

TEXAS DEPARTMENT OF MOTOR VEHICLES
FINANCE AND AUDIT COMMITTEE
MEETING

Texas Department of Motor Vehicles
Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas 78731

Wednesday,
August 16, 2023
2:00 p.m.

COMMITTEE MEMBERS:

Brett Graham, Chair
Tammy McRae (absent)
Sharla Omumu
John Prewitt

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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 Section 551.076 Section 551.089	none
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P R O C E E D I N G S

1
2 MR. GRAHAM: Good afternoon. We will get
3 started. My name is Brett Graham, and I am pleased to
4 open the Finance and Audit Committee Meeting of the Board
5 of the Texas Department of Motor Vehicles. It is 2:00
6 p.m., and I am now calling the Committee meeting for
7 August 16, 2023, to order.

8 I want to note for the record that the public
9 notice of this meeting containing all items on the Agenda
10 was filed with the Office of the Secretary of State on
11 August 8, 2023. Before we begin today's meeting, please
12 place all cell phones and other communication devices in
13 silent mode. Also, as a courtesy to others, please do not
14 engage in side conversations in the meeting room.

15 I want to welcome those of you who are with us
16 for today's Committee meeting, including my wife, Debbie
17 Graham. If you wish to address the Committee or speak on
18 an Agenda item during today's meeting, please complete a
19 speaker's sheet at the registration table or send an
20 e-mail to gco_general@txdmv.gov.

21 Please identify in your e-mail the specific
22 items you're interested in commenting on, your name and
23 address, and whether you are representing anyone or
24 speaking for yourself. If your comment does not pertain
25 to a specific Agenda item, we will take your comment

1 during the general public comment portion of the meeting.

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In accordance with the Department's administrative rule, comments to the Committee will be limited to three minutes. To assist each speaker, a timer has been provided at the podium. The timer light will be green for the first two minutes, yellow when the speaker has one minute left, and then red when the speaker's time is up.

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Individuals cannot accumulate time from other speakers. Comments should be pertinent to the issue stated on the comment sheet. When addressing the Committee, please state your name and affiliation for the record.

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There are a few things that will help make the meeting run smoothly and assist the court reporter to get an accurate record. Please identify yourself before speaking, speak clearly and slowly, do not speak over others, ask me for permission to speak, and be sure to get recognized before speaking.

21

22

I would like to thank our court reporter who is transcribing this meeting.

23

24

25

Before we begin today, I'd like to remind all presenters and those in attendance of the rules of conduct in our Committee meeting. In the Department's

1 administrative rule, I have the authority to supervise the
2 conduct of this Committee meeting, and this includes the
3 authority to determine when a speaker is being disruptive
4 of the meeting or otherwise violating the timing or
5 presentation rules I just discussed.

6 The posted Agenda stated that a quorum of the
7 Board may be present at this meeting. However, Board
8 Members who are not members of the Finance and Audit
9 Committee will not vote on any Committee Agenda items
10 today, nor will any Board action be taken. And I do not
11 believe we have any other Board Members present for the
12 record.

13 And with that, I will call Agenda Item 1, roll
14 call and establishment of quorum. I'd like to ask for a
15 roll call of Committee Members. Please respond verbally
16 when I call your name.

17 Vice Chair McRae, are you present?

18 (No response.)

19 MR. GRAHAM: And that is a no. Member Omumu?

20 MS. OMUMU: Present.

21 MR. GRAHAM: Member Prewitt?

22 MR. PREWITT: Present.

23 MR. GRAHAM: And let the record reflect that I,
24 Brett Graham, am present as well. We have a quorum.

25 With that, we will move to Agenda Item 2, the

1 Pledges of Allegiance to the U.S. and Texas. I ask
2 everybody to stand and I will ask Member Omumu to lead us
3 in the U.S. Pledge.

4 (The U.S. Pledge of Allegiance was recited.)

5 MR. GRAHAM: Member Prewitt will lead in the
6 Texas Pledge.

7 (The Texas Pledge was recited.)

8 MR. GRAHAM: Thank you. With that, we'll move
9 to Agenda Item 3, comments and announcements from
10 Committee Chair, Committee Members, or the Executive
11 Director. I don't believe we have any comments.

12 Executive Director Avitia, do you have any
13 comments?

14 MR. AVITIA: Good afternoon, Chairman. For the
15 record, Daniel Avitia, Executive Director. There are no
16 comments at this time.

17 MR. GRAHAM: Okay. Thank you. We will move on
18 to Agenda Item 4A. This is the Fiscal Year 2024
19 Recommended Operating Budget for the fiscal year that
20 begins September 1, 2023, and ends August 31, 2024.

21 We will now hear from John Ralston on this
22 Agenda item.

23 MR. RALSTON: For the record, my name is John
24 Ralston and I'm the Budget Director for the Finance and
25 Operations Division. Board Member Graham, Board Members,

1 and Executive Director Avitia, today I'll be presenting
2 the Department's recommended FY 2024 operating budget for
3 approval by the TxDMV Finance and Audit Committee.

4 The materials I will refer to are included in
5 your Board books, starting on page 5.

6 The recommended FY 2024 operating budget totals
7 \$428.9 million. It supports 860 FTEs. It includes
8 operating funds for services, consumables, and equipment.

9 And included in that total is \$186.3 million in capital
10 projects.

11 Of the total budget, \$362.5 million is funded
12 through new appropriations adopted by the legislature in
13 the General Appropriation. An additional \$60 million is
14 authorized by the legislature in contingency for specific
15 legislation. And approximately \$3.5 million is funded
16 from estimated carry-forward funds from fiscal year 2023
17 for capital projects and automation, HQ maintenance
18 capital, RSC maintenance vehicle replacement, and the
19 accounts receivable project.

20 Together these funds are used for conducting
21 day-to-day operations for programs and indirect
22 administration divisions, and also to support technology
23 projects and enhancements. These expenditures will be
24 fully funded from the TxDMV Fund 10, General Fund for
25 MVCPA, federal reimbursements, and bond proceeds related

1 to the Camp Hubbard Renewal Project.

