



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

TxDMV Board Finance & Audit Committee Meeting

2:00 p.m.
Wednesday, August 4, 2021

AGENDA
FINANCE AND AUDIT COMMITTEE
TEXAS DEPARTMENT OF MOTOR VEHICLES
4000 JACKSON AVE., BUILDING 1, LONE STAR ROOM
AUSTIN, TEXAS 78731
TEXAS DEPARTMENT OF MOTOR VEHICLES
WEDNESDAY AUGUST 4, 2021
2:00 P.M.

THIS MEETING WILL BE VIA VIDEOCONFERENCE

THE PUBLIC PHYSICAL LOCATION WITH PRESIDING OFFICER:

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

Link to August 4, 2021, 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 information-gathering and discussion. However, Board members who are not Committee members will not vote on any Committee agenda items, nor will any Board action be taken.

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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

6 A. [Execution of Amendment No. 2 to the Contract with Southwest Research Institute \(SwRI\) for Commercial Vehicle Information Exchange Window Services](#) - Whitney Brewster

7 B. [Introduction of New Director of Purchasing](#) - Whitney Brewster

4. Consideration and Possible Recommendation for Action to the Full Board and Briefings:

8 A. [TxDOT Interagency Contract FY 2022-2023](#) - Whitney Brewster (ACTION ITEM)

9 B. [San Antonio Lease](#) - Ann Pierce and Roland Luna, Sr. (ACTION ITEM)

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- 11 C. [FY 2022 Recommended Annual Operating Budget](#) - Sergio Rey and John Ralston (ACTION ITEM)
- 73 D. [Third Quarter Financial Report ending May 31, 2021](#) - Sergio Rey (BRIEFING ONLY)
- 94 E. [Texas Comptroller of Public Accounts Post-Payment Audit of TxDMV](#) - Sergio Rey and Sandra Menjivar-Suddeath (BRIEFING ONLY)
- 95 F. [FY 2022 First Six-Month Internal Audit Plan and Risk Assessment Report](#) - Sandra Menjivar-Suddeath and Jason Gonzalez (ACTION ITEM)
- 110 G. [Internal Audit Division Status Update](#) - Sandra Menjivar-Suddeath (BRIEFING ONLY)
- Peer Review Report

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.
 - 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.
 - 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 Item #7), 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 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.

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

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.

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

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

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

Board Meeting Date: 8/4/2021
BRIEFING

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Whitney Brewster, Executive Director
Agenda Item: 3.A
Subject: Execution of Amendment No. 2 to the Contract with Southwest Research Institute (SwRI) for Commercial Vehicle Information Exchange Window

RECOMMENDATION

Briefing Only – No recommendation.

PURPOSE AND EXECUTIVE SUMMARY

To inform the Finance & Audit Committee that Executive Director Brewster requested and was granted permission by Chairman Bacarisse to sign an amendment to our contract with Southwest Research Institute (SwRI) for Commercial Vehicle Information Exchange Window (CVIEW) services.

FINANCIAL IMPACT

The amount for the amendment was \$215,828.42. This was allocated from federal grant funds.

BACKGROUND AND DISCUSSION

Texas receives and shares motor carrier safety data with other states via CVIEW. Under our contract, SwRI provides software maintenance, hosting and support regarding CVIEW. The amendment added programming services, which are funded by a 2017 federal Innovation Technology Development (ITD) grant. The programming services will enable law enforcement to obtain data on oversize and overweight permits that the department issued to motor carriers. The amount for the amendment is \$215,828.42. The amendment falls under the exception for an emergency procurement because it was necessary to sign the amendment before the end of June 2021 to avoid undue additional costs to the state.

Board Meeting Date: 8/4/2021
BRIEFING

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Whitney Brewster, Executive Director
Agenda Item: 3.B
Subject: Executive Director's Report – Introduction of Procurement Director Bradley Payne

RECOMMENDATION

Briefing Only

PURPOSE AND EXECUTIVE SUMMARY

To introduce the new Director of Purchasing to the TxDMV Board.

FINANCIAL IMPACT

None

BACKGROUND AND DISCUSSION

The TxDMV will soon have a new Director of Purchasing, helping to round out the Finance and Administrative services team. Starting August 16, 2021 Bradley Payne will be joining us from the Texas Comptroller's Office. Bradley brings with him a wealth of experience and knowledge that will make him a great asset to TxDMV.

Bradley began his career in the procurement and contracting sector as an Estimator and Project Manager for BJ Electric, where he bid on and managed multi-million dollar new and remodel construction projects as both a prime and subcontractor. After 7 years at BJ Electric, he had a brief stint at the Travis County Sheriff's Office before joining the Statewide Procurement Division (SPD) of the State of Texas Comptroller's Office in October 2015.

Bradley is currently an Area Manager for Comptroller's SPD and has held different positions spanning across multiple sections, including the Texas SmartBuy Help Desk, Vendor Performance Coordinator, and Statewide Contract Manager/Team Lead to name a few. Since December 2018, Bradley has managed the Statewide Contract Development group, leading a team of 17 contract developers in establishing statewide term and cooperative contracts for use by state agencies and vendors.

Bradley was born and raised in Austin, having graduated from McCallum High School and attended Concordia University in Austin, where he played baseball and soccer while obtaining a bachelor's degree in Kinesiology.

Board Meeting Date: 8/4/2021
ACTION ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Whitney Brewster, Executive Director
Agenda Item: 4.A
Subject: TxDOT Interagency Contract FY 2022-2023

RECOMMENDATION

The department recommends that the Finance & Audit Committee recommend that the board authorize the TxDMV Executive Director (or designee) to finish negotiating the interagency contract between TxDMV and the Texas Department of Transportation (TxDOT) for fiscal years 2022–2023. The department also recommends that the Finance and Audit Committee recommend that the board authorize the TxDMV Executive Director to execute the final contract with approval from the Board Chairman.

PURPOSE AND EXECUTIVE SUMMARY

TxDMV has negotiated and executed an interagency contract with TxDOT annually and later biennially since TxDMV became an agency. The interagency contract is necessary due to shared facilities, and the need to cooperate on different programs and issues, such as the routing of overweight vehicles.

FINANCIAL IMPACT

The interagency contract sets TxDMV's maximum payment at \$1 million per fiscal year.

BACKGROUND AND DISCUSSION

TxDMV provided a draft contract to TxDOT, using the language in the current contract as the starting point. TxDMV and TxDOT deleted language that is no longer needed, added language to improve the coordination between the two agencies and updated information in the proposed contract. For example, we:

1. deleted certain services that TxDOT no longer provides since TxDMV has its own contracts for the services, such as landscaping and pest control;
2. updated the databases of information that TxDOT will provide to TxDMV to route permitted vehicles; and
3. updated the contacts for each agency.

TxDOT approved TxDMV's attached draft, subject to any changes that TxDOT's Information Technology Division requests. TxDOT's Information Technology Division has indicated it will attempt to review the attached draft by August 9, 2021.

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sergio Rey, Finance & Administrative Services Interim Division Director
Agenda Item: 4.B
Subject: San Antonio Lease

RECOMMENDATION

Authorize the Department's Executive Director to negotiate and execute, in conjunction with the Texas Facilities Commission (TFC), a new lease contract for the San Antonio Regional Service Center (RSC) for a ten-year term.

PURPOSE AND EXECUTIVE SUMMARY

Request the TxDMV Board grant authority approval to the Executive Director to approve a lease contract, in conjunction with the Texas Facilities Commission (TFC) for the San Antonio Regional Service Center for a replacement lease on a ten-year term. A new lease could potentially be in place as early as September 2021 and would potentially run through the year 2031.

FINANCIAL IMPACT

Upon identifying a property, negotiating a lease and executing a contract, TxDMV will commit to a ten-year (120 month) lease term for a property meeting TxDMV's specification and within existing operating budget allowances.

BACKGROUND AND DISCUSSION

There have been ongoing roof, leak and maintenance related issues with the current San Antonio Regional Service Center (RSC) at the Nacogdoches Road location since the lease commenced back in 2017. Because the problems have persisted without a permanent resolution for several years, TxDMV met with the TFC in January 2021 to discuss the continued concerns and a desire to begin a new property search to relocate the office. TFC conferred with the current landlord who has agreed to an amicable no-fault move out as soon as TFC can execute a contract for a new location and designate a move date.

TFC began conducting a new property search earlier this year. Although TxDMV has been interested in several properties, high parking ratio requirements have eliminated numerous otherwise viable properties from consideration. Most properties offer only a 4:1 employee-based parking ratio (i.e., 1 parking space per every 4 employees) or similar, which does not meet RSC operational or customer service volume needs.

TFC is currently reviewing properties for consideration in relation to TxDMV specified needs to include:

- **Location:** Within San Antonio, preferably within 10-15 mile radius of current location
- **Square Footage:** ~2,916 sq ft
- **Lease Term:** 120 Months (10 years)
- **Lease Commencement:** As early as September 2021 or at substantial completion of tenant improvements
- **Parking:** ~75 on-site, non-reserved parking spaces
- **Signage:** Allowance for placing TxDMV logo signage on building required.
- **Contiguous Space Location:** All contiguous space (occupied areas) to be located on a ground floor

- *Added Requests*: Lease to be inclusive of janitorial services and utilities.
- *Restrooms*: Staff restroom(s) to be separate from public (customer) restrooms. Staff restroom(s) to be located within secured staff office space.
- *Plumbing*: 2 sets of chilled drinking fountains; one in public (customer) space and one in secured staff office space.
- *ADA and ADAAG Requirements*: Standard Americans with Disabilities Act (ADA) and Americans with Disabilities Act Accessibility Guideline (ADAAG) requirements must be met throughout available space.

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sergio Rey, Finance & Administrative Services Interim Division Director
Agenda Item: 4.D
Subject: FY 2022 Recommended Annual Operating Budget

RECOMMENDATION

1. Recommend that the board approve the Recommended Fiscal Year (FY) 2022 Operating Budget.
2. Recommend that the board authorize the Executive Director to negotiate and execute the routine and required contracts, and includes two contracts that require Board approval at this time as follows:
 - a. Southwest Research Institute (SWRI) (\$600,000). This contract provides specialized maintenance and consulting services for the Motor Carrier Division for the Texas Commercial Vehicle Information Exchange Window.
 - b. American Association of Motor Vehicle Administrators (AAMVA) National Motor Vehicle Title Information System (NMVTIS) (\$416,083). This contract allows the agency to maintain required access to AAMVA NMVTIS.

PURPOSE AND EXECUTIVE SUMMARY

The recommended operating budget totals \$178.4 million, with 808 FTEs and is structurally balanced to support the operational needs of the department. The Texas Department of Motor Vehicles (TxDMV) recommended annual operating budget is based on the first year of the biennial appropriations included in the General Appropriations Act (GAA), funds appropriated for specific legislation and adjustments for eligible carry-forward funds of unspent balances (UB) previously appropriated.

FINANCIAL IMPACT

The recommended FY 2022 operating budget of \$178.4 million will be primarily funded through the TxDMV Fund 0010 of \$161.7 million, General Revenue Fund 0001 of \$ 15.9 million and federal reimbursements of \$743,750.

BACKGROUND AND DISCUSSION

Revenues

FY 2022 TxDMV Fund 0010 revenues are estimated to total \$164.5 million. This amount includes collections from the processing and handling fee of \$55.7 million, titles and registration fees totaling \$77.0 million, and oversize/overweight permits fees estimated at \$16.0 million. TxDMV staff estimates the TxDMV will collect approximately \$2.1 billion for the State in all funds during FY 2022.

Appropriations

The FY 2022 recommended operating budget of \$178.4 million is based on new appropriations of \$156.2 million for the first year of the biennium as approved through the GAA and \$22.2 million in other adjustments. The budget includes

funding for 808 full-time equivalents (FTE). The FY 2022 recommended budget includes funding for core functions, capital projects, information technology, central administration and agency-wide expenditures and the use of other funds through carry-forward provisions and contingency riders.

- \$89.3 million – Core Functions;
- \$22.0 million – Capital Projects;
- \$17.8 million – Information Technology;
- \$16.2 million – Central Administration;
- \$ 10.9 million – Agency-wide; and
- \$22.2 million – Other adjustments (UBs, supplemental appropriations for specific items and rider contingencies).

Specific appropriations of interest include:

- webSALVAGE (\$3.1 million);
- Planning for a new HQ Building (\$6.2 million);
- Motor Vehicle Crime Prevention Authority (MVCPA) additional funding (\$ 2.1 million);
- Accounts Receivable project (\$3.4 million, including 2 new FTEs);
- Certain County Fleet Vehicle project (one-time programming costs of \$250,000); and
- Texas Consumer Privacy Act Phase I – (\$285,538, including 4 new FTEs)

Riders

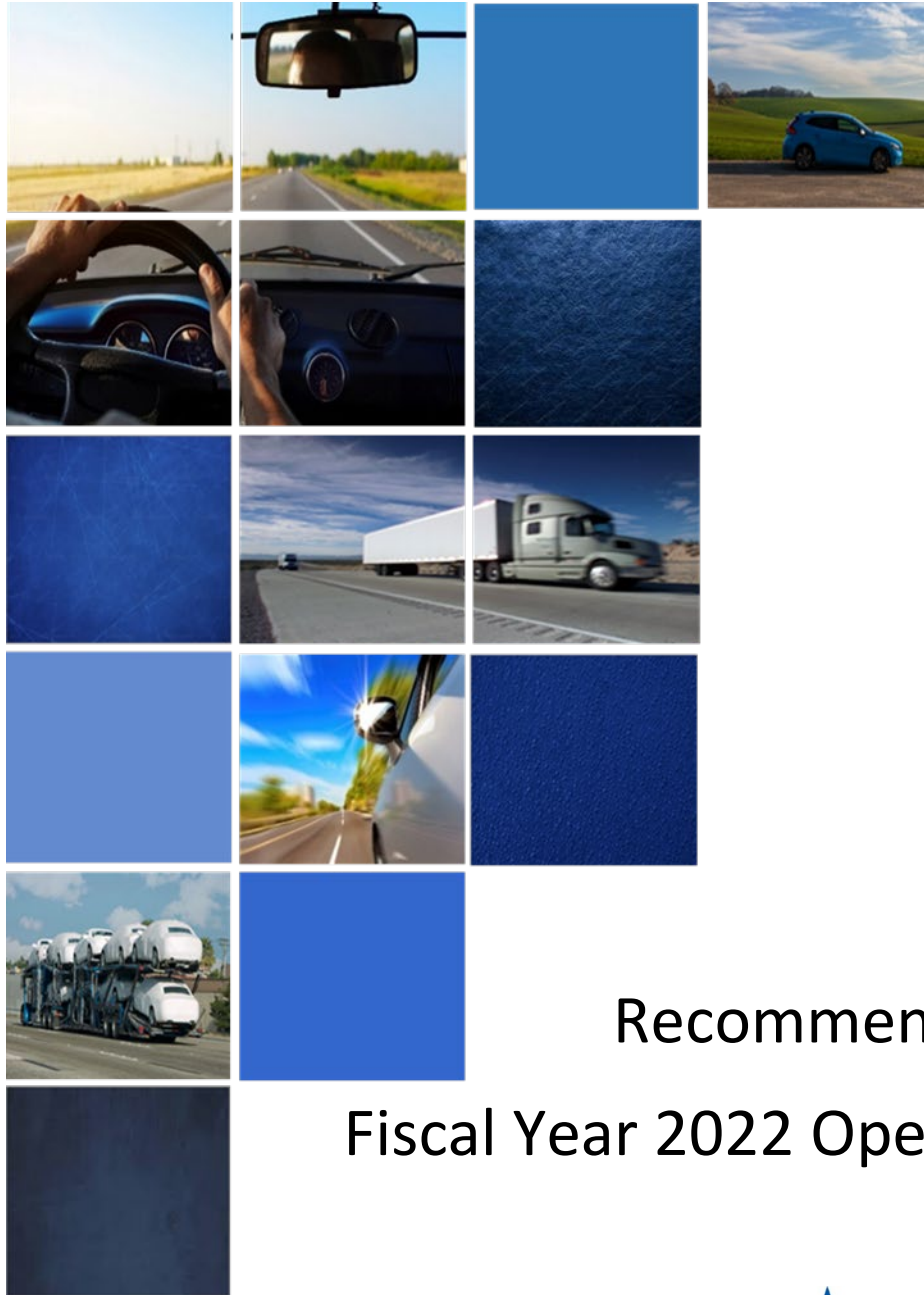
The GAA included six riders that provide the authority to the department to make certain expenditures and the use of carry-forward funds. The riders include items for authorizing appropriations for Specialty License Plates contract and authority to use carry-forward funds in specific areas. The final rider directs the department to report annually on the TxDMV Fund.

Contracts Requiring Board Approval

The department's resolution adopting contract approval procedures specifies that the Executive Director must obtain board approval for contracts \$200,000 or more prior to award or renewal unless specifically excluded. Included in this document are two contracts that staff is requesting Board approval:

Southwest Research Institute (SWRI) (\$600,000) – This contract stipulates modifications to the TxCVIEW as Federal Motor Carrier Safety Administration (FMCSA) moves their data to a cloud environment; modifies some of their web services; changes databases or requirements for TxCVIEW; and facilitates FMCSA's rollout of a new Unified Carrier Registration application.

American Association of Motor Vehicle Administrators (AAMVA) (\$416,083) – This contract provides online access to meet the TxDMV's obligation to receive and report information to the National Motor Vehicle Title Information System (NMVTIS) as required by federal statute. NMVTIS serves as a repository of information related to vehicles that have been in the possession of auto recyclers, junk yards and salvage yards. States and consumers use the information to ensure that junk or salvage vehicles are not later resold and ensures that vehicle identification numbers (VINs) from destroyed vehicles are never used for stolen vehicles.



Recommended Fiscal Year 2022 Operating Budget



Texas Department *of* Motor Vehicles

August 4-5, 2021

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Part I: Executive Summary

Executive Summary

The vision and mission are the fundamental principles that the Texas Department of Motor Vehicles (TxDMV) Board adopts to guide and direct the department to achieve.

TxDmv Vision

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

TxDmv Mission

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

These principles are the foundation of how we develop our goals, strategies, activities and operations. They are the focus of the approach of our Strategic Plan, the Legislative Appropriation Request, including exceptional items and finally, the Recommended Operating Budget.

Each of these steps ensure that the department can meet its current needs and as importantly, our future needs.

The last year presented challenges to the nation, state and the TxDMV, unprecedented in history. The impacts of the pandemic, the winter storm, a volatile oil and gas market, combined with the overall effects these events had on the national and state economies, could take years for full recovery.

TxDmv responded to each event with agility, adaptability and a determined focus to place our employees, our customers and stakeholders first and foremost, while still maintaining the excellent level of service that is expected of us. We worked with our county partners to provide continuous services, with little or no service disruption.

The Recommended Operating Budget sets forth how we intend to move into Fiscal Year (FY) 2022, maximizing the use of our appropriated funds and always mindful of our commitment to the taxpayers and citizens of Texas.

Part II: FY 2022 Recommended Operating Budget

FY 2022 Recommended Operating Budget by Appropriation

The General Appropriations Act (GAA) appropriated \$156.2 million for Fiscal Year (FY) 2022.

Funds are appropriated by categories known as strategies. These amounts fund the TxDMV FY 2022 annual operations. The Recommended Operating Budget also includes carry-forward funds that were previously appropriated as well as certain other allowable costs.

TxDmv strategies are allocated through three broad categories as follows:

- **Core functions** totaling 70% of TxDMV's new FY 2022 appropriations, or \$108.8 million.
- **Technology enhancements, automation projects and Information Resources** totaling 21% of TxDMV's new appropriations, or \$32.8 million; and
- **Central Administration** totaling 9% of TxDMV's new appropriations, or \$14.6 million.

Strategy/Category Detail

The recommended budget also includes adjustments between strategies for position transfers and increases to appropriations for Benefit Replacement Pay (BRP) (see Budget Terms and Definitions) and estimated carry-forward of FY 2021 unexpended balances in Automation, HQ Maintenance and supplemental appropriations approved by the Legislature during the 87th Legislative Session.

- **Core Functions include:**
 - Providing title, registration and specialty license plate services (Goal 1, Strategy A.1.1.);
 - Regulating vehicle industry licensing (Goal 1, Strategy A.1.2.);
 - Issuing motor carrier permits and credentials (Goal 1, Strategy A.1.3.)
 - Responding to customer inquiries through the Contact Center (Goal 1, Strategy A.1.5.)
 - Performing enforcement activities such as conducting investigations, including those of fraud, waste and abuse (Goal 2, Strategy B.1.1.)
 - Assisting in the prevention of motor vehicle crime prevention (Goal 2, Strategy B.2.1.)
- **Technology Enhancements and Automation Projects and Information Resources include:**
 - Upgrades, enhancements and deployment of systems that primarily support the department's core functions and its partners and the department resources dedicated to supporting these systems (Goal 1, Strategy A.1.4.; Goal 3, Strategy C.1.2.).
- **Central Administration includes:**
 - Support functions such as human resources, financial and administrative services, government and strategic communications and other offices and support services that are critical to the maintaining day-to-day operations of the TxDMV (Goal 3, Strategies C.1.1. and C.1.3.

FY 2022 Operating Budget by Appropriation

The following table reflects the amounts approved in the GAA (S.B. 1, 87th Legislature, Regular Session), plus carry-forward funds from previous years that are available for the department to spend in FY 2022.

| A. Goal: Optimize Services and Systems | FY 2022 Recommended Operating Budget | |
|---|---|--------------------|
| A.1.1. Strategy: Titles, Registrations, and Plates | \$ | 70,535,138 |
| A.1.2. Strategy: Vehicle Dealer Licensing | \$ | 4,137,968 |
| A.1.3. Strategy: Motor Carrier Permits & Credentials | \$ | 9,031,571 |
| A.1.4. Strategy: Technology Enhancement & Automation | \$ | 7,704,575 |
| A.1.5. Strategy: Customer Contact Center | \$ | 3,269,094 |
| Total, Goal A: Optimize Services and Systems | \$ | 94,678,346 |
| B. Goal: Protect the Public | | |
| B.1.1. Strategy: Enforcement | \$ | 6,891,578 |
| B.2.1. Strategy: Motor Vehicle Crime Prevention Authority | \$ | 14,979,605 |
| Total, Goal B: Protect the Public | \$ | 21,871,183 |
| C. Goal: Indirect Administration | | |
| C.1.1. Strategy: Central Administration | \$ | 9,133,973 |
| C.1.2. Strategy: Information Resources | \$ | 25,080,639 |
| C.1.3. Strategy: Other Support Services | \$ | 5,445,834 |
| Total, Goal C: Indirect Administration | \$ | 39,660,446 |
| Grand Total TxDMV Appropriation Budget | \$ | 156,209,975 |
| Other Adjustments | | |
| Estimated Increase for Benefit Replacement Pay | \$ | 48,269 |
| Projected Unexpended Balance Carry-Forward (UB) from FY 2021 | | |
| Capital - TxDMV Automation Systems | \$ | 6,312,427 |
| Capital - HQ Maintenance | \$ | 2,748,087 |
| HB 2 Supplemental Appropriations and Rider Contingencies | \$ | 13,044,036 |
| Total, Other Adjustments | \$ | 22,152,819 |
| Total TxDMV Operating Budget | \$ | 178,362,794 |
| Method of Finance | | |
| General Revenue Fund (includes estimated Automation UB) | \$ | 15,950,282 |
| TxDMV Fund (includes estimated Automation and Other Capital UB) | \$ | 161,668,761 |
| Federal Reimbursements | \$ | 743,750 |
| Total, Method of Finance | \$ | 178,362,794 |
| Total Authorized FTEs | | 808.00 |

Exceptional Items and Additional Appropriations

Exceptional Items: are programs and services that are not included in the baseline budget request and that the department requested to fund activities to enhance current or future activities. TxDMV originally submitted nine exceptional items in September 2020. The table below details the TxDMV's exceptional items requested and the disposition.

| Exceptional Items | TxDMV Baseline Request | | Approved Amounts | |
|-------------------------------------|------------------------|------------|----------------------|------------|
| | Amount | FTEs | Amount | FTEs |
| Automation Funding - webSALVAGE | \$ 3,133,578 | - | \$ 3,133,578 | - |
| Building 5 Replacement | \$ 6,187,500 | - | \$ 6,187,500 | - |
| Accounts Receivable System | \$ 3,472,958 | 2.0 | \$ 3,472,958 | 2.0 |
| County Fleet Vehicle Registration** | - | - | \$ 250,000 | - |
| Total TxDMV Fund | \$ 12,794,036 | 2.0 | \$ 13,044,036 | 2.0 |
| Additional MVCPA Grant Funding* | \$ 8,575,016 | - | \$ 4,287,508 | - |
| Total General Revenue Fund | \$ 8,575,016 | - | \$ 4,287,508 | - |
| FY 22-23 Grand Total | \$ 21,369,052 | 2.0 | \$ 17,331,544 | 2.0 |

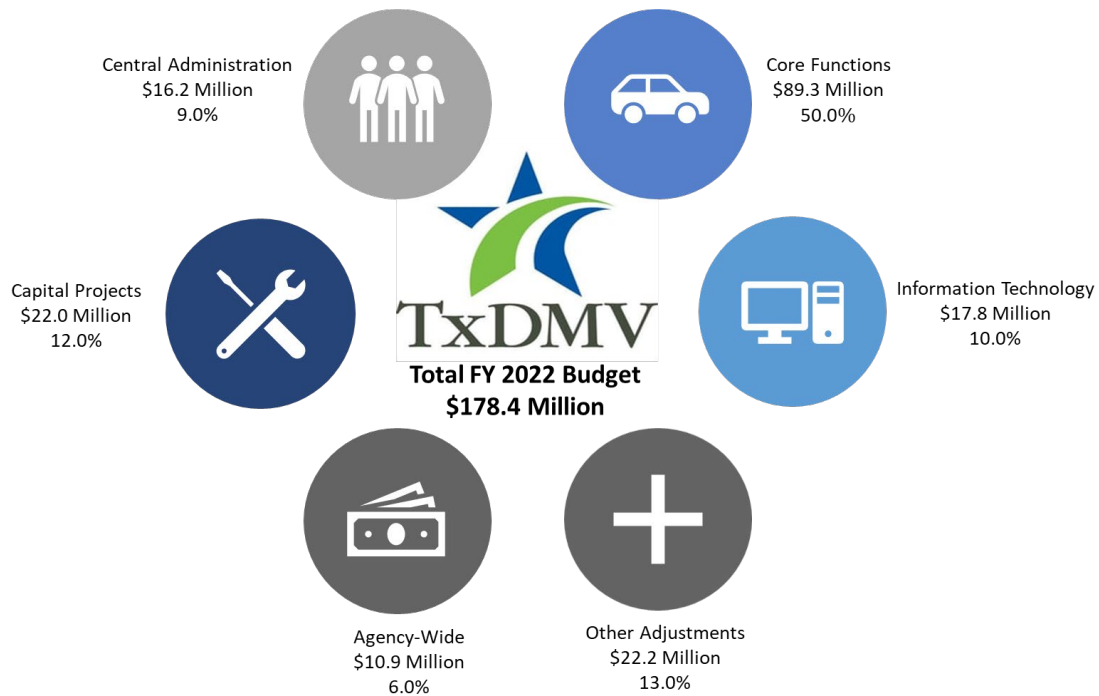
*Note: TxDMV only received 50% of the original exceptional item request for MVCPA grant funding.

