

FINANCE COMMISSION OF TEXAS
AUDIT COMMITTEE MEETING

Thursday, December 17, 2015
3:30 p.m.

Finance Commission Building
William F. Aldridge Hearing Room,
2601 N. Lamar Blvd.
Austin, Texas 78705

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission agencies is allowed unless the comment is in reference to a rule proposal for which the public comment period has ended. However, upon majority vote of the Commission, public comment may be allowed related to final rule adoption.

- A. Review and Approval of Minutes of the October 16, 2015, Audit Committee Meeting
- B. Audit Committee Review of Agencies' Activities
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Fiscal Year 2016 Internal Auditor's Risk Assessment and Audit Plan for the Finance Commission Agencies
- D. Discussion of and Possible Vote to Award Final Selection of Organizations, to Receive Grant Funds in an Aggregate Amount Not to exceed \$250,000 From the Texas Financial Education Endowment Fund

NOTE: The Audit Committee may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Accessibility: Under the Americans with Disabilities Act, the Finance Commission will accommodate special needs. Those requesting auxiliary aids or services should notify the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

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**MINUTES OF THE
AUDIT COMMITTEE MEETING
Friday, October 16, 2015
8:30 a.m.**

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m. on October 16, 2015, with the following members present: Audit Committee Chair Cindy Lyons, Susan Burton, Lori McCool, and Larry Patton.

Audit Committee Chair Lyons announced that there was a quorum of the Audit Committee of the Finance Commission of Texas with four members present (00:05 on audio file).

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of Minutes of the August 21, 2015, Audit Committee Meeting	Susan Burton made a motion to approve the minutes. Larry Patton seconded and the motion passed.	00:15start of discussion 00:38 vote
B. Audit Committee Review of Agencies' Activities	No Action Required.	1:09 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' August 31, 2015 Investment Officer Reports: 1. Office of Consumer Credit Commissioner 2. Texas Department of Banking 3. Department of Savings and Mortgage Lending	Lori McCool made a motion to recommend approval of the agencies' August 31, 2015 Investment Officer Reports. Susan Burton seconded and the motion passed.	7:06 start of discussion 10:30 vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2015 Fourth Quarter Financial Statements	Larry Patton made a motion to recommend that the Finance Commission take action on the agencies' 2015 Fourth Quarter Financial Statements. Susan Burton seconded and the motion passed.	11:06 start of discussion 26:47 vote
E. Report on Activities Relating to the Texas Education Endowment Fund	No Action Required.	27:15 start of discussion

There being no further business of the Audit Committee of the Finance Commission of Texas, Chair Cindy Lyons adjourned the meeting at 8:59am (29:45 on audio file)

Cindy Lyons, Chair of the Audit Committee
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Anne Benites, Executive Assistant
Finance Commission of Texas

**Department of Savings and Mortgage Lending
Outstanding Audit Issues Report as of November 30, 2015**

None.

Office of Consumer Credit Commissioner
Outstanding Audit Findings Report as of 12/4/2015

Auditor	Garza / Gonzalez & Associates	Audit Report Date
Audit Area	Professional Licensing	Jun-14
Finding	Status Update	
Implement a quality control review process in which RMLO and Pawnshop Employee applications received are sampled and reviewed on a periodic basis.	<p><i>In progress.</i> The agency has modified its procedure to include a second level of review to address the finding. The agency is continuing to study whether a quality control process would be a more efficient and appropriate procedure. While the agency believes that it has addressed the finding, consideration of the recommendation is ongoing with a determination anticipated by December 2015.</p>	

Texas Department of Banking
Outstanding Audit Findings Report as of December 18, 2015

The agency has no outstanding audit issues.

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FINANCE COMMISSION
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2016



FINANCE COMMISSION

Austin, Texas

Internal Audit Plan
For Fiscal Year 2016

TABLE OF CONTENTS

	<u>Page</u>
Internal Auditor’s Report	1
I. Methodology.....	2-3
II. Scope.....	4
III. Texas Department of Banking	
Internal Audit Plan	5
Risk Assessment	5-7
IV. Department of Savings and Mortgage Lending	
Internal Audit Plan	8
Risk Assessment	8-9
V. Office of Consumer Credit Commissioner	
Internal Audit Plan	10
Risk Assessment	10-11
Attachments	
A. Risk Assessment Summary	
A-1 Texas Department of Banking	12
A-2 Department of Savings and Mortgage Lending	13
A-3 Office of Consumer Credit Commissioner	14
B. History of Areas Audited	
B-1 Texas Department of Banking	15
B-2 Department of Savings and Mortgage Lending	16
B-3 Office of Consumer Credit Commissioner	17

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Finance Commission and
Audit Committee Members
Austin, Texas

Enclosed is the proposed fiscal year 2016 Internal Audit Plan (Plan) for the Finance Commission. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2016 for the Texas Department of Banking (DOB), Department of Savings and Mortgage Lending (SML), and the Office of Consumer Credit Commissioner (OCCC). Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised as necessary by the Finance Commission or Audit Committee.

