

John Keel, CPA State Auditor

An Audit Report on

The Department of Motor Vehicles

October 2010 Report No. 11-007



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SAO Report No. 11-007 October 2010

Overall Conclusion

The recently created Department of Motor Vehicles (DMV) generally received the appropriate funds, employees, and inventory from the Texas Department of Transportation (TxDOT) as required. However, DMV should strengthen its controls over the recording and tracking of inventory. In compliance with House Bill 3097 (81st Legislature, Regular Session), certain divisions were transferred from TxDOT to DMV on November 1, 2009 (see text box for more information about House Bill 3097). For fiscal year 2010, DMV was appropriated \$200,000 and received \$110,802,672 in transfers of appropriations from TxDOT.

In addition, DMV is receiving support services from TxDOT, such as financial services, human resource services, and information technology services, until DMV is a self-sustaining agency. DMV's revenue and expenditure transactions were generally recorded appropriately in the Uniform Statewide Accounting System (USAS). However, DMV should improve its coordination with TxDOT to ensure that all transactions are sufficiently reviewed and approved for accuracy.

Background Information

House Bill 3097 (81st Legislature, Regular Session), created the Department of Motor Vehicles (DMV) effective November 1, 2009. As a result, the following divisions of the Texas Department of Transportation (TxDOT) were transferred to DMV: Motor Vehicle Division, Vehicle Titles and Registration Division, Automobile Burglary and Theft Prevention Authority, and the portion of the Motor Carrier Division responsible for motor carrier registration and enforcement.

House Bill 3097 also required the transfer of employees, furniture, computers, other property and equipment, files, and related material from TxDOT to DMV.

DMV is responsible for:

- Processing vehicle registration and titling.
- Issuing motor carrier operating authority.
- Enforcing motor carrier regulations.
- Licensing vehicle dealers.
- Awarding law enforcement agencies grants to reduce auto theft and increase public awareness of auto theft.

From November 1, 2009, through May 31, 2010, DMV generated total revenues of \$701,383,231. DMV's total expenditures during the same time period were \$96,156,570.

Auditors communicated other, less significant issues to DMV's management separately in writing.

Summary of Management's Response

DMV agreed with the findings and recommendations in this report.

Summary of Information Technology Review

DMV uses USAS and the State Property Accounting system to record financial transactions and inventory items. Auditors reviewed the access controls to those systems and determined that they were sufficient. In addition, auditors reviewed the information in TxDOT's Automated Purchasing System, which contains DMV and

An Audit Report on The Department of Motor Vehicles SAO Report No. 11-007

TxDOT transactions, and determined that the data entered for DMV was not automatically being uploaded to TxDOT's internal accounting system. As a result, auditors determined that DMV purchases were recorded only in DMV's accounting system.

Auditors performed limited application control procedures on DMV's Registration and Titling System and determined that revenue was appropriately recorded. General controls over the Registration and Titling System were reviewed as part of the *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009* (State Auditor's Office Report No. 10-339, March 2010).

Summary of Objective, Scope, and Methodology

The objective of this audit was to conduct a financial audit of DMV to (1) establish financial benchmarks for DMV on its overall status and condition in relation to funds on hand, equipment and other assets, and pending matters and (2) address any other issues considered appropriate. House Bill 3097 required the State Auditor's Office to audit DMV as soon as practical for these objectives.

The scope of this audit covered the transfer of finances, assets, divisions, and employees from TxDOT to DMV and related activity from November 1, 2009, through May 31, 2010.

The audit methodology included collecting information and documentation, performing selected tests and other procedures, analyzing the results of tests, and conducting interviews with DMV and TxDOT management and staff.