**Note: County Fleet Vehicle Registration item was not an original exceptional item but was added by the 87th Legislature.

| Items Requested Not Approved | | | |
|------------------------------|--------------|-----|--------------|
| Complaint Management System | \$ 5,225,712 | - | Not Approved |
| Houston RSC Sub-Station | \$ 1,180,119 | 4.0 | Not Approved |
| Dallas RSC Sub-Station | \$ 855,970 | 2.0 | Not Approved |
| MVCPA Expanded Coverage | \$ 7,388,883 | - | Not Approved |
| MVCPA Fee Collection Unit | \$ 560,000 | 3.0 | Not Approved |

FY 2022 Expenditure Budget Highlights

TxDMV’s FY 2022 preliminary operating budget totals \$178.4 million from new GAA appropriations as well as carry-forward funds. The following highlights expenditures by broad category and function.



Core Functions: \$89.3 Million



Core functions include funding for Vehicle Titles and Registration, Motor Vehicle, Motor Carrier (Oversize/Overweight and Texas IRP), Enforcement, MVCPA, Consumer Relations and the Office of Administrative Hearings activities.

Capital Projects: \$22.0 Million



Major technology capital initiatives include new appropriations that will be utilized for addressing Registration and Title System (RTS) defects and a rewrite of the Motor Carrier Credential System (MCCS). Funding is also approved for the continuation of Data Center Services (DCS), County Technology and Agency Growth and Enhancement. Other initiatives in FY 2022 include Regional Service Center (RSC) improvements, replacement vehicles and Headquarters maintenance projects that will be funded through the carry-forward of funds from FY 2021.

Information Technology: \$17.8 Million



Provides administrative and management oversight of all department technology functions and technology projects.

Central Administration: \$16.2 Million

Provides funding for executive management and administrative services such as the Executive Office, Finance and Administrative Services, General Counsel, Human Resources, Government and Strategic Communications, Internal Audit and Board Support.

Agency Wide: \$10.9 Million

Provides funding for department expenses such as fringe benefits and special programs, specialty license plates fees and credit card payments. License Plates of Texas, LLC is the vendor that designs, markets and sells specialty license plates.

Other Adjustments: \$22.2 Million

Provides funding for certain benefits and estimated funds that will carry forward from FY 2021. This includes new funding provided for the modifications to the webSALVAGE system and implementation of an Accounts Receivable system.

FY 2022-2023 Riders

Within the GAA, the Legislature provides specific instructions, or **Riders**, regarding the expenditure or collection of funds by an agency. The department did not request any modifications to its riders for FY 2022-2023 budget cycle. The chart below lists the current riders included in the GAA.

| Riders Approved for FY 2022-2023 |
|--|
| <p>Special License Plates</p> <p>This rider provides additional appropriations each year of the biennium for making payments to the contract vendor for the marketing and sale of specialty license plates. The rider also allows for unexpended balances to be carried-forward into the next fiscal year of the biennium for the same purposes.</p> |
| <p>Unexpended Balance and Capital Authority – TxDMV Automation System</p> <p>This rider allows the department to carry-forward any unexpended funds appropriated in Strategy A.1.4, Technology Enhancement and Automation, for the TxDMV Automation System capital budget projects remaining at the end of FY 2021 and expended for the same purpose to the new biennium beginning September 1, 2021.</p> |
| <p>Texas Department of Motor Vehicles Fund Report</p> <p>This rider requires the department to submit an annual report on TxDMV Fund 0010 expenditures/revenues to the Legislative Budget Board.</p> |
| <p>Unexpended Balance – Federal Grants and State Matching Funds</p> <p>This rider allows the department to carry-forward any unexpended balances of state matching funds for federal grants remaining at the end of FY 2021 for the same purpose to the new biennium beginning September 1, 2021.</p> |
| <p>Unexpended Balance – TxDMV Headquarters Maintenance Projects</p> <p>This rider allows the department to carry-forward to the new biennium beginning September 1, 2021 any unexpended funds appropriated in Strategy C.1.3, Other Support Services capital budget projects for the Headquarters Maintenance Projects Capital remaining at the end of FY 2021.</p> |
| <p>Unexpended Balance Within the Biennium</p> <p>This rider allows the department to carry-forward any unexpended funds appropriated to TxDMV at the end of FY 2022 for the same purpose for the new fiscal year beginning September 1, 2022.</p> |
| <p>Contingency Rider for Senate Bill 15 (SB 15)</p> <p>This rider provides funding and four FTEs for the implementation of the provisions of SB 15, known as the Texas Consumer Privacy Act Phase I. Funding in the amount of \$284,538 is approved for FY 2022 and \$253,038 in FY 2023 for four FTEs in the Vehicle Titles and Registration (VTR) Division.</p> |
| <p>Contingency for Senate Bill 1064 (SB 1064)</p> <p>This contingency provides funding for the implementation of the provisions of SB 1064, which is related to the extended registration of certain county fleet vehicles. Funding in the amount of \$250,000 is approved for one-time programming changes.</p> |

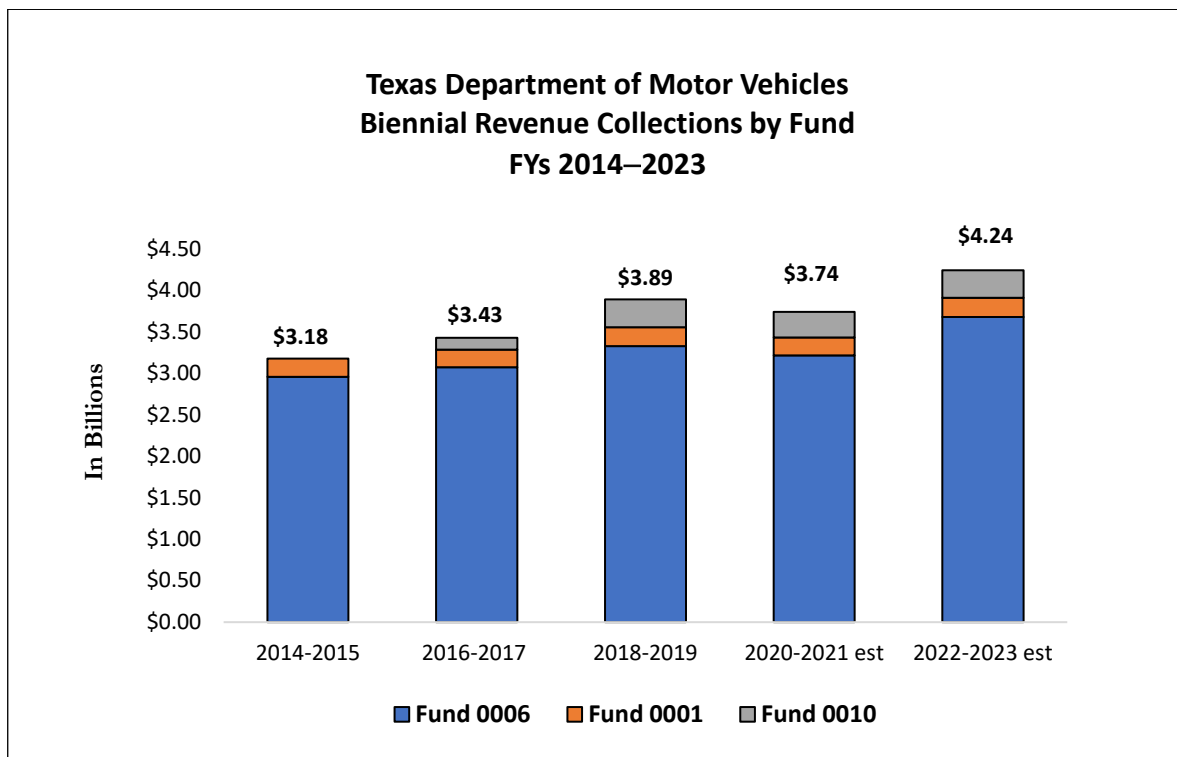
Part III: FY 2022 Revenues

FY 2021-2023 Revenue Summary

TxDMV collects revenue from registrations, dealer licenses, titles, permits and credentials and some miscellaneous revenue and deposits those funds into three funds, as follows:

- the State Highway Fund (Fund 0006);
- the General Revenue Fund (Fund 0001);
- the TxDMV Fund (Fund 0010).

During FY 2022-2023, the department projects All Funds revenue collections are estimated to total \$4.25 billion: \$2.10 billion in FY 2022 and \$2.15 billion in FY 2023.



In the FY 2022-2023 biennium, TxDMV Fund revenue collections are projected to be \$332.49 million, a 7.0% increase compared to the FY 2020-2021 biennium. This increase is primarily due to recovery in overall economic activity since the onset of the pandemic, including a slight increase in oil and gas prices and production. Growth in revenues is expected to continue as economic activity improves.

Revenues for all funds significantly declined in FY 2020 compared to FY 2019, primarily due to COVID-19 (which included gubernatorial-directed waivers and deferrals of payment of certain registration and title fees), combined with a volatile oil and gas market and the effects that the pandemic had on the national and state economies. The certain waivers were lifted on April 14, 2021, and the remainder were terminated on July 16, 2021.

FY 2020-2023 Revenue Summary

| Revenue Fund and Fee Categories | FY 2020 Actual | FY 2021 <i>Estimated</i> | FY 2022 <i>Estimated</i> | FY 2023 <i>Estimated</i> |
|---|------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Revenue Fund 0001 | | | | |
| Motor Vehicle Certificates of Title | \$33,394,011 | \$33,930,000 | \$35,405,000 | \$36,440,000 |
| Motor Vehicle Registration | \$17,644,163 | \$22,675,000 | \$17,458,000 | \$17,721,000 |
| Motor Carrier - Oversize/Overweight | \$46,001,885 | \$42,411,000 | \$51,930,000 | \$53,488,000 |
| Motor Carrier Credentialing | \$5,889,314 | \$6,237,000 | \$6,105,000 | \$6,173,000 |
| Miscellaneous Revenue | \$2,917,541 | \$3,744,000 | \$2,928,000 | \$3,071,000 |
| Total Fund 0001 Revenue | \$105,846,913 | \$108,997,000 | \$113,826,000 | \$116,893,000 |
| State Highway Fund 0006 | | | | |
| Motor Vehicle Certificates of Title | \$7,932,000 | \$7,566,000 | \$8,258,000 | \$8,423,000 |
| Motor Vehicle Registration | \$1,457,312,903 | \$1,536,800,000 | \$1,685,128,000 | \$1,727,256,000 |
| Motor Carrier - Oversize/Overweight | \$112,763,886 | \$97,002,000 | \$125,119,000 | \$127,557,000 |
| Total Fund 0006 Revenue | \$1,578,008,790 | \$1,641,368,000 | \$1,818,505,000 | \$1,863,236,000 |
| Texas Department of Motor Vehicles Fund 0010 | | | | |
| Motor Vehicle Certificates of Title | \$36,964,892 | \$31,369,000 | \$41,934,000 | \$42,563,000 |
| Motor Vehicle Registration | \$35,044,378 | \$37,772,000 | \$35,080,000 | \$35,959,000 |
| Motor Carrier - Oversize/Overweight | \$14,711,609 | \$13,872,000 | \$16,008,000 | \$16,488,000 |
| Business Dealer Licenses | \$7,390,831 | \$8,219,000 | \$7,994,000 | \$8,154,000 |
| Miscellaneous Revenue | \$9,442,352 | \$7,991,000 | \$7,757,000 | \$7,958,000 |
| Processing and Handling Fee | \$52,707,612 | \$55,209,000 | \$55,730,000 | \$56,866,000 |
| Total Fund 0010 Revenue | \$156,261,675 | \$154,432,000 | \$164,503,000 | \$167,988,000 |
| TOTAL REVENUE – ALL FUNDS | \$1,840,117,378 | \$1,904,797,000 | \$2,096,834,000 | \$2,148,117,000 |

**Source: Texas Comptroller of Public Accounts, Biennial Revenue Estimate, 2022-23 Biennium, 87th Texas Legislature, January 2021 and the department's Legislative Appropriations Request dated September 25, 2020.*

Motor Vehicle Crime Prevention Authority Revenues

The Motor Vehicle Crime Prevention Authority (MVCPA) division of TxDMV is the only core function that is not funded through the TxDMV Fund. All funding for MVCPA comes from General Revenue (GR.) MVCPA is governed by a five-member, gubernatorial-appointed board.

MVCPA is required to collect a \$4 fee on all motor vehicles covered by any form of motor vehicle insurance sold in Texas. These funds are collected and deposited to GR to provide funding for MVCPA's operations as well as other areas. The funds collected are statutorily directed as follows:

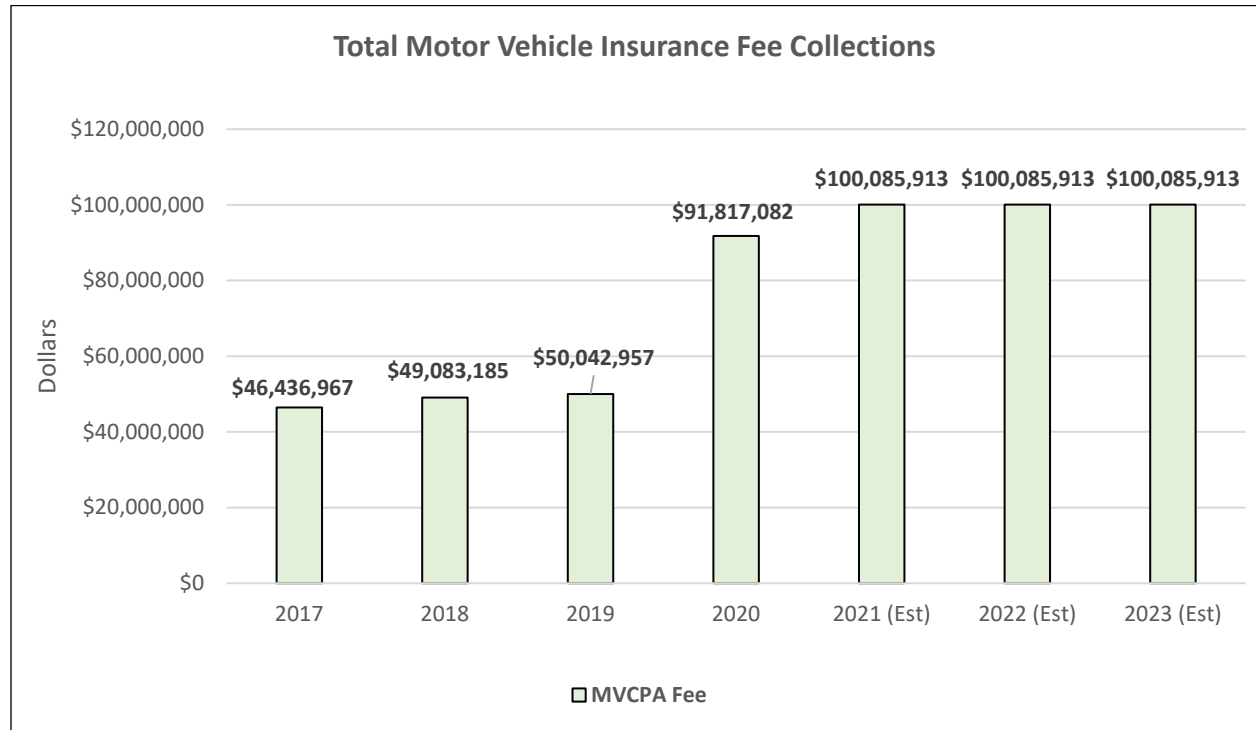
- 20% appropriated to the authority for the use of MVCPA duties;
- 20% to the credit of the general revenue fund, to be used only for criminal justice purposes; and
- 60% deposited to the credit of the designated trauma facility and emergency medical services account.

MVCPA is required to, among other items:

- Collect a \$4 fee for every motor vehicle insured in Texas;
- Issue grants to law enforcement agencies and other statutorily designated groups to combat motor vehicle crime;
- Develop, collect and monitor performance data on arrests, recovery of vehicles and cases cleared and other performance measures for motor vehicle crime;
- Report annually to the Texas Legislature fiscal and program data;
- Develop a biennial statewide Plan of Operation to combat motor vehicle crime; and
- Examine and make determinations for refunds to insurers that overpay the \$4 per vehicle fee.

The MVCPA issues grants to foster a state-wide cooperative network of law enforcement groups, prosecutors, insurance industry representatives, local tax assessor-collectors and concerned citizens to combat vehicle crime through enforcement, prevention, public information and education initiatives. The MVCPA grants also provide border and port security operations to prevent stolen vehicles from going into Mexico.

The following charts illustrates the seven-year trend in total revenues collected from the motor vehicle insurance fee and the percent allocation of the revenues to the statutorily designated programs, as previously described. Total revenues for FY 2022-2023 biennium are estimated to be approximately \$200 million. TxDMV relies on the Comptroller of Public Accounts to provide information on the total amount of revenue collected.



| MVCPA Fees Collections and Appropriations | | | | | | | |
|--|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| <i>Fiscal Year</i> | <i>2017</i> | <i>2018</i> | <i>2019</i> | <i>2020</i> | <i>2021*</i> | <i>2022*</i> | <i>2023*</i> |
| MVCPA Fees Collections | \$46,436,967 | \$49,083,185 | \$50,042,957 | \$91,817,082 | \$100,085,913 | \$100,085,913 | \$100,085,913 |
| Appropriated to MVCPA | \$14,920,849 | \$14,920,849 | \$12,835,851 | \$12,835,851 | \$12,835,851 | \$14,979,605 | \$14,979,605 |
| Remaining Amount to General Revenue | \$31,516,118 | \$34,162,336 | \$37,207,106 | \$78,981,231 | \$87,250,062 | \$85,106,308 | \$85,106,308 |

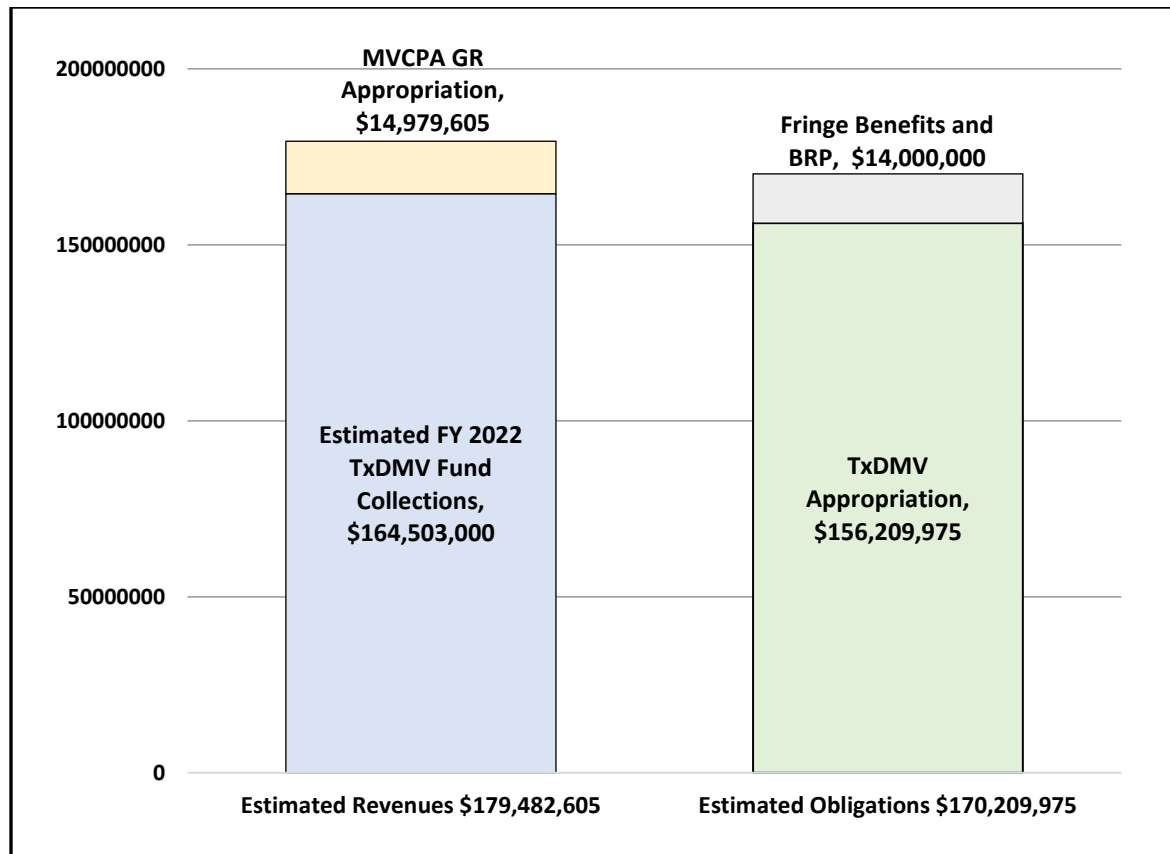
*Note - FY 2021 through FY 2023 fees are estimated.

Part IV – Revenues vs. Obligations

FY 2022 TxDMV Estimated Revenues vs. Obligations

Total estimated revenues of approximately \$179.5 million consists of \$164.5 million in estimated FY 2022 TxDMV Fund collections and \$15.0 million in GR appropriations for MVCPA.

The chart below reflects that the estimated available funds are sufficient to cover TxDMV obligations of \$170.2 million for FY 2022. Obligations include all preliminary budget amounts for all expenditures in FY 2022.



Part V: Contracts

Fiscal Year 2022 Contract Summary

The department executes contracts that are statutorily required and executes contracts that are not required by law but enable it to perform its duties and operations. The Board's approval of the operating budget constitutes approval of any contracts listed in the operating budget. Procedures for Board contract procedures may be found in, of this document.

The department will execute approximately 233 new contracts and renewals of existing contracts that are not statutorily required but assist the agency in performing its operations.

The department anticipates the renewal of 19 statutorily required contracts in Fiscal Year 2022.

The Fiscal Year 2022 budget currently includes:

- 19 contracts of more than \$200,000
- 7 contracts between \$100,000-\$200,000
- 196 contracts of less than \$100,000
- 11 IT Staff Augmentation contracts
- 19 statutorily required contracts

Grand Total of 252 contracts

The following pages detail both statutorily required and optional contracts by division, vendor, purpose, contract period, and amount.

Note: The contracts listed on the following pages are subject to change based on the final terms and conditions negotiated.

Contracts Requiring Board Approval

The contracts listed below require Board approval for the award and/or renewal and proposed contract amounts for Fiscal Year 2022. Additional procurements may be conducted during the fiscal year and will be presented to the Board individually upon occurrence.

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|--|---|---------------------|-------------------|----------------|--|
| MCD | SOUTHWEST RESEARCH INSTITUTE | CVIEW – Maintenance Support | 2/01/2020 | 8/31/2022 | \$ 600,000 | \$ 2,400,000 |
| VTR | AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATION | Information systems title check through AAMVA | 10/1/2018 | 8/31/2022 | \$ 416,083 | \$ 2,162,481 |

Statutorily Required Contracts

Contracts required by statute include the State Office of Administrative Hearings (contested cases), the State Office of Risk Management, Workers Compensation, vehicle liability insurance and property insurance and the Texas Department of Criminal Justice (manufacturing of license plates, registration stickers and placards, etc.). Line items below represent anticipated statutorily required contracts for the upcoming fiscal year.

Term Contracts are contracts negotiated by the Texas Comptroller of Public Accounts (CPA) for use by all state agencies. These competitively bid contracts include goods and services such as photocopier leases, automated mailing services, printing services, consumable office supplies and Point of Sale registration paper. State agencies have little or no negotiation authority for these contracts.

