



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

TxDMV Board Committee Meeting

Finance & Audit Committee

2:00 p.m.

Wednesday, February 5, 2020

AGENDA
FINANCE AND AUDIT COMMITTEE MEETING
BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES
4000 JACKSON AVE., BUILDING 1, LONE STAR ROOM
AUSTIN, TEXAS 78731
WEDNESDAY, FEBRUARY 5, 2020
2:00 P.M.

All agenda items are subject to possible discussion, questions, consideration, and action by the Finance and Audit Committee of the Board of the Texas Department of Motor Vehicles (Committee). Agenda item numbers are assigned for ease of reference only and do not necessarily reflect the order of their consideration by the Committee. The Committee reserves the right to discuss any items in executive session where authorized by the Open Meetings Act. A quorum of the Board of the Texas Department of Motor Vehicles (Board) may be present at this meeting for information-gathering and discussion. However, Board members who are not Committee members will not vote on any Committee agenda items, nor will any Board action be taken.

PAGE

- 1. Roll Call and Establishment of Quorum**
- 2. Pledges of Allegiance - U.S. and Texas**
- 3. Comments and Announcements from Committee Chair, Committee Members, and Executive Director**

BRIEFINGS AND ACTION ITEM

- 5** 4. *Consideration and Possible Recommendation for Action to the Full Board:*
FY 2020 Six-Month Audit Plan - Sandra Menjivar-Suddeath
- 17** 5. *Briefing Items:*
 - A. Internal Audit Division Status Report** - Sandra Menjivar-Suddeath
 - **FY 2020 Internal Audit Follow-up**
 - **Title and Registration Customer Support Audit**
 - 41** **B. Procurement and Contract Management Audit Update** - Linda M. Flores and Sergio Rey
 - 49** **C. FY 2019 End of Year Reports** - Linda M. Flores, Sergio Rey, and Blake Randow
 - **Annual Financial Report**
 - **Annual Report of Nonfinancial Data**
 - 114** **D. FY 2020 First Quarter Financial Report** - Linda M. Flores and Sergio Rey

EXECUTIVE SESSION

6. The Committee may enter into closed session under one or more of the following:

provisions of the Texas Open Meetings Act, Government Code, Chapter 551:

- **Section 551.071** - Consultation with and advice from legal counsel regarding:
 - pending or contemplated litigation, or a settlement offer;
 - a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Government Code, Chapter 551; or
 - any item on this agenda.

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

- **Section 551.076** - Deliberation Regarding Security Devices or Security Audits; Closed Meeting.
 - the deployment, or specific occasions for implementation, of security personnel or devices; or
 - a security audit.

- **Section 551.089** - Deliberation Regarding Security Devices or Security Audits; Closed Meeting.
 - security assessments or deployments relating to information resources technology;
 - network security information as described by Section 2059.055(b); or
 - the deployment, or specific occasions for implementation, of security personnel, critical infrastructure, or security devices.

7. Action Items from Executive Session

8. Public Comment

9. Adjournment

The Committee will allow an open comment period to receive public comment on any agenda item or other matter that is under the jurisdiction of the Committee. No action will be taken on matters that are not part of the agenda for the meeting. For subjects that are not otherwise part of the agenda for the meeting, Committee members may respond in accordance with Government Code, Section 551.042 and consider the feasibility of placing the matter on the agenda for a future meeting. In accordance with 43 Texas Administrative Code §206.22, any person wishing to address the Committee must complete a speaker's form at the registration table prior to the agenda item being taken up by the Committee. Public comment will only be accepted in person. Each speaker will be limited to three minutes and time allotted to one speaker may not be reassigned to another speaker.

Agenda items may be presented by the named presenters or other TxDMV staff.

Pursuant to Sections 30.06 and 30.07, Penal Code (trespass by license holder with a concealed or openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun or a handgun that is carried openly.

Any individual with a disability who plans to attend this meeting and requires auxiliary aids or services should notify the department as far in advance as possible, but no less than two days in advance, so that appropriate arrangements can be made. Contact David Richards by telephone at (512) 465-1423.

I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements.

CERTIFYING OFFICIAL: Tracey Beaver, General Counsel, (512) 465-5665.

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sandra Menjivar-Suddeath, Internal Audit Division Director
Agenda Item: 4
Subject: FY 2020 Six-Month Audit Plan

RECOMMENDATION

For the Finance and Audit Committee to recommend the Board approve the Fiscal Year (FY) 2020 Internal Audit Plan for the second six months.

PURPOSE AND EXECUTIVE SUMMARY

The Finance and Audit Committee reviews the Internal Audit Plan. Based on the review, the Committee recommends approval to the Texas Department of Motor Vehicles Board as Board approval is required on the Internal Audit Plan. The FY 2020 Internal Audit plan for the second half provides information on engagements, divisional initiatives, added-value services, and a contingency engagement. It also includes information on engagements that were deferred from the first half plan. The plan includes four engagements and one contingency engagement.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

In FY 2020, IAD split their audit plan into two six-month plans. IAD moved to a six-month audit plan to allow for flexibility and deal with emerging risks. The audit plan for the second half of the fiscal year includes two risk-based engagements, two required engagements, division initiatives, added-value services, and a contingency engagement.

Engagement Information

IAD identified four engagements that it will conduct during the last six months of the fiscal year. The four engagements are comprised of two risk-based engagements and two required engagements:

- **Law Enforcement Information Request Advisory Service:** This advisory service will review law enforcement information request processes in the Department.
- **Payment Card Industry (PCI) – Requirement 2:** This audit will evaluate the Department's compliance with PCI Requirement 2, which relates to default passwords and configurations. This audit was identified as an area of review in the Cybersecurity roadmap.
- **Audit Recommendation Implementation Status Follow-Up:** A required ongoing engagement that verifies the implementation status for internal audit recommendations by fiscal quarter.
- **FY 2021 Internal Audit Risk Assessment and Plan:** A required enterprise-wide risk assessment to identify the high – risk engagement areas for the upcoming fiscal year.

IAD identified a contingency audit if more resources become available. The contingency audit would focus on the information technology change management process.

Divisional Initiatives and Added-Value Services

In addition to the engagements, IAD conducts other value-added services and works on divisional initiatives to improve IAD's effectiveness and efficiency. IAD plans on working and conducting the following:

- Senate Bill 65 Implementation
- Key Risk Indicators
- Cybersecurity Co-Sourcing
- TeamMate Transition
- Staff Development Plans and Training
- Fraud, Waste, and Abuse (FWA) Items
- External Coordination Efforts
- Ad hoc Advisory
- Work Group Participation
- Department Training

Deferred Engagements

In the FY 2020 First Half Internal Audit Plan, IAD anticipated conducting an audit in the Applications Services Section and an advisory service on Temporary Tags. These engagements were deferred due to the request to review the law enforcement information request. Due to the nature of the request, IAD anticipates engagement will require reviewing processes agency-wide and conducting substantial testing to provide advice and information.

Risks associated with the deferred engagements will be reviewed as part of the FY 2021 Risk Assessment and Internal Audit Plan.



Texas Department *of* Motor Vehicles

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Fiscal Year (FY) 2020 Second Half Internal Audit Plan

Internal Audit Division

February 2020

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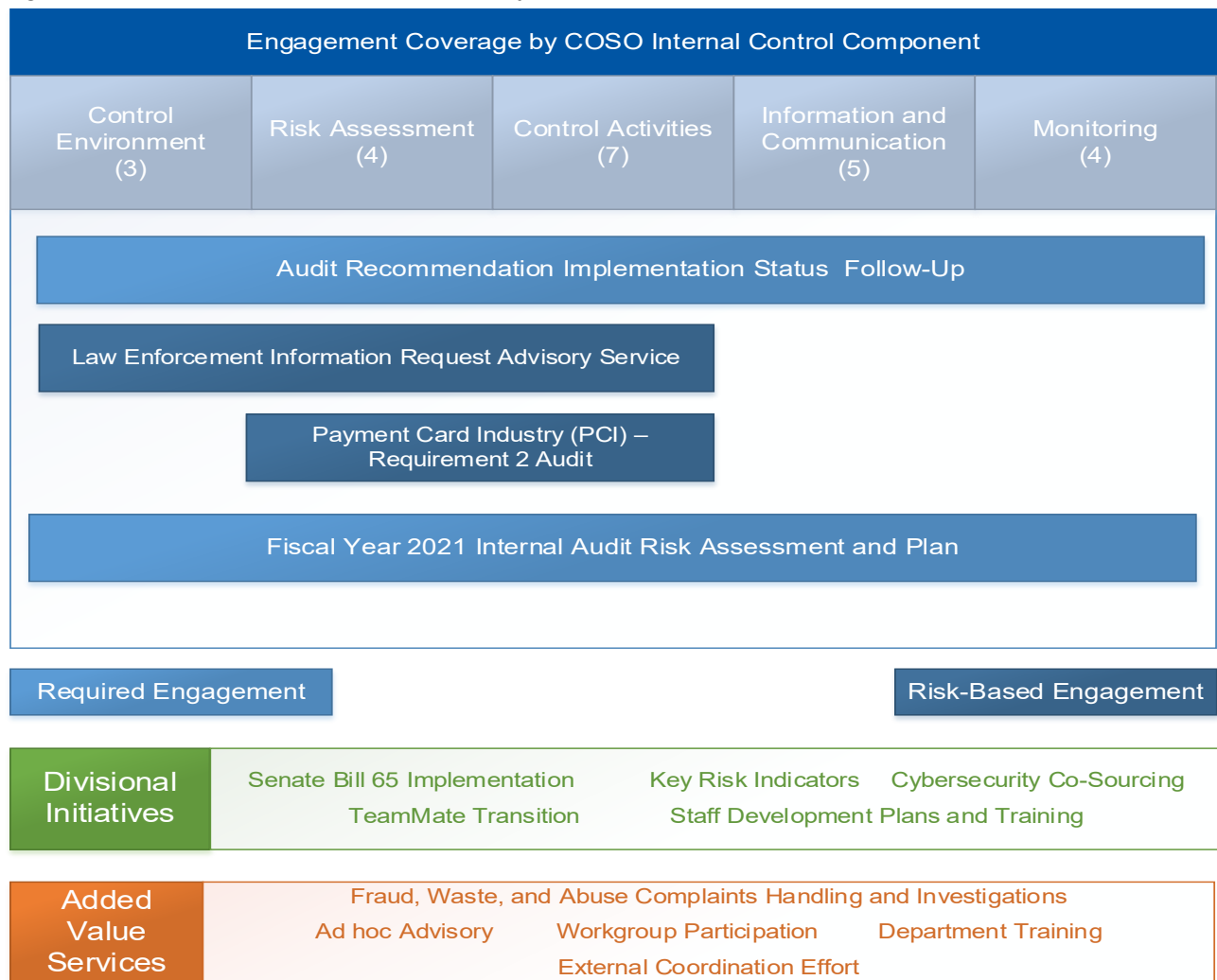
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FY 2020 Second Half Summary

The Internal Audit Division (IAD) annual audit plan for fiscal year (FY) 2020 is divided into two six-month plans. IAD moved to a six-month audit plan to allow for flexibility as Texas Department of Motor Vehicles' (TxDMV) risks change rapidly. The audit plan for the second half of the fiscal year includes two risk-based engagements, two required engagements, division initiatives, and added-value services. The second half summary is depicted in Figure 1 and it includes information on how each engagement relates to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Control Framework.

The COSO Framework was designed to help organizations improve business and operating environments by establishing effective internal control, enterprise risk management, and fraud deterrence. More information on the COSO Framework, including the five components of internal controls, can be found in the Scope and Methodology section of the plan: [COSO Framework Information](#).

Figure 1. Second Half Audit Plan Summary



Engagement and Services Information



Risk-Based Engagements

- Law Enforcement Information Request Advisory Service:** The Department supports criminal investigations by providing information to law enforcement. The information provided may contain information that is subject to Drivers' Privacy Protection Act (DPPA) and Public Information Act (PIA). This advisory service will review law enforcement information request processes used in the Department.
- Payment Card Industry (PCI) – Requirement 2 Audit:** When a network device is delivered to the Department, default passwords and settings are programmed by the vendor. The default passwords and settings are known to many. It is the responsibility of the Department to change those default passwords and settings as required by best practices and PCI Standards. This audit will evaluate the Department's compliance with PCI Requirement 2, which relates to default passwords and configurations. This audit was identified as an area of review in the Cybersecurity roadmap.

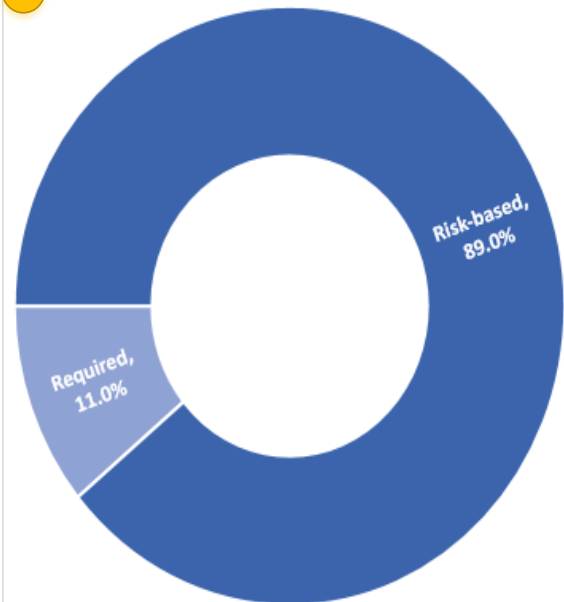


Required Engagements

- Audit Recommendation Implementation Status Follow-Up:** IAD verifies the implementation status of internal audit recommendation by fiscal year quarter.
- FY 2021 Internal Audit Risk Assessment and Plan:** An enterprise-wide risk assessment to identify the high – risk engagement areas for the upcoming fiscal year.



Resource Allocation





Divisional Initiatives

- **Senate Bill 65 Implementation:** IAD will identify how to implement statutorily required monitoring of procurement and contract functions.
- **Key Risk Indicators:** IAD will be finalizing processes to conduct continuous risk evaluation for the following items:
 - *Fraud Indicators:* IAD will monitor TxDMV leave balances and payment information.
 - *Regional Service Center (RSC) Transactions:* IAD will be monitoring RSC transactions to identify potential fraud or inefficiencies.
 - *Procurement and Contract Management Monitoring:* IAD will monitor procurement and contracts to identify potential high-risk procurements that might warrant additional review.
 - *ITS Division Monitoring:* IAD will evaluate how to monitor ITS Division workload.
- **Cybersecurity Co-Sourcing:** IAD will be evaluating and reviewing bids received for its co-sourcing Request for Proposal (RFP).
- **TeamMate Transition:** The audit software used has reached end of life and an upgrade to the new software and platform is needed. IAD manages its own software and will be required to work with the vendor to implement and test the software as well as train the Department.
- **Staff Development Plans and Training:** IAD staff take training and create development plans to obtain required knowledge, skills, and abilities.



Added – Value Services

- **Fraud, Waste, and Abuse (FWA) Items:** IAD is responsible for reviewing, tracking, and investigating any internal FWA allegations, including those received through the State Auditor's Office Hotline.
- **External Coordination Efforts:** IAD coordinates and facilitates any external audits. External coordination efforts include providing audit status update and coordinating responses.
- **Ad hoc Advisory:** IAD sets aside 150 hours to address any short-term assessment or information requests by TxDMV staff during the first half of the fiscal year.
- **Workgroup Participation:** IAD participates in TxDMV work groups to help identify any unforeseen risk in enterprise projects or activities.
- **Department Training:** IAD provides training to help TxDMV staff understand their responsibilities for audits, recommendation implementation, and preventing fraud, waste, and abuse.

Detailed Engagement Information

FY 2020 Second Half Engagements

The two risk-based engagements identified for the second half both align to strategic goals *Performance Driven* and *Optimized Services and Innovation*. Both engagements focus on processes conducted by several different divisions, including the following:

- Compliance and Investigations Division
- Enforcement Division
- Information Technology Services Division
- Vehicle Titles and Registration Division

The two required engagements align to all three strategic goals as it includes a risk assessment that review the entire organization to identify high-risk areas for the internal audit plan and a review of audit recommendations.

Estimated Hours

IAD anticipates the following hours for each engagement:

- **Law Enforcement Information Request:** 2,000 hours
- **PCI – Requirement 2:** 675 hours
- **Audit Recommendation Implementation Status Follow-Up:** 175 hours
- **Internal Audit Plan:** 150 hours

FY 2020 First Half Engagements Deferment

In the FY 2020 First Half Internal Audit Plan, IAD anticipated conducting two engagements:

- **Applications Services Section Audit:** Application Services Section supports Department applications. The audit was to evaluate how the section prioritizes and balances support needs.
- **Temporary Tags Advisory Service:** TxDMV issues temporary tags for vehicles subject to Texas registration laws, but not authorized to travel on Texas highways. This advisory service was to provide strategies to further combat temporary tag fraud.

These engagements have been deferred and the risks identified will be reviewed as part of the FY 2021 Internal Audit Risk Assessment and Plan. The engagements were deferred due to the

request to review the Law Enforcement Information Request. Due to the nature of the request, IAD anticipates the engagement will require reviewing processes agency-wide and conducting substantial testing to provide advice and information.

Contingency Engagements

The IAD has alternate, or contingency, engagements if additional resources or hours are identified. These engagements were identified through the annual risk assessment process and a review of the Cybersecurity roadmap.

- **Change Management Audit:** The main purpose of change management is to enable fast and reliable delivery of change to the business and mitigation of the risk of negatively impacting the stability or integrity of the changed environment. Change management is the process that ensures that all changes are processed in a controlled manner, including standard changes and emergency maintenance relating to information technology. Change management sets up a set of rules and administrative guidelines to manage changes in a rational and predictable manner. In addition, it provides for the necessary documentation of any changes made to reduce any possible negative impact. Changes include, but are not limited to implementation of new functionality, interruption of service, repair of existing functionality, and the removal of existing functionality. IAD will establish objectives and hours if the engagement occurs.

This engagement would be aligned to strategic goal, *Performance Driven*.

Scope and Methodology

Scope

The Internal Audit Plan covers the period of February to August 2020.

Risk Assessment

Risk Methodology

The audit plan was developed using a risk-based methodology, which incorporated input from TxDMV board members, executive management, division management, and risks identified by audit staff through previous fiscal year engagements and observations. IAD also analyzed TxDMV information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. Projects' risk rankings were developed using the following factors and risk guidelines reviewed and discussed with TxDMV executive management:

- Revenue or expense impact
- Asset or liability impact
- Operational effectiveness and efficiency impact
- Legal or regulatory impact
- Brand or reputational impact
- Degree of change in the program, function, or process
- Degree of complexity
- Degree of centralization
- Control design strength

In total, 165 Department risks were identified through the risk assessment. Each risk was scored using the above factors. The risk scores ranged from zero, which is the lowest risk score, to six, which is the highest risk score. An inherent risk score of four or higher is considered high risk for the Department. Low and medium risk scores range from 0 to 4, as depicted below.

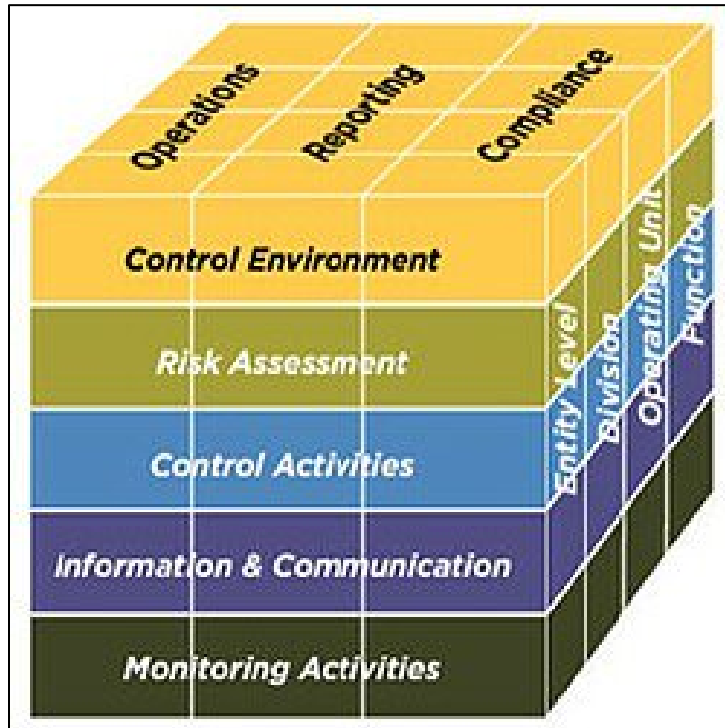
Low Risk	Medium Risk	High Risk
0 – 2.00	2.01 – 4	4.01 - 6

Committee of Sponsoring Organizations of the Treadway Commission (COSO) Methodology

Once all risks were reviewed and ranked, the audit team evaluated each risk using the COSO *Internal Control – Integrated Framework*. The framework integrates three broad objectives (Operations, Reporting, and Compliance) and ties those objectives to risks and controls through

five internal control components and four structural levels as depicted in Figure 2, COSO cube. The COSO cube depicts how the internal controls framework has a direct relationship between objectives, the components needed to achieve objectives, and a typical organizational structure.

Figure 2. COSO Cube



The definition for the COSO Internal Control Components are as follows:

- **Control Environment:** The foundation for an internal control system. The Control Environment is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It provides the discipline and structure to help an entity achieve its objectives. The TxDMV Board and executive management establish the tone at the top regarding the importance of internal control including expected standards of conduct.
- **Risk Assessment:** The processes used to determine how risk is to be managed. TxDMV management assesses the risks facing the entity as it seeks to achieve its objectives.
- **Control Activities:** The actions TxDMV management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes information systems.
- **Information and Communication:** The quality of information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.

- **Monitoring:** The activities TxDMV management established to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two. The activities are used to ascertain whether each of the five components of internal control, are present and functioning.

Hour Analysis

Hours were calculated using historical data and auditor's judgement. Hours are an estimate and could be adjusted.

Board Meeting Date: 2/5/2020
BRIEFING

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sandra Menjivar-Suddeath, Internal Audit Division Director
Agenda Item: 5.A
Subject: Internal Audit Division Status

RECOMMENDATION

Briefing Only – No recommendation.

PURPOSE AND EXECUTIVE SUMMARY

The status update provides information on current Internal Audit Division (IAD) activities. The February 2020 update contains the fiscal year (FY) 2020 Internal Audit Plan status. Since the last update, IAD issued two audit reports and the first quarter internal audit recommendation status memorandum and coordinated three external coordination efforts.

Both audits were rated at a level 2 process maturity. Recommendations were issued to address issues identified in each audit.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

IAD provides an update and status on current activities, including the Internal Audit Plan status. The Internal Audit Plan status includes information on the engagement type, the objective(s), current audit phase, and results (if an engagement is issued). For the February update, the IAD is providing information on the FY 2020 Internal Audit Plan status and external coordination efforts.

- The IAD completed two audit reports and a memorandum.
- IAD continues to work on planned engagements.
- IAD facilitated three external coordination efforts, including two items for the State Auditor’s Office and one item for the Texas Workforce Commission.

Fiscal Year (FY) 2020 Audit Plan Status

Engagement	Description and Results	Status
Patch Management Audit	<p>The audit's objectives were to evaluate and determine the effectiveness of patch management for workstations, servers, and network devices and to assess management's design of configuration for network devices.</p> <p>IAD reviewed patch management processes throughout the Department and found processes to be at a level 2 maturity level. Two audit recommendations were issued. Both recommendations are estimated to be implemented by August 2020.</p>	<i>Issued: January 2020</i>
Titles and Registration Customer Support Audit	<p>The audit had three objectives to evaluate the consistency of title and registration customer support to tax-assessor collector offices and the general public; the communication and planning processes between the Department's title and registration customer support functions; and, the design of the Department's decentralized customer support resources.</p> <p>The audit found TxDMV's title and registration customer support processes are at a level 2 maturity level. The Department's customer service model routes customer issues that cannot be resolved at the frontline to program areas with specialized knowledge of the issue. However, each division is only responsible for the portion of the customer's issue to which their expertise applies. IAD issued two audit recommendations to evaluate the design of the customer service model. Management agreed with the audit recommendations and has established a workgroup to address the recommendations.</p>	<i>Issued: January 2020</i> <i>Report Attached.</i>
FY 2020 Internal Audit Follow-Up	<p>This engagement verifies if outstanding audit recommendations have been fully implemented. IAD is reviewing recommendations that were due or implemented between December 1, 2019 – February 29, 2020.</p> <p>In December 2019, IAD issued its First Quarter Implementation Status Memorandum for internal audit recommendation due or implemented from September 1 – November 30, 2019. The implementation rate was 53% as 10 of 19 recommendations were fully implemented.</p> <p>Recommendations reviewed in the first quarter included five recommendations related to Procurement and Information Security; two were fully implemented. One Procurement audit recommendation was left in <i>implemented</i> status because IAD determined that contract</p>	<i>Fieldwork</i> <i>First Quarter Implementation Status Memorandum Attached.</i>

Engagement	Description and Results	Status
	monitors do not fully understand the updated contract monitoring process or their role in it and the risk is not fully mitigated. IAD will continue to track progress on the audit recommendation for a year.	
Law Enforcement Advisory Service	An advisory service to review law enforcement information request processes. No results to report.	<i>Planning</i> <i>Anticipated release: August 2020</i>

External Coordination

- The State Auditor's Office issued its *Compliance Audit of the Information Technology Positions at Article VII Agencies* at the end of January. The Department provided management responses to the positions that were identified as misclassified.
- The Department submitted its First Quarter Coordination of Investigation letter to the SAO on January 6, 2020
- The Texas Workforce Commission conducted an Equal Employment Opportunity compliance review in December 2019. Final report is pending.



Texas Department *of* Motor Vehicles

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Title and Registration Customer Support Audit Report

20 - 03

Internal Audit Division

January 2020



Title and Registration Customer Support Audit Report, 20-03

Executive Summary

BACKGROUND

The Texas Department of Motor Vehicles (Department) provides customer assistance for title and registration processes to the motoring public and to tax-assessor collector offices. The Department's customer service delivery is decentralized. Frontline agents in the Customer Relations Division (CRD) and the Vehicle Titles and Registration Division's Regional Service Centers (RSC) route customer issues to other divisions with specialized knowledge if they are unable to resolve the issue through initial troubleshooting.