Contents

Detailed Results

	Chapter 1 DMV Generally Received the Appropriate Funds, Employees, and Inventory from TxDOT; However, DMV Should Strengthen Its Inventory Controls	1
	Chapter 2 DMV's Revenues and Expenditures Were Appropriately Recorded; However, DMV Should Ensure That All Transactions Are Sufficiently Reviewed and Approved	6
Appe	ndices	
	Appendix 1 Objective, Scope, and Methodology1	C
	Appendix 2 Status of the Department of Motor Vehicles as of August 31, 2010	4
	Appendix 3 Recent State Auditor's Office Work	6

Detailed Results

Chapter 1

DMV Generally Received the Appropriate Funds, Employees, and Inventory from TxDOT; However, DMV Should Strengthen Its Inventory Controls

The Department of Motor Vehicles (DMV) generally received the appropriate funds, employees, and inventory from the Texas Department of Transportation (TxDOT) as required. However, DMV should strengthen its inventory controls.

Chapter 1-A

DMV Generally Received the Appropriate Funds and Employees from TxDOT

DMV generally ensured that it received all appropriate funds and employees from TxDOT as required. House Bill 3097 (81st Legislature, Regular Session) transferred all powers, duties, obligations, and rights of action from certain TxDOT divisions to the newly created DMV on November 1, 2009. This included a transfer of appropriated funds and unexpended balances, employees, furniture, computers, files, and other property and equipment for specific divisions.

Requirements for Transfers of Funds and Employees from TxDOT to DMV

Both the General Appropriations Act (81st Legislature) and House Bill 3097 (81st Legislature, Regular Session) required TxDOT to transfer and reappropriate the unobligated and unexpended balance of any appropriations previously made to the following TxDOT divisions:

- Motor Vehicle Division.
- Vehicle Titles and Registration Division.
- Automobile Burglary and Theft Prevention Authority.
- The portion of the Motor Carrier Division responsible for motor carrier registration and enforcement.

In addition, the General Appropriations Act required all unexpended funds and full-time equivalent (FTE) positions for the above divisions to be transferred to DMV on November 1, 2009.

A memorandum of understanding between TxDOT and DMV details the specifics pertaining to the funds and employee transfers, including the identification of employees to be transferred from TxDOT to DMV.

Transfer of Funds

DMV received from TxDOT \$144,718,204 in remaining appropriation balances from fiscal years 2009 and 2010, which was 99.9 percent of the funds required to be transferred in compliance with House Bill 3097, the General Appropriations Act (81st Legislature), and a memorandum of understanding between the two agencies (see text box for more information about the requirements). Specifically:

- DMV received from TxDOT \$33,915,532 in remaining appropriation balances from fiscal year 2009. However, TxDOT had not transferred \$99,166 (0.3 percent of the total transfers) in Registration and Titling funds. Upon notification of this appropriation balance, TxDOT transferred the \$99,166 to DMV on July 14, 2010.
- DMV received from TxDOT \$110,802,672 in remaining appropriation balances from fiscal year 2010. Documentation showed that the transfer calculations were correct and adequately supported the fiscal year 2010 appropriation transfers.

The Meyers Lawsuit

The Meyers lawsuit is a class action lawsuit filed against TxDOT's Vehicle Titles and Registration Division regarding the fee paid for a blue parking placard by persons with permanent disabilities. This division was transferred to DMV on November 1, 2009. As a result, all obligations related to settlement of the lawsuit were passed on to DMV.

DMV received more funds from TxDOT than necessary in relation to a lawsuit. TxDOT transferred \$24,100,817 in funds to DMV to pay for the estimated settlement costs related to *Marjorie Meyers vs. State of Texas, et al* (Meyers lawsuit) that had been previously filed against TxDOT (see text box). The amount transferred from TxDOT to DMV was \$100,817 (0.4 percent) more than the total \$24,000,000 estimated settlement cost.

Transfer of Employees

DMV received the appropriate employees from TxDOT as required. Specifically, DMV received 507 (100.0 percent) employees from TxDOT in accordance with the memorandum of understanding, the General Appropriations Act, and House Bill 3097. TxDOT also transferred the correct name and salary information for the employees in the Uniform Statewide Payroll/Personnel System.

In addition, DMV received the funding transfers from TxDOT for the five central administrative positions filled in April and May 2010 in accordance with the memorandum of understanding between the two agencies. Specifically, TxDOT completed both the April and May monthly payroll transfers to DMV for the five central administrative positions in the correct total amount of \$201,430 and in a timely manner.

Recommendation

DMV should work with TxDOT to resolve the transfer of the additional funds relating to the lawsuit.

