

TEXAS DEPARTMENT OF MOTOR VEHICLES

FINANCE AND AUDIT COMMITTEE

MEETING

OPEN MEETING VIA TELEPHONE CONFERENCE CALL  
PURSUANT TO GOVERNOR'S MARCH 16, 2020,  
TEMPORARY SUSPENSION OF CERTAIN  
OPEN MEETING PROVISIONS

Wednesday,  
June 10, 2020

COMMITTEE MEMBERS:

Brett Graham, Chair  
Charles Bacarisse  
Stacey Gillman  
John Prewitt

*ON THE RECORD REPORTING*  
*(512) 450-0342*

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
1. Roll Call and Establishment of Quorum	5
2. Pledges of Allegiance - U.S. and Texas	7
3. Comments and Announcements from Committee Chair	none
BRIEFINGS	
4. Accounts Receivable Initiative	8
5. Preliminary FY 2022 - 2023 Legislative Appropriation Request, Baseline and Exceptional Items	14
6. Financial Impacts of COVID-19 on TxDMV	36
7. FY 2021 Internal Audit Risk Assessment	48
8. Internal Audit Division Status Update	55
EXECUTIVE SESSION	
9. 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 Section 551.074 Section 551.076 Section 551.089	none
10. Action Items from Executive Session	none
11. Public Comment	none
12. Adjournment	60

P R O C E E D I N G S

1  
2 MR. GRAHAM: This is the Finance and Audit  
3 Committee meeting for June 10, 2020. I'd like to thank my  
4 fellow members, Gillman, Prewitt and Bacarisse, for being  
5 in attendance.

6 My name is Brett Graham. I am pleased to open  
7 this Finance and Audit Committee of the Board of the Texas  
8 Department of Motor Vehicles. It is now 2:02 p.m., and I  
9 am calling the committee meeting for June 01, 2020 to  
10 order.

11 I want to note for the record that the public  
12 meeting notice of this meeting, containing all agenda  
13 items, was filed with the Office of the Secretary of State  
14 on June 2, 2020.

15 Before we begin today's meeting, please place  
16 all cell phones and other communication devices in the  
17 silent mode, and please, as a courtesy to others, do not  
18 carry on side conversations if possible.

19 This meeting is being held by telephone  
20 conference call in accordance with Texas Government Code  
21 551, as temporarily modified under Governor Greg Abbott's  
22 authority to suspend certain statutes due to COVID-19.  
23 Governor Abbott suspended various provisions of the Texas  
24 Open Meetings Act that require government officials and  
25 members of the public to be physically present at

1 specified meeting locations.

2 Under that suspension, the public will not be  
3 physically able to attend this meeting in person.

4 Instead, the public may attend this meeting by using the  
5 link or by calling the toll-free number, which are both  
6 posted in our agenda which was filed with the Office of  
7 the Secretary of State on June 2, 2020.

8 All committee members, including myself, will  
9 be participating remotely via Webex. At this time, please  
10 mute your phone for the entire duration of this meeting.

11 I am asking our Webex meeting host to make sure all  
12 participants' phones and their video is turned off except  
13 for committee members and those who are presenting.

14 Callers will be removed for any disruption, including  
15 background noise.

16 I would like to remind all participants that  
17 this is a telephone conference call meeting. Because this  
18 meeting is being held by telephone conference call, there  
19 are a few things that will assist in making the meeting  
20 run smoother and assist the court reporter in generating  
21 an accurate record.

22 First, department staff and any commenters  
23 should identify themselves before speaking. Secondly,  
24 speak clearly, and remember that there may be a slight  
25 delay due to the telephone conference call meeting, so

1 please wait a little bit longer than usual before  
2 responding to participants. Do not speak over others, and  
3 speakers should ask the committee chair permission to  
4 proceed and be sure to get recognized before speaking.

5 Because the number of dial-in participants is  
6 limited, if you wish to address the committee and speak on  
7 an agenda item during today's meeting, please send an  
8 email to GCO\_General@txdmv.gov. Again, that is  
9 GCO [General@txdmv.gov](mailto:GCO_General@txdmv.gov).

10 Please identify in your email the specific item  
11 you're interested in commenting on, your name and address  
12 and whether you are representing anyone or speaking for  
13 yourself. If your comment does not pertain to a specific  
14 agenda item, we will take your comment during the general  
15 public comment portion of the meeting.

16 When addressing the board, please state your  
17 name and affiliation --

18 (Brief audio malfunction.)

19 MR. GRAHAM: At this time we'll have a roll  
20 call.

21 MS. BEAVER: Sorry for interrupting, Member  
22 Graham. It sounds like we're losing audio. I'm asking the  
23 meeting host to check.

24 MR. GRAHAM: Okay.

25 MS. BEAVER: Thank you. It sounds like it's

1 good now.

2 MR. GRAHAM: All right.

3 Member Bacarisse, are you present?

4 MR. BACARISSE: Present.

5 MR. GRAHAM: Thank you.

6 Member Gillman?

7 MS. GILLMAN: Present.

8 MR. GRAHAM: Thank you.

9 Member Prewitt?

10 MR. PREWITT: Present.

11 MR. GRAHAM: Outstanding. And let the record  
12 reflect that I, Brett Graham, am here as well. We have a  
13 quorum.

14 The posted agenda stated a quorum of the board  
15 may be present at this meeting; however, board members who  
16 are not members of the Finance and Audit Committee will  
17 not vote on any committee agenda items today, nor will the  
18 board take any action in whole. And I do not believe we  
19 have any other board members present at this time.

20 Would that be your understanding? If someone  
21 on the staff could advise.

22 MS. BEAVER: Member Graham, Tracey Beaver,  
23 general counsel, for the record.

24 At this point I don't see any other board  
25 members present but we'll let you know if anybody else

1 joins.

2 MR. GRAHAM: Okay, great.

3 With that, quorum established, we will move to  
4 agenda item 2, Pledges of allegiance for the U.S. and for  
5 Texas. We are very fortunate today to have Mr. Conner  
6 Kuntz, member of the Boy Scout Troop 157, and the son of  
7 Jeremiah Kuntz, to lead us in the pledges of allegiance.

8 Board members and panelists, if I could ask you  
9 to please turn off your microphones and also turn off your  
10 video so that we will be able to see Conner as he does  
11 this.

12 At this time I will pause just a moment to  
13 allow you time to do that. There we go. I will pause  
14 mine in just a moment. With that, I will ask everyone to  
15 please stand and honor our country and state with the  
16 pledges of allegiance.

17 Conner and Jeremiah, will you please lead us,  
18 and give me just a moment to turn off my video.

19 MR. KUNTZ: Thank you, Chairman.

20 (The Pledge of Allegiance and the Texas Pledge  
21 were recited.)

22 MR. GRAHAM: Conner, well done. Thank you very  
23 much for joining us today and leading us in those pledges.

24 As always, you do a fantastic job and we're proud to have  
25 you.

1 CONNER KUNTZ: Thank you.

2 MR. GRAHAM: You're welcome.

3 Good job, Papa.

4 All right. Would all members and panelists  
5 please turn your microphones and your video back on, and  
6 we will move to agenda item 3, comments and announcements.

7 And at this time I do not have any comments or  
8 announcements in addition to the agenda items, and it's my  
9 understanding the executive director does not either, and  
10 so unless she jumps in, we will proceed on to agenda item  
11 4.

12 We will now hear from Linda Flores regarding  
13 agenda item 4, which is the accounts receivable  
14 initiative.

15 Go ahead, Ms. Flores.

16 MS. FLORES: Thank you. For the record, my  
17 name is Linda Flores, and I'm the chief financial officer  
18 for the Texas Department of Motor Vehicles.

19 Beginning on page 5 of your board documents,  
20 you will find a board memo regarding a status update of  
21 the accounts receivable initiative. Following on page 6  
22 you'll see three approaches that the agency undertook to  
23 address the accounts receivable initiative.

24 This project started last fall, late fall,  
25 November-December time frame, and the agency decided to



1 tackle the issue of the decentralized process for accounts  
2 receivable after an internal assessment was performed by  
3 Internal Audit.

4 We took three different approaches to address  
5 accounts receivable. The first was to obtain a third-  
6 party vendor to come in and examine the agency's processes  
7 across the department. We have seven divisions who  
8 perform some type of accounts receivable function, and  
9 they work with 18 different applications that were never  
10 intended to perform an accounts receivable function. That  
11 initiative, third-party assistance, the agency has  
12 developed a statement of work for a request for  
13 qualifications.

