

TEXAS DEPARTMENT OF MOTOR VEHICLES  
FINANCE AND AUDIT COMMITTEE MEETING

Wednesday,  
August 16, 2017

Lone Star Room  
Building 1  
4000 Jackson Avenue  
Austin, Texas

COMMITTEE MEMBERS PRESENT:

Johnny Walker, Chair  
Robert "Barney" Barnwell, III  
Kate Hardy

I N D E X

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EXECUTIVE SESSION	
5. The Board may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code, Chapter 551: Section 551.071 Section 551.074 Section 551.076	none
6. Action Items from Executive Session	none
7. Public Comment	none
8. Adjournment	90

P R O C E E D I N G S

1  
2 Mr. WALKER: Good afternoon. My name is Johnny  
3 Walker, and I'm pleased to open this meeting of the  
4 Finance and Audit Committee of the Texas Department of  
5 Motor Vehicles.

6 It is now 2:17. I'm now calling the committee  
7 meeting for August 16, 2017 to order. I want to note for  
8 the record that the public notice of this meeting,  
9 containing all items on the agenda, was filed with the  
10 Secretary of State on August 8, 2017.

11 Before we begin today's meeting, please place  
12 all your cell phones and communication devices in a silent  
13 mode.

14 Since the Finance and Audit Committee's last  
15 meeting, Board Chairman Raymond Palacios appointed Board  
16 Member Luanne Caraway to serve as the committee chair, he  
17 also appointed Members Brett Graham, Kate Hardy and myself  
18 to serve on this committee. Members Caraway and Graham  
19 are unable to attend today's meeting, so Chairman Palacios  
20 has asked that I temporarily serve as committee chair and  
21 to appoint Mr. Barnwell to serve as a temporary member on  
22 this committee so we would have a quorum.

23 Now I'd like to have a roll call of the  
24 committee members present today.

25 Member Hardy?

1 MS. HARDY: Here.

2 MR. WALKER: Mr. Barnwell?

3 MR. BARNWELL: Here, and I, Johnny Walker,  
4 chairman of the committee, am present. Let the record  
5 reflect that we have a quorum.

6 The posted agenda stated that the quorum of the  
7 Board may be present at this meeting, however, Board  
8 members who are not members of the Finance and Audit  
9 Committee will not vote on any of the committee agenda  
10 items today nor will any Board actions be taken today.

11 Thank you very much.

12 Let's get started. The first thing on the  
13 agenda today is we will begin on agenda item number 2,  
14 comments and announcements from committee chair, committee  
15 members and the executive director. I do not have any  
16 announcements to make, I don't believe. Do you have any?

17 MS. BREWSTER: No, sir.

18 MR. WALKER: So can we move forward to item  
19 number 3.A, Interagency agreement between TxDOT and TxDMV.  
20 Whitney, do you want to brief us on that real  
21 quick?

22 MS. BREWSTER: Yes. Thank you, Mr. Chairman,  
23 members of the committee. For the record, my name is  
24 Whitney Brewster, executive director of the department.

25 Annually, the agency reviews the interagency

1 contracts that it has with the Texas Department of  
2 Transportation regarding shared services. The agencies  
3 both have dependencies upon one another, and the  
4 interagency contract lays out the roles and  
5 responsibilities of each of the departments. It is that  
6 time of year again, and I'll just briefly go through the  
7 items that have changed since the last time the Board saw  
8 this document.

9 The agreement is now a biennial document which  
10 matches with the state budgeting structure and meetings of  
11 the legislature. The shared facilities and infrastructure  
12 issues between the two agencies are now well understood  
13 and routinely managed, allowing for a longer time frame  
14 between renegotiations of the interagency contract.

15 It removes references to shared IT  
16 infrastructure due to the successful completion of the  
17 TxDMV AMSIT project and other efforts involving separation  
18 of the two agencies. It lowers the TxDMV not-to-exceed  
19 payment amount to TxDOT by half. In the current version  
20 it is \$2 million, the proposed reduction is \$1 million per  
21 fiscal year, again, due to successful separation  
22 activities and TxDMV being able to perform those  
23 activities on its own. While the monthly assessment for  
24 facilities and maintenance paid by TxDMV to TxDOT  
25 increases slightly from \$34,000 to \$38,000, there are more

1 services explicitly covered in the two-year agreement.  
2 Those specifically are window washing, HVAC maintenance  
3 and elevator maintenance.

4 It establishes a facility management work group  
5 to begin the process of discussing a possible takeover of  
6 Camp Hubbard facility maintenance by TxDMV, if and when  
7 TxDOT transfers all or some of this property to TxDMV, as  
8 was contemplated this last legislative session and was  
9 successfully passed. It also clarifies information  
10 sharing and IT infrastructure relationships in the new  
11 environment where TxDMV is almost completely separated  
12 from TxDOT equipment. It also removes and updates  
13 language that is no longer correct, again, due to the  
14 successful separate activities that both agencies have  
15 undergone.

16 I am requesting that the Finance and Audit  
17 Committee recommend to the full Board to delegate  
18 authority to the executive director to finalize the  
19 interagency contract negotiations with TxDOT and to  
20 execute the contract with approval from the TxDMV Board  
21 chair.

22 Mr. Chairman, that is the end of my  
23 presentation and I'm happy to answer any questions.

24 MR. WALKER: So we need a motion to accept the  
25 interagency agreement.

1 MR. BARNWELL: I make a motion that the  
2 committee accept the interagency agreement and authorize  
3 the executive director to enter into negotiations to  
4 finalize the contract with TxDOT, with the approval of the  
5 chairman.

6 MS. HARDY: Second the motion.

7 MR. WALKER: So we have a motion and a second.  
8 Any questions?

9 I have a question. So when I read right here,  
10 there was a little bit of concern I had right here. This  
11 isn't the agreement but it says if and when TxDOT  
12 transfers. Why would you have the word "if"? Isn't that  
13 a done deal?

14 MS. BREWSTER: Mr. Chairman, the legislation  
15 that ultimately passed had permissive language that  
16 indicated that TxDOT may transfer the property to TxDMV.

17 MR. WALKER: So it's not a sure deal that they  
18 are going to transfer?

19 MS. BREWSTER: That is accurate. There is  
20 nothing that explicitly requires them to transfer the  
21 property to TxDMV. It was permissive language because  
22 TxDOT needed to secure its own headquarters facility for  
23 its employees that are currently residing at Camp Hubbard,  
24 and so until they are successful in that, they will remain  
25 in ownership of the property.

1 MR. WALKER: But we have been appropriated  
2 under the last appropriation for actually some of the  
3 maintenance costs of this building and the expenditures of  
4 operating these buildings, so how would that affect -- I  
5 guess this is a legal question, maybe go back to you,  
6 David, on this -- if the "if" applies, which I don't think  
7 it will apply, but if "if" applied and we did not get a  
8 transfer of the property, how would that affect this  
9 interagency agreement?

10 MR. DUNCAN: That's why we need this work group  
11 is we need to start talking about issues like this.  
12 Whitney is exactly right, that the contingency is TxDOT  
13 receiving sufficient funding for the entirety of their  
14 replacement complex, this big place they're going to build  
15 out by the airport, and what they got in this session was  
16 enough money to purchase the land and do design and soil  
17 studies, just the prep to construct, not the actual money  
18 to construct, and although TxDOT has a lot of money, the  
19 appropriations process is you can't spend it unless the  
20 legislature says you can spend it, so they've not been  
21 given full approval to construct those buildings.

22 MR. WALKER: But I don't really care what TxDOT  
23 has approval to do or not. My concern is how does this  
24 relationship affect the Department of Motor Vehicles in  
25 this interagency agreement. We're reducing some

1 expenditures that may not need to be reduced if they don't  
2 move out and we don't get the buildings, how would that  
3 affect this agency.

4 MR. DUNCAN: Again, it would be dependent on  
5 the outcome. They were the ones that really insisted on  
6 this language, and I see your point. Their management has  
7 not made a decision to transfer these buildings and  
8 they're not required to for some time, basically until the  
9 next session.

10 MR. WALKER: Excuse me. For simplicity's sake,  
11 let's directly the question, and the question is how does  
12 our agreement today affect us if the building doesn't go  
13 forward. If we don't get the transfer, how is this  
14 interagency affected? Does the Board have a concern if  
15 that didn't go through that this interagency agreement  
16 would be damaging to our agency?

17 MR. DUNCAN: No. There's nothing in there that  
18 anticipates --

19 MR. WALKER: That answers my question.  
20 Barney, help me.

21 MS. HARDY: Good question.

22 MR. BARNWELL: Good question.

23 MS. BREWSTER: Mr. Chairman, if I may answer  
24 one of the questions that you asked earlier. You asked  
25 didn't we receive an appropriation for maintenance of the

1 facilities, and yes, we received an appropriation for  
2 maintenance for Buildings 1 and 5 which we currently  
3 reside in.

4 MR. WALKER: We also got it for the other  
5 buildings, didn't we?

6 MS. BREWSTER: No, sir. 1 and 5, for those  
7 that we current occupy, so that we could start standing on  
8 our own and essentially addressing the maintenance issues  
9 and have more control over those issues starting now. We  
10 have been working with TxDOT on that, as well as the  
11 formulation of this working group will help further and  
12 help us develop a strategy with TxDOT long term what it  
13 would look like in terms of transferring all or part of  
14 the property to the agency.

15 MR. WALKER: So in the past, I think that we  
16 can vote at this committee level to approve the  
17 interagency agreement but it still has to go to -- we can  
18 only advance it to the full Board for their approval. Is  
19 that not correct?

20 MR. DUNCAN: That's correct, and that's the way  
21 the motion was written. Yes, sir.

22 MS. BREWSTER: So we're requesting that this  
23 body recommend it to the full Board in tomorrow's meeting.

24 MR. WALKER: Okay. So I would recommend that  
25 the full Board tomorrow know the same thing that this

1 committee knows, and either I can make this or you can  
2 make this, but we need to make them aware of the fact that  
3 there is a potential that the transfer may not go through  
4 and that we have addressed that with our legal advice in-  
5 house, from our general counsel, that this interagency  
6 agreement will not damage us. Should the transfer not go  
7 through, we would still be covered.

8 MS. BREWSTER: I will be happy to do that, sir.

9 MR. WALKER: So any further questions?

10 MS. HARDY: No. Good clarification. Good  
11 question.

12 MR. WALKER: Barney?

13 MR. BARNWELL: No. Sounds good. Good  
14 question.

15 MR. WALKER: All in favor signify by saying  
16 aye.

17 (A chorus of ayes.)

18 MR. WALKER: All opposed same sign.

19 (No response.)

20 MR. WALKER: Motion carries.

21 Let's go to item 3.B, recommended operating  
22 budget. Ms. Flores.

23 MS. FLORES: Thank you. For the record, my  
24 name is Linda Flores. I'm the chief financial officer for  
25 the Texas Department of Motor Vehicles, and I'm here

1 joined by Renita Bankhead to present the FY 2018  
2 recommended operating budget. This is actually a second  
3 presentation of the operating budget. The first  
4 presentation occurred at the June Board meeting, and just  
5 as a refresher, this is year one of the agency's new  
6 appropriations for the 18-19 biennium. We requested  
7 \$367.8 million but we actually received \$332.9 million.  
8 This operating budget totals \$168 million and is  
9 structurally balanced to support our recurring expenses.

10 It covers, as Chairman Walker indicated, new  
11 dollars for the headquarters maintenance for both  
12 Buildings 1 and 5, for those areas that we will occupy,  
13 \$1.9 million for a special investigations unit, \$1.7  
14 million for the CVISN grant in Motor Carrier Division, and  
15 \$800,000 in partial restoration of our baseline automation  
16 dollars. Things that were not approved were dollars for  
17 the ABTPA program. That 4 percent reduction was part of  
18 the very beginning of the appropriations process.  
19 Anything funded with general revenue were reduced by 4  
20 percent automatically, and that was not restored.

21 MR. WALKER: Can I ask you a question right  
22 there?

23 MS. FLORES: Yes, sir.

24 MR. WALKER: When we got the \$1.9-, did we also  
25 get FTEs to go with that?

1 MS. FLORES: Yes, sir.

2 MR. WALKER: And how many FTEs?

3 MS. FLORES: Thirteen.

4 MR. WALKER: And they're specific to that area  
5 or just overall?

6 MS. FLORES: No. They were specific for the  
7 special investigations unit. We also did receive three  
8 new FTEs associated with the headquarters maintenance item  
9 as well, and we will now have 779 full-time equivalents in  
10 the agency.

