



Texas Department *of* Motor Vehicles

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# TxDMV Board Finance & Audit Committee Meeting

2:00 p.m.

Wednesday, February 8, 2023

**AGENDA**  
**FINANCE AND AUDIT COMMITTEE**  
**TEXAS DEPARTMENT OF MOTOR VEHICLES**  
**4000 JACKSON AVE., BUILDING 1, LONE STAR ROOM**  
**AUSTIN, TEXAS 78731**  
**WEDNESDAY, FEBRUARY 8, 2023**  
**2:00 P.M.**

Link to February 8, 2023, TxDMV Finance and Audit Committee Documents:  
<https://www.txdmv.gov/about-us/txdmv-board-meetings>

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 closed 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 discussion and gathering information. 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**

**BRIEFING AND ACTION ITEMS**

- 4. Consideration and Possible Recommendation for Action to the Full Board and Briefings:**
  - 5 A. [Legislative Appropriations Request \(LAR\) Update](#) - Glenna Bowman (BRIEFING ONLY)**
  - 13 B. [Annual Financial Report and Non-Financial Report](#) - Eric Horn and Glenna Bowman (BRIEFING ONLY)**
  - 24 C. [Internal Audit Division Status Update: Internal and External Engagements, including the State Auditor's Office Audit](#) - Salem Chuah (BRIEFING ONLY)**
  - 26 D. [FY 2023 Internal Audit Plan \(Second Six Months\)](#) - Salem Chuah (ACTION ITEM)**

**CLOSED SESSION**

- 5. 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.

**6. Action Items from Closed Session**

**7. Public Comment**

**8. Adjournment**

The Committee will allow an open comment period to receive public comment on any agenda item or other matter that is under the jurisdiction of the Committee. No action will be taken on matters that are not part of the agenda for the meeting. For subjects that are not otherwise part of the agenda for the meeting, Committee members may respond in accordance with Government Code Section 551.042 and consider the feasibility of placing the matter on the agenda for a future meeting.

If you would like to comment on any agenda item (including an open comment under the agenda item for Public Comment), you must complete a speaker's form at the registration table prior to the agenda item being taken up by the Committee or send an email to [GCO\\_General@txdmv.gov](mailto:GCO_General@txdmv.gov) to register by providing the required information prior to the agenda item being taken up by the Committee:

1. a completed [Public Comment Registration Form](#); or
2. the following information:

- a. the agenda item you wish to comment on;
- b. your name;
- c. your address (optional), including your city, state, and zip code; and
- d. who you are representing.

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.

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: Aline Aucoin, Interim General Counsel, (512) 465-5665.

**To:** Finance & Audit Committee, Texas Department of Motor Vehicles Board  
**From:** Glenna Bowman, Chief Financial Officer  
**Agenda Item:** 4.A  
**Subject:** Legislative Appropriations Request (LAR) Update

#### RECOMMENDATION

Briefing item with no recommendation.

#### PURPOSE AND EXECUTIVE SUMMARY

To provide a briefing on the Fiscal Year 2024-2025 Legislative Appropriations Request (LAR) and the recommended appropriations as included in the initial House Bill 1 (H.B.1) and Senate Bill 1 (S.B.1)

#### FINANCIAL IMPACT

In January 2023, the House of Representatives and the Senate filed their respective versions of the state's budget bills, H.B. 1 and S.B. 1, respectively. Both introduced bills include identical levels of baseline funding for the department totaling \$376.4. million for the biennium. The individual fiscal year amounts are \$193.7 million in FY 2024 and \$182.7 million in FY 2025.

#### BACKGROUND AND DISCUSSION

The Texas Department of Motor Vehicles submitted its LAR to the Legislative Budget Board (LBB) on August 12, 2022. During the fall, LBB staff analyzed the LARs for all state agencies and made initial funding recommendations. On January 18, 2023, the introduced versions of the state's budget bills were filed.

Both H.B.1 and S.B.1 include all baseline funding increases requested by TxDMV, except for funding associated with the department's Exceptional Item for Additional Authorized FTEs. Major baseline increases include postage, sticker paper, Data Center Services, PC Replacement, and Regional Service Center facilities maintenance. The introduced bills also provide 100% of the requested exceptional item funding for the Motor Vehicle Crime Prevention Authority (MVCPA), including the ability to carryforward unexpended balances within the biennium, as well as between biennia (from FY 2023 to FY 2024).

The introduced bill does not include the other exceptional items requested by TxDMV. This is not unusual at this point in the appropriations process. Exceptional items have been resubmitted for consideration by the Legislature and include the department's original exceptional item list (except for MVCPA, which is already included in both bills), and an exceptional item for license plate production to replenish inventory reserves and account for cost increases resulting from inflation. The department also updated the amount requested for the Camp Hubbard Renewal project and added funding associated with the requested additional FTEs.

In addition to the specific items related to the TxDMV appropriations request, the introduced appropriations bill includes the following provisions that impact all state agencies:

- Salary increase for all employees – 5% in 2024 and an additional 5% in 2025, including a supplemental appropriation for the last three months (June, July and August) of FY 2023.



