



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

TxDMV Board Finance & Audit Committee Meeting

2:00 p.m.
Wednesday, March 31, 2021

AGENDA
FINANCE AND AUDIT COMMITTEE
OPEN MEETING VIATELEPHONE CONFERENCE CALL*
TEXAS DEPARTMENT OF MOTOR VEHICLES
PURSUANT TO GOVERNOR'S MARCH 16, 2020, TEMPORARY SUSPENSION OF
CERTAIN OPEN MEETING PROVISIONS**
WEDNESDAY MARCH 31, 2021
2:00 P.M.

THIS MEETING WILL BE HELD REMOTELY VIA TELEPHONE CONFERENCE CALL*

Instructions for accessing the meeting via WebEx:

<https://txdmv.webex.com/txdmv/onstage/g.php?MTID=e99234588f413250f3ce2f9ce85a0fff4>

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Link to March 31, 2021, TxDMV Finance and Audit Committee Documents:

<https://www.txdmv.gov/about-us/txdmv-board-meetings>

*The public can listen to the meeting via the WebEx link or the toll-free number listed above. If you have any technical questions about accessing the meeting, please send an email to Board.Tech.Help@txdmv.gov.

**Action by Governor Greg Abbott pursuant to Texas Government Code Section 418.016

<https://gov.texas.gov/news/post/governor-abbott-allows-virtual-and-telephonic-open-meetings-to-maintain-government-transparency>

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.

1. Roll Call and Establishment of Quorum

2. Pledges of Allegiance - U.S. and Texas

3. Comments and Announcements from Committee Chair

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

- 6 A. [FY 2021 Second Six-Month Internal Audit Plan and Risk Assessment Report](#) - Sandra Menjivar-Suddeath (ACTION ITEM)
- 22 B. [Internal Audit Division Status Update](#) - Sandra Menjivar-Suddeath (BRIEFING ONLY)
- Peer Review Process and Self-Assessment
- 70 C. [FY 2020 End of Year Reports](#) - Linda M. Flores and Eric Horn (BRIEFINGS ONLY)
- Annual Financial Report
- Annual Report of Nonfinancial Data
- 134 D. [FY 2021 Second Quarter Financial Summary Report Including Cumulative Fiscal Impacts of COVID-19](#) - Linda M. Flores, Sergio Rey, and Brian Kline (BRIEFING ONLY)
- 157 E. [FY 2022-2023 Legislative Appropriations Request Update](#) - Linda M. Flores (BRIEFING ONLY)
- 166 F. [Winter Storm 2021 Impacts to TxDMV Facilities and Regional Service Centers](#) - Linda M. Flores and Ann Pierce (BRIEFING ONLY)

CLOSED SESSION

5. The Committee may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code Chapter 551:

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

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

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

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

6. Action Items from Closed Session

7. Public Comment

8. Adjournment

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

If you want to comment on any agenda item (including an open comment under Item #7), you must send an email to GCO_General@txdmv.gov or call (512) 465-5665 to register with one of the following 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.

You must wait for the chairman to call on you before you verbally make your comment via the link or the toll-free number listed above. Each speaker will be limited to three minutes, and time allotted to one speaker may not be reassigned to another speaker.

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

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

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

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

Committee Meeting Date: 3/31/2021
ACTION ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sandra Menjivar-Suddeath, Internal Audit Division Director
Agenda Item: 4.A
Subject: Fiscal Year (FY) 2021 Second Six Month Internal Audit Plan and Risk Assessment Report

RECOMMENDATION

To recommend to the Texas Department of Motor Vehicles Board to approve the FY 2021 Second Six Month Internal Audit Plan.

PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles Board approves the Internal Audit Plan each year to be in compliance with the Texas Internal Audit Act (Texas Government Code 2102.008). The FY 2021 Second Six Month Internal Audit Plan provides information for engagements in the second half of the fiscal year, including an hour analysis and engagements. The plan also outlines divisional initiatives and added-value services for the second six months.

The Second Six Month Internal Audit Plan was developed based on the results of the second half risk assessment where IAD reviewed and evaluated 315 risks.

FINANCIAL IMPACT

No Financial Impact.

BACKGROUND AND DISCUSSION

The TxDMV Board approves the Internal Audit Plan each year to be in compliance with the Texas Internal Audit Act (Texas Government Code 2102.008). The FY 2021 Second Six Month Internal Audit plan provides information for engagements in the second half of the fiscal year, including an hour analysis and engagements. The plan also outlines divisional initiatives and added-value services for the second six months. The plan includes five engagements, divisional initiatives, and added-value services for the first six months.

Second Half Risk Assessment Results

IAD assessed 315 risks during the second half risk assessment. The risk assessment results in identifying 39 High and Very High Risks.

Second Half Engagements

IAD identified five engagements that it will conduct during the second six months of the fiscal year. Out of the five engagements, three engagements are required and two engagements are risk-based. The two risk-based engagements are tied to the four themes presented in the first half internal audit plan: Transformation, Information Technology, Human Resources, and Procurement and Supply Chain Management. The specific engagements are as follows:

- **Payment Card Industry Requirement 1 - Firewalls:** This audit engagement would review PCI Compliance with the firewall requirement as Firewalls are essential security devices of a network. Firewalls help protect networks from outside threats.
- **Strategic Communication:** This engagement would review how communication is disseminated and the effectiveness of communication.

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

The five engagements are estimated to take 1,875 hours.

Contingency Engagements

The second half plan also includes contingency engagements that could be done in lieu of one of the second half engagements. The contingency engagements are the following: Incident Response Communication, Business Continuity, Staff Retention and Recruitment, Strategic Purchasing, or Contract Development.

Divisional Initiatives and Added-Value Services

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

- Key Risk Indicators
- Staff Development Plans and Training
- TeamMate + Development
- Board and Executive Communication
- Fraud, Waste, and Abuse (FWA) Items
- External Coordination Efforts
- Ad hoc Advisory
- Work Group Participation
- Department Training

Second Six Month Internal Audit Plan and Risk Assessment Results Summary

Summary

IAD assessed 315 risks during the second six month risk assessment, including the original 247 risks identified in the first half risk assessment. The additional 68 risks were identified in one of the first half engagements or through the emerging risk area research.

As part of the six month risk assessment, IAD worked with divisions to obtain updates on the high and very high risks that had mitigation plans and used the information to rescore those risks. Through that process, IAD was able to decrease the number of High and Very High risks. The charts below depict the changes of scores for the risks identified in the first half risk assessment, all risk scores for second risk assessment, and the risks that are in scope for second half or have been tested during the first half.

For the second half risk assessment, IAD identified 39 High and Very High Risks.

Chart 1. Current Scores for First Half Risks

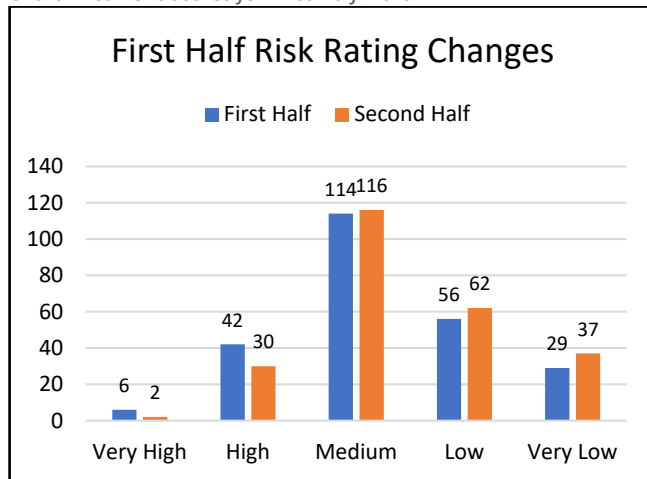


Chart 2. Current Risk Score Information

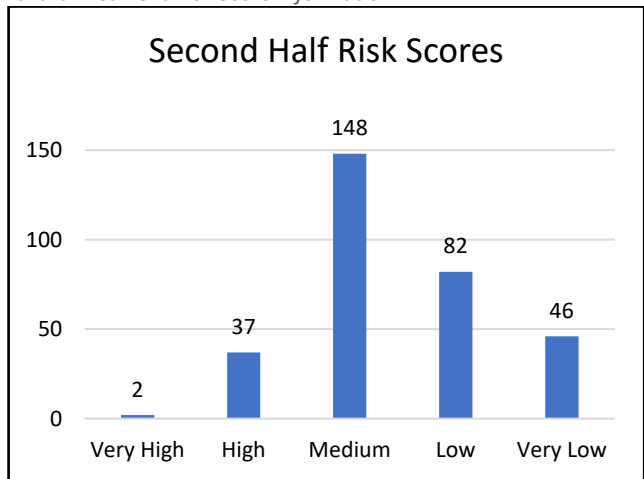
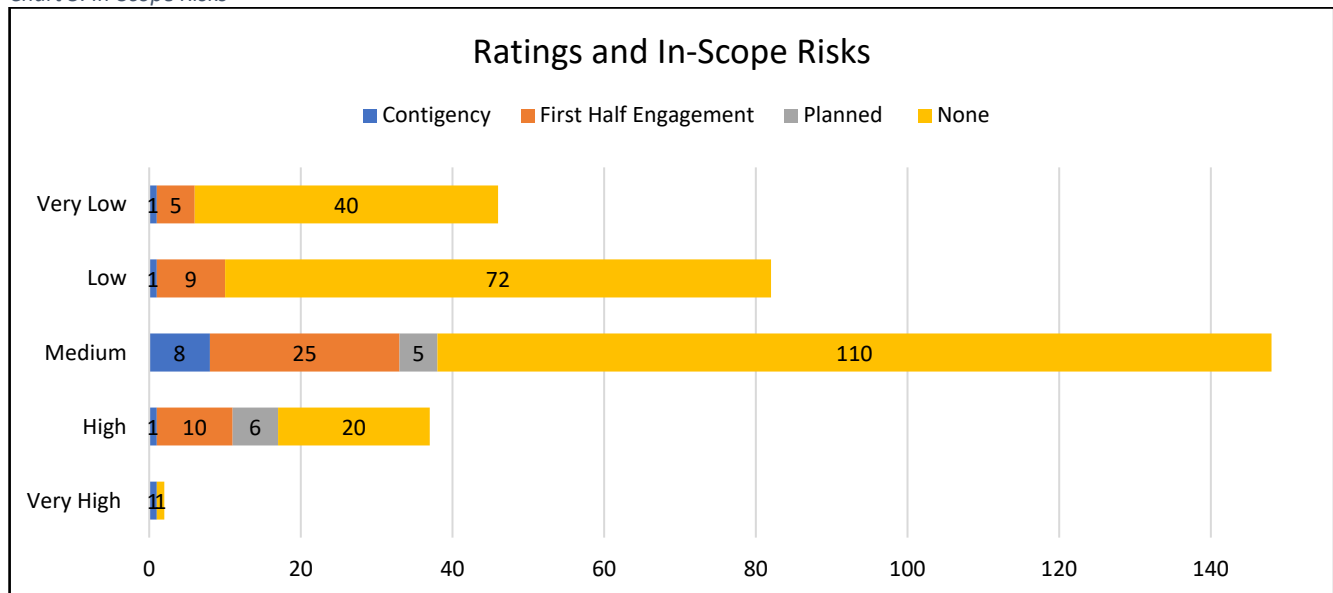


Chart 3. In-Scope Risks



First Half High and Very High Risks

The risks from the first half that were considered High or Very High have been mostly addressed as depicted in Chart 1. In the first half risk assessment, IAD identified 48 high and very high risks. Out of those 48, the Department has mitigated 20 (42%) of them through mitigation plans or IAD evaluating the risk in an engagement.

Second Half High Risk Areas

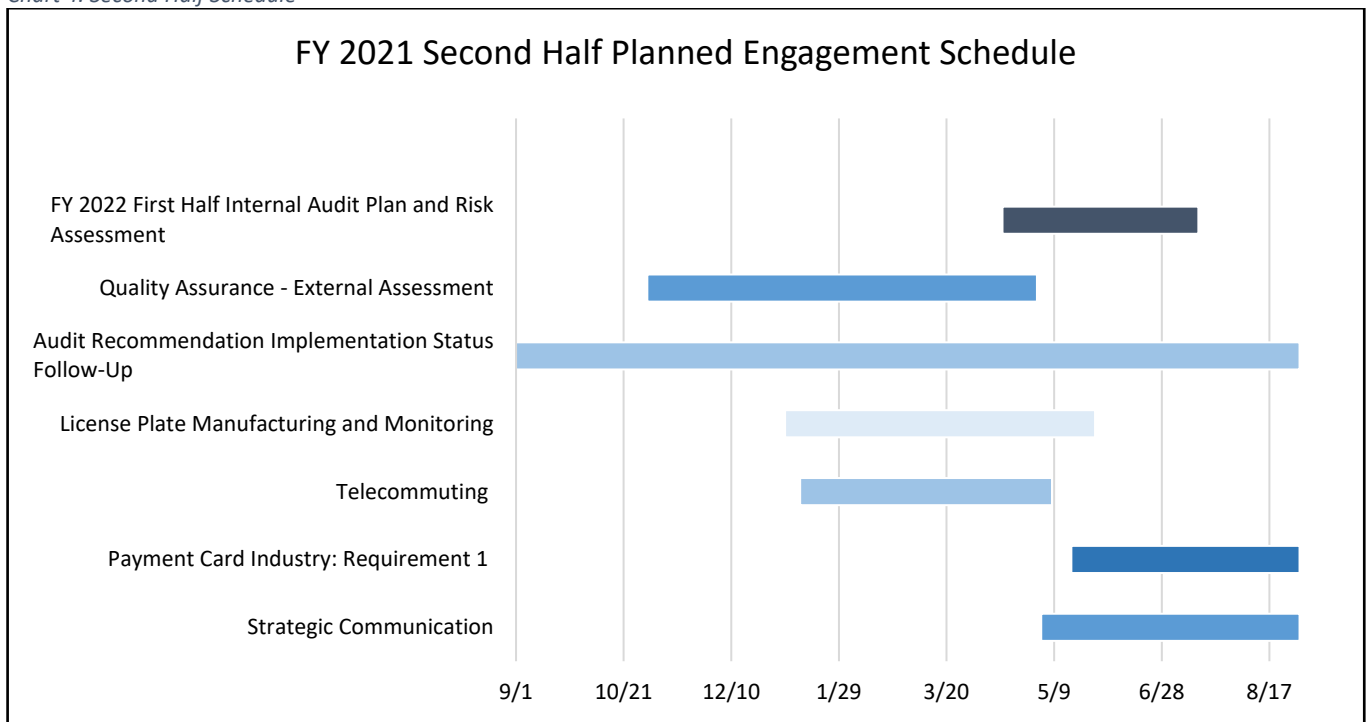
Based on the analysis, IAD identified the following areas as high risks to be considered in the second half plan:

- Strategic Communication
- Payment Card Industry (PCI): Requirement 1 – Maintain and Install a Firewall
- Business Continuity
- Incident Response & Communication
- Staff Recruitment & Retention
- Strategic Purchasing
- Contract Development

Second Half Internal Audit Plan

Out of the seven risk areas, IAD selected Strategic Communication and PCI: Requirement 1 (Firewalls) to audit in the second half. IAD also identified three required engagements that it must conduct to stay in compliance with audit standards: Quality Assurance - External Assessment, Audit Recommendation Implementation Status Follow-Up, and FY 2022 First Half Internal Audit Plan, and Risk Assessment. These engagements are anticipated to begin in April and end by August 2021 as depicted in Chart 4. More details follow in the Second Half Internal Audit Plan.

Chart 4. Second Half Schedule





**Texas Department
of Motor Vehicles**
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Fiscal Year (FY) 2021 Second Six Month Internal Audit Plan

Internal Audit Division

March 2021

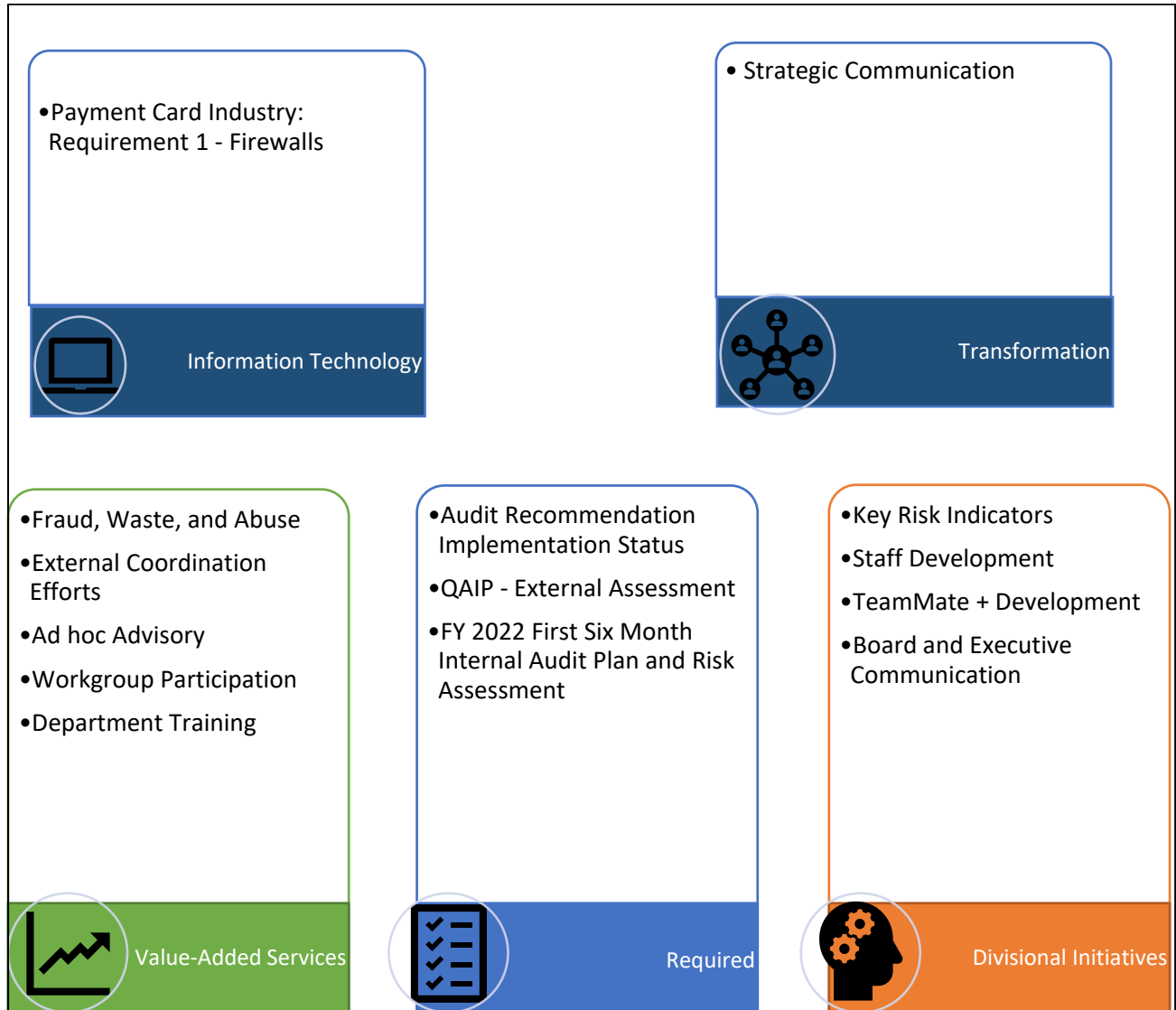
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FY 2021 Second Half Summary

The Internal Audit Division (IAD) audit plan for fiscal year (FY) 2021 is divided into two six-month plans. IAD moved to a six-month audit plan to allow for flexibility as Texas Department of Motor Vehicles' (TxDMV) risks change rapidly. The audit plan for the second half of the fiscal year includes two risk-based engagements tied to two themes and three required engagements. In addition, the plan includes division initiatives, and added-value services. The second half summary is illustrated in figure 1.

Figure 1. Second Half Audit Plan Summary



Engagement and Services Information



Risk-Based Engagements

- **Strategic Communication:** With communications occurring in traditional, digital, and social media outlets, information can be misinterpreted or ignored by key stakeholders. This can potentially cause a risk that stakeholders may miss critical facts or information that impacts their decision making or causes delays in implementation of Department rules and processes. This audit engagement would review how communication is disseminated and the effectiveness of communication.
- **Payment Card Industry (PCI) – Requirement 1:** A key objective of PCI is having a secure network and network architecture that controls entry to and exit from the network. Firewalls are essential security devices of a network. Firewalls help protect networks from outside threats. Firewalls filter and block traffic that is trying to obtain unauthorized access to the network. This audit engagement would review PCI Compliance with the firewall requirement.



Required Engagements

- **Audit Recommendation Implementation Status Follow-Up:** Verification of the implementation status for internal and external audit recommendation.
- **FY 2022 Risk Assessment and Internal Audit Plan:** An enterprise-wide risk assessment to identify the high – risk engagement areas for the upcoming fiscal year.
- **Quality Assurance and Improvement Program – External Assessment:** An external review to determine the division’s compliance with internal audit standards. The review occurs every three years and a final report with the results is produced.



Divisional Initiatives

- **Key Risk Indicators:** IAD will be finalizing and providing quarterly reporting on the following indicators:
 - *Fraud Indicators:* IAD will monitor leave balances and payment information.
 - *Regional Service Center (RSC) Transactions:* IAD will be monitoring RSC transactions to identify potential fraud.
 - *Procurement and Contract Management Monitoring:* IAD will monitor procurement and high-risk contracts.
- **TeamMate + Development:** IAD continues to enhance its audit software, TeamMate +.
- **Staff Development Plans and Training:** IAD staff take training and create development plans to obtain required knowledge, skills, and abilities.
- **Board and Executive Communication:** IAD will continue refining dashboards and other items to provide a snapshot of the Department's risk management and governance information.



Added – Value Services

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

Detailed Engagement Information

Engagements

Tables 1 and 2 provide information on the risk-based and required engagements that will be conducted in the second half of the FY 2021. 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
Strategic Communication	900	Customer Centric Performance Driven	Government & Strategic Communication Vehicle Titles and Registration Enforcement Compliance and Investigations	The Department provides written communications, in various forms, to customers and employees with key information that impact the operations internally and externally and to employees. With the need to communicate quickly and effectively, processes should exist to ensure effective communication. This engagement ties to COSO elements of Control Environment and Information and Communication.
Payment Card Industry (PCI)	600	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 compliance requirement 1: Install and Maintain a Firewall. This audit was identified as an area of review in the Cybersecurity roadmap. This engagement ties to COSO elements of Risk Assessment, Control Activities, and Monitoring.

Table 2. Required Engagements

Engagement Area	Hours	Strategic Goal(s)	Impacted Division(s)	Background
Quality Assurance and Improvement Program – External Assessment	100	Performance Driven	Internal Audit Division	Every three years, the division is required to obtain an External Assessment (Peer Review) on whether the internal audit function complies with the applicable professional auditing standards in all material aspects. A final report with compliance information is produced by the Peer Review team.
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 First 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 second half of the fiscal year if one of the risk-based engagements cannot be done.

Table 3. Contingency

Engagement Area	Strategic Goal(s)	Impacted Division(s)	Preliminary Engagement Information
Incident Response Communication	Performance Driven	Department-wide	Over the past few years, organization's incident response plans have been used more often. As natural disasters and cybersecurity events become more common, the communication plan to staff and stakeholders should be flexible and consider different scenarios. This engagement would look at the Department's incident response plan and communication. This engagement ties to COSO elements of Control Environment, Risk Assessment, and Information and Communication.
Business Continuity	Performance Driven	Department-wide	Business Continuity Plans were activated several times over the past year to address a multitude of natural disaster events and changes have been made to plans based on those events. This engagement would evaluate the effectiveness of the Department's Business Continuity Plan and whether it accurately reflects the needs of the Department during a business continuity event. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, and Information and Communication.
Staff Retention and Recruitment	Optimized Services and Innovation Performance Driven	Human Resources Division	Staff retention and recruitment begins with processes and policies that help divisions identify the talent needed to achieve organizational goals. It also includes those divisions using available policies and processes to keep employees. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.
Strategic Purchasing	Optimized Services and Innovation	Finance & Administrative Services Division	Purchasing is a key component to ensure the Department's needs and objectives are met. Without a purchasing strategy, needs and objectives may not be met. This includes key purchases, such

Engagement Area	Strategic Goal(s)	Impacted Division(s)	Preliminary Engagement Information
	Performance Driven		as technology purchases. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.
Contract Development	Optimized Services and Innovation	Finance & Administrative Services Division Office of General Counsel	The state continues to evolve its procurement and contract rules and regulations and has begun focusing more on the development of contracts. This engagement would review processes that exist to develop contracts and amend contracts. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Scope and Methodology

Scope

The Internal Audit Plan covers activities and engagements for the second half of the fiscal year, March 2021 to August 2021, 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:

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

315 Department risks have been identified through the risk assessment, including an additional 68 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 second half of fiscal year 2021 and contingency engagements.

The risk scores ranged from zero, which is the lowest risk score, to ten, which is the highest risk score. Table 4 provides information on the risk scores for each item.

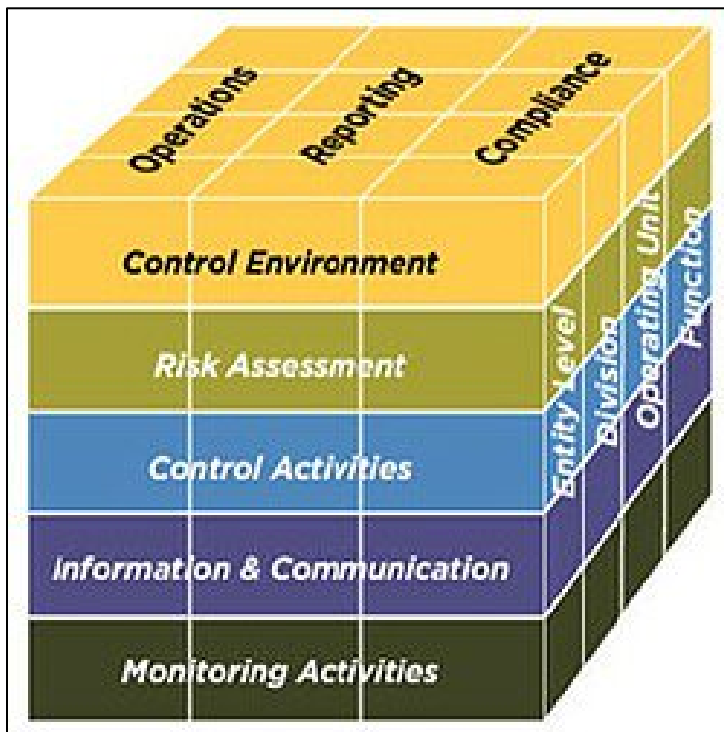
Table 4. Risk Scores

Very Low Risk	Low Risk	Medium Risk	High Risk	Very High Risk
0 - 1.49	1.5 – 2.49	2.5 – 3.49	3.5 – 4.49	4.5 +

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

Once all risks were reviewed and ranked, the audit team evaluated each risk using the COSO *Internal Control – Integrated Framework*. The framework integrates three broad objectives (Operations, Reporting, and Compliance) and ties those objectives to risks and controls through five internal control components and four structural levels as depicted in Figure 2, COSO cube. The COSO cube depicts how the internal controls framework has a direct relationship between objectives, the components needed to achieve objectives, and a typical organizational structure.