11 Some of the new riders that are attached to our  
12 bill pattern, one is a fund report which we already  
13 currently provide to the Board on a regular basis. The  
14 Legislative Budget Board has yet to give us written  
15 instructions on what they want to see with regards to the  
16 DMV Fund report. We also did receive UB authority,  
17 unexpended balance authority, to carry forward dollars  
18 from the Bull Creek relocation. Knowing that we wouldn't  
19 be moving until January of '18, we were allowed to carry  
20 forward from '17 into '18 any unspent dollars, and that  
21 appropriation was approximately \$1.4 million.

22 Another couple of riders specific to the ABTPA  
23 program, we've been given direction to provide  
24 informational information on border security.

25 MR. WALKER: So that carryforward, that's the

1       lapsed money, that's not all the lapsed, is it?

2                   MS. FLORES: No, sir, it's not, it's just a  
3       very small piece.

4                   Again, with regards to border security, the  
5       Legislative Budget Board will give us a template to fill  
6       out and they're working on that at this time.

7                   ABTPA was also reduced \$109,750 regarding some  
8       cost containment efforts, and that was through an Article  
9       IX rider. Again, they were really looking at some  
10      contract containment efforts for programs that were funded  
11      through general revenue, and so because they're funded  
12      with general revenue, they were also reduced.

13                   We are asking this committee to provide a  
14      recommendation to the full Board for three specific items:

15                   To approve the FY 2018 operating budget.

16                   Second, to allow the agency to utilize Capital  
17      Budget Rider 2 to transfer unspent capital line items,  
18      allow us to transfer those unspent dollars into  
19      automation, and then carry forward those dollars into  
20      FY18, and Ms. Bankhead will go into more detail on that,  
21      that's item number two.

22                   Third, we do have a couple of new contracts  
23      that we're asking for you all to consider and provide  
24      recommendation to the full Board to approve, one is the  
25      Southwest Research Institute contract, you've seen that

1 before, the Texas Commercial Vehicle Information Exchange  
2 Window, it's a federal grant program housed in Motor  
3 Carrier. The second contract is another contract that  
4 you're familiar with, it's the American Association of  
5 Motor Vehicle Administrators National Motor Vehicle Title  
6 Information System, also known as NMVTIS, and this allows  
7 the agency access to the NMVTIS system for the next fiscal  
8 year.

9 And you've also already addressed the TxDOT MOU  
10 in a separate discussion.

11 So at this point I'll turn it over to Ms.  
12 Bankhead to address the specific UB authority that we're  
13 requesting.

14 MS. BANKHEAD: Good afternoon. For the record,  
15 my name is Renita Bankhead, assistant chief financial  
16 officer. And what I'm going to talk about today is the  
17 unexpended balance authority, and as Ms. Flores  
18 indicated --

19 MR. WALKER: I know there's two Board members  
20 up here, I don't know about the third one over there, what  
21 he's done, but I know two of us are trying to find where  
22 you're at. A lot of times when you're going through here  
23 and if you could give us, because I've made notes in the  
24 book and I don't want to waste a lot of my time and yours  
25 trying to find the right page to see if I have any

1 questions on that, so if you could kind of just direct us  
2 maybe, Ms. Bankhead, what page, it will help the two of us  
3 over here.

4 MS. BANKHEAD: It's on page 50 of your  
5 information.

6 MR. WALKER: What page?

7 MS. BANKHEAD: Fifty.

8 MR. WALKER: Fifty. Okay, thanks. I'm sorry  
9 to interrupt you.

10 MS. FLORES: I apologize. Mine was just an  
11 overview and I should have just mentioned that. Mine is  
12 just an overview, I wasn't addressing specific items.

13 MR. WALKER: When you skip around, I've got  
14 different things marked in my book up here that I was  
15 going to ask questions about so I didn't want to interrupt  
16 your deal and maybe just go back to those, but if we're  
17 going to follow pages, let's be on the same page.

18 MS. BANKHEAD: The legislature allows the  
19 agency specific authority to transfer and carry forward  
20 unexpended balances for some of our capital programs, and  
21 as I said, the rider language is on page 50, there's quite  
22 a bit of language there on that.

23 The \$10.5 million that we are planning to carry  
24 forward into fiscal year '18 consists of two different  
25 pieces. The first piece is using our current

1 appropriation authority in the current biennium, in fiscal  
2 year '17, and that is to transfer balances to three  
3 projects -- from five projects actually, into the  
4 automation capital project, and those projects are the  
5 county technology enhancement project that's \$1.1 million,  
6 the AMSIT project, and physical security, and the regional  
7 service center relocation. We have some balances in the  
8 capital budget in those projects, and the rider allows us  
9 to transfer those balances without any limitation. Most  
10 state agencies are limited to 25 percent transfer  
11 authority between capital budget items; in our rider we do  
12 not have that limitation, so we can transfer those  
13 balances into automation. However, any transfer that we  
14 make, we have to notify the Legislative Budget Board and  
15 the Governor's Office of the Board approval, so the Board  
16 would have to approve this authority. That's one piece of  
17 the \$10.5-

18 MR. WALKER: So, Renita, this is only a one-  
19 time rider, though. Right? It doesn't go forever.  
20 Right?

21 MS. BANKHEAD: Yes, you're correct. It wasn't  
22 a one-time rider, it was a rider we had up until the new  
23 biennium, so beginning in fiscal year '18, that language  
24 has been stricken from our appropriation.

25 The second piece is basically the automation

1 rider that we've had every year to be able to UB money  
2 from one biennium to the next for automation, so that  
3 piece is \$4.6 million of automation balances. That, along  
4 with the \$5.9- we will UB all of that, carry forward all  
5 of that money into '18 to find automation initiatives.

6 Does anybody have any questions on that?

7 MS. FLORES: And just to reiterate, that first  
8 provision where you transfer from other different capital  
9 line items into automation without limitation, that's done  
10 after this fiscal year. After August 31 it goes away, it  
11 is done, we will not be able to do that anymore. After  
12 that, we will operate like other state agencies where  
13 there is a 25 percent limitation.

14 MR. WALKER: On the unexpended?

15 MS. FLORES: On transferring between capital  
16 line items, everybody has that.

17 MS. BREWSTER: Mr. Chairman, if I may?

18 MR. WALKER: Yes, ma'am.

19 MS. BREWSTER: But an agency can exceed that  
20 amount if there is approval from the Governor's Office and  
21 the Legislative Budget Board.

22 MS. FLORES: That is correct. There are some  
23 provisions to allow you to exceed that 25, but you will  
24 have to have approval from the Governor's Office.

25 MR. WALKER: So I should know this, and I'm

1 drawing a blank right now, but we had the automation fund  
2 and the automation fund had a bunch of unexpended money in  
3 it that was accumulating, and I think when we went to the  
4 process and handling fee, that got kind of rolled away, so  
5 we're not accumulating any more. Is that correct?  
6 Explain to me how the automation dollars are being  
7 accumulated now.

8 MS. FLORES: Well, in the past we did have an  
9 automation fee of a dollar, and once we approved the  
10 process and handling fee, that was reduced to 50 cents, so  
11 out of the \$4.75 that we're charging everyone, 50 cents of  
12 that is still collecting revenue to help finance agency  
13 operations.

14 MR. WALKER: But that money in the past did not  
15 lapse, it was always a carryforward. Will it still be a  
16 carryforward, the 50 cents?

17 MS. FLORES: It will be in the DMV Fund, so  
18 anything that's not spent falls into the DMV Fund balance.  
19 And we are tracking that specific fee separately so we  
20 know what we're collecting.

21 MR. WALKER: So how much do we have in that  
22 automation fund right now?

23 MS. FLORES: I believe I saw, was it \$10  
24 million? Hang on a second, I've got my revenue estimator.  
25 Am I on target? \$10 million.

1 MR. WALKER: And how much do we collect into  
2 that fund annually?

3 MS. FLORES: Well, we used to collect \$24- and  
4 now we're collecting about half.

5 MR. WALKER: Twelve? Because at one time we  
6 had like \$48 million in that account to fund RTC and that  
7 stuff.

8 So I guess here's a good way to ask the  
9 question: Going forward, let's just say ten years from  
10 now the agency needs to do a major automation project and  
11 it was going to be a \$50 million automation, if we did a  
12 \$50 million automation, we would obviously need an  
13 appropriation to do that, but could we stand on our own  
14 soapbox and say we already have this money because we have  
15 collected it through the automation fee for the last ten  
16 years and we have an accumulated balance of that to expend  
17 on an automation project of this scale.

18 MS. FLORES: Yes, sir.

19 MR. WALKER: So we do accumulate that in the  
20 fund?

21 MS. BREWSTER: Into the TxDMV Fund, yes.

22 MR. WALKER: It's not being spent on wages and  
23 buildings?

24 MS. FLORES: You know, I think over time we're  
25 going to have to look at if you want to specifically try

1 to segregate that fee in order to only finance automation,  
2 that would be one thing, but right now at this point it's  
3 just revenue coming into the DMV Fund and it's helping to  
4 finance whatever is needed.

5 MS. HARDY: So I mean, is there exposure as it  
6 grows and doesn't get used then?

7 MR. WALKER: That was my original questions,  
8 and now she's spending it

9 MS. FLORES: There is an exposure if it does  
10 fall into fund balance because we saw during the  
11 legislative session that if there are large fund balances  
12 in the DMV Fund, they are subject to use for other  
13 purposes.

14 MR. WALKER: So we don't have an accrual  
15 account set up that says we're accruing reserve income for  
16 a project going forward?

17 MS. FLORES: No, sir, not at this time.

18 MR. WALKER: So you wouldn't have the cash  
19 sitting in a savings account somewhere, so to speak?

20 MS. FLORES: Not in a savings account.

21 MR. WALKER: In a rainy day fund.

22 MS. FLORES: No.

23 MR. BARNWELL: Not in any kind of account.

24 MS. FLORES: Only the DMV Fund balance.

25 MR. BARNWELL: But it loses identity once it

1 hits the fund balance which means it's up to the  
2 legislature to take the money if they want to, so you  
3 don't have the money. We've got a bully pulpit to say if  
4 we collected this we ought to be able to use it, but you  
5 don't have the money.

6 MS. FLORES: Correct.

7 MR. WALKER: You said it perfect, Barney. And  
8 that's what I was trying to get to, I guess, was do we  
9 have the money set aside in reserve, but the answer, I  
10 guess, is no, we don't really.

11 MS. BREWSTER: Mr. Chairman, we would have to  
12 make a case before the legislature to inform that this is  
13 the purpose of why we're accumulating this balance. We  
14 would have to indicate we're saving up to do this major  
15 infrastructure project.

16 MR. WALKER: But we're not really saving up  
17 because somebody took the money and mixed it in with the  
18 big old pot.

19 MS. BREWSTER: It is in the TxDMV Fund and we  
20 are appropriated out of the TxDMV Fund. There are no  
21 other state agencies that are appropriated funds. It  
22 would take a special effort by the legislature to sweep  
23 those funds to be used for another state agency.

24 MR. BARNWELL: But as you pointed out a few  
25 minutes ago, if they see \$10- or \$15 million in that

1 account, they're going to be forced to take the money. You  
2 better have a good plan in advance ready to go for future  
3 automation if you want to have, but just to say some  
4 nebulous ill-defined future automation, they're going to  
5 laugh at us if that's the case. So basically, the money  
6 has no identity once it hits the general fund, or DMV's  
7 general fund.

8 MS. BREWSTER: The TxDMV Fund.

9 MS. FLORES: Duly noted.

10 MR. WALKER: But the reality is the money was  
11 appropriated when it was originally put out there for the  
12 purposes of automation for this agency, not to be used in  
13 general funds, and so somebody is, whether it's our agency  
14 or the state -- the state can't get it really, but the  
15 money is being used for other purposes other than an  
16 automation project.

17 MR. BARNWELL: I think the state just reduces  
18 your other appropriations and tells you to figure it out.

19 MR. WALKER: Okay. I'm good.

20 MS. BANKHEAD: Any other questions related to  
21 the unexpended balance authority? Your recommendation to  
22 the Board to approve this budget would include our  
23 recommendation to use these balances in this manner, so I  
24 just wanted to make that clear.

25 So moving on, one thing that's a little

1 different from the presentation that we added the  
2 contracts, and those contracts begin on page 55 of your  
3 document. The Board's approval of the operating budget  
4 also constitutes approval of the contracts listed on those  
5 pages. In summary, the FY 2018 operating budget includes  
6 173 contracts, including renewal of existing contracts.  
7 There are 15 contracts in excess of \$200,000 which I'll  
8 talk about later, eight contracts between \$100- and  
9 \$200,000 and those are listed on page 59 of your document,  
10 and they include the rent for the Dallas Regional Service  
11 Center and fleet maintenance and cell phones, that's a few  
12 of the things that are on there, there are a few more  
13 things on there as well.