14 We have submitted that statement of work to the  
15 Governor's Office on May 27th, as required by statute. We  
16 have to hear back from them whether or not they approve  
17 the agency moving forward before we can submit this out to  
18 the vendor community. So at that point we will then push  
19 the statement of work out.

20 It has four different requirements: to review  
21 the agency's processes across those divisions; to provide  
22 best practices for the department; third, to also look at  
23 whether we should maintain a decentralized or a  
24 centralized function for the department; and then finally,  
25 to identify different applications that are out there that

1 the agency could use to better manage our accounts  
2 receivable.

3 The second approach was for our own division,  
4 Finance and Administrative Services, to provide training  
5 on best practices to our divisions. That training did  
6 occur on April 20. We discussed billing, invoices,  
7 payment, tracking, reporting, billing, collection efforts,  
8 but we also intend to acquire the services of a  
9 professional training instructor, a professor at one of  
10 our local universities, to provide additional training to  
11 supplement what the division provided in April. That  
12 training is tentatively scheduled at the end of July.

13 The final approach was to identify what the  
14 State of Texas currently has in the way of an accounts  
15 receivable module.

16 The Centralized Accounting Payroll Personnel  
17 System, which the State of Texas uses, does have a module.  
18 We've worked with the CPA staff as well as our own IT  
19 staff to develop a cost estimate of roughly \$3.5 million  
20 for the next biennium, and we'll go into this a little bit  
21 further when we discuss the agency's preliminary  
22 appropriations request. That project would have  
23 approximately \$3.25 million in one-time costs, as well as  
24 ongoing costs of \$111,000 a year.

25 And that concludes the status on the accounts

1 receivable initiative.

2 Are there any questions?

3 MS. GILLMAN: I have a question.

4 MR. GRAHAM: Yes, Board Member Gillman.

5 MS. GILLMAN: Linda, is it your desire -- is it  
6 something that you would like to see is a centralized  
7 accounts receivable system? I'll back up just a little  
8 bit and say I respect very much that you have seven  
9 divisions with 18 different applications that don't talk  
10 to each other, and so trying to gather and keep a handle  
11 on the money that we collect or should be collecting, the  
12 age of collections is really -- I don't know how you're  
13 doing it.

14 So it seems so logical to me -- and I'm so  
15 thankful and appreciative of the steps one, two and three,  
16 it all sounds great. I just was wondering would it be a  
17 really cool, neat thing to have the \$3.5 million requested  
18 to get us on a better reporting platform?

19 MS. FLORES: Yes, ma'am, I do believe that  
20 would be the best way to approach this. Having a  
21 centralized function with financial folks would go a long  
22 way in making sure that the staff who are monitoring those  
23 accounts receivable do have a background in the financial  
24 function.

25 The divisions themselves who are doing this

1 function, they are doing it as an additional task that  
2 they're required to perform. Many of them are doing  
3 program functions in addition to the accounts receivable  
4 function, so their primary focus may not be on reporting  
5 delinquent debts or not having a standardized billing for  
6 a particular service, so by bringing it into a centralized  
7 function we should see better reporting, better monitoring  
8 and just better reconciliations of those dollars that are  
9 out there.

10 MS. GILLMAN: Amen. I'm hoping you get it.

11 MR. GRAHAM: All right. Member Prewitt.

12 MR. PREWITT: Linda, as far as the end result,  
13 would you do away with the eight different reporting  
14 systems and then consolidate this all into adapting the  
15 state software system?

16 MS. FLORES: No, sir. Those 18 different  
17 applications have a purpose. They issue permits, they're  
18 issuing different types of services, so that piece would  
19 have to stay there. It's just the payment and the  
20 accounts receivable, they would have to feed that  
21 information to the accounts receivable module.

22 MR. PREWITT: And then the two employees you  
23 have budgeted for \$111,000, would that be sufficient to  
24 monitor the receivables for all the different seven  
25 divisions then?

1 MS. FLORES: Yes, sir. Plus we would probably  
2 have to look at perhaps realigning some of the staffing in  
3 the divisions to also supplement those two individuals.

4 MR. PREWITT: Okay. Thank you.

5 MR. GRAHAM: Are there any additional  
6 questions?

7 MS. GILLMAN: I've got one more comment on this  
8 because I think it's so important, Linda. I really want  
9 to support your efforts. Is there anything that we can do  
10 to support you in getting everything that you would like?

11 First we have to get the governor to say yes.

12 MS. FLORES: Yes, ma'am. And we've had those  
13 conversations. We did have a conversation with the  
14 Governor's Office regarding the agency's overall  
15 exceptional items -- they call them exception items  
16 requests -- and this was one of them.

17 The support that we're looking for, you know,  
18 at this time is just to be open to the idea that the  
19 agency is moving towards a new accounts receivable module  
20 so that we can submit this to the budget writers, the LBB,  
21 the Governor's Office in August, and then after that --  
22 and I'll go into it a little bit further, you know, what  
23 the steps are when it comes to the legislative session.

24 MS. GILLMAN: Well, I'm on your team.

25 MR. GRAHAM: All right. Thank you, Member

1 Gillman.

2 And just a few thoughts and comments on my  
3 behalf. If you look at the revenue that the DMV brings in  
4 on behalf of the state, those are significant dollars, and  
5 I think we all recognize the importance of having a system  
6 that creates accountability for the taxpayers and for the  
7 state, and it is certainly our hopes that the Governor's  
8 Office will support this and if they determine it's the  
9 best path forward, and I'm sure they'll give us guidance  
10 if they think it should look differently. But appreciate  
11 your work on this, Linda, and we will continue to support  
12 you the best we can.

13 I believe I will check and see, do we have any  
14 public comments on this issue?

15 MS. BEAVER: Tracey Beaver, general counsel,  
16 for the record. We have no public comments. Thank you.

17 MR. GRAHAM: Okay. Excellent.

18 That will conclude agenda item 4, and with that  
19 we will roll right into agenda item 5, which is  
20 preliminary fiscal year 2022-2023 legislative  
21 appropriation request on baseline and exceptional items.

22 Ms. Flores. You're muted, Linda.

23 MS. FLORES: Sorry.

24 MR. GRAHAM: That's okay.

25 MS. FLORES: I started talking.

1           Before we really get into the appropriations  
2 request, I do want to provide a general overview for our  
3 new board members who have never had to participate in a  
4 state legislative appropriations request.

5           The agencies begin this process way in advance  
6 of this document that we're presenting today. For the  
7 Texas Department of Motor Vehicles, the executive staff  
8 participated in work sessions to develop future needs that  
9 would need to be addressed in a five-year strategic plan.

10           That is the first step in putting together an  
11 agency's appropriations request, is setting up a five-year  
12 strategic plan that identifies future needs, the direction  
13 that the agency wants to pursue, and it's communicated to  
14 the governor, the legislature, our stakeholder groups and  
15 our agency staff.

16           That strategic plan for the Texas Department of  
17 Motor Vehicles was submitted on June 1, as required, and  
18 it includes three major strategic goals: being  
19 performance driven, optimizing services and innovation,  
20 and being customer-centric. That strategic plan also laid  
21 out activities that would address those major goals.  
22 Those goals and those themes are identified and interwoven  
23 into the appropriations request as well.

24           Your role as the Finance and Audit Committee is  
25 to provide direction or guidance to the agency on behalf

1 of the board when it comes to the agency's appropriations  
2 request. This is your opportunity to review the agency's  
3 preliminary appropriations request. There's still a lot  
4 of work to be done with this request -- and I'll go into  
5 that a little bit more -- but we will be coming back to  
6 you in August for the final approval so that you in turn  
7 can recommend approval to the board.

8 So at that point I'll ask if anybody has any  
9 questions about the process so far.

10 MR. GRAHAM: Any questions?

11 (No response.)

12 MS. FLORES: So, John, if you will advance the  
13 slide to the second slide, please. And this can also be  
14 found in your board book on page 11. Thank you, John.

15 So there is a sequence of events that goes  
16 along with this very prescriptive process, as you can  
17 imagine, since all state agencies are required to put  
18 together an appropriations request. There is a timeline  
19 that we follow.

20 The very first part, as I mentioned, was the  
21 strategic plan. Right on the heels of that strategic plan  
22 we did submit a baseline reconciliation for determining  
23 what our new appropriation amounts would be. That's what  
24 they call a baseline: what do you have today. And that  
25 computation is made up of three fiscal years, your actual



1 expenditures for FY 2019, what you estimate to spend in  
2 the current fiscal year FY20, and what you plan to do in  
3 FY21. There is a computation that we undergo.