This Plan has been prepared following Generally Accepted Auditing Standards and International Standards for the Professional Practice of Internal Auditing, as determined by the Institute of Internal Auditors.



October 5, 2015

FINANCE COMMISSION

Austin, Texas

Internal Audit Plan
For Fiscal Year 2016

I. Methodology

The Finance Commission's fiscal year 2016 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by staff from each of the 3 agencies, as documented below. These 3 agencies, which are considered financial regulatory agencies, were granted self-directed, semi-independent (SDSI) status in the 81st Legislature Session, effective September 1, 2009. With the SDSI status, these agencies are not required to have their budget approved by the Legislature; however, the Finance Commission is responsible for setting their spending authority or limits. Each agency's entire operating funds are generated from fees assessed to the businesses they supervise and are used to fund both direct and indirect costs. General revenue funds are not used to support their operations.

The following documents from the 3 agencies were reviewed and considered in our risk assessment process:

- Operating Budgets
- Organizational Charts
- Policies and Procedures
- Applicable Laws and Rules
- Audit and/or Monitoring Reports from Third Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by the Commissioners, Deputy Commissioners, Division Directors, and other staff to update our understanding of each Division, and its role within the overall scheme of the respective agency. The questionnaires included topics; such as, recent changes in key personnel, time elapsed since last audit, status of past audit findings, and regulatory compliance requirements. Utilizing information obtained through the questionnaires and background information reviewed, audit areas for each of the 3 agencies were identified as potential audit topics. A risk analysis was completed for each individual audit topic and then compiled to develop an overall risk assessment for each of the 3 agencies.

FINANCE COMMISSION

Internal Audit Plan

The following 8 risk factors were considered for each potential audit topic:

1. Materiality
Measure of the auditable unit's *financial* materiality based on the dollar amount per year of assets, receipts, or disbursements for which the unit is responsible; or, *non-financial* materiality based on the number of licensees for which the unit is responsible, or the magnitude of its responsibility related to the agency's primary mission.
2. Time since Last Audit or Review
Measure of the number of years between the date of the previous audit or review and the date of the risk assessment.
3. Results of Last Audit or Review
Measure of the results of the previous audit or review.
4. Adequacy of Staffing Levels
Measure of the adequacy of the staffing level of the auditable unit as it relates to the achievement of its objectives.
5. Policies and Procedures
Measure of the existence of policies and procedures documenting the auditable unit's activities.
6. Compliance with Contracts, Laws, and Regulations
Measure of the existence of contracts, laws, and/or regulations for which the auditable unit is responsible for complying.
7. Susceptibility of Material Theft or Fraud
Measure of the auditable unit's risk and controls in place as it relates to material theft or fraud.
8. Issues or Concerns
Measure of issues or concerns expressed by management, the Finance Commission, or Audit Committee.

FINANCE COMMISSION

Internal Audit Plan

II. Scope

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass the examination and evaluation of the adequacy and effectiveness of the respective agency's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations, and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

FINANCE COMMISSION

Internal Audit Plan

III. Texas Department of Banking

Internal Audit Plan

The Internal Audit Plan (Plan) includes 2 audits to be performed during the 2016 fiscal year. The Plan also includes other tasks that may be assigned by the Finance Commission during the year, and preparation of the Annual Internal Audit Report for fiscal year 2016.

Risk Assessment

Utilizing information obtained through the questionnaires and background information reviewed, 17 audit areas were identified as potential audit topics. A risk analysis utilizing the 8 risk factors, mentioned in section I of this report, was completed for each individual audit topic and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 17 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Bank Examinations	Trust Examinations	Corporate Activities
IT Examinations	Imaging & Records Management	Prepaid Funeral Contracts
Prepaid Funeral Guaranty Trust/Insurance Funds	Fixed Asset Management	Financial Reporting
	Payroll & Human Resources	Travel
	Purchasing	Management Information Systems
	Revenue Accounting Process	Risk Management
		Money Services Businesses
		Perpetual Care Cemeteries

This report includes the “Risk Assessment Summary” as Attachment A-1; and, the “History of Areas Audited” as Attachment B-1, which identifies audits/reviews performed from fiscal year 2006 through 2015.