2 Among the key highlights for the FY 2024 budget
3 includes a number of new projects and initiatives. This
4 includes \$143 million for the Camp Hubbard Renewal
5 Project; \$35 million for the implementation of House Bill
6 718 relating to replacing temporary paper tags with metal
7 plates; \$9.6 million for increases in technology capital,
8 primarily in automation and in data center services; \$6.7
9 million for the RTS Replacement Phase 1 Project; \$2.5
10 million for additional regional service center locations
11 in Dallas and Houston; \$2.5 million for increases in
12 salary adjustments; and \$1.9 million for new FTEs to
13 address workload and initiatives in multiple TxDMV
14 programs.

15 For the Motor Vehicle Crime Prevention
16 Authority, their increases include \$23.6 million for the
17 implementation of Senate Bill 224, which is to coordinate
18 with other state agencies on addressing catalytic
19 converter theft, and \$9.2 million for full funding of the
20 MVCPA revenue allocation. Those are the major highlights
21 within the FY 2024 operating budget.

22 We're also requesting that the Board approve
23 one contract as required by the Board's contract approval
24 procedures. This contract in the amount of \$695,008
25 estimated is with the American Association of Motor

1 Vehicle Administrators, or AAMVA. And this is for our
2 online access to the National Motor Vehicle Title
3 Information System, or NMVTIS, for reporting and research.

4 This concludes my remarks and I'm happy to
5 answer any questions.

6 MR. GRAHAM: Thank you, Mr. Ralston. Okay.
7 RTS -- just thinking about -- well, let me get a motion,
8 and then we'll have some discussion.

9 MR. PREWITT: Oh, okay. Mr. Chairman, I'd like
10 to move that the Committee recommend that the Board
11 approve for year of 2024 Annual Operating Budget as
12 presented, which includes approval of one listed contract
13 that requires Board approval.

14 MR. GRAHAM: Thank you, Member Prewitt. Do we
15 have a second?

16 MS. OMUMU: I second.

17 MR. GRAHAM: Omumu second. All right.

18 Now we have some discussion. RTS
19 replacement -- what is that? Do we have an idea what the
20 timeline is? Is that beginning to shape up at all? Or is
21 that just still really early?

22 MR. AVITIA: Chairman Graham, for the record,
23 Daniel Avitia, Executive Director. We have, in essence,
24 already begun the work in RTS Phase Replacement 1 several
25 months ago. We do have our CIO, Ms. Wendy Barron, in the

1 room if you'd like some more detail on that.

2 MR. GRAHAM: Just a briefing. I know that
3 that's going to be a significant part of what we're going
4 to be doing here for the next year or two --

5 MS. BARRON: Absolutely. Good afternoon. For
6 the record, Wendy Barron, Chief Information Officer at
7 Texas DMV.

8 So like Daniel said, we have started the work
9 on the procurements. So we've got draft statement of
10 works in process. They're going to be routed for review
11 external to IT within the next couple of weeks.

12 The Phase 1 is several different components.
13 We will be conducting an internal assessment. That will
14 be done through the Technology Solution Services Program
15 through DIR's STS Program, the Data Center Services. So
16 Deloitte is the one that provides the services through the
17 TSS. That will be a ticket that we will submit through
18 their service portal.

19 But we will have what amounts to a statement of
20 work that is included in that ticket to outline our
21 expectations and milestones. We do want to have that
22 internal assessment wrapped up in the Spring -- probably
23 April -- so that we have sufficient time to include
24 funding requests in the LAR.

25 We're also going to be conducting an external

1 assessment that looks at the industry, what other states
2 are doing and what solutions are available and are in use
3 out there. Again, that's going to be a cooperative
4 commodity contract through DIR. But we do also want to
5 wrap that up around April as well, again, for the LAR.

6 We're also working right now to put the
7 procurement through to bring on a contract project manager
8 that is experienced in quality assurance team projects
9 that require that higher level of reporting to DIR. That
10 person's going to be coming on board probably early,
11 mid-September. And they will be working with us not only
12 to manage the different project activities, but developing
13 that QAT documentation that has to be submitted with the
14 LAR. So that work will be done in the first year.

15 And then the second year, we are going to be
16 contracting with an external vendor to help us build the
17 procurement documentation so that hopefully -- pending a
18 positive outcome with the next legislative session and
19 getting funding for moving forward with the project-- we
20 will have our procurement documents ready to be put out in
21 year one of the following biennium.

22 MR. GRAHAM: Awesome. Thank you very much.
23 That is --

24 MS. BARRON: You're welcome. Absolutely.

25 MR. GRAHAM: -- get my head around what that --

1 MS. BARRON: There's a lot.

2 MR. GRAHAM: Now it's really starting to become
3 pretty real, right?

4 MS. BARRON: Yeah, yeah. Yes, it is.

5 MR. GRAHAM: Thank you.

6 MS. BARRON: You're welcome.

7 MR. GRAHAM: Do any other Members have
8 questions regarding John Ralston's report on the operating
9 budget?

10 (No response.)

11 MR. GRAHAM: Okay. Hearing no other questions,
12 we have a motion from Member Prewitt, a second from Member
13 Omumu.

14 And do we have any public comment?

15 MS. MORIATY: Laura Moriaty, General Counsel.
16 We do not have any public comments, sir.

17 MR. GRAHAM: Okay. Thank you. Hearing none, I
18 will call the vote. Board Members, when I call your name,
19 please state your vote. Vice Chair McRae?

20 Member Omumu?

21 MS. OMUMU: Aye.

22 MR. GRAHAM: Member Prewitt?

23 MR. PREWITT: Aye.

24 MR. GRAHAM: And let the record reflect that I,
25 Brett Graham, also vote aye. With that, the motion

1 passes. Thank you.

2 We will move on to Agenda Item 4B, delegation
3 of contract approval and signature authority to the
4 Executive Director or the Executive Director's designee
5 under Government Code 2261.254.

6 And I will turn it back over to Mr. John
7 Ralston.

8 MR. RALSTON: Again, for the record, John
9 Ralston, Budget Director for Finance and Operations. Item
10 4B is found on page 32 of your Board book.

11 This Agenda item is to obtain the delegation of
12 approval of contracts and signature authority from the
13 Texas Department of Motor Vehicles' Board to Executive
14 Director Avitia or Deputy Director of the Department for
15 any contracts listed in the FY '24 operating budget that
16 exceed \$1 million in accordance with Government Code
17 2261.254.

