

TEXAS DEPARTMENT OF MOTOR VEHICLES
FINANCE AND AUDIT COMMITTEE
MEETING

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

Wednesday,
August 4, 2021

COMMITTEE MEMBERS:

Brett Graham, Chair
Stacey Gillman
Sharla Omumu
John Prewitt (absent)

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CLOSED SESSION	
5. The Committee may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code Chapter 551: Section 551.071 Section 551.074 Section 551.076	-

Section 551.089

6.	Action Items from Closed Session	none
7.	Public Comment	none
8.	Adjournment	70

P R O C E E D I N G S

1
2 MR. GRAHAM: Well, good afternoon, everyone. It
3 is an exciting day at DMV. It's our first Board hearing on
4 site in quite some time. But I don't know. Hopefully,
5 we're not rusty, but we'll get through it.

6 So, but it's great to be back and I know we all
7 are just hoping we can continue down this path and stay the
8 course. So, fingers crossed.

9 My name is Brett Graham, and I am pleased to
10 open the Finance and Audit Committee of the Board of the
11 Department of Motor Vehicles. It is -- I forgot where the
12 clock is -- 2:07 p.m., and I'm now calling the Board
13 Meeting for August 14, 2021, to order.

14 I want to note for the record that the public
15 notice of this meeting containing all items on the agenda
16 was filed with the Office of the Secretary of the State on
17 July 27, 2021. This meeting is being held by
18 videoconference. That is, it's still being held by
19 videoconference -- both? Okay, it is being held by
20 videoconference call, as authorized under Section 551.127
21 Government Code.

22 Board Member Prewitt was going to try to
23 participate, but will not be able to, and certainly, our
24 thoughts and our prayers continue to go out to Member
25 Prewitt and family for his continued healing, and I'm sure

1 will be back soon. We miss you, sir.

2 Board Members Gillman, Omumu, and I are here in
3 Austin at Department's Headquarters Office located at 4000
4 Jackson Avenue, Building 1, Lone Star Conference Room.
5 The Austin location is open and available to the public.

6 Before we begin today's meeting, please place
7 all cell phones and other communication devices in a
8 silent mode. And please, as a courtesy to others, do not
9 carry on side conversations or other activities in the
10 meeting room.

11 If you wish to address the Board or speak on an
12 agenda item during today's meeting, please complete the
13 speaker's sheet at the registration table or send an
14 e-mail to gco_general@txdmv.gov. Please identify in your
15 e-mail the specific item you're interested in commenting
16 on, your name and address, and whether you're representing
17 anyone or speaking for yourself.

18 If your comment is not pertaining to a specific
19 agenda item, we will take your comment during the general
20 public comment portion of the meeting. In accordance with
21 the Department administrative rule, comments to the Board
22 will be limited to three minutes.

23 To assist each speaker, a timer has been
24 provided. The timer light will be green for the first two
25 minutes, yellow for one minute, and a red for when your

1 time is over. Individuals cannot accumulate time from
2 other speakers. Comments should be pertinent to the
3 issues stated on the comment sheet. When addressing the
4 Board, please state your name and affiliation for the
5 record.

6 There are a few things that will assist in
7 making the meeting run smoother and assist the court
8 reporter in getting an accurate record. Please identify
9 yourselves before speaking, speak clearly, do not speak
10 over others, please ask the Chairman to proceed, and be
11 sure to get recognized before speaking.

12 I would like to also thank our court reporter
13 who is transcribing this meeting. To make sure we have an
14 accurate report of the meeting, it is very important that
15 Board members and anyone presenting today identify
16 themselves before speaking and speak clearly and slowly.

17
18 Before we begin today, I'd like to remind all
19 the presenters and those in attendance of the rules of
20 conduct at our meetings. Department's rules, Section
21 206.22, the Board Chair is given authority to supervise
22 the conduct of meetings. This includes authority to
23 determine when a speaker is being disruptive of the
24 meeting or is otherwise violating the timing or
25 presentation rules I just discussed.

1 The posted agenda has stated a quorum of the
2 Board may be present at this meeting. However, Board
3 members who are not members of the Finance and Audit
4 Committee will not vote on any Committee agenda items
5 today, nor will any Board action be taken. It's my
6 understanding that there are no other Board members
7 present today.

8 With that, I will move to Agenda 1, Roll Call
9 and Establishment of Quorum. And now, I'd like to have a
10 roll call. Please respond verbally when I call your name.

11 Board Member Gillman, are you here?

12 MS. GILLMAN: Present.

13 MR. GRAHAM: Board Member Omumu?

14 MS. OMUMU: Present.

15 MR. GRAHAM: And let the record reflect that I,
16 Brett Graham, am here, too. We have a quorum. Also, let
17 the record reflect that Member Prewitt is absent today.

18 We will now go to Agenda Item 2, Pledges of
19 Allegiances. With that, I will ask all to stand and honor
20 our country and our state with the Pledges of Allegiance.

21 I believe Board Member Omumu will begin with the United
22 State Pledge.

23 (The Pledge of Allegiance was recited.)

24 MR. GRAHAM: And Member Gillman will present
25 the Texas Pledge.

1 (The Texas Pledge was recited.)

2 MR. GRAHAM: Thank you. With that, we'll move
3 to Agenda Item 3, Comments and Announcement from Committee
4 Chair, Members, and the Executive Director.

5 And I'll turn it over to the Executive
6 Director, Whitney Brewster at this time.

7 MS. BREWSTER: Thank you. And thank you,
8 Chairman and thank you, Members. It's great to see
9 everyone. Thank you for the opportunity to provide a
10 couple of comments this afternoon.

11 The first thing, Item 3A. This is the
12 execution of Amendment Number 2 to the contract with
13 Southwest Research Institute, or SwRI, for the Commercial
14 Vehicle Information Exchange Window. And that's CVIEW,
15 for those who don't know those acronyms. I just want to
16 make sure that we don't speak in acronyms today.

17 This is a briefing item. The materials you can
18 find on page 6 of your Finance and Audit Committee books.
19 Under the board's contract approval procedures -- and you
20 can see a copy of those in the Board books on page 49 --
21 the Chairman is authorized to grant a request from the
22 Executive Director to sign a contract that requires Board
23 approval if the Department needs to under an emergency
24 basis. And emergency procurements include an
25 unforeseeable situation.

1 This is not something that we exercise
2 regularly in my tenure here at the Agency. I think maybe
3 once we've used this. It's an emergency procurement, and
4 that is requiring an execution of a contract to avoid
5 undue additional costs to the State.

6 And in May of this year, I requested from
7 Chairman Bacarisse to sign an amendment to our contract
8 with SwRI for the Commercial Vehicle Information Exchange
9 Window Services. The Chairman did approve my request to
10 sign the amendment.

11 I signed the amendment, and as required by the
12 resolution, I am now coming back to the Board to inform
13 you that that has occurred. And I wanted to share a
14 little bit about what occurred and why.

15 Texas receives and shares motor carrier safety
16 data through the CVIEW system. This is a grant that we
17 apply for on behalf of several agencies. We apply to the
18 Federal Motor Carrier Safety Administration for an
19 innovation technology development grant.

20 And the project consisted of two parts. One
21 part that TXDMV was responsible for completing, which was
22 to allow for all of the permitting, oversize, overweight
23 permitting that TXDMV -- all the permitting that we do to
24 push it through the system. The second part was to
25 program what law enforcement sees roadside.

1 So, that second part, DPS was -- Department of
2 Public Safety was working on that particular section. And
3 they were not able to bring someone on quickly enough to
4 be able to use the remaining funds of the federal grant we
5 have through SwRI.

6 SwRI provides maintenance and operating costs
7 for our operations of that system. They do programming on
8 our behalf. They were able to provide the programming,
9 and we were able to expedite utilizing those remaining
10 \$215,000 -- \$216,000 to finish out the project.

11 It's not additional -- it's not necessarily
12 additional money. It is money that we needed to use under
13 this contract to be able to use up the remaining federal
14 grant dollars. Otherwise, the State would have incurred
15 those costs to be able to do that programming.

16 And so, in order to complete all of the work to
17 take advantage of the federal grant, it would have had to
18 be completed by September of this year. And in order for
19 them to actually complete that work before expiration of
20 that federal grant, we had to execute the contract or they
21 needed to start by June.

22 And as the Board knows, and TXDMV staff, we did
23 not have a June Board meeting. Normally, we would have
24 brought this to the full Board in June for consideration,
25 but because of the cancellation of that meeting, we

1 weren't able to bring that forward.

2 So, we did exercise the emergency provisions to
3 use the remaining funds to be able to improve safety
4 roadside through this project.

5 And so, my request of the Finance and Audit
6 Committee is to ask for execution -- the ability to
7 execute this contract with consultation with the TXDMV
8 Board Chairman.

9 I'm sorry. I moved on to another contract. I
10 apologize.

11 So, Chairman Bacarisse did execute -- did
12 authorize that. I executed the contract, and I will be
13 providing that update to the full Board tomorrow.

14 MR. GRAHAM: So, no action needed?

15 MS. BREWSTER: No action. Just a briefing. I
16 did want this Committee to know because it is finance.

17 It is related to procurements and emergency
18 provisions under the resolution. So, with that, I'm happy
19 to answer any questions.