Figure 2. COSO Cube



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

- Control Environment:** The foundation for an internal control system. The Control Environment is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It provides the discipline and structure to help an entity achieve its objectives. The TxDMV Board and executive management establish the tone at the top regarding the importance of internal control including expected standards of conduct.

- **Risk Assessment:** The processes used to determine how risk is to be managed. TxDMV management assesses the risks facing the entity as it seeks to achieve its objectives.
- **Control Activities:** The actions TxDMV management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes information systems.
- **Information and Communication:** The quality of information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.
- **Monitoring:** The activities TxDMV management established to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two. The activities are used to ascertain whether each of the five components of internal control, are present and functioning.

Themes

For the FY 2021, the Internal Audit Division introduced “themes” to help organize and categorize the internal audit plan. The themes include: Human Resources, Transformation, Information Technology, and Procurement & Supply Chain Management. In addition, the themes were significantly impacted by COVID-19:

- **Transformation:** Areas where new solutions are needed to address the post COVID-19 environment, which poses difficult problems that significantly disrupt current operations.
- **Human Resources:** Areas within human resources that play a critical role in ensuring our organization has a competitive advantage in hiring and retaining staff, as well as improving morale and coaching staff.
- **Information Technology:** Areas where the spread of new technologies, data collection methodologies, and automation increases risks to our organization and customers.
- **Procurement & Supply Chain Management:** Areas in procurement and supply chain that are critical to ensure costs are being contained and services/goods are provided on time and as needed.

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.

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

RECOMMENDATION

Briefing Only – No recommendation.

PURPOSE AND EXECUTIVE SUMMARY

The status update provides information on current Internal Audit Division (IAD) activities. The March 2021 update contains information on external coordination efforts, the fiscal year (FY) 2021 Internal Audit Plan status, and Peer Review Self-Assessment results and process. IAD updated its template to provide an update on all current engagements.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

At every TxDMV Board meeting, IAD provides an update and status on current activities, including any recent reports issued, external coordination efforts, and other activities.

External Engagements

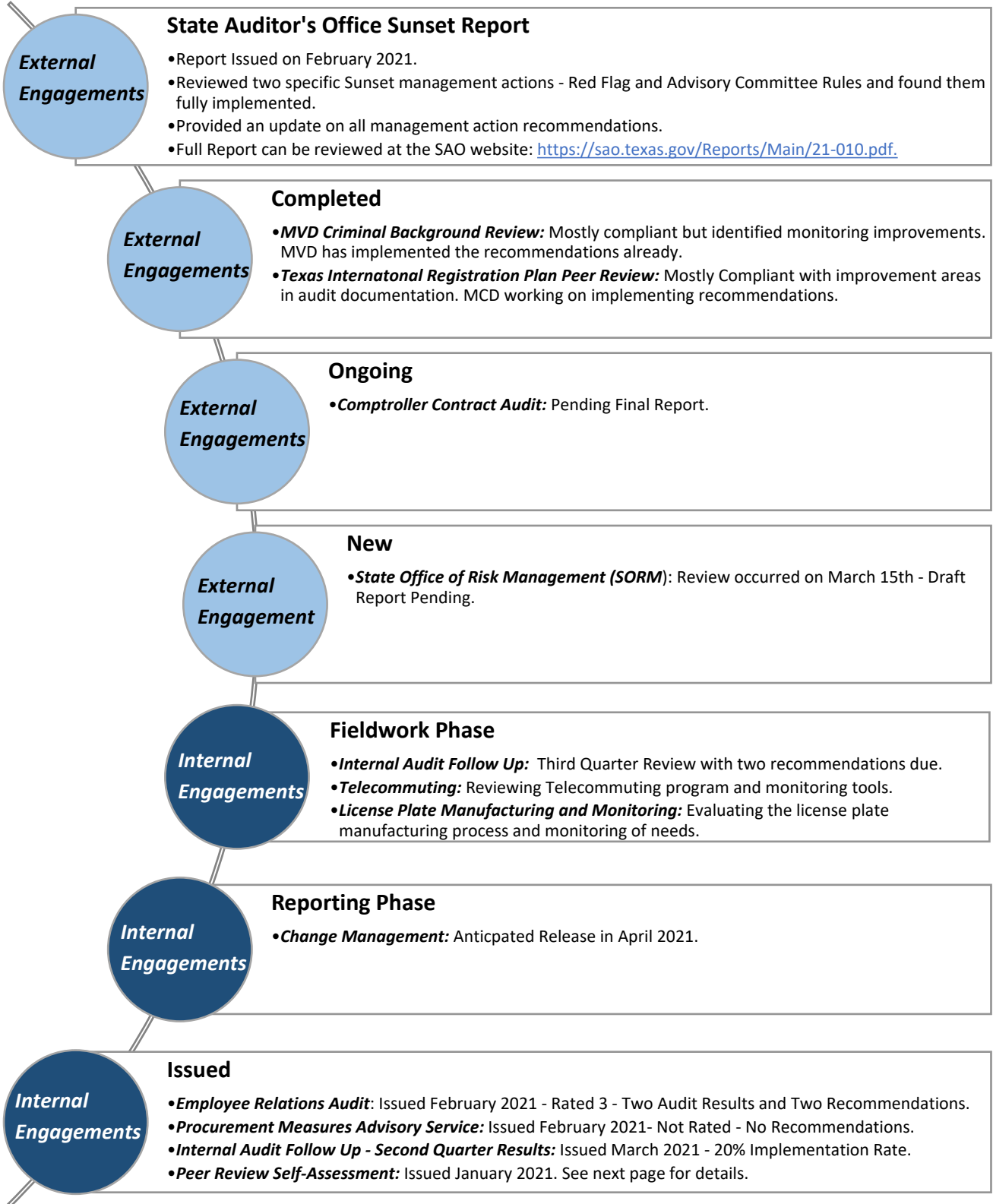
IAD tracked five external coordination efforts, including the newly released State Auditor's Office (SAO) report regarding Sunset Commission Management Action recommendations. The SAO report provided an update on where the Department is in implementing management action recommendations and validated two management action recommendations were fully implemented.

Internal Engagements

IAD worked on seven engagements in the past few months. The engagements are in various stages of completion. The Internal Audit Follow-Up, Telecommuting, and License Plate Manufacturing and Monitoring engagements are in the fieldwork phase while the Change Management engagement is in the reporting phase. IAD also issued reports or memorandums on four engagements: Procurement Measures Advisory Service, Employee Relations Audit, Internal Audit Follow-Up and the Peer Review Self-Assessment.

In January 2021, IAD issued its Peer Review Self-Assessment report. The report is a key step in the Peer Review process. The self-assessment report provides information on how the division has been in compliance with audit standards over the past three years and provides an overall conclusion on whether the division was in compliance with audit standards.

The Self-Assessment determined that IAD generally conformed with the applicable standards in all material aspects from September 2017 to August 2020. IAD has established policies and procedures to ensure compliance with applicable auditing standards. IAD followed those standards in work performed during the peer review period. IAD also fully implemented previous external audit recommendations related to ethics. The **one-pager details all key information** found in the report and outlines the Peer Review process.





Internal Audit Division – Peer Review Process

Peer Review Process Three year requirement.

Peer Review team made up of other state agency auditors.

Concludes whether the function conforms 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 Letter Signed by all parties involved in the engagement.

Outlines Peer Review expectations and deliverables.

Peer Review Engagement Timeframe: December 2020 - May 2021.

Evaluates Internal Audit processes and documentation from fiscal year 2018 - 2020.

Report Conforms with all three internal audit standards.

Evaluated conformance with overall function requirements.

Evaluated conformance with engagement requirements.

Previous Peer Review recommendation related to ethics has been implemented.



Arby Gonzales, CPA, CFE
Internal Audit Director
Texas Department of Insurance
333 Guadalupe Street
Austin, Texas 78701

Harold Rogers, CIA, CISA
Information Technology Audit Project Manager
Texas Workforce Commission
101 E 15th Street
Austin, Texas 78778

December 30, 2020

Dear Mr. Gonzales and Mr. Rogers:

This letter is to document the terms of our agreement regarding the peer review of the internal audit function at the Texas Department of Motor Vehicles. It is understood that Mr. Arby Gonzales will serve as the Peer Review Team Leader and Mr. Harold Rogers will serve as the Peer Review Team Member. No member of the review team has a conflict of interest with the Texas Department of Motor Vehicles or the Internal Audit Division.

The Peer Review Team will perform a quality assurance review of the Texas Department of Motor Vehicles internal audit activity to assess compliance with The Texas Internal Auditing Act (Texas Government Code, Chapter 2102), the Institute of Internal Auditors Code of Ethics and International Standards for the Professional Practice of Internal Auditing, and U.S. Government Accountability Office Government Auditing Standards in effect at the time the audits were conducted.

The review will be conducted in accordance with the State Agency Internal Audit Forum (SAIAF) Peer Review Manual. Completed audit and consulting projects performed by the Texas Department of Motor Vehicles Internal Audit Department from September 2017 to August 2020 (fiscal year 2018 through fiscal year 2020) may be reviewed during this engagement. The peer review team may cover any one year during that time period.

The Chief Audit Executive/Internal Audit Director (Director) agrees to:

- Provide the Peer Review Team with a completed self-assessment, reference file, and self-assessment report
- Coordinate with the Peer Review Team in sending out a survey to a sample of representatives from agency management
- Coordinate meetings with Executive Management and the Texas Department of Motor Vehicles Board Members
- Assist the Peer Review Team throughout the fieldwork process
- Review the draft report for accuracy and provide comments or clarification as needed

- Provide management responses to the report as needed

The Board Members agree to:

- Be kept informed of the Peer Review Progress
- Respond to answers from the Peer Review Team
- Review the final report on the observations and recommendations

The Peer Review Team Leader agrees to:

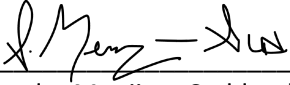
- Review and approve the self-assessment prior to starting on-site work for the review
- Retain all working papers for one year after the report has been issued, in accordance with the SAIAF Records Retention Procedure

The Peer Review Team (Team) agrees to:

- Review all relevant documentation
- Administer a survey to a sample of representatives from agency management
- Review the working papers of at least one project completed during the review period that is representative of the work performed during the period
- Conduct interviews of Internal Audit management and staff, and a sample of representatives from agency management, Board members, and external auditors
- Provide the Director and Board Members with periodic progress updates
- Issue a final report on the observations and recommendations identified during the Peer Review to the Director, with the complete report also issued to the members of the Board and Executive Management
- Include the Peer Review Team's opinion in a letter on whether the internal audit function generally conforms/passes, partially conforms/passes with deficiencies, or does not conform/fails to comply with the Standards, as defined in the *SAIAF Peer Review Manual*, Table 1. The report will also include the Director's responses, including action plans for addressing any recommendations

The peer review will begin in February 2021 with fieldwork scheduled to start in March 2021. A draft report will be provided to the Director for review by May 2021 with a final report available to be released by May 2021. An exit conference will be scheduled with the Director and the Texas Department of Motor Vehicles Executive Director.

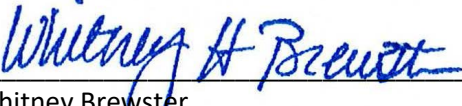
The signatures below indicate that the terms of this agreement are acceptable.



Sandra Menjivar-Suddeath, CIA, CISA, CFE, CGAP
Director of Internal Audit
Texas Department of Motor Vehicles

01/13/2021


Date



Whitney Brewster
Executive Director
Texas Department of Motor Vehicles

01/07/2021

Date

DocuSigned by:


FDB22F52328947C...
Guillermo "Memo" Treviño
Chairman of the Board
Texas Department of Motor Vehicles

1/22/2021

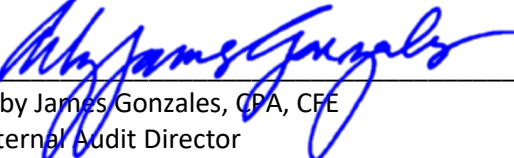
Date

DocuSigned by:


C7382D362011471...
Brett Graham
Chairman of the Finance & Audit Committee
Texas Department of Motor Vehicles

1/26/2021

Date



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

12/30/2020

Date



Harold Rogers, CIA, CISA
Information Technology Audit Project Manager
Texas Workforce Commission
Peer Review Team Member

12/30/2020

Date

cc: SAIAF Peer Review Committee



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Peer Review Self – Assessment Report

Internal Audit Division

January 2021

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Texas Department of Motor Vehicles

Peer Review Self-Assessment

Executive Summary

BACKGROUND

Every three years, the Internal Audit Division (IAD) is required to obtain an External Assessment (Peer Review) on whether the internal audit function complies with the applicable professional auditing standards in all material aspects. The applicable standards are the (1) Institute of Internal Auditors' International Professional Practices Framework, the definition of internal auditing, the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics; (2) U.S. Government Accountability Office's (GAO) Generally Accepted Auditing Standards; and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102.

As part of the Peer Review, the IAD conducts a self-assessment, produces a report with the results of the self-assessment, and provides the report to the Peer Review Team. The Peer Review team uses the report to obtain information on how the IAD meets applicable auditing standards.

The IAD reviewed documentation created during the peer review period (September 2017 – August 2020), with a focus on documentation created in fiscal year 2020, to develop this self-assessment.

RESULTS

From September 2017 to August 2020, the Texas Department of Motor Vehicles (TxDMV or Department) – IAD generally conformed with the applicable standards in all material aspects. The IAD has established policies and procedures to ensure compliance with applicable auditing standards. The IAD followed those standards in work performed during the peer review period.

IAD also fully implemented previous external audit recommendations related to ethics.

Background

Peer Review Process

Every three years, the Internal Audit Division (IAD) is required to obtain an External Assessment (Peer Review) on whether the internal audit function generally complies with the applicable professional standards (audit standards)¹ during the peer review period (period). The peer review period was September 2017 to August 2020. The Peer Review determines if the IAD generally complies with audit standards by reviewing engagements conducted during the period and by evaluating the IAD's compliance with the eleven areas. Those eleven areas are the following²:

1. **Purpose, Authority, and Responsibility** - The internal audit function must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Institute of Internal Auditors (IIA) Standards, and the Definition of Internal Auditing).
2. **Independence and Objectivity** - The internal audit function must be independent and perform work in an objective manner.
3. **Proficiency and Due Professional Care** – Engagements must be performed by staff that are proficient and have due professional care.
4. **Quality Assurance and Improvement Program** – A quality assurance and improvement program must be established and must enable an evaluation of the internal audit function's conformance with the audit standards and any applicable other requirements. The program also should assess the efficiency and effectiveness of the internal audit function and identifies opportunities for improvement for the function.
5. **Managing the Internal Audit Activity** - The internal audit function must be effectively managed to ensure it adds value to the organization.
6. **Nature of Work** - The internal audit function must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.
7. **Engagement Planning** – A plan must be developed and documented for each engagement.
8. **Performing the Engagement** – Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.
9. **Communicating Results** – Results from the audit engagements must be communicated to management and those in charge with governance.

¹ The applicable standards are the (1) Institute of Internal Auditors' International Professional Practices Framework, the definition of internal auditing, the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics (IIA Standards); (2) U.S. Government Accountability Office's (GAO) Generally Accepted Auditing Standards (GAGAS); and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act).

² Definitions obtained from the IIA Standards

10. **Monitoring Progress** – A system to monitor the disposition of results must be established, maintained, and communicated.
11. **Resolution of Senior Management's Acceptance of Risk** – When it has been concluded that management has accepted a level of risk that may be unacceptable to the organization, the risk must be discussed with senior management. If the matter is not resolved, the risk acceptance must be communicated to the board.

The Peer Review team reviews this self-assessment report, engagement documentation, and other documentation submitted to them and concludes on whether the internal audit function has complied with the applicable professional standards in all material aspects by preparing a report. It concludes whether the internal audit function is meeting standards by assigning one of the following ratings:

- **Pass/Generally Conforms** - the internal audit function is in compliance with the IIA Standards, GAGAS, and the Texas Internal Auditing Act. The internal audit function's policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency.
- **Pass with Deficiencies/Partially Conforms** – the internal audit function generally complies with the IIA Standards, GAGAS, and the Texas Internal Auditing Act. The internal audit function has an internal quality control system that is suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards for assurance and consulting engagements during the review period. However, deficiencies in the internal quality control system have been noted that resulted in nonconformance with the IIA Standards, the GAO Standards, and/or the Texas Internal Auditing Act.
- **Fail/Does Not Conform** – the internal audit function is not in compliance with the Standards for assurance and consulting engagements during the review period. The Peer Review team found serious deficiencies in the internal quality control system for the internal audit function.

Self-Assessment Process

As part of the Peer Review Process, the IAD must conduct a self-assessment and produce a report with the results of the self-assessment. The self-assessment reviews the internal audit function related to complying with the key audit standards. The self-assessment is provided to the independent Peer Review team for their evaluation and consideration in their review.

For this self-assessment, the IAD reviewed documentation created, maintained, and used from September 2017 to August 2020.

The self-assessment was prepared the IAD during fiscal year (FY) 2021.

Self-Assessment Results

Overall Conclusion

Through the review conducted in this self-assessment, the Texas Department of Motor Vehicles (TxDMV or Department) – Internal Audit Division (IAD) concludes that it passes its peer review and is in compliance with the following required auditing standards: the 1) Institute of Internal Auditors' International Professional Practices Framework, the definition of internal auditing, the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics (IIA Standards); (2) U.S. Government Accountability Office's (GAO) Generally Accepted Auditing Standards (GAGAS); and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act). The IAD generally complies (Pass) with the auditing standards. IAD did not identify any issues that must be corrected.

IIA Code of Ethics

The IAD maintains an ethical environment and complies with the IIA Code of Ethics by including the Code of Ethics in its Internal Audit Charter and Internal Audit Policies and Procedures Manual (standard operating procedures). In addition, the IAD demonstrates its commitment to ethics by being an active participant in reducing fraud, waste, and abuse in the Department and by conducting work in an ethical manner.

Previous Peer Review Recommendation Status

The IAD has implemented the 2018 Peer Review recommendation that recommended the IAD consider performing a periodic project related to the agency's ethics-related objectives, programs, and activities. Since the issuance of the audit recommendation, IAD completed an advisory service identifying fraud, waste, and abuse risks and controls and participated in the Ethics Policy workgroup as a facilitator and advisor. In the workgroup, IAD provided advice and potential risks with the updates to the Ethic policy and provided guidance on the structure of the ethics programs in the Department.

Purpose, Authority, and Responsibility

The IAD maintains an active Internal Audit Charter where the purpose, authority, roles, and responsibilities are defined. The charter also provides information on the IAD's mission and the standards it must follow. The Internal Audit Charter is reviewed every year during the Quality Assurance & Improvement Program (QAIP) and is updated as necessary.

The most recent update to the Internal Audit Charter was in November 2020. The charter was signed by the Executive Director, the Internal Audit Director, the Finance & Audit Committee Chairman, and the Board Chairman after it was approved by the Board. The Internal Audit Charter was posted on both the Department's Intranet and Internet

Independence and Objectivity

The IAD reports directly to the TxDMV Board and also has an administrative line to the Executive Director (and management). This structure ensures that the IAD is independent. Independence is confirmed during each engagement. Staff assigned to an engagement must confirm their independence prior to starting the engagement.

The IAD is objective since the IAD has no management responsibility. Moreover, the TxDMV Board is responsible for approving the audit plan, operating budget, and the appointment of the Internal Audit Director. The Internal Audit Charter also identifies roles and responsibilities to ensure independence and objectivity.

Proficiency and Due Professional Care

The IAD assures internal auditors are proficient and have due professional care by having job descriptions that accurately describe roles and responsibilities and by having an annual training planning process that develops staff for current and future engagements. Currently, the IAD has over 30 years of audit experience and has staff with active certifications. Staff currently have the following certifications: Certified Internal Auditor, Certified Government Auditing Professional, Certified Fraud Examiner, and Certified Information Security Auditor.

Each year, the Internal Audit Director meets with the internal audit staff to go over individual training plans. The development of the training plan follows the process set in the IAD's standard operating procedures.

The standard operating procedures also outline the necessary steps needed to ensure that internal staff (including internal and external specialists) have sufficient proficiency and due professional care to meet audit standards. Information related to proficiency and due professional care is captured through proficiency forms and the TeamMate³ control programs⁴.

Quality Assurance and Improvement Program

The IAD has a comprehensive QAIP that ensures audit standards are met. The comprehensive plan includes obtaining an external assessment every three years and conducting an internal assessment every year. The external assessment, also known as a Peer Review, is typically conducted by similar state agencies and ensures conformance and compliance with the applicable auditing standards. The last peer review was done in 2018.

The internal assessment includes a comprehensive review of the efficiency and effectiveness of the internal audit function as well as reviewing compliance with audit standards. The internal assessment includes a review of all audit documentation, audit recommendations, and reports for each engagement conducted by the IAD in a fiscal year prior to finalizing an engagement file. For each engagement, the IAD follows the review steps outlined in the Teammate control programs and the standard operating procedures. This ensures that each engagement has sufficient, relevant, and appropriate evidence and that performance standards are followed.

In addition, IAD provides progress and result information on the following:

- Key Performance Indicators (KPIs)
 - Audit Recommendation Implementation
 - Audit Plan Completion
 - Engagements completed within 10% of budgeted hours
 - Percentage of overall client satisfaction
 - Percentage of client surveys that agree the IAD communicated results clearly and timely

³ TeamMate AM is the audit software used by the IAD. IAD implemented TeamMate + (Plus) in FY2021.

⁴ A TeamMate control program details the steps used to perform the engagement. The control program also ensures audit standards are followed. The IAD has two TeamMate control programs: Audit Engagement TeamMate Control Program and Advisory Service (Consulting) Engagement TeamMate Control Program.

- Number of Internal Audit Education Efforts conducted annually
- Percentage of clients that believe audit recommendations were useful and beneficial when implemented
- Percentage of client survey responses that agreed the IAD had sufficient knowledge about the audited area
- Percentage of relevant certifications maintained by the IAD
- Percentage of staff working on operational initiatives
- Institute of Internal Auditors (IIA) – Internal Audit Capability Model for the Public Sector (Capability Model)
- Fraud, waste, and abuse allegations and disposition
- External assessment recommendations progress

Managing the Internal Audit Activity

The IAD is managed through the division's standard operating procedures and TeamMate control programs. The activity is also managed by continuously assessing risk and through the audit plans. Throughout the year, the IAD collects risks that may need to be audited in future years⁵. The risks are evaluated by reviewing data and obtaining stakeholder and staff feedback. The risks that are considered high are added to a future audit plan. The audit plan is reviewed and approved the TxDMV Board.

The TxDMV Board also approves the IAD's operating budget and allocation of the number of full-time equivalents (FTEs). The TxDMV Board is kept abreast on the audit plan status through board meetings and monthly conversations with the Board Chair and the Finance & Audit Chair, respectively. In addition, TxDMV Executive Office is kept abreast on the audit plan status through monthly meetings.

Nature of Work

The IAD aligns itself with the Department's missions, vision, and goals to provide assurance on the risks that may have the most impact to the Department. For each risk identified, the IAD ties that risk to the Department's strategic plan, goal, and the Legislative Budget Board (LBB) performance and budget area/strategy. This provides the division a comprehensive view of the risk areas throughout the Department and which areas may have more risk. In addition, IAD created a strategic plan that supports the Department's strategic plan and objectives. The strategic plan includes information on how IAD has position itself to help the Department respond to risks. In addition, it codifies IAD's vision, mission, and goals.

IAD's vision is to be a future focused internal audit function protecting and serving the Department and its customers and the mission is to identify emerging strategic risks, support adaptability in an evolving environment, and foster trusted relationships and an ethical environment.

By aligning the IAD's vision and mission to the Department's, IAD can focus on where it can add-value and have the most impact.

⁵ Any risk that is significant will be audited at the time (see the revision to the FY 2019 Annual Audit Plan).

Engagement Planning

The IAD uses its standard operating procedures and the TeamMate Control programs to plan engagements. IAD staff obtain an understanding of the process being evaluated, based on the preliminary objectives established in the audit plan. The staff collect and evaluate information from several sources: program data, interviews, and documented procedures. Next, the staff evaluate the risks to the Department and which controls are in place to mitigate the risk. The staff uses this information to develop final audit objective and fieldwork testing program. All testing and final objectives are approved by the IAD Director. The staff communicates this information to the clients through an End of Planning Conference. IAD also logs all risks and controls identified in the planning phase for future consideration.

Performing the Engagement

IAD uses its standard operating procedures and the TeamMate control programs to perform its engagements. All engagements are documented within TeamMate. The IAD staff enter work papers and summarize conclusions based on evidence gathered during fieldwork and as outlined in the fieldwork program. All work is reviewed by the engagement lead and the Internal Audit Director, or designee. Work that may need clarification receives coaching notes and the staff address those coaching notes. Upon completion of coaching notes, the IAD Director or designee reviews and finalizes the corrected workpapers.

While performing the engagement, staff enter and keep track of potential findings, observations, management discussions, and other items the Issue Viewer in TeamMate. They also track and test risks and controls and document the outcome. The issues that become findings and observations are reviewed by the IAD Director to ensure sufficient, appropriate, and relevant evidence is used to support the finding or observation.

Communicating Results

Results are communicated to TxDMV management and Board members in a timely manner. TxDMV management (client) obtains written and verbal communication on the audit's progress and results regularly. IAD has established a goal of communicating with the client every two weeks during the fieldwork phase. In addition, results and progress are communicated to the TxDMV Executive Office, Finance & Audit Committee Chair, Board Chair, and the Committee monthly.

Draft reports are reviewed by TxDMV Management, TxDMV Executive Office, TxDMV Finance & Audit Committee, and the TxDMV Board Chair prior to being issued. All audit reports are presented or provided to all Board members via the Board SharePoint site or via a Board meeting.

Monitoring Progress

The IAD monitors the progress of the issued recommendations (external and internal) as they become due. IAD uses TeamMate to track and determine if recommendations have been fully implemented. Based on the severity of the audit recommendation (high or low priority), the IAD may conduct additional testing when the audit recommendation is implemented. The monitoring progress process is detailed in the standard operating procedures.