18 This item coincides with the approval or
19 recommended budget. In past years, we've included this
20 item in the budget adoption. We are separating it this
21 year for transparency and clarity.

22 I'm available for any questions.

23 MR. GRAHAM: Okay. Thank you. All right. Do
24 any Board Members have any questions for Mr. Ralston?

25 MR. PREWITT: No.

1 MR. GRAHAM: Okay.

2 MS. OMUMU: No questions.

3 MR. GRAHAM: All right. With that, I will now
4 entertain a motion regarding Agenda Item 4B.

5 MS. OMUMU: I'd like to make a motion, Mr.
6 Chairman.

7 MR. GRAHAM: All right. Thank you, Member
8 Omumu.

9 MS. OMUMU: I move that the Committee recommend
10 that the Board delegate contract approval and signature
11 authority to the Executive Director or the Executive
12 Director's designee for contracts exceeding \$1 million
13 pursuant to Government Code Section 2261.254.

14 MR. GRAHAM: Okay. Thank you. We have a
15 motion from Board Member Omumu. Do we have a second?

16 MR. PREWITT: I second the motion.

17 MR. GRAHAM: We have a second from Board Member
18 Prewitt. Any further discussion?

19 (No response.)

20 MR. GRAHAM: Hearing none, I'll call the vote.
21 Member Omumu?

22 MS. OMUMU: Aye.

23 MR. GRAHAM: Member Prewitt?

24 MR. PREWITT: Aye.

25 MR. GRAHAM: And I, Chairman Graham, vote aye.

1 Let the record reflect there are three ayes and none
2 against and the motion has passed. Thank you, Mr.
3 Ralston. Appreciate that.

4 All right. Moving on, trucking on. We will
5 now hear Agenda Item 4C. This is a briefing only, and
6 this is on the update of the Camp Hubbard Renewal Project,
7 and I will turn it over to Glenna Bowman.

8 Thank you, Glenna.

9 MS. BOWMAN: Good afternoon, Chairman Graham,
10 Members. For the record, my name is Glenna Bowman. I'm
11 the Chief Financial Officer for TxDMV. I am excited to
12 present to you today an update on the Camp Hubbard Renewal
13 Project.

14 Because this is the Finance and Audit
15 Committee, we will try to focus a little bit on finance
16 issues, but we also have some renderings to share that I
17 think you will enjoy. If you can go ahead and go to the
18 first slide.

19 This is just -- we are going to review the
20 legislatively approved funding. We'll talk about
21 construction documents. We'll have some renderings,
22 pictures for you. We want to discuss the solar option --
23 which is a pretty exciting development from a financial
24 standpoint -- and talk a little more about the longer-term
25 financing items.

1 So, as you may recall, the legislature
2 appropriated \$143 million in capital budget authority in
3 FY2024. They also authorized the Texas Public Finance
4 Authority to issue revenue bonds or other debt on our
5 behalf to secure funding for the project.

6 And finally, they appropriated money for any
7 lease payments or debt service that may come out of that
8 partnership with TPFA as we move through the project.
9 Next slide, please.

10 We do now have -- and our Executive Director,
11 Daniel Avitia has signed off on -- some documents that are
12 called the 65 Percent Construction Documents. We've
13 got -- it's like 18 inches by 24 -- these huge documents
14 that lay out a lot of specific items on the new building.

15 It shows the site work that they're going to have to do.

16
17 What do they need to do to prep the land?
18 Lighting, electrical, plumbing, heating, air
19 conditioning -- you all have probably seen some blueprints
20 and floor plans. It's all of that detail. There's a
21 whole lot of it. And those documents are deemed to be 65
22 percent complete.

23 So, we have those documents. There's obviously
24 been a lot work that's gone into it. We're doing
25 additional work now. We just had a meeting this morning

1 with our contractor vendor, Marmon Mok, so that we
2 continue and complete that work.

3 Ninety-five percent construction documents are
4 expected by the end of September, and the 100 percent
5 documents in October some time is the current schedule.

6 So we have some renderings here just for your
7 information. This first one is an aerial view from
8 Jackson Avenue. So, there's Jackson. So, looking down at
9 it, you could see the main entrance for the building.

10 Next slide. This is ground level. You can see
11 the sidewalk going into the main entrance. And then this
12 is from the other direction, and you can see the renovated
13 Building 6 that is shown in the background, so that it
14 will match.

15 This says it's a shade structure, but actually,
16 there's been a design for a covered seating area outside
17 of the cafeteria and the general store that we're going to
18 have that will allow employees there on campus to eat out
19 there or to even work out there, depending on the -- on a
20 nice, balmy 100 degree day, they can sit outside. So, but
21 there is shade for that and some landscaping.

22 This is another view looking into the side of
23 the building. We'll have an employee entrance that comes
24 in from where current parking lot is over here, and that
25 will be an employee entrance for us to enter through.

1 This is Building 6. So there's actually going
2 to be quite a bit of work done, especially on the
3 interior. But they will reface the outside so that it,
4 again, matches the new building. They're also going to be
5 replacing some windows and doing some work so that that
6 building will last a little longer than currently.

7 And here is something you all might be
8 interested in. This is what the Board dais look like.
9 You can see looking toward it. And there's a podium and a
10 table that are designed to be portable, so if we needed to
11 rearrange and have a different configuration, we could do
12 that.

13 And then next is what it looks like from where
14 you're sitting to the rest of the room. And I believe --
15 oh, okay. So that's all of the renderings that we have.

16 Are there any questions about that?

17 (No response.)

18 MS. BOWMAN: Okay. I'm going to move --

19 MR. GRAHAM: The Board Members are arguing.

20 MS. BOWMAN: They have some funny pictures --
21 the different people. There's one lady -- you can see her
22 sitting in the chair -- she's fixing her hair. If you see
23 the other view, she's like -- or fixing her necklace clasp
24 or something.

25 MR. GRAHAM: She's like, Really? Here they go

1 again. Here they go again.

2 MS. BOWMAN: Okay. Our solar option -- so this
3 is actually a pretty exciting development. We had talked
4 early on about whether or not we wanted to have solar for
5 the building, which would be ideal.