20 MR. GRAHAM: All right. Are there any
21 questions?

22 (No response.)

23 MS. BREWSTER: All right. Mr. Chairman, I'd
24 like to move on to Item 4B.

25 MR. GRAHAM: Well, I have to make one -- I have

1 to correct one thing. General Counsel Beaver, I denied
2 myself the right to open the meeting with the fancy gavel.

3 May I do so at this time?

4 MS. BEAVER: It's up to your discretion. Go
5 for it.

6 (Struck the gavel.)

7 MR. GRAHAM: I didn't want to short myself, you
8 know? All right.

9 MS. BREWSTER: Thank you. Item Number 3B --
10 this, too, is a briefing item, and the materials begin on
11 page 7 of your Finance and Audit Committee books.

12 The Department will soon have a new director of
13 purchasing helping to round out the Finance and
14 Administrative Services Division. Starting August 16,
15 Bradley Payne will be joining our team from the Texas
16 Comptroller's Office, and he brings with him a wealth of
17 knowledge.

18 He will be here tomorrow for me to introduce to
19 the full Board, but I did want the Finance and Audit
20 Committee to know that we're really excited for Mr. Payne
21 to start, and I'm looking forward to introducing him to
22 the full Board tomorrow.

23 With that, I'm happy to answer any questions.

24 MR. GRAHAM: Are there any questions?

25 (No response.)

1 MR. GRAHAM: Tracey, are there any public
2 comments?

3 MS. BEAVER: Tracey Beaver, General Counsel for
4 the record. No public comments.

5 MR. GRAHAM: Okay. Well, if there's no further
6 comments, I'd like to entertain a motion.

7 MS. BEAVER: Tracey Beaver, General Counsel for
8 the record. I believe the next item is Item 4A.

9 MR. GRAHAM. Oh, okay. We don't need a motion
10 on that, either.

11 MS. BREWSTER: We do on 4A.

12 MR. GRAHAM: On 4A? Okay.

13 MS. BREWSTER: Right. So, if we just --

14 MR. GRAHAM: -- 4A.

15 MS. BREWSTER: -- if appropriate, I'd like to
16 move on to Item 4A?

17 MR. GRAHAM: Yes, ma'am.

18 MS. BREWSTER: Thank you. This is an action
19 item. The materials begin on page 8 of your Finance and
20 Audit Committee books.

21 You also have a clean copy of the current draft
22 of the TXDOT and TXDMV contract -- the draft contract
23 before you. It's also posted on the TXDMV's website with
24 the rest of the Board materials. So if anybody from the
25 public wants to access that document, it is posted on the

1 website, and we also have copies within the room to
2 provide the public.

3 The Department is requesting the Finance and
4 Audit Committee to recommend to the Board to authorize me
5 or my designee to finish negotiating the interagency
6 contract between TXDMV and the Texas Department of
7 Transportation for the fiscal years of FY22 and '23. The
8 Department is also requesting that the Finance and Audit
9 Committee to recommend that the Board authorize me to
10 execute the final contract with approval from the Board
11 chairman.

12 As an agency we have negotiated and executed an
13 interagency agreement with TXDOT, annually, and then,
14 later, biennially, since we became an agency in 2009. The
15 interagency contract is necessary due to several things
16 that we still share with TXDOT and will continue to share
17 into the future with TXDOT.

18 We have shared facilities. These facilities
19 here at headquarters are TXDOT facilities, and many of our
20 regional service centers are located in TXDOT-owned
21 property. Additionally, we need to cooperate on different
22 programs and issues, such as safely routing oversize,
23 overweight motor carriers throughout the state.

24 This interagency agreement is for \$1 million.
25 When we first began as an agency, we had a quite a bit

1 more dependency on TXDOT. I think it was at \$5 million,
2 and it's gotten down to \$1 million.

3 Like I said, I provided a draft. We have
4 provided a draft contract to TXDOT using the language in
5 the current contract as the starting point, and removed
6 that language that's no longer needed. We also improved
7 language to coordinate between the two agencies and
8 updated information in the proposed contract.

9 For instance, items like, we deleted certain
10 services that TXDOT no longer provides for TXDMV like pest
11 control, landscaping, security. And as we continue to
12 transition those functions over to the Department, those
13 costs and the expenses to TXDOT will go down as our
14 dependency upon TXDOT to complete those tasks go away.

15 Also, we updated the databases of information
16 that TXDOT uses to provide TXDMV information to route
17 permitted vehicles. There have been some changes in the
18 systems that TXDOT uses. And so, those references have
19 been updated in the contract.

20 And finally, we updated the contacts for each
21 agency. We've had some turnover since the last time we
22 executed this contract. TXDOT has a new executive
23 director. And so, those contacts were updated as well.

24 TXDOT has approved, initially, TXDMV's draft
25 proposal, but it is subject to TXDOT's information

1 technology services division, who still needs to review
2 it, which they have indicated they intend to do on August
3 9.

4 Members, this is something we do on a regular
5 basis. There aren't controversial items contained in
6 here. I would certainly -- if there was something of
7 concern, I would mention it to the Board members.

8 Over time, this has become an easier process to
9 negotiate with TXDOT on these items, and I foresee that
10 we'll be able to execute this contract in the very near
11 future if given -- if the Board -- F and A Committee
12 chooses to make the recommendation to the full Board
13 tomorrow.

14 MR. GRAHAM: We -- Member Gillman has
15 questions? Go ahead, Member Gillman.

16 MS. GILLMAN: So, is DMV renting from the DOT?

17 MS. BREWSTER: Member Gillman, no, we are not
18 renting. We are not leasing. TXDOT has the appropriation
19 for the actual facilities.

20 MS. GILLMAN: Oh, okay.

21 MS. BREWSTER: The services and maintenance --
22 you know, upgrades -- those are the types of things that
23 we're talking about and we submit a service request and
24 they'll provide that service. And then, we provide
25 reimbursement for those costs.

1 MS. GILLMAN: And TXDOT is getting a new
2 facility. Is that right?

3 MS. BREWSTER: Yes, ma'am.

4 MS. GILLMAN: But what year is that?

5 MS. BREWSTER: They are scheduled to -- and
6 things may have changed, but they are scheduled to start
7 moving into their new facility in FY22. Early Spring --
8 Spring of '22.

9 MS. GILLMAN: And this contract will be for '22
10 to '23?

11 MS. BREWSTER: Yes, ma'am. Lots of fiscal
12 years.

13 MR. GRAHAM: Well, they will, as I understand
14 it, continue to use parts of the facilities for keeping
15 their maintenance operations, right?

16 MS. BREWSTER: So, as of right now, currently,
17 in Building 6, we do have tech staff, IT staff. They are
18 in the first five floors. They do intend to, once their
19 new facility is built, transition over there.

20 And we are in the process, and we have a
21 working group that we have with TXDOT as we work through
22 transitions of the services that TXDOT is providing. Like
23 I said, we've already started taking on some of those
24 responsibilities, like pest control, landscaping, security
25 -- we'll continue to do. We have a list of things that

1 need to continue to transition before the property is
2 eventually transferred to the Department from TXDOT.

3 MS. GILLMAN: So, that's the goal?

4 MS. BREWSTER: That's the goal. Yes, ma'am.

5 MS. GILLMAN: To transition the whole thing
6 to --

7 MS. BREWSTER: Yes, ma'am.

8 MS. GILLMAN: -- for headquarters? All right.
9 Thank you.

10 MR. GRAHAM: Are there any other questions for
11 Director Brewster?

12 (No response.)

13 MR. GRAHAM: All right. Well, now, are there
14 any public comments?

15 MS. BEAVER: No public comments.

16 MR. GRAHAM: I've just been so excited to
17 entertain my first motion for Item 4A. So, here we are.
18 The moment has arrived.

19 I'll entertain a motion.

20 MS. OMUMU: Mr. Chairman, I have a motion.

21 MS. GRAHAM: Yes, ma'am.

22 MS. OMUMU: I move that the Committee recommend
23 that the full Board authorize the agency's executive
24 director or her designee to finish negotiating the fiscal
25 years '22/'23 interagency contract between TXDOT and

1 TXDMV, and authorize the agency's executive director to
2 execute the contract with the approval of the Board
3 Chairman.

4 MR. GRAHAM: Okay. We have a motion.

5 MS. GILLMAN: I'll second.

6 MR. GRAHAM: We have a second. We have a
7 motion from Committee Member Omumu and second from
8 Committee Member Gillman.

9 Is there any further discussion?

10 (No response.)

11 MR. GRAHAM: Hearing none, I will call for a
12 vote. Board Members, when I call your name, please state
13 your vote for the record.

14 Member Gillman?

15 MS. GILLMAN: Aye.

16 MR. GRAHAM: Member Omumu?

17 MS. OMUMU: Aye.

18 MR. GRAHAM: And I, Chairman Graham, vote aye.
19 Let the record reflect that there are three votes for, and
20 zero votes against, with Committee Members Gillman, Omumu,
21 and Graham voting for and none against.

22 With that, we will now move to Agenda Item 4B.

23 I will turn it over to Ann Pierce and Roland Luna, Sr.

24 MS. PIERCE: Good afternoon, Chairman and
25 Members. For the record, I'm Ann Pierce, Finance and

1 Administrative Services, Deputy Division Director. I'll
2 be presenting Agenda Item 4B regarding the San Antonio
3 Regional Service Center Lease. Information on this
4 proposal can be found in your Committee book on page 7, or
5 your Board book on page 106.

