Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

TxDMV Board
Finance & Audit
Committee Meeting

2:00 p.m.
Wednesday, June 29, 2022

AGENDA
FINANCE AND AUDIT COMMITTEE
TEXAS DEPARTMENT OF MOTOR VEHICLES
WILLIAM B. TRAVIS BUILDING
1701 N. CONGRESS AVENUE, ROOM 1.111, AUSTIN, TEXAS 78701
WEDNESDAY, JUNE 29, 2022
2:00 P.M.

Link to June 29, 2022, TxDMV Finance and Audit Committee Documents:
https://www.txdmv.gov/about-us/txdmv-board-meetings

All agenda items are subject to possible discussion, questions, consideration, and action by the Finance and Audit Committee of the Board of the Texas Department of Motor Vehicles (Committee). Agenda item numbers are assigned for ease of reference only and do not necessarily reflect the order of their consideration by the Committee. The Committee reserves the right to discuss any items in closed session where authorized by the Open Meetings Act. A quorum of the Board of the Texas Department of Motor Vehicles (Board) may be present at this meeting for discussion and gathering information. However, Board members who are not Committee members will not vote PAGE 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, Committee Members, and Executive Director

BRIEFING AND ACTION ITEMS
4.   Consideration and Possible Recommendation for Action to the Full Board and Briefings:

CLOSED SESSION
5.   The Committee may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code Chapter 551:
Section 551.071 - Consultation with and advice from legal counsel regarding:
- pending or contemplated litigation, or a settlement offer;

- a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Government Code Chapter 551; or
any item on this agenda.

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

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

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

6.   Action Items from Closed Session

7.   Public Comment

8.   Adjournment

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

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

1.   a completed Public Comment Registration Form; or
2.   the following information:
        a.   the agenda item you wish to comment on;

      b.   your name;

      c.   your address (optional), including your city, state, and zip code; and

      d.   who you are representing.

Public comment will only be accepted in person. Each speaker will be limited to three minutes, and time allotted to one speaker may not be reassigned to another speaker.

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

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

CERTIFYING OFFICIAL: Elizabeth Brown Fore, General Counsel, (512) 465-5665.

Texas Department *of* **Motor Vehicles**

HELPING TEXANS GO. HELPING TEXAS GROW.

Committee Meeting Date: 6/29/2022
BRIEFING ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Glenna Bowman, Chief Financial Officer
Agenda Item: 4.A
Subject: Strategic Plan Update

RECOMMENDATION
Briefing item with no recommendation.

PURPOSE AND EXECUTIVE SUMMARY
Briefing item to provide information on the department's submission of the Strategic Plan.

FINANCIAL IMPACT
N/A.

BACKGROUND AND DISCUSSION
At the April 14, 2022, board meeting, staff reported on activities related to the TxDMV Strategic Plan for FY 2023- 2027. One of those activities was to request changes to the department's budget structure and performance measures. Staff are pleased to report that all requested changes were approved by the Legislative Budget Board and the Office of the Governor.

Staff also updated Goals and Action Plans for the report. Since the Board voted to discontinue the Balanced Scorecard initiative at the April 14th meeting, staff simplified the structure, so the components match TxDMV's goals, objectives and strategies in the General Appropriations Act.

The plan also includes several other required elements, including the department's list of redundancies and impediments, workforce plan, and customer satisfaction report. The complete Strategic Plan was submitted to the Legislative Budget Board and Office of the Governor on June 1, 2022. The published report is included in your materials.

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

FY 2023-2027 Strategic Plan

June 1, 2022

AGENCY STRATEGIC PLAN
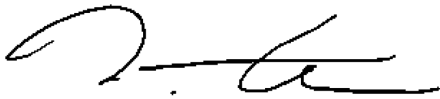
FISCAL YEARS 2023 to 2027

BY

TEXAS DEPARTMENT OF MOTOR VEHICLES

Board Member	Dates of Term	Hometown
Charles Bacarisse, Chair	Ends February 1, 2025	Houston
Tammy McRae, Vice-Chair	Ends February 1, 2025	Conroe
Christian Alvarado	Ends February 1, 2025	Austin
Stacey Gillman	Ends February 1, 2025	Houston
Brett Graham	Ends February 1, 2023	Denison
Sharla Omumu	Ends February 1, 2027	Cypress
John M. Prewitt	Ends February 1, 2023	Cypress
Manny Ramirez	Ends February 1, 2023	Fort Worth
Paul R. Scott	Ends February 1, 2023	Lubbock

JUNE 1, 2022

SIGNED: _____

APPROVED: _____

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TEXAS DEPARTMENT OF MOTOR VEHICLES MISSION STATEMENT

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

GOALS AND ACTION PLAN

AGENCY OPERATIONAL GOAL AND ACTION PLAN

1. **Optimize Services and Systems**
   Build a core infrastructure that promotes sound business processes and optimizes services.

   1.1. Improve TxDMV Processes and Systems
   Improve processes and systems for the delivery of vehicle registration, titling, license plate, vehicle industry licensing, and motor carrier services by enhancing technology.

   1.1.1. Provide Title, Registration, and Specialty License Plate Services
   Administer statutes governing the issuance of vehicle titles, registration, and related services, including supporting the 254-county tax-assessor collectors and their agents that provide title, registration, and license plates services to the public; and collect fees associated with these functions.

   1.1.2. Motor Vehicle Industry Licensing
   Facilitate the licensing of motor vehicle dealers, manufacturers, distributors, converters, independent (general distinguishing number (GDN)) dealers, franchise dealers, salvage dealers, and a variety of other entities engaged in the motor vehicle sales and distribution industry.

   1.1.3. Motor Carrier Services
   Provide permits to transport oversize/overweight cargos; grant operating authority for motor carriers and household goods carriers; provide fleet registration; and manage apportioned registration through the International Registration Plan for the state.

   1.1.4. Technology Enhancement and Automation
   Build a core infrastructure and upgrade existing systems through technology enhancements and automation upgrades to improve operational efficiencies and online services offered by the department and for the public who the department serves.

   1.1.5. Customer Contact Center
   Provide customers and stakeholders with a single point-of-contact gateway for department assistance through the Customer Contact Center.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

Goal: Optimize Services and Systems

As the department plans for the next biennium and beyond, one of our top priorities will be assessing technological systems and platforms that support the integrity, capability, performance, and security of department applications. These underlying systems are integral to the day-to-day operations of the department and providing quality customer service to the public and other stakeholders. In addition, as the department looks toward the future, we will be planning for secure and modern facilities to house technology systems and provide employees with an environment to maximize service delivery to the motoring public.

- <u>Replacement of the Registration and Title System (RTS)</u> - The technology ecosystem in place at the Texas Department of Motor Vehicles (TxDMV)facilitates the delivery of the department's business services to its customers and key stakeholders. The core business technology system, the Registration and Title System (RTS) was originally designed and built by the Texas Department of Transportation in the mid 1990's to process vehicle registration and title transactions and has undergone continuous rebuilding, improvements, and process changes over time. While the system is currently stabilized for continued near-term use, advancements in technology and application developments are rendering this system obsolete. In the years since RTS was placed in service the cost of maintaining the system has increased while the capabilities to adapt and change to better serve the motoring public has decreased. For these reasons, the department is planning activities to replace the outdated RTS and its associated applications.

  Replacing the RTS environment is a large endeavor and will take several years to complete. During that time, the current system must continue operating to safeguard continuity of services to TxDMV customers. It is a risk to the success of the RTS environment upgrade to attempt to migrate data or other features from systems that are not minimally updated with current versioning.

  To ensure the current systems function optimally during this transition, and to optimize a successful migration to a new system, several upgrade projects will be necessary to bring existing RTS platforms and infrastructure up to current versions. Examples of these projects include upgrading the current network delivery technology from older T1 lines to metro-ethernet and cellular services, upgrading the Java and DB2 environments to current versions, and upgrading server operating systems and hardware. Versioning upgrades of other supporting systems including, but not limited to, FileNet, Informatica, and Cognos will also be needed.

  RTS is used by numerous external stakeholders, including individual Texans who leverage the system through online vehicle registration portals. The department also supports the system's use by 254 county tax assessor-collector offices, who use the system to conduct daily motor vehicle transactions with individuals, automobile dealers, and other motor vehicle related businesses.

  This activity is expected to be completed in two-phases: (1) conduct research and develop an implementation plan in coordination with contract consultants for the FY 2024-2025

biennium; and (2) build and/or implement an upgraded system beginning in FY 2026. Phase 1 will include a full assessment of the current, legacy system and begin identification of the functionality and system requirements needed to develop the software architecture of the system, and describe its major components, their relationships, and how they interact with each other. The estimated completion date of the Phase 1 activity is August 2025.

- Implement a Paperless Registration Renewal System – The department notifies customers of vehicle renewal requirements by traditional, paper mail. This process has become increasingly expensive due to the rising costs of paper and postage. As technology advances, more and more customers use electronic devices such as personal computers, tablets, and cell phones to conduct their personal business. During the FY 2022-2023 biennium, the department estimates it will spend $29.8 million on paper renewal notifications, with costs continuing to increase in future years. This activity is designed to allow vehicle owners to opt out of receiving a paper notification through traditional mail service and instead be notified of renewals electronically using applications such as email and text messaging. Specific savings to the department from this activity is dependent on the number of motorists opting into the electronic notices. The department is currently implementing the Electronic Renewal Notice Opt-In (ERNO) service through the new Texas by Texas mobile application and exploring ways to augment the service through other methods and registration processes. Individuals/entities who subscribe to Texas by Texas ERNO may opt-in to receive notification exclusively by electronic means, receive both electronic and paper notifications, or maintain paper-only notification. The estimated completion date of this activity is August 2025.

- Additional Improvements to Temp Tag Production, Processes and Systems – TxDMV has implemented many enhancements, processes, and systems to quickly identify activity relating to the fraudulent use of department systems and the inappropriate production of temp tags in the state. The department has limited the number of tags annually available to individual dealers, instituted immediate denial of system access to dealers found to be engaging in apparent fraudulent activity, and increased review of dealer activities to identify opportunities for further investigation and enforcement. TxDMV's board is considering rules to require the use of fingerprinting to enhance dealer applicant background checks. The department will simultaneously work with the Department of Public Safety (DPS) to develop all implementation requirements. In addition, TxDMV is: (1) working to provide credentialed law enforcement officers access to a TxDMV Closed Data Portal (CDP) providing direct access to regularly updated motor vehicle data sets through a web-based system available 24/7; (2) working cooperatively with DPS to make TxDMV motor vehicle data available to law enforcement through the state fusion center; and (3) is building a centralized law enforcement assistance team within the department's Enforcement Division to assist front-line officers to efficiently identify and obtain motor vehicle data necessary for criminal investigations and enforcement. These activities will continue throughout the FY 2024-2025 biennium. TxDMV will also be requesting additional staff in its Motor Vehicle Licensing Division and Enforcement Division to conduct more rigorous criminal background checks on dealer license applicants, and to conduct site visits when needed along with other activities associated with stopping the unauthorized use of temporary tags.

The ease of replicating basic paper temporary tags remains a potential vulnerability to the security of the overall vehicle registration process.   The department is researching options to modify current temporary tag designs and production process to increase the difficulty of producing counterfeits. The department is still in the early stages of researching and

identifying opportunities related to future tag redesign and recognizes this work may require increased funding or resources. Any changes to the existing processes must be coordinated and vetted extensively with the department's external vehicle registration partners – county tax assessor-collectors, automobile dealers, and law enforcement departments – to ensure needed resources and efficient operations can be maintained by all parties involved in the processes of temporary tag use and enforcement. This activity is anticipated to be continuous through August 2025.

- <u>Transition of Facilities Maintenance from Texas Department of Transportation (TxDOT) to TxDMV</u> – TxDMV's current headquarter facilities reside on property owned by TxDOT. The property located at 4000 Jackson Avenue, Austin, Texas (known as Camp Hubbard) is in the middle of a multi-biennial process of being transitioned from TxDOT ownership to TxDMV. In anticipation of the transition, TxDMV has, over the last several years, been working with TxDOT to transfer the responsibility for all associated maintenance of the property to TxDMV. While TxDMV has already assumed the responsibility for much of the routine maintenance associated with the buildings and land, TxDMV is continuing to assess the staffing and resources needed to properly maintain the campus and will continue this activity during the FY 2024-2025 biennium and beyond. This activity is continuous through August 2027.

- <u>Camp Hubbard Renewal Project</u> - The 87th Legislature appropriated supplemental funding in the FY 2022-23 biennium for TxDMV to develop an architectural and engineering plan for renewal of the department's Camp Hubbard (CH) headquarter facilities in central Austin. The CH buildings were constructed in the 1950's and require substantial updates to provide a safe, energy-efficient workplace. The CH renewal will seek to accommodate flexible workspaces and better support the department's on-campus operational needs, including collaborative meeting spaces, department-wide mail and warehouse services, facilities for secure fleet storage, fixed asset inventory, information technology management infrastructure, imaging services, and payment processing.

  During the planning phase, the department will consider the impact of remote work, the need for public facing service spaces, office hoteling stations to accommodate hybrid work schedules, and statewide population growth and its impact on the department's workforce staffing. A modern board room that includes media access and designated recording studio will provide the opportunity for enhanced open meetings operations that focus on transparent government and could be shared with other state agencies.

  The plan will result in a site survey, parking study, renovation plans for the existing CH Building 6, demolition plans for the existing CH Building 5, design of a replacement building for Building 5; and improvements to the existing CH Central Chiller Plant. If approved by the 88th Legislature, TxDMV anticipates construction could begin in the FY 2024-2025 biennium. Completion of this activity is dependent on funding and construction but is anticipated to be continuous through August 2027.

DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

1. Accountability – the activities above show the department's commitment to the fee payers of Texas through the prudent use of their dollars to provide reliable systems, meet the changing needs of the department's customers through enhanced technology and maintain and provide facilities to house the staff responsible for supporting systems and operations required by them.
2. Efficiency – these activities support the core functions of the department through improving efficiencies in operations and judiciously using taxpayer dollars.
3. Effectiveness – these activities successfully support the core functions of TxDMV, improve methods of delivery with continuous improvements to match the changing needs of our stakeholders and the motoring public.
4. Excellence in Customer Service –TxDMV is a customer-service organization committed to providing its stakeholder and the public with high quality services and listening and responding to how our customers want those services delivered.
5. Transparency – each activity listed above improves the transparency of departmental operations and actions so that they are easily accessed and understood.

AGENCY OPERATIONAL GOAL AND ACTION PLAN

Goal: **Protect the Public**

Protect the safety of the public through administering statutes regarding the regulation of motor vehicle manufacturers, distributors, converters, and dealers of motor vehicles, motor carrier, and salvage vehicle dealers through investigating complaints and pursuing administrative protection of those licensees believed to have violated the statutes and rules. Provides financial assistance to local law enforcement agencies and communities to combat and prevent statewide motor vehicle crime.

2.1   Administer Enforcement Statutes

Improve TxDMV processes, procedures, and completion of investigations and complaints, and enhance stakeholder training through continued support in staffing and the streamlining of systems.

2.1.1. Enforcement

Conduct investigations and prosecute violations of laws relating to motor vehicles, motor carriers, oversize/overweight permits, and salvage dealers. Investigate complaints from the public, licensees, and other government agencies regarding alleged violations.

2.2   Motor Vehicle Crime Prevention

The Motor Vehicle Crime Prevention Authority (MVCPA) is administratively attached to the TxDMV and required to assess motor vehicle crime and analyze methods to prevent those crimes; provide financial and other support to local law enforcement agencies to operate economic motor vehicle theft and fraud-related motor vehicle crime enforcement teams; conduct education programs to inform motor vehicle owners of methods of preventing motor vehicle burglary or theft and fraud-related motor vehicle crime; and provide law enforcement training.

2.1.2. Motor Vehicle Crime Prevention

Improve the effectiveness of motor vehicle crime prevention programs by (1) providing financial and other support to local law enforcement agencies to operate economic motor vehicle theft and fraud-related motor vehicle crime enforcement teams, and (2) providing grants to support other motor vehicle crime prevention activities.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

The protection of the public and stakeholders served by the Texas Department of Motor Vehicles and to whom it is accountable is of primary importance to the department. Securing the future of Texans and ensuring the safety of its citizens now reaches beyond the traditional measures of the past. Supporting those tasked with enforcing the laws enacted to make sure that Texas highways and roads are safe and preventing motor vehicle theft and crime will remain a required function of the department. Now, the department must also be vigilant in protecting the public from criminal activities through the illegal, unauthorized use of its technological systems.

- <u>Securing Technology Resources and Customer Data</u> – TxDMV recognizes securing technology resources and customer data are key to protecting the public. Organizations must continually improve the security and management of technology and data resources as criminals constantly evolve and change their techniques and activities. TxDMV is continuously implementing security and fraud mitigation measures and intends to continue to grow its security and data management programs during FY 2024-2025 to protect the public from this ongoing threat.

  The TxDMV will identify evolving security and data tools, as well as staffing increases that are needed to respond appropriately to identified or anticipated security threats. As more services are delivered virtually through a new and improved technology environment, the need for tools and staff to document, assess, and mitigate risks and events will increase.

  Included in this effort is the training of TxDMV employees and contractors to recognize and be alert to cybersecurity threats. In accordance with Sections 2054.5191 and 2054.5192, Texas Government Code, TxDMV submits and receives certification from the Department of Information Resources for the completion of cybersecurity training by its employees and contractors each year. This activity is continuous through August 2027.

- <u>Additional Enforcement Activities Associated with Temp Tag Production, Processes and Systems -</u> To prevent the production of illicit temporary tags, the department has implemented many safeguards relating to dealer applicants, the production of temp tags, and misuse of TxDMV systems for fraudulent activities. To further enhance the efforts of the department in preventing the abuse of, or fraudulent production of, temporary tags, TxDMV will be requesting funding for additional staff in the Enforcement Division during the FY 2024-2025 biennium. The intent is to hire additional investigative and legal personnel to assist current employees in the identification of fraudulent dealerships and pursue enforcement actions against those persons who violate the law. Increased staffing is needed both due to the heightened level of fraudulent activity identified as well as annual increases in dealer licensing and vehicle sales activity in Texas and the state's population continues to grow. This activity will be completed by August 2025.

- <u>Pursue Motor Vehicle Crime Prevention Authority (MVCPA) Funding Required by Statute</u> - MVCPA has the statutory duty to issue grants to local law enforcement entities and other jurisdictions throughout the state to combat motor vehicle crime and support motor vehicle crime prevention efforts. The program awarded nearly $11.9 million during fiscal year 2021 through 24 grants, 14 of which served multi-jurisdictional taskforces.

Texas Transportation Code, Section 1006.153 requires that 20 percent of fee revenue collected under this section be appropriated to the MVCPA. In FY 2021, total fee collections were approximately $104 million, which should have resulted in MVCPA appropriations of $20.8 million for the year. However, the program was appropriated $12.8 million (or 12%) in FY 2021 and $15 million (or 14%) in FY 2022.

Due to the inability to access funding at statutorily prescribed levels, some areas of the state are not served by the specialized, trained investigators and equipment provided by MVCPA grants. MVCPA has also not been able to fully engage the public through its statewide education efforts to inform motor vehicle owners of effective methods to prevent motor vehicle crime. During FY 2024-2025, the TxDMV will be pursuing the statutorily required appropriations. This activity will be completed by August 2025.

DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

1. Accountability – the activities above show the department's commitment to the fee payers of Texas through the prudent use of their dollars to provide increased protection of their data and their persons from criminal activities.
2. Efficiency – these activities support core operations designed to protect the public from fraudulent and illegal activities that result in costs to the taxpayer.
3. Effectiveness – these activities successfully support the core functions of TxDMV, enforce the statutes that improve methods of delivery with continuous improvements to ensure that the motoring public and stakeholders operate in a safe environment.
4. Excellence in Customer Service – the department is committed to providing its stakeholder and the public with safeguards that ensure their protection−be it their data, enforcement of the laws that assure the roads are safe, and through prevention of motor vehicle theft.
5. Transparency – each activity listed above improves the transparency of department operations and actions so that they are easily accessed and understood.

OTHER CONSIDERATIONS RELEVANT TO GOALS/ACTION ITEMS

- TxDMV serves the border regions of Texas-Louisiana and Texas-Mexico through activities/services provided by its 16 Regional Service Centers (RSCs), which offer certain motor vehicle and motor carrier related services; conducts enforcement activities by employing investigators at various locations through-out the state; and through Motor Vehicle Crime Prevention Authority grants to jurisdictions targeted at reducing motor vehicle theft and related crimes.

- TxDMV requires all of its Contract Monitors/Managers to be certified as a Certified Texas Contract Manager (CTCM) to engage in contract management functions of the department, pursuant to the Texas Government Code, Section 2056.002(b)(9).

REDUNDANCIES AND IMPEDIMENTS

REDUNDANCIES AND IMPEDIMENTS	
SERVICE, STATUTE, RULE, OR REGULATION	Motor Vehicle Crime Prevention Authority (MVCPA) Statutory Funding Texas Transportation Code 1006.153
DESCRIPTION	The Motor Vehicle Crime Prevention Authority (MVCPA) is administratively attached to the Texas Department of Motor Vehicles (TxDMV) but governed by its own independent Board appointed by the Governor. The MVCPA has the statutory duty to issue grants to local law enforcement entities and other agencies throughout the state to combat motor vehicle crime and support motor vehicle crime prevention efforts. The program awarded $11.9 million during fiscal year 2021 through 24 grants, 14 of which served multi-jurisdictional taskforces. Texas Transportation Code 1006.153 requires that 20 percent of collected revenue be appropriated to the MVCPA. FY 2021 fee collections totaled $104 million, which should have resulted in MVCPA appropriations of $21 million for the year. However, the program was appropriated $12.8 million (less a 5% reduction) for FY 2021 (12% of revenue) and $15 million for FY 2022 (14% of FY 2021 revenue collections). Due to the inability to access funding at statutorily prescribed levels, some areas of the state are not served by the specialized, trained investigators and equipment provided by MVCPA grants. MVCPA has also not been able to fully engage the public through its statewide education efforts to inform motor vehicle owners of effective methods to prevent motor vehicle crime.
AGENCY RECOMMENDATION	Request the legislature increase funding for the MVCPA, up to the 20% statutory level.

REDUNDANCIES AND IMPEDIMENTS	
SERVICE, STATUTE, RULE, OR REGULATION	Temporary Tag Production, Use, and Systems Texas Transportation Code, Section 503.063 – 503.0632
DESCRIPTION	The use of paper temporary tags to identify vehicles prior to receipt of standard registration through metal license plates is long standing in Texas, and still used in many states nationwide. However, recent experience has exposed significant vulnerabilities to misuse of the system by bad actors attempting to avoid standard costs incurred in the operation of a motor vehicle in Texas or to avoid detection while engaging in criminal activities. The Texas Department of Motor Vehicles has taken significant steps, to prevent these bad actors from gaining access to the eTAG system to produce fraudulent temporary tags. During FY 2022, the department limited the number of tags initially available to individual dealers, instituted immediate denial of system access to dealers found to be engaging in apparent fraudulent activity, and increased review of dealer activities to identify opportunities for further investigation and enforcement. The department is also pursuing the use of fingerprinting to enhance dealer applicant background checks and increasing site visits to dealer locations when appropriate and supported by available resources. The ease of replicating basic paper temporary tags will remain a vulnerability to the overall process. Legitimate tags can be collected and photo-copied to use on multiple vehicles and tags can be counterfeited using readily available graphic design software and home printers. To stop these types of activities and get ahead of future misuse of the system by bad actors, the department is researching options to modify the current tag design and production process. While the department is still in the early stages of researching and identifying opportunities related to future tag redesign, this work may require greater funding than the current system or legislative changes to applicable laws. Any changes to the existing processes must be coordinated and vetted with the department's external vehicle registration partners – county tax assessor-collectors, automobile dealers, and law enforcement – to ensure needed resources and efficient operations can be maintained by all parties involved in the processes of tag production and enforcement.
AGENCY RECOMMENDATION	The Texas Department of Motor Vehicles will work to develop available options for redesigning the temporary tags and related processes and engage with external stakeholders to ensure appropriate consideration of impacts to the larger community. Staff will keep legislators and state elected leadership informed of opportunities to improve this process and request additional

	funding or statutory changes as appropriate through the regular legislative process.
ESTIMATED COST SAVINGS OR BENEFIT	Redesigning the temporary tag process, or the physical materials and designs used to produce tags, could further limit the ongoing potential for misuse of the process by bad actors and criminal entities. Improved security for temporary tags could benefit law enforcement operations and public safety.

REDUNDANCIES AND IMPEDIMENTS	
SERVICE, STATUTE, RULE, OR REGULATION	Replace and Modernize the Legacy Registration and Title System (RTS)
DESCRIPTION	The Texas Department of Motor Vehicles (TxDMV) depends on the legacy Registration and Title System (RTS) to process registration and title transactions across the state and in-house transactional data for future reference and documentation of vehicle histories. The system is used by numerous external stakeholders, including individual Texans who leverage the system through online vehicle registration portals. The department also supports the system's use by 254 county tax assessor-collector offices, who use the system to conduct daily motor vehicle transactions with individuals, automobile dealers, and other motor vehicle related businesses. The system was originally designed and built by the Texas Department of Transportation in the mid 1990's and has undergone continuous rebuilding, improvements, and process changes over time. The system received significant technical work between 2012 and 2018, at a cost of $69.1 million, to improve the system's operating infrastructure. While that project stabilized it for continued short-term use, the system has continued to show signs of age and users are continuing to experience latency and system response issues that can impact service delivery. These issues are becoming more difficult to resolve as fewer staff are available with the necessary programming skills to properly maintain the system's software architecture. Maintaining the skill sets and staff experience to support the system becomes more expensive each year as the available resources dwindle. Without replacement and full modernization, the state faces the risk of not being able to generate current levels of revenue through the transactions processed daily by this system.
AGENCY RECOMMENDATION	Texas Department of Motor Vehicle staff will develop a system replacement plan and related cost estimate to support a capital budget request in a future Legislative Appropriations Request for a full system replacement and modernization. The full project scope would likely be divided into two related funding requests: (1) request for funding to complete market research and an implementation plan in coordination with contract consultants; and (2) request for funding to build and/or implement an upgraded system.

ESTIMATED COST SAVINGS OR BENEFIT	Once implemented, a new system would improve the efficiency and speed of services provided to the motoring public and motor vehicle industries seeking vehicle registration and title services from the Texas Department of Motor Vehicles as well as reduce system down time and delayed transactions. Failure of RTS would cripple the motor vehicle industry in Texas, from automobile dealers to commercial fleet operators, and jeopardize revenue collections for both state and local county jurisdictions.

	REDUNDANCIES AND IMPEDIMENTS
SERVICE, STATUTE, RULE, OR REGULATION	Data Center Services Budget Rider Restricts Funding Transfers General Appropriations Act Rider (Senate Bill 1, 87R) Article IX, Section 14.03 Transfers – Capital Budget (h) (4) An agency may transfer appropriations for data center consolidation or data center services, as defined by Subsection (l)(2), as provided by §2054.386, Government Code, after obtaining the written approval of the Legislative Budget Board.
DESCRIPTION	Modern state agency operations are increasingly dependent on customized technology and software systems to manage required services and regulatory activities. The support and maintenance of these systems includes regular reprogramming, upgrades, and improvements just to continue meeting the basic needs of existing customers, and many technologies require periodic expansion or redesign to improve service delivery or add new functions required by changes to state statute or improvements requested by stakeholder groups for program efficiency and effectiveness. These changes can impact the data processing capacity needs of systems housed within the state data center and increase the cost to an agency of that service. The restriction on transferring funds into the Data Center Services budget without written approval of the Legislative Budget Board limits agencies' flexibility to make appropriate, timely decisions about the support and functioning of critical information technology systems. To provide adequate modern services to Texas citizens and stakeholders, agencies should be able to manage system support and design in an agile and responsive way within the larger budgets set by the legislature in the General Appropriations Act.
AGENCY RECOMMENDATION	Request the legislature update the Data Center Services (DCS) Article IX budget rider to allow agencies to transfer funds into the DCS item from other program budgets without written approval to properly support, maintain, and improve critical information technology systems in a timely manner.
ESTIMATED COST SAVINGS OR BENEFIT	This change would improve the efficiency of administrative processes related to data center services budget management and enhance state agencies' ability to responsively maintain critical information technology systems and services.

SUPPLEMENTAL SCHEDULES

BUDGET STRUCTURE

Texas Department of Motor Vehicles
Goals, Objectives, and Performance Measures

Goal A: Optimize Services and Systems

    A.1.1. Strategy: Titles, Registrations and Plates

    Provide Title, Registration and Specialty License Plate Services.

        Number of Vehicle Title Transactions Processed

        Total Number of Registered Vehicles

    A.1.2. Strategy: Vehicle Industry Licensing

    Motor Vehicle Industry Licensing.

        Number of Motor Vehicle Industry Licenses Issued

        Number of Motor Vehicle Consumer Cases Closed (Lemon Law)

        Average Number of Weeks to Close a Motor Vehicle Case (Lemon Law)

    A.1.3. Strategy: Motor Carrier Services

    Provide permits to transport oversize/overweight cargos.

        Number of Oversize/Overweight Permits Issued

        Number of Motor Carrier Credentials Issued

    A.1.4. Strategy: Technology Enhancement & Automation

    A.1.5. Strategy: Customer Contact Center

        Number of Customers Served in the Contact Center

Goal B: Protect the Public

    B.1.1. Strategy: Enforcement

    Conduct Investigations and Enforcement Activities

        Number of Non-Lemon Law Cases Closed

    B.2.1. Strategy: Motor Vehicle Crime Prevention

        Number of Stolen Vehicles Recovered

        Number of Grants Awarded

Goal C: Indirect Administration

    C.1.1. Strategy: Central Administration

    C.1.2. Strategy: Information Services

    C.1.3. Strategy: Other Support Services

Performance Measure Definitions

FY 2024-2025 Performance Measure

Title:

Number of Vehicle Title Transactions Processed

Definition:

The total number of motor vehicle titles transactions processed for the reporting period.

Data Limitations:

None.

Data Source:

The source of the data is the department's automated Registration and Title System ((RTS) or subsequent system).

Methodology:

Monthly reports from RTS are added together as of the end of the reporting period.

Purpose:

This measure is an indicator of the department's workload, as well as revenue to the State of Texas pursuant to the Transportation Code, Chapter 501.