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- Capital budget minimum threshold is changed from \$100k to \$500k, so no capital rider is needed for TxDMV vehicles for the FY 2024-25 biennium.
- Changed DCS rider to allow all agencies to transfer INTO the DCS appropriation – so we can cover bills without having to go to LBB for approval.

TxDMV is scheduled to appear before the Senate Finance Committee for its first budget hearing of the 88<sup>th</sup> Legislature on February 14, 2023.

# LAR Update

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FY 2024 – 2025

Legislative Appropriations Request



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# Appropriations Process

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- ❑ Agencies submit LAR
- ❑ LBB analyzes and makes recommendations
- ❑ Introduced bill is filed
  - It is normal for exceptional items to NOT be included
- ❑ Based on introduced bill, exceptional items may be revised





# Introduced Bill Compared to LAR

Description	Amount	FTEs
HB1/SB1, Introduced	\$376.4 million	808.0
LAR Baseline Request	\$348.9 million	808.0
<b>Difference</b>	<b>+ \$27.5 million</b>	<b>0.0</b>

- Includes all requested baseline funding increases, except for funding associated with the department's Exceptional Item for Additional Authorized FTEs.
- Major baseline increases requested and approved:
  - Postage, sticker paper, and AAMVA fees
  - Technology initiatives and Data Center Services
  - Automation Project and PC Replacement
  - Regional Service Center facilities maintenance
- Includes increases for statewide salary increases, as well as adjustments for growth in MyPlates vendor fees and Data Center Services support.
- Includes approved exceptional item for full funding for MVCPA.



# Full Funding for MVCPA

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- 100% of the requested exceptional item funding for Motor Vehicle Crime Prevention Authority (MVCPA) was approved.
- \$8.8 million designated for Border Security (Art IX, Sec 7.10) – compared to current \$8.4 million earmark
- New rider #10 appropriates 100% of MVCPA revenues collected pursuant to Transportation Code, Section 1006.153 to MVCPA, with a directive that revenues cover both the direct and indirect costs of MVCPA. It further provides UB authority within the biennium, as well as between biennia (from FY 2023 to FY 2024).
- The corresponding FTEs for MVCPA were originally submitted with the Exceptional Item for Additional Authorized FTEs and are not included in the introduced bill.



# Revised Exceptional Items

The introduced bill does not include the other exceptional items requested by TxDMV. This is not unusual at this point in the state appropriations process.

Exceptional items have been resubmitted for consideration by the Legislature.

Exceptional Item	FY 2024	FY 2025	Action	Notes
RTS Replacement Phase One	\$ 6,750,000	\$ -	No Change	
Additional Regional Service Center Locations	\$ 2,474,389	\$ 1,004,022	No Change	
Camp Hubbard Renewal *	\$ 143,000,000		Keep As Amended	Amount and Narrative Updated
Additional Authorized FTEs	\$ 1,857,560	\$ 1,857,560	Keep As Amended	Amount and Narrative Updated
License Plate Production	\$ 3,700,000	\$ 1,500,000	New	New

\* Does not include debt service payments.



# Other Provisions

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- Salary increase for all employees – 5% in 2024 and an additional 5% in 2025 – including a supplemental appropriation for the last three months (June, July, August) of FY 2023.
- Capital budget minimum threshold changed from \$100k to \$500k (so no capital rider needed for vehicles)
- Changed DCS rider to allow all agencies to transfer INTO the DCS appropriation – so we can cover bills without having to go to LBB for approval
- Senate Finance hearing scheduled for Feb 14<sup>th</sup>

**To:** Finance & Audit Committee, Texas Department of Motor Vehicles Board  
**From:** Eric Horn, Director of Accounting Operations  
**Agenda Item:** 4.B.  
**Subject:** Annual Financial Report and Non-Financial Report

### RECOMMENDATION

Briefing item with no recommendation.

### PURPOSE AND EXECUTIVE SUMMARY

The Annual Financial Report is prepared in accordance with Texas Government Code, Section 2101.011 and reporting requirements established by the Comptroller of Public Accounts (CPA). The report is not audited but could 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 CPA by the November 20, 2022, deadline.

Government Code Section § 2101.0115 requires state agencies to submit an Annual Report of Nonfinancial Data to the Governor's Office, State Auditor's Office, Legislative Budget Board and the Legislative Reference Library. TxDMV submitted this report by the established deadline of December 31, 2022.

### FINANCIAL IMPACT

In Fiscal Year (FY) 2022, TxDMV reported revenue of \$1.9 billion dollars in state funds, as follows:

State Highway Fund (0006)	\$1,701,523,762
TxDMV Fund (0010)	\$ 186,364,814
General Revenue (0001) (MVCPA Appropriations)	\$ 15,097,493

FY 2022 expenditures totaled \$177,453,424, including \$13,823,476 paid from the General Revenue Fund 0001 and \$163,490,161 paid from the Texas Department of Motor Vehicle Fund 0010.

Revenues and Expenditures are detailed on Exhibits A-2 for all General and Consolidated Funds and B-2 for Special Revenue Funds.