6 To give you a little bit of history, the San
7 Antonio Regional Service Center has been in the current
8 location since 2017, but we've experienced a lot of
9 ongoing roof and leak issues at that location pretty much
10 since lease commencement. Because these concerns have
11 persisted without a permanent resolution for several years
12 now, the Department worked with the Texas Department --
13 excuse me -- Texas Facilities Commission, or TFC as
14 they're known. And they conferred with the current
15 landlord, who's agreed to an amicable, no-fault move-out
16 as soon as TFC can help secure a viable property that
17 meets our specifications.

18 TFC holds the authority for leasing all State
19 property and they do, however, work with the state
20 agencies that they represent, since we do have to the
21 agree to the terms of the agreement and we are the ones
22 that fund those agreements. TFC is actually already in
23 the process of conducting property search for our San
24 Antonio location to meet the specifications we've
25 provided.

1 So we're here today to request that the Board
2 authorize the Department's executive director, in
3 conjunction with TFC, to negotiate and execute a
4 replacement lease for the San Antonio Region Service
5 Center for a 10-year lease.

6 With that, I conclude my presentation, and
7 we're prepared to answer any questions you may have.

8 MR. GRAHAM: Okay. Thank you. And did you --
9 Mr. Luna, did you want to add to that? Or did you have a
10 different topic?

11 MR. LUNA: No, sir. I'm just -- Roland Luna,
12 BTR Division Director. No, sir. I have nothing further
13 to add, unless there's any questions about our existing
14 location or any of the properties --

15 MR. GRAHAM: Okay.

16 MR. LUNA: -- thus far.

17 MR. GRAHAM: Great. Thank you.

18 So the current landlord is going to allow you
19 appropriate period of time to find a new facility? Or,
20 you know, how is that going to work?

21 MS. PIERCE: Yes, sir. That is correct. He
22 has agreed to work with us through TFC.

23 So what will happen is, once TFC finds a viable
24 property that we agree to a lease for, we'll figure out an
25 appropriate amount of time for tenant improvements, and

1 we'll estimate when the move date will be. And then, TFC
2 will go back and negotiate a no-fault removal from the
3 current lease.

4 MR. GRAHAM: Okay. Great. Are there any
5 questions for staff?

6 (No response.)

7 MR. GRAHAM: Okay. Well, with that, I would
8 entertain a motion for Agenda Item 4B.

9 MS. OMUMU: I'd like to make a motion, Mr.
10 Chair.

11 MR. GRAHAM: Yes, ma'am.

12 MS. OMUMU: I move that the Committee recommend
13 that the full Board authorize the Department's executive
14 director to negotiate and execute, in conjunction with the
15 Texas Facilities Commission, a new lease for the San
16 Antonio Regional Service Center for a 10-year term.

17 MR. GRAHAM: All right. Thank you.

18 We have a motion. Do we have a second?

19 MS. GILLMAN: Second.

20 MR. GRAHAM: We have a motion from Committee
21 Member Omumu, and a second from Committee Member Gillman.

22 All right. Is there any further discussion?

23 (No response.)

24 MR. GRAHAM: Hearing none, I will call for the
25 vote.

1 Member Gillman?

2 MS. GILLMAN: Aye.

3 MR. GRAHAM: Member Omumu?

4 MS. OMUMU: Aye.

5 MR. GRAHAM: And I, Chairman Graham, vote aye.

6 Let the record reflect there are three votes for, and
7 zero votes against.

8 With that, we will now move to Item 4C,
9 Recommended Annual Operating Budget. This is an action
10 item. I will turn it over to Sergio Rey and John Ralston.

11 MR. REY: Hi. Good afternoon. For the record,
12 my name is Sergio Rey, Assistant Chief Financial Officer.

13

14 Today, John Ralston, Budget Team lead, will be
15 presenting and I will be presenting the Department's
16 recommended FY22 operating budget for approval by the
17 TXDMV Board. A detailed document, which I will refer to,
18 is included in your Finance and Audit Committee books
19 starting on page 13.

20 As part of the recommendation to approve the
21 fiscal year 2022 operating budget, I will be requesting
22 also to recommend the approval of two contracts, which I
23 will discuss momentarily.

24 TXDMV did very well during this legislative
25 session. Thus, for our fiscal year 2022, we are

1 recommending an operating budget that totals \$178.4
2 million. This includes \$37.4 million in capital projects,
3 with 808 FTEs allotted for the agency.

4 Of the total, \$156.2 million is funded through
5 new appropriations as adopted by the legislature in the
6 General Appropriations Act, and \$22.2 million is funded
7 through other adjustments. These other adjustments
8 include such items as carryforward funds from fiscal year
9 2021 and new additional appropriations for items like
10 webSALVAGE, the headquarters building planning phase, the
11 implementation of an accounts receivable system, and
12 accounting fleet programming costs to meet new legislative
13 requirements.

14 Together, these funds are used by the
15 Department to conduct its day-to-day operations and our
16 technology projects and enhancements, the central
17 administration and other support functions that are
18 integral to our operations. Details on these items are on
19 page 19 through 21 of your document.

20 These expenditures will be fully funded through
21 the TXDMV fund, the general revenue fund, and federal
22 reimbursement appropriations. The details of these budget
23 and finance and revenue are fully discussed on pages 25
24 through 30 of your document. But again, of most
25 significance is that our TXDMV fund will fully fund our

1 budget in fiscal year 2022.

2 Finally, as the last part of the operating
3 budget presentation, we are requesting this Committee's
4 recommendation to the Board for approval of two contracts.

5 The first contract, being of the value of \$600,000, is
6 the Southwest Research Institute contract for the
7 continued maintenance and consulting services for the
8 Motor Carrier Division's Commercial Vehicle Information
9 Exchange Window -- a mouthful -- CVIEW.

10 Again, this is the continual maintenance
11 contract as opposed to the previous contract Ms. Brewster
12 talked about. It was an amendment of additional scope for
13 the services that CVIEW provides.

14 And the second contract is for approximately
15 \$416, which is the American Association of Motor Vehicle
16 Administrators, the National Motor Vehicle Title and
17 Information System -- NMVTIS -- again another mouthful --
18 which allows the Department to maintain access to the
19 national title check database system. This is our annual
20 agreement with AAMVA for the services.

21 So, in addition to these two contracts that we
22 just discussed, the detailed document lists a total of 252
23 contracts that we anticipate for fiscal year 2022. And
24 these are just provided for your information.

25 Well, this concludes my remarks. John Ralston

1 and I will be happy to address any questions that you may
2 have about the operating budget for fiscal year 2022.

3 MR. GRAHAM: Thank you, Mr. Rey. Are there any
4 questions from the Committee?

5 (No response.)

6 MR. GRAHAM: Well, I appreciate you all -- your
7 hard work on all of that and that is -- you know, think
8 about where we were 12 months ago, and we wondered just
9 what all this was going to look like. And it's a relief
10 to be looking at these numbers and where we're at today.
11 Just things looked a little unsettling at the time, but
12 here we are and it looks well.

13 Yeah. Yeah. It has rebounded very nicely.
14 Yes. Thank you.

15 Okay. Do we have any public comment?

16 MS. BEAVER: Tracey Beaver, General Counsel.
17 For the record, there's no public comment on any agenda
18 items. Thank you.

19 MR. GRAHAM: Thank you. Okay. Well, Member
20 Omumu, if you will -- acronyms. Right?

21 MS. OMUMU: Mm-hm.

22 MR. GRAHAM: Get ready. You know, I asked them
23 if they could just -- when I got on the Board. It's like,
24 can I just have a list of the acronyms? No. We don't
25 have enough paper to fit them all on there.

1 It's overwhelming at times. But it's because
2 there's a lot going on with this agency, right?

3 MR. REY: Correct.

4 MR. GRAHAM: All right. Well, I would
5 entertain a motion for Item 4C.

6 MS. GILLMAN: Mr. Chairman, I have a motion for
7 Agenda Item 4C.

8 I move that the Committee recommend that the
9 full Board approve the fiscal year 2022 operating budget
10 as presented, which includes approval of the following:
11 one, the listed contracts that require Board approval, as
12 well as deletion of signature authority to the executive
13 director or director's designee, subject to restrictions
14 and authority in Government Code Section 2261.254(c) and
15 (d) for the approved contracts, and number two, a budget
16 of approximately \$178.4 million.

17 MR. GRAHAM: Okay. Thank you, Member Gillman.
18 Do we have a second?

19 MS. OMUMU: I second.

20 MR. GRAHAM: We have a motion from Member
21 Gillman. A second from Member Omumu. I will -- if there
22 is any further -- not any further discussion, I will call
23 a vote.

24 Member Gillman?

25 MS. GILLMAN: Aye.

1 MR. GRAHAM: Member Omumu?

2 MS. OMUMU: Aye.

3 MR. GRAHAM: And I, Chairman Graham, vote aye.

4 Let the record reflect there are three votes for, and
5 zero votes against. Thank you very much.

6 MS. GILLMAN: Thank you.

7 MR. GRAHAM: Although I believe Mr. Rey will
8 stay seated, maybe both are going to stick around. All
9 right.

10 We'll move to Item 4D. Back to you.

11 MR. REY: Thank you, Chairman. Again, Sergio
12 Rey, Assistant Chief Financial Officer. This is a
13 briefing item, and no action required. The material for
14 this begins on page 73 of your Board material.

