 would be given to each audit and these are the results,
13 so our goal is to be within 10 percent of the estimated
14 budget. For completed projects we were within 2 percent
15 and for projects that were still ongoing, which were the
16 two audits in reporting, we were within 8 percent. So
17 we're actually doing really well on completing our audits
18 within the allotted hours.

19 Our next one is our survey, so after each
20 internal audit engagement we provide a survey to the
21 clients that participate in the audit or advisory service
22 to obtain their information. There's three performance
23 that we obtain through the survey. The first is audit
24 knowledge, the percent of client surveys that agree that
25 the audit had sufficient knowledge about the audit area,

1 so did we do a good enough job understanding the area.
2 The next one is clear communication, did we have clear and
3 timely communication on the audit results and reports. And
4 the final is customer satisfaction.

5 Our goal is to be within 80 percent for all of
6 these, and as you can tell, we did meet and surpass those
7 measures. I'm very happy to see that people feel we
8 actually understand the audit area, 91 percent, because
9 obviously we can't issue recommendations if we don't
10 understand the area well. But we do have some work to do
11 on customer satisfaction; we still are above the measure
12 but it's not where I want to be, so we'll be working on
13 that this year.

14 Our final two key performance indicators are
15 educational efforts and staff certification. So for
16 people to really understand what internal audit does and
17 the value that we can bring, we are trying to get more
18 educational efforts out there both for internal
19 stakeholders and external stakeholders. So our goal is to
20 have two educational efforts per year, last year we
21 actually did eight. It was not anticipated to do that
22 many but we had opportunities so we went ahead and did
23 them.

24 And they included things like reaching out to
25 the county auditors, as well as working with B.G. Young

1 doing Internal Audit Month, the month of May is Internal
2 Audit Month so we had an open house so invited everyone to
3 come in, have some coffee, pan dulce, and breakfast tacos
4 with us to kind of meet us and greet us. And then we went
5 and met with Enforcement Division, Vehicle Titles and
6 Registration, as well as Consumer Relations Division to
7 kind of just give information on who we are and what we
8 do.

9 We also want to make sure that our staff are
10 properly certified and have the ability and knowledge to
11 do the audit work, so we are measuring ourselves to make
12 sure we have the appropriate certifications. So these are
13 four out of the five certifications; the only
14 certification we do not have is certified public
15 accountant, and we will not be having that any time soon
16 because none of my staff are interested in that.

17 (General laughter.)

18 MS. MENJIVAR-SUDDEATH: However we do have
19 staff currently working on getting their IT
20 certifications, their fraud certifications, as well as the
21 internal audit certifications, and to be at a high level
22 at our agency you have to have a certified internal
23 auditor or certified public accountant.

24 And the next item, this is not a key
25 performance indicator but this is more to show you the

1 trajectory where internal audit is going. So this is
2 called the Institute of Internal Auditor's Capability
3 Model for Public Sector. This model defines what is
4 fundamentally needed for an effective internal audit
5 function in the public sector. It's supposed to describe
6 the path for internal audit to help with governance to
7 meet the governance needs of the agency and the board, as
8 well as professional expectations.

9 The model is composed of five maturity levels,
10 similar to what we do in our audit reports, we have five
11 maturity levels, and in this past year we asked a peer
12 review to provide us an objective overview on where we
13 were on the capability model so that we could benchmark
14 and start from there. They actually had rated us at a
15 level two which is infrastructure because of the fact that
16 we did not have performance measures, so since then we've
17 been really actively working on building our performance
18 measures, providing more information, things like that,
19 and at the end of the year we were actually at a level
20 three, integrated, and we're hoping to get to a level five
21 which is optimizing, and as you can tell from the stars
22 that's where we want to go.

23 And we've done a lot to complete it, anything
24 that's in green is things that we internally believe we've
25 completed, and yellow means that we're in progress, and

1 white means we have not started it and we'll eventually
2 start it. So the next year we'll provide an update on
3 where we are on this and provide this image for a
4 comparison from FY18 and 19.

5 The final item on the quality assurance and
6 improvement program is our fraud, waste and abuse
7 referrals. So we receive fraud, waste and abuse
8 complaints from two main sources. One is internal, they
9 can be anonymous, they can be emails, they can be phone
10 calls, people can stop by our offices. The other one is
11 the State Auditor's Office. The State Auditor's Office
12 has a hotline complaint line and when they receive
13 complaints they forward them to the agency depending on
14 the severity and the issue it is.

15 And most of the complaints we receive from the
16 hotline are actually more consumer related issues, and so
17 that's why we broke out the 16 complaints from the State
18 Auditor's Office in that next pie chart. So you can tell
19 most of them are dealer related, someone bought a car,
20 they had an issue with the odometer, and usually we refer
21 those to Enforcement Division, or depending on the issue
22 we may refer them to the CID.

23 So we also track what we do with any of the
24 fraud, waste and abuse allegations received in the year.
25 This is an overall view of the fraud, waste and abuse

1 allegations we received this past fiscal year. As you can
2 tell, we did investigate several of them, we did
3 substantiate four, there are two pending meaning that
4 we're still currently investigating two, and we did refer
5 several to divisions. And anything that's substantiated
6 or not substantiated, if we do an investigation we do
7 provide a disposition, a memorandum to the executive
8 director and copy the Finance and Audit Committee chair,
9 the Board chair and the division affected so they know
10 exactly what was our overall conclusion, our investigation
11 plan and if it is substantiated we also refer it to human
12 resources for next steps.