### BACKGROUND AND DISCUSSION

#### *Annual Financial Report*

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

The TxDMV closed FY 2022 with a net asset balance increase of \$10,172,631. The total net asset amount as of August 31, 2022 was \$338.7 million.

- Cash in State Treasury is the net of revenues collected and deposited less appropriated expenses in the TxDMV Fund.
- Legislative Appropriations represents the unspent appropriations in the General Revenue (Fund 0001.) This includes any benefits appropriations. Motor Vehicle Crime Prevention Authority (MVCPA) is the only item funded from Fund 0001.



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- Accounts Receivable (A/R) represents the amounts due from County Tax Assessor-Collectors and Regional Offices less collections. The decrease of \$4.25 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 increase of \$2.30 million due to the inclusion of long-term lease agreements under Right to Use Asset – Buildings, per implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* in FY 2022.

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

#### Revenues

The TxDMV collected \$1.9 billion in FY 2022 with an increase in revenue of approximately \$39.34 million or 2.1% from the previous year.

- Federal Revenues decreased \$460,376 in FY 2022 due the completion of billings related to the Commercial Vehicle Information Systems and Networks (CVISN) 2018 grant in FY 2021.
- Licenses, Fees and Permits reflects only the revenue collected and reportable by the TxDMV. In 2022, TxDMV Fund 0010 revenue from the issuance of licenses, fees, and permits totaled approximately \$185 million. Revenue deposited to the State Highway Fund increased by approximately \$9 million, or 0.5% compared to FY 2021.

#### Expenditures

Expenditures totaled \$177.45 million (after adjustments) and increased approximately \$7.48 million compared to the prior year primarily due to an increase in Other Operating Expenditures for design services related to the Camp Hubbard Renewal project.

- Salaries and Wages increased \$1.6 million compared to the prior year as a result of salary equity adjustments for eligible employees
- Professional Fees and Services reflect a net decrease of \$2.3 million compared to FY 2021 primarily due to the completion of the FY 2021 Automation project for webDEALER.
- Materials & Supplies reflect an increase of \$1.3 million primarily due the purchase of laptops for the counties and Regional Service Centers (RSCs).
- Other Operating Expenditures reflect a net increase from FY 2021 of \$3.4 million primarily due to payment to the Texas Facilities Commission (TFC) for design services for the Camp Hubbard Renewal project.

### *Annual Report of Nonfinancial Data*

This annual report contains non-financial information that depicts the department'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 department's appropriated strategies.
- **HUB Strategic Plan Progress Form** provides a percentage of historically underutilized businesses (HUBs) used by the department for specific procurement categories.
  - TxDMV takes a proactive approach to the HUB program. In the new virtual environment, TxDMV continues reaching out to potential HUB vendors through virtual spot-bid fairs, and with online training sessions and online introductory meetings between vendors and department business and purchasing staff.



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- **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 services provided by oversight agencies like the Comptroller, Attorney General, Department of Information Resources, and State Auditor.
  - 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 General Revenue from other funding sources based on an allocation of current year appropriated funds. In FY 2022, there was a decrease of approximately \$203K for the 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, the amount paid, and the reason the services were provided.
  - In FY 2022, there was a decrease of approximately \$2.3 million in expenditures attributable to Data Center Services, primarily related to the completion of the webDEALER project.

### Professional/Consulting Services Vendors – Expenditures over \$300,000 in FY 2022

Name	Amount	Service Provided
Apex Systems Inc	1,343,917.40	Information Technology Services
Bansar Technologies Inc	953,429.80	Information Technology Services
Carahsoft Technology Corporation	1,166,239.55	Information Technology Services
Loblolly Consulting LLC	341,945.01	Information Technology Services
NF Consulting Services	940,791.60	Information Technology Services
Nipun Systems Inc	843,023.20	Information Technology Services
Sistema Technologies Inc	463,133.22	Information Technology Services
Southwest Research Institute	704,584.57	Information Technology Services
TEKsystems Inc	829,595.32	Information Technology Services
Texas Department of Information Resources	10,690,803.30	Data Center Services
Texas Department of Information Resources	390,769.90	Information Technology Services
Texas Govlink Inc	1,407,203.30	Information Technology Services

- **Schedule of Space Occupied** lists the name and address of each building the department 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.
- **Schedule of Vehicles Purchased** lists the vehicles purchased during this fiscal year.
  - One vehicle was procured during FY 2022.
- **Alternative Fuel Program Status** lists by fiscal year the number of vehicles purchased 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 CPA. The schedule identifies each product purchased, the amount of the purchase, and the name of the vendor.



- Explore Information Service LLC wrote the source code for the Texas International Apportioned Registration (TxIRP) and is the only vendor that can provide support services for this application.
- Johnson Controls is the vendor responsible for the JCI HVAV system installed in Camp Hubbard facilities and owns the controllers that are integrated with this system.