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|---|------------------------------------|---------------------|-------------------|----------------|--|
| IT | TEXAS DEPARTMENT OF INFORMATION RESOURCES | Data Center Services | 9/1/2020 | 8/31/2021 | \$ 10,148,129 | \$ 10,148,129 |
| MVD | STATE OFFICE OF ADMINISTRATIVE HEARINGS | SOAH Contract | 9/1/2019 | 8/31/2022 | \$ 164,438 | \$ 328,875 |
| VTR | TAYLOR CORPORATION | Vehicle Registration Decals | 9/1/2020 | 8/31/2022 | \$ 4,118,782 | \$ 28,134,881 |
| VTR | WORKQUEST | Specialty Plates Mailing | 8/26/2014 | 8/31/2022 | \$ 1,031,903 | \$ 4,779,493 |
| FAS | TEXAS DEPARTMENT OF CRIMINAL JUSTICE | License Plates Manufacture | 9/1/2019 | 8/31/2022 | \$ 16,627,750 | \$ 34,460,482 |
| FAS | OPEN TEXT | Digital Imaging | 9/1/2020 | 8/31/2022 | \$ 3,637,259 | \$ 20,757,457 |
| FAS | WORKQUEST | Freight/Small Package Shipping | 9/1/2020 | 8/31/2022 | \$ 716,000 | \$ 716,000 |
| FAS | WORKQUEST | Janitorial Services - Abilene RSC | 9/1/2020 | 8/31/2022 | \$ 27,694 | \$ 27,694 |
| FAS | WORKQUEST | Janitorial Services - Amarillo RSC | 9/1/2020 | 8/31/2022 | \$ 21,331 | \$ 21,331 |

Statutorily Required Contracts *(continued)*

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|-----------|---|---------------------|-------------------|----------------|--|
| FAS | WORKQUEST | Janitorial Services - Austin RSC | 9/1/2020 | 8/31/2022 | \$ 27,553 | \$ 27,553 |
| FAS | WORKQUEST | Janitorial Services - Beaumont RSC | 9/1/2020 | 8/31/2022 | \$ 37,842 | \$ 37,842 |
| FAS | WORKQUEST | Janitorial Services - Fort Worth RSC | 9/1/2020 | 8/31/2022 | \$ 61,844 | \$ 61,844 |
| FAS | WORKQUEST | Janitorial Services - Houston RSC | 9/1/2020 | 8/31/2022 | \$ 118,180 | \$ 118,180 |
| FAS | WORKQUEST | Janitorial Services - Longview RSC | 9/1/2020 | 8/31/2022 | \$ 30,561 | \$ 30,561 |
| FAS | WORKQUEST | Janitorial Services - Lubbock RSC | 9/1/2020 | 8/31/2022 | \$ 22,314 | \$ 22,314 |
| FAS | WORKQUEST | Janitorial Services - Odessa RSC | 9/1/2020 | 8/31/2022 | \$ 15,044 | \$ 15,044 |
| FAS | WORKQUEST | Janitorial Services - Pharr RSC | 9/1/2020 | 8/31/2022 | \$ 16,583 | \$ 16,583 |
| FAS | WORKQUEST | Janitorial Services – Wichita Falls RSC | 9/1/2020 | 8/31/2022 | \$ 31,693 | \$ 31,693 |
| FAS | WORKQUEST | Janitorial Services – Camp Hubbard | 9/1/2020 | 8/31/2022 | \$ 533,202 | \$ 1,689,382 |

Contracts Greater than \$200K

The following contracts have a cumulative cost value of more than \$200,000. In accordance with the Board Resolution Adopting Contract Approval Procedures, these contracts are excluded from Board approval procedures. These contracts include routine operations, and procurements from the Texas Department of Information Resources (DIR) and from the Comptroller's State Procurement Division (SPD.)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|------------------------------------|--|---------------------|-------------------|----------------|--|
| FAS | ENVIRO-MASTER SERVICES | Preventive Disinfectant fogging (HQ-RSC) | 9/01/2020 | 8/31/2022 | \$ 672,308 | \$ 672,308 |
| IT | CDW GOVERNMENT | Cisco Smartnet | 11/1/2020 | 8/31/2022 | \$ 473,303 | \$ 473,303 |
| IT | CARASOFT | eLicensing | 8/31/2022 | 8/31/2022 | \$ 1,190,000 | \$ 1,190,000 |
| MCD | PROMILES | Annual Support and Hosting Fees | 9/1/2016 | 8/31/2022 | \$ 603,180 | \$ 2,412,720 |
| VTR | RR DONNELLY | Title & Registration Forms | 3/6/2015 | 8/31/2022 | \$ 456,115 | \$ 3,387,005 |
| VTR | PITNEY BOWES | Postage | 9/1/2016 | 8/31/2022 | \$ 11,800,000 | \$ 63,362,586 |
| FAS | WALDEN SECURITY | Security Guard Services - Austin | 9/01/2020 | 8/31/2022 | \$ 447,235 | \$ 670,852 |
| FAS | ENVIRO-MASTER SERVICES | Preventive Disinfectant fogging-(HQ-RSC) | 9/01/2020 | 8/31/2022 | \$ 672,308 | \$ 672,308 |
| FAS | RAGSDALE-BROOKWOOD VENTURE | Lease 20399 Houston | 11/1/2016 | 8/31/2022 | \$ 284,678 | \$ 2,448,332 |
| FAS | TEXAS DEPARTMENT OF TRANSPORTATION | TxDMV-TxDOT Interagency Contract | 9/1/2019 | 8/31/2022 | \$ 1,000,000 | \$ 2,000,000 |
| FAS | TBD | Camp Hubbard Security System Enhancements Building 2, 4 and 6. | 9/1/2021 | 8/31/2022 | \$ 462,000 | \$ 462,000 |
| FAS | TBD | Camp Hubbard 6 Data Center | 9/1/2021 | 8/31/2022 | \$ 1,250,000 | \$ 1,250,000 |

Contracts Greater than \$200K *(continued)*

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|------------------|---|---------------------|-------------------|----------------|--|
| FAS | TBD | Elevator Inspections, Maintenance and Repair Contract | 9/1/2021 | 8/31/2022 | \$ 931,970 | \$ 931,970 |
| FAS | TBD | CH-7 Chiller/Cooling Tower Transition | 9/1/2021 | 8/31/2022 | \$ 468,000 | \$ 468,000 |
| FAS | JOHNSON CONTROLS | JCI Controls | 9/1/2021 | 8/31/2022 | \$ 225,000 | \$ 225,000 |
| ITD | TBD | Web Lien Application | 1/1/2022 | 8/31/2023 | \$ 3,000,000 | \$ 3,000,000 |
| ITD | TBD | MCCS Rewrite | 1/1/2022 | 8/31/2023 | \$ 4,239,000 | \$ 4,239,000 |

Contracts Greater than \$100K but less than \$200K

Contracts, including Statewide Contracts that have an annual cost value from \$100,000 to \$200,000 (Commodities over \$50,000 and Services over \$100,000 must be reviewed by the Texas Comptroller of Public Accounts; Government Code 2156.121) may be delegated to the agency by the Texas Comptroller of Public Accounts. If delegated, these are executed at the executive director's discretion within budget guidelines and in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies.

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|--------------------------------|---|---------------------|-------------------|----------------|--|
| IT | AT&T MOBILITY | Agencywide Cell Service | 8/18/2017 | 8/31/2022 | \$ 113,530 | \$ 466,401 |
| FAS | PURPLE TREE LLC | Lease 7959 Carrollton | 3/17/2020 | 8/31/2022 | \$ 126,956 | \$ 624,859 |
| FAS | TBD | Fire Suppression System | 9/1/2021 | 8/31/2022 | \$ 192,000 | \$ 192,000 |
| FAS | TBD | Dumpster and Waste Management | 9/1/2021 | 8/31/2022 | \$ 114,000 | \$ 114,000 |
| FAS | TBD | Camp Hubbard 1 & 6 Boiler | 9/1/2021 | 8/31/2022 | \$ 198,000 | \$ 198,000 |
| IT | SHI GOVERNMENT SOLUTIONS | CAST Software Support & Professional Services & Software License Renewals | 10/16/2020 | 8/31/2022 | \$ 133,912 | \$ 133,912 |
| IT | SHI GOVERNMENT SOLUTIONS | Testing tools - CA Technologies | 11/2/2020 | 8/31/2022 | \$ 190,681 | \$ 190,681 |
| IT | DELL | Innowake Maintenance Renewal | 12/15/2020 | 8/31/2022 | \$ 176,246 | \$ 176,246 |
| IT | VOICE PRODUCTS INC | Nice System Maintenance and NIM and WFM | 9/1/2021 | 8/31/2022 | \$ 189,144 | \$ 189,144 |
| IT | INSIGHT PUBLIC SECTOR INC | Insight | 5/7/2021 | 8/31/2022 | \$ 119,788 | \$ 119,788 |
| HRD | WORKERS ASSISTANCE PROGRAM INC | Employee Assistance Program | 1/1/2019 | 8/31/2021 | \$ 9,139 | \$ 76,621 |

Contracts Less than \$100K

Contracts, including Statewide Contracts under \$100,000 annually for services and \$50,000 for commodities are delegated to state agencies by the Texas Comptroller of Public Accounts (Government Code 2155.132). These include but are not limited to competitively bid contracts for goods and services that are executed at the executive director's discretion within budget guidelines and in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies. These are provided for informational purposes.

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|---|--|---------------------|-------------------|----------------|--|
| HRD | FIRST CHECK | Employee Background Screening | 6/30/2020 | 6/30/2022 | \$ 6,695 | \$ 13,390 |
| HRD | LMS 365 | Learning Module | 6/1/2021 | 5/31/2022 | \$ 36,930 | \$ 36,930 |
| MULTIPLE | ON THE RECORD REPORTING & TRANSCRIPTION | Meeting Transcription Services | 9/1/2020 | 8/31/2022 | \$ 14,000 | \$ 32,000 |
| IAD | WORKQUEST | Contracted Auditor - Temporary Position | 10/5/2020 | 8/31/2022 | \$ 84,922 | \$ 169,811 |
| IT | ANCHOR COMPUTER INC | NCOA Web Portal Services | 6/9/2021 | 6/8/2022 | \$ 30,000 | \$ 30,000 |
| IT | TEXAS DEPARTMENT OF INFORMATION RESOURCES | Interagency Cooperation Contract related to collocation services | 9/1/2020 | 8/31/2021 | \$ 12,000 | \$ 12,000 |
| IT | SOFTWARE ONE | Windows Server DataCenter, SQL Server | 9/1/2020 | 8/31/2021 | \$ 13,811 | \$ 13,811 |
| IT | SMARTY STREETS LLC | Smarty Streets | 7/1/2020 | 8/21/2021 | \$ 10,000 | \$ 10,000 |
| IT | DELL | Adobe Licenses | 8/12/2019 | 8/19/2021 | \$ 50,402 | \$ 50,402 |
| IT | WORKQUEST | Document Destruction | 9/1/2020 | 8/31/2021 | \$ 144 | \$ 144 |

Contracts Less than \$100K (continued)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|--|---|---------------------|-------------------|----------------|--|
| IT | CONVERGEONE INC | Converge One | 2/12/2020 | 8/31/2021 | \$ 25,000 | \$ 25,000 |
| IT | ARTICULATE GLOBAL INC | Articulate Global | 3/7/2017 | 3/7/2022 | \$ 11,106 | \$ 11,106 |
| IT | CARAHSOFT | DocuSign Maintenance and License Renewals | 4/30/2021 | 5/29/2022 | \$ 23,592 | \$ 23,592 |
| IT | ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE | ArcGIS | 7/1/2021 | 6/30/2022 | \$ 11,556 | \$ 11,556 |
| IT | CDW GOVERNMENT | Ping Plotters | 9/1/2020 | 8/31/2022 | \$ 3,463 | \$ 3,463 |
| IT | OPEN TEXT INC C/O JP MORGAN | RightFax | 9/1/2020 | 8/31/2022 | \$ 4,576 | \$ 4,576 |
| IT | SHI GOVERNMENT SOLUTIONS | Solar Winds | 8/31/2021 | 8/30/2022 | \$ 34,897 | \$ 34,897 |
| IT | INNOVATION NETWORK TECHNOLOGIES | Fortiweb Cloud | 9/1/2021 | 8/31/2022 | \$ 16,179 | \$ 16,179 |
| IT | SHI GOVERNMENT SOLUTIONS | Dmarc SaaS | 9/1/2020 | 8/31/2022 | \$ 9,860 | \$ 9,860 |
| IT | JOURNEYED.COM INC | Snagit and Camtasia Licenses | 9/1/2020 | 8/31/2022 | \$ 4,932 | \$ 4,932 |
| IT | VERIZON WIRELESS | Cellco Partnership - RSC Broadband | 9/1/2020 | 8/31/2022 | \$ 7,894 | \$ 7,894 |
| IT | SHI GOVERNMENT SOLUTIONS | Salty Cloud Renew from Cybersecurity | 9/1/2020 | 8/31/2022 | \$ 43,889 | \$ 43,889 |
| IT | SHI GOVERNMENT SOLUTIONS | Qualys Vulnerability Scan | 8/1/2020 | 8/31/2022 | \$ 43,617 | \$ 43,617 |
| IT | SHI GOVERNMENT SOLUTIONS | Embarcadero | 10/28/2020 | 8/31/2022 | \$ 3,689 | \$ 3,689 |

Contracts Less than \$100K (continued)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|---|--|---------------------|-------------------|----------------|--|
| IT | SHI GOVERNMENT SOLUTIONS | Embarcadero Maintenance | 5/14/2021 | 8/31/2022 | \$ 15,842 | \$ 15,842 |
| IT | SHI GOVERNMENT SOLUTIONS | Skybox Renewal | 8/9/2020 | 8/31/2022 | \$ 41,310 | \$ 41,310 |
| IT | CARAHSOFT | SmartSheet Licenses | 12/10/2020 | 8/31/2022 | \$ 9,493 | \$ 9,493 |
| IT | SOLID BORDER INC | McAfee Software Support and License Renewals | 12/17/2020 | 8/31/2022 | \$ 45,894 | \$ 45,894 |
| IT | DELL | VM Ware | 12/21/2020 | 8/31/2022 | \$ 19,786 | \$ 19,786 |
| IT | SHI GOVERNMENT SOLUTIONS | RemedyForce | 10/31/2020 | 8/31/2022 | \$ 85,718 | \$ 85,718 |
| IT | PRESIDIO | Intrinsic and Infoblox Software Support | 6/29/2020 | 8/31/2022 | \$ 23,361 | \$ 23,361 |
| IT | GREAT SOUTH TEXAS CORP DBA | Nimble | 4/4/2021 | 8/31/2022 | \$ 6,052 | \$ 6,052 |
| IT | SEAMLESS ADVANCED SOLUTIONS LLC | FortiManager/FortiAnalyzer | 2/8/2022 | 8/31/2022 | \$ 80,000 | \$ 80,000 |
| IT | APPEON INC | Appeon Powerbuilder Cloud Edition Renewal | 8/23/2021 | 8/31/2022 | \$ 895 | \$ 895 |
| IT | CDW GOVERNMENT | Webex Licenses | 5/14/2021 | 8/31/2022 | \$ 26,666 | \$ 26,666 |
| IT | SHI GOVERNMENT SOLUTIONS | Digicert Certificates | 6/1/2021 | 8/31/2022 | \$ 37,093 | \$ 37,093 |
| IT | CISCO | Cloud Cherry | 9/1/2021 | 8/31/2022 | \$ 83,820 | \$ 83,820 |
| IT | TEXAS DEPARTMENT OF INFORMATION RESOURCES | Texas.Gov | 9/1/2020 | 8/31/2022 | \$ 29,308 | \$ 29,308 |

Contracts Less than \$100K (continued)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|------------------------------------|---|---------------------|-------------------|----------------|--|
| IT | SHI GOVERNMENT SOLUTIONS | GoTo Webinar Renewal | 4/29/2021 | 8/31/2022 | \$ 10,407 | \$ 10,407 |
| GSC | CARASOFT TECHNOLOGY CORPORATION | Carahsoft - Digital Communication Management (DCM) Subscription | 11/11/2019 | 8/31/2022 | \$ 28,862 | \$ 243,569 |
| GSC | TEXAS LEGISLATIVE SERVICE | Telicon 2021-2022 On-line Subscription | 12/21/2020 | 8/31/2022 | \$ 8,905 | \$ 8,905 |
| GSC | SITEIMPROVE, INC | Siteimprove Web Tool - Software-as-a-service subscription agreement | 1/15/2021 | 8/31/2022 | \$ 5,100 | \$ 5,100 |
| GSC | MACAR INTERNATIONAL LLC | CARMA International Custom Scoop Digital Content Management (DCM) | 2/23/2021 | 8/31/2022 | \$ 2,999 | \$ 2,999 |
| MCD | RR DONNELLY & SONS CO | Permit Decals | 8/24/2017 | 8/31/2022 | \$ 25,200 | \$ 25,200 |
| MCD | PRYOR LEARNING INC | Training | 7/1/2022 | 8/31/2022 | \$ 199 | \$ 199 |
| MCD | USPS | PO Box 3475 | 9/1/2020 | 8/31/2022 | \$ 1,390 | \$ 1,390 |
| MCD | SECRETARY OF STATE | Notary Renewal | 1/28/2021 | 8/31/2022 | \$ 11 | \$ 11 |
| MVD | TEXAS DEPARTMENT OF PUBLIC SAFETY | DPS Crime Records - Background Checks | 9/1/2019 | 8/31/2022 | \$ 27,000 | \$ 27,000 |
| MVD | USPS | PO Box 26487 | 10/1/2021 | 8/31/2022 | \$ 268 | \$ 268 |
| VTR | BILL CLARK PEST CONTROL | Pest Control Beaumont RSC | 1/23/2018 | 8/31/2022 | \$ 660 | \$ 3,025 |
| VTR | YOUR PEST CONTROL COMPANY INC | Pest Control Ft. Worth RSC | 9/1/2020 | 8/31/2022 | \$ 380 | \$ 760 |
| VTR | 1ST DEFENSE TERMITE & PEST CONTROL | Pest Control Odessa RSC | 9/1/2020 | 8/31/2022 | \$ 540 | \$ 1,080 |

Contracts Less than \$100K (continued)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|--|---|---------------------|-------------------|----------------|--|
| VTR | NEMO-Q LP | Support costs for RSC queuing systems | 8/29/2018 | 8/31/2022 | \$ 31,103 | \$ 311,488 |
| VTR | DRIVERS LICENSE GUIDE COMPANY | Driver License Guides | 1/27/2020 | 8/31/2022 | \$ 1,485 | \$ 1,485 |
| VTR | ARTICULATE GLOBAL INC. | eLearning | 7/19/2016 | 8/31/2022 | \$ 37,188 | \$ 172,540 |
| FAS | WORKQUEST | PEST CONTROL SERVICES | 9/1/2019 | 8/31/2022 | \$ 15,660 | \$ 31,320 |
| FAS | ADVANCED LOCK SOLUTIONS INC | Services to include keys for vehicles | 9/1/2019 | 8/31/2022 | \$ 2,200 | \$ 4,350 |
| FAS | OMNIMETRIX LLC | Generator Cellular Monitoring | 9/28/2017 | 8/31/2022 | \$ 349 | \$ 349 |
| FAS | SAFE2DRIVE | On-line, On-Demand Defensive Driving | 2/4/2021 | 8/31/2022 | \$ 2,780 | \$ 14,111 |
| FAS | DUN&BRADSTREET | On-Line Subscription - DNBi for Risk Management | 9/1/2020 | 8/31/2022 | \$ 4,061 | \$ 4,061 |
| FAS | ALLIED WASTE SERVICES | Garbage/trash removal service | 10/10/2016 | 8/31/2022 | \$ 866 | \$ 3,466 |
| FAS | CORPUS CHRISTI REGIONAL TRANSPORTATION | Lease 303-7-20538 Corpus Christi | 2/1/2017 | 8/31/2022 | \$ 45,324 | \$ 493,859 |
| FAS | TONY MARTIN TRUSTEE | Lease Waco Region | 9/1/2020 | 8/31/2022 | \$ 45,360 | \$ 45,360 |
| FAS | RIVERBEND COMPLEX LLC | Lease 10462 Fort Worth | 10/15/2010 | 8/31/2022 | \$ 91,106 | \$ 883,013 |
| FAS | HERRERO & COMPANY LLC | Lease 20537 San Antonio | 5/1/2017 | 8/31/2022 | \$ 81,825 | \$ 900,072 |
| FAS | BURNHAM PROPERTIES LTD | Lease 10263 El Paso | 7/3/2014 | 8/31/2022 | \$ 56,895 | \$ 528,963 |

Contracts Less than \$100K (continued)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|---------------------------|--|---------------------|-------------------|----------------|--|
| FAS | 4015 LIMITED PARTNERSHIP | CPA Warehouse lease #6728- Austin | 11/1/1990 | 8/31/2022 | \$ 20,337 | \$ 128,866 |
| FAS | REPUBLIC SERVICES | FTW Garbage/Dumpster Service | 11/1/2020 | 8/31/2022 | \$ 892 | \$ 892 |
| FAS | WORKQUEST | Secure Document Destruction | 8/29/2019 | 8/31/2022 | \$ 5,500 | \$ 12,871 |
| FAS | WORKQUEST | Landscaping Service | 9/1/2019 | 8/31/2022 | \$ 30,134 | \$ 60,267 |
| FAS | WORKQUEST | Pest Control Services | 9/1/2019 | 8/31/2022 | \$ 15,560 | \$ 31,320 |
| FAS | ADVANCED LOCK | Locksmith Services | 9/1/2019 | 8/31/2022 | \$ 2,200 | \$ 4,350 |
| FAS | TDINDUSTRIES INC | Plumbing Services | 9/1/2020 | 8/31/2022 | \$ 24,000 | \$ 24,000 |
| FAS | TDINDUSTRIES INC | Electrical Services (Including: Parking lot lights and Pole replacement) | 9/1/2020 | 8/31/2022 | \$ 24,000 | \$ 24,000 |
| FAS | STS360, LLC | Security Monitoring and Maintenance | 1/7/2021 | 8/31/2022 | \$ 85,000 | \$ 85,000 |
| FAS | MAJESTIC SERVICES INC | General Maintenance (Including Glass Repair and Replacement) | 1/12/2021 | 8/31/2022 | \$ 24,000 | \$ 24,000 |
| FAS | TBD | Parking lot signs, striping, wheel stops and repairs | 9/1/2021 | 8/31/2022 | \$ 18,000 | \$ 18,000 |
| FAS | TBD | Defibrillators | 9/1/2021 | 8/31/2022 | \$ 1,200 | \$ 1,200 |
| FAS | TBD | Tree services | 9/1/2021 | 8/31/2022 | \$ 18,000 | \$ 18,000 |
| FAS | BLUE PRESSURE WASHING LLC | Window Washing | 4/14/2021 | 8/31/2022 | \$ 4,123 | \$ 8,245 |

Contracts Less than \$100K (continued)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|---------------------------------------|--|---------------------|-------------------|----------------|--|
| FAS | TBD | Irrigation repair and maintenance | 9/1/2021 | 8/31/2022 | \$ 30,000 | \$ 30,000 |
| FAS | TBD | Door Controller Contract | 9/1/2021 | 8/31/2022 | \$ 31,000 | \$ 31,000 |
| FAS | TBD | Fire Marshal Related Needs and Requirements | 9/1/2021 | 8/31/2022 | \$ 60,000 | \$ 60,000 |
| FAS | AMERICAN WATERCARE | Salt and Water Softener Service | 3/19/2021 | 8/31/2022 | \$ 11,290 | \$ 11,290 |
| FAS | TBD | Recycling Contract | 9/1/2021 | 8/31/2022 | \$ 6,000 | \$ 6,000 |
| FAS | TBD | HVAC Filter Replacements | 9/1/2021 | 8/31/2022 | \$ 6,000 | \$ 6,000 |
| FAS | TBD | Painting contract | 9/1/2021 | 8/31/2022 | \$ 30,000 | \$ 30,000 |
| FAS | TBD | Carpet Cleaning | 9/1/2021 | 8/31/2022 | \$ 30,000 | \$ 30,000 |
| FAS | TBD | Generator CH 3 and 6 | 9/1/2021 | 8/31/2022 | \$ 41,000 | \$ 41,000 |
| FAS | TBD | BEST Key and Core Transition | 9/1/2021 | 8/31/2022 | \$ 95,000 | \$ 95,000 |
| FAS | TBD | Charging Stations | 9/1/2021 | 8/31/2022 | \$ 7,000 | \$ 7,000 |
| FAS | TBD | Transition of Cafeteria Relationship | 9/1/2021 | 8/31/2022 | \$ 10,000 | \$ 10,000 |
| FAS | TBD | Mechanical water treatment | 9/1/2021 | 8/31/2022 | \$ 75,000 | \$ 75,000 |
| GSC | LISTO TRANSLATING SERVICES & MORE LLC | Translation Services - Text English to Spanish | 9/7/2019 | 8/31/2022 | \$ 1,100 | \$ 2,300 |

Contracts Less than \$100K (continued)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|--|---|---------------------|-------------------|----------------|--|
| GSC | RUNNING BEAR PRODUCTION HOUSE | TxDMV Video Production Services | 1/7/2020 | 8/31/2022 | \$ 23,660 | \$ 48,390 |
| GSC | INNOVATION EVENT MANAGEMENT, LP | AAMVA Video Production Services | 8/25/2020 | 8/31/2022 | \$ 12,318 | \$ 12,318 |
| GSC | CHARTER COMMUNICATIONS OPERATING LLC | Broadcast TV Surcharge | 1/16/2020 | 8/31/2022 | \$ 8,000 | \$ 8,000 |
| MVCPA | TEXAS COMPTROLLER OF PUBLIC ACCOUNTS | IAC between MVCPA and Texas Comptroller - reporting and develop fee forms | 9/1/2019 | 8/31/2022 | \$ 10,000 | \$ 20,000 |
| OGC | TEXAS STATE LIBRARY | Document Storage | 9/1/2020 | 8/31/2022 | \$ 5,000 | \$ 9,000 |
| MULTIPLE | LEXISNEXIS RISK SOLUTIONS | Accurint | 9/1/2020 | 8/31/2022 | \$ 27,393 | \$ 27,393 |
| MULTIPLE | THOMSON REUTERS-WESTLAW PUBLISHING | Thomson Reuters' keycite, print, legal reference materials | 8/14/2020 | 8/31/2023 | \$ 45,016 | \$ 89,958 |
| ENF | ALLDATA | Repair Series-OL2 All Makes Coverage | 1/26/2021 | 2/28/2022 | \$ 1,500 | \$ 1,500 |
| IT | BLACK BOOK NATIONAL AUTO RESEARCH DIVISION | Web Portal Services | 9/1/2020 | 8/31/2022 | \$ 108,000 | \$ 108,000 |
| IT | SHI GOVERNMENT SOLUTIONS | Ivanti | 8/20/2020 | 8/31/2022 | \$ 55,246 | \$ 55,246 |
| IT | SHI GOVERNMENT SOLUTIONS | Microguru Software Subscription | 2/1/2021 | 8/31/2022 | \$ 630 | \$ 630 |
| IT | DELL | Swagit | 1/1/2021 | 8/31/2022 | \$ 1,106 | \$ 1,106 |
| IT | HIED INC | Manage Engine AD Self Service | 5/1/2021 | 8/31/2022 | \$ 4,528 | \$ 4,528 |

Contracts Less than \$100K (continued)

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|------------------------------------|---|---------------------|-------------------|----------------|--|
| IT | DELL | Swagit | 5/1/2021 | 8/31/2022 | \$ 19,573 | \$ 19,573 |
| MCD | LEXIS NEXIS RISK SOLUTIONS | Lexis Nexis | 9/1/2020 | 8/31/2022 | \$ 3,996 | \$ 3,996 |
| MCD | LEXIS NEXIS RISK SOLUTIONS | Accurint | 9/1/2020 | 8/31/2022 | \$ 900 | \$ 900 |
| MCD | DRIVER'S LICENSE GUIDE CO | US ID Manual | 1/1/2020 | 8/31/2022 | \$ 248 | \$ 248 |
| MULTIPLE | MEMBERSHIPS | Memberships in Professional Organizations | 9/1/2020 | 8/31/2022 | \$ 72,000 | \$ 72,000 |
| MULTIPLE | SURVEYMONKEYCOM LLC | Survey Monkey Enterprise Subscription | 1/2/2021 | 8/31/2022 | \$ 11,249 | \$ 23,320 |
| MULTIPLE | TOSHIBA AMERICA BUSINESS SOLUTIONS | Copier Leases | 8/7/2017 | 8/31/2022 | \$ 163,379 | \$ 465,758 |

IT Staff Augmentation Contracts

Generally, contracts over \$200,000 must be reviewed and approved by the TxDMV Board; however, the TxDMV Board resolution adopting contract approval procedures excludes from approval those contracts with DIR for routine operations. The following list of Information Technology-related staff augmentation contracts for 2022 are for informational purposes only.