The objectives of the audit were the following:

- To evaluate the consistency of title and registration of customer support to tax-assessor collector offices and the general public.
- To evaluate the communication and planning processes between the Department's title and registration customer support functions.
- To evaluate the design of the Department's decentralized customer support resources.

RECOMMENDATIONS

This report contains two HIGH priority recommendations designed to establish ownership of issue processing and quality assurance standards for title and registration customer support across divisions.

RESULTS

IAD found TxDMV's title and registration customer support processes are at a level 2 maturity level, where similar procedures are followed by several employees, but the results may not be consistent.

The Department has established similar performance measures, comparable customer feedback mechanisms, and consistent training and resources for frontline staff in all title and registration customer service divisions.

The Department's customer service model routes customer issues that cannot be resolved at the frontline to program areas with specialized knowledge of the issue. However, each division is only responsible for the portion of the customer's issue to which their expertise applies.

- Tickets submitted on behalf of customers are open between 7 to 11 work days but may require 20 minutes to resolve.
- 20 of 21 tickets escalated to, and worked by, the Information Technology Services Division or and Finance and Administrative Services Division did not receive follow-up to verify with the customer that resolution was achieved.

MANAGEMENT RESPONSE

Management agrees with the recommendations and has proposed implementation action plans.

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Overall Conclusion and Executive Director Response

Maturity Assessment Rating

2: Repeatable but Intuitive Level - The function developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.

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

Strengths

- + The Department has established similar performance measures for frontline staff in title and registration and customer service divisions. These measures emphasize program knowledge, professional courtesy, customer service quality, and customer handling times.
- + The Department has developed feedback mechanisms to capture comparable customer perceptions between divisions about the accuracy and quality of information provided, as well as overall customer service experience. Customer experience and information accuracy feedback trended positively for the June-August 2019 period reviewed. In addition, TAC offices reported neutral to positive feedback in 33 of 38 (87%) site visits conducted by Regional Services Management.
- + Accuracy of staff training materials on title and registration subjects is consistent among divisions, and division training and resources are available to staff in all customer service divisions. 41 of 55 (75%) of TxDMV customer service employees surveyed stated they have the necessary tools and resources available to them to assist customers.

Improvement

The Department's title and registration customer service delivery processes do not sufficiently focus upon the full customer interaction with the Department, although the individual divisions may be proficient in serving the customer in their specific areas. Customers are left the responsibility for following up and monitoring the progress of their own issues if not resolved on the frontline. In addition, the communication of issues impacting the customer and updates on those issues are not communicated timely to the customer and internal staff.

Below are the audit results that further expand on these areas (click on the links to go directly to the result and recommendations).

- **Audit Result #1: [The Department's title and registration customer service delivery processes do not focus upon the full customer interaction.](#)**

- **Recommendation 1.1:**The Department should research how to integrate title and registration customer support processes. Research should include assigning responsibility for customer issue ownership, and establishing quality assurance standards across the Department for processing customer issues. (**HIGH**)
- **Recommendation 1.2:** The Department should align its title and registration customer service processes and functions based on the research conducted. (**HIGH**)

The detailed audit results can be found under the Audit Results section of this report (begins on page 5).

Background

Internal Audit Division Report Perspective

The Texas Department of Motor Vehicles (Department) provides the motoring public and tax-assessor collector (TAC) offices with customer assistance for title and registration processes. A customer issue may pass through multiple divisions and touchpoints internally prior to resolution. The Internal Audit Division conducted this audit and reported the results and recommendations as a Department-wide customer-focused strategy rather than individual division responsibilities.

Program and Process

Historically, the Department's IT Service Desk was housed in the Information Technology Services Division (ITS) with three tiers of assistance:

- Tier 1 - basic trouble shooting and ticket evaluation and routing.
- Tier 2 - immediately worked Tier 1 referrals.
- Tier 3 - complex issues working with the programmers and business area subject matter experts for resolution.

In November 2018, the Department reorganized its Service Desk, decentralizing the Tiered services across divisions.

The Department's Consumer Relation Division (CRD) and Regional Service Center (RSC) staff are Tier 1 support responsible for initially receiving and troubleshooting customer issues. The Department's Information Technology Services Division (ITS) and Finance and Administrative Services Division (FAS) provide Tier 2 support for financial and system or hardware related issues. Tier 3 includes ITS programmers to work issues requiring system or application programming.

CRD staff address questions regarding title application requirements, title types, and vehicle record history. CRD provides Tier 1 information technology support to tax assessor-collector (TAC) offices reporting technology issues such as Registration and Title System (RTS) workstation access, connectivity, and physical operation of the workstation and printers.

RSC staff address questions and services such as certified copies of original title issuance, vehicle record history requests, administrative restraints placed or lifted on vehicle records, and RTS transaction procedures.

ITS provides support for ad-hoc data requests, programming issues, network connectivity, and hardware issues. FAS processes funds adjustments when a payment was applied in error, and assist counties with RTS reporting and reconciliation errors.

Both RSC and CRD staff route customer issues to ITS or FAS divisions who have specialized knowledge, if they are unable to resolve the issue through initial troubleshooting. RSC and CRD agents log initial information received from the customer into a ticket using the Department's information technology ticketing system – Remedyforce – to refer the customer's issue to be worked by ITS or FAS. Once the ticket is created, ITS assigns the ticket to appropriate ITS or FAS work queues.

The assigned ITS or FAS resources are responsible for contacting and working with the customer to gather any additional information needed to complete the ticket and resolve the customer's issue.

The Department maintains general public and dedicated county-only phone lines for TAC customers to contact their local RSCs directly. If local RSC staff are unavailable, the phone system rolls the TAC caller to the next available RSC phone agent state-wide.

Audit Engagement Team

The audit was performed by Frances Barker (Auditor), Derrick Miller (Lead), and Sandra Menjivar-Suddeath (Internal Audit Director).

Audit Results

The Department's title and registration customer service delivery processes do not focus upon the full customer interaction.

Current State (Condition)

The Department's title and registration customer service delivery processes do not sufficiently focus upon the full customer interaction with the Department, although individual divisions may be proficient in serving the customer in their specific areas. Customers are oftentimes left with the responsibility for following up and monitoring the progress of their own issues if not resolved by frontline customer service agents.

Impact (Effect)

Customers are left without a central point-of-contact to advocate for resolution on their behalf as tickets are routed through multiple divisions. Customers may also not receive the most current information on their tickets and issues as none of the divisions are fully responsible for communicating issues to customers.

Current Department policies and procedures do not clarify who is responsible for distributing notifications to customers, and CRD, FAS, and VTR do not have documented policies for communicating system issues impacting customers. Both internal staff and external TAC customers expressed frustration about the timeliness of updates received on issues such as system outages or policy changes.

An analysis of tickets showed customers may wait several days for resolution on tickets which could be resolved promptly. IAD estimated that escalated tickets take up to 11 work days to complete, although it takes approximately 20 minutes of work time to resolve. In addition, surveys of internal customer service staff indicated a perception that their ability to completely resolve complex customer issues is indirectly restricted by pressure to meet customer service performance measures.

Cause

The Department's customer service model is designed to ensure customer issues are routed to and addressed by program areas with specialized knowledge of the issue. However, each division is responsible only for the portion of the customer's issue to which their expertise applies. As such, processes have been developed for each division, such as performance measures, communication, and training.

Training between RSC staff and CRD differ in their focus toward customers based on their portion of the customer support responsibility. While both divisions address overlapping topics, (for example types of titles and titling scenarios) RSCs emphasizes transactional processing while CRD emphasizes information delivery for answering customer questions. None of the training looks at the customer experience holistically.

Expected State (Criteria)

One of the Department's three strategic goals is to be customer centric with a focus on the customer and excellent service delivery. As stated in the Texas Sunset Commission report, the Texas Legislature created TxDMV to heighten the focus and attention on and improve overall customer service.

Evidence

- An analysis of a sample of 213 tickets submitted for ITS assistance and 49 funds adjustment (FAS) tickets submitted on behalf of customers, showed the following:
 - an individual ITS ticket is open 11 work days on average, but only requires approximately 20 minutes to resolve the issue.
 - an individual funds adjustment ticket is open 7.6 work days on average. Time worked to resolve funds adjustments is not tracked and therefore an estimate of time could not be calculated.
 - 25 of 49 funds adjustment tickets were reviewed to determine if all required information was captured at intake. 21 of the 25 reviewed did not have all information needed to process the funds adjustment.
- Tickets escalated to ITS or FAS support by frontline customer service agents receive no follow-up to monitor or verify completion, timeliness, or effective resolution of customer concern. Specifically, tickets escalated to ITS and FAS are not monitored to see how long it takes to resolve an escalated issue.
- IAD identified at least 21 escalated tickets that had been submitted by CRD to FAS or ITS. 20 of the 21 tickets escalated to and worked by ITS or FAS did not receive follow-up to verify with the customer that resolution was achieved.
- A complete population of escalated tickets could not be reliably identified because no division is responsible for follow up or resolution monitoring of tickets escalated out of Tier 1 CRD support. CRD notifies ITS or FAS by email of escalated tickets. However, the email notifications are frequently sent informally to individual staff and do not have a standard format by which to identify them.
- IAD surveyed 86 internal Department staff, receiving 55 responses, who directly work with customers to log or resolve customer issues.
 - 24 of 55 (44%) of internal customer service staff surveyed stated they felt pressured by efficiency or production measures such as customer handle times to cut short resolutions to complex customer calls.

- 26 of 55 (48%) internal customer service staff surveyed stated they are sometimes or rarely notified through official communications of external issues affecting customers.
- 29 (52%) respondents reported that they do not receive notification for over an hour after a system issue occurs.
- 7 of 12 comments received on the survey question stated that information was more reliably received through unofficial channels such as customers reporting trouble or coworkers in other divisions.

Recommendation

- 1.1 The Department should research how to integrate title and registration customer support processes. Research should include assigning responsibility for customer issue ownership, and establishing quality assurance standards across the Department for processing customer issues. **(HIGH)**
- 1.2 The Department should align its title and registration customer service processes and functions based on the research conducted. **(HIGH)**

Management Response and Action Plan

Management Response & Action Plan 1.1

Management agrees with the recommendation and appreciates the evaluation that was completed by the Internal Audit Division. As the audit points out, the Department recently made changes to its customer support in an effort to improve wait times and allow certain areas of the Department to focus on key competencies. Although there have been vast improvements in the Tier 1 support, gaps remain in the process holistically that must be addressed. TxDMV is a customer service agency, and when there are areas for improvement management has a responsibility to address ways to implement those improvements.

The Department will formulate a working group comprised of leadership from the Executive Office as well as the Vehicle Title and Registration, Consumer Relations, Finance and Administrative Services, Information Technology Services and Government and Strategic Communications Divisions. The charge of the working group will be to clearly identify roles and responsibilities, quality assurance standards, and opportunities for greater alignment across the department when addressing customer issues.

Short-term and long-term recommendations will be delivered to the Executive Office by May 1, 2020. Short-term recommendations, along with appropriate documentation of any process changes, will be implemented as soon as possible but no later than August 1, 2020. As it is difficult to determine at this time what long-term recommendations will be made or how long those recommendations will take to implement, long-term recommendations will include suggested implementation dates when delivered on May 1, 2020.

Management Action Plan Owners: Executive Office

Anticipated Completion Date: May 1, 2020

Management Response & Action Plan 1.2

Management agrees with the recommendation and appreciates the evaluation that was completed by the Internal Audit Division. As the audit points out, the Department recently made changes to its customer support in an effort to improve wait times and allow certain areas of the Department to focus on key competencies. Although there have been vast improvements in the Tier 1 support, gaps remain in the process holistically that must be addressed. TxDMV is a customer service agency, and when there are areas for improvement management has a responsibility to address ways to implement those improvements.

The Department will formulate a working group comprised of leadership from the Executive Office as well as the Vehicle Title and Registration, Consumer Relations, Finance and Administrative Services, Information Technology Services and Government and Strategic Communications Divisions. The charge of the working group will be to clearly identify roles and responsibilities, quality assurance standards, and opportunities for greater alignment across the department when addressing customer issues.

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Management Action Plan Owner: Executive Office

Anticipated Completion Date: TBD

Appendix 1: Objectives, Scope, Methodology, and Rating Information

Objectives

The audit objectives were the following:

- To evaluate the consistency of title and registration customer support to tax-assessor collector offices and the general public.
- To evaluate the communication and planning processes between the Department's title and registration customer support functions.
- To evaluate the design of the Department's decentralized customer support resources.

Scope and Methodology

The scope of the audit included areas of risk within the Customer Support processes identified from TxDMV's realignment of these functions in Consumer Relations Division (CRD), Vehicle Title Registration Division (VTR), Finance (FAS), and Information Technology Services Divisions (ITS). IAD reviewed physical documentation, RemedyForce tickets, and surveys. Information and documents reviewed in the audit included the following:

- CRD, VTR, and FAS performance measures, staff performance plans, and quality assurance procedures
- CRD customer feedback phone survey June – August 2019 scores
- Regional Service Center (RSC) in-office customer feedback survey July – October 2019 scores
- RSC Chief Regional Service Center and Tax-Assessor Collector office site visit reports
- TxDMV Internal Customer Service Staff Feedback Survey of CRD, RSC, FAS, and ITS staff
- CRD, VTR, FAS, and ITSD system incident and outage communication procedures
- TxDMV GovDelivery notifications distributed July – September 2019
- VTR Monthly training presentations and training records
- CRD agent skillset training material and resources
- CRD IT issue escalation CRD_QA email resource box.
- RemedyForce tickets created or closed July – September 2019 related to Title and Registration or Funds Adjustment systems and hardware

This audit was included in the FY 2020 Audit Plan. The Internal Audit Division conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for the Professional Practice of Internal Auditing. Those standards require that IAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. IAD believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

COSO Elements

This engagement reviewed risks and controls that were relevant to the audit objective. As part of the evaluation and testing of the risks and controls, the audit team used the following COSO components and principles as depicted in table 1):

Table 1. COSO Elements and Principles in Scope

COSO Element	Definition	Applicable Principles
Control Environment	The foundation for an internal control system as it is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It provides the discipline and structure to help an entity achieve its objectives. The TxDMV Board and executive management establish the tone at the top regarding the importance of internal control including expected standards of conduct.	3 - Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
Risk Assessment	The processes used to determine how risk is to be managed. The function assesses the risks facing the entity as it seeks to achieve its objectives.	6 -The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. 7 - The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.

COSO Element	Definition	Applicable Principles
		<p>8 - The organization considers the potential for fraud in assessing risks to the achievement of objectives.</p> <p>9 - The organization identifies and assesses changes that could significantly affect the system of internal control.</p>
Control Activities	The actions management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes TxDMV's information systems.	12 - The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
Information and Communication	The quality information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.	<p>14 -The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.</p> <p>15 -The organization communicates with external parties regarding matters affecting the functioning of internal controls.</p>
Monitoring	The activities establishes and operates to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning.	16 - The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

Report Distribution

In accordance with the Texas Internal Auditing Act, this report is distributed to the Board of the Texas Department of Motor Vehicles, Governor's Office of Budget, Planning, and Policy, Legislative Budget Board, and the State Auditor's Office. The report was also distributed to the Department's executive management team.

Ratings Information

Maturity Assessment Rating Definition

IAD derived the maturity assessment ratings and definitions from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model and the Enterprise Risk Management (ERM) Maturity Model. The model was adapted for the TxDMV assurance audit purposes and does not provide a guarantee against reporting misstatement and reliability, non-compliance, or operational impacts. The ratings and definitions are provided in Table 2.

Table 2. Maturity Assessment Rating Definitions

Rating	Name	Definition
0	Non-Existent	The function used no process since a standardized process is not defined or being used.
1	Initial and Ad-Hoc	The function used an ad hoc approach when issues arise because a standardized process is not defined.
2	Repeatable but Intuitive	The function developed a process where similar procedures are followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.
3	Defined	The function followed a standardized, documented, and communicated process. The process, however, may not detect any deviation due to the process not being sufficiently evaluated to address risks.
4	Managed and Measurable	The function followed a standardized, documented, and communicated process that is monitored and measured for compliance. The function evaluated the process for constant improvement and provides good practice. The process could be improved with the use of more information technology to help automate the workflow and improve quality and effectiveness.
5	Refined	The function followed a standardized, documented, and communicated process defined as having a good process that results from continuous improvement and the use of technology. Information technology was used in an integrated way to automate workflow and to improve quality and effectiveness of the process.

Recommendation Rating Criteria

The IAD rates audit recommendation's priority (i.e., HIGH or LOW) to help the TxDMV Board and executive management identify the importance of the recommendation. The criteria for Low and High Priority are documented in Table 3.

Table 3. Recommendation Priority Criteria

Priority	Criteria
Low	<ul style="list-style-type: none"> • Requires only a written policy or procedure update • Is within an acceptable range of risk tolerance for the Department • A non-reoccurring or regulatory external audit issue
High	<ul style="list-style-type: none"> • Executive Management or Board Request • Not within an acceptable range of the risk tolerance of the division • New process had to be developed to address recommendations • Regulatory impact or reoccurring issue



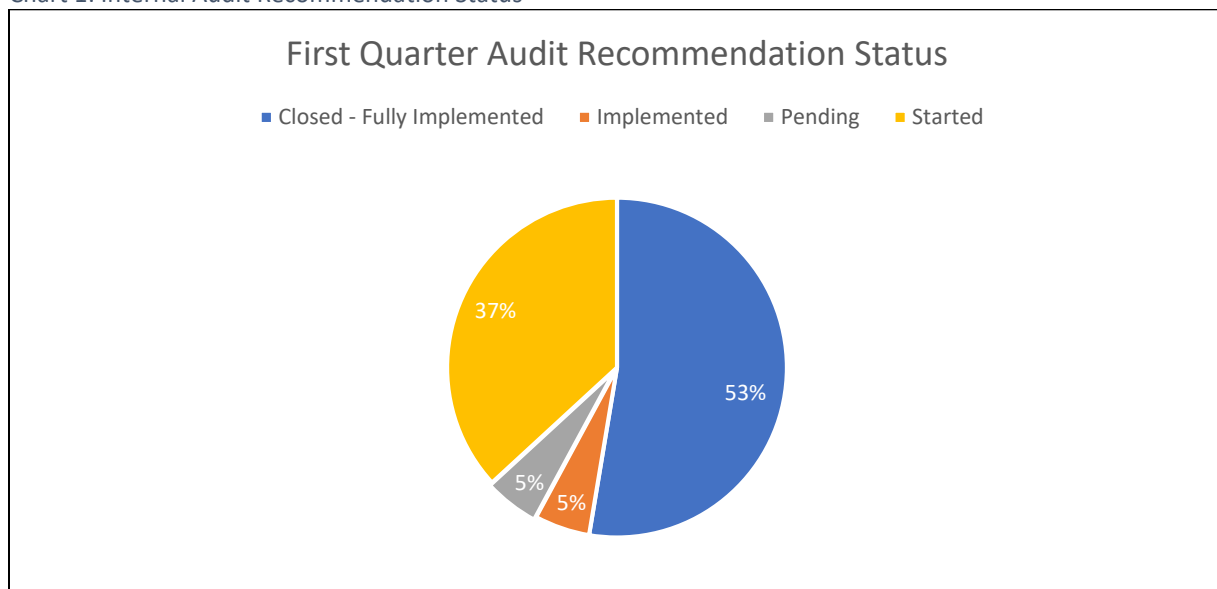
Memorandum

Date: January 27, 2020
To: Texas Department of Motor Vehicles (TxDMV) Board
From: Sandra Menjivar – Suddeath, Internal Audit Director
Subject: Fiscal year (FY) 2020 Internal Audit Recommendation Implementation Status: First Quarter

First Quarter Status

TxDMV implemented 10 internal audit recommendations that were due or completed between September 1 to November 30, 2019. For the first quarter of FY 2020, the implementation rate was 53%.

Chart 1: Internal Audit Recommendation Status



Background

Implementation Status Definitions

The Internal Audit Division (IAD) continuously conducts follow-up activities to decide if appropriate action has been taken to address previously issued internal audit recommendations (recommendations). On a quarterly basis, the IAD reports to the TxDMV Board whether appropriate action was taken by assigning an implementation status to each recommendation reviewed during the designated period. The implementation status IAD assigns includes the following:

- **Closed - Fully Implemented:** The division fully implemented the audit recommendation by developing and using processes, systems, or policies. The changes are operating as intended.

- Implemented:** The division developed and is using processes, systems, or policies to implement a recommendation, but the effectiveness of the implementation is still pending and the risk is not fully mitigated. IAD is monitoring the effectiveness. IAD, within an agreed upon period, will decide whether to mark the recommendation as “Closed - Fully Implemented” or reset to “Started” state.
- Started:** The division began developing and using processes, systems, or policies to implement a recommendation but not all elements were complete. The division revised the completion date or is revising the completion date.
- Pending:** The division has not begun developing or using processes or using processes, systems, or policies to implement a recommendation. The division revised the completion date or is revising the completion date.
- Not Implemented/ Management Accepts the Risk:** The division and department no longer intends to develop a process, system, or policy to address a recommendation.
- Not Applicable¹:** The recommendation is no longer relevant.

The IAD determines whether appropriate action was taken and assigns an implementation status to the recommendations when the completion date is due or when the division sends an implementation action.

Recommendation Priority Definitions

IAD designates a priority for each recommendation in an audit or advisory service report. Each recommendation is rated as a HIGH or LOW priority. The priority is based on the criteria documented in Table 1.

Table 1: Recommendation Priority Criteria

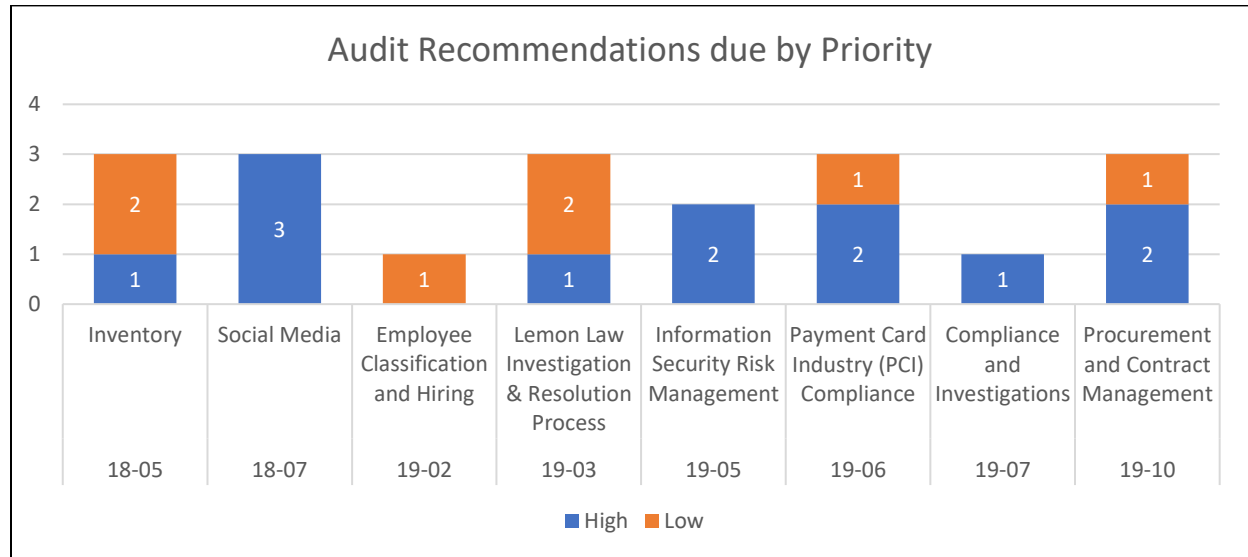
Priority	Criteria
Low	<ul style="list-style-type: none"> Requires only a written policy or procedure update Is within an acceptable range of risk tolerance for the Department External audit recommendations identified as that are not a reoccurring or regulatory issue
High	<ul style="list-style-type: none"> Executive Management or Board Request Not within an acceptable range of the risk tolerance of the division New process had to be developed to address recommendations An audit recommendation (external or internal) that is a reoccurring issue or has a regulatory impact

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

First Quarter Follow – Up Information and Results

For the first quarter of FY 2020, the IAD reviewed 19 implemented or due audit recommendations from eight internal audit reports. Out of 19 audit recommendations, 12 had a priority of HIGH and 7 had a priority of LOW, as noted in Chart 2.

Chart 2: Audit Recommendations Reviewed

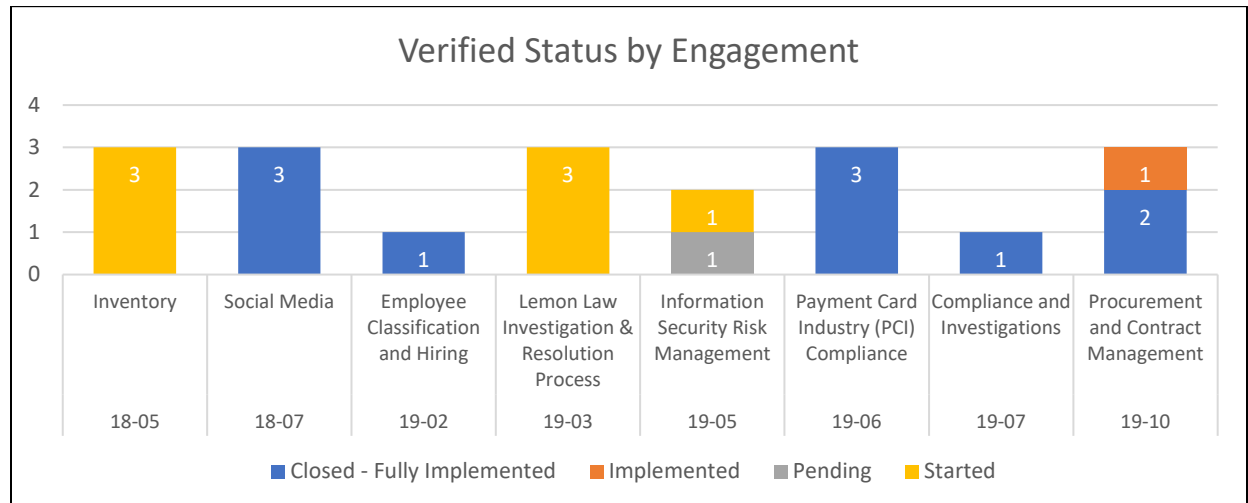


The IAD verified the implementation status for the 19 recommendations and determined the following implementation status:

- 10 recommendations (53%) were fully implemented.
- 7 recommendations (37%) were started.
- 1 recommendation (5%) was pending.
- 1 recommendation (5%) was implemented.