13 So the next item on the Internal Audit Division
14 status is just our fourth quarter verified internal audit
15 followup, so we had a 75 percent implementation rate in
16 the fourth quarter. There were two recommendations that
17 were not fully implemented. Both of those are in red in
18 the chart. Now, the divisions did state that those were
19 fully implemented, because they were priority high that
20 means we go back and retest. Based on the retesting they
21 were not fully implemented so we are working with
22 divisions to get a new implementation date for that.

23 The other items on the Internal Audit Division
24 status are our current engagements, the Lemon Law
25 investigation resolution process and the employee

1 classification and hiring audits. These audits will be
2 done in January 2019 and we are in planning.

3 The final thing is our external audit
4 coordination. Like I said, this year we're continuing our
5 trend of having a lot of external audits. The U.S.
6 Federal Highway Administration will be doing a review of
7 the Motor Carrier Division, looking at the heavy vehicle
8 use tax in November. The State Auditor's Office is still
9 continuing their audit on contract management, and we
10 anticipate their audit report to be released between
11 December and February. The Comptroller of Public Accounts
12 has released their post-payment audit and we are tracking
13 those recommendations in our system. And the State Office
14 of Risk Management will be doing a field visit in Houston
15 in October.

16 So that concludes my presentation. Is there
17 any questions?

18 MR. GRAHAM: Mr. Chairman.

19 MR. PALACIOS: Yes.

20 MR. GRAHAM: I have a question, and I'm not
21 sure this is the appropriate time to ask it, but it was
22 regarding an audit on some information we were given on an
23 audit on the eLICENSING.

24 MS. MENJIVAR-SUDDEATH: That is a confidential
25 audit because of the results so we will be talking about

1 that in the executive session, so feel free to ask me
2 anything, or ask my staff, actually.

3 MR. GRAHAM: You got it. We'll defer. Thank
4 you.

5 MR. TREVIÑO: Ms. Menjivar, first of all, I'd
6 like to commend you on your pronunciation of pan dulce,
7 that was very good, did a great job on that.

8 But would you say that this QA KPI process is
9 standard among state agencies in the way you're
10 approaching this? Because this seems pretty
11 comprehensive.

12 MS. MENJIVAR-SUDDEATH: Not necessarily. I
13 think key performance indicators are pretty typical of any
14 internal audit function, but taking it to the capability
15 model is definitely something that is being done by the
16 leaders in internal audit for public sector but not every
17 agency is doing that. I can only think of one right now,
18 which is Health and Human Services Commission that is
19 actually using the capability model and reporting out to
20 their commission on how they're trajectoring and what
21 they're going to do to accomplish it.

22 MR. TREVIÑO: It seems very thorough and also
23 very coordinated with the rest of the department, so I
24 just want to commend you on that.

25 MS. MENJIVAR-SUDDEATH: Thank you so much.

1 MR. PALACIOS: Okay. Are there any more
2 questions for Ms. Menjivar?

3 (No response.)

4 MR. PALACIOS: Thank you very much for your
5 presentation.

6 Let's move on to the next item, Ms. Flores and
7 Ms. Bankhead.

8 MS. FLORES: For the record, my name is Linda
9 Flores, and I am a certified public accountant in the
10 State of Texas. It takes a special person and a special
11 backbone to achieve that license.

12 MR. PALACIOS: She won't take that sitting
13 down.

14 (General laughter.)

15 MS. FLORES: I do appreciate everything that
16 Ms. Sudeath provides and brings to the agency, as well as
17 a couple of chuckles every once in a while.

18 This presentation is similar to what was
19 provided to the Legislative Budget Board and the
20 Governor's Office in August. This was the briefing that
21 we had intended to provide to the Board back in August,
22 and wanted to circle back with you to identify the things
23 that we did submit. And for the record, in front of you
24 is the actual document and what it looks like for the
25 submission to the Legislative Budget Board through their

1 online system. This is a numbers-driven request, and so
2 if you're a numbers person you're going to love it, if
3 you're not, then we have this presentation to kind of give
4 you some context.

5 We did start out with some accomplishments that
6 we were able to achieve during the current biennium. As
7 you've heard before, Hurricane Harvey threw the state for
8 a loop, including vehicles not the road, and we were able
9 to work with the Governor's Office in acquiring some
10 waivers to allow some flexibility.

11 Just to give you some context, we issued
12 220,000 salvage titles between October and December, and
13 that was 2-1/2 times more than we had done in other years.

14 Another kind of context is we normally collect about \$3
15 million in revenue from salvage titles and in '18 it was
16 \$4 million. So you know, the hurricane did cause a
17 serious spike for the year.

18 MR. BARNWELL: Linda, when you say that it was
19 2-1/2 times more than during the same time period for the
20 previous year, so it was 250 percent, 2-1/2 times, but it
21 was for the same three-month period of time?

22 MS. FLORES: Yes, sir, correct.

23 So Hurricane Harvey hit in August, we started
24 to see the spikes in October, November and December. T
25 hose were substantially higher than what we normally

1 receive in those same months for the previous year, and
2 that was where I was trying to compare 3 million on an
3 average year for salvage titles versus 4 million this last
4 fiscal year '18. So obviously we received a lot more
5 revenue, we issued a lot more titles for salvage vehicles,
6 but we were also able to do this within the statutory
7 requirement that we have to turn those things around
8 within five days.

9 So we were able to acquire some temporary
10 staff. We had at one time, I think, more than twelve
11 individuals working on processing salvage titles for VTR.