New Measure:	N
Key/Non-Key:	Y
Calculation:	Cumulative
Type:	Output
Target Attainment:	H

FY 2024-2025 Performance Measure

Title:

Total Number of Registered Vehicles

Definition:

The total number of registered vehicles in Texas at the end of the reporting period.

Data Limitations:

None.

Data Source:

The data is retrieved from two sources: 1) the Cognos report generated from the Registration Cube "Active Current Registration Cube" and 2) the Monthly Rental Trailers Registered Report prepared by Explore, Inc.

Methodology:

The number of registered vehicles from the Cognos report and the Rental Trailer report at the end of the reporting period are totaled.

Purpose:

This measure is an indicator of the department's workload, as well as revenue to the State of Texas pursuant to Transportation Code, Chapter 502.

New Measure: N
Key/Non-Key: Y
Calculation: Non-Cumulative
Type: Output
Target Attainment: H

FY 2024-2025 Performance Measure

Title:

Number of Motor Vehicle Industry Licenses Issued

Definition:

The total number of new and renewal motor vehicle and salvage industry licenses issued during the reporting period.

Data Limitations:

The number of licenses issued is dependent on the number of individuals and business entities requesting a license, as well as the completeness of the application received. Licenses cannot be issued until all required information is received.

Data Source:

The source of the data is the eLICENSING software application, which has the capability to query all licensing information for the reporting period.

Methodology:

The total is derived from a single report from the eLICENSING system, run at the end of the reporting period, which includes all motor vehicle licenses issued to individuals and business entities for a motor vehicle industry activity, including manufacturers, distributors, converters, independent or (general distinguishing number (GDN)) dealers, franchise dealers, salvage dealers, in-transit operators, lessors, and lease facilitators. Independent GDN licenses include independent motor vehicle dealers, independent motorcycle dealers, travel trailer dealers, trailer/semitrailer dealers, wholesale dealers, independent mobility vehicle dealers and wholesale motor vehicle auctions

Purpose:

Provides data relating to the number of individuals and business entities licensed under Occupations Code Chapter 2301, Transportation Code Chapter 503 and Transportation Code Chapters 1001-1005.

New Measure: N
Key/Non-Key: Key
Calculation: Cumulative
Type: Output
Target Attainment: H

FY 2024-2025 Performance Measure

Title:

Number of Motor Vehicle Consumer Cases Closed (Lemon Law)

Definition:

The total number of all Lemon Law Program cases closed through informal actions, mediation and formal hearings. This includes Lemon Law cases and warranty performance cases.

Data Limitations:

Complexity of the case will impact the number of cases closed.

Data Source:

The eLICENSING database is the source for Lemon Law and warranty performance cases, showing disposition and closure.

Methodology:

Using a report from the eLICENSING system, the number of cases closed during the period is counted. This count includes all cases closed during the reporting period without regard to the period in which the case was opened.

Purpose:

The purpose of this measure is to determine the number of consumer lemon law and warranty performance complaints closed to aid in determining the case load for the department.

New Measure: N
Key/Non-Key: Key
Calculation: Cumulative
Type: Output
Target Attainment: H

FY 2024-2025 Performance Measure

Title:

Average Number of Weeks to Close a Motor Vehicle Case (Lemon Law)

Definition:

The average number of weeks for department staff to close a Lemon Law Program case through the case closure process, including issuance of a final decision. This includes Lemon Law cases and warranty performance cases.

Data Limitations:

Complexity of the case will impact the time it takes to close a case.

Data Source:

The eLICENSING database is the source for the dates for Lemon Law and warranty performance cases, showing the date the case is opened and the date of final order.

Methodology:

Calculation is based on average number of weeks between the case filing fee date and the date of the final order for all Lemon Law and warranty performance cases closed during the period. Average number of weeks is calculated by taking the sum of the number of weeks for all closed cases and dividing by the number of cases closed in the reporting period.

Purpose:

The purpose of this measure is to determine how efficiently the department processes Lemon Law and warranty performance cases.

New Measure: N
Key/Non-Key: Key
Calculation: Non-Cumulative
Type: Efficiency
Target Attainment: L

FY 2024-2025 Performance Measure

Title:

Number of Oversize/Overweight Permits Issued

Definition:

The number of permits issued for the transport of oversize or overweight (OS/OW) loads.

Data Limitations:

None.

Data Source:

The data for this measure is maintained within the Texas Permitting & Routing Optimization System (TxPROS).

Methodology:

Total OS/OW permits are obtained from the TxPROS "Total Permits Issued" report. This report counts the number of permits issued for the reporting period and subtracts out test and voided permits to calculate the reported number.

Purpose:

Provides an economic indicator of regulatory compliance of transported loads. This measure also indicates overall business activity and correlates closely with state and national economies.

New Measure:	N
Key/Non-Key:	Key
Calculation:	Cumulative
Type:	Output
Target Attainment:	H

FY 2024-2025 Performance Measure

Title:

Number of Motor Carrier Credentials Issued

Definition:

The number of Intrastate Operating Credentials issued to motor carriers. The number includes new registrations, renewals and re-registrations. The total also includes the amount of Unified Carrier Registration receipts issued for Texas-based Interstate Motor Carriers.

Data Limitations:

None.

Data Source:

The data for this measure is maintained within the Motor Carrier Credentialing System (MCCS) or any future system used by the department for this purpose.

Methodology:

The number of new motor carrier registrations, renewals, and re-registrations is derived from the Motor Carrier Credentialing System (MCCS). Unified Carrier Registration (UCR) numbers are derived from the Unified Carrier Registration System. The totals from the two systems are combined and reported.

Purpose:

Provides economic indicators and trend information of regulatory compliance of Intrastate Operating Credentials issued to motor carriers and Texas domiciled interstate motor carriers properly registered with the Unified Carrier Registration System.

New Measure:	N
Key/Non-Key:	Key
Calculation:	Cumulative
Type:	Output
Target Attainment:	H

FY 2024-2025 Performance Measure

Title:

Number of Customers Served in Contact Center

Definition:

The number of customers receiving a response to their request for services by telephone and email. The number excludes those customers who abandoned or dropped their calls.

Data Limitations:

Customer counts may have a slight margin of error since services may be delivered by multiple means. For example, a customer may contact the division by email and also by telephone for the same inquiry.

Data Source:

The call application system, currently known as CISCO UIC, collects all relevant call data. The division manually collects and calculates the number of customers served by telephone and email and stores statistics in Excel worksheets.

Methodology:

The number of customers served by telephone and email are added together to calculate the total.

Purpose:

Provides a quantitative measure which notifies the department of the level of customer service provided through the Contact Center.

New Measure:	N
Key/Non-Key:	Non-Key
Calculation:	Cumulative
Type:	Output
Target Attainment:	H

FY 2024-2025 Performance Measure

Title:

Number of Non-Lemon Law Cases Closed

Definition:

The total number of all non-Lemon Law cases closed, including cases with no violation found, informal actions, mediation and formal hearings. Non-Lemon Law cases include all motor vehicle industry, salvage industry, motor carrier credentialing, motor carrier household goods and motor carrier oversize/overweight cases.

Data Limitations:

None.

Data Source:

All non-Lemon Law cases related to the motor vehicle and salvage industries are created and processed to closure in the eLICENSING system. All non-Lemon Law cases for the motor carrier industry are created and processed to closure in the Complaint Management System (CMS).

Methodology:

A report is generated from the eLICENSING data base to generate a count of all non-Lemon Law motor vehicle industry and salvage industry cases closed during the reporting period.   A separate report is generated using the Complaint Management System (CMS) to count all non-Lemon Law motor carrier cases closed during the reporting period. The totals for both reports are then added together to calculate the reported total for the reporting period.

Purpose:

The measure indicates the number of non-Lemon Law cases the department closes.

New Measure: N
Key/Non-Key: Key
Calculation: Cumulative
Type: Output
Target Attainment: H

FY 2024-2025 Performance Measure

Title:

Number of Stolen Vehicles Recovered

Definition:

This measure provides the number of stolen vehicles recovered by grant funded programs.

Data Limitations:

Data used is self-reported by grant recipients.

Data Source:

MVCPA's Grant Progress Summary Report.

Methodology:

The total number of motor vehicles recovered through grant funded programs is calculated by adding all monthly recoveries reported and summarized in MVCPA's Grant Progress Summary Report. Progress reports are not received by the MVCPA until forty-five days following the end of the reporting period, which is after the required submission date for the State of Texas quarterly performance measures report. To account for timing issues related to the availability of data for this measure, the quarterly numbers reported will be one quarter behind, so each new fiscal year will begin with data from the last quarter of the previous fiscal year, followed by Q1-Q3 in subsequent quarters. This methodology ensures: 1) an entire year of data is reported each funding year; 2) the data is reported on time; and 3) allows the grantees the ability to report as required by the grant cycle term set by the Comptroller.

Purpose:

The purpose of this measure is to demonstrate the effectiveness of MVCPA funded law enforcement programs to recover stolen vehicles with the funds appropriated.

New Measure: N
Key/Non-Key: Key
Calculation: Non-Cumulative
Type: Explanatory
Target Attainment: H

FY 2024-2025 Performance Measure

Title:

Number of Grants Awarded

Definition:

The total number of grants awarded to agencies that receive direct financial assistance from the Motor Vehicle Crime Prevention Authority.

Data Limitations:

None.

Data Source:

At the time of a grant award, the grantee receives a Statement of Grant Award. These statements are the source of data for this measure.

Methodology:

At the end of the reporting period, the statements of grant award are counted and the totals for the quarter and year-to-date are reported.

Purpose:

In accordance with Transportation Code 1006.151, the MVCPA may enter into contracts in the authority's own name and on the authority's own behalf with recipients of grants. The number of grants awarded is an indicator of the MVCPA's compliance with this statutory provision.

New Measure: Y
Key/Non-Key: Key
Calculation: Cumulative
Type: Output
Target Attainment: H

Historically Underutilized Business Plan

Program Overview

The Texas Department of Motor Vehicles (TxDMV) operates a Historically Underutilized Business (HUB) program that fully complies with state-mandates, promoting full and equal utilization of minority, women-owned and disabled veteran businesses in its procurement of goods and services. TxDMV's HUB Coordinator advises executive management and assists staff across the department with compliance and outreach.

In accordance with Texas Government Code, Chapter 2161, and the Texas Administrative Code (TAC), Title 34, Part 1, Chapter 20, Subchapter D, Division 1, TxDMV establishes annual HUB procurement utilization goals. Goal calculations are documented and verified by the Comptroller of Public Accounts (CPA) and TxDMV has adopted CPA rules to achieve maximum HUB participation.

The Purchasing section of TxDMV's Finance and Administrative Services (FAS) Division is responsible for coordinating business opportunities with HUBs, department purchasers and division staff. The Director of Purchasing acts as the HUB Coordinator and a full-time Assistant HUB Coordinator is employed to coordinate the functions and activities related to implementation of HUB rules and regulations.

TxDMV encourages the use of HUBs through policies focused on vendor outreach, education, and recruitment. The department works aggressively to increase HUB utilization through staff education, training, communication, and distribution of HUB-related information to staff across the department who participate in procuring goods and services.

HUB Program Initiatives

TxDMV is committed to maintaining a strong HUB Program and continues to develop and strengthen internal policies, procedures, and coordinates activities to:

1. Increase the utilization of HUB-certified vendors;
2. Build HUB vendor relationships;
3. Require inclusion of HUB Subcontracting Plans (HSP) in all contracts more than $50,000 when subcontract opportunities have been identified;
4. Support a Mentor Protégé Program that provides professional guidance and support to HUB proteges to facilitate their growth and development and increase HUB contracts and subcontracts with the State of Texas;
5. Educate workgroups and TxDMV staff on how to take advantage of HUB contracting opportunities;
6. Host and participate in HUB Economic Opportunity Forum(s);
7. Provide language in Request For Qualifications (RFQ), Request For Offers (RFO) and Request For Proposals (RFP) to promote easy access to HUB directories and HSP documents;
8. Assist new businesses with eligibility guidelines to become HUB-certified;
9. Provide information on upcoming HUB training, events, and seminars; and
10. Assist purchasers in locating class and item codes to properly complete requisitions.

The HUB program serves as a resource to TxDMV purchasers when procurement directives require the implementation of state and departmental HUB-related rules. The program regularly assesses HUB program goals against performance spending and identifies HUB subcontracting opportunities.

HUB Program Activities

Since the relaxation of COVID-related restrictions, to increase HUB participation, network with HUB firms, and educate HUB potential vendors on how to do business with TxDMV, the department has begun conducting in-person events, as well as those offered virtually. Specifically, TxDMV staff:

- Attended the Bexar County Small Minority and Women Business Enterprise (SMWBE) Expo in December 2021;
- Conducted in-person networking with HUBs through its "8th Annual Marketing for Success" event in April 2022; and
- Participated in the Annual Spot Bid Fair hosted by Dallas Fort Worth Minority Business Council May 2-3, 2022.

Other Activities include:

- Attending the Minority Golden Triangle Event in Beaumont TX, June 2022; and
- Hosting a HUB forum to allow HUBs the opportunity to network with TxDMV Information Technology (IT) and Facility Maintenance staff, August 2022.

The purpose of these forums is to increase HUB vendors' understanding of contracting with state entities, provide opportunities to discuss services and strengthen vendors' responses to future bidding opportunities.

The HUB coordinators routinely communicate with HUB vendors on the importance of updating their profiles and provides technical assistance to HUBs when seeking other state purchasing opportunities. TxDMV purchasing staff are encouraged to consider HUBs on the Department of Information Resources (DIR) contracted vendor list, Texas Smart Buy Term Contracts, when procuring IT services and other bid opportunities whenever possible

HUB Goals by Procurement Categories

TxDMV strives to meet or exceed its HUB goals each fiscal year. State agencies are required to develop HUB goals based on previous fiscal years' expenditure data and other economic indicators.

The table below lists TxDMV's FY 2022 procurement goals by category:

Category	FY 2022 Goals
Specialty Trade Contracts	32%
Other Service Contracts	10%
Commodities Contracts	21%

TxDMV tracks the following output measures to evaluate its HUB program:

1. Total number of bids received from HUBs;
2. Total number of contracts awarded to HUBs;
3. Total amount of subcontracting;
4. Total amount of HUB procurement expenditures;

5. Total number of Mentor Protégé agreements;
6. Total number of HUB forums and outreach initiatives; and
7. Total number of requests for technical assistance regarding contracting and subcontracting opportunities.

Looking Toward the Future

Diversity in all areas of operations is a top priority for TxDMV, and HUB contracting is one of the tools the department uses to ensure this priority is optimized. Over the last five years, TxDMV has exceeded its HUB goals through its good faith efforts and will continue those efforts into the next biennium and beyond. TxDMV is continually analyzing its operations to identify specific areas where HUB utilization could be increased such as through Information Technology and Facilities contracting, and additional areas are being explored. The department plans to conduct more events, both virtually and in-person, to increase HUB participation, educate HUB vendors on contract processes, and assist those vendors throughout the process. Additionally, the department is researching the utilization of data analytics to identify areas where certain HUB entities may have low participation and target those populations through outreach and education to increase opportunities and participation.

Statewide Capital Plan

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FY 2023 - FY 2027 Capital Expenditure Plan - 5-Year Cost Projection

Project Name	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Totals	Start Date	End Date
Camp Hubbard Renewal								
Camp Hubbard Renewal Project	$ -	$ 100,017,700	$ -	$ -	$ -	$ 100,017,700	9/1/2021	8/31/2025
- SubTotal Camp Hubbard Renewal	$ -	$ 100,017,700	$ -	$ -	$ -	$ 100,017,700		
Acquisition of Information Resource Technologies								
Accounts Receivables System	$ 3,049,284	$ -	$ -	$ -	$ -	$ 3,049,284	7/1/2021	8/31/2023
webSalvage Project	$ 2,498,578	$ -	$ -	$ -	$ -	$ 2,498,578	7/1/2021	8/31/2023
TxDMV Automation System	$ 3,900,000	$ 5,000,000	$ -	$ 5,000,000	$ -	$ 13,900,000	1/1/2009	8/31/2027
County Technology Replacement and Upgrades	$ 5,000,000	$ 5,025,000	$ 5,000,000	$ 5,025,000	$ 5,000,000	$ 25,050,000	9/1/2016	8/31/2027
Registration and Titling System (RTS) Replacement	$ -	$ 10,000,000	$ -	$ 90,000,000	$ -	$ 100,000,000	9/1/2023	8/31/2027
- Subtotal Acquisition of Information Resource Technologies	$ 14,447,862	$ 20,025,000	$ 5,000,000	$ 100,025,000	$ 5,000,000	$ 144,497,862		
Total All Projects	$ 14,447,862	$ 120,042,700	$ 5,000,000	$ 100,025,000	$ 5,000,000	$ 244,515,562		

Funding Source

Project Name	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Totals
Other - TxDMV Fund	$ 14,447,862	$ 120,042,700	$ 5,000,000	$ 100,025,000	$ 5,000,000	$ 244,515,562
Total all Funding Sources	$ 14,447,862	$ 120,042,700	$ 5,000,000	$ 100,025,000	$ 5,000,000	$ 244,515,562

*This is a draft, the Capital Expenditure Plan is due to the Texas Higher Education Coordinating Board on July 1, 2022

- The dates of the report cover capital expenditure projects for the period of September 1st, 2022 through August 31st, 2027 (FY 2023 – FY 2027).

- The Capital Expenditure Plan must include those capital renewal, property acquisition, repair and renovation, or information resource projects that are planned in the next five years regardless of funding source.

- To qualify for inclusion in the plan, new construction or renovation projects must have an estimated cost of greater than $1,000,000; and information resource projects must have a cost greater than $1,000,000 in any one year. Both baseline and requested projects are to be included in the plan document. Agency projects must also be prioritized.

- Information submitted by agencies will be used by the State Bond Review Board to produce and submit a statewide Capital Expenditure Plan; the overall plan will be submitted by the Bond Review Board to the Governor's Office of Budget and Planning and Policy and the Legislative Budget Board by September 1st, 2022.

FY 2023-2027 Workforce Plan

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Workforce Plan
Fiscal Years 2023-2027

Executive Summary

Since the onset of COVID-19, the Texas Department of Motor Vehicles' (TxDMV) workforce statistics have closely paralleled that of Texas and the nation. Since April 2020, the unemployment rate has consistently declined and returned closer to pre-pandemic levels; as of August 2021, the Texas unemployment rate was almost identical to the U.S. rate at 5.3% and 5.2%, respectively.
Highlights of the FY 2021 TxDMV Workforce Statistics:

- In FY 2021 the average headcount of TxDMV Classified Employees increased very slightly compared to FY 2020 (761 compared to 756).
- Total TxDMV employee turnover is significantly lower than the state-wide average, 15.8% compared to 21.5%.
- TxDMV average annual salary for FY 2021 was $54,807, compared to the state-wide average annual salary of $50,266.
- Effective September 1, 2021, the department funded $1.4 million for a Market Salary Adjustment Project. The project took into consideration tenure, performance and the employee's salary compared to the employee's salary range mid-point. The focus of this project was to address the employees paid significantly below their respective midpoint.
- TxDMV demographics indicate that its workforce is significantly older, with more employees over 50 at 48.7% compared to other state agencies at 36%.

As the department looks forward to the future, recruitment and retention of highly skilled, qualified employees is a top priority.

To achieve this goal, TxDMV has implemented several strategies including:

- Recruit employees from across the state for those positions that are able to work remotely 100% of the time.
- Continue recruiting a diverse and well-qualified applicant pool by announcing job postings on state-wide platforms and using all available media applications.
- Expand formal and informal recruiting of employees in underutilized race or gender categories.
- Continue providing paid leave to reward outstanding performance.
- Maintain and expand training and development, including tuition assistance.
- Continue and expand rewarding employees with one-time and/or recurring merit pay increases whose performance exceeds that which is normally expected or required.

TxDMV is acutely aware that it competes in a highly competitive job market. TxDMV is focusing on new and innovative approaches to recruit and retain the best and the brightest candidates to meet its future workforce needs, especially in the areas of technology and customer service.

The department recognizes that recruiting, developing, and retaining a qualified workforce is imperative to achieving its goals, now and in the years to come. While employee compensation will always be one of the most important factors in recruiting and retaining a qualified workforce, TxDMV recognizes that in today's workplace, factors such as telecommuting, increases in the cost of living and transportation, and work-life balance play significant roles.

TxDMV Overview

The workforce of the Texas Department of Motor Vehicles (TxDMV) engages in the following program activities and support functions:

- Registers and titles motor vehicles, issues license plates and disabled placards;
- Licenses and regulates the motor vehicle industry;
- Conducts administrative hearings and adjudicates Lemon Law and warranty repair complaints;
- Licenses and regulates the motor carrier industry;
- Manages customer relations and the Customer Contact Center;
- Supports technology infrastructure and services for use by external stakeholders and departmental staff;
- Enforces the laws regulating motor vehicle industry and motor carrier industries,
- Administers grant programs designed to prevent motor vehicle crime; and
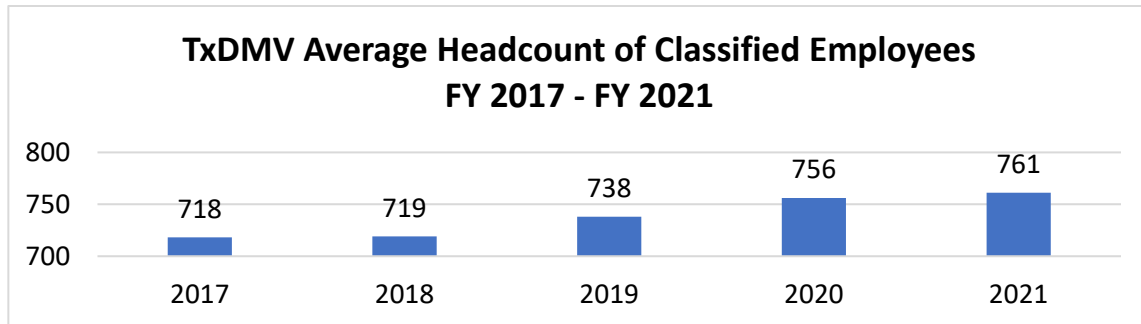- Provides department support functions

Workforce Overview

For the 2022 – 2023 biennium, the department was authorized 808 full-time equivalent (FTEs) positions in the General Appropriations Act (GAA). TxDMV is organized into 15 divisions and offices as follows in Table 1:

Table 1

Division	FTE Allocation
Consumer Relations Division	62
Employee Ombudsman	1
Enforcement Division	103
Executive Office	7
Finance and Administrative Services Division	76
Government and Strategic Communications Division	12
Human Resources Division	10
Information Technology Services Division	112
Internal Audit Division	5
Motor Carrier Division	114
Motor Vehicle Crime Prevention Authority	5
Motor Vehicle Division	34
Office of Administrative Hearings	5
Office of General Counsel	15
Vehicle Titles and Registration Division	247
TxDMV Total FTEs	**808**

TxDMV's average employee head count increased from 756 in Fiscal Year 2020 to 761 in Fiscal Year (FY) 2021 as shown in Figure 1.[1] The lower employee headcount (average headcount is lower than the authorized number of FTEs due to turnover and vacancies) in 2017 and 2018 was largely due to the statewide hiring freeze that was in effect from January 2017 through August 31, 2017.

Figure 1

TxDMV Average Headcount of Classified Employees FY 2017 - FY 2021

Year	Headcount
2017	718
2018	719
2019	738
2020	756
2021	761

Workforce Distribution by Location

The department's headquarters are located in Austin, Texas. Additionally, TxDMV operates 16 Regional Service Centers (RSCs) and employs staff throughout the state to meet the needs of its customers. 72% of TxDMV staff (547 employees) work in the Austin headquarters and 28% (214 employees) work in various locations across the state, as shown in Figure 2.[2]

Figure 2
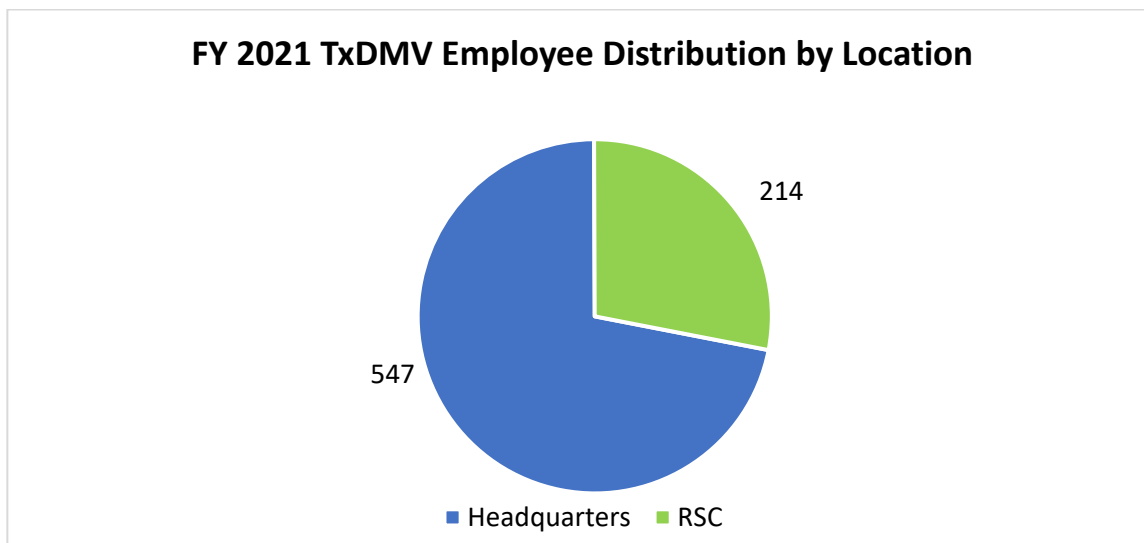
FY 2021 TxDMV Employee Distribution by Location

214
547

■ Headquarters ■ RSC

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[1] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021
[2] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021

Workforce Distribution by Job Classification

In FY 2021, TxDMV used 56 different position descriptions taken from the classification series in the State of Texas Position Classification Plan.[3] The classification series with the largest number of employees was Customer Service Representatives with 28%. Three classification series account for the next largest number of employees compared to total employees; they were Program Specialists, License and Permit Specialists and Investigators with 11%, 10% and 7%, respectively. The remaining 44% of employees were dispersed throughout the other 52 job classification series in use.

Workforce Salary

The average annual salary of TxDMV employees in FY 2021 was $54,807; this was 9% higher than the statewide average salary of Texas state employees of $50,266.[4] The *median* annual salary for TxDMV employees was $48,798 compared to the *median* of $44,642 for all Texas State government employees.

Over the last five years, the size gap between the average annual salary of TxDMV employees and the Statewide average continues to decrease, as shown in Figure 3.

Figure 3

Average Annual Salary FY 2017 - FY 2021
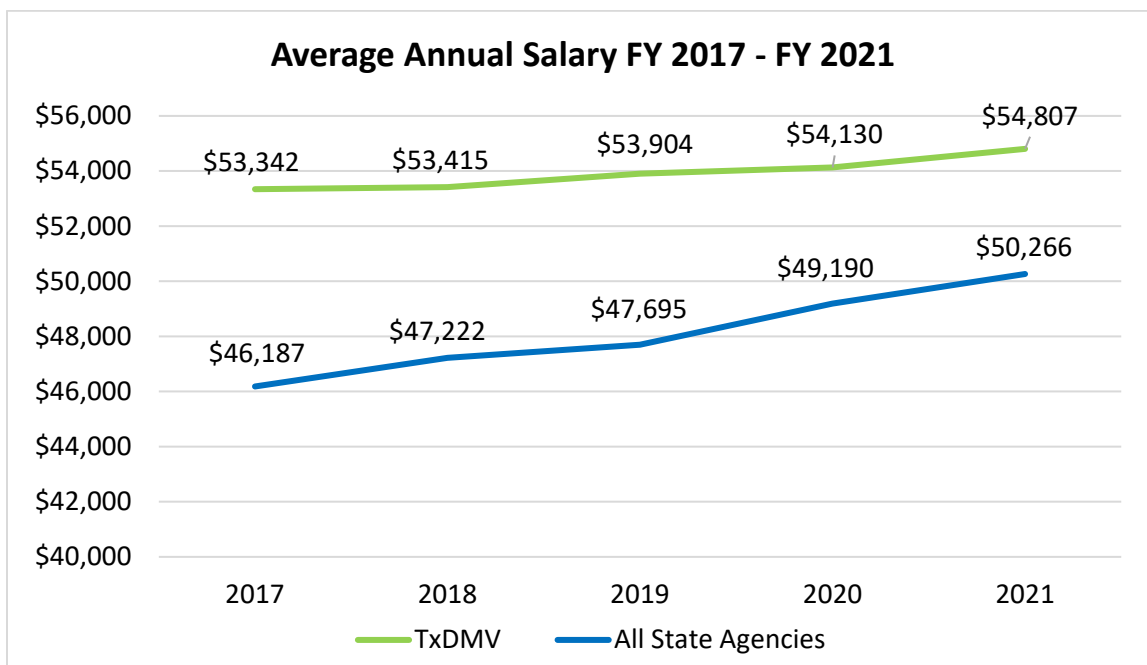
The majority (68%) of TxDMV employees are paid below the midpoint of their salary range, as shown in Figure 4. Employee pay compared to midpoint is significant because midpoints represent market rates of pay. The State Auditor's Office (SAO) establishes midpoints of each pay range corresponding to each
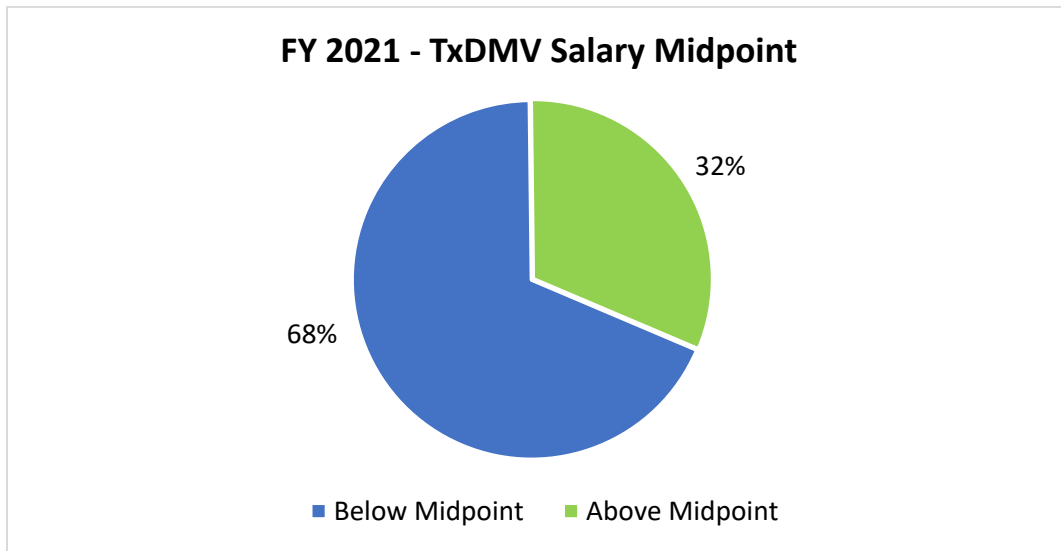
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[3] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021
[4] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021

job classification. These market rates of pay include comparable positions for each job title in both the public and private sector.
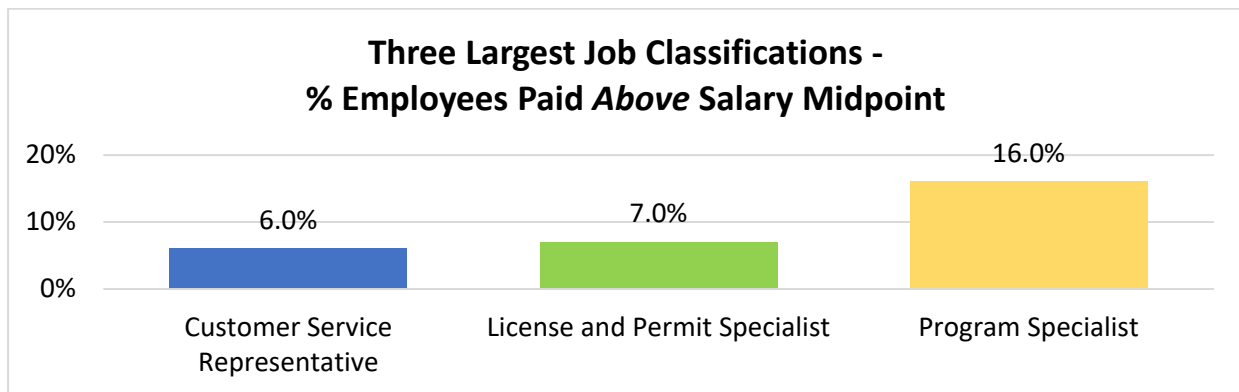
When employees are paid significantly below the pay range midpoints, their pay is significantly below competitive rates of pay compared to other organizations. This market disparity can significantly increase employee turnover.