4 And following on page 12 of your document, you  
5 will see what we estimate our baseline amounts to be. We  
6 believe, based on our spending, that we will have the same  
7 level of dollar values for the next biennium, which is  
8 approximately \$310.8 million. That's what we're  
9 appropriated today, that's what we believe that we will  
10 hopefully receive from the Legislative Budget Board in  
11 mid-July.

12 We submitted our baseline reconciliation May  
13 21, they have time to review it, they either approve it or  
14 they suggest adjustments, and they give us kind of like a  
15 not to exceed amount in mid July. And then in August,  
16 between July and August, the internal staff is filling out  
17 all of the required schedules that are required for an  
18 appropriations request.

19 If you'll advance to the next slide. John, if  
20 you'll advance.

21 So what does the baseline include? It includes  
22 enough dollars to provide for the current staffing levels  
23 of 802 FTEs. It continues several in-flight projects for  
24 automation, county technology growth and enhancements,  
25 cybersecurity, and the regional service center

1 maintenance.

2 And we did look at having sufficient funds to  
3 cover our baseline request as well as what we would  
4 consider an exception item request which are considered  
5 services above the base, above that \$310.8 million  
6 appropriation.

7 Next slide. John, next slide. He might be  
8 having some technical difficulties as well.

9 MR. GRAHAM: That's okay. You can continue. I  
10 believe we all have these as well.

11 MS. FLORES: Exactly. Yes, sir.

12 So I will address it from your board document.  
13 On page 13 of your board document we did provide  
14 estimated revenue collections by fund, and this is where  
15 we identified what we would be collecting not only for the  
16 agency from the DMV Fund, but also the General Revenue  
17 Fund and the State Highway Fund and then our own agency  
18 fund.

19 We anticipate bringing in \$213 million for  
20 general revenue that we don't really receive general  
21 revenue, \$3.33 billion for the State Highway Fund, and  
22 that comes from the registration fees primarily, and then  
23 as shown in this table in front of you, \$332 million for  
24 Fund 10, and we've identified six of the major fees in  
25 that fund.

1           Moving forward, we did put together a pro forma  
2 for the agency's Fund 10 and whether or not we could  
3 support the exceptional items request. John, if you can  
4 advance the slide. If not, the same pro forma is found on  
5 page 14 of your board document.

6           We did take into account the impacts of COVID-  
7 19 on FY20. We are seeing some dips primarily in April,  
8 as you can imagine. The pandemic, the shelter in place  
9 took place in March. We didn't see an impact to revenues  
10 in March, but in April we did see a significant dip.

11           We know that the registration fees have been  
12 postponed, but when they actually get deposited to the  
13 state may not occur before the end of the fiscal year, so  
14 that is what is impacting Fund 6, and in the DMV Fund our  
15 process and handling fee is tied to that registration, so  
16 we're also anticipating not receiving almost \$20 million  
17 in FY20.

18           But we do anticipate that the State of Texas  
19 economy will rebound in the next fiscal year, so our  
20 revenue assumptions include that rebounding. The FY22-23,  
21 as you can see on the screen, you'll see total revenues of  
22 approximately \$177 million in '22 and \$181 million in '23.

23           Taking into account all of our baseline  
24 requests, our obligations for credit card and employee  
25 benefits, and our exceptional items, you will see a bottom

1 line amount that is still very healthy, and that is the  
2 result of not being appropriated everything that we  
3 collect.

4 Next screen, John. And this is also found on  
5 page 15 of your board book.

6 So what does the baseline request look like?  
7 This was our preliminary on page 15 of your board book --  
8 John, if you can try to advance it, please.

9 For the preliminary presentation, we didn't  
10 really change our strategy from one biennium to the next,  
11 so this preliminary snapshot of the preliminary request by  
12 strategy doesn't have a lot of variances, so we pretty  
13 much copied from this biennium into the next one.

14 But I will tell you that before the August  
15 presentation, we will be making several modifications to  
16 this to address reorganizations that have occurred from  
17 one division to another division or we've taken on some  
18 new initiatives based on some just internal discussions  
19 about future needs, so this table in particular will look  
20 different.

21 The other thing that was brought to my  
22 attention is that for Automobile Theft Prevention should  
23 be renamed to the Motor Vehicle Crime Prevention  
24 Authority, and Bryan Wilson has indicated that for 22-23  
25 instead of being \$12.8 million it should reflect 20

1 percent of their revenue that is collected, and that's  
2 based in statute, so we will be making an adjustment to  
3 that.

4 But we will also need to run that by the  
5 Legislative Budget Board because that is a general revenue  
6 funded program. And I'll talk about general revenue and  
7 the impacts of COVID-19 in the next agenda item. But for  
8 now this is the from biennium to biennium review.

9 And at this point I'm going to turn it over to  
10 Sergio Rey, who is going to discuss the agency's capital  
11 project summary baseline, capital exceptional items and  
12 riders that we're including in our appropriations request.

13 MR. REY: Good afternoon. For the record, my  
14 name is Sergio Rey. I am the assistant chief financial  
15 officer for the department.

16 As before mentioned, the preliminary  
17 appropriations request includes our capital budget based  
18 request, and similar to the baseline, we're pretty much  
19 transferring that over from our current biennium to the  
20 next biennial request.

21 And on page 16 of your board book you will see  
22 the current biennial capital budget appropriation of \$43.6  
23 million, and for the 22-23, the same amount. The amounts  
24 focus on our continued looking forward of what the agency  
25 needs. For example, the focus on automation systems so

1 that we can continue to support our systems. Also,  
2 looking at PC replacements. In this new environment,  
3 PCs/laptops are essential, continue to be more essential,  
4 and we are all seeing that with a decrease in replacement  
5 of vehicles.

6 Continuing on, again from our preliminary  
7 request, on our next slide and in your board books on page  
8 18, we have our exceptional items. These exceptional  
9 items are those items of desired services that are above  
10 the baseline request, they're in addition to our operating  
11 needs and our capital budget.

12 In this presentation I will summarize the six  
13 items that we have included in our request; however, there  
14 are some detailed descriptions and breakouts of  
15 information of each of the exceptional items that begin on  
16 page 21 of your board materials.

17 The first two exceptional items focus on system  
18 needs: the complaint management system and the accounts  
19 receivable system. The complaint management system is a  
20 result of recommendations from the Sunset Commission  
21 review with a focus on improving the decentralized process  
22 for addressing and documenting complaints received by the  
23 department into one process, one system, and one central  
24 repository. The costs relate to professional and  
25 contracted services to get this system deployed as well as

1 any software purchases related to the complaint management  
2 system.

3 The accounts receivable system is part of the  
4 initiative presented earlier by Ms. Flores. As mentioned  
5 earlier, there are 18 different applications throughout  
6 the department. The goal is to move from a decentralized  
7 function with multiple systems to a centralized process  
8 and a single system to track and report the accounts  
9 receivable.

10 The state's Centralized Accounting and Payroll  
11 Personnel System, or CAPPs, provides a module that could  
12 help us meet this goal, and the costs to deploy this  
13 module include contractors to build the interfaces between  
14 the existing agency applications and CAPPs, as well as  
15 accounting staff to help during the deployment, and a  
16 request for additional revenue accounting staff to manage  
17 the new centralized accounts receivable operations moving  
18 forward.

19 From a facilities infrastructure aspect, the  
20 department has three exceptional items: a new Building 5,  
21 and two new substations for the Dallas and Houston  
22 regional service centers.

23 This past February the TxDMV engaged the Texas  
24 Facilities Commission requesting the assessment and the  
25 condition of the buildings on the Camp Hubbard campus.

1 The Texas Facilities recommended that TxDMV build a new  
2 five-story building to replace Building 5, which was built  
3 in 1955. The cost for this new and larger building is  
4 estimated at \$46.9 million, while the cost for repairing  
5 Buildings 1 and 5 is estimated at \$44.5 million. A new  
6 building would provide a building that meets current codes  
7 and provides the latest infrastructure for our technology  
8 needs, as well as house staff from both buildings.

9 In this preliminary request the department is  
10 requesting funding for the initial planning services, the  
11 architectural, the engineering, environmental, the survey  
12 and the geotech engineering services.

13 In the next biennium, 24-25, the request will  
14 include the construction of the building and any  
15 associated costs, such as the demolition of existing,  
16 moving expenses, temporary office space, and furniture as  
17 needed.