Chart 3 gives detail on the verified implementation status by engagement.

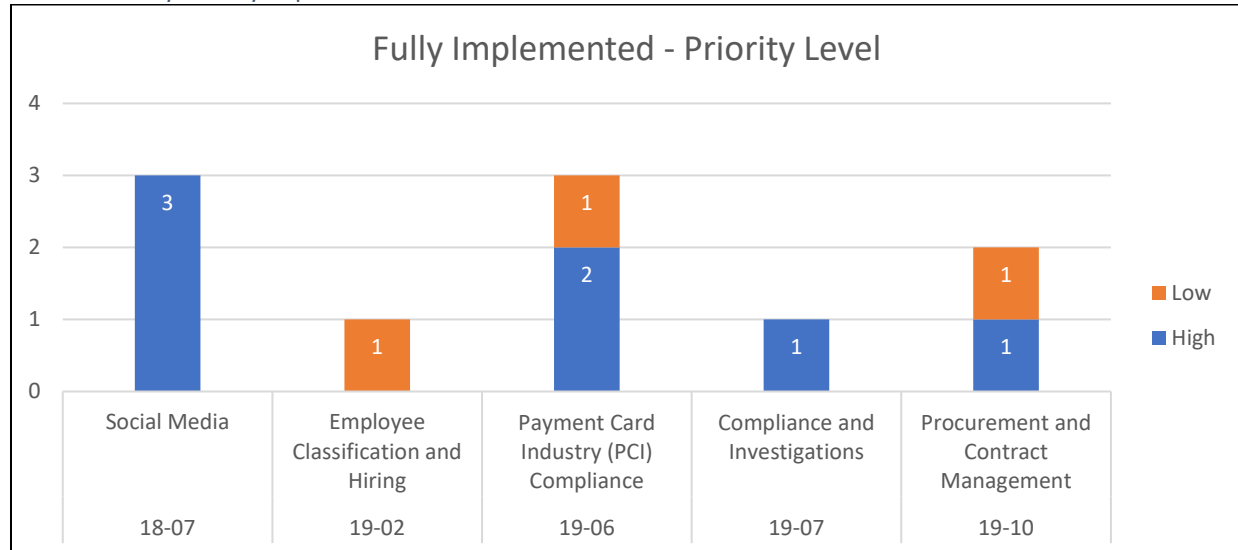
Chart 3: Verified Status



Fully Implemented Audit Recommendations

Out of the 10 fully implemented recommendations, 7 had a priority of HIGH and 3 had a priority of LOW as noted in Chart 4.

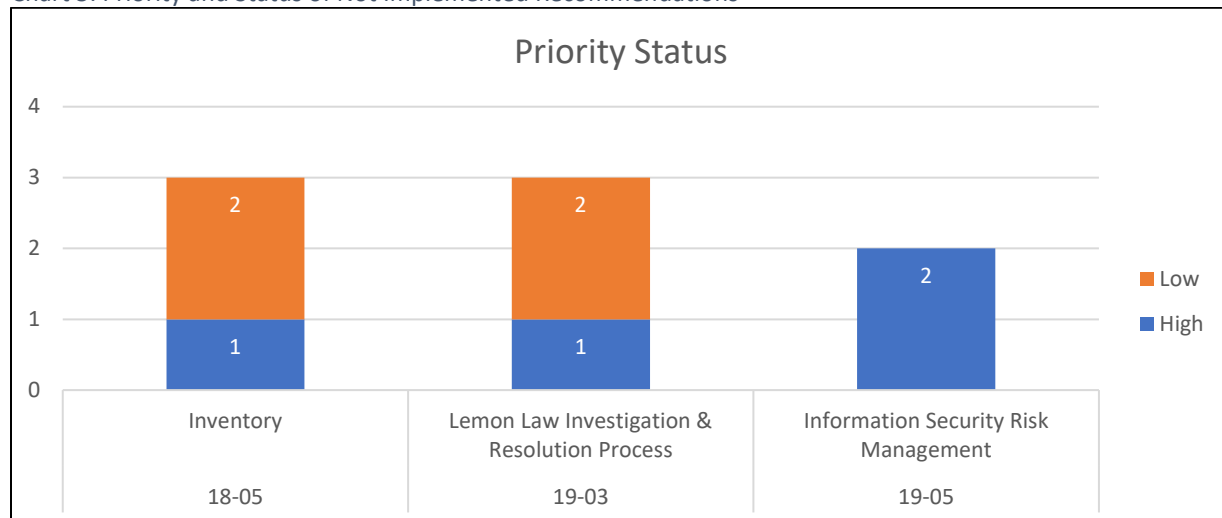
Chart 4: Priority of Fully Implemented Recommendations



Not Implemented Audit Recommendations

In the first quarter, TxDMV did not implemented 8 audit recommendations. Out of the 8, TxDMV 7 recommendations were in a “Started” status and 1 recommendations was in a “Pending” status. Out of the 8 recommendations, 4 had a HIGH priority status as noted in Chart 5.

Chart 5. Priority and Status of Not Implemented Recommendations



In addition, one recommendation was marked as implemented by the Department but IAD determined it was not fully implemented. The recommendation is discussed below in the Procurement section.

Procurement and Information Security Recommendations

During the first quarter, TxDMV implemented or had five recommendations due that addressed issues related to Procurement or Information Security. One of the recommendations had a priority of LOW while four recommendations had a priority of HIGH. Two of the five recommendations were fully implemented.

Procurement Recommendations

The Finance and Administrative Services (FAS) Division had three recommendations that were due during the first quarter:

- **Recommendation 1.1:** The Finance and Administrative Services Division should develop and document a process for how to assign requisitions to Purchasing Section staff. (HIGH)
- **Recommendation 2.1:** The Finance and Administrative Services Division should revise the Peer Review Checklist to include all relevant requirements of the Comptroller Procurement and Contract Management Guide. (LOW)
- **Recommendation 3.1:** The Department should create a monitoring process for contract management that includes information on deliverables, reporting time frames, and contract manager oversight of the contract monitoring. (HIGH)

FAS Division submitted each recommendation as implemented. IAD reviewed the documentation and conducted testing on the implemented recommendations. IAD verified that recommendation 1.1 and 2.1 had been fully implemented. Recommendation 3.1 had been implemented; however, the implementation was not sufficiently effective to mitigate the original risk found in the report.

Recommendation 3.1 was not fully implemented because IAD determined that about 40% of contract monitors do not understand the updated contract monitoring process or their role in it. Since contract monitors do not understand the process, the original risk related to contract monitoring was not mitigated. IAD reviewed the updated contract monitoring process and believes the design mitigates the risk, but the process is still not completely effective.

IAD met with FAS Division to discuss options. Based on the discussion, IAD agreed to check the recommendation until December 2020 to see if contract monitors increased their understanding of the process and their role in the process. IAD could close the recommendation as fully implemented before December 2020 if enough contract monitors understand the process and role. The recommendation will be left in a state of “implemented” until that time and quarterly testing will occur.

Information Security Recommendations

The Information Technology Services (ITS) Division had two recommendations that were due during the first quarter.

cc: Whitney Brewster, Executive Director
Shelly Mellott, Deputy Executive Director
Carrie Fortner, Board Liaison
TxDMV Executive Management

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 5.B
Subject: Procurement and Contract Management Audit Update

RECOMMENDATION

To brief the Finance and Audit Committee of the TxDMV Board of progress to implement audit recommendations associated with procurement and contract processes.

PURPOSE AND EXECUTIVE SUMMARY

The department's procurement and contract processes have been examined by internal and external auditors. The reviews resulted in 24 recommendations.

- Finance and Administrative Services has completed 23 recommendations within established deadlines; and
- 1 recommendation is due 12-31-2020. The final recommendation ensures that TxDMV staff obtain required oversight certifications for managing contracts valued over \$5 million.

FINANCIAL IMPACT

Not applicable

BACKGROUND AND DISCUSSION

Senate Bill 20 by Jane Nelson enacted by the 84th Legislature and Senate Bill 65 by Jane Nelson enacted by the 86th Legislature have resulted in increased oversight and requirements for agency procurements and contracts. Both bills reform state agency contracting by clarifying accountability, increasing accountability, increasing transparency and ensuring a fair competitive process.



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Procurement and Contract Audit Updates

Finance and Administrative Services Division

February 2020

IMPLEMENTATION OF PROCUREMENT AUDIT RECOMMENDATIONS

Summary

The Purchasing Section of the Finance and Administrative Services Division of the Texas Department of Motor Vehicles has completed 23 of 24 recommendations stemming from three audits.

Internal Audit Division identified 8 recommendations in an audit issued 7-31-2019. Finance and Administrative Services has completed 7 recommendations and the last recommendation is due December 31, 2020.

Two external audits performed by the Comptroller and State Auditor resulted in 16 recommendations. The department has completed the recommendations associated with these two audits.

The following information details the Audits and their purpose.

Internal Audit

TxDMV Report #19-10: Procurement and Contract Management issued 7-31-2019.

Purpose: The objectives of the audit were to determine the following:

- To determine whether the procurement process is achieving desired outcomes.
- To determine whether the contract management process is achieving desired outcomes.

7 of 8 recommendations Implemented; 1 recommendation due 12-31-2020.

- **1.1:** By 9-1-2019 - The Finance and Administrative Services Division should develop and document a process for how to assign requisitions to Purchasing Section staff.
 - Implementation Date **9-3-2019.**
- **1.2:** By 12-31-2019 - The Finance and Administrative Services Division should develop purchasing strategies that include specific purchasing timeframes to consolidate certain high volume, low-dollar transactions.
 - Implementation Date **12-20-2019.**

- **1.3:** By 12-31-2019 - The Finance and Administrative Services Division and the Office of General Counsel should create a risk-based process to determine which purchases or contracts (including solicitations) should go through an OGC review prior to execution.
 - Implementation Date **12-12-2019**.
- **2.1:** By 9-1-2019 - The Finance and Administrative Services Division should revise the Peer Review Checklist to include all relevant requirements of the Comptroller Procurement and Contract Management Guide, including a conflict of interest disclosure and review of vendor franchise tax standing. By 9-1-2019
 - Implementation Date **9-3-2019**.
- **2.2:** By 12-31-2019 - The Finance and Administrative Services Division should develop a monitoring process to ensure the peer review process is consistently applied and completed timely. Purchasing staff has been informed in weekly meetings to conduct peer review before dispatching PO. PO Checklist has been updated.
 - Implementation Date **12-23-2019**.
- **3.1:** By 9-30-2019 - The Department should create a monitoring process for contract management that includes information on deliverables, reporting time frames, and contract manager oversight of the contract monitoring. The monitoring process should also include information and procedures on how to handle follow-up action, corrective action monitoring, site visits, and status/activity reports.
 - Implementation Date **12-9-2019**.
- **3.2:** **By 12-31-2020** - The Department should ensure that staff obtain required contract manager certification if they are managing contracts with a combined value exceeding \$5,000,000. Identification of division contract managers is being compiled to determine which individuals in the department should obtain certification.
- **4.1:** By 9-1-2019 - The Finance and Administrative Services Division should develop and implement a reconciliation or review process to ensure all required purchase orders are reported to the LBB.
 - Implementation Date **8-30-2019**.

External Audits

A. State Auditor Office (SAO) Report #19-029: A Report on Selected Contracts at the TxDMV issued 2-15-2019.

Purpose: Auditors selected two Department of Motor Vehicles (Department) contracts to audit for this report:

1. My Plates contract. This contract was originally procured in 2009 by the Department of Transportation and was renewed under the Department on November 19, 2014. The contract is for the design, sale, and marketing of specialty license plates until November 18, 2019. The contract requires My Plates to reimburse the Department for costs related to programming prior to production, plate design or redesign, and production for each plate per order year.

Revenue generated from the sale of specialty license plates is divided between the State and My Plates. My Plates guarantees through the contract that the State shall receive at least \$15 million in revenue share payments by the end of the contract renewal term.

2. Insight Public Sector contract. The Department contracted with Insight Public Sector for the 2016 Registration and Titling System County Equipment Refresh Project (CERP). The objective of CERP was to replace existing Department equipment located at more than 500 county tax assessor-collector offices across the state.

The total contract amount is \$6,961,134, with \$5,761,134 for the equipment and installation and \$1,200,000 for maintenance services over a 4-year period. The contract term is July 26, 2016, through August 6, 2020.

All nine (9) recommendations have been completed.

- **Chapter 1: Future Contract** - The Department Monitored Some Areas of Its Specialty License Plate Contract, But It Should Identify and Monitor Other Key Areas – By 11-30-2019.
 - 4/23/19-Purchasing developed a Contract Monitoring template. New solicitation RFP 608-19-0002 requires monthly monitoring, an annual performance review against the Contractor's marketing plan.
 - In addition, the current MyPlates contract expires in November 2019, and the Department has begun planning on how to monitor the new Specialty License Plate contract. For the new Specialty License Plate contract, the Department will enhance the contract monitoring process to include a formalized contract monitoring plan based on a risk assessment and implement a post award contract conference to ensure contractors are aware of all contract requirements, including subcontracting reporting requirements. The draft Request for Proposal (RFP) for the Specialty License Plate contract has been modified to simplify the submission of auction proceeds and ensure compliance with third-party agreements. The RFP will require the selected vendor to use the Department's template for its license agreements with third parties to ensure that all required clauses are included in the license agreements. The RFP will also require the selected vendor to

collect payment from winning auction bidders and submit their plate orders within seven calendar days of the completion of an auction, and require the vendor to make payment to the state the same day the vendor places the order for the license plates with the state. These modifications to payment collections are in response to the difficulty experienced under the current contract provisions.

- Implementation Date [11-19-2019](#).
- **Chapter 1: License Plate Sales Revenue** - The Department should improve its monitoring activities of sales revenue and revenue allocation – By 11-30-2019.
 - Implementation Date [11-26-2019](#).
- **Chapter 1: Risk Assessment** – By 5-31-2019
 - The Department should perform a risk assessment and develop a monitoring plan to ensure compliance with key contract requirements. Risk Assessment template is completed in advance of a project start and a Contract Monitoring tool will be used throughout the contract period.
 - Implementation Date [5-31-2019](#).
- **Chapter 1: Subcontracting Requirements** - The Department should improve its monitoring activities of subcontracting requirements – By 11-30-2019.
 - HUB Coordinator created HSP forms for determining subcontracting opportunities, evaluating HSPs and HSP Revision form for Prime Contractor. Subcontracting expenditures will be tracked monthly for contracts/PO's that contain a HUB Subcontracting Plan. The new Assistant HUB Coordinator will be responsible.
 - Implementation Date [11-19-2019](#).
- **Chapter 1: Auction Sales** - The Department should improve its The Department should improve its monitoring activities of auction revenue – By 11-30-2019.
 - The Department should implement a process to enable the Department to confirm auction sales are accurate and revenues are submitted to the State within 72 hours as required.
 - Implementation Date [5-8-2019](#) (by Vehicle Titles and Registration Division).
- **Chapter 1: Third Party Agreements** - The Department should improve its monitoring activities related to Third-Party License Agreements – By 8-31-2019.
 - The Department should ensure that MyPlates includes all required provisions in its license agreements with third parties.
 - Implementation Date [8-30-2019](#) (by Office of General Counsel).

- **Chapter 2: HUB Subcontracting** - Chapter 2-A: The Department Adequately Performed Oversight Activities for the Insight Contract - By 6-30-2019.
 - HUB Coordinator created HSP Revision form for Prime Contractor to use and submit for TxDMV review prior to HSP changes.
 - TxDMV's Assistant HUB Coordinator separated from the department in March 2019 and a job posting is scheduled to close on Monday, July 1, 2019. This has resulted in a delay to complete the audit response originally set June 30, 2019. The department will complete the audit response as follows by August 30, 2019:
 - The HUB Subcontracting Plan (HSP) monitoring process includes:
 - - HUB staff attend post-award contract conference to discuss monthly reporting requirements
 - - HUB staff maintains and monitors the submission of the monthly Progress Assessment Report (PAR) forms
 - - HUB staff provides written communication to the Contractor regarding missing monthly PAR forms
 - Implementation Date **8-30-2019**.
- **Chapter 2: LBB Reporting** - Chapter 2-B: The Department Should Ensure That It Consistently Reports Contracts as Required – By 6-30-2019.
 - Purchasing staff has been trained and provided LBB Contract Reporting Requirements, and LBB Contracts Database New Interface User Guide, February 2019. A compliance check team will cross reference LBB with TxDMV website.
 - Implementation Date **6-28-2019**.
- **Chapter 2: Contract Terms** - Chapter 2-A: The Department Adequately Performed Contract Planning and Procurement, Formation – By 8-31-2019.
 - Purchasing and the Office of General Counsel updated competitive solicitation templates.
 - Implementation Date **8-30-2019**.

B. Comptroller of Public Accounts (CPA) Report #608-18-01 Post-Payment issued 8-31-2018.

Purpose: To determine whether the Department's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the Uniform Statewide Accounting System (USAS), Centralized Accounting and Payroll/Personnel System (CAPPS) and the Statewide Project Reporting System (SPRS).

All 7 recommendations were implemented by 8-31-2019; Internal Audit Division has closed all recommendations.

Bid and Evaluation Criteria Not Followed

- Implementation Date **8-30-2019**.
- Purchasing has created a PO File Checklist which is reviewed/signed by Purchaser and a Peer Reviewer.

Missing Centralized Master Bidders List Search

- Implementation Date **8-30-2019**.
- Purchasing has created a PO File Checklist which is reviewed/signed by Purchaser and a Peer Reviewer.

Missing Electronic State Business Daily Posting

- Implementation Date **8-30-2019**.
- Purchasing has created a PO File Checklist which is reviewed/signed by Purchaser and a Peer Reviewer.

Missing Historically Underutilized Business Subcontracting Plan

- Implementation Date **8-30-2019**.
- Purchasing continues review of contract files for HSP compliance.

Missing System for Award Management Search

- Implementation Date **8-30-2019**.
- Purchasing has created a PO File Checklist which is reviewed/signed by Purchaser and a Peer Reviewer.

Missing Department of Information Resources Exemption

- Implementation Date **9-13-2018**.
- Purchasing provided internal staff training 8-31-2018.

Purchase Order Created After Invoice

- Implementation Date **8-30-2019**.
- Purchasing provided Procurement training to Agency staff September 2018 and June 2019 and created a Non-Compliant Corrective Action Plan Tracking Log.

To: Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 5.C
Subject: End of Year Reports

RECOMMENDATION

Briefing Only

PURPOSE AND EXECUTIVE SUMMARY

The **Annual Financial Report** is prepared in compliance with Texas Government Code, Section 2101.011 and in accordance with the reporting requirements established by the Comptroller’s Office. The report is not audited but will be considered for audit by the State Auditor’s Office as part of the State of Texas Comprehensive Annual Financial Report. The annual report was submitted to the Texas Comptroller by November 20, 2019, in compliance with the established deadline.

Government Code Section § 2101.0115 was added by Act of May 26, 2001, 77th Leg., R.S., H.B. 2914 and requires state agencies to submit an Annual Report of **Nonfinancial Data**. This report includes nonfinancial schedules previously included in the Annual Financial Report. The Annual Report of **Nonfinancial Data** was submitted to the Office of the Governor, State Auditor, Legislative Budget Board and the Legislative Reference Library in accordance with the established December 31, 2019 deadline.

FINANCIAL IMPACT

In Fiscal Year (FY) 2019, the TxDMV’s expenditures were funded by the General Revenue Fund 0001 (Expenditures = \$13,960,749), State Highway Fund 0006 (Expenditures = \$732,351) and the Texas Department of Motor Vehicle Fund 0010 (Expenditures = \$130,619,544), as detailed on Exhibits A-2 Combining Statement of Revenues and Expenditures and Changes in Fund Balances All General and Consolidated Funds and B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Funds.

BACKGROUND AND DISCUSSION

Annual Financial Report

Exhibit I – Combined Balance Sheet (Statement of Net Assets)

The TxDMV closes FY 2019 with a net asset balance increase of \$73,034,768. Total net asset amount at August 31, 2019 is \$283.1 million.

- Cash in State Treasury consist of the net of revenues collected and deposited and legislative appropriation expense into the TxDMV Fund.
- Legislative Appropriations represents the unspent appropriations in General Revenue (Fund 0001.) This includes any benefits appropriations. Motor Vehicle Crime Prevention Authority (MVCPA) is the only item in Fund 0001.

- Accounts Receivable (A/R) represents the amounts due from Tax Assessor Collectors and Regional Offices less collections. Less than \$500 of this balance is more than 60 days past due. The increase of \$33.56 million in A/R compared to the prior year is primarily a timing difference in counties processing deposits at year end.
- In Capital Assets, the non-current asset had a net decrease of \$34,409 due to the disposal of old assets and the removal of the associated accumulated depreciation.
- Payables were \$137,812 less in 2019 because fewer invoices were outstanding at year end.
- Employees Compensable Leave represents unused vacation and overtime of employees at year end. Leave balances decreased \$272,908 due to staff using their vacation time and balances being paid out when employees retire or leave the agency.

Exhibit II – Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

Revenues

The TxDMV collected \$1.9 billion at year end with an increase in revenue of approximately \$97 million from the previous year.

- Federal Revenues increased \$221,795 in FY 2019 due to a full year of billings for the Commercial Vehicle Information Systems and Networks (CVISN) grant which began in late FY 2018.
- Licenses, Fees and Permits reflects only the revenue collected and reportable by the TxDMV. In 2019, TxDMV Fund 0010 revenue from the issuance of licenses, fees, and permits totaled approximately \$169.2 million. Revenue deposited to the State Highway Fund increased by approximately \$95 million, or 5.9% compared to FY 2018. Increases in the number of motor vehicle registration transactions and favorable economic conditions positively impacted revenue collections.
- Interest & Investment Income increased \$1.6 million due to a larger TxDMV Fund 0010 balance and interest rates increasing from 1.7% to 2.4%.

Expenditures

Expenditures totaled \$145.1 million (after adjustments) and decreased approximately \$3 million from the prior year primarily due to the completion of the RTS Refactoring Project in December of 2018.

- Salaries and Wages increased \$748,689 from the prior year as a result of an overall increase in staffing. There was an average of 701 full-time equivalents (FTE's) in FY 2018 and 713 in FY 2019. Also, the Compliance & Investigations Division, which was first created in FY 2018, did not achieve full staffing until the beginning of FY 2019.
- Professional Fees and Services reflect a net decrease of \$3.1 million from FY 2018 primarily due to the Registration and Titling System Refactoring Project completion.
- Materials & Supplies reflect an increase of \$2.1 million primarily due to increased postage rates and higher volumes of registrations mailed out.
- Repairs and Maintenance reflect a net decrease from FY 2018 of \$2.2 million primarily due to the Registration and Titling System Refactoring Project completion.
- Intergovernmental Payments reflect a decrease of \$732,185 because fewer grant funds were available for expenditure since ABTPA funding was reduced during the 85th Legislative session.

Exhibit VI – Combined Statement of Net Assets

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

Annual Report of Nonfinancial Data

The annual report contains non-financial information that depicts an agency's operational activities during the fiscal year. It includes various schedules required by Government Code 2101.0115 Financial Information Required of State Agencies. The following items are of particular interest.

- **Appropriation Item Transfer Schedule** identifies transfers of appropriated money between the agency's appropriated strategies.
 - In Fiscal Year 2019, transfers were limited to one-time, unanticipated costs primarily for the reallocation of FTE's from the Information Technology Services Division to the Consumer Relations/Government and Strategic Communications/Finance and Administrative Services Divisions and the re-organization of the Consumer Relations Division.
- **HUB Strategic Plan Progress Form** provides a percentage of historically underutilized businesses (HUBs) used by an agency for specific procurement categories.
 - The TxDMV exceeded the Fiscal Year 2019 HUB goals for "Commodities" and "Other Services." These percentages increased as there was a concerted effort to expand the inclusion of HUBs not already on the Centralized Master Bidders List (CMBL) when requesting bids/quotes on procurements, especially for spot purchases. In Fiscal Year 2019, TxDMV procured special trade services, i.e. building and facility services, previously processed through the interagency memorandum of agreement with the Texas Department of Transportation.
 - TxDMV takes a proactive stance on the HUB program, is very active in the Mentor-Protégé Program, and hosts/co-hosts in annual HUB Outreach forums throughout Texas. TxDMV is committed to maximize the inclusion of HUBs as Prime Contractors and Subcontractors and the department's efforts remain constant.
- **Indirect Cost Schedule** provides detailed information about expenditures paid by or on behalf of the TxDMV for employee benefits including Social Security benefits, health insurance, retirement contributions, benefit replacement pay, and workers' and unemployment compensation. It also includes indirect costs related to debt service and services provided by oversight agencies like the Comptroller, Attorney General, Department of Information Resources, and State Auditor.
 - Payroll related costs were higher for FY 2019 due to higher health insurance costs and an overall increase in staffing headcount.
 - The Statewide Cost Allocation Plan (SWCAP) identifies and allocates costs the State incurs for central services such as accounting, computing, payroll and other statewide support provided by specific agencies. Agencies reimburse the General Revenue from other funding sources based on an allocation of current year appropriated funds. In FY 2019, there was an increase of approximately \$733K for CAPPs (Centralized Accounting & Payroll/Personnel System) costs allocated from The Comptroller of Public Accounts.
- **Schedule of Professional/Consulting Fees and Legal Service Fees** provides an itemized list of fees paid for professional, consulting and legal services. The schedule includes the name of the vendor paid, the amount paid, and the reason the services were provided.
 - In FY 2019, there was a decrease of approximately \$3 million in expenditures primarily due to the completion of the RTS Refactoring Project in December of 2018.
 - Below is a chart of vendors whose annual expenditures exceeded \$300,000:

Professional/Consulting Services Vendors – Expenditures over \$300,000 in FY 2019

Name	Amount	Service Provided
Carahsoft Technology Corporation	314,856.39	Information Technology Services
Deloitte Consulting LLP	323,265.20	Information Technology Services
NF Consulting	1,087,446.59	Information Technology Services
Southwest Research Institute	797,042.69	Consultant Services Other
Texas Department of Information Resources	10,413,267.76	Computer Services-Statewide Tech. Center
Workquest	464,170.02	Information Technology Services

- **Schedule of Space Occupied** lists the name and address of each building an agency occupies, the total amount of square feet leased, and the amount of square feet used in a state-owned building. It also lists the cost per square foot leased, the annual and monthly costs of leased space, and the name of each lessor.
 - Below is a chart of the top 5 spaces occupied based upon square footage.