Management's Response

Management concurs with the recommendation. During the development of the FY 2012-2013 Legislative Appropriations Request, \$1.8 million was identified as an appropriations lapse in State Highway Fund 006. The lapse in appropriations results in a larger fund balance available for future appropriations and cash management. The TxDMV FY 2012-2013 Legislative Appropriations request was submitted on August 30, 2010 to oversight agencies.

¹ Marjorie Meyers, by Next Friend Edgar C. Benzing, Helen Elkin, Ruth H. Davis, and Phillip Greenberg, on behalf of themselves and all others similarly situated vs. State of Texas, Department of Transportation, and Amadeo Saenz, Jr., in his capacity as Executive Director of the Texas Department of Transportation, in the United States District Court for the Western District of Texas, Austin Division, Case No. A-00-CA-430-SS.

Chapter 1-B

DMV Received Inventory Transferred from TxDOT; However, DMV Should Strengthen Its Controls Over the Recording and Tracking of Inventory

As of May 26, 2010, DMV had 10,312 inventory items totaling \$11,195,520 in the State Property Accounting (SPA) system. Those items consisted of 10,084 inventory items transferred from TxDOT and 228 items purchased by DMV. However, DMV did not ensure that all inventory items were accurately recorded in the SPA system and properly tagged.

Inventory Management Requirements

Chapters 2 and 4 of the SPA Process User's Guide require that:

- Detailed description of the exact location and the person responsible for each item should be entered in SPA.
- Property must be marked or tagged as property owned by the agency and each item must be assigned a unique property inventory number.
- For all property maintained in SPA that is found to be missing or stolen, agencies must immediately assign an appropriate disposal code.

Inventory Tracking. DMV did not consistently ensure that inventory items tested were accurately recorded in the SPA system or were properly tagged as required by the SPA Process User's Guide (see text box). Specifically:

- Forty-three (97.7 percent) of the 44 inventory items tested did not have a specific location listed in the SPA system as required. Instead, a general location, such as a region, county, or department, was listed in the system. At auditors' request, DMV provided additional information about the location of the 43 inventory items; however, that additional information was not accurate for 17 (39.5 percent) of the 43 items. For example, inventory items that were identified as being at the Harris County Distribution Center were actually located at car dealerships, grocery stores, and local tax assessor-collector offices. All 44 inventory items tested were eventually located.
- Six (13.6 percent) of the 44 inventory items tested did not have a correct DMV property sticker on them. Five of those six items had a sticker with a DMV property number that differed from the property number that was recorded in the SPA system, and the remaining item had only a TxDOT property sticker on it. An additional item had both DMV and TxDOT property stickers on it.
- The serial numbers for 2 (4.5 percent) of the 44 inventory items tested did not match the serial numbers entered into the SPA system.

Missing/stolen inventory. DMV did not accurately track inventory items identified as missing or stolen. Specifically:

- DMV had not assigned a stolen code for two items that it identified as stolen. Instead, those items were recorded as active items in the SPA system. In addition, DMV listed the incorrect property numbers for both items on the stolen report it filed with the Office of the Comptroller of Public Accounts.
- DMV identified 16 items that should have been transferred from TxDOT as missing. However, DMV did not track those missing items in the SPA

- system as required. Auditors determined that, as of May 31, 2010, two of those items were not missing but had been salvaged.
- The inventory information in the SPA system did not match a spreadsheet that DMV used to track salvaged items. Auditors determined that 18 items listed as active in the SPA system were also on DMV's salvage list.

Recommendations

DMV should:

- Enter accurate, specific locations for inventory items in the SPA system.
- Ensure that all inventory items are properly tagged with the correct DMV property sticker and that the TxDOT property number is removed from all items that were transferred.
- Record accurate serial numbers for inventory items entered in the SPA system.
- Assign the correct disposal code in the SPA system for all inventory items identified as stolen. DMV also should correct the stolen report it filed to ensure that the report lists the accurate property numbers for the items stolen.
- Confirm the status of the items it has identified are missing, and it should coordinate with TxDOT to ensure that the status of each item is properly recorded in the SPA system.
- Ensure that all salvaged inventory items are properly recorded in the SPA system.