15 This is the Third Quarter Financial Report,
16 which reflects revenue and expenditures through the month
17 ending May 2021. The bar chart that you see before you on
18 the screen is also reflected on page 78. The chart
19 compares the revenues from the Department's three major
20 funds, from the third quarter of last year to this year.

21 All the collections reflect the collective
22 increase from this time last year. The percentage
23 increase hovers around approximately 4.4 percent. We
24 still remain slightly under, though -- under our
25 projections for fiscal year 2021.

1 For more detail on this, the TXDMV fund,
2 specifically, which appears on page 81, primarily supports
3 the Department's operations. There is a 3.9 percent
4 decrease from last year's third-quarter activity for the
5 fund. Our collections, however, are sufficient to cover
6 our expenditures as shown on this slide. Our expenditures
7 to date top around \$99.6 million.

8 On this next slide, it details the overall
9 decrease that is the revenue that is deposited into the
10 TXDMV fund. The decreases range from the low oversized,
11 overweight fees due to lower motor carrier permitting,
12 lower delinquent title transfer penalty fees, and the
13 lower interest rates against our TXDMV fund. On a good
14 note, auto sales have increased, and the registration
15 waiver that was lifted back in mid-April also will show
16 increases in our revenue -- in revenue stream in the fund.

17 On this slide, which can also be found on page
18 89, reflects expenditures and encumbrances of all of our
19 obligations up until the end of May. Our primary
20 obligations that total \$140.2 million continue to be
21 printing, postage, contract and professional services, as
22 well as salaries and the Motor Vehicle Crime Prevention
23 Authority grants.

24 As part of this, our total capital budget
25 through the end of May is at \$41 million. And as a

1 milestone, in major deliverables near completion at this
2 time this year, our actual expenditures will continue to
3 rise.

4 Currently, the expenditures total \$21.1
5 million, primarily from our data center services, our
6 county support, and PC replacements, as well as the
7 remaining available budgets of projects in automation,
8 specifically talking about the registration and title
9 defects, the Texas by Texas application implementation,
10 our call center upgrade, and the RTS batch cycle projects.

11 Other projects include -- in the capital projects include
12 our vehicle refresh that we completed this year for
13 vehicles, and our new project for Midland-Odessa Regional
14 Service Center improvements.

15 Well, this concludes this presentation. We are
16 available for any questions that you may have regarding
17 this third quarter financial report.

18 MR. GRAHAM: Thank you. It never fails, the
19 moment you put a mint in your mouth -- I would just like
20 to ask a couple of questions, or a question in particular
21 of my fellow Committee members, as you are both in this
22 industry. I'm curious, as we think about our remaining
23 quarter and next quarter in particular, can the DMV expect
24 to see this continued rate of sales? Or should this -- is
25 there a snowball coming?

1 I know that dealers have worked really hard to
2 replace sales with sales of particularly used vehicles,
3 but I would just like your insight as to, you know, kind
4 of what you see and what maybe the DMV should expect.

5 MS. GILLMAN: Okay.

6 MR. GRAHAM: Yeah, jump in. The floor is
7 yours, both of you.

8 MS. GILLMAN: I would say that at the beginning
9 of the summer when we -- every single manufacturer we had,
10 we were told that we were -- because of a chip shortage,
11 we are not going to have inventory. And so, we saw the
12 realization of that. And I have dealerships that normally
13 have 400 in inventory, we have eight on the ground right
14 now, and that is alarming.

15 However, the good news is that the motor
16 carriers, the transport trucks have been delivering all
17 month long. And even though I have eight on the ground,
18 I'm selling 175 in the month. And so, I'm so happy to
19 report amazing -- because of logistics and transportation,
20 even though I don't have any units or it's really reduced
21 on the lot, we're still selling plenty of cars.

22 And we're -- the paper flow has not stopped.
23 And so, we're alarmed by the lack of inventory, but really
24 happy that sales are continuing. So, I would -- while
25 it's been a dramatic change at the dealerships, the demand

1 is high, and the workflow, it seems to be pretty normal.

2 So, I would not expect any different behavior
3 or workflow at the agency. It looks good.

4 MR. GRAHAM: That is amazing.

5 MS. OMUMU: Mr. Chair, just to add to what
6 Member Gillman stated, I would have to agree, just from a
7 manufacturer/distributor standpoint. Every single vehicle
8 that we're wholesaling, our dealers are selling. And as a
9 matter of fact, dealers are having record sales years, or
10 so, a record sales year this year -- several of them.

11 So, I would anticipate for business to stay on
12 par for the remainder of this year, probably even into the
13 first half of next year as well. Thank you.

14 MR. GRAHAM: I just can't get my head around
15 it. How is that possible? Because I need multiple
16 vehicles right now -- well, you know what?

17 Let me back up. I do need multiple vehicles,
18 and I'm electing not to purchase them because there's a
19 premium on them. So, about that -- all right.

20 MS. GILLMAN: All prices are at record highs.

21 MR. GRAHAM: So, one other quick question along
22 these same lines, I guess this really has no impact on
23 DMV. You know, I had read about the changes in the
24 industry to the more -- requiring the dealers to hold less
25 inventory and creating these, like, regional distribution

1 points for manufacturers, and it really -- that would --
2 that's probably of tremendous help to the dealers.

3 But does that impact the DMV in any way? Just
4 however they get to a sale is how they get to a sale,
5 right?

6 MS. BREWSTER: Yes, sir. It does impact us
7 from the perspective of revenue, obviously. If we
8 continue to have strong sales, that helps the agency in
9 terms of title fees and process and handling fees.

10 In terms of regional distribution, there would
11 not be an impact on the Department.

12 MR. GRAHAM: Okay. Okay. Well, just because
13 we're always in this quickly changing environment in which
14 we live today, we try to figure out where the next
15 snowball's coming. So, you know, that's great
16 information. So, I'm glad to see it, and I will not labor
17 the point any more.

18 All right. Thank you. That is a briefing item
19 only, and if no one had any further questions for Mr. Rey?

20 (No response.)

21 MR. GRAHAM: All right. We will now move to
22 Agenda Item 4E, and I will turn it over to Sergio Rey and
23 Sandra Menjivar-Suddeath. And this will this be a
24 briefing item as well.

25 MR. REY: Again, for the record, Sergio Rey,

1 Assistant Chief Financial Officer. We wanted to provide
2 this briefing to the F and A Committee that the
3 Comptroller's Office has selected the Texas DMV once more
4 for their routine post-payment audit.

5 This is -- again, this is a routine process
6 that happens to all state agencies and state institutions
7 of higher education. On a regular basis, they come and
8 audit agencies and institutions for their payment process,
9 for their procurement processes, as well as the security
10 accesses to the state systems.

11 They are covering a period back from December
12 of 2019 to November of 2020. Our last audit that we had
13 was in 2017.

14 Currently, the Comptroller's Office, their team
15 is a doing their field work currently. And we're
16 providing them information -- not just from finance,
17 purchasing, but also from human resources because they're
18 looking at our payroll processes as well.

19 MS. MENJIVAR-SUDDEATH: Good afternoon. For
20 the record, Sandra Menjivar-Suddeath, Internal Audit
21 Director. Another aspect is that they're going to look at
22 the recommendations of the issues in the past post-payment
23 audit.

24 Those recommendations were closed in 2018. I
25 believe there was about six of them, and those -- Internal

1 Audit has verified that they are closed. And so, we'll be
2 providing that information to the team, so that way they
3 can verify that it's closed.

4 MS. GILLMAN: Were there any items that were
5 not closed from the last time?

6 MS. MENJIVAR-SUDDEATH: No. All those related
7 to that post-payment audit are closed. In my update on
8 internal audit today we'll talk about the current -- well,
9 another Comptroller audit that we do have open
10 recommendations on.

11 MR. REY: Well, that concludes our briefing
12 related to that. We just wanted to keep you all abreast
13 of this post-payment audit to the F and A.

14 MR. GRAHAM: Great. Thank you. Any further
15 questions?

16 (No response.)

17 MR. GRAHAM: All right. Thank you. All right.
18 Finally off the hook. Okay. Great job.

19 We will now move to Item 4F, Fiscal Year 2022
20 First Six-Month Internal Audit Plan and Risk Assessment
21 Report. This is an action item, and I will turn it over
22 to Sandra Menjivar-Suddeath and Jason Gonzalez.

23 MS. MENJIVAR-SUDDEATH: Good afternoon. Once
24 again, Sandra Menjivar-Suddeath, Internal Audit Director,
25 and I have with me Senior Auditor Jason Gonzalez. And we

1 are presenting 4F, which is the Fiscal Year 2022 First
2 Six-Month Internal Audit Plan and Risk Assessment Report.

3

4 This is an action item, and we are requesting
5 approval to recommend to the Board to approve the audit
6 plan and the risk assessment.

7

8 Now, the presentation includes two parts.
9 We're going to go over the risk assessment results and
10 kind of give some information about our risk assessment
11 process, as well as what the Internal Audit Plan contains.