12 We had a couple upstairs actually depositing the checks
13 that we were receiving. We don't expect to see that
14 again, however, any given storm will cause the same kind
15 of ripple effect, if you will.

16 MR. BARNWELL: Thank you.

17 MS. BREWSTER: Mr. Chairman, if I may?

18 MR. PALACIOS: Yes, please.

19 MS. BREWSTER: We actually had about 20
20 temporary employees that were hired and we were able to do
21 that because we were able to get some emergency grant
22 funds through the Association of Motor Vehicle
23 Administrators. The funding didn't cover everything but
24 certainly it helped a lot.

25 MS. FLORES: We received \$125,000 from AMVA.

1 MR. BARNWELL: So we had an additional 20
2 employees to handle these additional 100,000 -- what was
3 it, about 100-, 150,000 additional during that three-month
4 period.

5 MS. FLORES: The extra money, the reimbursement
6 we got from AMVA was \$125,000.

7 MR. BARNWELL: Yes, \$125,000, but the number of
8 titles?

9 MS. FLORES: We processed over 500,000 titles.
10 That's in total for the year, this was just for those
11 three months.

12 MR. BARNWELL: So we had 20 extra employees for
13 those salvage titles.

14 MS. FLORES: Correct.

15 MR. BARNWELL: How many employees do we have
16 normally handling salvage titles?

17 MS. FLORES: I will defer to Jeremiah but I
18 believe it's about five FTEs.

19 MS. BREWSTER: That's correct.

20 MR. BARNWELL: So for a 250 percent increase in
21 number of titles we had to have a 800 percent increase in
22 number of employees. I don't understand the math here.

23 MS. FLORES: I will defer to Mr. Jeremiah.

24 MR. PREWITT: Temporary.

25 MS. FLORES: They were temps.

1 MR. PREWITT: And it was sort of a surge,
2 wasn't it? I mean, it was just a huge onslaught of titles
3 in a short period of time.

4 MR. BARNWELL: Well, it wasn't that huge.
5 They're handling a huge number -- let me tell you, the
6 staff here does a great job handling a huge number every
7 year anyway. This is not that big of a deal and I'm just
8 wondering why there's all this hoo-ha about Harvey because
9 I thought it was a heck of a lot more than this, and so
10 I'm surprised it was what it was and I'm also surprised
11 that you needed 20 temps -- if that's the number -- to
12 handle that influx.

13 MR. KUNTZ: For the record, Jeremiah Kuntz,
14 director of Vehicle Titles and Registration Division.

15 So at our peak we had 20 temporary workers that
16 came in. So if you look at the way that the spike
17 occurred, it really came up to a peak and it came back
18 down. We did the same thing with our temporary workers,
19 so we monitored daily how many salvage titles were coming
20 in and we made decisions on when to start cutting people
21 loose as well. So we did not have 20 temporary workers
22 over the entire time.

23 MR. BARNWELL: So what I really need to do is
24 not look at this over a quarter, I need to look at this
25 almost on a weekly basis.

1 MR. KUNTZ: Exactly. We looked at it daily
2 really. We had a daily report that was coming out, we
3 were monitoring those levels every day, we scaled up and
4 then scaled back down immediately as we saw we needed to.

5 MR. BARNWELL: I knew you'd have a good
6 explanation for that. So the quarterly period is simply
7 too broad to give me a sense of what was really going on
8 here.

9 Let me tell you about gas for a minute -- I've
10 got a lot of gas. What we have is people say, well, I
11 only use this much per day. Well, I don't care how much
12 you use per day, it's the peak hourly consumption that
13 makes all the difference, so we have to size gas mains and
14 transmission lines to handle 10X what a daily is because
15 in an hour everybody is taking a shower, they're cooking
16 or they're running their heater or whatever, and that's
17 that peak alley.

18 So this picture here -- this number here to me
19 is rather ineffective because it's over too big a period
20 of time, and what I really wanted to see is a compression
21 to show the extraordinary amount of work that staff had to
22 do in a very brief amount of time in order to meet the
23 five-day mandate in the law. So that's why I'm asking
24 these questions. If you had 20 people for 90 days, then
25 that's a waste of time and money because you're able to do

1 normal with only five. So that's why I was asking that
2 question, and thank you for that explanation.

3 MR. PALACIOS: Absolutely.

4 MS. FLORES: I was going to say in order to
5 give a little context, finance also watched it every day
6 as to what we were processing, so on October 2, 2017 we
7 received 9,000 applications on that one day, when we
8 normally would receive maybe 1,400 in a given day.

9 MR. BARNWELL: Yes. See, that's a really
10 significant number. If I'm selling this to people who
11 don't understand it, then I want to show them that
12 extraordinary spike in title applications and show how
13 well that the staff was able to pivot and hire these temps
14 and get that job done, and you did it. I didn't
15 understand these numbers here, they didn't make sense to
16 me.

17 MR. KUNTZ: Yes, sir. And to add on to that,
18 we were also in very close contact with the insurance
19 industry. Quint Thompson, our chief of titles, was
20 holding weekly meetings with the insurance industry. He
21 had a conference call with representatives from many, many
22 insurance companies and we would actually get a gauge from
23 them as to what they saw coming forward so that we could
24 help predict what was going to be coming the next week to
25 make sure that we had sufficient staff.

1 MR. BARNWELL: I think that the department did
2 an outstanding job, and the proactive nature of it. You
3 weren't reacting to oh, my God, look what just came in the
4 mail, you were being proactive saying what's coming down
5 the pike, what's happening with these insurance companies,
6 what other information can I gather to tell me what I'm
7 fixing to run into, because it was a rolling ball of
8 butcher knives, as a coach with UT said one time. So hats
9 off to the department, I think you did a great job on it.