Figure 4

FY 2021 - TxDMV Salary Midpoint

32%

68%

■ Below Midpoint   ■ Above Midpoint

Employees in job classifications with the greatest number of TxDMV employees are generally paid below the midpoint of their pay range. Fewer than 10% of employees are paid above the midpoint among the 208 customer service representatives and the 72 license and permit specialists; only 16% of the 86 program specialists are paid above the midpoint, as shown in Figure 5.[5]

Figure 5

Three Largest Job Classifications -
% Employees Paid *Above* Salary Midpoint

6.0%   7.0%   16.0%

Customer Service Representative | License and Permit Specialist | Program Specialist

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[5] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021
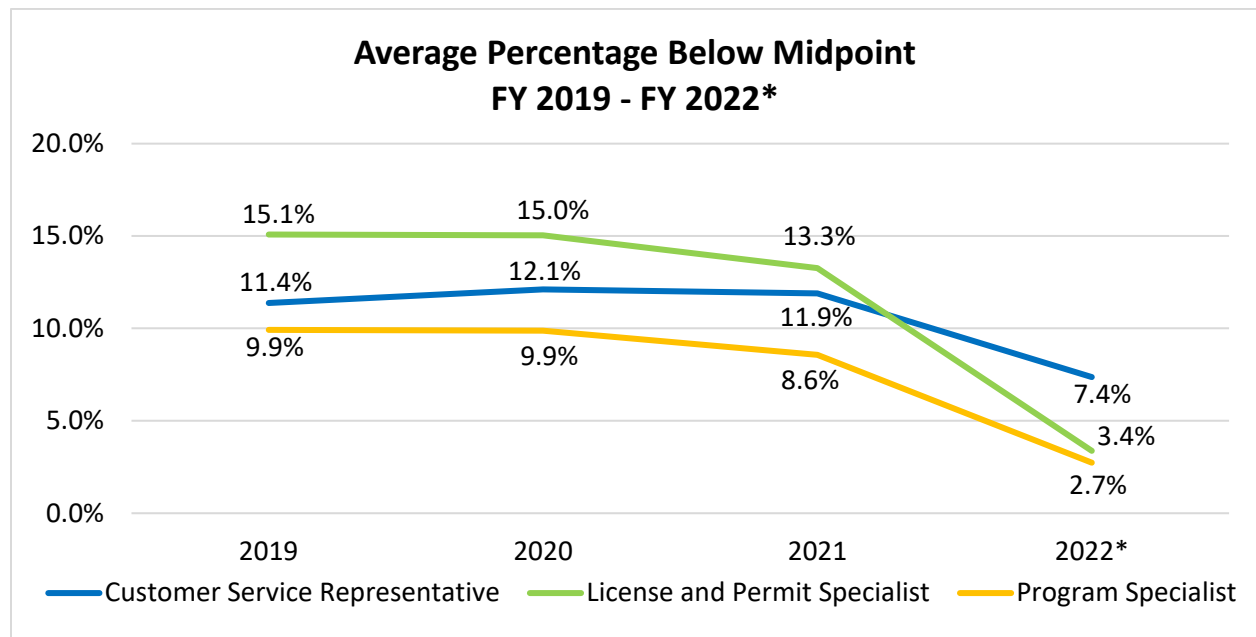
Not only are a majority of employees paid below the midpoint of their pay range, the pay for many of these employees has been *significantly below* the midpoint in the past. To ameliorate the situation of many employees paid significantly below midpoint, especially staff with significant tenure and excellent work performance, the department funded $1.4 million for a Market Salary Adjustment Project that took effect September 1, 2021. The project took into consideration tenure in current position, most recent performance evaluation score, and employee's salary compared to the employee's salary range midpoint. There were three categories of tenure within current position and each of these three tenure categories had three different levels of salary increase based on performance evaluation score. The combination of tenure and performance determined how close to midpoint an employee should be paid, as shown in figure 6. The total number of employees who received an increase in salary was 365 or almost 50% of TxDMV staff. The project criteria are shown in Figure 6:

Figure 6

Position-Tenure	5 or more Years			2 - 4.99 Years			Less than 2 Years		
Midpoint Category	2% Above Midpoint	Midpoint	Within 2% of Midpoint	Within 4% of Midpoint	Within 6% of Midpoint	Within 8% of Midpoint	Within 10% of Midpoint	Within 12% of Midpoint	Within 14% of Midpoint
Evaluation Score	Outstanding	Exceeds	Meets	Outstanding	Exceeds	Meets	Outstanding	Exceeds	Meets

As a result of the Market Salary Adjust Project, the average percentage below midpoint for our three largest classification groups was significantly decreased beginning in FY 2022, as shown in Figure 7:

Figure 7

Average Percentage Below Midpoint FY 2019 - FY 2022* chart showing:
- Customer Service Representative: 2019 11.4%, 2020 12.1%, 2021 11.9%, 2022* 7.4%
- License and Permit Specialist: 2019 15.1%, 2020 15.0%, 2021 13.3%, 2022* 3.4%
- Program Specialist: 2019 9.9%, 2020 9.9%, 2021 8.6%, 2022* 2.7%

* Data for 2022 as of 11/30/21.

Demographics of Current Workforce

Age

TxDMV employs staff of all ages, ranging from 23 to 78 years old. TxDMV has a significantly older workforce when compared to the rest of Texas state government. In FY 2021, only 5% of TxDMV employees were under the age of 30; the percentage of employees under 30 was significantly less than other Texas state agencies at 15.2%. At the other end of the age range, TxDMV's workforce has significantly more employees over 50 compared to other state agencies. TxDMV had 48.7% of employees that were 50 or older compared to other state agencies with only 36%[6].

Figure 8

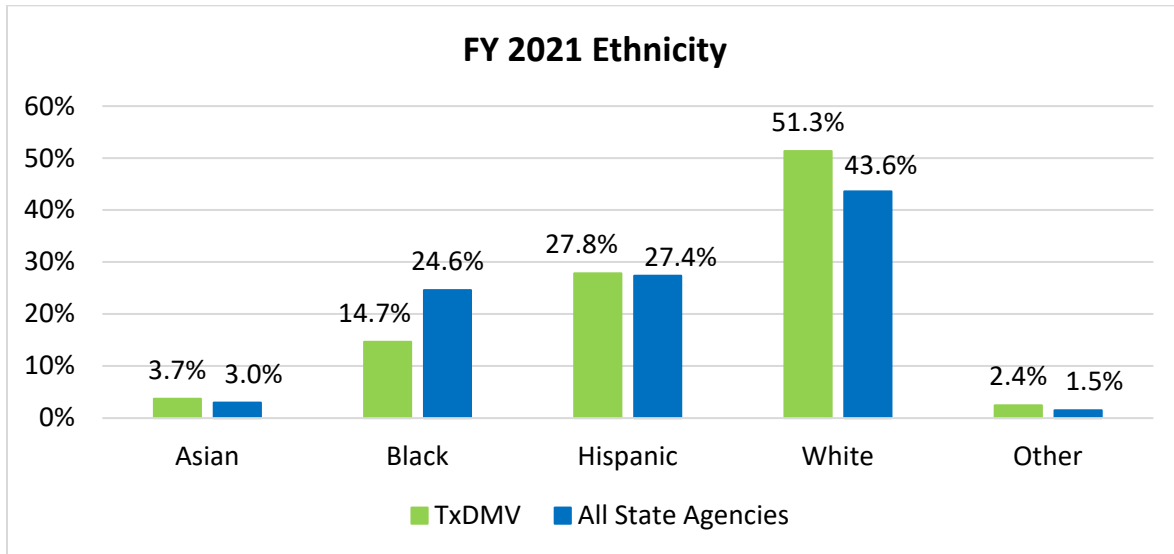
FY 2021 Employee Age Distribution

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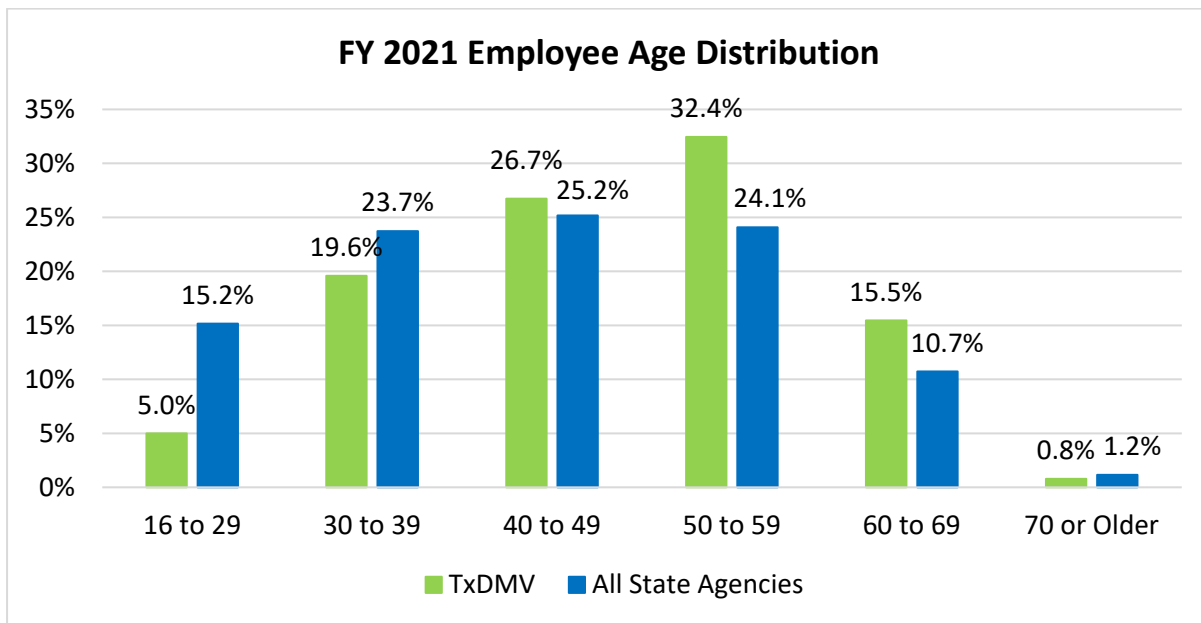
[6] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021

Ethnicity

In FY 2021, TxDMV had a lower percentage of African American employees when compared to the rest of the State government employment. [7] TxDMV is actively working to increase its diversity recruitment efforts in the next year and beyond.
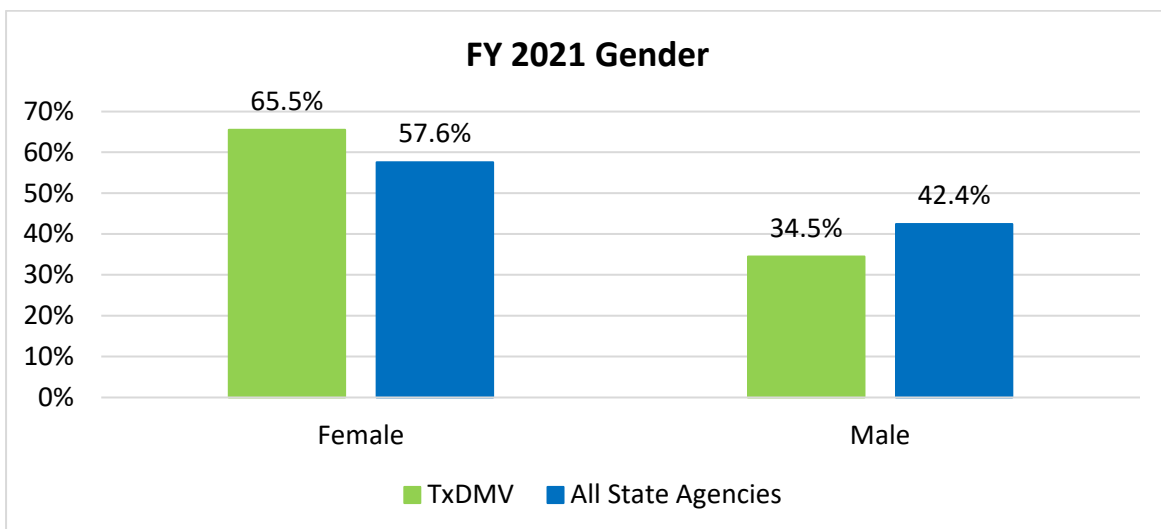
Figure 9

FY 2021 Ethnicity

	Asian	Black	Hispanic	White	Other
TxDMV	3.7%	14.7%	27.8%	51.3%	2.4%
All State Agencies	3.0%	24.6%	27.4%	43.6%	1.5%

Gender

Consistent with overall Texas state government, females make up the majority of the workforce. [8]

Figure 10

FY 2021 Gender

	Female	Male
TxDMV	65.5%	34.5%
All State Agencies	57.6%	42.4%

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[7] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021
[8] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021

TxDMV Service Tenure

Slightly over half of TxDMV employees have been at the department for at least five years; this is 7.1% higher than all other State agencies, as shown in Figure 11.[9]
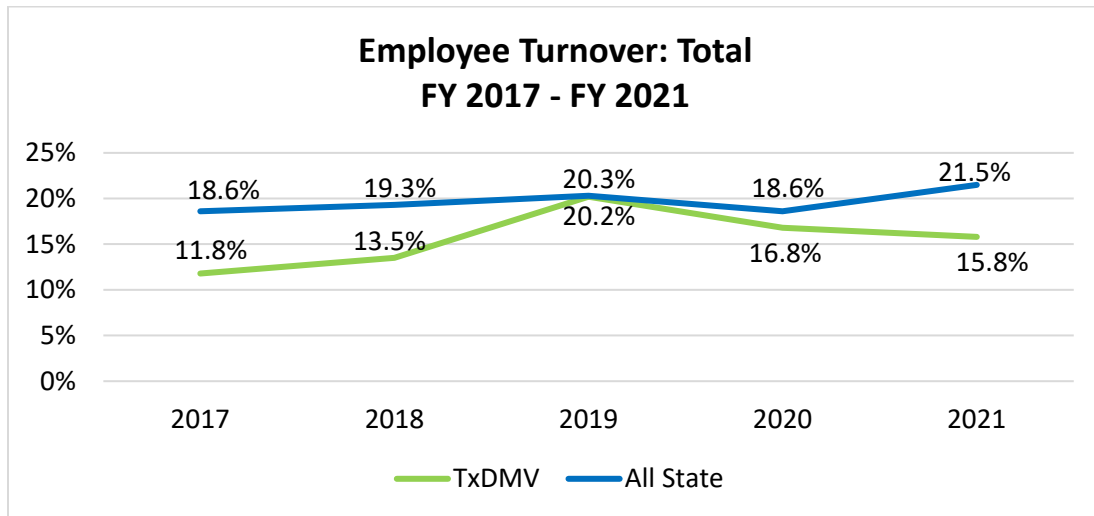
Figure 11
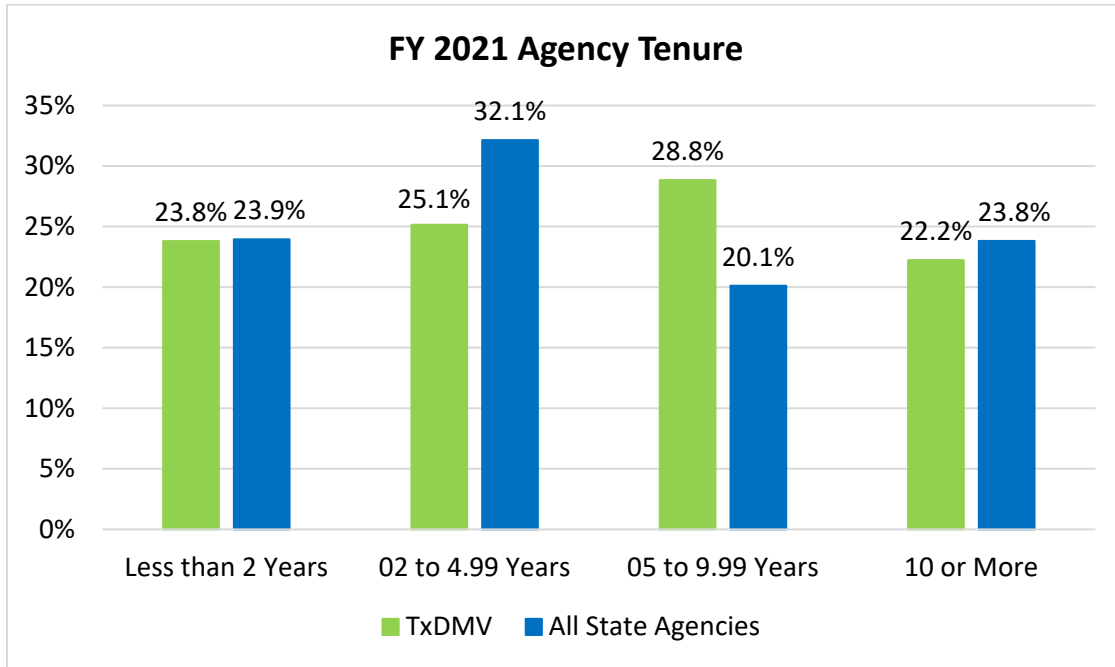
FY 2021 Agency Tenure

Employee Turnover

The overall turnover rate for all of Texas State Government was 21.5% compared to TxDMV's turnover rate of 15.8% in FY 2021, as shown in Figure 12.[10]
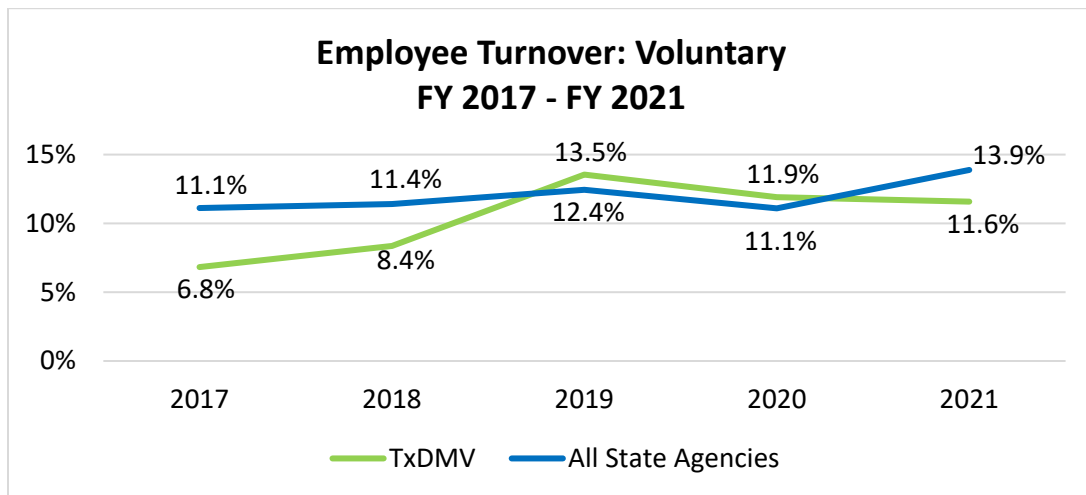
Historically, TxDMV's total turnover rate has been significantly below the statewide average until FY 2019 when TxDMV's turnover rate was nearly identical to the statewide average. However, since FY 2019, TxDMV's turnover rate has steadily dropped back below the statewide average.

Figure 12

Employee Turnover: Total
FY 2017 - FY 2021

	2017	2018	2019	2020	2021
All State	18.6%	19.3%	20.3%	18.6%	21.5%
TxDMV	11.8%	13.5%	20.2%	16.8%	15.8%

The statewide *voluntary turnover* rate was 13.9% compared to TxDMV's voluntary turnover rate of 11.6% in FY 2021, excluding involuntary separations and retirements, as shown in Figure 13.

Figure 13

Employee Turnover: Voluntary
FY 2017 - FY 2021

|	2017	2018	2019	2020	2021
All State Agencies	11.1%	11.4%	12.4%	11.1%	13.9%
TxDMV	6.8%	8.4%	13.5%	11.9%	11.6%

---

[10] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021

TxDMV had 120 total employee separations in FY 2021. Following are the separation categories and the number and percentage of employees who separated in each category.[11]

Voluntary separation from Agency	60 employees	(7.9%)
Transfer to another State Agency	28 employees	(3.7%)
Retirement	20 employees	(2.6%)
Involuntary separation	12 employees	(1.6%)
TOTAL	**120 employees**	**(15.8%)**

The number of separations has decreased in every separation category except for Voluntary, as shown in Figure 14.

Figure 14
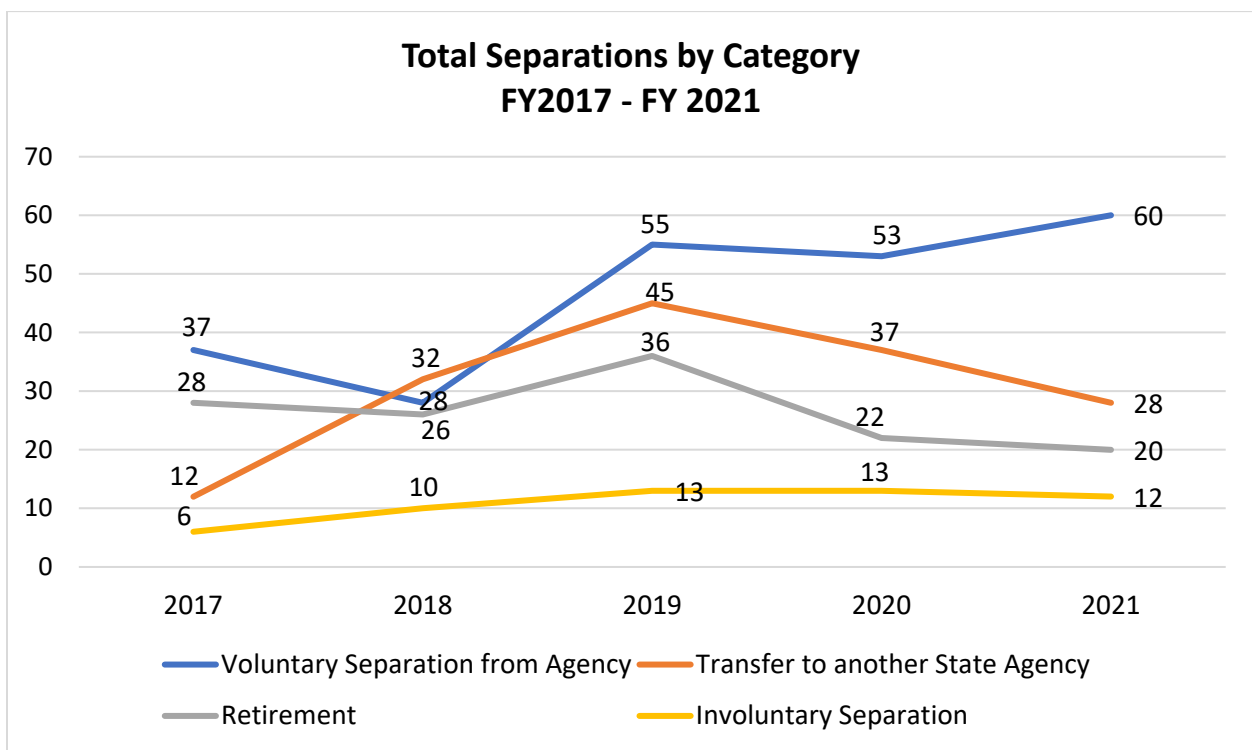
All employees who separate voluntarily are provided the opportunity to complete an anonymous exit survey collected and compiled by the SAO. According to self-reported data from employees who chose to complete the survey, the top two reasons for employees leaving the department were Better Pay/Benefits (30.3%) and Retirement (19.7%).

According to the SAO survey, the two issues that separating employees would most like to change about TxDMV are compensation and benefits (64.3% of separating employees) and employee rewards and recognition (33.9% of separating employees).

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[11] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021

More than two-thirds (72.3%) of TxDMV separating employees indicated they would work for the department again in the future. The percentage of separating employees who stated they would work for TxDMV has remained fairly constant over the past five years.

Retirees and Retirement Eligibility

In FY 2021, the percentage of employees who retired from agencies across Texas state government was 2.9% compared to TxDMV's employee retirement rate of 2.6%.[12]

As of March 2022, 100 TxDMV employees (14%) are eligible to retire or are return-to-work retirees. This includes 81 eligible for retirement and 19 employees who are currently return-to-work retirees. A return-to-work employee is someone who has retired from state government and then returned to working for state government as a current TxDMV employee.

Using TxDMV's current workforce composition the department projects that in FY 2027 30% of TxDMV employees will be eligible to retire or will be a return-to-work retiree. [13]

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[12] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021
[13] Source: Centralized Accounting and Payroll/Personnel System (CAPPS)

Equal Employment Opportunity (EEO) Commitment

TxDMV is an equal opportunity employer. The department does not allow or condone discrimination based on race, color, religion, sex (including pregnancy), national origin, age, disability, or genetic information. TxDMV's workplace is comprised of a diverse team of people and professionals. The department, through its policies and training, maintains a workplace environment for all applicants and employees that is productive, efficient, free from discrimination, intimidation, harassment, and retaliation.

Department policy prohibits degrading or abusive conduct toward anyone in the workplace environment and such conduct is not tolerated. Any behavior degrading another's race, color, religion, national origin, sex (including pregnancy), disability, age, genetic information, sexual orientation, or veteran status is a serious violation of the department's EEO Policy that may result in disciplinary action up to and including termination.

EEO Categories

Equal Employment Opportunity Commission (EEOC) reporting requires TxDMV to report the composition of the workforce by race/ethnicity and gender categories. Below are descriptions of the department's EEOC job categories and percentage of TxDMV employees in each category as shown in Table 2.

Administrative Support (including Clerical): Occupations which require employees to engage in internal and external communication, recording and retrieval of data and/or information and other paperwork required in an office.

Officials and Administrators: Occupations which require employees to set broad policies, exercise overall responsibility for execution of these policies, or direct individual departments or special phases of the department's operations, or provide specialized consultation on a regional, district or area basis.

Professionals: Occupations which require employees with specialized and theoretical knowledge which is usually acquired through college training or through work experience and other training which provides comparable knowledge.

Service Maintenance Workers: Workers in both protective and non-protective service occupations.

Skilled Craft Workers: Manual workers of relatively high skill level having a thorough and comprehensive knowledge of the processes involved in their work. Exercise considerable independent judgment and usually receive an extensive period of training.

Technicians: Occupations which require employees with a combination of basic scientific or technical knowledge and manual skills which can be obtained through specialized post-secondary school education or through equivalent on-the-job training.[14]

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[14] Source: State Auditor's Office (SAO) E-Class System, Classified Regular Full Time & Part Time, Fiscal Year 2021

Table 2

FY 2021 EEO Distribution by Race/Ethnicity						
EEO Category	White	Hispanic	African American	Asian	Other	Total Headcount
Administrative Support	44.4%	34.3%	17.4%	1.5%	2.5%	428.25
Officials & Administrators	56.0%	24.1%	8.7%	7.8%	3.4%	89.25
Professionals	66.4%	15.0%	10.0%	5.9%	2.8%	145
Service Maintenance & Skilled Craft	100.0%	0.0%	0.0%	0.0%	0.0%	3.75
Technicians	53.3%	23.1%	15.6%	6.9%	1.1%	94.25

Table 3

FY 2021 EEO Distribution by Gender			
EEO Category	Male	Female	Total Headcount
Administrative Support	18%	82%	428.25
Officials & Administrators	47%	53%	89.25
Professionals	49%	51%	145
Service, Maintenance & Skilled Craft	80%	20%	3.75
Technicians	75%	25%	94.25

Workforce Supply

According to the U.S. Census Bureau, the number of people in Texas grew by 382,436 from April 2020 to July 2021, bringing the state's total population to slightly over 29.5 million.[15] While the Texas population continues to grow, in past years the unemployment rate had continually decreased prior to the COVID-19 pandemic. However, at the beginning of the pandemic in 2020, the US unemployment rate spiked from 3.5% in February to as high as 14.7% in April. During the pandemic employers saw a dramatic increase in turnover which some have referred to as the "great resignation". However, since April 2020 the unemployment rate has consistently declined close to pre-pandemic levels. As of August 2021, the US unemployment rate was 5.2% which was almost the exact same as the Texas unemployment rate of 5.3%.[16]

One fundamental workforce change resulting from COVID-19 is the number of TxDMV employees telecommuting. Prior to the pandemic, roughly 21% of TxDMV employees telecommuted at least one day a week. After the pandemic began, that number increased significantly to 84% of staff telecommuting as of April 1, 2020. In Fiscal Year 2021, the percentage of TxDMV employees

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[15] Source: https://www.census.gov/quickfacts/fact/table/TX/PST045221#PST045221
[16] Source: https://www.twc.texas.gov/news/texas-unemployment-rate-falls-59-percent-august

telecommuting at least one day a week decreased to about two thirds of the department's staff. The percentage of telecommuting staff has remained fairly consistent through March of 2022.