18 The Dallas and the Houston regional service  
19 centers have outgrown their current facilities, and to  
20 properly serve the customers in these areas we're  
21 requesting funds for new substations in each of these  
22 locations.

23 For Dallas in our last legislative session, the  
24 department was asked to consider for this session adding  
25 the extra office in the southeast Dallas area. For



1 Houston the regional service center has experienced wait  
2 times in helping their customers, so the addition of a  
3 southeast substation would be a good fit to assist our  
4 customers in the Houston area.

5 Our last and sixth exceptional item that we  
6 have currently in our request is for the Motor Vehicle  
7 Crime Prevention Authority, or MVCPA. MVCPA is requesting  
8 three new positions to provide outreach and education to  
9 our insurance companies and to ensure compliance on the  
10 collection of the insurance fees.

11 The MVCPA Board approved this request, and the  
12 TxDMV is including the exceptional item on their behalf.  
13 The MVCPA request will be funded by general revenue. The  
14 first five items, which would be funded by the TxDMV Fund,  
15 can support the request from future estimated revenue and  
16 the fund balance as previously noted on pages 13 and 14.

17 I'll pause for any questions that you may have  
18 here.

19 MS. BEAVER: Member Graham, if I might? This  
20 is Tracey Beaver, general counsel, for the record. Member  
21 Graham, I just wanted to let everyone know that Chairman  
22 Treviño has joined the meeting as an attendee listening in  
23 to the conversation. He will not be voting on any  
24 committee agenda items, nor will any board action be taken  
25 today. Thank you.

1 MR. GRAHAM: Welcome, Chairman.

2 Do we have any questions?

3 Yes, sir, Member Prewitt.

4 MR. PREWITT: In terms of the staffing for your  
5 substations, you basically did the study based on your  
6 current volumes at your existing locations and sort of  
7 extrapolated that? I just know the volume in southeast  
8 Houston is extremely heavy on the truck side, and I didn't  
9 know if that was -- if four people is going to be enough.

10 MS. FLORES: Board Member, this is Linda  
11 Flores.

12 I know that the regional service center  
13 managers all did a very comprehensive review of their  
14 needs, and they did assist in developing this plan, so I  
15 believe they were looking at a ten-year space plan out in  
16 the regions, and so this was their four people.

17 They would also perhaps -- and I don't know if  
18 Jeremiah is still on the line -- look at realigning some  
19 of their current staff at the primary Houston location to  
20 deploy to the substation as well.

21 MR. PREWITT: That would make sense. Thank  
22 you.

23 MS. BEAVER: Tracey Beaver, general counsel,  
24 for the record. Sorry to interrupt.

25 I just wanted to note that Jeremiah Kuntz is

1 currently an attendee. If the web meeting host would like  
2 to promote him to panelist, he would be able to provide  
3 input on any question.

4 MS. GILLMAN: Chairman Graham.

5 MR. GRAHAM: Yes, ma'am.

6 MS. GILLMAN: I have a question. Of course at  
7 the top of the page, the complaint management system, can  
8 you tell me in a little bit more detail, because it's \$5  
9 million. To me, I don't understand. A complaint  
10 management system sounds like organizing software. Why  
11 was that \$5 million? I'm sure I'm not understanding.

12 MR. GRAHAM: Well, so the major component of  
13 that, Member Gillman, is going to be the accounts  
14 receivables that we discussed earlier, if I am not  
15 mistaken, but let me let --

16 MS. GILLMAN: I thought accounts receivable is  
17 just below it.

18 MS. FLORES: Yes, ma'am. If I may? The  
19 complaint management system is more about the enforcement  
20 complaints and similar to accounts receivable, it is a  
21 decentralized process, and during the Sunset report it was  
22 noted that we have each division handles their own  
23 complaints, and so again, you get to that very  
24 decentralized function.

25 So the cost for that includes vendor costs,

1 contractual services, acquisition of IT resources to the  
2 tune of approximately \$5 million, and then the balance of  
3 that is for the software cost of approximately \$150,000.  
4 And that detail is located on page 22 of your board book.

5 MS. GILLMAN: So the software to compile,  
6 structure, organize the complaints is \$155,000.

7 MS. FLORES: The services are the expensive  
8 part. Oh, and I'm sorry. It includes services at the  
9 data center, consolidation center. I'm sure they have to  
10 have some servers as well. But we can certainly get you  
11 some detail on the complaint management system, Board  
12 Member Gillman.

13 MS. GILLMAN: Where is the consolidated?

14 MS. FLORES: The state data center is located  
15 in Austin.

16 MS. GILLMAN: We're not talking about just the  
17 Enforcement department within your building. Is that  
18 right?

19 MS. FLORES: It's complaints across the agency.

20 MS. BREWSTER: Mr. Chairman, if I may? Whitney  
21 Brewster, executive director.

22 MR. GRAHAM: Yes, ma'am.

23 MS. BREWSTER: Thank you.

24 So the recommendation from Sunset, we have two  
25 different systems right now, we have the motor carrier

1       credentiaing system as well as the eLICENSING system that  
2       house complaints from enforcement. We've got the motor  
3       carrier enforcement and the motor carrier credentialing  
4       system, and then we also have the regulated entity  
5       complaints in the eLICENSING system.

6               The recommendation by Sunset was to combine the  
7       complaint portion of the motor carrier credentialing  
8       system with those of the other licensees so that we had a  
9       single way to address complaints, both on the motor  
10      carrier side as well as the enforcement dealer side, so  
11      combining that so that we could have consistent reporting  
12      and data elements as well.

13              And so what is being considered here would be  
14      combining the complaint portion of the motor carrier  
15      credentialing system with the eLICENSING system so it's  
16      housed under a single umbrella potentially in the sales  
17      force platform.

18              And so the estimated cost that has been  
19      developed is what you see here for the services that Linda  
20      indicated earlier, as well as moving that function over  
21      into the eLICENSING system so we have a single way of  
22      tracking all complaints of our regulated entities in a  
23      single system.

24              MS. GILLMAN: I guess, number one, do you want  
25      to smush them all into one system? And I defer to you

1 guys but maybe decentralizing and having dealer complaints  
2 handled one way is definitely or might be very different  
3 than eLICENSING. Why would you want to smush them  
4 together?

5 MS. BREWSTER: We have the Enforcement Division  
6 working out of two different systems. I think for ease of  
7 working in a singular system I think that certainly would  
8 provide a benefit. In addition, it would be on a more  
9 current platform.

10 Additionally, this is, again, a Sunset  
11 requirement. The legislature did pass this, and so there  
12 was no funding associated with that, so that's why you see  
13 this as an exceptional item going back before the  
14 legislature for consideration, potentially, if the board  
15 agrees. But just to point out, it's a requirement that  
16 Sunset adopted and ultimately passed.

17 MS. GILLMAN: \$5 million sounds like a lot. It  
18 sounds like a software program.

19 MR. BACARISSE: Mr. Chairman?

20 MR. GRAHAM: Yes.

21 MR. BACARISSE: This is Member Bacarisse.

22 Member Gillman, you know, let me just speak  
23 from prior board experience and also having gone through  
24 two other Sunsets in my prior boards.

25 This is a legislative mandate, and sometimes

1 they tell you what size pants you're going to wear, and  
2 they don't always tell you where to find the money.  
3 That's why this is a rider, it's an exceptional item.

4 We have to go back to the legislature and say:  
5 You told us to do this and now this is how much it's  
6 going to cost to do it, and so members of the Legislature  
7 Budget Committee, how would you like us to accomplish this  
8 task that you've mandated we do? We don't often have a  
9 lot of maneuvering room.

10 Is that a fair political inference, Whitney?

11 MS. BREWSTER: Sir, you're spot on. And this  
12 is a recommendation. A lot of times there are  
13 recommendations that are across-the-board recommendations  
14 to all state agencies. In the regulated entities, we saw  
15 a number of across-the-board recommendations around  
16 enforcement, and I believe that this is one of them.

17 MS. GILLMAN: I guess maybe what I'm asking is  
18 do you really want to do it. I mean, is it going to  
19 improve the efficiency of your department?

20 MS. BREWSTER: Yes, I do believe that it will  
21 improve the efficiency, the fact that we're on a more  
22 modern platform, a single system to be used by the  
23 enforcement staff, as well as having a single system that  
24 the IT staff works on for maintenance and operations. I  
25 certainly think that there are benefits to moving to a

1 single system, yes, ma'am.

2 MR. GRAHAM: And just to add to that, since it  
3 was not funded, at the end of the day they can inevitably  
4 answer the question by not funding it or funding it. So  
5 you know, we're obligated to provide this information to  
6 them as to what those costs would entail, and then they'll  
7 decide whether they want to fund it.