10 Thank you.

11 MR. PALACIOS: Thank you, Mr. Kuntz, for your
12 input.

13 Please proceed.

14 MS. FLORES: Moving on, so the other things
15 that we were able to accomplish during the current
16 biennium were addressing some activities to help us combat
17 fraud. The legislature, during the 85th session, did
18 provide us additional funding for 13 new full-time
19 employees. We created the Compliance and Investigations
20 Division. Mr. Menke was able to put all of his folks in
21 place by June of this year, so that was a major
22 accomplishment. They've also participated in several
23 investigations and their current portfolio is in excess of
24 an \$8 million investigation for activities out there in
25 the state, which I don't have any information specifically

1 on, and if it's a current investigation, I don't think I
2 can talk about it.

3 We also did create some new dashboards for Mr.
4 Menke. One of the things that he requested is he needed
5 some reports so we had some capital dollars, actually, and
6 we were able to provide him with six additional reports.
7 And it is a continuous project, he has identified some
8 other things he would like to see so we're working on that
9 as well.

10 eLICENSING, this particular project, as you've
11 heard over and over, has received multiple awards and so
12 that was one of the things that we did highlight to the
13 joint hearing that was held in August.

14 We're also moving forward with working with the
15 Department of Information Resources on initiatives to
16 identify vulnerabilities in our IT applications, and we're
17 working to identify procedures that would ensure that our
18 motor vehicle records remain secure.

19 Customer service improvements. We're working
20 to standardize the queuing systems in the regional service
21 centers, and I think that is something that we
22 continuously try to work on. We're working to improve
23 making appointments to allow people to virtually get in
24 line. That's something that a lot of other private sector
25 individuals like to use, so we're trying to get in line

1 with that.

2 We initiated a kiosk project, and I think
3 that's one of the things y'all will be talking about
4 later. We'd like to have these self-service units in
5 offices in the tax assessor-collectors across the state,
6 so we're hoping that that will provide another means for
7 individuals to renew their registrations and obtain other
8 services through the agency.

9 We've identified some call center upgrades that
10 we're working on that will help us with our telephone
11 system. And we've got a couple of projects that are in
12 the works. One of them is to improve the external website
13 for the agency, so when you go to our agency's website it
14 will only take you a couple of clicks to get to the page
15 that you're looking for.

16 eTITLES is the final phase of the DMV's
17 webDEALER project that is also in the works. And webLIEN
18 is another project that will help provide lien holders
19 with a self-service web-enabled alternative for the
20 addition or removal of liens.

21 Separation activities include moving Bull
22 Creek. They are fully on the campus. We were
23 appropriated additional funding to accomplish that. We
24 did that on time and we didn't use all of our budget so we
25 did save some money there. And we have taken a proactive

1 approach to the Sunset Commission's recommendations and
2 many of those have already been addressed.

3 Overall, the agency submitted a baseline
4 appropriations request of \$321.5 million. This
5 accommodates 779 staff members for the agency. And your
6 material on page 171 reflects the breakout and percentages
7 by dollars of what's included in our base. It continues
8 paying staff, it keeps our lights on, we have funding for
9 the RTS application, and all of the public-facing core
10 functions, as well as the technology infrastructure asset
11 that we currently possess. And then it also provides
12 funding for indirect administration which includes things
13 such as human resources, payroll, mail room, support
14 operations. That baseline does include \$10 million that
15 we received for this biennium that carries into the next
16 biennium for repairs associated with the campus.

17 Our exceptional items request total \$19.2
18 million, and this includes five different items:
19 information technology improvements at \$2.7-; FTEs staff
20 people associated with IT, \$1.9 million; consumer
21 protection and tracking, \$567,500; customer service
22 enhancements, \$904,000 and nine FTEs; as well as the ABTPA
23 Board's number one item of \$13.1 million.

24 Just to give you a little background, the first
25 item at \$2.7-, IT infrastructure, the agency has deployed

1 several new applications and has added some complexity to
2 the RTS system, the registration and titling system, so
3 it's created opportunities for us to try to develop more
4 environments to allow people to be in the system in
5 different instances of the system, so that somebody can be
6 in there testing a new process without affecting
7 production. So we've heard from the tax assessors that it
8 would be nice to have an instance where their staff can
9 actually go in there and learn a new process, perhaps,
10 without affecting the actual production, actually
11 processing registration renewals. This amount would
12 provide for that enhancement, if you will.

13 MR. TREVIÑO: Ms. Flores, on the infrastructure
14 pieces that we're discussing here, are there any
15 specifically around IT security? Are there any statewide
16 benchmarks that we have to reach or certain --

17 MS. HARDY: Thresholds?

18 MR. TREVIÑO: Exactly. In terms of IT
19 security, I'm talking about cyber risks, those types of
20 things, especially around the data, the integrity of our
21 data. I was just wondering if in preparing the budget
22 that there were certain things that we had to meet,
23 achieve, meet or achieve.

24 MS. FLORES: What we did receive was during the
25 current biennium we did receive \$400,000 to shore up our

1 cybersecurity processes, and we're working with the
2 Department of Information Resources to do that, as well as
3 I think there were some internal dollars that we were also
4 allocating. It's almost a million dollars total:
5 \$400,000 that we were actually appropriated, plus another
6 \$700,000 within our base to address those cybersecurity
7 issues, because that has come to light that there are some
8 vulnerabilities. So I don't know if Mike Higginbotham
9 wants to address if there are actual benchmarks associated
10 with that; I cannot speak to that.