14 On page 60 and 61 of your document there's a  
15 list of 128 contracts that are less than \$100,000, and  
16 these include other contracts for regional service center  
17 rents, software maintenance, temporary staffing outside of  
18 the Department of Information Resources, and copier  
19 leases. And finally, there are 32 information technology  
20 staff augmentation contracts for contractors specifically  
21 for RTS refactoring, webDEALER and IT operating.

22 MR. WALKER: Does that also include like  
23 administrative assistants and so forth?

24 MS. BANKHEAD: Well, the staff augmentation  
25 does not include administrative assistants. Those are all

1 on the contracts that are less than \$100,000, that's for  
2 administrative assistants, technical writers, that kind of  
3 thing. These staff augmentation contractors are basically  
4 developers and that kind of thing.

5 MR. WALKER: So as we wind down a lot of these  
6 projects, what do we anticipate these contracts -- we've  
7 got \$11 million worth of staff annually and what do we  
8 anticipate that to go to and when do we anticipate a  
9 reduction in that number?

10 MS. BANKHEAD: Well, as the RTS project winds  
11 down, those contractors that we have dedicated to that  
12 project, those funds will not be there and so we will not  
13 have anything to fund those contractors with and we would  
14 just move on, they would move away.

15 MR. WALKER: So we have \$11 million right now  
16 in expenditures in that area. What do you anticipate that  
17 to go to by the end of this year?

18 MS. BANKHEAD: I see what your question is.  
19 About half, maybe next year for '18, about \$5 million, and  
20 it would be less than \$5 million because a portion of some  
21 of that cost, that \$5 million is for maintenance and some  
22 other things, so our contractor costs we're expecting to  
23 really shrink from the \$11 million. And the \$11 million  
24 that you're looking at there is not only RTS but also the  
25 webDEALER project and also IT operating.

1 MR. WALKER: Well, we've wound down a lot of  
2 these projects and so at the end of this we'll have three  
3 projects left after this year, I think. So all these  
4 contractors that are working on these projects, are they  
5 still offsite? We had an offsite location where a bunch  
6 of them were working at one time, I know.

7 MS. FLORES: From Deloitte.

8 MS. BREWSTER: They still exist, in Westlake  
9 Oaks. Deloitte is currently still housed there.

10 MR. WALKER: But we didn't have contractors  
11 working for the agency there also?

12 MS. BREWSTER: We did have some there, yes.

13 And Mr. Chairman, just to point out that the  
14 agency is going through and planning the next set of  
15 projects to be considered, and so we'll share that  
16 information with you.

17 MR. WALKER: Tomorrow

18 MS. BREWSTER: No, sir. At a future board  
19 meeting. Yes, sir.

20 MR. WALKER: I'm sorry. Renita, keep going.

21 MS. BANKHEAD: In addition to 173 contracts, we  
22 also have 16 contracts that are statutorily required.  
23 These are contracts that we have to do and the agencies  
24 that we have to do them with are like the State Office of  
25 Administrative Hearings for the SOAH cases, and our

1 contract with NICUSA -- which I had to look up to find out  
2 it's the National Information Consortium, that's what that  
3 means -- but it's for our payments that we have to make  
4 for our online transactions, so that's a contract that we  
5 have to have, and plus the ones that have for TDCJ for  
6 license plate production, those are statutory contracts  
7 that we have to have.

8           Finally, and Linda alluded to this a little  
9 bit, this list has three contracts, one of them that  
10 you've already talked about with TxDMV and TxDOT, but the  
11 other two are with the Southwest Research Institute and  
12 the American Association of Motor Vehicle Administrators.

13       The first one with the Southwest Research Institute is  
14 \$1.5 million, and as Linda said, it's related to the data  
15 for the CVIEW project, and that's to help them move data  
16 into a cloud environment and update databases and that  
17 kind of thing. And the next one with AAMVA is \$348,000  
18 and that's our yearly online access to receive and report  
19 information for NMVTIS as required by the federal law.

20           So we're asking that you recommend to the full  
21 Board approval of these two contracts.

22           MR. WALKER: So we do not have a copy in our  
23 book, I don't think, of those contracts, do we? Is that  
24 correct? I don't remember seeing it when I read the book.

25           MS. FLORES: No. Our budget document does not

1 include the actual legal contract.

2 MR. WALKER: So I would kind be a little  
3 behooved that you would ask us to approve a contract that  
4 we haven't even reviewed or looked at. What we may be  
5 more appropriately asked is to authorize the executive  
6 director to enter into a contract, but not that we approve  
7 because I don't think I have seen a contract so I don't  
8 want to approve a contract that I haven't seen.

9 MS. FLORES: No, sir. You're correct. We're  
10 asking that you authorize the executive director to  
11 negotiate the contract because of the amount.

12 MR. BARNWELL: Well, actually, we're not  
13 authorizing anything, we're recommending to the Board that  
14 they authorized.

15 MS. FLORES: I stand corrected. Yes, sir,  
16 you're right.

17 MS. BANKHEAD: That concludes my presentation.  
18 Did you have any additional questions about the budget  
19 document?

20 MR. WALKER: Well, I have a question that I  
21 wanted to ask just out of my own curiosity since I'm a  
22 trucker. I saw this contract for IRP.

23 MR. BARNWELL: What page are you on?

24 MR. WALKER: Hold on. I've got to find it  
25 because I have it circled. It's on page 57. It's in the

1 one, two, three column over and it says purpose: IRP  
2 maintenance. And it's Explore. So I was just kind of  
3 going through these last night when I was reading them and  
4 we have a \$1.2 million contract which is annualized to  
5 \$200,000 which I guess means it's a six-year contract.  
6 But \$200,000 to IRP, IRP is just where we go and apportion  
7 license plates through the different states. I can't  
8 imagine, there's 48 states out there, why is the State of  
9 Texas spending \$200,000 and 48 other states are paying the  
10 same thing, I hope, for software maintenance on a program  
11 that just says -- who knows in this room?

12 MS. FLORES: From what I know about the  
13 software maintenance, we have this vendor, we've had this  
14 vendor for quite a while, and they created the application  
15 that we use for the International Registration Plan. This  
16 is the maintenance agreement that we incur every year, and  
17 what that provides is any programming changes that are  
18 needed for legislative mandates or any enhancements to our  
19 system that we're needing to make for the year, whether  
20 it's enhanced reporting or programming changes. That's  
21 the annual cost for maintaining that system, and it is  
22 through a private vendor, Explore.

23 MR. WALKER: So I may be getting out of line  
24 here, but it just seems to me like 50 states -- well, I  
25 don't know if Hawaii uses IRP but Alaska probably does --

1 do they?

2 MS. BREWSTER: No.

3 MR. WALKER: So it's just 48 states using IRP,  
4 48 times \$200,000 is \$100 million -- or 10 million bucks,  
5 I guess.

6 MS. BREWSTER: Mr. Chairman, if I may?

7 MR. WALKER: Yes.

8 MS. BREWSTER: Not all states use the same  
9 vendor, there are different vendors that provide the  
10 services. Explore obviously is a major one, but not all  
11 states use the same private entity to provide the service.

12 MR. WALKER: Jimmy, do we get \$200,000 worth of  
13 value there?

14 MR. ARCHER: Mr. Chairman, for the record, my  
15 name is Jimmy Archer, director of Motor Carrier Division.

16 To answer your question, yes, sir, we do. They  
17 built the system for us originally back in the 2000s when  
18 we first launched it. At the time they built it, it was  
19 one of a kind. The states that participate in IRP, all of  
20 them have to have some kind of system maintenance  
21 agreement, and all of them have some kind of system,  
22 whether it's homegrown or if they bought it from a vendor  
23 to have it build for them. They have to maintain those  
24 systems and that does cost money. I can't tell you how  
25 much the other states spend for theirs.

1 MR. WALKER: Why don't we find out.

2 MR. BARNWELL: So this is not put out for bid,  
3 it's just a renewal of an existing maintenance agreement.  
4 How much did the original agreement cost, any idea?

5 MR. ARCHER: I can find out for you, I don't  
6 have that off the top of my head.

7 MR. BARNWELL: Kind of like my inkjet printer:  
8 they give me the printer and they charge me out the wazoo  
9 for the cartridges. That's a technical term.

10 (General laughter.)

11 MR. WALKER: It is a very, very basic program,  
12 I can tell you right now, because I know what it does. It  
13 just says that J.H. Walker Trucking drives this many miles  
14 and this many miles are in Texas, so what percentage of my  
15 revenue or my license plate should be appropriated to the  
16 State of Texas so Texas knows how much to take out of the  
17 bucket, and how much Louisiana gets out of the bucket, and  
18 how much Alabama. We used to do this, all motor carriers  
19 did it internally and reported to the states prior to IRP,  
20 so \$200,000 to me to maintain a program like that just  
21 seems like sky high, because I have a software in-house  
22 that's \$20,000, you can buy it and it does exactly the  
23 same thing, you don't need maintenance on it. But maybe  
24 yours does more than mine does, I don't know.

25 MS. BREWSTER: Mr. Chairman, we can certainly

1 provide the Finance and Audit Committee with additional  
2 information on both what the original IRP contract amount  
3 was for Explore.

4 MR. WALKER: I don't know if other people would  
5 want to see that but I would.

6 MS. BREWSTER: We'd be happy to provide it to  
7 you.

8 MR. BARNWELL: Well, if we're going to spend a  
9 couple hundred thousand dollars every year.

10 MR. WALKER: That's just maintenance, that's  
11 not buying a program.

12 MS. HARDY: How many other vendors do this?

13 MR. WALKER: I don't have any idea. I mean, we  
14 have an in-house system that does the exact same thing  
15 this does -- at least I'm pretty sure it does. Because we  
16 give the data to Texas under our IRP registration which  
17 tells the DMV here how many miles we go in all the  
18 different states and how many overall miles so we can  
19 apportion out to the different states. So Texas is just  
20 doing what I've already done in-house with my programs to  
21 apportion it out to all the states.

22 Renita, are you finished or do you have more?

23 MS. FLORES: Yes, sir.

24 MR. WALKER: So let me go back because I have a  
25 few questions, I think. Linda, can I go back to page 37?

1 MS. FLORES: Yes, sir.

2 MR. WALKER: And so I think this is part of  
3 your fiscal report here, and if you go to column FY 2016  
4 DMV annual revenue and then go to 2017 estimated annual  
5 revenue.

6 MS. FLORES: Yes, sir.

7 MR. WALKER: So I was looking at those numbers  
8 and 2017 is one-half of 2016. Do you see what I'm talking  
9 about?

10 MS. FLORES: On the general revenue.

11 MR. WALKER: On page 37 if you go down to the  
12 revenue description, certificate of titles, motor vehicle  
13 registrations, the first section right there.

14 MS. FLORES: Yes, sir.

15 MR. WALKER: And then if I look under 2016 it  
16 says \$74 million for certificates of titles, and then it  
17 says 2017 estimated annual revenue \$35 million, it's half.

18 MS. FLORES: Yes.

19 MR. WALKER: Tell me why it's half.

20 MS. FLORES: Because the other half is now  
21 going to the DMV Fund.

22 MR. WALKER: Good answer. Okay. I was just  
23 curious why all those revenues were half.

24 Do you want to go over real quick the MyPlates  
25 highlights, or is that further down?

1 MS. FLORES: We can do that.

2 MR. WALKER: Do you want to do it now, or is it  
3 part of your program going forward?

4 MS. FLORES: There's also in the quarterly  
5 financial kind of an update on that, so we'll get into  
6 where we think they're going to hit their obligation in  
7 the next, I think it's 4.A, so if you want to kind of wait  
8 and go into that one.

9 MR. WALKER: That's what I was going to tell  
10 you when I was talking to earlier about you summarized  
11 everything on your report and then you went back into  
12 detail on some of the others, but I made notes in kind of  
13 the front up here on your summarization report.

14 MS. FLORES: I can address it at either time.

15 MR. WALKER: Let's go ahead and do it right  
16 now, the MyPlates.

17 MS. FLORES: Sure. So for the MyPlates  
18 contract on page 39 of your operating document, we just  
19 kind of give a highlight of that particular contract. The  
20 first contract ended, or actually the new contract began  
21 November 19, 2014. That contract changed up the splits  
22 between the state and the vendor. That new contract  
23 required that MyPlates generate a \$15 million obligation  
24 to general revenue, but it was based on new sales versus  
25 renewals. There used to be different splits on how much

1 money they got for renewals, how much the state got. We  
2 turned it so that they had to go out and sell new license  
3 plates and they would receive a higher portion of that  
4 revenue, but renewals then became the revenue for the  
5 state. So we flipped because the first contract had it  
6 reversed, so this new contract requires that they generate  
7 at least \$15 million within a five-year term.