Resolution of Senior Management's Acceptance of Risks

The IAD would report any risk acceptance (management accepted risk) that were considered outside acceptable risk levels, as required by audit standards. During the review period, the Department did not accept any risk that the IAD found to be outside acceptable risk levels. Risk acceptance communication is implied and discussed in the standard operating procedures and TeamMate control programs.

Appendix 1: Compliance Standards

Compliance Standards Summary

The TxDMV Internal Audit Division conducted its internal periodic self - assessment to assess whether the internal audit function met the Compliance Standards that are outlined by the IIA (IIA Standards) and GAO (GAGAS) as well as the compliance requirements within the Texas Internal Auditing Act (Texas Government Code 2102). The assessment found that the internal audit function generally conforms/passes with the Compliance Standards.

The assessment was conducted by students from the University of Texas at Austin. These students were taking an internal audit class as part of the accounting curriculum and had sufficient training to conduct the assessment. Internal Auditor Jason Gonzalez and IAD Director Sandra Menjivar-Suddeath oversaw the students to ensure the work was done in accordance with SAIAF Peer Review standards.

Documentation of Compliance Standards Review

Entity Name: Texas Department of Motor Vehicles			
Preparer: Annie Hu, Faizan Manji, Rahul Mehta, Zoey Rasch (University of Texas at Austin Students)		Review Date: 11/17/2020	
Reviewer: Sandra Menjivar-Suddeath		Review Period: 9/1/2017 to 8/31/2020	
Type of Assessment (check one)	<input type="checkbox"/> Internal – On-going monitoring	<input checked="" type="checkbox"/> Internal - Periodic self-assessment	<input type="checkbox"/> External
Overall Assessment: Generally Conforms/Pass			

Internal Assessment

An internal audit function may use this program at any time to satisfy the requirement of a Quality Assurance and Improvement Program for on-going monitoring and periodic internal and external quality assessments. The preparer will conclude on compliance by making one selection from the pulldown menu:

- Yes = conforms/pass
- No = does not conform/fail
- OI = conforms/pass with opportunity for improvement
- N/A = not applicable

No.	Citation	Standard	References	Conform/ Pass
ETHICS				
1	IA Act 2102.011, Code of Ethics, GAGAS 1.14	Does the charter or other Internal Audit document establish the expectation that audit staff will conform to the Institute of Internal Auditors' Code of Ethics and be guided by ethical principles?	Internal Audit Charter	Yes
★	CONCLUSION	Ethics. Does the internal audit activity comply with Ethics requirements?		Yes
COMMENTS:				
PURPOSE, AUTHORITY, AND RESPONSIBILITY				
1	AS 1000, AS 1000.A1	Are the purpose, authority, and responsibility of the internal audit activity formally defined in a charter, consistent with the Standards, and approved by the board? Is the nature of assurance services, including those provided to outside parties, defined in the audit charter?	Internal Audit Charter	Yes
2	AS 1000.C1	Is the nature of consulting services defined in the audit charter?	Internal Audit Charter	Yes
3	AS 1010	Is the mandatory nature of the Core Principles for the Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing recognized in the internal audit charter? Has the chief audit executive discussed the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board?	Internal Audit Charter. The Internal Audit Charter was signed by the Executive Director and the Board.	Yes
★	CONCLUSION	Purpose, Authority, and Responsibility. Does the internal audit activity comply with the standard on defining purpose, authority, and responsibility?		Yes

No.	Citation	Standard	References	Conform/ Pass
COMMENTS:				
INDEPENDENCE and OBJECTIVITY				
1	IA Act 2102.006(a)	Does the governing board of the state agency, or the administrator if the state agency does not have a governing board, appoint the internal auditor?	Internal Audit Charter Organizational Chart	Yes
2	IA Act 2102.007(a)(1)	Does the internal auditor report directly to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board?	Internal Audit Charter Organizational Chart	Yes
3	IA Act 2102.007(b) GAGAS 3.31	<p>Does the program of internal auditing conducted by a state agency provide for the auditor to:</p> <ul style="list-style-type: none"> • Have access to the administrator • Be free of all operational and management responsibilities that would impair the auditor's ability to review independently all aspects of the state agency's operation <p>Is the Chief Audit Executive:</p> <ul style="list-style-type: none"> • Accountable to the head or deputy head of the government entity or to those charged with governance? • Required to report the results of the audit organization's work to the head or deputy head of the government entity and to those charged with governance? • Located organizationally outside the staff or line management functions of the unit under audit? • Granted access to those charged with governance? 	Internal Audit Charter Organizational Chart	Yes

No.	Citation	Standard	References	Conform/ Pass
		<ul style="list-style-type: none"> Sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal? 		
4	GAGAS 3.46	<p>Before agreeing to perform non-audit services, did the audit organization perform an assessment to determine if:</p> <ul style="list-style-type: none"> The non-audit services are not expressly prohibited The auditor has determined that the requirements for performing non-audit services in paragraphs 3.49 through 3.58 have been met, including: <ol style="list-style-type: none"> Management is able to effectively oversee the non-audit service to be performed Auditors obtained assurance that management assumes all management responsibilities; designates an individual who possesses suitable skill, knowledge, or experience to oversee the services; evaluates the adequacy and results of the services performed; and accepts responsibility for the results of the services Auditors documented their understanding with management regarding objectives; services to be performed; audited entity's acceptance of its responsibilities; the auditor's responsibilities; and any limitation of the nonaudit service An auditor who previously performed non-audit services for an entity that is a prospective subject of an audit, evaluated the impact of those non-audit 	<p>Internal Audit Charter</p> <p>Advisory Service Agreement Template</p> <p>Consulting Engagement TeamMate Control Program</p> <p>Internal Audit Policies & Procedures Manual</p>	Yes

No.	Citation	Standard	References	Conform/ Pass
		<p>services on independence before accepting an audit</p> <p>e. An auditor in a government entity required to perform a non-audit services disclosed the nature of the threat that could not be eliminated or reduced to an acceptable level and modify the GAGAS compliance statement accordingly</p> <ul style="list-style-type: none"> • Any significant threats to independence have been eliminated or reduced to an acceptable level through the application of safeguards 		
5	AS 1100	<p>Independence and Objectivity. Is the internal audit activity independent, and are internal auditors’ objective in performing their work?</p> <p><i>Interpretation:</i></p> <p><i>Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:</i></p> <ul style="list-style-type: none"> • Approving the internal audit charter • Approving the risk based internal audit plan • Approving the internal audit budget and resource plan • Receiving communications from the chief audit executive on the internal audit activity’s performance relative to its plan and other matters • Approving decisions regarding the appointment and removal of the chief audit executive 	<p>Internal Audit Charter</p> <p>FY 2018 – FY 2020 Audit Plans</p>	Yes

No.	Citation	Standard	References	Conform/ Pass
		<ul style="list-style-type: none"> • Approving the remuneration of the chief audit executive • Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations 		
6	AS 1110	<p>Organizational Independence. Does the chief audit executive report to a level within the organization that allows the internal audit activity to fulfill its responsibilities?</p> <p>Does the chief audit executive confirm to the board, at least annually, the organizational independence of the internal audit activity?</p>	<p>Internal Audit Charter</p> <p>FY2018 - 2020 Quality Assurance & Improvement Program (QAIP) Reports</p> <p>Internal Audit Policies & Procedures Manual</p>	Yes
7	AS 1110.A1	<p>Is the internal audit activity free from interference in determining the scope of internal auditing, performing work, and communicating results?</p> <p>Does the chief audit executive disclose such interference to the board and discuss the implications?</p>	Internal Audit Charter	Yes
8	AS 1111	Direct Interaction with the Board. Does the Chief Audit Executive communicate and interact directly with the board?	<p>Internal Audit Charter</p> <p>Internal Audit Policies & Procedures Manual</p>	Yes
9	AS 1112	Chief Audit Executive Roles Beyond Internal Auditing. Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, are safeguards in place to limit impairments to independence or objectivity?		N/A

No.	Citation	Standard	References	Conform/ Pass
10	GAGAS 3.59	Documentation of Independence. Does the audit organization document threats to independence that require the application of safeguards, along with safeguards applied, in accordance with the conceptual framework for independence outlined in GAGAS 3.20 – 3.26?	Internal Audit Policies & Procedures Manual TeamMate control programs	Yes
11	AS 1120 GAGAS 1.19	Individual Objectivity. Do the internal auditors have an impartial, unbiased attitude and avoid any conflict of interest?	TeamMate control programs Independence Forms	Yes
12	AS 1130	Impairments to Independence or Objectivity. If independence or objectivity is impaired in fact or appearance, are the details of the impairment disclosed to appropriate parties? (The nature of the disclosure will depend upon the impairment.)	Internal Audit Policies & Procedures Manual TeamMate Control programs	Yes
13	1130.A1	Do the internal auditors refrain from assessing specific operations for which they were previously responsible within the previous year?	Internal Audit Policies & Procedures Manual TeamMate control programs	Yes
14	1130.A2	Does a party outside the internal audit activity oversee assurance services over functions over which the Chief Audit Executive has been responsible?		N/A
15	1130.A3	Is individual objectivity managed when assigning resources to assurance services engagements that are provided where the internal audit activity has previously performed consulting services?	TeamMate control programs Independence Forms	Yes

No.	Citation	Standard	References	Conform/ Pass
16	1130.C1 1130.C2	If internal auditors provide consulting services relating to operations for which they had previous responsibilities, are potential impairments to independence or objectivity disclosed to the client prior to performing consulting services?	FY2018 – FY2019 Advisory Service Control Programs	Yes
17	GAGAS 3.88	<p>Does the audit organization have policies and procedures on independence, legal, and ethical requirements that are designed to provide reasonable assurance that the audit organization and its personnel maintain independence and comply with applicable legal and ethical requirements? Do the policies and procedures assist the audit organization in:</p> <ul style="list-style-type: none"> • Communicating independence requirements to its staff • Identifying and evaluating circumstances and relationships that create threats to independence, and take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, withdraw from the audit where withdrawal is not prohibited by law or regulation 	Internal Audit Policies & Procedures Manual	Yes
18	GAGAS 3.08 – 3.09	<p>In situations where the audit organization identifies a personal impairment to independence, is the impairment resolved in a timely manner? Is there a process to:</p> <ul style="list-style-type: none"> • Identify threats to independence • Evaluate the significance of the threats identified, both individually and in the aggregate • Apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level 	Internal Audit Policies & Procedures Manual TeamMate control programs Independence Policy or Statements	Yes

No.	Citation	Standard	References	Conform/ Pass
		If no safeguards are available to eliminate an unacceptable threat or reduce it to an acceptable level, is independence considered to be impaired?		
19	GAGAS 3.24	Has the audit organization established internal policies and procedures for identifying, applying safeguards and documenting conclusions on impairments to independence?	Internal Audit Policies & Procedures Manual	Yes
★	CONCLUSION	<p style="text-align: center;">Independence and Objectivity.</p> <p style="text-align: center;">Is the internal audit activity independent, and are the internal auditors' objective in performing their work (AS 1100)?</p> <p style="text-align: center;">Independence. In all matters relating to the audit work, is the audit organization and are the individual auditors, whether government or public, independent (GAGAS)?</p>		Yes
COMMENTS:				
PROFICIENCY and PROFESSIONAL JUDGMENT				
1	IA Act 2102.006 (b)	<p>Is the Chief Audit Executive a Certified Public Accountant or a Certified Internal Auditor?</p> <p style="text-align: center;">AND</p> <p>Does s/he have at least three years of auditing experience?</p>	Sandra Menjivar-Suddeath -Resumes and Certifications	Yes
2	AS 1210.A1 GAGAS 3.79 - 3.81	<p>Does the chief audit executive obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement?</p> <p>Has the internal audit organization determined that <u>external specialists</u> who assist in performing a GAGAS audit are qualified and competent in their areas of specialization?</p>	Internal Audit Policies & Procedures Manual	Yes

No.	Citation	Standard	References	Conform/ Pass
		Has the internal audit organization determined that <u>internal specialists</u> consulting on a GAGAS audit who are not involved in directing, performing audit procedures, or reporting on a GAGAS audit, are qualified and competent in their areas of specialization? (Note: These specialists do not have to comply with GAGAS CPE requirements. However, <u>internal specialists</u> who are involved in these activities must comply with GAGAS CPE requirements.)		
3	1210.A2	Do the internal auditors have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization? (NOTE: Internal auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.)	Internal Audit Policies & Procedures Manual Staff Training Record and Staff Resumes and Certifications	Yes
4	1210.A3	Do the internal auditors have knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work? (NOTE: Not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.)	Staff Training Record and Staff Resumes and Certifications	Yes
5	1210.C1	Does the chief audit executive decline the consulting engagement or obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement?	Internal Audit Policies & Procedures Manual TeamMate control programs	Yes
6	GAGAS 3.70	Does the audit organization have a process for recruitment, hiring, continuous development, assignment, and evaluation	Internal Audit Policies & Procedures Manual	Yes

No.	Citation	Standard	References	Conform/ Pass
		of staff to maintain a competent workforce?		
7	AS 1210 GAGAS 3.72	<p>Proficiency. Do internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities?</p> <p>Does the internal audit activity collectively possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities?</p> <p>Do the staff members collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that assignment?</p>	<p>Internal Audit Policies & Procedures Manual</p> <p>TeamMate control programs</p> <p>Audit Team Proficiency Document</p> <p>Temporary Personnel Template</p>	Yes
8	AS 1220 1220.A1	<p>Due Professional Care. Do the internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor? (NOTE: Due professional care does not imply infallibility.)</p> <p>Do the internal auditors exercise due professional care by considering the:</p> <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement's objectives • Relative complexity, materiality, or significance of matters to which assurance procedures are applied • Adequacy and effectiveness of governance, risk management, and control processes • Probability of significant errors, fraud, or noncompliance • Cost of assurance in relation to potential benefits 	<p>Audit Team Proficiency Document</p> <p>Temporary Personnel Template</p>	Yes

No.	Citation	Standard	References	Conform/ Pass
9	1220.A2	In exercising due professional care, do the internal auditors consider the use of technology-based audit and other data analysis techniques?	TeamMate control programs	Yes
10	1220.A3	Are the internal auditors alert to the significant risks that might affect objectives, operations, or resources? (NOTE: Assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.)	TeamMate control programs	Yes
11	1220.C1	Do the internal auditors exercise due professional care during a consulting engagement by considering the: <ul style="list-style-type: none"> • Needs and expectations of clients, including the nature, timing, and communication of engagement results • Relative complexity and extent of work needed to achieve the engagement's objectives • Cost of the consulting engagement in relation to potential benefits 	TeamMate control programs Advisory Service Agreement Template Internal Audit Policies & Procedures Manual	Yes
12	AS 1230	Continuing Professional Development. Do the internal auditors enhance their knowledge, skills, and other competencies through continuing professional development?	Internal Audit Policies & Procedures Manual Staff Proficiency and Training Records	Yes
13	GAGAS 3.76 GAGAS 3.78	Does the audit organization maintain quality control procedures, including documentation, to help ensure that each auditor completed Continuing Professional Education (CPE) in accordance with the following?	Staff Proficiency and Training Records	Yes

No.	Citation	Standard	References	Conform/ Pass
		<ul style="list-style-type: none"> • Complete 24 hours of CPE every 2 years that directly relate to governmental auditing, the government environment, or the specific/unique environment in which the audited entity operates • At least an additional 56 hours (for a total of 80 hours every two-year period) that directly enhance the auditor’s professional proficiency to perform audits and/or attestation engagements • At least 20 of the 80 hours completed in each year of the 2-year period. Or, if hired in the middle of a 2-year period, complete a defined pro-rated number of CPE hours 		
14	GAGAS 3.79	IF USING THE WORK OF EXTERNAL & INTERNAL SPECIALISTS. Does the audit organization ensure such specialists are qualified and competent in their areas of specialization?	Internal Audit Policies & Procedures Manual Temporary Personnel Template	Yes
15	GAGAS 3.81	IF USING THE WORK OF INTERNAL SPECIALISTS. Does the audit organization ensure that internal specialists performing work as part of the audit team are meeting GAGAS CPE requirements?	Internal Audit Policies & Procedures Manual	Yes
★	CONCLUSION	<p>Proficiency and Due Professional Care. Are engagements performed with proficiency and due professional care (AS 1200)?</p> <p>Professional Judgment. Is professional judgment used in planning and performing audits and in reporting the results (GAGAS 3.60)?</p> <p>Competence. Does the staff assigned to perform the audit collectively possess adequate professional competence for the tasks required (GAGAS 3.69)?</p>		Yes

No.	Citation	Standard	References	Conform/ Pass
COMMENTS:				
QUALITY ASSURANCE AND IMPROVEMENT PROGRAM				
1	IA Act 2102.007(a)(5)	Does the Chief Audit Executive conduct quality assurance reviews in accordance with the Standards for the Professional Practice of Internal Auditing, the Code of Ethics contained in the International Professional Practices Framework as promulgated by the Institute of Internal Auditors, and generally accepted government auditing standards, and periodically take part in a comprehensive external peer review?	Internal Audit Policies & Procedures Manual	Yes
2	AS 1310	Requirements of the Quality Assurance and Improvement Program – Does the quality assurance and improvement program include both internal and external assessments?	Internal Audit Policies & Procedures Manual	Yes
3	AS 1311	Internal Assessments. Do internal assessments include: <ul style="list-style-type: none"> • Ongoing monitoring of the performance of the internal audit activity • Periodic self-assessments or assessments by other persons within the organization who have sufficient knowledge of internal audit practices 	Internal Audit Policies & Procedures Manual 2018 - 2020 QAIP Report 2018 Peer Review Self-Assessment Report	Yes
4	GAGAS 3.83 GAGAS 3.85	Does the audit organization's system of quality control encompass the audit organization's leadership, emphasis on performing high quality work, and the organization's policies and procedures designed to provide reasonable assurance of complying with professional standards	Internal Audit Policies & Procedures Manual TeamMate control programs	Yes

No.	Citation	Standard	References	Conform/ Pass
		and applicable legal and regulatory requirements that collectively address the following? <ul style="list-style-type: none"> • Leadership responsibilities for quality within the audit organization • Independence, legal, and ethical requirements • Initiation, acceptance, and continuance of audit engagements • Human resources • Audit performance, documentation, and reporting • Monitoring of quality 		
5	GAGAS 3.84	Does the audit organization do the following? <ul style="list-style-type: none"> • Document its quality control policies and procedures • Communicate those policies and procedures to its personnel • Document compliance with its quality control policies and procedures • Maintain such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization's compliance with its quality control policies and procedures 	Internal Audit Policies & Procedures Manual 2018 – 2020 QAIP Reports Records Schedule	Yes
6	GAGAS 3.95	Does the audit organization analyze and summarize the results of its monitoring procedures at least annually, with identification of any systemic issues	2018 – 2020 QAIP Reports	Yes


No.	Citation	Standard	References	Conform/ Pass
		needing improvement along with recommendations for corrective action?		
7	AS 1312	<p>External Assessments. Are external assessments, such as quality assurance reviews, conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization?</p> <p>The chief audit executive must discuss with the board:</p> <ul style="list-style-type: none"> • The form and frequency of external assessments • The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest <p>Does the chief audit executive encourage board participation in the external assessments to reduce perceived or potential conflicts of interest?</p>	<p>2018 Peer Review</p> <p>Internal Audit Policies & Procedures Manual</p>	Yes
8	GAGAS 3.96	<p>Does the audit organization have an external peer review at least once every 3 years by reviewers independent of the audit organization being reviewed to determine if the audit organization is conforming to applicable professional standards? (This review should include determining if the system of quality control was suitably designed and whether the audit organization is complying with its quality control system.)</p> <p>Did the audit organization take remedial, corrective actions as needed based on the results of the peer review? (While the Yellow Book is currently silent on this</p>	<p>2018 Peer Review</p> <p>Internal Audit Policies & Procedures Manual</p>	Yes

No.	Citation	Standard	References	Conform/ Pass
		matter, the SAI AF encourages consideration be given to this area.)		
9	AS 1320	<p>Reporting on the Quality Assurance and Improvement Program. Does the chief audit executive communicate the results of the quality assurance and improvement program to senior management and the board at least annually?</p> <p>Disclosure should include</p> <ul style="list-style-type: none"> • The Scope and frequency of both the internal and external assessments • The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest • Conclusions of assessors • Corrective action plans 	<p>2019 & 2020 QAIP Letters</p> <p>2018 Peer Review</p>	Yes
10	GAGAS 3.105	Does the chief audit executive provide a copy of the external peer review report to those charged with governance including the appropriate oversight bodies?	Board Communication through SharePoint and Board Internal Audit Site	Yes
11	AS 1321	Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing.” Does the internal audit activity indicate that it conforms with the International Standards for the Professional Practice of Internal Auditing only if supported by the results of the quality assurance and improvement program?	Internal Audit Policies & Procedures Manual	Yes
12	AS 1322	Disclosure of Nonconformance. If nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity,	Internal Audit Policies & Procedures Manual	Yes

No.	Citation	Standard	References	Conform/ Pass
		does the chief audit executive disclose the nonconformance and the impact to senior management and the board?		
13	GAGAS 2.23	Stating Compliance with GAGAS in the Auditors' Report. Does the audit organization refer to compliance with GAGAS in its audit reports, as appropriate with the level of compliance outlined in GAGAS 2.24 – 2.25?	Internal Audit Policies & Procedures Manual	Yes
★	CONCLUSION	<p align="center">Quality Assurance and Improvement Program.</p> <p>Does the chief audit executive develop and maintain 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 (AS 1300)?</p> <p>Quality Control and Assurance. When performing audits or attestation engagements in accordance with GAGAS, has the audit organization established and maintained a system of quality control that is designed to provide reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements; and does it have an external peer review at least once every 3 years (GAGAS)?</p>		Yes
COMMENTS:				
MANAGING THE INTERNAL AUDIT ACTIVITY				
1	IA Act 2102.005(1) & 2102.007 (a)(2)	Does the chief audit executive develop an annual audit plan that is prepared using risk assessment techniques and that identifies the individual audits to be conducted during the year?	FY 2018– FY 2020 Internal Audit Plans	Yes
2	PS 2010	Planning. Has the chief audit executive established risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals?	FY 2018– FY 2020 Internal Audit Plans	Yes
3	2010.A1	<ul style="list-style-type: none"> Is the internal audit activity's plan of engagements based on a documented 	FY 2018– FY 2020 Internal Audit Plans	Yes

No.	Citation	Standard	References	Conform/ Pass
		<p>risk assessment undertaken at least annually?</p> <ul style="list-style-type: none"> Is the input of senior management and the board considered in this process? 		
4	2010.C1	<ul style="list-style-type: none"> Does the chief audit executive consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations? Are engagements that have been accepted included in the plan? 	FY 2018– FY 2020 Internal Audit Plans Board Communication through SharePoint and Board Internal Audit Site Organizational Review	Yes
5	IA Act 2102.007(a)(3)	Has the chief audit executive conducted audits specified in the audit plan and documented deviations?	Annual Reports	Yes
6	PS 2020	<ul style="list-style-type: none"> Communication and Approval. Does the chief audit executive communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval? Has the chief audit executive also communicated the impact of resource limitations? 	FY 2018– FY 2020 Internal Audit Plans Annual Reports	Yes
7	IA Act 2102.006(d)	Does the governing board of the state agency, or the administrator of the state agency if the state agency does not have a governing board, periodically review the resources dedicated to the internal audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame?	FY 2018– FY 2020 Internal Audit Plans	Yes

No.	Citation	Standard	References	Conform/ Pass
8	IA Act 2102.008	Is the annual audit plan that is developed by the chief audit executive approved by the state agency's governing board, or by the administrator of the state agency if the state agency does not have a governing board?	FY 2018– FY 2020 Internal Audit Plans	Yes
9	PS 2030	Resource Management. Does the chief audit executive ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan?	FY 2018– FY 2020 Internal Audit Plans	Yes
10	PS 2040	Policies and Procedures. Has the chief audit executive established policies and procedures to guide the internal audit activity?	Internal Audit Policies & Procedures Manual	Yes
11	PS 2050	Coordination and Reliance. Does the chief audit executive share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts?	Board Activity Reports	Yes
12	PS 2060	<p>Reporting to Senior Management and the Board.</p> <ul style="list-style-type: none"> • Does the chief audit executive report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards? • Does the reporting include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board? • Does the chief audit executive's reporting and communication to senior 	<p>Board Activity Reports</p> <p>Monthly Meetings with the TxDMV Executive Office (Activity Reports)</p> <p>Internal Audit Policies & Procedure Manual</p>	Yes


No.	Citation	Standard	References	Conform/ Pass
		management and the board include information about management’s response to risk that, in the chief audit executive’s judgment, may be unacceptable to the organization?		
13	IA Act 2102.0091 and 2102.015	<ul style="list-style-type: none"> Does the chief audit executive prepare an annual report and submit the report before November 1 of each year to the governor, the Legislative Budget Board, the Sunset Advisory Commission, the state auditor, the state agency’s governing board, and the administrator? Do the form and content of the report conform to the State Auditor’s instructions? Does the agency post on its Internet website the approved internal audit plan and annual report? 	Annual Reports Internal Audit Policies & Procedures Manual	Yes
	CONCLUSION	<p style="text-align: center;">PS 2000 Managing the Internal Audit Activity.</p> <p>Does the chief audit executive effectively manage the internal audit activity to ensure it adds value to the organization?</p>		Yes
COMMENTS:				
NATURE OF WORK				
1	IA Act 2102.005 (2)	<p>Does the program of internal auditing include periodic audits of the agency’s major systems and controls, including:</p> <ul style="list-style-type: none"> Accounting systems and controls Administrative systems and controls Electronic data processing systems and controls 	Risk Assessment and Audit Plans	Yes
2	IA Act 2102.007(6)	Does the chief audit executive conduct economy and efficiency audits and program results audits as directed by the state agency’s governing board or the	Risk Assessment and Audit Plans	Yes

No.	Citation	Standard	References	Conform/ Pass
		administrator of the state agency if the state agency does not have a governing board?		
3	PS 2100	Nature of Work. Does the internal audit activity evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach?	Risk Assessment and Audit Plans	Yes
4	PS 2110	<p>Governance. Does the internal audit activity assess and make appropriate recommendations to improve the organization's governance processes for:</p> <ul style="list-style-type: none"> • Making strategic and operational decisions • Overseeing risk management control • Promoting appropriate ethics and values within the organization • Ensuring effective organizational performance management and accountability • Communicating risk and control information to appropriate areas of the organization • Coordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers, and management 	Risk Assessment and Audit Plans	Yes
5	2110.A1	Does the internal audit activity evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities?	Risk Assessment and Audit Plans	Yes