11 MR. TREVIÑO: You mentioned the Department of
12 Information Security, and so do they opine or do they have
13 any certificates, meeting all standards?

14 MR. JOSH KUNTZ: Good morning. For the record,
15 my name is Josh Kuntz. I'm the information security
16 officer for the agency.

17 You're asking about benchmarks, and so the
18 Department of Information Resources has a Texas
19 cybersecurity framework. It's 40 controls that were taken
20 from federal and the National Institute of Standards and
21 Technology 800.53 series. The Texas cybersecurity
22 framework has a maturity rating based on a scale of zero
23 to five, zero being you're not doing anything in those
24 controls, five being continuous process improvement. The
25 agency goes through biennial assessment of their program

1 based on those controls and that maturity model, and the
2 last time we went through the assessment we were at three
3 which means we are solidly doing all these processes as we
4 should with a sight towards getting better, measurable in
5 the continuous process improvement for those items.

6 MR. TREVIÑO: Great. And where do you think we
7 stand now? Do you think we've made some progress to
8 three-five or heading towards a four?

9 MR. JOSH KUNTZ: So we're currently undergoing
10 our biennial assessment. We finished up the interview
11 work with that with the DIR vendor last week, and from his
12 initial assessment he said we're probably in a solid four
13 to four and a half.

14 MR. TREVIÑO: Excellent, excellent.

15 MR. JOSH KUNTZ: I think that's a little
16 aggressive. I'm a little more conservative, I would say
17 that we have a lot more places to improve, but that's
18 being self-critical.

19 MR. TREVIÑO: It might be a good idea in the
20 near future that we get an update on cyber risks just to
21 see where we stand as an agency on that. It's a hot topic
22 and something that I think we all benefit from hearing
23 about. Thank you.

24 MR. JOSH KUNTZ: Absolutely.

25 MR. TREVIÑO: Thank you very much.

1 MS. BREWSTER: Mr. Chairman, if I may? Mr.
2 Kuntz will be giving an update to you all on some of those
3 efforts in executive session today.

4 MR. TREVIÑO: Thank you very much, Ms.
5 Brewster.

6 MR. PALACIOS: Thank you, Mr. Kuntz.

7 MS. FLORES: Moving on, the second exceptional
8 item has to do with the staff that we need in order to
9 help support those applications and all of those efforts
10 in IT. We are asking for new staff to help support all of
11 our enhancement in IT.

12 Item number 3 is consumer protection and
13 tracking. This addresses several Sunset recommendations
14 and it provides for a proactive risk-based approach to
15 enforcement and fraud through the construction of a
16 public-facing database of case histories for motor vehicle
17 enforcement data, as well as improving reporting of
18 enforcement data. And it also provides compliance and
19 investigations with software tools that they're requesting
20 to help in the detection of fraud, waste and abuse.

21 The fourth item is \$904,000, nine FTEs in
22 consumer relations. The agency has experienced increases
23 in the public trying to reach us by phone, by email, and
24 in order to meet that increase, we utilized the regional
25 service center staff and we diverted some of those phone

1 calls to those regional staff. Well, that in turn had
2 another consequence in that the regional service staff was
3 not able to take phone calls from the county, as well as
4 process questions or transactions at the counter. So we
5 are asking for nine new FTEs to bring those things back
6 in-house that were there originally and to allow our
7 regional service staff to go back to their primary
8 function which was to support the public and the counties.

9 The fifth item is the \$13.1 million. Again,
10 this is a Sunset recommendation that would -- it does
11 require statutory change, it would require that the
12 statute enlarge the ABTPA's scope of authority to address
13 criminal violations in title and odometer fraud. The
14 fiscal impact to this is \$13.1 million. Just as a
15 refresher, primarily most of ABTPA's appropriations, all
16 but about a million a year, is passed on to local police
17 enforcement divisions across the state, so these dollars
18 would actually go out to our local PDs to help them with
19 the task forces that they operate.

20 And that concludes all of the exceptional items
21 for the agency.

22 We will have another opportunity moving forward
23 when session starts. As you know, bill filing begins in
24 November, the session actually starts in January. We will
25 see a recommended budget for the department come out in

1 January. We'll know whether or not these exceptional
2 items are funded or not funded. At that point it's a
3 proposal. We'll have another go at it, we have another
4 opportunity to modify our request that we will be able to
5 justify during session, so if something does change, we
6 will inform the Board and get your input as to how y'all
7 would like to proceed.

8 Thank you very much.

9 MR. PALACIOS: Thank you, Ms. Flores.

10 Are there any additional questions on the
11 exceptional items that Ms. Flores and Ms. Bankhead have
12 presented?

13 (No response.)

14 MR. PALACIOS: Okay. Please move on to the
15 next item.

16 MR. BARNWELL: Before we get started, I'd just
17 like to say that I applaud your ability to predict the
18 future a thousand years, one in time millennium in the
19 future.

20 MS. BANKHEAD: Oh, my gosh.

21 MR. BARNWELL: Oh, you didn't mean to do that?

22 MS. BANKHEAD: No, I didn't.

23 MR. GRAHAM: Just stay with the story:
24 exceptional, just simply exceptional.

25 MR. BARNWELL: These are in today's dollars so

1 don't be afraid.

2 MR. GRAHAM: Barney, I'm going to be gone but I
3 know you'll be here to take care of that.

4 (General laughter.)