Note that contract amounts are subject to change based on agency needs and the final terms and conditions negotiated.

| Division | Vendor | Purpose | Contract Award Date | Contract End Date | FY 2022 Amount | Total Lifetime Contract Amount Through FY 2022 |
|----------|--------------------------|----------------------|---------------------|-------------------|----------------|--|
| IT | TBD | MCCS Contractor | 9/1/2021 | 8/31/2022 | \$ 190,000 | \$ 190,000 |
| IT | NF CONSULTING | Vivek Cheruvathoor | 9/1/2021 | 8/31/2022 | \$ 300,019 | \$ 300,019 |
| IT | NIPUN SYSTEMS INC | Ravi Gandla | 9/1/2021 | 8/31/2022 | \$ 217,360 | \$ 217,360 |
| IT | NF CONSULTING | Kathy Harrell | 9/1/2021 | 8/31/2022 | \$ 300,019 | \$ 300,019 |
| IT | BANSAR TECHNOLOGIES INC. | Manoj Jadala | 9/1/2021 | 8/31/2022 | \$ 217,360 | \$ 217,360 |
| IT | NIPUN SYSTEMS INC | Linga Kotina | 9/1/2021 | 8/31/2022 | \$ 217,360 | \$ 217,360 |
| IT | NF CONSULTING | Kavitha Krishnaswamy | 9/1/2021 | 8/31/2022 | \$ 217,360 | \$ 217,360 |
| IT | NF CONSULTING | Vinay Krottapalli | 9/1/2021 | 8/31/2022 | \$ 217,360 | \$ 217,360 |
| IT | SISTEMA TECHNOLOGIES INC | Bhargava Nalagala | 9/1/2021 | 8/31/2022 | \$ 217,360 | \$ 217,360 |
| IT | CAPITOL SYSTEMS INC | Vishnu Patha | 9/1/2021 | 8/31/2022 | \$ 217,360 | \$ 217,360 |
| IT | NF CONSULTING | Ashok Tulsojirao | 9/1/2021 | 8/31/2022 | \$ 217,360 | \$ 217,360 |

BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES

CONTRACT APPROVAL PROCEDURES

Revised May 2, 2019

The Board of the Texas Department of Motor Vehicles (Board) finds it necessary to adopt procedures relating to contracts executed on behalf of the Texas Department of Motor Vehicles (department). The Executive Director (or designee) has the authority to sign and/or approve contracts on behalf of the department without Board approval, to the extent this contract approval procedures does not require prior Board approval and Board approval is not required by law. The Board authorizes the Executive Director to adopt separate internal procedures to assist with the implementation of this contract approval procedures.

Procurement Process:

The department may enter into the procurement process to acquire goods and/or services without consultation or prior Board approval provided that the department complies with the General Contract Approval procedures below.

General Contract Approval:

Department contracts must be submitted to the Board by the Executive Director (or designee) for review and approval prior to execution and/or award if:

- the contract or contract renewal exceeds \$200,000.
- a change order, individually or in combination with other change orders (other than the exercise of available renewal options), increases the original contract by twenty-five percent or more, as long as the dollar amount of the change order is \$50,000 or more.
- any change order, individually or in combination with other change order (other than the exercise of available renewal options), increases the original contract by \$100,000 or more.

At the discretion of the Executive Director (or designee), the department may request the Board consider any contract of any amount.

Exclusions:

The department is not required to obtain approval for any grants awarded to the department or awarded by the department or any contracts which do not obligate the department to pay, such as the contract for the TexasSure program.

The following department contracts are for routine operations and are excluded from the contract approval procedures listed above:

| | |
|---|--|
| Statewide Procurement Division (SPD) Contracts | Lawn Services |
| Department of Information Resources (DIR) Contracts | Janitorial Services |
| Council on Competitive Government (CCG) Contracts | Vehicles |
| Hardware/Software Maintenance | Leased Copiers |
| Vehicle Registration Renewal Notices | Copier Maintenance |
| Vehicle Titles | Trash Disposal |
| TXMAS Contracts ¹ | Interagency/Interlocal Agreements ² |
| Registration Stickers | Software - Off-the shelf |
| Equipment Maintenance | Set-Aside Contracts ³ |
| Temporary Staff Services | Postage |
| Security Services | |

Emergency Procurements:

In the event a contract is needed on an emergency basis, the Executive Director (or designee) will contact the Board Chairman or the Finance and Audit Committee for approval to execute such a contract and will brief the full Board at the next regularly scheduled Board meeting.

An emergency procurement is an unforeseeable situation requiring a procurement and the possible execution and/or award of a contract to:

- prevent a hazard to life, health, safety, welfare, or property;
- avoid undue additional costs to the state; or
- avoid undue delay to any department operations.

Budgeting and Reporting:

Even though the routine contracts listed above are excluded from Board review, the Executive Director (or designee) must still ensure that all contracts are within budget guidelines and adhere to all established procurement contract laws, rules, regulations and policies of oversight agencies.

No later than August 31st of each fiscal year, the Chief Financial Officer (or designee) shall submit to the Board an annual report which identifies all agency contracts which are expected to exceed \$200,000 in the next fiscal year. This report shall include, but not be limited to, vendor name, contract purpose, contract amount, and contract duration. Additionally, the Chief Financial Officer (or designee) shall state whether sufficient funds are available in the agency's proposed operating budget for such contracts.

¹ Texas Multiple Award Schedule (TXMAS) contracts are contracts that have been developed from contracts awarded by the federal government or any other governmental entity of any state.

² However, the interagency contract between TxDMV and the Texas Department of Transportation pursuant to House Bill 3097 from the 81st Regular Legislative Session and/or Senate Bill 1420 from the 82nd Regular Legislative Session is excluded from this exclusion. So the department must obtain Board approval for this contract prior to execution of such contract, to the extent the dollar amount triggers the requirement for Board approval.

³ Set-aside contracts are a specific set of contracts for which a competitive procurement is not required, such as contracts for commodities or services that are available from Texas Correctional Industries and the Central Nonprofit Agency under contract with the Texas Workforce Commission (TWC). Currently, TIBH Industries, Inc. is the Central Nonprofit Agency under contract with TWC.

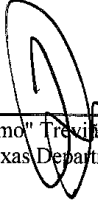
Contract Approval Procedures

Funds for the department's contracts are first considered when the Board reviews and approves the department's operating budget. The Board's approval of the operating budget constitutes approval of any contracts listed in the operating budget. After the Board approves the operating budget, the department's Executive Director (or designee) is authorized to execute such contracts according to established procurement and contract laws, rules, regulations and policies of oversight agencies.

IT IS THEREFORE ORDERED by the Board that these contract approval procedures are adopted. The contract approval procedures dated November 03, 2016, and titled *Board of the Texas Department of Motor Vehicles, Contract Approval Procedures* is rescinded, effective May 2, 2019.

The Department is directed to take necessary steps to implement the actions authorized in this contract approval procedures.

May 2, 2019



Guillermo "Memo" Treviño, Chair
Board of the Texas Department of Motor Vehicles

Contract Approval Procedures

Part VI: Appendices

Appendix I: Budget Category Details

FY 2022 Recommended Operating Budget by Expenditure Area

The table below outlines the FY 2022 recommended operating budget by expenditure area.

2022 Estimated TxDMV Budget by Expenditure Area

| Expenditure Area | FY 2022 Recommended Operating Budget |
|--------------------------------|---|
| Salaries and Wages | \$ 45,223,548 |
| Benefit Replacement Pay | \$ 48,269 |
| Other Personnel Costs | \$ 1,176,691 |
| Professional Fees and Services | \$ 22,473,865 |
| Fuels & Lubricants | \$ 81,000 |
| Consumable Supplies | \$ 1,584,876 |
| Utilities | \$ 4,468,755 |
| Travel In-State | \$ 472,013 |
| Travel Out-of-State | \$ 99,175 |
| Rent - Building | \$ 897,040 |
| Rent - Machine and Other | \$ 346,061 |
| Purchased Contract Services | \$ 26,976,350 |
| Advertising & Promotion | \$ 138,000 |
| Computer Equipment Software | \$ 852,738 |
| Fees & Other Charges | \$ 5,167,736 |
| Freight | \$ 839,175 |
| Maintenance & Repair | \$ 4,230,050 |
| Memberships & Training | \$ 289,082 |
| Other Expenses | \$ 6,428,265 |
| Postage | \$ 12,040,498 |
| Reproduction & Printing | \$ 5,508,869 |
| Services | \$ 1,853,015 |
| Grants | \$ 14,437,373 |
| Other Capital | \$ 625,800 |
| Total | \$ 156,258,244 |

Budget Category Definitions

In Alphabetical Order

Advertising and Promotion – Includes radio/media ads, posters, signage, brochures, flyer production and other promotional items.

Benefit Replacement Pay – Benefit Replacement Pay (BRP) is compensation authorized by the Texas Legislature to offset the loss of state-paid Social Security contributions. See budget terms and definitions for further explanation.

Capital – Expenditures related to the acquisitions, lease-purchase or ancillary cost (including contracts) associated with a capital items/projects over \$100,000.

Computer Equipment – The purchase and replacement of personal information technology equipment and peripherals such as workstations, monitors, keyboards and laptops.

Consumables – Standard consumable costs required to run the day-to-day operations of the department such as paper, pens, pencils, media discs and USB drives, paper clips and staples.

Contract Services – Services outsourced to third party entities for the benefit of the department such as MyPlates and Standard Register.

Exceptional Items – The Legislative Budget Board (LBB) distributes instructions to state agencies and higher-education entities in the preparation of its biennial appropriations request. State agencies determine its baseline request by compiling actual/estimated/budgeted expenditures for the current biennium with specific guidance from the LBB. The baseline computation is approved by the LBB and the Governor's Office and becomes the basis for the next biennium's appropriations. Programs and/or services not included in the baseline request are considered exceptional items and may be submitted for consideration.

Fees and Other Charges – Credit card processing fees, employee health insurance fees, State Office of Risk Management insurance charges and court filing fees.

Freight – Goods transported in bulk by truck, train, ship, or aircraft. For example, the costs to transport license plates to county tax offices.

Fuels and Lubricants – Fleet maintenance and operation costs related to oil changes and refueling fleet vehicles.

Grants – Pass-through funds designated for use by city, county and other state agencies for a specific, contractual requirement.

Maintenance and Repair – Expenditures related to the upkeep of TxDMV facilities, equipment and software used on the department's systems for annual application support such as e-Tags and International Registration Plan (IRP).

Memberships and Training – Fees for training courses and conference registrations for TxDMV staff. Also included are expenditures for memberships for the department's personnel such as Texas

Association of Public Purchasers, American Association of Motor Vehicle Administrators (AAMVA) and the National Board of Motor Vehicle Boards and Commissions.

Other Expenses – Includes office furniture and equipment and miscellaneous non-categorized costs such as employee awards, publication purchases, parts, promotional items and non-capitalized tools. Also included in this category is a portion of the funding for TxDMV Automation and Growth and Enhancement.

Postage – Includes costs of metered mailing for license plates, registration renewal notices and titles; and includes the cost of the rental of TxDMV post office boxes.

Professional Fees – Work, requiring specific expertise, provided by third party professionals holding specific certifications and qualifications.

Rent – Building/Rent – Machine, Other – Costs associated with procurement of project facilities such as office rental, off-site training rooms; and costs associated with the rental of office equipment such as postage meters and copy machines.

Reproduction and Printing – Includes all TxDMV printed materials primarily used in registration renewal notices and titles such as notification inserts, envelopes and title paper.

Salary – Includes staff compensation and interns, longevity pay, health insurance contributions and retirement contributions. Does not include contract workers who are not a part of the organization's normal payroll.

Services – Includes costs associated with services provided to TxDMV through subscription such as National Motor Vehicle Title Information System (NMVTIS) and LexisNexis.

Travel (In-State/Out-of-State) – that which has official state business purpose, attending approved job-related training, working on behalf of or officially representing the department. Includes transportation, meals and accommodations and travel per-diems.

Utilities – Costs associated with providing services at facility locations and/or HQ such as electricity, telephone, water and natural gas.

Appendix II – Capital Project Details

Capital Project Details

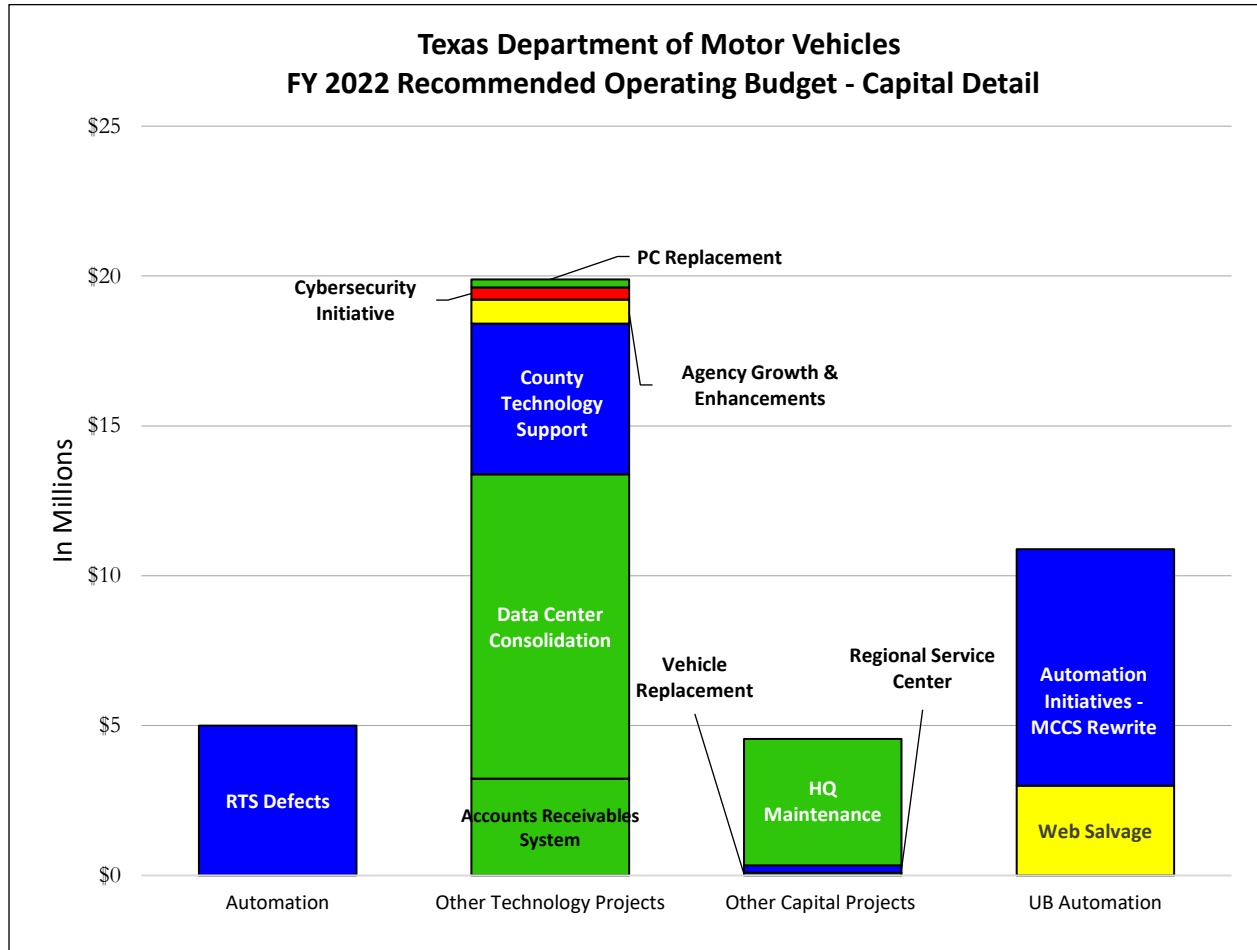
TxDMV FY 2022 Capital Budget

| TxDMV Capital Project Appropriations | | FY 2022 |
|---|-----------|---------------------------|
| Fiscal Year 2022 Appropriation | \$ | 21,946,427 |
| Estimated Unexpended Balance Carry-Forward* | \$ | 15,428,876 |
| Total Capital Appropriations | \$ | 37,375,303 |
| TxDMV Automation System ¹ | | |
| | | Recommended Budget |
| RTS Defects | \$ | 5,000,000 |
| Web Salvage ² | \$ | 3,133,578 |
| MCCS Rewrite ² | \$ | 5,815,488 |
| Unallocated ² | \$ | 496,939 |
| TxDMV Automation System Subtotal | \$ | 14,446,005 |
| Other Technology Projects | | |
| Growth and Enhancements - Agency Operations Support | \$ | 807,498 |
| Technology Replacement & Upgrades - County Support | \$ | 5,025,000 |
| PC Replacement | \$ | 270,800 |
| Data Center Consolidation | \$ | 10,148,129 |
| Cybersecurity Initiative | \$ | 400,000 |
| Accounts Receivable System ² | \$ | 3,234,784 |
| Other Technology Projects Subtotal | \$ | 19,886,211 |
| Other Capital Projects | | |
| Vehicle Replacement | \$ | 45,000 |
| Regional Service Center | \$ | 250,000 |
| HQ Maintenance ² | \$ | 2,748,087 |
| Other Capital Projects Subtotal | \$ | 3,043,087 |
| TxDMV Total Capital Budget | \$ | 37,375,303 |

¹ The TxDMV Automation project includes project funds for Fiscal Year 2022 which will be funded from budget balances remaining at year end of Fiscal Year 2021.

² Project funded through Unexpended Balance (UB) carry-forward from Fiscal Year 2021. The Estimated Unexpended Balance Carry-Forward amount includes capital projects funded by the Legislature through House Bill 2 for supplemental appropriations. Projects funded by House Bill 2 will start in FY 2021 and carry-forward to FY 2022

The chart below depicts the uses and allocations of the capital budget to help illustrate where funds are being allocated and to which project.



TxDMV Automation Systems Project (\$5.0 million new funding + estimated \$10.9 million unexpended balance carry-forward)

TxDMV is developing information technology assets to improve customer services and access to department programs for the public through the TxDMV Automation System Project. This project encompasses entire departmental operations to take advantage of operational efficiencies. This project also allows data sharing between the department’s functions to improve customer service. As the project continues to be refined, the initiatives in FY 2022 that will be addressed through the TxDMV Automation Systems Project are as follows:

Capital Appropriations:

RTS Defects –In June 2013, TxDMV entered into a contract with Deloitte Consulting LLP to refactor the former Registration and Titling System (RTS) by converting the code from a mainframe program to a JAVA web-based system. The system holds nearly 100 million current and archived vehicle registration and titling records. The contract with them consisted of multiple work streams that continued through FY 2018.

The RTS Refactoring project, which began implementation in May 2015, is currently fully deployed to TxDMV headquarters staff, the Regional Service Centers and all 254 counties.

For FY 2022, the Automation Project will continue to focus on identifying and resolving the remaining outstanding issues and defects for statewide roll-out of the RTS System.

Projects Funded from Unexpended Balances:

MCCS Rewrite Project – The Motor Carrier Credentialing System (MCCS) and its companion Electronic Licensing, Insurance and Credentialing (eLINC) system exist so that Texas Motor Carriers can obtain Operating Authority to do business in Texas. MCCS was initially developed in 1994 using now outdated programming tools. The program was rewritten in 2003-04 using ASP.net language, now also dated. The current MCCS was not built to provide online customer self-service and required a phone call from an applicant to establish a TxDMV number account. eLINC was added in 2017 to provide the online application option, but with no other self-service features. Daily maintenance only is provided in house to keep MCCS/eLINC operating with a goal of upgrading to a new system. The system requires constant maintenance and never operates at 100 percent. Not all functions of the system work properly and the customer experience suffers accordingly. The high cost of maintenance and dwindling upkeep resources support the need for this system upgrade before customer security and severe upkeep costs are incurred.

webSALVAGE – this project will modify the department's webSALVAGE application to extend capabilities to insurance companies and salvage dealers the electronic title functionality that exists for licensed Texas dealers. Insurance companies can currently submit salvage and nonrepairable title applications electronically to the department through webSALVAGE; however, they must manually submit title applications to county tax offices for vehicles that are not salvage or nonrepairable. The transactions must either be mailed or delivered in person and require counties to data enter all title application elements. Extending electronic submission of title applications to counties will provide enhanced customer service to insurance companies by providing a single system to submit title applications to the department and counties, while expediting title issuance since counties will no longer have to manually enter data information. In addition, insurance companies would be afforded the capability to issue electronic titles and transfer those titles. webSALVAGE will also be modified to allow salvage dealers to receive electronic titles from insurance companies and submit title applications electronically to counties once the salvage vehicle has been rebuilt. Salvage dealers will also be able to electronically report to the department salvage vehicles purchased with an electronic title they intend to scrap, dismantle or destroy, eliminating the requirement for a paper title and form to be submitted to the department for manual processing. The department will modify webSALVAGE to capture the parts damaged when an insurance company makes electronic application for salvage title and use that information to ensure the vehicle was properly rebuilt when a salvage dealer makes application after rebuilding the salvage vehicle.

Technology Replacement & Upgrades for Counties (\$5.0 million)

This appropriation provides funding to maintain printers, computers, monitors, laptops, cash drawers and other related equipment deployed at county tax assessor-collector offices throughout the state. Additionally, it provides funding to support point-to-point connectivity to the department's Registration and Titling System for all 254 counties and their 508 primary and substation locations.

Data Center Consolidation (\$10.1 million)

This appropriation supports information technology infrastructure assets and functions through statutorily required participation in the State Data Center maintained by the Department of Information Resources. Also included are costs for printing and mailing of registration processed online. This allows TxDMV to fund data center services resulting from continued efforts to build an IT infrastructure and the implementation of the RTS enhancements.

Agency Growth and Enhancements (\$0.8 million)

This line item includes replacement of peripheral devices; telephone system replacements and upgrades; replacement and upgrades of network equipment; the development of a VOIP (Voice over Internet Protocol) infrastructure; and the software licenses for enterprise applications. Additionally, the project includes division-level imaging and document management in the development of workgroup applications.

PC Replacement (\$0.3 million)

The PC Replacement project was contained in Growth & Enhancement in previous years. It has now been separated into a unique capital line item. This project includes replacement of desktop computers, desktop printers and laptops.

Cybersecurity Initiative (\$0.4 million)

This project provides funding for initiatives to improve security for statewide information technology systems. Initiatives include the acquisition of malware and email security tools and the implementation of a managed security service provider through the DIR Data Center Services contract.