FINANCE COMMISSION

Internal Audit Plan

In the prior 3 years, internal audits were performed in the following areas:

Fiscal Year 2015:

- Revenue Accounting Process
- Perpetual Care Cemeteries

Fiscal Year 2014:

- Money Services Businesses
- Management Information Systems

Fiscal Year 2013:

- Corporate Activities
- Prepaid Funeral Contracts

The areas recommended for internal audit and other functions to be performed for fiscal year 2016 are as follows:

1. IT Examinations

The planned audit procedures include the following:

- a. Review and obtain an understanding of DOB's written policies and procedures, applicable laws and regulations, and current practices in place for the IT Examinations area.
- b. Determine, on a sample basis, if the examination programs used by the examiners are in compliance with the applicable provisions of the Texas Finance Code and Texas Administrative Code.
- c. On a sample basis, review a selection of IT examinations performed during the year to assess the internal controls in place over the examination process.
- d. Review sample of reports issued to ensure they are reflective of the examination results, report accurate information, and prepared in accordance with established policies and procedures.
- e. Other procedures that may be deemed necessary during audit fieldwork.

FINANCE COMMISSION

Internal Audit Plan

2. Imaging & Records Management

The planned audit procedures include the following:

- a. Review and obtain an understanding of Chapter 441, Subchapter L of the Texas Government Code, and DOB's policies and procedures in place over the Imaging and Records Management area.
- b. Review DOB's current records retention schedule to ensure the inclusion of all state-required elements.
- c. Review the list of records stored onsite and electronically to ensure they are current and within the prescribed retention period.
- d. Ensure records are purged in accordance with the Records Retention Schedule.
- e. Perform inquiries and reviews to assess the availability of imaged records, and the security of the electronic storage system.
- f. Other procedures that may be deemed necessary during audit fieldwork.

3. Other Tasks

Other tasks as may be assigned by the Finance Commission.

FINANCE COMMISSION

Internal Audit Plan

IV. Department of Savings and Mortgage Lending

Internal Audit Plan

The Internal Audit Plan (Plan) includes 1 audit to be performed during the 2016 fiscal year. The Plan also includes a follow-up of the prior year audit recommendations, other tasks that may be assigned by the Finance Commission during the year, and preparation of the Annual Internal Audit Report for fiscal year 2016.

Risk Assessment

Utilizing information obtained through the questionnaires and background information reviewed, 14 audit areas were identified as potential audit topics. A risk analysis utilizing the 8 risk factors, mentioned in section I of this report, was completed for each individual audit topic and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 14 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Legal and Enforcement	Financial Reporting	Payroll and Human Resources
Thrift Examinations		Mortgage Licensing and Registration
Mortgage Examinations		Management Information Systems
Thrift Supervision and Compliance		Records Management
Revenue Accounting Process		Consumer Protection
Purchasing and Travel		Fixed Assets
		Risk Management

This report includes the “Risk Assessment Summary” as Attachment A-2; and, the “History of Areas Audited” as Attachment B-2, which identifies audits/reviews performed from fiscal year 2006 through 2015.

In the prior 3 years, internal audits were performed in the following areas:

Fiscal Year 2015:

- Mortgage Examinations

Fiscal Year 2014:

- Consumer Protection

Fiscal Year 2013:

- Thrift Supervision and Compliance

FINANCE COMMISSION

Internal Audit Plan

The area recommended for internal audit and other functions to be performed for fiscal year 2016 are as follows:

1. Legal and Enforcement

The planned audit procedures include the following:

- a. Review and obtain an understanding of the Texas Finance Code and the Texas Administrative Code, as applicable to the Legal and Enforcement Area (the Area).
- b. Obtain and review the Area's written policies and procedures, collect available documentation, and conduct interviews to document formal and informal processes and controls.
- c. Obtain a list of enforcement orders made during the year and perform procedures to ensure compliance with the established policies, procedures, and applicable laws and regulations.
- d. Obtain an understanding of the policies and procedures for collections of assessed penalties and perform procedures to ensure compliance with the established policies and procedures, and applicable laws and regulations.
- e. Obtain an understanding of the reports prepared by the Area and perform procedures to ensure the accuracy and timeliness of the reports.
- f. Obtain an understanding of the mortgage broker recovery fund and perform procedures to ensure disbursements and receipts were made in accordance with established policies and procedures, and applicable laws and regulations.
- g. Other procedures that may be deemed necessary during audit fieldwork.

2. Follow-up of Internal Audits

Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of the fiscal year ended August 31, 2015. The audit procedures will result in a determination that the recommendation is (1) Implemented; (2) Partially Implemented; (3) Action Delayed; (4) No Action Taken; (5) Do Not Plan to Take Corrective Action; or, (6) Other.

3. Other Tasks

Other tasks as may be assigned by the Finance Commission.

FINANCE COMMISSION

Internal Audit Plan

V. Office of Consumer Credit Commissioner

Internal Audit Plan

The Internal Audit Plan (Plan) includes 1 audit to be performed during the 2016 fiscal year. The Plan also includes a follow-up of the prior year audit recommendations, other tasks as may be assigned by the Finance Commission, and preparation of the Annual Internal Audit Report for fiscal year 2016.