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# Annual Financial Report Fiscal Year 2022

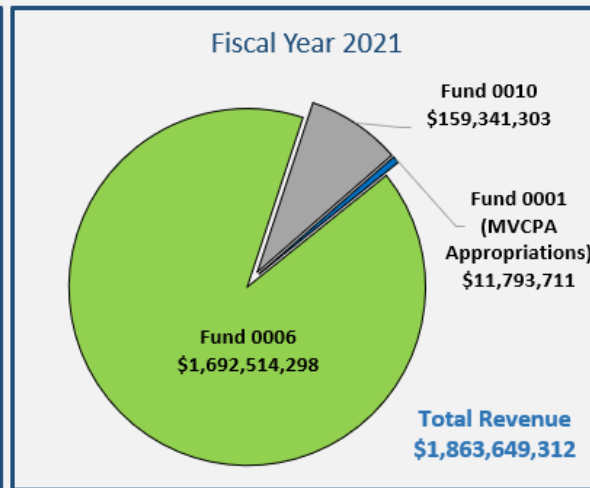
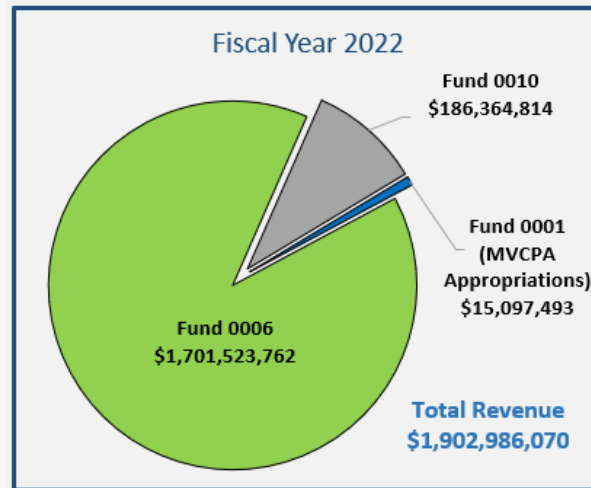
Presented By:  
Finance and Administrative Services Division  
February 8, 2023



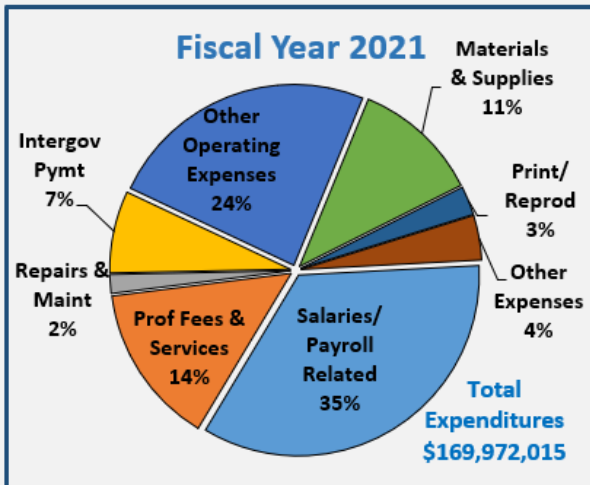
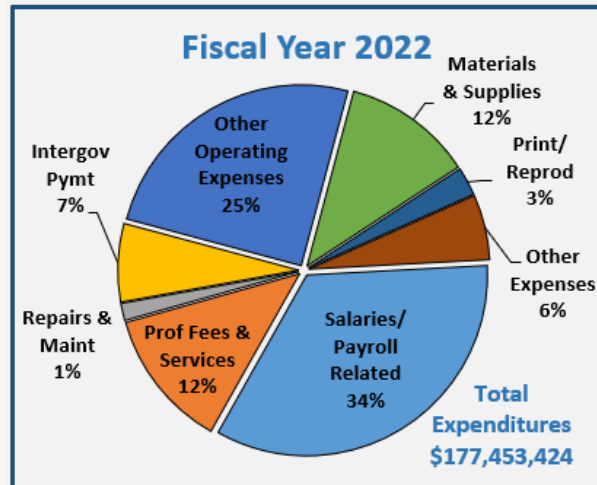
# Exhibit II – Statement of Revenue, Expenditures and Changes in Net Assets (Income Statement)