No.	Citation	Standard	References	Conform/ Pass
6	2110.A2	Does the internal audit activity assess whether the information technology governance of the organization sustains and supports the organization's strategies and objectives?	Risk Assessment and Audit Plans	Yes
7	PS 2120	<p>Risk Management. Does the internal audit activity evaluate the effectiveness and contribute to the improvement of risk management processes?</p> <p><i>Interpretation: Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:</i></p> <ul style="list-style-type: none"> • Organizational objectives support and align with the organization's mission • Significant risks are identified and assessed • Appropriate risk responses are selected that align risks with the organization's risk appetite • Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities <p><i>Does the internal audit activity gather the information to support this assessment during multiple engagements? The results of these engagements, when viewed together, should provide an understanding of the organization's risk management processes and their effectiveness.</i></p>	Risk Assessment and Audit Plans	Yes

No.	Citation	Standard	References	Conform/ Pass
		Are risk management processes monitored through ongoing management activities, separate evaluations, or both?		
8	2120.A1	<p>Does the internal audit activity evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the following?</p> <ul style="list-style-type: none"> • Achievement of the organization's strategic objectives • Reliability and integrity of financial and operational information • Effectiveness and efficiency of operations and programs • Safeguarding of assets • Compliance with laws, regulations, policies, procedures and contracts 	Risk Assessment and Audit Plans	Yes
9	2120.A2	Does the internal audit activity evaluate the potential for the occurrence of fraud and how the organization manages fraud risk?	Risk Assessment and Audit Plans	Yes
10	2120.C1	During consulting engagements, do the internal auditors address risk consistent with the engagement's objectives, and are they alert to the existence of other significant risks?	Risk Assessment and Audit Plans TeamMate Advisory Service Engagement – Control Program	N/A
11	2120.C2	Do the internal auditors incorporate their knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes?	FY 2019 – FY 2020 Annual Audit Plan TeamMate control programs	Yes
12	2120.C3	When assisting management in establishing or improving risk management processes, do internal auditors refrain from assuming any management responsibility by actually managing risks?	Internal Audit Policies & Procedures Manual Internal Audit Charter	Yes

No.	Citation	Standard	References	Conform/ Pass
13	PS 2130	Control. Does the internal audit activity assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement?	FY 2019 – FY 2020 Annual Audit Plan Internal Audit Policies & Procedures Manual	Yes
14	2130.A1	Does the internal audit activity evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the: <ul style="list-style-type: none"> • Achievement of the organization’s strategic objectives • Reliability and integrity of financial and operational information • Effectiveness and efficiency of operations and programs • Safeguarding of assets • Compliance with laws, regulations, policies, procedures and contracts 	FY 2019 – FY 2020 Annual Audit Plan	Yes
15	2130.C1	Are internal auditors incorporating knowledge of controls gained from consulting engagements into evaluations of the organization’s control processes?	FY 2019 – FY 2020 Annual Audit Plan TeamMate control programs Internal Audit Policies & Procedures Manual	Yes
★	CONCLUSIONS	Nature of Work. Does the internal audit activity evaluate and contribute to the improvement of the organization’s governance, risk management, and control processes using a systematic, disciplined, and risk-based approach (PS 2100)?		Yes
COMMENTS:				

No.	Citation	Standard	References	Conform/ Pass
MONITORING PROGRESS				
1	PS 2500.A1	Has the chief audit executive established a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action?	Internal Audit Policies & Procedures Manual	Yes
2	PS 2500.C1	Does the internal audit activity monitor the disposition of results of consulting engagements to the extent agreed upon with the client?	Internal Audit Policies & Procedures Manual	Yes
3	PS 2500	Monitoring Progress – Has the chief audit executive established and maintained a system to monitor the disposition of results communicated to management?	Internal Audit Policies & Procedures Manual	Yes
	CONCLUSIONS	Monitoring Progress. Has the chief audit executive established and maintained a system to monitor the disposition of results communicated to management (PS 2500)?		Yes
COMMENTS:				

Appendix 3: Work Paper Review Checklist

Work Paper Review Summary

As part of the self-assessment, the Internal Audit Division is required to review the audit documentation (work papers) obtained and developed for one audit engagement that was conducted during the peer review period. The audit selected for review was audit number #20-03, the Title and Registration Customer Support (audit). The audit was conducted in FY 2020 and had one audit finding related to title and registration customer service delivery processes. The audit was found to have a maturity rating of a 2, which meant that the process had similar procedures followed by several employees, but the results may not be consistent. The process is not completely documented and has not been sufficiently evaluated to address risks.

The workpaper review found that the audit generally conformed/passed. Below is the detailed review and documentation

Documentation of Work Papers Review

Entity Name: Texas Department of Motor Vehicles			
Engagement Name: Title and Registration Customer Support			
Preparer: Jason Gonzalez		Review Date: 1/8/2021	
Reviewer: Sandra Menjivar-Suddeath		Review Period: 9/1/2017 to 8/31/2020	
Type of Assessment (check one)	<input type="checkbox"/> Internal - On-going monitoring	<input checked="" type="checkbox"/> Internal - Periodic self- assessment	<input type="checkbox"/> External
Overall Assessment: Generally Conforms/Pass			

Internal Assessment

An internal audit function may use this program to review audit documentation for an individual engagement at any time to satisfy the requirement of a Quality Assurance and Improvement Program for on-going monitoring and periodic internal and external quality assessments. The preparer will conclude on compliance by making one selection from the pull-down menu:

- Yes = conforms/pass
- No = does not conform/fail
- OI = conforms/pass with opportunity for improvement
- N/A = not applicable

Compliance Standard	Comply/P ass	References
PLANNING CONCLUSIONS		
1. Do the internal auditors develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations? Does the plan consider the organization's strategies, objectives, and risks relevant to the engagement? (PS 2200)	Yes	C.2.PRG program steps #1-2 Project Profile
2. Do the auditors adequately plan and document the planning of the work necessary to address the audit objectives? (GAGAS 6.06-6.12)	Yes	Gain a Preliminary Understanding Folder
3. Did the internal auditor determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources? (PS 2230)	Yes	Audit Timeline
4. Did the auditors obtain a sufficient understanding of information systems controls necessary to assess the audit risk and plan the audit within the context of the audit objectives for the systems that were significant to the objectives? (GAGAS 6.23 – 6.27)	Yes	Identify Significant Information System PRG
5. Did the internal auditor develop and document work programs that achieve the engagement objectives? (PS 2240)	Yes	Project Plan
Conclusion: Planning Steps met audit standards.		
SCOPE		
6. Is the internal auditor's scope sufficient to achieve the objectives of the engagement? (PS 2220)	Yes	Project Plan & Risk Assessment Folder
7. Did the auditors adequately identify and define the scope, and was it directly tied to the objectives of the engagement? (GAGAS 6.09)	Yes	Project Plan & Risk Assessment Folder
Conclusion: Scope was properly defined.		
PERFORMING THE ENGAGEMENT		
8. Do the internal auditors identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives? (PS 2300)	Yes	Quality Assurance Strategic Analysis PRG B.3
9. Are audit staff properly supervised? (GAGAS 6.53-6.55; PS 2340)	Yes	See review sign offs in TeamMate
10. Is sufficient, appropriate evidence obtained to provide a reasonable basis for the auditors' findings and conclusions? (GAGAS 6.56-6.78; PS 2320)	Yes	Referenced Draft Report – IAD Review

Compliance Standard	Comply/P ass	References
<p>11. Do the auditors prepare audit documentation related to planning, conducting, and reporting for each audit in sufficient detail to enable an experienced auditor, who has had no previous connection with the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions? Do the auditors prepare audit documentation that contains support for findings, conclusions, and recommendations before they issue their report? (GAGAS 6.79-6.85)</p>	Yes	<p>See the following folders:</p> <ul style="list-style-type: none"> • Quality Assurance Strategic Analysis • Communication Procedures • Training • Customer Follow-up • Ticket Resolution • Fieldwork Phase
Conclusion: Sufficient evidence was gathered to support conclusions.		
REPORTING		
<p>12. Do the internal auditors communicate the engagement results as required? (PS 2400 – PS 2450)</p>	Yes	Audit Report and Draft (AS2)
<p>13. Do the auditors issue reports communicating the results of each completed performance audit? (GAGAS 7.03)</p>	Yes	Reporting Phase PRG
<p>14. Do the auditors use a form of the audit report that is appropriate for its intended use in writing or in some other retrievable form? (GAGAS 7.04)</p>	Yes	Reporting Phase PRG
<p>15. Do the auditors prepare reports that contain (1) the objectives, scope, and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations, as appropriate; (3) a statement about the auditors' compliance with generally accepted government auditing standards; (4) a summary of the views of responsible officials; and, (5) if applicable, the nature of any confidential or sensitive information omitted? (GAGAS 7.08)</p>	Yes	Audit Report and Draft (AS2) PRG
<p>16. Is the report timely, complete, accurate, objective, convincing, clear, and as concise as the subject permits? (GAGAS A7.02)</p>	Yes	Audit Report and Draft (AS2) PRG
<p>17. Distributing Reports. Are audit reports distributed to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies or organizations requiring or arranging for the audits? (GAGAS 7.44 a)</p>	Yes	Reporting Phase PRG
<p>Conclusion: The reporting phase met the audit standards, but there was a delay in submitting the report to the Sunset Commission. The Sunset Commission was inadvertently left off the original external distribution due to an</p>		

Compliance Standard	Comply/P ass	References
<p>error in the distribution list. The issue was corrected once it was identified, but it was about two months after the original distribution. The IAD has corrected this issue by updating their distribution list.</p>		
<p>RESOLUTION OF MANAGEMENT’S ACCEPTANCE OF RISKS</p>		
<p>18. When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, does the chief audit executive discuss the matter with senior management? (PS 2600)</p> <p style="padding-left: 40px;">If the decision regarding residual risk is not resolved; does the chief audit executive report the matter to the board for resolution?</p>	<p>N/A</p>	
<p>Conclusion: Not applicable as no instances were found during the peer review period.</p>		

Appendix 4: Summary of Issues

Issue Summary

The IAD was in compliance with auditing standards and had a pass rating in the self-assessment. The IAD did identify an opportunity to refine its audit goals and performance measures. Below is the detailed documentation.

Summary of Issues Documentation

Entity Name: Texas Department of Motor Vehicles			
Preparer: Sandra Menjivar-Suddeath		Review Date: 1/8/2021	
Reviewer:		Review Period: 9/1/2017 to 8/31/2020	
Type of Assessment (check one)	<input type="checkbox"/> Internal - On-going monitoring	<input checked="" type="checkbox"/> Internal - Periodic self- assessment	<input type="checkbox"/> External
Overall Assessment: Generally Conforms/Pass			

Instructions: For every issue that the peer review team determines should be carried forward from the Compliance Standards and Review of Audit Documentation forms, the peer review team should identify the applicable auditing standard (standard reference) and the corresponding number (e.g., E3), describe the issue, develop a recommendation, and indicate whether the issue is an example of “does not comply/fail” or an “opportunity for improvement” (OI). Add rows as necessary.

Peer Reviews are intended to help the Internal Audit function and the organization receiving the review. In addition to evaluating compliance with Standards and the Act and identifying any instances of noncompliance, peer reviews provide an opportunity to identify best practices and opportunities for improvement for the Internal Audit function’s consideration. An OI does not require any action on the part of the organization; however, the organization should give them serious consideration. The organization should provide a management response indicating what action, if any, they will take. The current peer review did not identify any opportunities for improvement.

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To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 4.C
Subject: FY 2020 End of Year Reports

RECOMMENDATION

Briefing Only

PURPOSE AND EXECUTIVE SUMMARY

The **Annual Financial Report** is prepared in compliance with Texas Government Code, Section 2101.011 and in accordance with the reporting requirements established by the Comptroller's Office. The report is not audited but will be considered for audit by the State Auditor's Office as part of the State of Texas Comprehensive Annual Financial Report. The annual report was submitted to the Texas Comptroller by November 20, 2020, in compliance with the established deadline.

Government Code Section § 2101.0115 was added by Act of May 26, 2001, 77th Leg., R.S., H.B. 2914 and requires state agencies to submit an **Annual Report of Nonfinancial Data**. This report includes nonfinancial schedules previously included in the Annual Financial Report. The **Annual Report of Nonfinancial Data** was submitted to the Office of the Governor, State Auditor, Legislative Budget Board and the Legislative Reference Library in accordance with the established December 31, 2020 deadline.

FINANCIAL IMPACT

In Fiscal Year (FY) 2020, the TxDMV's expenditures were funded by the General Revenue Fund 0001 (Expenditures = \$13,353,329), State Highway Fund 0006 (Expenditures = \$590,249) and the Texas Department of Motor Vehicle Fund 0010 (Expenditures = \$137,082,395), as detailed on Exhibits A-2 Combining Statement of Revenues and Expenditures and Changes in Fund Balances All General and Consolidated Funds and B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Funds.

BACKGROUND AND DISCUSSION

Annual Financial Report

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

The TxDMV closes FY 2020 with a net asset balance increase of \$12,311,050. Total net asset amount on August 31, 2020 is \$295.4 million.

- Cash in State Treasury consist of the net of revenues collected and deposited and legislative appropriation expense into the TxDMV Fund.
- Legislative Appropriations represents the unspent appropriations in General Revenue (Fund 0001.) This includes any benefits appropriations. Motor Vehicle Crime Prevention Authority (MVCPA) is the only item in Fund 0001.
- Accounts Receivable (A/R) represents the amounts due from Tax Assessor Collectors and Regional Offices less collections. The decrease of \$4.65 million in A/R compared to the prior year is primarily a timing difference in counties processing deposits at year end.

- In Capital Assets, the non-current asset had a net decrease of \$292,212 due to the disposal of old assets and the removal of the associated accumulated depreciation.
- Payables were \$1.19 million greater in 2020 because more invoices were outstanding at year end.
- Employees Compensable Leave represents unused vacation and overtime of employees at year end. Leave balances increased \$981,008 due to staff not using their vacation time, primarily due to COVID-19.

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

Revenues

The TxDMV collected \$1.74 billion at year end with a decrease in revenue of approximately \$168.43 million from the previous year.

- Federal Revenues decreased \$117,871 in FY 2020 due to a half year of billings for the Commercial Vehicle Information Systems and Networks (CVISN) grant which began in late FY 2018.
- Licenses, Fees and Permits reflects only the revenue collected and reportable by the TxDMV. In 2020, TxDMV Fund 0010 revenue from the issuance of licenses, fees, and permits totaled approximately \$153 million. Revenue deposited to the State Highway Fund decreased by approximately \$151.5 million, or 8.8% compared to FY 2019. The decrease in revenue is primarily attributable to economic changes in the second half of the fiscal year due to the COVID-19 pandemic.
- Interest & Investment Income decreased \$152,375 due to interest rates decreasing from 2.4% to 1.6%.

Expenditures

Expenditures totaled \$152.3 million (after adjustments) and increased approximately \$7.19 million from the prior year primarily due to an increase in pre-printed license plates and a Texas Facilities Commission study on repairs for the Camp Hubbard facility.

- Salaries and Wages increased \$2.18 million from the prior year as a result of an overall increase in staffing. There was an average of 713 full-time equivalents (FTE's) in FY 2019 and 727 in FY 2020. Also, the Legislature approved 23 additional positions beginning in FY 2020.
- Professional Fees and Services reflect a net increase of \$2.1 million from FY 2019 primarily due to an increase in IT and Consultant services.
- Materials & Supplies reflect a decrease of \$1.18 million primarily due to additional postage meter funding in FY 2019.
- Repairs and Maintenance reflect a net increase from FY 2019 of \$89,113 primarily due to the Windows 10 Registration and Titling System upgrade.
- Printing and Reproduction reflect a decrease of \$432,832 primarily due to a decrease in Digital Imaging services related to COVID-19 waivers in place.

Exhibit VI – Combined Statement of Net Assets

This exhibit reflects the August 31 cash balances in funds that are fiduciary in nature. TxDMV has no funds that meet the new criteria for fiduciary activity as established in GASB 84 for FY 2020.

Annual Report of Nonfinancial Data

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

- **Appropriation Item Transfer Schedule** identifies transfers of appropriated money between the agency's appropriated strategies.
 - In Fiscal Year 2020, transfers were limited to one-time, unanticipated costs.
- **HUB Strategic Plan Progress Form** provides a percentage of historically underutilized businesses (HUBs) used by an agency for specific procurement categories.



- The TxDMV exceeded the Fiscal Year 2020 HUB goals for its three categories: Commodities, Other Services and Special Trade Construction. This is a result of the continued concerted efforts to expand the inclusion of HUBs not already on the Centralized Master Bidders List (CMBL) when requesting bids/quotes on procurements, especially for spot purchases services. Special trade services, i.e. building and facility services, previously processed through the interagency memorandum of agreement with the Texas Department of Transportation, is a growing procurement category for TxDMV. In Fiscal Year 2020, although the percentage spend was less than 2019, total HUB expenditures in this category grew from \$4,918 to \$113,990.
- TxDMV takes a proactive stance on the HUB program. In the new virtual environment, TxDMV continues reaching out to potential HUB vendors through virtual spot-bid fairs, and with online training sessions and online introductory meetings between the vendors and Department business and purchasing staff.
- **Indirect Cost Schedule** provides detailed information about expenditures paid by or on behalf of the TxDMV for employee benefits including Social Security benefits, health insurance, retirement contributions, benefit replacement pay, and workers' and unemployment compensation. It also includes indirect costs related to debt service and services provided by oversight agencies like the Comptroller, Attorney General, Department of Information Resources, and State Auditor.
 - Payroll related costs were higher for FY 2020 due to an overall increase in staffing headcount.
 - The Statewide Cost Allocation Plan (SWCAP) identifies and allocates costs the State incurs for central services such as accounting, computing, payroll and other statewide support provided by specific agencies. Agencies reimburse the General Revenue from other funding sources based on an allocation of current year appropriated funds. In FY 2020, there was a decrease of approximately \$556K for the CAPPs (Centralized Accounting & Payroll/Personnel System) costs allocated from the Comptroller of Public Accounts.
- **Schedule of Professional/Consulting Fees and Legal Service Fees** provides an itemized list of fees paid for professional, consulting and legal services. The schedule includes the name of the vendor paid, the amount paid, and the reason the services were provided.
 - In FY 2020, there was an increase of approximately \$2.1 million in expenditures attributable to Information Technology and Consultant services, primarily related to the Registration and Title System Refactoring project.

Professional/Consulting Services Vendors – Expenditures over \$300,000 in FY 2020

Name	Amount	Service Provided
Apex Systems Inc	761,780.30	Information Technology Services
Carahsoft Technology Corporation	1,310,211.02	Information Technology Services
Datamanusa LLC	305,025.00	Information Technology Services
NF Consulting Services	1,316,678.72	Information Technology Services
Nipun Systems Inc	408,540.93	Information Technology Services
Southwest Research Institute	321,830.38	Consultant Services Other
Southwest Research Institute	313,042.96	Information Technology Services
Texas Department of Information Resources	10,509,272.62	Computer Services-Statewide Tech
Workquest	341,043.60	Information Technology Services

- **Schedule of Space Occupied** lists the name and address of each building an agency occupies, the total amount of square feet leased, and the amount of square feet used in a state-owned building. It also lists the cost per square foot leased, the annual and monthly costs of leased space, and the name of each lessor.
- **Schedule of Vehicles Purchased** lists the vehicles purchased during this fiscal year.
 - Four vehicles were procured during FY 2020.
- **Alternative Fuel Program Status** lists the number of vehicles purchased by fiscal year that use alternative fuel. Fuel usage is listed with the number of gallons used during the year.
- **Schedule of Itemized Purchases** identifies proprietary purchases that are procured from one vendor without considering an equivalent product to be supplied by another vendor. The schedule must provide a written justification explaining the need for the specifications, the reasons that competing products were not satisfactory and additional information as required by the Comptroller. The schedule identifies each product purchased, the amount of the purchase, and the name of the vendor.
 - Promiles Software Development Corp. and Explore Information Service LLC wrote the source code for Texas Permitting and Routing Optimization System (TxPROS) and Texas International Apportioned Registration (TxIRP) and are the only vendors that can provide support services for these applications.

Annual Financial Report

Fiscal Year Ended August 31, 2020



Annual Financial Report

Fiscal Year Ended August 31, 2020



Texas Department *of* Motor Vehicles

Prepared by the
Finance & Administrative Services Division

November 20, 2020

Texas Department of Motor Vehicles Board

Guillermo "Memo" Treviño, Chair

Charles Bacarisse
Stacey Gillman
Brett Graham
Tammy McRae

John M. Prewitt
Paul R. Scott
Shelley Washburn
Law Enforcement
Representative – Vacant

Whitney H. Brewster
Executive Director

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November 20, 2020

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

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Department of Motor Vehicles for the year ended August 31, 2020, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

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

If you have any questions, please contact Mr. Sergio Rey, Assistant Chief Financial Officer, at (512) 465-1216, or Ms. Linda M. Flores, CPA, Chief Financial Officer, at (512) 465-4125.

Sincerely,

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

Whitney H. Brewster
Executive Director

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COMBINED FINANCIAL STATEMENTS

-UNAUDITED-

**EXHIBIT I
 COMBINED BALANCE SHEET
 Statement of Net Assets - Governmental Funds
 For the Year Ended August 31, 2020**

	Governmental Fund Types		Total Governmental	Capital Asset Adjustments	Long Term Liabilities Adjustments	Statement of Net Assets
	General Revenue (EXH A-1)	Special Revenue (EXH B-1)				
Assets						
Current Assets:						
Cash on Hand	\$ 0.00	\$ 37,100.00	\$ 37,100.00	\$	\$	\$ 37,100.00
Cash in Bank	0.00	20,000.00	20,000.00			20,000.00
Cash in State Treasury	29,149,003.65	160,693,082.92	189,842,086.57			189,842,086.57
Legislative Appropriations	15,628,657.21	0.00	15,628,657.21			15,628,657.21
Receivables:						
Federal	0.00	0.00	0.00			0.00
Accounts Receivable	0.00	132,955,412.62	132,955,412.62			132,955,412.62
Due From Other Funds (Note 12)	0.00	0.00	0.00			0.00
Due From Other Agencies (Note 12)	0.00	62,730.00	62,730.00			62,730.00
Consumable Inventories	0.00	54,820.67	54,820.67			54,820.67
Total Current Assets	44,777,660.86	293,823,146.21	338,600,807.07			338,600,807.07
Non - Current Assets:						
Capital Assets:						
Non - Depreciable						
Land and Land Improvements						
Depreciable						
Buildings and Building Improvements						
Less - Accumulated Depreciation						
Furniture and Equipment						
Less - Accumulated Depreciation						
Vehicles, Boats, & Aircraft						
Less - Accumulated Depreciation						
Intangibles Computer Software						
Less - Accumulated Amortization						
Total Non Current Assets				1,922,603.98		1,922,603.98
Total Assets	\$ 44,777,660.86	\$ 293,823,146.21	\$ 338,600,807.07	\$ 1,922,603.98	\$ 0.00	\$ 340,523,411.05

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

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	Governmental Fund Types		Total Governmental	Capital Asset Adjustments	Long Term Liabilities Adjustments	Statement of Net Assets
	General Revenue (EXH A-1)	Special Revenue (EXH B-1)				
Liabilities						
Current Liabilities:						
Payables:						
Vouchers Payable	\$ 368,309.86	\$ 859,380.75	\$ 1,227,690.61	\$	\$	\$ 1,227,690.61
Accounts Payable	895,159.28	8,359,073.56	9,254,232.84			9,254,232.84
Payroll Payable	42,729.71	4,900,614.98	4,943,344.69			4,943,344.69
Due to Other Funds (Note 12)	0.00	0.00	0.00			0.00
Due to Other Agencies (Note 12)	48,671.49	0.00	48,671.49			48,671.49
Unearned Revenues	24,750,343.62	0.00	24,750,343.62			24,750,343.62
Employees Compensable Leave (Note 5)					3,415,798.80	3,415,798.80
Total Current Liabilities	26,105,213.96	14,119,069.29	40,224,283.25		3,415,798.80	43,640,082.05
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)					1,491,625.98	1,491,625.98
Total Non-Current Liabilities					1,491,625.98	1,491,625.98
Total Liabilities	26,105,213.96	14,119,069.29	40,224,283.25		4,907,424.78	45,131,708.03
Fund Financial Statement						
Fund Balances:						
Non Spendable (Inventory)	0.00	54,820.67	54,820.67			54,820.67
Restricted	0.00	279,649,256.25	279,649,256.25			279,649,256.25
Committed	3,955,694.80	0.00	3,955,694.80			3,955,694.80
Assigned	48,015.90	0.00	48,015.90			48,015.90
Unassigned	14,668,736.20	0.00	14,668,736.20			14,668,736.20
Total Fund Balances	18,672,446.90	279,704,076.92	298,376,523.82			298,376,523.82
Total Liabilities and Fund Balance	\$ 44,777,660.86	\$ 293,823,146.21	\$ 338,600,807.07			
Government-Wide Statement of Net Assets						
Net Assets:						
Invested in Capital Assets, Net of Related Debt				\$ 1,922,603.98	\$	\$ 1,922,603.98
Unrestricted					(4,907,424.78)	(4,907,424.78)
Total Net Assets				\$ 1,922,603.98	\$ (4,907,424.78)	\$ 295,391,703.02

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EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Statement of Activities - Governmental Funds
For the Year Ended August 31, 2020