5 MS. BANKHEAD: Good morning. For the record,
6 my name is Renita Bankhead, assistant CFO, and predictor
7 of the future. I am here to present the financial summary
8 for the fourth quarter fiscal year 2018, not 3018. This
9 is a briefing item, we will not be requesting any Board
10 action.

11 The state fiscal year begins on September 1 and
12 it ends at August 31. This presentation is a summary of
13 year-end revenue collection, expenditures and budget
14 balances. The financial reports will be presented to you
15 probably in February when we finish all of our financials,
16 so this is basically a different presentation than that
17 one, so you'll be getting that one later. These materials
18 are in your board books on page 181.

19 So starting off, DMV Fund highlights. Based on
20 some of the stuff that we've already talked about this
21 morning, our DMV Fund exceeded our projections by 8.7
22 percent. The main driver of that is associated with the
23 continued increase in the number of registered vehicles.
24 The other things are, as you can see there,
25 oversize/overweight permits and the impact to titles from

1 Hurricane Harvey which we just talked about.

2 The processing and handling fee, I'll just say
3 this, even though our overall DMV Fund increased, it was
4 above projections, the processing and handling fee is
5 pretty much what we had assumed it would be, so the driver
6 is really not the processing and handling fee, it's really
7 oversize/overweight and our registrations.

8 This is a comparison of our DMV Fund revenues
9 versus our expenditures, and the balance still continue to
10 exceed our obligations, and the fee collections totaled
11 \$179 million. That's including \$12 million in collections
12 for fees for credit cards and other kind of obligations
13 such as that. The expenditures totaled \$123.8 million,
14 and that leaves us with a balance of about \$97 million,
15 which was higher than what we had talked about before.

16 When we add in encumbrances which are
17 obligations that are reserved, when you put in a purchase
18 order you reserve the fund, we call those encumbrances, we
19 had not been including those before because we were just
20 showing you cash, what comes in, what goes out, cash is
21 cash. But now we have to include those encumbrances
22 because those things will still happen before we finish
23 closing out our books, so what you add that in, it brings
24 down our balance to about \$85 million, but that's still
25 above what we thought it would be. The main drivers for

1 that are basically the fact that we had higher revenues
2 plus there were some things that we budgeted for that
3 didn't happen, and we'll talk about that in a few minutes.

4 My Plates continues to provide more revenue to
5 general revenue. \$6.6 million has been added to general
6 revenue since the August 2017 guarantee was met. So they
7 have to meet a certain guarantee of \$15 million, then
8 we've done another \$6.6- in addition to that.

9 Moving on to expenditures, our operating budget
10 expenditures and encumbrances totaled \$138.2 million for
11 79 percent of the approved budget. Most of our operating
12 costs are in salaries, professional fees and other
13 operating expenses, as we call it. The other operating
14 expenses are primarily to support the agency's core
15 mission which is contract services for plate production
16 and printing and mailing of vehicle registration and
17 renewal information, so that's what's really in that
18 operating expense bar, that's what's driving that number.

19 Also included is capital budget, and most of
20 that is pretty much in professional fees, and that's \$24.2
21 million, and I have a graph right here for that. Much of
22 that is allocated to our automation projects, our
23 expenditures for automation. That's about \$13 million.
24 And the other technology projects, most of that is our
25 data center services contract with the Department of

1 Information Resources, and that's about \$7.8 million.

2 And if you need any additional information on
3 the capital budget, that begins on page 191.

4 So finally, just to kind of talk about our
5 year-end budget balances, we ended the year at 8/31 with
6 \$38.7 million in budget balances. \$16.7 million of that
7 is capital budget balances that we can carry forward to
8 '19, so that leaves us with about \$21 million. The
9 biggest portion of that is salary lapse, we have vacant
10 positions. We also, as Linda mentioned a minute ago, we
11 saved \$1.3 million because we didn't have to go outside to
12 relocate Bull Creek, we could relocate them here on the
13 campus, so we saved \$1.3 million for that.

14 We had some savings because of license plate
15 production, we kind of ramped down on that a little bit,
16 about \$3.7 million. We still have a 12-month inventory of
17 license plates, so we just didn't spend that money because
18 pretty much of it is just capacity, we don't have a place
19 to store all those license plates, so we just saved on
20 that.

21 And then we had another \$1.8 million related to
22 the Rider 6 for My Plates vendor payments, and that is
23 based on the revenue that comes in for My Plates and then
24 we pay it out to the vendor for the advertising and all of
25 that kind of thing, and so it's kind of revenue neutral,

1 so as the revenue goes down, the expenditures go down.
2 But the legislature gives us authority to spend up to a
3 certain amount and if you don't spend that amount, you
4 have to kind of use that as a lapse, so it's really
5 authority that's lapsed.

6 The operating budget balance, that \$20 million,
7 also includes \$4.5 million in headquarters maintenance
8 that we asked for last biennium that we haven't been able
9 to spend because we're still working with TxDOT to take
10 over this facility. We have submitted a request to the
11 Legislative Budget Board to be able to carry forward \$2.2
12 million of that and we're still waiting to hear from them
13 on that, we're hoping to hear from them on that very soon.

14 So any remaining funds that remain in our
15 budget, those go back to the DMV Fund and that money is
16 used to support our appropriations request that we just
17 asked for, so the fact that we have money in our fund
18 means that we will be able to request that money to
19 finance our appropriation, so the legislature will use
20 that money to finance any exceptional items they give us
21 or any baseline items.