Management's Response

Management concurs with the recommendation and is working to implement an automated inventory control system that will ensure specific locations for inventory items are recorded accurately and reconciled against the information recorded in the State Property Accounting System.

DMV will implement physical controls on the tagging of agency inventory items. The automated inventory control system will ensure that new equipment purchased and received by the DMV is properly tagged. Additionally, a physical inventory to be conducted during the next 60 days will ensure that all TxDOT inventory tags have been removed from property transferred to the DMV and replaced with a DMV property sticker and appropriately recorded in the State Property Accounting System.

DMV will implement an automated inventory control system that will ensure serial numbers are recorded accurately and reconciled against the information entered into the State Property Accounting System.

DMV will correct the stolen report filed with the Comptroller of Public Accounts to ensure the information reported to the State Property Accounting System is correct. DMV staff assigned the responsibility for entering data into the State Property Accounting System will receive additional training to ensure a clear understanding of the reporting requirements and data elements to be entered into the Comptroller's system. DMV will develop an automated inventory control system that will ensure the correct disposal codes are recorded for DMV lost, stolen, salvage or surplus property. The information recorded in the DMV automated inventory control system will be reconciled against the information recorded in the State Property Accounting System to ensure accuracy.

The automated inventory control system will ensure the physical location of all DMV property is recorded accurately and the status of any items identified as lost, missing or stolen is verified. Additionally, a physical inventory to be conducted during the next 60 days will ensure that all DMV property and equipment is accounted for and properly recorded in both the DMV automated inventory control system and the State Property Accounting System.

DMV will implement an automated inventory control system that will ensure salvage items are properly recorded. The salvage property information recorded in the DMV automated inventory system will be reconciled against the salvage property data entered into the State Property Accounting System to ensure accurate reporting.

The Chief Operating Officer is responsible for ensure the automated inventory control system is developed and implemented. DMV anticipates the automated inventory control system to be fully functional by March 1, 2011.

DMV's Revenues and Expenditures Were Appropriately Recorded; However, DMV Should Ensure That All Transactions Are Sufficiently Reviewed and Approved

DMV is receiving support services from TxDOT, such as financial services, human resource services, and information technology services, until DMV is a self-sustaining agency. DMV and TxDOT have a contract for the processing of payment documents and payroll documents. The contract specifies that TxDOT will enter the transactions into the Uniform Statewide Accounting System (USAS) and DMV will approve the transactions before they are finalized in USAS.

DMV's revenue and expenditure transactions were recorded appropriately in USAS. However, DMV did not perform reconciliations between its Revenue Logging System and USAS; therefore, DVM faced an increased risk of errors going undetected.

In addition, DMV ensured that employees were appropriately paid and that payroll reports were generally reviewed by DMV before TxDOT processed payroll. Auditors reviewed 30 employee payroll transactions occurring in 3 months and determined that 100 percent of the employees were paid the correct monthly gross salary amounts as documented in USAS and approved on the human resources employee status forms in DMV employee files. In addition, DMV approved the summary payroll reports for the three months tested before the payrolls were processed. However, auditors were informed that TxDOT processed the June 2010 payroll before DMV had approved it. DMV should coordinate its procedures with TxDOT to ensure that monthly payrolls are adequately reviewed before the payrolls are processed. Without adequate review and approval, DMV cannot ensure that payroll is accurate.

Auditors identified others areas for improvement, which are discussed below.

DMV did not review or approve all of the supporting documents for expenditure and revenue transactions. For example:

• DMV received the appropriate supporting documentation when it approved transactions for 39 (97.5 percent) of 40 expenditure items tested. However, it did not receive a contractor's request for reimbursement of employee hours for 1 (2.50 percent) of the 40 transactions tested. DMV uses the timesheets submitted by contractors when it reviews contractors requests for payment. Without receiving a contractor's request for reimbursement, DMV cannot compare the timesheets to the request to

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² The scope of this audit was from November 1, 2009, through May 31, 2010; therefore, the June 2010 payroll was outside the audit scope.

ensure accuracy before payment. However, the correct amount was paid for this transaction.