	Governmental Fund Types			Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
	General (EXH A-2)	Special Revenue (EXH B-2)	Total Governmental			
Revenues						
Legislative Appropriations:						
Original Appropriations	\$ 12,835,851.00	\$ 0.00	\$ 12,835,851.00	\$	\$	\$ 12,835,851.00
Additional Appropriations	83,452.07	0.00	83,452.07			83,452.07
Federal Revenues	0.00	106,386.71	106,386.71			106,386.71
Federal Pass-Through Revenues	0.00	0.00	0.00			0.00
State Grant Pass- Through	0.00	0.00	0.00			0.00
Licenses, Fees and Permits	46,077.32	1,724,236,393.17	1,724,282,470.49			1,724,282,470.49
Interest & Investment Income	6,503.35	2,576,740.52	2,583,243.87			2,583,243.87
Settlement of Claims	0.00	0.00	0.00			0.00
Sales of Goods and Services	0.00	244,260.00	244,260.00			244,260.00
Other	(15,914.91)	34,685.21	18,770.30			18,770.30
Total Revenues	12,955,968.83	1,727,198,465.61	1,740,154,434.44			1,740,154,434.44
Expenditures						
Salaries and Wages	365,476.26	40,780,199.35	41,145,675.61		981,007.85	42,126,683.46
Payroll Related Costs	88,631.90	15,143,272.69	15,231,904.59			15,231,904.59
Professional Fees and Services	527,179.64	17,050,599.37	17,577,779.01			17,577,779.01
Travel	6,631.22	229,878.41	236,509.63			236,509.63
Materials and Supplies	362,664.10	14,658,845.94	15,021,510.04			15,021,510.04
Communications and Utilities	1,577.76	5,013,709.66	5,015,287.42			5,015,287.42
Repairs and Maintenance	(297,417.74)	3,851,209.02	3,553,791.28			3,553,791.28
Rentals and Leases	6,914.95	1,039,835.98	1,046,750.93			1,046,750.93
Printing and Reproduction	4,594.68	4,117,148.01	4,121,742.69			4,121,742.69
Claims and Judgements	0.00	0.00	0.00			0.00
Federal Pass-Through Expenditures	0.00	0.00	0.00			0.00
State Grant Pass-Through Expenditures	13,673.00	0.00	13,673.00			13,673.00
Intergovernmental Payments	12,162,092.31	0.00	12,162,092.31			12,162,092.31
Public Assistance Programs	88,691.72	0.00	88,691.72			88,691.72
Other Operating Expenditures	22,619.56	35,430,282.99	35,452,902.55			35,452,902.55
Capital Outlay	0.00	357,661.84	357,661.84	(357,661.84)		0.00
Depreciation Expense			0.00	646,630.46		646,630.46
Total Expenditures	13,353,329.36	137,672,643.26	151,025,972.62	288,968.62	981,007.85	152,295,949.09
Excess (Deficit) of Revenues over Expenditures	(397,360.53)	1,589,525,822.35	1,589,128,461.82	(288,968.62)	(981,007.85)	1,587,858,485.35
Other Financing Sources (Uses)						
Transfers In (Note 12)	599,051.23	0.00	599,051.23			599,051.23
Transfers Out (Note 12)	(667,771.97)	(1,575,461,468.64)	(1,576,129,240.61)			(1,576,129,240.61)
Sale of Capital Assets	4,267.30	1,422.43	5,689.73	(6,372.50)		(682.77)
Legislative Financing Sources	0.00	0.00	0.00			0.00
Insurance Recoveries	0.00	0.00	0.00			0.00
Legislative Transfers In (Note 12)	0.00	0.00	0.00			0.00
Legislative Transfers Out (Note 12)	0.00	0.00	0.00			0.00
Gain (Loss) on Capital Assets	0.00	0.00	0.00	3,129.28		3,129.28
Inc (Dec) in Net Assets Due to Interagency Transfer	0.00	0.00	0.00			0.00
Total Other Financing Sources (Uses)	(64,453.44)	(1,575,460,046.21)	(1,575,524,499.65)	(3,243.22)	0.00	(1,575,527,742.87)
Net Change in Fund Balances/Net Assets	(461,813.97)	14,065,776.14	13,603,962.17	(292,211.84)	(981,007.85)	12,330,742.48
Fund Financial Statement - Fund Balance						
Fund Balance - Beginning	19,156,850.34	265,638,300.78	284,795,151.12			284,795,151.12
Restatements			0.00			0.00
Fund Balance as Restated	19,156,850.34	265,638,300.78	284,795,151.12			284,795,151.12
Appropriations Lapsed	(22,589.47)		(22,589.47)			(22,589.47)
Fund Balances - August 31, 2020	\$ 18,672,446.90	\$ 279,704,076.92	\$ 298,376,523.82			\$ 297,103,304.13
Government-wide Statement of Net Assets						
Net Change in Net Assets			\$ 298,376,523.82	(292,211.84)	(981,007.85)	\$ 297,103,304.13
Net Assets-Beginning				2,214,815.82	(3,926,416.93)	(1,711,601.11)
Restatements						0.00
Net Assets, September 1, 2020, as Restated and Adjusted				2,214,815.82	(3,926,416.93)	(1,711,601.11)
Net Assets-August 31, 2020			\$ 298,376,523.82	\$ 1,922,603.98	\$ (4,907,424.78)	\$ 295,391,703.02

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NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Entity

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

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

Basis of Presentation

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

Fund Structure

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

Governmental Fund Types & Government-wide Adjustment Fund Types

General Revenue Funds

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

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

Suspense Funds

Suspense Funds, known as Agency Funds in prior years, are used to account for assets held in a custodial capacity for the benefit of other agencies or individuals. These funds had previously been classified as fiduciary activities. However, with the State of Texas implementing GASB 84 in Fiscal Year 2020, these funds are now classified as governmental and are consolidated with General Revenue Funds.

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

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

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

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

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

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

Special Revenue Funds

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

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

Capital Assets Adjustments Fund Type

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

Long Term Liabilities Adjustments Fund Type

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used. TxDMV has no funds that meet the new criteria for fiduciary activity as established in GASB 84 for Fiscal Year 2020.

Basis of Accounting

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

-UNAUDITED-

determined by its measurement focus.

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

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

Budgets and Budgetary Accounting

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

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

Assets, Liabilities and Fund Balances

Assets

Cash and Cash Equivalents

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

Receivables

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

Inventories and Prepaid Items

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

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Liabilities

Accounts Payable

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

Payroll Payable

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

Employees' Compensable Leave

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

Fund Balance/Net Assets

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

Fund Balance Components

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

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

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

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

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

Invested in Capital Assets, Net of Related Debt

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

Unrestricted Net Assets

Unrestricted net assets consist of net assets that have no constraints placed on net asset use by external sources or by law through constitutional provisions or enabling legislation. Unrestricted net assets often have constraints on resources, which are imposed by management but can be removed or modified.

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Interfund Activities and Balances

The agency has the following types of transactions among funds:

Transfers

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

Reimbursements

Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

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

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NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2020, is presented below:

Governmental Activities	PRIMARY GOVERNMENT							
	Balance 09/01/19	Adjust/ Restate	Reclass. Completed CIP	Reclass. Increase Inter-Agency Transaction	Reclass. Decrease Inter-Agency Transaction	Additions	Deletions	Balance 08/31/20
Non-Depreciable Assets	\$	\$	\$		\$	\$	\$	\$
Total Non-Depreciable Assets								
Depreciable Assets								
Buildings/Building Improvements								
Furniture and Equipment	4,670,870.25					268,463.84	(56,492.04)	4,882,842.05
Vehicles, Boats, & Aircraft	1,307,773.18					89,198.00	(55,275.00)	1,341,696.18
Other Assets								
Total Depreciable Assets	5,978,643.43					357,661.84	(111,767.04)	6,224,538.23
Less Accumulated Depreciation for:								
Buildings/Building Improvements								
Furniture and Equipment	(3,451,252.21)					(403,190.74)	53,248.82	(3,801,194.13)
Vehicles, Boats, & Aircraft	(461,471.03)					(143,728.00)	55,275.00	(549,924.03)
Other Capital Assets								
Total Accumulated Depreciation	(3,912,723.24)					(546,918.74)	108,523.82	(4,351,118.16)
Depreciable Assets, Net	2,065,920.19					(189,256.90)	(3,243.22)	1,873,420.07
Amortizable Assets – Intangible:								
Land Use Rights								
Computer Software	3,875,591.07							3,875,591.07
Other Capital Intangible								
Total Amortizable Assets – Intangible	3,875,591.07							3,875,591.07
Less Accumulated Amortization for:								
Land Use Rights								
Computer Software	(3,726,695.44)					(99,711.72)		(3,826,407.16)
Other Capital Intangible								
Total Accumulated Amortization	(3,726,695.44)					(99,711.72)		(3,826,407.16)
Amortizable Assets – Intangible, Net	148,895.63					(99,711.72)		49,183.91
Governmental Activities Capital Assets, Net	\$ 2,214,815.82					(288,968.62)	(3,243.22)	1,922,603.98

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NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS

Deposits of Cash in Bank

As of August 31, 2020, the carrying amount of deposits was \$20,000.00 as presented below:

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

NOTE 4: SHORT-TERM DEBT

Not Applicable

NOTE 5: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2020, the following changes occurred in liabilities.

Governmental Activities	Balance 9/01/19	Additions	Reductions	Balance 8/31/20	Amounts Due Within Year
Compensable Leave	\$3,926,416.93	\$4,815,512.68	\$3,834,504.83	\$4,907,424.78	\$3,415,798.80

Employees' Compensable Leave

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

NOTE 6: BONDED INDEBTEDNESS

Not Applicable

NOTE 7: DERIVATIVE INSTRUMENTS

Not Applicable

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NOTE 8: LEASES

Operating Leases

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

Fund Type	Amount
Fund 0001	\$ 4,325.62
Fund 0010	\$ 998,368.37

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

Year Ended August 31,	Amount
2021	\$ 908,637.38
2022	801,909.39
2023	716,779.71
2024	424,029.85
2025	323,945.67
2026-29	248,350.78
Total Minimum Future Lease Rental Payments	\$ 3,423,652.78

NOTE 9: PENSION PLANS AND OPTIONAL RETIREMENT PROGRAM

Not Applicable

NOTE 10: DEFERRED COMPENSATION

Not Applicable

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not Applicable

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NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

The agency experienced routine transfers with other State agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement. Individual balances and activity at August 31, 2020, are as follows:

	Transfer In	Transfer Out	Source
General Revenue (01)			
Appd Fund 0802, D23 fund 0802			
Agy 300, D23 fund 0803	8,204.94		Shared Fund
Agy 300, D23 fund 0804	12,859.68		Shared Fund
Agy 300, D23 fund 0805		(12,385.18)	Shared Fund
Agy 300, D23 fund 0807		(1,610.20)	Shared Fund
Agy 302, D23 fund 0804	1,861.43		Shared Fund
Agy 302, D23 fund 0805		180.77	Shared Fund
Agy 305, D23 fund 0015		930.95	Shared Fund
Agy 306, D23 fund 0802	2,524.91		Shared Fund
Agy 307, D23 fund 0802	201.66		Shared Fund
Agy 332, D23 fund 0802		397.12	Shared Fund
Agy 403, D23 fund 3004		3,536.70	Shared Fund
Agy 403, D23 fund 3005	183.59		Shared Fund
Agy 403, D23 fund 3006		45.39	Shared Fund
Agy 403, D23 fund 3008	4,232.86		Shared Fund
Agy 407, D23 fund 0802	2,540.18		Shared Fund
Agy 411, D23 fund 0802		(2,882.31)	Shared Fund
Agy 506, D23 fund 0802	1,806.08		Shared Fund
Agy 529, D23 fund 0802	11,310.93		Shared Fund
Agy 530, D23 fund 0802		8,073.65	Shared Fund
Agy 537, D23 fund 0802	5,453.93		Shared Fund
Agy 537, D23 fund 0803	65,254.31		Shared Fund
Agy 537, D23 fund 0804	1,213.19		Shared Fund
Agy 537, D23 fund 0805	4,268.29		Shared Fund
Agy 542, D23 fund 0802	0.03		Shared Fund
Agy 542, D23 fund 4100	4,283.69		Shared Fund
Agy 542, D23 fund 4200	5,489.46		Shared Fund
Agy 551, D23 fund 0802	30,588.98		Shared Fund
Agy 555, D23 fund 1802	2,431.64		Shared Fund
Agy 555, D23 fund 2802		279.35	Shared Fund
Agy 555, D23 fund 3802	628.30		Shared Fund
Agy 576, D23 fund 0802	8,284.47		Shared Fund
Agy 582, D23 fund 0802	268.92		Shared Fund
Agy 701, D23 fund 2242		72.35	Shared Fund
Agy 701, D23 fund 2250		308.15	Shared Fund
Agy 701, D23 fund 2260		23.96	Shared Fund
Agy 701, D23 fund 2270		164.00	Shared Fund
Agy 701, D23 fund 2271		173.97	Shared Fund
Agy 701, D23 fund 2273		402.73	Shared Fund
Agy 701, D23 fund 2274		286.02	Shared Fund

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	Transfer In	Transfer Out	Source
Agy 711, D23 fund 0802	6,969.22		Shared Fund
Agy 714, D23 fund 0802		12,508.90	Shared Fund
Agy 715, D23 fund 0802		2,349.87	Shared Fund
Agy 717, D23 fund 0802	4,142.25		Shared Fund
Agy 718, D23 fund 0802	9,142.09		Shared Fund
Agy 721, D23 fund 0802		234,406.13	Shared Fund
Agy 724, D23 fund 0802	3,814.61		Shared Fund
Agy 730, D23 fund 0802		82.55	Shared Fund
Agy 732, D23 fund 0802	24.15		Shared Fund
Agy 733, D23 fund 0802	11,665.37		Shared Fund
Agy 734, D23 fund 0802	12.07		Shared Fund
Agy 737, D23 fund 0802	53.49		Shared Fund
Agy 738, D23 fund 0802		6,034.57	Shared Fund
Agy 743, D23 fund 0802		115.19	Shared Fund
Agy 751, D23 fund 0802	1,274.37		Shared Fund
Agy 752, D23 fund 0802	11,977.04		Shared Fund
Agy 753, D23 fund 0802		2,131.77	Shared Fund
Agy 754, D23 fund 0802		22,492.72	Shared Fund
Agy 755, D23 fund 0802	570.11		Shared Fund
Agy 756, D23 fund 0802	1,713.73		Shared Fund
Agy 757, D23 fund 0802		4,056.17	Shared Fund
Agy 759, D23 fund 0802		705.24	Shared Fund
Agy 765, D23 fund 0802		174.61	Shared Fund
Agy 781, D23 fund 4003	1,832.93		Shared Fund
Agy 781, D23 fund 4004	(0.22)		Shared Fund
Agy 781, D23 fund 4005	(2,250.62)		Shared Fund
Agy 781, D23 fund 4006	0.08		Shared Fund
Agy 781, D23 fund 4007	105.79		Shared Fund
Agy 781, D23 fund 4008	23,034.34	(1,107.32)	Shared Fund
Agy 781, D23 fund 4009	13,449.89	(916.64)	Shared Fund
Agy 781, D23 fund 4010	87.38		Shared Fund
Agy 781, D23 fund 4011	618.92		Shared Fund
Agy 781, D23 fund 4012	345.61		Shared Fund
Agy 781, D23 fund 4013	17.70		Shared Fund
Agy 781, D23 fund 4014	149.08		Shared Fund
Agy 781, D23 fund 4015	43.71		Shared Fund
Agy 781, D23 fund 4016	91.81		Shared Fund
Agy 781, D23 fund 4017	114.72		Shared Fund
Agy 781, D23 fund 4018	149.98		Shared Fund
Agy 781, D23 fund 4019	80.13		Shared Fund
Agy 781, D23 fund 4020	(0.38)		Shared Fund
Agy 781, D23 fund 4021	21.48		Shared Fund
Agy 781, D23 fund 4022	(285.83)		Shared Fund
Agy 781, D23 fund 4023	43.76		Shared Fund
Agy 781, D23 fund 4025	(384.46)		Shared Fund
Agy 783, D23 fund 0802		200.76	Shared Fund
Agy 802, D23 fund 3030		38,613.47	Shared Fund

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	Transfer In	Transfer Out	Source
Agy 802, D23 fund 3043		111,018.79	Shared Fund
Agy 802, D23 fund 3044	89,135.84	(471.16)	Shared Fund
Agy 802, D23 fund 3045		76,506.59	Shared Fund
Agy 802, D23 fund 3046	33,049.27	(284.52)	Shared Fund
Agy 802, D23 fund 3047		75,708.54	Shared Fund
Agy 802, D23 fund 3048		22,842.64	Shared Fund
Agy 802, D23 fund 3049	22,092.81	(31.81)	Shared Fund
Agy 802, D23 fund 3050	7,503.97	(1,400.00)	Shared Fund
Agy 802, D23 fund 3051	6,538.26		Shared Fund
Agy 802, D23 fund 3057		1,990.60	Shared Fund
Agy 802, D23 fund 3116		33,728.42	Shared Fund
Agy 802, D23 fund 3120		11,093.35	Shared Fund
Agy 802, D23 fund 3142		1,291.60	Shared Fund
Agy 802, D23 fund 3151	253.60		Shared Fund
Agy 802, D23 fund 3152		3,982.47	Shared Fund
Agy 808, D23 fund 0802	1,338.37		Shared Fund
Agy 813, D23 fund 0802	175,899.94		Shared Fund
Agy 902, D23 fund 8020	723.40		Shared Fund
Appd Fund 0001, D23 fund 0001			
Agy 902, D23 fund 0001		11,951.05	Surplus Property
Total Transfer In/Out Other Agencies	599,051.23	667,771.97	
Special Revenue (02)			
Appd Fund 0006, D23 fund 0006			
Agy 601, D23 fund 0006		1,575,461,468.64	Shared Cash
Total Transfers In/Out	599,051.23	1,576,129,240.61	

	Due from Other Agencies	Due to Other Agencies	Source
General Revenue (01)			
Appd Fund 0802, D23 fund 0802			
Agy 902, D23 fund 0001	22,680.00		Shared Fund
Agy 902, D23 fund 0010	40,050.00		Shared Fund
Agy 701, D23 fund 2242		1,302.56	Shared Fund
Agy 701, D23 fund 2250		3,113.78	Shared Fund
Agy 701, D23 fund 2260		46.05	Shared Fund
Agy 701, D23 fund 2270		2,840.39	Shared Fund
Agy 701, D23 fund 2271		2,034.28	Shared Fund
Agy 701, D23 fund 2273		5,304.16	Shared Fund
Agy 701, D23 fund 2274		3,580.77	Shared Fund
Agy 802, D23 fund 3030		9,227.54	Shared Fund
Agy 802, D23 fund 3043		13,901.58	Shared Fund
Agy 802, D23 fund 3116		7,320.38	Shared Fund
Total Due From/ To Other Agencies	62,730.00	48,671.49	

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

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

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION

Not Applicable

NOTE 15: CONTINGENCIES AND COMMITMENTS

Federal Assistance

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

Encumbrances

As of August 31, 2020, the TxDMV had encumbered the following amounts in governmental funds for signed contracts and purchase orders:

	General Revenue Fund (0001)	Special Revenue Fund (0006)	Texas Department of Motor Vehicle Fund (0010)
Encumbrances	\$ 5,829,803.47	\$ 0.00	\$ 12,258,636.05

NOTE 16: SUBSEQUENT EVENTS

Not Applicable

NOTE 17: RISK MANAGEMENT

The department is exposed to a wide range of risks, due to the size, scope and nature of its activities. Some of these risks include, but are not limited to property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc. The department retains these risks, and manages them through insurance and safety programs. In FY 2020, the department had \$0.00 in payments related to claims.

	Beginning Balance	Increases	Decreases	Ending Balance
2020	-	\$0.00	\$0.00	-
2019	-	\$ 6,500.00	\$ (6,500.00)	-

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NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

The Texas Department of Motor Vehicles (TxDMV) is funded through the TxDMV Fund, with the exception of the Motor Vehicle Crime Prevention Authority (MVCPA), which is funded through the General Revenue (GR) Fund.

During FY 2020, revenue for all funds totaled \$1.74 billion. This represents a decrease of \$168.43 million or 8.82% compared to FY 2019 revenues of \$1.91 billion. Of the FY 2020 amount, \$1.57 billion was deposited into the State Highway Fund, \$155.96 million was deposited into the TxDMV Fund and \$12.96 million was deposited for use by MVCPA. The decrease in revenue is primarily attributable to economic changes in the second half of the fiscal year due to the COVID-19 pandemic. Major factors contributing to the decrease in FY 2020 are due to the effect of the Governor suspending and waiving certain fees/permits beginning March 16 and continuing through the end of the fiscal year.

Title revenues decreased due to a drop in overall vehicle sales as compared to FY 2019, as well as a loss in delinquent title transfer penalty revenue from March 16 to August 31 due to those penalty fees being temporarily waived. Registration and associated Processing & Handling fee revenue decreased in FY 2020 compared to FY 2019, also related to the waivers.

FY 2020 Capital Budget expenditures totaled \$18.1 million, primarily consisting of expenditures for the Data Center Consolidation services (\$10.4 million); TxDMV Automation project (\$3.1 million); County Technology Replacement & Upgrades (\$2.1 million); and TxDMV Headquarters Maintenance (\$1.3 million). Other capital expenditures (\$1.2 million) were for Agency Growth & Enhancement, Replacement Vehicles, Personal Computer (PC) Replacement, Cybersecurity, Regional Service Center Maintenance and TxDMV Headquarters Badge and Security.

FY 2020 expenditures totaled \$152.30 million, an increase of \$7.19 million, or 4.95% compared to FY 2019 expenditures of \$145.11 million. The primary factors contributing to this increase include 1) an increase in pre-printed license plates and 2) additional money for a Texas Facilities Commission study on repairs for the Camp Hubbard facility in Other Operating Expenditures, totaling \$3.80 million. An additional \$2.10 million increase in Professional Fees and Services is attributable to Information Technology and Consultant services, primarily related to the Registration and Title System Refactoring project. Other significant items included a \$1.20 million increase in Salaries and Wages due to higher full-time employee headcount in FY 2020.

Through the end of August 2020, TxDMV expended a total of \$1.75 million in response to COVID-19. The expenditures are primarily for staff time, the acquisition of personal protective equipment (PPE) items for employees and customers, cleaning supplies and facility preparation activities such as cleaning and defogging services and the installation of plexiglass.

NOTE 19: THE FINANCIAL REPORTING ENTITY

Not Applicable

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not Applicable

NOTE 21:

Not Applicable to the reporting requirement process.

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Not Applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not Applicable

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not Applicable

NOTE 25: TERMINATION BENEFITS

Not Applicable

NOTE 26: SEGMENT INFORMATION

Not Applicable

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Not Applicable

NOTE 28: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Not Applicable

NOTE 29: TROUBLE DEBT RESTRUCTURING

Not Applicable

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES

Not Applicable

NOTE 31: TAX ABATEMENTS

Not Applicable

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NOTE 32: FUND BALANCES

GAAP Fund	Fund	AFR 54 Class	Amount	Citation	Purpose
0010	0010	Restricted	\$149,812,305.96	TEXAS TRANSPORTATION CODE ANNOTATED SECTION 1001.151, 1001.152	Used by the department for operations, administration, enforcement, accounting costs and related liabilities for the fund. Revenue includes fees from motor vehicle registration, title certificates, special vehicle permits, specialty license plates and other transportation-related permits.
0010	0900	Restricted	\$0.00	TEXAS GOVERNMENT CODE ANNOTATED SECTION 403.035	To provide a temporary depository for money held in suspense pending final disposition. Items held in the fund are cleared to the various Special Funds or the General Revenue Fund, or refunded to the payer.

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COMBINING FINANCIAL STATEMENTS

-UNAUDITED-

**EXHIBIT A-1
 COMBINING BALANCE SHEET
 All General and Consolidated Funds
 For the Year Ended August 31, 2020**

	<u>General Revenue Account (0001)</u>	<u>License Plate Trust Fund Account (0802)</u>	<u>Returned Items Type Activities Account (9001)</u>	<u>Deposit Default Type Activities Account (9000)</u>
Assets				
Current Assets:				
Cash on Hand	\$	\$	\$	\$
Cash in Bank				
Cash in State Treasury	15,914.91	4,048,193.17	(15,914.91)	
Legislative Appropriations	15,628,657.21			
Receivables:				
Federal				
Accounts Receivable				
Due From Other Funds (Note 12)				
Due From Other Agencies (Note 12)				
Consumable Inventories				
Total Current Assets	<u><u>15,644,572.12</u></u>	<u><u>4,048,193.17</u></u>	<u><u>(15,914.91)</u></u>	<u><u>0.00</u></u>
Liabilities				
Current Liabilities				
Payables:				
Vouchers Payable	17,843.00			
Account Payable	895,159.28			
Payroll Payable	42,729.71			
Due to Other Funds (Note 12)				
Due to Other Agencies (Note 12)		48,671.49		
Unearned Revenues				
Total Current Liabilities	<u><u>955,731.99</u></u>	<u><u>48,671.49</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>
Fund Balances				
Non Spendable (Inventory)				
Restricted				
Committed		3,955,694.80		
Assigned				
Unassigned	14,688,840.13	43,826.88	(15,914.91)	
Total Fund Balance	<u><u>14,688,840.13</u></u>	<u><u>3,999,521.68</u></u>	<u><u>(15,914.91)</u></u>	<u><u>0.00</u></u>
Total Liabilities and Fund Balances	\$ <u><u>15,644,572.12</u></u>	\$ <u><u>4,048,193.17</u></u>	\$ <u><u>(15,914.91)</u></u>	\$ <u><u>0.00</u></u>

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EXHIBIT A-1 (CONTINUED)
COMBINING BALANCE SHEET
All General and Consolidated Funds
For the Year Ended August 31, 2020

	Suspense Type Activities Account (0900)	Intermodal Container & Milk Transport Account (1623)	Proportional Registration Distributive Fund Account (0021)	Child Support Employee Deduction Account (8070)	Total
Assets					
Current Assets:					
Cash on Hand	\$	\$	\$	\$	\$ 0.00
Cash in Bank					0.00
Cash in State Treasury	551,445.93	11,522.40	24,533,136.15	4,706.00	29,149,003.65
Legislative Appropriations					15,628,657.21
Receivables:					0.00
Federal					0.00
Accounts Receivable					0.00
Due From Other Funds (Note 12)					0.00
Due From Other Agencies (Note 12)					0.00
Consumable Inventories					0.00
Total Current Assets	551,445.93	11,522.40	24,533,136.15	4,706.00	44,777,660.86
Liabilities					
Current Liabilities					
Payables:					
Vouchers Payable	350,466.86				368,309.86
Account Payable					895,159.28
Payroll Payable					42,729.71
Due to Other Funds (Note 12)					0.00
Due to Other Agencies (Note 12)					48,671.49
Unearned Revenues	200,979.07	11,522.40	24,533,136.15	4,706.00	24,750,343.62
Total Current Liabilities	551,445.93	11,522.40	24,533,136.15	4,706.00	26,105,213.96
Fund Balances					
Non Spendable (Inventory)					0.00
Restricted					0.00
Committed					3,955,694.80
Assigned					0.00
Unassigned					14,716,752.10
Total Fund Balance	0.00	0.00	0.00	0.00	18,672,446.90
Total Liabilities and Fund Balances	\$ 551,445.93	\$ 11,522.40	\$ 24,533,136.15	\$ 4,706.00	\$ 44,777,660.86

-UNAUDITED-

EXHIBIT B-1
COMBINING BALANCE SHEET
Special Revenue Funds
For Fiscal Year Ended August 31, 2020