22 And that concludes my presentation. Questions?

23 MR. TREVIÑO: Ms. Bankhead, Ms. Flores, does
24 the state or anybody pay a rate on our cash balances? Is
25 there a cash management program in place through the

1 state? Because these are significant balances.

2 MS. FLORES: Yes, sir. The state's treasury
3 department has a staff associated with cash management.
4 We are able to earn and retain our interest earnings on
5 that fund balance, so that is included in our
6 miscellaneous. And that is unusual, most funds are not
7 allowed to retain their interest earnings, so the fact
8 that this fund does is a good thing.

9 MR. TREVIÑO: Great, excellent.

10 And the P&H fee, the online renewals didn't
11 seem to be growing.

12 MS. FLORES: No, sir.

13 MR. TREVIÑO: Any thoughts on that?

14 MS. FLORES: Actually, we are taking an
15 approach to survey, if you will, put out a survey in order
16 for us to explore why we are not getting the adoption
17 rates that we had hoped to achieve. I think we're like at
18 18 percent and we were hoping by now to be north of 20-
19 something percent adoption rate. I know the executive
20 office is working to put together a survey to help us
21 understand why the public is not using the online
22 approach.

23 MR. PALACIOS: Thank you, Ms. Bankhead and Ms.
24 Flores, for your presentation on the fourth quarter
25 financial summary.

1 Are there any questions on this issue?

2 (No response.)

3 MR. PALACIOS: Thank you very much, ladies.

4 Okay. We are now going to move on, we're going
5 to go out of order here, we're going to go into executive
6 session and save agenda item number 12 until after we
7 return from executive session.

8 So we're going into closed session now, it is
9 10:03 a.m. on October 4, 2018. We'll go into closed
10 session under Texas Government Code Sections 551.071,
11 551.074 and 551.089. For those of you in attendance, I
12 anticipate being in executive session for about an hour.
13 We'll reconvene in open session after that.

14 With that, we are recessed from public meeting
15 and going into executive session.

16 (Whereupon, at 10:03 a.m., the meeting was
17 recessed, to reconvene this same day, Thursday, October 4,
18 2018, following conclusion of the executive session.)

19 MR. PALACIOS: It is approximately 11:54 a.m.
20 on October 4, 2018, and the Board of the Texas Department
21 of Motor Vehicles is now in open session. We want to note
22 that no action was taken in closed session.

23 All right. So let's move on now to the last
24 agenda item, item 12, Projects and Operations. Mr.
25 O'Quinn and Mr. Menke.

1 MR. O'QUINN: For the record, Jonathan O'Quinn.
2 I'm the deputy chief information officer, and today I'll
3 be speaking on item 12.A.

4 MR. BARNWELL: Can you speak up just a little
5 bit, please, sir?

6 MR. O'QUINN: How's that?

7 This agenda item is related to the kiosk
8 project. This project will pilot self-service kiosks
9 around the state that would process registration renewals
10 and actually print registration stickers onsite. The top
11 two goals for this is to better serve the citizens of the
12 State of Texas by offering registration renewals outside
13 of normal business hours, as well as to reduce wait times
14 for county offices during those regular business hours.
15 This project will gather data for approximately a year
16 during the course of the pilot to substantiate the
17 findings and to prove out the benefit to the citizens of
18 Texas.

19 Staff have been working on the request for
20 proposals and have informed us that they anticipate
21 completion of the RFP in the coming weeks. So in
22 preparation for that, this agenda item request is to
23 request decision to delegate signature authority to the
24 executive director to solicit bids for, negotiate,
25 execute, award and sign the contract, renewals or

1 amendments of the kiosk project contract at an amount not
2 to exceed any appropriation continued in the current state
3 biennial budget for this item.

4 I can give you some additional background and
5 answer questions. If not, I'd like to ask for approval.

6 MR. PALACIOS: Okay. Are there any questions
7 for Mr. O'Quinn?

8 (No response.)

9 MR. PALACIOS: Hearing none, I'll entertain a
10 motion.

11 MR. TREVIÑO: I think it's a great idea to try
12 and improve customer service using this process, so I
13 commend you guys for going through the exercise. So with
14 that, I would like to move that the Board approve the
15 delegation of signature authority to the executive
16 director, after consultation with the Board chairman, to
17 solicit bids for, negotiate, execute, award and sign the
18 contract, renewals or amendments of the kiosk pilot
19 contract, at an amount not to exceed any appropriation
20 contained in the current state biennial budget for this
21 item.

22 MS. HARDY: Second.

23 MR. PALACIOS: Okay. We have a motion by Board
24 Member Treviño, a second by Board Member Hardy to approve
25 the delegation of signature. All those in favor please

1 signify by raising your right hand.

2 (A show of hands.)

3 MR. PALACIOS: Motion passes unanimously.

4 Thank you, Mr. O'Quinn.

5 Mr. Menke.

6 MR. MENKE: Good morning. For the record, Tim
7 Menke. I'm the director of the Compliance and
8 Investigations Division. I want to thank the Board for
9 giving me an opportunity to give a quick update on
10 activities in CID, which is the Compliance and
11 Investigations Division.

12 Just a quick reminder, there are two sections
13 within the division. The one section on the compliance
14 side has to do with our field service representatives.
15 They ensure compliance within tax assessor-collector
16 offices, look for vulnerabilities, work with the tax
17 assessor-collectors on best practices. On the other side
18 of the division we have the special investigations
19 section, with a criminal intelligence analyst and
20 investigators. They engage in criminal investigations,
21 not only internally but also working with our
22 stakeholders, our law enforcement partners.