Risk Assessment

Utilizing information obtained through the questionnaires and background information reviewed, 17 audit areas were identified as the potential audit topics. A risk analysis utilizing the 8 risk factors, mentioned in section I of this report, was completed for each individual audit topic and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 17 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Motor Vehicle Sales Finance Examinations	Records Management	Professional Licensing (Pawnshop Employees & MLO)
Registration	Property Tax Lender Examinations	Pawn Examinations
Texas Financial Education Endowment Fund	Billing and Collection of Fees	Fixed Assets
	Fiscal Division	Management Information Systems
	Complaint Intake and Investigations	Risk Management
	Regulated Lenders Examinations	Business Licensing
		Credit Access Business Examinations
		Human Resources

This report includes the “Risk Assessment Summary” as Attachment A-3; and, the “History of Areas Audited” as Attachment B-3, which identifies audits/reviews performed from fiscal year 2006 through 2015.

In the prior 3 years, internal audits were performed in the following areas:

Fiscal Year 2015:

- Texas Financial Education Endowment Fund

Fiscal Year 2014:

- Professional Licensing

Fiscal Year 2013:

- Credit Access Business Examinations

FINANCE COMMISSION

Internal Audit Plan

The area recommended for internal audit and other functions to be performed for fiscal year 2015 are as follows:

1. Motor Vehicle Sales Finance (MVSF) Examinations

The planned audit procedures include the following:

- a. Obtain an understanding of the laws and regulations provided in the Texas Administrative Code and the Texas Finance Code, as applicable to the MVSF Examinations.
- b. Review established policies and procedures, collect various documents, and conduct interviews to obtain an understanding of the MVSF Examination Area's processes and current practices in place.
- c. Select a sample of MVSF examinations performed during the year to test for compliance with policies and procedures, rules and regulations, and current practices in place.
- d. Select a sample of MVSF licensees to ensure that the frequency of examinations is in accordance with the guideline established by the OCCC.
- e. Review policies and procedures for MVSF examiner training and perform procedures to ensure MVSF examiners are trained accordingly.
- f. Other procedures that may be deemed necessary during audit fieldwork.

2. Follow-up of Internal Audits

Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of the fiscal year ended August 31, 2015. The audit procedures will result in a determination that the recommendation is (1) Implemented; (2) Partially Implemented; (3) Action Delayed; (4) No Action Taken; (5) Do Not Plan to Take Corrective Action; or, (6) Other.

3. Other Tasks

Other tasks as may be assigned by the Finance Commission.

ATTACHMENTS

TEXAS DEPARTMENT OF BANKING
Risk Assessment Summary
Fiscal Year 2016

		RISK FACTOR WEIGHT																
		10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%									
		RISK FACTORS																
		1	2	3	4	5	6	7	8									
										Compliance with Contracts, Laws & Regulations		Susceptibility of Material Theft or Fraud		Issues or Concerns		Total		
POTENTIAL AUDIT TOPIC		Materiality	Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Regulations	Fraud	Concerns									
High Risk: > 156																		
1	Bank Examinations	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	3	36.00	1	8.00	1	10.00	175.50
2	IT Examinations	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	160.50
3	Prepaid Funeral Guaranty Trust / Insurance Funds	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50
Moderate Risk: 137 - 156																		
4	Trust Examinations	1	10.00	2	33.00	1	16.00	2	30.00	1	12.50	3	36.00	1	8.00	1	10.00	155.50
5	Imaging & Records Management	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	145.00
6	Fixed Asset Management	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
7	Payroll & Human Resources	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
8	Purchasing	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
9	Revenue Accounting Process	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
Low Risk: < 137																		
10	Corporate Activities	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	132.00
11	Prepaid Funeral Contracts	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	132.00
12	Financial Reporting	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	128.50
13	Travel	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	1	12.00	2	16.00	1	10.00	128.00
14	Management Information Systems	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	120.00
15	Risk Management	1	10.00	1	16.50	2	32.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	116.00
16	Money Services Businesses	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	112.00
17	Perpetual Care Cemeteries	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	112.00

Risk Factor Rating:

1 - Low Risk

2 - Moderate Risk

3 - High Risk

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
Risk Assessment Summary
For Fiscal Year 2016

		RISK FACTOR WEIGHT																
		10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%									
		RISK FACTORS																
		1	2	3	4	5	6	7	8									
				Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Compliance with Contracts, Laws & Regulations	Susceptibility of Material Theft or Fraud	Issues or Concerns								
POTENTIAL AUDIT TOPIC		Materiality																Total
High Risk: > 151																		
1	Legal and Enforcement	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	160.50
2	Thrift Examinations	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	160.50
3	Mortgage Examinations	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	160.00
4	Thrift Supervision and Compliance	3	30.00	1	16.50	1	16.00	2	30.00	1	12.50	3	36.00	1	8.00	1	10.00	159.00
5	Revenue Accounting Process	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50
6	Purchasing and Travel	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.00
Moderate Risk: 142 - 151																		
7	Financial Reporting	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	145.00
Low Risk: < 142																		
8	Payroll and Human Resources	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
9	Mortgage Licensing and Registration	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	138.50
10	Management Information Systems	1	10.00	1	16.50	1	16.00	2	30.00	1	12.50	2	24.00	2	16.00	1	10.00	135.00
11	Records Management	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	128.50
12	Consumer Protection	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	122.00
13	Fixed Assets	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	120.00
14	Risk Management	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	100.00