6 But we didn't know how much it was going to
7 cost. And so we talked about the possibility of just at
8 least making the building solar ready. Well, after the
9 analysis was completed, it was determined that we could
10 put in -- and I don't know -- the 411 kilowatt system,
11 okay? Because that's what it says on this slide.

12 I'm not an expert. But that would generate
13 over 600,000 kilowatts of energy per year. And that's
14 about 18 percent of what we need -- what's estimated that
15 we would need to run the campus. That's a pretty
16 significant amount.

17 So let's go ahead and go to the next slide. So
18 that cost -- about \$1.3 million -- so, it's a little bit
19 of pocket change. But there are two rebate programs.

20 There is a City of Austin rebate and there is a
21 federal program that would help us recoup about two-thirds
22 of the cost so that the net cost of that \$1.3 -- it's
23 actually going to -- it would be \$450,000 out of our
24 pocket. And so it's very cost effective and there would
25 be a payback period of about eight and a half years.

1 So the direction that we are heading at this
2 time -- unless we get different direction from our
3 Board -- is to include that solar option in the building
4 plans. But from a finance standpoint, it's really great
5 news, and it will save us in the long term, also, on our
6 energy costs because City of Austin will buy back any
7 excess energy, or it goes against our bill so we don't
8 have to pay as much.

9 MR. GRAHAM: Quick question on that before we
10 go to financing -- has there been any discussion on
11 whether or not it's possible at this point to integrate
12 any kind of battery containment or the battery systems
13 that allow storage of electricity? Has that been --

14 MS. BOWMAN: I don't believe that we are
15 including that.

16 MR. GRAHAM: It just may not be --

17 MR. PREWITT: Do we have a substation on the
18 campus? Do we have an electrical substation on the campus
19 or close by?

20 MS. BOWMAN: No.

21 MR. PREWITT: Okay.

22 MS. BOWMAN: No.

23 MR. PREWITT: As far as the -- and I didn't
24 mean to interrupt, Brett.

25 MR. GRAHAM: Go ahead, Member Prewitt.

1 MR. PREWITT: But as far as the solar, that
2 would still be roof mounted? Is that what you're thinking
3 about?

4 MS. BOWMAN: Yes.

5 MR. PREWITT: And then, that's -- it's my
6 understanding those are all direct current. So would that
7 feed directly into the Austin Utility power grid, and then
8 we would get a rebate based upon the kilowatts generated
9 from the solar?

10 MS. BOWMAN: Daniel's nodding. So, yes.

11 MR. PREWITT: Okay. So, we're not -- it won't
12 power the building directly, but it will be used to help
13 sort of defray the cost of the electricity for the --

14 MS. BOWMAN: I'm not sure.

15 MR. PREWITT: Because the thing with that, you
16 have to have an inverter to convert it from DC to AC. And
17 then, you'd also have to have -- the other problem you
18 have is it's seasonal. So sometimes if there's clouds,
19 you're not going to get as much solar productivity.

20 So we'd have to have a stable base of power for
21 the building. So, I think --

22 MS. BOWMAN: Yeah.

23 MR. PREWITT: -- more towards --

24 MS. BOWMAN: We definitely have a stable base
25 for electricity. But didn't you want to say something,

1 Daniel?

2 MR. AVITIA: Yes, certainly. Chairman, if I
3 may?

4 As Glenna mentioned, Member Prewitt, this is a
5 very new development, so we've not talked about inverters
6 or anything else for that matter, sir. But I'm sure we
7 will very soon as we get closer to the 95 percent
8 documentation.

9 And then, we'll get another large packet of
10 information from Marmon Mok. But those discussions are
11 yet to be had.

12 MR. PREWITT: And towards the Chairman's
13 comment on battery, I think that would be worth asking --
14 making an inquiry. Because what we're seeing is an
15 increase in battery installations across the state of
16 Texas that are basically used to help bridge peak power
17 demands.

18 MR. GRAHAM: Yeah, Wendy?

19 MS. BOWMAN: Come on, please. Anybody is free
20 to help me on this topic.

21 MS. BARRON: I'm sorry to jump in. So, at the
22 meeting, we actually did -- I don't know if you -- sorry.

23

24 For the record, Wendy Barron. We actually
25 asked about the batteries, and they told us that if we did

1 the battery installations, then we wouldn't be eligible
2 for the rebates.

3 MR. GRAHAM: That's interesting because I
4 understand the battery and solar both have separate rebate
5 programs in the federal government. Not so sure about
6 Austin utilities.

7 MS. BARRON: It was the Austin Energy.

8 MR. GRAHAM: Okay.

9 MS. BARRON: Yeah, which was the bigger --

10 MR. GRAHAM: But it still might be worth
11 looking at --

12 MS. BARRON : -- of the two. Yeah.

13 MR. GRAHAM: -- only because it's -- well, it
14 would be worth investigating. I don't want to get into
15 detail.

16 MS. BARRON: Right.

17 MR. GRAHAM: But certainly worth investigating.

18 MS. BOWMAN: We can certainly have
19 additional --

20 MS. BARRON: Yes, absolutely. I just wanted to
21 answer that one question.

22 MR. GRAHAM: My understanding is if the
23 electricity is being purchased by -- you know, like if you
24 feed it into the grid and not used in the building,
25 sometimes they discount. You get less for excess energy

1 than what you're paying.

2 So as long as it's on a level -- you know, if
3 it's the same, then it makes no difference whether you
4 store it for your own use or feed it into the grid as long
5 you get credit for what you put in as what you take out.

6 MR. PREWITT: And my understanding is Austin is
7 not part of ERCOT anyway because it has some separate
8 utility. So, it sort of -- I guess it's a moot issue
9 because you can't sell it into the grid under the auspices
10 of Austin Energy. They probably wouldn't like that.

11 MR. GRAHAM: That must be why.

12 MR. PREWITT: Yeah, they'd probably have a
13 problem with that. Thank you.

14 MR. GRAHAM: Thank you. Okay. Please
15 continue.

16 MS. BOWMAN: Okay. Let's move on to financing.
17 Let's see if I can answer those questions. So, we are
18 currently working with the Texas Public Finance Authority
19 to fully develop financing plans.

20 We already had a general idea of how we were
21 going to use commercial paper to provide temporary funding
22 up front, and then, at the end of the project, we would
23 roll that all into a revenue bond instrument for the
24 long-term financing.