23 Our hiring has been completed, as Ms. Flores
24 mentioned earlier; we were fully staffed as of June. We
25 had one backfill in El Paso because we have an FSR

1 promoted to manager. That backfill has been completed and
2 that person will start very soon. She's a retired DPS
3 agent, so we've got some quality people coming onboard.

4 Our internal training is on track, is on
5 schedule. We had all of our staff come in in July for a
6 three-day training section. It was kind of a 101 training
7 to expose them to some of the new data that they will be
8 looking at. That coincided with the first release of the
9 three scheduled releases of reports focusing in on fraud
10 and outliers. That project is also on track and under
11 budget, and we expect the total of nine COGNOS reports
12 that will assist our investigators to be completed by
13 12/31.

14 A second release is expected to go out next
15 week and that is on time, and we will have some additional
16 training for our investigators and FSRs in January once
17 the total release takes place. That will be intermediate
18 training.

19 They will then go back and conduct further
20 investigations and field reviews, and then advanced
21 training will take place in July of next year to implement
22 some of the new tools that Ms. Flores had talked about
23 that we expect to procure in the near future.

24 We've had regular contact with law enforcement
25 stakeholders, especially the fusion centers. Because we

1 only have four investigators and a lead investigator, it's
2 important to get the word out to the law enforcement
3 community that we exist and we're here to help them, and
4 the best way to do that is through the fusion centers
5 because federal, state, local law enforcement have access
6 to the eight fusion and intelligence centers throughout
7 the state, and by working closely with the fusion centers,
8 we can leverage our information and our background so law
9 enforcement can access it and know that are there to help
10 them.

11 And the word is getting out. Just since June
12 1, after we were fully staffed, we've had nearly 300
13 requests for assistance from law enforcement. That
14 request includes assisting them with records checks,
15 interviewing subjects, providing information for
16 affidavits for probable cause for search and arrest.

17 Our investigators have been involved in about a
18 dozen search operations, they've been involved in over 20
19 arrests, not that they're actually laying hands on and
20 arresting folks because we don't have commissioned
21 authority, but providing information necessary for
22 probable cause for those arrests.

23 We've established a law enforcement working
24 group. That working group met for the first time in July,
25 we will meet again October 23. We have representation

1 from state, county, local law enforcement, some of the
2 federal law enforcement includes FBI, Secret Service,
3 Homeland Security, all the fusion centers, major
4 metropolitan police departments.

5 We also have representation from the Department
6 of Public Safety, criminal investigations division, patrol
7 division, driver's license division, and we just touch on
8 topics of their interest so that we have law enforcement
9 input as we move further with the operations of CID, and
10 it's important to have that input.

11 The types of investigations we're conducting
12 are numerous. Our three main priorities, if you recall,
13 are public safety, public corruption, and return on
14 investment, and that drives our decision-making process
15 when accepting cases to work.

16 Our portfolio, Ms. Flores mentioned earlier,
17 was approximately \$8 million. That's increased in the
18 short time since I provided that information, we're well
19 over \$12 million -- well over \$10 million, close to \$12
20 million in the schemes associated with the investigations
21 we're currently investigating.

22 Those areas include odometer rollbacks, title
23 registration fraud, we have some public corruption cases,
24 we have internal criminal investigations, as well as
25 investigations regarding tax assessor employees

1 inappropriately and intentionally misusing equipment. So
2 there's a full variety of investigative activity.

3 Our field service representatives are also very
4 busy. Just since August 1 they've conducted 165 tax
5 assessor office reviews, and that's with only ten. We had
6 on FSR out on maternity leave and we had one backfill, so
7 basically we had ten FSRs conducting that type of work.
8 That puts us well on track for 900 to 1,000 tax assessor-
9 collector office reviews within the year.

10 So that's just a brief overview as to where we
11 stand. I'm comfortable where we are on our projects; we
12 are on time and under budget. And I'd be happy to answer
13 any questions.

14 (General talking and laughter.)

15 MR. PALACIOS: Thank you for your briefing, Mr.
16 Menke.

17 MR. MENKE: Thank you.

18 MR. PALACIOS: Really appreciate it.

19 MS. BREWSTER: Mr. Chairman, if I might?

20 MR. PALACIOS: Yes.

21 MS. BREWSTER: I just want to commend Tim and
22 his team. Tim has done a great job getting this office
23 set up in a very short amount of time and they have really
24 hit the ground running, and what it shows me is, one, we
25 have a great group of people in our Compliance and

1 Investigations Division, but two, it's very needed.

2 And so I just want to publicly thank Tim and
3 the rest of the Compliance and Investigations Division for
4 the work that they're doing.

5 MR. MENKE: Thank you.

6 MR. PALACIOS: Thank you very much.

7 Okay. Let's move on now. We won't have
8 another executive session.

9 Public comment, I've not received any comment
10 cards for anyone wishing to provide public comment. So
11 give that, I think we're on item number 16, so at this
12 point I will entertain a motion to adjourn this meeting.

13 MR. PREWITT: So moved.

14 MR. TREVIÑO: Second.

15 MR. PALACIOS: Not so fast. Meeting adjourned.

16 (Whereupon, at 12:05 p.m., the meeting was
17 adjourned.)

C E R T I F I C A T E

MEETING OF: TxDMV Board

LOCATION: Austin, Texas

DATE: October 3, 2018

I do hereby certify that the foregoing pages, numbers 1 through 102, 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: October 11, 2018

/s/ Nancy H. King
(Transcriber)

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