8 Great question for sure, because when you look  
9 at that, it is hard to know exactly what that entails,  
10 because it's generally broke out into professional fees  
11 and services, which I presume would be contracting  
12 services to get the deal put together and then other  
13 operating expenses.

14 Those are really good questions, Member  
15 Gillman. Hopefully that helps answer. Would you like  
16 more detail provided by staff regarding the numbers?

17 MS. GILLMAN: You said what page is it on? I  
18 forget.

19 MR. GRAHAM: You can look in your packet on  
20 page 22, I believe. Yeah, page 22 should give you a  
21 little more detail.

22 MS. BREWSTER: Mr. Chairman. Whitney Brewster,  
23 for the record.

24 We would be happy to provide you with some  
25 additional information so you understand how we developed



1 that overall cost.

2 MR. GRAHAM: Great.

3 MS. BREWSTER: Happy to do that.

4 MR. GRAHAM: If you would, send that to all the  
5 committee members and we'll have that.

6 Did you have any more questions on this, Member  
7 Gillman?

8 MS. GILLMAN: No, sir.

9 MR. GRAHAM: Okay. And this will still come in  
10 front of the full board at some point, so we have some  
11 more time to digest it and dig into it.

12 Do any of the other members have any questions?

13 (No response.)

14 MR. GRAHAM: Thank you, Ms. Flores and Mr. Rey.  
15 We appreciate it.

16 MS. FLORES: Actually, one more thing. Sorry.  
17 Not quite done.

18 MR. REY: Mr. Chairman, Sergio Rey here.

19 Our last item as part of our preliminary  
20 budget -- and you're correct, we'll definitely have plenty  
21 of time to review any of these items in the process -- and  
22 the last item here is the riders. In this final slide,  
23 the preliminary LAR will also propose continuation of five  
24 riders that currently exist in our current appropriations.

25 A rider is a legislative director or an

1 appropriation that is inserted in the General  
2 Appropriations Act. A rider can either provide direction,  
3 expansion of authority, restrictions, legislative intent,  
4 or additional appropriations or staffing. A rider may be  
5 requested by an agency or may be drafted and inserted by  
6 the legislature themselves.

7 For the upcoming biennium, again before you  
8 you'll see a list of five items, and these are just  
9 updated versions of the existing riders that we have, the  
10 very first one being the special license plate fees which  
11 basically provides the authority for the expenditures  
12 associated with this program.

13 There's three that provide authority to  
14 transfer any unexpended funds remaining from the current  
15 biennium into th next biennium in 22-23, and a fifth  
16 rider, the unexpended balances within the biennium that  
17 allow the DMV to transfer money within the biennium, any  
18 balances left from the first year to the second year.

19 And this does conclude my presentation of the  
20 last portions of the LAR and the preliminary request.

21 MR. GRAHAM: Thank you.

22 Whitney, I believe historically we have been  
23 able to carry these forward, if I'm not mistaken, but it's  
24 based on the next biennium, but it can change at any time.

25 Is that correct?

1 MS. BREWSTER: Yes, sir. Historically we've  
2 been successful in having these riders included in our  
3 bill pattern, but certainly in light of COVID-19 and other  
4 financial situations involving the oil and gas industry,  
5 certainly there's no guarantee that would continue with  
6 these riders, but we are hopeful to be able to continue  
7 forward with them.

8 MR. GRAHAM: Okay. Questions?

9 (No response.)

10 MS. FLORES: This is Linda. And just as Sergio  
11 indicated, this is the beginning of some more work that  
12 need to be done on our appropriations request, and you  
13 will have another look at this in August.

14 I will kind of also give you the next steps.  
15 As I mentioned, internal staff will be working on this,  
16 and we'll bring it back to the Finance and Audit Committee  
17 in August for your recommendation to the board so that the  
18 agency can submit the request.

19 In September, after the agency submits the  
20 request, the Legislative Budget Board has time to review  
21 it. A public hearing will be held in September, and this  
22 is done every session. Following that, a recommendation  
23 is provided to all state agencies right before the  
24 beginning of the legislative session, and so at that point  
25 we will see what the budget riders are recommending and

1 we'll have another opportunity to modify our  
2 appropriations request during the legislative session.  
3 So you know, this is a long process, and so anything can  
4 happen between now and next May.

5 And that concludes my presentation on the  
6 appropriations request.

7 MR. GRAHAM: Thank you.

8 Any other questions before I check and see if  
9 we have any public comment?

10 (No response.)

11 MR. GRAHAM: Tracey, do we have any public  
12 comment?

13 MS. BEAVER: Thank you. No comments from the  
14 public. Tracey Beaver, general counsel, for the record.

15 MR. GRAHAM: Thank you.

16 All right. With that we'll move to agenda item  
17 6, Financial impacts of COVID-19. We'll now hear from  
18 Linda Flores and Brian Kline.

19 MS. FLORES: Thank you.

20 This material, I don't have a PowerPoint, it is  
21 found beginning in your board book on page 43. So as you  
22 know, the pandemic has impacted everyone in the state and  
23 the nation and the world.

24 So when the governor directed agencies and the  
25 general public to shelter in place, we knew that this was

1 going to be a major event and the agency began  
2 establishing reporting elements so that when we were asked  
3 to provide information to our oversight agencies,  
4 including the Legislative Budget Board, the Governor's  
5 Office, the Comptroller, we were in a good place because  
6 we had established some project numbers for anything  
7 having to do with the pandemic.

8 So the governor directed the shelter in place  
9 around the 16th of March, I believe. On March 19th state  
10 agencies were directed by the Legislative Budget Board to  
11 start reporting. So our first monthly report was due  
12 April 5, and we are continuing to report on a monthly  
13 basis every expenditure, every revenue loss forecasted.  
14 So this has had major impacts to all the State of Texas.

15 And I'm going to take something a little out of  
16 order. There were three items that we report -- two items  
17 that we report on a monthly basis. One is the revenue  
18 forecast where we're estimating losses as well as deferred  
19 revenue, expenditures for the agency's response to the  
20 COVID pandemic, and then the final thing is the oversight  
21 agencies have requested that state agencies who are funded  
22 by general revenue and general revenue dedicated funds  
23 prepare a 5 percent reduction plan for this biennium.

24 So the one program that is funded in the agency  
25 by general revenue is the Motor Vehicle Crime Prevention

1 Authority. Their appropriation is roughly \$25.7 million  
2 for the biennium, so their 5 percent plan is \$1,283,585,  
3 or \$641,792 a year. We did reach out to the Legislative  
4 Budget Board, they've given us some guidance. They said  
5 you can either do it by year or you can do it all next  
6 year.

7           So we have communicated that to the director,  
8 Bryan Wilson, and he has communicated that to his board,  
9 as well as his stakeholders. That 5 percent reduction  
10 plan is due June 15, and even as late as yesterday evening  
11 we received further guidance on the format that we're  
12 supposed to submit this 5 percent plan to the Legislative  
13 Budget Board. I know Bryan and his board and his grantees  
14 are working together to identify where they can make  
15 reductions, and so they're still working on that.

16           For the agency's expenditures -- and this can  
17 be found on page 44 -- through the month of April we had  
18 spent approximately \$800,000. We spent it on personal  
19 protective equipment for our agency staff as well as  
20 customers, cleaning supplies, de-fogging services, and the  
21 installation of plexiglass partitions for areas that have  
22 a lot of public interaction.

23           We estimate that we're going to continue those  
24 cleaning services and de-fogging services through the rest  
25 of the fiscal year, and so our estimated cost is

1 approximately \$1.6 million, and we've been able to  
2 accomplish that in our budget. By moving some dollars  
3 around for HQ maintenance and repairs, we've been able to  
4 absorb the costs.

5 So we did provide a detailed table on those  
6 expenditures in your board material, but I did want to  
7 mention that we do anticipate absorbing that and not  
8 having to request any type of reimbursement from FEMA or  
9 anyone else, any federal agency.

10 As far as losses, they are substantial. As I  
11 mentioned, in March we didn't see the impact of the  
12 revenue loss. We did see a substantial dip in April.  
13 We're estimating for the fiscal year a loss of \$16.6  
14 million to general revenue, \$94.9 million to the State  
15 Highway Fund, and \$22.3 million to the DMV Fund.

16 And at this point I'd like to turn it over to  
17 Brian Kline -- he is the team lead for the revenue  
18 forecasters -- to provide more detailed overview on the  
19 methodologies to develop that forecast.