## Revenues

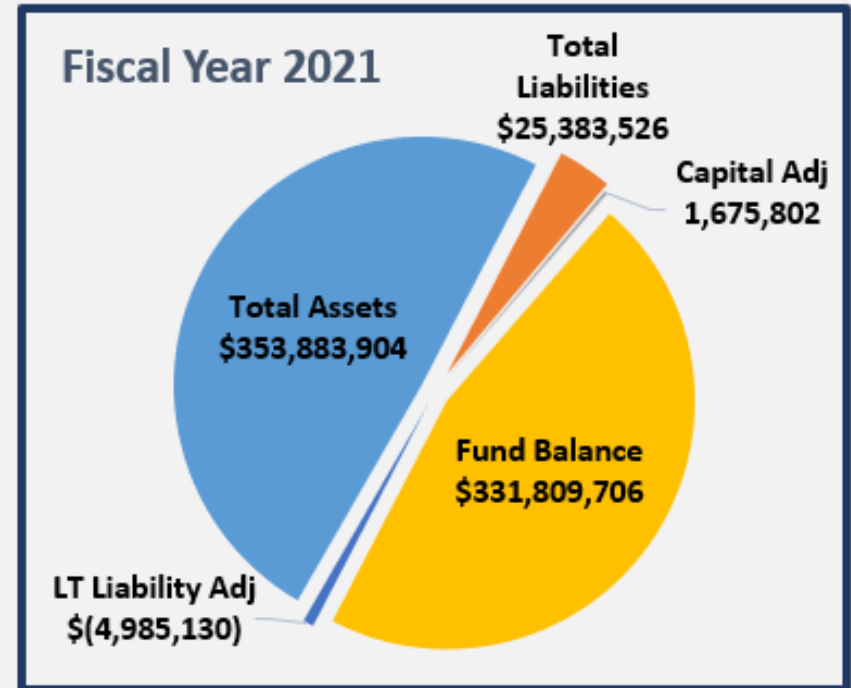
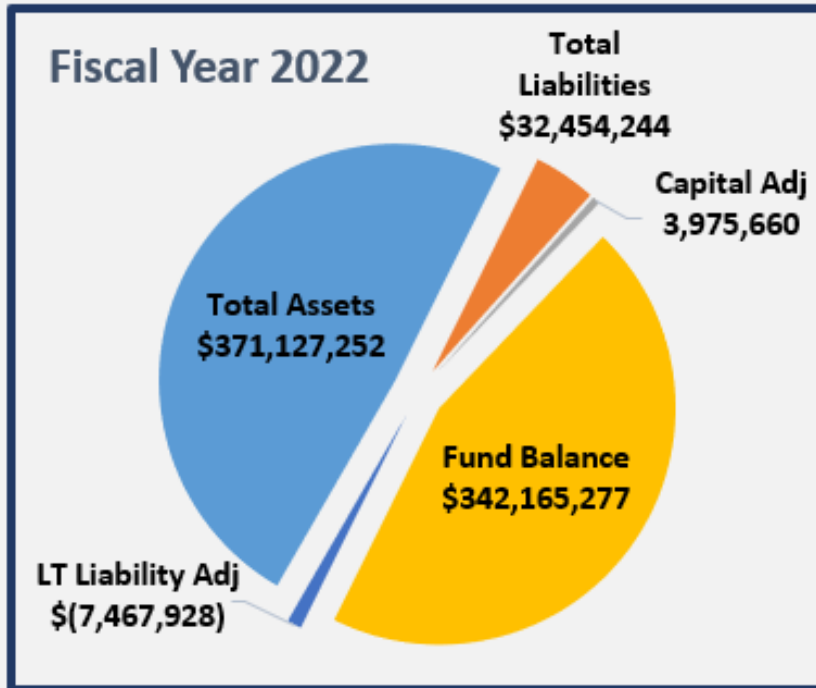


## Expenditures





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





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# Annual Report of Nonfinancial Data Fiscal Year 2022

Presented By:  
Finance and Administrative Services Division  
February 8, 2023



# Annual Report of Nonfinancial Data



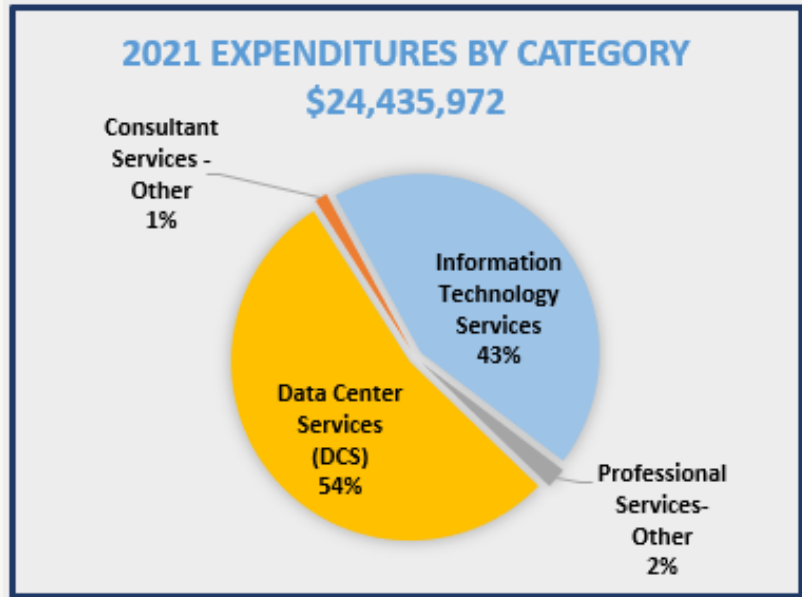
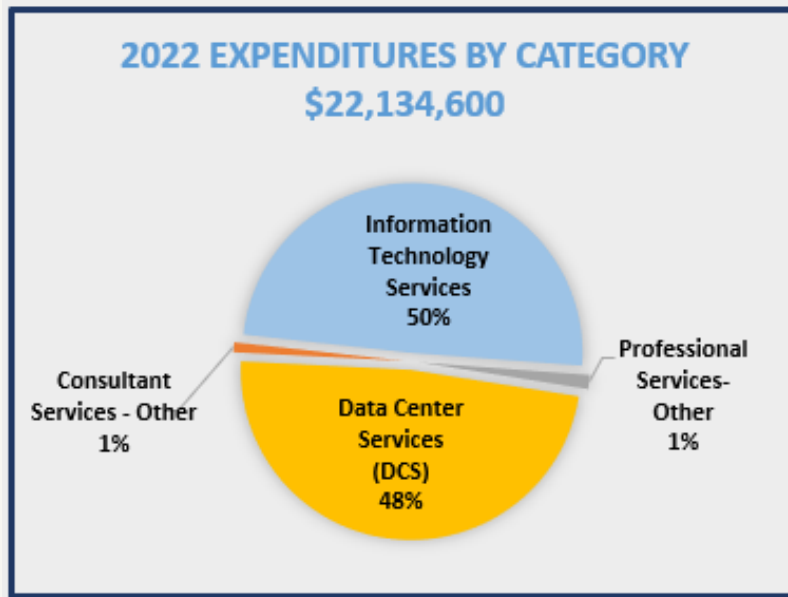
- Report of nonfinancial schedules required by Government Code 2101.0115, previously included in the Annual Financial Report
- Schedules
  - Appropriation Item Transfers
  - Historically Underutilized Businesses Strategic Plan Progress
  - Indirect Cost Schedule
  - Space Occupied
  - Vehicles Purchased
  - Alternative Fuel Program Status
  - Itemized Purchases
  - Professional/Consulting Fees & Legal Services Fees