8 MR. WALKER: How many?

9 MS. FLORES: Fifteen in five years. Later in  
10 the quarterly financial report, we do indicate that  
11 they've reached, as of May, it was, I believe, \$13  
12 million, \$13.8-, so they're almost there. We were looking  
13 at it, we believe that they're going to hit that \$15  
14 million target before the end of the fiscal year.

15 MR. WALKER: There's still another two years on  
16 the contract.

17 MS. FLORES: Correct.

18 MR. WALKER: So it's been a great deal for  
19 them.

20 MS. FLORES: Yes.

21 MR. WALKER: Great deal for us.

22 MS. FLORES: Yes.

23 MR. WALKER: Good. Those are the kind of  
24 contracts you like. Everybody wins.

25 MS. FLORES: So page 40 just kind of gives you

1 an idea of what their biggest sellers are.

2 MS. HARDY: I see them advertised.

3 MR. WALKER: So that's the MyPlates. Did you  
4 have another question, Chair?

5 MR. WALKER: I did. When you go to page 40  
6 under existing plate designs, I've circled 90 days we have  
7 50 plates, 270 days, 150 plates, 180 days. I didn't  
8 understand that. Would you explain what that means?

9 MS. FLORES: That 200 plate minimum, there are  
10 certain milestones, so within the first 90 days they have  
11 to have at least 50 of the 200.

12 MS. FLORES: Fifty plates commitments.

13 MR. WALKER: Not plates, commitments.

14 MS. FLORES: I'm, sorry. Commitments.

15 Mr. WALKER: That's where you confused me. So  
16 it's not plates, it's actually commitments.

17 MR. BARNWELL: And this is for new plates?

18 MS. FLORES: Yes, sir.

19 MR. BARNWELL: Existing plate designs?

20 MR. WALKER: What she's trying to say here is  
21 that they have to have this many commitments in order to  
22 get a plate approved.

23 MR. BARNWELL: So you're talking about a new  
24 plate.

25 MR. WALKER: To get a new plate approved.

1 MR. BARNWELL: But if you look at page 39, new  
2 plates designs, they've got 180 days to be at 200. Maybe  
3 that's new and this is existing, but I don't understand  
4 what existing means.

5 MS. BREWSTER: Mr. Chairman, if I may. This is  
6 for plates that currently exist that are low performers  
7 that within a certain amount of time, 90 days, they have  
8 to at least hit 50 plates or else they risk being  
9 discontinued. So these are the thresholds that they have  
10 to meet to be able to retain that plate.

11 MR. WALKER: But they need 200 commitments in  
12 order to get a license plate approved to get it into the  
13 inventory.

14 MS. BREWSTER: Yes, sir, but that was under the  
15 new contract. That 200 threshold did not exist prior to,  
16 so there were plates that the Board approved through the  
17 MyPlates contract that did not meet that 200 threshold  
18 because that requirement didn't exist.

19 MR. BARNWELL: Do we lose money on existing  
20 plate designs that have less than 200?

21 MR. WALKER: No.

22 MS. FLORES: No. We don't lose money.

23 MR. BARNWELL: At what point do you pull the  
24 plug on an existing plate design?

25 MS. FLORES: If they cannot meet that 200 plate

1 commitment within a year.

2 MR. BARNWELL: Within a year?

3 MS. FLORES: Within a year.

4 MR. BARNWELL: Well, why do we have all these  
5 other milestones which are irrelevant if they don't  
6 matter. Fifty plates in 90 days. Okay, I've got 48.  
7 Well, we're going to cut you some slack on that and we're  
8 going to look at it again in another 90 days.

9 MR. DUNCAN: Apologies. This is David Duncan,  
10 the general counsel.

11 That was at the renegotiation of the contract,  
12 so we had to have a bright line from the old contract  
13 which had no numeric limits or deadlines.

14 MR. BARNWELL: I understand, but what's the  
15 enforcement?

16 MR. DUNCAN: MyPlates actually enforced it.  
17 They wrote letters to all of the sponsors of all of the  
18 specialty plates and said, You have some time to catch up  
19 and if you catch up you keep your plate, and if you don't  
20 we're going to cancel it and at your next renewal you'll  
21 have to get rid of it.

22 MR. BARNWELL: I understand, and I think that's  
23 fine. The 90 days, 180 days, 270 days targets I don't  
24 understand.

25 MR. DUNCAN: Again, because the thresholds were

1 different amounts, we thought that we would give longer.  
2 Basically what they could do is if somebody had 40 plates  
3 out there, if by the 49th day they could have 50 and they  
4 had another 90 days to get up to 100, they may go out and  
5 do a sales pitch.

6 MR. BARNWELL: Well, maybe they do, but what if  
7 they don't?

8 MR. DUNCAN: Then they get canceled.

9 MR. BARNWELL: So it's an automatic  
10 cancellation; if you don't hit 50 in 90 days, you're done.

11 MR. DUNCAN: Correct.

12 MR. BARNWELL: Okay. That's fine.

13 MS. BREWSTER: It incentivizes.

14 MR. WALKER: When do they pay the \$4,100 to the  
15 agency for the plate design?

16 MS. FLORES: At the beginning.

17 MR. WALKER: Before the 90?

18 MS. FLORES: Yes.

19 MR. WALKER: So they lose the 4,100 bucks. We  
20 require a design fee to go ahead and design them.

21 MR. DUNCAN: That's correct. And I don't think  
22 we collect that money before they get the commitments on  
23 the new ones.

24 MR. WALKER: That's my question.

25 MR. DUNCAN: We don't ask for the money until

1 they have the commitments, because that would be  
2 pointless.

3 MR. BARNWELL: When do we get the money?

4 MR. DUNCAN: Once they have the 200  
5 commitments.

6 MR. WALKER: So they don't have to pay us until  
7 they have the commitments.

8 MR. BARNWELL: So the design of the plate goes  
9 ahead. So the \$4,100 cost is incurred by the agency, or  
10 by who?

11 MR. DUNCAN: We do the basic design, so we do a  
12 mock-up design but we don't do all of the layout necessary  
13 to do production in Huntsville. That's where the real  
14 money is spent is to get that ready to be printed on the  
15 fancy stickers and all of that. We can mock one up and  
16 make a picture of it, but actually putting it into  
17 production is when we charge the money, I believe.

18 MR. WALKER: Years ago when this program was  
19 created, which it was created right at the beginning of  
20 the agency, we came up with a cost number, and I think  
21 it's 4,1000-something bucks, that said this is what it  
22 cost us to get it through our process, to get it to the  
23 printer to print it or to stamp it, whatever it was.

24 MS. HARDY: So that is a soft cost then?

25 MR. WALKER: But I think -- I may be wrong and

1 David maybe right, but I thought that the first thing they  
2 had to do was pay us that money on the front-end before we  
3 would go forward on those license plates. You might check  
4 on that, David.

5 MR. DUNCAN: We will.

6 MR. WALKER: I think they have to send an  
7 application and that money.

8 MR. DUNCAN: I'll confirm that before tomorrow.

9 MR. WALKER: When we redid the contract, it may  
10 have changed.

11 So what's really interesting that I'm looking  
12 at on here is what percent of the license plates that  
13 they're successful on are black. It looks like 90 percent  
14 of the success ratio is related to the color black.  
15 People love black license plates, it looks like. Because  
16 if you look at the top ten performers, seven of the top  
17 ten are all black, or six of them, the top six, and  
18 they're way, way out front on those compared to the rest  
19 right below those.

20 MS. FLORES: Other questions?

21 MR. WALKER: I'm looking.

22 MR. WALKER: On page 44, when I was going down  
23 that list of the operating budget numbers and I got down  
24 to trucking at \$808,000. I live in that world and I can't  
25 imagine. Does that include FedEx also in there and a lot

1 of small package deliveries?

2 MS. FLORES: I'm sorry. Which one?

3 MR. BARNWELL: It's freight.

4 MS. FLORES: Freight.

5 MR. WALKER: That's the same thing.

6 (General laughter.)

7 MS. FLORES: Thank you. I didn't see trucking.  
8 I apologize.

9 MR. WALKER: \$808,000 trucking.

10 MS. FLORES: \$808,000 freight, that is where we  
11 utilize --

12 MR. WALKER: Central Freight Lines it used to  
13 be to handle the shipments of the license plates from the  
14 prison system to all the tax assessor-collectors.

15 MS. FLORES: Yes, sir, you're correct.

16 MR. WALKER: It just seems like that's a lot, a  
17 lot of truckloads of license plates. I do trucking every  
18 day and that would be a big account.

19 MS. FLORES: At one time we were shipping 7  
20 million plates a year.

21 MR. BARNWELL: How often do the plate go out?  
22 Do you have any idea?

23 MS. FLORES: Every day.

24 MR. WALKER: No, that's not true, because I  
25 visited the plant. They don't even produce every day

1 anymore up there. They produce like once a week because  
2 the volume has gone down so much, and it is automated  
3 today. Both of you that are on the Board, what you should  
4 do is you should request a tour of our facility there. I  
5 don't know if anybody in the room has been, but I went up  
6 there.

7 MR. BARNWELL: I'm trying my best to stay away  
8 from Huntsville.

9 (General laughter.)

10 MR. WALKER: It's a whole big floor up there in  
11 the prison in Huntsville where they make these plates, and  
12 because they told me it is so automated today that we  
13 don't do near the volume. It used to be all crashing  
14 machines where they did all the metal. Today it's all  
15 done on a computer, and the equipment is all abandoned,  
16 they don't even use it anymore other than the printing  
17 press.

18 MR. BARNWELL: What you're doing is identifying  
19 areas where there may be waste. And I'm not saying that  
20 there is waste, I said may be waste.

21 MR. WALKER: That's a lot of trucking

22 MR. BARNWELL: That's a lot of license plates.

23 MR. WALKER: That's a lot of license plates.

24 MR. BARNWELL: And the Explore contract is  
25 another one that gives pause. Are we just knee-jerk

1 reaction approving these things?

2 MR. WALKER: I don't think so.

3 MR. BARNWELL: Now, these are small contracts  
4 relative to the total budget of this outfit, this stuff is  
5 on the small side, and I know you're watching the big  
6 items very carefully and hats off to you on the work  
7 you've done on that, but there may be some areas where  
8 we're not vetting these costs and analyzing them the way  
9 we ought to do. And at some point I recognize that  
10 there's going to be a tradeoff in what it costs us to look  
11 at a \$15,000 contract and the savings of \$48 on it.  
12 There's a point at which it becomes less than profitable  
13 for the agency to look at these things. So I'm not saying  
14 that we should tear up every contract that's been made,  
15 that we ought to delve into it and find out exactly what's  
16 going on all the way down the line, but maybe we could  
17 develop some kind of a benchmark, some sort of a minimum  
18 where these contracts are periodically looked at.

19 The Explore contract bugs me a little bit, and  
20 I'm extraordinarily ignorant of these things, but from  
21 what Johnny said, it makes me want to look at it more  
22 thoroughly. The freight, again, it's his fault, if you  
23 get rid of this guy, I'll stop asking questions about  
24 things. The freight, he has a point about that. How  
25 often does the freight go out? Because if it's going out

1 every day on a truck, then you're going to have an  
2 extraordinary cost per plate. If it's going out every  
3 quarter or something like that, make the tax assessor-  
4 collectors store these things, then maybe that's  
5 different.

6 MS. HARDY: Is there detail behind that number?

7 MR. BARNWELL: I just don't know.

8 MS. HARDY: I mean, fuel.

9 MR. BARNWELL: What I'm saying is I have so  
10 little information, all I have is questions.

11 MR. WALKER: So who does the contract for  
12 trucking?

13 MS. FLORES: The vendor themselves.

14 MR. WALKER: The prison does.

15 MS. FLORES: No. We do the contract on the  
16 freight, and it was Central Freight but we have moved on  
17 to another vendor. I want to say it's SVA. I know the  
18 initials, I don't know the name of the company.

19 MR. WALKER: I mean, you might be surprised  
20 that in today's transportation deal there's lots of  
21 innovative ways out there to look at some of those kind of  
22 expenditures. You may want to do drop shipping and last  
23 mile deliveries. I mean, we may be shipping a pallet to  
24 Houston to the tax assessor office, a pallet to each  
25 office, and every office it's costing \$800 a pallet to

1 drop, but you may be able to consolidate and drop ship  
2 three pallets to Houston for \$800 and then last mile  
3 deliver those for \$100 a pallet with a company like --  
4 I'll just use my company, we have Superior Delivery  
5 Service that we do last mile delivery for people in the  
6 Houston market and we save people a lot of money. And  
7 maybe somebody has looked at those things and maybe we do  
8 that, but it's just some of the things we ought to look  
9 at.

10 Another thing we ought to look at, this agency,  
11 that we haven't done in a long darn time, and maybe we  
12 don't have the right to, is we ought to look at the  
13 license plates. It's what, a \$30 million contract?

