



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

TxDMV Board Finance & Audit Committee Meeting

2:00 p.m.
Wednesday, August 7, 2024

AGENDA
FINANCE AND AUDIT COMMITTEE
TEXAS DEPARTMENT OF MOTOR VEHICLES
4000 JACKSON AVE., BUILDING 1, LONE STAR CONFERENCE ROOM
AUSTIN, TEXAS 78731
WEDNESDAY, AUGUST 7, 2024
2:00 P.M.

The presiding officer of the Finance and Audit Committee (Committee) will be physically present in the Lone Star Conference Room of Building 1, 4000 Jackson Avenue, Austin, Texas 78731. Some committee members may attend via videoconferencing.

Link to August 7, 2024, Committee Meeting Documents:
<https://www.txdmv.gov/about-us/txdmv-board-meetings>

All agenda items are subject to possible discussion, questions, consideration, and action by the Committee. Agenda item numbers are assigned for ease of reference only and do not necessarily reflect the order of their consideration by the Committee. Presentations may be made by the identified staff, Committee member, or other personnel as needed. The Committee reserves the right to discuss any items in closed session where authorized by the Open Meetings Act. A quorum of the Board of the Texas Department of Motor Vehicles (Board) may be present at this meeting for discussion and gathering information. However, Board members who are not Committee members will not vote on any Committee agenda items, nor will any Board action be taken.

PAGE

1. **Roll Call and Establishment of Quorum**
2. **Pledges of Allegiance - U.S. and Texas**
3. **Comments and Announcements from Committee Chair, Committee Members, and Executive Director**

BRIEFING AND ACTION ITEMS

4. **Consideration and Possible Recommendation for Action to the Full Board and Briefings:**
 - 5 A. [FY 2025 Recommended Operating Budget for the Fiscal Year that Begins September 1, 2024, and ends August 31, 2025](#) - John Ralston (ACTION ITEM)
 - 20 B. [Delegation of Contract Approval and Signature Authority to the Executive Director or the Executive Director's Designee](#) - John Ralston (ACTION ITEM)
 - 23 C. [FY 2026 - 2027 Legislative Appropriations Update](#) - Glenna Bowman (BRIEFING ONLY)

PAGE

- 24 D. **Internal Audit Division Status Update** - Jason Gonzalez (BRIEFING ONLY)
- i. Investigation Processes Audit
 - ii. Inventory Management Audit
 - iii. CPA Audit - Commercial Charge Rebate Program
- 61 E. **FY 2025 Internal Audit Plan** - Jason Gonzalez (ACTION ITEM)

CLOSED SESSION

5. **The Committee may enter into closed session under one or more of the provisions of the Texas Open Meetings Act, Government Code, Chapter 551, including but not limited to:**

Section 551.071 - Consultation with and advice from legal counsel regarding:

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

Section 551.076 - Deliberation Regarding Security Devices or Security Audits.

- the deployment, or specific occasions for implementation, of security personnel or devices; or
- a security audit.

Section 551.089 - Deliberation Regarding Security Devices or Security Audits; Closed Meeting.

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

6. **Action Items from Closed Session**

7. **Public Comment**

8. **Adjournment**

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

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

1. a completed [Public Comment Registration Form](#); or
2. the following information:
 - a. the agenda item you wish to comment on;
 - b. your name;
 - c. your address (optional), including your city, state, and zip code; and
 - d. who you are representing.

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

Any individual with a disability who plans to attend this meeting and requires auxiliary aids or services should notify the department as far in advance as possible, but no less than two days in advance, so that appropriate arrangements can be made. Contact Carrie Fortner by telephone at (512) 465-3044.

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

CERTIFYING OFFICIAL: Laura Moriaty, General Counsel, (512) 465-5665.

Committee Meeting Date: 8/7/2024
ACTION ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: John Ralston, Director of Budget & Forecasting
Agenda Item: 4.A
Subject: FY 2025 Recommended Operating Budget for the Fiscal Year that begins September 1, 2024, and ends August 31, 2025

RECOMMENDATION

Recommend approving the Fiscal Year (FY) 2025 Operating Budget.

PURPOSE AND EXECUTIVE SUMMARY

The recommended FY 2025 operating budget totals \$301.7 million, with 902 FTEs, and is structurally balanced to support the operational needs of the department. The recommended budget includes amounts appropriated in the General Appropriations Act (GAA) and unexpended balances carried forward from FY 2024 to FY 2025.

FINANCIAL IMPACT

The recommended FY 2025 operating budget of \$301.7 million will be funded by General Revenue Fund 0001 (\$75.5 million), TxDMV Fund 0010 (\$225.5 million), and federal reimbursements (\$743,750).

BACKGROUND AND DISCUSSION

Operating Budget by Goal and Strategy

The operating budget is appropriated (funded) by the Legislature according to goals and strategies. The department’s goals and related budget amounts as authorized in the General Appropriations Act for FY 2025 are as follows:

Goal A: Optimize Services and Systems	\$102,876,377
Goal B: Protect the Public	\$32,541,162
Goal C: Indirect Administration	\$60,045,129
Salary Adjustments	\$5,248,747
U.B., Capital Appropriations	\$14,901,606
U.B., HB 2 Supplemental Appropriations	\$700,000
Contingency Appropriations	
• HB 718	\$34,600,000
• SB 224 – new funding for FY 2025	\$30,378,803
• SB 224 – UB from FY 2024	\$20,200,000
• SB 505	\$214,440
Total	\$301,706,264

Goal A is supported by five strategies: Titles, Registrations and Plates; Vehicle Dealer Licensing; Motor Carrier Permits & Credentials; Technology Enhancement & Automation; and the Customer Contact Center. Goal B is supported by two

strategies: Enforcement and Motor Vehicle Crime Prevention Authority (MVCPA). Goal C includes Central Administration, Information Resources and Other Support Services.

Unexpended Balances (UB) will be carried forward from FY 2024 to FY 2025 for TxDMV Automation Systems, Cybersecurity, RSC Expansion in Dallas and Houston, Headquarters Maintenance, RSC Maintenance, the Accounts Receivable System, and RTS Replacement Phase I, and for contingency appropriations authorized in FY 2024 for the implementation of House Bill 718, and Senate Bills 224 and 505.

Revenues

TxDMV collects revenue from a variety of sources and deposits those revenues across multiple funds.

TxDMV Fund 0010 revenues are estimated to total \$193.6 million in FY 2025. The majority of revenues will come from title and registration fees totaling \$99.6 million, processing and handling fees of \$58.6 million, and oversize/overweight permit fees of \$15.1 million.

The department also receives revenue pursuant to Section 1006.153 of the Texas Transportation Code, to support the activities of MVCPA. These revenues are deposited to General Revenue Fund 0001 and are estimated to total \$24.9 million in FY 2025. In addition, MVCPA is appropriated approximately \$30.4 million in FY 2025 through the enactment of SB 224 for the coordinated regulatory and law enforcement activities intended to detect and prevent catalytic converter crime in Texas.



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Texas Department of Motor Vehicles FY 2025 Recommended Operating Budget

Table of Contents

Executive Summary.....	3
FY 2025 Recommended Operating Budget by Goal and Strategy	4
FY 2025 Recommended Operating Budget by Method of Finance	5
FY 2023-2025 Revenue Summary	6
Motor Vehicle Crime Prevention Authority Revenues	6
FY 2025 Recommended Operating Budget by Budget Category	7
Capital Project Details	8
FY 2025 Contract Summary.....	9
Contracts Greater than \$200,000	10

Executive Summary

The FY 2025 recommended operating budget totals \$301.7 million, with 902 full-time equivalents (FTEs), and is structurally balanced to support the operational needs of the department. The recommended budget includes:

- FY 2025 amounts appropriated to the TxDMV in the General Appropriations Act (GAA); and
- Unexpended balances carried forward from FY 2024 to FY 2025.

The FY 2025 recommended operating budget includes several new projects and initiatives that began in FY 2024 and will continue into FY 2025. Major items funded in the budget in FY 2024 that will continue in FY 2025 include:

- RTS Replacement Phase One
- Additional Regional Service Center locations in Dallas and Houston. This includes eight (8) new full-time equivalents (FTEs) that were authorized beginning in FY 2024.
- Implementation of House Bill (HB) 718 which replaces most temporary paper tags with metal plates. This includes two (2) new FTEs authorized in FY 2024 and forty-two (42) new FTEs in FY 2025.
- Implementation of Senate Bill (SB) 224 to coordinate with other state agencies to develop a plan to detect and prevent catalytic converter theft. This includes four (4) new FTEs that were authorized beginning in FY 2024.

The recommended budget focuses on continuous, secure, and uninterrupted delivery of services to our stakeholders and customers through maximizing technology and adapting to new service needs.

FY 2025 Recommended Operating Budget by Goal and Strategy

The following table reflects the amounts approved in the GAA (HB 1, 88th Legislature, Regular Session), plus other appropriations, including carry-forward funds from previous years that are available for the department to spend in FY 2025, supplemental appropriations, and contingency appropriations.

A. Goal: Optimize Services and Systems	FY 2025 Recommended Operating Budget	
Strategy:		
A.1.1. Titles, Registrations, and Plates	\$	82,454,963
A.1.2. Vehicle Dealer Licensing	\$	4,746,172
A.1.3. Motor Carrier Permits & Credentials	\$	9,563,874
A.1.4. Technology Enhancement & Automation	\$	2,704,575
A.1.5. Customer Contact Center	\$	3,406,793
Total, Goal A: Optimize Services and Systems	\$	102,876,377
B. Goal: Protect the Public		
Strategy:		
B.1.1.: Enforcement	\$	7,641,662
B.2.1. Motor Vehicle Crime Prevention Authority	\$	24,899,500
Total, Goal B: Protect the Public	\$	32,541,162
C. Goal: Indirect Administration		
Strategy:		
C.1.1. Central Administration	\$	9,671,320
C.1.2. Information Resources	\$	31,088,455
C.1.3. Other Support Services	\$	19,285,354
Total, Goal C: Indirect Administration	\$	60,045,129
D. Goal: Salary Adjustments		
Strategy:		
D.1.1. Salary Adjustments	\$	5,248,747
Total, Goal D: Salary Adjustments	\$	5,248,747
Grand Total TxDMV (GAA, Article VII Line-Item Appropriations)		\$ 200,711,415
Other Appropriations		
Capital Appropriations		
- RSC Expansion in Dallas and Houston (U.B carry forward)	\$	931,606
- HQ Maintenance (U.B.)	\$	1,000,000
- RSC Maintenance (U.B.)	\$	600,000
- Automation (U.B.)	\$	7,900,000
- Cybersecurity (U.B.)	\$	270,000
- RTS Replacement Phase I (U.B.)	\$	4,200,000
Contingency Appropriations		
- HB 718 (U.B.)	\$	34,600,000
- SB 224 – new funding for FY 2025	\$	30,378,803
- SB 224 (U.B.)	\$	20,200,000
- SB 505 (U.B.)	\$	214,440
Total, Other Appropriations	\$	100,994,849
Total TxDMV Operating Budget	\$	301,706,264

FY 2025 Recommended Operating Budget by Method of Finance

The following table reflects the amounts approved in the GAA (HB 1, 88th Legislature, Regular Session), plus other appropriations, including carry-forward funds from previous years, supplemental appropriations, and contingency appropriations, by the method of finance.

Method of Finance	
General Revenue Fund 0001	\$ 75,478,303
TxDMV Fund 0010	\$ 225,484,211
Federal Reimbursements	\$ 743,750
Total, Method of Finance	\$ 301,706,264
Total Authorized FTEs	902.0

FY 2023-2025 Revenue Summary

TxDMV collects revenue from registrations, dealer licenses, titles, permits, credentials and some miscellaneous revenue. Collections are distributed to the General Revenue Fund, the State Highway Fund, and the TxDMV Fund (0010).

TxDMV Fund 0010 Revenue

TxDMV Fund revenue collections are projected to total \$191.0 million in FY 2024 and \$193.6 million in FY 2025

FYs 2023-2025 Revenue Summary			
<i>Revenue Fund and Fee Categories</i>	<i>FY 2023 Actual</i>	<i>FY 2024 Estimated</i>	<i>FY 2025 Estimated</i>
Texas Department of Motor Vehicles Fund 0010			
Motor Vehicle Certificates of Title	\$ 48,817,248	\$ 49,609,000	\$ 50,209,000
Motor Vehicle Registration	\$ 43,485,545	\$ 43,170,000	\$ 49,374,000
Motor Carrier - Oversize/Overweight	\$ 14,399,066	\$ 14,868,000	\$ 15,070,000
Motor Vehicle Business Licenses	\$ 7,085,090	\$ 6,430,000	\$ 6,430,000
Miscellaneous Revenue	\$ 17,617,652	\$ 18,648,000	\$ 13,908,000
Processing and Handling Fee	\$ 58,024,615	\$ 58,315,000	\$ 58,606,000
Total Fund 0010 Revenue	\$ 189,429,217	\$ 191,040,000	\$ 193,597,000

Motor Vehicle Crime Prevention Authority Revenues

The Motor Vehicle Crime Prevention Authority (MVCPA) is a division of TxDMV, governed by a seven-member board. MVCPA is funded by statutorily directed fees deposited to the General Revenue Fund.