Risk Factor Rating:

- 1 - Low Risk
- 2 - Moderate Risk
- 3 - High Risk

OFFICE OF CONSUMER CREDIT COMMISSIONER
Risk Assessment Summary
For Fiscal Year 2016

		RISK FACTOR WEIGHT																
		10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%									
		RISK FACTORS																
		1	2	3	4	5	6	7	8									
		<div style="display: flex; justify-content: space-between;"> Materiality Time Since Last Audit or Review Results of Last Audit or Review Adequacy of Staffing Levels Policies and Procedures Compliance with Contracts, Laws & Regulations Susceptibility of Material Theft or Fraud Issues or Concerns Total </div>																
POTENTIAL AUDIT TOPIC																		
High Risk: > 162																		
1	Motor Vehicle Sales Finance Examinations	3	30.00	3	49.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	177.00
2	Registration	1	10.00	3	49.50	1	16.00	2	30.00	2	25.00	2	24.00	1	8.00	1	10.00	172.50
3	Texas Financial Education Endowment Fund	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	2	20.00	166.00
Moderate Risk: 147 - 162																		
4	Records Management	1	10.00	3	49.50	1	16.00	1	15.00	2	25.00	2	24.00	1	8.00	1	10.00	157.50
5	Property Tax Lender Examinations	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	157.00
6	Billing and Collection of Fees	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50
7	Fiscal Division (includes Purchasing, Travel, and Payroll)	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.00
8	Complaint Intake and Investigations	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	150.50
9	Regulated Lenders Examinations	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	150.50
Low Risk: < 147																		
10	Professional Licensing (Pawnshop Employees & MLO)	1	10.00	1	16.50	2	32.00	2	30.00	1	12.50	2	24.00	1	8.00	1	10.00	143.00
11	Pawn Examinations	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	140.50
12	Fixed Assets	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
13	Management Information Systems	1	10.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	136.00
14	Risk Management	1	10.00	2	33.00	1	16.00	2	30.00	1	12.50	1	12.00	1	8.00	1	10.00	131.50
15	Business Licensing	1	10.00	1	16.50	1	16.00	2	30.00	1	12.50	2	24.00	1	8.00	1	10.00	127.00
16	Credit Access Business Examinations	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	124.00
17	Human Resources	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	120.00

Risk Factor Rating: 1 - Low Risk 2 - Moderate Risk 3 - High Risk
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TEXAS DEPARTMENT OF BANKING
History of Areas Audited
For Fiscal Year 2016

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited									
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	Bank Examinations	B			E	E		A, E1	E1		
2	Corporate Activities			A					A		
3	Purchasing	C				C	A1			C	
4	Fixed Asset Management				A	C1				C1	
5	Imaging and Records Management			A							
6	IT Examinations					A					
7	Management Information Systems	D	B, D	D	D	A, D	D	D	D, H	A	
8	Payroll and Human Resources	B, C				C	A1		G	C, I	
9	Perpetual Care Cemeteries				A						A
10	Prepaid Funeral Contracts			A					A		
11	Risk Management	F	F	F	F	F				F	F
12	Travel	C				C	A1			C	
13	Trust Examinations		B				A				
14	Money Service Business		B			A				A	
15	Revenue Accounting Process (Effective FY 2011)						A				A
16	Financial Reporting (Effective FY 2011)						A				
17	Prepaid Funeral Guaranty Funds (Separate Area FY 2012)							A			

Legend

- A** Audit performed by Garza/Gonzalez & Associates
- A1** Limited review performed by Garza/Gonzalez & Associates
- B** Audit performed by Wiener Strickler, LLP
- C** Post-payment audit performed by the Comptroller of Public Accounts
- C1** Limited review performed by the Comptroller of Public Accounts
- D** Controlled penetration test performed by the Department of Information Resources
- E** Audit performed by the State Auditor's Office
- E1** Off-site review of outstanding audit findings performed by the State Auditor's Office
- F** Risk management program review or on-site consultation performed by the State Office of Risk Management
- G** Review of personnel policies & procedures system performed by the Texas Workforce Commission Civil Rights Division
- H** Information security assessment review performed by Gartner
- I** Criminal history record audit performed by the Department of Public Safety