# Nonfinancial Data Highlights



## Professional/Consulting Fees & Legal Service Fees



The Professional Services - Other category includes: Educational/Training Services, Financial & Accounting Services, Legal Services-Approved by SOAH (State Office of Administrative Hearings) and Professional Services-Other.



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# Questions?



**To:** Finance & Audit Committee, Texas Department of Motor Vehicles Board  
**From:** Salem Chuah, Internal Audit Division Director  
**Agenda Item:** 4.C  
**Subject:** Internal Audit Division Status Update: Internal and External Engagements, including the State Auditor's Office Audit

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**RECOMMENDATION**

Briefing Only.

**PURPOSE AND EXECUTIVE SUMMARY**

This status update provides information on current Internal Audit Division (IAD) activities on internal and external engagements.

**FINANCIAL IMPACT**

None.

**BACKGROUND AND DISCUSSION**

***Internal Engagements***

IAD is going through the initial planning process for the Hiring Process Audit. The preliminary objective is to determine the effectiveness and efficiency of the hiring process and whether policies and procedures are followed consistently. The objective will be narrowed during the planning process prior to starting fieldwork.

IAD completed the FY 2023 risk assessment for the second six months, created the FY 2023 Internal Audit Plan (Second Six Months) for Board approval, and conducted recommendation follow-up for the first quarter. There are 28 recommendations from internal audits that are being tracked with 8 that are overdue. Divisions have been making progress on the overdue recommendations, and IAD continues to meet with those divisions on a quarterly basis to ensure recommendation implementation.

***External Engagements***

The final report for the Comptroller of Public Accounts' desk audit on dual/multiple employment continues to be in-progress.

The State Auditor's Office (SAO) continues its audit on the Motor Vehicle Crime Prevention Authority's (MVCPA) grant processes and TxDMV's temporary tags. The SAO conducted an end of fieldwork meeting to communicate preliminary findings in mid-December 2022. The exit conference is expected in early February with the report publicly released in March 2023.





# Internal Audit Division Status

## Internal Engagements

	<b>Planning</b>	<ul style="list-style-type: none"> <li>Hiring Process Audit</li> </ul>
	<b>Fieldwork</b>	N/A
	<b>Reporting</b>	N/A
	<b>Completed</b>	<ul style="list-style-type: none"> <li>FY2023 Risk Assessment (Second Six Months)</li> <li>FY2023 Internal Audit Plan (Second Six Months)</li> <li>Recommendation Implementation Follow-up (First Quarter)</li> </ul>

## External Engagements

	<b>In-Progress</b>	<ul style="list-style-type: none"> <li>CPA: Dual/Multiple Employment Desk Audit</li> <li>SAO: MVCPA Grant Processes and Temporary Tags</li> </ul>
	<b>Completed</b>	N/A

### Legend

CPA: Comptroller of Public Accounts

SAO: State Auditor's Office

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**To:** Finance & Audit Committee, Texas Department of Motor Vehicles Board  
**From:** Salem Chuah, Internal Audit Division Director  
**Agenda Item:** 4.D  
**Subject:** FY 2023 Internal Audit Plan (Second Six Months)

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### RECOMMENDATION

Recommendation to approve the FY 2023 Internal Audit Plan (Second Six Months).

### PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles Board approves an internal audit plan each year to be in compliance with the Texas Internal Auditing Act (Texas Government Code 2102.008). The Fiscal Year (FY) 2023 Internal Audit Plan (Second Six Months) provides information on risk-based audits, advisory services, required activities, value-added services, and division initiatives. The Internal Audit Plan was developed based on the risk assessment results.

### FINANCIAL IMPACT

None.