	State Highway Fund (0006)	Texas Department of Motor Vehicles Fund (0010)	Suspense Type Activities Fund (0900)	Total
Assets				
Current Assets:				
Cash on Hand	\$	\$ 37,100.00	\$	\$ 37,100.00
Cash in Bank		20,000.00		20,000.00
Cash in State Treasury		160,693,082.92		160,693,082.92
Legislative Appropriations				0.00
Receivables:				
Federal				0.00
Accounts Receivable	129,814,270.29	3,141,142.33		132,955,412.62
Due From Other Funds (Note 12)				0.00
Due From Other Agencies (Note 12)	22,680.00	40,050.00		62,730.00
Consumable Inventories		54,820.67		54,820.67
Total Current Assets	129,836,950.29	163,986,195.92	0.00	293,823,146.21
Liabilities				
Current Liabilities				
Payables:				
Vouchers Payable		859,380.75		859,380.75
Account Payable		8,359,073.56		8,359,073.56
Payroll Payable		4,900,614.98		4,900,614.98
Due to Other Funds (Note 12)				0.00
Due to Other Agencies (Note 12)				0.00
Total Current Liabilities	0.00	14,119,069.29	0.00	14,119,069.29
Fund Balances				
Non Spendable (Inventory)		54,820.67		54,820.67
Restricted	129,836,950.29	149,812,305.96	0.00	279,649,256.25
Committed				0.00
Assigned				0.00
Unassigned				0.00
Total Fund Balance	129,836,950.29	149,867,126.63	0.00	279,704,076.92
Total Liabilities and Fund Balances	\$ 129,836,950.29	\$ 163,986,195.92	\$ 0.00	\$ 293,823,146.21

-UNAUDITED-

EXHIBIT A-2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
All General and Consolidated Funds
For the Year Ended August 31, 2020

	General Revenue Account (0001)	License Plate Trust Fund Account (0802)	Suspense Type Activities Account (0900)	Deposit Default Type Activities Account (9000)	Returned Items Type Activities Account (9001)	Totals
Revenues						
Legislative Appropriations:						
Original Appropriations	\$ 12,835,851.00	\$	\$	\$	\$	\$ 12,835,851.00
Additional Appropriations	83,452.07					83,452.07
Federal Revenues						0.00
Federal Pass-Through						0.00
State Grant Pass -Through						0.00
Licenses, Fees and Permits		94,093.22	(48,015.90)			46,077.32
Interest & Investment Income		6,503.35				6,503.35
Settlement of Claims						0.00
Sales of Goods and Services						0.00
Other Revenues					(15,914.91)	(15,914.91)
Total Revenues	12,919,303.07	100,596.57	(48,015.90)	0.00	(15,914.91)	12,955,968.83
Expenditures						
Salaries and Wages	365,476.26					365,476.26
Payroll Related Costs	88,631.90					88,631.90
Professional Fees and Services	527,179.64					527,179.64
Travel	6,631.22					6,631.22
Materials and Supplies	362,664.10					362,664.10
Communications and Utilities	1,577.76					1,577.76
Repairs and Maintenance	(297,417.74)					(297,417.74)
Rentals and Leases	6,914.95					6,914.95
Printing and Reproduction	4,594.68					4,594.68
Claims and Judgements						0.00
Federal Pass-Through Expenditures						0.00
State Grant Pass-Through Expenditures	13,673.00					13,673.00
Intergovernmental Payments	12,162,092.31					12,162,092.31
Public Assistance Payments	88,691.72					88,691.72
Other Operating Expenditures	22,619.56					22,619.56
Capital Outlay						0.00
Total Expenditures	13,353,329.36	0.00	0.00	0.00	0.00	13,353,329.36
Excess (Deficit) of Revenues over Expenditures	(434,026.29)	100,596.57	(48,015.90)	0.00	(15,914.91)	(397,360.53)
Other Financing Sources (Uses)						
Operating Transfers In (Note 12)		599,051.23				599,051.23
Operating Transfers Out (Note 12)	(11,951.05)	(655,820.92)				(667,771.97)
Insurance Recoveries						0.00
Sale of Capital Assets	4,267.30					4,267.30
Legislative Financing Sources						0.00
Legislative Financing Uses						0.00
Legislative Transfers In (Note 12)						0.00
Legislative Transfers Out (Note 12)						0.00
Total Other Financing Sources (Uses)	(7,683.75)	(56,769.69)	0.00	0.00	0.00	(64,453.44)
Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses	(441,710.04)	43,826.88	(48,015.90)	0.00	(15,914.91)	(461,813.97)
Fund Balance - Beginning	15,153,139.64	3,955,694.80	48,015.90			19,156,850.34
Restatements						0.00
Fund Balance As Restated	15,153,139.64	3,955,694.80	48,015.90	0.00	0.00	19,156,850.34
Appropriations Lapsed	(22,589.47)					(22,589.47)
Fund Balance - Ending	\$ 14,688,840.13	\$ 3,999,521.68	\$ 0.00	\$ 0.00	\$ (15,914.91)	\$ 18,672,446.90

-UNAUDITED-

EXHIBIT B-2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Special Revenue Funds
For the Year Ended August 31, 2020

	State Highway Fund (0006)	Texas Department of Motor Vehicles Fund (0010)	Suspense Type Activities Account (0900)	Totals
Revenues				
Legislative Appropriations:				
Original Appropriations	\$	\$	\$	\$ 0.00
Additional Appropriations				0.00
Federal Revenues		106,386.71		106,386.71
Federal Pass-Through				0.00
State Grant Pass -Through				0.00
Licenses, Fees and Permits	1,571,462,777.50	153,000,936.30	(227,320.63)	1,724,236,393.17
Interest & Investment Income		2,576,740.52		2,576,740.52
Settlement of Claims				0.00
Sales of Goods and Services		244,260.00		244,260.00
Other Revenues	7,251.65	27,433.56		34,685.21
Total Revenues	1,571,470,029.15	155,955,757.09	(227,320.63)	1,727,198,465.61
Expenditures				
Salaries and Wages		40,780,199.35		40,780,199.35
Payroll Related Costs		15,143,272.69		15,143,272.69
Professional Fees and Services	68,960.09	16,981,639.28		17,050,599.37
Travel		229,878.41		229,878.41
Materials and Supplies		14,658,845.94		14,658,845.94
Communications and Utilities		5,013,709.66		5,013,709.66
Repairs and Maintenance	521,288.56	3,329,920.46		3,851,209.02
Rentals and Leases		1,039,835.98		1,039,835.98
Printing and Reproduction		4,117,148.01		4,117,148.01
Claims and Judgements				0.00
Federal Pass-Through Expenditures				0.00
State Grant Pass-Through Expenditures				0.00
Intergovernmental Payments				0.00
Public Assistance Programs				0.00
Other Operating Expenditures		35,430,282.99		35,430,282.99
Capital Outlay		357,661.84		357,661.84
Total Expenditures	590,248.65	137,082,394.61	0.00	137,672,643.26
Excess (Deficit) of Revenues over Expenditures	1,570,879,780.50	18,873,362.48	(227,320.63)	1,589,525,822.35
Other Financing Sources (Uses)				
Operating Transfers In (Note 12)				0.00
Operating Transfers Out (Note 12)	(1,575,461,468.64)			(1,575,461,468.64)
Sale of Capital Assets		1,422.43		1,422.43
Legislative Financing Sources				0.00
Insurance Recoveries				0.00
Legislative Transfers In (Note 12)				0.00
Legislative Transfers Out (Note 12)				0.00
Total Other Financing Sources (Uses)	(1,575,461,468.64)	1,422.43	0.00	(1,575,460,046.21)
Excess (Deficit) of Revenues and other Sources				
Over Expenditures and Other Uses	(4,581,688.14)	18,874,784.91	(227,320.63)	14,065,776.14
Fund Balance - Beginning	134,418,638.43	130,992,341.72	227,320.63	265,638,300.78
Restatements				0.00
Fund Balance As Restated	134,418,638.43	130,992,341.72	227,320.63	265,638,300.78
Appropriations Lapsed				0.00
Fund Balance - Ending	\$ 129,836,950.29	\$ 149,867,126.63	\$ 0.00	\$ 279,704,076.92

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SCHEDULES

-UNAUDITED-

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2020

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

Note 2 - Reconciliation

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

Exhibit II

Federal Revenues	\$	106,386.71
Federal Pass-Through Revenues		<u>0.00</u>
Total	\$	<u>106,386.71</u>

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Direct Program Amount	Total Pass Through From & Direct Program	Pass-Through To			Expenditure Amount	Total Pass Through To & Expenditures
		Agency Number	State Agency or University Amount	Non-State Entities Amount		
\$ 106,386.71	\$ 106,386.71				\$ 106,386.71	\$ 106,386.71
<u>\$ 106,386.71</u>	<u>\$ 106,386.71</u>		<u>0.00</u>	<u>0.00</u>	<u>\$ 106,386.71</u>	<u>\$ 106,386.71</u>
<u><u>\$ 106,386.71</u></u>	<u><u>\$ 106,386.71</u></u>		<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>\$ 106,386.71</u></u>	<u><u>\$ 106,386.71</u></u>

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SCHEDULE 1B
SCHEDULE OF STATE GRANT PASS-THROUGHS FROM/TO STATE AGENCIES
For the Fiscal Year Ended August 31, 2020

Pass-Through Grantor/ Program Title	Pass-Through From			Pass-Through To			
	Grant ID	Agency Number	State Agency or University Amount	Total Pass-Through From	Agency Number	State Agency or University Amount	Total Pass-Through To
Motor Vehicle Crime Prevention Authority (MVCPA)							
<u>Programs:</u>							
Texas A&M University - Bait Car Research	608.0004			\$0.00	711	\$ 13,673.00	\$ 13,673.00
Total				<u>0.00</u>		<u>\$ 13,673.00</u>	<u>\$ 13,673.00</u>
TOTAL PASS-THROUGH TO OTHER AGENCIES				<u>0.00</u>		<u>\$ 13,673.00</u>	<u>\$ 13,673.00</u>

Note 2 - Reconciliation

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

Exhibit II

State Grant Pass-Through Expenditures

Total

\$ 13,673.00
\$ 13,673.00

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

Annual Report of Nonfinancial Data

Fiscal Year Ended August 31, 2020



Annual Report of Nonfinancial Data

Fiscal Year Ended August 31, 2020



Texas Department *of* Motor Vehicles

Prepared by
Finance & Administrative Services Division

December 31, 2020

Texas Department of Motor Vehicles Board

Guillermo "Memo" Treviño, Chair

Charles Bacarisse
Stacey Gillman
Brett Graham
Tammy McRae

John M. Prewitt
Paul R. Scott
Shelley Washburn
Manny Ramirez

Whitney H. Brewster
Executive Director

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December 31, 2020

Honorable Greg Abbott, Governor
Ms. Lisa R. Collier, CPA, CFE, CIDA, First Assistant State Auditor
Mr. Jerry McGinty, Director, Legislative Budget Board

Ladies and Gentlemen:

We are pleased to submit the Texas Department of Motor Vehicle's *Annual Report of Nonfinancial Data* for the year ended August 31, 2020, in compliance with the TEX. GOV'T CODE ANN. §2101.0115 and in accordance with the instructions for completing the *Annual Report of Nonfinancial Data*.

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

If you have any questions, please contact Mr. Sergio Rey, Assistant Chief Financial Officer, at (512) 465-1216, or Ms. Linda M. Flores, CPA, Chief Financial Officer, at (512) 465-4125.

Sincerely,

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

Whitney H. Brewster
Executive Director

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-UNAUDITED-

Appropriation Item Transfers*

For the Fiscal Year Ended August 31, 2020

ITEM OF APPROPRIATION	<u>Transfers-In</u>	<u>Transfers-Out</u>	<u>Net Transfers</u>
C. Goal: Indirect Administration			
<i>Strategies:</i>			
C.1.1 13009 Central Administration	\$ <u>143,147.00</u>	\$ <u>-</u>	\$ <u>143,147.00</u>
C.1.2 13010 Information Resources	<u>-</u>	<u>(143,147.00)</u>	<u>(143,147.00)</u>
Total, Goal C: Indirect Administration	<u>143,147.00</u>	<u>(143,147.00)</u>	<u>-</u>
NET APPROPRIATION ITEM TRANSFERS	\$ <u>143,147.00</u>	\$ <u>(143,147.00)</u>	\$ <u>-</u>

* This schedule does not include transfers for Benefit Replacement Pay, Capital, SWCAP, Fringe, or Rider Reductions.

Texas Department of Motor Vehicles (608)

-UNAUDITED-

STATE AGENCY PROGRESS REPORT

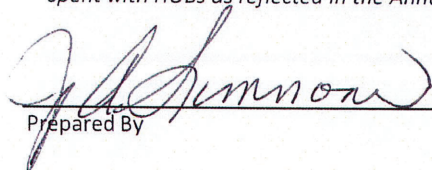
Source: Texas Government Code, Title 10, Subtitle D, Section 2161.124
For the Fiscal Year Ended August 31, 2020

Agency Name: Texas Department of Motor Vehicles Agency #: 608 Report for Fiscal: 2020

HUB Report Procurement Categories	Fiscal 2019		Fiscal 2020		Fiscal 2021
	Agency-Specific HUB Goal*	% of Dollars Spent w/HUBs**	Agency-Specific HUB Goal*	% of Dollars Spent w/HUBs**	Agency-Specific HUB Goal*
Heavy construction other than building contracts		100.00%			
Building construction, including general contractors and operative builders contracts					
Special trade construction contracts		64.18%	32.00%	35.88%	32.00%
Professional services contracts					
Other services contracts	5.00%	11.42%	5.00%	20.08%	10.00%
Commodities contracts	23.00%	30.60%	23.00%	43.59%	23.00%

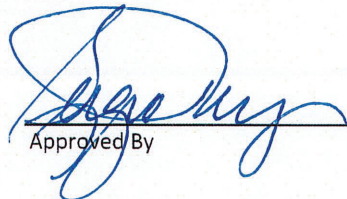
*For each of the procurement categories listed, enter your Agency-Specific HUB Goals.

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


Prepared By

Joy Simmons, Assistant HUB Coordinator
Printed Name

512-465-4177
Phone Number


Approved By

Sergio Rey, Assistant Chief Financial Officer,
CTCD/CTCM
Printed Name

512-465-1216
Phone Number

(Rev. 11/18)

-UNAUDITED-

Indirect Cost Schedule

For the Fiscal Year Ended August 31, 2020

A. Payroll-related Costs

(Exhibit II, Annual Financial Report)

FICA Employer Matching Contribution	\$ 3,005,432.25	
Group Health Insurance	8,113,762.31	
Retirement	3,998,175.67	
Unemployment	<u>114,534.36</u>	
Total Payroll-related Costs		\$ <u>15,231,904.59</u>

Workers' Compensation	\$ 87,637.99	
Benefit Replacement Pay (BRP)	<u>54,121.15</u>	
Total Workers' Compensation and BRP		\$ <u>141,759.14</u>

B. Indirect Costs

(Not reported in Agency's Annual Financial Report)

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

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

Comptroller of Public Accounts (CPA)	\$ 646,922.00	
Department of Public Safety (DPS)	1,170.00	
Texas Facilities Commission (TFC)	6,675.00	
Office of the Governor (OOG), Budget & Planning	<u>2,196.00</u>	
Total Indirect Costs - Statewide Full Cost Allocation Plan		\$ <u>656,963.00</u>

TOTAL INDIRECT COSTS		\$ <u><u>16,030,626.73</u></u>
-----------------------------	--	---------------------------------------

-UNAUDITED-

Schedule of Professional/Consulting Fees & Legal Service Fees

For the Fiscal Year Ended August 31, 2020

Professional/Consulting Fees:

Name	Service Provided	Amount
Anchor Computer Inc	Data Processing Services	13,598.23
Apex Systems Inc	Information Technology Services	761,780.30
Appeon Inc	Information Technology Services	995.00
Association of Certified Fraud Examiners	Educational/Training Services	1,225.40
Bansar Technologies Inc	Information Technology Services	275,404.37
Black Book National Auto Research	Information Technology Services	9,000.00
Capitol Systems Inc	Information Technology Services	182,305.00
Carahsoft Technology Corporation	Information Technology Services	1,310,211.02
Carolyn Conn	Educational/Training Services	2,000.00
Catapult Systems Inc	Consultant Services - Computer	10,515.51
Complete Book & Media Supply Inc	Educational/Training Services	2,396.00
DatamanUSA LLC	Information Technology Services	305,025.00
EDX Inc	Educational/Training Services	1,000.00
iLead Consulting & Training	Educational/Training Services	17,280.00
Insight Public Sector Inc	Consultant Services - Computer	159,660.00
Insight Public Sector Inc	Information Technology Services	239,490.00
Knowbility Inc	Educational/Training Services	362.81
Neos Consulting Group LLC	Information Technology Services	42,740.88
New Horizons CLC of Austin	Educational/Training Services	33,681.64
NF Consulting Services	Information Technology Services	1,316,678.72
Nipun Systems Inc	Information Technology Services	408,540.93
Occupational Health Centers of the SW, P.A.	Medical Services	130.50
PHCC Association of Texas	Educational/Training Services	85.00
Presidio Networked Solutions Group LLC	Consultant Services - Computer	9,000.00
Red River Consulting Services LLC	Information Technology Services	23,000.00
Safe2Drive	Educational/Training Services	633.60
SHI Government Solutions Inc	Educational/Training Services	8,000.00
SHI Government Solutions Inc	Information Technology Services	275,125.24
Sistema Technologies Inc	Information Technology Services	181,305.00
SmartyStreets LLC	Information Technology Services	10,000.00
Solid Border Inc	Information Technology Services	24,000.00
Southwest Research Institute	Consultant Services - Other	321,830.38
Southwest Research Institute	Information Technology Services	313,042.96
State Bar of Texas	Educational/Training Services	690.00
Surgent Holding Corporation	Educational/Training Services	558.40
TEKsystems Inc	Information Technology Services	248,116.32
Texas Commission on Law Enforcement	Educational/Training Services	195.00

-UNAUDITED-

Schedule of Professional/Consulting Fees & Legal Service Fees (Continued)

For the Fiscal Year Ended August 31, 2020

Professional/Consulting Fees:

<u>Name</u>	<u>Service Provided</u>	<u>Amount</u>
Texas Credit Card Procurement Program	Educational/Training Services	249.00
Texas Department of Information Resources	Computer Services - Statewide Tech	10,509,272.62
Texas Department of Information Resources	Data Processing Services	34,380.00
Texas State Auditor's Office	Educational/Training Services	399.00
The Institute of Internal Auditors Inc	Educational/Training Services	175.00
University of Texas at Austin	Educational/Training Services	1,350.00
Workers Assistance Program Inc	Professional Services - Other	13,708.20
WorkQuest	Information Technology Services	341,043.60
Yellowbook-CPE LLC	Educational/Training Services	1,585.00
Total, Professional/Consulting Fees:		\$ 17,411,765.63

Legal Service Fees:

<u>Name</u>	<u>Service Provided</u>	<u>Amount</u>
Office of the Attorney General	Legal Services	1,575.88
State Office of Administrative Hearings (SOAH)	Legal Services - Approved by SOAH	164,437.50
Total, Legal Service Fees:		\$ 166,013.38

TOTAL, PROFESSIONAL/CONSULTING FEES & LEGAL SERVICE FEES **\$ 17,577,779.01**

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Schedule of Space Occupied

For the Fiscal Year Ended August 31, 2020

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

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

-UNAUDITED-

Schedule of Space Occupied (Continued)

For the Fiscal Year Ended August 31, 2020

Location	Type	Usable Square Footage	FTEs	Cost Per			Contract Period
				Month	Sq.Ft. Per Mo.	Year	
State Owned Buildings							
Camp Hubbard (CH) Complex							
Building, CH 1	Office	71,684	317				
Building, CH 2 (Fiesta Room)	Office	1,102	-				
Building, CH 5	Office	33,134	107				
Building, CH 6	Office	21,216	109				
Regional Offices							
Abilene	Office	1,900	6				
Amarillo	Office	2,538	5				
Austin	Office	3,131	10				
Beaumont	Office	3,000	6				
Huntsville Operations	Office	260	2				
Longview	Office	3,120	8				
Lubbock	Office	2,579	7				
Midland/Odessa	Office	3,618	6				
Pharr	Office	3,500	13				
Wichita Falls	Office	2,665	15				
Total, State Owned Buildings		153,447	611.0				
Leased Space							
Centimeter Warehouse Facility	Warehouse	575	-	-	-	-	09/01/19 - 04/30/23
CPA Warehouse	Warehouse	3,000	-	1,694.74	0.5649	20,336.88	05/01/20 - 04/30/23
Regional Offices							
Corpus Christi	Office	3,141	7	3,777.04	1.2025	45,324.48	04/01/17 - 03/31/27
Dallas	Office	7,865	27.5	10,544.49	1.3407	126,533.88	04/01/20 - 03/31/25
El Paso	Office	3,771	12	4,713.75	1.2500	56,565.00	11/01/17 - 10/31/22
Fort Worth	Office	5,685	26	6,468.75	1.1379	77,625.00	08/01/13 - 10/31/20*
Houston	Office	11,554	39.5	23,723.19	2.0532	284,678.28	11/01/18 - 09/30/24
San Antonio	Office	3,916	16.5	6,818.73	1.7412	81,824.76	09/01/17 - 08/31/27
Waco	Office	2,307	6	3,185.53	1.3808	38,226.36	09/01/15 - 08/31/20**
Total, Leased Space		41,814	134.5	\$ 60,926.22		\$ 731,114.64	
GRAND TOTAL		195,261	745.5	\$ 60,926.22		\$ 731,114.64	

* Fort Worth lease extended at \$7,816.88 per month for 5,685 square feet of occupied space. Contract term is 11/01/20 - 10/31/25.

** Waco lease extended at \$3,780.00 per month for 2,307 square feet of occupied space. Contract term is 09/01/20 - 08/31/25.

-UNAUDITED-

Schedule of Vehicles Purchased

For the Fiscal Year Ended August 31, 2020

<u>Make</u>	<u>Model</u>	<u>Year</u>	<u>Quantity</u>	<u>Purchase Price</u>	<u>Type of Use</u>	<u>Fuel Efficiency In Average Miles per Gallon</u>
Chevrolet	Traverse	2020	2	\$ 49,778.00	Investigations, Audits, Freight and Passenger Transport	22.5
Ford	Escape	2020	2	\$ 39,420.00	Investigations, Audits, Freight and Passenger Transport	30
TOTALS			<u>4</u>	<u>\$ 89,198.00</u>		

-UNAUDITED-

Alternative Fuel Program Status

For the Fiscal Year Ended August 31, 2020

Alternative Fuel Vehicles Received Into Inventory by Fiscal Year

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

Fiscal Year	Type Of Fuel Capability						Total
	Natural Gas (CNG)	Propane (LPG)	Ethanol 85% (E-85)	Gas/Electric Hybrid	Electricity	Biodiesel 20% (B-20)	
2020							0
2019			18		1	1	20
2018			21				21
2017							0
2016			3				3
2015							0
2014			8				8
2013			8				8
2012			6				6
2011							0
2010		6	1	11			18
Totals	0	6	65	11	1	1	84

Texas Department of Motor Vehicles (TxDMV) was created by House Bill 3097, 81st Legislature, Regular Session. The vehicles listed for FY 2010 were part of the transfer from Texas Department of Transportation (TxDOT) when the TxDMV began operations. Twenty-four purchases between FY 2012 and FY 2016 were surplus vehicles bought from the Texas Department of Public Safety. All other new vehicles have been procured via the Comptroller of Public Accounts Term Contract.

Fuel Usage for the Fiscal Year Ended August 31, 2020

Fuel Type	Gallons Used
Unleaded Gasoline	12,237.59
Unleaded for Gas Hybrid	939.51
Diesel	68.56
Ethanol 85% (E-85)	3,049.10
Electricity	71.17
Biodiesel 20% (B-20)	319.36
	Gallons of Gasoline Equivalent (GGe)
Total	16,685.29

-UNAUDITED-

Schedule of Itemized Purchases

For the Fiscal Year Ended August 31, 2020

Vendor Name	Amount	Product Purchased	Justification
<i>Promiles Software Development Corporation</i>	\$ 603,180.00	<i>Programming and Support Services</i>	<i>Competing Products Not Satisfactory</i>
		Software/Data Management and Support Services for TxPROS software application	ProMiles Software Development Corp wrote the source code for the software application and is the only Vendor who can provide support services.
<i>Explore Information Service LLC</i>	250,800.00	<i>Software Maintenance and Support</i>	<i>Competing Products Not Satisfactory</i>
		Texas International Registration Plan (TxIRP) software for apportionately registering commercial vehicles operating interstate.	Explore Information Services wrote the source code for the system and currently supports it as well. As such, they are the only vendor that can supply the services required.
TOTAL PURCHASES	\$ <u>853,980.00</u>		

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To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 4.D
Subject: FY 2021 Second Quarter Financial Report (BRIEFING ONLY) – Linda M. Flores, Sergio Rey and Brian Kline

PURPOSE

The TxDMV Board is briefed quarterly on revenue collections and department expenditures. This report contains sections detailing year-to-date status as well as actual versus projections of revenues and expenditures. The year-to-date report includes a section dedicated to the TxDMV Fund and a section with information on Motor Vehicle Crime Prevention Authority (MVCPA) fee collections that support the MVCPA program. An additional section provides information about the impact of costs related to the TxDMV COVID-19 response.

Attached is the Fiscal Year (FY) 2021 financial summary report for the period ending February 28, 2021.

EXECUTIVE SUMMARY

The TxDMV is self-sufficient and supports its expenditures through revenues deposited to TxDMV Fund 0010, except for MVCPA. MVCPA is fully funded through fees deposited to the credit of the General Revenue Fund.

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

- The department's total revenue deposits (all funds) were \$859.5 million, a 4.6% decrease compared to the second quarter of FY 2020.
- TxDMV Fund 0010 collections totaled \$69.4 million, a 15.8% decrease compared to second-quarter FY 2020.
- All-fund (General Revenue Fund and TxDMV Fund) obligations (including expenditures and encumbrances) totaled \$115.5 million. This includes expenditures associated with COVID-19 in the amount of \$1.5 million.
- The department collected sufficient revenue through the second quarter of FY 2021 to support its expenditures during the same period.
- The ending **TxDMV Fund 0010** balance at February 28, 2021, was \$154.9 million. Inclusion of encumbrances adjusts the **net balance to \$115.9 million**.

FINANCIAL SUMMARY

TOTAL REVENUES (All Funds)

TxDMV revenue deposits totaled \$859.5 million through the second quarter of FY 2021. This amount comprises:

- \$ 737.72 million for the State Highway Fund (Fund 0006);
- \$ 52.40 million for the General Revenue Fund (Fund 0001); and
- \$ 69.38 million for the TxDMV Fund (Fund 0010).

TxDMV FUND 0010 REVENUES

FY 2021 collections for TxDMV Fund 0010 totaled \$69,382,929. This amount comprises 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 15.8% compared to FY 2020. The decrease in FY 2021 revenues compared to FY 2020 is attributable to the fee waivers and decline in economic activity related to COVID-19.