12 Mr. Gonzalez will go over the Internal Audit Plan, and I
13 will be going over the risk assessment.

14 So, to kind of talk about our risk assessment
15 cycle, there's been a lot of changes to our cycle. So, we
16 want to kind of give a historical context and where we are
17 now.

18 Historically, Internal Audit has done an annual
19 risk assessment typically from March and June. In that
20 time period, we identify the high risk areas, and then use
21 that information to develop the internal audit plan the
22 Division will be using for the year.

23 A couple years ago, we realized that we were
24 coming to the Finance and Audit Committee and the Board
25 every six months requesting changes to the annual plan
because of risk that either was identified during

1 planning, or was not foreseen in the planning -- had come
2 to fruition and we needed to come and test it.

3 And so, because of that, we decided to move to
4 a six-month audit plan and a six-month risk assessment.
5 What that meant is we did risk assessment from March to
6 June, and then, November to January.

7 Now, this past year, we moved to more of a
8 continuous risk assessment. There's a couple -- there's a
9 few reasons for that. One, it's a leading practice in
10 internal audit. Most internal audit functions are now
11 moving to a continuous risk assessment process, where
12 they're constantly looking at risk.

13 Two, it gives us a better -- gives better
14 information to the Board and the Department of where their
15 risks are, because something that may be high risk in
16 June, there maybe mitigation being done by the Department
17 in September that reduces that risk, or vice versa.

18 It also gives us another way to look at
19 emerging risks. So, risk that may have not been something
20 of an issue, like a pandemic two years ago, is now an
21 issue. And so that is something that we have to address.

22 And so what this chart provides is just the
23 overall layout of what we do every month. And what we
24 started -- in September and March, we started the newest
25 risk assessment or the new internal audit plan. This is

1 the one that just got approved by the Board.

2 We're also doing -- reviewing risks that are
3 tied to our engagement. So, every single month, the audit
4 teams are looking at the risks that were approved in the
5 internal audit plan and that are part of the risk
6 assessment, and evaluating that risk score based on the
7 planning results, based on the field work results. We're
8 looking to see if the risk score is appropriate or if we
9 need to change it because there's more mitigation that we
10 identify, or there's not as much mitigation as we
11 identified.

12 The next month in October and April, we start
13 really looking at any other emerging risk. Throughout the
14 year, my team and I are looking for risk throughout the
15 world and look at information from big four -- just the
16 four accounting firms. You know, what are they saying
17 that are going to be trends? What are things that we need
18 to be concerned about?

19 We start looking at that information and see
20 whether it's relevant to the Department. If it is, we
21 start capturing it. And then, in November and May, we
22 start having discussions with the divisions about those
23 risks that are emerging and the current risk assessment
24 and the current risk.

25 Another thing that we do during that time

1 period is to get actual approval on the risk level
2 guidance, and I will get into details of what that means
3 in the next slide. But the risk level guidance is really
4 how we identify what is very high -- what is very high to
5 very low. Then, in December and June, we identify the
6 very high and high risk and we discuss it with the
7 division directors and we obtain a kind of -- not
8 approval, but we have a discussion of whether we correctly
9 scored the risk.

10 And we also talk about what's on the audit plan
11 potentially with the divisions for them to kind of give us
12 context and information. Then in January and July, we
13 actually create the six-month internal audit plan. And
14 then, send it out for feedback. Typically, this is when
15 Finance and Audit Committee gets the draft audit plan for
16 their review and information on risk assessment.

17 Then, in February, August, we come here. We
18 ask for approval, and if it's approved, we start the cycle
19 all over again in September.

20 So, that's pretty much the risk assessment
21 cycle. We do this pretty -- you know, we're working on
22 risk every single month.

23 Now, as I mentioned, we do categorize a risk.
24 In the Department, we have five different levels of risk
25 from very high to very low. The way we categorize a risk

1 is depending on three different factors -- impact,
2 likelihood, and controlled design.

3 The impact of a risk is, how much of an issue
4 will this risk have? We look at brand reputation,
5 organizational assessment, and we look at financial. We
6 also look at legal and regulatory.

7 The other side is the likelihood. How likely
8 is this risk going to happen? We look at two different
9 factors in that. Is it a centralized risk? Is this a
10 risk that's shared only by one division? Or is it
11 multiple divisions?

12 And then, what does that change in that area,
13 in that function? If there's been a lot of change,
14 likelihood of an increase.

15 The other factor is the design of the process.

16 So, do you have already any mitigation in that to reduce
17 the risk? So, those three factors give us the overall
18 risk score and the risk category.

19 And something I should mention is, risk is
20 everywhere. Risk doesn't go away unless that function no
21 longer exists in the Department, right? Even though if
22 you have a lot of mitigation, that mitigation could
23 change, and so that risk can.

24 So, for risks that are on the green -- the low
25 and the very low, those are risks that are what we

1 consider mitigated. The very low, we consider fully
2 mitigated and it's not hindering any potential objectives
3 for the Department.

4 The low is very similar. It's mostly getting
5 mitigated. And so, we are not concerned that it's going
6 to hinder Department objectives. Medium is when we start
7 getting into, it could potential hinder. We have some
8 mitigation. We need to monitor this risk because it could
9 go either higher in the future or lower, depending on what
10 Department does.

11 And then, you have the very high and high.
12 These are the ones that the Department is mostly concerned
13 with, because those are the ones that can significantly or
14 substantially impact the Department if it comes to
15 fruition.

16 So, for example, using a pandemic. In February
17 2020, that would have been a -- that was a very high risk
18 for the Department because we could potentially not be
19 able to service our customers, right? Because of the
20 transmission of a disease.

21 So, over the past year and a half, we have put
22 in processes in place, various things in place to actually
23 be able to service our customers and be able to achieve
24 the Department's objectives. So the risk with the
25 pandemic, when it comes to our customers, is low now.

1 Does that make sense? Okay.

2 So, that's how we look at our risk. We
3 categorize them. We look at them, and that's why we
4 evaluate them on a continuous basis, because those risks
5 are forever changing.

6 So, with that, let's get into the results of
7 the actual risk assessment. So, this chart gives you the
8 details on where the risk landed for this year, for the
9 six months. We evaluated 357 risks.

10 The risks that are colored orange are things
11 that are in the plan that we're asking for approval. The
12 blues are in the contingency, which means if we can't do
13 one of the plan engagements, those contingency risks will
14 be there. And then, the gray are things that we either
15 are not covering or have covered in the past, and so,
16 they're not in scope for this engagement.

17 Something you'll notice is that the very high
18 shows four that are not in scope for the upcoming
19 engagements. The reason for that is those very four --
20 very high risk are actually being covered currently on
21 current engagements. So, we are getting coverage on that,
22 it's just going to be now instead of six months from now.

23

24 The other thing to note is we are getting
25 coverage throughout all the different levels of risk. We

1 have high, medium, and low. So, we're -- all our
2 engagements have some various number of risk.

3 Some of them have a lot of lows. Some of them
4 may have mediums. Some of them have highs.

5 Another thing I want to share with you is now
6 that we've talked a little bit about the risk, the risk
7 score changes. So, in the past six months, we've seen an
8 increase -- or, sorry -- an increase in the number of
9 risks that have decreased.

10 So out of 357, 101 risks actually had a
11 reduction of score in the past six months. That means the
12 Department and the staff put more mitigation in place to
13 actually reduce the score. 181 of them stayed the same or
14 were new, so we kind of lumped those together in one
15 category.

16 And then, we did 28 that went up higher. Now
17 those 28 went up higher because of a couple reasons. They
18 are external, environmental factors that impacted the
19 risk. And so, the risk may go higher, like as we were
20 talking about the chip supply issue.

21 Supply chain manufacturing, supply chain needs
22 consistently become our problem. And so that may impact
23 some of our processes. The other is organizational
24 changes within the Department. So, turnover at the
25 Department high level, or in changes in some of the

1 divisions -- that actually also increases the likelihood
2 of risk, so that increases the risk score.

3 However, the big thing to take away from this
4 is that the Department in the last six months was active
5 in reducing this risk score, and that is the same thing
6 you see over the past year. So, we highlighted the very
7 high and high risk on the left. And then, the very low to
8 medium on the right.

9 On the very high, beginning last fiscal year
10 during this time, we had 48 high and very high risks.
11 That reduced to 39 in the last risk assessment, and now
12 we're down to 26. That's in part because of the action
13 plans that the Board has requested from the Department and
14 the visibility put on by the executive director's office
15 on the high risk, and making sure the divisions are taking
16 them seriously to reduce the risk.

17 And so we're seeing a downward trend on the
18 very high and high, which represents on the other side an
19 increase in very low, low, and medium, which is good. You
20 know, we want to see these very highs go to medium,
21 eventually to low, and maybe even very low, if necessary,
22 right? Sometimes very low is not necessarily desired
23 because it may be over-mitigation. But having a more
24 medium to very low is better for the Department.

25 So, overall, in the past year, the Department

1 has really been focusing on reducing their risk profile, I
2 guess -- reducing those risks, taking care of them. And
3 so, that way, there's more mitigation, and an ability to
4 make sure that objectives are being met.