The employee desire and expectation of telecommuting have also changed. A recent TxDMV survey question to all employees stated, "The opportunity to work remotely improves my job satisfaction" and asked employees whether they agree or disagree. On a five-point scale, five was "strongly agree" and four was "agree." The overall average employee response was 4.5, demonstrating that telecommuting is an important benefit for those employees whose job functions allow them to work remotely. A mandatory return to on-site work five days a week would likely result in very high turnover given the increase and availability in telecommuting jobs throughout the economy.

Even with the majority of TxDMV staff shifting to remote work, the department is still able to meet our department performance measures and provide excellent customer service to Texans.

Projection

TxDMV currently possesses the human resources necessary to provide premier customer service to the motoring public. Areas of concern during the next five years include reducing overall department turnover, expanding diversity recruitment, addressing cost of living impacts on staff salary, and managing the workforce with a large number of employees who are eligible for retirement.

Demand Analysis and Future Workforce Skills Needed

The future workforce skills needed will continually evolve. With technological advances, the information needs, and expectations of the public continue to expand. TxDMV must continue to recruit skilled staff and develop the skills of current employees necessary to meet these needs. In addition, the department will continue to use technology to revise and streamline work processes and provide additional web-based services. Any legislative changes could expand or modify the workforce needs and FTE requirements of TxDMV.

Anticipated Increase/Decrease in FTEs

TxDMV is currently in the process of assessing its workforce needs for the next biennium. Any requests for increasing/decreasing the department's FTE allocation will be reflected in the department's FY 24-25 Legislative Appropriation Request, anticipated to be finalized in August 2022.

Recruitment and Retention

TxDMV focuses on recruiting and retaining a diverse and qualified workforce as described below.

Recruitment

- Recruit employees from across the state for those positions that are able to work remotely 100% of the time.
- Continue encouraging managers to recruit veterans to apply to meet the department's goal of employing a workforce comprised of 20% veterans

- Continue recruiting a diverse and well-qualified applicant pool by announcing job postings on the department's website, Facebook page, Twitter account, the Centralized Accounting and Payroll/Personnel System (CAPPS) job posting page, and the WorkinTexas website
- Expand formal and informal recruiting of employees in underutilized race or gender categories
- Increase formal recruitment efforts through attendance at job fairs and more targeted job postings on industry-specific and occupation-specific job posting sites
- Target college students and recent college graduates by providing paid internships

Retention

- Continue providing paid leave to reward outstanding performance
- Develop career paths to allow for internal employee promotions and professional advancement
- Continue and expand the employee wellness committee's activities and programs
- Maintain and expand training and development by
  - Continuing to offer tuition assistance to support employees' educational activities aligned with department needs
  - Continuing to provide department-wide training and development activities both online and instructor-led
  - Continuing the Professional Leadership Academy for all supervisors and managers
- Increase the use of alternative work schedules and telecommuting opportunities to address the needs of department employees
- Continue to provide and actively promote an Employee Assistance Program for both employees and immediate family members at no cost to employees
- Continue to recognize employees' state service through the State Service Award program
- Continue and expand rewarding employees with one-time and/or recurring merit pay increases whose performance exceeds that which is normally expected or required

Conclusion

TxDMV is acutely aware that it operates in a highly competitive job market. TxDMV is focusing on new and innovative approaches to recruit and retain the best and the brightest candidates to meet its future workforce needs, especially in the areas of technology and customer service.

The department recognizes that recruiting, developing, and retaining a qualified workforce is imperative to achieving its goal of being Customer Centric. TxDMV continues to recruit a diverse workforce, support the development of its employees through various activities and initiatives, and provide a wide array of benefits to retain its employees.

Report on Customer Service

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Report on Customer Service

June 1, 2022

Executive Summary

The Texas Department of Motor Vehicles sets as a top priority its ability to provide premium customer service. In order to adapt to ever-changing customer needs and methods to access services, the department continuously monitors and solicits feedback. This is particularly important as more entities rely on technological applications to access services. The department uses information gathered through customer surveys to improve service delivery and methods to provide those services in the most efficient and effective manner possible.

In FY 2021, the department experienced a dramatic increase in the number of customers it serves through the Customer Contact Center. With the onset of COVID-19, customers requested assistance through calls and emails at record numbers, with Contact Center staff responding to more than 815,000 inquiries.   Customers contacting TxDMV through the Contact Center are offered the opportunity to provide feedback through a survey.

Customer Contact Center Survey Results

Customers provide feedback through two, primary methods--a phone survey or an email survey. The Contact Center combines the results of these survey to determine an overall customer satisfaction rating. The overall results for FY 2020 and FY 2021 are shown in the table below:

TxDMV Overall Contact Center Survey Results	FY 2020	FY 2021
Total Number of Responses	27,808	37,101
Overall Customer Satisfaction Rating	95%	95%

Despite an increase of more than 100,000 inquiries from FY 2020, the department maintained an overall satisfaction rate of 95% during FY 2021.

Telephone Survey Results

Customers that call in are offered a brief, three-question survey after their phone call with a rating scale of 4 to 1; 4 being Very Satisfied and 1 being Very Dissatisfied. The survey responses are collected in the Contact Center system.

The percentage of satisfied customers in FY 2020 and FY 2021 are shown below:

TxDMV Contact Center Phone Survey Responses	FY 2020	FY 2021
Total Number of Responses	26,206	34,831
Percent of customers satisfied with their experience	96%	96%
Percent of customers satisfied with the timeliness of the service they received	94%	94%
Percent of customers satisfied with the accuracy of the information they received	97%	97%

Email Survey Results

The Contact Center staff also offer a link to an online survey in their email signature block when communicating with customers. The online survey responses are collected in SurveyMonkey. Results for FY 2020 and FY 2021 are shown below:

TxDMV Contact Center Email Survey Responses	FY 2020	FY 2021
Total Number of Responses	1,602	2,270
Percent of customers satisfied with their experience	87%	87%
Percent of customers satisfied with the timeliness of the services they received	91%	89%
Percent of customers satisfied with the accuracy of the information they received	90%	89%

Survey questions are included in Attachment A of this document.

Gov.Delivery Survey Results

In addition to its continuous solicitation of customer satisfaction through the Contact Center, the Texas Department of Motor Vehicles (TxDMV) undertook a major initiative in FY 2021 to solicit expanded feedback from its customers and stakeholders on their levels of satisfaction and experiences with the department through a survey instrument via subscribers to Gov.Delivery. Gov.Delivery is a comprehensive distribution service operated by TxDMV providing stakeholders the opportunity to access a wide variety of services and information offered by the department online, with more than 360,000 subscribers.

The survey, conducted between March 15 and April 15, 2021, included 10, statutorily required questions. Detailed results of this survey are included in Attachment B.

Looking Toward the Future

As a customer service organization, the TxDMV continuously looks for opportunities to expand and improve its customer service. With the advent of more and more stakeholders and customers relying on technology to access services and information, the department analyzes data from survey instruments to modify, expand and improve its services to match customer needs and desires to provide the most efficient and effective delivery methods.

To gain a better understanding of customer's needs, the Customer Relations Division (CRD) deployed a more robust survey tool in December 2021 which will allow the submission of more detailed information about the customer's experience with the Contact Center Staff for FY 2022 and beyond.

Among other efforts, CRD will seek to refine the department website to provide customers with answers to common questions and explore opportunities to develop online automation services including a website chat feature to optimize services with a focus on the customer.

During the next biennium and beyond, the department will be researching expanded approaches to collect stakeholder and customer assessments. Some areas under consideration include:

- Soliciting specific population input for unique service delivery;
- Expanding ways to gain increased stakeholder/customer input through social media applications; and
- Expanding the new survey tool to additional divisions.

Attachment A

TxDMV Telephone Customer Feedback Survey

Dear Texas Department of Motor Vehicles (TxDMV) Customer:

Thank you for agreeing to take our short survey. We have 3 quick questions to ask you, which will only take a minute. The highest score we can receive is a 4 and the lowest is a 1. All we need you to do is listen to each statement and give us a score of 4, 3, 2 or 1. Of course, we are hoping we get all 4s, but if we don't, we want to get it right for you and appreciate your feedback so we can improve.

1. Please rate your experience today.

☐	☐	☐	☐
Very Satisfied (4)	Satisfied (3)	Dissatisfied (2)	Very Dissatisfied (1)

2. Please rate your satisfaction with the timeliness of the services you received.

☐	☐	☐	☐
Very Satisfied (4)	Satisfied (3)	Dissatisfied (2)	Very Dissatisfied (1)

3. Please rate the accuracy of the information you received.

☐	☐	☐	☐
Very Accurate (4)	Accurate (3)	Inaccurate (2)	Very Inaccurate (1)

Texas Department
of Motor Vehicles

TxDMV Customer Feedback Survey – Consumer Relations Division (CRD)

* 1. Are you a TxDMV employee?

☐ Yes

☐ No

2. Please rate your experience today.

Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied

3. Please rate your satisfaction with the timeliness of the services you received.

Very Dissatisfied	Dissatisfied	Satisfied	VerySatisfied

4. Please rate the accuracy of the information you received.

Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied

5. Please provide any additional comments, feedback, suggestions, complaints or compliments you wish to share with TxDMV.

6. How did we interact with you today?

☐ Phone

☐ Email

Attachment B

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

External Customer Satisfaction Survey Report
December 2021

External Customer Satisfaction Report

Overview

The Texas Department of Motor Vehicles (TxDMV) is a customer service organization. TxDMV prides itself on providing world-class, one-touch service to its external customers and stakeholders.
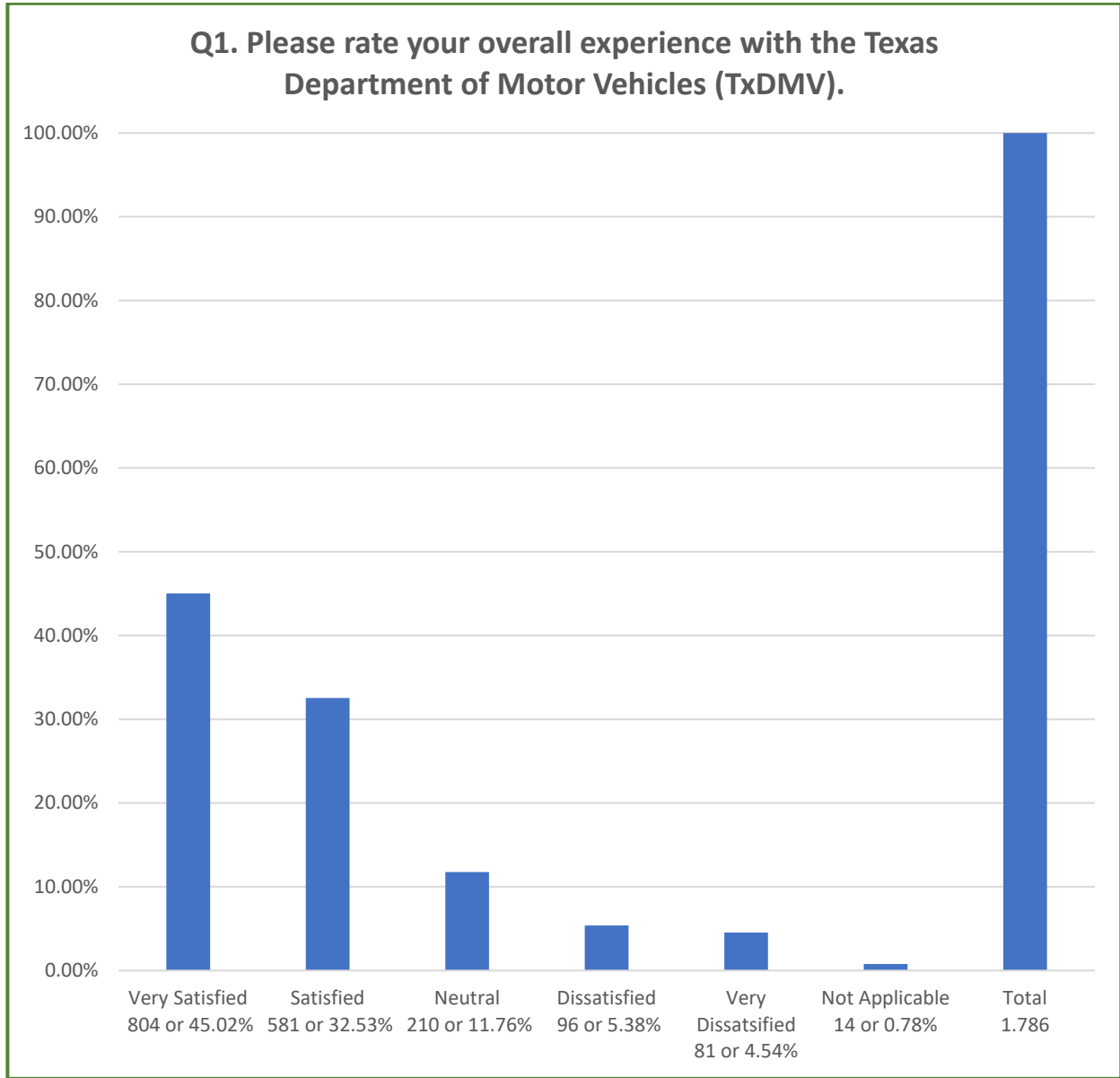
This report provides the responses to a ten-question online survey administered between March 15th and April 15th, 2021. Nearly 1,800 citizens comprised of external customers and stakeholders completed the survey. Additionally, 667 survey respondents offered additional comments. The ten questions are listed below.

1. Please rate your overall experience with the Texas Department of Motor Vehicles (TxDMV).
2. I received the services I needed when, where and how I wanted them.
3. I got what I needed.
4. How satisfied are you with TxDMV's communications, including toll-free access, the average time you spent on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?
5. How satisfied are you with TxDMV's staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of nameplates or tags for accountability?
6. How satisfied are you with TxDMV's ability to timely serve you, including the amount of time you wait for service in person?
7. How satisfied are you with TxDMV's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the department, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?
8. How satisfied are you with TxDMV's complaint handling process, including whether it is easy to file a complaint and whether the responses are timely?
9. How satisfied are you with any TxDMV brochures or other printed information, including the accuracy of that information?
10. How satisfied are you with TxDMV's facilities, including your ability to access the department, the office location, signs, and cleanliness?

The overall results, while not in alignment with other surveys conducted by the division, do offer a window into the experiences of these particular external customers. This report is organized into three sections. Section one contains Clustered Column Charts for each survey question. Section two contains respondent comments about their experiences with the department. Section three contains suggestions offered by survey respondents.

Section 1: Survey Response Results

The combined percentage of Very Satisfied (45.02%) and Satisfied (32.53%) responses for Question 1 is 77.55%.

Q1. Please rate your overall experience with the Texas Department of Motor Vehicles (TxDMV).

Very Satisfied 804 or 45.02%	Satisfied 581 or 32.53%	Neutral 210 or 11.76%	Dissatisfied 96 or 5.38%	Very Dissatsified 81 or 4.54%	Not Applicable 14 or 0.78%	Total 1.786

The combined percentage of Strongly Agree (39.42%) and Agree (36.39%) responses for Question 2 is 75.81%.

Q2. I received the services I needed when, where and how I wanted them.

Strongly Agree 704 or 39.42%	Agree 650 or 36.39%	Neutral 173 or 9.69%	Disagree 134 or 7.50%	Strongly Disagree 104 or 5.82%	Not Applicable 21 or 1.18%	Total Number of Responses 1,786
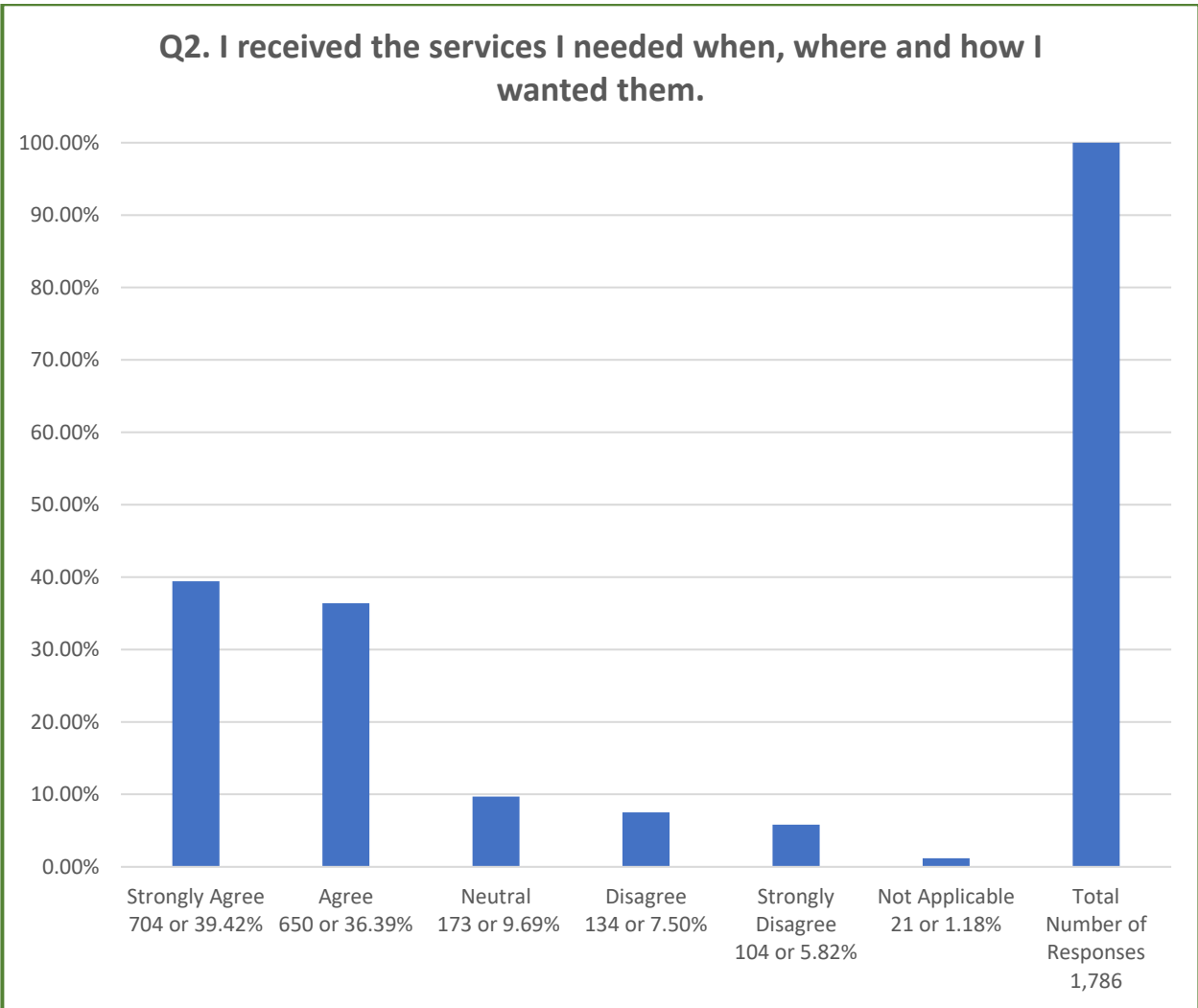
The combined percentage of Strongly Agree (43.39%) and Agree (38.35%) responses for Question 3 is 81.74%.

Q3. I got what I needed.

Strongly Agree 775 or 43.39%	Agree 685 or 38.35%	Neutral 160 or 8.96%	Disagree 76 or 4.26%	Strongly Disagree 64 or 3.58%	Not Applicable 26 or 1.46%	Total Number of Responses 1,786
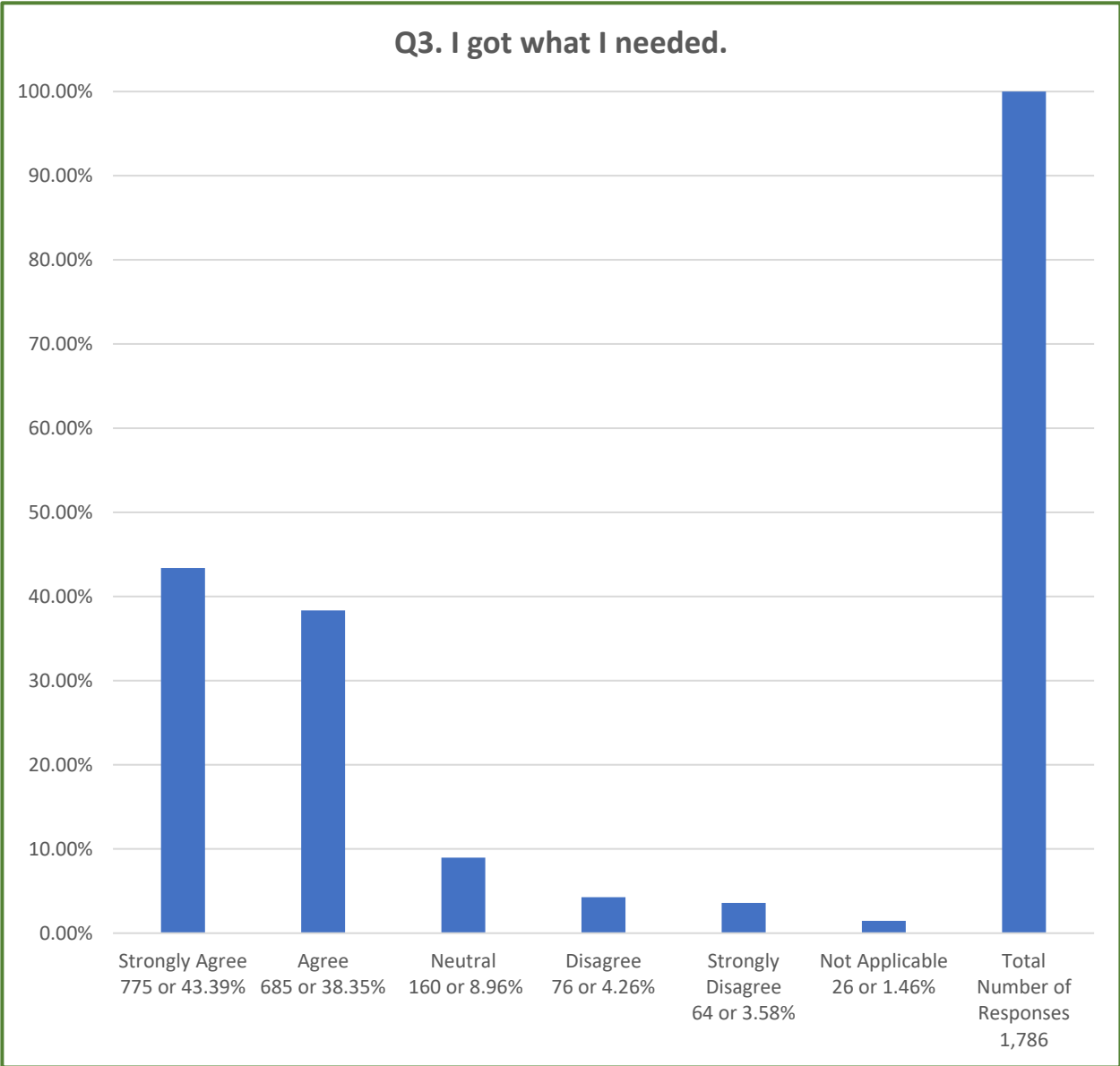
The combined percentage of Very Satisfied (29.56%) and Satisfied (28.95%) responses for Question 4 is 58.51%.

Q4. How satisfied are you with TxDMV's communications, including toll-free access, the average time you spent on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?

Very Satisfied 528 or 29.56% | Satisfied 517 or 28.95% | Neutral 251 or 14.05% | Dissatisfied 122 or 6.83% | Very Dissatsified 134 or 7.50% | Not Applicable 234 or 13.10% | Total Number of Responses 1.786
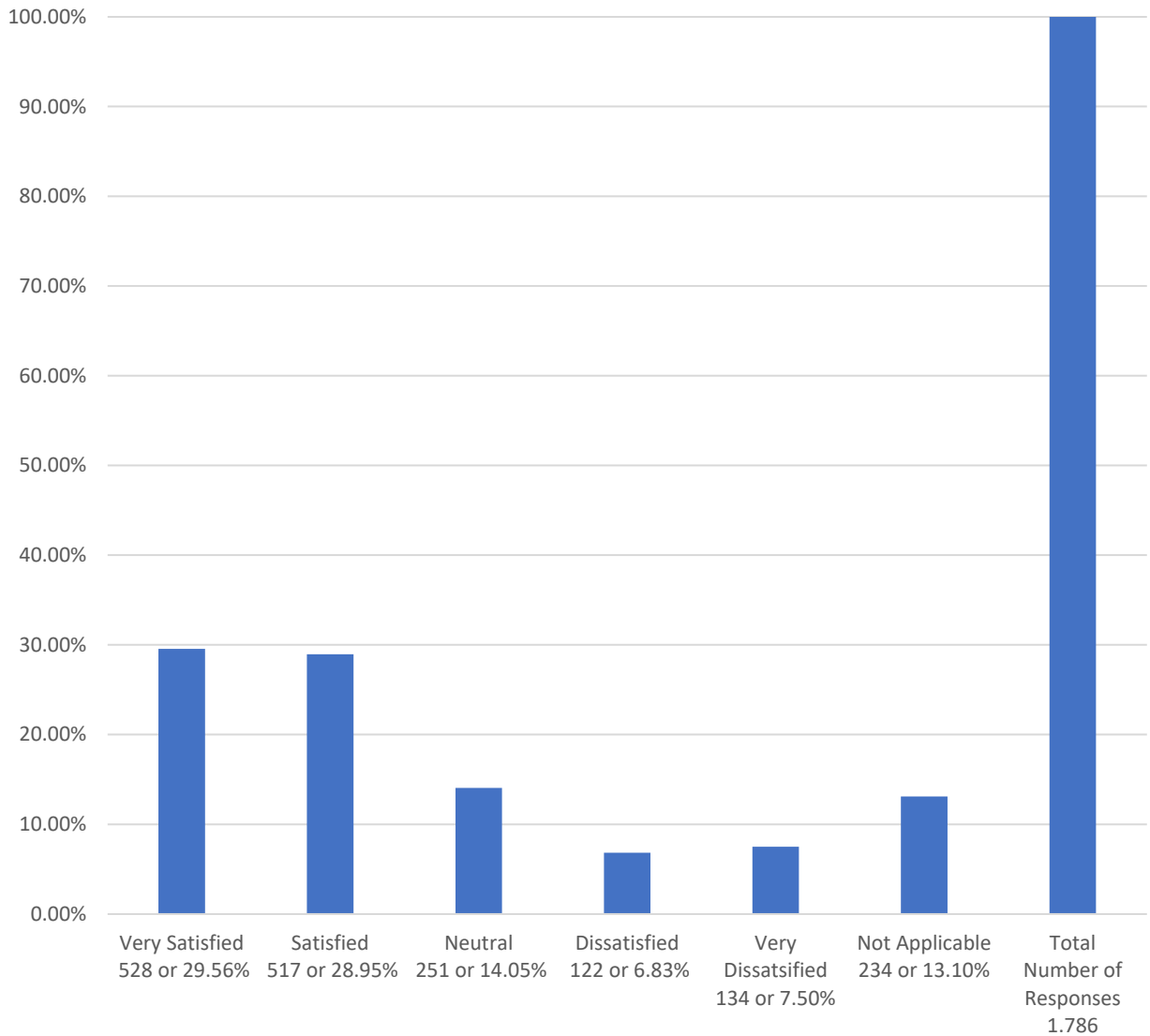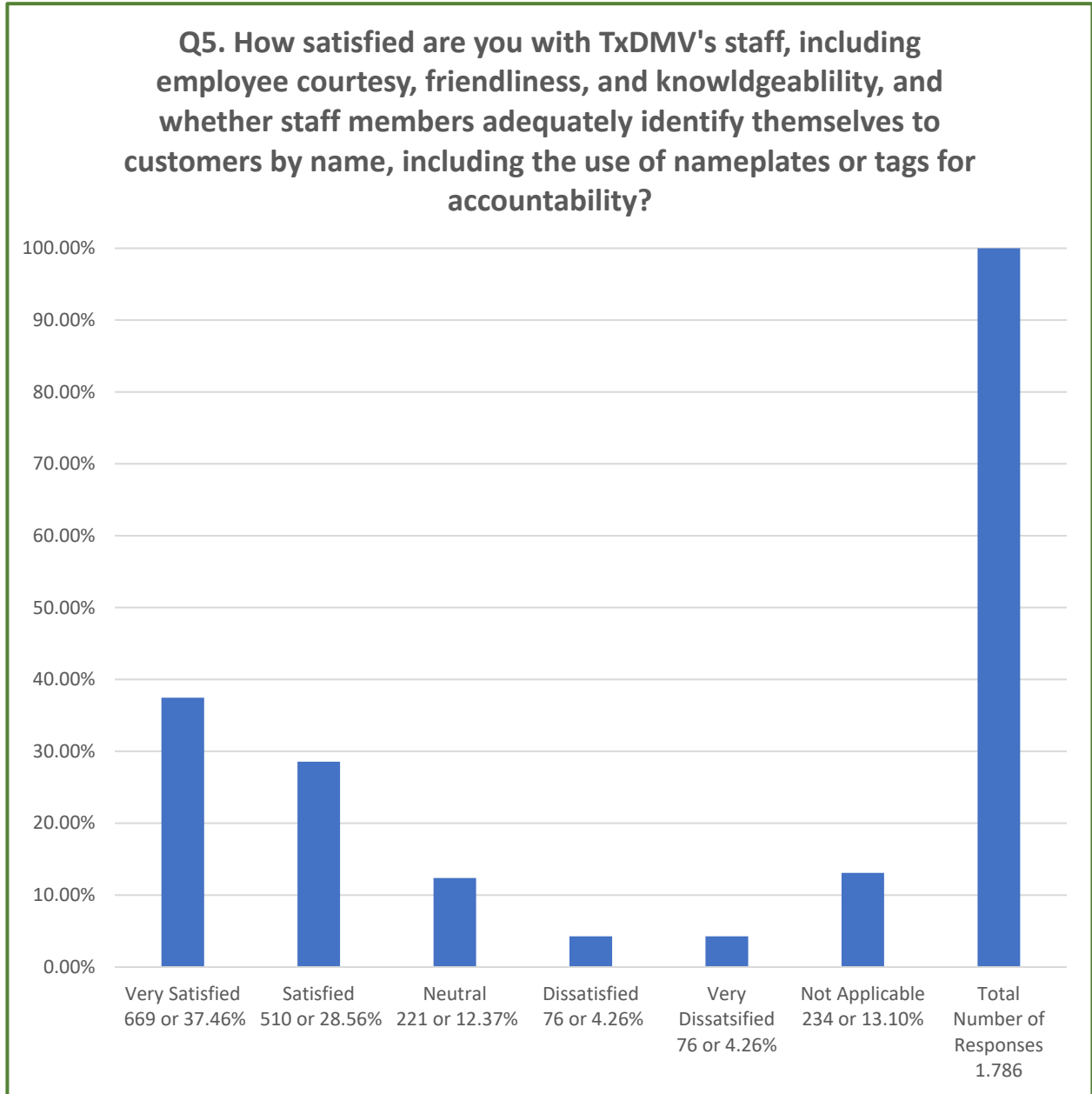
The combined percentage of Very Satisfied (37.46%) and Satisfied (28.56%) responses for Question 5 is 66.02%.