14 MS. FLORES: Yes, sir. Well, it's less than  
15 that now.

16 MR. WALKER: And I know it's a statutory  
17 contract, but we ought to question that statutory contract  
18 and say, hey, we can go to U.S. Steel or 3M or whoever and  
19 buy license plates for half the cost the state is charging  
20 us and take it to the legislature and say, Hey, we can  
21 save some money not having the prison do this.

22 MS. BREWSTER: Mr. Chairman, the agency did do  
23 a comparison between what it cost per plate set through  
24 the Department of Criminal Justice and what other states  
25 are charged using private vendors, and I will say the

1 comparison was surprising at how low the amount was for  
2 utilizing TDCJ.

3 MR. WALKER: So they're a cheaper source.

4 MS. BREWSTER: Yes, sir.

5 MR. WALKER: And that may be the case. But you  
6 may not go to other states because they may be a lot  
7 poorer managed than we are and don't make the right  
8 decisions. I mean, you might go to a private vendor and  
9 say, Hey, I want to buy this, how much would you charge me  
10 for it?

11 MR. BARNWELL: There are areas that should be  
12 identified in this huge company that we have here called  
13 DMV where there's undoubtedly waste. It would be  
14 Pollyannaish to assume that there's no waste. The  
15 question is is it significant. A further question is at  
16 what point do we attack that waste and how do we find it  
17 without killing ourselves for a dollar and 40 cents. And  
18 I know that everybody here is busy all the time, so I'm  
19 sensitive to the fact that what I'm proposing is not  
20 necessarily something that's easy to do and it's not  
21 something that we can drill down into in the smallest  
22 contract and find where we could save ourselves \$50,000 on  
23 this contract or \$20,000 on that one, but if we could save  
24 \$50,000 on 50 contracts, we've done a good job and we've  
25 got some bragging rights with the legislature. Good

1 stewards of the money, et cetera, and all that hoo-ha.

2 MS. FLORES: I would like to mention as part of  
3 some of the efficiencies that we are looking at, the Board  
4 passed a rule last June regarding the automatic  
5 replacement of license plates. It used to be that  
6 everyone, if you kept your car longer than seven years,  
7 you automatically received a new set of license plates.  
8 Last June the Board did put into the rule that that would  
9 no longer need to occur, so we are anticipating some  
10 savings in license plate production.

11 I know firsthand that we have an eleven-month  
12 inventory in Huntsville of license plates.

13 MR. WALKER: Eleven months?

14 MS. FLORES: Eleven months. That is the  
15 largest inventory we've had.

16 MR. WALKER: So they're printing those things  
17 and sending us a bill and just keep printing them and  
18 sticking them there.

19 MS. FLORES: Because we knew that we would be  
20 forced to have a reduction in license plate production.  
21 We knew that going on, so we decided to utilize our  
22 contract and produce plates. We did put some extra  
23 money -- not extra money but we did have some savings  
24 within the contract so we chose to produce more plates,  
25 knowing that that rule was going to be in place.

1 MR. WALKER: Who made that decision?

2 MS. FLORES: I did. I knew that we would have  
3 some gap in that contract. I chose to go ahead and  
4 produce the plates, knowing that we could keep them in  
5 Huntsville and then just use them as we needed to for the  
6 next biennium. At one point we were needing more license  
7 plates because it seemed like we never had enough. When I  
8 started here at this agency, we had a three-month supply,  
9 we slowly built it up to a six-month and then a nine-  
10 month. Single sticker hit and the economy hit, things  
11 started to change, but we continued to produce license  
12 plates. With that rule in place now, we are not going to  
13 have to produce as many plates.

14 MR. WALKER: So I know how GAAP accounting  
15 work. Tell me how government accounting works because if  
16 this were General Motors, you have a prepaid expenditure  
17 inventory account there, so how do we record that on our  
18 books here?

19 MS. FLORES: We're a cash basis entity.

20 MR. WALKER: So we've expensed all that and we  
21 don't show that we have -- how many dollars worth of  
22 inventory do we have sitting out there?

23 MS. FLORES: You know, I'd have to get back  
24 with you on that, Chairman.

25 MR. WALKER: So this lady right here, ask her

1       how big an inventory General Motors keeps on car engines  
2       in a plant. I can answer the question better than she  
3       can, I bet.

4                   MS. HARDY: Well, it's real-time inventory.

5                   MR. WALKER: I have 15 trucks this week going  
6       down the assembly line at a plant in Charlotte, South  
7       Carolina. I'll bet you that the engines for those trucks  
8       were shipped the day before my trucks went down that  
9       assembly line. They don't inventory in the real business  
10      world today. It's called just-in-time is what they call  
11      it, and they inventory just in time to put the product  
12      together because it saves money not carrying inventory.

13                  MS. FLORES: And the only thing that I can  
14      respond back to that is the private sector does have more  
15      flexibility than state government. We rely on the  
16      appropriations, so if we run short in any given year, we  
17      have to go through major hoops with the Governor's Office  
18      to get a budget execution process. That is not an easy  
19      task and that doesn't happen overnight. So we are not  
20      real-time. So in that respect, we're very different  
21      entities, and we are not a for-profit entity, at the same  
22      time. We're supposed to break even, we're not supposed to  
23      build big fund balances in our governmental accounts,  
24      we're supposed to keep our fees as low as possible. So  
25      there are some differences between the private and the

1 public sector.

2 MR. WALKER: But I don't know about having an  
3 eleven-month inventory. That just sounds way out in left  
4 field to me.

5 MS. HARDY: Well, the plates don't go bad.  
6 Right?

7 MS. FLORES: No, they do not go bad.

8 MS. HARDY: They don't depreciate.

9 MR. WALKER: So that's why when I went to the  
10 prison and they told me they didn't have to work. They  
11 brought guys in to run the plant the day we were there  
12 just to show us how it ran because they didn't have to  
13 make plates that day.

14 MS. HARDY: But this will get ramped down.  
15 Right?

16 MS. FLORES: Oh, absolutely, within the next  
17 year.

18 MR. WALKER: So my next question would be --  
19 two questions. Number one is how much is that contract  
20 annually with the prison system?

21 MS. FLORES: \$24 million.

22 MR. WALKER: \$24 million.

23 MS. FLORES: And that's license plates, not  
24 just vehicles.

25 MR. WALKER: And how many license plates will

1 they make a year?

2 MS. FLORES: We were generating about 10  
3 million.

4 MR. WALKER: Ten million license plates a year.

5 MS. FLORES: But again, we are going to modify  
6 that once we see the impact of that of not having to  
7 automatically renew license plates every seven years. So  
8 we will be seeing that ramp down slightly.

9 MR. WALKER: And I know you don't probably have  
10 the answer to this question, a lot of states only require  
11 a rear license plate instead of a front license plate. If  
12 we could get the legislature to say, hey, why do we have a  
13 front license plate and a rear, everybody else just uses a  
14 rear, how much would that save our state?

15 MR. BARNWELL: Well, we could use up that  
16 eleven-month inventory if we put them on each side of the  
17 car as well.

18 MS. FLORES: I believe that was contemplated at  
19 one time, and the DPS and law enforcement came out against  
20 that, and the toll authorities, so they were all against a  
21 one plate.

22 MR. WALKER: Did we tell them how much it could  
23 save maybe?

24 MS. FLORES: Yes.

25 MR. WALKER: Because you could take a \$24

1 million contract potentially to a \$12 million contract,  
2 saves the state \$12 million a year.

3 MS. BREWSTER: Mr. Chairman, that was  
4 introduced by Representative Larry Gonzales and  
5 contemplated by the legislature and it did not pass.

6 MR. WALKER: This last session?

7 MS. BREWSTER: Yes, sir. And there were a  
8 couple of other bills that dealt with it, if there were  
9 sensors on the front, you wouldn't have to have a plate.  
10 Those were contemplated as well, none of them passed.

11 MR. WALKER: So license plates cost \$2 apiece  
12 is what you're saying.

13 MS. FLORES: Roughly.

14 MR. WALKER: And that's FOB the penitentiary,  
15 Huntsville.

16 MS. FLORES: Yes, sir.

17 MR. WALKER: You can go ahead. I'm finished  
18 with my questions.

19 MS. FLORES: Well, that concludes our  
20 presentation on the operating budget.

21 MR. WALKER: I thought you said you had some  
22 more.

23 MS. HARDY: I'm good.

24 MR. WALKER: So that finishes your financial  
25 report?

1 MS. FLORES: The operating.

2 MR. WALKER: Operating. Okay. Do you want to  
3 approve that now or do you want us to go forward? Well,  
4 we do have an action item here.

5 MS. FLORES: This is an action item. So we are  
6 requesting that you recommend approval to the full Board.

7 MS. HARDY: So as it pertains to item 3.B, I  
8 move that the committee recommend that the full Board  
9 approve: number one, the recommended fiscal year 2018  
10 operating budget as presented; two, the department use of  
11 the authority provided in the TxDMV capital rider number 2  
12 to transfer \$5,869,823 from TxDMV capital projects to the  
13 TxDMV automation for carryforward as outlined in the  
14 fiscal year 2018 operating budget, page 169 on the board  
15 briefing materials; and number three, the delegation to  
16 the executive director to negotiate, execute and sign the  
17 routine and required contracts contained in part 5 of the  
18 recommended fiscal year 2018 operating budget and specific  
19 approval of the following contracts, the Southwest  
20 Research Institute and the American Association of Motor  
21 vehicle Administrators National Motor Vehicle Title  
22 Information System.

23 MR. WALKER: What was the last one that we were  
24 recommending that we give authority to the director?

25 MS. HARDY: On number three to the executive

1 director to negotiate and execute and sign.

2 MR. WALKER: I'm okay now. I second.

3 So all in favor signify by saying aye.

4 (A chorus of ayes.)

5 MR. WALKER: All opposed same sign.

6 (No response.)

7 MR. WALKER: Motion carries.

8 Let's move forward to item 3.C, Internal Audit.

9 Sandra.

10 MS. MENJIVAR-SUDDEATH: Good afternoon. For  
11 the record, my name is Sandra Menjivar-Suddeath, and I'm  
12 the Internal Audit director. I am presenting the fiscal  
13 year 2018 annual audit plan, and I am requesting the  
14 Finance and Audit Committee recommend to the full Board  
15 the approval of the fiscal year 2018 annual audit plan.  
16 The plan begins on page 77 of your board book.

17 It is required by the Texas Internal Auditing  
18 Act that the Governing Board approve the audit plan. In  
19 fiscal year 2018, the Internal Audit Division plans to do  
20 twelve proposed items which include eight audits, one  
21 advisory service, a special request placeholder which the  
22 special request placeholder is if something comes up  
23 through the year, we have an ability to add something to  
24 the plan without coming directly to the Board, and two  
25 required items which is the annual audit plan and the

1 annual report.

2           The annual audit plan was developed using a  
3 risk-based methodology that included looking at revenue  
4 and expense impacts, assets, liabilities, operational  
5 effectiveness and efficiency, law/regulations, brand  
6 reputation issues, the degree of the change if the program  
7 has changed significantly over the past year, degree of  
8 complexity, how complex is the issue, and then degree of  
9 centralization, if the issue or process is something  
10 that's done here in headquarters, there's less risk than  
11 something that requires more involvement.

12           So with that, on page 78 I will go through each  
13 of the audits that are on the audit plan. The audits are  
14 listed in what the division considers highest risk to the  
15 department and then going down. The first one is the  
16 TxDMV fund tables and process and handling fees. We  
17 estimate 800 hours for this audit. This was originally in  
18 the fiscal year 2017 audit plan. It was removed so we  
19 could do the PCI audit at the end of the year. Because  
20 the department changed its method of finance from general  
21 revenue to the TxDMV Fund, we still think we should be  
22 looking at this and making sure that the revenues are  
23 appropriately accounted for and that we're sending back to  
24 the counties exactly what they're supposed to be  
25 receiving. And so those are the preliminary objectives:

1 determine whether appropriate revenues are deposited into  
2 the TxDMV Fund and determine whether appropriate amounts  
3 of revenues are being transferred to the counties.

4 The next audit is inventory. This is a 1,000-  
5 hour audit so it's one of our larger items on the annual  
6 plan. The department has a lot of capitalized and  
7 controlled assets. Those are printers, computers,  
8 cameras, vehicles, and they're located throughout the  
9 state at tax assessor-collector offices, at the regional  
10 service centers and at full service deputy locations. In  
11 fiscal year 2017 the department had about 8,300  
12 capitalized and controlled assets that had an initial cost  
13 of about \$12,000. In addition, the department also  
14 upgraded equipment at tax assessor-collector offices,  
15 their computers in fiscal year 2017. And so we want to go  
16 in and determine if we have an adequate process to  
17 accurately and completely track our assets, as well as do  
18 we have enough controls in place to safeguard the assets,  
19 and then are we doing what we are required by law with  
20 inventory, are we meeting our compliance requirements.