- DMV did not review certain revenue transactions for accuracy. Revenue transactions, such as those for vehicle inquiries, dealer licenses, and motor carrier permits, were paid using credit cards. TxDOT prepared the third-party credit card transaction report, but it did not send that report to DMV for review.
- DMV lacked supporting documents for 2 (6.7 percent) of 30 revenue transactions tested. Auditors were able to verify the accuracy of one of the two transactions upon further review.

DMV does not have adequate controls over the deposits of funds received. The DMV employee who enters deposit information into the Revenue Logging System also prepares the daily deposit slips. That employee also has access to the mailroom and the safe, which creates an inadequate separation of duties and increases the risk that revenue received through the mail may not be accurately recorded and deposited.

Provision of Services

Per the memorandum of understanding, TxDOT will track the services it provides to DMV and report the results of this tracking to DMV. The services tracked will assist in the development of a budget for a fully independent DMV. The provision of services by TxDOT will be phased out as DMV fills positions with DMV employees who are able to provide those services or outsources those services.

While TxDOT generally tracked the hours associated with providing support services to DMV, it did not ensure that all employees providing those services tracked their hours as required (see text box). The 8 TxDOT divisions tested recorded that they provided 15,341 hours of support services to DMV. The list of employees who tracked their time was generally reasonable. However, auditors identified an additional 9 employees in TxDOT's Finance Division and Technology Services Division who should have been tracking their time. The Finance Division calculated that two of those employees provided a total of 189 hours of support services to DMV. The other seven employees should have been charging some time to DMV but had not done so. TxDOT management stated that those employees may not have charged their time due to the low amount of total time that they spent providing support services to DMV.

Recommendations

DMV should:

- Conduct reconciliations between its Revenue Logging System and USAS to ensure that revenue is appropriately recorded.
- Coordinate its procedures with TxDOT to ensure that monthly payrolls are adequately reviewed before the payroll is processed.
- Coordinate with TxDOT to ensure that it receives and reviews complete and final supporting documents, including invoices, for expenditures before approving them.

- Coordinate with TxDOT to ensure that it receives all supporting documentation for revenue transactions and verify that it received the correct amount of revenue.
- Ensure that there is an adequate separation of duties for the employees who enter deposit information into the Revenue Logging System, prepare the daily deposit slips, and have access to the mailroom and safe.
- Coordinate with TxDOT to ensure that all TxDOT employees who are providing support services to DMV appropriately track and record their time.

Management's Response

Management concurs with the recommendations. Management will coordinate with TxDOT to ensure monthly reconciliations are performed between the data entered into the Revenue Logging System and the Uniform Statewide Accounting System. Monthly reconciliations will ensure revenue data entered into each system (Revenue Logging System and USAS) are entered and recorded correctly.

Management will coordinate with TxDOT to ensure all regular monthly payrolls and supplemental or miscellaneous payrolls are reviewed prior to finalizing the transactions in the Uniform Statewide Payroll System.

Management will coordinate with TxDOT to ensure each expenditure voucher submitted for DMV review and approval has necessary and sufficient supporting documentation including invoices and appropriate program level approvals for each expenditure prior to approval the final documents for release in USAS.

Management will coordinate with TxDOT to ensure necessary and sufficient supporting documentation is provided for each revenue transaction and that revenue amounts received are validated and supported by this documentation.

Management will coordinate with TxDOT to ensure the employees responsible for entering deposit information into the Revenue Logging System do not prepare daily deposit transaction or have access to the mailroom or safe. DMV will ensure adequate staff is in place when these duties are assumed to ensure good financial controls and sufficient separation of duties.

Management will coordinate with TxDOT to ensure that all TxDOT employees providing financial services support to DMV are appropriately recording and tracking their time on their timesheets.

The Chief Financial Officer will work with TxDOT to ensure appropriate oversight is provided for DMV financial transactions until these

responsibilities can be assumed by the department. Additionally, the Chief Financial Officers will establish processes to reconcile revenue, payrolls, and payments on a routine basis. The Chief Financial Officer will ensure the agency's accounting, budget and payment processing sections are sufficiently staffed, staff are properly trained and adequate controls are place to ensure compliance with the Comptroller of Public Accounts rules, regulations and policies.