5 So, that concludes the risk assessment portion.

6 Before I pass it on to Mr. Gonzalez, is there any
7 questions on the risk and the risk results?

8 MS. GILLMAN: Yes. I have a question.

9 MR. GRAHAM: I would -- I know this was very
10 important. You know, really -- Member Gillman, this was
11 high on your --

12 MS. GILLMAN: It is.

13 MR. GRAHAM: -- list, and that has to be a
14 little rewarding to see some results.

15 MS. GILLMAN: Yes. Fantastic. I wanted to
16 compliment the Finance and Audit Committee. I mean, your
17 Department, your division, and compliment all of the
18 directors for that trend. That is wonderful.

19 I still am so curious about the remaining 26,
20 because I take whatever Sandra says, like, literally.
21 When she says, very high risk, I think the sky is falling.

22 So I am still really curious about the 26 -- the four and
23 the 26.

24 MS. MENJIVAR-SUDDEATH: Mm-hm.

25 MS. GILLMAN: Mostly the four. And so, can

1 you -- and I don't know if right now is the appropriate
2 time. It's only four.

3 But I'd love to know what those are, and what
4 the divisions are doing. I'm talking about a 30-second
5 recap, not a lot of comment. But just tell me about those
6 four, and what is the Department -- division directors in
7 whatever area it is.

8 MS. MENJIVAR-SUDDEATH: So, I can't get into
9 the specifics because some of them actually related to
10 cybersecurity. But what I will tell you --

11 MS. GILLMAN: Top secret?

12 MS. MENJIVAR-SUDDEATH: They are confidential.
13 What I will tell you is these four are in our current
14 engagements. And so, if they end up being -- if they
15 still end up being high risk or very high risk, that most
16 likely means we will have an audit issue and a
17 recommendation. And so, at that point is when management
18 will have to talk about what they're going to do for
19 mitigation.

20 Does that make sense? Since we're testing it
21 right now, those four are in two current engagements: our
22 internal communication audit, as well as our payment card
23 industry firewall audit.

24 And so, we're testing them right now to really
25 make sure that the results we have and the information the

1 testing actually showed them as very high at the end. If
2 they're still very high, that means we have a gap in our
3 processes, and Internal Audit would issue what we call --

4 MS. GILLMAN: That means it's not getting
5 fixed?

6 MS. MENJIVAR-SUDDEATH: Well, it would be a
7 result, and at that point, when we issue a result,
8 management has to respond to our result and our
9 recommendation. And that's when we do the internal audit
10 tracking.

11 So, I'm happy to talk to you offline about
12 those four risks and where we are and what we anticipate
13 what's going to happen with them, but we are actively
14 testing those right now. And so, I can't -- right now,
15 management has nothing to respond to, because they don't
16 really know whether the risk is really still there because
17 we're testing it.

18 MS. GILLMAN: Okay. All right. And what I
19 didn't know, and to clarify is what I heard you say is,
20 sometimes the very high and high risk -- once they have
21 worked towards solution, might leap over to the medium?

22 MS. MENJIVAR-SUDDEATH: Mm-hm. Yes.

23 MS. GILLMAN: So, that's why medium might be
24 going up. And that might be a good thing?

25 MS. MENJIVAR-SUDDEATH: Yes, that is a good

1 thing.

2 MS. GILLMAN: Okay. Well --

3 MS. MENJIVAR-SUDDEATH: And again, this is why
4 move to -- you know, we've had examples of this where one
5 risk that we've identified that was very either low or
6 medium at this time period, by the time we get to
7 December, it has become a significant risk and we have to
8 take action. We have to do it an audit plan on it.

9 And so, by doing this, we may have to change
10 our audit plan, or we may have to do something like that,
11 but now, we have more information to inform management of
12 it, and maybe management takes action before we do.
13 Because if you look at the first six months, we had 48
14 high risks.

15 Internal Audit was only able to test 12 of
16 those. We're only able to look at 12 of those at a time.

17 So, the rest of the risks, and actually -- for Member
18 Gillman, you're the one who requested this -- you asked
19 for an action plan.

20 That action plan actually led to a lot of those
21 other risks that we weren't able to test to get to a
22 reduction. And I know that for sure because I've had
23 several conversations with division directors about the
24 very highs and high, and how they've moved over the past
25 year.

1 MS. GILLMAN: Well, I think it's a great trend.
2 Fantastic. And so, I applaud all the division directors
3 who contributed towards solutions. It's great.

4 MR. GRAHAM: And I'll add that Director
5 Brewster and the entire leadership team really kind of got
6 their hands around this and brought in the division
7 directors, and these are things that are discussed
8 monthly.

9 MS. BREWSTER: Yes. We look at these monthly
10 and quarterly.

11 MR. GRAHAM: And quarterly. And the results
12 really speak for themselves. And I think I would say, and
13 you can correct me if I'm mistaken, but just because we
14 have new high risk items appear, it's not necessarily
15 indicative of actions by the Department. Those could be
16 external things. You know, folks went to remote
17 working --

18 MS. BREWSTER: Yep.

19 MR. GRAHAM: Well, that created some new high-
20 risk situations. So, it's -- not always correlates, but
21 they're working very hard on it and done a great job on
22 that.

23 MS. MENJIVAR-SUDDEATH: Absolutely. And I will
24 say, when we identify very high risk -- because this is
25 identification, right? This is a process that has changed

1 significantly over the past five years. And so, we're
2 still identifying risk and will continue to identify risk.

3 And as risks are identified, we do have really
4 great conversations with the division directors and staff,
5 and if we think it's something significant and urgent,
6 they start acting on it. And we work with them in
7 partnership on how to provide them information or context
8 to help them with that.

9 MR. GRAHAM: Excellent.

10 MS. MENJIVAR-SUDDEATH: So, with that, I will
11 actually pass on to Jason Gonzalez to talk about the
12 actual plan.

13 MR. GONZALEZ: For the record, Jason Gonzalez.
14 I'm Senior Internal Auditor.

15 So, I'm going to talk about the Six-Month
16 Internal Audit Plan. We have four types of engagements
17 that we'll be conducting in the next six months. Those
18 are risk-based engagements, those -- sorry about that.

19 For the record, Jason Gonzalez. So, the first
20 type of engagement we'll talk about is the risk-based
21 engagements. Those are identified through our risk
22 assessment process. So, the risk assessment process that
23 Sandra just spoke about.

24 We're also going to do required engagements.
25 Those are done -- we have to do those to stay in

1 compliance with the audit standards and State statutes.

2 We'll be performing value-added services.

3 Those are services that we try to help the Department
4 achieve strategic objectives and encourage risk management
5 and governance. Those include fraud, waste, and abuse.

6 And then we'll be doing divisional initiatives,
7 and those are done to improve effectiveness and efficiency
8 of the internal audit function, like that includes things
9 like automation.

10 So, our first six-month -- first engagements
11 that we'll have as part of our six-month audit plan, the
12 details can be found on page 102 and 103 of your Finance
13 and Audit Committee workbook.

14 We identified three themes while we were
15 performing our risk assessment. The three themes that we
16 identified were information technology, just operational
17 risks, and legislative impact. So, basically, if we are
18 ready for the legislative changes and how they're going to
19 impact our organization.

20 So for information technology, we'll have two
21 engagements. There's an incidence-response engagement,
22 which will be code sourced. We haven't determined those
23 hours yet, so you'll see TBD in your book.

24 We also identified access management. That's
25 budgeted for 600 hours. That's part of the Department's

1 access management process.

2 We're going to look at its functionality and
3 its framework, and the framework to see that we have
4 applied appropriate access to employees for the technology
5 that they access. That's part of the Texas cybersecurity
6 framework. If you're not aware, the Texas cybersecurity
7 framework is a DIR initiative; it's a self-assessment.

8 That self-assessment's performed where we
9 identify risk and mitigating actions for those
10 cybersecurity risks. And so, we'll be looking at those as
11 part of our audit.

12 We also, as part of the operational theme that
13 we identified, we're going to be looking at the dealer
14 licensing process, and that's budgeted for 750 hours.
15 That will be done with the motor vehicle division.

16 We'll be looking at processes and how they
17 ensure the validity of dealer identity. So, looking at
18 all the processes they have in place. So, for program
19 efficiency and things like that.

20 The last theme that we identified was
21 legislative impact. There are two engagements within that
22 theme. There's a facilities engagement that's budgeted
23 for 900 hours, and it's to look at our readiness, to look
24 at our design because the legislative -- the past
25 legislative session allowed for us to start looking at

1 design build -- the design build process.

2 And we're going to look at our capacity and how
3 we maintain our current facilities, and also our regional
4 service centers, and current capacity to do so. The
5 legislative impacts theme is also going include SB15,
6 which is data contracts. That's going to be an advisory
7 with VTR.

8 We'll be looking at data privacy and consumer
9 protection --

10 MS. MENJIVAR-SUDDEATH: And VTR is Vehicle
11 Titles and Registration. So --

12 MR. GONZALEZ: Thank you. Sorry.

13 MS. MENJIVAR-SUDDEATH: -- they own the data
14 contracts, which are recently the items that we give
15 people access to if they have permissible reason for the
16 data. And so, we'll be looking at that set up through an
17 advisory. So, it will be more consultation based, instead
18 of an audit.