Accounts Receivable System (\$3.2 million)

The Accounts Receivable project would automate and centralize the collection and monitoring of receivable accounts currently performed through 18 different applications. The decentralized accounts receivable function and multiple systems have limited TxDMV's ability to properly monitor or conduct accounts receivable activities. Deploying the CAPPs Accounts Receivable module and integrating it with existing TxDMV applications will allow for better tracking of accounts receivable balances and will help insure that revenue collection is maximized.

Other Capital Projects (\$3.0 million)

The fleet will be increased by two vehicles that will support investigation activities in the Enforcement Division (ENF) and Compliance and Investigations Divisions (CID).

Additionally, two medium-sized Regional Service Centers (RSCs) will be updated to standardize the look of TxDMV facilities across the state.

Finally, the TxDMV HQ Maintenance and Repair (carryover from FY 2020-2021) project includes funding for several major projects such as weatherization, roof replacement and internal and external upgrades for the building, including several hard wall office constructions complete with HVAC, electrical and cabling needs.

Appendix III – FY 2020-2021 Accomplishments

FY 2020-2021 Accomplishments

TxDMV is continually examining the way it conducts business to optimize customers' experiences and provide more efficient and effective service delivery. Some of the significant changes to policy, provision of services and stakeholders served implemented during FY 2020-2021 and continuing through FY 2022-2023 are highlighted below.

- Creation of two, new positions within TxDMV Organizational Structure – TxDMV determined that to increase efficiencies and ultimately better serve our customers and stakeholders, a new deputy executive director and an ombudsman should be added to the department's organizational structure. The Executive Director had 13 direct reports, which was significantly more than all other Executive Directors at other mid-sized and large state agencies. The average number of direct reports was seven for the 12 agencies closest in size to TxDMV and none of the twelve executive directors at those agencies had more than ten direct reports. The work group proposed adding a second deputy executive director position reporting directly to the Executive Director. One of the main goals of adding this second deputy executive director was to reduce the number of direct reports to the Executive Director which would allow the Executive Director to be more strategic and focus more on stakeholder's needs and the TxDMV Board. The new deputy executive director was selected and began in June 2020. Another recommendation of the organization workgroup was to create a new ombudsman position; this position would also serve as the department's ethics officer and civil rights officer. The intent of this position is to make sure that any ethics, civil rights and employee complaints has a direct path to the Executive Director. The ombudsman was selected and began on November 1, 2020.
- Digital License Plates – as a provision of the department's Sunset bill, TxDMV was required to offer digital plates for certain vehicles. In June 2020, the TxDMV Board adopted rules regarding the digital license plate program and subsequently the department issued a Request for Proposal (RFP) to solicit one or more vendors for the issuance of digital license plates. A contract was awarded in December 2020. Work is currently underway to complete the required programmatic updates with a public availability date in FY 2021. In addition, the department will employ two employees within the Vehicle Titles and Registration Division to monitor and manage the contract(s).
- Assembled and Off-Highway Vehicles – a new category of vehicles called "assembled vehicles" are allowed to be titled and registered. Off-highway vehicles and golf carts must now have a license plate if operated on roads as allowed by law. Also, purchasers must pay the Texas state use tax for off-highway vehicles purchased out-of-state prior to being titled.
- Alternative Fuel Vehicles - the Sunset bill also required the department to organize a study with four other agencies on the impact to the state of alternatively fueled vehicles including options to levy fees on such vehicles. The report was issued on December 1, 2020.
- Changing the name of the Automobile Burglary and Theft Prevention Authority (ABTPA) to the Motor Vehicle Crime Prevention Authority (MVCPA) – Beginning September 1, 2020 the name of the former ABTPA program was changed to MVCPA and expanded the program to fund efforts to stop motor vehicle fraud. The fee levied on motor vehicle insurance was increased to \$4 with 60% going to emergency and trauma centers and 20% for MVCPA purposes.

- Changes to Salvage Dealer Licensing – two, major changes resulting from enacted legislation in FY 2019 affected salvage licenses/licensing during the FY 2020-2021 biennium. The first change included ending salvage vehicle dealer license endorsements and salvage vehicle agent licensing. The second change allowed for a licensed independent motor vehicle dealer to perform salvage vehicle dealer work without a salvage vehicle dealer license. This change has resulted in a decline in the number of salvage vehicle dealer licenses issued and the department anticipates that the total number of licenses issued will be lower in the future than in past years.
- Creation of advisory committees to assist the department– the department has established advisory committees in line with the Sunset bill and as part of the department’s ongoing goals of stakeholder and consumer inclusivity and public transparency. The department adopted rules governing advisory committees to standardize committee structure and operation. The advisory committees provide expertise for rulemaking and other issues and were established for five key areas: Consumer Protection Advisory Committee, Customer Service Advisory Committee, Motor Carrier Regulation Advisory Committee, Motor Vehicle Industry Regulation Advisory Committee and the Vehicle Titles and Registration Advisory Committee. The Vehicle Title and Registration Advisory Committee met twice in late 2019 and made recommendations integral to recent rulemaking, including the recently adopted digital license plate rules. The Consumer Protection Advisory Committee has met eight times since in FY 2020 and once in FY 2021 and is currently formulating recommendations on a variety of consumer protection issues facing the department. The department will consider creating additional advisory committees as needed.
- Consolidating the former Enterprise Project Management Office (EPMO) into the Information Technology Services Division (ITSD)– one of the Sunset recommendations directed the department to develop a comprehensive approach in developing, maintaining and updating its IT infrastructure. As part of implementing the recommendation, the department moved the EPMO and its functions into ITSD to better align the two divisions and the management of information technology projects. Moving EPMO into the ITSD allows for better coordination and communication and helps the department more effectively achieve its technology objectives.
- Redesign and Implementation of a new Customer Satisfaction Survey – TxDMV’s commitment to continuous improvement includes a project started in September to standardize and align its customer satisfaction surveys to address wide variation in the questions used and data collected. The standardized customer satisfaction surveys were deployed in June of 2019 and full data collection became available during FY 2020.
- Full Implementation of the Regional Service Center Customer Queue Management System– the full implementation of this system established new best practices and procedures impacting customer service through streamlined customer workflow, the availability of new website applications and direct customer feedback via new survey tablets. The new and updated systems included new applications allowing customers to go to www.TxDMV.gov and get in line online or make an appointment for a specific date and time. Initial use of the “WaitAnywhere” reservation application and “Ventus” appointment application was limited to certain transaction types. After the onset of the COVID-19 pandemic, the use of the “WaitAnywhere” reservation application was suspended. The Ventus appointment application enables staff to manage customer flow and social distancing by allowing customers to schedule same-day appointments. It was determined that using only the Ventus

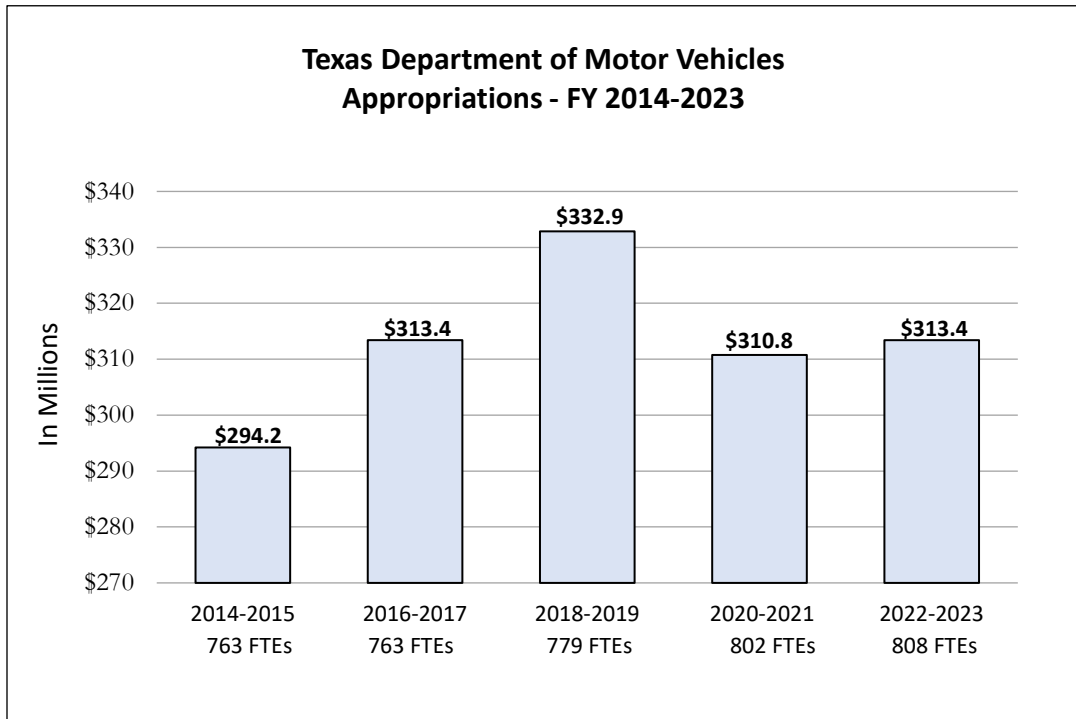
application was just as efficient as using both applications and a decision was made to use only the Ventus appointment application and not to renew the “Wait Anywhere” application. The range of transaction types available through Ventus has been expanded to accommodate most transaction types. The updated queuing system now allows for customers to check-in remotely and wait in their vehicle until texted to enter.

- Preparing for the Transfer of Additional Functions/Programs to TxDMV – as the department looks toward the future, it must be prepared to accommodate any additional duties, functions or programs that it could receive as a result of legislative action. The department will monitor any proposed changes as they develop.

Appendix IV – TxDMV Appropriations History

Texas Department of Motor Vehicles - Appropriations History

The following table illustrates the TxDMV appropriation and FTE history since the FY 2014-2015 biennium.



Excluding one-time adjustments the TxDMV biennial appropriation amounts have remained historically consistent since FY 2016-2017 biennium

Appendix V: Budget Terms and Definitions

Budget Terms and Definitions:

In Alphabetical Order

Annual Operating Budget – An agency’s Annual Operating Budget represents a one-year financial plan supporting the agency’s business operations and addresses base operating requirements and adjustments. The budget covers funding for each division and reflects the most appropriate method of finance and strategy for core activities and continuing programs. The TxDMV Preliminary Operating Budget reflects FY 2020 appropriations as identified in the 86th Legislature, Conference Committee. An agency’s Annual Operating Budget covers a one-year period from September 1 through August 31.

Appropriation – Refers to funding or associated full-time equivalent (FTE) positions authorized for specific fiscal years and provisions for spending authority.

Appropriation Year (AY) – Refers to the specific fiscal year for which an appropriation is made. The appropriation year dictates the year to which the expenditure is authorized/charged.

Base Request – Represents the basis for an agency’s biennial budget. The base request cannot exceed the appropriated amount established by the legislature through the prior biennial GAA, adjusted for Article IX appropriation adjustments.

Benefit Replacement Pay – Benefit Replacement Pay (BRP) is compensation authorized by the Texas Legislature to offset the loss of state-paid Social Security contributions. S.B. 102, 74th Legislature, eliminated the state-paid Social Security payment, effective December 31, 1995. After this date, eligible employees began receiving a supplement known as BRP in place of the state-paid Social Security payment. Eligible employees include those that were employed by the state and subject to FICA taxes on August 31, 1995 and have been continuously employed by the state since that date; employees that left the state but returned within 30 consecutive calendar days and those that retired before June 1, 2005 and returned to work with the state before September 30, 2005.

Biennium – Two-year funding cycle for legislative appropriations.

Capital Budget – The portion of an agency’s appropriation that is restricted to expenditures for designated capital construction projects, capital acquisitions or projects.

Centralized Accounting and Payroll/Personnel System (CAPPS) – CAPPS is the official name of the statewide Enterprise Resource Planning (ERP) system created by the Comptroller of Public Accounts (CPA) ProjectONE team. CAPPS will replace legacy systems with a single software solution for financial and Human Resources (HR)/Payroll Administration for Texas state agencies. The modules for TxDMV’s CAPPS include: Asset Management; General Ledger/Commitment Control (Budget); Payables; Purchasing/eProcurement; HR and Payroll Administration.

Expended – The actual dollars or positions utilized by an agency or institution during a completed fiscal year; a goal or strategy; an object of expense; or an amount from a particular method of finance.

General Appropriations Act (GAA) – The law that appropriates biennial funding to state agencies and higher-education institutions for specific fiscal years and sets provisions for spending authority.

General Revenue (GR) (Fund 0001) – The fund that receives state tax revenues and fees considered available for general spending purposes and certified as such by the Comptroller of Public Accounts.

Federal Funds/Grants – Funds received from the United States government by state agencies and institutions that are appropriated to those agencies for the purposes for which the federal grant, allocation, payment or reimbursement was made.

Fiscal Year (FY) – September 1 through August 31 and specified by the calendar year in which the fiscal year ends. For example, FY 2022 runs from September 1, 2021 through August 31, 2022.

Full-Time Equivalents (FTEs) – Units of measure that represent the monthly average number of state personnel working 40 hours per week.

Lapsed Funds – The unobligated balance in an item of appropriation that has not been encumbered at the end of a fiscal year or at the end of the biennium. Appropriations expire if they are not 1) obligated by August 31 of the appropriation year in which they were made or 2) expended within two years following the last day of the annual year.

Line-item – An element of spending authority granted to an agency or institution in an appropriations bill. It is, literally, a line in the General Appropriations Act specifying an agency's appropriations for a specific designated use. In Texas, the governor may veto a line-item.

Method of Finance – This term usually appears as a heading for a table that lists the sources and amounts authorized for financing certain expenditures or appropriations made in the General Appropriations Act (GAA). A source is either a "fund" or "account" established by the comptroller or a category of revenues or receipts (e.g., federal funds).

Processing and Handling Fee – In accordance with H.B. 2202, 83rd Legislature, Regular Session, in June 2016, effective January 1, 2017, a new processing and handling (P&H) fee for registration activities was adopted. The P&H fee is set at an amount (\$4.75) sufficient to cover the costs of registration services.

Rider – Sets specific instructions regarding the expenditure or collection of funds by an agency.

Salary Budget – Fiscal year salaries include projected annual costs based on prior year actual salaries with adjustments for vacancies, merits and projected longevity costs.

State Highway Fund (Fund 0006) – Constitutionally created fund that dedicates net revenues from motor vehicle registration fees and taxes on motor fuels and lubricants. Revenue is used for highway construction and maintenance, acquisition of rights-of-way and law enforcement on public roads.

TxDMV Fund (Fund 0010) – S.B. 1512, 84th Legislature, Regular Session, re-created the TxDMV Fund outside of the GR Fund and directed an agency to change its deposit schedule beginning in FY 2017. S.B. 1512 also redirected the revenues previously identified in H.B. 2202, 83rd Legislature, Regular Session, associated with certain TxDMV fees to be deposited to the credit of the newly established TxDMV Fund.

Unexpended Balance (UB) or Carry-Forward – The amount left in an item of appropriation at the end of an appropriation period and includes only that part of the appropriation, if any, which has not had an obligation or commitment made by an agency in charge of spending the appropriation. The term also refers to the amount of an appropriation, a fund or a category of revenue which is brought forward (appropriated) to the succeeding fiscal year. Agencies must have legislative authority to move funds from one year to the next and/or from one biennium to the next biennium.

*Appendix VI: Finance and Administrative Services
Contacts*

Finance and Administrative Services Contacts

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Lisa Conley, Planner
512-465-4186

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sergio Rey, Finance & Administrative Services Interim Division Director
Agenda Item: 4.D
Subject: Third Quarter Financial Report ending May 31, 2021

BRIEFING ONLY

Presentation on the financial summary of the Texas Department of Motor Vehicles' revenue collections and department expenditures through the third quarter of Fiscal Year 2021 ending May 31, 2021

PURPOSE AND EXECUTIVE SUMMARY

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

Through the third quarter of FY 2021, the key highlights of the department's revenues and expenditures are:

- The department's total revenue deposits (all funds) were \$1.4 billion, a 4.4% increase compared to the third quarter of FY 2020.
- TxDMV Fund 0010 collections totaled \$112.8 million, a 3.9% decrease compared to third-quarter FY 2020.
- All-fund (General Revenue Fund and TxDMV Fund) obligations (including expenditures and encumbrances) totaled \$140.2 million. This includes expenditures associated with COVID-19 in the amount of \$2.0 million.
- The department collected sufficient revenue through the third quarter of FY 2021 to support its expenditures during the same period.
- The ending **TxDMV Fund 0010** balance at May 31, 2021, was \$160.7 million. Inclusion of encumbrances adjusts the **net balance to \$134.6 million**.

FINANCIAL IMPACT

Total Revenues (All Funds)

TxDMV revenue deposits totaled \$1.40 billion through the third quarter of FY 2021. This amount includes:

- \$ 1,207.8 million for the State Highway Fund (Fund 0006);
- \$ 83.0 million for the General Revenue Fund (Fund 0001); and
- \$ 112.8 million for the TxDMV Fund (Fund 0010).

TxDMV Fund 0010 Revenues

FY 2021 collections for TxDMV Fund 0010 totaled \$112,755,632. This amount includes revenues from titles, registered vehicles, license plates, oversize/overweight permits, motor vehicle business licenses, processing and handling fees, and miscellaneous fees.

TxDMV Fund 0010 revenues decreased by 3.9% compared to FY 2020. The decrease in FY 2021 revenues compared to FY 2020 is attributable to fee waivers and the decline in economic activity related to COVID-19.

Expenditures/Obligations

Obligations through May 31, 2021, totaled \$140.2 million (\$105.2 million in expenditures and \$35.0 million in encumbrances) for all funds. Significant expenditure categories continue to include salaries, contract services for plate production, printing costs for Vehicle Titles and Registration Division forms, postage, and Data Center Services costs. Included in expenditures is \$5.9 million for contract payments to MyPlates, the specialty-plates vendor. Contract payments to MyPlates are contingent upon revenues collected.

To date the department has incurred \$2.0 million in FY 2021 obligations related to the COVID-19 response. The majority of the cost is related to staff time responding to operational issues, i.e., planning and implementing new policies/procedures, modifying facilities for customer service and disinfecting services. Tracking of staff time for COVID-19 ended on May 31, 2021.

The FY 2021 budget through May 31, 2021, includes \$10.0 million in unspent balances of FY 2020 appropriations. The primary drivers of the remaining balance include savings from vacant positions, less than anticipated license plate production expenses, and agency reserves. The authority to carry forward the unspent funds from FY 2020 was approved by the Legislature during the 86th regular legislative session.

The FY 2021 capital project budget obligations through May 31, 2021, include expenditures of approximately \$13.7 million and encumbrances of approximately \$7.4 million, for a total obligated amount of \$21.1 million. This includes \$10.9 million in obligations for Data Center Services; \$6.4 million for Automation; and \$2.6 million for County Technology. The remaining capital obligations are for agency support for vehicle replacement, technology, and facilities. The FY 2021 capital project budget includes \$23.1 million in funds carried forward from FY 2020; the majority of the carry forward is for the Automation capital budget.

The FY 2021 budget includes continued funding for exceptional items that were approved by the Legislature during the 86th regular legislative session. The exceptional items approved include nine new full-time equivalents (FTEs) and associated funding for the Consumer Relations Division, and twelve new FTEs for the Information Technology Services Division. The Legislature also approved a contingency rider for the implementation of a digital license plate program that included two FTEs for the Vehicle Titles and Registration Division. A contract was awarded in October 2020 to a third-party vendor to provide digital license plate services and implementation is underway.

BACKGROUND AND DISCUSSION

MyPlates

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

General Revenue Fund 0001 deposits associated with the MyPlates contract from November 19, 2019, to May 31, 2021, totaled \$27.2 million. Of the \$27.2 million, \$12.5 million counts toward the \$25 million contract guarantee.

COVID-19 Summary

It has been more than one year since COVID-19 has changed the way the TxDMV has provided business to the customers of the state of Texas. Governor's proclamations, state economy, unemployment numbers temporarily going up, and the February weather are just some of the events that have taken place that have affected our revenues and expenditures this past year. Below is a summary of the impacts that have happened through the third quarter of FY 2021.

Revenue

- The cumulative impact on revenues since the beginning of the COVID-19 event is a loss of \$37.2 million specifically due to fee waivers for delinquent title transfer penalties and certain temporary permits (along with the associated processing and handling fees on the permits). The waiver period ended on April 14, 2021.
- The cumulative impact on revenues since the beginning of the COVID-19 event is an additional loss of \$283.9 million due to a general decline in economic activity during the period.

Obligations

- TxDMV began providing resources in March 2020 in response to the COVID-19 pandemic. Response activity has continued into FY 2021.
- In FY 2020 expenses for COVID-19 response totaled \$1.7 million and were primarily for staff time dedicated to the response, facility maintenance improvements and cleaning, and the acquisition of personal protective equipment. FY 2021 expenditures through May 2021 totaled \$2.0 million and were primarily for facility cleaning contracts, employee time devoted to COVID-19 response, and temporary contract workers for the Consumer Relations Division. The estimated overall cost of the pandemic including the \$1.7 million from FY 2020 and \$2.1 million from FY 2021 is a cumulative cost impact of \$3.8 million for the entire event.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.



3rd Quarter Financial Report ending May 31, 2021 Fiscal Year 2021



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Actual Revenue (All Funds)

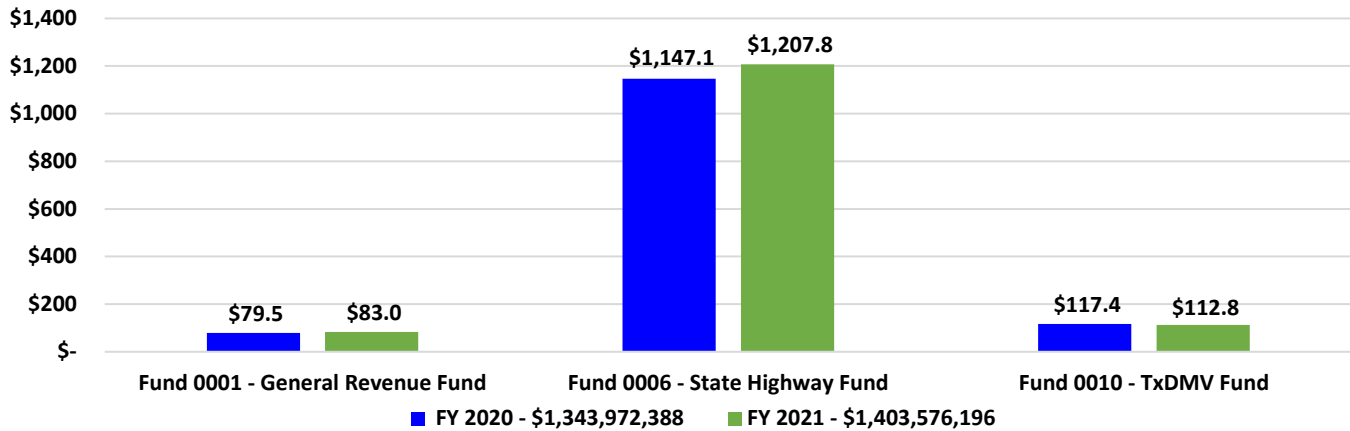
Financial Summary through the Third Quarter

September through May FY 2021

Overall Revenue Collections

FY 2020 and FY 2021 Year-over-Year Revenue by Fund

(in millions)



The Texas Department of Motor Vehicles (TxDMV) collected \$1.40 billion through the third quarter of FY 2021. This was 0.1% less than the projected FY 2021 amount and 4.4% above FY 2020 collections. Through the third quarter, compared to FY 2020, the state experienced a steady growth pattern in almost all sectors, resulting in an increase in registration, motor carrier credentialing, motor vehicle business license, and processing and handling fee revenue. Oversize/overweight revenue continues to lag behind FY 2020, but revenue is expected to trend higher later in the current fiscal year. COVID-19 continues to affect the state's economy, including temporarily reduced auto sales (which saw an atypical drop due to the February statewide weather conditions) and downward impacts to the oil-and-gas sector.

Revenue collected for all three funds totaled \$1,403,576,196 through the third quarter of FY 2021. This was an increase of 4.4% from FY 2020. The amount of revenue collected for each fund in FY 2021 is as follows: Fund 0001, General Revenue Fund, \$83,013,437 (4.5% increase from FY 2020); Fund 0006, State Highway Fund, \$1,207,807,128 (5.3% increase from FY 2020); and Fund 0010, TxDMV Fund, \$112,755,632 (3.9% decrease from FY 2020). These fees include: Motor Vehicle Certificates of Title, Motor Vehicle Registration, Motor Carrier Oversize/Overweight, Motor Carrier Credentialing, Motor Vehicle Business Licenses, Processing and Handling Fee, and miscellaneous revenues.

TxDMV revenue deposits through the third quarter of FY 2021 for all three funds by revenue category is shown in the chart below.