The Chief Financial Officer is responsible for implementation by March 1, 2011.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to conduct a financial audit of the Department of Motor Vehicles (DMV) to (1) establish financial benchmarks for DMV on its overall status and condition in relation to funds on hand, equipment and other assets, and pending matters and (2) address any other issues considered appropriate.

Scope

The scope of this audit covered the transfer of finances, assets, divisions, and employees from the Texas Department of Transportation (TxDOT) to DMV and any activity between November 1, 2009, and May 31, 2010.

Methodology

The audit methodology included collecting information and documentation, performing selected tests and other procedures, analyzing the results of tests, and conducting interviews with DMV and TxDOT management and staff.

<u>Information collected and reviewed</u> included the following:

- Employee data from the Uniform Statewide Payroll/Personnel System (USPS).
- TxDOT reconciliations of employees transferred to DMV.
- Documentation supporting funding transfers.
- Uniform Statewide Accounting System (USAS) financial data.
- TxDOT's monthly expenditure reports for DMV's divisions.
- State Property Accounting system data.
- Support documentation for revenues and expenditures.
- Registration and Titling System reports.
- Revenue Logging System data.
- Reports of time charged by TxDOT employees to DMV time codes.

- Documentation related to Marjorie Meyers vs. State of Texas, et al.³
- DMV and TxDOT policies and procedures.

<u>Procedures and tests conducted</u> included the following:

- Interviewed key personnel at TxDOT and DMV.
- Compared personnel actions to payroll amounts.
- Verified funding transfer calculations, balances, financial transactions, and employee transfers.
- Reviewed TxDOT reconciliations of employees transferred to DMV.
- Examined DMV monthly expenditure reports.
- Reconciled State Property Accounting system information to verify the inventory transferred from TxDOT to DMV.
- Tested a sample of DMV's inventory items to determine compliance with the requirements in the SPA Process User's Guide.
- Tested the accuracy and appropriateness of revenue and expenditure transactions, including payroll transactions.
- Reconciled revenue between USAS and DMV's Revenue Logging System.
- Reviewed the appropriateness of TxDOT staff charging time to DMV time codes.
- Conducted testing of selected application controls over DMV's Registration and Titling System.
- Tested access controls over USAS and the State Property Accounting system.
- Tested selected controls over DMV's Automated Purchasing System.

<u>Criteria used</u> included the following:

 Fiscal year 2010 memorandum of understanding between DMV and TxDOT.

An Audit Report on the Department of Motor Vehicles SAO Report No. 11-007 October 2010 Page 11

³ Marjorie Meyers, by Next Friend Edgar C. Benzing, Helen Elkin, Ruth H. Davis, and Phillip Greenberg, on behalf of themselves and all others similarly situated vs. State of Texas, Department of Transportation, and Amadeo Saenz, Jr., in his capacity as Executive Director of the Texas Department of Transportation, in the United States District Court for the Western District of Texas, Austin Division, Case No. A-00-CA-430-SS.

- General Appropriations Act (81st Legislature).
- House Bill 3097 (81st Legislature, Regular Session).
- Letter from the Legislative Budget Board approving the appropriation transfers between TxDOT and DMV.
- Contract for the Releasing of Payment Documents and Uniform Statewide Payoll/Personnel System Documents by Another State Agency between DMV and TxDOT.
- Interagency contract between the Comptroller of Public Accounts and DMV regarding third-party credit card transactions.
- SPA Process User's Guide, Comptroller of Public Accounts, February 2008.
- *Comptroller Manual of Accounts*, Volumes I and II, Comptroller of Public Accounts, September 1, 2009.
- Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards).