EXPENDITURES/OBLIGATIONS

Obligations through February 28, 2021, totaled \$115.5 million (\$63.3 million in expenditures and \$52.2 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 \$2.9 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 \$1.5 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.

The FY 2021 budget through February 28, 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 February 28, 2021, include expenditures of approximately \$8.5 million and encumbrances of approximately \$9.7 million, for a total obligated amount of \$18.7 million. This includes \$10.9 million in obligations for Data Center Services; \$5.5 million for Automation; and \$920,000 for County Technology. The remaining capital obligations are for agency support for vehicle replacement, technology, and facilities. The FY 2021 capital project budget includes \$17.7 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 public go-live is scheduled to commence in March 2021.

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 February 28, 2021, totaled \$21.0 million. Of the \$21.0 million, \$9.6 million counts toward the \$25 million contract guarantee.

SUMMARY OF THE CUMULATIVE COVID-19 IMPACTS THROUGH THE SECOND QUARTER of FY 2021

It has been one year since COVID-19 has changed the way the Texas Department of Motor Vehicles has provided business to the customers of the state of Texas. Governors proclamations, State economy, Unemployment numbers going up, and February weather are just a few of the events that have taken place that have affected our numbers this past year. Below is a summary of the impacts that have happened through the second 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 will end 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.

BUDGET

- TxDMV began providing resources in March 2020 in response to the COVID-19 pandemic. Response activity has continued into FY 2021.
- Total expenses for the prior year 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 February 2021 was \$1,508,163. 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 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 \$2.2 million. The total cost estimate also assumes COVID-19 facility cleaning services will continue through the end of the fiscal year and staff time devoted to the response will continue through June 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 \$3.9 million.



Texas Department of Motor Vehicles

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2nd Quarter Financial Report
ending February 28, 2021
Fiscal Year 2021



Texas Department *of* Motor Vehicles

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Actual Revenue (All Funds)

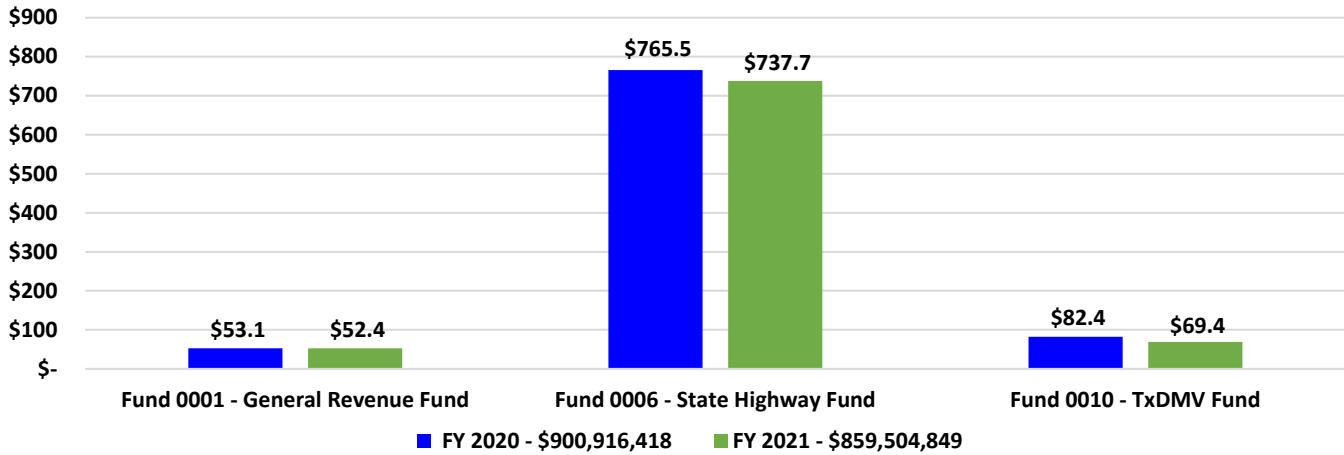
Financial Summary through the Second Quarter

September through February 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 \$859.5 million through the second quarter of FY 2021, which was more than the forecasted amount of \$851.5 million. This was 0.9% more than the projected FY 2021 total, and 4.6% below FY 2020 collections. Through the second quarter, the state experienced a slow but steady growth pattern in almost all sectors with an increase expected in registration and processing and handling fee revenue in the third and fourth quarters as the deferral period draws to a close. 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 have an effect on the state's economy, including reduced auto sales (which saw an unusual drop due to the February statewide weather conditions) and downward impacts to the oil-and-gas sector as a result of low oil prices.

Revenue collected for all three funds totaled \$859,504,849 through the second quarter of FY 2021. This was a decrease of 4.6% from FY 2020. The amount of revenue collected for each fund in FY 2021 consisted of: Fund 0001, General Revenue Fund, \$52,401,047 (1.2% decrease from FY 2020); Fund 0006, State Highway Fund, \$737,720,873 (3.6% decrease from FY 2020); and Fund 0010, TxDMV Fund, \$69,382,929 (15.8% 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 second quarter of FY 2021 in each of the three funds did fall short of FY 2020 collections.

FY 2021 versus FY 2020 Year-to-Date Comparison

Year over Year

Revenue Category	FY 2020		FY 2021		% Difference
	Actual	Actual	Actual	Actual	
Motor Vehicle Certificates of Title	\$ 42,321,032	\$ 32,812,875			-22.5%
Motor Vehicle Registration	727,512,029	716,173,765			-1.6%
Motor Carrier - Oversize/Overweight	92,670,557	72,550,631			-21.7%
Motor Carrier Credentialing	1,610,901	4,333,173			169.0%
Motor Vehicle Business Licenses	3,849,068	4,014,882			4.3%
Miscellaneous Revenue	6,539,277	5,415,667			-17.2%
Processing and Handling Fee	26,413,553	24,203,854			-8.4%
Total	\$ 900,916,418	\$ 859,504,849			-4.6%



Financial Summary through the Second Quarter

September through February FY 2021 Actuals vs Projections

Revenue Category	FY 2021 Projections	FY 2021 Actual	% Difference	
Motor Vehicle Certificates of Title	\$ 35,473,146	\$ 32,812,875	-7.5%	↓
Motor Vehicle Registration	700,961,924	716,173,765	2.2%	↑
Motor Carrier - Oversize/Overweight	76,144,162	72,550,631	-4.7%	↓
Motor Carrier Credentialing	4,207,356	4,333,173	3.0%	↑
Motor Vehicle Business Licenses	3,746,697	4,014,882	7.2%	↑
Miscellaneous Revenue	5,591,000	5,415,667	-3.1%	↓
Processing and Handling Fee	25,356,362	24,203,854	-4.5%	↓
Total	\$ 851,480,648	\$ 859,504,849	0.9%	↑

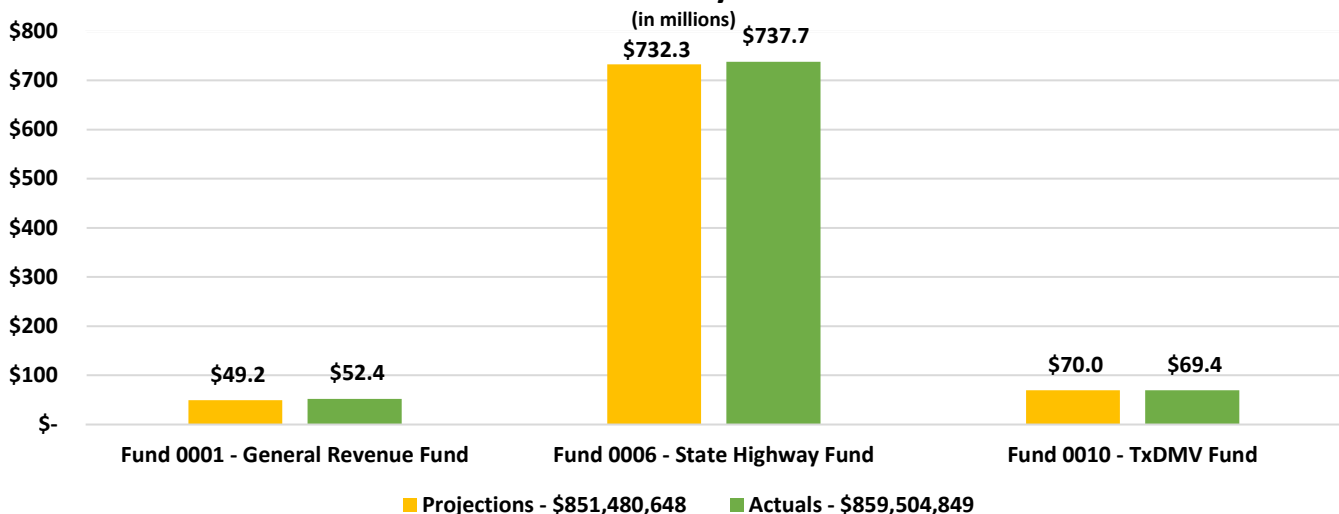
TxDMV collections in the last few months of FY 2020 reflected a pickup in most revenue streams from the lows of April and early May of 2020. This included title fees and motor vehicle business license fees, along with many customers proceeding with renewing registration of their vehicles even with the allowable deferral. Collections are expected to continue rebounding as we progress through FY 2021, including the effect of the fee-waiver and deferral period closing in mid-April. FY 2021 projections shown above were established for board-reporting purposes in the latter part of FY 2020, and include consideration of COVID-19 effects on revenue streams.

Revenues for most categories saw a decline in February due to the week of severe weather in which much less business was performed during that week statewide. However, customer activity is expected to pick up in the third and fourth quarters.

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 2.17% in FY 2020 to 0.55% in FY 2021 during the same time period representing a 75% decline in rates.

FY 2021 Actuals vs Projections

Revenue by Fund





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TxDMV Fund 0010 Financial Status Highlights

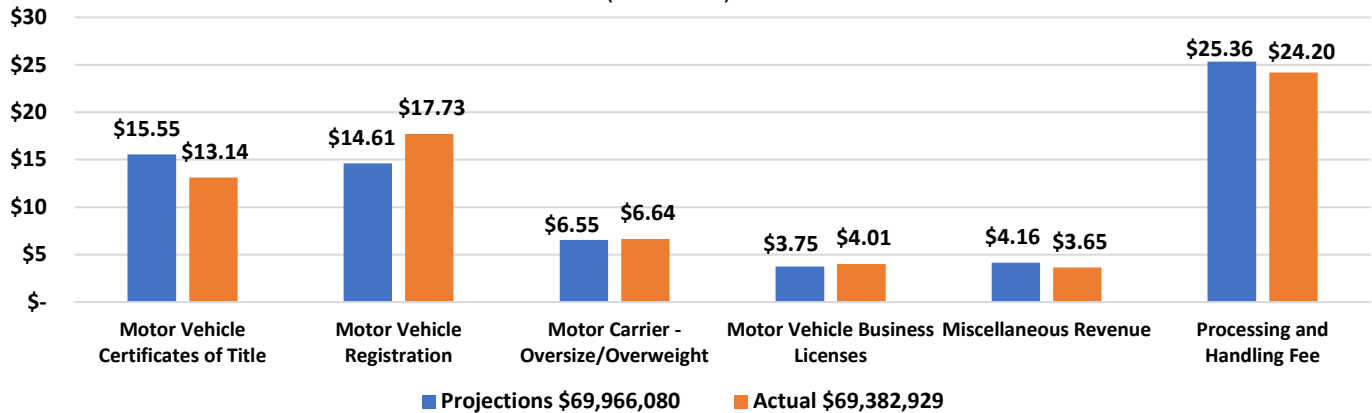
Financial Summary through the Second Quarter

September through February FY 2021

TxDMV Fund 0010 Highlights

Actuals vs Projections

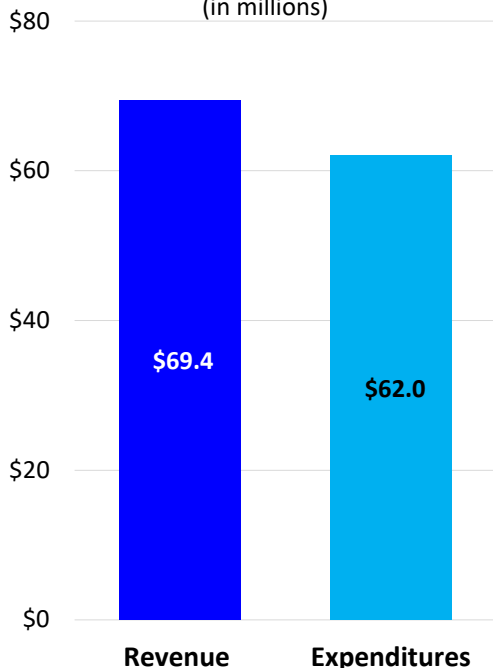
(in millions)



- Overall, TxDMV Fund (0010) revenues were 0.8% below projections through the second quarter of FY 2021. Registration revenue was 21.4% over projections, followed by motor vehicle business licenses at 7.2% over. Miscellaneous revenue was 12.1% under, mostly attributed to lower-than-expected interest rates paid on the TxDMV Fund balance.
- TxDMV Fund revenue collections totaled \$69.4 million, which was 15.8% (\$13.0 million) lower than collections during the same time period of FY 2020. This represented: a 37.3% decrease in title revenue (mostly due to the waiver of delinquent title transfer penalties); a 0.4% decrease in registration revenue; a 19.2% decrease in oversize/overweight revenue; a 4.3% increase in motor vehicle business license revenue; a 29.4% decrease in miscellaneous revenue; and an 8.4% decrease in processing and handling fee revenue.
- TxDMV Fund deposits were below projections by 0.8% (\$583,151) through the second quarter of FY 2021 and currently is 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	\$ 13,142,455
Motor Vehicle Registration	\$ 17,729,629
Motor Carrier - Oversize/Overweight	\$ 6,638,185
Motor Vehicle Business Licenses	\$ 4,014,882
Miscellaneous Revenue	\$ 3,653,923
Processing and Handling Fee	\$ 24,203,854
Total Revenue	\$ 69,382,929
Fund 0010 Expenditures	
TxDMV Operational Expenditures	\$ 55,652,680
Fringe Benefits	\$ 6,360,558
Total Operational Expenditures	\$ 62,013,238
Ending Fund Balance, Feb 28, 2021	\$ 154,872,790
Adjustment for Encumbrances	\$ 39,013,357
Adjusted Net Cash Balance	\$ 115,859,433



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Motor Vehicle Crime
Prevention Authority

September through February FY 2021

Motor Vehicle Crime Prevention Authority

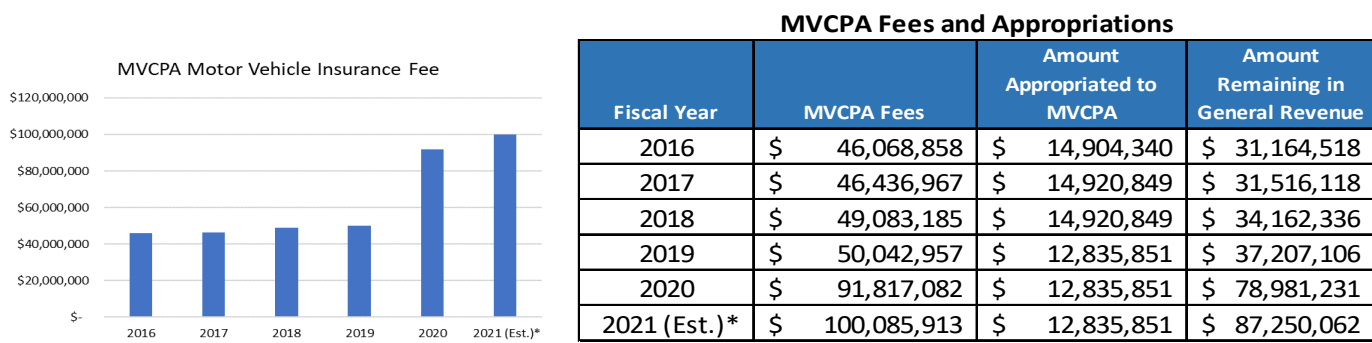
The Motor Vehicle Crime Prevention Authority (MVCPA) has fostered a statewide cooperative network of law-enforcement groups, prosecutors, insurance industry representatives, local tax assessor-collectors, and concerned citizens to combat vehicle theft and burglary through enforcement, prevention, public information, and education initiatives. In addition to providing guidance and oversight, MVCPA awards financial grants to agencies, organizations, and concerned parties in an effort to raise public awareness of vehicle theft and burglary and implement education and prevention initiatives.

The predecessor of the Motor Vehicle Crime Prevention Authority (MVCPA) was established by the 72nd Texas Legislature in 1991 as the Automobile Theft Prevention Authority (ATPA). It was one of the nation’s first statewide efforts to reduce auto theft. The 80th Legislature expanded the ATPA mission to include combating motor vehicle burglary and changed the name to the Automobile Burglary and Theft Prevention Authority. The 86th Legislature changed the name to the Motor Vehicle Crime Prevention Authority and added fraud-related motor vehicle crime to its mission. To better align the operation and improve coordination with the Texas Department of Motor Vehicles (TxDMV), the enabling statute for the MVCPA was codified in the Texas Transportation Code. Under the recodification the MVCPA is required to:

- Collect an annual \$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, as well as 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.
- Examine and make determinations for refunds to insurers that overpay the \$4 per vehicle fee.

House Bill (HB) 2048, passed during the 86th Legislature, increased the fee that motor vehicle insurance companies pay per motor vehicle year from \$2.00 to \$4.00. HB 2048 also changed the allocation of the fee revenue to MVCPA from 50% of the \$2.00 fee to 20% of the \$4.00 fee.

The following charts illustrate the six-year trend in the MVPCA motor vehicle insurance fee collections and a comparison of fees collected to MVCPA appropriations.



*2021 Fees are estimated.

	Actual 2018	Actual 2019	Actual 2020	Forecast 2021 (Est.)	Forecast 2022 (Est.)	Forecast 2023 (Est.)
MVCPA Fee	\$ 49,083,185	\$ 50,042,957	\$ 91,817,082	\$ 100,085,913	\$ 100,085,913	\$ 100,085,913



Texas Department *of* Motor Vehicles

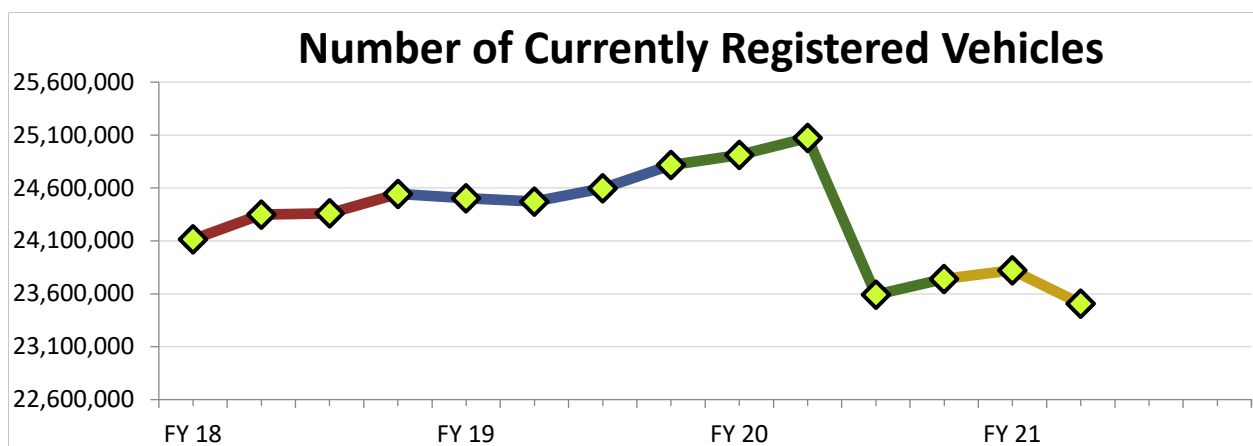
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All Funds (Fund 0001, Fund 0006, and Fund 0010): Title, Registration, Oversize/Overweight, and Processing and Handling Fees

Financial Summary through the Second Quarter

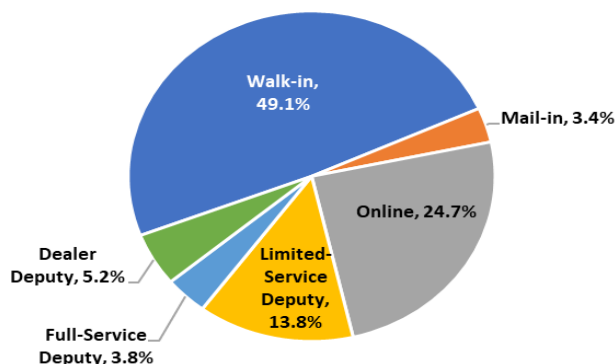
Registration Revenue

- All-funds registration revenue in FY 2021 decreased 1.6% (\$11.3 million) from FY 2020. This is based mostly on the waiver of certain temporary permits and the allowable *deferral* of annual-registration renewals, which will end on April 14, 2021.
- All-funds registration revenue was 2.2% (\$15.2 million) higher than projections. This revenue category met the FY 2021 projection and accounted for 83% of TxDMV revenue through the second quarter. The number of non-exempt registered vehicles went from 25.1 million at the end of February 2020 to 23.5 million at the end of February 2021, a decrease of 1.6 million (6.2%) vehicles. The number of registered vehicles will rebound as the deferral period draws to a close.



Processing and Handling Fee

Transaction Mix from Annual Registrations through the 2nd Quarter

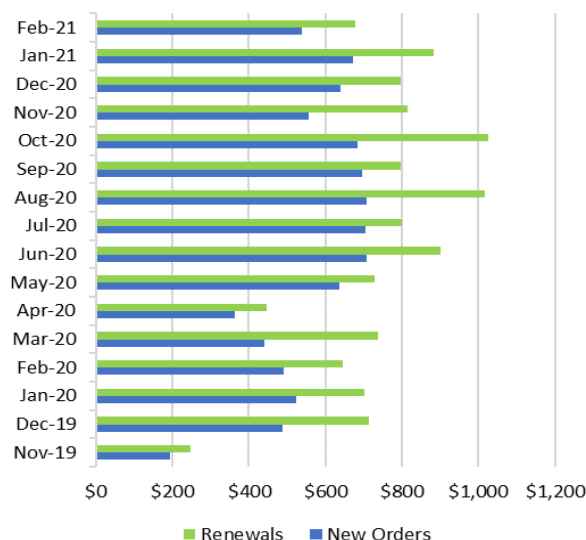


- A plurality (49.1%) of annual-registration transactions year-to-date were processed at county offices. Year-to-date online utilization was 24.7%, a 7.5-percentage-point increase from FY 2020.
- With some county offices closed temporarily, more registration renewals were processed online through the second quarter of FY 2021 than the same period of FY 2020. Through the second quarter, online registrations made up 2.7 million of the 10.8 million FY 2021 transactions versus 1.9 million of the 11.2 million FY 2020 transactions.

Vendor Plates

- General Revenue Fund 0001 deposits associated with the (third) MyPlates contract from November 19, 2019, to February 28, 2021, totaled \$21.0 million, of which \$9.6 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)

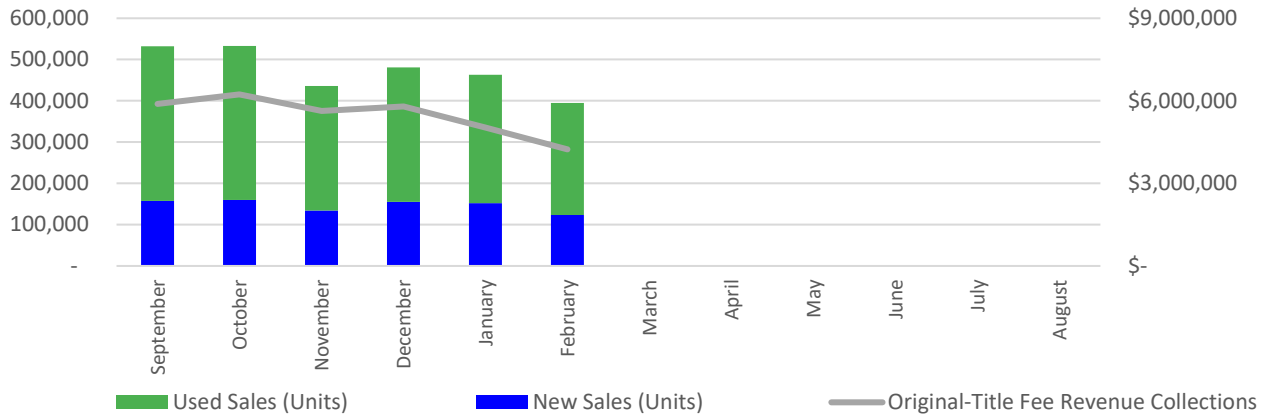


Financial Summary through the Second Quarter

Motor Vehicle Certificates of Title

- The agency recognized a decrease (from projections) in FY 2021 all-funds title revenue of 7.5% (\$2.7 million) through February FY 2021.

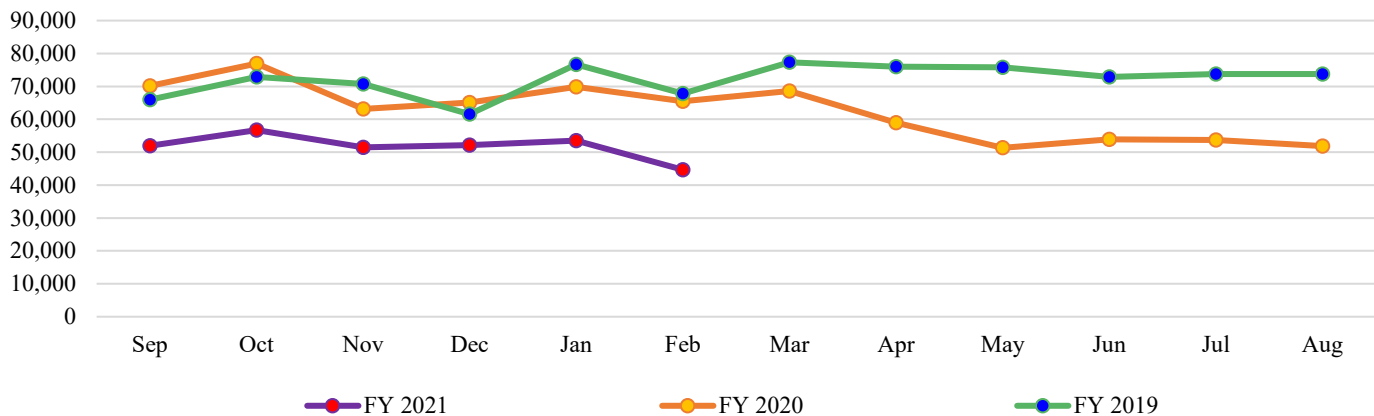
Monthly Auto Sales and Original-Title Fee Revenue Collections



- 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 3.0 million original titles through the second quarter. This was a decrease of 7.4% 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 decreased by 5.0%, with used-car sales down 5.8% and new-car sales down 3.1%, all contributing to a year-over-year decrease in revenue.