25 But actually, our Executive Director, Daniel

1 Avitia, and our CFO, Chris Hayden, and myself have already
2 participated in three meetings on financing. Daniel spoke
3 at the Public Finance Authority hearing.

4 And then, Bond Review Board -- we were there
5 for those presentations. And the Bond Review Board has
6 actually already voted to approve the interim financing
7 for our project through an existing program.

8 TPFA and Lee Deviney have been really excellent
9 to work with. They already have a program in place.
10 Instead of having to do everything all new, we're able to
11 piggyback on an existing program for that interim
12 commercial paper financing that we'll be able to utilize.

13 So now we are start to drill down a little bit
14 more with Texas Facilities Commission in conjunction with
15 TPFA to look at when our expenditures are going to happen
16 so that we can time when we receive funds with when
17 they're going to go out. We still have a little bit of
18 work to do there, but just that timing to make sure that
19 we don't get the money any sooner than we need it, but
20 that we have it when we need it.

21 So we're working on that. And we've got
22 several people involved and we'll provide more information
23 as we have it available. So we're ahead of schedule on
24 the financing.

25 MR. PREWITT: So, Glenna, one of the things I

1 wonder about is overall cost. So, Marmon Mok -- they're
2 keeping good tabs on the cost of project costs and the
3 marketplace? Because I've just seen a tremendous increase
4 coming from inflation in construction project costs. So
5 we're covered on this?

6 MS. BOWMAN: So that -- yes. They have
7 actually -- they've done a very good job. They actually
8 projected out to when we were doing our regional cost
9 estimates to make sure that we already factored in these
10 possible cost increases. So they've done that.

11 And I was going to mention something else to
12 you, and I've gone blank. But we're in good shape on the
13 financing.

14 They've also been using two estimates. They've
15 got two different companies they've been estimating so
16 that we can compare those estimates so that we should not
17 have any issues with going over budget. I mean, we should
18 be able to stay within the budget that we have.

19 MR. PREWITT: You could always take out the
20 Board dais if you have to. That's fine.

21 MS. BOWMAN: There you go.

22 MR. PREWITT: Folding chairs.

23 MS. BOWMAN: Exactly.

24 MR. GRAHAM: I'm not sure that will get us very
25 far on the building. But --

1 MS. BOWMAN: Oh, I know what I was going to
2 mention to you. We're also, in an effort -- well, we'll
3 save money and we can compress the time frame for the
4 construction.

5 Originally, we were going to renovate Building
6 6 and then tear down Building 5, and then do the new
7 building. Now we are looking at overlaying the two so
8 that we're going to renovate Building 6 and demolish
9 Building 5 at the same time.

10 We're working on temporary quarters for the
11 people that would be displaced. But that will save us
12 some significant money each month. Let's see if I've got
13 that.

14 It saves us about 200- to \$300,000 a month to
15 do it at the same time, rather than having it expanded.
16 So we're doing a number of things to try and contain costs
17 and actually be more efficient with the process. So --

18 MR. GRAHAM: Wonderful. Thank you.

19 MS. BOWMAN: And that's all I have. I'm happy
20 to answer additional questions if you have any.

21 MR. GRAHAM: Okay. Thank you.

22 MS. BOWMAN: Okay. Thank you.

23 MR. GRAHAM: Are there any other questions for
24 Ms. Bowman?

25 (No response.)

1 MS. BOWMAN: Thank you.

2 MR. GRAHAM: Director Avitia, do you have
3 anything to add? Or is that good? I know you worked a
4 lot on this project.

5 MR. AVITIA: Chairman, Members, this team has
6 done a tremendous job in working with our architect and
7 engineering firm, as well as the Texas Facilities
8 Commission, Bond Review Board, Texas Public Finance
9 Authority.

10 I'm excited to see this project get kicked off
11 and start demolition. And we'll keep you posted,
12 certainly, as this project progresses forward.

13 MR. GRAHAM: All right. That's exciting. Good
14 stuff. All right. Well, this Item 4C is a briefing item
15 only. So there is no action.

16 And with that, we will move on to Item 4D,
17 Internal Audit Division status update. This is also a
18 briefing only, and I'll turn it over to Salem Chuah and
19 Jason Gonzalez.

20 MR. CHUAH: Good afternoon, Chair Graham,
21 Member Prewitt, Member Omumu, and Executive Director
22 Avitia. For the record, my name is Salem Chuah. I'm the
23 Director of the Internal Audit Division for the
24 Department.

25 Item 4D is a briefing item to provide you with

1 a status update on the Internal Audit Division's
2 activities pertaining to internal and external
3 engagements.

4 On page 49 of your Board materials, there is a
5 graphic showing the status of all engagements. We have
6 four internal engagements that are either in the planning,
7 field work, or completed phases.

8 First, in the planning phase, we have the
9 Quality Assurance Improvement Program, or QAIP,
10 assessment. This is an internal assessment of the
11 Internal Audit Division and will include a review of our
12 audit documentation to verify conformance with auditing
13 standards. It will also include information on our key
14 performance indicators, our capability model maturity
15 level, and compliant tracking.

16 Second, we have our Audit and Regional Services
17 Centers in the fieldwork phase. We have mapped out the
18 bond and title process, looked at training records to
19 determine if customer service representatives, CSRs, have
20 taken all applicable training modules, and determined if
21 CSRs have the right access levels to the Registration and
22 Title System, RTS. We will be continuing our efforts on
23 this audit and plan to complete this in late Fall.

24 Third, we completed the fiscal year 2024 risk
25 assessment and the draft internal audit plan, which I will

1 further discuss in our next item.

2 And fourth, we've completed the hiring process
3 audit, which I will turn over to Jason Gonzalez in a few
4 minutes to talk about our audit results and
5 recommendations. The Internal Audit Division is not
6 currently tracking any external engagements as there are
7 none that we are aware of at this moment, but we will
8 continue tracking these engagements as they come about.

9 Before passing it on to Jason, are there any
10 questions from Committee Members that I can answer?

11 (No response.)

12 MR. CHUAH: All right. Well, I'll turn it over
13 to Jason to go over the hiring process audit.

14 MR. GONZALEZ: Good afternoon, Committee
15 Members. For the record, I'm Jason Gonzalez, the
16 Principal Internal Auditor for the Texas Department of
17 Motor Vehicles.

