

MINUTES OF THE
Finance Commission Audit Committee Meeting
Friday, February 15, 2013

The Audit Committee of the Finance Commission of Texas met Friday, February 15, 2013, in the Finance Commission Building, William F. Aldridge Hearing Room, 2601 North Lamar Boulevard, Austin, Texas.

Members in attendance:

Cindy Lyons, Audit Committee Chair
Lori McCool, Audit Committee Member
Victor Leal, Finance Commission Member

Others in attendance:

Doug Foster, Executive Director to the Finance Commission and Commissioner, Texas Department of Savings and Mortgage Lending (SML)
Charles Cooper, Commissioner, Department of Banking (DOB)
Leslie Pettijohn, Commissioner, Office of Consumer Credit Commissioner (OCCC)
Stephanie Newberg, Deputy Commissioner, Texas Department of Banking (DOB)
Antonia Antov, Director of Administration and Finance, Texas Department of Savings and Mortgage Lending (SML)
Christina Cuellar, Manager of Accounting, Office of Consumer Credit Commissioner (OCCC)

Audit Committee Chair Cindy Lyons announced a quorum with three Committee Members (Ms. McCool and Mr. Leal) present. She called the meeting to order at 8:03 a.m.

Review and Approval of Minutes of the October 19, 2012, Audit Committee Meeting

Lori McCool made a motion to approve the minutes of the October 19, 2012, Audit Committee meeting. Victor Leal seconded and the minutes were adopted.

Audit Committee Review of Agencies' Activities:

Texas Department of Banking

Commissioner Cooper provided an overview of the Outstanding Audit Findings noting the examination report from the State Auditor's Office (SAO) had been substantially implemented. The average number of days late for all commercial examinations in the first quarter was 12, compared to 18 days for fiscal year 2012.

He also highlighted the outstanding audit items related to the most recent Garza bank examination audit. The Commissioner continued with a discussion of the DIR network security penetration test performed in fiscal year 2012.

Texas Department of Savings and Mortgage Lending

Director Antov provided an overview of the Outstanding Audit Findings and summarized the recent State Office of Risk Management (SORM) audit. This included a walk through process and review of the entire risk management program. Committee Chair Lyons requested all agencies include internal audits in future outstanding audit reports.

Office of Consumer Credit Commissioner

Commissioner Pettijohn provided an overview of the Outstanding Audit Findings and discussed the outstanding finding in the business licensing audit area, an anticipated rule amendment pertaining to fees which will be considered during the rule review process.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' November 30, 2012, Investment Officer Reports.

Texas Department of Banking

Commissioner Cooper provided an overview of the Insurance-Funded Prepaid Funeral Guaranty Fund and the Trust Funded Prepaid Funeral Guaranty Fund quarterly reports. He continued with an update on seized prepaid funeral funds.

Committee Chair Lyons requested information regarding the seized funding process for Howell-Doran Funeral Home. Deputy Commissioner Newberg addressed the questions.

Texas Department of Savings and Mortgage Lending

Director Antov provided an overview of the Investment Officer Report detailing the agency's certificates of deposit and other funding activity.

Office of Consumer Credit Commissioner

Christina Cuellar provided an overview of the agency's Investment Officer Report. Commissioner Pettijohn commented on the Financial Education Endowment funds that were available and ready to invest.

Lori McCool made a motion to recommend that the Finance Commission accept the Agencies' November 30, 2012, Investment Officer Reports. Victor Leal seconded and the motion was adopted.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' First Quarter Financial Statements.

Texas Department of Banking

Deputy Commissioner Newberg provided an overview of the Agency's First Quarter Financial Statements, highlighting the total revenue and budgeted expenditures. She commented on the intern banking program at Texas A&M University stating two interns have been hired for the upcoming summer semester; one in Dallas and the other in San Antonio.

Texas Department of Savings and Mortgage Lending

Director Antov provided an overview of the agency's First Quarter Financial Statements. She highlighted total revenues and expenditures by detailing licensing fees with penalties and the agency's current travel budget.

Office of Consumer Credit Commissioner

Ms. Cuellar provided an overview of the agency's First Quarter Financial Statements. She detailed the variances while explaining the agency's revenues and expenditures, noting the agency remained ahead of revenue projections.

Victor Leal made a motion to recommend that the Finance Commission accept the Agencies' First Quarter Financial Statements. Lori McCool seconded and the motion was adopted.

Discussion of and Possible Vote to Take Action on the Internal Auditor's Audit Plan for the Finance Commission Agencies' for Fiscal Year 2013.

Ms. Kimberly Lopez-Gonzalez, with Garza/Gonzalez and Associates, presented an overview of the fiscal year 2013 internal audit plan for the agencies. She highlighted the development of the audit plan for each agency detailing the purpose, methodology and risk assessment. In order to score each agency's auditable areas, the auditors met with a number of individuals and reviewed a large volume of documents and information.

She continued by reporting on the audit of the Texas Department of Banking. An internal audit review of the Corporate Activities Division (CAD) and Prepaid Funeral Contracts (PFC) were recommended. This will also include a follow-up of the current and prior year audit recommendations.

Ms. Lopez-Gonzalez reported on the audit of the Savings and Mortgage Lending Department. An internal audit review of the Thrift Supervision and Compliance area was recommended. This will include a follow-up of the current and prior year audit recommendations.

She concluded with a report on the audit of the Office of Consumer Credit Commissioner. An internal audit review of the Credit Access Business (CAB) examinations area was recommended. This will include a follow-up of the current and prior year audit recommendations.

There was discussion among members regarding the audit plans. The commissioners addressed the questions.

Lori McCool made a motion to recommend that the Finance Commission accept the Agencies' Internal Audit Plan for Fiscal Year 2013. Victor Leal seconded and the motion was adopted.

Discussion of and Possible Vote to Recommend that the Finance Commission Invest Funds of the Texas Financial Education Endowment Fund in the Endowment Program of Texas Treasury Safekeeping Trust Company.

Commissioner Pettijohn provided an overview of the investment policies of the Texas Treasury Safekeeping Trust endowment program.

Victor Leal made a motion to approve the investment of \$1,400,000 of the Texas Financial Education Endowment Fund in the Endowment Program of Texas Treasury Safekeeping Trust Company. Lori McCool seconded and the motion was adopted.

Discussion of and Possible Vote to Recommend that the Finance Commission Approve Administration and Oversight Proposal for the Grant Program of the Texas Financial Education Endowment Fund.

Commissioner Pettijohn provided an overview of the administration and oversight proposal for the grant program of the Texas Financial Education Endowment Fund.

Lori McCool made a motion to recommend that the Finance Commission Approve the Administration and Oversight Proposal for the Grant Program of the Texas Financial Education Endowment Fund. Victor Leal seconded and the motion was adopted.

There being no further business, Committee Chair Cindy Lyons adjourned the meeting of the Audit Committee of the Finance Commission on February 15, 2013, at 8:54 a.m.

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

Doug Foster, Executive Director of the
Finance Commission of Texas

Tammy King Wooten, Executive Assistant
Finance Commission of Texas