20 MR. KLINE: Thank you so much, ma'am.

21 Honorable board members, my name is Brian  
22 Kline. I work in the Administrative Services Division,  
23 and I'm going to speak with you about some of the detail  
24 behind the revenue figures that Ms. Flores just mentioned  
25 to you.

1           As she said earlier, we have been tasked by the  
2 Legislative Budget Board, as well as our internal managers  
3 and the board as a whole, to provide monthly updates  
4 regarding the loss in revenues due to the virus situation,  
5 and we do that by revenue category and by fund, and  
6 they're the same revenue categories and funds that you all  
7 are used to seeing in the board meetings.

8           And this is the drops in revenue within fiscal  
9 year 2020 only, which ends August 31 of this year. And we  
10 have provided monthly updates to the Legislative Budget  
11 Board and the Governor's Office starting back in early  
12 April, and we have been updating it as we go along. The  
13 last one we provided was last week, and the next one will  
14 be the first week in July.

15           And what we do as we go along is we take the  
16 latest month of data that we have actual for and we plug  
17 that in where we had an estimate the prior month, and then  
18 we look at whether we need to revisit any of our  
19 assumptions as the fiscal year goes forward.

20           If I may -- and obviously, stop me any time if  
21 you have any questions -- take about five or ten minutes  
22 to show you the ending number in terms of the loss, talk  
23 about some of the waivers and postponements of revenues, a  
24 little bit about our methodology, some of the major fee  
25 categories as well.



1           And I don't think it's on the screen as a slide  
2 but if you'll look, please, at page 45 in the Finance and  
3 Audit Committee e-book, that's the file page that I'd like  
4 to focus on, page 45, and you should see four tables: one  
5 for General Revenue Fund 1, State Highway Fund 6, TxDMV  
6 Fund 10, and the three of those roll up to the table block  
7 you see on the top.

8           And you'll see an original forecast column for  
9 FY20 revenue, a COVID-19 forecast for FY20 revenue -- in  
10 other words, that's our new estimates for the year -- and  
11 then the final column in red is the variance from the  
12 original forecast to the COVID-19 forecast.

13           The end result, as Ms. Flores said, was a drop  
14 in all of our revenue collections of \$133.8 million. I  
15 say drop; I mean that's less than projections. That's all  
16 the revenue categories in all three funds.

17           Why do we see that kind of a drop? A couple of  
18 things in play: First of all, Governor Abbott, around  
19 March 16 issued some proclamations that outright waived  
20 some of our fees through a particular period from that  
21 date or postponed some of the fees.

22           The waivers are three or four key fees. One,  
23 the delinquent title transfer penalty is waived. People  
24 cannot go into the county offices or in many county  
25 offices if they transfer a title late, so that fee is

1 waived. Thirty-day temporary permits are also waived, and  
2 for motor carriers that are using vehicles strictly for  
3 virus-relief efforts, if there's a 72-hour temporary  
4 permit or a 144-hour temporary permit, those are also  
5 waived. That means we're not going to get that money  
6 back.

7 Now, the postponements is the registration  
8 revenue and because a lot of people do go in person and  
9 register their vehicles, with county offices being closed,  
10 there may be people not being comfortable going out if you  
11 have an expired registration sticker, but you can pay for  
12 it later and not have any kind of penalty.

13 So what are the dates involved? The start date  
14 of the waivers or the postponement was March 16. They end  
15 60 days after TxDMV announces to the public that "normal  
16 operations have resumed." So in other words, if on July 1  
17 we make that announcement to the public, these waivers or  
18 postponements go on another 60 days. I imagine that we're  
19 not just talking literally about the TxDMV headquarters  
20 buildings, we're talking about all of our county partners  
21 as well. So that's the end date, so what that meant is we  
22 had to assume some dates as we go along as when then  
23 normal start of operations would be.

24 The numbers you see before you actually  
25 assumed -- because we put these numbers together a few

1 weeks ago, actually assumed that normal operations would  
2 resume on June 1st, and so therefore, the 60-day period  
3 meant they would end July 31. That hasn't happened yet,  
4 and I can talk about that more in a moment, but we're  
5 going to have to update this type of document that you see  
6 assuming a date of starting normal operations that will be  
7 later than June 1, matter of fact, later than today as  
8 well.

9 So we took into account the fees that were  
10 affected by the waivers and the postponements but really  
11 most of the revenue drops that you see within that \$133  
12 million are not just because of the fees that are waived  
13 but because of the general economic downturn.

14 So by far, most of our fees were not named in  
15 any of these postponements or waivers by the governor but  
16 the economic downturn related to the whole situation we're  
17 in is going to result in revenue losses.

18 So for example, business dealer licenses or  
19 your motor vehicle dealer licenses, your GDNs, your  
20 franchised dealer licenses, your converter licenses, well,  
21 none of those fees were waived or postponed in any way,  
22 but perhaps because some dealers may have gone out of  
23 business or they're waiting to renew their license a  
24 little bit later to see what the economic situation is,  
25 we're seeing drops in that category and that goes along in

1 other the other categories. So most of the revenue loss  
2 is actually because of the economic downturn and not  
3 because of the fee waiver proclamations.

4 Any questions so far before I go in and talk  
5 about maybe two or three of the major fee categories?

6 (No response.)

7 MR. KLINE: Okay. I just want to highlight a  
8 few of the larger categories. First of all, motor vehicle  
9 certificates of title, you see about \$14.8 million less  
10 revenue that we expect to collect than we originally  
11 projected at the beginning of the year.

12 About 40 percent of that drop is due to the  
13 outright waiver of the delinquent title transfer penalty.

14 The other 60 percent of that \$14.8 million is simply  
15 because of a decline in economic activity. So for  
16 example, people are buying fewer cars, they're also  
17 purchasing fewer original titles from the agency.

18 Registration you see a \$79 million drop. About  
19 15 to 20 percent of that is because of the waivers of the  
20 temporary permits, so we're just not going to see that  
21 money come back. But the other 85 percent is simply due  
22 to a lowered economic activity in the fees that are in  
23 that category.

24 Motor carrier permits, actually you see a \$33.8  
25 million drop there. I mentioned earlier the motor

1 carriers who are doing virus-relief activities, if they  
2 need a 72-hour or a 144-hour permit normally, they will  
3 not need if they are doing virus-relief efforts. However,  
4 those two permit revenues actually go into the  
5 registration category, so the \$33.8 million you see in  
6 motor carrier oversize/overweight permits is pretty much  
7 strictly due to the drop in economic activity.

8 And we actually started to see that a couple of  
9 months ago before the virus activities came into play  
10 because of the drop in the oil prices, so some of that is  
11 just lower oil prices, also lower general construction  
12 activities. So what you see in motor carrier there is not  
13 because of any waivers or postponements.

14 I'll skip motor carrier credentialing. It's a  
15 very small loss.

16 Business dealer licenses, the \$1.8 million  
17 decline is, again, not because of any waivers or  
18 postponements or proclamations from the governor; that's  
19 just a drop in dealer licensing activity.

20 Miscellaneous revenue includes a number of  
21 different revenue streams. One thing that's in there is  
22 interest on the TxDMV Fund, and we're seeing a lower  
23 interest rate on the fund due to the economic situation,  
24 so we're just taking in less interest on that fund even if  
25 the fund balance is growing because we have a lower

1 interest rate.

2 And then finally, board members, the processing  
3 and handling fee, you see about a \$2.26 million drop.  
4 Roughly 60 percent of that is because of the waivers of  
5 the 30-day, 72-hour and 144-hour temporary permits,  
6 because when those permits are purchased there's a  
7 processing and handling fee that's levied on those  
8 transactions, so with those temporary permit transactions  
9 not taking place, there's no processing and handling fee  
10 being captured as well.

11 And the rest of the drop in the processing and  
12 handling fee is because either just a drop in economic  
13 activity or we are seeing -- because people can't go into  
14 county offices, we are seeing a bit of a shift, it's not  
15 large but we are seeing a bit of a shift toward people  
16 renewing their vehicle registrations online because they  
17 can't get into a county office or they can't go to a  
18 deputy.

19 Well, the TxDMV Fund takes in less revenue from  
20 the P&H fee when it's done online and the P&H fee as a  
21 whole is a dollar cheaper if it's done online, and so as  
22 more people take advantage of online registration renewal,  
23 the TxDMV Fund will see less than it otherwise would.