21 MR. WALKER: Can I ask a question as you go?  
22 So, Sandra, when you said that you're going to do this  
23 inventory deal at even the tax assessor-collector offices,  
24 does that mean that somebody in your division is going to  
25 get in a car, drive to Houston and go physically count the

1 inventory?

2 MS. MENJIVAR-SUDDEATH: We are going to do  
3 inventory counts, yes.

4 MR. WALKER: Didn't answer my question. Is  
5 somebody in your division going to get in a car, drive to  
6 Houston and count the computers at the tax assessor  
7 collector offices?

8 MS. MENJIVAR-SUDDEATH: We have not scoped the  
9 audit. I would assume that that would be part of it. To  
10 do the actual inventory counts, we'd have to go to the  
11 location of where the inventory is to actually review it.

12 MR. WALKER: We have 252 counties in the State  
13 of Texas.

14 MS. MENJIVAR-SUDDEATH: Right. And it's going  
15 to be a risk-based approach, so we won't go to every  
16 county, we won't go to every regional service center.  
17 Based on the amount of computers we have, we'll pick a  
18 sample that is representative of where the inventory is,  
19 and based on that, use that information to do our audits.

20 MR. WALKER: So you will do a risk assessment  
21 sampling and send somebody to ten out of 252 places and do  
22 random tests.

23 MS. MENJIVAR-SUDDEATH: Yes. So for us to  
24 understand the completeness and accuracy of our assets,  
25 we'd have to go out and actually do inventory counts. And

1 we also really want to focus in on the process internally.

2 Let's say we do find an issue somewhere that the  
3 inventories don't match, what processes do we have to make  
4 sure that we can actually capture that information.

5 MR. BARNWELL: What are we going to be  
6 inventorying?

7 MR. WALKER: Everything we own.

8 MS. MENJIVAR-SUDDEATH: We're going to be  
9 focusing on our capital and controlled assets. Those are  
10 the ones that there are concerns, the computers, the  
11 printers, those type of items.

12 MR. WALKER: But we're not going to go out and  
13 count -- we buy the toner packages.

14 MS. MENJIVAR-SUDDEATH: No, we are not counting  
15 toners. Now, when we get to the Internal Audit Division  
16 followup, there is a recommendation right now that is  
17 related to kind of doing the allocation of toners and RTS  
18 paper that the Vehicle Titles and Registration and finance  
19 administrator will be responsible for reviewing, and we  
20 will follow up on that.

21 MR. WALKER: That's a pretty big job there.

22 MS. MENJIVAR-SUDDEATH: The next item is  
23 eLICENSING. That's again, another 1,000-hour engagement.

24 As you're aware, eLICENSING changed how we do motor  
25 vehicle licensing, as well as motor vehicle complaints.

1 We went to an online system that is fully automated  
2 instead of having the manual processes that we had  
3 previously. So we want to go in and review whether  
4 eLICENSING is actually achieving its desired outcomes of  
5 faster service to customers, we want to look at the impact  
6 to the licensing process. In addition, we want to look at  
7 the adequacy of access controls within eLICENSING because  
8 eLICENSING has a lot of confidential and sensitive  
9 information. When you're applying for a license to be a  
10 dealer, you are required to background checks, that  
11 information, so we want to make sure that information is  
12 properly segregated and only those who need access to it  
13 have that access.

14 The next item is open records, that's a 500-  
15 hour audit. In fiscal year 2017, we received about 20,000  
16 open records or information requests. These requests go  
17 through the Office of General Counsel, however, they  
18 require that each division handle the request as well,  
19 they help compile the information before they go out.  
20 Because we have a decentralized process and we have a  
21 significant number, about 20,000, we want to go in and  
22 review it. In addition, the department has upgraded their  
23 system for the handling of public information requests,  
24 it's a system called FOIA Express, so our objectives will  
25 be looking to determine if public information requests are

1 handled consistently through the department, the costs  
2 associated with it, and then are they handled in  
3 accordance with state law.

4 The next item is a fraud, waste and abuse risk  
5 assessment. This is an advisory service that will be a  
6 year-long project. The department has been working to  
7 combat fraud, waste and abuse throughout the past few  
8 years. This is just the next evolution of it is actually  
9 understanding what fraud, waste and abuse risk we have out  
10 there and what controls and processes we have in place to  
11 actually potentially mitigate those risks. We've been  
12 working with the department on understanding what their  
13 concerns are, and so that way we can start putting this  
14 into motion for next year.

15 The next item is the payment card industry  
16 compliance audit, the PCI. This year and for fiscal year  
17 2017, the audit division focused on PCI related to  
18 electronically storing credit cards. There are other  
19 requirements of PCI, including maintaining a firewall,  
20 network segmentation, as well as maintaining an IT  
21 security policy. So we want to review one of the other  
22 items that are in the PCI requirements. In addition, the  
23 PCI audit did have some findings that we got  
24 recommendations on and we will be following up on those  
25 recommendations as part of this PCI audit.

1 MR. WALKER: So we did this last year.

2 MS. MENJIVAR-SUDDEATH: We're doing it right  
3 now.

4 MR. WALKER: Okay. That was on last year's  
5 deal. So why are we redoing it, because we're just going  
6 back?

7 MS. MENJIVAR-SUDDEATH: There's twelve  
8 different requirements for PCI. One of them was related  
9 to the electronic storage of data, the other items are  
10 firewall, network segmentation, and so for us to be fully  
11 PCI compliant, we have to follow all twelve requirements.

12 What we're doing is we're piecemealing it because doing  
13 full PCI compliance would be a significant audit item for  
14 us, and so what we're doing is just piece by piece, kind  
15 of reviewing, okay, how are we doing with the firewall and  
16 network segmentation, how are we doing with training,  
17 those items.

18 In addition, this upcoming fiscal year, the  
19 regional service centers are supposed to be obtaining the  
20 ability to get debit and credit cards. That changes our  
21 compliance level and that will require more requirements  
22 for us to make sure that we're in compliance with PCI, so  
23 we want to review that as well.

24 The next item is the travel and training audit.  
25 This is about 500 hours. This is more in response of the

1 85th Legislature. As you may be aware, the 85th  
2 Legislature was very concerned with the appropriateness of  
3 certain travel and training of one agency. The travel and  
4 training seemed to be compliant with state laws but the  
5 appropriateness did not seem to be there. And so we want  
6 to go in and kind of review and make sure that our travel  
7 and training is appropriate since we do travel and we do  
8 have a lot of training items.

9 MR. WALKER: This won't cut back on any of the  
10 board's use of the state's plane to fly back and forth to  
11 these meetings. Right?

12 (General laughter.)

13 MS. MENJIVAR-SUDDEATH: No, sir. The chairman  
14 requested that we look at other state agencies on how they  
15 handle board travel since, as you know, all our board  
16 comes into Austin, so we're just going to go and ask other  
17 state agencies that are similar to use that have large  
18 boards that have to travel and how they handle travel  
19 requests, and so we can gain some best practices from  
20 that.

21 MR. WALKER: How much is the board? It can't  
22 be very much.

23 MS. MENJIVAR-SUDDEATH: I'm sorry.

24 MR. WALKER: How much of our travel is board  
25 costs, \$10,000?

1 MS. MENJIVAR-SUDDEATH: It's not significant.

2 MR. BARNWELL: I can increase that, I  
3 volunteer.

4 MS. HARDY: If it's not high enough, we can  
5 help.

6 (General laughter.)

7 MS. FLORES: I know for several years you all  
8 have not used your travel budget. I would say if it was  
9 \$12,000 a year, that was a lot.

10 MR. WALKER: So if the Board travels here,  
11 where is most of this travel, this \$375,000 being spent?  
12 I know we have field service guys.

13 MS. MENJIVAR-SUDDEATH: We have field service.  
14 Also, our Enforcement Division go out to dealers and do  
15 their investigations, they have to travel.

16 MR. WALKER: But that doesn't include their  
17 labor, does it? That's just reimbursement for auto?

18 MS. MENJIVAR-SUDDEATH: This is just  
19 reimbursement for the actual travel, their hotels if they  
20 have to stay overnight, the per diem, things to that  
21 matter.

22 MS. FLORES: Let me stand corrected. We do  
23 have the Board's travel, you have a \$35,000 budget,  
24 through the end of May 31, the Board has spent \$19,738.

25 MR. WALKER: Where's Raymond been going?

1 (General laughter.)

2 MS. MENJIVAR-SUDDEATH: And like I said, it's  
3 more of a concern because of the 85th Legislature and how  
4 concerned they were about the appropriateness. I've  
5 spoken to Ms. Flores before. Overall, I think the agency  
6 has probably a good process for handling travel and  
7 training, but we want to just make sure that we do  
8 everything to make sure it's appropriate.

9 The next audit is social media. We estimate  
10 about 350 hours related to this. Social media is an  
11 emerging risk in the IT audit world, mostly because it's a  
12 good way for companies and departments to really discuss  
13 and contact their customers on a rapid basis.  
14 Unfortunately, though, it does carry a risk that if the  
15 department's brand is not considered when putting out  
16 those social messages, it could potentially misalign with  
17 the department's strategic goals and vision. The best  
18 example of that is United Airlines and what happened,  
19 their response to the issue they had with the person that  
20 got kicked off the plane and how they had a lackluster  
21 response on social media and they ended up having a lot of  
22 lost revenue and expenses related to that. So we just  
23 want to see how the department's social media policies and  
24 processes, how they're developed, if they're sufficiently  
25 developed to protect the department's brand.

1           The next item is the management or Board  
2 request that's 300 hours. Again, this is just time  
3 allotted, if something comes up, we can address it  
4 immediately; if not, we will do the contingency audits.  
5 This past fiscal year, the audit that we did for the Board  
6 request was related to the IT organization review and that  
7 allowed us to go in and immediately look at that instead  
8 of waiting for Board approval on that.

9           The next item is the fiscal year 2018 internal  
10 audit followup. This past year, and as we'll talk about  
11 in the Internal Audit Division, we followed up only on  
12 internal audit recommendations. This upcoming year we'll  
13 follow up also on external recommendations. We will not  
14 be saying external recommendations are fully implemented  
15 as we are not the agency that sent out the recommendation,  
16 but we will make sure that we're on the right path for  
17 that. Our goal is to provide quarterly reporting to the  
18 Board on the followup as we're doing now continuous  
19 monitoring of followup recommendations, and we'll provide  
20 an annual report at the end of the year.

21           And then the final item is the fiscal year 2019  
22 internal audit plan. We anticipate about 100 hours, and  
23 we are required to present the next year's plan to the  
24 Board before the end of the fiscal year.

25           Finally, the last item is the fiscal year 2017

1 annual internal audit plan. That's about 30 hours. That  
2 talks about all the items we did in fiscal year 2017 and  
3 what we plan to do in 2018.

4 The plan on page 83 shows other Internal Audit  
5 duties. We'll be helping coordinate external auditors and  
6 reviews, we'll be working on anti fraud, waste and abuse  
7 items. In addition, the Internal Audit Division will be  
8 going through another peer review in fiscal year 2018  
9 which means someone else will come in and review us to  
10 make sure we're compliant with our audit standards.  
11 That's going to take time for us to prepare for that as  
12 well as having them review because it requires Board  
13 interaction, division interaction, kind of putting it all  
14 together. Literally we're going through an audit.

15 MR. WALKER: Didn't we do that two years ago?

16 MS. MENJIVAR-SUDDEATH: We did it in 2015, so  
17 the Yellow Book, our Generally Accepted Auditing  
18 Standards, require us to do it every three years.

19 MR. WALKER: How many?

20 MS. MENJIVAR-SUDDEATH: Every three years, and  
21 they just updated the standards that we have to do it  
22 within six months of the last review, so if we don't our  
23 review, I believe by March -- I think by August, actually,  
24 we will be no longer in compliance with the Generally  
25 Accepted Auditing Standards and we can no longer state

1 that our reports or anything are done in compliance with  
2 that.

3 MR. WALKER: And other agencies internal  
4 auditors audit our agency. Right?

5 MS. MENJIVAR-SUDDEATH: Yes. And we are in the  
6 process of identifying who that would be. We will bring  
7 it up to the Board for you guys to see who it is and if  
8 you're comfortable with it. The guidance has told us that  
9 we should look for agencies that are similar to us. I've  
10 reached out to TxDOT, as they are a similar agency. Their  
11 chief audit and compliance officer has said that they'd be  
12 willing to provide us a staff for our peer review, but we  
13 still need to find two other people for that.