Q5. How satisfied are you with TxDMV's staff, including employee courtesy, friendliness, and knowldgeablility, and whether staff members adequately identify themselves to customers by name, including the use of nameplates or tags for accountability?

Very Satisfied 669 or 37.46%	
Satisfied 510 or 28.56%	
Neutral 221 or 12.37%	
Dissatisfied 76 or 4.26%	
Very Dissatsified 76 or 4.26%	
Not Applicable 234 or 13.10%	
Total Number of Responses 1.786	

The combined percentage of Very Satisfied (28.89%) and Satisfied (26.88%) responses for Question 6 is 55.77%.

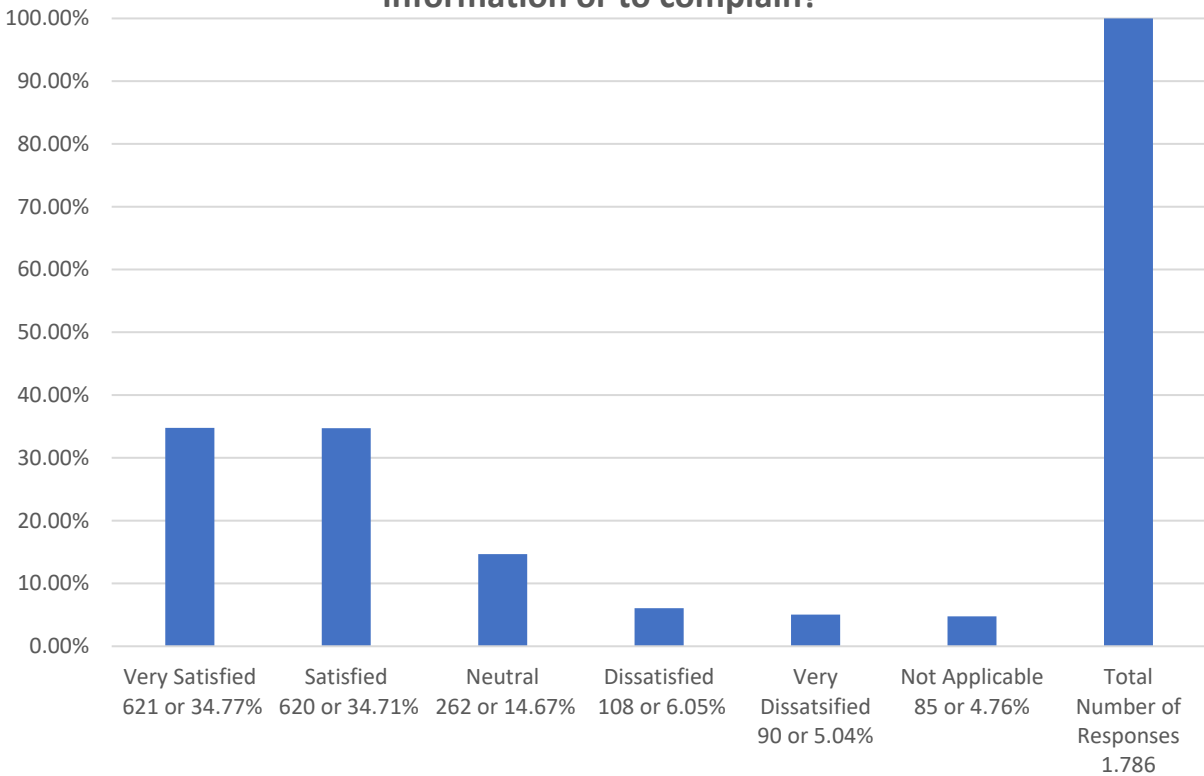**Q6. How satisfied are you with TxDMV's ability to timely serve you, including the amount of time you wait for service in person?**

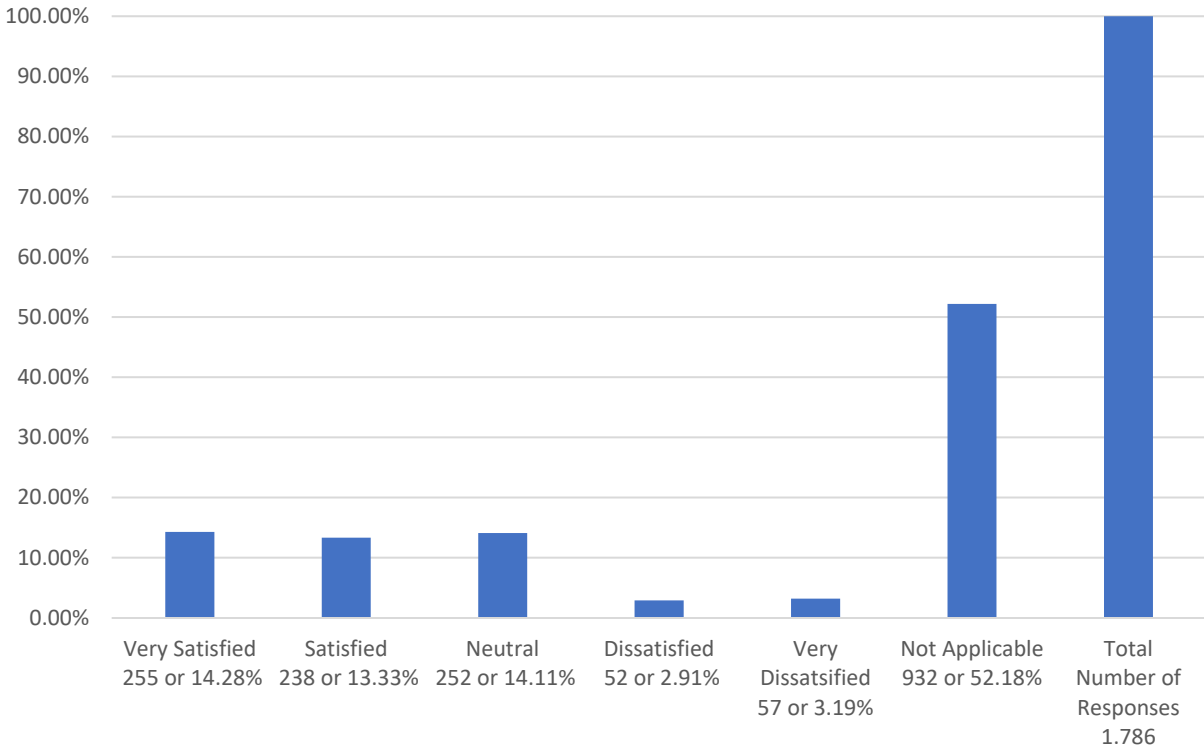|						
Very Satisfied 516 or 28.89%	Satisfied 480 or 26.88%	Neutral 235 or 13.16%	Dissatisfied 164 or 9.18%	Very Dissatsified 149 or 8.34%	Not Applicable 242 or 13.55%	Total Number of Responses 1.786
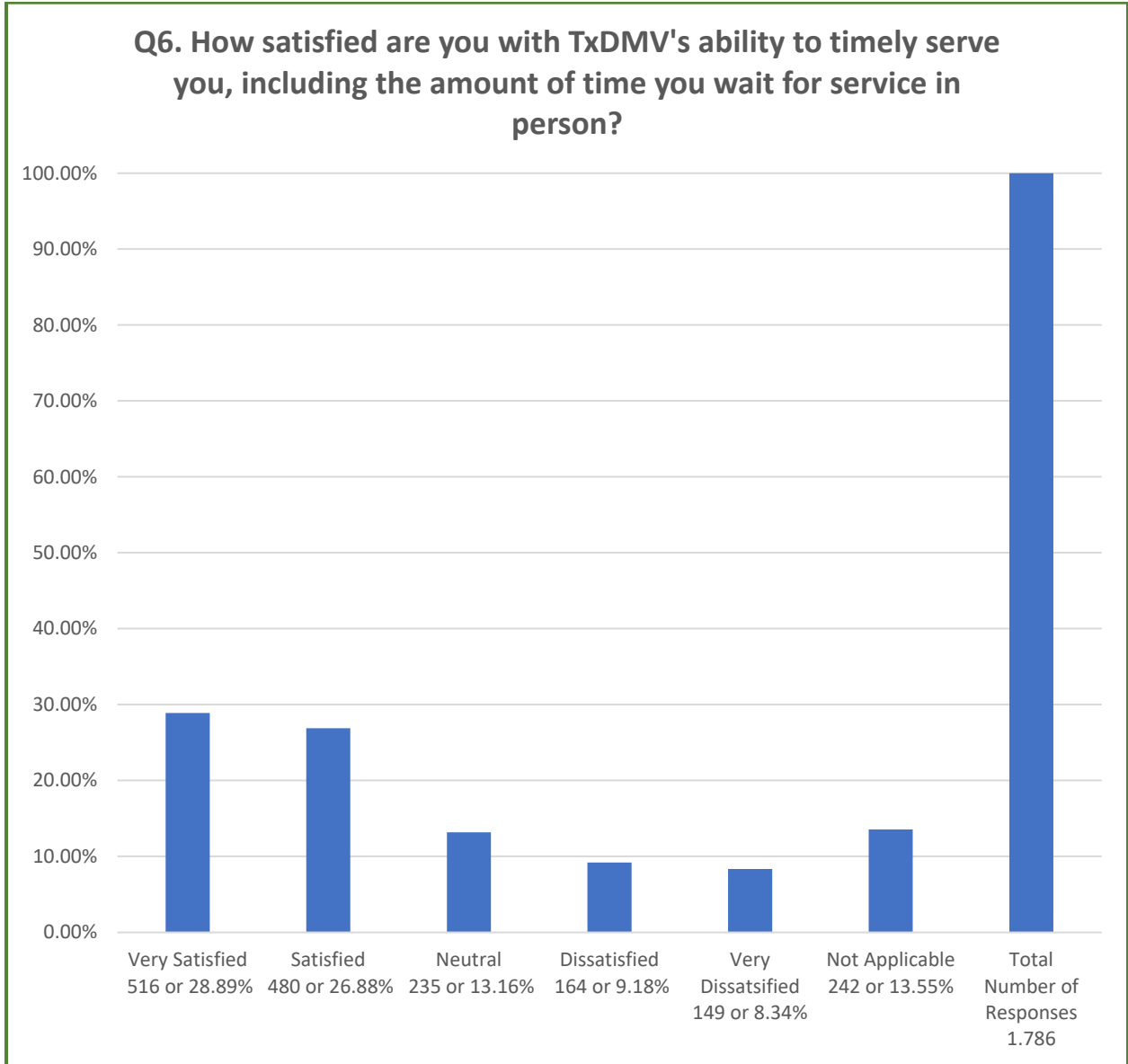
The combined percentage of Very Satisfied (34.77%) and Satisfied (34.71%) responses for Question 7 is 69.48%.

Q7. How satisfied are you with TxDMV's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the department, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?
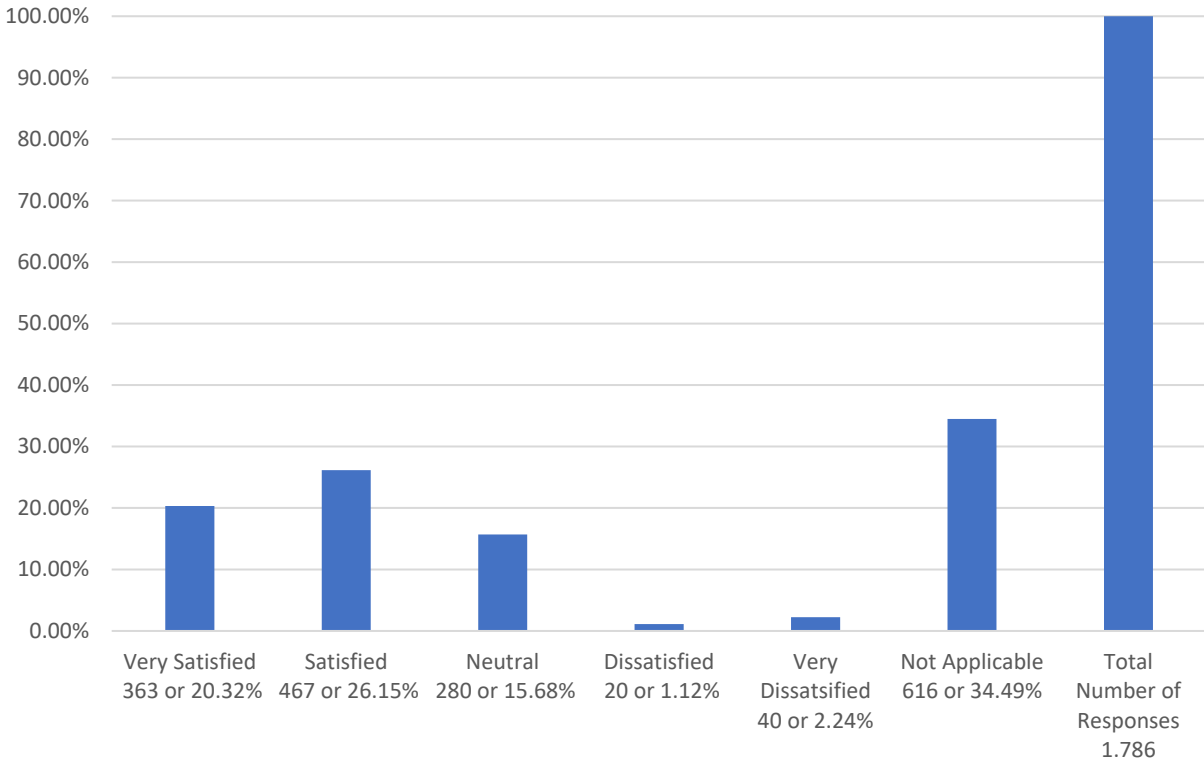
Very Satisfied 621 or 34.77%	
Satisfied 620 or 34.71%	
Neutral 262 or 14.67%	
Dissatisfied 108 or 6.05%	
Very Dissatsified 90 or 5.04%	
Not Applicable 85 or 4.76%	
Total Number of Responses 1.786	

The combined percentage of Very Satisfied (14.28%) and Satisfied (13.33%) responses for Question 8 is 27.61%.

Q8. How satisfied are you with TxDMV's complaint handling process, including whether it is easy to file a complaint and whether the responses are timely?

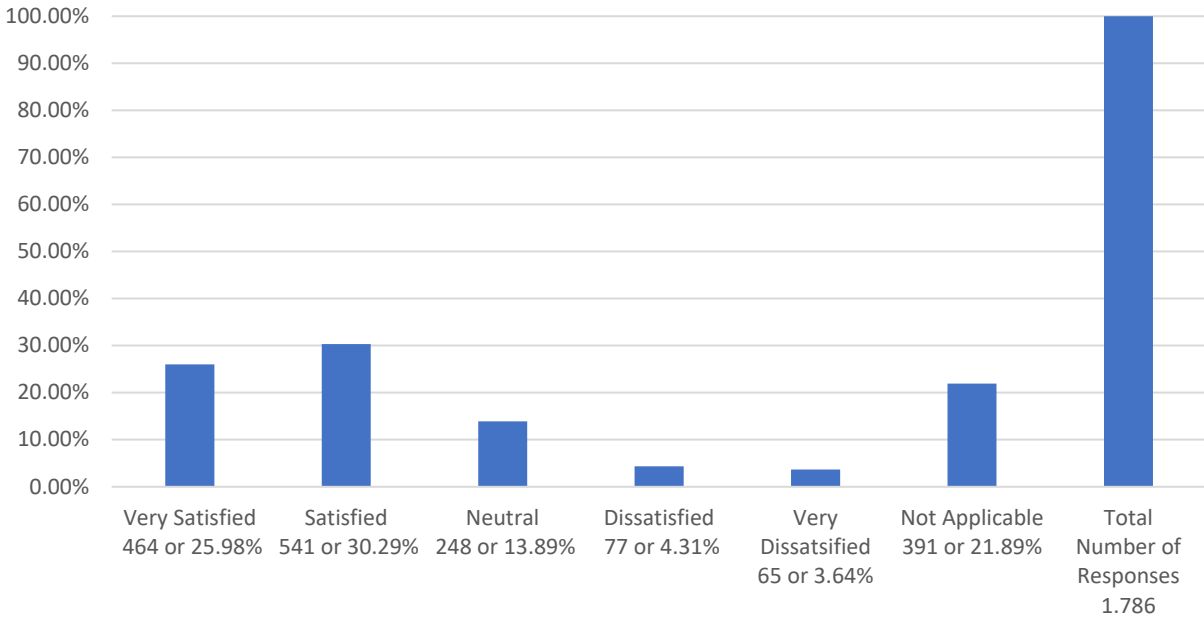|	
Very Satisfied 255 or 14.28%	
Satisfied 238 or 13.33%	
Neutral 252 or 14.11%	
Dissatisfied 52 or 2.91%	
Very Dissatsified 57 or 3.19%	
Not Applicable 932 or 52.18%	
Total Number of Responses 1.786	

The combined percentage of Very Satisfied (20.32%) and Satisfied (26.15%) responses for Question 9 is 46.47%.

Q9. How satisfied are you with any TxDMV brochures or other printed information, including the accuracy of that information?

Very Satisfied 363 or 20.32%	Satisfied 467 or 26.15%	Neutral 280 or 15.68%	Dissatisfied 20 or 1.12%	Very Dissatsified 40 or 2.24%	Not Applicable 616 or 34.49%	Total Number of Responses 1.786

The combined percentage of Very Satisfied (25.98%) and Satisfied (30.29%) responses for Question 10 is 56.27%.

Q10. How satisfied are you with TxDMV's facilities, including your ability to access the department, the office location, signs, and cleanliness?

Very Satisfied 464 or 25.98% | Satisfied 541 or 30.29% | Neutral 248 or 13.89% | Dissatisfied 77 or 4.31% | Very Dissatsified 65 or 3.64% | Not Applicable 391 or 21.89% | Total Number of Responses 1.786

Section 2: Comments by Survey Respondents

The total number of survey participants who provided comments is 667. The total number of survey respondents is 1,786 resulting in a 37% survey participant comment response rate.

The comments are presented in two ways. First, from highest to lowest based on the number of comments received. Second, the comments are presented by the division(s) addressed by the comments. or alphabetized. The number in parenthesis following a comment corresponds to the number of respondents making the same comment.

Data View 1: Highest to Lowest. **(Arranged alphabetically within same number of responses)**

- Great customer service. (120)
- Respondents confused the Texas Department of Motor Vehicles with the Texas Department of Public Safety and provided comments about the Driver License process. (82)
- Commented "None" or "Not applicable" or "NA." (59)
- Negative comments about mobile web/online service. (45)
- Negative comments about pandemic issues such as needing to get an inspection in person, not willing to do so, worried about expired registration. (31)
- Negative comments about RSCs (Regional Service Centers). (31)
- Other comments – ranging from "card reader did not work" to "I needed a chair to wait" to "hostile employees" to "Why do I have to register my trailer?" to "Not bad" to "Why are plates so expensive?" (31)
- Thank you. (30)
- Great staff. (26)
- Positive comments about online registration. (24)
- Long wait on hold for phone calls/Not answering phone. (21)
- Negative comments about title and registration. (18)
- Negative comments about TACs (Tax Assessor-Collectors). (15)
- Negative comments about website. (15)
- Need better communication. (14)
- Positive comments about website. (14)
- Positive comments about mobile web/online services. (12)
- Positive comments about online appointments. (12)
- RSCs difficult to reach by phone. (12)
- Experienced inconsistent treatment – some staff friendly, some not. (11)
- More locations/facilities. (11)
- Appreciated COVID-19 Response/Waivers. (9)
- Positive comments about the Motor Vehicle Division - Dealer Licenses. (8)
- Long hold times when calling RSCs. (7)
- No response to my email. (7)

- Positive comments about TACs. (7)
- Negative comments about eTAG/webDEALER. (6)
- Positive comments about RSCs. (6)
- Veterans or elderly needed extra help with vehicle registration. (6)
- Complained about inspection date and sales date. (4)
- Negative comments about online appointments. (4)
- Negative comments about online registration. (4)
- Please go back to former website. (4)
- Positive comments about registering by mail. (3)
- webDEALER takes too long – 3 to 4 weeks in my area and 3 to 4 days in other areas. (3)
- Drive-up windows are great in the pandemic. (2)
- Package turnaround times and errors. (2)
- Case closed – no investigation and no follow-up. (1)
- Chop shop and illegal auto dealers task force. (1)
- Have to upload parent corporation documents and my driver license number does not work. (1)
- I give help desk staff an F-. (1)
- I was not approved for my MVINET (Motor Vehicle Information Network) information. (1)
- It was a financial hardship to pay the late fee for a year and then having it apply to the original registration date. (1)
- Need to change my password too much. (1)
- Negative comments about MYPLATES. (1)
- Negative comments about "new" registration stickers. (1)
- Negative comments about registering by mail. (1)
- Positive comments about eTAG/webDEALER. (1)
- Positive comments about title and registration. (1)
- Positive comments about webinars. (1)
- Work orders not in sequential order. (1)

Data View 2: Division(s) Addressed. (Arranged alphabetically by division[s] followed by numerically highest to lowest)

Consumer Relations Division (CRD)

- No response to my email. (7)

Consumer Relations Division (CRD) and Vehicle Titles and Registration (VTR) Division

- Experienced inconsistent treatment – some staff friendly, some not. (11)

Consumer Relations Division (CRD), Information Technology Services Division (ITSD), and Vehicle Titles and Registration (VTR) Division

- Long wait on hold for phone calls/Not answering phone. (21)

Enforcement (ENF) Division

- Case closed – no investigation and no follow-up. (1)

Enforcement (ENF) Division, Motor Vehicle Crime Prevention Authority (MVCPA), and/or Motor Vehicle Division (MVD)

- Chop shop and illegal auto dealers task force. (1)

Government and Strategic Communications (GSC) Division

- Negative comments about website. (15)
- Need better communication. (14)
- Positive comments about website. (14)
- Please go back to former website. (4)

Information Technology Services Division (ITSD)

- Negative comments about mobile web/online service. (45)
- Positive comments about mobile web/online services. (12)
- Need to change my password too much. (1)
- I give help desk staff an F-. (1)

Motor Carrier Division (MCD) and/or Motor Vehicle Division (MVD)

- Have to upload parent corporation documents and my driver license number does not work. (1)

Motor Carrier Division (MCD) and Vehicle Titles and Registration (VTR) Division

- Appreciated COVID-19 Response/Waivers. (9)

Motor Vehicle Division (MVD)

- Positive comments about the Motor Vehicle Division - Dealer Licenses. (8)

Tax Assessor-Collectors (TACs)

- Negative comments about TACs. (15)
- Positive comments about TACs. (7)
- Package turnaround times and errors. (2)

Texas Department of Motor Vehicles (TxDMV)

- Great customer service. (120)
- Commented "None" or "Not applicable" or "NA." (59)
- Other comments – ranging from "card reader did not work" to "I needed a chair to wait" to "hostile employees" to "Why do I have to register my trailer?" to "Not bad" to "Why are plates so expensive?" (31)
- Thank you. (30)
- Great staff. (26)

Texas Department of Public Safety (DPS)

- Respondents confused the Texas Department of Motor Vehicles with the Texas Department of Public Safety and provided comments about the Driver License process. (82)

Vehicle Titles and Registration (VTR) Division

- Negative comments about pandemic issues such as needing to get an inspection in person, not willing to do so, worried about expired registration. (31)
- Negative comments about RSCs. (31)
- Positive comments about online registration. (24)
- Negative comments about title and registration. (18)
- Positive comments about online appointments. (12)
- RSCs difficult to reach by phone. (12)
- More locations/facilities. (11)
- Long hold times when calling RSCs. (7)
- Negative comments about eTAG/webDEALER. (6)
- Positive comments about RSCs. (6)
- Veterans or elderly needed extra help with vehicle registration. (6)
- Complained about inspection date and sales date. (4)
- Negative comments about online appointments. (4)
- Negative comments about online registration. (4)
- Positive comments about registering by mail. (3)
- webDEALER takes too long – 3 to 4 weeks in my area and 3 to 4 days in other areas. (3)
- Drive-up windows are great in the pandemic. (2)
- I was not approved for my MVINET information. (1)
- It was a financial hardship to pay the late fee for a year and then having it apply to the original registration date. (1)
- Negative comments about MYPLATES. (1)
- Negative comments about "new" registration stickers. (1)
- Negative comments about registering by mail. (1)
- Positive comments about eTAG/webDEALER. (1)

- Positive comments about title and registration. (1)
- Positive comments about webinars. (1)

Unknown

- Work orders not in sequential order. (1)

Section 3: Recommendations by Survey Respondents

A total of 38 recommendations were made by survey respondents. They are grouped by division. They are grouped by number of respondents making the same recommendation (the number in parenthesis is number of respondents making the same recommendation) and then alphabetically. If there is no number, only one respondent provided the recommendation.

Board Liaison, Government and Strategic Communications (GSC) Division, and Office of Innovation and Strategy

- Use radio buttons, not check boxes, on this survey

Enforcement (ENF) Division, Motor Vehicle Division (MVD), and Vehicle Titles and Registration (VTR) Division

- TACs and RSCs need to work together on dealer non-compliance issues

Finance and Administrative Services (FAS) Division

- Eliminate online transaction fees

Government and Strategic Communications (GSC) Division

- Place all transactions on website (2)
- Make the website better for the elderly

Information Technology Services Division (ITSD), Motor Vehicle Division (MVD), and Vehicle Titles and Registration (VTR) Division

- Consolidate logins – difficult and confusing to keep track of

Information Technology Services Division (ITSD) and Vehicle Titles and Registration (VTR) Division

- TACs want TxDMV help desk staffed by employees who are experienced in RTS and webDEALER. (8)
- Allow everything online and use all robots at TxDMV
- Implement automated texting when needed

Motor Vehicle Division (MVD)

- Improve dealer site support and add phone customer service support. (5)
- Allow wholesale dealers to share a lot with retail dealers
- Indicate the dealer in correspondence (emails) to groups that own multiple dealerships

- Link all dealer licenses to a new administrator when updating a dealer administrator
- Offer all dealer processes online
- Pass dealer fees on to customers
- Provide assistance to auctioneers in obtaining a license
- Provide clarity on trailer dealership requirements
- Put forms in numerical order to make it easier to check on a dealer license Reduce dealer licensing fee
- Remove dealer test at renewal
- Send password change notification to dealers 7 to 10 days before it expires

Texas Department of Public Safety (DPS)

- Eliminate vehicle safety inspections (10)

Vehicle Titles and Registration (VTR) Division

- Hire more staff to ease burden and reduce wait time. (10)
- Offer longer office hours (5)
- Allow online appointments to be scheduled farther in advance
- Include identifying information in emails when sending reminders about vehicle registration – when you have multiple vehicles, you don't know which one it is
- Clarify the steps to transfer a vehicle with bulleted lists, number of forms (and form numbers), and where signatures are needed
- No front license plates and yearly inspections
- Offer a report on rejected deals in webDEALER so that I can track the performance of my title clerks
- Offer a webDEALER refresher course
- Offer a workshop on how to request a bonded title from TxDMV
- Offer multi-car registration discounts (4 or more vehicles since you can't drive them all at the same time) or offer a lifetime registration for someone who will never sell their car
- Place more back years of RTBs on website
- Reduce the number of extra fees – there are too many (consolidate registration, etc.)
- Registration clerks need a prompt for new inspections Replace paper temporary tags with re-usable metal plates or severely restrict their usage
- Support dealers in dropping off and picking up packets at the same time
- Synchronize registration renewals for multiple vehicle owners

Texas Department *of* **Motor Vehicles**

HELPING TEXANS GO. HELPING TEXAS GROW.

Committee Meeting Date: 6/29/2022
ACTION ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Glenna Bowman, Chief Financial Officer
Agenda Item: 4.B
Subject: Preliminary FY 2024 – 2025 Legislative Appropriations Request

RECOMMENDATION

I recommend that the Finance and Audit Committee recommend that the board direct department staff to prepare the FY 2024-2025 Legislative Appropriations Request to include the LAR items presented by staff, and all reports and schedules required by the Legislative Budget Board in its LAR Instructions, subject to any technical corrections that are approved by the department's Chief Financial Officer and Executive Director to comply with the instructions from the Legislative Budget Board.