24 That's where we are. We are going to continue  
25 to update month by month as we go along, and we will have

1 to assume a new date of normal operations as well and look  
2 at our assumptions and see, like maybe we thought vehicle  
3 sales would drop 30 percent and so we figured that in but,  
4 hey, they're dropping 20 percent and not 30 percent, so  
5 we're also incorporating all of that.

6 I know that was a lot of information. Some of  
7 these drops will continue into FY21, but the FY21 revenue  
8 figures that you saw in the legislative appropriations  
9 request documents earlier already took into account that  
10 FY21 is going to start off a little bit sluggish.

11 Thank you so much. Any questions?

12 (No response.)

13 MR. GRAHAM: Thank you, Brian.

14 MR. KLINE: Thank you, sir. Thank you, board  
15 members.

16 MR. GRAHAM: Do you have any closing comments  
17 before we check for any further questions?

18 MS. FLORES: No.

19 MR. GRAHAM: Okay. All right. Well, if there  
20 are no further questions, I'll check with Tracey to see if  
21 we have any public comment.

22 MS. BEAVER: Thank you. Tracey Beaver, general  
23 counsel, for the record. No comments.

24 MR. GRAHAM: Okay. Well, we'll move to the  
25 last briefing item regarding the fiscal year 2021 Internal

1 Audit risk assessment. So I will call on Ms. Menjivar-  
2 Suddeath to address us on that issue.

3 MS. MENJIVAR-SUDDEATH: Good afternoon, Finance  
4 and Audit Committee. For the record, Sandra Menjivar-  
5 Suddeath, Internal Audit director. And like the chair  
6 said, I'm presenting the 2021 Internal Audit risk  
7 assessment. It is on page 63 of your committee book. I  
8 don't have any slides to go with it.

9 To give you some background information, during  
10 the latter part of the fiscal year, the Internal Audit  
11 Division begins the process of evaluating all the risks  
12 that we've collected through the year and identifying any  
13 new risks that may have not existed or were not identified  
14 in previous risk assessments.

15 The risks we collect come from various sources,  
16 including discussions with staff, other internal audit  
17 directors, reviewing of reputable publications, as well as  
18 current events. Now, the risks that we collect and  
19 evaluate eventually make up the two six-month audit plans,  
20 which the first six-month audit plan will be coming for  
21 approval to the board in August.

22 Now, for each risk that we've identified -- and  
23 so far we've identified 260 -- each one is reviewed  
24 through multiple factors to identify the impact and  
25 likelihood of that risk occurring.



1           We look at the financial impact of it; you  
2 know, is this going to cause to increase our revenue or be  
3 a significant expense, is there an asset or a liability  
4 issue with it. We look at the operational effectiveness  
5 and efficiency, how does this impact our current offices.

6       We look if there's a legal and regulatory impact as well  
7 as a brand and reputational impact.

8           From the likelihood perspective, we look at the  
9 change of the risk, how has this risk changed in the past  
10 six months to a year. We also look at the complexity of  
11 the risk, is the risk very simple, something manageable,  
12 or is it a very big risk that we think will take more  
13 effort to address. And then finally, we look at the  
14 centralization of it. Is this risk contained within one  
15 function or is it multiple functions that's impacted by  
16 this risk.

17           We also look at the controls around it. If  
18 we've already identified some controls or if the divisions  
19 themselves have identified controls, we look at the design  
20 of those controls to identify if there's any mitigation on  
21 it.

22           We use all these factors to really identify if  
23 the risk is very high, high, medium, low, or very low.  
24 And those risk scores are on page 59 of the board book  
25 information. And just to let you know, the risk scores

1 were developed based off of proved risk guidance that was  
2 reviewed by the department.

3 So in previous years we usually used the June  
4 board meeting to just talk about the high risks that we've  
5 identified. This year we're taking a little bit of a  
6 different approach. Instead of presenting those high  
7 risks, we really wanted to discuss the theme that will  
8 shape the six-month audit plan in the next upcoming year.

9 These themes, which are on page 59, include  
10 transformation. The transformation are areas where new  
11 solutions are going to be needed to address post-COVID  
12 environment. So these are things where our processes may  
13 have been significantly disrupted because of COVID and  
14 will continue to be disrupted going forward.

15 Then we have information technology. These are  
16 new technology, data collection methodologies, automation,  
17 as well as cybersecurity functions.

18 And then we have human resources. Human  
19 resources are areas that impact the organization's ability  
20 to maintain a competitive advantage in hiring and  
21 retaining staff, as well as looking at the morale of the  
22 staff and the coaching of staff to make sure that they're  
23 ready for the next level, whatever that is.

24 Finally, we have the procurement and supply  
25 chain management. So these are areas in our procurement

1 and supply chain that are critical to ensure that our  
2 costs are being contained and that the services either  
3 that we obtain or manufacture are being provided on time  
4 and as needed.

5 So in the six-month audit plan that we'll  
6 present in August you'll see these things tied  
7 specifically to the engagements in the high-risk areas  
8 that we'll be auditing.

9 What you'll also see is the specific estimated  
10 hours for each engagement, which in this risk assessment  
11 we've already identified the available hours for the  
12 upcoming fiscal year. So currently we anticipate having  
13 about 2,000 hours for audit and advisory engagements, as  
14 well as 775 hours for added value services, so these are  
15 including like our fraud program as well as ad hoc  
16 advisories, in addition to work group participation in the  
17 agency.

18 And finally, we have about 325 for required  
19 items. This number is a little bit higher than you're  
20 usually seeing. The reason for that is next year we'll  
21 enter our peer review year so we'll have someone come in  
22 from the external, usually another state agency, come in  
23 and review us to see if we're meeting audit standards, and  
24 that requires a little bit more preparation on our side.

25 So that's where we are in the Internal Audit

1 risk assessment. Are there any questions for me?

2 MR. GRAHAM: Member Gillman is muted. There  
3 you go.

4 MS. GILLMAN: So, Sandra, you said that you --  
5 I mean I can't leave you hanging me out there like that.  
6 You said that there's 260 risks identified in the last  
7 year and that you normally reveal the high-risk ones in  
8 the June board meeting.

9 MS. MENJIVAR-SUDDEATH: Yes.

10 MS. GILLMAN: I'm on the edge of my seat.

11 MS. MENJIVAR-SUDDEATH: It's very riveting  
12 stuff, I can tell you that.

13 MS. GILLMAN: So of the 260, how many fall into  
14 the high-risk category?

15 MS. MENJIVAR-SUDDEATH: I don't have those  
16 numbers in front of me but we can provide it to you.  
17 We've gone through an initial scoring, but I can  
18 definitely look at those numbers in our database and  
19 provide you which ones are the very high and the high.

20 MS. GILLMAN: Well, you're just going to leave  
21 me on the edge of my seat then.

22 MS. MENJIVAR-SUDDEATH: Yes, I am. I  
23 apologize. I will look at those numbers this evening and  
24 get them back to you this afternoon.

25 MS. GILLMAN: Are you going to -- I guess what

1 I'm asking is after the reveal is there a here's how we're  
2 going to attack it?

3 MS. MENJIVAR-SUDDEATH: Absolutely. So my plan  
4 is by mid-July to send Finance and Audit Committee the  
5 preliminary six-month plan, and so that will have what  
6 will be audits and what will be advisory services and  
7 which ones we'll conduct, and so that will have a little  
8 bit more detail on the high-risk numbers and which ones  
9 we've determined this is where we're going.

10 MS. GILLMAN: Okay. Thanks.

11 MR. PREWITT: Chairman Graham, can I ask a  
12 question? Hello. Can y'all hear me?

13 MS. GILLMAN: Yes, we do.

14 MS. MENJIVAR-SUDDEATH: Yes.

15 MR. PREWITT: The question is you mentioned you  
16 had 2,000 hours budgeted for audit and then another 775  
17 hours. That sounds like about two FTEs as far as  
18 full-time equivalents for your audit staff. I guess right  
19 now you're running with a staff of three or four people,  
20 Sandra. Is that right?

21 MS. MENJIVAR-SUDDEATH: That's correct.

22 MR. PREWITT: And so I guess the question I'm  
23 thinking is would it make sense if you expanded your staff  
24 to both cover some of these risk areas, I guess, more  
25 adequately for the organization as well as sort of fulfill

1 the goal of trying to increase the audit maturity of all  
2 these different divisions within TxDMV. What are your  
3 thoughts on that, or is that appropriate to talk about at  
4 this time?