Location	Square Footage	FTEs	Owned/Leased
Camp Hubbard Office Complex	127,136	505	Owned
Houston Regional Office	11,554	37	Leased
Dallas Regional Office	7,865	27	Leased
Ft. Worth Regional Office	5,685	25	Leased
San Antonio Regional Office	3,916	19	Leased

- **Schedule of Vehicles Purchased** lists the vehicles purchased during this fiscal year.
 - Twenty-three vehicles were procured during FY 2019. The acquisition brings the department's total fleet to 62 vehicles.
- **Alternative Fuel Program Status** lists the number of vehicles purchased by fiscal year that use alternative fuel. Fuel usage is listed with the number of gallons used during the year.
- **Schedule of Itemized Purchases** identifies proprietary purchases that are procured from one vendor without considering an equivalent product to be supplied by another vendor. The schedule must provide a written justification explaining the need for the specifications, the reasons that competing products were not satisfactory and additional information as required by the Comptroller. The schedule identifies each product purchased, the amount of the purchase, and the name of the vendor.
 - Promiles Software Development Corp. and Explore Information Service LLC wrote the source code for TxPROS and TxIRP and are the only vendors that can provide support services for these applications.

Annual Financial Report

Fiscal Year Ended August 31, 2019



Texas Department *of* Motor Vehicles

Prepared by the
Finance & Administrative Services Division

November 20, 2019

Texas Department of Motor Vehicles Board

Guillermo "Memo" Treviño, Chair

Charles Bacarisse
Stacey Gillman
Brett Graham
Tammy McRae

Gary Painter
John M. Prewitt
Paul R. Scott
Shelley Washburn

Whitney H. Brewster
Executive Director

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November 20, 2019

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

Ladies and Gentlemen:

Attached is the Texas Department of Motor Vehicle's annual financial report for the year ended August 31, 2019, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Whitney H. Brewster".

Whitney H. Brewster
Executive Director

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COMBINED FINANCIAL STATEMENTS

-UNAUDITED-

EXHIBIT I
COMBINED BALANCE SHEET
Statement of Net Assets - Governmental Funds
For the Year Ended August 31, 2019

	Governmental Fund Types		Total Governmental	Capital Asset Adjustments	Long Term Liabilities Adjustments	Statement of Net Assets
	General Revenue (EXH A-1)	Special Revenue (EXH B-1)				
Assets						
Current Assets:						
Cash on Hand	\$ 0.00	\$ 37,100.00	\$ 37,100.00	\$	\$	\$ 37,100.00
Cash in Bank	0.00	20,000.00	20,000.00			20,000.00
Cash in State Treasury	4,103,144.07	140,146,406.73	144,249,550.80			144,249,550.80
Legislative Appropriations	16,408,038.71	0.00	16,408,038.71			16,408,038.71
Receivables:						
Federal	0.00	0.00	0.00			0.00
Accounts Receivable	0.00	137,609,178.08	137,609,178.08			137,609,178.08
Due From Other Funds (Note 12)	0.00	0.00	0.00			0.00
Due From Other Agencies (Note 12)	78.54	0.00	78.54			78.54
Consumable Inventories	0.00	65,900.38	65,900.38			65,900.38
Total Current Assets	20,511,261.32	277,878,585.19	298,389,846.51			298,389,846.51
Non - Current Assets:						
Capital Assets:						
Non - Depreciable						
Land and Land Improvements						
Depreciable						
Buildings and Building Improvements						
Less - Accumulated Depreciation						
Furniture and Equipment						
Less - Accumulated Depreciation						
Vehicles, Boats, & Aircraft						
Less - Accumulated Depreciation						
Intangibles Computer Software						
Less - Accumulated Amortization						
Total Non Current Assets				2,214,815.82		2,214,815.82
Total Assets	\$ 20,511,261.32	\$ 277,878,585.19	\$ 298,389,846.51	\$ 2,214,815.82	\$ 0.00	\$ 300,604,662.33

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

Texas Department of Motor Vehicles (608)

	Governmental Fund Types		Total Governmental	Capital Asset Adjustments	Long Term Liabilities Adjustments	Statement of Net Assets
	General Revenue (EXH A-1)	Special Revenue (EXH B-1)				
Liabilities						
Current Liabilities:						
Payables:						
Vouchers Payable	\$ 39,570.84	\$ 597,484.32	\$ 637,055.16	\$	\$	\$ 637,055.16
Accounts Payable	1,177,388.18	6,889,990.75	8,067,378.93			8,067,378.93
Payroll Payable	37,940.05	4,752,809.34	4,790,749.39			4,790,749.39
Due to Other Funds (Note 12)	0.00	0.00	0.00			0.00
Due to Other Agencies (Note 12)	102,409.36	0.00	102,409.36			102,409.36
Unearned Revenues	0.00	0.00	0.00			0.00
Employees Compensable Leave (Note 5)					2,624,808.22	2,624,808.22
Total Current Liabilities	1,357,308.43	12,240,284.41	13,597,592.84		2,624,808.22	16,222,401.06
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)					1,301,608.71	1,301,608.71
Total Non-Current Liabilities					1,301,608.71	1,301,608.71
Total Liabilities	1,357,308.43	12,240,284.41	13,597,592.84		3,926,416.93	17,524,009.77
Fund Financial Statement						
Fund Balances:						
Non Spendable (Inventory)	0.00	65,900.38	65,900.38			65,900.38
Restricted	0.00	265,572,400.40	265,572,400.40			265,572,400.40
Committed	3,952,797.35	0.00	3,952,797.35			3,952,797.35
Assigned	48,015.90	0.00	48,015.90			48,015.90
Unassigned	15,153,139.64	0.00	15,153,139.64			15,153,139.64
Total Fund Balances	19,153,952.89	265,638,300.78	284,792,253.67			284,792,253.67
Total Liabilities and Fund Balance	\$ 20,511,261.32	\$ 277,878,585.19	298,389,846.51			
Government-Wide Statement of Net Assets						
Net Assets:						
Invested in Capital Assets, Net of Related Debt				\$ 2,214,815.82	\$	\$ 2,214,815.82
Unrestricted					(3,926,416.93)	(3,926,416.93)
Total Net Assets				\$ 2,214,815.82	\$ (3,926,416.93)	\$ 283,080,652.56

-UNAUDITED-

EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Statement of Activities - Governmental Funds
For the Year Ended August 31, 2019

	Governmental Fund Types			Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
	General (EXH A-2)	Special Revenue (EXH B-2)	Total Governmental			
Revenues						
Legislative Appropriations:						
Original Appropriations	\$ 12,835,851.00	\$ 0.00	\$ 12,835,851.00			\$ 12,835,851.00
Additional Appropriations	95,915.23	0.00	95,915.23			95,915.23
Federal Revenues	0.00	224,257.93	224,257.93			224,257.93
Federal Pass-Through Revenues	0.00	0.00	0.00			0.00
State Grant Pass- Through	0.00	0.00	0.00			0.00
Licenses, Fees and Permits	92,475.98	1,892,111,004.36	1,892,203,480.34			1,892,203,480.34
Interest & Investment Income	6,631.61	2,728,987.32	2,735,618.93			2,735,618.93
Settlement of Claims	0.00	0.00	0.00			0.00
Sales of Goods and Services	0.00	241,732.28	241,732.28			241,732.28
Other	200,164.09	44,353.77	244,517.86			244,517.86
Total Revenues	13,231,037.91	1,895,350,335.66	1,908,581,373.57			1,908,581,373.57
Expenditures						
Salaries and Wages	365,778.77	39,852,513.51	40,218,292.28		(272,907.71)	39,945,384.57
Payroll Related Costs	100,342.89	14,577,881.82	14,678,224.71			14,678,224.71
Professional Fees and Services	609,813.25	14,879,988.25	15,489,801.50			15,489,801.50
Travel	12,326.93	384,088.84	396,415.77			396,415.77
Materials and Supplies	84,257.09	16,121,867.42	16,206,124.51			16,206,124.51
Communications and Utilities	1,046.14	4,700,919.27	4,701,965.41			4,701,965.41
Repairs and Maintenance	568,788.56	2,895,889.76	3,464,678.32			3,464,678.32
Rentals and Leases	5,932.46	1,038,976.76	1,044,909.22			1,044,909.22
Printing and Reproduction	1,505.51	4,553,069.59	4,554,575.10			4,554,575.10
Claims and Judgements	0.00	6,500.00	6,500.00			6,500.00
Federal Pass-Through Expenditures	0.00	0.00	0.00			0.00
State Grant Pass-Through Expenditures	0.00	0.00	0.00			0.00
Intergovernmental Payments	12,060,340.69	0.00	12,060,340.69			12,060,340.69
Public Assistance Programs	111,128.58	0.00	111,128.58			111,128.58
Other Operating Expenditures	25,924.03	31,627,533.35	31,653,457.38			31,653,457.38
Capital Outlay	13,564.10	712,667.76	726,231.86	(726,231.86)		0.00
Depreciation Expense			0.00	794,905.85		794,905.85
Total Expenditures	13,960,749.00	131,351,896.33	145,312,645.33	68,673.99	(272,907.71)	145,108,411.61
Excess (Deficit) of Revenues over Expenditures	(729,711.09)	1,763,998,439.33	1,763,268,728.24	(68,673.99)	272,907.71	1,763,472,961.96
Other Financing Sources (Uses)						
Transfers In (Note 12)	79,892.75	-	79,892.75			79,892.75
Transfers Out (Note 12)	(168,187.77)	(1,688,610,937.28)	(1,688,779,125.05)			(1,688,779,125.05)
Sale of Capital Assets	21,735.29	7,245.12	28,980.41	(32,700.00)		(3,719.59)
Legislative Financing Sources	0.00	-	0.00			0.00
Insurance Recoveries	0.00	-	0.00			0.00
Legislative Transfers In (Note 12)	0.00	-	0.00			0.00
Legislative Transfers Out (Note 12)	0.00	-	0.00			0.00
Gain (Loss) on of Capital Assets	0.00	-	0.00	121.06		121.06
Inc (Dec) in Net Assets Due to Interagency Transfer	0.00	-	0.00	0.00		0.00
Total Other Financing Sources (Uses)	(66,559.73)	(1,688,603,692.16)	(1,688,670,251.89)	(32,578.94)	0.00	(1,688,702,830.83)
Net Change in Fund Balances/Net Assets	(796,270.82)	75,394,747.17	74,598,476.35	(101,252.93)	272,907.71	74,770,131.13
Fund Financial Statement - Fund Balance						
Fund Balance - Beginning	21,821,248.18	190,243,553.61	212,064,801.79			212,064,801.79
Restatements			0.00			0.00
Fund Balance as Restated	21,821,248.18	190,243,553.61	212,064,801.79			212,064,801.79
Appropriations Lapsed	(1,871,024.47)		(1,871,024.47)			(1,871,024.47)
Fund Balances - August 31, 2019	\$ 19,153,952.89	\$ 265,638,300.78	\$ 284,792,253.67			\$ 284,963,908.45
Government-wide Statement of Net Assets						
Net Change in Net Assets			\$ 284,792,253.67	(101,252.93)	272,907.71	\$ 284,963,908.45
Net Assets-Beginning				2,180,406.97	(4,199,324.64)	(2,018,917.67)
Restatements				135,661.78		135,661.78
Net Assets, September 1, 2017, as Restated and Adjusted				2,316,068.75	(4,199,324.64)	(1,883,255.89)
Net Assets-August 31, 2019			\$ 284,792,253.67	2,214,815.82	(3,926,416.93)	\$ 283,080,652.56

-UNAUDITED-

EXHIBIT VI
COMBINED STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
For Fiscal Year Ended August 31, 2019

	Agency Funds (Exhibit J-1)
Assets	
Current Assets:	
Cash in State Treasury	16,349,112.12
Accounts Receivable	0.00
Total Current Assets	\$ 16,349,112.12
Total Assets	<u>16,349,112.12</u>
Liabilities	
Current Liabilities:	
Accounts Payable	404,199.85
Funds Held for Others	15,944,912.27
Total Current Liabilities	<u>16,349,112.12</u>
Total Liabilities	\$ <u>16,349,112.12</u>
Net Assets	
Net Assets:	(0.00)
Total Net Assets	\$ <u>(0.00)</u>

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NOTES TO THE FINANCIAL STATEMENTS

-UNAUDITED-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Entity

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

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

Basis of Presentation

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

Fund Structure

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

Governmental Fund Types & Government-wide Adjustment Fund Types

General Revenue Funds

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

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

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

Special Revenue Funds

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

-UNAUDITED-

The agency collected \$12.7 million in revenue from the automation fee authorized by House Bill 3014, 76th Legislature, Regular Session, for a license plate or other registration insignia. The revenue is used to enhance the agency's automated registration and title system.

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

Capital Assets Adjustments Fund Type

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

Long Term Liabilities Adjustments Fund Type

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

Fiduciary Fund Types

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

Agency Funds

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

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

Intermodal Container & Milk Transport TxDMV Fund (1623) – This fund is used as a holding account for the county and/or municipality portions of three new oversize/overweight permit fees created in FY 2018. The fees are held until they can be disbursed to the appropriate county or municipality.

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

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

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

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

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Basis of Accounting

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

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

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

Budgets and Budgetary Accounting

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

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

Assets, Liabilities and Fund Balances

Assets

Cash and Cash Equivalents

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

Receivables

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

Inventories and Prepaid Items

This represents supplies and postage on hand. Supplies for governmental funds are accounted for using the consumption method of accounting. The cost of these items is recognized as expenditure when items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date

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of acquisition. Depreciation is reported on all “exhaustible” assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Liabilities

Accounts Payable

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

Payroll Payable

Payroll payable represents the liability for the August payroll payable on September 1st.

Employees' Compensable Leave

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

Fund Balance/Net Assets

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

Fund Balance Components

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

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

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the state's highest level of decision-making authority (the Legislature). Those committed amounts cannot be used for any other purposes unless the Legislature removes or changes the specified use by taking the same action it employed to previously commit those amounts.

Assigned fund balance amounts are constrained by the agency's intent to use them for specific purposes that are neither restricted nor committed.

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

Invested in Capital Assets, Net of Related Debt

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

Unrestricted Net Assets

Unrestricted net assets consist of net assets that have no constraints placed on net asset use by external sources or by law through constitutional provisions or enabling legislation. Unrestricted net assets often

have constraints on resources, which are imposed by management but can be removed or modified.

Interfund Activities and Balances

The agency has the following types of transactions among funds:

Transfers

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

Reimbursements

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

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

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NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2019, is presented below:

Governmental Activities	PRIMARY GOVERNMENT							
	Balance 09/01/18	Adjust/ Restate	Reclass. Completed CIP	Reclass. Increase Inter-Agency Transaction	Reclass. Decrease Inter-Agency Transaction	Additions	Deletions	Balance 08/31/19
Non-Depreciable Assets	\$	\$	\$		\$	\$	\$	\$
Total Non-Depreciable Assets								
Depreciable Assets								
Buildings/Building Improvements								
Furniture and Equipment	4,600,517.56	159,608.81				212,021.86	(301,277.98)	4,670,870.25
Vehicles, Boats, & Aircraft	1,287,866.54					514,210.00	(494,303.36)	1,307,773.18
Other Assets								
Total Depreciable Assets	5,888,384.10	159,608.81				726,231.86	(795,581.34)	5,978,643.43
Less Accumulated Depreciation for:								
Buildings/Building Improvements								
Furniture and Equipment	(3,306,915.65)	(23,947.03)				(406,603.59)	286,214.06	(3,451,252.21)
Vehicles, Boats, & Aircraft	(829,343.76)					(108,915.61)	476,788.34	(461,471.03)
Other Capital Assets								
Total Accumulated Depreciation	(4,136,259.41)	(23,947.03)				(515,519.20)	763,002.40	(3,912,723.24)
Depreciable Assets, Net	1,752,124.69	135,661.78				210,712.66	(32,578.94)	2,065,920.19
Amortizable Assets – Intangible:								
Land Use Rights								
Computer Software	3,875,591.07							3,875,591.07
Other Capital Intangible								
Total Amortizable Assets – Intangible	3,875,591.07							3,875,591.07
Less Accumulated Amortization for:								
Land Use Rights								
Computer Software	(3,447,308.79)					(279,386.65)		(3,726,695.44)
Other Capital Intangible								
Total Accumulated Amortization	(3,447,308.79)					(279,386.65)		(3,726,695.44)
Amortizable Assets – Intangible, Net	428,282.28					(279,386.65)		148,895.63
Governmental Activities Capital Assets, Net	\$ 2,180,406.97	135,661.78				(68,673.99)	(32,578.94)	\$ 2,214,815.82

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NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS

Deposits of Cash in Bank

As of August 31, 2019, the carrying amount of deposits was \$20,000.00 as presented below:

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

NOTE 4: SHORT-TERM DEBT

Not applicable

NOTE 5: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2019, the following changes occurred in liabilities.

Governmental Activities	Balance 9/01/18	Additions	Reductions	Balance 8/31/19	Amounts Due Within Year
Compensable Leave	\$4,199,324.64	\$4,373,127.17	\$4,646,034.88	\$3,926,416.93	\$2,624,808.22

Employees' Compensable Leave

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

NOTE 6: BONDED INDEBTEDNESS

Not Applicable

NOTE 7: DERIVATIVE INSTRUMENTS

Not Applicable

NOTE 8: LEASES**Operating Leases**

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

Fund Type	Amount
Fund 0001	\$ 4,333.46
Fund 0010	\$ 980,203.09

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

Year Ended August 31,	
2020	\$ 866,478.05
2021	576,768.43
2022	509,106.94
2023	439,440.76
2024	411,827.52
2025-29	404,652.05
Total Minimum Future Lease Rental Payments	\$ 3,208,273.75

NOTE 9: PENSION PLANS AND OPTIONAL RETIREMENT PROGRAM

Not Applicable

NOTE 10: DEFERRED COMPENSATION

Not Applicable

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not Applicable

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement. Individual balances and activity at August 31, 2019, are as follows:

	Transfer In	Transfer Out	Source
General Revenue (01)			
Appd Fund 0802, D23 fund 0802			
Agy 300, D23 fund 0803	9,047.01		Shared Fund
Agy 300, D23 fund 0804	(1,124.46)		Shared Fund
Agy 300, D23 fund 0805	(388.17)	12,826.87	Shared Fund
Agy 300, D23 fund 0807	109.15	1,794.77	Shared Fund
Agy 302, D23 fund 0804	2,787.17	(965.86)	Shared Fund
Agy 302, D23 fund 0805	347.58		Shared Fund
Agy 305, D23 fund 0015	55.63		Shared Fund
Agy 306, D23 fund 0802	2,411.78		Shared Fund
Agy 332, D23 fund 0802		794.59	Shared Fund
Agy 403, D23 fund 3004	581.97		Shared Fund
Agy 403, D23 fund 3005	(313.31)		Shared Fund
Agy 403, D23 fund 3006	19.74		Shared Fund
Agy 407, D23 fund 0802	4,825.07		Shared Fund
Agy 411, D23 fund 0802	464.94	3,140.44	Shared Fund
Agy 506, D23 fund 0802	(7,725.59)		Shared Fund
Agy 529, D23 fund 0802	13,748.34		Shared Fund
Agy 530, D23 fund 0802	14,060.00	(2,607.40)	Shared Fund
Agy 537, D23 fund 0802	6,291.98		Shared Fund
Agy 537, D23 fund 0803	41,675.49		Shared Fund
Agy 537, D23 fund 0804	1,536.97		Shared Fund
Agy 537, D23 fund 0805	3,638.52		Shared Fund
Agy 542, D23 fund 0802	.01		Shared Fund
Agy 542, D23 fund 4200		(4,852.78)	Shared Fund
Agy 542, D23 fund 4200	5,443.82		Shared Fund
Agy 551, D23 fund 0802	(55,851.84)		Shared Fund
Agy 555, D23 fund 1802	1,299.41		Shared Fund
Agy 555, D23 fund 2802	(7,170.79)		Shared Fund
Agy 555, D23 fund 3802	892.51		Shared Fund
Agy 576, D23 fund 0802	(9,108.60)		Shared Fund
Agy 582, D23 fund 0802	311.23		Shared Fund
Agy 701, D23 fund 2242	163.07	133.86	Shared Fund
Agy 701, D23 fund 2250	4,520.87	4,376.48	Shared Fund
Agy 701, D23 fund 2260	27.47	25.66	Shared Fund
Agy 701, D23 fund 2270	470.47	406.18	Shared Fund
Agy 701, D23 fund 2271	(463.74)	(524.33)	Shared Fund
Agy 701, D23 fund 2273	(542.79)	(689.32)	Shared Fund
Agy 701, D23 fund 2274	(36.77)	(133.34)	Shared Fund
Agy 711, D23 fund 0802	6,345.70		Shared Fund
Agy 714, D23 fund 0802	3,632.10		Shared Fund

Texas Department of Motor Vehicles (608)

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	Transfer In	Transfer Out	Source
Agy 715, D23 fund 0802	15,602.18		Shared Fund
Agy 717, D23 fund 0802	4,447.55		Shared Fund
Agy 718, D23 fund 0802	5,632.33		Shared Fund
Agy 721, D23 fund 0802	131,997.29		Shared Fund
Agy 724, D23 fund 0802	4,219.47		Shared Fund
Agy 730, D23 fund 0802	3,051.61		Shared Fund
Agy 732, D23 fund 0802	668.77		Shared Fund
Agy 733, D23 fund 0802	5,681.40	(5,806.04)	Shared Fund
Agy 734, D23 fund 0802	31.55		Shared Fund
Agy 737, D23 fund 0802	123.77		Shared Fund
Agy 738, D23 fund 0802	1,684.10		Shared Fund
Agy 743, D23 fund 0802	3.65		Shared Fund
Agy 751, D23 fund 0802	(3,095.90)		Shared Fund
Agy 752, D23 fund 0802	12,706.07		Shared Fund
Agy 753, D23 fund 0802	4,896.27		Shared Fund
Agy 754, D23 fund 0802	12,378.94		Shared Fund
Agy 755, D23 fund 0802	7,087.00		Shared Fund
Agy 756, D23 fund 0802	1,775.20		Shared Fund
Agy 757, D23 fund 0802	1,412.34		Shared Fund
Agy 759, D23 fund 0802	24.36		Shared Fund
Agy 760, D23 fund 0802	(11.00)	1.83	Shared Fund
Agy 765, D23 fund 0802	31.12		Shared Fund
Agy 781, D23 fund 4003	(9,857.43)	(8,669.88)	Shared Fund
Agy 781, D23 fund 4004	57.92		Shared Fund
Agy 781, D23 fund 4005	(613.64)		Shared Fund
Agy 781, D23 fund 4006	(45.33)		Shared Fund
Agy 781, D23 fund 4007	(633.32)		Shared Fund
Agy 781, D23 fund 4008	(1,435.86)	1,107.32	Shared Fund
Agy 781, D23 fund 4009	(539.28)	916.64	Shared Fund
Agy 781, D23 fund 4010	(44.17)		Shared Fund
Agy 781, D23 fund 4011	(2,133.79)	(2,021.18)	Shared Fund
Agy 781, D23 fund 4012	(464.34)		Shared Fund
Agy 781, D23 fund 4013	(60.96)		Shared Fund
Agy 781, D23 fund 4014	(303.76)		Shared Fund
Agy 781, D23 fund 4015	(441.36)	(374.54)	Shared Fund
Agy 781, D23 fund 4016	(66.96)		Shared Fund
Agy 781, D23 fund 4017	(183.43)		Shared Fund
Agy 781, D23 fund 4018	(242.28)		Shared Fund
Agy 781, D23 fund 4019	(123.37)		Shared Fund
Agy 781, D23 fund 4020	(2.04)		Shared Fund
Agy 781, D23 fund 4021	(511.60)	(409.91)	Shared Fund
Agy 781, D23 fund 4022	(60.47)	(365.61)	Shared Fund
Agy 781, D23 fund 4023	(278.04)	(215.18)	Shared Fund
Agy 781, D23 fund 4025	428.46		Shared Fund
Agy 783, D23 fund 0802	(22,971.58)		Shared Fund
Agy 802, D23 fund 3030	38,613.47		Shared Fund

Texas Department of Motor Vehicles (608)

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	Transfer In	Transfer Out	Source
Agy 802, D23 fund 3043		154,190.02	Shared Fund
Agy 802, D23 fund 3044	(65,202.90)		Shared Fund
Agy 802, D23 fund 3045	(42,805.85)	(936.31)	Shared Fund
Agy 802, D23 fund 3046	8,377.86	(289.64)	Shared Fund
Agy 802, D23 fund 3047	(26,378.46)	495.53	Shared Fund
Agy 802, D23 fund 3048	31,264.49	(574.16)	Shared Fund
Agy 802, D23 fund 3049	18,305.96	(533.97)	Shared Fund
Agy 802, D23 fund 3050	1,852.28	(950.04)	Shared Fund
Agy 802, D23 fund 3051	4,861.56	(2,838.22)	Shared Fund
Agy 802, D23 fund 3057	(1,619.75)		Shared Fund
Agy 802, D23 fund 3116	7,713.45		Shared Fund
Agy 802, D23 fund 3120	9,683.47		Shared Fund
Agy 802, D23 fund 3142	(10,290.78)		Shared Fund
Agy 802, D23 fund 3151	511.10		Shared Fund
Agy 802, D23 fund 3152	4,837.82		Shared Fund
Agy 808, D23 fund 0802	2,159.42		Shared Fund
Agy 813, D23 fund 0802	(114,558.14)		Shared Fund
Agy 902, D23 fund 8020	764.37		Shared Fund
Appd Fund 0001, D23 fund 0001			
Agy 902, D23 fund 0001		21,735.29	Surplus Property
Total Transfer In/Out Other Agencies	\$ 79,892.75	\$ 168,187.77	
Special Revenue (02)			
Appd Fund 0006, D23 fund 0006			
Agy 601, D23 fund 0006		1,688,610,937.28	Shared Cash
Total Transfers In/Out	\$ 79,892.75	\$ 1,688,779,125.05	

	Due from Other Agencies	Due to Other Agencies	Source
General Revenue (01)			
Appd Fund 0802, D23 fund 0802			
Agy 300, D23 fund 0805		12,826.87	Shared Fund
Agy 300, D23 fund 0807		1,794.77	Shared Fund
Agy 411, D23 fund 0802		6,037.89	Shared Fund
Agy 701, D23 fund 2242		1,539.97	Shared Fund
Agy 701, D23 fund 2250		10,204.20	Shared Fund
Agy 701, D23 fund 2260		25.66	Shared Fund
Agy 701, D23 fund 2270		3,519.93	Shared Fund
Agy 701, D23 fund 2271		2,298.97	Shared Fund
Agy 701, D23 fund 2273		5,609.29	Shared Fund
Agy 701, D23 fund 2274		4,309.26	Shared Fund
Agy 781, D23 fund 4003	5.64		Shared Fund
Agy 781, D23 fund 4004	.64		Shared Fund
Agy 781, D23 fund 4005	4.75		Shared Fund
Agy 781, D23 fund 4006	.11		Shared Fund
Agy 781, D23 fund 4007	.91		Shared Fund
Agy 781, D23 fund 4008	33.60	1,107.32	Shared Fund
Agy 781, D23 fund 4009	19.45	916.64	Shared Fund
Agy 781, D23 fund 4010	.31		Shared Fund

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	Due from Other Agencies	Due to Other Agencies	Source
Agy 781, D23 fund 4011	2.85		Shared Fund
Agy 781, D23 fund 4012	1.80		Shared Fund
Agy 781, D23 fund 4013	.90		Shared Fund
Agy 781, D23 fund 4014	1.87		Shared Fund
Agy 781, D23 fund 4015	.40		Shared Fund
Agy 781, D23 fund 4016	.28		Shared Fund
Agy 781, D23 fund 4017	1.28		Shared Fund
Agy 781, D23 fund 4018	.55		Shared Fund
Agy 781, D23 fund 4019	.79		Shared Fund
Agy 781, D23 fund 4020	.11		Shared Fund
Agy 781, D23 fund 4021	.52		Shared Fund
Agy 781, D23 fund 4022	.62		Shared Fund
Agy 781, D23 fund 4023	.24		Shared Fund
Agy 781, D23 fund 4025	.92		Shared Fund
Agy 802, D23 fund 3043		48,365.66	Shared Fund
Agy 802, D23 fund 3044		471.16	Shared Fund
Agy 802, D23 fund 3046		284.52	Shared Fund
Agy 802, D23 fund 3047		1,665.44	Shared Fund
Agy 802, D23 fund 3049		31.81	Shared Fund
Agy 802, D23 fund 3050		1,400.00	Shared Fund
Total Due From/ To Other Agencies	\$78.54	\$102,409.36	

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2031, unless continued in existence by the Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2032, to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During Fiscal Year 2019, a net increase in the amount of \$135,661.78, was made to total Net Assets. This adjustment was necessary due to warranty replacement assets not previously recorded.