In accordance with Transportation Code, Section 1006.153, MVCPA collects a \$5 fee on motor vehicle insurance policies delivered, issued, or renewed in Texas. Out of each fee collected, \$1 is to be used only for coordinated regulatory and law enforcement activities intended to detect and prevent catalytic converter theft in this state. The remaining \$4 is allocated across three programs, with 20% allocated to the MVCPA to combat motor vehicle burglary or theft and fraud-related motor vehicle crime.

In FY 2025, MVCPA revenues are estimated, as follows.

Motor Vehicle Theft and Crime Prevention	\$24,899,500
Catalytic Converter Crime Prevention	\$30,378,803

FY 2025 Recommended Operating Budget by Budget Category

The table below outlines the total FY 2025 recommended operating budget by budget category.

Expenditure Area	FY 2025 Recommended Operating Budget
Salaries and Wages	\$ 58,137,832
Other Personnel Costs	\$ 1,416,545
Professional Fees and Services	\$ 39,340,369
Fuels & Lubricants	\$ 65,550
Consumable Supplies	\$ 1,375,508
Utilities	\$ 4,526,471
Travel In-State	\$ 446,870
Travel Out-of-State	\$ 86,100
Rent – Building	\$ 1,234,913
Rent - Machine and Other	\$ 350,246
Purchased Contract Services	\$ 70,085,746
Advertising & Promotion	\$ 307,242
Computer Equipment Software	\$ 2,226,867
Fees & Other Charges	\$ 962,129
Freight	\$ 6,753,648
Maintenance & Repair	\$ 5,560,897
Memberships & Training	\$ 330,767
Other Expenses	\$ 5,655,728
Postage	\$ 17,790,250
Reproduction & Printing	\$ 5,166,811
Debt Service	\$ 12,522,000
Grants	\$ 65,568,471
Other Capital	\$ 1,795,304
Total	\$ 301,706,264

Capital Project Details

TxDMV FY 2025 Capital Budget

TxDMV Capital Project Appropriations		FY 2025
Fiscal Year 2025 Appropriation	\$	18,089,033
Estimated Unexpended Balance Carry-Forward	\$	14,901,606
Total Capital Appropriations	\$	32,990,639
Facilities		
Regional Service Center Expansion ¹ (UB)	\$	931,606
Regional Service Center Maintenance ¹ (UB)	\$	600,000
HQ Maintenance ¹ (UB)	\$	1,000,000
Acquisition of Information Resource Technologies		
TxDMV Automation System ¹		
TxDMV Automation System ¹ (UB)	\$	7,900,000
Other Technology Projects		
PC Replacement	\$	685,000
Technology Replacement & Upgrades - County Support	\$	5,000,000
RTS Replacement Phase I ¹ (UB)	\$	4,200,000
Data Center Consolidation		
Data Center Consolidation	\$	12,404,033
Cybersecurity		
Cybersecurity ¹ (UB)	\$	270,000
TxDMV Total Capital Budget		\$ 32,990,639

¹Includes projects that will be funded from balances remaining at the end of FY 2024.

FY 2025 Contract Summary

The FY 2025 budget currently includes thirty-six (36) contracts that each have a value of more than \$200,000 over the life of the contract. These contracts are listed on the following pages for informational purposes. The listed contracts are subject to change based on the final terms and conditions negotiated.

Contracts Greater than \$200,000

The following contracts have a value of more than \$200,000. They are provided for informational purposes, but they are excluded from the Board approval requirement in accordance with the board's Contract Approval Procedures.

Division	Vendor	Purpose	Contract Award Date	Contract End Date	FY 2025 Amount	Total Lifetime Contract Amount Through FY 2025
VTR	TEXAS DEPARTMENT OF CRIMINAL JUSTICE	License Plates Manufacturing	9/1/2019	8/31/2025	\$17,015,000	\$68,490,482
VTR	PITNEY BOWES	Postage	9/1/2016	8/31/2025	\$16,400,000	\$111,278,631
IT	TEXAS DEPARTMENT OF INFORMATION RESOURCES	Data Center Services	9/1/2020	8/31/2025	\$12,404,033	\$29,722,677
VTR	TAYLOR COMMUNICATIONS	Vehicle Registration Decals	8/26/2014	8/31/2025	\$4,684,500	\$40,950,215
ITD	PENDING PROCUREMENT	HB 718 Inventory Management System	TBD	8/31/2025	\$4,000,000	\$4,000,000
FAO	OPEN TEXT	Digital Imaging	9/1/2020	8/31/2025	\$2,800,000	\$26,357,457
IT	ALCHEMY TECHNOLOGY GROUP	Okta Multi-Factor Authentication	11/1/2023	8/31/2025	\$2,600,000	\$5,600,000
ITD	AT&T	Voice-to-Cloud	6/6/2024	8/31/2025	\$2,568,384	\$2,568,384
MVCPA	DPS	SB 224 IAC	4/15/2024	8/31/2025	\$2,367,166	\$2,367,166
IT	CARAHSOFT	<u>eLICENSING</u>	8/31/2022	8/31/2025	\$1,190,000	\$2,485,231
VTR	WORKQUEST	Specialty Plates Mailing	8/26/2014	8/31/2025	\$1,185,285	\$4,330,592
VTR	PENDING PROCUREMENT	HB 718 License Plate Distribution	TBD	8/31/2025	\$1,000,000	\$1,000,000

Division	Vendor	Purpose	Contract Award Date	Contract End Date	FY 2025 Amount	Total Lifetime Contract Amount
VTR	WORKQUEST	Huntsville Freight	8/31/2022	8/31/2025	\$927,000	\$1,847,000
ITD	THOMSONS-REUTERS	Identity Validation	7/1/2023	8/31/2025	\$924,861	\$924,861
FAO	WALDEN SECURITY	Security Guard Services - Austin	9/1/2020	8/31/2025	\$808,192	\$3,095,428
FAO	PRESTIGE ELEVATOR SERVICES	Elevator Maintenance	9/1/2022	8/31/2025	\$748,790	\$1,224,790
VTR	TAYLOR COMMUNICATIONS	VTR-500 Form	9/1/2023	8/31/2025	\$720,510	\$1,441,020
VTR	AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS	Title Check Services	10/1/2018	8/31/2025	\$706,555	\$3,984,472
MCD	PROMILES	Annual Support and Hosting Fees	9/1/2016	8/31/2025	\$700,000	\$4,319,080
MCD	SOUTHWEST RESEARCH INSTITUTE	CVIEW – Maintenance Support	2/1/2020	8/31/2025	\$650,000	\$7,250,000
VTR	RR DONNELLY	Title & Registration Forms	3/6/2015	8/31/2025	\$526,050	\$5,030,725
MVCPA	TDLR	SB 224 IAC	6/25/2024	8/31/2025	\$500,000	\$500,000
IT	CDW GOVERNMENT	Cisco Smartnet	11/1/2020	8/31/2025	\$484,000	\$1,903,909
ITD	22ND CENTURY TECHNOLOGIES	County Refresh	10/20/2022	10/19/2027	\$348,572	\$348,572
ITD	EXPLORE INFORMATION	Texas International Registration Plan (TxIRP)	4/18/2018	8/31/2025	\$336,640	\$336,640
FAO	WORKQUEST	Janitorial Services – Camp Hubbard	9/1/2020	8/31/2025	\$331,183	\$2,621,855

Division	Vendor	Purpose	Contract Award Date	Contract End Date	FY 2025 Amount	Total Lifetime Contract Amount
FAO	RAGSDALE-BROOKWOOD VENTURE	Lease 20399 Houston	11/1/2016	8/31/2025	\$302,112	\$3,332,184
FAO	DLT SOLUTIONS	Facilities Management SaaS	9/1/2022	8/31/2025	\$290,064	\$290,064
FAO	PITNEY BOWES	Presort Barcode Mail service	9/1/2023	8/31/2025	\$273,000	\$273,000
FAO	JOHNSON CONTROLS	JCI Controls	9/1/2021	8/31/2025	\$271,140	\$897,606
ITD	GARTNER	IT Leadership Program	9/7/2023	8/31/2025	\$253,088	\$253,088
FAO	FEDERAL EXPRESS	Freight/Small Package Shipping	8/21/2023	8/31/2025	\$232,000	\$232,000
FAO	WILLBANKS	Boiler Maintenance	9/1/2022	8/31/2025	\$200,000	\$600,000
ITD	INSIGHT GROUP	Bldg 6 Network Buildout	6/12/2024	8/31/2025	\$197,693	\$197,693
FAO	TIGHT GROUP	General Facilities Maintenance	9/1/2022	8/31/2025	\$184,792	\$184,792
FAO	JOHNSON CONTROLS	Chiller/cooling tower	9/1/2021	8/31/2025	\$173,700	\$926,700

Committee Meeting Date: 8/7/2024
ACTION ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: John Ralston, Director of Budget & Forecasting
Agenda Item: 4.B
Subject: Delegation of Contract Approval and Signature Authority to the Executive Director or the Executive Director's Designee under Government Code §2261.254

RECOMMENDATION

Recommend approving the updated 'Contract Approval Procedures' and specifically delegate contract approval and signature authority to the executive director or designee.

PURPOSE AND EXECUTIVE SUMMARY

This agenda item is to obtain the board's delegation of approval of contracts and signature authority (delegation) for contracts up to and including \$1 million as well as those exceeding \$1 million as authorized under Government Code §2261.254.

FINANCIAL IMPACT

N/A

BACKGROUND AND DISCUSSION

Texas Government Code, §2261.254 authorizes a state agency to enter into a contract for the purchase of goods or services that has a value exceeding \$1 million only if the governing body of the state agency approves the contract and the approved contract is signed by the presiding officer of the governing body.

However, §2261.254 also allows the governing body to delegate this authority for approval and signature to the executive director or a deputy executive director of the agency.

These updated contract approval procedures will simplify the delegation of approval and signature to align with the authorities in statute. Contracts up to and including \$1 million will be delegated to the Executive Director and he may further delegate that authority if he so chooses. Those exceeding \$1 million will be delegated to only the Executive Director.

The department will continue to present the department's operating budget including all contracts expected to exceed \$200,000 for informational purposes and will continue to report on and seek approval for other contracts for which it is statutorily required.

BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES
CONTRACT APPROVAL PROCEDURES

Revised August 8, 2024

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

Procurement Process:

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

General Contract Approval:

Expected department contracts will be presented to the Board by the Executive Director (or designee) as a part of the department's operating budget for informational purposes.

The Executive Director is delegated the approval and signature authority for all agency contracts, including those over \$1,000,000.00 as authorized by Texas Government Code Section 2261.254.

The Executive Director may further delegate approval and signature authority for those contracts up to and including \$1,000,000.00 but may not delegate this authority for contracts exceeding \$1,000,000.00.

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

Budgeting and Reporting:

The Executive Director (or designee) must still ensure that all contracts are within budget guidelines and adhere to all established procurement and contract laws, rules, regulations, and policies of oversight agencies.

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

IT IS THEREFORE ORDERED by the Board that these contract approval procedures are adopted. The contract approval procedures dated February 10, 2022, and titled *Board of the Texas*

Order Number: _____

Date Passed: August 8, 2024

Page 1 of 2

Department of Motor Vehicles, Contract Approval Procedures are rescinded, effective August 8, 2024.

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

August 8, 2024

Charles Bacarisse, Chair
Board of the Texas Department of Motor Vehicles

Order Number: _____

Date Passed: August 8, 2024
Page 2 of 2

Committee Meeting Date: 8/7/2024
BRIEFING ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Glenna Bowman, Chief Financial Officer
Agenda Item: 4.C
Subject: FY 2026 – 2027 Legislative Appropriations Update

RECOMMENDATION

Briefing Only.

PURPOSE AND EXECUTIVE SUMMARY

The proposed Legislative Appropriations Request (LAR) items for the Fiscal Year (FY) 2026-2027 biennium were presented to the Legislative and Public Affairs Committee at its meeting on June 26, 2024. This item provides an update on the proposed LAR items prior to submission to the Legislative Budget Board (LBB).

As presented in June, the LAR is divided into two components, Baseline Funding and Exceptional Items.

FINANCIAL IMPACT

In June 2024, the board approved a motion to authorize a baseline funding increase not to exceed 5%. After additional analysis, the baseline funding amount is \$424.5 million, which represents a 4.7% increase over FY 2024-25. The major components of the increase include postage and freight, data center charges, and the implementation of communication and technology contracts.

The exceptional items presented in June have not changed.

BACKGROUND AND DISCUSSION

Baseline Increases

Baseline increases include estimated cost increases for postage and freight services, charges for data center services, and the implementation of communication and technology contracts.

Exceptional Items

The exceptional items presented in June have not changed.

- **Registration and Title System (RTS) Modernization Phase Two** \$125 million

- **Enhance and Improve Core Services and Customer Support** \$8.7 million
This budget would support 50.0 full-time equivalent positions (FTEs).

Committee Meeting Date: 8/7/2024
BRIEFING ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Jason Gonzalez, Interim Internal Audit Division Director
Agenda Item: 4.D
Subject: Internal Audit Division Status Update

RECOMMENDATION

Briefing Only.