14 MR. WALKER: Do we do any peer reviews of other  
15 people?

16 MS. MENJIVAR-SUDDEATH: Yes, we do.

17 MR. WALKER: Like who have we done?

18 MS. MENJIVAR-SUDDEATH: I've done the TCEQ, the  
19 environmental quality, and I will be doing the Texas  
20 School for the Blind, I can't remember their acronyms, but  
21 I will be doing another review in January for one of the  
22 smaller agencies.

23 MR. WALKER: And is that in our annual plan  
24 here? Is that what this is?

25 MS. MENJIVAR-SUDDEATH: Yes. That's part of

1 the hours that we have there for provide ad hoc  
2 advisories, consultation, it's kind of some of that time  
3 there.

4 MR. WALKER: But that's only 30 hours. Am I  
5 reading it wrong?

6 MS. MENJIVAR-SUDDEATH: It's 250 hours. We set  
7 aside 250 hours for other items that may come up  
8 throughout the year, so that's part of it.

9 And then on the last page 84, we have the two  
10 contingency audits, so these two audits, if we do not get  
11 a Board request, we will be conducting one of these two  
12 audits or if something happens to one of the other audits  
13 that we cannot do our work, we will do one of these two  
14 audits.

15 The first one is regional service centers.  
16 This audit would review the monitoring done to ensure that  
17 regional service centers are meeting the department's  
18 objectives and customer needs. The next one is related to  
19 Lemon Law investigation and resolution process. Lemon Law  
20 was transferred over from the State Office of  
21 Administrative Hearings to the department in 2014, and so  
22 we want to make sure that we're achieving our outcomes.  
23 We don't have preliminary objectives or hours with it  
24 because we won't know when we would be doing those and how  
25 many hours we would have at that point.

1           That concludes my presentation on the audit  
2 plan. Are there any questions?

3           MR. WALKER: I have maybe a kind of question or  
4 statement. You have five FTEs?

5           MS. MENJIVAR-SUDDEATH: We will be getting two  
6 additional FTEs beginning September 1.

7           MR. WALKER: That what I was supposed to bring  
8 up in this meeting, I think. Linda, didn't you tell me I  
9 was supposed to bring that up? You said you had moved the  
10 FTEs from out of somewhere in the agency and moved them  
11 over to Sandra.

12           MS. FLORES: We are still in the process of  
13 finalizing that transfer, but we have identified a couple  
14 of vacant positions for Internal Audit's use as they move  
15 forward into their next audit plan.

16           MR. WALKER: So I'm trying to remember.  
17 Sandra, you have three FTEs. Right?

18           MS. MENJIVAR-SUDDEATH: Including myself, yes.

19           MR. WALKER: Including yourself. And there's  
20 been a request and the chairman, I think, is supporting  
21 that we move two more FTEs out of somewhere else in the  
22 agency and into Internal Audit?

23           MS. MENJIVAR-SUDDEATH: Yes, sir.

24           MR. WALKER: And I don't think that that  
25 requires an action by the Board or this committee, does

1 it?

2 MS. MENJIVAR-SUDDEATH: It does not. I checked  
3 with our general counsel. Because Internal Audit reports  
4 directly to the Board, you set my budget as well as my  
5 FTEs. Now, we did discuss it with Ms. Brewster and we had  
6 a conversation about the need and everyone agreed that the  
7 FTEs should be transferred over.

8 MS. BREWSTER: Mr. Chairman, if I may. I  
9 authorized the memo today transferring two FTEs to  
10 Internal Audit effective September 1.

11 MR. WALKER: Congratulations. I know that all  
12 your predecessors have tried to that and none of them have  
13 succeeded.

14 MS. MENJIVAR-SUDDEATH: I appreciate it. You  
15 know, we'll talk about in the Internal Audit status  
16 update, we actually finished the audit plan this year.

17 MR. WALKER: First time ever, I think, that  
18 somebody has completed the audit plan.

19 MS. MENJIVAR-SUDDEATH: Exactly. It's the  
20 first time we've ever done that. And as you can see from  
21 the audit plan, we do plan to do twelve items. Last year  
22 we had seven items, including carryovers, so there's a 70  
23 percent increase in production just from those two FTEs,  
24 assuming we hire them and everything goes on. But we'll  
25 for sure be finishing the audit plan, assuming we stay

1 fully staffed.

2 MR. WALKER: So she has made a recommendation  
3 on this year's audit plan so we need to make a motion to  
4 present this to the full Board tomorrow for acceptance of  
5 the audit plan, unless we want to make any kind of changes  
6 here. Does anybody want to modify the plan or add to it  
7 or delete from the plan?

8 MR. BARNWELL: I move that the committee  
9 recommend that the full Board approve the fiscal year 2018  
10 Internal Audit plan as presented.

11 MR. WALKER: I second. Any questions?

12 (No response.)

13 MR. WALKER: All in favor signify by saying  
14 aye.

15 (A chorus of ayes.)

16 MR. WALKER: Opposed same sign.

17 (No response.)

18 MR. WALKER: Motion carries. So we will  
19 present your plan tomorrow.

20 MS. MENJIVAR-SUDDEATH: Thank you.

21 MR. WALKER: Thank you very much, Sandra.  
22 You've done a good job.

23 Let's go to item 4.A, quarterly financial  
24 report.

25 MS. FLORES: We are now moving into some

1 briefing items and these are things that we routinely  
2 report to the Board, no action is required, this is a  
3 briefing item only.

4 In your Board book starting on page 86, you  
5 will see the executive summary of this presentation. This  
6 is a quarterly update of our revenue collections and  
7 agency expenditures for the third quarter ending May 31,  
8 2017.

9 Our year-to-date collections totaled \$125.9  
10 million. Even though we're still running short of our  
11 projection, we are still collecting more than we did --  
12 well, in this particular case this is our first year for  
13 our fund.

14 MR. WALKER: Well, why would you say we're  
15 running short when the sentence says we are exceeding  
16 projections?

17 MS. FLORES: For the DMV Fund, yes, we're  
18 exceeding our projections. Overall, I think our revenues  
19 are still running slightly under our projected amounts,  
20 but we're bringing in more than we did in '16.  
21 Oversize/overweight is still lower than what we had  
22 projected, but certificates of title are exceeding our  
23 projections, so they all kind of tend to balance out.

24 On page 90 of your document, this is where you  
25 again will see the MyPlates revenue, and as we indicated

1 earlier, they've brought in \$13.8 million out of their  
2 \$15- obligation. We do believe that they're going to hit  
3 that \$15- by the end of August 31.

4 This is a presentation of all of our revenues,  
5 and you can see that again on page 91 of your board  
6 documents. Our projected revenue was \$1.37 billion, our  
7 actual year-to-date is \$1.33 billion. Registrations are  
8 coming in slightly under our projection. We have seen  
9 kind of a flattening, if you will, of those revenue  
10 deposits. You will hear a presentation tomorrow  
11 specifically on what might be driving that revenue  
12 collection as part of the staff review of the processing  
13 and handling fee update. So more to come on that  
14 tomorrow.

15 And with that, I'll turn it over to Ms.  
16 Bankhead on the expenditures side.

17 MS. BANKHEAD: For the record, my name is  
18 Renita Bankhead, assistant CFO, and I'm going to talk  
19 about the expenditures as of the end of the third quarter,  
20 May 31. That is on page 93 of your documentation.

21 As of the end of the third quarter, the  
22 expenditures were slightly over \$102 million. The largest  
23 expenditure categories outside of salaries are  
24 professional fees, which includes expenditures for  
25 automation and the data center contract, and then contract

1 services associated with the production of plates and  
2 registration materials.

3 Back in May we were expecting a budget balance  
4 of \$57.4 million and that balance includes about \$21  
5 million in GR which is specifically related to capital  
6 projects and about \$2.1- in Fund 6 UB and that's capital  
7 projects as well, and the rest of it is in the TxDMV Fund.

8 Capital projects, which begins on page 97 of  
9 your documentation, those expenditures are \$25.1 million,  
10 and the majority of those expenditures are in automation,  
11 as you can see in the slide. As we discussed in the 2018  
12 presentation, we will be carrying forward about \$10  
13 million in available balances to '18.

14 Finally, in conclusion, there have been no  
15 unanticipated expenses. We were able to reallocate  
16 dollars to address anticipated shortfalls in postage. We  
17 anticipated a shortfall in our postage budget for mailing  
18 out registration materials. We were able to fund that, we  
19 reallocated dollars. In addition to that, we also funded  
20 some one-time items such as furniture, like replacing  
21 chairs and that kind of thing, equipment and a round of  
22 one-time merits.

23 Staff anticipates at the end of the year the  
24 department will lapse about 3 percent of our revised  
25 operating budget, and that's not including the \$1.6

1 million that we were required to lapse for the salary  
2 freeze. During the regular session, a bill was passed,  
3 House Bill 2, and the language said that all amounts  
4 appropriated to agencies that are unexpended because of  
5 the hiring freeze will lapse and the Comptroller shall  
6 credit those amounts to the funds from which the  
7 appropriation was made. What that means is any balances  
8 in the DMV Fund, even those related to the required freeze  
9 on positions, will revert back to the DMV Fund and will  
10 not be swept into some other place. They will be  
11 available for our appropriations in the future.

12 MR. BARNWELL: Would you say that again,  
13 please.

14 MS. BANKHEAD: That any remaining balances in  
15 the DMV Fund, including those related to the hiring  
16 freeze, will stay in the DMV Fund.

17 MR. BARNWELL: It's the revert that got me.

18 MS. BANKHEAD: I'm sorry, I shouldn't have used  
19 the term revert.

20 MR. BARNWELL: They'll stay in the DMV Fund.

21 MS. BANKHEAD: Yes.

22 MS. FLORES: At one time, Member Barnwell,  
23 there was some discussion that they would be sweeping  
24 those dollars and giving us directions later on. At the  
25 end of the day, any lapses remain in the account from

1 which they originated, so for us, the hiring freeze came  
2 from the DMV Fund so they're going to stay in the DMV  
3 Fund.

4 MR. BARNWELL: Okay.

5 MS. BANKHEAD: That concludes my presentation.  
6 Are there any questions?

7 (No response.)

8 MR. WALKER: Linda, you have facilities next?  
9 Is that's what next is facilities?

10 MS. FLORES: Actually, sir, I believe it's 4.B,  
11 TxDMV Fund update.

12 MR. WALKER: Then with Ann you're going to do  
13 the facilities

14 MS. FLORES: And if I may, I know we kind of  
15 touched on the DMV Fund in the operating document, so we  
16 can go through this pretty quickly, I believe. This  
17 material starts on page 99 of your board documents, and  
18 this is a format that you've seen before, revenues and  
19 expenses. Collections include \$102.9 million. If you add  
20 in that \$23- one-time, it comes back to \$125.9 million,  
21 plus the revenue that we generate for the convenience fees  
22 for Texas.gov for the processing and handling fee, comes  
23 to a total revenue deposits of \$130.9 million through the  
24 month ending May 31. Our expenditures total \$81- out of  
25 our operating, you add in fringe and those convenience

1 fees as an expense, that total \$95.2 million. We have a  
2 net cash balance of \$35.7 million through the end of May.

3 That's primarily composed of that one-time \$23 million  
4 that we have not had to touch, so that's in our fund  
5 balance at this time.

6 MR. WALKER: So have any of our friends over at  
7 the tax assessor-collector offices had to shut down  
8 because they don't get as much money, they think?

9 MS. FLORES: We will go into that in more  
10 detail tomorrow in that staff review of the processing and  
11 handling fee, and to fully address your question, no, sir,  
12 we are not aware of anyone going out of business because  
13 of the processing fee.

14 MR. WALKER: They were all going to go out of  
15 business, as I recall.

16 MS. FLORES: Yes, sir. Not that we know of.

17 And that concludes the fund update. Again,  
18 that was a briefing item only.

19 MR. WALKER: Ms. Pierce, do you want to give  
20 the report or do you want Linda to give the report on the  
21 facilities?

22 MS. FLORES: Ms. Pierce is here to give the  
23 report on the regional service centers.

24 MR. WALKER: She built another one, I see.

25 MS. PIERCE: Thank you, Mr. Chairman.

1           For the record, I'm Ann Pierce, deputy division  
2 director of Finance and Administrative Services.

3           The facilities update briefing includes the  
4 completed relocation of the Corpus Christi Regional  
5 Service Center that included seven staff members, and the  
6 upcoming relocation of the San Antonio Regional Service  
7 Center that's going to occur the day after tomorrow and  
8 includes about 18 staff members.

9           Beginning on page 101 in your board materials,  
10 the Corpus Christi relocation was accomplished on time and  
11 under budget. The initial project budget was just under  
12 \$254,000. We had about \$144,000 in expenses. Of that,  
13 about \$88,000 were one-time costs to initiate the move,  
14 and then we'll maintain the annual cost for that at about  
15 \$56,000 a year. The unspent balance was just over  
16 \$109,000.