Fund Balance and Net Position for 2019

	Capital Assets (FT 11)	Total
Fund Balance, Sept. 1, 2018	\$2,180,406.97	\$2,180,406.97
Current Year's Restatements	135,661.78	135,661.78
Fund Balance, Sept. 1, 2018 as Restated	\$2,316,068.75	\$2,316,068.75

Net Change in Fund Balance/Net Assets for 2018

	Capital Assets (FT 11)	Total
Net Changes in Fund Balances/Net Assets, Aug. 31, 2018	\$(957,111.82)	\$(957,111.82)
Current Year's Restatements	135,661.78	135,661.78
Net Changes in Fund Balances/Net Assets, Aug. 31, 2018 as Restated	\$(821,450.04)	\$(821,450.04)

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

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

Encumbrances

As of August 31, 2019, the TxDMV had encumbered the following amounts in governmental funds for signed contracts and purchase orders:

	General Revenue Fund (0001)	Special Revenue Fund (0006)	Texas Department of Motor Vehicle Fund (0010)
Encumbrances	\$ 7,333,435.80	\$ 40,606.97	\$ 10,308,410.05

NOTE 16: SUBSEQUENT EVENTS

Not Applicable

NOTE 17: RISK MANAGEMENT

The department is exposed to a wide range of risks, due to the size, scope and nature of its activities. Some of these risks include, but are not limited to property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc. The department retains these risks, and manages them through insurance and safety programs. In FY 2019, the department had \$ 6,500.00 in payments related to claims.

	Beginning Balance	Increases	Decreases	Ending Balance
2019	-	\$ 6,500.00	\$ (6,500.00)	-
2018	-	\$10,000.00	\$(10,000.00)	-

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NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

The Texas Department of Motor Vehicles (TxDMV) is a self-funded department through the TxDMV Fund, with the exception of the Automobile Burglary and Theft Prevention Authority, which is funded through the General Revenue (GR) Fund. With the enactment of S.B. 604, TxDMV's Sunset legislation, the Automobile Burglary and Theft Prevention Authority was renamed the Motor Vehicle Crime Prevention Authority as of September 1, 2019.

During FY 2019, revenue for all funds totaled \$1.91 billion. Of this amount, \$1.72 billion was for the State Highway Fund and \$172.43 million was for the TxDMV Fund. This represents an increase of \$97.43 million or a 5.38% increase compared to revenue in FY 2018 of \$1.81 billion. The increase in revenue is primarily attributable to increased motor vehicle registrations due to population growth and a stable national and state economy. Oversize/Overweight permits issued also increased due to a moderate increase in new construction and growth in manufacturing and refining.

FY 2019 Capital budget expenditures totaled \$17.3 million, primarily consisting of expenditures for the TxDMV Automation project (\$3.5 million); Data Center Consolidation services (\$10.3 million); and \$2.5 million for the County Technology Replacement & Upgrades capital budget. Other capital expenditures for Agency Growth & Enhancement, Replacement Vehicles, Personal Computer (PC) Replacement, and Cybersecurity, totaled \$1.0 million.

Overall expenditures decreased by \$3 million in FY 2019 compared to FY 2018 expenditures of \$148.1 million. The primary factors contributing to this decrease are a reduction in Professional Fees and Repairs and Maintenance of \$5.36 million primarily from the completion of contractual obligations related to the Registration and Titling System Refactoring Project. The reductions are offset by an increase in Materials and Supplies expenditures of \$2.16 million which is attributable to increases in registrations and an increase in postal rates during 2019. Other significant items included within Materials and Supplies expenditures are Consumables (Office Supplies & Toner), Personal Property (FF&E), and Computer Software (Windows updates for counties.)

NOTE 19: THE FINANCIAL REPORTING ENTITY

Not Applicable

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not Applicable

NOTE 21:

Not Applicable to the reporting requirement process.

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Not Applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not Applicable

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not Applicable

NOTE 25: TERMINATION BENEFITS

Not Applicable

NOTE 26: SEGMENT INFORMATION

Not Applicable

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Not Applicable

NOTE 28: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Not Applicable

NOTE 29: TROUBLE DEBT RESTRUCTURING

Not Applicable

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES

Not Applicable

NOTE 31: TAX ABATEMENTS

Not Applicable

NOTE 32: FUND BALANCES

GAAP Fund	Fund	AFR 54 Class	Amount	Citation	Purpose
0010	0010	Restricted	\$130,926,441.34	TEXAS TRANSPORTATION CODE ANNOTATED SECTION 1001.151, 1001.152	Used by the department for operations, administration, enforcement, accounting costs and related liabilities for the fund. Revenue includes fees from motor vehicle registration, title certificates, special vehicle permits, specialty license plates and other transportation-related permits.
0010	0900	Restricted	\$227,320.63	TEXAS GOVERNMENT CODE ANNOTATED SECTION 403.035	To provide a temporary depository for money held in suspense pending final disposition. Items held in the fund are cleared to the various Special Funds or the General Revenue Fund, or refunded to the payer.

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COMBINING FINANCIAL STATEMENTS

-UNAUDITED-

**EXHIBIT A-1
 COMBINING BALANCE SHEET
 All General and Consolidated Funds
 For the Year Ended August 31, 2019**

	<u>General Revenue Account (0001)</u>	<u>License Plate Trust Fund Account (0802)</u>	<u>Suspense Type Activities Account (0900)</u>	<u>Deposit Default Type Activities Account (9000)</u>	<u>Returned Items Type Activities Account (9001)</u>	<u>Total</u>
Assets						
Current Assets:						
Cash on Hand	\$	\$	\$	\$	\$	0.00
Cash in Bank						0.00
Cash in State Treasury		4,055,128.17	48,015.90			4,103,144.07
Legislative Appropriations	16,408,038.71					16,408,038.71
Receivables:						
Federal						0.00
Accounts Receivable						0.00
Due From Other Funds (Note 12)						0.00
Due From Other Agencies (Note 12)		78.54				78.54
Consumable Inventories						0.00
Total Current Assets	16,408,038.71	4,055,206.71	48,015.90	0.00	0.00	20,511,261.32
Liabilities						
Current Liabilities						
Payables:						
Vouchers Payable	39,570.84					39,570.84
Account Payable	1,177,388.18					1,177,388.18
Payroll Payable	37,940.05					37,940.05
Due to Other Funds (Note 12)						0.00
Due to Other Agencies (Note 12)		102,409.36				102,409.36
Total Current Liabilities	1,254,899.07	102,409.36	0.00	0.00	0.00	1,357,308.43
Fund Balances						
Non Spendable (Inventory)						0.00
Restricted						0.00
Committed		3,952,797.35				3,952,797.35
Assigned			48,015.90			48,015.90
Unassigned	15,153,139.64					15,153,139.64
Total Fund Balance	15,153,139.64	3,952,797.35	48,015.90	0.00	0.00	19,153,952.89
Total Liabilities and Fund Balances	\$ 16,408,038.71	\$ 4,055,206.71	\$ 48,015.90	\$ 0.00	\$ 0.00	\$ 20,511,261.32

-UNAUDITED-

EXHIBIT B-1
COMBINING BALANCE SHEET
Special Revenue Funds
For Fiscal Year Ended August 31, 2019

	State Highway Fund (0006)	Texas Department of Motor Vehicles Fund (0010)	Suspense Type Activities Fund (0900)	Total
Assets				
Current Assets:				
Cash on Hand	\$	\$ 37,100.00	\$	\$ 37,100.00
Cash in Bank		20,000.00		20,000.00
Cash in State Treasury		139,919,086.10	227,320.63	140,146,406.73
Legislative Appropriations				0.00
Receivables:				
Federal				
Accounts Receivable	134,418,638.43	3,190,539.65		137,609,178.08
Due From Other Funds (Note 12)				0.00
Due From Other Agencies (Note 12)				0.00
Consumable Inventories		65,900.38		65,900.38
Total Current Assets	<u>134,418,638.43</u>	<u>143,232,626.13</u>	<u>227,320.63</u>	<u>277,878,585.19</u>
Liabilities				
Current Liabilities				
Payables:				
Vouchers Payable		597,484.32		597,484.32
Account Payable		6,889,990.75		6,889,990.75
Payroll Payable		4,752,809.34		4,752,809.34
Due to Other Funds (Note 12)				0.00
Due to Other Agencies (Note 12)				0.00
Total Current Liabilities	<u>0.00</u>	<u>12,240,284.41</u>	<u>0.00</u>	<u>12,240,284.41</u>
Fund Balances				
Non Spendable (Inventory)		65,900.38		65,900.38
Restricted	134,418,638.43	130,926,441.34	227,320.63	265,572,400.40
Committed				0.00
Assigned				0.00
Unassigned				0.00
Total Fund Balance	<u>134,418,638.43</u>	<u>130,992,341.72</u>	<u>227,320.63</u>	<u>265,638,300.78</u>
Total Liabilities and Fund Balances	<u>\$ 134,418,638.43</u>	<u>\$ 143,232,626.13</u>	<u>\$ 227,320.63</u>	<u>\$ 277,878,585.19</u>

-UNAUDITED-

**EXHIBIT A-2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
All General and Consolidated Funds
For the Year Ended August 31, 2019**

	<u>General Revenue Account (0001)</u>	<u>License Plate Trust Fund Account (0802)</u>	<u>Suspense Type Activities Account (0900)</u>	<u>Deposit Default Type Activities Account (9000)</u>	<u>Returned Items Type Activities Account (9001)</u>	<u>Totals</u>
Revenues						
Legislative Appropriations :						
Original Appropriations	\$ 12,835,851.00	\$	\$	\$	\$	\$ 12,835,851.00
Additional Appropriations	95,915.23					95,915.23
Federal Revenues						0.00
Federal Pass-Through						0.00
State Grant Pass -Through						0.00
Licenses, Fees and Permits		105,110.23	(12,634.25)			92,475.98
Interest & Investment Income		6,631.61				6,631.61
Settlement of Claims						0.00
Sales of Goods and Services						0.00
Other Revenues				(20,900.25)	221,064.34	200,164.09
Total Revenues	<u>12,931,766.23</u>	<u>111,741.84</u>	<u>(12,634.25)</u>	<u>(20,900.25)</u>	<u>221,064.34</u>	<u>13,231,037.91</u>
Expenditures						
Salaries and Wages	365,778.77					365,778.77
Payroll Related Costs	100,342.89					100,342.89
Professional Fees and Services	609,813.25					609,813.25
Travel	12,326.93					12,326.93
Materials and Supplies	84,257.09					84,257.09
Communications and Utilities	1,046.14					1,046.14
Repairs and Maintenance	568,788.56					568,788.56
Rentals and Leases	5,932.46					5,932.46
Printing and Reproduction	1,505.51					1,505.51
Claims and Judgements						0.00
Federal Pass-Through Expenditures						0.00
State Grant Pass-Through Expenditures						0.00
Intergovernmental Payments	12,060,340.69					12,060,340.69
Public Assistance Payments	111,128.58					111,128.58
Other Operating Expenditures	25,924.03					25,924.03
Capital Outlay	13,564.10					13,564.10
Total Expenditures	<u>13,960,749.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>13,960,749.00</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,028,982.77)</u>	<u>111,741.84</u>	<u>(12,634.25)</u>	<u>(20,900.25)</u>	<u>221,064.34</u>	<u>(729,711.09)</u>
Other Financing Sources (Uses)						
Operating Transfers In (Note 12)		79,892.75				79,892.75
Operating Transfers Out (Note 12)	(21,735.29)	(146,452.48)				(168,187.77)
Insurance Recoveries						0.00
Sale of Capital Assets	21,735.29					21,735.29
Legislative Financing Sources						0.00
Legislative Financing Uses						0.00
Legislative Transfers In (Note 12)						0.00
Legislative Transfers Out (Note 12)						0.00
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>(66,559.73)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(66,559.73)</u>
Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses	(1,028,982.77)	45,182.11	(12,634.25)	(20,900.25)	221,064.34	(796,270.82)
Fund Balance - Beginning	18,053,146.88	3,907,615.24	60,650.15	20,900.25	(221,064.34)	21,821,248.18
Restatements						0.00
Fund Balance As Restated	18,053,146.88	3,907,615.24	60,650.15	20,900.25	(221,064.34)	21,821,248.18
Appropriations Lapsed	(1,871,024.47)					(1,871,024.47)
Fund Balance - Ending	\$ 15,153,139.64	\$ 3,952,797.35	\$ 48,015.90	\$ 0.00	\$ 0.00	\$ 19,153,952.89

-UNAUDITED-

EXHIBIT B-2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Special Revenue Funds
For the Year Ended August 31, 2019

	State Highway Fund (0006)	Texas Department of Motor Vehicles Fund (0010)	Suspense Type Activities Account (0900)	Totals
Revenues				
Legislative Appropriations:				
Original Appropriations	\$	\$	\$	\$ 0.00
Additional Appropriations				0.00
Federal Revenues		224,257.93		224,257.93
Federal Pass-Through				0.00
State Grant Pass -Through				0.00
Licenses, Fees and Permits	1,722,951,590.41	169,192,177.45	(32,763.50)	1,892,111,004.36
Interest & Investment Income		2,728,987.32		2,728,987.32
Settlement of Claims				0.00
Sales of Goods and Services	0.70	241,731.58		241,732.28
Other Revenues	1,325.40	43,028.37		44,353.77
Total Revenues	1,722,952,916.51	172,430,182.65	(32,763.50)	1,895,350,335.66
Expenditures				
Salaries and Wages		39,852,513.51		39,852,513.51
Payroll Related Costs		14,577,881.82		14,577,881.82
Professional Fees and Services	640,222.85	14,239,765.40		14,879,988.25
Travel	(1,659.51)	385,748.35		384,088.84
Materials and Supplies		16,121,867.42		16,121,867.42
Communications and Utilities		4,700,919.27		4,700,919.27
Repairs and Maintenance	93,788.56	2,802,101.20		2,895,889.76
Rentals and Leases		1,038,976.76		1,038,976.76
Printing and Reproduction		4,553,069.59		4,553,069.59
Claims and Judgements		6,500.00		6,500.00
Federal Pass-Through Expenditures				0.00
State Grant Pass-Through Expenditures				0.00
Intergovernmental Payments				0.00
Public Assistance Programs				0.00
Other Operating Expenditures		31,627,533.35		31,627,533.35
Capital Outlay		712,667.76		712,667.76
Total Expenditures	732,351.90	130,619,544.43	0.00	131,351,896.33
Excess (Deficit) of Revenues over Expenditures	1,722,220,564.61	41,810,638.22	(32,763.50)	1,763,998,439.33
Other Financing Sources (Uses)				
Operating Transfers In (Note 12)				0.00
Operating Transfers Out (Note 12)	(1,688,610,937.28)	-		(1,688,610,937.28)
Sale of Capital Assets		7,245.12		7,245.12
Legislative Financing Sources				0.00
Insurance Recoveries				0.00
Legislative Transfers In (Note 12)				0.00
Legislative Transfers Out (Note 12)				0.00
Total Other Financing Sources (Uses)	(1,688,610,937.28)	7,245.12	0.00	(1,688,603,692.16)
Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses	33,609,627.33	41,817,883.34	(32,763.50)	75,394,747.17
Fund Balance - Beginning	100,809,011.10	89,174,458.38	260,084.13	190,243,553.61
Restatements				0.00
Fund Balance As Restated	100,809,011.10	89,174,458.38	260,084.13	190,243,553.61
Appropriations Lapsed				0.00
Fund Balance - Ending	\$ 134,418,638.43	\$ 130,992,341.72	\$ 227,320.63	265,638,300.78

-UNAUDITED-

EXHIBIT J-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
All Agency Funds
For Fiscal Year Ended August 31, 2019

	<u>Beginning Balances September 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances August 31, 2019</u>
Intermodal Container & Milk Transport - Tx Department of Motor Vehicle Fund (1623)				
Assets:				
Cash in State Treasury	8,330.00	593,517.34	601,847.34	0.00
Accounts Receivable	0.00	0.00	0.00	0.00
Total Assets	\$ <u>8,330.00</u>	\$ <u>593,517.34</u>	\$ <u>601,847.34</u>	\$ <u>0.00</u>
Liabilities:				
Accounts Payable	0.00	0.00	0.00	0.00
Funds Held for Others	8,330.00	593,517.34	601,847.34	0.00
Total Liabilities	\$ <u>8,330.00</u>	\$ <u>593,517.34</u>	\$ <u>601,847.34</u>	\$ <u>0.00</u>
Unified Carrier Registration - Tx Department of Motor Vehicle Fund (1645)				
Assets:				
Cash in State Treasury	120,797.65	125,990.17	246,787.82	0.00
Accounts Receivable	0.00	0.00	0.00	0.00
Total Assets	\$ <u>120,797.65</u>	\$ <u>125,990.17</u>	\$ <u>246,787.82</u>	\$ <u>0.00</u>
Liabilities:				
Accounts Payable	0.00	125,880.17	125,880.17	0.00
Funds Held for Others	120,797.65	125,990.17	246,787.82	0.00
Total Liabilities	\$ <u>120,797.65</u>	\$ <u>251,870.34</u>	\$ <u>372,667.99</u>	\$ <u>0.00</u>
Proportional Registration Distributive Fund (0021)				
Assets:				
Cash in State Treasury	13,329,257.81	126,353,606.13	124,062,548.38	15,620,315.56
Total Assets	\$ <u>13,329,257.81</u>	\$ <u>126,353,606.13</u>	\$ <u>124,062,548.38</u>	\$ <u>15,620,315.56</u>
Liabilities:				
Accounts Payable	0.00	22,515,164.32	22,515,164.32	0.00
Funds Held for Others	13,329,257.81	126,354,430.81	124,063,373.06	15,620,315.56
Total Liabilities	\$ <u>13,329,257.81</u>	\$ <u>148,869,595.13</u>	\$ <u>146,578,537.38</u>	\$ <u>15,620,315.56</u>
Child Support - Employee Deduction (0807)				
Assets:				
Cash in State Treasury	5,597.00	55,077.07	57,624.07	3,050.00
Total Assets	\$ <u>5,597.00</u>	\$ <u>55,077.07</u>	\$ <u>57,624.07</u>	\$ <u>3,050.00</u>
Liabilities:				
Accounts Payable	0.00	51,627.07	51,627.07	0.00
Funds Held for Others	5,597.00	55,077.07	57,624.07	3,050.00
Total Liabilities	\$ <u>5,597.00</u>	\$ <u>106,704.14</u>	\$ <u>109,251.14</u>	\$ <u>3,050.00</u>

EXHIBIT J-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
All Agency Funds
For Fiscal Year Ended August 31, 2019

	Beginning Balances September 1, 2018	Additions	Deductions	Ending Balances August 31, 2019
Suspense Fund (0900)				
Assets:				
Cash in State Treasury	1,341,029.55	115,205,862.33	115,821,145.32	725,746.56
Total Assets	\$ 1,341,029.55	\$ 115,205,862.33	\$ 115,821,145.32	\$ 725,746.56
Liabilities:				
Accounts Payable	1,180,095.52	98,605,481.66	99,381,377.33	404,199.85
Funds Held for Others	160,934.03	115,205,862.33	115,045,249.65	321,546.71
Total Liabilities	\$ 1,341,029.55	\$ 213,811,343.99	\$ 214,426,626.98	\$ 725,746.56
Direct Deposit Correction Account (0980)				
Assets:				
Cash in State Treasury	0.00	155,439.84	155,439.84	0.00
Total Assets	\$ 0.00	\$ 155,439.84	\$ 155,439.84	\$ 0.00
Liabilities:				
Funds Held for Others	0.00	155,439.84	155,439.84	0.00
Total Liabilities	\$ 0.00	\$ 155,439.84	\$ 155,439.84	\$ 0.00
Unappropriated GR (1000)				
Assets:				
Cash in State Treasury	0.00	115,637,320.75	115,637,320.75	0.00
Total Assets	\$ 0.00	\$ 115,637,320.75	\$ 115,637,320.75	\$ 0.00
Liabilities:				
Accounts Payable	0.00	56,324.22	56,324.22	0.00
Funds Held for Others	0.00	115,637,165.75	115,637,165.75	0.00
Total Liabilities	\$ 0.00	\$ 115,693,489.97	\$ 115,693,489.97	\$ 0.00
Total - All Agency Funds				
Assets:				
Cash in State Treasury	14,805,012.01	358,126,813.63	356,582,713.52	16,349,112.12
Accounts Receivable	0.00	0.00	0.00	0.00
Total Assets	\$ 14,805,012.01	\$ 358,126,813.63	\$ 356,582,713.52	\$ 16,349,112.12
Liabilities:				
Accounts Payable	1,180,095.52	121,354,477.44	122,130,373.11	404,199.85
Funds Held for Others	13,624,916.49	358,127,483.31	355,807,487.53	15,944,912.27
Total Liabilities	\$ 14,805,012.01	\$ 479,481,960.75	\$ 477,937,860.64	\$ 16,349,112.12

(Exhibit VI)

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

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SCHEDULES

-UNAUDITED-

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through From			
	CFDA Number	Agency Number	State Agency or University Amount	Non-State Entities Amount
U.S. Department of Transportation				
<u>Direct Programs:</u>				
Motor Carrier Safety Assistance High Priority Activities	20.237			
Total			0.00	0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE			0.00	0.00

Note 2 - Reconciliation

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

Exhibit II

Federal Revenues	\$ 224,257.93
Federal Pass-Through Revenues	0.00
Total	\$ 224,257.93

Texas Department of Motor Vehicles (608)

Direct Program Amount	Total Pass Through From & Direct Program	Pass-Through To			Expenditure Amount	Total Pass Through To & Expenditures
		Agency Number	State Agency or University Amount	Non-State Entities Amount		
\$ 224,257.93	\$ 224,257.93				\$ 224,257.93	\$ 224,257.93
<u>\$ 224,257.93</u>	<u>\$ 224,257.93</u>		<u>0.00</u>	<u>0.00</u>	<u>\$ 224,257.93</u>	<u>\$ 224,257.93</u>
<u>\$ 224,257.93</u>	<u>\$ 224,257.93</u>		<u>0.00</u>	<u>0.00</u>	<u>\$ 224,257.93</u>	<u>\$ 224,257.93</u>

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Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Annual Report of Nonfinancial Data

Fiscal Year Ended August 31, 2019



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Annual Report of Nonfinancial Data

Fiscal Year Ended August 31, 2019



Texas Department *of* Motor Vehicles

Prepared by
Finance & Administrative Services Division

December 31, 2019

Texas Department of Motor Vehicles Board

Guillermo "Memo" Treviño, Vice-Chair

Charles Bacarisse
Stacey Gillman
Brett Graham
Tammy McRae

Gary Painter
John M. Prewitt
Paul R. Scott
Shelley Washburn

Whitney H. Brewster
Executive Director

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

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December 31, 2019

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

Ladies and Gentlemen:

We are pleased to submit the Texas Department of Motor Vehicle's *Annual Report of Nonfinancial Data* for the year ended August 31, 2019, in compliance with the TEX. GOV'T CODE ANN. §2101.0115 and in accordance with the instructions for completing the Annual Report of Nonfinancial Data.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Whitney H. Brewster".