PURPOSE AND EXECUTIVE SUMMARY

This item requests the Finance and Audit Committee to make a recommendation to the full board regarding the department's proposed Legislative Appropriations Request (LAR) for the FY 2024-25 biennium.

The LAR is the department's biennial budget request that is submitted to the Texas Legislature, which convenes in regular session in January of each odd-numbered year. The current LAR will provide funding for the FY 2024-2025 biennium, which begins September 1, 2023, and ends August 31, 2025. The LAR is divided into two components:

> ***Baseline Funding*** — funding necessary to maintain existing operations and capital projects, plus adjustments for essential operational needs that can be supported by revenues and available balances within TxDMV Fund 0010; and

> ***Exceptional items*** — for funding requests that exceed the General Revenue (GR) baseline limit established by the Legislative Budget Board, or that promote transparency and provide visibility with the Legislature into the department's highest priority needs.

The LAR also includes requests for additional staffing (FTEs), the maximum salary allowed for the Executive Director, capital budget authority and updates/amendments to appropriation riders.

The department is currently in the process of evaluating needed increases to its baseline funding. With the current economy, costs are increasing, which is driving the cost of numerous items in the baseline budget. We have worked to ensure that the items in the proposed baseline budget are essential to the efficient operation of the TxDMV and are well within projected revenue levels and available cash balances in the TxDMV Fund 0010. We have identified $40.9 million for items that are essential to the department's operational needs, resulting in a baseline funding increase of 14.9%. The funding will provide for a wide array of needs, including additional staff to continue improvements in Temp Tag activities; increases in facilities maintenance costs due to the transfer of the Camp Hubbard campus from TxDOT to TxDMV; increases in information technology contractor rates and other contract costs that will support hardware and software compliance upgrades and continued fraud mitigation efforts; and cost and volume increases for postage and sticker paper.

Staff proposes that four (4) Exceptional Items be submitted in the LAR, as follows:

- Registration and Title System (RTS) Replacement Planning and Design
- Expand Regional Service Center (RSC) Presence in Houston and Dallas
- Provide Full Funding for the Motor Vehicle Crime Prevention Authority (MVCPA)
- Provide budget authority for the Camp Hubbard Renewal Project

Included in the LAR packet provided to the Board are details related to the baseline and exceptional item requests, as well as a capital budget project summary and proposed rider revisions.

The LAR will be due to the Legislative Budget Board and Office of the Governor in August 2022.

FINANCIAL IMPACT
TxDMV is a revenue-generating agency for the state, collecting revenues from registrations, licenses, titles, permits, and credentials. The department's budget request is supported by its collections. Department staff estimate that TxDMV will collect $4.18 billion in total for the State in FY 2024-2025. Of that amount, an estimated $363.0 million will be deposited to the TxDMV Fund 0010, which provides funding for the majority of the department's appropriations request. The LAR also includes General Revenue (GR) funding for the MVCPA.

BACKGROUND AND DISCUSSION
The department is in the process of evaluating needed increases to its baseline funding. All divisions initially submitted requests that totaled $59.4 million. Of that amount, $40.9 million has been identified as essential to the department's operational needs, resulting in a baseline funding increase of 14.9%. The funding will provide for a wide array of needs, including additional staff to continue improvements in Temp Tag activities, as well as additional staff for VTR specialty plates, cybersecurity, facilities maintenance, and internal audit. The baseline also includes funding adjustments to address critical needs, including increases in facilities maintenance costs due to the transfer of the Camp Hubbard campus from TxDOT to TxDMV; increases in information technology contractor rates and other contract costs that will support hardware and software compliance upgrades and continued fraud mitigation efforts; and cost and volume increases for postage and sticker paper.

The capital budget includes funding for Regional Service Center Maintenance, TxDMV Technology Replacement & Upgrades, Personal Computer Replacement, Technology Replacement & Upgrades for Regional Support of the County Tax-Assessor-Collector Offices, Replacement Vehicles, Data Center Services, and the Camp Hubbard Renewal Project.

Staff is proposing to submit a total of four (4) exceptional items, which include:

- **Registration and Title System (RTS) Replacement Planning and Design.** This is Phase One of a two-part process. In FY 2024-25, the department will study the entire RTS eco-system to determine how to approach the replacement of this legacy system and its many interfaces to related systems and components. The results of Phase One will direct efforts for funding and implementing a new system beginning in FY 2024-25. The estimated cost of this planning initiative is $5.5 million.

- **Expand Regional Service Center (RSC) presence in Houston and Dallas.** The Houston and Dallas Regional Service Centers (RSCs) are expected to outgrow their current facilities by 2028. In anticipation of future growth, and to better serve our customers, TxDMV staff recommend opening a new RSC substation in Houston and Dallas. It is estimated that approximately half of the current Houston and Dallas RSC customer bases would utilize the new locations. An additional supervisor would be required to oversee each location. One existing coordinator and one-third of the existing staff in the current Houston and Dallas RSCs would be reassigned to the new locations. In addition, three additional customer service representatives are needed for each substation to adequately staff the new locations. The total cost for this item is $2.6 million.

Texas Department of Motor Vehicles

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➢ **Provide Full Funding for MVCPA** This item would appropriate the full 20% of revenues collected under Transportation Code, Sec. 1006.153 (e) (1) to the Authority, as required by the statute.

Item Description	2022	2023	FY 2022-23 Total	FY 2024 Total	FY 2025 Total	FY 2024-25 Total	Biennial Request
Increase MVCPA Base Appropriation to appropriate full 20% of revenues collected. The increase in the appropriated amount will provide funding for six (6) additional FTEs, including three (3) FTEs for administrative support and three (3) FTEs for the creation of a Fee Collections Unit:	$14,979,605	$14,979,605	**$29,959,210**	$21,943,815	$22,268,108	**$44,211,923**	**$14,252,713**

➢ **Camp Hubbard Renewal Project**
The department is working with the vendor (Marmon-Mok) and TFC to develop the costs for this project. Initial estimated costs include site work and demolition of Building 5, new office building and parking garage, renovations to Building 6 and upgrades to the Central Utility Plant.

The preliminary LAR will also propose the continuation of riders that currently exist in the FY 2022-2023 budget, with changes to dates and amounts, as well as one nomenclature change to Rider 4. In addition, a new rider will be requested to authorize the appropriation of MVCPA fees as authorized by statute.

Texas Department of Motor Vehicles

Preliminary FY 2024–2025
Legislative Appropriations Request

Legislative Appropriations Request Process

Legislative Appropriations Request (LAR) - The LAR is the department's biennial budget request that is submitted to the Texas Legislature, which convenes in regular session in January of each odd-numbered year.

➢ The current LAR will provide funding for the FY 2024-2025 biennium, which begins September 1, 2023, and ends August 31, 2025.

➢ The LAR is divided into two components:

Baseline Funding — funding necessary to maintain existing operations and capital projects, plus adjustments for essential operational needs that can be supported by revenues and available balances within TxDMV Fund 0010; and

Exceptional items — for funding requests that exceed the General Revenue (GR) baseline limit established by the Legislative Budget Board, or that promote transparency and provide visibility with the Legislature into the department's highest priority needs.

➢ The LAR also includes requests for additional staffing (FTEs), the maximum salary allowed for the Executive Director, capital budget authority and updates/amendments to appropriation riders.

Due Date

➢ The due date for the LAR is expected to be the first week of August.

FY 2024-2025 Estimated Revenue Collections by Fund

TxDMV is a revenue-generating agency for the state, collecting revenues from registrations, licenses, titles, permits, and credentials. Revenues collected by TxDMV are deposited into the State Highway Fund (Fund 0006), which is the primary source of funding for the state's transportation and infrastructure system; TxDMV Fund (Fund 0010); and General Revenue Fund (Fund 0001). Estimated revenue collections for each of these funds is shown in the following table.

Estimated TxDMV Revenue Collections by Fund				
Fund Type	FY 2022	FY 2023	FY 2024	FY 2025
State Highway Fund 0006	$ 1,716,973,000	$ 1,735,033,000	$ 1,769,332,000	$ 1,804,312,000
TxDMV Fund 0010	177,299,000	177,333,000	180,155,000	182,938,000
General Revenue Fund 0001	121,143,000	122,295,000	124,061,000	125,988,000
Total	$ 2,015,415,000	$ 2,034,661,000	$ 2,073,548,000	$ 2,113,238,000

Projected deposits to TxDMV Fund 0010 for the four-year period beginning in FY 2022 are broken out by major categories in the table below. In general, revenues are expected to increase 1% to 2% each year. Registration revenue is expected to drop 3% in FY 2023 and then increase 1.5% in FY 2024 and 1% in 2025. Motor vehicle business licenses are estimated to fall 2% in FY 2023, hold steady in FY 2024, and increase in FY 2025. Revenue expectations for the registration and business-licenses categories partially reflect the effect of chip shortages and dealer-inventory availability.

Estimated TxDMV Fund 0010 Revenue Collections				
Category	FY 2022	FY 2023	FY 2024	FY 2025
Motor Vehicle Certificates of Title	$ 48,125,000	$ 48,950,000	$ 49,646,000	$ 50,353,000
Motor Vehicle Registration	42,898,000	41,540,000	42,179,000	42,635,000
Motor Carrier - Oversize/Overweight	13,517,000	13,720,000	13,926,000	14,134,000
Motor Vehicle Business Licenses	7,216,000	7,072,000	7,072,000	7,143,000
Processing and Handling Fee	56,332,000	56,896,000	58,034,000	59,194,000
Miscellaneous Fees	9,211,000	9,155,000	9,298,000	9,479,000
Total	$ 177,299,000	$ 177,333,000	$ 180,155,000	$ 182,938,000

Baseline Increases

The department is currently in the process of evaluating needed increases to its baseline funding. $40.9 million has been identified as essential to the department's operational needs, resulting in a baseline funding increase of 14.9%, as shown in the table below:

Fund 0010 Funding Description	Biennial Cost 2024-2025	FTE Count	One-time Costs	Ongoing Costs
FY 2024-25 Est. Baseline Funding Increase	**40,897,459**	**32.0**	**3,700,000**	**37,087,459**
FY 2022-23 Baseline Funding (from GAA)	275,350,404	808.0	275,350,404	275,350,404
Increase / Decrease	14.9%	4.0%	1.3%	13.5%

The funding will provide for a wide array of needs, including:

➢ additional staff to continue improvements in Temp Tag activities, as well as additional staff for other essential functions, including VTR specialty plates, cybersecurity, facilities maintenance, and internal audit; salary increases to address staff recruitment and retention issues.

➢ operational cost increases related to taking on facilities maintenance responsibilities resulting from the transfer of the Camp Hubbard campus from TxDOT to TxDMV; cost increases in information technology contractor rates and additional contract costs for resources to support hardware and software compliance upgrades and continued fraud mitigation efforts; cost and volume increases for postage and registration sticker paper; and dues increases from national DMV organizations (American Association of Motor Vehicle Administrators (AAMVA), International Registration Plan (IRP)).

➢ Costs related to Okta acquisition and implementation, which will provide improved cybersecurity features, including dual authentication, which are necessary to protect customer data and provide necessary system security features. Costs for this item may be reduced or eliminated entirely if alternate funding becomes available from the Texas Department of Information Resources (DIR) or federal sources.

Full-Time Equivalents (FTE) - Baseline Request

Purpose	Biennial Cost of FTEs	FTE Count
Enforcement – Temp Tags/Case Backlog 8 Investigator IVs,1 Investigator VI,1 Attorney III	$1,245,920	10.0

Motor Vehicle Division – Temp Tags/License Processing
  1 Program Supervisor,1 Lead Background Analyst,2 Background Analysts
  1 Lead Quality Assurance Analyst, 2 Temp Tag Specialists
  2 License & Permit Specialists
	$1,012,470	9.0

Finance and Admin Services 1 HVAC Mechanic, 1 Maintenance Specialist	$205,453	2.0
Internal Audit 1 Auditor IV (Most of cost to be offset by savings from contractor currently in Internal Audit)	$184,598	1.0
Information Technology 2 Cybersecurity Analysts, 1 Data Architect, 1 Data Analyst, 2 System Administrators for Access/Identity Mgmt.	$996,000	6.0
Vehicle Titles and Registration – Special Plates/Public Information Requests 2 Operations Specialists, 2 Record Analysts	$330,680	4.0
Total FTE Requests	$3,975,121	32.0
Plus: Fringe Benefits (30%)	$1,192,536	
Grand Total	$5,167,657	32.0

FY 2024-2025 Capital Budget Project Summary

The following table presents the preliminary FY 2024-2025 capital budget, including proposed changes to naming conventions and the deletion of line items that are not necessary for the effective administration of the department's capital budget.

Capital Budget	Biennial Appropriation	Preliminary Biennial Base Request
	FY 2022-2023	FY 2024-2025
RSC Maintenance and Repair	$ 500,000	$ 700,000
TxDMV ~~Automation System~~ Technology Replacement & Upgrades	5,000,000	10,500,000
PC Replacement	541,600	1,278,080
~~Growth and Enhancement – Agency Operations Support~~	1,614,996	-
Technology Replacement and Upgrades - Regional Support for County Tax Assessor- Collector Offices	10,025,000	10,025,000
Transportation – Replacement Vehicles	90,000	158,000
Data Center Consolidation	20,260,761	25,737,428
~~Cybersecurity Initiative Projects~~	400,000	-
Camp Hubbard Renewal *		100,000,000
Total Capital Budget	**38,432,357**	**148,398,508**
Method of Finance		
Texas Department of Motor Vehicles Fund 0010	$38,432,357	$148,398,508
Total Method of Finance	**$38,432,357**	**$148,398,508**

The cost estimate for this project is a placeholder until additional planning and analysis is completed by the department's contracted vendor, with additional input from TxDMV management and the Texas Facilities Commission (TFC) staff who are providing project management services for this effort.

FY 2024-2025 Preliminary Exceptional Items

TxDMV is presenting four exceptional items for consideration, as follows:

➢ **Registration and Title System (RTS) Replacement Planning and Design.** This is Phase One of a two-part process. In FY 2024-25, the department will study the entire RTS eco-system to determine how to approach the replacement of this legacy system and its many interfaces to related systems and components. The results of Phase One will direct efforts for funding and implementing a new system beginning in FY 2024-25. The estimated cost of this planning initiative is $5.5 million.

➢ **Expand Regional Service Center (RSC) Presence in Houston and Dallas.** The Houston and Dallas Regional Service Centers (RSCs) are expected to outgrow their current facilities by 2028. In anticipation of future growth, and to better serve our customers, TxDMV staff recommend opening a new RSC substation in Houston and Dallas. It is estimated that approximately half of the current Houston and Dallas RSC customer bases would utilize the new locations. An additional supervisor would be required to oversee each location. One existing coordinator and one-third of the existing staff in the current Houston and Dallas RSCs would be reassigned to the new locations. In addition, three additional customer service representatives are needed for each substation to adequately staff the new locations.

➢ **Provide Full Funding for MVCPA** This item would appropriate the full 20% of revenues collected under Transportation Code, Sec. 1006.153 (e)(1) to the Authority, as required by the statute.

Item Description	2022	2023	FY 2022-23 Total	FY 2024 Total	FY 2025 Total	FY 2024-25 Total	Biennial Request
Increase MVCPA Base Appropriation to appropriate full 20% of revenues collected. The increase in the appropriated amount will provide funding for six (6) additional FTEs, including three (3) FTEs for administrative support and three (3) FTEs for the creation of a Fee Collections Unit:	$14,979,605	$14,979,605	**$29,959,210**	$21,943,815	$22,268,108	**$44,211,923**	**$14,252,713**

➢ **Provide Budget Authority for Camp Hubbard Renewal Project**
The department is working with the vendor (Marmon-Mok) and TFC to develop the costs for this project. Initial estimated costs include site work and demolition of Building 5, new office building and parking garage, renovations to Building 6 and upgrades to the Central Utility Plant.

Riders

A "rider" is a legislative directive or appropriation inserted in the General Appropriations Act (GAA) following the line items of appropriation for an agency or, in the special or general provisions of the GAA. A rider provides direction, expansion, restriction, legislative intent, or an appropriation. A rider may be requested by an agency or may be drafted and inserted by the legislature. The following rider updates and changes will be requested:

Rider	Preliminary Language
Rider 3	**Appropriation of Special License Plate Fees**. Out of amounts appropriated above to the Department of Motor Vehicles from the Texas Department of Motor Vehicles Fund in Strategy A.1.1, Titles, Registrations, and Plates, the amounts of ~~$5,036,637~~ $9,225,000 in fiscal year ~~2022~~ 2024 and $9,317,000 in fiscal year ~~2023~~ 2025 are for the purpose of making contract payments to the vendor selected by the Department of Motor Vehicles for the marketing and sale of personalized and specialty license plates pursuant to Transportation Code §§504.851 and 504.852 from fees collected from the sale of personalized and specialty license plates. In addition to amounts appropriated above in Strategy A.1.1, Titles, Registrations, and Plates, any additional fees collected from the sale of personalized and specialty license plates (Object Code 3014) and deposited to the credit of the Texas Department of Motor Vehicles Fund for the purposes of making contract payments to the vendor selected by the Department of Motor Vehicles for the marketing and sale of personalized and specialty license plates are appropriated for the same purpose. Any unobligated or unexpended balances of these funds remaining as of August 31, ~~2022~~ 2024 are appropriated in the fiscal year beginning September 1, ~~2022,~~ 2024 for the same purpose
Rider 4	**Unexpended Balance and Capital Authority: TxDMV ~~Automation Systems~~ Technology Replacement & Upgrades**. In addition to amounts appropriated above for the TxDMV Technology Replacement & Upgrades ~~Automation System~~ capital budget item in Rider 2, Capital Budget, any unexpended balances remaining as of August 31, ~~2021~~ 2023 (estimated to be $0), from appropriations made to the Department of Motor Vehicles in Strategy A.1.4, Technology Enhancement and Automation, for the state fiscal biennium ending August 31, ~~2021~~ 2023, for the TxDMV Technology Replacement & Upgrades ~~Automation System~~ capital budget item ~~project~~ are appropriated for the same purpose in the state fiscal biennium beginning September 1~~, 2021~~ 2023.
Rider 7	**Unexpended Balance Appropriation: TxDMV Headquarters Maintenance Projects.** In addition to amounts appropriated above, any unexpended balances of appropriations remaining as of August 31, ~~2021~~ 2023, from appropriations made to the Department of Motor Vehicles in Strategy C.1.3, Other Support Services, for the fiscal biennium ending August 31~~, 2021~~ 2023, for the TxDMV Headquarters Maintenance Projects capital budget project (estimated to be $0) are appropriated for the same purpose in the state fiscal biennium beginning September 1, ~~2021~~ 2023.

Updates include changes to dates and amounts, as well as the nomenclature change to Rider 4 to conform to the revised Capital Budget structure.

Rider	Preliminary Language
New	**Appropriation of Motor Vehicle Crime Prevention Authority Revenues**. Included in amounts appropriated above to the Texas Department of Motor Vehicles in Strategy B.2.1, Motor Vehicle Crime Prevention, is $21,943,815 in FY 2024 and $22,268,108 in FY 2025, to be used for the purposes set forth in Transportation Code, Chapter 1006, Motor Vehicle Crime Prevention Authority. Any amounts received and deposited to the General Revenue Fund in accordance with Transportation Code, Sec. 1006.153 (e)(1) (revenue code 3206) that are in excess of the amounts appropriated above in Strategy B.2.1. are hereby appropriated to the Texas Department of Motor Vehicles for the same purpose. In addition to amounts appropriated above, any unexpended balances of appropriations remaining as of August 31, 2023, from appropriations made to the Department of Motor Vehicles in in Strategy B.2.1, Motor Vehicle Crime Prevention, for the fiscal biennium ending August 31, 2023, (estimated to be $0) are appropriated for the same purpose in the state fiscal biennium beginning September 1, 2023.

This rider would allow the MVCPA to utilize all statutorily authorized revenues directed to the MVCPA by Transportation Code, 1006.153 (e) (1) by making Strategy B.2.1. an estimated revenue appropriation and providing budgetary authority to move unexpended balances remaining at the end of each fiscal year to the following year to carry out the purposes of Transportation Code, Chapter 1006, relating to the MVCPA.

Texas Department *of* Motor Vehicles
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Committee Meeting Date: 6/29/2022
BRIEFING ITEM

To:	Finance & Audit Committee, Texas Department of Motor Vehicles Board
From:	Eric Horn, Director of Accounting Operations
Agenda Item:	4.C
Subject:	Texas Comptroller of Public Accounts Post-Payment Audit of TxDMV

RECOMMENDATION
Briefing only – no recommendation.

PURPOSE AND EXECUTIVE SUMMARY
The Texas Department of Motor Vehicles (TxDMV) was selected for a routine post-payment audit from the Texas Comptroller of Public Accounts under the authority granted in Texas Government Code Section 403.011. The audit covered the period beginning December 1, 2019, through November 30, 2020. The final report was published on April 7, 2022.

FINANCIAL IMPACT
None.

BACKGROUND AND DISCUSSION
The Comptroller of Public Accounts conducts post-payment audits of state agencies and state institutions of higher education on a routine basis.

The objectives of the audit from the Expenditure Audit Section in the Comptroller's Fiscal Management Division were to confirm the following:

- Contracts were procured according to the applicable state laws and Comptroller requirements
- Payments were processed according to applicable state laws, Comptroller requirements, and statewide automated system guidelines
- Documentation to support those payments was appropriately maintained
- Financial transactions and high-risk assets were properly recorded
- Appropriate security measures over payments were implemented

The audit results showed that TxDMV largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. TxDMV was fully compliant in five of the eight areas audited: payroll, travel, grants, refund of revenue, and fixed asset transactions.

Three out of the eight areas audited had findings and the audit recommendations have been fully implemented. For purchase and contract transactions, there was failure to report information to the Vendor Performance Tracking System (VPTS). A contract closeout checklist was implemented by Purchasing staff in December 2021 to address this finding and to ensure that a vendor performance report is timely filed in VPTS.

For internal control structure, the finding was related to two staff members' ability to process and approve expenditure payments. Additional analysis by the audit team found that no issues occurred, but there was a segregation of duties conflict. This conflict occurred due to internal promotions for staff which included additional security access without the removal of existing access. TxDMV has updated internal procedures going forward to ensure that all security access is removed from the employee prior to requesting the new security access required for the new position.

Texas Department *of* Motor Vehicles

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Additional security control weaknesses were identified related to timely notification to the Comptroller for two separated employees. One request to remove a separated employee from the agency's Signature Card was received four days past the deadline, while another request to remove security access from a separated employee was also received four days past the deadline. TxDMV has updated internal procedures to be more proactive in notifying the Comptroller prior to the last physical day worked of the separated employee.

Glenn Hegar | Texas Comptroller of Public Accounts

April 7, 2022

Mr. Daniel Avitia
Acting Executive Director
Texas Department of Motor Vehicles
4000 Jackson Ave.
Austin, Texas 78731

Dear Mr. Avitia:

We have completed a post-payment audit of certain payroll, purchase and travel transactions of the Texas Department of Motor Vehicles (Department). We would like to thank you and your staff for your responsiveness and cooperation in assisting us with this audit. A draft of this audit report was sent to Chief Financial Officer Glenna Bowman on March 10, 2022. The Department's response to the draft is included in this report.

Our purpose was to determine whether the Department's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the Uniform Statewide Accounting System (USAS) and the Centralized Accounting and Payroll/Personnel System (CAPPS). The Department is responsible for ensuring that its staff is knowledgeable in these areas.

We intend for this report to be used by the Department's management and certain state officials and agencies as listed in Texas Government Code, Section 403.071. However, this report is a public record and its distribution is not limited.

We noted other matters involving expenditure processing by the Department that we communicated to Ms. Bowman in an email dated March 10, 2022.

The Department may inquire about and register for training related to expenditures through the Fiscal Management Training Center. Fiscal Management has converted several classes to instructor-led webinars. If you have immediate training needs, review our current web-based training and tutorials and CAPPS training options or contact your Fiscal Management contacts for assistance.

We would like input from you or your designee on the quality of the audit process and the service the audit staff provided while conducting this audit. Please take our Fiscal Management Audit Survey to rate and comment on the post-payment audit process. Your feedback is greatly appreciated.

Comptroller.Texas.Gov   512-463-4444
P.O. Box 13528   Toll Free: 1-800-531-5441   ext: 3-4444
Austin, Texas 78711-3528   Fax: 512-463-4902

Mr. Daniel Avitia
April 7, 2022
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Thank you for your cooperation. If we can be of any further assistance, please contact Amanda Price at amanda.price@cpa.texas.gov or 512-475-1426.

Sincerely,

Jennifer Smith
Payment Operations Area Manager
Fiscal Management Division

Attachments

cc: Shelly Mellott, Deputy Executive Director, Texas Department of Motor Vehicles
     Glenna Bowman, Chief Financial Officer, Texas Department of Motor Vehicles
     Chris Hayden, Deputy Chief Financial Officer, Texas Department of Motor Vehicles
     Salem Chuah, Internal Audit Director, Texas Department of Motor Vehicles Jason
     Gonzalez, Interim Internal Audit Director/Sr. Internal Auditor,
         Texas Department of Motor Vehicles
     Amanda Price, Auditor, Texas Comptroller of Public Accounts

An Audit of the
Texas Department of Motor Vehicles

Audit Report # 608-21-01
April 7, 2022

Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas Department of Motor Vehicles (Department):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office) and covers the period from Dec. 1, 2019, through Nov. 30, 2020.

Background

The Texas Department of Motor Vehicles was created by the state Legislature in 2009 and became operational that year. The Department registers vehicles, regulates vehicle dealers, credentials buses and big trucks for intrastate and interstate commerce, issues oversize and overweight permits, and awards grants to law enforcement agencies to reduce vehicle burglaries and thefts.

> **Texas Department of Motor Vehicles website**
> https://www.txdmv.gov/

Audit Results

The Department largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll, travel, grant, and refund of revenue transactions and property management. However, the Department should consider making improvements to its procurement, security and segregation of duties processes.

The auditors reissued one finding from the last audit conducted at the Department related to vendor performance reporting. Auditors originally issued this finding in April 2021. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	**Fully Compliant**
<u>Purchase and Contract Transactions</u>	Did purchase and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	⟳ **Failure to report to the Vendor Performance Tracking System.**	**Compliant, Findings Issued**
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	**Fully Compliant**
Grant Transactions	Did grant transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	**Fully Compliant**
Refund of Revenue Transactions	Did refund of revenue transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	**Fully Compliant**
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	**Fully Compliant**
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	Control weakness over expenditure processing.	**Control Weakness Issues Exist**
<u>Security</u>	Are Department employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	Failure to notify Comptroller to remove employee from signature card and failure to request security access removal.	**Control Weakness Issues Exist**

⟳ Repeat Finding

Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- Reporting required contracts and purchases to the Vendor Performance Tracking System (VPTS).
- Ensuring compliance with the security revocation requirements for terminated employees.
- Segregating expenditure processing tasks to the maximum extent possible to ensure that no individual can process payments without oversight.

Detailed Findings

Payroll Transactions

Auditors developed a sample of 30 employees with 148 payroll transactions totaling $353,659.58 to ensure the Department complied with the GAA, **Texas Payroll/Personnel Resource (FPP F.027)** and pertinent statutes. Audit tests revealed no exceptions in this group of transactions.

Purchase/Procurement and Contract Transactions

Auditors developed a sample of 40 purchase transactions totaling $11,831,252.28. Two contracts totaling $533,795.96 were also selected for review, for one contract a sample of two contract payments totaling $103,504.80 and for the other contract all 62 payments totaling $375,185.26 were reviewed to ensure the Department complied with the GAA, **eXpendit (FPP I.005)**, *State of Texas Procurement and Contract Management Guide* and pertinent statutes. Audit tests revealed one exception for this group of transactions.

Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/ Award	Contract Management
Contract A	$481,187.96	Temporary Employees	No exceptions	No exceptions	No exceptions	No exceptions	No exceptions
Contract B	$52,608	Printing of Vehicle Registrations	No exceptions	No exceptions	No exceptions	No exceptions	Failure to report to the VPTS.

Failure to Report to the Vendor Performance Tracking System

For one of the two contracts auditors reviewed, the Department did not report the vendor's performance to the VPTS after taking delivery of the goods ordered. The Comptroller's Statewide Procurement Division (SPD) administers the VPTS for use by all ordering agencies per **34 Texas Administrative Code Section 20.115**. The VPTS relies on agency participation to gather information on vendor performance. All agencies must report vendor performance on purchases over $25,000 from contracts administered by the SPD or any other purchase over $25,000 made through delegated authority granted by SPD. Ordering entities are also encouraged to report vendor performance for purchases under $25,000. The requirement also calls for the provision of supporting documentation. See **Texas Government Code, Section 2155.089**. According to the Department, this occurred due to an ineffective peer review process.

Recommendation/Requirement

The Department should ensure that, as part of its contract close-out process, vendor performance is reported to the VPTS, which is maintained by SPD. This reporting is required for all contracts and purchases with a value greater than $25,000.

Department Response

A contract and purchaser order close out process was implemented in December 2021 that requires a contract close out to be conducted for any contract or PO with a value of $25,000 or greater. Part of this process and included in the closeout checklist is a certification that a vendor performance report is filed in the VPTS.

Travel Transactions

Auditors developed a sample of 15 travel transactions and three non-overnight travel transactions totaling $3,375.61 and $57.42 to ensure the Department complied with the GAA, **Textravel (FPP G.005)** and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Grant Transactions

Auditors developed a sample of three grant transactions totaling $764,278.50 to ensure the Department complied with state laws and regulations pertaining to grants/loans and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Refund of Revenue Transactions

Auditors developed a sample of five refund of revenue transactions totaling $251,438.25 to ensure the Department complied with the GAA, ***Refunding Deposits (APS 013)* (FPP A.033)** and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System. Audit tests revealed no exceptions in these transactions.

Security

The audit included a security review to identify Department employees with security in the Uniform Statewide Accounting System (USAS) or on the voucher signature cards who were no longer employed or whose security had been revoked. At termination or revocation, certain deadlines must be met so that security can be revoked in a timely manner. Audit tests revealed the following exception.