18 As mentioned by Salem, the Internal Audit
19 Division recently completed an audit on the Department's
20 hiring process. The executive summary of the audit is on
21 page 51 of your Board materials. The audit's objective
22 was to determine the effectiveness and efficiency of the
23 hiring process, and whether policies and procedures are
24 followed consistently.

25 We found the hiring process to be a maturity

1 rating of 3, which is defined as established, meaning the
2 hiring workflow follows an established process and
3 achieves objectives. However, there were some
4 inconsistencies. We acknowledge that the Human Resources
5 Division develop standard operating procedures and started
6 evaluating how to improve hiring processes.

7 The audit had three results and nine
8 recommendations. The first result states that the
9 Department verified employment eligibility and conducted
10 background checks. However, the employment eligibility
11 forms were not always signed and driving records checks
12 were performed inconsistently.

13 In our testing of a sample of 35 job
14 requisitions, we found that a criminal background check
15 was completed on all 35 new hires with clear results. The
16 average workdays to receive background checks results were
17 1.34 days.

18 However, for employment eligibility, we found
19 two of 35 had forms that were not signed either by the new
20 hire or the Human Resources representative as required.
21 Also, one new hire who required reverification of
22 employment eligibility was not included in the monitoring
23 spreadsheet. HR has since established a new monitoring
24 process to reverify expiring employment eligibility for
25 employees who fall into this category.

1 Also, for the 35 new hires, 28 did not have
2 driving record checks on file. Human Resources stated
3 that the driving records may have been performed and
4 validated, but not saved in the hiring files.

5 Recommendations for this section included
6 implementing a new review process to ensure the full
7 completion of employment eligibility forms, tracking
8 eligibility expiration dates, and conducting and saving
9 driving check results for all new hires.

10 We also identified in result two that the
11 Department established hiring steps for divisional hiring
12 managers to follow. However, there are opportunities to
13 revisit the sequencing of the hiring process and ensure
14 that job requisition files include all documentation.

15 There is a high-level flow chart of the hiring
16 process included on page 59. As you can see in step 6,
17 Human Resources reviews applications after a final
18 candidate has been selected, which can result in
19 inconsistent candidate interviews.

20 For example, in eight of 35 instances,
21 candidates that were ranked in the same group as other
22 interview candidates were not interviewed. Also, in four
23 of 35 instances, the correct number of veterans were not
24 interviewed. We also identified that 15 of 35 job
25 requisition files did not contain all required

1 documentation such as screening documents, interview
2 scoring sheets for all interviewed candidates, and
3 reference checks. The data was at times missing, and at
4 other times was stored either with the hiring manager or
5 in the statewide CAPPS system or with HR.

6 Recommendations for this section include having
7 HR review applicants that will be interviewed and
8 performing minimum qualification screening before hiring
9 managers screen further. We also recommended developing a
10 standardized hiring packet checklist to ensure requisition
11 files include all documentation and identifying a single
12 source of truth so that all hiring documentation is saved
13 in one place.

14 The third result concerns reporting metrics.
15 In reviewing the key performance indicators, or KPIs, for
16 hiring processes, we identified inaccuracies on the
17 reported data and found opportunities for the Human
18 Resource Division to tell a more holistic story in their
19 metrics.

20 Human Resources has two KPIs on the hiring
21 processes shown in figure 7 on page 62. The first is the
22 average number of business days it takes Human Resources
23 to make a conditional offer from the time they received
24 justification from the hiring manager. The second is the
25 average number of business days it takes Human Resources

1 to post jobs after receiving information from the hiring
2 manager.

3 The two metrics centered around Human
4 Resources' turnaround time, and did not necessarily
5 provide insight on the entire process. Some common
6 metrics used by other human resources divisions include
7 metrics such as the average time to fill a position from
8 job close date to the position fill date, the ratio of
9 acceptances to offers, and the ratio of applicants to job
10 vacancies.

11 For example, in figure 8 on 63, we calculated
12 that it took on average 45 days from the job close date to
13 the candidate start date. This kind of information is not
14 currently reported on, but could provide valuable
15 information for the Department.

16 As for the reported data, we were unable to
17 validate the accuracy of reporting for FY 2022 because
18 data from the KPIs is contained in employee e-mails, and
19 those records are no longer available due to staff
20 turnover.

21 For FY 2023, we found that 10 of the 60 dates
22 that were manually tracked by Human Resources did not
23 match the data source. These 10 dates related to six of
24 the 15 job requisitions that were tested.

25 Recommendations for this section include

1 considering KPIs that provide information on the entire
2 hiring process and ensure the data used to report on KPIs
3 is accurate. This could be done by evaluating system
4 reports so that there's less reliance on manual inputs.

5 And that's all I have. Thank you.

6 MR. GRAHAM: Okay. Thank you, Jason.

7 MR. GONZALEZ: Any questions?

8 MR. PREWITT: So if we look at the maturity
9 rating of 3 and meaning it's established, will your
10 audit -- I guess in some of your comments it sounds like
11 we're making recommendations to help ensure that maturity
12 rating will continue to grow and get higher.

13 And so, as far as the 45 days from job close
14 and job start, is that something you all will be doing
15 offline sort of with the Department saying, What causes
16 that? To me, that seems somewhat -- I don't know if
17 that's inefficient or not. I mean, people usually give
18 two weeks' notice to their prior job and maybe they want a
19 week off for vacation or whatever.

20 But what are your thoughts on that?

21 MR. CHUAH: Salem Chuah for the record. Member
22 Prewitt, we did not benchmark the time of long it takes
23 for DMV to onboard somebody versus looking at other state
24 agencies.

25 MR. PREWITT: Okay.

1 MR. CHUAH: So we did not go to that step.

2 MR. PREWITT: Right.

3 MR. CHUAH: We simply stated, hey, there are
4 some other metrics that could be more telling of the
5 hiring process that maybe we can consider. So to answer
6 your question, we did not take that step. We most
7 certainly can try to see what other agencies -- what their
8 timelines are looking at.

9 I believe there are goals that are set out in
10 terms of how fast we want somebody to onboard based on
11 close date to start date. Of course, there are factors
12 that play into this, right. If somebody needs to give
13 four weeks' notice, for example, that time is going to be
14 elongated, right.