19 MR. GONZALEZ: Yeah. I just wanted to add to
20 the acronyms.

21 We'll also be doing some value-added services.

22 We do a lot of fraud, waste, and abuse intake, mostly
23 from the SAO. So it comes to our desk, and we distribute
24 it throughout the agency so they can be reviewed.

25 And so, we do that process. We keep a list and

1 report that to the SAO. We'll also be doing external
2 coordination efforts like previously mentioned, the
3 external audits that will be conducted. We do
4 coordination on that.

5 Ad-hoc advisories, those are quick questions,
6 quick responses that we can do if someone comes to us with
7 a policy review. We'll do that and that goes as far as --
8 towards our budgeted hours.

9 We also do workgroup participation. We sit on
10 several ESCs -- so, executive steering committees -- so
11 that they can -- as part of the governance model of the
12 agency, where there's a large project, there's executive
13 steering committees that steer the project. And we sit
14 those in advisory capacity, and mostly it's for risk and
15 if there's any risk that needs to be identified, we share
16 that with the committee.

17 We also do departmental training. This past
18 year, we conducted some brown bag lunches for staff
19 throughout the agency about fraud, waste, and abuse. And
20 then, we also will be looking at key risk indicators. We
21 started setting up automated processes to review key risks
22 throughout the agency, whether it's contracts or LBB
23 reporting.

24 MS. MENJIVAR-SUDDEATH: Yeah. And for just a
25 little more information, we have three basic key risk

1 indicators that we're looking at.

2 One is related to the regional services center,
3 again, mostly related to fraud, just to make sure we keep
4 a close eye on any potential fraud that occurs down there.

5 Not that there is, but if there is, we want to make sure
6 we know.

7 Procurement and contract management just
8 because the State -- the legislature requires us to
9 actively monitor procurement and contracts. It's part of
10 our enabling statute of internal audit. And so this is
11 one way we do that.

12 And the final one, I just completely blanked
13 on. Oh, payment and fraud. And just fraud overall.

14 This year, we began a fraud poll survey. So
15 every quarter we send out to a selected sample of
16 employees questions about the ethical environment, about
17 their reporting, things like that to help us understand
18 what is going on on the fraud culture and/or detect any
19 potential issues that are occurring.

20 MR. GONZALEZ: We'll also be doing required
21 engagements, which are just annual activities where we
22 have to summarize our fiscal '21 -- our fiscal year '21
23 activities we performed, submit those to the SAO. They
24 give us the reporting format for that, so we fill it out
25 and provide to them. So we budgeted about 25 hours for

1 that.

2 We'll also be doing quality assurance and
3 improvement program internal assessment. It's a self
4 assessment that we conduct. It's part of, like, if we
5 meet certain capability model metrics, and it's also
6 looking at our key performance indicators.

7 So, we complete that. We'll be completing that
8 this year. And that's about 100 hours that we budgeted.

9 We'll also be doing audit recommendation
10 implementation status. That's an annual activity where
11 we'll be performing that throughout the entire year, where
12 we look at audit recommendations that we've made and how
13 the Department's implemented those recommendations.

14 And then we will also be looking at our second
15 six-month internal audit plan and risk assessment. So,
16 we'll be doing this again. And we've budgeted about 200
17 hours for that.

18 As far as divisional initiatives, we'll be
19 looking at staff development and training. You know, we
20 have individual training plans. We also do quarterly
21 training for our team where we sit at a table and/or
22 virtually and someone conducts a training for our team.

23 We'll also be continuing our implementation of
24 TeamMate+. TeamMate+ is a cloud-based project management
25 software that we utilize. That's how we conduct our

1 audits. Our planning goes in there, our field work goes
2 in there. It allows us to maintain confidentiality of all
3 our data.

4 MS. MENJIVAR-SUDDEATH: And it's also the
5 information that powers your dashboard. So, the
6 information you see from the dashboards comes from
7 TeamMate. So, it's a pretty critical -- it is a critical
8 system, so we spend time making sure it's properly managed
9 and has everything that we need to reach you that we can
10 report out.

11 MR. GONZALEZ: We do all our risk scoring in
12 there as well. So, while we're conducting our agents, we
13 update our risk scores. And then, we do Board and
14 executive communication. So, monthly, we'll be
15 communicating to you through SharePoint.

16 And then, we also have an automation
17 initiative. And that's just continuing with our new KRI,
18 our key risk indicators and automating those for that
19 functionality monitoring.

20 MS. MENJIVAR-SUDDEATH: So, that concludes our
21 presentation on the Internal Audit Plan and Risk
22 Assessment. Are there any questions?

23 (No response.)

24 MR. GRAHAM: Any questions from the Committee?

25 (No response.)

1 MR. GRAHAM: Hearing none, Tracey, are there
2 any public comments?

3 MS. BEAVER: Tracey Beaver, General Counsel.
4 No public comments.

5 MR. GRAHAM: Okay. Well, with that, I'll
6 entertain a motion for Item 4F.

7 MS. GILLMAN: I have a motion.

8 MR. GRAHAM: Yes, Member Gillman?

9 MS. GILLMAN: 4F. I move that the Committee
10 recommend that the Board approve the Fiscal Year 2022
11 First Six-Month Internal Audit Plan and Risk Assessment as
12 presented.

13 MR. GRAHAM: All right. Thank you for that
14 motion. Do we have a second?

15 MS. OMUMU: I second.

16 MR. GRAHAM: Okay. We have a motion from
17 Committee Member Gillman, a second from Committee Member
18 Omumu, and with that, I will call for a vote.

19 Member Gillman?

20 MS. GILLMAN: Aye.

21 MR. GRAHAM: Member Omumu?

22 MS. OMUMU: Aye.

23 MR. GRAHAM: And I, Chairman Graham, vote aye.

24 Let the record reflect that there are three votes for,
25 zero vote against. Unanimous approval. Thank you.

1 All right. We will now go to the Internal
2 Audit, Item 4G, Internal Audit Division Status Update.
3 This is a briefing item only.

4 MS. MENJIVAR-SUDDEATH: I'll make this one
5 shorter. I promise. Good afternoon, Board Members. For
6 the record, again, Sandra Menjivar-Suddeath, and I have
7 another Mr. Gonzalez joining me. He is not part of our
8 department, but he will be part of peer review, and I'll
9 kind of get into that detail in a bit.

10 So, Item 4G is the Internal Audit Division
11 status. It's on page 110 of your Board book. This is a
12 briefing item only.

13 The Internal Audit Division status has three
14 components this time. The external engagements that we're
15 coordinating, the internal engagements, as well as the
16 peer review results.

17 On the external engagements, an audit that was
18 just completed was the Texas Comptroller of Public
19 Accounts contract audit. This is a separate type of audit
20 that is done by the Comptroller. So, they come in and do
21 their post-payment audit that we just talked about in 4E.

22 But they also do contract audits where they're only
23 looking at specific contracts.

24 They completed in April 2021. Their scope was
25 from December 2017 through November 2018. Now, that's

1 about four years ago.

2 So, I wanted to give you some context on that
3 because the results that they identified, there was nine
4 recommendations, and although they found us mostly
5 compliant, those nine recommendations were related to
6 documentation issues, contract close-out, and contract
7 monitoring.

8 Most of those issues had already been
9 identified by the Department through coordination with us
10 and FAS -- the Finance and Administrative Services. And
11 so, while there were nine recommendations, six of them
12 were pretty much closed right after the report was issued,
13 because they had already completed the remediation before
14 that. So, that audit -- there's only three
15 recommendations left open, and the Department is on track
16 of closing those as well.

17 The other completed engagement is with the
18 State Office of Risk Management. So, the State Office of
19 Risk Management comes here often -- again, routine
20 audits -- to look at our safety program and our Workers'
21 Comp program. They just finished a program review a few
22 months ago here in headquarters and they did have two
23 recommendations.

24 Both of them were related to training. One was
25 training for our safety managers on risk management, and

1 the second one was doing an actual training on trips,
2 slips, and falls. So, that way, as employees, we don't
3 fall often. And I'm notorious for falling. So, you know,
4 I'll take the training if I can.

5 The other thing they also completed was a
6 consultation at our regional service centers. So, they
7 did two consultations. One was at the Fort Worth Regional
8 Service Center, and one was at the El Paso Regional
9 Service Center.

10 So, when they do consultations, they're only
11 looking at safety items. You know, do we have a fire
12 extinguisher? Do we have things that are required --
13 we're supposed to have for safety? And in both those
14 consultations, we had no recommendations. So, they found
15 us to have everything we needed for safety, which is
16 great.

17 So, those are the completed engagements. The
18 new external engagement is a post-payment audit that we
19 discussed earlier. So, I won't belabor the issue anymore.

20 Any questions on the external before I move to
21 internal?

22 (No response.)

23 MS. MENJIVAR-SUDDEATH: Okay. So, on the
24 internal engagements -- this is the last month of the
25 fiscal year, so we're quite busy. In field work, we're

1 doing the internal audit follow up for the fourth quarter.

2 At this point, we have about three recommendations that
3 have been implemented. So Internal Audit is reviewing
4 that, and we will provide a status and what the verified
5 status is in September.

6 This internal communication audit was
7 originally a strategic communication audit focusing on
8 external. We actually changed the scope to internal
9 because the risk was more on looking at how internally we
10 communicate with employees. That audit will be moving to
11 reporting next week. And so, we'll have some information
12 for you shortly.