Failure to Notify Comptroller to Remove Employee From Signature Card and Failure to Request Security Access Removal

During the audit period, the Department failed to timely notify the Comptroller's office about the termination of two employees who had been designated to approve its expenditures. The request to remove one employee's security in USAS was sent four days late and the request to remove the other employee from the signature card was also four days late. This could have permitted the employees to approve electronic and paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by an electronic or paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. The auditors researched the archived files and determined no unapproved documents were processed during the audit period.

When an employee's authority to approve agency expenditures is revoked in USAS for any reason, the employee's security profile must be changed no later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See **34 Texas Administrative Code Section 5.61(k)(5)(A)-(B)**.

For signature cards, whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification. See **34 Texas Administrative Code Section 5.61(k)(3)(B)**.

The Department stated that this occurred due to incomplete internal procedures.

Recommendation/Requirement

The Department must ensure compliance with security revocation requirements for terminated employees. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the termination on or before the dates the revocation becomes effective and follows up with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

Department Response

Remove Employee from Signature Card: Internal procedures have been updated to ensure that employees are removed from the Signature Card promptly, regardless of whether or not their security access has already been removed or is inactive. A signed memo is required by the TxDMV Executive Director to officially request the removal of employees. The agency security coordinator will proactively route a memo to the Executive Director for review and signature prior to the last physical day the employee will work. Additionally, the department has implemented a three-step approach to contact the Comptroller's office. First, an email is sent by the agency security coordinator to notify the Comptroller that an employee should be removed from the Signature Card. Second, an email is sent by the agency security coordinator with an electronic copy of the signed memo from the TxDMV Executive Director requesting that an employee be removed from the Signature Card. Included in this email will be a request for the Comptroller's office to acknowledge receipt of the notification. Finally, a physical copy of the Executive Director memo is mailed to the Comptroller by the Accounting Operations staff.

Request Security Access Removal: Internal procedures have been updated to no longer wait for the automated email from CAPPS HR indicating that a Manager Self-Service Separation was submitted for the terminated employee. Additionally, all managers are required to send an exit email to a distribution list of relevant staff from Human Resources, Finance and Administrative Services, and Information Technology Services when employees are being terminated. This email includes the last physical day the employee will work and indicates when access should be removed. Agency security coordinators are included on this email distribution and will notify the Comptroller's office and revoke access accordingly. Additional training will be conducted for all managers and agency security coordinators to ensure that this process is followed and deadlines are not missed.

Internal Control Structure

The review of the Department's internal control structure was limited to obtaining reports identifying current user access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed the following exception in user access.

Controls Over Expenditure Processing

Auditors reviewed certain limitations that the Department placed on its accounting staff's ability to process expenditures. The audit did not review or test any internal or compensating controls that the Department might have relating to USAS, the Standardized Payroll/Personnel Reporting System (SPRS), the Centralized Accounting and Payroll/ Personnel System (CAPPS) or the Texas Identification Number System (TINS) security or internal transaction approvals. The review of the Department's segregation of duties was limited to obtaining reports identifying current user access. The audit tests revealed the following exceptions in user access.

- One employee could enter/edit a payment voucher and payroll and release/approve a payment voucher and payroll in USAS.

- A second employee could create/edit/update a vendor or employee profile/direct deposit information and change the warrant hold status of a vendor in TINS, release/approve a payment in USAS, and was on the agency's signature card (could approve a paper voucher for expedite).

The Department received a schedule of these findings during fieldwork. It stated that this occurred due to incomplete review of security profiles for internal promotions. Auditors also ran a report to determine whether any of the Department's payment documents processed through USAS during the audit period because of the action of only one individual. No issues were identified.

Recommendation/Requirement

To reduce risk to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

Auditors strongly recommend that the Department implement the following:

1. The Department must limit user access to either enter/change voucher or release/approve batch. If the Department cannot separate the functions and/or does not have other internal mitigating controls in place, the Department must elect to have the document tracking control edit on the Agency Profile (DØ2) set to either:

    - Prevent a user from releasing a batch that the same user entered or altered.
      –or–
    - Warn the user when the same user attempts to release his or her own entries or changes. See **USAS Accounting and Payment Control (FPP B.005)**.

    Additionally, the Department must review the preventive and detective controls over expenditure processing discussed in **USAS Accounting and Payment Control (FPP B.005)**, such as the Risky Document Report (DAFR9840) which identifies documents that the same user entered or altered and then released for processing.

2. The Department must work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USAS.

3. The Department must limit the access of users who can enter/change voucher or release/approve batch in USAS and who can approve paper vouchers (being on the signature card) to view only access in TINS (PTINS02). An individual must not be able to approve a payment and create or change vendor direct deposit information/profile.

4. The Department must ensure that employees who can approve an expedited payment (being on the signature card) do not have the ability to change a vendor or an employee profile or their warrant hold status in TINS.

Department Response

Internal procedures have been updated to ensure that all existing security access for employees that are changing roles is removed completely before access is requested for their new role. Additional review steps have been added to monthly agency security coordinator reports to flag potential user profile conflicts. Review procedures have also been developed for employees that are on the Signature Card for the agency, to ensure that they do not have the ability to change vendor or employee profiles in TINS. Similarly, an additional step has been added to internal procedures to review TINS access of existing employees, and remove if necessary, prior to adding them to the Signature Card due to a change in role such as a promotion.

Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
    - Uniform Statewide Accounting System (USAS),
    - Uniform Statewide Payroll/Personnel System (USPS),
    - Standardized Payroll/Personnel Reporting System (SPRS),
    - Human Resource Information System (HRIS) or
    - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the Texas Department of Motor Vehicles (Department) payroll, purchase and travel transactions that processed through USAS and SPRS from Dec. 1, 2019, through Nov. 30, 2020, to determine compliance with applicable state laws.

> *Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.*

The Department received appendices with the full report, including a list of the identified errors. Copies of the appendices may be requested through a **Public Information Act** inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Department's documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.

Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

Amanda Price, CTCD, CFE, Lead Auditor

Jack Lee

Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	**Fully Compliant**
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	**Compliant, Findings Issued**
Agency failed to comply with applicable state requirements.	**Noncompliant**
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: • Lack of appropriate and sufficient evidentiary matter. • Restrictions on information provided to auditor. • Destruction of records.	**Scope Limitation**

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	**Fully Compliant**
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	**Control Weakness Issues Exist**
Agency failed to effectively create or implement controls over payments.	**Noncompliant**

Repeat Finding Icon Definition

This issue was identified during the previous post-payment audit of the agency.

Texas Department *of* Motor Vehicles
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Committee Meeting Date: 6/29/2022
BRIEFING ITEM

To:	Texas Department of Motor Vehicles Board
From:	Salem Chuah, Internal Audit Division Director
Agenda Item:	4.D
Subject:	Internal Audit Division Status Update

RECOMMENDATION
Briefing only – no recommendation.

PURPOSE AND EXECUTIVE SUMMARY
This status update provides information on current Internal Audit Division (IAD) activities on fraud, waste, and abuse; internal engagements; and external engagements.

FINANCIAL IMPACT
None.

BACKGROUND AND DISCUSSION

Fraud, Waste, and Abuse Complaints
From April 1, 2022 to May 31, 2022, IAD received six complaints of fraud, waste, and abuse. Four of the six complaints were referred to the Department from the State Auditor's Office and have been referred internally to appropriate divisions. Two of the six complaints came from internal divisions and have been referred to appropriate divisions. IAD has no current or ongoing investigations.

Fraud Pulse Survey
IAD sent a fraud pulse survey which consists of 13 questions to 710 Department employees in March 2022 (see page 3). The questions are in the categories of ethics, reporting misconduct, accountability, and work performance.

362 (51 percent) of the 710 Department employees responded. The last fraud pulse survey sent to all Department employees was September 2020. The next fraud pulse survey will occur in Fall 2022.

The two questions with the most favorable scores are:
- Question 4: 94% of respondents stating "No" to having personally felt pressure to compromise the organization's code of ethical conduct.
- Question 1: 93% of respondents stating "Yes" to their supervisor acting in an honest and ethical way.

The two questions with the least favorable scores are:
- Question 13: 39% of respondents stating "Yes" to the organization focusing primarily on long-term results.
- Question 7: 60% of respondents stating "Yes" to being confident that wrongdoing will stop when reported.

The results from the survey are used to understand areas in the fraud policy that can be updated to be more clear, develop new processes to continue to build and enhance trust, and help identify risks that will be incorporated into the risk assessment process. Also, results are being communicated with division directors as opportunities to improve their own divisions. Specific comments from the survey are not shared and remain confidential. Only general themes from the entire Department are shared.

Internal Engagements

IAD currently has three engagements in the planning phase: Business Continuity and Disaster Recovery Audit; Contract Development Audit; and FY2023 Risk Assessment for the first six months.

There is one engagement in the fieldwork phase which is the Third Quarter Recommendation Implementation Follow-up.

IAD completed and issued three engagements in the past few months. This includes the Access Management Advisory (confidential), the co-sourced Website Components and Security Audit (confidential), and the Dealer Licensing Audit (see page 5).

The Dealer Licensing Audit's objective was to evaluate the Department's processes designed to ensure verification of dealer applicant's identities and criminal history. The audit scope was September 2020 to October 2021. IAD found the Motor Vehicle Division has defined policies and procedures along with checklists to guide the application review process. There are key performance indicators in place to ensure applications are reviewed efficiently. Also, the Board and Department have implemented new measures to prevent and deter fraudulent activity.

For the time period audited, IAD found that the dealer application review process did not consistently detect deficient application materials or consider other components to include in the review. In addition, the review process alone is not enough to identify potential bad actors. A well-designed control environment contains a mix of preventive and detective controls and continuous monitoring is needed. There was a total of four recommendations that are rated "high." The recommendations deal with improving quality control, identifying components to include in the application review process, evaluating revoked licenses and implementing training, and enhancing monitoring and notating higher-risk applicants. The Department has either acted or is currently taking action to resolve many of the issues identified in the audit.

External Engagements

The Comptroller of Public Accounts is currently conducting a dual/multiple employment desk audit to determine whether applicable requirements are followed for employees with multiple concurrent employment with the State of Texas.

The Comptroller of Public Accounts recently completed a post-payment audit on April 7, 2022. The Department was fully compliant in five of the eight areas audited: payroll, travel, grants, refund of revenue, and fixed asset transactions. The remaining three out of the eight areas audited had findings with recommendations fully implemented. These areas are purchase and contract transactions, internal control structure, and security (see Item 4.C).

The State Auditor's Office completed its contract monitoring assessment on April 20, 2022. The Department was assigned the best rating of "no additional monitoring warranted." The Department was selected for this contract monitoring assessment because it is one of the 25 largest state agencies based on cumulative contracted amounts in FY2020-21 as identified by the Legislative Budget Board.

Fraud Pulse Survey Results – March 2022

Question	Answer	Results
Q1. My supervisor acts in an honest and ethical way.	No	3%
	Unsure	5%
	Yes	93%
Q2. I have personally observed my supervisor stretching the rules at work.	No	91%
	Unsure	4%
	Yes	6%
Q3. It is difficult to progress in my organization without compromising my ethical standards.	No	85%
	Unsure	10%
	Yes	5%
Q4. I have personally felt pressure to compromise my organization's code of ethical conduct.	No	94%
	Unsure	3%
	Yes	3%
Q5. Reporting risk and whistleblowing is encouraged, without fear of retaliation.	No	11%
	Unsure	22%
	Yes	67%
Q6. I feel comfortable reporting wrongdoing to my supervisor.	No	8%
	Unsure	7%
	Yes	85%
Q7. I am confident the wrongdoing will stop when I report wrongdoing.	No	13%
	Unsure	27%
	Yes	60%
Q8. Senior leaders in my organization take responsibility, even if things go wrong.	No	11%
	Unsure	22%
	Yes	68%
Q9. People in my organization turn a blind eye to inappropriate behavior.	No	67%
	Unsure	20%
	Yes	13%
Q10. Employees are told the truth when something goes wrong.	No	10%
	Unsure	28%
	Yes	62%
Q11. Information reported to senior management reflects the actual results of operations in my work unit.	No	7%
	Unsure	30%
	Yes	63%
Q12. The performance targets in my Division are realistic and obtainable.	No	12%
	Unsure	17%
	Yes	72%
Q13. My organization focuses primarily on long-term results (greater than two years).	No	22%
	Unsure	40%
	Yes	39%

Internal Audit Division Status

Internal Engagements

	Planning	• Business Continuity and Disaster Recovery Audit • Contract Development Audit • FY2023 Risk Assessment
	Fieldwork	• Third Quarter Recommendation Implementation
	Reporting	N/A
	Issued	• Access Management Advisory • Dealer Licensing Audit • Web Components and Security Audit

External Engagements

	In-Progress	• Comptroller of Public Accounts: Dual/Multiple Employment Desk Audit
	Issued	• Comptroller of Public Accounts: Post-Payment Audit • State Auditor's Office: Contract Monitoring Assessment

Dealer Licensing Audit Highlights

June 2022

The audit evaluated the Department's processes designed to ensure verification of dealer applicant's identities and criminal history. The audit scope was September 2020 to October 2021.

What We Found

+ There are defined policies and procedures along with checklists to guide the application review process

+ Key performance indicators are in place to ensure applications are reviewed efficiently

+ The Board and Department have implemented new measures to prevent and deter fraudulent activity

⊖ The dealer application review process did not consistently detect deficient materials or other red flags

⊖ The application review process alone is not enough to identify potential bad actors

84
Dealer Revocations
(September 2020—October 2021)

20 revocations: should have been identified during application review

15 revocations: could have been identified during application review if additional components were considered

49 revocations: no deficiencies or red flags - continuous monitoring needed

What We Recommend

4
Recommendations

| Improve quality control | Identify components to include in application review | Evaluate revoked licenses and implement training | Develop monitoring and notate higher-risk applicants |

A well designed control environment contains a mix of preventive and detective controls

Dealer Licensing Process Audit Report

22-03

Internal Audit Division
June 2022

Texas Department *of* Motor Vehicles

Dealer Licensing Process, 21-03

Executive Summary

BACKGROUND

The Motor Vehicle Division (MVD) is responsible for licensing and regulating converters, distributors, franchise dealers, in-transit operators, lease facilitators, lessors, motor vehicle manufacturers, salvage industry and used motor vehicle dealers doing business in Texas.

In addition, the division determines license eligibility for licensure, protest standing, oversees and processes franchise dealer protest and complaint filings, mediates the protests and complaints, reviews products to determine if a license is required, and responds to licensing inquiries.

The objective of the audit was to evaluate the Department's processes designed to ensure verification of dealer applicant's identities and criminal history. The audit scope was September 2020 to October 2021.

RECOMMENDATIONS

IAD made four recommendations to improve application monitoring, quality control, and identification of trends in application review deficiencies. The audit recommendations were rated a priority of **HIGH.**

RESULTS

IAD found that the dealer application review processes are at a level 3 - Defined: The function followed a standardized, documented, and communicated process. The process, however, may not have been followed systematically or repeatedly.

MVD has documented policies, procedures, practices, and performance checklists. The dealer license application review process is defined, standardized, and monitored for efficiency and compliance. However, the current level of application review monitoring does not consistently detect deficient application materials or other red flags.

In addition, the review process alone is not enough to identify potential bad actors. Dealers whose license applications contained no deficiencies or red flags can subsequently commit violations warranting revocation.

IAD issued two results to address the items identified.

MANAGEMENT RESPONSE

Management has reviewed this report and agreed with the recommendations. The results section does not account for the 2021 & 2022 pre-licensing enhancements implemented by the Department prior to the Internal Audit Division's review. Management will work to implement the recommendations provided by the Internal Audit Division by the dates listed under each specific recommendation.

Texas Department *of* Motor Vehicles

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Overall Conclusion

Maturity Assessment Rating

Level 3 – Defined: The function followed a standardized, documented, and communicated process. The process, however, may not have been followed systematically or repeatedly.

Other possible ratings and definitions can be found in Appendix 1, under Maturity Assessment Rating Definition.

Strengths

+ The Motor Vehicle Division has defined policies and procedures, desk guides, and checklists to ensure applications are systematically reviewed in detail.

+ The Motor Vehicle Division has developed key performance indicators to ensure applications are reviewed efficiently.

+ The TxDMV Board and Department have implemented new measures to prevent and deter fraudulent activity. Additional safeguards are being proposed through fingerprinting and pre-licensing rule changes.

Improvements

The Texas Department of Motor Vehicles (TxDMV) has application review inconsistencies and monitoring deficiencies which resulted in issues with excessive temporary license plate production.

– **Audit Results #1: The dealer application review process does not consistently detect deficient materials or other red flags.**
  o Recommendation 1.1 - The Department should improve quality control for the application review process **(HIGH)**.

  o Recommendation 1.2 - The Department should evaluate revoked licenses to identify trends in application deficiencies and implement training opportunities for licensing specialists **(HIGH)**.

  o Recommendation 1.3 - The Department should identify additional components to include in the application process and consider requirements from other states **(HIGH).**

- **Audit Results #2: Application review alone is not enough to identify potential bad actors.**
  - Recommendation 2.1 - The Department should develop a risk-based method of monitoring active dealer licenses that consider various criteria (e.g., tag to title ratios, volume threshold, etc). This should include a method to notate higher risk applicants from the application process **(HIGH)**.

Observations

- Application review time: Efforts to combat fraudulent dealer applications include additional review by TxDMV licensing specialists such as verification of premise affidavits, corresponding photos, and certificates of occupancy. The additional review has caused an increase in the days required to approve new independent dealer (GDN) license applications. As shown in the chart below, the average number of days to approve a new GDN license application was 22.9 days from October 2021 through April 2022 compared to 13.7 average days in both FY2020 and FY2021.

Average Days to Approve New GDN Application 2019-2022
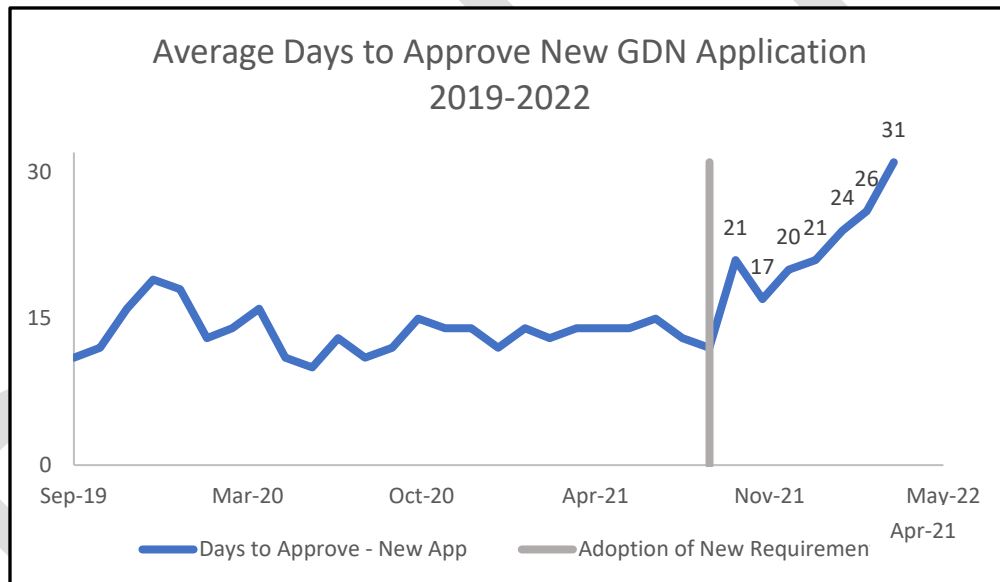
- Fingerprinting requirements: Based on the partnership with the Department of Public Safety (DPS), the interagency agreements should be based on Criminal Justice Information System (CJIS) agreements. This will result in the following:
  - Additional costs for criminal history reviews ($1 for extended access to dealer criminal history)
  - Enhanced controls for media protection, physical security, data encryption, formalization of security assessment plans, and further network segmentation of dealer/applicant criminal history information
  - An audit every three years by the Federal Bureau of Investigation - Criminal Justice Information Services Division

The detailed audit results can be found under the Audit Results section of this report (begins on page 4).

Background

The Motor Vehicle Division (MVD) is responsible for licensing and regulating converters, distributors, franchise dealers, in-transit operators, lease facilitators, lessors, motor vehicle manufacturers, salvage industry and used motor vehicle dealers doing business in Texas. In addition, the division determines license eligibility, evaluates protest standing eligibility, oversees and processes protest and complaint filings by franchise dealers, conducts protest and complaint mediation, reviews products to determine if a license is required, and responds to licensing inquiries.

Under Texas law, applicants are required to provide information about all crimes resulting in convictions or deferred adjudications regardless of when the crimes occurred. Applications are subject to a criminal history background check and criminal history review to determine eligibility (or fitness) for licensure. The Licensing Section of MVD conducts the criminal history review before issuing or renewing a license and before amending a license due to changes in ownership or management.

MVD reviews the criminal history information provided by applicants and uses third party providers to identify relevant criminal history under guidelines established by the Texas Department of Motor Vehicles (TxDMV or Department). If the application and/or background checks reveal a conviction or deferred adjudication that could be a basis for denying the license, MVD will conduct a thorough review of the criminal history. Under Occupations Code Chapter 53, TxDMV may suspend or revoke an existing license or disqualify an applicant from receiving a license because of a person's conviction of a felony or misdemeanor if the crime directly relates to the duties and responsibilities of the licensed occupation. The Department may also consider a deferred adjudication as a conviction for up to five years after the completion of the sentence.

Audit Engagement Team

The audit was performed by Jacob Geray (IT Internal Auditor), Jason E. Gonzalez (Sr. Internal Auditor), Frances Barker (Quality Assurance) and Salem Chuah (Internal Audit Director).

Audit Results

Audit Results #1: The dealer application review process does not consistently detect deficient materials or other red flags.

Condition

Processes and checklists are in place to guide dealer license application reviews. However, there are instances where application deficiencies are not consistently identified. Also, other indicators that could be seen as red flags, such as current bankruptcies and liens, are not required components in the application review.

Applications for an independent (GDN) license are submitted by a dealer applicant through eLICENSING, TxDMV's online dealer licensing management system. After submission, each application is assigned to a licensing specialist within MVD for review. This well-defined review process ensures that all application components are included, such as:

- Texas Secretary of State filing number (if an LLC or corporation),

- Lease agreement or proof of property ownership,

- Dealer licensing education certificate,

- Business photographs,

- Photo identification,

- Ownership and management criminal history,

- Motor vehicle surety bond,

- Proof of adequate signage with posted business hours,

- Proof of appropriate office space, and

- Proof of vehicle display spaces.

MVD also has an additional process where applicants with certain relevant criminal offenses, or who are affiliated with persons with relevant criminal offenses, undergo additional background research by a background research analyst.

Evidence

Research was performed using a subscription background research service on individuals associated with 84 dealer licenses revoked from September 2020 through October 2021. Research included reviewing current bankruptcies and liens, criminal history, business affiliations, business addresses, and contacts' residence history. Of the 84 revoked dealer licenses, 35 (42%) had either deficiencies in the application materials that were overlooked by a licensing specialist or other red flags not being evaluated.

Specifically, 20 of the 35 revocations had application deficiencies that should have been identified during application review, based on established procedures. These revocations had the following deficiencies:

- Inappropriate business signs with photoshopped pictures;

- Business hours not within established requirements;

- Inappropriate office spaces;

- Inappropriate locations; and

- Insufficient designated vehicle parking spaces.

The remaining 15 of the 35 revocations could have been identified during the application review process before license issuance if additional components, such as current bankruptcies and liens or expanded criminal history review, were a required part of the application process.

Impact (Effect)

The 35 dealers with deficiencies or red flags identified from September 2020 through October 2021 generated 647,110 temporary tags in excess of five times the number of estimated vehicle sales. These dealers could sell the excess temporary tags on various social media platforms.

Excessive Temporary Tags and Potential Illegitimate Proceeds		
Type	Revoked Dealer Count	Excess Temporary Tags
Bankruptcy/Lien	8	461,177
Criminal History	7	30,319
Application Deficiencies	20	155,614
Total	35	647,110

Cause

The Department implemented data integrity checks for application reviews. However, the number of application reviews checked is not enough to detect mistakes by licensing specialists. The review process includes monthly quality control checks of each licensing specialists. The quality control checks are conducted on various types of applications but do not focus on higher risk applicants. Also, according to MVD, staffing limitations limit the ability to implement application review of additional components.
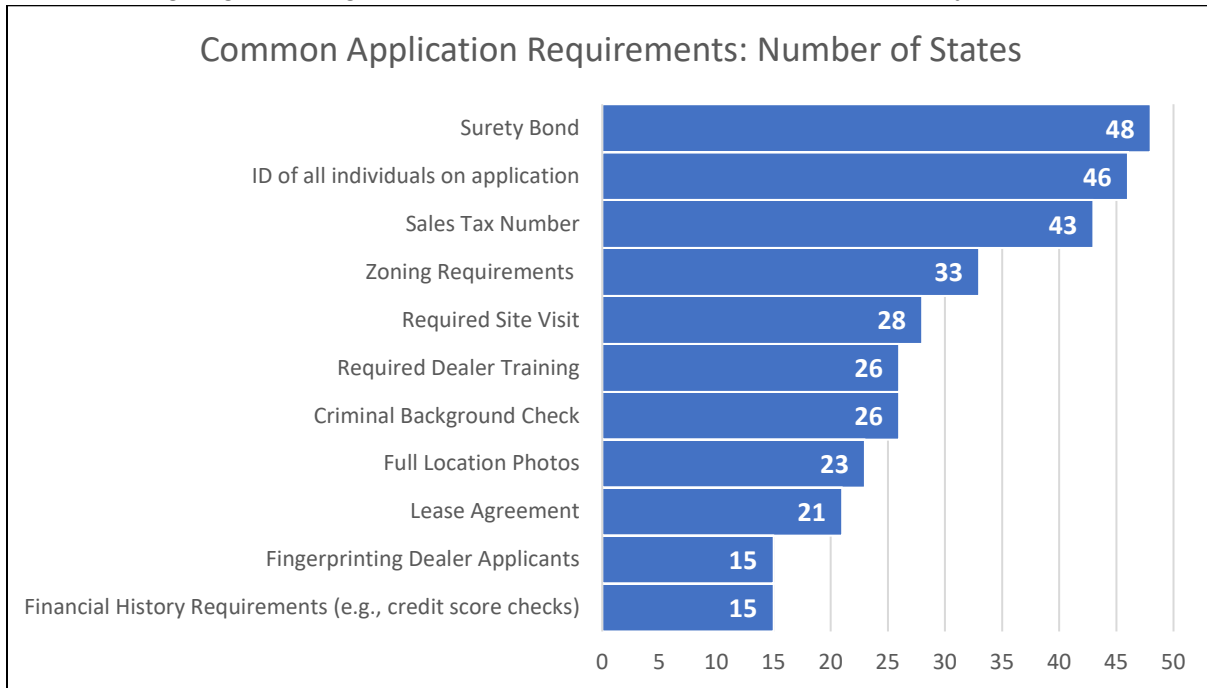
Expected State (Criteria)

The Texas Administrative Code Title 43, Chapter 215 § 215.89 states the Department shall consider licensing requirements and evidence of an applicant's fitness in determining whether an applicant is qualified to obtain a license.

The MVD Procedures GDN License Checklist requires detailed review of supporting material from the applicant. The checklist requires validation of all documents uploaded by applicants into eLICENSING.

While no industry standard has been established for dealer applicants, a review of requirements from all 50 states identified common application components. For example, 15 (30%) of 50 states require site visits and/or fingerprinting for all applicants, components that are not currently part of the dealer application process at the Department. The Department includes all of the identified common application requirements except for three: site visits for all applicants, fingerprinting, and financial history (e.g., credit score checks). While site visits are not required for all dealers, site visits are required for some applicants. Also, the Department is currently implementing fingerprinting process, which should be completed in fiscal year 2022.

Common Application Requirements: Number of States

Requirement	Number of States
Surety Bond	48
ID of all individuals on application	46
Sales Tax Number	43
Zoning Requirements	33
Required Site Visit	28
Required Dealer Training	26
Criminal Background Check	26
Full Location Photos	23
Lease Agreement	21
Fingerprinting Dealer Applicants	15
Financial History Requirements (e.g., credit score checks)	15

Recommendations

1.1   The Department should improve quality control for the application review process **(HIGH)**.

1.2   The Department should evaluate revoked licenses to identify trends in application deficiencies and implement training opportunities for licensing specialists **(HIGH).**

1.3   The Department should identify additional components to include in the application process and consider requirements from other states **(HIGH).**

Management Response and Action Plan

Management Response and Action Plan 1.1

MVD has recently expanded Licensing's background section to include two Quality Assurance (QA) Specialist positions. Hiring for these two new positions is currently underway. The job posting closed on May 31, 2022 and offers for employment are expected to be extended by June 30, 2022. Initial checks will be conducted by the QA specialists to identify any possible issues or concerns with location, premise, ownership, or affiliation prior to the application being assigned to a Licensing Specialist. This will centralize quality controls, ensure consistency in

various checks, and identify potential bad actors earlier on in the process. Training of the QA Specialists will be conducted by the Background and Fraud Unit Supervisor and the QA Specialists are expected to be fully trained by the end of the calendar year.

Management Action Plan Owners: *Monique Johnston, Motor Vehicle Division Director & Brittney Kruse, Licensing Manager*

Anticipated Completion Date*: December 31, 2022*

Management Response and Action Plan 1.2
MVD is currently reviewing the licensing applications associated with dealers denied access to the eTAG system to identify possible trends and commonalities among these license holders. With the expansion of MVD's background section, a similar action can be incorporated for revoked licenses as part of the quality assurance checks. The Background and Fraud Unit can begin to evaluate revoked licenses to identify possible trends and commonalities. However, resources for this section are limited as the new positions were created using current MVD FTEs and evaluation of revoked licenses will require increased coordination with the Enforcement division and SOAH.

The additional checks already implemented by MVD have greatly reduced the deficiencies noted in the revoked licenses reviewed during this audit. MVD will utilize the trends and commonalities identified in revoked licenses and dealers denied access to the eTAG system and will implement quarterly trainings with the Licensing Specialists to review best practices and areas of improvement in current policies and procedures.

Management Action Plan Owners: *Monique Johnston, Motor Vehicle Division Director & Brittney Kruse, Licensing Manager*

Anticipated Completion Date: *August 31, 2023*

Management Response and Action Plan 1.3
MVD implemented several actions in 2021 and 2022 to strengthen the pre-licensing process and help stop individuals who may be attempting to obtain a license for the purpose of committing fraud or criminal activity.