15 MR. PREWITT: Right. As far as benchmarking, I
16 like what you said about that. And the question is, is it
17 possible to benchmark across the agencies what the
18 possible number of HR resources we need for the Agency?

19 In other words, are we undermanned in HR as it
20 were given some staff turnover?

21 MR. CHUAH: Member Prewitt -- Salem Chuah for
22 the record again -- we did do that analysis. It was
23 provided in an e-mail to the Chairman. I can forward that
24 e-mail to you.

25 There is information from the SHRM -- I don't

1 remember what the acronym is -- Society for Human
2 Resources Management.

3 MR. PREWITT: Yeah.

4 MR. CHUAH: They conduct benchmarking and they
5 have ratio numbers based on your agency or company size.
6 Based on that research and that benchmarking that was
7 conducted, we are at an optimal level for HR.

8 MR. PREWITT: Good.

9 MR. CHUAH: However, we realize there are
10 vacancies within the HR Division, and we recognize there
11 are two vacancies that may affect the workload --

12 MR. PREWITT: Yeah.

13 MR. CHUAH: -- with Human Resources at this
14 time.

15 MR. PREWITT: Right. Got it. Thank you.

16 MR. CHUAH: You're welcome.

17 MR. GRAHAM: Any other questions for Jason on
18 this audit?

19 MS. OMUMU: I just have a question as it
20 relates to employment eligibility and background checks.
21 You state that this happens. It occurs, we know that.
22 But your results reflect that forms are not being
23 completed in their totality.

24 So are we are afraid that maybe some of the
25 information could be incomplete and that the results of

1 the eligibility and the background checks may be erroneous
2 because the information that's submitted is not complete?

3 Is that a possibility?

4 MR. GONZALEZ: So, I'm going to answer. So
5 there's two sections to that. The eligibility
6 requirements are the federal requirements, and that
7 requires signature by the actual new hire and by the
8 Department HR representative. That also includes looking
9 at their eligibility documentation that they provide for
10 support, such as driver's license and social security
11 number cards, and birth certificates.

12 In that testing, we looked at all the files to
13 ensure that they were signed as required. That's where --
14 the two that were not. One was a new hire that did not
15 sign their form, and the other was an employee who just
16 forgot to sign it.

17 So we don't think it's necessarily a holistic
18 breakdown in process. It's just something we need to look
19 at to ensure that we are compliant with the federal
20 requirements on that.

21 The second component of it was the background
22 check and driving record checks. For driving records, we
23 found that we were completing driving records checks. On
24 the background checks, we did find a few that -- the way I
25 looked at it, I thought it was process-based, like we have

1 a breakdown in some of the process.

2 And it's actually how we're actually monitoring
3 it -- not that we're not conducting those. It was a
4 documentation error that we were unable to locate the
5 documentation on that.

6 MS. OMUMU: Okay. So, maybe with the turnover,
7 just training --

8 MR. GONZALEZ: I think it's some of that. I
9 think some of it's maturing processes. And to fully
10 define maturity, you have to have a monitoring mechanism
11 in place, and we haven't had mechanisms to monitor in
12 place.

13 MS. OMUMU: Okay. Thank you, Jason.

14 MR. GRAHAM: Director Avitia?

15 MR. AVITIA: Chairman, Members, I just wanted
16 to make mention I do appreciate Salem and Jason's hard
17 work and efforts on this audit. And it was really well
18 done.

19 If you all recall, there has been some turnover
20 within the Human Resources Division, including at the
21 executive level. We do have a new Human Resources
22 Director, and that was identified as one of the strengths
23 of the Human Resources Department is that it is under new
24 senior management. And she is effectively hiring new
25 members for her human resources team.

1 We have some great opportunity here, all that
2 to say.

3 MR. GRAHAM: One other question. And this
4 might be for Salem or Jason, I'm not sure. But I know
5 that, Salem, we had some discussions. I don't know.

6 Some of these audits seem like they go a long
7 time, right? A couple months ago -- I know we're all glad
8 to see this one come to the finish line -- we discussed
9 the background checks and some of the concerns about the
10 length of time it was taking and the inconsistencies in
11 the time it was taking to get background checks returned.

12
13 Where did that -- where did we end up with
14 that?

15 MR. CHUAH: Yes. Thanks, Member Graham. Salem
16 Chuah for the record.

17 On that one, we did -- we looked at the
18 management responses in which they did have criteria in
19 the contract itself to state 95 percent of the time
20 background checks should be completed within X number of
21 days. I believe that X was two or three business days.

22 And so we considered that and saw that there
23 only two instances that took over that time. So the
24 average was still within what was included in the contract
25 of the two to three days' turnaround.

1 MR. GRAHAM: Okay. Excellent. Thank you.

2 If there's not any additional questions, I'll
3 just conclude this portion by thanking Jason for his work
4 on that. And our audit team has also been having some
5 challenges in the hiring process. And Salem's been
6 working real hard trying to put that puzzle together. And
7 hopefully, our two-person team -- are we now a three-
8 person team again?

9 MR. CHUAH: Is it -- can I speak to that?

10 MR. GRAHAM: Well, maybe I shouldn't ask that
11 question here.

12 MR. AVITIA: I don't know where we are in the
13 hiring process.

14 MR. GRAHAM: Okay. Well, we'll -- fingers
15 crossed.

16 MR. CHUAH: I can speak with you offline
17 about --

18 MR. GRAHAM: Yes.

19 MR. CHUAH: -- where we're at, Member Graham.

20 MR. GRAHAM: But I appreciate your all's work
21 on this hiring audit. It was one that, no question, will
22 make the Agency -- put the Agency in a better place and a
23 better product. So, thank you.

24 Okay. We can march on.

25 MR. CHUAH: All right, Chair Graham.

1 Item 4E is an action item requesting the
2 Finance and Audit Committee to recommend to the full Board
3 for approval the fiscal year 2024 internal audit plan in
4 accordance with the Texas Government Code. The executive
5 summary of the internal audit plan is on page 78 of your
6 Board materials.

7 The audit plan provides information on
8 risk-based audits, advisory services, required activities,
9 value-added services, and division initiatives. For
10 fiscal year 2024, we have 12 engagements that we've listed
11 in our internal audit plan. This consists of six audits,
12 two advisory services, and four required activities.