PURPOSE AND EXECUTIVE SUMMARY

This status update provides information on current Internal Audit Division (IAD) activities.

FINANCIAL IMPACT

N/A

BACKGROUND AND DISCUSSION

Internal Engagements

IAD started recommendation follow-up to validate whether divisions have implemented outstanding recommendations. There are 40 recommendations from audits that are tracked, and IAD requested documentation from relevant divisions to determine if recommendations can be closed. IAD will have information on all outstanding recommendation statuses, including those with extended due dates. This project will conclude in August 2024.

IAD completed the Investigation Processes Audit. The audit objective was to evaluate the intake process for complaints, the method for how investigations are prioritized, and the actions taken on investigation results. There were four results and eight recommendations:

- **Result #1:** Complaint priority levels can be better defined and used to effectively manage cases.
- **Result #2:** While there is consistency in investigation documentation, opportunities exist to strengthen case communication and oversight.
- **Result #3:** Actions and penalties were enforced, but penalties were not always assessed within established guidelines.
- **Result #4:** Key performance indicators were accurately reported but could be expanded to provide more visibility.

The Inventory Management Audit is in reporting phase. The audit objective was to evaluate Department processes on accounting for and reporting on controlled assets throughout the State. The audit report is pending management responses. The audit recognizes the Department's efforts in leveraging technology to be more efficient in conducting annual inventory verifications but also finds opportunities to improve verification and reporting processes.

Lastly, IAD completed the Fiscal Year (FY) 2025 risk assessment and created the FY 2025 Internal Audit Plan for Board approval.

External Engagements

The Comptroller of Public Accounts (CPA) completed its first annual Commercial Charge Card Rebate Program desk audit for 99 state agencies which included the Department. The objective of the audit was to determine compliance with Texas Government Code for agencies to take advantage of early payment discounts and/or rebates. Rebates are earned when agencies pay their Citibank credit card statements within the required 30 days or as early as three days after the receipt of the credit card statements.

In FY 2023, the Department spent approximately \$282,000 with Citibank credit cards. The Department paid 89% of its expenses (~\$252,000) in less than 30 days, earning 93% of the minimum rebate amount. However, the Department incurred \$104.44 in late interest payments. CPA recommended that agencies change payment processes to take advantage of rebates by receiving commercial card account statement online, work with Citibank to develop automated reconciliation, and make partial payments based on supporting documentation as costs arise.



Internal Audit Division Status

Internal Engagements

	Planning	N/A
	Fieldwork	Recommendation Implementation Follow-up
	Reporting	Inventory Management Audit
	Completed	<ul style="list-style-type: none">Investigations Processes AuditFY 2025 Risk Assessment & Internal Audit Plan

External Engagements

	In-Progress	N/A
	Completed	CPA: Commercial Charge Card Rebate Program Desk Audit



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Investigation Processes Audit Report 24-03

Internal Audit Division
June 2024

Investigation Processes Audit, 24-03

Executive Summary

The Enforcement Division (ENF) of the Texas Department of Motor Vehicles (TxDMV or Department) investigates consumer complaints dealing with motor vehicles, motor carriers, and lemon law matters. ENF processes cases from consumers, law enforcement and other agencies on the business practices of dealers, manufacturers, converters, and motor carriers. ENF also provides education and training opportunities to licensees. The objectives of this audit were to evaluate the intake process for complaints, the method for how investigations are prioritized, and the actions taken on investigation results.

WHAT WE FOUND

The audit found that ENF processes are at a Level 3 – Established: The function achieves its purpose in an organized way, following established processes, but those processes may not be consistently followed or well communicated. The Internal Audit Division (IAD) issued four results related to the audit objectives.

- **Result #1:** Complaint priority levels can be better defined and used to effectively manage cases.
- **Result #2:** While there is consistency in investigation documentation, opportunities exist to strengthen case communication and oversight.
- **Result #3:** Actions and penalties were enforced, but penalties were not always assessed within established guidelines.
- **Result #4:** Key performance indicators were accurately reported but could be expanded to provide more visibility.

WHAT WE RECOMMEND

IAD made eight recommendations in this audit related to the following areas:



Updating procedures to better define complaint priority levels and provide training to ensure consistency.



Working with the Information Technology Services Division to ensure system flags and notifications are set up properly



Establishing processes for timely notices to be sent to ensure efficient case closure.



Ensuring that introductory and closure emails are provided to complainants.



Considering the expansion of Key Performance Indicators for more transparency.



Making sure that penalties assessed in cases are within the ranges in the Disciplinary Matrix or providing comments that support decisions.

Table of Contents

Background	1
Audit Results	3
Audit Results #1: Complaint priority levels can be better defined and used to effectively manage cases.	3
Audit Results #2: While there is consistency in investigation documentation, opportunities exist to strengthen case communication and oversight.....	5
Audit Results #3: Actions and penalties were enforced, but penalties were not always assessed within established guidelines.	8
Audit Results #4: Key performance indicators were accurately reported but could be expanded to provide more visibility.....	9
Appendix 1: Objectives, Scope, Methodology, and Rating Information	A-1
Objectives	A-1
Scope and Methodology	A-1
Report Distribution.....	A-1
Ratings Information	A-1
Appendix 2: Management Response and Action Plan	A-3

Background

The Enforcement Division (ENF) of the Texas Department of Motor Vehicle (TxDMV or The Department) enforces statutes and administrative rules affecting the motor vehicle distribution, salvage, and motor carrier industries. This includes laws governing the transportation of household goods, oversize/overweight motor carrier permits, and motor vehicle dealer advertising. The division is also responsible for administering the state's lemon law program and for recommending best practices to assist tax assessor-collector offices and TxDMV Regional Service Centers.

ENF has 55 investigators, 12 attorneys, and two case advisors to handle complaints dealing with motor vehicles, motor carriers, and lemon law matters. In fiscal year 2023, ENF received 23,000 cases and closed over 20,000 cases on these types of complaints.

Motor Vehicle Complaints



Motor vehicle dealers, whether franchise, independent, unlicensed or salvage dealers, have allegedly violated one of the statutes or rules regulated by the agency. The number one motor vehicle violation investigated by ENF is the failure to properly or timely apply for title. Other violations investigated include frauds, premise violations, and tag and plate violations.

Motor Carrier Complaints



Motor carriers who failed to maintain current insurance requirements for their license, or complaints against household goods carriers that have allegedly failed to fulfill terms of a contract with a consumer. Motor Carrier complaints also include violations of the size/weight restrictions of a permit or license.

Lemon Law Complaints



Complaints from the public about manufacturers that fail to fulfill the terms of a new vehicle warranty.

The scope of the audit was September 2022 to January 2024 (time period) and included complaints investigated by ENF's Motor Vehicle Section. During the time period, ENF closed a total of 17,303 cases and had 8,346 cases open as of January 2024.

Strengths

- ENF started the process of updating its procedures to ensure that investigations are conducted in a timely manner and that documentation is uniform.
- ENF is working with licensees to settle cases and reduce the need for hearings which could potentially lead to shorter case closure times.
- ENF has processes in place to ensure that penalties are collected and forwarded to collections when necessary.
- ENF ensured Key Performance Indicators were accurately reported.

Audit Engagement Team

The audit was performed by Angel Flores (Principal Internal Auditor), Sonja Murillo (Senior Internal Auditor), and Salem Chuah (Internal Audit Director).

Audit Results

Audit Results #1: Complaint priority levels can be better defined and used to effectively manage cases.

Priority Levels. ENF assigns priority levels to complaints it receives, which provides investigators with a timeframe in which an investigation should be completed. In 17 (38 percent) of 45 cases, ENF did not ensure that the complaint was assigned the appropriate priority level.

According to ENF, eLicensing, the Department's complaint tracking system for motor vehicle cases, will automatically assign cases a priority level based on predetermined criteria that may not be working as intended. Further, multiple Assistant Chief Investigators assign priority levels to incoming cases and may use their discretion in considering factors such as the dealer's violation history, the dealer's current open cases, how late title transfers are occurring, and how many customers the late title transfers are affecting. There may also be limited training for assigning priority levels amongst Assistant Chief Investigators to ensure uniformity of applying priority levels to incoming complaints.

Investigation Completion. ENF closed a total of 17,303 cases between September 2022 and January 2024. On average, all cases were closed in 271 days. (see **Figure 1**). Specifically, high priority cases were closed with a median of 49 days and low priority cases were closed with a median of 385 days.

Figure 1 also shows the average and median days cases have been with investigators. As cases progress from investigators to attorneys, there may be required minimum waiting periods defined in ENF's procedures which the Department cannot control that impacts the total complaint closure time. Cases with investigators take on average 132 days to complete both high and low priority cases with the median being 23 days and 74 days, respectively.

Figure 1: Cases and Closure Time

Priority Level	Total Cases	Average days to close	Median days to close	Average days with Investigator	Median days with Investigator
High	2,428	177	49	132	23
Medium	12	361	266	124	13.5
Low	14,863	286	385	132	74
Total	17,303	271	266	132	23

According to ENF, there was a high volume of temporary tag complaints which increased the number of high priority cases. The procedures include criteria on days to complete high, medium, and low priority cases:

- High priority cases involving public safety, red flag referrals or premise cases should be completed in 30 days.

- Medium priority cases involving licensee conducting business outside of license classification or licensee offering and/or selling off their license location to be completed in 60 days.
- Low priority cases involving advertising cases and any other case that does not fall into the other two categories to be completed in 90 days.

Separately, only 12 (0.07 percent) of 17,303 closed cases were assigned a medium priority level with almost all cases assigned either as high or low priority levels. Limiting the use of priority levels to only two or not assigning the appropriate priority level to complaints could cause ineffective allocation of resources to resolve consumer damages.

According to ENF, not every case can be given a high priority level. When Assistant Chief Investigators are performing the intake process, they tend to view cases in high or low priority and therefore there is limited use of other categories.

The June 2019 Sunset Advisory Commission Report directed the Department to identify and implement methods to reduce its complaint resolution timeframes and to develop clear guidance and criteria for prioritizing investigations. Additionally, the Texas Transportation Code 1003.0055(a) states “The department shall maintain a system to promptly and efficiently act on complaints filed with the department.”

Recommendations

1. The Enforcement Division should revise its procedures for assigning complaint priority levels to include additional factors taken into consideration (e.g., dealer violation history, number of customers affected, etc.) and expand the use of priority levels. The Department should also conduct training to ensure the consistency of assigning complaint priority levels.
2. The Enforcement Division should work with the Information Technology Services Division to ensure that the automatic assignment of priority levels in eLicensing, if used, is working as intended.

Audit Results #2: While there is consistency in investigation documentation, opportunities exist to strengthen case communication and oversight.

Investigations. ENF generally ensured that cases were documented uniformly in accordance with its procedures (see **Figure 2**). Specifically, 27 (90 percent) of 30 cases had all elements of an investigation completed.

Figure 2: Documentation elements for investigations



Opening/Closing E-mails. ENF provides each complainant with an acknowledgement email that provides the following information:

- Inform the complainant that the complaint has been received
- A case has been opened by TxDMV
- The case number
- Assigned investigator name and contact details
- Complainant responsibilities

ENF did not consistently ensure that opening and closing emails to the complainant were provided as stated in its procedures. Specifically, 5 (23 percent) of 22 cases were missing an opening and/or a closing e-mail.

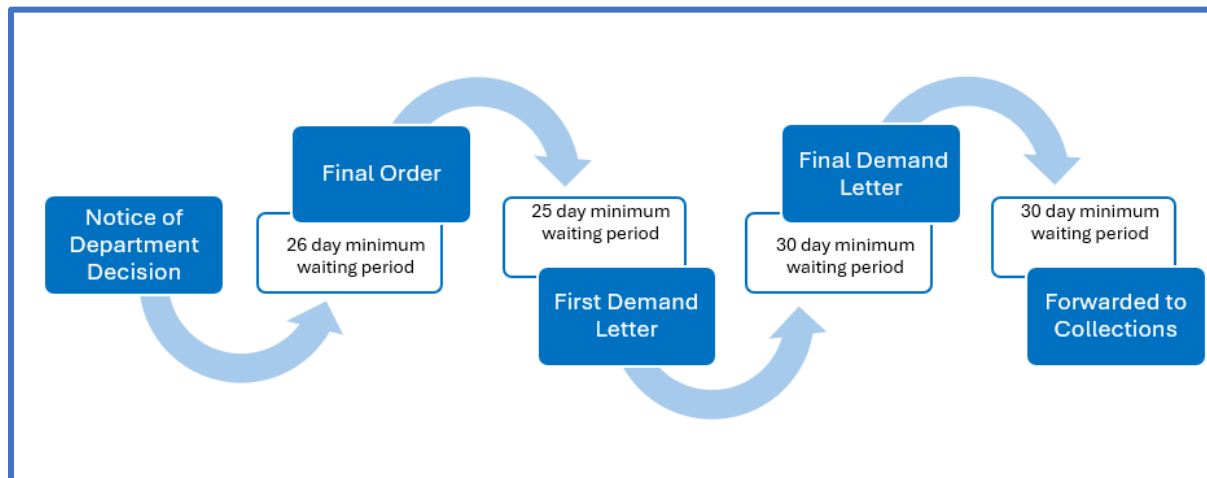
90-day Status Updates. Auditors determined that only 6 of 30 cases took longer than 90 days to complete the investigation process therefore requiring periodic updates. However, ENF did not consistently provide updates. Specifically, 4 (67 percent) of 6 cases did not have any updates provided despite having the option for periodic status updates selected. In addition, one case that did not require updates received updates after the closing email was provided.