17           On the first day at the new site, Corpus  
18 Christi staff reported handling 162 RTS transactions and  
19 124 phone calls. That does not include other work that  
20 they also performed outside of the registration and  
21 titling system, like salvage title processing.

22           And as I mentioned, we are moving the San  
23 Antonio Regional Service Center the day after tomorrow.  
24 We'll begin relocating them after business hours, starting  
25 at about five o'clock. We'll move them over the weekend

1 and they will open for business on Monday, August 21, at  
2 the new location at 15150 Nacogdoches Road in Suite 100 in  
3 San Antonio. The new location is just over 15 miles from  
4 the current location, and we did send out communications  
5 prior to the move to area legislators, and we made a  
6 formal notice to TxDOT Executive Director James Bass with  
7 our intent to move since we are currently on TxDOT  
8 property, and that was sent out in mid June.

9 Both of these relocations we executed ten-year  
10 leases and everything was accomplished through the efforts  
11 of facility services, information technology, vehicle  
12 titles and registration and enforcement staff, so it was  
13 definitely collaborative efforts to get all of these done.  
14 And following the move to San Antonio, we'll have a total  
15 of seven regional service centers that are on independent  
16 commercial property and we'll only have nine remaining on  
17 TxDOT property.

18 And that concludes this update. I'm happy to  
19 answer any questions.

20 MR. BARNWELL: On the Corpus Christi RSC  
21 relocation, the security guard is \$19,500 a year. How  
22 often is a security guard there?

23 MS. FLORES: We had initially estimated that we  
24 would need a security guard, but the new location actually  
25 offers their own security setup, so we're not going to

1 have that as a recurring cost.

2 MR. BARNWELL: Does that also translate into  
3 the security system?

4 MS. FLORES: Yes, sir, like a badge system. We  
5 did put in a card reader.

6 MR. BARNWELL: There's a security system for  
7 \$50,000.

8 MS. FLORES: Yes, sir. The badge system  
9 required programming and technical boxes.

10 MR. WALKER: We spent a bunch of money last  
11 year on security.

12 MR. BARNWELL: Well, it was in the original  
13 budget amount but it wasn't spent?

14 MS. FLORES: That's right. If there's a  
15 variance, if it's not a recurring cost or a one-time, it  
16 was not spent, it was a savings. So we had a \$50,000  
17 budget set aside for security system. We did not spend  
18 all of that, any of it, so it's a savings of \$50,000.

19 MR. BARNWELL: And this is because there was a  
20 security system already there?

21 MS. FLORES: We thought we were going to need a  
22 security guard, but the facility themselves have their own  
23 security folks. We needed to put in cameras and badge  
24 readers but we certainly didn't spend \$50,000.

25 MR. WALKER: We do that agency-wide, though.

1 Right?

2 MS. FLORES: Yes, sir.

3 MR. WALKER: We finished with that project;  
4 that was a capital expenditure.

5 MS. FLORES: And it did come out of the  
6 physical security project budget.

7 MR. WALKER: For the record, I saw in the paper  
8 in Houston the other day, you remember where we were going  
9 to go in Houston to that Greenspoint Mall, they're  
10 shutting it down and selling that whole thing. Be glad we  
11 didn't go there.

12 MR. BARNWELL: Greenspoint is also known as  
13 Gunpoint.

14 MR. WALKER: We had looked at putting our  
15 office in Greenspoint Mall at one time and I said no. It  
16 is Gunpoint, that's why we didn't go there. But it's  
17 being sold, they're shutting that deal down, I saw in the  
18 paper the other day. Good thing we didn't go there.

19 MS. FLORES: That concludes the presentation on  
20 facilities update.

21 MR. WALKER: I think that concludes. Internal  
22 Audit, we already did that, didn't we? You still need to  
23 do a status report, Sandra?

24 MS. MENJIVAR-SUDDEATH: Only if you'd like to.  
25 I can go high level on what we have here, I won't go

1 through the recommendations if you choose.

2           So for the record, my name is Sandra Menjivar-  
3           Suddeath, director of Internal Audit. I am doing the  
4           Internal Audit Division status which is just a briefing  
5           item that starts on page 108 -- actually 110. The  
6           Internal Audit status update is made up of three different  
7           components. The first is the status of the fiscal year  
8           2017 audit plan, the second one is State Auditor's fraud  
9           hotline coordination, and the third is the external  
10          recommendations related to the most recent State Auditor's  
11          report.

12                 For the fiscal year 2017 internal audit plan,  
13          the report starts on page 111. The first engagement was  
14          the internal audit recommendation. This engagement was to  
15          verify the implementation status of internal audit  
16          recommendations that had a completion date prior to  
17          January 1, 2017 or had no completion date. And just to  
18          summarize it really fast, we reviewed 125 audit  
19          recommendations. Out of those 125, 106 of them were fully  
20          implemented by the department which is one of the highest  
21          implementation rates I've seen in my career, so  
22          congratulations to the department for getting those done.

23                 Now, there were 15 recommendations that still  
24          need to be implemented related to developing a strategic  
25          management program, staff competency models, some IT

1 items, and there were four that were not applicable. Now,  
2 this is the first time the division has ever followed up  
3 on internal audit recommendations; this is something we'll  
4 be doing going forward. We have a total of about 33-34  
5 audit recommendations that we'll be following up next  
6 year.

7 I won't go into the details of the report, but  
8 do you guys have any questions, unless you would like me  
9 to go into the details.

10 MR. WALKER: Barney?

11 MR. BARNWELL: No.

12 MR. WALKER: Kate?

13 MS. HARDY: No.

14 MR. WALKER: We're good.

15 MS. MENJIVAR-SUDDEATH: The next item on the  
16 Internal Audit status is the letter on quality assurance.

17 So we are required on an annual basis to review ourselves  
18 to see if we're in compliance with the audit standards.

19 It's on page 24, the letter of compliance, it's an annual  
20 review. We are compliant with the internal auditing

21 standards. We are required to follow two different

22 auditing standards: one is the Generally Accepted

23 Auditing Standards that are promulgated by the Government

24 Accountability Office; the other one is the Institute of

25 Internal Audit. Both of those we are in compliance with.

1           We did have three opportunities of improvement,  
2 it really was related to making sure our SOPs, our  
3 standard operating procedures completely spell out what we  
4 need to do related to independence and proficiency. Those  
5 have been corrected, and beginning in fiscal year 2018,  
6 all those opportunities have been cleared.

7           The last couple of items, in June we sent the  
8 State Auditor's Office the coordination of investigation  
9 letter. We are required to send letters to the State  
10 Auditor's Office on any internal referrals of fraud, waste  
11 and abuse we have, as well as any complaints that we  
12 receive from them. We received four complaints in the  
13 third quarter; we provided them a status on where those  
14 were. In addition, we provided an update on two internal  
15 referrals that we have sent. We'll be sending the fourth  
16 quarter coordination of investigation letter in September.

17           And then the final items the State Auditor's  
18 recommendation status. So in May of 2017, the State  
19 Auditor issued a report on our complaint process. It did  
20 find that we had sufficient evidence to show that  
21 complaints were properly investigated, however, they made  
22 eleven recommendations to improve our processes. Out of  
23 those eleven, we have closed everything but two, two of  
24 them are pending. The data is in the systems that we need  
25 them to be in. Unfortunately, we're having difficulties

1 pulling out the data, so the Enforcement Division is  
2 working with the contractor of the system to get that  
3 information that we need.

4 Are there any questions?

5 MR. WALKER: No. Thank you.

6 MS. MENJIVAR-SUDDEATH: That concludes my  
7 presentation.

8 MR. WALKER: Okay. It says the next thing on  
9 the agenda is an executive session. I don't need an  
10 executive session for any reason. Is there any purpose in  
11 somebody needing one?

12 MR. DUNCAN: Just in case.

13 MR. WALKER: If there is no further business --  
14 oh, I did have a question for you. I forgot I was going  
15 to ask you this a while ago, Sandra. So would it be  
16 appropriate for the Internal Audit Division, since you  
17 work directly for the Board -- and do not take this in the  
18 wrong way -- but would it be appropriate for the Internal  
19 Audit Division to sometimes look, maybe, at some of our  
20 contracts out there to see if not the specific contract  
21 but to check and say are we getting the best deal on a  
22 contract versus what maybe we could go get? Would that be  
23 an appropriate audit or not?

24 MS. MENJIVAR-SUDDEATH: That would be  
25 appropriate. If it's something directed from the Board,

1 we can do that. I'm assuming this is concern from earlier  
2 with the Explore and the freight contracts.

3 MR. WALKER: And even the license plate deal.  
4 And I know Whitney does her job and the staff, but it  
5 might be appropriate maybe to have our Internal Audit  
6 sometimes to look and say what's a comparable. She's got  
7 a lot of things to do on her plate, with maybe you guys  
8 saying what's out there in the real market if we wanted to  
9 go and go to the legislature and say, Hey, we're spending  
10 \$24 million at the penitentiary system and we could  
11 probably go buy these are ABC Steel Manufacturing, or 3M,  
12 whoever it might be, for 10 million bucks.

13 MS. MENJIVAR-SUDDEATH: Yes, sir. And so we  
14 allocate hours on our audit plan, there's about 250 and  
15 420 for fraud waste and abuse items for those items. If  
16 something comes up from the Board that doesn't require a  
17 full audit but just a review, we can do that. And we can  
18 coordinate with Ms. Flores on those two contracts that you  
19 were talking about specifically, just to kind of review  
20 and make sure that we are getting our bang for our buck,  
21 for lack of a better word.

22 MR. WALKER: But I do care, I guess, how Texas  
23 compares to Louisiana on making license plates, but more  
24 importantly, I'd rather be concerned with what does the  
25 free market sell license plates for if I went to order a

1 million -- what did we buy, what did she say?

2 MS. HARDY: Ten million.

3 MR. BARNWELL: We have eleven million in  
4 inventory. We bought 24 million license plates?

5 MS. BREWSTER: \$24 million contract.

6 MR. WALKER: Twelve million license plates. So  
7 if I wanted to go buy 24 million license plates, what  
8 would it cost to buy that on the open market.

9 MS. HARDY: And how long is that contract good  
10 for?

11 MR. WALKER: Two years. We renew it every two  
12 years with the appropriation.

13 MR. BARNWELL: It's appropriate to look at the  
14 cost of things, and it's appropriate for us to find out  
15 and have that information available because one of the  
16 things that's going to happen is the people in the  
17 legislature are going to wonder what in the world we're  
18 doing over here with all this money, and it makes sense  
19 for us to be able to show them that we have tried and  
20 succeeded in obtaining the best cost and the best, as you  
21 said, bang for the buck that we can get. It makes it a  
22 lot easier for us to go back and get future appropriations  
23 and increases in what we want. If we're considered to be  
24 spendthrifts, it's going to be a little hard.

25 MR. WALKER: But my question is is it

1 appropriate for us to have you look at something like that  
2 in an audit.

3 MS. MENJIVAR-SUDDEATH: Yes. We can definitely  
4 look at it.

5 MR. WALKER: It's not because I'm saying she  
6 does a bad job, not at all.

7 MS. BREWSTER: And I'm not taking it that way.

8 MR. WALKER: I just think it might be a good  
9 use of your time to look and compare are we getting the  
10 best contract deal out there.

11 MS. MENJIVAR-SUDDEATH: Right. And for the  
12 specific ones that you mentioned, we'll work with Finance  
13 and review those and see if there's any cost savings or  
14 anything we can do to kind of get an idea of what other  
15 states are spending on license plates, because I would  
16 assume it would be only states that issue license plates.

17 MR. WALKER: I'm just thinking in the real  
18 world a piece of tin like that that runs through a  
19 machine, stamped out, you could probably make a license  
20 plate for 15 to 25 cents apiece, I bet.

21 MS. MENJIVAR-SUDDEATH: I have no idea,  
22 honestly, I'm the wrong person to ask that question. But  
23 we'll work with Finance and Ms. Brewster on that.

24 MR. WALKER: But it may be very hard to get  
25 that through. The legislature may say we want the money

1 to be funneled over there because we've got to pay for  
2 those prisoners to eat over there and so this gives us  
3 some money to support that through another agency. Who  
4 knows their mental process.

5 If no further business, I will entertain a  
6 motion to adjourn.

7 MR. BARNWELL: Motion made.

8 MR. WALKER: And a second?

9 MS. HARDY: Second here.

10 MR. WALKER: All in favor signify by saying  
11 aye.

12 (A chorus of ayes.)

13 MR. WALKER: Thank you very much for coming  
14 today, everybody, and your reports. Great job. Thank  
15 you.

16 (Whereupon, at 4:16 p.m., the meeting was  
17 adjourned.)