Whitney H. Brewster
Executive Director

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Texas Department of Motor Vehicles (608)

(Unaudited)

Appropriation Item Transfers*

For the Fiscal Year Ended August 31, 2019

ITEM OF APPROPRIATION

	<u>Transfers-In</u>	<u>Transfers-Out</u>	<u>Net Transfers</u>
A. Goal: Optimize Services & Systems			
<i>Strategies:</i>			
A.1.1 13001 Titles, Registrations & Plates	\$ -	\$ (137,462.00)	\$ (137,462.00)
A.1.2 13002 Vehicle Dealer Licensing	60,002.00	-	60,002.00
A.1.3 13005 Motor Carrier Permits & Credentials	-	(89,309.00)	(89,309.00)
A.1.5 13007 Customer Contact Center	<u>433,227.00</u>	<u>-</u>	<u>433,227.00</u>
Total, Goal A: Optimize Services & Systems	<u>\$ 493,229.00</u>	<u>\$ (226,771.00)</u>	<u>\$ 266,458.00</u>
B. Goal: Protect the Public			
<i>Strategies:</i>			
B.1.1 13008 Enforcement	<u>\$ 48,249.00</u>	<u>-</u>	<u>48,249.00</u>
Total, Goal B: Protect the Public	<u>\$ 48,249.00</u>	<u>\$ -</u>	<u>\$ 48,249.00</u>
C. Goal: Indirect Administration			
<i>Strategies:</i>			
C.1.1 13009 Central Administration	\$ 207,682.00	\$ -	\$ 207,682.00
C.1.2 13010 Information Resources	<u>-</u>	<u>(522,389.00)</u>	<u>(522,389.00)</u>
Total, Goal C: Indirect Administration	<u>207,682.00</u>	<u>(522,389.00)</u>	<u>(314,707.00)</u>
NET APPROPRIATION ITEM TRANSFERS	<u><u>\$ 749,160.00</u></u>	<u><u>\$ (749,160.00)</u></u>	<u><u>\$ 0.00</u></u>

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

Texas Department of Motor Vehicles (608)

(Unaudited)

STATE AGENCY PROGRESS REPORT

Source: Texas Government Code, Title 10, Subtitle D, Section 2161.124

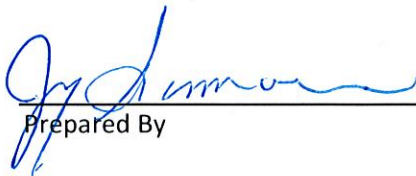
For the Fiscal Year Ended August 31, 2019

Agency Name: Texas Depart. of Motor Vehicles Agency #: 608 Report for Fiscal: 2019

HUB Report Procurement Categories	Fiscal 2018		Fiscal 2019		Fiscal 2020
	Agency-Specific HUB Goal*	% of Dollars Spent w/HUBs**	Agency-Specific HUB Goal*	% of Dollars Spent w/HUBs**	Agency-Specific HUB Goal*
Heavy construction other than building contracts				100.00%	
Building construction, including general contractors and operative builders contracts					
Special trade construction contracts				64.16%	32.90%
Professional services contracts					
Other services contracts	5.00%	7.97%	5.00%	11.42%	10.00%
Commodities contracts	23.00%	27.95%	23.00%	30.60%	27.00%

*For each of the procurement categories listed, enter your Agency-Specific HUB Goals.

**For each of the procurement categories listed, enter the percentage of dollars the agency spent with HUBs as reflected in the Annual HUB Reports.

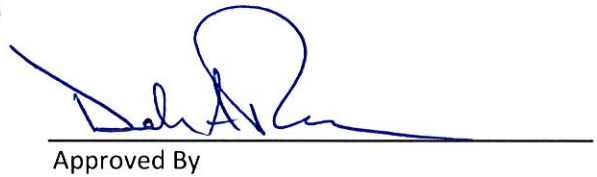

 Prepared By

Joy Simmons

Printed Name

512-465-4197

Phone Number


 Approved By

Debra Rosas

Printed Name

512-465-1257

Phone Number

(Unaudited)

Indirect Cost Schedule

For the Fiscal Year Ended August 31, 2019

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

FICA Employer Matching Contribution	\$	2,929,239.74	
Group Health Insurance		7,842,510.43	
Retirement		3,871,654.82	
Unemployment		34,819.72	
Total Payroll-related Costs			\$ <u>14,678,224.71</u>

Workers' Compensation	\$	71,564.39	
Benefit Replacement Pay (BRP)		66,748.14	
Total Workers' Compensation and BRP			\$ <u>138,312.53</u>

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

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

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

Comptroller of Public Accounts (CPA)	\$	1,205,360.00	
Department of Public Safety (DPS)		1,796.00	
Texas Facilities Commission (TFC)		4,961.00	
Governor Budget & Planning		979.00	
Total Indirect Costs - Statewide Full Cost Allocation Plan			\$ <u>1,213,096.00</u>

TOTAL INDIRECT COSTS			\$ <u><u>16,029,633.24</u></u>
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(Unaudited)

Schedule of Professional/Consulting Fees & Legal Service Fees

For the Fiscal Year Ended August 31, 2019

Professional/Consulting Fees:

Name	Service Provided	Amount
Allied Consultants	Information Technology Services	43,561.00
Anchor Computer Inc	Data Processing Services	12,315.91
Apex Systems Inc	Information Technology Services	215,466.20
Bansar Technologies Inc	Information Technology Services	52,690.00
Black Book National Auto Research Division	Information Technology Services	108,000.00
C & T Information Tech. Consulting Inc	Information Technology Services	85,000.00
Capitol Systems Inc	Information Technology Services	158,341.25
Carahsoft Technology Corporation	Information Technology Services	314,856.39
Carolyn Conn	Educational/Training Services	2,370.00
Catapult Systems LLC	Consultant Services - Computer	7,225.00
CDW Government Inc	Consultant Services - Computer	13,587.82
Center for Application of Psychological Type Inc	Educational/Training Services	4,229.32
Cogent Infotech Corporation	Information Technology Services	32,931.50
Darla Cloud	Educational/Training Services	3,000.00
Datamanusa LLC	Information Technology Services	225,645.00
Deloitte Consulting LLP	Information Technology Services	323,265.20
Eclipse Digital Imaging Inc	Educational/Training Services	59.94
Equifax Verification Services	Professional Services-Other	38.95
Graceland College Center for Prof. Development	Educational/Training Services	299.00
Management & Strategy Institute	Educational/Training Services	284.95
Microassist Inc	Educational/Training Services	268.00
New Directions in Leadership LLC	Educational/Training Services	4,000.00
New Horizons CLC of Austin	Educational/Training Services	590.00
NF Consulting Services	Information Technology Services	1,087,446.59
Nipun Systems Inc	Information Technology Services	193,847.00
Pexus LLC	Information Technology Services	30,832.00
Presidio Networked Solutions Group LLC	Consultant Services - Computer	12,802.50
Promiles Software Development Corp.	Information Technology Services	48,523.27
Rapisource LLC	Information Technology Services	34,650.00
Red River Consulting Services Inc	Information Technology Services	60,000.00
Safe2Drive	Educational/Training Services	435.60

Texas Department of Motor Vehicles (608)

(Unaudited)

Schedule of Professional/Consulting Fees & Legal Service Fees

For the Fiscal Year Ended August 31, 2019

Professional/Consulting Fees:

Name	Service Provided	Amount
Sistema Technologies Inc	Information Technology Services	175,526.60
Skillpath Seminars	Educational/Training Services	4,540.00
Solid Border Inc	Information Technology Services	4,200.00
Southwest Research Institute	Consultant Services - Other	797,042.69
State Bar of Texas	Educational/Training Services	320.00
Statewide Procurements - CPA	Educational/Training Services	1,125.00
Teksystems Inc	Information Technology Services	227,765.06
Texas Department of Information Resources	Computer Services-Statewide Tech	10,413,267.76
Texas Department of Information Resources	Data Processing Services	34,380.00
Texas Facilities Commission	Professional Services-Other	40,900.00
TD Industries	Professional Services-Other	1,331.11
TXC Texas Creative Ltd	Professional Services-Other	1,887.52
University of Texas at Austin	Educational/Training Services	10,050.00
Wayne Schiess	Educational/Training Services	1,000.00
Weaver & Tidwell	Financial & Accounting Services	55,157.50
Workers Assistance Program Inc	Professional Services-Other	13,015.85
Workquest	Information Technology Services	464,170.02
Yellowbook-CPE LLC	Educational/Training Services	360.00
Total, Professional/Consulting Fees:		\$ 15,322,601.50

Legal Service Fees:

Name	Service Provided	Amount
State Office of Administrative Hearings (SOAH)	Legal Services - Approved by SOAH	167,200.00
Total, Legal Service Fees:		\$ 167,200.00

TOTAL, PROFESSIONAL/CONSULTING FEES & LEGAL SERVICE FEES **\$ 15,489,801.50**

Texas Department of Motor Vehicles (608)

(Unaudited)

Schedule of Space Occupied

For the Fiscal Year Ended August 31, 2019

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

Location	Address	Lessor	Lease No.
State Owned Buildings			
Camp Hubbard (CH) Complex	4000 Jackson Ave, Austin, Texas		
Building, CH 1			
Building, CH 2 (Fiesta Room)			
Building, CH 5			
Building, CH 6			
Regional Offices			
Abilene	4210 North Clack, Abilene, Texas		
Amarillo	5715 Canyon Drive, Building H, Amarillo, Texas		
Austin	1001 East Parmer Lane, Suite A, Austin, Texas		
Beaumont	8550 Eastex Freeway, Beaumont, Texas		
Huntsville Operations	810 FM 2821, Huntsville, Texas	TDCJ - Wynne Unit	
Longview	4549 West Loop 281, Longview, Texas		
Lubbock	135 Slaton Road, Lubbock, Texas		
Midland/Odessa	3901 East Hwy 80, Odessa, Texas		
Pharr	600 West Expwy 83, Pharr, Texas		
Wichita Falls	1601-A Southwest Parkway, Wichita Falls, Texas		
Leased Space			
Centimeter Warehouse Facility	2000 Centimeter Circle, Austin, Texas	RUT-3-4-7, LTD	MOU with TXDOT
CPA Warehouse	1811 Airport Blvd, Austin, Texas	4015 Limited Partnership	6728
Regional Offices			
Corpus Christi	602 N. Staples Street, Corpus Christi, Texas	Corpus Christi Regional Transp. Authority	303-7-20538
Dallas	1925 E. Beltline Road, Carrollton, Texas	Purple Tree LLC	7959
El Paso	1227 Lee Trevino Drive, Suite 100, El Paso, Texas	Burnham Properties, Ltd.	10263
Fort Worth	2425 Gravel Drive, Fort Worth, Texas	RiverBend Complex LLC	10462
Houston	2110 East Governors Circle, Houston, Texas	Ragsdale-Brookwood Joint Venture	20399
San Antonio	15150 Nacogdoches Road, San Antonio, Texas	Acharya Investments, LLC	20537
Waco	2203 Austin Avenue, Waco, Texas	Tony Martin, Trustee	8365

Texas Department of Motor Vehicles (608)

Location	Type	Usable Square Footage	FTEs	Cost Per			Contract Period
				Month	Sq.Ft. Per Mo.	Year	
State Owned Buildings							
Camp Hubbard (CH) Complex							
Building, CH 1	Office	71,684	301				
Building, CH 2 (Fiesta Room)	Office	1,102	-				
Building, CH 5	Office	33,134	97				
* Building, CH 6	Office	21,216	107				
Regional Offices							
Abilene	Office	1,900	6				
Amarillo	Office	2,538	5				
Austin	Office	3,131	9.5				
Beaumont	Office	3,000	7				
Huntsville Operations	Office	260	2				
Longview	Office	3,120	9				
Lubbock	Office	2,579	7				
Midland/Odessa	Office	3,618	5				
Pharr	Office	3,500	12				
Wichita Falls	Office	2,665	14				
Total, State Owned Buildings		153,447	581.5				
Leased Space							
Centimeter Warehouse Facility	Warehouse	575	-	-	-	-	09/01/16 - 08/31/19
CPA Warehouse	Warehouse	3,000	-	1,694.73	0.5649	20,336.76	08/01/16 - 04/30/20
Regional Offices							
Corpus Christi	Office	3,141	7	3,777.04	1.2025	45,324.48	04/01/17 - 03/31/27
Dallas	Office	7,865	26.5	10,235.75	1.3014	122,829.00	05/20/17 - 03/31/20
El Paso	Office	3,771	12	4,713.75	1.2500	56,565.00	11/01/17 - 10/31/22
Fort Worth	Office	5,685	25	6,468.75	1.1379	77,625.00	08/01/13 - 10/31/20
Houston	Office	11,554	36.5	23,723.19	2.0532	284,678.28	11/01/18 - 09/30/24
San Antonio	Office	3,916	18.5	6,818.73	1.7412	81,824.76	09/01/17 - 08/31/27
Waco	Office	2,307	5	3,185.53	1.3808	38,226.36	09/01/15 - 08/31/20
Total, Leased Space		41,814	130.5	\$ 60,617.47		\$ 727,409.64	
GRAND TOTAL		195,261	712.0	\$ 60,617.47		\$ 727,409.64	

Texas Department of Motor Vehicles (608)

(Unaudited)

Schedule of Vehicles Purchased

For the Fiscal Year Ended August 31, 2019

<u>Make</u>	<u>Model</u>	<u>Quantity</u>	<u>Purchase Price</u>	<u>Type of Use</u>	<u>Fuel Efficiency In Average Miles per Gallon</u>
Chevrolet	Traverse	3	\$74,394.00	Investigations, Audits, Freight & Passenger Transport	22.5
Dodge	Grand Caravan	2	\$46,782.00	Investigations, Audits, Freight & Passenger Transport	23.5
Ford	Escape	16	\$305,136.00	Investigations, Audits, Freight & Passenger Transport	24
Ford	F-450	1	\$60,187.00	Freight & Passenger Transport	10.3
Nissan	Leaf	1	\$27,711.00	Freight & Passenger Transport	* 116.5 (MPGe)
TOTALS		<u>23</u>	<u>\$ 514,210.00</u>		

* MPGe - Miles per Gallon Equivalent

Texas Department of Motor Vehicles (608)

(Unaudited)

Alternative Fuel Program Status

For the Fiscal Year Ended August 31, 2019

Alternative Fuel Vehicles Received Into Inventory by Fiscal Year

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

Fiscal Year	Type Of Fuel Capability						Total
	Natural Gas (CNG)	Propane (LPG)	Ethanol (E-85)	Gas/Electric Hybrid	Electricity	Biodiesel (B-20)	
2019			18		1	1	20
2018			21				21
2017							0
2016			3				3
2015							0
2014			8				8
2013			8				8
2012			6				6
2011							0
2010		6	1	11			18
Totals	0	6	65	11	1	1	84

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

Fuel Usage for the Fiscal Year Ended August 31, 2019

	<u>Gallons Used</u>
Unleaded Gasoline	15,740
Unleaded for Gas Hybrid	1,997
Biodiesel 20% (B-20)	170
Electricity	64 Gallons of Gasoline Equivalent (GGe)
Ethanol	5,125

Texas Department of Motor Vehicles (608)

(Unaudited)

Schedule of Itemized Purchases

For the Fiscal Year Ended August 31, 2019

<u>Vendor Name</u>	<u>Amount</u>	<u>Product Purchased</u>	<u>Justification</u>
<i>Promiles Software Development Corp. \$</i>	<i>600,537.52</i>	<i>Programming and Support Services</i>	<i>Competing Products Not Satisfactory</i>
		Software/Data Management and Support Services for TxPROS software application	ProMiles Software Development Corp wrote the source code for the software application and is the only Vendor who can provide support services.
<i>Explore Information Service, LLC</i>	<i>336,300.00</i>	<i>Software Maintenance and Support</i>	<i>Competing Products Not Satisfactory</i>
		Texas International Registration Plan (TxIRP) software for apportionately registering commercial vehicles operating interstate.	Explore Information Services wrote the source code for the system and currently supports it as well. As such, they are the only vendor that can supply the services required.
<i>BD HoltCo</i>	<i>8,080.00</i>	<i>Generator Maintenance</i>	<i>Competing Products Not Satisfactory</i>
			BD Holt provides maintenance to all makes and models of generator sets in accordance with the National Electric Code, the Life Safety Code, the National Fire Protection Association and the Joint Commission.
TOTAL PURCHASES	\$ <u>944,917.52</u>		

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



Board Meeting Date: 2/5/2020
BRIEFING

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 5.D
Subject: FY 2020 First Quarter Financial Report (BRIEFING ONLY) – Linda M. Flores and Sergio Rey

PURPOSE

The TxDMV Board is briefed quarterly on revenue collections and department expenditures. This report contains sections detailing year-to-date status as well as actual versus projections of revenues and expenditures. The year-to-date report includes a section dedicated to the TxDMV Fund.

Attached is the FY 2020 financial summary report for the period ending November 30, 2019.

EXECUTIVE SUMMARY

The TxDMV is self-sufficient and supports all its expenditures through revenues deposited to TxDMV Fund 0010, except for the Motor Vehicle Crime Prevention Authority (MVCPA). MVCPA is fully funded through fees deposited to the credit of the General Revenue Fund.

As of the end of the first quarter of FY 2020, the key highlights of the department's revenues and expenditures are:

- The department's total revenue deposits (all funds) were \$484.9 million, a 3.8% increase compared to the first quarter of FY 2019.
- TxDMV Fund 0010 collections totaled \$41.4 million, a 3.0% increase compared to first-quarter FY 2019.
- All-fund (General Revenue Fund and TxDMV Fund) expenditures (including obligations and encumbrances) totaled \$91.8 million. This includes expenditures from carry-forward funds as well as current year.
- The department collected sufficient revenue in FY 2020 to support its expenditures during the same period.
- The ending TxDMV Fund 0010 balance at November 30, 2019, was \$142.9 million. If encumbrances are included, the adjusted net balance is \$89.5 million.

FINANCIAL SUMMARY

TOTAL REVENUES (All Funds)

TxDMV revenue deposits totaled \$484.9 million through the first quarter of FY 2020. This amount comprises:

- \$ 416.96 million for the State Highway Fund (Fund 0006);
- \$ 26.59 million for the General Revenue Fund (Fund 0001); and
- \$ 41.36 million for the TxDMV Fund (Fund 0010).

Total revenue deposits through the first quarter were 3.8% higher than the same period of FY 2019.

TxDMV FUND 0010 REVENUES

FY 2020 collections for TxDMV Fund 0010 totaled \$41,361,877. This amount comprises revenues from titles, registered vehicles, license plates, oversize/overweight permits, business dealer licenses, processing and handling fees, and miscellaneous fees.

TxDMV Fund 0010 revenues increased by 3.0% compared to FY 2019. The increase in FY 2020 revenues compared to FY 2019 is partially due to increases in titling revenue and interest on the fund due to increases in the fund balance.

EXPENDITURES/OBLIGATIONS

Obligations through November 30, 2019, totaled \$91.8 million (\$25.5 million in expenditures and \$66.3 million in encumbrances) for all funds. Significant expenditure categories continue to include salaries, contract services for plate production, printing costs for Vehicle Titles and Registration Division forms, postage, and Data Center Services costs. Included in expenditures is \$1.1 million for contract payments to MyPlates, the specialty-plates vendor. Contract payments to MyPlates are contingent upon revenues collected.

The FY 2020 capital project budget obligations include expenditures of approximately \$2.3 million and encumbrances of approximately \$14.4 million, for a total obligated amount of \$16.7 million. This includes \$10.9 million in obligations for Data Center Services; \$4.1 million for Automation; and \$1.1 million for County Technology. The remaining capital obligations are for agency support in vehicle replacement, technology, and facilities.

The FY 2020 budget includes funding for exceptional items that were approved by the Legislature during the 86th Legislative Session. The exceptional items approved include nine new full-time equivalents (FTEs) and associated funding for the Consumer Relations Division, and twelve new FTEs for the Information Technology Services Division. The Legislature also approved a contingency rider for the implementation of a digital license plate program that included two FTEs for the Vehicle Titles and Registration Division.

MyPlates STATUS

General Revenue Fund 0001 deposits associated with the (second) MyPlates contract from November 19, 2014, to November 18, 2019, totaled \$61.1 million, of which \$29.9 million counted toward the contract's \$15 million guarantee.

The new (third) specialty-plates marketing contract executed with MyPlates runs from November 19, 2019, to December 31, 2025, with an option to renew the contract for an additional six-year term. MyPlates agreed to deposit a minimum of \$25 million into the General Revenue Fund from the sale of personalized and non-personalized new vendor specialty plates, as well as 5% of the revenue from the renewal of these plates, during the term of the contract.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.



1st Quarter Financial Report
ending November 30, 2019
Fiscal Year 2020

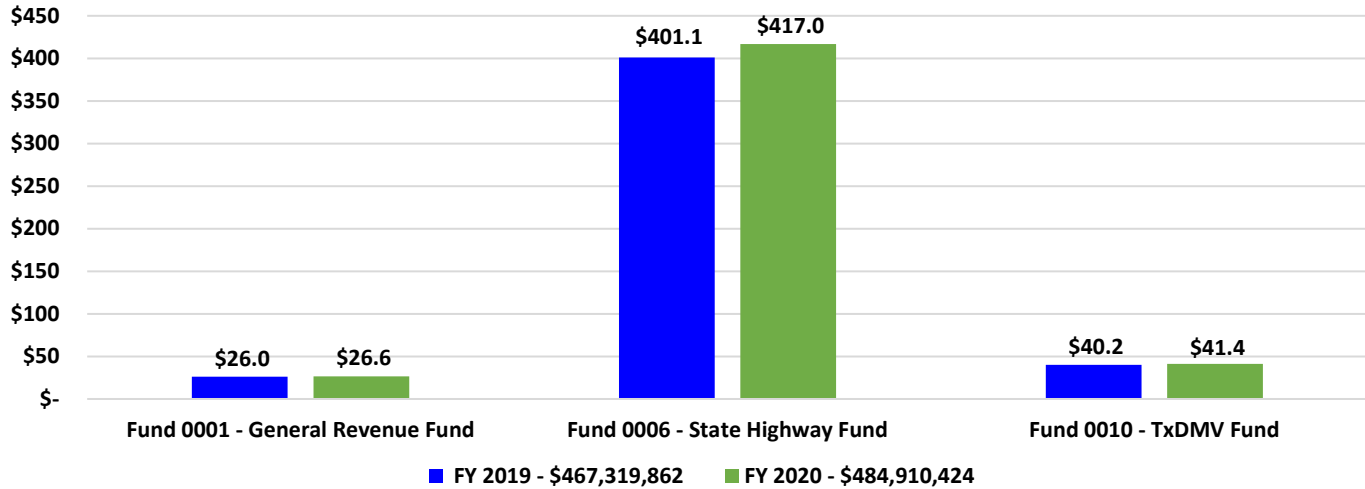
Financial Summary through the First Quarter

September through November FY 2020

Overall Revenue Collections

FY 2019 and FY 2020 Year-over-Year Revenue by Fund

(in millions)



The Texas Department of Motor Vehicles (TxDMV) expects to collect \$2.0 billion in FY 2020. This represents a modest growth of 1.1% over FY 2019. Economic factors such as population growth, oil-and-gas sector activity, and commercial and personal-building activity are some of the industries that are taken into consideration when forecasting revenue.

The amount of revenue collected for all three funds totaled \$484,910,424 through the first quarter of FY 2020. This was an increase of 3.8% over the same time period of FY 2019. The amount of revenue collected for each fund in FY 2020 consisted of: Fund 0001, General Revenue Fund, \$26,589,854; Fund 0006, State Highway Fund, \$416,958,692; and Fund 0010, TxDMV Fund, \$41,361,877. These fees include: Motor Vehicle Certificates of Title, Motor Vehicle Registration, Motor Carrier Oversize/Overweight, Motor Carrier Credentialing, Business Dealer Licenses, Processing and Handling Fee, and other miscellaneous revenues.

Based on revenue collections through the first quarter, TxDMV revenue deposited in FY 2020 to Fund 0001, Fund 0006, and Fund 0010 exceeded projections by 4.1% (agency projections totaled \$465,982,658).

FY 2020 versus FY 2019 Year-to-Date Comparison

Year over Year

Revenue Category	Year over Year		% Difference	
	FY 2019 Actual	FY 2020 Actual		
Motor Vehicle Certificates of Title	\$ 21,187,014	\$ 21,912,710	3.4%	↑
Motor Vehicle Registration	383,605,281	398,205,796	3.8%	↑
Motor Carrier Oversize/Overweight	43,867,148	46,038,309	4.9%	↑
Motor Carrier Credentialing*	859,487	816,780	-5.0%	↓
Business Dealer Licenses	1,922,134	1,959,117	1.9%	↑
Miscellaneous Revenue	3,142,776	3,329,468	5.9%	↑
Processing and Handling Fee	12,736,022	12,648,243	-0.7%	↓
Total	\$ 467,319,862	\$ 484,910,424	3.8%	↑

* This category's decrease is the result of timing differences of receipts of Unified Carrier Registration fees. Revenues are expected to catch up later in the fiscal year.

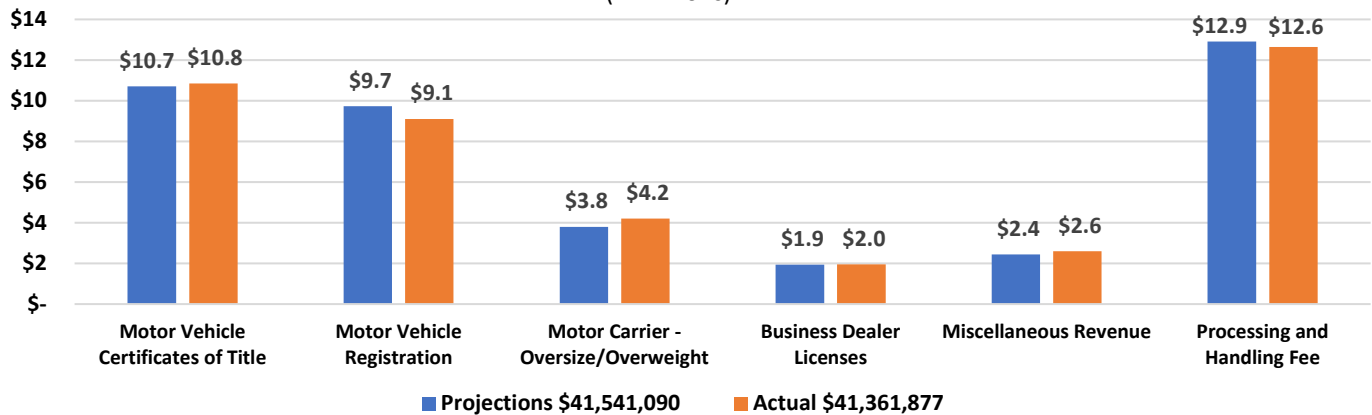
Financial Summary through the First Quarter

September through November FY 2020

TxDMV Fund 0010 Highlights

Actuals vs Projections

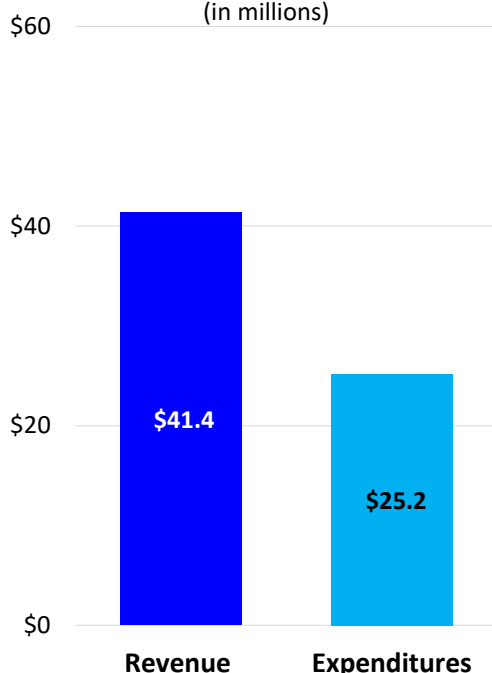
(in millions)



- Overall TxDMV Fund (0010) revenues for FY 2020 compared to FY 2019 are projected to increase a modest 2.8%.
- TxDMV Fund revenue collections totaled \$41.4 million, which was 3.0% higher (\$1.2 million) than collections during the same time period of FY 2019. This represented: a 5.1% increase in title revenue, a 2.3% increase in registration revenue, a 5.2% increase in oversize/overweight revenue, a 1.9% increase in business dealer license revenue, a 13.2% increase in miscellaneous revenue, and a slight decrease of 0.7% in processing and handling fee revenue.
- TxDMV Fund deposits were slightly below projections by 0.4% (\$179,213) through the first quarter of FY 2020. This was partially due to processing and handling fee revenue being slightly under projections. These revenues are expected to catch up in the second and third quarters.