FY 2021 versus FY 2020 Year-to-Date Comparison

Year over Year

| Revenue Category | Year over Year | | % Difference |
|-------------------------------------|-------------------------|-------------------------|--------------|
| | FY 2020 Actual | FY 2021 Actual | |
| Motor Vehicle Certificates of Title | \$ 59,689,326 | \$ 52,773,872 | -11.6% |
| Motor Vehicle Registration | 1,091,444,211 | 1,175,747,785 | 7.7% |
| Motor Carrier - Oversize/Overweight | 135,347,017 | 114,392,050 | -15.5% |
| Motor Carrier Credentialing | 5,126,054 | 5,387,143 | 5.1% |
| Motor Vehicle Business Licenses | 5,433,327 | 6,111,960 | 12.5% |
| Miscellaneous Revenue | 9,525,215 | 8,674,089 | -8.9% |
| Processing and Handling Fee | 37,407,237 | 40,489,297 | 8.2% |
| Total | \$ 1,343,972,388 | \$ 1,403,576,196 | 4.4% |



September through May FY 2021 Actuals vs Projections

FY 2021 Actuals versus Projections

| Revenue Category | FY 2021 Projections | FY 2021 Actual | % Difference |
|-------------------------------------|-------------------------|-------------------------|--------------|
| Motor Vehicle Certificates of Title | \$ 59,644,244 | \$ 52,773,872 | -11.5% |
| Motor Vehicle Registration | 1,164,123,491 | 1,175,747,785 | 1.0% |
| Motor Carrier - Oversize/Overweight | 120,041,573 | 114,392,050 | -4.7% |
| Motor Carrier Credentialing | 5,195,028 | 5,387,143 | 3.7% |
| Motor Vehicle Business Licenses | 5,778,071 | 6,111,960 | 5.8% |
| Miscellaneous Revenue | 8,559,500 | 8,674,089 | 1.3% |
| Processing and Handling Fee | 41,434,696 | 40,489,297 | -2.3% |
| Total | \$ 1,404,776,602 | \$ 1,403,576,196 | -0.1% |

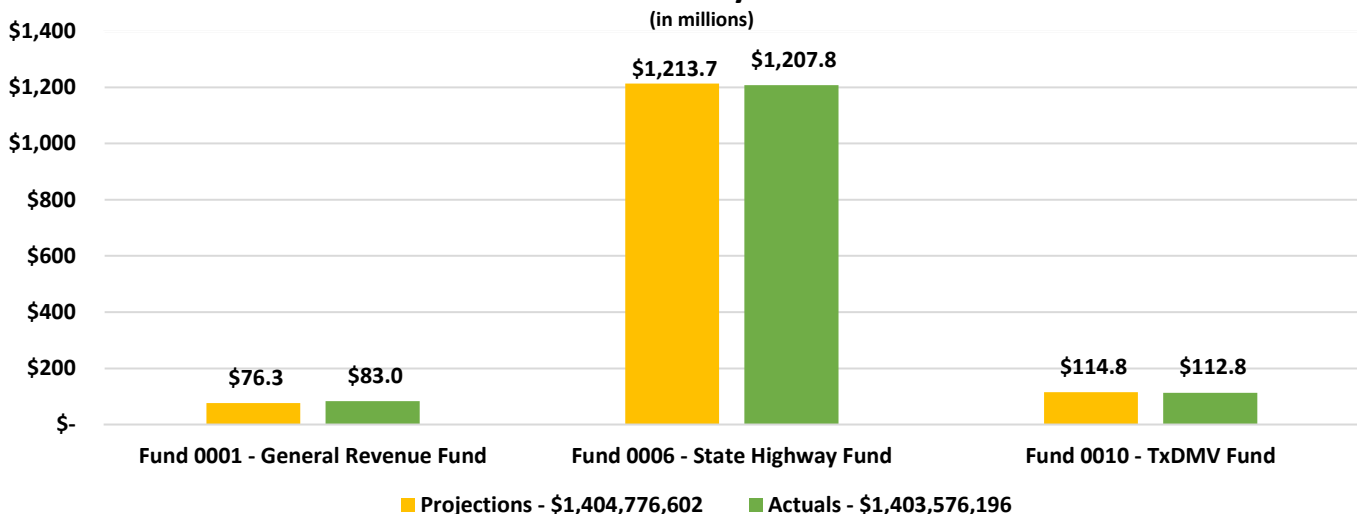


TxDMV collections in the last few months of FY 2020 reflected a pickup in most revenue streams from the lows of April and early May of 2020. This included registration fees, motor carrier credentialing, motor vehicle business license fees, and processing and handling fees. Most collections continued rebounding as we have progressed through FY 2021, including the effect of the fee-waiver and deferral period coming to a close April 14, 2021. FY 2021 projections shown above were established in the latter part of FY 2020 for board-reporting purposes, and include consideration of COVID-19 effects on revenue streams.

Revenues for most categories saw a decline in the second quarter due to the week of severe weather in February, in which much less business was conducted during that time statewide. However, customer activity picked up as expected in the third quarter and the upward trend is expected to continue in the fourth quarter.

Miscellaneous revenue continues to see a decrease from FY 2020 due to the declining performance of interest rates paid on the TxDMV Fund. These rates have decreased on average from 1.97% in FY 2020 to 0.49% in FY 2021 during the same time period, representing a 75% decline in interest rates.

FY 2021 Actuals vs Projections Revenue by Fund





Texas Department of Motor Vehicles
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TxDMV Fund 0010
Financial Status Highlights

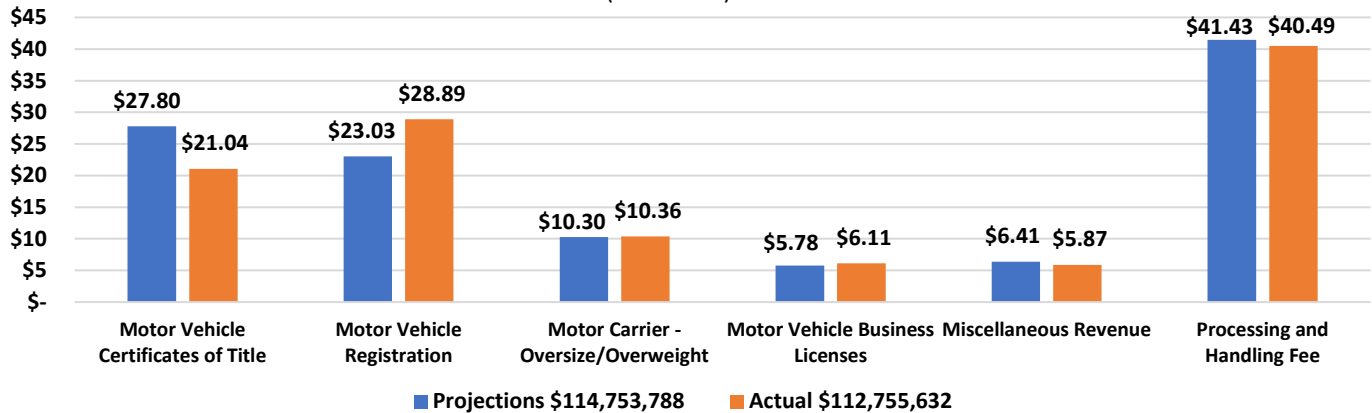
Financial Summary through the Third Quarter

September through May FY 2021

TxDMV Fund 0010 Highlights

Actuals vs Projections

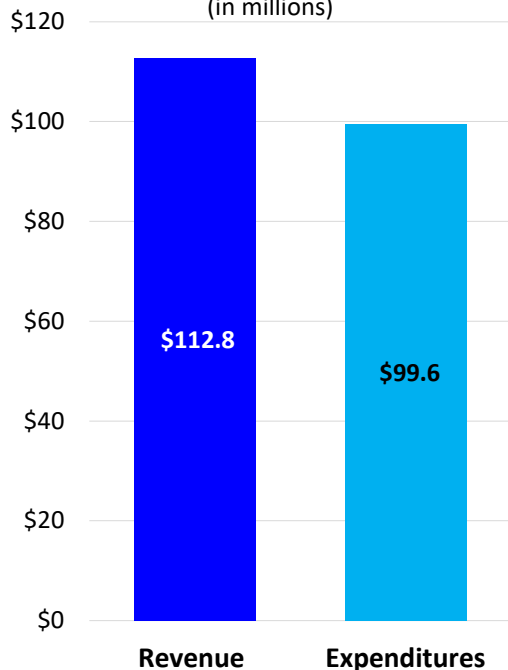
(in millions)



- Overall, TxDMV Fund (0010) revenues were 1.7% (\$1,998,156) below projections through the third quarter of FY 2021. Title revenue was 24.3% under projections, mostly due to the unknown ending date of the waiver period for delinquent title transfer penalty collections when the annual projections were established. Registration revenue was 25.4% over projections (mostly due to strong vendor-plates sales); motor vehicle business license revenue was 5.8% over projections; and oversize/overweight revenue was 0.5% over projections. Miscellaneous revenue was 8.4% under projections, mostly attributable to lower-than-expected interest rates paid on the TxDMV Fund balance.
- TxDMV Fund revenue collections totaled \$112.8 million, which was 3.9% (\$4.6 million) lower than collections during the same time period of FY 2020. This represented: a 28.6% decrease in title revenue (mostly due to the waiver of delinquent title transfer penalties); a 12.5% increase in registration revenue; a 13.4% decrease in oversize/overweight revenue; a 12.5% increase in motor vehicle business license revenue; a 21.3% decrease in miscellaneous revenue; and an 8.2% increase in processing and handling fee revenue.
- TxDMV Fund deposits are not expected to meet FY 2021 projections.

FY 2021 Activity-to-date

(in millions)



TxDMV Fund 0010 Balance

| | Year-to-date |
|--|-----------------------|
| Beginning Fund Balance | \$ 147,503,099 |
| Fund 0010 Revenue | |
| Motor Vehicle Certificates of Title | \$ 21,035,724 |
| Motor Vehicle Registration | \$ 28,890,493 |
| Motor Carrier - Oversize/Overweight | \$ 10,357,236 |
| Motor Vehicle Business Licenses | \$ 6,111,960 |
| Miscellaneous Revenue | \$ 5,870,921 |
| Processing and Handling Fee | \$ 40,489,297 |
| Total Revenue | \$ 112,755,632 |
| Fund 0010 Expenditures | |
| TxDMV Operational Expenditures | \$ 90,035,453 |
| Fringe Benefits | \$ 9,548,296 |
| Total Operational Expenditures | \$ 99,583,749 |
| Ending Fund Balance, May 31, 2021 | \$ 160,674,982 |
| Adjustment for Encumbrances | \$ 26,082,662 |
| Adjusted Net Cash Balance | \$ 134,592,320 |



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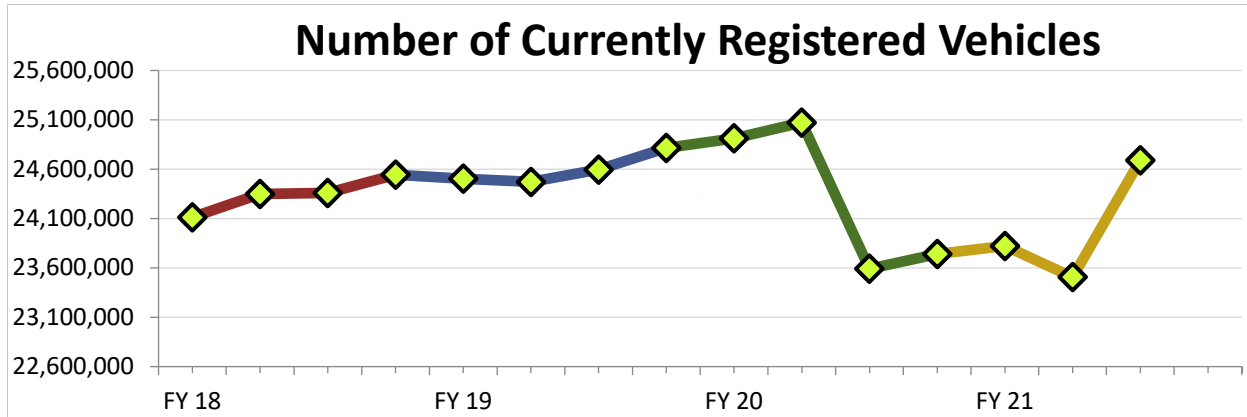
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All Funds (Fund 0001, Fund 0006, and Fund 0010): Title, Registration, Oversize/Overweight, and Processing and Handling Fees

Financial Summary through the Third Quarter

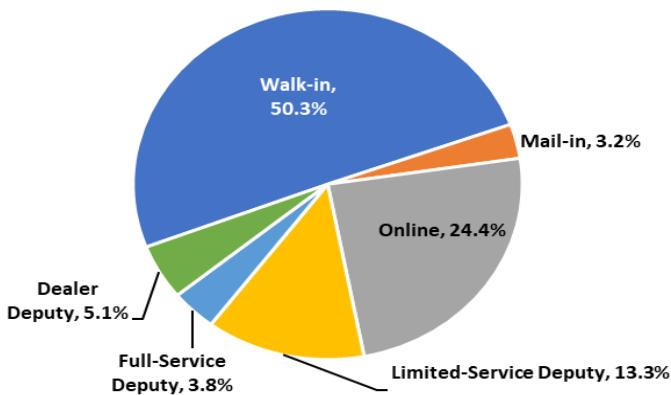
Registration Revenue

- All-funds registration revenue in FY 2021 increased 7.7% (\$84.3 million) from FY 2020. This increase includes the effect of Texans registering their vehicles based on the deferral period coming to an end on April 14, 2021. TxDMV realized strong March and April influxes of revenue in this fee category, with an expectation of steadiness in the remainder of FY 2021.
- All-funds registration revenue was 1.0% (\$11.6 million) higher than projections. This revenue category met the FY 2021 projection and accounted for 84% of TxDMV revenue through the third quarter. The number of non-exempt registered vehicles went from 25.1 million at the end of February 2020 to 24.7 million at the end of May 2021, a decrease of 381,833 (1.5%) vehicles. The number of registered vehicles has rebounded as the deferral period has ended.



Processing and Handling Fee

Transaction Mix from Annual Registrations through the 3rd Quarter

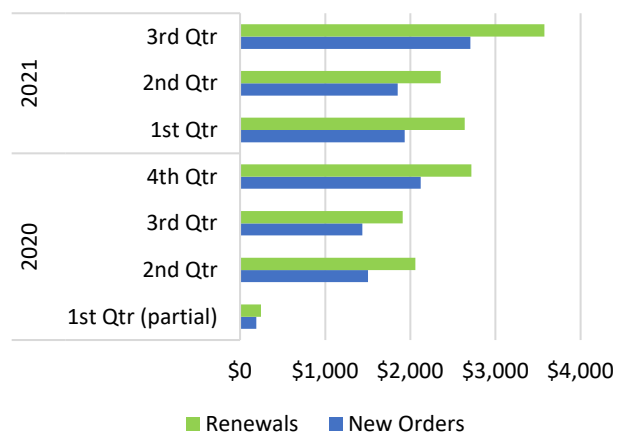


- A majority (50.3%) of annual-registration transactions year-to-date were processed at county offices. Year-to-date online utilization was 24.4%, a 3.6-percentage-point increase from FY 2020.
- With some county offices closed temporarily, more registration renewals were processed online through the third quarter of FY 2021 than the same period of FY 2020. Through the third quarter, online registrations made up 4.4 million of the 18.0 million FY 2021 transactions versus 3.4 million of the 16.2 million FY 2020 transactions.

Vendor Plates

- General Revenue Fund 0001 deposits associated with the (third) MyPlates contract from November 19, 2019, to May 31, 2021, totaled \$27.2 million, of which \$12.5 million counted toward the contract's \$25 million guarantee.
- Since the effective date of the current contract, new orders made up 43.1% of the Fund 0001 mix, and renewals made up 56.9%.

MyPlates Orders (Fund 0001 Portion)
(in thousands)

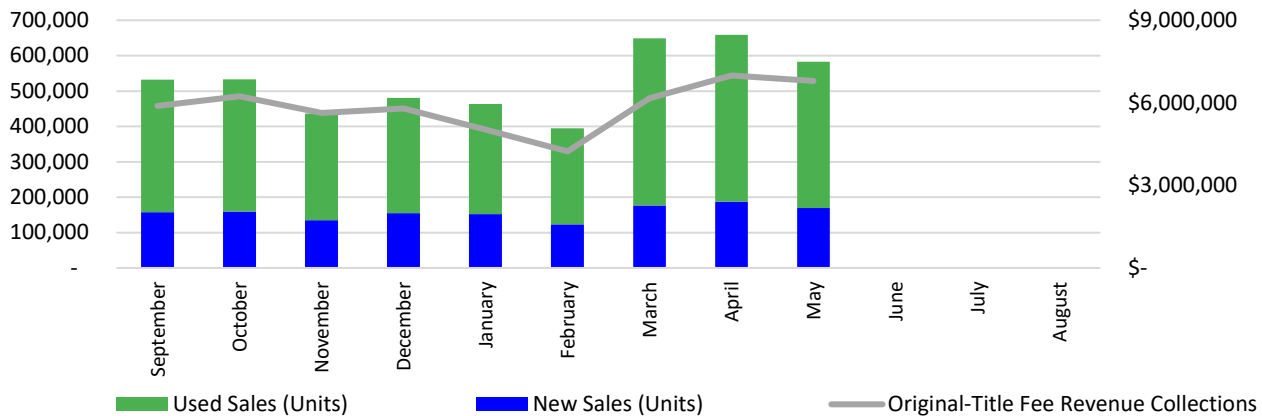


Financial Summary through the Third Quarter

Motor Vehicle Certificates of Title

- The agency recognized a decrease (from projections) in FY 2021 all-funds title revenue of 11.5% (\$6.9 million) through May FY 2021, primarily due to lower-than-expected delinquent title transfer penalty collections.

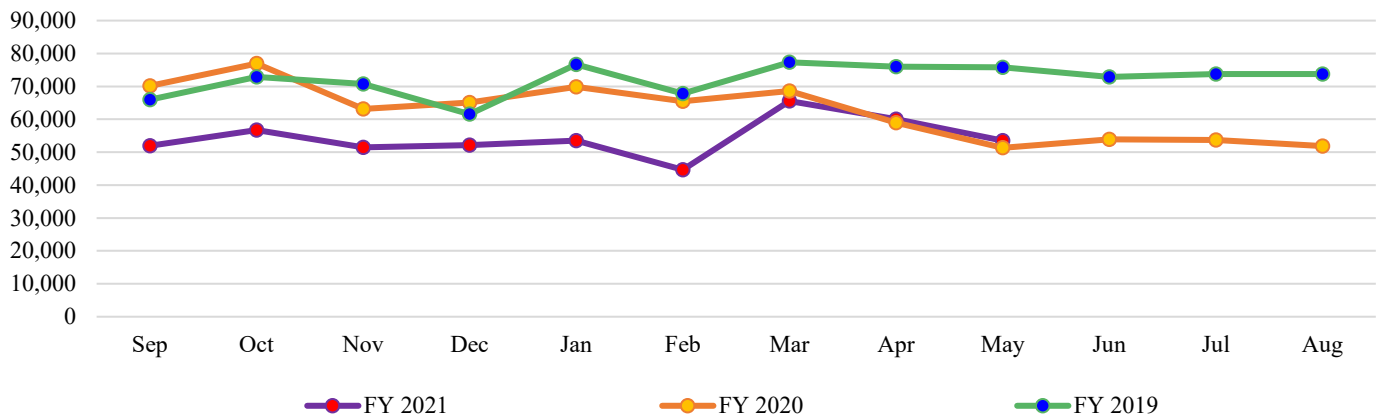
Monthly Auto Sales and Original-Title Fee Revenue Collections



- Revenue from the original-title fee makes up the largest component of certificates of title revenue. In FY 2021, revenue was collected from the issuance of about 4.8 million original titles through the third quarter. This was an increase of 4.2% from the same time period in FY 2020. Original-title issuance is driven by new- and used-vehicle sales.
- Compared to FY 2020, auto sales in FY 2021 increased by 14.1%, with used-car sales up 15.2% and new-car sales up 11.8%, all contributing to a year-over-year increase in original-title revenue.

Motor Carrier Oversize/Overweight

Monthly Oversize/Overweight Permit Issuance



- All-funds oversize/overweight permitting revenue was 4.7% (\$5.6 million) under FY 2021 projections. The number of permits issued in FY 2021 year-to-date was 489,532 compared to 589,694 issued year-to-date in FY 2020, a decrease of 17.0% (100,162 more permits were issued in FY 2020). Decreased activity in the oil-and-gas sector along with a shortage of drivers in the industry has affected the issuance of motor-carrier permits, continuing to result in lower oversize/overweight fee deposits. Revenue in this category did not meet third-quarter FY 2021 expectations, but is expected to see an uptick in the fourth quarter.



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Cumulative COVID-19 Impacts

FY 2021 Financial Impact of COVID-19 Response

- TxDMV began providing resources in March 2020 in response to the COVID-19 pandemic. Response activity has continued into FY 2021.
- Total expenses for FY 2020 related to the COVID-19 response totaled \$1.7 million. Expenses were primarily for staff time dedicated to the response, facility maintenance improvements and cleaning, and the acquisition of personal protective equipment for employees and customers.
- Total FY 2021 obligations for COVID-19 response, from September 2020 through May 2021 was \$2,046,953. The majority of the obligated amount was due to specific facility cleaning contracts that were established for providing COVID-19 cleaning services. The contracts provide cleaning coverage through August 2021. Other primary costs include employee time devoted specifically to COVID-19 response and temporary contract workers brought in to the Consumer Relations Division to assist with workload.
- The total projected cost impact in FY 2021 for COVID-19 response is estimated at \$2.1 million. The total cost estimate also assumes COVID-19 facility cleaning services will continue through the end of the fiscal year. Staff time specifically related to COVID-19 activities ended as of May 2021.
- The overall cost of the pandemic including \$1.7 million from FY 2020 and \$2.2 million estimated for FY 21 is a cumulative cost impact of \$3.8 million.
- The cumulative impact on revenues since the beginning of the COVID-19 event is a loss of \$37.2 million specifically due to fee waivers for delinquent title transfer penalties and certain temporary permits (along with the associated processing and handling fees on the permits). The waiver period ended on April 14, 2021.
- The cumulative impact on revenues since the beginning of the COVID-19 event is an additional loss of \$283.9 million due to a general decline in economic activity during the period.



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TxDMV Budget

September through May FY 2021**TxDMV Fund 0010**

The beginning budget amount for FY 2021, as approved by the 86th Legislative Session General Appropriations Act, was \$153,007,749. The budget has been modified for the carry forward of unexpended balances from FY 2020 (\$35,236,981) for both capital and operating appropriations); for benefit costs (\$12,595,256); and for higher than anticipated MyPlates commissions (\$2,363,363). The current modified budget amount for all appropriations as of February 2021 is \$203,203,349.

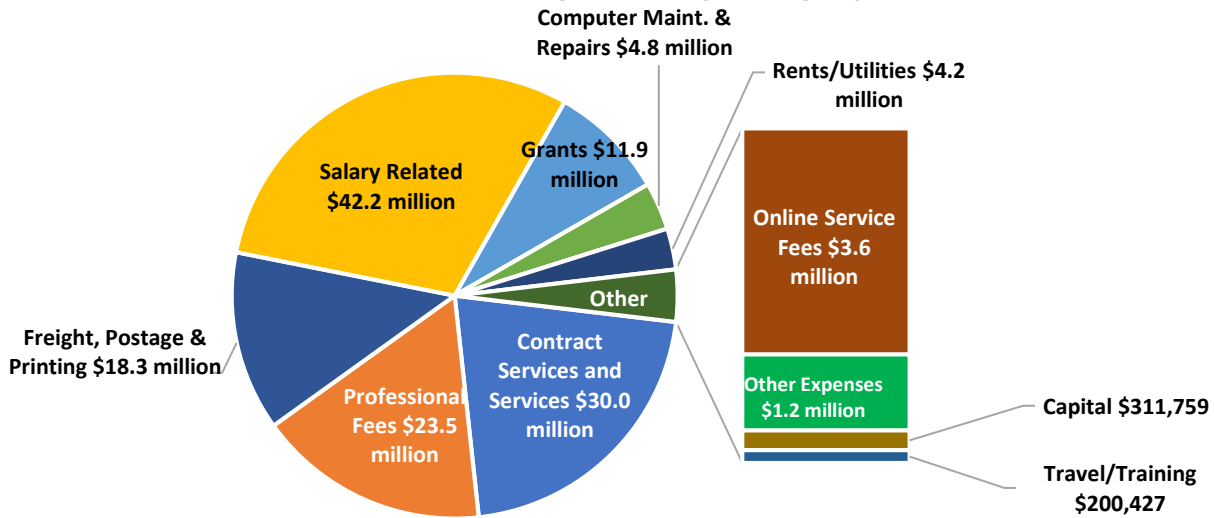
Key components of the FY 2021 budget include:

- Additional full-time equivalents (FTEs) were added for Consumer Relations (9.0 FTEs) and Information Technology Services (12.0 FTEs) beginning in FY 2020 and continuing into FY 2021.
- Capital funding was added for Regional Service Center renovations and upgrades (\$250,000 in FY 2020 and \$250,000 in FY 2021); ITS infrastructure and application improvements (\$1,850,000); and consumer protection and enforcement tracking (\$470,000 in FY 2020 and \$97,500 in FY 2021).
- Funding was also approved in the amount of \$730,000 in FY 2020 and \$1,161,606 to address increases in Statewide Cost Allocation Plan costs. These costs are for legislatively mandated reimbursements to the General Revenue Fund for central services provided by the Comptroller of Public Accounts, such as the maintenance of the statewide financial system used by TxDMV.
- A contingency rider was also approved during the 86th legislative session for implementing a digital license plates program. An appropriation in the amount of \$1.2 million was approved for FY 2020 for two new FTEs in the Vehicle Titles and Registration (VTR) Division and technology costs in the ITS Division. Funding for the FTEs continues in FY 2021. Administrative code rules to establish a digital license plates program have been finalized and a contract with a third-party vendor was approved in October 2020. Public go-live of the Digital License Plate program is in the development phase.
- Unexpended balances from FY 2020 operating appropriations was authorized to be brought forward to FY 2021 by the legislative approval of a rider in the General Appropriations Act.