The 90-day status update provides the complainants with periodic status updates regarding the complaint while the closing email provides the complainants with information concerning how their case concluded. Not providing these updates could cause additional work for investigators as complainants could be unaware of the progress of the case and may contact investigators for updates.

According to ENF, periodic status updates are automated by eLicensing and investigators have the option to deselect the option for periodic status updates when they believe the notification could interfere with the pending investigation.

Contested Cases. In 4 (25 percent) of 16 contested cases where additional notices were sent after the Notice of Department Decision (NODD), ENF took 15 to 46 days longer than the minimum waiting period to proceed in its process which impacts complaint closure times (see **Figure 3**).

Figure 3: Attorney notification process with required minimum waiting periods



According to ENF, the respondent is often given additional time to resolve violations because it reduces the need for a hearing or from having to forward the penalty assessed to collections for non-payment.

Recommendations

3. The Enforcement Division should ensure that investigation results are documented consistently.
4. The Enforcement Division should ensure that opening and closing emails are provided to complainants. It should also update the opening email template to include all elements stated in its procedures.

5. The Enforcement Division should work with the Information Technology Services Division to ensure that the 90-day status updates are sent appropriately (e.g., sent if cases are over 90 days and ceased when closing email has been sent).
6. The Enforcement Division should ensure that it sends all notices after the minimum waiting period in instances where doing so may reduce case closure times (e.g., non-responsive cases).

Audit Results #3: Actions and penalties were enforced, but penalties were not always assessed within established guidelines.

Actions and/or Penalties Completed or Collected. ENF ensured actions and/or penalties were completed or collected. Of the 30 cases reviewed:

- 23 cases had a penalty collected and/or license revoked
- 7 cases had a license revoked and/or forwarded to collections

According to eLicensing, out of the 30 cases, ENF assessed a total of \$372,122 in penalties and revoked six dealer licenses. Further, ENF collected \$151,122 of the total penalties assessed and forwarded the remaining total of \$221,000 associated with five cases to collections following the process.

Assessing Penalties. ENF generally applied the disciplinary matrix when assessing penalties on its cases. However, 6 (20 percent) of 30 closed cases did not have a final penalty assessed within the range provided in the disciplinary matrix. These six cases had final penalties that were 50 to 75 percent less than the stated minimum.

In the six cases, case notes indicated that respondents reached out to ENF attorneys and negotiated with the attorney for a reduced penalty amount. However, the disciplinary matrix ensures visibility into the Department's enforcement decisions and clear understanding among licensees regarding expected penalties.

According to ENF, when attorneys apply the matrix when reviewing violations, they only ensure that they do not exceed the maximum amount stated. ENF attorneys also give the respondent credit against the penalty amount for costs the respondent incurred for resolving the issue with the complainant leading to a lower amount than stated in the established matrices.

ENF's procedures state that the agreed final order penalty amounts must be within the disciplinary matrix guidelines, unless a comment is entered into the case citing the reason for the deviation.

Recommendations

7. The Enforcement Division should ensure that penalties assessed in cases are within the range provided in the Disciplinary Matrix or document the justification to support assessing a penalty outside the range.

Audit Results #4: Key performance indicators were accurately reported but could be expanded to provide more visibility.

ENF administrative staff collect and report Key Performance Indicators (KPIs) to Department management and the Board. The goal for the total number of motor vehicle cases in progress longer than two years is 4 percent or less. For the audit period of September 1, 2022 through January 31, 2024, ENF reported 1 percent to 5 percent of cases that are in progress longer than two years.

Auditors reviewed supporting documentation for 6 of the 17 months within the audit scope period and determined that KPIs were supported and accurately reported.

Other Texas regulatory agencies have metrics such as the percentage of complaints resolved within six months and average time (days) for resolution with pre-determined goals. For example, one agency has a goal of closing 65 percent of complaints within six months while another agency has a goal of 90 percent with the average days for resolution being 192 and 100 days, respectively. Also, the June 2019 Sunset Advisory Commission Report directed the Department to revise and expand KPIs and annual enforcement reports to better assess effectiveness and efficiency and provide more visibility of the enforcement program. Examples included the average number of days to resolve a complaint, the complaint type, and the actions taken on complaints among other measures. Reporting on these measures could allow ENF to effectively allocate resources and identify inefficiencies or other issues.

Recommendations

8. The Enforcement Division should consider revising and expanding its key performance indicators to provide more visibility.

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

Objectives

The objectives of this audit were to evaluate the intake process for complaints, the method for how investigations are prioritized, and the actions taken on investigation results.

Scope and Methodology

The scope of the audit included closed motor vehicles cases from September 2022 to January 2024 and open motor vehicles cases as of January 2024.

Information and documents evaluated in the audit included the following:

- Interviewed Enforcement Division (ENF) senior management, investigators, attorneys and administrative staff.
- Obtained and analyzed ENF motor vehicle closed cases
- Selected a sample of 30 closed and 15 open motor vehicle cases
- Analyzed penalties assessed, collected and forwarded to collections
- Reviewed case details in eLicensing
- Developed complaint notification process flowchart
- Reviewed Transportation and Occupations Code to identify statutes relevant to audit
- Reviewed the ENF's procedures and disciplinary matrices
- Obtained ENF's Key Performance Indicators reported and supporting documentation
- Reviewed Key Performance Indicators reported by licensing state agencies

This audit was included in the Fiscal Year 2024 Internal Audit Plan. IAD conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for the Professional Practice of Internal Auditing. Those standards require that IAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. IAD believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Report Distribution

In accordance with the Texas Internal Auditing Act, this report is distributed to the Board of the Texas Department of Motor Vehicles, Governor's Office of Budget, Planning, and Policy, Legislative Budget Board, and the State Auditor's Office.

Ratings Information

Maturity Assessment Rating Definition

IAD derived the maturity assessment ratings and definitions from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model, the Enterprise Risk Management (ERM) Maturity Model, and the ISACA Maturity Model. The model was adapted for assurance audit purposes and does not provide a guarantee

against reporting misstatement and reliability, non-compliance, or operational impacts. The ratings and definitions are provided in Table 1.

Table 1. Maturity Assessment/Process Capability Rating Definitions

Rating	Name	Definition
1	Minimal	The function may have policies and procedures established for some activities but relies on intuition and handles issues on an ad-hoc basis.
2	Informal and Reactive	The function achieves its purpose with basic processes and activities that are not very organized or followed.
3	Established	The function achieves its purpose in an organized way, following established processes, but those processes may not be consistently followed or well communicated.
4	Predictable	The function fully achieves its purpose, is well-defined, and its performance is quantitatively measured. The function is fully integrated within the Department, the function has full resources to achieve business objectives, and policies and procedures are regularly improved.
5	Optimized	The function fully achieves its purpose, is well-defined, and its performance is quantitatively measured. There is continuous improvement that is pursued, and technology is heavily leveraged to automate workflow and improve quality and effectiveness of processes.

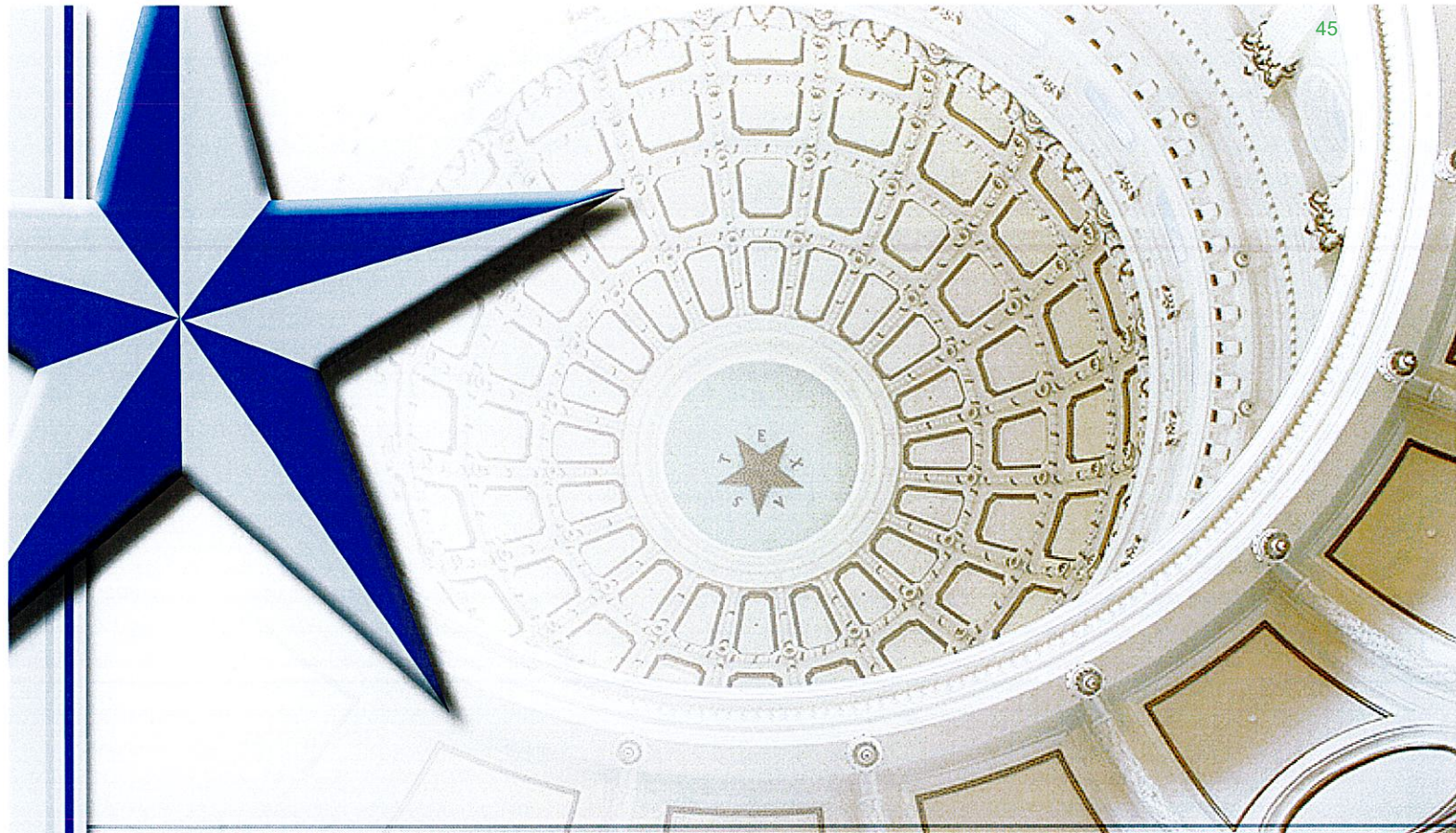
Appendix 2: Management Response and Action Plan

The Enforcement Division provided the following response:

Recommendation	Responsible Department and Section/Unit	Department Response	Completion Date
1. The Enforcement Division should revise its procedures for assigning complaint priority levels to include additional factors taken into consideration (e.g., dealer violation history, number of customers affected, etc.) and expand the use of priority levels. The Department should also conduct training to ensure the consistency of assigning complaint priority levels.	Enforcement Division Motor Vehicle, Investigative Section	<p>The division will revise its standard operating procedures to change guidance on how priority levels are assigned as well as the expanded use of the medium priority level.</p> <p>The division will ensure supervisors are trained in the usage of the new priority levels to ensure consistent assignment of priority levels.</p>	August 1, 2024
2. The Enforcement Division should work with the Information Technology Services Division to ensure that the automatic assignment of priority levels in eLicensing, if used, is working as intended.	Enforcement Division, Motor Vehicle Investigative Section	The division will file one or more tickets with ITSD to ensure that the system is correctly assigning priority levels to incoming complaints.	August 1, 2024
3. The Enforcement Division should ensure that investigation results are documented consistently.	Enforcement Division, Motor Vehicle Investigative Section	The division will reinforce training concerning documentation at investigator trainings.	October 1, 2024
4. The Enforcement Division should ensure that opening and closing emails are provided to complainants. It should also update the opening email template	Enforcement Division, Motor Vehicle Investigative Section	The division will revise standard operating procedures to document the instances where opening or closing emails will be sent and what elements should be contained in said emails.	August 1, 2024