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
History of Areas Audited
For Fiscal Year 2016

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited									
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	Payroll and Human Resources		G		A, E					E	
2	Financial Reporting	E, F	H		E						
3	Thrift Examinations				I	I, A					
4	Mortgage Examinations	B	H	A							A
5	Legal and Enforcement		B				A				
6	Consumer Protection		H							A	
7	Thrift Supervision and Compliance	B							A		
8	Mortgage Licensing and Registration		H					A			
9	Fixed Assets	E1			A1					E1	
10	Management Information Systems		B	C	C, I		C		C		C
11	Risk Management	D1		D2	D1	D1			D1	D1	
12	Records Management				A						
13	Revenue Accounting Process						A				
14	Purchasing and Travel	E, F			E					E	

Legend

- A Audit performed by Garza/Gonzalez & Associates
- B Audit performed by Wiener Strickler, LLP
- C Controlled penetration test performed by the Department of Information Resources
- D1 Risk management program review or on-site consultation performed by the State Office of Risk Management (SORM)
- D2 Audit of building safety, emergency evacuation procedures, and overall work conditions performed by SORM
- E Post-payment audit performed by the Comptroller of Public Accounts
- E1 Limited review performed by the Comptroller of Public Accounts
- F Post procurement and payment audit performed by the Texas Facilities Commission
- G Personnel policies & procedures review performed by the Texas Workforce Commission
- H Audit on protection of consumers from predatory mortgage lending practices performed by the State Auditor's Office
- I Audit performed by the State Auditor's Office

OFFICE OF CONSUMER CREDIT COMMISSIONER
History of Areas Audited
For Fiscal Year 2016

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited									
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	Human Resources				A	C			C		
2	Credit Access Business Exams (Effective FY 2012)								A		
3	Fiscal Division (includes Purchasing, Travel & Payroll Divisions)	C, D				C			C		
4	Complaint Intake and Investigation			F				A			
5	Billing and Collection of Fees				A						
6	Registration (Effective FY 2012)										
7	Professional Licensing (Pawnshop Employees & MLO) (Effective FY 2012)									A	
8	Motor Vehicle Sales Finance Examinations	B		F							
9	Business Licensing		B	F			A				
10	Regulated Lenders Examinations					A					
11	Fixed Assets	C1		A		C1			C1		
12	Property Tax Lender Exams (Effective FY 2012)										
13	Pawn Examinations					A					
14	Management Information Systems		B, E	E	E		A		E	E	E
15	Records Management			A							
16	Risk Management	G			G			G			
17	Texas Financial Education Endowment Fund (Effective FY 2013)										A

Legend

- A Audit performed by Garza/Gonzalez & Associates
- B Audit performed by Wiener Strickler, LLP
- C Post-payment audit performed by the Comptroller of Public Accounts
- C1 Limited review performed by the Comptroller of Public Accounts
- D Post procurement audit performed by the Texas Facilities Commission
- E Controlled penetration test performed by the Department of Information Resources
- F Audit performed by the State Auditor's Office
- G Risk management program review or on-site consultation performed by the State Office of Risk Management

TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

Agency Audits for the period FY2006 to date

FY2016

Internal Audit

Garza/Gonzales

Legal and Enforcement (planned)

External Audit

Department of Information Resources

IT Penetration Test

FY2015

Internal Audit

Garza/Gonzales

Mortgage Examinations

External Audit

Department of Information Resources

IT Penetration Test

FY2014

Internal Audit

Garza/Gonzales

Consumer Protection

External Audit

Comptroller of Public Accounts

Post-payment and Post-procurement Audit

State Office of Risk Management

Premises Walk-through

Department of Information Resources

IT Penetration Test

FY2013

Internal Audit

Garza/Gonzales

Thrift Supervision

External Audit

Texas Workforce Commission

Personnel Policies and Procedures Review

State Office of Risk Management

Risk Management Program Review

Department of Information Resources

IT Penetration Test

FY2012

Internal Audit

Garza/Gonzales

Mortgage Licensing

External Audit

Department of Information Resources

IT Penetration Test

Department of Public Safety

Use of Criminal History Information

FY2011

Internal Audit

Garza/Gonzales

Legal and Enforcement

Revenue Accounting Process

External Audit

Department of Information Resources

IT Penetration Test

TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

Agency Audits for the period FY2006 to date

FY2010

Internal Audit

Garza/Gonzales

Thrift Examination (SAO Follow up)