These actions have been aimed at strengthening fraud deterrence, while also ensuring that legitimate applicants can meet licensure requirements without unnecessary burden. These actions include the following:

- *Verifying the property owner in the County Appraisal District Records matches the property owner listed on the property deed or lease;*

- *Requiring a notarized statement from the property owner listed in the County Appraisal District record if that person is not a party included in the lease;*

- *Requesting applicants verify that the proposed business location meets all applicable state laws and municipal ordinances;*

- *Requiring a valid Certificate of Occupancy and/or Certificate of Compliance, if required by local zoning authorities;*

- *Requiring the applicant to affirm whether other businesses are operating at the same location;*

- *Flagging all associated accounts and specific addresses for review on license renewal based on Licensing Committee concerns;*

- *Requiring a notarized premises affidavit and additional premises photos for new applicants and current license holders who are relocating; and*

- *Requiring a notarized premise affidavit and additional premises photos to be submitted when a license up for renewal has a premises-related complaint history.*

Additional enhancements require possible rule changes and are currently being drafted by staff. These changes could include the following:

- *Requiring identification for all owners and managers or other authorized representatives;*

- *Performing criminal background checks on all persons listed on the application, not just owners, president and managing partners;*

- *Requiring a notarized photo affidavit to be submitted with the identification;*

- *Requiring the eTAG administrator to be an owner or manager listed on the application; and*

- *Requiring more stringent premises requirements based on updated Rule language.*

Rule proposal for fingerprinting is currently published in the Texas Registrar for public comment and is expected to be presented to the Board for possible adoption in June 2022.

Review of an applicant's financial background, specifically the applicant's assets and liabilities, was required prior to application requirements simplification in 2012 and 2013. Based on data generated in connection with this audit, MVD should consider adding a review of an applicant's financial background back to its licensure requirements but instead focus on the applicant's bankruptcies and liens.

Required site visits for all applications are also being considered by the Board but would require additional resources for enforcement and would increase the processing time for applications. Based on data provided through this audit the TxDMV appears to have more stringent licensing requirements than many other states. The division will continue to monitor the American Association Motor Vehicle of Administrators (AAMVA) best practices for new trends and advancements in licensing and regulation of the motor vehicle industry.

Management Action Plan Owners: *Monique Johnston, Motor Vehicle Division Director & Brittney Kruse, Licensing Manager*

Anticipated Completion Date: *August 31, 2023*

Audit Results #2: Application review alone is not enough to identify potential bad actors.
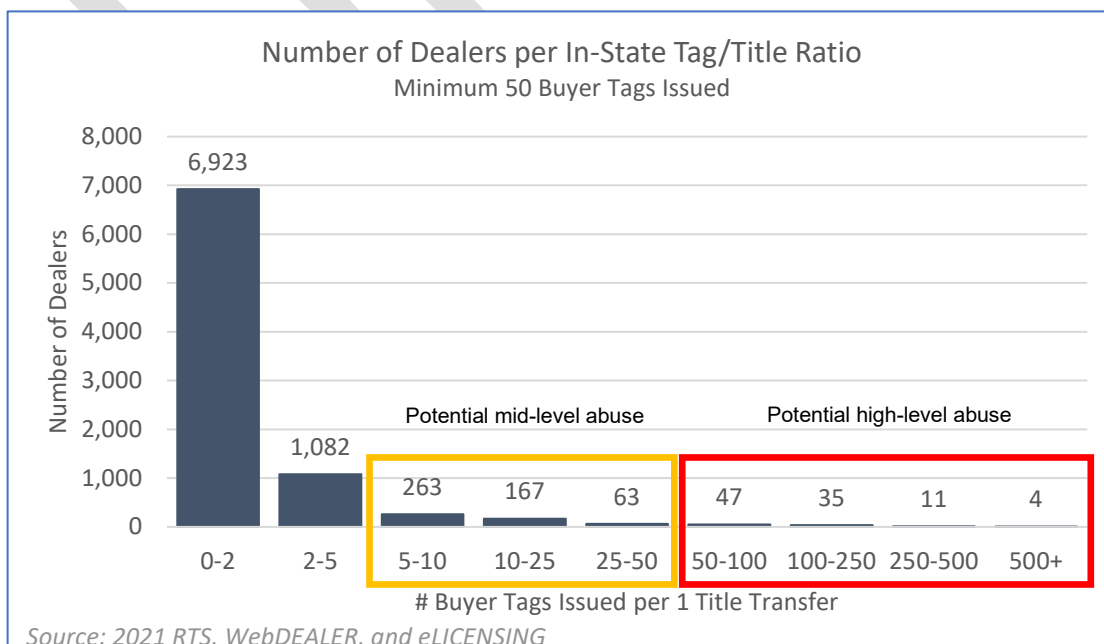
Condition

Dealers who go through the application review process and meet all requirements are licensed and have access to various TxDMV systems, such as webDEALER. The application review process does not create a barrier to entry for certain dealers. Some of these dealers commit various violations such as temporary tag abuse, falsifying statements to the Board, or premise violations.

While application review and background research processes are designed to identify possible potential bad actors and prevent their licensure, those processes cannot catch bad actors who submit all required documents and do not have identifiable red flags.

Evidence

Of the 84 revocations reviewed, 35 had an application deficiency or other red flags that could have been caught by a current or more detailed application review (See Audit Results #1). However, of the remaining 49 (58%) of 84 revocations reviewed during September 2020 to October 2021, there were no application deficiencies or red flags that could have been identified through the application process (e.g., licensee business location or was not operating a business at the licensed location). The application process cannot be expected to have prevented these dealers from being licensed.

Additionally, a review of active GDN dealers' FY2021 activity showed a number of dealers with high temporary tag to title transfer ratios as of September 2021 that successfully went through the application process. Texas Transportation Code Title 7, Chapter 503.063 states a dealer shall issue to a person who buys a vehicle one temporary buyer's tag for the vehicle. Data shows that some active dealers are issuing excessive temporary tags per title transaction:

Number of Dealers per In-State Tag/Title Ratio
Minimum 50 Buyer Tags Issued

Source: 2021 RTS, WebDEALER, and eLICENSING

Temporary tag limits were recently adopted through formula to reduce excessive over-production by licensed dealers. Dealers are allocated a maximum volume of temporary tags based on estimated vehicle sales. Current limitations on maximum temporary tag production are designed to reduce large scale fraudulent activity. While limitations on maximum temporary tag production have impacted large scale temporary tag misuse, low to moderate temporary tag misuse may exist.

Impact (Effect)

The 49 identified revoked licenses from September 2020 through October 2021 did not have deficient application materials or other red flags in their license application. These dealers with revoked licenses could have generated 432,137 excess temporary tags and sold them on various social media platforms. These temporary tags can be used in criminal activities, avoidance of vehicle registration or toll tag payments.

Cause

The Department did not have a continuous monitoring process to identify dealers who are operating business outside of their licensed authority such as printing excessive temporary tags. There were not established thresholds to identify excessive temporary tag usage for the testing period. However, there are currently measures in place to track usage of temporary tags. Once this allocation reaches a certain threshold, the Department receives a report to further investigate.

Expected State (Criteria)

The Committee of Sponsoring Organizations (COSO) framework states that control activities and monitoring activities are components of internal control. Control activities should be developed to mitigate risks to acceptable levels. Control activities are performed at all levels of the organization, at various stages within the business processes, and are preventative or detective in nature. There should be strong preventative controls like the application review process in conjunction with strong detective controls such as continuous monitoring.

Texas Transportation Code Title 7, Chapter 503.0632 states the Department by rule may establish the maximum number of temporary tags that a dealer may obtain in a calendar year. The code establishes that the Department has the authority to establish thresholds concerning temporary tag limitations.

Recommendation

2.1   The Department should develop a risk-based method of monitoring active dealer licenses that consider various criteria (e.g., tag to title ratios, volume threshold, etc.). This should include a method to notate higher risk applicants from the application process. **(HIGH)**.

Management Response and Action Plan

Management Response and Action Plan 2.1

MVD has been working closely with the Enforcement Division on Denial of Access to the temporary tag database. MVD receives a daily tag report of dealers who have used 50% or more of their allotted temporary tags. MVD utilizes the report to identify dealers who may be eligible for a tag increase. The division also reviews the report for dealers possibly engaging in eTAG abuse, misuse, and/or fraud.

MVD has referred 39 applications to ENF for further review based on possible fraud since implementation of the temporary tag usage report on 3/1/2022. Thresholds are reviewing the tag reports, application documentation, Google Map photo review, & reviewing the tag vs. title report. These referrals are tracked on a spreadsheet and documented through comments in the eLICENSING license record.

In addition, MVD's Background and Fraud Unit is reviewing the licensing applications associated with dealers denied access to the eTAG system to identify possible trends and commonalities among these license holders and are drafting summaries of findings for review by MVD management.

MVD reviewed some of the photos in relation to the revoked licenses mentioned in this audit. While the division agrees with many of the findings, it should be noted that the department does not currently have rules in place to dictate certain requirements, such as a specific type of structure needed for an office or a minimum size. Also, current rules do not disallow residential type structures if no one is residing at the location. Additional requirements to the office space could be addressed under the pending pre-licensing rule changes, which are currently undergoing review by the department's General Counsel division.

MVD currently flags all associated licenses, accounts, and specific addresses for review on license renewal based on Licensing Committee concerns, reviews conducted by the Background and Fraud Unit, and/or possible issues discovered during normal processing of a file by MVD staff. Additional flags can be added as a method to notate higher-risk applications, such as those with premises concerns that currently meet the minimum rule requirements and/or applications with current bankruptcies or liens. These flags can include a requirement to request a site visit be conducted by the Enforcement division within a certain period of time after the license has been issued (e.g., six months).

Management Action Plan Owners: *Monique Johnston, Motor Vehicle Division Director & Brittney Kruse, Licensing Manager*

Anticipated Completion Date: *December 31, 2022*

Appendix 1: Objectives, Scope, Methodology, and Rating Information

Objectives

To evaluate the Department's processes designed to ensure verification of dealer applicant's identities and criminal history.

Scope and Methodology

The scope of the audit included dealer revocations from September 2020 to October 2021. The audit included review of dealer application and application review requirements. Information and documents reviewed in the audit included the following:

- Interviews with TxDMV Motor Vehicle Division management and staff

- Interviews with GDN license holders

- GDN New Processing Guide

- New GDN License Checklist

- eTAG Limitation Data

- FY 2022 revocations and case comments

- eLICENSING system

- Criminal History Review Committee meetings

- Texas Administrative Code, Chapter 211

- Texas Administrative Code, Chapter 215.89

- Texas Transportation Code, Chapter 503

- COSO Framework Executive Summary

This audit was included in the FY 2022 First Six Month Internal Audit Plan. IAD conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for the Professional Practice of Internal Auditing. Those standards require that IAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. IAD believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives

COSO Elements

This engagement reviewed risks and controls that were relevant to the audit objective. As part of the evaluation and testing of the risks and controls, the audit team used the following COSO components and principles as depicted in table 1:

Table 1. COSO Elements and Principles in Scope

COSO Element	Definition	Applicable Principles
Control Environment	The foundation for an internal control system as it 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.	1- The organization demonstrates a commitment to integrity and ethical values. 5 - The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Risk Assessment	The processes used to determine how risk is to be managed. The function assesses the risks facing the entity as it seeks to achieve its objectives.	6 -The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. 7 - The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
Control Activities	The actions management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes TxDMV's information systems.	10 -The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. 12 - The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

COSO Element	Definition	Applicable Principles
Information and Communication	The quality information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis**.**	13 - The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
Monitoring	The activities establishes and operates to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning.	16 -The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

Report Distribution

In accordance with the Texas Internal Auditing Act, this report is distributed to the Board of the Texas Department of Motor Vehicles, Governor's Office of Budget, Planning, and Policy, Legislative Budget Board, and the State Auditor's Office. The report and any accompanying documentation are confidential and not subject to disclosure as permitted by Texas Government Code §552.139 and §2059.55. The report is not intended to and should not be further copied or distributed, nor used by anyone other than these specified parties, because the controls discussed in the report are considered sensitive in nature.

The report's distribution is limited and should not be forwarded without consulting the Texas Department of Motor Vehicles' Internal Audit Division and General Counsel.

Ratings Information

Maturity Assessment Rating Definition

IAD derived the maturity assessment ratings and definitions from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model and the Enterprise Risk Management (ERM) Maturity Model. The model was adapted for the TxDMV assurance audit purposes and does not provide a guarantee against reporting misstatement and reliability, non-compliance, or operational impacts. The ratings and definitions are provided in Table 2.

Table 2. Maturity Assessment Rating Definitions

Rating	Name	Definition
0	Non-Existent	The function used no process since a standardized process is not defined or being used.
1	Initial and Ad-Hoc	The function used an ad hoc approach when issues arise because a standardized process is not defined.
2	Repeatable but Intuitive	The function developed a process where similar procedures are 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.
3	Defined	The function followed a standardized, documented, and communicated process. The process, however, may not have been followed systematically or repeatedly.
4	Managed and Measurable	The function followed a standardized, documented, and communicated process that is monitored and measured for compliance. The function evaluated the process for constant improvement and provides good practice. The process could be improved with the use of more information technology to help automate the workflow and improve quality and effectiveness.
5	Refined	The function followed a standardized, documented, and communicated process defined as having a good process that results from continuous improvement and the use of technology. Information technology was used in an integrated way to automate workflow and to improve quality and effectiveness of the process.

Recommendation Rating Criteria

The IAD rates audit recommendation's priority (i.e., HIGH or LOW) to help the TxDMV Board and executive management identify the importance of the recommendation. The criteria for Low and High Priority are documented in Table 3.

Table 3. Recommendation Priority Criteria

Priority	Criteria
Low	• Requires only a written policy or procedure update • Is within an acceptable range of risk tolerance for the Department • A non-reoccurring or regulatory external audit issue
High	• Executive Management or Board Request • Not within an acceptable range of the risk tolerance of the division • New process had to be developed to address recommendations • Regulatory impact or reoccurring issue

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 Legitimating

    3.2.4.1. Promotion of the organization to the external stakeholders, including the Texas Legislature, based on the vision of the agency.

    3.2.4.2. Ensuring the interests of a broad network of stakeholders are represented.

    3.2.4.3. Board members lend their positional, professional and personal credibility to the organization through their position on the board.

3.2.5. Self-reflection and Assessment

    3.2.5.1. Regular reviews of the functions and effectiveness of the Board itself.

    3.2.5.2. Assessing the level of trust within the Board and the effectiveness of the group processes.

3.3. Board Governance Investment

Because poor governance costs more than learning to govern well, the Board shall invest in its governance capacity. Accordingly:

3.3.1. Board skills, methods, and supports shall be sufficient to ensure governing with excellence.

3.3.1.1. Training and retraining shall be used liberally to orient new members, as well as maintain and increase existing member skills and understanding.

3.3.1.2. Outside monitoring assistance shall be arranged so that the board can exercise confident control over agency performance. This includes, but is not limited to, financial audits.

3.3.1.3. Outreach mechanisms shall be used as needed to ensure the Board's ability to listen to stakeholder viewpoints and values.

3.3.1.4. Other activities as needed to ensure the Board's ability to fulfill its ethical and legal obligations and to represent and link to the motoring public and the various motor vehicle industries.

3.3.2. The Board shall establish its cost of governance and it will be integrated into strategic planning and the agency's annual budgeting process.

3.4. Practice Discipline and Assess Performance

The Board shall ensure the integrity of the board's process by practicing discipline in Board behavior and continuously working to improve its performance. Accordingly:

3.4.1. The assigned result is that the Board operates consistently with its own rules and those legitimately imposed on it from outside the organization.

3.4.1.1. Meeting discussion content shall consist solely of issues that clearly belong to the Board to decide or to monitor according to policy, rule and law. Meeting discussion shall be focused on performance targets, performance boundaries, action on items of Board authority such as conduct of administrative hearings, proposal, discussion and approval of administrative rule-making and discussion and approval of all strategic planning and fiscal matters of the agency.

3.4.1.2. Board discussion during meetings shall be limited to topics posted on the agenda.

3.4.1.3. Adequate time shall be given for deliberation which shall be respectful, brief, and to the point.

3.4.2. The Board shall strengthen its governing capacity by periodically assessing its own performance with respect to its governance model. Possible areas of assessment include, but are not limited to, the following:

3.4.2.1. Are we clear and in agreement about mission and purpose?

3.4.2.2. Are values shared?

3.4.2.3. Do we have a strong orientation for our new members?

3.4.2.4. What goals have we set and how well are we accomplishing them?

3.4.2.5. What can we do as a board to improve our performance in these areas?

3.4.2.6. Are we providing clear and relevant direction to the Executive Director, stakeholders and partners of the TxDMV?

3.4.3. The Board Chair shall periodically promote regular evaluation and feedback to the whole Board on the level of its effectiveness.

Texas Department of Motor Vehicles
Strategic Planning Policy

1. PURPOSE

The directives presented in this policy address the annual Strategic Planning process at the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. TxDMV Strategic Planning Policy attempts to develop, document and expand its policy that is comprehensive in its scope in regards to the strategic planning process of the Board and the Department beyond that of the state strategic planning process.

3. POLICY

3.1. TxDMV Board Strategic Planning

This policy describes the context for strategic planning at TxDMV and the way in which the strategic plan shall be developed and communicated.

 3.1.1. The Board is responsible for the strategic direction of the organization, which includes the vision, mission, values, strategic goals, and strategic objectives.

 3.1.2. TxDMV shall use a 5-year strategic planning cycle, which shall be reviewed and updated annually, or as needed.

 3.1.3. The 5-year strategic plan shall be informed by but not confined by requirements and directions of state and other funding bodies.

 3.1.4. In developing strategic directions, the Board shall seek input from stakeholders, the industries served, and the public.

 3.1.5. The Board shall:

  3.1.5.1. Ensure that it reviews the identification of and communication with its stakeholders at least annually.

  3.1.5.2. Discuss with agency staff, representatives of the industries served, and the public before determining or substantially changing strategic directions.

3.1.5.3. Ensure it receives continuous input about strategic directions and agency performance through periodic reporting processes.

3.1.6. The Board is responsible for a 5-year strategic plan that shall identify the key priorities and objectives of the organization, including but not limited to:

3.1.6.1. The creation of meaningful vision, mission, and values statements.

3.1.6.2. The establishment of a Customer Value Proposition that clearly articulates essential customer expectations.

3.1.6.3. A Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis, to be updated annually.

3.1.6.4. An assessment of external factors or trends (i.e., customer needs, political factors, economic factors, industry trends, technology factors, uncertainties, etc.)

3.1.6.5. Development of the specific goals and objectives the Department must achieve and a timeline for action.

3.1.6.6. Identification of the key performance indicators to measure success and the initiatives that shall drive results.

3.1.6.7. Engage staff at all levels of the organization, through the executive director, in the development of the strategic plan through surveys, interviews, focus groups, and regular communication.

3.1.6.8. Ensure the strategic planning process produces the data necessary for LBB/GOBPP state required compliance while expanding and enhancing the strategic plan to support the needs of the TxDMV. The overall strategic plan shall be used as a tool for strategic management.

3.1.7. The Board delegates to the Executive Director the responsibility for **implementing** the agency's strategic direction through the development of agency wide and divisional operational plans.

Texas Department of Motor Vehicles
TxDMV Goals and Objectives

1. PURPOSE

The information presented in this policy addresses the goals and key objectives of the Board of the Texas Department of Motor Vehicles (TxDMV) as they relate to the mission, vision, and values of the TxDMV.

2. SCOPE

The scope of this policy is to define the desired state the TxDMV Board is working to achieve. This policy is designed to be inspirational in outlining the desired state of the agency that supports the TxDMV Board vision and meeting agency goals.

3. TxDMV MISSION

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

4. TxDMV VISION

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

5. TxDMV VALUES

To earn the trust and faith of all citizens of Texas with transparency, efficiency, excellence, accountability, and putting stakeholders first.

    5.1. __Transparency__ – Being open and inclusive in all we do.
    5.2. __Efficiency__ – Being good stewards of state resources by providing products and services in the most cost-effective manner possible.
    5.3. __Excellence__ – Working diligently to achieve the highest standards.
    5.4. __Accountability__ – Accepting responsibility for all we do, collectively and as individuals.
    5.5. __Stakeholders__ – Putting customers and stakeholders first, always.

6. TxDMV GOALS

6.1. GOAL 1 – Performance Driven

The TxDMV shall be a performance driven agency in its operations whether it is in customer service, licensing, permitting, enforcement or rule-making. At all times the TxDMV shall mirror in its performance the expectations of its customers and stakeholder by effective, efficient, customer-focused, on-time, fair, predictable and thorough service or decisions.

6.1.1. Key Objective 1

The TxDMV shall be an agency that is retail-oriented in its approach. To accomplish this orientation TxDMV shall concentrate the focus of the agency on:

6.1.1.1. Delivering its products and services to all of its customers and stakeholders in a manner that recognizes that their needs come first. These needs must be positively and proactively met. TxDMV works for and with its customers and stakeholders, not the other way around.

6.1.1.2. Operating the agency's licensing and registration functions in a manner akin to how a private, for-profit business. As a private, for-profit business, TxDMV would have to listen to its customers and stakeholders and implement best practices to meet their needs or its services would no longer be profitable or necessary. Act and react in a manner that understands how to perform without a government safety net and going out of business.

6.1.1.3. Simplify the production and distribution processes and ease of doing business with the TxDMV. Adapting and maintaining a business value of continuous improvement is central to TxDMV operations and processes.

6.1.1.4. All operations of the TxDMV shall stand on their own merits operationally and financially. If a current process does not make sense then TxDMV shall work within legislative and legal constraints to redesign or discard it. If a current process does not make or save money for the state and/or its customers or stakeholders then TxDMV shall work within legislative and legal constraints to redesign or discard it. TxDMV shall operate as efficiently and effective as possible in terms of financial and personnel needs. Divisions should focus on cost savings without sacrificing performance. Division directors are accountable for meeting these needs and applicable measures. All division directors are collectively responsible for the performance of TxDMV as a whole.

6.1.1.5. Focus on revenue generation for transportation needs as well as the needs of its customers.

6.1.1.6. Decisions regarding the TxDMV divisions should be based on the overriding business need of each division to meet or provide a specific service demand, with the understanding and coordination of overarching agency-wide needs.

6.1.1.7. Developing and regularly updating a long-range Statewide Plan describing total system needs, establishing overarching statewide goals, and ensuring progress toward those goals.

6.1.1.8. The TxDMV shall establish a transparent, well-defined, and understandable system of project management within the TxDMV that integrates project milestones, forecasts, and priorities.

6.1.1.9. The TxDMV shall develop detailed work programs driven by milestones for major projects and other statewide goals for all TxDMV divisions.

6.1.1.10. The TxDMV, with input from stakeholders and policymakers, shall measure and report on progress in meeting goals and milestones for major projects and other statewide goals.

6.2. GOAL 2 – Optimized Services and Innovation

The TxDMV shall be an innovative, forward thinking agency that looks for ways to promote the economic well-being and development of the industries it serves as well as the State of Texas within the legislative boundaries that have been established for the agency.

6.2.1. Key Objective 1

The TxDMV shall achieve operational, cultural, structural and financial independence from other state agencies.

6.2.1.1. Build the TxDMV identity. This means that TxDMV shall make customers aware of what services we offer and how they can take advantage of those services.

6.2.1.2. Build the TxDMV brand. This means that TxDMV shall reach out to the stakeholders, industries we serve and the public, being proactive in addressing and anticipating their needs.

6.2.1.3. Determine immediate, future, and long term facility and capital needs. TxDMV needs its own stand-alone facility and IT system as soon as possible. In connection with these needs, TxDMV shall identify efficient and effective ways to pay for them without unduly burdening either the state, its customers or stakeholders.

6.2.1.4. All regulations, enforcement actions and decision at TxDMV shall be made in a timely, fair and predictable manner.

6.2.2. Key Objective 2

Provide continuous education training on business trends in the industry with a particular emphasis on activities in Texas.

6.2.3. Key Objective 3

Provide continuous outreach services to all customers and stakeholders to access their respective needs and wants. This includes helping frame legislative or regulatory issues for consideration by other bodies including the legislature.

6.2.4. Key Objective 4

Examine all fees to determine their individual worth and reasonableness of amount. No fee shall be charged that cannot be defended financially and operationally.

6.3. GOAL 3 – Customer-centric

The TxDMV shall be a customer-centric agency that delivers today's services and decisions in a positive, solution-seeking manner while ensuring continuous, consistent and meaningful public and stakeholder involvement in shaping the TxDMV of tomorrow.

6.3.1. Key Objective 1

The TxDMV shall seek to serve its customer base through a creative and retail oriented approach to support the needs of its industries and customers.

6.3.2. Key Objective 2

The TxDMV shall develop and implement a public involvement policy that guides and encourages meaningful public involvement efforts agency-wide.

6.3.3. Key Objective 3

The TxDMV shall develop standard procedures for documenting, tracking, and analyzing customer complaint data. Successful problem resolution metrics should be monitored to support continuous improvement activities that shall permanently improve customer facing processes.

6.3.4. Key Objective 4

The TxDMV shall provide a formal process for staff with similar responsibilities to share best practices information.

6.3.5. Key Objective 5

Texas Department *of* Motor Vehicles
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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.

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Agency Operational Boundaries as Defined by
Department Policies of the TxDMV Board (Board)

The Board is responsible for the policy direction of the agency. The Board's official connection to the day-to-day operation of the Texas Department of Motor Vehicles (TxDMV) and the conduct of its business is through the Executive Director of the TxDMV (ED) who is appointed by the Board and serves at its pleasure. The authority and accountability for the day-to-day operations of the agency and all members of the staff, except those members who report directly to the Board, is the sole responsibility of the ED.

In accordance with its policy-making authority the Board has established the following policy boundaries for the agency. The intent of the boundaries is not to limit the ability of the ED and agency staff to manage the day-to-day operations of the agency. To the contrary, the intent of the boundaries is to more clearly define the roles and responsibilities of the Board and the ED so as to liberate the staff from any uncertainty as to limitations on their authority to act in the best interest of the agency. The ED and staff should have certainty that they can operate on a daily basis as they see fit without having to worry about prior Board consultation or subsequent Board reversal of their acts.

The ED and all agency employees shall act at all times in an exemplary manner consistent with the responsibilities and expectations vested in their positions. The ED and all agency employees shall act in a manner consistent with Board policies as well as with those practices, activities, decisions, and organizational circumstances that are legal, prudent, and ethical. It is the responsibility of the ED to ensure that all agency employees adhere to these boundaries.

Accordingly, the TxDMV boundaries are as follows:

1. The day-to-day operations of the agency should be conducted in a manner consistent with the vision, mission, values, strategic framework, and performance metrics as established by the Board. These elements must not be disregarded or jeopardized in any way.

2. A team-oriented approach must be followed on all enterprise-wide decisions to ensure openness and transparency both internally and externally.

3. The agency must guard against allowing any financial conditions and decision which risk adverse fiscal consequences, compromise Board financial priorities, or fail to

show an acceptable level of foresight as related to the needs and benefits of agency initiatives.

4. The agency must provide timely, accurate, and honest information that will afford the Board, public, stakeholders, executive branch and the legislature the best ability to evaluate all sides of an issue or opportunity before forming an opinion or taking action on it. Any information provided that is intentionally untimely, inaccurate, misleading or one-sided will not be tolerated.

5. The agency must take all reasonable care to avoid or identify in a timely manner all conflicts of interest or even the appearance of impropriety in awarding purchases, negotiating contracts or in hiring employees.

6. The agency must maintain adequate administrative policies and procedures that are understandable and aid in staff recruitment, development and retention.

7. The agency must maintain an organizational structure that develops and promotes the program areas from an enterprise-wide perspective. No organizational silos or sub-agencies will be allowed. We are the TxDMV.

8. The agency must empower its entire staff to deliver a positive customer experience to every TxDMV customer, stakeholder or vendor to reduce their effort and make it easier for them to do business with the TxDMV.

9. The agency must at all times look to flattening its organizational structure to reduce cost as technology advances allow.

10. Agency staff shall anticipate and resolve all issues timely.

11. The agency must maximize the deployment and utilization of all of its assets – people, processes and capital equipment – in order to fully succeed.

12. The agency must not waste the goodwill and respect of our customers, stakeholders, executive branch and legislature. All communication shall be proper, honest, and transparent with timely follow-up when appropriate.

13. The agency should focus its work efforts to create value, make sure that processes, programs, or projects are properly designed, budgeted and vetted as appropriate with outside stakeholders to ensure our assumptions are correct so positive value continues to be created by the actions of the TxDMV.

14. The ED through his or her staff is responsible for the ongoing monitoring of all program and fiscal authorities and providing information to the Board to keep it apprised of all program progress and fiscal activities. This self-assessment must result in a product that adequately describes the accomplishment of all program

goals, objectives and outcomes as well as proposals to correct any identified problems.

15. In advance of all policy decisions that the Board is expected to make, the ED will provide pertinent information and ensure board members understand issues/matters related to the pending policy decision. Additionally, the ED or designee will develop a process for planning activities to be performed leading up to that particular policy decision and the timeframe for conducting these planning activities. It is imperative that the planning process describes not only when Board consideration will be expected but also when prior Board consultation and involvement in each planning activity will occur.

16. In seeking clarification on informational items Board members may directly approach the ED or his or her designee to obtain information to supplement, upgrade or enhance their knowledge and improve the Board's decision-making. Any Board member requests that require substantive work should come to the Board or Committee Chairs for direction.

17. The agency must seek stakeholder input as appropriate on matters that might affect them prior to public presentation of same to the Board.

18. The agency must measure results, track progress, and report out timely and consistently.

19. The ED and staff shall have the courage to admit a mistake or failure.

20. The ED and staff shall celebrate successes!

The Board expects the ED to work with agency staff to develop their written interpretation of each of the boundaries. The ED will then present this written interpretation to the Board prior to discussion between the Board and ED on the interpretation. The Board reserves the right to accept, reject or modify any interpretation. The intent is that the Board and the ED will come to a mutually agreeable interpretation of agency boundaries that will then form the basis of additional written thought on the part of the ED and staff as to how these boundaries will influence the actions of the agency.