FY 2020 Activity-to-date

(in millions)



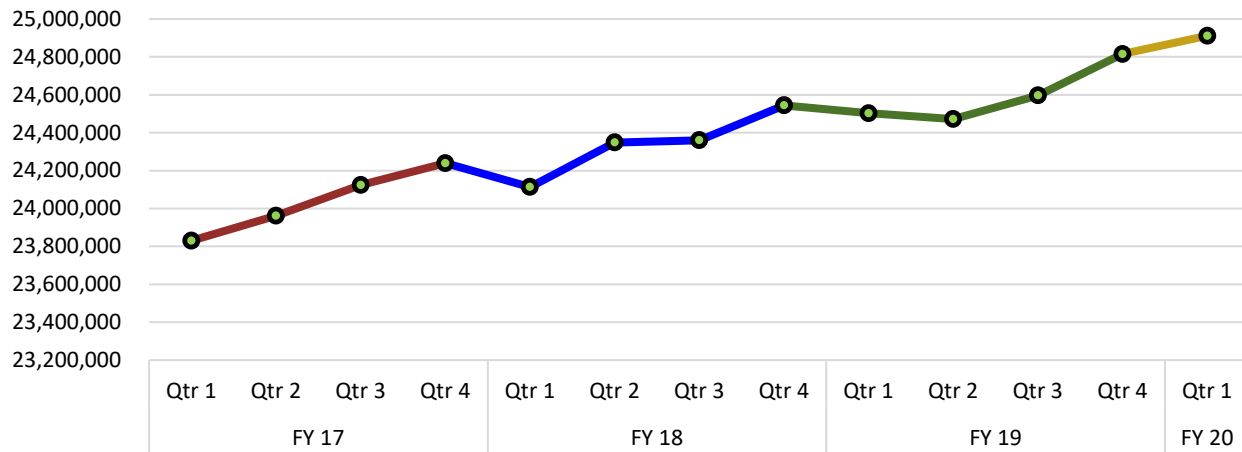
TxDMV Fund 0010 Balance

	Year-to-date
Beginning Fund Balance	\$ 126,750,987
Fund 0010 Revenue	
Motor Vehicle Certificates of Title	\$ 10,846,145
Motor Vehicle Registration	\$ 9,101,681
Motor Carrier - Oversize/Overweight	\$ 4,202,660
Business Dealer Licenses	\$ 1,959,117
Miscellaneous Revenue	\$ 2,604,030
Processing and Handling Fee	\$ 12,648,243
Total Revenue	\$ 41,361,877
Fund 0010 Expenditures	
TxDMV Operational Expenditures	\$ 22,165,828
Fringe Benefits	\$ 3,018,620
Total Operational Expenditures	\$ 25,184,448
Ending Fund Balance, Nov 30, 2019	\$ 142,928,416
Adjustment for Encumbrances	\$ 53,446,131
Adjusted Net Cash Balance	\$ 89,482,285

Registration Revenue

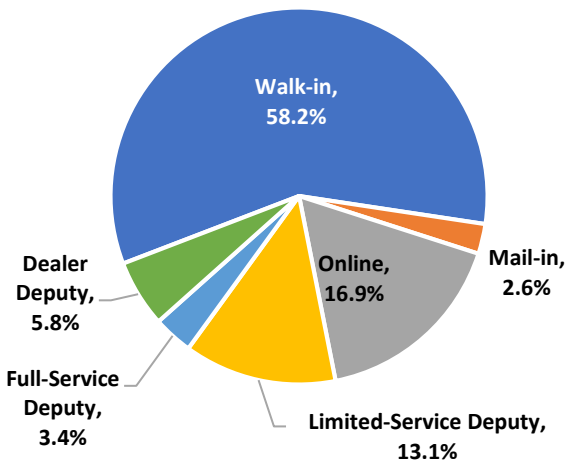
- All-funds registration revenue in FY 2020 is projected to increase about 1.0% from FY 2019. This is based on continued population-growth projections.
- All-funds registration revenue was 3.8% (\$14.6 million) higher than FY 2019 collections. It is expected that this revenue category will meet FY 2020 projections.
- Revenue from the issuance of buyer's temporary tags, the largest component of TxDMV Fund 0010 registration revenue, is primarily impacted by dealer sales volume. Revenue from this fee is up 3.4% compared to FY 2019.

Number of Currently Registered Vehicles



Processing and Handling Fee

Processing and Handling Fee Transaction Mix from Annual Registrations through the 1st Qtr.



- The majority (58.2%) of annual-registration transactions year-to-date were processed at county offices. Year-to-date online-utilization is 16.9%, a 1.0-percentage-point increase from FY 2019.

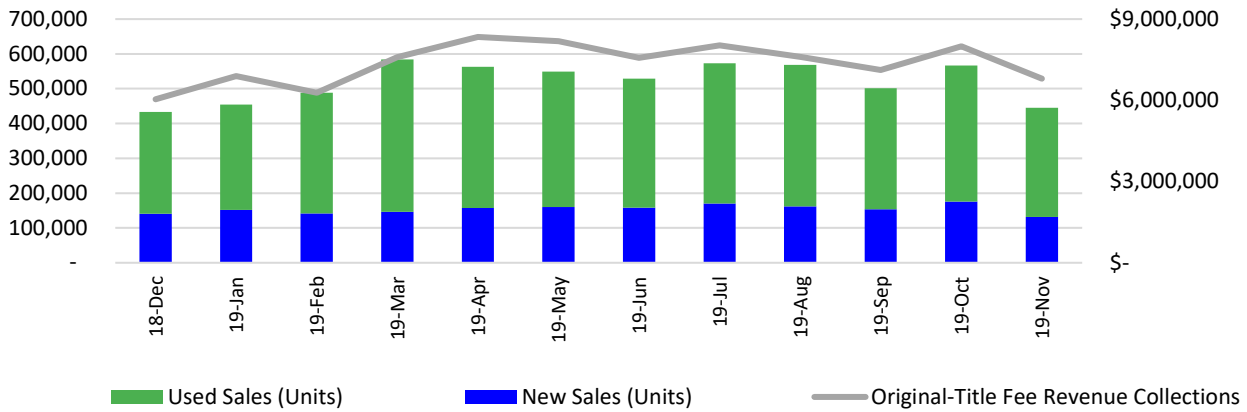
Vendor Plates

- General Revenue Fund 0001 deposits associated with the (second) MyPlates contract from November 19, 2014, to November 18, 2019, totaled \$61.1 million, of which \$29.9 million counted toward the contract's \$15 million guarantee.
- The new (third) specialty-plates marketing contract executed with MyPlates runs from November 19, 2019, to December 31, 2025. There is an option to renew the contract for an additional six-year term. MyPlates agrees to deposit a minimum of \$25 million into the General Revenue Fund from the sale of personalized and non-personalized new vendor specialty plates, as well as 5% of the revenue from the renewal of these plates, during the term of the contract.

Motor Vehicle Certificates of Title

- The agency projects modest growth of 1.8% in FY 2020 in all-funds title revenue.

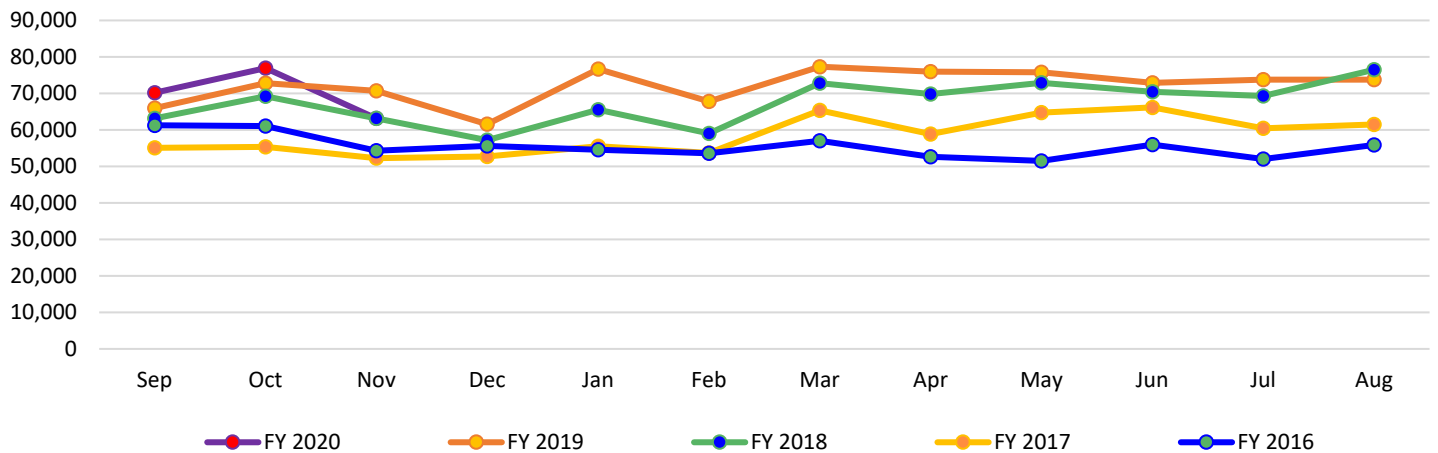
Monthly Auto Sales and Original-Title Fee Revenue Collections



- Revenue from the original-title fee makes up the largest component of certificates of title revenue. In FY 2020, revenue was collected from the issuance of about 1.7 million original titles. This is an increase of 4.3% from the same time period in FY 2019. Original-title issuance is driven by new- and used-vehicle sales.
- Compared to FY 2019, auto sales in FY 2020 increased by 4.3%, with used-car sales up 4.9% and new-car sales up 2.8%, all contributing to a year-over-year increase in revenue.

Motor Carrier Oversize/Overweight

Monthly Oversize/Overweight Permit Issuance



- All-funds oversize/overweight permitting revenue increased by 4.9% (\$2.2 million) in FY 2020 as compared to FY 2019. The number of permits issued in FY 2020 was 210,278 compared to 209,557 issued in FY 2019, an increase of 0.3% (721 more permits). Increased activity in the oil-and-gas sector, followed by general construction, continues to drive oversize/overweight permit issuance.

TxDMV Budget

Financial Summary through the First Quarter

September through November FY 2020

Approved Exceptional Items

TxDMV Fund 0010

The approved budget for FY 2020 includes a number of new initiatives that were authorized during the 86th legislative session.

- The Consumer Relations Division (CRD) received nine new positions and associated funding to enhance customer services.
- The Information Technology Services (ITS) Division received twelve new positions to address improvements in technology development and system maintenance. ITS also received funding to address infrastructure improvements.
- Funding was also approved to address increases in Statewide Cost Allocation Plan costs. These costs are for legislatively mandated reimbursements to the General Revenue Fund for central services provided by the Comptroller of Public Accounts, such as the maintenance of the statewide financial system used by TxDMV.
- The TxDMV capital budget received new funding for Regional Service Center (RSC) upgrades and renovations.
- A contingency rider was also approved during the 86th legislative session for implementing a digital license plates program. An appropriation in the amount of \$1.2 million was approved for FY 2020 for two new full-time equivalents (FTEs) in the Vehicle Titles and Registration (VTR) Division and technology costs in the ITS Division. The planning process for digital license plates has begun and work will continue throughout FY 2020 and into FY 2021.

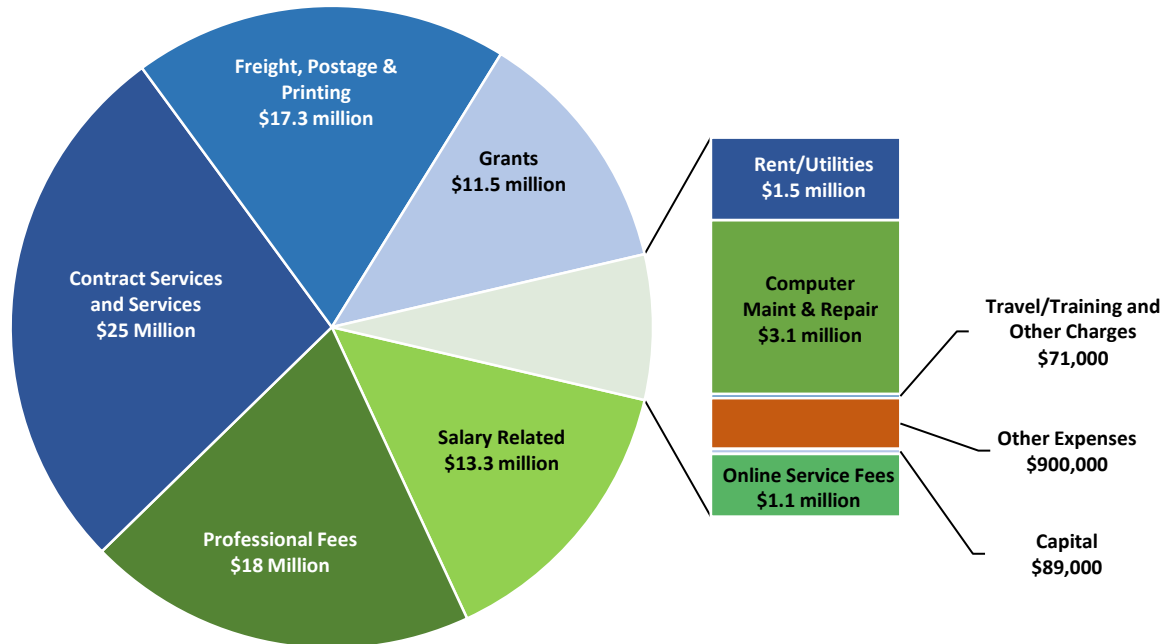
Financial Summary through the First Quarter

September through November FY 2020

Obligations

- First-quarter TxDMV obligations for all funds totaled \$91.8 million (expenditures of \$25.5 million and \$66.3 million in encumbrances). Encumbrances are outstanding purchase orders that have been issued for goods and services that will be received and expended in the future.

First Quarter Obligations by Category All Funds

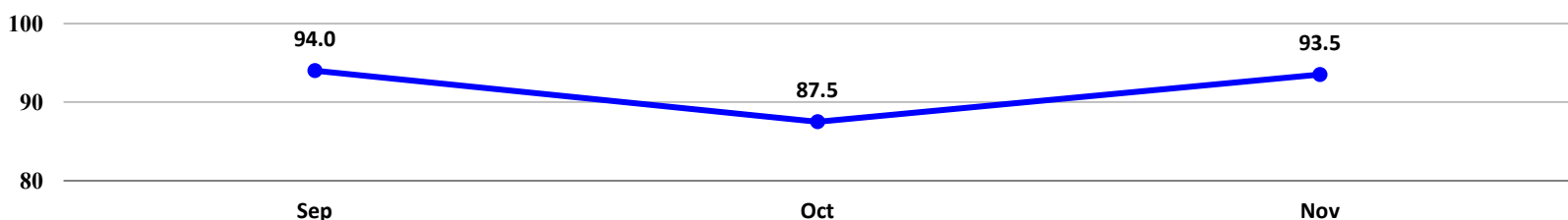


- Major first-quarter obligations in FY 2020 are listed in the chart above. Obligations for freight/postage/printing (primarily postage/printing), contract services, professional fees, salary related, and grants constitute 90% of the department's obligations for the first quarter.
- Printing expenditures are primarily for titling and registration forms and imaging costs. Contract services include costs of license plate production, registration decal production, and MyPlates contract obligations. Professional fees are associated with data center services and capital project contractors working on department technology initiatives.

Full-Time Equivalents

- In FY 2020, the approved department FTE count has increased from 779 to 802: nine new FTEs for Consumer Relations, twelve new FTEs for Information Technology Services, and two new FTEs for Vehicle Titles and Registration for digital license plates.
- Overall filled positions have increased from 701.5 FTEs in November 2018 to 710.5 FTEs as of November 2019. Overall staffing since the beginning of FY 2020 has been consistent.

Monthly Vacancies FY 2020



Financial Summary through the First Quarter

Capital Budget and Projects

Capital Project Budget Status

	Revised Budget	Expenditures	Encumbrances	Available Budget
Technology	\$ 18,779,093	\$ 1,963,646	\$ 10,495,155	\$ 6,320,292
Automation	\$ 10,364,656	\$ 340,076	\$ 3,767,332	\$ 6,257,248
Other Capital Projects	\$ 5,106,745	\$ -	\$ 129,139	\$ 4,977,606
All Capital Grand Total	\$ 34,250,494	\$ 2,303,722	\$ 14,391,626	\$ 17,555,146

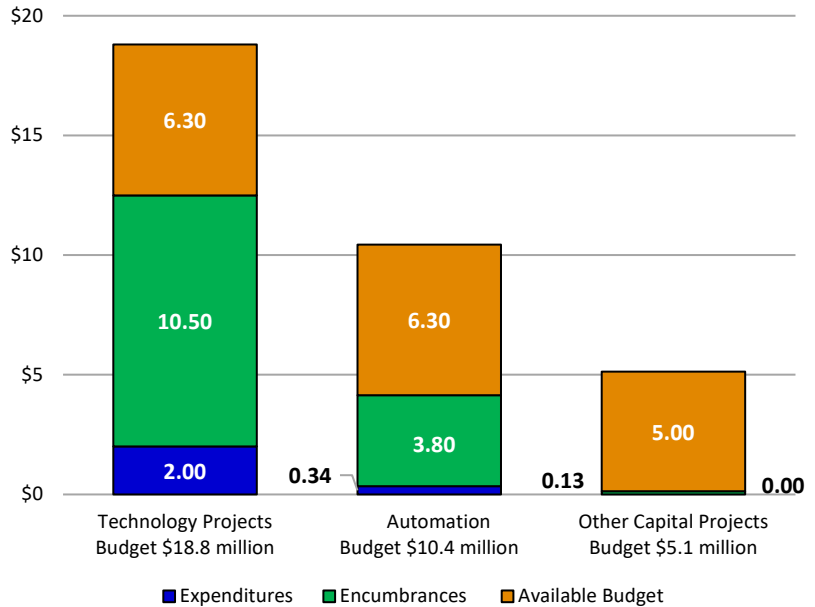
Capital Budget Status

The capital budget totals \$34,250,494.

- Including: Expenditures of \$2.3 million, and encumbrances of \$14.4 million, for a total of \$16.7 million in obligations.
- The budget as of the end of the quarter for capital consists of \$8.5 million carried forward from FY 2019 for Automation and HQ Maintenance projects, and \$25.7 million in new appropriations.
- Detailed information on Technology Projects is shown below, and Automation and Other Capital Project information is on the following page.

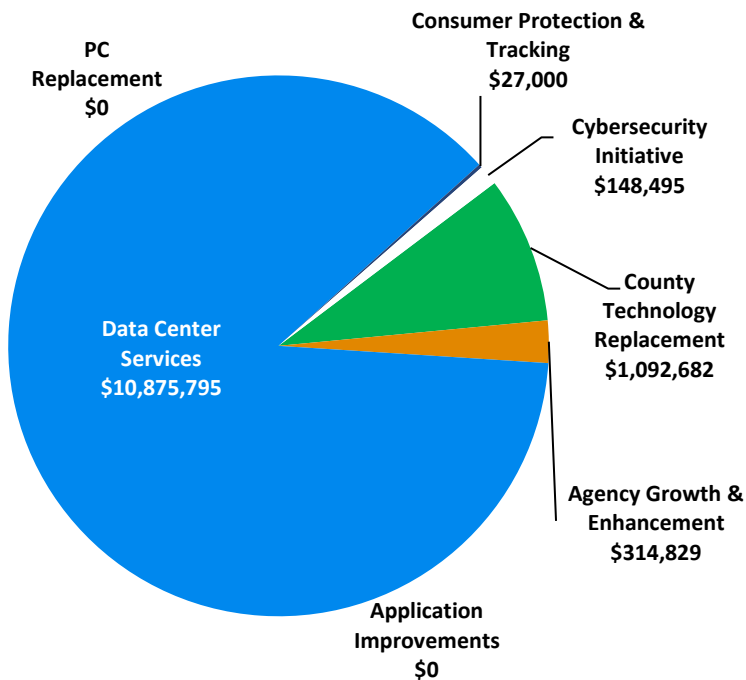
First Quarter Capital Budget Status

(in millions)



Technology Capital Projects

Technology Obligations: \$12.5 million



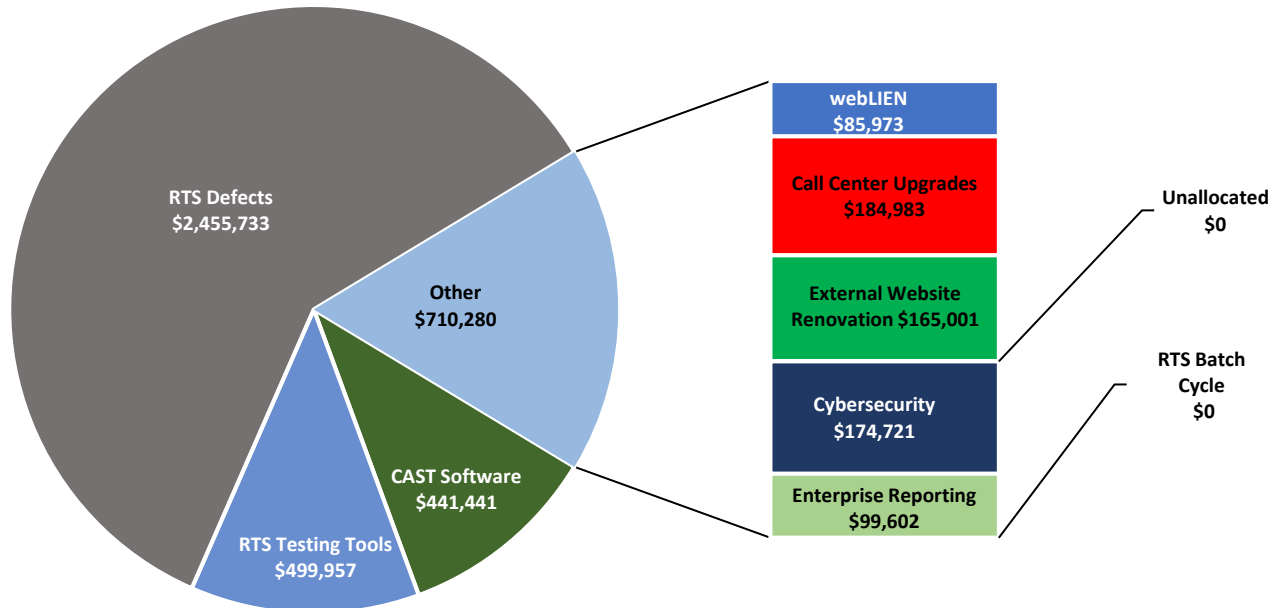
Technology Highlights

The obligations in the Technology category consist of:

- Data Center Services (DCS), the largest component (\$10.9 million), provides management of applications, hardware and technology services for TxDMV.
- The majority of expenditures and encumbrances include Data Center Services, and toner and technical support for the counties. During the first quarter, work continued on the upgrading to Windows 10 at the tax assessor-collector offices and is expected to be completed in the second quarter of FY 2020.

Automation Capital Projects

Automation Obligations: \$4.1 million



- The TxDMV Automation project consists of \$4.1 million in obligations. The primary obligations as of November 30, 2019 are for Registration and Title System (RTS) defects, Computer Aided Software Testing (CAST), and RTS Testing Tools.
- New projects for FY 2020 include the RTS defects project and the RTS batch cycle improvement project.
- Automation balances have been transferred into FY 2020 using unexpended-balance authority. Approximately \$3.8 million has been brought forward into FY 2020 as of the end of November, and the remaining balances will be brought forward during the second quarter of FY 2020.

Other Capital Projects

- Other Capital Projects budget of \$5.1 million consists of: \$90,000 for agency vehicles, \$76,000 for HQ security/badge, \$250,000 for regional service center maintenance, and \$4.7 million for HQ maintenance.
- HQ maintenance had \$23,317 in obligations as of November 30, 2019. Weatherization, roof replacement and security & badge system projects have entered the planning phase with projected completion dates in FY 2021.
- Several HQ Projects within HQ maintenance are in the assessment and vendor procurement stages and these remaining projects have projected completion dates in FY 2021.

Board Policy Documents

Governance Process (10/13/11)

Strategic Planning (10/13/11)

Board Vision (4/7/16)

Agency Boundaries (9/13/12)

KPIs (9/12/14)

Texas Department of Motor Vehicles TxDMV Board Governance Policy

1. PURPOSE

The directives presented in this policy address board governance of the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. The TxDMV Board Governance Policy shall be one that is comprehensive and pioneering in its scope.