External Audit

State Auditor's Office

Savings Banks Oversight, Part II

Comptroller of Public Accounts

Post-payment and Post-procurement Audit

State Office of Risk Management

Premises Walk-through

Department of Information Resources

IT Penetration Test

FY2009

Internal Audit

Garza/Gonzales

Payroll and Human Resources

Fixed Assets and Records Management

External Audit

State Auditor's Office

Savings Banks Oversight, Part I

State Office of Risk Management

Risk Management Program Review

Department of Information Resources

IT Penetration Test

FY2008

Internal Audit

Garza/Gonzales

Performance Measures

Mortgage Broker Inspection

External Audit

State Office of Risk Management

Premises Walk-through

Department of Information Resources

IT Penetration Test

FY2007

Internal Audit

Strickler & Prieto

Legal

Management Information Systems

External Audit

Texas Workforce Commission

Personnel Policies and Procedures Review

State Office of Risk Management

Premises Walk-through

Federal Bureau of Investigation

Use of Criminal History Information

Department of Information Resources

IT Penetration Test

FY2006

Internal Audit

Wiener Strickler

Mortgage Broker Licensing

Corporate Activities

External Audit

Comptroller of Public Accounts

Post-payment Audit

Tx Bldg and Procurement Commission

Post-procurement Audit

State Auditor's Office

Predatory Lending

State Office of Risk Management

Risk Management Program Review

**Office of Consumer Credit Commissioner
Audit History**

<u>Year</u>	<u>By Whom</u>	<u>Purpose</u>	<u>Year</u>	<u>By Whom</u>	<u>Purpose</u>
2016	Garza/ Gonzalez	Risk Assessment	2009	Garza/ Gonzalez	Risk Assessment
				SORM	Risk Management Program Review
2015	Garza/ Gonzalez	Risk Assessment		DIR	IT Penetration Testing
	Garza/ Gonzalez	TFEE Audit		Garza/ Gonzalez	Payroll & Human Resources
	Garza/ Gonzalez	Annual Follow-up Audit		Garza/ Gonzalez	Revenues & Collections of Fees
				Garza/ Gonzalez	Annual Follow-up Audit
2014	Garza/ Gonzalez	Risk Assessment	2008	SAO	Agency Performance Audit
	Garza/ Gonzalez	Pawnshop Employees Audit		DIR	IT Penetration Testing
	Garza/ Gonzalez	Professional License Audit		Garza/ Gonzalez	Risk Assessment
	Garza/ Gonzalez	Annual Follow-up Audit		Garza/ Gonzalez	Record Retention & Fixed Asset
				Garza/ Gonzalez	Annual Follow-up Audit
2013	FBI	Fingerprint ID System Audit	2007	TWC	Personnel Policy & Procedure
	TWC	Personnel Policy & Procedure		SAO	Performance Measure Audit
	CPA	Post-Payment, Post-Procurement, Personnel, Payroll, SPA & Travel Audit		DIR	IT Penetration Testing
				Strickler	Risk Assessment
	Garza/ Gonzalez	Risk Assessment		Strickler	Business Application Process Audit
	Garza/ Gonzalez	Credit Access Business Exam Audit		Strickler	Information Systems Audit
	DIR	IT Penetration Testing		Strickler	Annual Follow-up Audit
2012	Garza/ Gonzalez	Risk Assessment	2006	TBPC	Post-Procurement & Payment Audit
	Garza/ Gonzalez	Complaint Investigations Audit		SORM	Risk Management Program Review
	Garza/ Gonzalez	Annual Follow-up Audit		CPA	Post-Payment Audit
	SORM	Risk Management Program Review		TWC	Personnel Policy & Procedure
	SAO	Agency Performance Audit		Strickler	Risk Assessment
	DPS	Licensing Audit		Strickler	Motor Vehicle Sales Finance Exam Process Audit
2011	Garza/ Gonzalez	Risk Assessment		Strickler	Consumer Education Audit
				Strickler	Annual Follow-up Audit
	Garza/ Gonzalez	Information Resources			
	Garza/ Gonzalez	Licensing			
	DIR	IT Penetration Testing			
2010	CPA	Post-Payment, Post-Procurement, Personnel, Payroll & Travel Audit			
	Garza/ Gonzalez	Risk Assessment			
	Garza/ Gonzalez	Pawn Examinations Audit			
	Garza/ Gonzalez	Regulated Lender Examination Audit			
	Garza/ Gonzalez	Annual Follow-up Audit			
	DIR	IT Penetration Testing			

Department of Banking – Audits Performed

Fiscal Year 2015

- Internal Audits:
 - Revenue Accounting Process
 - Perpetual Care Cemeteries
- SORM – Loss Control Assessment
- SORM – On-Site Consultation

Fiscal Year 2014

- Internal Audits:
 - Money Services Businesses
 - Management Information Systems (MIS)
- Comptroller – Post Payment Audit
- SORM – On-Site Risk Management Program Review
- SORM – Death Investigation

Fiscal Year 2013

- Internal Audits:
 - Prepaid Funeral Contract Examinations
 - Corporate Activities
- SAO – Off-Site Review of Outstanding Bank Examination Audit Findings
- DPS – Criminal History Record Audit
- Gartner – Network Security
- DIR – Network Security Controlled Penetration Test