Project Information

Audit fieldwork was conducted from June 2010 through August 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Ann E. Karnes, CPA (Project Manager)
- Jeannette Quiñonez, CPA (Assistant Project Manager)
- Kelley Bellah, CFE
- Melissa Dozier
- Michael Gieringer, CFE
- Rachel Goldman
- Kenneth F. Wade, CGAP, CIA
- Serra Tamur, MPAff, CIA, CISA

	Dana Musgrave, MBA (Quality Control Reviewer)
•	Nicole M. Guerrero, MBA, CGAP, CIA, CICA (Audit Manager)

House Bill 3097 (81st Legislature, Regular Session) created the Department of Motor Vehicles (DMV) effective November 1, 2009. The following divisions of the Texas Department of Transportation (TxDOT) were transferred to DMV:

- Motor Vehicle Division.
- Vehicle Titles and Registration Division.
- Automobile Burglary and Theft Prevention Authority.
- The portion of the Motor Carrier Division that was responsible for motor carrier registration and enforcement.

As of November 1, 2009, DMV was responsible for:

- Processing vehicle registration and titling.
- Issuing motor carrier operating authority.
- Enforcing motor carrier regulations.
- Licensing vehicle dealers.
- Awarding law enforcement agencies grants to reduce auto theft and increase public awareness of auto theft.

DMV is governed by a nine-member board appointed by the Governor to six-year terms. DMV is headquartered in Austin and maintains 16 regional offices across the state. As of May 31, 2010, DMV employed a total of 508 people in the following eight divisions:

- Automobile Burglary and Theft Prevention Authority.
- Central Administration.
- Consumer Relations.
- Enforcement.
- Financial Services.
- Motor Carrier.

⁴ Auditors obtained the information for this appendix from DMV's Web site; a questionnaire completed by DMV's chief financial officer; and the *Texas Department of Motor Vehicles Transition Report*, October 1, 2009. This information was not audited.

- Motor Vehicle.
- Vehicle Titles and Registration.

DMV is in the second phase of its transition from TxDOT; the second phase is scheduled to be completed on August 31, 2011. Throughout the majority of the second phase, DMV will continue to have significant dependence on TxDOT as defined in the fiscal year 2011 memorandum of understanding between DMV and TxDOT.

As of August 31, 2010, TxDOT was providing DMV with support in the following areas:

- Finance.
- Human resources.
- General services.
- Technology services.
- Office of Civil Rights (for pre-existing cases).
- Occupational safety (minimal assistance/ergonomic assessments).
- Facilities and maintenance.
- Security.

DMV hired a human resources manager with an effective start date of September 1, 2010. In addition, DMV plans to post job announcements for support positions in human resources, finance, and administration, and DMV will assume responsibility for agency operations in these areas during the second phase. By the end of the second phase, the only areas in which DMV is scheduled to receive TxDOT support are facilities and computer network infrastructure.

The third phase of the transition begins September 1, 2011, when DMV will obtain its own appropriations and budget. However, there may continue to be constraints on the agency during the third phase due to DMV's dependence on TxDOT facilities and information technology infrastructure.

The fourth phase of the transition is scheduled to begin once DMV has its own facilities and is able to establish its own computer network infrastructure, divesting itself of its final dependencies on TxDOT. As of August 31, 2010, there was not a start date scheduled for the fourth phase.

Recent State Auditor's Office Work

Recent SAO Work					
Number	Product Name	Release Date			
10-555	State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009	March 2010			
10-339	State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009	March 2010			
10-016	An Audit Report on the Financial Responsibility Verification Program (TexasSure)	November 2009			
06-007	An Audit Report on the Texas Department of Transportation's Motor Vehicle Registration and Titling System	September 2005			

Copies of this report have been distributed to the following:

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The Honorable David Dewhurst, Lieutenant Governor, Joint Chair

The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Steve Ogden, Senate Finance Committee

The Honorable Thomas "Tommy" Williams, Member, Texas Senate

The Honorable Jim Pitts, House Appropriations Committee

The Honorable Rene Oliveira, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Department of Motor Vehicles

Members of the Department of Motor Vehicles Board

Mr. Victor T. Vandergriff, Chair

Mr. Clifford Butler

Mr. Jim Campbell

Mr. Ramsay Gillman

Ms. Cheryl Johnson

Mr. Victor Rodriguez

Mr. Marvin Rush

Ms. Laura Ryan

Mr. John Walker, III

Mr. Edward Serna, Executive Director

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