Recommendation	Responsible Department and Section/Unit	Department Response	Completion Date
to include all elements stated in its procedures.			
5. The Enforcement Division should work with the Information Technology Services Division to ensure that the 90-day status updates are sent appropriately (e.g., sent if cases are over 90 days and ceased when the closing email has been sent).	Enforcement Division, Motor Vehicle Investigative Section	The division will file one or more tickets with ITSD to ensure that quarterly status updates are sent appropriately.	August 1, 2024
6. The Enforcement Division should ensure that it sends all notices after the minimum waiting period in instances were doing so may reduce case closure times (e.g., non-responsive cases).	Enforcement Division, Motor Vehicle Attorney Section	The division will reinforce attorney training concerning when to issue notices. In instances were sending a notice after the minimum waiting period will reduce case closure times or are otherwise consistent with the interests of justice, the division will do so.	July 1, 2024
7. The Enforcement Division should ensure that penalties assessed in cases are within the range provided in the Disciplinary Matrix or provide/document aggravating and/or mitigating factor(s) to support assessing a penalty outside the range.	Enforcement Division, Motor Vehicle Attorney Section	The division has already implemented procedures whereby if an attorney seeks to assess a penalty lower than what is found in the disciplinary matrix the attorney will document in objective terms why the deviation is justified. Legal staff have additionally been trained on what constitutes “objective justification.”	July 1, 2024
8. The Enforcement Division should consider revising and expanding its key performance indicators to provide more visibility.	Enforcement Division Director	Prior to issuance of the Sunset Report, the division KPIs were based on average days to case resolution. The metrics were amended following the issuance of the Sunset Report to place focus on overall case processing time frames. The	September 1, 2024

Recommendation	Responsible Department and Section/Unit	Department Response	Completion Date
		<p>division currently maintains internal monthly metrics on both investigator and attorney case processing. Additionally, the division's Annual Report includes case open and close counts, the source and disposition of complaints, days to resolution, violation type and volume, and reimbursements to consumers.</p> <p>Existing metrics aside, the division will explore additional measures that may provide more visibility into program efficacy.</p>	



A Statewide Desk Audit

Commercial Charge Card Rebate Program

Audit Report #001-24-01
July 3, 2024

Glenn Hegar
Texas Comptroller of Public Accounts



Table of Contents

Executive Summary

Purpose and Scope.....	1
Background.....	1
Audit Results.....	2

Detailed Findings

Loss to the Rebate Payment Card Program	4
Table 1: Audit Results by Agency – Spend and Rebate	6
Table 2: Audit Results by Agency – Other Refunds and Prompt Payment Interest	9
Table 3: Audit Results by Agency – Payments and Turn Days	12



Executive Summary

Purpose and Scope

The Texas Comptroller of Public Accounts (Comptroller's office) performed a desk audit of the Commercial Charge Card Rebate Program and rebates earned at state agencies (agencies).

The objective of the audit was to determine whether agencies complied with the requirement of [Texas Government Code, Section 2251.030](#) for agencies to take advantage of early payment discounts and/or rebates. The audit was conducted in accordance with Texas Government Code, Section 403.071.

The audit scope included review of the semiannual rebate reports from the charge card program provider, Citibank, and comparisons of the actual rebates earned to the minimum and maximum rebates that could have been earned if agencies had paid their Citibank statements within the required 30 days or as early as three days after the receipt of the credit card statements. Auditors also ran and reviewed three Uniform Statewide Accounting System (USAS) ad hoc reports for audited agencies for payment dates, prompt payment interest paid to Citibank for late payments, and payments agencies waived interest on by overriding the interest payment calculations during fiscal 2023.

Background

Citibank, N.A. is the current state of Texas commercial charge card services provider for procurement and travel purchases and related services. The Citibank charge card contract [946-M2](#) contains a rebate program based on the total annual expenditures of all participating entities. In addition to the rebate percentage, an early payment incentive increases for each day a payment is received in full before 30 days from Citibank's statement date. Statements are issued on the third of every month and are available to the agencies on the Citibank online website the next day, the fourth. The discount rebate calculation starts the day after the statement is available on the website. Additionally, since charge-offs for delinquent accounts are deducted from the rebate as credit losses at the rebate-payable level, agencies should pay account balances as quickly as possible.

Transaction Rates

- Standard transactions: **193 basis points**
- Large-ticket rebate: **60 basis points**
- Merchant-negotiated transactions: **25 basis points**

Citibank currently pays a base rebate of 1.93 percent on payments received 30 days after the statement date, which increases by .75 basis points for each day a payment is processed before 30 days from the statement date. The first day for calculating the



rebate for the semiannual period is the next calendar day after the billing cycle date for each billing account provided for a state agency. If a cycle date falls on a weekend or New Year's Day, Thanksgiving or Christmas, Citibank will cycle on the previous business day and the statement will be available the following calendar day. For example, if the cycle date falls on a Saturday, the account would cycle on the Friday before and the statement would be available the following day, Saturday. At 31 or more days from the statement date, no rebate is paid.

Rebates accrue from the first dollar of spend on all card products including Virtual Card and ePayables (excluding individual charge cards issued to employees). Citibank also pays rebates on large-ticket transactions with merchants typically considered business-to-business, and offers a lower interchange rate on merchant-negotiated transactions with merchants who have negotiated a lower interchange rate.

Citibank pays a semiannual rebate based on spend in March through August and September through February, starting at a base rebate of 1.93 percent with possible additional rebate tiers and a bonus for early payment.

Citibank pays rebates for balances paid up to 30 days from the statement date. If a partial payment is paid within 30 days, that partial payment will earn a rebate. If agencies make multiple payments until the 30-day point, the amounts paid will receive the respective payment incentives based on the timeliness of each payment.

Early Payment Incentive Chart	
Days Paid After Statement Becomes Available	Basis Points
3	213.25
5	211.75
10	208
15	204.25
20	200.50
25	196.75
26	196
27	195.25
28	194.50
29	193.75
30	193
31	0

Audit Results

Auditors reviewed fiscal 2023 Citibank rebate earned reports for 99 agencies. Because agencies paid late and did not take advantage of the early rebate incentives, the state lost nearly \$1,518,236, or 50 percent of the minimum rebates that would have been earned if statements had been paid within the required 30 days.

Chart 1: Number of Agencies in Each % Group of Actual Earned to Minimum Rebates

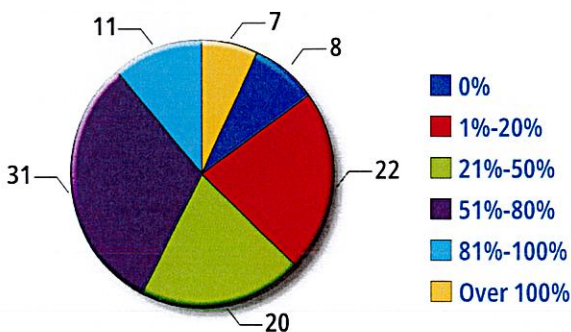
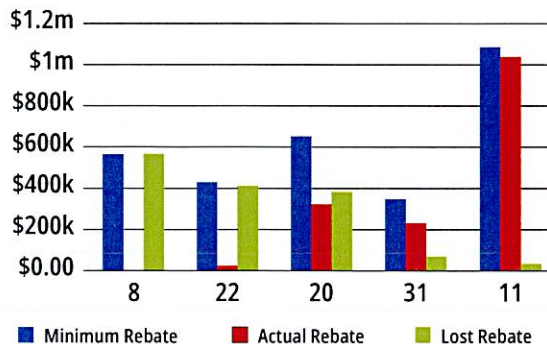


Chart 2: Minimum/Actual/Lost Rebates for Each % Group From Chart 1





Seven agencies did earn rebates consistently by paying their Citibank statements within the required 30 days or less to earn the minimum rebate. Some earned a little more than the minimum. One other agency earned 99 percent of the minimum rebate offered.

According to [eXpendit – Prompt Payment](#) and [Texas Government Section 2251.021](#), a state agency's payment is due on the 30th day after the latest of:

- The date the agency receives the goods under the contract.
- The date the performance of the contracted service is completed.
- The date the agency receives an invoice for the goods or services.

In fiscal 2023, agencies paid \$34,993.05 in prompt payment interest to Citibank because the agencies paid their statements late.

See [Table 1](#) for a list of audited agencies, total annual credit card spending using Citibank charge cards for each agency, and the actual amount of rebate earned by each agency. The table also shows the minimum and maximum rebates that agencies could have earned if Citibank statements had been paid at three and 30 days after receipt. Citibank statements are issued on the third of every month and are available to the agencies on the Citibank online website the next day, the fourth. The table also shows the percentage of actual rebates earned to the minimum rebate (30 days).

See [Table 2](#) for the average number of days it took to pay the monthly Citibank statements, late payment interest that agencies paid, and the separate rebates earned by some agencies due to large-ticket and merchant-negotiated transactions.

Citibank determines an agency's rebate amount based on "turn days," the average number of days after the statement date that Citibank has to fund the receivable on the account. "File turn" is calculated by dividing the sum of the daily balance by the net charge volume. See [Table 3](#) for each agency's spend amount that was paid after more than 30 turn days (in dollars and percent). This explains why an agency is not receiving even the minimum rebate amount, since payments made after 30 days earn no rebate.

The rebate is paid on net charge volume. Annual net charge volume is calculated as purchases less returns, credits, cash advances and convenience checks. It does not include adjustments unless the adjustment is related to the transfer of a purchase or cash advance between accounts. In addition, net charge volume does not include Citibank credit cards that are individually billed to and are the responsibility of agency employees, so spending with these types of cards is not included in the tables.



Detailed Findings

Loss to the Rebate Payment Card Program

Of the 99 agencies audited, 92 were not in full compliance with the early payment discount and/or rebate requirements for state agencies because they failed to fully take advantage of early discounts and/or rebates offered by the payment card vendor.

Based on the Citibank semiannual rebate reports and the analysis in Table 1 and Table 2, auditors noted:

- 99 agencies lost a combined discount/rebate amount ranging from the minimum of \$1,518,235.80 to the maximum of \$1,846,796.47.
- 92 agencies did not meet the prompt payment requirement of paying on the 30th day.
- 49 agencies paid a total of \$34,399.05 in late payment interest to the credit card vendor.

In addition, \$30,391,638.30 of credit card spending was paid to the credit card vendor without interest being calculated. Auditors did not verify if interest on some of these payments should have been paid because confirming the validity of agencies' recorded statement/invoice dates, payment dates or override reason codes for not calculating interest was not within the scope of this audit. However, it should be noted that for some of these payments, reports showed that agencies may have used incorrect statement/invoice dates that allowed the payments to be processed without a late interest being calculated. Other payments were processed without interest being calculated due to agencies overriding the system by indicating that interest is not applicable to their transactions. Some of these cited reason codes appeared to be inappropriate, such as paying a "state agency" or "no invoice received," while the payment was for Citibank and the statements/invoices are always available to agencies on Citibank's website.

The agencies did not take advantage of the discounts and/or rebates offered by Citibank and paid their invoices over 90 days after the statement dates and/or paid their largest payments after 30 turn days. In addition to costing the state money in lost interest payments and unearned rebates, when these agencies fail to take advantage of the rebates, they also hinder the Comptroller's Statewide Procurement Division's ability to negotiate rebates on future contracts.

According to [Texas Government Code, Section 2251.030](#), the Legislature expects government agencies to take advantage of early payment discounts, so agencies must submit payment documents to the Comptroller's office in time to do so. See Table 2 for agencies that are not complying.



Recommendation/Requirement

Agencies must change their payment processes to comply with requirements, take advantage of rebates, and avoid the double penalty of lost rebates and late payment interest. Agencies should:

- Receive Citibank Commercial Card account statements online. Citibank statements are issued on the third of every month and are available to the agencies on the Citibank online website the next day, the fourth.
- Work with Citibank to develop automated reconciliation for travel and purchase receipts as transactions occur or shortly after the statement is issued.
- Make partial payments based on supporting documentation received and reconcile and pay as costs arise.