13 The six audits include the carryover audit on
14 our regional service centers, investigation processes,
15 inventory and asset management, information security,
16 public information request processes, and fleet
17 management. The two advisory services include the motor
18 carrier licensing process and contract monitoring.

19 The four required activities include the fiscal
20 year 2023 internal audit annual report, the quality
21 assurance and improvement program assessment -- which I
22 just spoke about -- the follow-up on audit
23 recommendations, and the fiscal year 2025 risk assessment
24 and internal audit plan.

25 We also included alternative audits and

1 advisory services, which are listed in table 2 on page 80.

2 These are projects that could be performed in place of
3 the planned engagements. And this includes key
4 performance metrics audit, closed data portal audit,
5 network infrastructure and monitoring audit, leave and
6 overtime advisory, and information technology governance
7 advisory.

8 In addition to listing out our planned
9 engagements, the internal audit plan also talks about
10 other services and division initiatives. This includes
11 tracking and coordinating investigations on internal
12 fraud, waste and abuse, external audit or review
13 coordination, various work group participation,
14 continually optimizing our audit software functionality,
15 and staff development and hiring, which will be a key
16 priority.

17 The internal audit plan will be submitted to
18 the oversight agencies, and that includes the Governor's
19 Office, the State Auditor's Office, as well as the
20 Legislative Budget Board.

21 And this concludes my report for the fiscal
22 year 2024 internal audit plan, and I'm happy to answer any
23 questions.

24 MR. GRAHAM: Any questions regarding the 2024
25 internal audit plan?

1 MR. PREWITT: Well, first, kudos to, Salem,
2 Jason and you for just seeing all this through in a tough
3 environment with lack of staff. And I guess that produces
4 lack of sleep. But you're young.

5 So but the thing is on the State Auditor's
6 Office, if they look at our agency and they say, look,
7 you're covering the bases that you need to. Is there a
8 broader scope of audit engagements we need to look at if
9 you had, say, an optimal staffing level?

10 In other words, is your optimal staffing level
11 three auditors? Or is it six? Or is it 10? And what
12 does that look like?

13 MR. CHUAH: Thank you, Member Prewitt. I do
14 believe the optimal number of auditors based on the
15 Department's size is six, and that is what we have
16 allocated for the Department.

17 Through DIR's state agency internal audit
18 forum, I understand they are interested in doing a
19 benchmarking report by looking at all the other state
20 agencies to get an idea as to where we stand where other
21 agencies stand as well. And that's an effort that I had
22 volunteered to be part of that team to get information
23 from other state agencies to see what that right size is.

24

25 MR. PREWITT: Yeah, and I think that the

1 follow-up question to that is that this seems like a full
2 load for you guys as is. But if you were able to get to
3 that six level of staffing, would that allow you to
4 increase your scope and the total number of audits then?

5 MR. CHUAH: The plan that I have set out here
6 does take into consideration my ability to hire people to
7 get close to that full capacity. Four of five FTEs is
8 what I've considered. And that's what is reflected in the
9 audit plan because --

10 MR. PREWITT: Yeah.

11 MR. CHUAH: So --

12 MR. PREWITT: Okay. Very good. Thank you.

13 MR. GRAHAM: It's definitely an aggressive
14 plan, but one that I know Salem feels strongly is one we
15 need to do our best to pursue and get done because it's
16 important work.

17 So, okay. This is an action item.

18 MR. PREWITT: Yes, and with that in mind, Mr.
19 Chairman, I move the Committee recommend that the Board
20 approve the fiscal year 2024 internal audit plan as
21 presented.

22 MS. OMUMU: I second.

23 MR. GRAHAM: Thank you, Member Prewitt.

24 MS. OMUMU: I second, Mr. Chairman.

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

1 Omumu. Is there any further discussion?

2 (No response.)

3 MR. GRAHAM: Are there any public comments on
4 this Agenda item?

5 MS. MORIATY: No, sir, there are not.

6 MR. GRAHAM: Okay. Hearing none, I'll call the
7 vote.

8 Member Omumu?

9 MS. OMUMU: Aye.

10 MR. GRAHAM: Member Prewitt?

11 MR. PREWITT: Aye.

12 MR. GRAHAM: And I, Chairman Graham, vote aye.

13 Let the record reflect that there are three votes for and
14 no votes against and this motion has passed.

15 Thank you, Salem and Jason, for your report and
16 your work.

17 MR. GONZALEZ: Thank you.

18 MR. GRAHAM: So I'm excited to let everybody
19 know that we do not have a closed session today. So
20 that's always good.

21 And we are now to Agenda Item 7, public
22 comment. Are there any general public comments for today?

23 MS. MORIATY: Laura Moriaty, General Counsel.
24 No, sir. No public comments.

25 MR. GRAHAM: Okay. All right.

1 Moving on to Agenda Item 8, unless there's any
2 Member has additional business required, I will entertain
3 a motion to adjourn.

4 MS. OMUMU: I make a motion to adjourn, Mr.
5 Chairman.

6 MR. GRAHAM: Thank you, Member Omumu.

7 MR. GRAHAM: And a second?

8 MR. PREWITT: I will second that motion.

9 MR. GRAHAM: Well, I'm working you all hard
10 today, aren't I?

11 MR. PREWITT: You really are.

12 MR. GRAHAM: Member Prewitt with a second. I
13 will now call the vote for record.

14 Member Omumu?

15 MS. OMUMU: Aye.

16 MR. GRAHAM: Member Prewitt?

17 MR. PREWITT: Aye.

18 MR. GRAHAM: And I, Chairman Graham, vote aye.

19 Let the record reflect this vote is unanimous.

20 It is now -- how about that? -- 2:56, and this
21 meeting is adjourned.

22 (Whereupon, at 2:56 p.m., the meeting was
23 adjourned.)

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C E R T I F I C A T E

MEETING OF: TxDMV Finance & Audit Committee

LOCATION: Austin, Texas

DATE: August 16, 2023

I do hereby certify that the foregoing pages, numbers 1 through 48, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Elizabeth Stoddard before the Texas Department of Motor Vehicles.

DATE: August 22, 2023

/s/ Anna Marie Reyes
(Transcriber)

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