September through May FY 2021

- Third-quarter TxDMV obligations for all funds totaled \$140.2 million (expenditures of \$105.2 million and \$35.0 million in encumbrances). Encumbrances are outstanding purchase orders that have been issued for goods and services that will be received and expended in the future.

Third Quarter Obligations by Category - All Funds

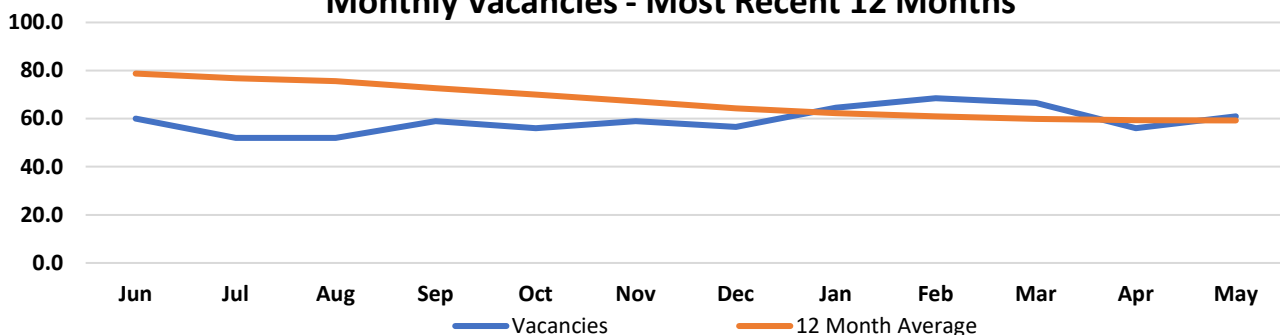


- Major third-quarter obligations in FY 2021 are listed in the chart above. Obligations for freight/postage/printing (primarily postage/printing), contract services, professional fees, salary related, and grants constitute 90% of the department's obligations for the third quarter.
- Printing expenditures are associated with titling and registration forms and imaging costs. Contract services include costs of license plates production, registration decal production, and MyPlates contract obligations. Professional fees are associated with data center services and capital project contractors working on department technology initiatives.

Full-Time Equivalents

- In FY 2020, the approved department FTE count increased from 779 to 802: nine new FTEs for Consumer Relations, twelve new FTEs for Information Technology Services, and two new FTEs for Vehicle Titles and Registration for digital license plates.
- Overall, filled positions have remained constant over the past twelve months, from 742.0 FTEs in June 2020 to 741.0 FTEs as of May 2021. Since the beginning of the biennium, in September 2019, overall staffing has been steadily improving; vacancies totaled 94.0 FTEs in September 2020 but has decreased to 61.0 FTEs as of May 2021.

Monthly Vacancies - Most Recent 12 Months



FY 2021 Highlights

- The FY 2021 budget as of May 31, 2021 was \$203.2 million. This amount included the original baseline total of \$153.0 million as approved by the Legislature during the 86th legislative session; \$35.2 million in funds that were brought forward from FY 2020; a \$2.4 million adjustment for My Plates commissions; and \$12.6 million for benefit costs.
- The baseline total of \$153.0 million provides funding for 802.0 FTEs, ongoing operating costs, and FY 2021 funding for capital projects.
- The \$35.2 million in carry forward funds as of May 31, 2021 is primarily from the continuation of capital projects funded in FY 2020 and continuing into FY 2021. The largest portion of the carry forward is from the TxDMV Automation Project, with a carry forward amount of \$17.7 million.
- The other major driver of carry forward balances is lapsed funds from the FY 2020 operating budget. During the 86th legislative session TxDMV received authority to carry forward any lapsed operating funds from FY 2020 into FY 2021. As of May 31, 2021 the operating carry forward amount was approximately \$10.0 million.
- The operating carry forward has been utilized by TxDMV in FY 2021 to address the continued COVID-19 response as well as other one-time costs as needed.
- The carry forward balance was also utilized to address one-time facility expenditures related to the late February winter storm.

Capital Budget and Projects

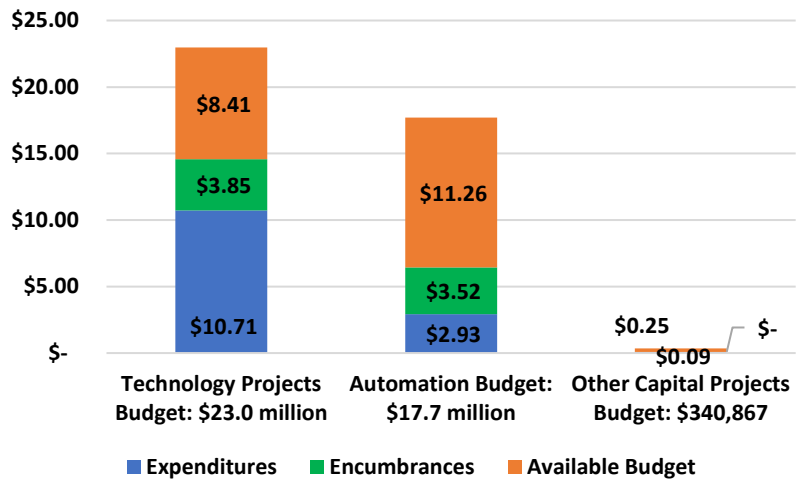
| Capital Project Budget Status | | | | |
|--------------------------------|----------------------|----------------------|---------------------|----------------------|
| | Revised Budget | Expenditures | Encumbrances | Available Budget |
| Technology | \$ 22,970,966 | \$ 10,712,818 | \$ 3,848,712 | \$ 8,409,436 |
| Automation | \$ 17,705,666 | \$ 2,927,155 | \$ 3,519,776 | \$ 11,258,736 |
| Other Capital Projects | \$ 340,867 | \$ 90,864 | \$ - | \$ 250,003 |
| All Capital Grand Total | \$ 41,017,499 | \$ 13,730,837 | \$ 7,368,487 | \$ 19,918,174 |

Capital Budget Status

The capital budget totals \$41,017,499.

- Including: Expenditures of \$13.7 million, and encumbrances of \$7.4 million, for a total of \$21.1 million in obligations.
- The budget as of the end of the quarter for capital consists of \$23.1 million carried forward from FY 2020 for Automation and HQ Maintenance projects, and \$17.9 million in new appropriations.
- Detailed information on Technology Projects is shown below, and Automation and Other Capital Project information is on the following page.

Third Quarter Capital Budget Status (In Millions)



Technology Capital Projects

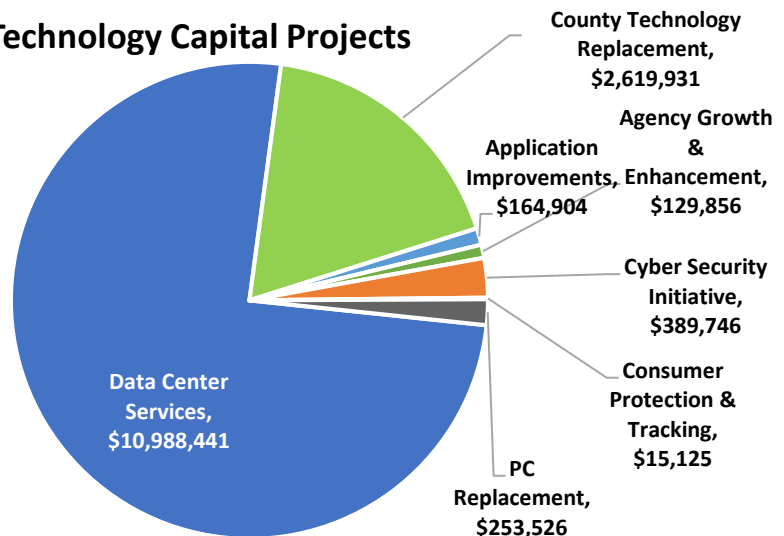
Technology Highlights

The obligations in the Technology category consist of:

- Data Center Services (DCS), the largest single component of the Technology budget (\$10.9 million), provides management of applications, hardware and technology services for TxDMV.

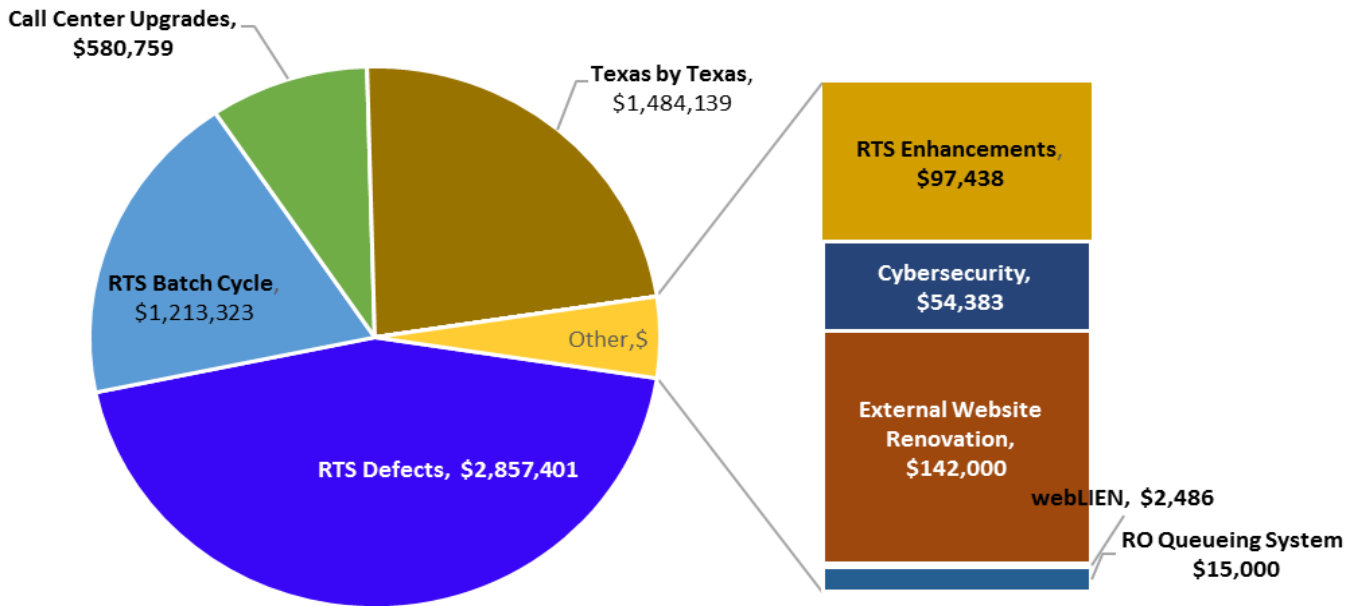
- The majority of expenditures and encumbrances through May 2021 includes Data Center Services, and toner and technical support for the counties. Obligations in County Technology Replacement and PC Replacement include laptops and desktops for the refresh programs.

Technology Capital Projects



Automation Capital Projects

Automation Obligations: \$6.4 million



- The TxDMV Automation project consists of \$6.4 million in obligations. The primary obligations as of May 2021 are for Registration and Title System (RTS) defects, Texas by Texas application implementation, the Call Center Upgrades Project, and the RTS Batch Cycle project.
- The total Automation budget as of May 2021 is \$17.7 million.
- Approximately, \$4.3 million remains in Unallocated Reserve at the end of May 2021.
- Other top IT initiatives upcoming throughout this fiscal year include webLIEN, the County Sandbox and Digital License Plates.
- With PC Replacement funds, desktops are being replaced with laptops for better telecommuting ease.

Other Capital Projects

- Other Capital Projects budget as of May 2021 totals \$340,867. That amount includes \$90,000 for agency vehicles and \$250,000 for regional service center maintenance.
- Funding for agency vehicles will provide for the acquisition of four vehicles in FY 2021.
- The RSC maintenance capital budget will be utilized in FY 2021 for renovations and facility improvements at the Midland-Odessa Regional Service Center.



Texas Department of Motor Vehicles

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To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sergio Rey, Finance & Administrative Services Interim Division Director
Agenda Item: 4.E
Subject: Texas Comptroller of Public Accounts Post Payment Audit of TxDMV

BRIEFING ONLY

Briefing of an external audit of financial and human resources transactions by the Texas Comptroller of Public Accounts

PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles was selected for a routine post-payment audit from the Texas Comptroller of Public Accounts under the authority grant in Texas Government Code 403.011. The audit covers the period beginning December 1, 2019, through November 30, 2020.

FINANCIAL IMPACT

None at this moment

BACKGROUND AND DISCUSSION

The Comptroller of Public Accounts conducts post-payment audits of state agencies and state institutions of higher education on a routine basis. The last post-payment audit for TxDMV was in 2017 covering the period of June 1, 2019 through May 31, 2017.

In the interim, the Comptroller of Public Accounts has conducted two separate audits – Promotional Items Desk Audit and a 2019 Contracts Audit, which its final report was issued January 2021.

The objectives of the audit from the Expenditure Audit Section in the Comptroller’s Fiscal Management Division are as follows:

- Contracts were procured according to the applicable state laws and Comptroller requirements
- Payments were processed according to applicable state laws, Comptroller requirements, and statewide automated system guidelines
- Documentation to support those payment was appropriately maintained
- Financial transaction and high-risk assets were properly recorded.

The audit is currently in fieldwork.

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sandra Menjivar-Suddeath, Internal Audit Division Director
Agenda Item: 4.F
Subject: FY 2022 First Six-Month Internal Audit Plan and Risk Assessment Report

RECOMMENDATION

To recommend to the Texas Department of Motor Vehicles Board to approve the FY 2022 First Six Month Internal Audit Plan.

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 Audit Act (Texas Government Code 2102.008). The FY 2022 First Six Month Internal Audit Plan provides information for the entire fiscal year, including an hour analysis and the potential engagements; however, approval is only being requested on the engagements, divisional initiatives, and value-added services for the first six months. Nine risk-based and required engagements, four divisional initiatives, and six value-added services are planned for the first six months.

FINANCIAL IMPACT

No financial impact.

BACKGROUND AND DISCUSSION

The TxDMV Board approves an internal audit plan each year to be in compliance with the Texas Internal Audit Act (Texas Government Code 2102.008). The FY 2022 First Six Month Internal Audit plan provides information for the entire fiscal year, including an hour analysis and the potential engagements; however, approval is only being requested on the engagements, divisional initiatives, and value-added services for the first six months.

Risk Assessment

IAD identified or reviewed a total of 357 unique operational risks and 66 Fraud, Waste, and Abuse risks. IAD reviewed these risks with management and assigned a risk score to each risk using approved risk guidance. IAD used the risk assessment to identify high risk areas and engagements for the first six month internal audit plan.

First Six Month Engagements

IAD identified nine engagements that it will conduct during the first six months of the fiscal year. Out of the nine engagements, four engagements are required and five engagements are risk-based. The five risk-based engagements are tied to the three themes of Operational, Legislative Impact Readiness, and Information Technology. For the five risk-based engagements, one engagement will be co-sourced (Incident Response) and one engagement will be an advisory

service (SB15 – Data Contracts). The other engagements will be audits: Access Management, Dealer Licensing Process, and Facilities.

The four required engagements include the Annual Activities, Quality Assurance and Improvement Program – Internal Assessment, Audit Recommendation Implementation Status Follow-Up, and the FY 2022 Second Six Month Internal Audit Plan and Risk Assessment.

Contingency Engagements

The plan also includes contingency engagements that could be done in lieu of one of the first half engagements or could be done in the second half of the fiscal year. The contingency engagements are the following: Payment Card Industry Compliance, Motor Carrier Division, Strategic Communication (External Communication), or a placeholder engagement.

The placeholder engagement is to allow the Department and division flexibility if a risk occurs that requires immediate review prior to the creation and approval of the second half engagement. This placeholder engagement would only be used if the Finance & Audit Committee Chair and Board Chair agree that the risk needs to be immediately reviewed. Finance & Audit Committee members would brief on the new risk and plan changes as well.

Divisional Initiatives and Added-Value Services

In addition to the engagements, IAD conducts other value-added services and works on divisional initiatives. Divisional initiatives improve the effectiveness and efficiency of the division while value-added services include items that provide the Department inputs for strategic decision making and fraud, waste, and abuse risk management. Value-Added services for the first six months include Fraud, Waste, and Abuse, External Coordination Efforts, Ad hoc Advisory, Workgroup Participation, Department Trainings, and Key Risk Indicators. Divisional initiatives include Staff Development Plans and Training, TeamMate +, Communication Plans, and Automation.



Texas Department *of* Motor Vehicles

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Fiscal Year (FY) 2022 First Six Month Internal Audit Plan

Internal Audit Division

August 2021

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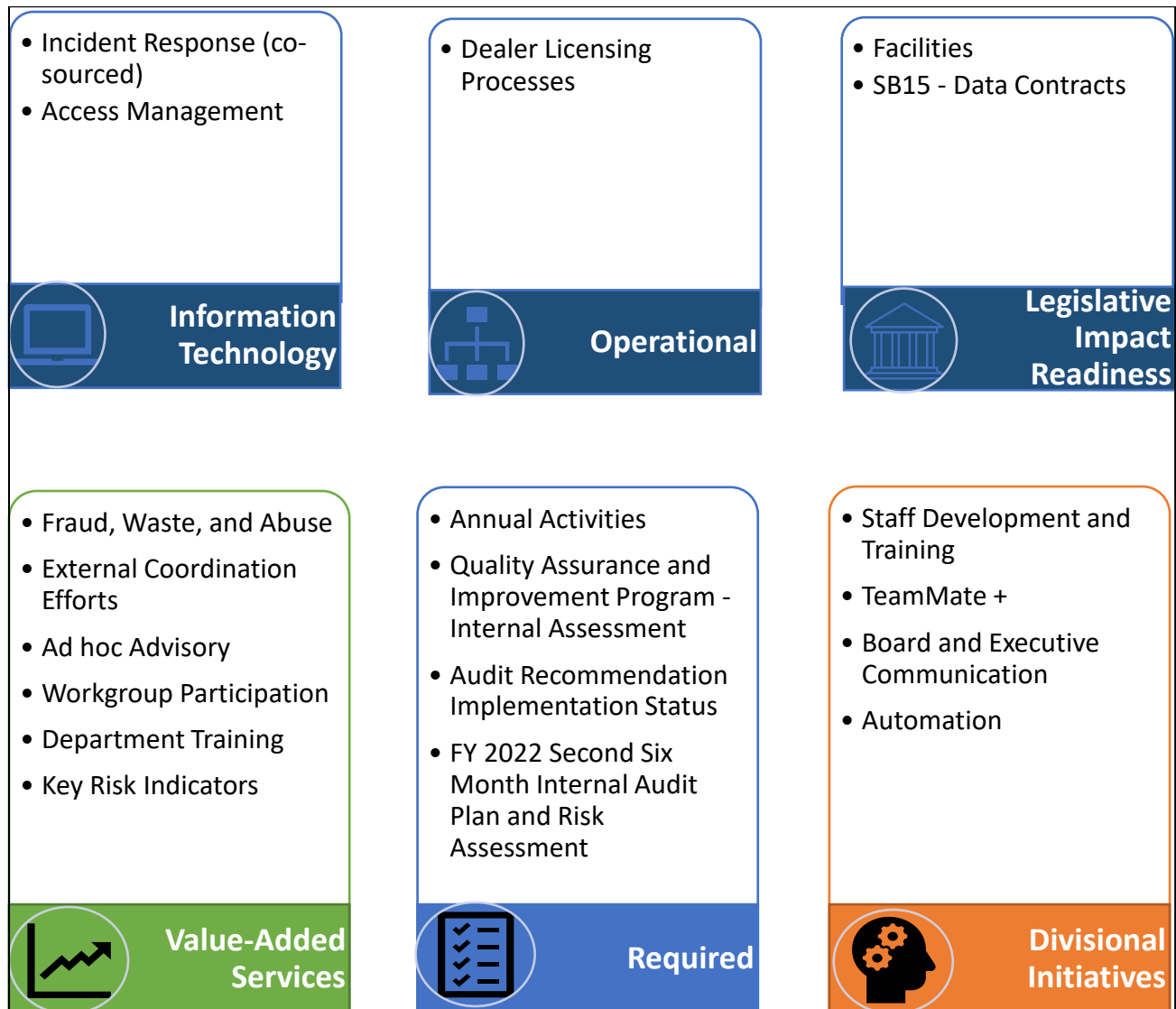
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FY 2022 First Six Month Half Summary

The Internal Audit Division (IAD) audit plan for fiscal year (FY) 2022 is divided into two six-month plans. IAD moved to a six-month audit plan to allow for flexibility as Texas Department of Motor Vehicles' (TxDMV) risks change rapidly.

The audit plan for the first six months of the fiscal year includes five risk-based engagements tied to three themes and four required engagements. In addition, the plan includes division initiatives, and added-value services. The second half summary is illustrated in figure 1.

Figure 1. First Six Month Audit Plan Summary



Engagement and Services Information



Risk-Based Engagements

- **SB-15 - Data Contract:** With changes to how vehicle records are distributed and monitored, the Department will be enhancing its monitoring process for vehicle data usage. This advisory service engagement would review current and future monitoring processes to help ensure motor vehicle data is used appropriately.
- **Dealer Licensing Processes:** The Motor Vehicle Division is responsible for issuing dealer licenses. This audit engagement would evaluate processes designed to ensure verification of dealer identity, including systems used to review and document criminal history information.
- **Facilities:** The Finance and Administrative Service Division (FAS) is responsible for facilities at headquarters and works with the Regional Service Centers for their facility needs as well as being tasked with operational initiatives designed to improve working conditions and provide updated facilities to customers. The audit engagement would evaluate Facilities' capacity to maintain Departmental headquarters and evaluate whether Regional facilities meet Departmental need.
- **Incident Response:** Incident Response is key information technology control that outlines the steps needed to respond to an issue or incident. This engagement is on the Cybersecurity Roadmap as the next key control area to review. This audit engagement would review the effectiveness of our Incident Response. The engagement will be co-sourced.
- **Access Management:** Access management is a key preventative control that prevents unauthorized access to systems. The Department has many systems that are used by staff, including developers and infrastructure staff. Previous audits have identified potential access issues with applications. The audit engagement would review access management processes.



Required Engagements

- **Audit Recommendation Implementation Status Follow-Up:** Verification of the implementation status for internal and external audit recommendations.
- **FY 2022 Second Six Month Risk Assessment and Internal Audit Plan:** An enterprise-wide risk assessment to identify the high – risk engagement areas for the upcoming six months.
- **Quality Assurance and Improvement Program – Internal Assessment:** An internal self- assessment to determine compliance with audit standards and provide information on IAD's performance.
- **Annual Activities Report:** A statutorily required summary report to the State Auditor's Office of IAD's internal activities conducted in FY 2021.



Value-Added Services

- **Fraud, Waste, and Abuse (FWA) Items:** IAD works on detecting, tracking, and reviewing any internal FWA allegations or State Auditor's Office Hotline complaints. IAD investigates internal FWA allegations.
- **External Coordination Efforts:** IAD coordinates and facilitates any external audits. External coordination efforts include providing audit status update and coordinating responses.
- **Ad hoc Advisory:** IAD sets aside 250 hours to address any short-term assessment or information requests by TxDMV staff during the first half of the fiscal year.
- **Workgroup Participation:** IAD participates in TxDMV work groups to help identify any unforeseen risk in enterprise projects or activities.
- **Department Training:** IAD provides training to help TxDMV staff understand their responsibilities for audits, recommendation implementation, and preventing fraud, waste, and abuse.
- **Key Risk Indicators:** IAD will be monitoring the Fraud, Regional Service Centers, and Procurement & Contract Management risk indicators on a quarterly basis to help with risk mitigation.



Divisional Initiatives

- **TeamMate +:** IAD continues to enhance and support its audit software.
- **Staff Development Plans and Training:** IAD staff take training and create development plans to obtain required knowledge, skills, and abilities.
- **Communication Plans:** IAD continues refining dashboards, communication sites, and other items to provide a snapshot of the Department's risk management, governance, and engagement information to the Department.
- **Automation & Technology Improvement:** IAD will continue to work on automating routing process and leverage technology to be more efficient.

Detailed Engagement Information

Risk-Based and Required Engagements

Tables 1 and 2 provide information on the risk-based and required engagements that will be conducted in the first six month of the FY 2022. The information includes engagement name, engagement hours, TxDMV strategic goal alignment, impacted division(s), and background. The background includes information on how the engagement ties to Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Information on COSO can be found in Scope and Methodology section, under the [Committee of Sponsoring Organizations of the Treadway Commission \(COSO\) Methodology](#). Table 1 provides information on the risk-based engagement and table 2 provides information on the required engagements.