Tables

Table 1: Audit Results by Agency – Spend and Rebate

Agy Nbr	Agency Name	Spend Amount	Regular Rebate (Does Not Include Other Refunds)			% of Actual to Min.
			Actual	Min. (30 days)	Max. (3 Days)	
101	Senate	\$66,817.21	\$673.54	\$1,289.57	\$1,424.88	52%
102	House of Representatives	\$239,688.47	\$0.00	\$4,625.99	\$5,111.36	0%
103	Texas Legislative Council	\$337,005.81	\$6,702.73	\$6,504.21	\$7,186.65	103%
104	Legislative Budget Board	\$9,250.07	\$139.49	\$178.53	\$197.26	78%
105	Legislative Reference Library	\$8,739.64	\$150.65	\$168.68	\$186.37	89%
116	Sunset Advisory Commission	\$8,830.49	\$128.77	\$170.43	\$188.31	76%
201	Supreme Court	\$66,509.53	\$915.50	\$1,283.63	\$1,418.32	71%
202	State Bar of Texas	\$137,425.64	\$2,703.66	\$2,652.31	\$2,930.60	102%
203	Board of Law Examiners	\$42,857.33	\$662.71	\$827.15	\$913.93	80%
211	Court of Criminal Appeals	\$11,034.79	\$87.61	\$212.97	\$235.32	41%
212	Office of Court Administration	\$99,793.33	\$134.30	\$1,926.01	\$2,128.09	7%
215	Office of Capital and Forensic Writs	\$67,757.19	\$1,024.27	\$1,307.71	\$1,444.92	78%
222	Court of Appeals – Second Court of Appeals District	\$2,965.67	\$0.00	\$57.24	\$63.24	0%
224	Court of Appeals – Fourth Court of Appeals District	\$1,684.65	\$10.58	\$32.51	\$35.93	33%
225	Court of Appeals – Fifth Court of Appeals District	\$40,219.49	\$331.20	\$776.24	\$857.68	43%
233	Court of Appeals – Thirteenth Court of Appeals District	\$6,811.98	\$10.05	\$131.47	\$145.27	8%
242	State Commission on Judicial Conduct	\$48,351.00	\$522.95	\$933.17	\$1,031.09	56%
243	State Law Library	\$9,898.50	\$199.19	\$191.04	\$211.09	104%
301	Governor – Executive	\$139,392.25	\$648.05	\$2,690.27	\$2,972.54	24%
302	Attorney General	\$908,220.33	\$3,989.46	\$17,528.65	\$19,367.80	23%
303	Texas Facilities Commission	\$1,350,934.46	\$19,059.59	\$26,073.04	\$28,808.68	73%
304	Comptroller of Public Accounts	\$297,391.73	\$3,930.32	\$5,739.66	\$6,341.88	68%
305	General Land Office	\$437,557.57	\$1,532.34	\$8,444.86	\$9,330.92	18%
306	Texas State Library and Archives Commission	\$50,669.01	\$308.47	\$977.91	\$1,080.52	32%
307	Secretary of State	\$43,783.33	\$469.57	\$845.02	\$933.68	56%
308	State Auditor	\$162,876.82	\$2,453.69	\$3,143.52	\$3,473.35	78%
312	State Securities Board	\$16,058.56	\$239.66	\$309.93	\$342.45	77%
313	Department of Information Resources	\$119,362.50	\$816.47	\$2,303.70	\$2,545.41	35%
320	Texas Workforce Commission	\$706,706.82	\$5,512.96	\$13,639.44	\$15,070.52	40%
323	Teacher Retirement System of Texas	\$825,441.47	\$369.87	\$15,931.02	\$17,602.54	2%
325	Firefighter's Pension Commissioner	\$25,381.01	\$64.69	\$489.85	\$541.25	13%
327	Employees Retirement System of Texas	\$360,258.74	\$4,640.45	\$6,952.99	\$7,682.52	67%
329	Texas Real Estate Commission	\$40,717.92	\$634.33	\$785.86	\$868.31	81%
332	Texas Department of Housing and Community Affairs	\$208,913.08	\$2,381.15	\$4,032.02	\$4,455.07	59%
338	State Pension Review Board	\$16,819.75	\$13.24	\$324.62	\$358.68	4%
347	Texas Public Finance Authority	\$479.97	\$9.41	\$9.26	\$10.24	102%



Agy Nbr	Agency Name	Spend Amount	Regular Rebate (Does Not Include Other Refunds)			% of Actual to Min.
			Actual	Min. (30 days)	Max. (3 Days)	
352	Bond Review Board	\$451.98	\$8.86	\$8.72	\$9.64	102%
356	Texas Ethics Commission	\$4,668.91	\$0.47	\$90.11	\$99.56	1%
359	Office of Public Insurance Counsel	\$9,965.32	\$0.00	\$192.33	\$212.51	0%
360	State Office of Administrative Hearings	\$3,924.17	\$81.42	\$75.74	\$83.68	108%
362	Texas Lottery Commission	\$65,210.93	\$105.91	\$1,258.57	\$1,390.62	8%
364	Health Professions Council	\$9,228.09	\$143.24	\$178.10	\$196.79	80%
401	Texas Military Department	\$3,711,206.77	\$3,583.49	\$71,626.29	\$79,141.48	5%
403	Texas Veterans Commission	\$427,861.78	\$11.27	\$8,257.73	\$9,124.15	0%
405	Department of Public Safety	\$29,477,254.25	\$249,208.26	\$568,911.01	\$628,602.45	44%
407	Texas Commission on Law Enforcement	\$46,200.35	\$161.72	\$891.67	\$985.22	18%
409	Commission on Jail Standards	\$13,404.96	\$168.84	\$258.72	\$285.86	65%
411	Texas Commission on Fire Protection	\$37,708.34	\$37.62	\$727.77	\$804.13	5%
448	Office of Injured Employee Counsel	\$6,220.69	\$62.81	\$120.06	\$132.66	52%
450	Department of Savings and Mortgage Lending	\$38,532.79	\$534.91	\$743.68	\$821.71	72%
451	Texas Department of Banking	\$108,743.40	\$1,486.91	\$2,098.75	\$2,318.95	71%
452	Texas Department of Licensing and Regulation	\$170,462.90	\$944.88	\$3,289.93	\$3,635.12	29%
454	Texas Department of Insurance	\$193,930.91	\$837.96	\$3,742.87	\$4,135.58	22%
455	Railroad Commission of Texas	\$354,603.68	\$665.53	\$6,843.85	\$7,561.92	10%
456	Texas State Board of Plumbing Examiners	\$20,877.34	\$92.90	\$402.93	\$445.21	23%
457	Texas State Board of Public Accountancy	\$2,851.07	\$37.37	\$55.03	\$60.80	68%
458	Texas Alcoholic Beverage Commission	\$42,254.32	\$60.96	\$815.51	\$901.07	7%
459	Texas Board of Architectural Examiners	\$24,936.99	\$410.98	\$481.28	\$531.78	85%
460	Texas Board of Professional Engineers and Land Surveyors	\$47,331.27	\$744.58	\$913.49	\$1,009.34	82%
466	Office of Consumer Credit Commissioner	\$100,795.46	\$1,221.06	\$1,945.35	\$2,149.46	63%
469	Credit Union Department	\$45,706.48	\$702.14	\$882.14	\$974.69	80%
473	Public Utility Commission of Texas	\$37,348.97	\$408.57	\$720.84	\$796.47	57%
475	Office of Public Utility Counsel	\$1,615.02	\$20.29	\$31.17	\$34.44	65%
476	Texas Racing Commission	\$112,494.93	\$496.88	\$2,171.15	\$2,398.95	23%
477	Commission on State Emergency Communications	\$33,649.54	\$434.58	\$649.44	\$717.58	67%
479	State Office of Risk Management	\$3,360.54	\$70.52	\$64.86	\$71.66	109%
481	Texas Board of Professional Geoscientists	\$2,845.92	\$28.59	\$54.93	\$60.69	52%
503	Texas Medical Board	\$35,987.02	\$253.14	\$694.55	\$767.42	36%
504	State Board of Dental Examiners	\$41,185.83	\$674.83	\$794.89	\$878.29	85%
507	Texas Board of Nursing	\$32,421.55	\$47.68	\$625.74	\$691.39	8%
508	Texas Board of Chiropractic Examiners	\$12,289.79	\$0.00	\$237.19	\$262.08	0%
514	Texas Optometry Board	\$9,000.00	\$0.00	\$173.70	\$191.93	0%
515	Texas State Board of Pharmacy	\$25,984.52	\$360.75	\$501.50	\$554.12	72%
520	Texas State Board of Examiners of Psychologists	\$5,089.30	\$92.17	\$98.22	\$108.53	94%
529	Health and Human Services Commission	\$12,561,962.64	\$176,820.88	\$242,445.88	\$267,883.85	73%



Agy Nbr	Agency Name	Spend Amount	Regular Rebate (Does Not Include Other Refunds)			% of Actual to Min.
			Actual	Min. (30 days)	Max. (3 Days)	
530	Department of Family and Protective Services	\$14,856,399.76	\$238,789.51	\$286,728.52	\$316,812.72	83%
533	Executive Council of Physical and Occupational Therapy Examiners	\$2,984.13	\$38.07	\$57.59	\$63.64	66%
537	Department of State Health Services	\$1,494,760.94	\$25,788.26	\$28,848.89	\$31,875.78	89%
542	Cancer Prevention and Research Institute of Texas	\$23,182.64	\$0.00	\$447.42	\$494.37	0%
551	Department of Agriculture	\$349,624.68	\$3,859.18	\$6,747.76	\$7,455.75	57%
554	Texas Animal Health Commission	\$559,604.05	\$310.96	\$10,800.36	\$11,933.56	3%
578	State Board of Veterinary Medical Examiners	\$7,018.56	\$50.48	\$135.46	\$149.67	37%
580	Texas Water Development Board	\$509,782.20	\$1,457.86	\$9,838.80	\$10,871.11	15%
582	Texas Commission on Environmental Quality	\$1,884,661.56	\$590.26	\$36,373.97	\$40,190.41	2%
592	Soil and Water Conservation Board	\$60,809.87	\$204.87	\$1,173.63	\$1,296.77	17%
601	Texas Department of Transportation	\$40,326,804.32	\$770,131.04	\$778,307.32	\$859,969.10	99%
608	Texas Department of Motor Vehicles	\$281,708.70	\$5,046.94	\$5,436.98	\$6,007.44	93%
644	Texas Juvenile Justice Department	\$836,348.64	\$1,907.17	\$16,141.53	\$17,835.13	12%
696	Texas Department of Criminal Justice	\$28,925,756.08	\$0.00	\$558,267.09	\$616,841.75	0%
701	Texas Education Agency	\$217,927.67	\$1,950.43	\$4,206.00	\$4,647.31	46%
706	Texas Permanent School Fund Corporation	\$10,807.07	\$20.04	\$208.58	\$230.46	10%
771	Texas School for the Blind and Visually Impaired	\$1,149,942.93	\$10,467.67	\$22,193.90	\$24,522.53	47%
772	Texas School for the Deaf	\$911,253.09	\$8,181.20	\$17,587.18	\$19,432.47	47%
781	Texas Higher Education Coordinating Board	\$135,346.51	\$548.77	\$2,612.19	\$2,886.26	21%
802	Parks and Wildlife Department	\$13,902,766.96	\$28,838.89	\$268,323.40	\$296,476.51	11%
808	Texas Historical Commission	\$624,531.99	\$7,094.14	\$12,053.47	\$13,318.14	59%
809	State Preservation Board	\$329,204.08	\$5,296.95	\$6,353.64	\$7,020.28	83%
813	Texas Commission on the Arts	\$8,505.78	\$59.99	\$164.16	\$181.39	37%
930	Texas Treasury Safekeeping Trust Company	\$46,273.38	\$104.71	\$893.08	\$986.78	12%
Total — 99 State Agencies		\$162,252,180.42	\$1,613,231.28	\$3,131,467.08	\$3,460,027.75	

*Minimum Lost Rebate \$1,518,235.80

*Maximum Lost Rebate \$1,846,796.47


Table 2: Audit Results by Agency – Other Refunds and Prompt Payment Interest

Agy Nbr	Agency Name	% of Actual to Min.	Average # of Days From Statement to Payment	Other Refunds		Late Payment Interest Paid
				Large Tickets	Merchant Negotiated	
101	Senate	52%	35	\$0.00	\$12.32	\$17.53
102	House of Representatives	0%	39	\$0.00	\$0.00	\$38.88
104	Legislative Budget Board	78%	39	\$0.00	\$3.07	
105	Legislative Reference Library	89%	23	\$0.00	\$3.17	
116	Sunset Advisory Commission	76%	26	\$0.00	\$3.99	\$1.13
201	Supreme Court	71%	26	\$0.00	\$0.00	\$0.27
203	Board of Law Examiners	80%		\$0.00	\$17.94	
211	Court of Criminal Appeals	41%	26	\$0.00	\$113.43	
212	Office of Court Administration	7%	48	\$0.00	\$23.22	\$85.50
215	Office of Capital and Forensic Writs	78%	61	\$0.00	\$5.88	
222	Court of Appeals – Second Court of Appeals District	0%	33	\$0.00	\$3.37	
224	Court of Appeals – Fourth Court of Appeals District	33%	40	\$0.00	\$31.75	
225	Court of Appeals – Fifth Court of Appeals District	43%		\$0.00	\$0.00	
233	Court of Appeals – Thirteenth Court of Appeals District	8%	15	\$0.00	\$5.24	
242	State Commission on Judicial Conduct	56%	24	\$0.00	\$2.08	\$0.08
301	Governor – Executive	24%	76	\$0.00	\$0.00	\$36.60
302	Attorney General	23%	61	\$0.00	\$0.00	\$1,944.68
303	Texas Facilities Commission	73%	17	\$0.00	\$1.12	
304	Comptroller of Public Accounts	68%	25	\$0.00	\$45.44	\$14.78
305	General Land Office	18%	31	\$0.00	\$77.75	\$15.14
306	Texas State Library and Archives Commission	32%	38	\$0.00	\$179.05	\$29.88
307	Secretary of State	56%	43	\$0.00	\$54.62	\$1.49
308	State Auditor	78%	20	\$0.00	\$34.79	
312	State Securities Board	77%	29	\$0.00	\$0.00	
313	Department of Information Resources	35%	36	\$0.00	\$2.58	
320	Texas Workforce Commission	40%	30	\$0.00	\$10.95	\$0.56
323	Teacher Retirement System of Texas	2%	29	\$0.00	\$0.89	\$73.55
325	Firefighter's Pension Commissioner	13%		\$0.00	\$5.04	
327	Employees Retirement System of Texas	67%	24	\$0.00	\$61.38	\$40.22
329	Texas Real Estate Commission	81%	15	\$0.00	\$33.98	
332	Texas Department of Housing and Community Affairs	59%	29	\$0.00	\$2.43	\$102.13
338	State Pension Review Board	4%	60	\$0.00	\$0.00	
356	Texas Ethics Commission	1%	41	\$0.00	\$0.00	\$0.16
359	Office of Public Insurance Counsel	0%	50	\$0.00	\$0.00	\$38.88
362	Texas Lottery Commission	8%	24	\$0.00	\$0.00	\$5.29
364	Health Professions Council	80%	13	\$0.00	\$0.00	
401	Texas Military Department	5%	170	\$0.00	\$1.26	\$17,692.08
403	Texas Veterans Commission	0%	51	\$0.00	\$21.40	\$15.26