Fiscal Year 2012

- Internal Audits:
 - Prepaid Funeral Guaranty Funds
 - Bank Examinations
- TWC – Civil Rights Audit
- SAO – Off-Site Review of Outstanding Bank Examination Audit Findings
- DIR – Network Security Controlled Penetration Test

Fiscal Year 2011

- Internal Audits:
 - Revenue Accounting Process
 - Trust Examinations
 - Financial Reporting
- DIR – Network Security Controlled Penetration Test

Fiscal Year 2010

- Internal Audits:
 - Money Service Business Examinations
 - IT Examinations

- Management Information Systems
- State Auditor's Office Bank Examinations – Supplement for newly released examination data by the FDIC (November 2009)
- Comptroller – Post Payment Audit
- SORM – On-Site Risk Management Review
- DIR – Network Security Controlled Penetration Test

Fiscal Year 2009

- Internal Audits:
 - Perpetual Care Cemetery Examinations
 - Performance Measures
 - Fixed Asset Management
- State Auditor's Office Bank Examinations (July 2009)
- SORM – On-Site Risk Management Review
- DIR – Network Security Controlled Penetration Test

Fiscal Year 2008

- Internal Audits:
 - Prepaid Funeral Contract Examinations
 - Imaging and Records Management
 - Corporate Activities
- SORM – On-Site Risk Management Review
- DIR – Network Security Controlled Penetration Test

Fiscal Year 2007

- Internal Audits:
 - Money Service Business Examinations
 - Trust Examinations
 - Management Information Systems
- SORM – On-Site Risk Management Review

Fiscal Year 2006

- Internal Audits:
 - Bank Examinations
 - Payroll and Human Resources
 - Legal Activities
- Comptroller - Post Payment Audit
- SORM – On-Site Risk Management Review
- TWC – Civil Rights Audits
- DIR – Network Security Controlled Penetration Test

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Texas Financial Education Endowment Report

TFEE 2014-15 CYCLE

On December 17, the Grant Coordinator and GAC met to discuss selected proposals and prepared recommendations to the Audit Committee for Finance Commission approval for a December 2015 announcement.

There are three grantees remaining from the first TFEE grant cycle who will complete their two-year terms in December 2015.

Staff sent out the final installation of grant report and request for reimbursement forms to TFEE recipients on December 4, 2015. These reports will be due no later than January 31, 2016. Staff has begun planning how the first TFEE cycle will be reported and presented during the Finance Commission February 2016 meeting.

The Grant Advisory Committee has one vacancy, preferably for a member with grant administration expertise. The Grant Coordinator is working to identify qualified replacement(s) to recommend to the GAC, Audit Committee, and Finance Commission for approval.

TFEE 2016-17 CYCLE

Grant applications were due September 30, 2015. There were twenty-one (21) applications submitted. The Grant Coordinator received, tracked, and reviewed each grant application for the 2016-2017 funding period.

Staff prepared a summary of application highlights and uploaded the applications and supplemental documents to the secure portion of the TFEE website for the Grant Advisory Committee (GAC) to review and score proposals.

Each application was reviewed for completeness and screened for minimum qualifications by the TFEE Grant Coordinator, Dana Edgerton. Only one applicant was ineligible for further review because they were a licensee with the OCCC.

The remaining twenty applications were sorted into two groups. Each group of applications was reviewed by at least three individual reviews. The eight reviewers are comprised of the Grant Advisory Committee (seven members) and 2 OCCC staff members. Assignments of reviewers to applications were carefully considered to ensure no conflicts of interest. Each application was reviewed and rated on the following eight components:

<p>Alignment with TFEE objectives <i>(how well does the program support or address one or more of the TFEE objectives?)</i></p>
<p>Experience/Effectiveness <i>(evidence of availability to administer funds and implement programs to achieve predicted impact.)</i></p>
<p>Value and Program Innovation <i>(long-term, tangible improvements in financial health and use of innovative methods.)</i></p>
<p>Target Population <i>(experience reaching this audience; does the program and experience meet the TFEE desired population?)</i></p>
<p>Outcomes <i>(clearly defined and achievable objectives and activities and the merit of the stated outcomes)</i></p>
<p>Evaluation & Measurement Strategy <i>(clearly defined progress indicators and the ability to objectively measure results)</i></p>
<p>Program Budget & Funding <i>(how realistic is the program budget and how valuable is designated use of desired funds)</i></p>
<p>Sustainability <i>(does the grant help build a program that can be sustained beyond the grant cycle?)</i></p>

Each component was rated on a 5-point scale. The score was weighted by each component, resulting in the reviewer’s score for an application. The reviewer’s scores were averaged in order to determine the overall score of an application. The resultant overall score rankings were used to determine which programs the Advisory Committee recommends funding.