5 MS. MENJIVAR-SUDDEATH: No. It's completely  
6 appropriate to talk about it. We've had internal  
7 discussions on how we could basically we could reorganize  
8 our area and get potentially additional help to be able to  
9 do more audit coverage and then have the ability to do  
10 those value-added services on specific fraud, waste, and  
11 abuse as like a separate item.

12 MR. PREWITT: It just seems like they're  
13 running hard to stay even, is what I would just say, just  
14 from appearances. But you're doing great.

15 MS. GILLMAN: I'm sorry, John, what did you  
16 say, she's running hard to?

17 MR. PREWITT: Stay even.

18 MS. GILLMAN: Stay even.

19 MR. PREWITT: Because there's just so much to  
20 do and the staff is limited and just the mass of stuff  
21 they have to do is quite a bit.

22 MS. MENJIVAR-SUDDEATH: I appreciate that.  
23 We're definitely trying to find innovative ways, but I  
24 think we've gone so far where we've stretched our staff to  
25 the point where they can't stretch anymore.

1 MR. PREWITT: Right, right. Understand. Thank  
2 you.

3 MS. MENJIVAR-SUDDEATH: Chair, if it's okay, I  
4 can move on to item 8, which is the last item. Okay,  
5 great.

6 So item 8 is also a briefing item, it's an  
7 Internal Audit Division status. That's on page 61 of your  
8 materials. So the division status only includes three  
9 items. One is the status of the internal audit plan, the  
10 other one is external coordination, and then internal  
11 audit activities.

12 For the internal audit divisions status, or  
13 where we are in our plan, we're currently working on four  
14 engagements. One is the risk assessment that we just  
15 discussed. The other one is the law enforcement  
16 information request advisory service, and we're in field  
17 work on that, that means we're doing testing. We're  
18 pretty much wrapped up with testing. We'll be entering  
19 our reporting stage shortly in a couple of weeks. We do  
20 anticipate completing that engagement on time and having  
21 that ready for the Finance and Audit Committee before  
22 August.

23 The next engagement is the payment card  
24 industry compliance requirement II audit. So this audit  
25 is really looking at our default settings on our servers,

1 you know, are we actually giving people passwords. We do  
2 anticipate completing this engagement prior to the end of  
3 the fiscal year. We just kicked it off in mid-May, so we  
4 are in planning, but we'll transitioning to field work in  
5 the next couple of weeks as well.

6 And then we still continue to work on the  
7 fiscal year 2020 internal audit followup, which  
8 implementations have been implemented. We do plan on  
9 releasing the third quarter and fourth quarter status in  
10 September as the fourth quarter ends on August 31st.

11 For external coordination, the Texas  
12 Comptroller of Public Accounts let us know this past week  
13 that they're going to come in to do an engagement  
14 regarding overpayment. It's specifically looking if we've  
15 overpaid any of our vendors.

16 And we're not the only agency getting this  
17 audit at this moment, several other agencies are getting  
18 the same audit. The audit is supposed to take about six  
19 months, and the engagement letter is on page 63 of your  
20 materials.

21 And then the final item, which is very dear to  
22 my heart, is the Internal Audit Division celebration of  
23 Internal Audit Month, which as most of you may know, May  
24 is Internal Audit Month, and it is my second favorite  
25 month of the year. And typically we do an open house



1 where we have food and coffee and have people come talk to  
2 us and just get to learn about us.

3 This year obviously we weren't able to do that,  
4 but my staff is very creative, and they suggested doing  
5 videos of themselves to talk about our role as well as who  
6 they are, and we created a bingo card to go with the  
7 videos so staff would be more enticed to watch it.

8 So I first of all have to recognize my staff  
9 because they're very introverted, so for them to put that  
10 out there was pretty amazing and they were really funny.  
11 But they took the initiative, put the videos out there,  
12 and then we had a lot of staff comment and tell us they  
13 had a lot of fun, but we had about seven staff actually  
14 submit a completed bingo card, and I'm going to just name  
15 them through when they submitted it. So first was Yvonne  
16 Murray from the Finance and Administrative Services  
17 Division; the second one was Sergio Rey from the Finance  
18 and Administrative Services Division; then Sara Alexander  
19 from the Consumer Relations Division; then Lisa Martinez  
20 from the Enforcement Division; and then we had Connie  
21 Green from the Finance and Administrative Services  
22 Division, and Grady Meyer from the Motor Carrier Division  
23 and Tammy Gunnels from the Motor Carrier Division.

24 So they actually participated, submitted a  
25 card, and we had a lot of fun doing it, so we may rise to

1 the challenge again and do it again next year.

2 And that concludes my division status.

3 MR. PREWITT: Great idea on the bingo. That's  
4 awesome.

5 MS. MENJIVAR-SUDDEATH: Thank you.

6 MS. BEAVER: Chairman Graham, it looks like you  
7 might be muted.

8 MR. GRAHAM: I don't know how it happens but it  
9 happens. Right?

10 I was just saying that in the private sector  
11 when someone says something about audit there's not really  
12 a lot of positive feelings that come with that, but it's  
13 awesome to see y'all get so excited about that.

14 And didn't Carrie -- didn't our board liaison,  
15 Carrie Fortner, participate in that as well?

16 MS. MENJIVAR-SUDDEATH: So there were a lot of  
17 division directors that said they watched the videos and  
18 actually showed us parts of what they watched, but they  
19 didn't submit the bingo card, so I didn't feel it was  
20 right to give them credit for it.

21 (General laughter.)

22 MR. GRAHAM: Carrie. I just knew she was going  
23 to nail it. I'm sure she did, she just didn't want to  
24 take the limelight.

25 Well, that's fun, that's super cool.

1           So with that, does anybody have any questions  
2 regarding any of the audit items?

3           MS. MENJIVAR-SUDDEATH: Chairman, if I may? My  
4 staff just sent me a message, so for Board Member Gillman,  
5 we have about 93 risks that are high or very high in our  
6 risk assessment right now. Now, 46 of those are what we  
7 call borderline, between medium and high, they're like a  
8 3.51, but the rest of them are high. But we'll give you  
9 the breakdown between very high and high in an email.

10          MS. GILLMAN: Thank you.

11          MR. GRAHAM: Great. All right. Well, thank  
12 you.

13                 I guess I should check to see if we have any  
14 public comment.

15          MS. BEAVER: Tracey Beaver, general counsel,  
16 for the record. No comments. Thank you.

17          MR. GRAHAM: Outstanding.

18                 Well, so I show that on the expectation of  
19 timeline that we were to move to agenda item 9 at 3:40.  
20 We are two minutes ahead of schedule -- that's always  
21 good -- and we have no executive session items to cover  
22 today. So I will skip to agenda item 11, if I can find  
23 it. Here we go. Well, we're moving on to 12, I think,  
24 aren't we? Y'all help me out. I'm looking through my  
25 notes.

1 MS. BEAVER: Yes, Member Graham. Tracey  
2 Beaver, general counsel, for the record.

3 There's also no public comments for the general  
4 comment period either so we can move on to item 12.

5 MR. GRAHAM: Item 12. Okay, it's a wrap. I'll  
6 entertain any requests for further business before I  
7 accept a motion to adjourn. Any additional business?

8 (No response.)

9 MR. GRAHAM: So thank you, Member Prewitt. The  
10 sunlight from my window is hitting my face and making me  
11 look like a super hero. Okay. It was definitely hurting.  
12 It was like bam, all of a sudden the sun just got in the  
13 right spot. So it's a great time to entertain a motion to  
14 adjourn.

15 MR. BACARISSE: Mr. Chairman, I'd move we  
16 adjourn this meeting of the Finance and Audit Committee.

17 MR. GRAHAM: Thank you, Member Bacarisse.

18 MS. GILLMAN: I'll second.

19 MR. GRAHAM: All right. We have a motion and a  
20 second. Thank you very much. All in favor?

21 (A chorus of ayes.)

22 MR. GRAHAM: Let the vote is unanimous.

23 With that, at 3:40, right on time, we are  
24 adjourned.

25 Everybody have a great rest of the day, and we

1 look forward to seeing you tomorrow.

2 (Whereupon, at 3:40 p.m., the meeting was  
3 adjourned.)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

C E R T I F I C A T E

MEETING OF: TxDMV Finance & Audit Committee

LOCATION: via Webex

DATE: June 10, 2020

I do hereby certify that the foregoing pages, numbers 1 through 62, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

DATE: June 15, 2020

/s/ Nancy H. King  
(Transcriber)

On the Record Reporting &  
Transcription, Inc.  
7703 N. Lamar Blvd., Ste 515  
Austin, Texas 78752