### BACKGROUND AND DISCUSSION

The Texas Internal Auditing Act (Texas Government Code 2102.008) states that the annual audit plan developed by the internal auditor must be approved by the state agency's governing board or by the administrator of a state agency if the state agency does not have a governing board.

The Internal Audit Division (IAD) produces two internal audit plans, one for each half of the fiscal year, starting in fiscal year 2020. The FY 2023 Internal Audit Plan (Second Six Months) serves as an update to Internal Audit Plan for the first six months, which was approved by the TxDMV Board on August 11, 2022.

The FY 2023 Internal Audit Plan (Second Six Months) covering the period of March 1, 2023 to August 31, 2023, provides information on risk-based audits, advisory services, required activities, value-added services, and division initiatives for approval.

### **Audits, Advisory Services, and Required Activities**

IAD identified four engagements to be conducted during the second six months of the fiscal year. Out of the four engagements, two engagements are risk-based audits and two engagements are required activities:

- **Hiring Process Audit:** the preliminary objective is to determine the effectiveness and efficiency of the hiring process and whether policies and procedures are followed consistently.
- **Regional Service Center (RSC) Audit:** the preliminary objective is to assess the culture at RSCs, whether RSCs adequately serve its customers, and whether RSCs process transactions uniformly.

- **FY 2024 Risk Assessment and Internal Audit Plan:** an enterprise-wide risk assessment to identify risk areas for the upcoming year. This report will be submitted to the State Auditor's Office.
- **Audit Recommendation Implementation Status:** an engagement to verify if outstanding audit recommendations have been fully implemented.

#### **Value-Added Services and Divisional Initiatives**

IAD also conducts value-added services and works on division initiatives to further enhance organizational value and improve IAD's effectiveness and efficiency. Items in these categories include investigations on fraud, waste, and abuse, external audit/review coordination, workgroup participation, dashboard refinement, and staff development.



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## Fiscal Year 2023 Internal Audit Plan (Second Six Months)

Internal Audit Division

February 2023

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Scope.....	5
Risk Assessment .....	5
Hour Analysis .....	<b>Error! Bookmark not defined.</b>

## Executive Summary

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The Internal Audit Division (IAD) audit plan for fiscal year (FY) 2023 is divided into six month plans. The FY2023 Internal Audit Plan (Plan) for the second six months covers the period of March 2023 through August 2023. This Plan includes risk-based audits, advisory services, required activities, value-added services, and division initiatives as illustrated in Figure 1 below.

Figure 1. Summary of the FY2023 Internal Audit Plan (Second Six Months):

	<b>Audits</b>	<ul style="list-style-type: none"><li>• Hiring Process (carryover from first six months)</li><li>• Regional Service Center</li></ul>
	<b>Advisory Services</b>	<ul style="list-style-type: none"><li>• As requested/needed</li></ul>
	<b>Required Activities</b>	<ul style="list-style-type: none"><li>• FY2024 Risk Assessment and Internal Audit Plan</li><li>• Audit Recommendation Implementation Status</li></ul>
	<b>Value-Added Services</b>	<ul style="list-style-type: none"><li>• Investigations on Fraud, Waste, and Abuse</li><li>• External Coordination Efforts</li><li>• Workgroup Participation / Ad-hoc Advisory</li><li>• Department Training</li></ul>
	<b>Division Initiatives</b>	<ul style="list-style-type: none"><li>• Communication and Dashboard Refinement</li><li>• TeamMate+ Enhancements</li><li>• Staff Development &amp; Hiring</li></ul>

## Detailed Information

### Risk-Based Engagements and Required Activities

Tables 1 and 2 provide information on the risk-based engagements and required activities that will be conducted in the second six months of FY2023. The information includes engagement name, engagement hours, division impacted (if applicable), and background/objective. Table 3 provides information on alternative engagements in place of the risk-based engagements presented from Table 1.

Table 1. Risk-Based Engagements for FY2023 (Second Six Months)

Engagement	Hours	Division Impacted	Preliminary Engagement Information
Hiring Process Audit (carryover from first six months)	600	Human Resources Division	The hiring process includes various aspects such as screening, interviewing, and onboarding. This audit will determine the effectiveness and efficiency of the hiring process and whether policies and procedures are followed consistently.
Regional Service Center Audit	650	Vehicle Titles and Registration	The Vehicle Title and Registration (VTR) Division is the largest division at TxDMV. Regional Service Centers (RSCs) provide various motor-related services to TxDMV customers. This audit could assess the culture at selected RSCs, whether RSCs adequately serve its customers, and whether RSCs process transactions uniformly.

Table 2. Required Engagements

Engagement	Hours	Description
Audit Recommendation Implementation Status Follow-up	60	An engagement to verify if outstanding audit recommendations have been fully implemented.