3. POLICY

3.1. TxDMV Board Governing Style

The Board shall govern according to the following general principles: (a) a vision for the agency, (b) diversity in points of view, (c) strategic leadership, providing day-to-day detail as necessary to achieve the agency vision, (d) clear distinction of Board and Executive Director roles, (e) collective decision making, (f) react proactively rather than reactively and with a strategic approach. Accordingly:

- 3.1.1. The Board shall provide strategic leadership to TxDMV. In order to do this, the Board shall:
 - 3.1.1.1. Be proactive and visionary in its thinking.
 - 3.1.1.2. Encourage thoughtful deliberation, incorporating a diversity of viewpoints.
 - 3.1.1.3. Work together as colleagues, encouraging mutual support and good humor.
 - 3.1.1.4. Have the courage to lead and make difficult decisions.
 - 3.1.1.5. Listen to the customers and stakeholders needs and objectives.
 - 3.1.1.6. Anticipate the future, keeping informed of issues and trends that may affect the mission and organizational health of the TxDMV.
 - 3.1.1.7. Make decisions based on an understanding that is developed by appropriate and complete stakeholder participation in the process of identifying the needs of the motoring public, motor vehicle industries,

and best practices in accordance with the mission and vision of the agency.

- 3.1.1.8. Commit to excellence in governance, including periodic monitoring, assessing and improving its own performance.
- 3.1.2. The Board shall create the linkage between the Board and the operations of the agency, via the Executive Director when policy or a directive is in order.
- 3.1.3. The Board shall cultivate a sense of group responsibility, accepting responsibility for excellence in governance. The Board shall be the initiator of policy, not merely respond to staff initiatives. The Board shall not use the expertise of individual members to substitute for the judgment of the board, although the expertise of individual members may be used to enhance the understanding of the Board as a body.
- 3.1.4. The Board shall govern the agency through the careful establishment of policies reflecting the board's values and perspectives, always focusing on the goals to be achieved and not the day-to-day administrative functions.
- 3.1.5. Continual Board development shall include orientation of new Board members in the board's governance process and periodic board discussion of how to improve its governance process.
- 3.1.6. The Board members shall fulfill group obligations, encouraging member involvement.
- 3.1.7. The Board shall evaluate its processes and performances periodically and make improvements as necessary to achieve premier governance standards.
- 3.1.8. Members shall respect confidentiality as is appropriate to issues of a sensitive nature.

3.2. TxDMV Board Primary Functions/Characteristics

TxDMV Board Governance can be seen as evolving over time. The system must be flexible and evolutionary. The functions and characteristics of the TxDMV governance system are:

- 3.2.1. Outreach
 - 3.2.1.1. Monitoring emerging trends, needs, expectations, and problems from the motoring public and the motor vehicle industries.
 - 3.2.1.2. Soliciting input from a broad base of stakeholders.

3.2.2. Stewardship

- 3.2.2.1. Challenging the framework and vision of the agency.
- 3.2.2.2. Maintaining a forward looking perspective.
- 3.2.2.3. Ensuring the evolution, capacity and robustness of the agency so it remains flexible and nimble.

3.2.3. Oversight of Operational Structure and Operations

- 3.2.3.1. Accountability functions.
- 3.2.3.2. Fiduciary responsibility.
- 3.2.3.3. Checks and balances on operations from a policy perspective.
- 3.2.3.4. Protecting the integrity of the agency.

3.2.4. Ambassadorial and Legitimizing

- 3.2.4.1. Promotion of the organization to the external stakeholders, including the Texas Legislature, based on the vision of the agency.
- 3.2.4.2. Ensuring the interests of a broad network of stakeholders are represented.
- 3.2.4.3. Board members lend their positional, professional and personal credibility to the organization through their position on the board.

3.2.5. Self-reflection and Assessment

- 3.2.5.1. Regular reviews of the functions and effectiveness of the Board itself.
- 3.2.5.2. Assessing the level of trust within the Board and the effectiveness of the group processes.

3.3. Board Governance Investment

Because poor governance costs more than learning to govern well, the Board shall invest in its governance capacity. Accordingly:

- 3.3.1. Board skills, methods, and supports shall be sufficient to ensure governing with excellence.

- 3.3.1.1. Training and retraining shall be used liberally to orient new members, as well as maintain and increase existing member skills and understanding.
 - 3.3.1.2. Outside monitoring assistance shall be arranged so that the board can exercise confident control over agency performance. This includes, but is not limited to, financial audits.
 - 3.3.1.3. Outreach mechanisms shall be used as needed to ensure the Board's ability to listen to stakeholder viewpoints and values.
 - 3.3.1.4. Other activities as needed to ensure the Board's ability to fulfill its ethical and legal obligations and to represent and link to the motoring public and the various motor vehicle industries.
- 3.3.2. The Board shall establish its cost of governance and it will be integrated into strategic planning and the agency's annual budgeting process.

3.4. Practice Discipline and Assess Performance

The Board shall ensure the integrity of the board's process by practicing discipline in Board behavior and continuously working to improve its performance. Accordingly:

- 3.4.1. The assigned result is that the Board operates consistently with its own rules and those legitimately imposed on it from outside the organization.
 - 3.4.1.1. Meeting discussion content shall consist solely of issues that clearly belong to the Board to decide or to monitor according to policy, rule and law. Meeting discussion shall be focused on performance targets, performance boundaries, action on items of Board authority such as conduct of administrative hearings, proposal, discussion and approval of administrative rule-making and discussion and approval of all strategic planning and fiscal matters of the agency.
 - 3.4.1.2. Board discussion during meetings shall be limited to topics posted on the agenda.
 - 3.4.1.3. Adequate time shall be given for deliberation which shall be respectful, brief, and to the point.
- 3.4.2. The Board shall strengthen its governing capacity by periodically assessing its own performance with respect to its governance model. Possible areas of assessment include, but are not limited to, the following:
 - 3.4.2.1. Are we clear and in agreement about mission and purpose?

- 3.4.2.2. Are values shared?
 - 3.4.2.3. Do we have a strong orientation for our new members?
 - 3.4.2.4. What goals have we set and how well are we accomplishing them?
 - 3.4.2.5. What can we do as a board to improve our performance in these areas?
 - 3.4.2.6. Are we providing clear and relevant direction to the Executive Director, stakeholders and partners of the TxDMV?
- 3.4.3. The Board Chair shall periodically promote regular evaluation and feedback to the whole Board on the level of its effectiveness.

Texas Department of Motor Vehicles Strategic Planning Policy

1. PURPOSE

The directives presented in this policy address the annual Strategic Planning process at the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. TxDMV Strategic Planning Policy attempts to develop, document and expand its policy that is comprehensive in its scope in regards to the strategic planning process of the Board and the Department beyond that of the state strategic planning process.

3. POLICY

3.1. TxDMV Board Strategic Planning

This policy describes the context for strategic planning at TxDMV and the way in which the strategic plan shall be developed and communicated.

- 3.1.1. The Board is responsible for the strategic direction of the organization, which includes the vision, mission, values, strategic goals, and strategic objectives.
- 3.1.2. TxDMV shall use a 5-year strategic planning cycle, which shall be reviewed and updated annually, or as needed.
- 3.1.3. The 5-year strategic plan shall be informed by but not confined by requirements and directions of state and other funding bodies.
- 3.1.4. In developing strategic directions, the Board shall seek input from stakeholders, the industries served, and the public.
- 3.1.5. The Board shall:
 - 3.1.5.1. Ensure that it reviews the identification of and communication with its stakeholders at least annually.
 - 3.1.5.2. Discuss with agency staff, representatives of the industries served, and the public before determining or substantially changing strategic directions.

-
- 3.1.5.3. Ensure it receives continuous input about strategic directions and agency performance through periodic reporting processes.
 - 3.1.6. The Board is responsible for a 5-year strategic plan that shall identify the key priorities and objectives of the organization, including but not limited to:
 - 3.1.6.1. The creation of meaningful vision, mission, and values statements.
 - 3.1.6.2. The establishment of a Customer Value Proposition that clearly articulates essential customer expectations.
 - 3.1.6.3. A Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis, to be updated annually.
 - 3.1.6.4. An assessment of external factors or trends (i.e., customer needs, political factors, economic factors, industry trends, technology factors, uncertainties, etc.)
 - 3.1.6.5. Development of the specific goals and objectives the Department must achieve and a timeline for action.
 - 3.1.6.6. Identification of the key performance indicators to measure success and the initiatives that shall drive results.
 - 3.1.6.7. Engage staff at all levels of the organization, through the executive director, in the development of the strategic plan through surveys, interviews, focus groups, and regular communication.
 - 3.1.6.8. Ensure the strategic planning process produces the data necessary for LBB/GOBPP state required compliance while expanding and enhancing the strategic plan to support the needs of the TxDMV. The overall strategic plan shall be used as a tool for strategic management.
 - 3.1.7. The Board delegates to the Executive Director the responsibility for **implementing** the agency's strategic direction through the development of agency wide and divisional operational plans.
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Texas Department of Motor Vehicles TxDMV Goals and Objectives

1. PURPOSE

The information presented in this policy addresses the goals and key objectives of the Board of the Texas Department of Motor Vehicles (TxDMV) as they relate to the mission, vision, and values of the TxDMV.

2. SCOPE

The scope of this policy is to define the desired state the TxDMV Board is working to achieve. This policy is designed to be inspirational in outlining the desired state of the agency that supports the TxDMV Board vision and meeting agency goals.

3. TxDMV MISSION

To serve, protect and advance the citizens and industries in the state with quality motor vehicle related services.

4. TxDMV VISION

The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.

5. TxDMV VALUES

To earn the trust and faith of all citizens of Texas with transparency, efficiency, excellence, accountability, and putting stakeholders first.

- 5.1. **Transparency** – Being open and inclusive in all we do.
- 5.2. **Efficiency** – Being good stewards of state resources by providing products and services in the most cost-effective manner possible.
- 5.3. **Excellence** – Working diligently to achieve the highest standards.
- 5.4. **Accountability** – Accepting responsibility for all we do, collectively and as individuals.
- 5.5. **Stakeholders** – Putting customers and stakeholders first, always.

6. TxDMV GOALS

6.1. GOAL 1 – Performance Driven

The TxDMV shall be a performance driven agency in its operations whether it is in customer service, licensing, permitting, enforcement or rule-making. At all times the TxDMV shall mirror in its performance the expectations of its customers and stakeholder by effective, efficient, customer-focused, on-time, fair, predictable and thorough service or decisions.

6.1.1. Key Objective 1

The TxDMV shall be an agency that is retail-oriented in its approach. To accomplish this orientation TxDMV shall concentrate the focus of the agency on:

- 6.1.1.1. Delivering its products and services to all of its customers and stakeholders in a manner that recognizes that their needs come first. These needs must be positively and proactively met. TxDMV works for and with its customers and stakeholders, not the other way around.
- 6.1.1.2. Operating the agency's licensing and registration functions in a manner akin to how a private, for-profit business. As a private, for-profit business, TxDMV would have to listen to its customers and stakeholders and implement best practices to meet their needs or its services would no longer be profitable or necessary. Act and react in a manner that understands how to perform without a government safety net and going out of business.
- 6.1.1.3. Simplify the production and distribution processes and ease of doing business with the TxDMV. Adapting and maintaining a business value of continuous improvement is central to TxDMV operations and processes.
- 6.1.1.4. All operations of the TxDMV shall stand on their own merits operationally and financially. If a current process does not make sense then TxDMV shall work within legislative and legal constraints to redesign or discard it. If a current process does not make or save money for the state and/or its customers or stakeholders then TxDMV shall work within legislative and legal constraints to redesign or discard it. TxDMV shall operate as efficiently and effective as possible in terms of financial and personnel needs. Divisions should focus on cost savings without sacrificing performance. Division directors are accountable for meeting these needs and applicable measures. All division directors are collectively responsible for the performance of TxDMV as a whole.
- 6.1.1.5. Focus on revenue generation for transportation needs as well as the needs of its customers.
- 6.1.1.6. Decisions regarding the TxDMV divisions should be based on the overriding business need of each division to meet or provide a specific service demand, with the understanding and coordination of overarching agency-wide needs.

- 6.1.1.7. Developing and regularly updating a long-range Statewide Plan describing total system needs, establishing overarching statewide goals, and ensuring progress toward those goals.
- 6.1.1.8. The TxDMV shall establish a transparent, well-defined, and understandable system of project management within the TxDMV that integrates project milestones, forecasts, and priorities.
- 6.1.1.9. The TxDMV shall develop detailed work programs driven by milestones for major projects and other statewide goals for all TxDMV divisions.
- 6.1.1.10. The TxDMV, with input from stakeholders and policymakers, shall measure and report on progress in meeting goals and milestones for major projects and other statewide goals.

6.2. GOAL 2 – Optimized Services and Innovation

The TxDMV shall be an innovative, forward thinking agency that looks for ways to promote the economic well-being and development of the industries it serves as well as the State of Texas within the legislative boundaries that have been established for the agency.

6.2.1. Key Objective 1

The TxDMV shall achieve operational, cultural, structural and financial independence from other state agencies.

- 6.2.1.1. Build the TxDMV identity. This means that TxDMV shall make customers aware of what services we offer and how they can take advantage of those services.
- 6.2.1.2. Build the TxDMV brand. This means that TxDMV shall reach out to the stakeholders, industries we serve and the public, being proactive in addressing and anticipating their needs.
- 6.2.1.3. Determine immediate, future, and long term facility and capital needs. TxDMV needs its own stand-alone facility and IT system as soon as possible. In connection with these needs, TxDMV shall identify efficient and effective ways to pay for them without unduly burdening either the state, its customers or stakeholders.
- 6.2.1.4. All regulations, enforcement actions and decision at TxDMV shall be made in a timely, fair and predictable manner.

6.2.2. Key Objective 2

Provide continuous education training on business trends in the industry with a particular emphasis on activities in Texas.

6.2.3. Key Objective 3

Provide continuous outreach services to all customers and stakeholders to access their respective needs and wants. This includes helping frame legislative or regulatory issues for consideration by other bodies including the legislature.

6.2.4. Key Objective 4

Examine all fees to determine their individual worth and reasonableness of amount. No fee shall be charged that cannot be defended financially and operationally.

6.3. GOAL 3 – Customer-centric

The TxDMV shall be a customer-centric agency that delivers today's services and decisions in a positive, solution-seeking manner while ensuring continuous, consistent and meaningful public and stakeholder involvement in shaping the TxDMV of tomorrow.

6.3.1. Key Objective 1

The TxDMV shall seek to serve its customer base through a creative and retail oriented approach to support the needs of its industries and customers.

6.3.2. Key Objective 2

The TxDMV shall develop and implement a public involvement policy that guides and encourages meaningful public involvement efforts agency-wide.

6.3.3. Key Objective 3

The TxDMV shall develop standard procedures for documenting, tracking, and analyzing customer complaint data. Successful problem resolution metrics should be monitored to support continuous improvement activities that shall permanently improve customer facing processes.

6.3.4. Key Objective 4

The TxDMV shall provide a formal process for staff with similar responsibilities to share best practices information.

6.3.5. Key Objective 5

The TxDMV shall provide central coordination of the Department's outreach campaigns.

6.3.6. Key Objective 6

The TxDMV shall develop and expand user friendly, convenient, and efficient website applications.

6.3.7. Key Objective 7

TxDmv shall timely meet all legislative requests and mandates.

Agency Operational Boundaries as Defined by Department Policies of the TxDMV Board (Board)

The Board is responsible for the policy direction of the agency. The Board's official connection to the day-to-day operation of the Texas Department of Motor Vehicles (TxDMV) and the conduct of its business is through the Executive Director of the TxDMV (ED) who is appointed by the Board and serves at its pleasure. The authority and accountability for the day-to-day operations of the agency and all members of the staff, except those members who report directly to the Board, is the sole responsibility of the ED.

In accordance with its policy-making authority the Board has established the following policy boundaries for the agency. The intent of the boundaries is not to limit the ability of the ED and agency staff to manage the day-to-day operations of the agency. To the contrary, the intent of the boundaries is to more clearly define the roles and responsibilities of the Board and the ED so as to liberate the staff from any uncertainty as to limitations on their authority to act in the best interest of the agency. The ED and staff should have certainty that they can operate on a daily basis as they see fit without having to worry about prior Board consultation or subsequent Board reversal of their acts.

The ED and all agency employees shall act at all times in an exemplary manner consistent with the responsibilities and expectations vested in their positions. The ED and all agency employees shall act in a manner consistent with Board policies as well as with those practices, activities, decisions, and organizational circumstances that are legal, prudent, and ethical. It is the responsibility of the ED to ensure that all agency employees adhere to these boundaries.

Accordingly, the TxDMV boundaries are as follows:

1. The day-to-day operations of the agency should be conducted in a manner consistent with the vision, mission, values, strategic framework, and performance metrics as established by the Board. These elements must not be disregarded or jeopardized in any way.
2. A team-oriented approach must be followed on all enterprise-wide decisions to ensure openness and transparency both internally and externally.
3. The agency must guard against allowing any financial conditions and decision which risk adverse fiscal consequences, compromise Board financial priorities, or fail to

show an acceptable level of foresight as related to the needs and benefits of agency initiatives.

4. The agency must provide timely, accurate, and honest information that will afford the Board, public, stakeholders, executive branch and the legislature the best ability to evaluate all sides of an issue or opportunity before forming an opinion or taking action on it. Any information provided that is intentionally untimely, inaccurate, misleading or one-sided will not be tolerated.
5. The agency must take all reasonable care to avoid or identify in a timely manner all conflicts of interest or even the appearance of impropriety in awarding purchases, negotiating contracts or in hiring employees.
6. The agency must maintain adequate administrative policies and procedures that are understandable and aid in staff recruitment, development and retention.
7. The agency must maintain an organizational structure that develops and promotes the program areas from an enterprise-wide perspective. No organizational silos or sub-agencies will be allowed. We are the TxDMV.
8. The agency must empower its entire staff to deliver a positive customer experience to every TxDMV customer, stakeholder or vendor to reduce their effort and make it easier for them to do business with the TxDMV.
9. The agency must at all times look to flattening its organizational structure to reduce cost as technology advances allow.
10. Agency staff shall anticipate and resolve all issues timely.
11. The agency must maximize the deployment and utilization of all of its assets – people, processes and capital equipment – in order to fully succeed.
12. The agency must not waste the goodwill and respect of our customers, stakeholders, executive branch and legislature. All communication shall be proper, honest, and transparent with timely follow-up when appropriate.
13. The agency should focus its work efforts to create value, make sure that processes, programs, or projects are properly designed, budgeted and vetted as appropriate with outside stakeholders to ensure our assumptions are correct so positive value continues to be created by the actions of the TxDMV.
14. The ED through his or her staff is responsible for the ongoing monitoring of all program and fiscal authorities and providing information to the Board to keep it apprised of all program progress and fiscal activities. This self-assessment must result in a product that adequately describes the accomplishment of all program

goals, objectives and outcomes as well as proposals to correct any identified problems.

15. In advance of all policy decisions that the Board is expected to make, the ED will provide pertinent information and ensure board members understand issues/matters related to the pending policy decision. Additionally, the ED or designee will develop a process for planning activities to be performed leading up to that particular policy decision and the timeframe for conducting these planning activities. It is imperative that the planning process describes not only when Board consideration will be expected but also when prior Board consultation and involvement in each planning activity will occur.
16. In seeking clarification on informational items Board members may directly approach the ED or his or her designee to obtain information to supplement, upgrade or enhance their knowledge and improve the Board's decision-making. Any Board member requests that require substantive work should come to the Board or Committee Chairs for direction.
17. The agency must seek stakeholder input as appropriate on matters that might affect them prior to public presentation of same to the Board.
18. The agency must measure results, track progress, and report out timely and consistently.
19. The ED and staff shall have the courage to admit a mistake or failure.
20. The ED and staff shall celebrate successes!

The Board expects the ED to work with agency staff to develop their written interpretation of each of the boundaries. The ED will then present this written interpretation to the Board prior to discussion between the Board and ED on the interpretation. The Board reserves the right to accept, reject or modify any interpretation. The intent is that the Board and the ED will come to a mutually agreeable interpretation of agency boundaries that will then form the basis of additional written thought on the part of the ED and staff as to how these boundaries will influence the actions of the agency.

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Performance Driven	Effective and efficient services	1	Average processing time for new franchise license applications	45 days	35 days		MVD
		2	Average processing time for franchise renewals	11 days	5 days		MVD
		3	Average processing time of franchise license amendments	20 days	8 days		MVD
		4	Average processing time for new Dealer's General Distinguishing Number (GDN) license applications	35 days	17 days		MVD
		5	Average processing time for GDN renewals	14 days	7 days		MVD
		6	Average processing time for GDN license amendments	19 days	7 days		MVD
		7	Average turnaround time for single-trip routed permits	33.88 mins	32 mins		MCD
		8	Average turnaround time for intrastate authority application processing	1.47 days	1.4 days		MCD
		9	Average turnaround time for apportioned registration renewal applications processing	2 days	2 days		MCD
		10	Average turnaround time to issue salvage or non-repairable vehicle titles	5 days	4 days		VTR
		11	Average time to complete motor vehicle complaints with no contested case proceeding	131 days	120 days		ENF
		12	Average time to complete motor vehicle complaints with contested case proceeding	434 days	400 days		ENF
		13	Average time to complete salvage complaints with no contested case proceeding	131 days	120 days		ENF
		14	Average time to complete salvage complaints with contested case proceeding	434 days	400 days		ENF
		15	Average time to complete motor carrier complaints with no contested case proceeding	297 days	145 days		ENF
		16	Average time to complete motor carrier complaints with contested case proceeding	133 days	120 days		ENF
		17	Average time to complete household goods complaints with no contested case proceeding	432 days	145 days		ENF
		18	Average time to complete household goods complaints with contested case proceeding	371 days	180 days		ENF
		19	Average time to complete Oversize/Overweight (OS/OW) complaints with no contested case proceeding	40 days	35 days		ENF
		20	Average time to complete OS/OW complaints with contested case proceeding	265 days	250 days		ENF
		21	Percent of lemon law cases resolved prior to referral for hearing	76%	60%		ENF
		22	Average time to complete lemon law cases where no hearing is held	147 days	65 days		ENF
		23	Average time to complete lemon law cases where hearing is held	222 days	150 days		ENF
		24	Percent of total renewals and net cost of registration renewal: A. Online B. Mail C. In Person	A. 15% B. 5% C. 80%	A. 16% B. 5% C. 79%		VTR
		25	Total dealer title applications: A. Through Webdealer B. Tax Office	Baseline in development	A. 5% B. 95%		VTR

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Optimized Services and Innovation	Implement appropriate best practices	26	Percent of total lien titles issued: A. Electronic Lien Title B. Standard Lien Title	A. 16% B. 84%	A. 20% B. 80%		VTR
		27	Percent of total OS/OW permits: A. Online (self-issued) B. Online (MCD-issued) C. Phone D. Mail E. Fax	A. 57.47% B. 23.03% C. 11.33% D. 1.76% E. 6.4%	A. 58% or greater B. 25% or greater C. 10% or less D. 1.7% or less E. 5.3% or less		MCD
		28	Average time to complete lemon law and warranty performance cases after referral	Baseline in development	25 days		OAH
		29	Average time to issue a decision after closing the record of hearing	Baseline in development	30 days		OAH
	30	Percent of audit recommendations implemented	Baseline in development	90% annual goal for these recommendations which Internal Audit included in a follow-up audit		IAD	
	31	Percent of projects approved by the agency's governance team that finish within originally estimated time (annual)	57%	100%		EPMO	
	32	Percent of projects approved by the agency's governance team that finish within originally estimated budget (annual)	71%	100%		EPMO/ FAS	
	33	Percent of monitoring reports submitted to Texas Quality Assurance Team (TXQAT) by or before the due date	79%	100%		EPMO	
	34	Percent of project manager compliance with EPMO project management standards based upon internal quality assurance reviews	Baseline in development	100%		EPMO	
	35	Percent of employees due a performance evaluation during the month that were completed on time by division.	Baseline in development	100%		HR	
36	Percent of goals accomplished as stated in the directors performance evaluation	Baseline in development	Measure annually at the end of the fiscal year		EXEC		
37	Employees who rate job satisfaction as above average as scored by the Survey of Employee Engagement (SEE)	3.47 (SEE 2012)	3.65	3.60 (SEE 2013)		HR	
38	Increase in the overall SEE score	337 (SEE 2012)	360	351 (SEE 2013)		HR	
Focus on the internal customer	Focus on the internal customer	39	Percent of favorable responses from customer satisfaction surveys	Baseline in development	90%		EPMO
		40	Annual agency voluntary turnover rate	6.5% (FY 2013)	5.0%		HR
	Increase transparency with external customers	41	Number of education programs conducted and number of stakeholders/customers attending education programs	4.48/80.61	4/80		MCD
		42	Number of education programs conducted and number of stakeholders/customers attending education programs	36/335	42/390		VTR
		43	Number of eLearning training modules available online through the Learning Management System and number of modules completed by stakeholders/customers	eLearning Modules Available - 28 Completed - 735	Available - 31 Completed - 814		VTR

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Customer Center		44	Number of Shows and Exhibits attended to educate stakeholders/customers about TxDMV services and programs	6	7		MVD
		45	Number of education programs conducted and number of stakeholders/customers attending education programs	3/250	3/250		ENF
		46	Number of education programs conducted and number of stakeholders/customers attending education programs	3/150	4/300		ABTPA
		47	Percent of customers and stakeholders who express above average satisfaction with communications to and from TxDMV	Baseline in development	80%		All Divisions
	Excellent Service Delivery	48	Average hold time	9 min	9 min		CRD
		49	Abandoned call rate	22%	20%		CRD
		50	Average hold time	Baseline in development	1 min		ITS
		51	Abandoned call rate	Baseline in development	5%		ITS
		52	Average hold time	Credentialing - 1.6 minutes Permits - 2.08 minutes CFS - 54.38 seconds	Credentialing - 1.5 minutes Permits - 2 minutes CFS - 50 seconds		MCD
		53	Abandoned call rate	Credentialing - 7% Permits - 6.42% CFS - 5.63%	Credentialing - 6% Permits - 5% CFS - 5%		MCD
Key:		Critical	Off Target	On target	Not yet started		
Vision: The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.							
Mission: To serve, protect, and advance the citizens and industries in the state with quality motor vehicle related services.							
Philosophy: The Texas Department of Motor Vehicles is customer-focused and performance driven. We are dedicated to providing services in an efficient, effective and progressive manner as good stewards of state resources. With feedback from our customers, stakeholders and employees, we work to continuously improve our operations, increase customer satisfaction and provide a consumer friendly atmosphere.							
Values: We at the Texas Department of Motor Vehicles are committed to: TEXAS-Transparency, Efficiency, EXcellence, Accountability, and Stakeholders.							