Table 1. Risk-Based Engagements

| Engagement Area | Hours | Strategic Goal(s) | Impacted Division(s) | Background |
|--------------------------|-------|-----------------------------------|--|---|
| Incident Response | TBD | Performance Driven | Information Technology Services Division | Over the past few years, organization's incident response plans have been used more often. As natural disasters and cybersecurity events become more common as well as normal incident handling, having an incident response plan that is effective is key. This engagement would look at the Department's incident response plan and would be conducted by the division's co-sourced vendor. This engagement ties to COSO elements of Control Environment, Risk Assessment, and Information and Communication. This engagement will be co-sourced with the Department's vendor and may not be conducted due to schedule or other unforeseen issue with the vendor. |
| Facilities | 900 | Optimized Services and Innovation | Finance & Administrative Services Division | With the approval from the Legislature, the Department will begin evaluation of building consolidation and facilities construction planning for headquarters. Additionally, the Department maintains Regional Services Facilities. This engagement would look at the |

| Engagement Area | Hours | Strategic Goal(s) | Impacted Division(s) | Background |
|--|------------|--|---|---|
| | | | | <p>Department’s capacity to maintain headquarter buildings and evaluate the Department’s capabilities to meet Departmental needs at Regional facilities. This engagement ties to COSO elements of Control Environment, Risk Assessment, and Control Activities.</p> |
| <p>SB-15 - Data Contracts</p> | <p>900</p> | <p>Customer Centric Optimized Services and Innovation</p> | <p>Vehicle Titles and Registration</p> | <p>Texas Senate Bill 15 requires enhanced consumer protection and data privacy. This advisory service engagement would evaluate the design of monitoring process concerning vehicle data usage and the appropriateness of data usage to help with the implementation of SB15. This engagement ties to COSO elements of Control Environment, Risk Assessment, and Monitoring.</p> |
| <p>Dealer Licensing Processes</p> | <p>750</p> | <p>Customer Centric Optimized Services and Innovation</p> | <p>Motor Vehicle Division</p> | <p>The Department is responsible for determining license eligibility for a multitude of dealer licenses. The engagement will evaluate the Department’s processes designed to ensure the verification of dealer applicant’s identities and applicant’s criminal history through the dealer licensing process. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, and Monitoring.</p> |
| <p>Access Management</p> | <p>600</p> | <p>Performance Driven</p> | <p>Information Technology Services Division</p> | <p>The engagement will evaluate the how access is managed through the Department as access management is designed to protect user confidentiality, integrity, and user authenticity. This engagement ties to COSO elements of Control Activities and Monitoring.</p> |

Table 2. Required Engagements

| Engagement Area | Hours | Strategic Goal(s) | Impacted Division(s) | Background |
|--|-------|---|-------------------------|--|
| Annual Activities | 25 | Performance Driven | Internal Audit Division | A statutorily required review that summarizes internal activities conducted in FY 2021. The State Auditor’s Office prescribes the report format and information. |
| Quality Assurance and Improvement Program – Internal Assessment | 100 | Performance Driven | Internal Audit Division | An internal assessment to determine compliance with audit standards and provide information on IAD’s performance. IAD’s performance includes an evaluation of Key Performance Indicators and Capability Model. |
| Audit Recommendation Implementation Status Follow-Up | 75 | Optimized Services and Innovation Customer Centric Performance Driven | Department-wide | An engagement to verify if outstanding audit recommendations have been fully implemented. Quarterly reporting for internal audit recommendations will be done. |
| FY 2022 Risk Assessment and Second Half Internal Audit Plan | 200 | Optimized Services and Innovation Customer Centric Performance Driven | Department-wide | An engagement to identify high – risks areas where engagement may be warranted in the upcoming year. |

Contingency Engagements

Table 3 denotes the potential engagements that could be performed during the first six month of the fiscal year if one of the risk-based engagements cannot be done or could be conducted in the second six months.

Table 3. Contingency

| Engagement Area | Strategic Goal(s) | Impacted Division(s) | Preliminary Engagement Information |
|---|---|--|---|
| Payment Card Industry Compliance | Performance Driven | Information Technology Services Division | The Department accepts credit cards and is required to meet PCI standards. This engagement would evaluate PCI compliance with one of the requirements. This audit was identified as an area of review in the Cybersecurity roadmap. |
| Motor Carrier Division | Optimized Services and Innovation Performance Driven | Motor Carrier Division | The Motor Carrier Division operates its own call center that provides information and services to motor carriers. The call center deals with obtaining permits for motor carriers as well as getting credentials to motor carriers. At the end of FY 2021, the Commercial Fleet Services was reorganized with Credentialing. This caused a change on how customers are serviced in the call center. This potential engagement would look at the new reorganization and its impact to the call center. |
| Strategic Communication (External Communication) | Performance Driven | Department-wide | Communication strategies is a key component to delivering consistent information to external customers. The engagement would evaluate the Department's communication strategies to ensure they are designed to deliver accurate and critical information to stakeholders. |
| Placeholder | TBD | TBD | In case a risk emerges that requires immediate review, this engagement will be used to substitute one of the risk-based engagements. This engagement will only be conducted in consultation with the Finance & Audit Committee Chair and members and the Board Chair. |

Scope and Methodology

Scope

The Internal Audit Plan covers activities and engagements for the first six months of the fiscal year, September 2021 to February 2022, and identifies potential engagements for the second half of the fiscal year.

Risk Assessment

Risk Methodology

The audit plan was developed using a risk-based methodology, which incorporated input from TxDMV board members, executive management, division management, and risks identified by audit staff through previous fiscal year engagements and observations. IAD also analyzed TxDMV information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. 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
- Degree of centralization
- Control design strength

357 Department operational risks have been identified through the risk assessment, including an additional 42 risks that had not been identified in previous risk assessments or were new risks due to the changing environments. Each risk identified was scored using the above factors to determine the engagements for the first six-month internal audit plan and contingency engagements.

The risk scores go up to seven and half, which is the highest risk score. Table 4 provides information on the risk scores and definitions for each category.

Table 4. Risk Scores

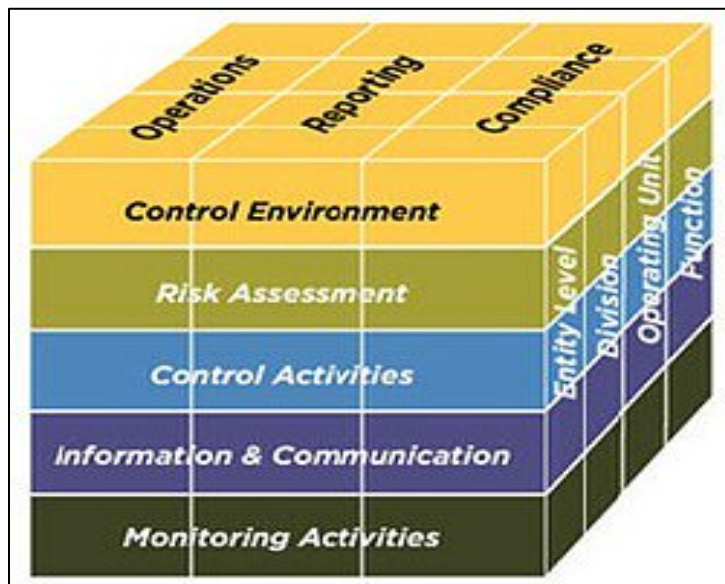
| Risk Category | Score | Definition |
|---------------|-------------|---|
| Very High | > 4.50 | The risk may substantially hinder the Department's, division's, and/or function's achieving its objectives or goals. |
| High | 3.50 – 4.49 | The risk may significantly hinder to the Department, division, or function achieving its objectives or goals. |
| Medium | 2.50 – 3.49 | The risk should be monitored on a regular basis to ensure it does not become an issue; however, it is not currently hindering a Department, division, or function from achieving its objectives or goals. |
| Low | 1.50 – 2.49 | The risk is mostly mitigated and may not hinder the Department, division, or function from achieving its objectives or goals. |
| Very Low | < 1.50 | The risk is mitigated and is not hindering 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 objectives are as follows:

- **Operations objectives:** relate to program operations that achieve an entity's mission. An entity's mission may be defined in a strategic plan. Such plans set the goals and objectives for an entity along with the effective and efficient operations necessary to fulfill those objectives. Effective operations produce the intended results from operational processes, while efficient operations do so in a manner that minimizes the waste of resources.
- **Reporting objectives:** relates to the preparation of reports for use by the entity, its stakeholders, or other external parties.
- **Compliance objectives:** relates to the compliance with applicable law and regulations.

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.

Fraud, Waste, and Abuse Consideration

During the risk assessment, the IAD also conducted an update to the fraud, waste, and abuse risk assessment. Those risks were reviewed as part of this risk assessment.

Themes

For the FY 2022, three themes were developed to help provide an overall perspective on internal audit's focus for the first six months:

- **Legislative Implementation Readiness:** Areas and functions significantly impacted by legislation changes.
- **Operational effectiveness:** Areas and functions where processes and overall operations had significant change in management or processes are expected to be changed.
- **Information Technology:** Areas where the spread of new technologies, data collection methodologies, and automation increases risks to our organization and customers.

Hour Analysis

Engagement hours were calculated using historical data and auditor's judgement. Hours are an estimate and could be adjusted at the beginning of an engagement. IAD identified 1500 hours available for the second six months.

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sandra Menjivar-Suddeath, Internal Audit Division Director
Agenda Item: 4.G
Subject: Internal Audit Division Status Update

RECOMMENDATION

Briefing Only – No recommendation.

PURPOSE AND EXECUTIVE SUMMARY

The status update provides information on current Internal Audit Division (IAD) activities. The August 2021 update contains information on external coordination efforts, the fiscal year (FY) 2021 Internal Audit Plan status, and Peer Review results.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

At every TxDMV Board meeting, IAD provides an update and status on current activities.

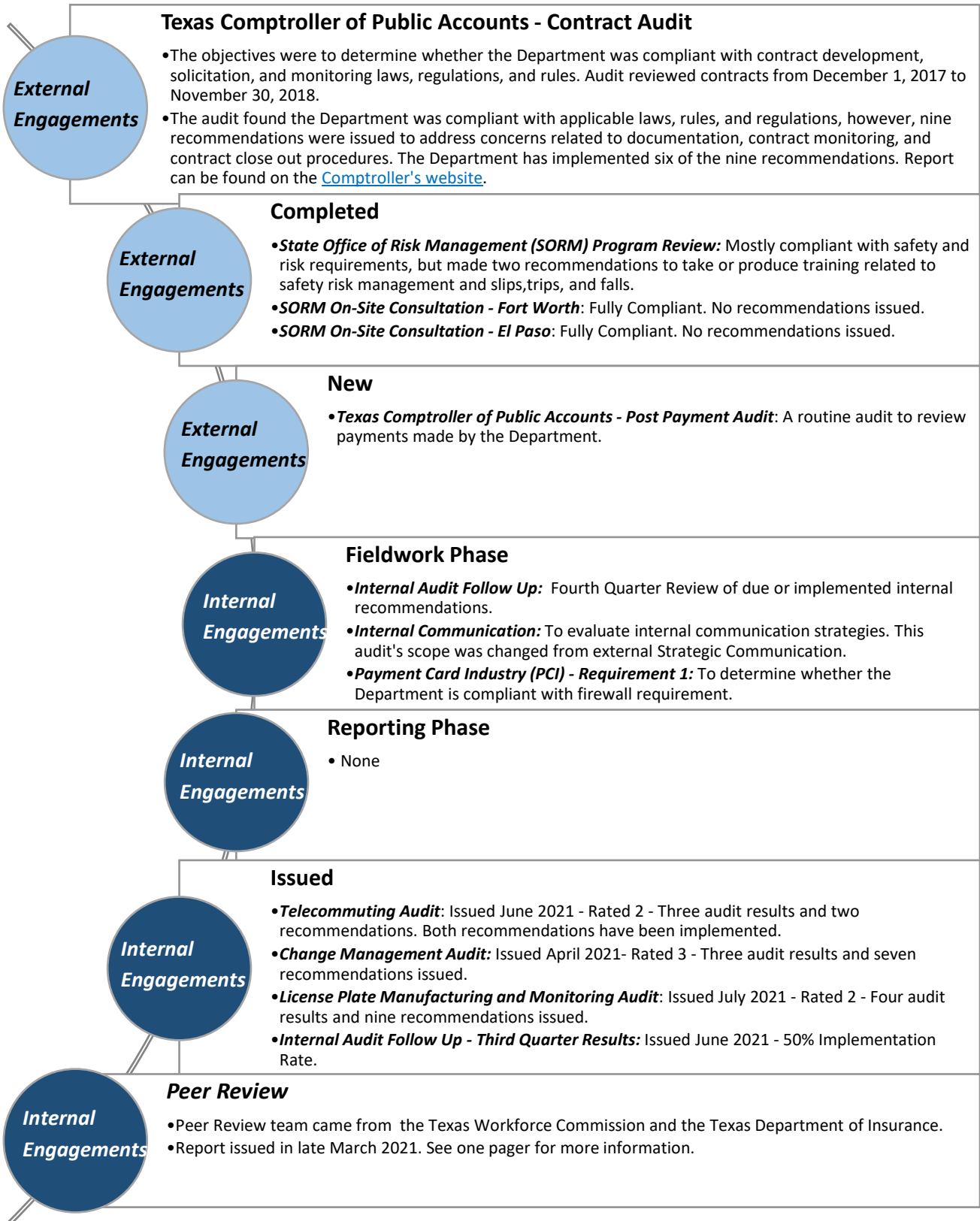
External Engagements

IAD tracked five external coordination's efforts, including the newly released Texas Comptroller of Public Accounts (Comptroller) Contract audit report. The Comptroller audit report provided information on whether the Department was compliant with contract development, solicitation, and monitoring requirements. The Department was found mostly compliant and the Department has already implemented several of the recommendations.

Internal Engagements

IAD worked on six engagements in the past few months. The engagements are in various stages of completion. The Internal Audit Follow-Up – Third Quarter Results Memorandum and the Telecommuting, Change Management, and License Plate Manufacturing and Monitoring engagement reports were all issued in the past few months. IAD continues to work on Internal Audit Follow-Up for the Fourth Quarter, Internal Communications audit, and Payment Card Industry (PCI) – Requirement 1 (Firewalls) audit. All these engagements are in fieldwork and are anticipated to be completed by the end of the fiscal year.

In January 2021, IAD began the Peer Review process by issuing its Peer Review Self-Assessment report. The Peer Review process concluded in March 2021 when the Peer Review finalized the Peer Review Report. The Peer Review report provides information on the IAD conformance with internal audit standards, implementation status of previous recommendations, and any best practices identified. The **one-pager**, after the division status, details all key information found in the report and outlines the Peer Review process.





Internal Audit Division – Peer Review Process and Results

Peer Review Process

Three year requirement.

Peer Review team made up of other state agency auditors.

Concludes whether the function confirms with requirements for the past three fiscal years.

Team reviews compliance with internal audit standards.

Validates External Audit Recommendations Implemented.

Determines effectiveness and efficiency.

Peer Review Results

Confirmed IAD was in compliance with all internal audit standards.

Confirmed compliance with overall function requirement.

Confirmed compliance with all engagement requirements. One recommendation issued to document sample selection in engagements.

Confirmed IAD implemented recommendation related to ethics.

Identified best practices related to technology use.

**Report on the External Quality Assurance Review of the
Texas Department of Motor Vehicles
Internal Audit Division**

March 2021



Performed by

**Arby James Gonzales, CPA, CFE
Internal Audit Director
Texas Department of Insurance**

**Harold Rogers, CIA, CISA
Internal Auditor
Texas Workforce Commission**

**Performed in Accordance with the
State Agency Internal Audit Forum
Peer Review Policies and Procedures**

Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Motor Vehicles Internal Audit Division receives a rating of “**Pass/Generally Conforms**” and is in compliance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.


The Internal Audit Division is independent, objective, and provides impartial and unbiased judgments on the audit work performed. Division staff are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are clear and concise.

The Internal Audit Division is well managed. In addition, the Division has effective relationships with the Board and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall Department operations and finds that the audit process and report recommendations add value and help improve the Department’s operations.

The Internal Audit Division has reviewed the results of the peer review team’s work and has accepted them to be an accurate representation of the Division’s operations.


Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Internal Audit Division Director, Internal Audit staff, the Chairman of the Board and the Chair of the Finance and Audit Committee, the Executive Director, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.



Arby James Gonzales, CPA, CFE
Internal Audit Director
Texas Division of Insurance
SAIAF Peer Review Team
Leader

April 21, 2021
Date



Harold Rogers, CIA, CISA
Internal Auditor
Texas Workforce Commission
SAIAF Peer Review Team Member

April 21, 2021
Date

Background

The Institute of Internal Auditors (IIA) *International Professional Practices Framework*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act require that internal audit functions obtain external quality assurance reviews to assess compliance with standards and the Act and to appraise the quality of their operations. Government auditing standards require these reviews at least every three years. A periodic external quality assurance review, or peer review, of the internal audit function is an essential part of a comprehensive quality assurance program. This quality assurance review was performed in accordance with State Agency Internal Audit Forum (SAIAF) Peer Review guidelines. No member of the review team had a conflict of interest with the Texas Department of Motor Vehicles or its Internal Audit Division.

The most recent quality assurance review for the Texas Department of Motor Vehicles Internal Audit Division was performed in May 2018.

Objectives, Scope, and Methodology

The primary objective of the quality assurance review was to evaluate the Texas Department of Motor Vehicles Internal Audit Division's compliance with auditing standards and the Texas Internal Auditing Act. Additional objectives included identifying best practices as well as areas where improvement may be needed. The review covered all completed audit and management assistance projects performed by the Texas Department of Motor Vehicles Internal Audit Division from September 2017 through August 2020.

The work performed during the review included:

- Review, verification, and evaluation of the self-assessment prepared by the Internal Audit Division according to SAIAF guidelines.
- Review and evaluation of e-mailed surveys completed by Department management.
- Interviews with the Internal Audit Division Director, Internal Audit Division staff, the Department's Executive Director, five senior Department managers, and four Board members, including the Chairman of the Board and Chairman of the Audit Committee.
- Review and evaluation of audit working papers.
- Review of the Internal Audit Division's policies and procedures, annual risk assessment, annual audit plan, and other relevant documents.

Detailed Results

The results of the quality assurance review for the Texas Department of Motor Vehicles Internal Audit Division are presented in the order of the *Standards for the Professional Practice of Internal Auditing*. No significant weaknesses were identified during the review that would prevent the division from fulfilling its responsibilities. The detailed results include identification of best practices as well as some opportunities for improvement that the Internal Audit Division may wish to consider.

IIA Code of Ethics

The Internal Audit Division demonstrates its commitment to the IIA Code of Ethics by including it in the Internal Audit Policies and Procedures Manual, attending periodic ethics training classes, and practicing ethical behavior in the course of its work. In addition, the Internal Audit Charter, which was signed by the Board and the Executive Director in December 2020, establishes the expectation that Division staff will conform to the IIA Code of Ethics.

Purpose, Authority, and Responsibility

The Internal Audit Charter defines the Division's purpose, authority, and responsibility consistent with auditing standards. The current charter defines the nature of audit and consulting services and grants the Division free and unrestricted access to Department records, property, and personnel.

Independence and Objectivity

The Internal Audit Division is independent both in terms of the Department's organizational structure and the Division's practices. The Internal Audit Division Director reports directly to the Board and the Finance and Audit Committee, which provides sufficient authority to promote independence and to ensure adequate consideration of audit reports and appropriate action on audit issues and recommendations. Removal of the Internal Audit Division Director requires Board approval.

The Internal Audit Charter helps ensure continued independence by specifying that internal auditors will have no direct operational responsibility or authority over any of the activities audited, and they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity related to non-audit functions that may impair their independence. In addition, auditors are required to sign independence statements for each audit they perform.

Proficiency and Due Professional Care

The internal auditors individually and collectively possess the knowledge, skills, and abilities to perform their responsibilities. Two of the five auditors have at least one relevant professional certification. Internal auditors are required by the Division's policies and procedures to enhance their knowledge, skills, and abilities by obtaining at least 40 hours of continuing professional education each year. The Division has hires contractors to assist in areas for which its expertise or resources have not been sufficient to satisfy the audit objectives.

The Internal Audit Division ensures staff practice due professional care in engagements by including language in templates requiring staff to consider project needs and complexity; resources; adequacy, timing, and expectations; etc.

Quality Assurance and Improvement Program

The Internal Audit Division Director has developed and maintains a quality assurance and improvement program that covers all aspects of the internal audit activity and assesses the efficiency and effectiveness and identifies opportunities for improvement and the progress of those improvements as documented in its FY 2020 Quality Assurance and Improvement Program Report. The program provides reasonable assurance that the Internal Audit Division and its personnel comply with professional standards and applicable legal and regulatory requirements. The Internal Audit Division has an external peer review at least once every 3 years as documented in its 2018 Peer Review Report.

Managing the Internal Audit Activity

The Internal Audit Division Director manages the Division to ensure it adds value to the Department. The Division conducts a risk assessment that forms the basis for the Audit Plan—which the Division develops twice a year—that the Board approves. The risk assessment quantifies risks per division and considers the Department's and each division's goals and objectives. The Division works with the Board and executive management to ensure the risk assessment and audit plans match their objectives, and the Director and the Division are open to Board and executive management's suggestions and feedback. The Division completes projects identified in audit plans and completes ad hoc project requests from the Board and executive management.

The Internal Audit Division Director ensures that the Division is appropriately staffed and resources are sufficiently and effectively deployed to complete the audit plan. The Division established policies and procedures to help guide the Division, and work templates help ensure teams complete audits and advisory projects consistently.

Each internal audit report addresses risk and control issues within the Department. The Internal Audit Division Director developed policies and procedures to guide the internal audit activity. The Director reports the Division's performance relative to the audit plan in an annual report submitted to the Board and in an Annual Report on Internal Audit submitted to the Governor's Office and the State Auditor.

The Internal Audit Division Director communicates information (from audit reports, risk assessments, and ad hoc risks and controls observations) to the Board and executive management whenever necessary. The Board and executive management support the Director through open communication and availability and act on the Director and the Division's results. The Director and Division add value to TxDMV.

Nature of Work

The Internal Audit Division evaluates risks related to financial and operating information as well as the effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws and regulations. The Division also evaluates the extent to which operating, and program objectives have been achieved.

To comply with the 2017 revision to the IIA *Standards* that requires Internal Audit to contribute to the organization's risk management and governance processes, the Division provides information and assistance to the Board and executive management about how the accomplishment of goals is monitored and how accountability is ensured.

Monitoring Progress

The Internal Audit Division has a system for monitoring the disposition of audit issues. The Division uses a software application to monitor recommendations and seek management's responses on the implementation status. Division staff verifies recommendations that have been implemented and assesses their effectiveness if management asserts it has fully implemented the recommendation.

Engagement Planning

The Internal Audit Division meets compliance standards related to planning. It develops and documents a plan for each engagement that includes the objectives, scope, timing, and resource allocations. It obtains sufficient understanding of the program it is auditing, including information systems controls. The project team lead and the Internal Audit Division Director review work to ensure it obtains appropriate understanding of the program under audit. The Division assesses risks (including fraud and noncompliance risks) and controls related to the audit objective and creates a workplan based on that risk assessment. The project team collaborates with the audited program area to ensure risks and controls are accurate, relevant, and helpful. The Director reviews all workplans prior to fieldwork.

Performing the Engagement

The Internal Audit Division meets standards related to performing engagements. Division staff identified, analyzed, evaluated, and documented sufficient information to address audit objectives, and their work was properly supervised by the project team lead and the Internal Audit Division Director. The team obtained sufficient evidence to support a reasonable basis for the auditors' findings and conclusions, and the team generally prepared documentation with sufficient detail to enable an experienced auditor to understand the nature, timing, extent, and results of audit procedures. The project team supported findings, conclusions, and recommendations with sufficient evidence and communicated them to the program area prior to issuing their report.

Opportunity for improvement:

The project teams could improve how it selects samples for testing. For one of the projects selected for during this external review, the audit team selected specific items for testing; however, it did not document the population of items to test, or the reason it selected those items to test. Documenting the reasons for sample selection could help the team better support why their selection is appropriate and addresses the audit objective.

Response:

IAD agrees with the recommendation. While discussions did occur on the sample selection and the other sample was documented, our team did not document the sample selection for the specific items noted. IAD will be updating its templates over the summer and will require teams to document the sample selection in the end of planning meeting. In addition, IAD Director had notified the Quality Assurance team member to note that in the review of workpapers.

Communicating Results

The Internal Audit Division complied with reporting compliance standards. It appropriately communicated project results to staff, management, executive management, and the Board in a form that makes sense for their projects. Reports contained the objectives, scope, and methodology of the audit; audit findings, conclusions, and recommendations; a statement that the project team complied with standards; a summary of managements' responses; and the

Texas Department of Motor Vehicles Internal Audit Division
External Quality Assurance Review – March 2021

nature of any confidential or sensitive information omitted. The reports were timely, complete, accurate, objective, and concise.

Best Practices

The Internal Audit Division is a progressive division that is dedicated to continuous improvement. During the quality assurance review, we observed a number of practices that demonstrate outstanding commitment and professionalism. These leading practices include the following:

- The Internal Audit Division Director's communications with the Board and executive management is open, unbiased, and goes two-ways. The Board and executive management view the Director as a trusted advisor for the Department, and appreciate the Director's points of view on governance, risk, and controls
- The Internal Audit Division develops dashboards to present project progress and impacts on the Department. The Director communicates these dashboards to the Board and executive management, which gives them a solid and reliable tool to understand Department progress, identify gaps in audit coverage, and monitor audit progress.
- The Division uses the full suite of an audit management application to 1) create a universe of risks and controls, 2) quantify and rank risks, which helps focus and support audit project decisions, 3) monitor audit recommendations, which helps track implementation status and requests responses and support allowing Division staff to validate Department's status.
- The Division uses emerging technology—such as robotic automation, bots, modern analysis tools—to automate audit tests, visualize audit plan progress, and monitor transactions for fraud initiatives.
- The Director emphasizes that Division staff keep current with emerging technology and tools and supports staff through continuing education, including taking community college courses.
- Division staff are active and well respected in local professional organizations including the Institute of Internal Auditors – Austin Chapter and the State Agency Internal Audit Function. Division staff have served and continue to serve in leadership positions in these professional groups.

Texas Department of Motor Vehicles Internal Audit Division
External Quality Assurance Review – March 2021

Memo Trevino, Chairman of the Board

Brett Graham, Chairman of the Audit Committee

Whitney Brewster, Executive Director

Sandra Mejivar-Suddeath, Internal Audit Division Director

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.

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- 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 activities 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.