13 Similarly the payment card industry Requirement
14 1, the Department accepts credit cards for some of their
15 transactions. Because of that, we are required to follow
16 the payment card industry standards. We are looking at
17 specifically Requirement 1, which is a firewall.

18 And so, we are in field work right now. We
19 will moving to reporting next week. And again, we'll have
20 results for you shortly after that.

21 Audits that we've issued recently include the
22 telecommuting audit, which was looking at our
23 telecommuting program and changes we made over the past
24 year to that. The change management audit, which is
25 looking at our IT change management process, so when we

1 develop code, how do we move that from development to
2 production?

3 The license plate manufacturing and monitoring
4 audit, that was looking at how we manufacture our license
5 plates, since we have an actual agreement with the Texas
6 Department of Criminal Justice to produce the license
7 plate. And then how do we monitor the needs of our
8 stakeholders for that? We just issued that.

9 And then, the internal audit follow up for the
10 third quarter, where we had, I believe, a 50 percent
11 implementation rate. So, about half of the
12 recommendations that were submitted were implemented.

13 All the issued ones are on the Board's
14 SharePoint site, and some have been posted to the Texas
15 DMV website. A couple of them are confidential, so we
16 have not posted them to the website.

17 Now the final item that I would like to present
18 to you is the peer review. So, everyone asks who audits
19 the auditors. Well, this is it.

20 Every three years, the internal audit function
21 is subject to an external audit. So, people from similar
22 internal audit functions come to review us that are not
23 part of the Department.

24 They look at our work papers, our efficiency,
25 our effectiveness. They talk to Board members, division

1 members, division directors to kind of understand both our
2 efficiency, our effectiveness, and our compliance with
3 audit standards.

4 Our peer review this year was led by the Chief
5 Audit Executive, Arby Gonzalez, with the Texas Department
6 of Information -- oh, sorry -- of Insurance, who is right
7 next to me, and an auditor from the Texas Workforce
8 Commission. And I'm going to let him kind of discuss the
9 results, and you can ask him any questions.

10 MR. GONZALEZ: Good afternoon, Chair Graham,
11 Director Brewster, and Members. For the record, my name
12 is Arby Gonzalez, and I am the Internal Audit Director for
13 the Texas Department of Insurance. And I also serve as
14 the team lead for the peer review over TXDMV central audit
15 function, which also included Harold Rogers, internal
16 auditor for the Texas Workforce Commission.

17 So, Sandra asked the question, Who audits the
18 auditors? It turns out other auditors. We rated TXDMV's
19 Internal Audit as pass, generally conforms, which is the
20 highest rating out of the three.

21 It means that TXDMV's Internal Audit has
22 policies and procedures and practices in place to comply
23 with the Institute of Internal Auditors and the U.S.
24 Government Accountability Office Standards, which is the
25 requirements and standards that we follow as internal

1 auditors, and with the Texas Internal Auditing Act.

2 Sandra and her team complied with requirements
3 for the internal audit function. Our review covered
4 audits and consultation projects from September 2017
5 through August 2020.

6 I want to highlight some of the positives that
7 we found during our review. The first of which included
8 effective relationships and communication with both the
9 Board and executive management. Sandra and her team were
10 open to discussions and collaboration.

11 They used dashboards, as you saw earlier --
12 earlier presentation -- dashboards and other metrics to
13 measure progress and highlight risk within program areas
14 throughout TXDMV. They also incorporated best practice
15 technology uses, incurring data-driven and collaborative
16 approach to risk assessment. And they also used analysis
17 and analytics as much as they can, completing more
18 effective and efficient audit projects.

19 All of this adds value to TXDMV because of the
20 relationships and collaboration they've fostered with the
21 Board, executive management, and TXDMV division directors,
22 management staff. They're able to provide insight to the
23 agency, provide value to the agency. And so that's
24 something every internal audit function strives to do, is
25 to become trusted advisors for the organization.

1 We found one opportunity to improve, related to
2 a minor area related to documenting methodologies for
3 sample selection from one of the projects that we got a
4 look at. Again, it was a minor thing and Sandra and their
5 team have acknowledged it and they're working to correct
6 that issue.

7 MS. MENJIVAR-SUDDEATH: It has been corrected.

8
9 MR. GONZALEZ: That issue has been corrected.

10 We follow the procedures from the State agency
11 internal audit form to complete our peer review. Safe
12 members include chief audit executives, directors, and
13 other internal audit leaders. That promotes effective and
14 efficient internal audit resources to help us do our job
15 better.

16 We want to thank Chair Graham, other members of
17 Board for carving out some time to show us Board's
18 perspective on internal audit's performance. We want to
19 thank Director Brewster, TxDMV executives and management
20 for helping us create a fuller picture of how internal
21 audits work in value.

22 And lastly, we want to thank Sandra and her
23 team for their help, cooperation and coordination for
24 completing our peer review. This concludes my prepared
25 remarks, and I'm available to answer any questions.

1 MR. GRAHAM: Thank you, Mr. Gonzalez. I only
2 ask this question because I ask it every time. I already
3 know the answer, but that's okay.

4 I'm going to ask, did you receive full and
5 complete cooperation from Sandra and her team?

6 MR. GONZALEZ: Yes, absolutely.

7 MR. GRAHAM: I would think so, but I wanted to
8 ask the question.

9 Sandra, you know that there's going to be one.
10 Got an auditor who can't let it go. There's got to be
11 one, right?

12 MS. MENJIVAR-SUDDEATH: I know.

13 MR. GRAHAM: And I kind of cracked up, the
14 auditor grade is passing, generally conforms. That's
15 pretty funny.

16 I think about if I was peer reviewed in my
17 business, they would say you can't BS a BS'er. So that's
18 good. That's the way to do it, right? Nobody can walk in
19 your shoes but somebody who has.

20 So, well, that is great. Great result. Thank
21 you for that.

22 Are there any questions from the Committee?

23 MS. GILLMAN: I'd just say thank you very much,
24 and Sandra, there's nothing surprising about it.
25 Congratulations and job well done. Outstanding, confirms

1 everything that I felt. And your reporting, thoroughness,
2 is always outstanding.

3 MS. MENJIVAR-SUDDEATH: I appreciate that, and
4 I am serious. We have corrected the recommendation.
5 So --

6 (General laughter.)

7 MS. MENJIVAR-SUDDEATH: -- the first thing we
8 did before the report was even out.

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

10 MR. GRAHAM: Yes, ma'am.

11 MS. BREWSTER: Has that been verified by Mr.
12 Gonzalez?

13 MS. MENJIVAR-SUDDEATH: If not --

14 (General laughter.)

15 MS. BREWSTER: Seriously, I wanted to say thank
16 you very much to Mr. Gonzalez and Mr. Rogers for the time
17 that they took to come in and do the peer review. They
18 have -- obviously, they have other things that they do at
19 their respective divisions or departments, and I really
20 appreciate them taking the time to do the peer review and
21 audit the auditor.

22 And, too, congratulations to Sandra. I look
23 forward to continuing a wonderful relationship with
24 Internal Audit, and congratulations.

25 MS. MENJIVAR-SUDDEATH: That concludes our

1 presentation. Any questions on the Internal Audit
2 Division status?

3 (No response.)

4 MS. MENJIVAR-SUDDEATH: Okay. Thank you.

5 MR. GRAHAM: Thank you very much. All right.
6 With that, we will not have Closed Session today. I know
7 y'all are all disappointed for that. So, we will not take
8 up Items 5 or 6.

9 We will now move to Agenda Item 7, which is
10 Public Comment. Tracey, is there any public comment?

11 MS. BEAVER: Tracey Beaver, General Counsel for
12 the record. No public comment.

13 MR. GRAHAM: Thank you. Hearing none, we will
14 now move to Agenda Item 8, Adjournment.

15 Unless there is any further business, I will
16 entertain a motion to adjourn.

17 MS. GILLMAN: Motion to adjourn.

18 MR. GRAHAM: Member Gillman. Second?

19 MS. OMUMU: I second.

20 MR. GRAHAM: Member Omumu. We're going to take
21 a vote, right, but I don't think we have to take a vote.
22 There's no vote required.

23 MS. BEAVER: Tracey Beaver, General Counsel for
24 the record. It is best practices to take a vote to make
25 sure there's no further business.

1 MR. GRAHAM: I think we've had the Roberts
2 Rules of Order discussion before, but I will trust the
3 General Counsel. Then Member Gillman, I'll take your
4 vote.

5 MS. GILLMAN: Aye.

6 MR. GRAHAM: Member Omumu?

7 MS. OMUMU: Aye.

8 MR. GRAHAM: And I, Chairman Graham, vote aye,
9 and we'll let the record reflect the vote is unanimous and
10 this meeting is adjourned.

11 Thank you, everyone. Good to see you. Look
12 forward to seeing you tomorrow.

13 (Whereupon, at 3:37 p.m., the meeting was
14 adjourned.)

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C E R T I F I C A T E

MEETING OF: TxDMV Finance & Audit Committee

LOCATION: Austin, Texas

DATE: August 4, 2021

I do hereby certify that the foregoing pages, numbers 1 through 71, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

DATE: August 17, 2021

/s/ Anna Marie Reyes
(Transcriber)

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