Agy Nbr	Agency Name	% of Actual to Min.	Average # of Days From Statement to Payment	Other Refunds		Late Payment Interest Paid
				Large Tickets	Merchant Negotiated	
405	Department of Public Safety	44%	90	\$0.00	\$6.31	\$4,751.17
407	Texas Commission on Law Enforcement	18%	56	\$0.00	\$25.48	
409	Commission on Jail Standards	65%	29	\$0.00	\$0.00	
411	Texas Commission on Fire Protection	5%	35	\$0.00	\$653.13	\$0.07
448	Office of Injured Employee Counsel	52%	24	\$0.00	\$0.00	\$0.50
450	Department of Savings and Mortgage Lending	72%	43	\$0.00	\$0.00	
451	Texas Department of Banking	71%	57	\$0.00	\$0.71	
452	Texas Department of Licensing and Regulation	29%	131	\$0.00	\$0.00	\$446.46
454	Texas Department of Insurance	22%	29	\$0.00	\$7.07	\$0.87
455	Railroad Commission of Texas	10%	147	\$0.00	\$109.00	\$1,120.52
456	Texas State Board of Plumbing Examiners	23%	50	\$0.00	\$2.94	
457	Texas State Board of Public Accountancy	68%	26	\$0.00	\$28.11	
458	Texas Alcoholic Beverage Commission	7%	47	\$0.00	\$13.79	
459	Texas Board of Architectural Examiners	85%	10	\$0.00	\$0.00	
460	Texas Board of Professional Engineers and Land Surveyors	82%	22	\$0.00	\$3.66	
466	Office of Consumer Credit Commissioner	63%	43	\$0.00	\$6.32	
469	Credit Union Department	80%	23	\$0.00	\$5.64	
473	Public Utility Commission of Texas	57%	18	\$0.00	\$8.70	
475	Office of Public Utility Counsel	65%	28	\$0.00	\$12.19	
476	Texas Racing Commission	23%	113	\$0.00	\$0.05	
477	Commission on State Emergency Communications	67%	105	\$0.00	\$1.13	\$95.17
481	Texas Board of Professional Geoscientists	52%	25	\$0.00	\$0.00	
503	Texas Medical Board	36%	47	\$0.00	\$6.68	
504	State Board of Dental Examiners	85%	15	\$0.00	\$10.12	
507	Texas Board of Nursing	8%	43	\$0.00	\$9.21	
508	Texas Board of Chiropractic Examiners	0%	31	\$0.00	\$0.00	
514	Texas Optometry Board	0%	27	\$0.00	\$0.00	
515	Texas State Board of Pharmacy	72%	19	\$0.00	\$5.83	
520	Texas State Board of Examiners of Psychologists	94%		\$0.00	\$2.48	
529	Health and Human Services Commission	73%	57	\$0.00	\$5,471.62	\$1,917.36
530	Department of Family and Protective Services	83%	36	\$0.00	\$6,305.31	\$1,996.26
533	Executive Council of Physical and Occupational Therapy Examiners	66%	18	\$0.00	\$0.00	
537	Department of State Health Services	89%	24	\$0.00	\$247.55	\$53.73
542	Cancer Prevention and Research Institute of Texas	0%	90	\$0.00	\$0.00	\$0.15
551	Department of Agriculture	57%	42	\$0.00	\$28.64	\$24.43
554	Texas Animal Health Commission	3%	66	\$0.00	\$1.73	\$10.14
578	State Board of Veterinary Medical Examiners	37%	54	\$0.00	\$14.96	\$2.62
580	Texas Water Development Board	15%	47	\$0.00	\$0.00	\$70.60
582	Texas Commission on Environmental Quality	2%	41	\$0.00	\$11.62	\$28.59
592	Soil and Water Conservation Board	17%	34	\$0.00	\$0.00	\$12.43



Agy Nbr	Agency Name	% of Actual to Min.	Average # of Days From Statement to Payment	Other Refunds		Late Payment Interest Paid
				Large Tickets	Merchant Negotiated	
601	Texas Department of Transportation	99%	24	\$61.49	\$661.19	\$1,725.85
608	Texas Department of Motor Vehicles	93%	17	\$0.00	\$70.57	\$104.44
644	Texas Juvenile Justice Department	12%	41	\$0.00	\$25.74	\$1,449.06
696	Texas Department of Criminal Justice	0%	28	\$0.00	\$0.00	
701	Texas Education Agency	46%	50	\$0.00	\$19.29	\$487.15
706	Texas Permanent School Fund Corporation	10%	19	\$0.00	\$3.46	
771	Texas School for the Blind and Visually Impaired	47%	32	\$0.00	\$170.94	\$219.30
772	Texas School for the Deaf	47%	32	\$0.00	\$184.76	\$95.84
781	Texas Higher Education Coordinating Board	21%	29	\$0.00	\$5.94	\$2.49
802	Parks and Wildlife Department	11%	27	\$0.00	\$299.37	\$152.72
808	Texas Historical Commission	59%	24	\$0.00	\$119.16	\$20.99
809	State Preservation Board	83%	29	\$0.00	\$79.61	\$24.95
813	Texas Commission on the Arts	37%	27	\$0.00	\$0.16	\$25.10
930	Texas Treasury Safekeeping Trust Company	12%		\$0.00	\$14.66	


Table 3: Audit Results by Agency – Payments and Turn Days

Agy Nbr	Agency Name	Total Spend	Annual Payment by Turn Days		% of \$ Paid in > 30 Turn Days
			\$ Paid in <= 30 Turn Days	\$ Paid in > 30 Turn Days	
102	House of Representatives	\$239,688.47	\$0.00	\$239,688.47	100%
222	Court of Appeals – Second Court of Appeals District	\$2,965.67	\$0.00	\$2,965.67	100%
359	Office of Public Insurance Counsel	\$9,965.32	\$0.00	\$9,965.32	100%
508	Texas Board of Chiropractic Examiners	\$12,289.79	\$0.00	\$12,289.79	100%
514	Texas Optometry Board	\$9,000.00	\$0.00	\$9,000.00	100%
542	Cancer Prevention and Research Institute of Texas	\$23,182.64	\$0.00	\$23,182.64	100%
696	Texas Department of Criminal Justice	\$28,925,756.08	\$0.00	\$28,925,756.08	100%
403	Texas Veterans Commission	\$427,861.78	\$525.00	\$427,336.78	100%
582	Texas Commission on Environmental Quality	\$1,884,661.56	\$28,452.04	\$1,856,209.52	98%
323	Teacher Retirement System of Texas	\$825,441.47	\$18,884.65	\$806,556.82	98%
554	Texas Animal Health Commission	\$559,604.05	\$16,049.39	\$543,554.66	97%
401	Texas Military Department	\$3,711,206.77	\$171,767.14	\$3,539,439.63	95%
338	State Pension Review Board	\$16,819.75	\$800.69	\$16,019.06	95%
411	Texas Commission on Fire Protection	\$37,708.34	\$1,882.85	\$35,825.49	95%
356	Texas Ethics Commission	\$4,668.91	\$240.10	\$4,428.81	95%
212	Office of Court Administration	\$99,793.33	\$6,802.68	\$92,990.65	93%
233	Court of Appeals – Thirteenth Court of Appeals District	\$6,811.98	\$468.18	\$6,343.80	93%
507	Texas Board of Nursing	\$32,421.55	\$2,433.74	\$29,987.81	92%
458	Texas Alcoholic Beverage Commission	\$42,254.32	\$3,256.46	\$38,997.86	92%
362	Texas Lottery Commission	\$65,210.93	\$5,738.94	\$59,471.99	91%
455	Railroad Commission of Texas	\$354,603.68	\$32,614.35	\$321,989.33	91%
706	Texas Permanent School Fund Corporation	\$10,807.07	\$1,014.94	\$9,792.13	91%
802	Parks and Wildlife Department	\$13,902,766.96	\$1,446,944.52	\$12,455,822.44	90%
644	Texas Juvenile Justice Department	\$836,348.64	\$95,204.26	\$741,144.38	89%
325	Firefighter's Pension Commissioner	\$25,381.01	\$3,322.56	\$22,058.45	87%
930	Texas Treasury Safekeeping Trust Company	\$46,273.38	\$6,241.97	\$40,031.41	87%
580	Texas Water Development Board	\$509,782.20	\$74,277.52	\$435,504.68	85%
592	Soil and Water Conservation Board	\$60,809.87	\$10,317.40	\$50,492.47	83%
305	General Land Office	\$437,557.57	\$77,328.38	\$360,229.19	82%
407	Texas Commission on Law Enforcement	\$46,200.35	\$8,251.52	\$37,948.83	82%
781	Texas Higher Education Coordinating Board	\$135,346.51	\$27,950.42	\$107,396.09	79%
454	Texas Department of Insurance	\$193,930.91	\$42,950.06	\$150,980.85	78%
476	Texas Racing Commission	\$112,494.93	\$25,193.47	\$87,301.46	78%
456	Texas State Board of Plumbing Examiners	\$20,877.34	\$4,732.44	\$16,144.90	77%
301	Governor – Executive	\$139,392.25	\$32,917.92	\$106,474.33	76%
452	Texas Department of Licensing and Regulation	\$170,462.90	\$47,145.24	\$123,317.66	72%
302	Attorney General	\$908,220.33	\$260,056.97	\$648,163.36	71%
306	Texas State Library and Archives Commission	\$50,669.01	\$15,520.84	\$35,148.17	69%
224	Court of Appeals – Fourth Court of Appeals District	\$1,684.65	\$540.00	\$1,144.65	68%



Agy Nbr	Agency Name	Total Spend	Annual Payment by Turn Days		% of \$ Paid in > 30 Turn Days
			\$ Paid in <= 30 Turn Days	\$ Paid in > 30 Turn Days	
313	Department of Information Resources	\$119,362.50	\$41,487.10	\$77,875.40	65%
813	Texas Commission on the Arts	\$8,505.78	\$3,177.16	\$5,328.62	63%
211	Court of Criminal Appeals	\$11,034.79	\$4,201.98	\$6,832.81	62%
320	Texas Workforce Commission	\$706,706.82	\$274,693.49	\$432,013.33	61%
503	Texas Medical Board	\$35,987.02	\$14,080.04	\$21,906.98	61%
578	State Board of Veterinary Medical Examiners	\$7,018.56	\$2,783.86	\$4,234.70	60%
225	Court of Appeals – Fifth Court of Appeals District	\$40,219.49	\$16,071.66	\$24,147.83	60%
405	Department of Public Safety	\$29,477,254.25	\$12,171,398.05	\$17,305,856.20	59%
701	Texas Education Agency	\$217,927.67	\$96,560.11	\$121,367.56	56%
772	Texas School for the Deaf	\$911,253.09	\$406,691.07	\$504,562.02	55%
771	Texas School for the Blind and Visually Impaired	\$1,149,942.93	\$528,701.46	\$621,241.47	54%
481	Texas Board of Professional Geoscientists	\$2,845.92	\$1,454.54	\$1,391.38	49%
101	Senate	\$66,817.21	\$34,258.22	\$32,558.99	49%
448	Office of Injured Employee Counsel	\$6,220.69	\$3,215.99	\$3,004.70	48%
242	State Commission on Judicial Conduct	\$48,351.00	\$26,148.10	\$22,202.90	46%
473	Public Utility Commission of Texas	\$37,348.97	\$20,317.57	\$17,031.40	46%
307	Secretary of State	\$43,783.33	\$24,117.57	\$19,665.76	45%
332	Texas Department of Housing and Community Affairs	\$208,913.08	\$119,451.11	\$89,461.97	43%
551	Department of Agriculture	\$349,624.68	\$200,970.31	\$148,654.37	43%
808	Texas Historical Commission	\$624,531.99	\$363,854.92	\$260,677.07	42%
466	Office of Consumer Credit Commissioner	\$100,795.46	\$61,284.26	\$39,511.20	39%
477	Commission on State Emergency Communications	\$33,649.54	\$20,761.18	\$12,888.36	38%
409	Commission on Jail Standards	\$13,404.96	\$8,559.50	\$4,845.46	36%
533	Executive Council of Physical and Occupational Therapy Examiners	\$2,984.13	\$1,907.66	\$1,076.47	36%
327	Employees Retirement System of Texas	\$360,258.74	\$233,815.35	\$126,443.39	35%
475	Office of Public Utility Counsel	\$1,615.02	\$1,051.52	\$563.50	35%
451	Texas Department of Banking	\$108,743.40	\$72,291.39	\$36,452.01	34%
304	Comptroller of Public Accounts	\$297,391.73	\$199,733.54	\$97,658.19	33%
457	Texas State Board of Public Accountancy	\$2,851.07	\$1,922.07	\$929.00	33%
515	Texas State Board of Pharmacy	\$25,984.52	\$18,064.09	\$7,920.43	30%
450	Department of Savings and Mortgage Lending	\$38,532.79	\$26,946.55	\$11,586.24	30%
303	Texas Facilities Commission	\$1,350,934.46	\$952,309.67	\$398,624.79	30%
529	Health and Human Services Commission	\$12,561,962.64	\$8,941,821.70	\$3,620,140.94	29%
215	Office of Capital and Forensic Writs	\$67,757.19	\$49,849.19	\$17,908.00	26%
116	Sunset Advisory Commission	\$8,830.49	\$6,523.40	\$2,307.09	26%
312	State Securities Board	\$16,058.56	\$11,882.05	\$4,176.51	26%
469	Credit Union Department	\$45,706.48	\$33,850.38	\$11,856.10	26%
308	State Auditor	\$162,876.82	\$121,262.30	\$41,614.52	26%
203	Board of Law Examiners	\$42,857.33	\$32,260.31	\$10,597.02	25%
104	Legislative Budget Board	\$9,250.07	\$7,024.74	\$2,225.33	24%