FY2024 Risk Assessment and Internal Audit Plan	250	An enterprise-wide risk assessment to identify risk areas for the upcoming year. The Internal Audit Plan will be submitted to the State Auditor's Office.
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Table 3. Contingency Engagements

Engagement	Hours	Division Impacted	Preliminary Engagement Information
Key Performance Indicators Audit	550	Department-wide	There are 72 key performance indicators (KPIs) that are reported to the Board on a monthly and/or quarterly basis. KPIs help the Board and Management determine whether the organization is meeting operational and strategic goals. This audit could determine the accuracy of the reported performance metrics and the adequacy of related control systems over the collection and reporting of selected performance metrics.
Motor Carrier and Motor Vehicle Investigation Audit	600	Enforcement Division	The Criminal Investigations Division was merged into the Enforcement Division in 2021. This audit could examine processes and controls related to the investigation and complaint process.

## Value-Added Services and Division Initiatives

### Value-Added Services

- **Investigations on Fraud, Waste, and Abuse:** Detecting, tracking, and reviewing any internal fraud, waste, and abuse allegations or State Auditor's Office Hotline complaints. IAD investigates internal fraud, waste, and abuse allegations and administers the Fraud Pulse Survey twice a year.
- **External Coordination Efforts:** Coordinating external audits or reviews by providing audit status updates and facilitating management responses to recommendations.
- **Workgroup Participation / Ad-hoc Advisory:** Participating in TxDMV workgroups, such as the Executive Steering Committee and the Governance Team, to help identify unforeseen risks in



enterprise projects or activities. IAD also sets aside hours to address any short-term assessment or information requests by TxDMV staff.

- **Department Training:** Providing training to help TxDMV staff understand their responsibilities for audits, recommendation implementation, and prevention of fraud, waste, and abuse.

#### Division Initiatives

- **Communication and Dashboard Refinement:** Communicating audit and advisory results in a digestible manner with icons, pictures, and graphics. Also, continuing to refine dashboards to show monthly and quarterly IAD metrics, maintain communication sites to show the Department's risk management, governance, and engagement information.
- **TeamMate+ Enhancements:** Enhancing the software's functionality by continuing to update the risks stored within the software, creating and automating reports, and staying current on best practices for optimized software functionality.
- **Staff Development & Hiring:** Taking the minimum required hours of training each year (40 hours) in accordance with auditing standards. This includes creating development plans to obtain required knowledge, skills, and abilities for audit and advisory services. Hiring internal audit staff to fill all IAD vacancies and providing training to integrate new hires into the office.

## Scope and Methodology

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### Scope

The Internal Audit Plan covers engagements and activities for the second six months of FY2023, March 2023 to August 2023.

### 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 engagements and observations. IAD also analyzed TxDMV information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. In addition, IAD collected information on the potential controls that were in place to mitigate the identified risks.

Each risk was reviewed using approved Department risk guidance that included the following factors:

- Financial 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
- Control design strength

Risks identified were scored using the above factors to determine the engagements for the second six month internal audit plan and contingency engagements.

The risk scores ranged from zero, which is the lowest risk score, to five, which is the highest risk score. Table 4 provides information on the risk scores and definitions for each category.

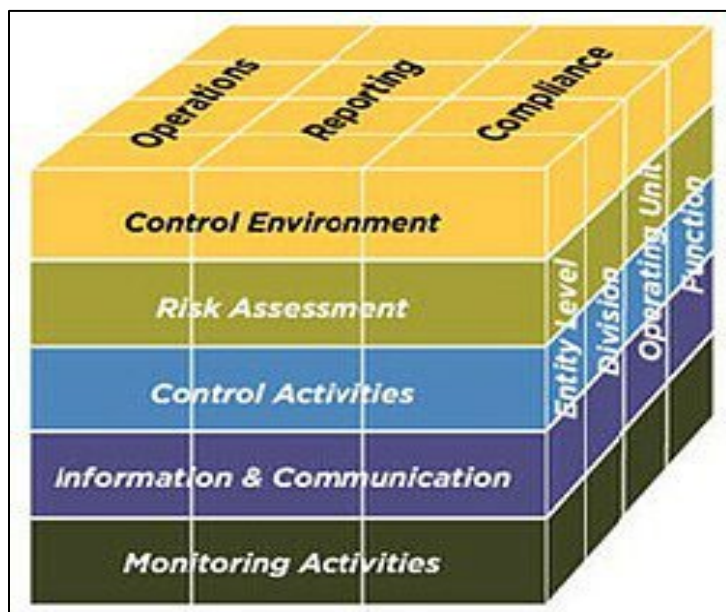
Table 4. Risk Scores

Risk Category	Scores	Definition
High	> 3.99	The risk may substantially hinder the Department, division, and/or function in achieving its objectives or goals.
Medium-High	3.00 – 3.99	The risk may significantly hinder the Department, division, and/or function in achieving its objectives or goals.
Medium	2.00 – 2.99	The risk should be monitored on a regular basis to ensure it does not become an issue; however, it is not currently hindering the Department, division, or function from achieving its objectives or goals.
Low	< 2.00	The risk is mostly mitigated and may not hinder the Department, division, or function from achieving its objectives or goals.

## 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.

## **Board Policy Documents**

Governance Process (10/13/11)

Strategic Planning (10/13/11)

Board Vision (4/7/16)

Agency Boundaries (9/13/12)

## **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.

## **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.