Motor Carrier Oversize/Overweight

Monthly Oversize/Overweight Permit Issuance



- All-funds oversize/overweight permitting revenue was 4.7% (\$3.6 million) under FY 2021 projections. The number of permits issued in FY 2021 year-to-date was 310,487 compared to 410,786 issued in FY 2020, a decrease of 24.4% (100,299 more permits were issued in FY 2020). Decreased activity in the oil-and-gas sector has had an impact on the issuance of motor-carrier permits, resulting in lower oversize/overweight fee deposits. As a result of recent COVID-19 events and continued lower oil prices, revenue in this category did not meet second-quarter FY 2021 expectations, but is expected to see an uptick in the third and fourth quarters.



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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 February 2021 was \$1,508,163. 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 \$2.2 million. The total cost estimate also assumes COVID-19 facility cleaning services will continue through the end of the fiscal year and staff time devoted to the response will continue through June 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 \$3.9 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 will end 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 February 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 (\$34,915,411 for both capital and operating appropriations) and for benefit costs (\$12,591,000). The current modified budget amount for all appropriations as of February 2021 is \$200,514,600.

Key components of the FY 2021 budget include:

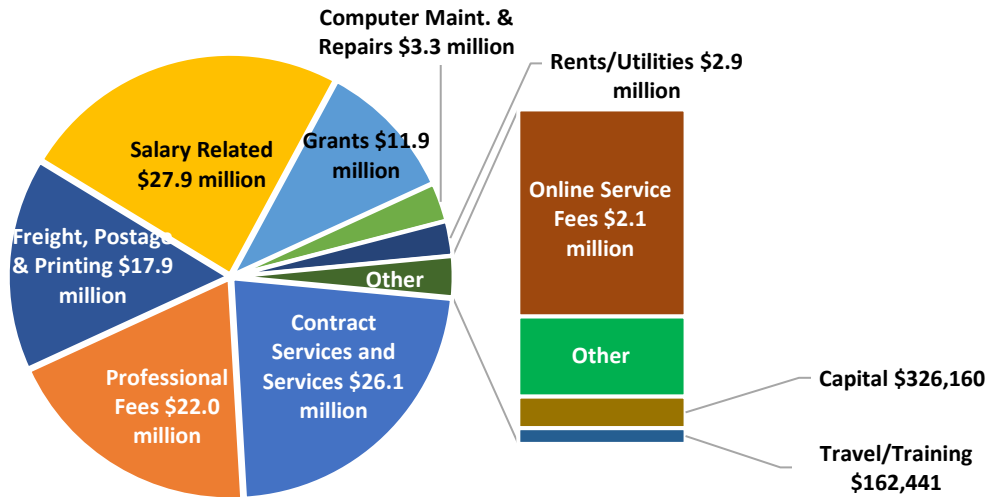
- Additional full-time equivalents (FTEs) were added for Consumer Relations (9.0 FTEs) and Information Technology Services (12.0 FTEs) beginning in FY 2020 and continuing into FY 2021.
- Capital funding was added for Regional Service Center renovations and upgrades (\$250,000 in FY 2020 and \$250,000 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 anticipated to take place in March 2021.
- 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.

Financial Summary through the Second Quarter

September through February FY 2021

- Second-quarter TxDMV obligations for all funds totaled \$115.5 million (expenditures of \$63.3 million and \$52.2 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.

Second Quarter Obligations by Category - All Funds

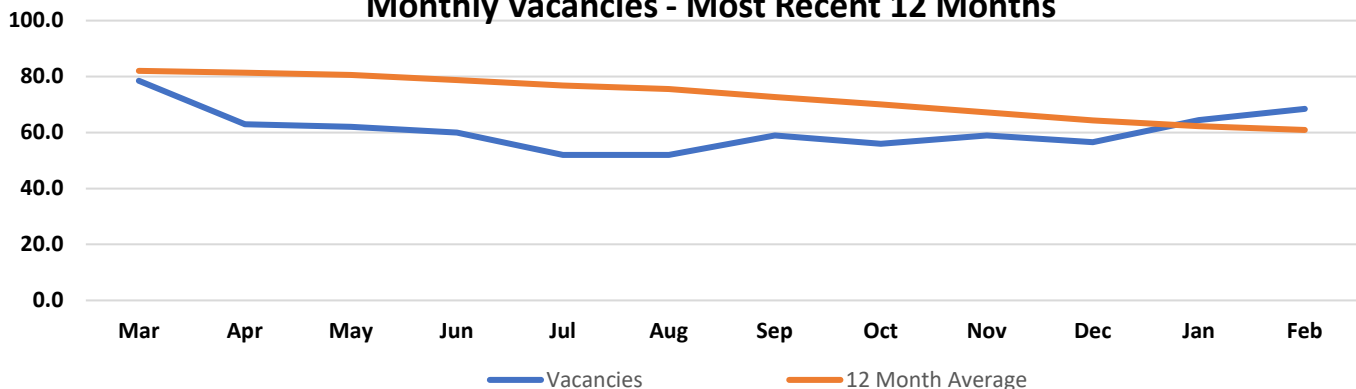


- Major second-quarter obligations in FY 2021 are listed in the chart above. Obligations for freight/postage/printing (primarily postage/printing), contract services, professional fees, salary related, and grants constitute 90% of the department's obligations for the second quarter.
- Printing expenditures 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 increased from 723.5 FTEs in March 2020 to 733.5 FTEs as of February 2021. Overall staffing since the beginning of FY 2020 has been steadily improving and vacancies have decreased from 78.5 at March 2020 to 68.5 at February 2021.

Monthly Vacancies - Most Recent 12 Months



FY 2021 Highlights

- The FY 2021 budget as of February 28, 2021 was \$200.5 million. This amount included the original baseline total of \$153.0 million as approved by the Legislature during the 86th legislative session; \$34.9 million in funds that were brought forward from FY 2020; 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 \$34.9 million in carry forward funds as of February 28, 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 February 28, 2021 the operating carry forward amount was approximately \$10.0 million.
- The operating carry forward will be 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 will also be utilized to address one-time facility expenditures related to the late February winter storm.

Financial Summary through the Second Quarter

Capital Budget and Projects

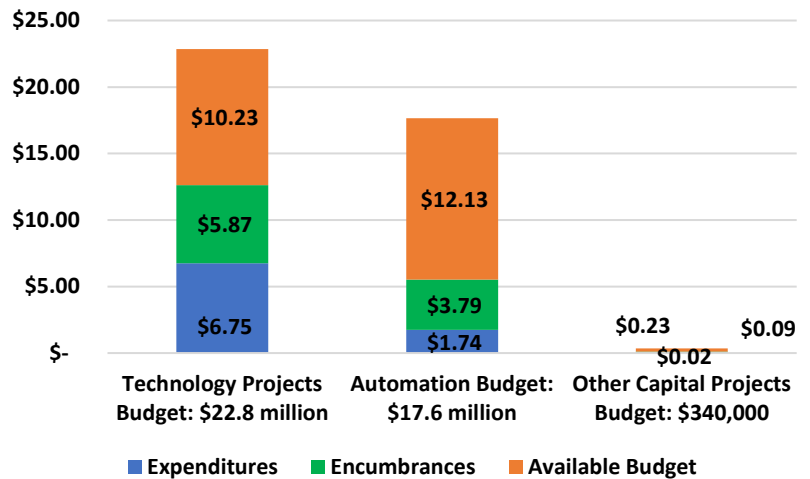
Capital Project Budget Status				
	Revised Budget	Expenditures	Encumbrances	Available Budget
Technology	\$ 22,853,240	\$ 6,751,032	\$ 5,870,953	\$ 10,231,255
Automation	\$ 17,662,680	\$ 1,743,110	\$ 3,787,711	\$ 12,131,859
Other Capital Projects	\$ 340,867	\$ 19,729	\$ 90,864	\$ 230,274
All Capital Grand Total	\$ 40,856,787	\$ 8,513,871	\$ 9,749,528	\$ 22,593,388

Capital Budget Status

The capital budget totals \$40,856,787.

- Including: Expenditures of \$8.5 million, and encumbrances of \$9.7 million, for a total of \$18.2 million in obligations.
- The budget as of the end of the quarter for capital consists of \$17.6 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.

Second Quarter Capital Budget Status (In Millions)



Technology Capital Projects

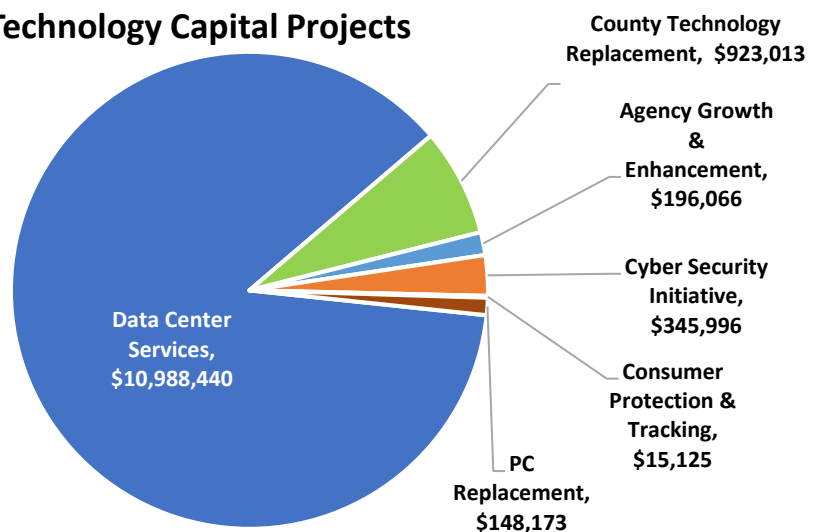
Technology Highlights

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.

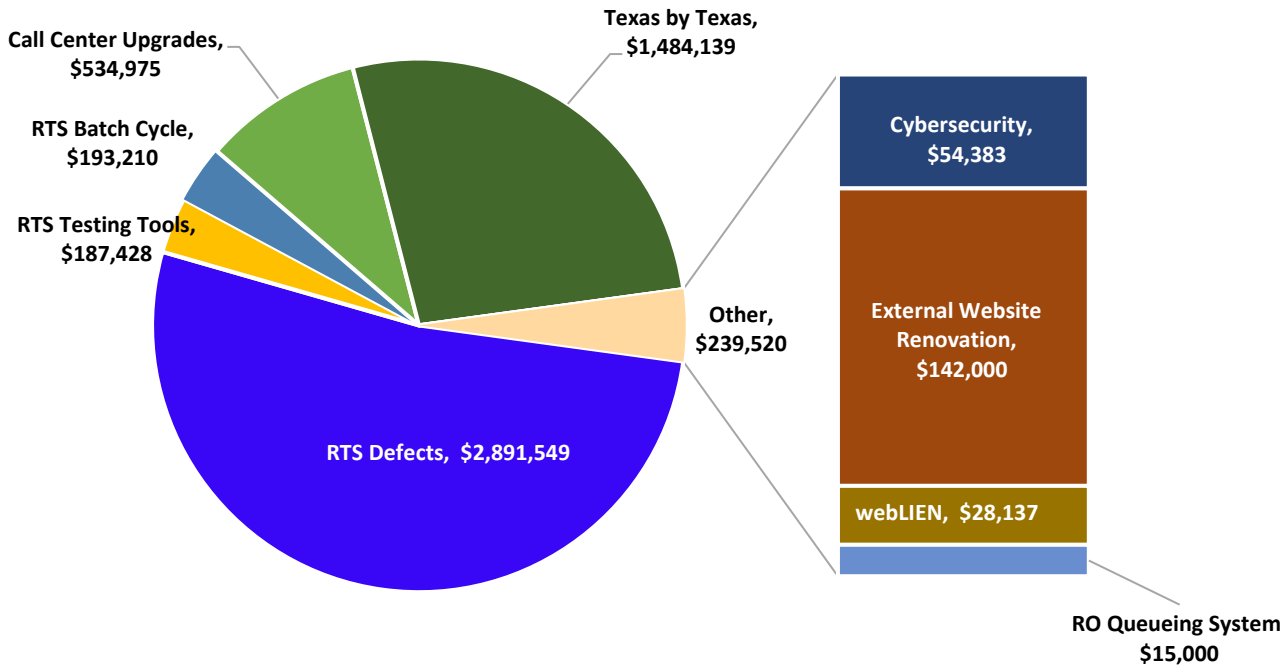
- The majority of expenditures and encumbrances through February 2021 includes Data Center Services, and toner and technical support for the counties. Obligations in County Technology Replacement and PC Replacement include laptops and desktops for the refresh programs.

Technology Capital Projects



Automation Capital Projects

Automation Obligations: \$5.5 million



- The TxDMV Automation project consists of \$5.5 million in obligations. The primary obligations as of February 2021 are for Registration and Title System (RTS) defects, Texas by Texas application implementation, and the Call Center Upgrades Project.
- The total Automation budget as of February 2021 is \$17.6 million.
- Approximately, \$4.3 million remains in Unallocated Reserve at the end of February 2021.
- 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 February 2021 totals \$340,000. 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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Committee Meeting Date: 3/31/2021
BRIEFING

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 4.E
Subject: FY 2022-2023 Legislative Appropriations Request Update (BRIEFING ONLY) – Linda M. Flores

PURPOSE

To provide a briefing on the Fiscal Year 2022-2023 Legislative Appropriations Request (LAR) and the recommended appropriations as included in the introduced versions of House Bill 1 (H.B.1) and Senate Bill 1 (S.B.1)

EXECUTIVE SUMMARY

The 87th Legislature will establish the Texas Department of Motor Vehicles (TxDMV) two-year appropriations through the passage of Senate Bill 1 (S.B. 1) in May 2021. The department is primarily funded by revenues deposited in the TxDMV Fund 0010, and General Revenue Fund 0001 to fund the Motor Vehicle Crime Prevention Authority (MVCPA).

In January 2021, the House of Representatives and the Senate filed their respective versions of the General Appropriations Act (GAA) House Bill 1 and Senate Bill 1, respectively. Both introduced bills included identical levels of baseline funding for the department totaling \$302.5 million, \$153.8 million in FY 2022 and \$148.7 million in FY 2023.

Neither of the introduced bills recommended funding for any of the department's exceptional items requests.

In response to the recommendations of the introduced bills, the department re-prioritized and modified a new exceptional items list. The new list totaled \$36.6 million and was submitted to the Legislative Budget Board.

RIDERS

A rider is a legislative directive or appropriation inserted into the General Appropriations Act following appropriation line items for an agency or in a special or general provision of the act. A rider provides direction, expansion, restriction, legislative intent or an appropriation.

The introduced versions of H.B.1 and S.B.1 include all TxDMV requested riders for FY 2022-2023. These include Unexpended Balance authority for Automation and TxDMV HQ Maintenance capital projects; Unexpended Balance authority for Federal grants and matching funds; and Unexpended Balance authority within the biennium.

METHOD OF FINANCE

All of TxDMV operations and the recommended exceptional item requests would be funded through the TxDMV fund, with the exception of MVCPA. All MVCPA operations and its exceptional item requests would be funded through General Revenue.

H.B.1 AND S.B.1 AS INTRODUCED IN JANUARY 2021

H.B. 1. and S.B. 1 as introduced included a total of \$302.5 million for the department's FY 2022-2023 biennium. The introduced version of the appropriations bill did not include any requested exceptional items. The amount of \$302.5 million included baseline reductions in Automation and MVCPA grant funding.

MODIFIED EXCEPTIONAL ITEMS

The Legislative Budget Board provided TxDMV an opportunity to update their exceptional item requests in January 2021 after the House and Senate budget introduced recommendations became available.

The department modified its list of exceptional items to include nine items totaling \$36.6 million.

Two new exceptional items were included in the January 2021 modifications:

- A request of \$3.1 million to restore Automation capital funding to complete the Web Salvage project
- A request of \$8.5 million to restore MVCPA grant funding

One existing exceptional item from the original LAR submission was modified in the January 2021 update:

- The amount of funds to expand MVCPA grants was revised from \$2.5 million to \$7.3 million, an increase of \$4.8 million based on updated revenue estimates



Texas Department of Motor Vehicles FY 2022 – 2023 Legislative Appropriations Request Update

TxDMV LAR Comparison to HB1/SB1



	TxDMV Request/Full-Time Equivalents (FTEs)	HB 1/SB1 Recommended/Full- Time Equivalents (FTEs)	Difference
Baseline	\$319.3 Million/802 FTEs	\$302.5 Million/802 FTEs	\$(16.8 Million)
Exceptional	\$19.5 Million/11 FTEs	\$ - 0 -	\$(19.5 Million)/11 FTEs
Total	\$338.8 Million/813 FTEs	\$302.5 Million/802 FTEs	\$(36.3 Million)/11 FTEs

- Baseline request reduced by \$16.8 million primarily consisting of reductions in MVCPA grants, Automation capital, DCS capital, and market adjustments
- No exceptional items were recommended.
- Baseline included riders for Unexpended Balance authority for Automation capital and HQ Maintenance, matching funds for Federal grants, and unexpended authority within the FY 2022-2023 biennium

Revised Exceptional Items



TxDMV 2022-23 Exception Item Summary



Priority	Exceptional Items	Original Request				Revised Request			
		FY 2022	FY 2023	Biennial Total	Full Time Equivalents	FY 2022	FY 2023	Biennial Total	Full Time Equivalents
1	Restoration of Automation Funding	\$ -	\$ -	\$ -	-	\$ 3,113,578	\$ -	\$ 3,113,578	-
2	Building 5 Replacement	\$ 6,187,500	\$ -	\$ 6,187,500	-	\$ 6,187,500	\$ -	\$ 6,187,500	-
3	Accounts Receivables System	\$ 3,358,871	\$ 114,087	\$ 3,472,958	2.00	\$ 3,358,871	\$ 114,087	\$ 3,472,958	2.00
4	Complaint Management System	\$ 5,225,712	\$ -	\$ 5,225,712	-	\$ 5,225,712	\$ -	\$ 5,225,712	-
5	Houston RSC Sub-Station	\$ 821,207	\$ 358,912	\$ 1,180,119	4.00	\$ 821,207	\$ 358,912	\$ 1,180,119	4.00
6	Dallas RSC Sub-Station	\$ 613,340	\$ 242,630	\$ 855,970	2.00	\$ 613,340	\$ 242,630	\$ 855,970	2.00
1	Restoration of MVCPA Grant Funding	\$ -	\$ -	\$ -	-	\$ 4,287,508	\$ 4,287,508	\$ 8,575,016	-
2	MVCPA Expanded Coverage	\$ 1,276,641	\$ 1,276,641	\$ 2,553,282	-	\$ 3,550,241	\$ 3,838,642	\$ 7,388,883	-
3	MVCPA Fee Collection Unit	\$ -	\$ -	\$ -	-	\$ 280,000	\$ 280,000	\$ 560,000	3.00
Total, Exceptional Items		\$17,483,271	\$ 1,992,270	\$19,475,541	8.00	\$27,437,957	\$ 9,121,779	\$36,559,736	11.00
Method of Finance									
	General Revenue Fund 0001	\$ 1,276,641	\$ 1,276,641	\$ 2,553,282		\$ 8,117,749	\$ 8,406,150	\$ 16,523,899	
	Texas Department of Motor Vehicles Fund 0010	\$ 16,206,630	\$ 715,629	\$ 16,922,259		\$ 19,320,208	\$ 715,629	\$ 20,035,837	
Total, Method of Finance		\$17,483,271	\$ 1,992,270	\$19,475,541		\$27,437,957	\$ 9,121,779	\$36,559,736	

Modifications to Exceptional Items



Two new exceptional items were added:

- Restoration of Automation Capital funding – to complete the Web Salvage Project
- Restoration of Motor Vehicle Crime Prevention Authority (MVCPA) grant funding

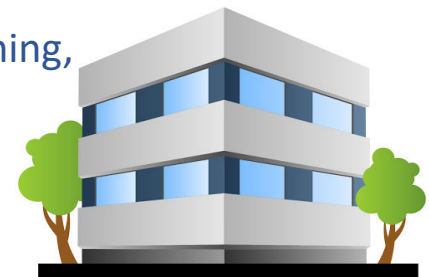
One existing exceptional item was modified:

- Expand MVCPA coverage – the amount was increased by \$4.8 million for the biennium based on updated revenue estimates

TxDMV Headquarters Building Construction



- Texas Facilities Commission determined that it was more cost effective to newly construct rather than repair current structures
- Total Cost: \$65 million based on current assessment estimates
- All costs covered through the TxDMV Fund, regardless of bonding or lump-sum appropriation, no General Revenue is required
- TxDMV is requesting \$6.2 million in the FY 2022-2023 biennium for Planning, Design and Site Preparation
- Construction costs are not being requested in the FY 2022-2023 biennium

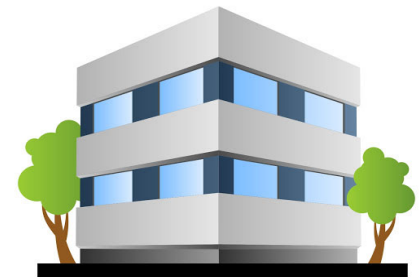


TxDMV Headquarters Building Construction



\$65 million project financing options

- *Option 1:*
 - ✓ Legislature Approval Required
 - ✓ Bonds issued by the Texas Public Finance Authority,
 - ✓ 20-year bonds, 2.5% interest,
 - ✓ Monthly payment of \$344,437; Annual payment of \$4,133,244
 - ✓ Biennial Payment of \$8,266,488
- *Option 2:*
 - ✓ Lump-sum funding request to be considered by the Legislature

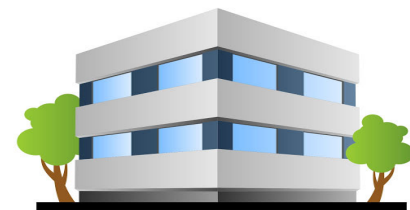


TxDMV Headquarters Building Construction



Texas Public Finance Authority Process

- Steps to request bond funding from the Texas Public Finance Authority (TPFA)
 - ✓ Request legislative authorization through a General Appropriations Act Rider
 - ✓ The Rider will authorize the project, the issuance of revenue bonds, the appropriation of bond proceeds, and the appropriation of lease payments
 - ✓ A resolution adopted by the TxDMV Board authorizing submittal of the request to TPFA
 - A project description, budget, and estimated expenditure schedule must be provided to TPFA
 - ✓ The request must be approved by the TPFA Board



To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 4.F
Subject: Winter Storm 2021 Impacts to TxDMV Facilities and Regional Service Centers

OVERVIEW

During the week of February 15, 2021, TxDMV operations were impacted by wintry weather, unusually cold temperatures and dangerous roadways. Several offices experienced issues related to a lack of heating and electrical services, as well as water supply.

The following locations were adversely impacted as a result:

- 1) **Austin Regional Service Center** – The Austin Regional Service Center experienced water damage due to two (2) broken water lines. This is a TxDOT facility and TxDOT quickly made repairs that allowed the office to open as planned on Monday, February 22, 2021, without delay.
- 2) **Longview Regional Service Center** – The Longview Regional Service Center experienced some water damage due to a single broken pipe. This is another TxDOT facility and TxDOT again quickly made repairs that allowed the office to open without delay.
- 3) **Austin Headquarters – Camp Hubbard, building 1** – Camp Hubbard, building 1 headquarters operations experienced a fire line rupture that flood several areas of the first floor, primarily impacting the employee lobby entrance, the Lone Star/Board Room and the executive director’s office suite. TxDMV Facilities Services quickly began addressing needs. Water extraction has been completed and repairs are underway to the lobby ceiling and sheetrock and cleaning needs in the executive director’s office. Staff housed in this location have been able to telecommute while work is performed.
- 4) **Austin Headquarters – Camp Hubbard, building 5** – Camp Hubbard, building 5 experienced roof leaks on the second, smaller floor, of the building, which continues to occur with each weather event due to an old roofing system. TxDMV Facilities Services is replacing 150 ceiling tiles and is having the carpet cleaned. Most occupants of this floor have been telecommuting.

FISCAL IMPACT

Our Facilities team continues to assess the buildings and property needs.

Cost Impacts to date:

Item	Cost
County Computer Equipment Replacements*	\$0.00
Water Damage Clean Up	19,265.00
Tree Debris Clean Up	3,600.00
Bottled Water	120.00
Fire Suppression pipe break repairs	3,673.31

Ceiling and Wall Repairs	2,426.66
Floor Repairs	3,391.67
Painting	2,166.67
Building 5 Carpet Cleaning	No Cost
TOTAL	\$34,643.31
*Pending	

No action is required from the Committee on this briefing item.

Impact of Winter Storms on TxDMV Facilities

- **Facilities Update:** All TxDMV facilities, except Camp Hubbard Building 6, opened for on-site staff on Monday, February 22, 2021. The following is a summary of the storm’s impact on TxDMV facilities:
 - *Building 1:* A fire-line ruptured and flooded parts of the first floor, primarily impacting the main lobby entrance, Lone Star Room and executive office. Water extraction, carpet cleaning, and repairs to the fire-line were performed allowing them to be reoccupied. Minor ceiling and wall repairs are still underway as we fully restore the impacted areas.
 - *Building 5:* Due to the current condition of the roof, water leaks continue with each weather event. The carpet was cleaned on March 3rd and approximately 150 ceiling tiles will be replaced.
 - *Building 6:* The water was turned off in the building while TxDOT repaired water damage from broken pipes between the first and second floors. No damage occurred on the fifth floor, which houses the Motor Carrier Division (MCD). MCD staff telecommuted on Monday, February 22nd, and allowed to reoccupy the building February 23rd.
 - *Austin RSC:* The Austin Regional Service Center experienced water damage due to two (2) broken water lines. This is a TxDOT facility and TxDOT quickly made repairs allowing the office to open as planned on Monday, February 22nd, without delay.
 - *Longview RSC:* The Longview Regional Service Center experienced water damage due to a single broken pipe. This is a TxDOT facility and TxDOT quickly made repairs allowing the office to open as planned on Monday, February 22nd, without delay.

Cost Impact as of 03-19-2021

Item	Cost
County Computer Equipment Replacements*	\$0.00
Water Damage Clean Up	19,265.00
Tree Debris Clean Up	3,600.00
Bottled Water	120.00
Fire Suppression pipe break repairs	3,673.31
Ceiling and Wall Repairs	2,426.66
Floor Repairs	3,391.67
Painting	2,166.67
Building 5 Carpet Cleaning	No Cost
TOTAL	\$34,643.31
*Pending	

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.