Agy Nbr	Agency Name	Total Spend	Annual Payment by Turn Days		% of \$ Paid in > 30 Turn Days
			\$ Paid in <= 30 Turn Days	\$ Paid in > 30 Turn Days	
201	Supreme Court	\$66,509.53	\$51,784.09	\$14,725.44	22%
364	Health Professions Council	\$9,228.09	\$7,208.90	\$2,019.19	22%
460	Texas Board of Professional Engineers and Land Surveyors	\$47,331.27	\$37,125.36	\$10,205.91	22%
329	Texas Real Estate Commission	\$40,717.92	\$32,158.53	\$8,559.39	21%
530	Department of Family and Protective Services	\$14,856,399.76	\$11,754,442.12	\$3,101,957.64	21%
459	Texas Board of Architectural Examiners	\$24,936.99	\$20,084.56	\$4,852.43	19%
504	State Board of Dental Examiners	\$41,185.83	\$33,225.19	\$7,960.64	19%
809	State Preservation Board	\$329,204.08	\$268,527.21	\$60,676.87	18%
537	Department of State Health Services	\$1,494,760.94	\$1,304,253.30	\$190,507.64	13%
105	Legislative Reference Library	\$8,739.64	\$7,673.78	\$1,065.86	12%
608	Texas Department of Motor Vehicles	\$281,708.70	\$251,970.25	\$29,738.45	11%
520	Texas State Board of Examiners of Psychologists	\$5,089.30	\$4,666.76	\$422.54	8%
601	Texas Department of Transportation	\$40,326,804.32	\$38,562,378.50	\$1,764,425.82	4%
103	Texas Legislative Council	\$337,005.81	\$337,005.81	\$0.00	0%
202	State Bar of Texas	\$137,425.64	\$137,425.64	\$0.00	0%
243	State Law Library	\$9,898.50	\$9,898.50	\$0.00	0%
347	Texas Public Finance Authority	\$479.97	\$479.97	\$0.00	0%
352	Bond Review Board	\$451.98	\$451.98	\$0.00	0%
360	State Office of Administrative Hearings	\$3,924.17	\$3,924.17	\$0.00	0%
479	State Office of Risk Management	\$3,360.54	\$3,360.54	\$0.00	0%
Total — 99 State Agencies		\$162,252,180.42	\$80,454,626.96	\$81,797,553.46	

Committee Meeting Date: 8/7/2024
BRIEFING ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Jason Gonzalez, Interim Internal Audit Division Director
Agenda Item: 4.E
Subject: FY 2025 Internal Audit Plan

RECOMMENDATION

Recommend to approving the FY 2025 Internal Audit Plan.

PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles Board approves an internal audit plan each year in compliance with Texas Government Code s2102.008 (Texas Internal Auditing Act). The Fiscal Year (FY) 2025 Internal Audit Plan includes 13 engagements consisting of five risk-based audits, three advisory services, and five required activities. It also includes four alternative engagements, value-added services, and division initiatives. The Internal Audit Plan can also be amended with Board approval, ensuring flexibility to adapt to evolving organizational needs.

FINANCIAL IMPACT

N/A

BACKGROUND AND DISCUSSION

Texas Government Code §2102.008 (Texas Internal Auditing Act) states that the annual audit plan developed by the internal auditor must be approved by the state agency’s governing board or by the administrator of a state agency if the state agency does not have a governing board.

The FY 2025 Internal Audit Plan, from September 1, 2024, to August 31, 2025, provides information on risk-based audits, advisory services, required activities, value-added services, and division initiatives for approval. The Internal Audit Plan was developed using a risk-based methodology which included discussions with Department management, analysis of past coverage of department divisions, internal audit and industry publications, and audit topics by the State Auditor’s Office and other state agencies. The Internal Audit Plan can be amended with Board approval, ensuring flexibility to adapt to evolving organizational needs.

Audits, Advisory Services, and Required Activities

IAD identified 13 engagements to be conducted in the next fiscal year consisting of five risk-based audits, three advisory services, and five required activities (see Table 1). The Internal Audit Plan also includes four alternative engagements (see Figure 2).

Table 1: Planned Engagements

#	Type	Engagement Topic	Primary Division
1	Audit	Fleet Management	FAO
2	Audit	Information Security	ITSD
3	Audit	Public Information Request	OGC
4	Audit	Network Infrastructure and Monitoring	ITSD
5	Audit	Special Plates	VTR
6	Advisory	Motor Carrier Licensing	MCD
7	Advisory	Consumer Relations Division Quality Assurance	CRD
8	Advisory	Contract Monitoring	FAO/MULTIPLE
9	Required Activity	FY 2024 Internal Audit Annual Report	IAD
10	Required Activity	Quality Assurance and Improvement Program - Internal Assessment	IAD
11	Required Activity	Audit Recommendation Implementation Status	IAD
12	Required Activity	FY 2026 Risk Assessment and Internal Audit Plan	IAD
13	Required Activity	Internal Audit Division Peer Review	IAD

Table 2: Alternative Engagements

#	Type	Engagement Topic	Primary Division
1	Audit	Key Performance Metrics	MULTIPLE
2	Audit	Closed Data Portal	ENF
3	Audit	Leave and Overtime	MULTIPLE
4	Audit	Information Technology Governance	ITSD

Value-Added Services and Divisional Initiatives

IAD also conducts value-added services and works on division initiatives to enhance organizational value and improve IAD's effectiveness and efficiency. Items in these categories include investigations on internal fraud, waste, and abuse, external audit/review coordination, workgroup participation, and staff development.

History of Past Engagements by the Internal Audit Division

Table 3 below presents a six-year year history of past engagements by IAD, spanning fiscal years 2019 to 2024, detailing the primary division for each engagement. It also includes the primary division for the proposed FY 2025 Internal Audit Plan.

Table 3: Engagement History by Division

Fiscal Year	CRD	ENF	FAO	GSC	HRD	ITSD	MCD	MULTIPLE	MVD	OAH	OGC	VTR (largest Division)
2019			2		1	2				1		
2020		1				2		1				
2021		1	1		1	3		1				1
2022				1		2			1			
2023			1		1	2						
2024		1	1									1
2025 PROPOSED	1		1			2	1	1			1	1



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2025 Internal Audit Plan

Internal Audit Division

August 2024

Tables of Contents

Executive Summary	1
Detailed Information	2
Engagements.....	2
Value-Added Services and Division Initiatives	3
Scope and Methodology	5
Scope.....	5
Risk Assessment	5
Acceptable Risk Level.....	5

Executive Summary

The Internal Audit Division's (IAD) Internal Audit Plan (Plan) for fiscal year (FY) 2025 covers the period of September 2024 through August 2025. This Plan includes risk-based audits, advisory services, required activities, value-added services, and division initiatives as illustrated in Figure 1 below.

Figure 1. Summary of the FY 2025 Internal Audit Plan:



Detailed Information

Engagements

Tables 1 provides information on the planned risk-based audits, advisory services, and required activities for FY 2025 while Table 2 provides information on alternative engagements in place of those presented in Table 1.

Table 1. Planned Engagements

Topic	Potential Objective
Fleet Management Audit	This audit could determine the effectiveness of the vehicle maintenance practices, compliance with the State Fleet Plan, and fleet monitoring.
Information Security Audit	This audit could evaluate how the Department assesses and tracks vulnerabilities, the defenses in place to prevent malware, and the methods used to establish and maintain a security awareness program.
Public Information Request Audit	This audit could evaluate the internal controls on the Department's processes used to receive, track, and fulfill public information requests.
Network Infrastructure and Monitoring Audit	This audit could evaluate how the Department establishes, implements, and actively manages network devices as well as the processes in monitoring the network.
Special Plates Audit	This audit could evaluate the process and controls in processing special plates, such as personalized and military service license plates.
Motor Carrier Licensing Processes Advisory	This advisory could look at the licensing/renewal process for credentialing.
Consumer Relations Division Quality Assurance Advisory	This advisory could review the quality assurance program for opportunities to improve efficiency in current processes.
Contract Monitoring Advisory	This advisory could determine how contracts are being managed.

Topic	Potential Objective
FY 2024 Internal Audit Annual Report	A report produced in FY 2025 that summarizes IAD's activities conducted in FY 2024. This report will be submitted to the State Auditor's Office.
Quality Assurance and Improvement Program - Internal Assessment	A report produced in FY 2025. This is an internal assessment to determine IAD's compliance with audit standards and performance.
Audit Recommendation Implementation Status	An engagement to verify if outstanding audit recommendations have been fully implemented.
FY 2026 Risk Assessment and Internal Audit Plan	An enterprise-wide risk assessment to identify risk areas for the upcoming year. The Internal Audit Plan will be submitted to the State Auditor's Office.
Internal Audit Division Peer Review	Description

Table 2: Alternative Engagements

Topic	Potential Objective
Key Performance Metrics Audit	This audit could determine the accuracy of the reported performance metrics and the adequacy of related controls over the collection and reporting of selected performance metrics.
Closed Data Portal Audit	This audit could evaluate the controls in place prior to granting access to the Closed Data Portal and for ensuring appropriate use.
Leave and Overtime Advisory	This advisory could provide analysis on leave balances (e.g., vacation/comp time) in various divisions and approval processes.
Information Technology Governance Advisory	This advisory could assess the effectiveness of the governance structure in providing oversight over key information technology projects.

Value-Added Services and Division Initiatives

Value-Added Services

- Investigations on Fraud, Waste, and Abuse:** Detecting, tracking, and reviewing any internal fraud, waste, and abuse allegations, complaints from external parties, and those from the State Auditor's Office. IAD investigates internal fraud, waste, and abuse allegations.

- **External Audit/Review Coordination:** Coordinating external audits or reviews by providing audit status updates and facilitating management responses to recommendations.
- **Workgroup Participation / Ad-hoc Advisory:** Participating in TxDMV workgroups, such as the Executive Steering Committee and the Governance Team, to help identify unforeseen risks in enterprise projects or activities. IAD also sets aside hours to address any short-term assessment or information requests by TxDMV staff.
- **Department Training:** Providing training to help TxDMV staff understand the role of IAD and staff's responsibilities in recommendation implementation and prevention of fraud, waste, and abuse.

Division Initiatives

- **TeamMate+ Process Optimization:** Enhancing the software's functionality by continuing to update the risks stored within the software, creating and automating reports, and staying current on best practices for optimized software functionality.
- **Staff Development & Hiring:** Taking the minimum required hours of training each year (40 hours) in accordance with auditing standards. This includes creating development plans to obtain required knowledge, skills, and abilities for audit and advisory services. Hiring internal audit staff to fill IAD vacancies and providing training to integrate new hires into the office.

Scope and Methodology

Scope

The Internal Audit Plan covers engagements and activities for the period of September 1, 2024 to August 31, 2025 (fiscal year 2025).

Risk Assessment

Risk Methodology

The audit plan was developed using a risk-based methodology which included input from discussions with TxDMV management and risks identified by audit staff through previous engagements and observations. IAD also analyzed TxDMV information, reviewed internal audit and industry publications, and analyzed audit topics by the State Auditor's Office and other State agencies. Finally, risks reviewed took into consideration additional factors such as:

- Operational impact;
- Reputational impact;
- Financial impact;
- Legal or regulatory impact;
- Degree of change in the program, function, or process;
- Degree of complexity;
- Control design strength.

Acceptable Risk Level

IAD aim to cover all Department functions or risks in its FY 2025 Internal Audit Plan. IAD's objective is to focus on key processes and areas of risk identified during the risk assessment to improve Department processes. Recognizing that IAD cannot address every key process and risk, it is important for the Board and executive management to understand the limits of the internal audit plan's coverage and the areas not audited. IAD believes the FY 2025 Internal Audit Plan adequately addresses key risks within IAD's capabilities and resources.



Texas Department
of Motor Vehicles