

MINUTES OF THE
Finance Commission Audit Committee Meeting
Friday, June 21, 2013

The Audit Committee of the Finance Commission of Texas met Friday, June 21, 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, Audit Committee 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, DOB
Kurt Purdom, Director of Bank and Trust Supervision, Texas Department of Banking (DOB)
Steven O'Shields, Director of Licensing, Texas Department of Savings and Mortgage Lending (SML)

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

Review and Approval of Minutes of the April 19, 2013, Audit Committee Meeting

Lori McCool made a motion to approve the minutes of the April 19, 2013, Audit Committee meeting. Mr. Leal seconded and the minutes were adopted.

Audit Committee Review of Agencies' Activities:

Texas Department of Savings and Mortgage Lending

Commissioner Foster provided an overview of the Outstanding Audit Findings reporting all audit items are complete except for awaiting the national business continuity planning test with the federal government. The Commissioner also commented on the Texas Workforce Commission on-site audit and the thrift supervision Garza/Gonzalez & Associates audit were in progress. The agency has not received any audit findings from either at this time.

He discussed a letter received from The Comptroller of Public Accounts notifying the agency of an upcoming post-payment audit.

Office of Consumer Credit Commissioner

Commissioner Pettijohn provided an overview of the Outstanding Audit Findings noting those being fully implemented and detailing the remaining others in progress. She continued by highlighting the legislation results of the FBI audit item and also commented on the Texas Workforce Commission on-site audit.

Texas Department of Banking

Kurt Purdom provided an overview of the Outstanding Audit Findings noting the open item from the examination report of the State Auditor's Office had been substantially implemented. He continued with a discussion of the commercial bank examination reports stating 75% had been mailed within policy guidelines. There was discussion among members with Mr. Purdom addressing the questions.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Extend the Internal Auditor Contract for Garza/Gonzalez & Associates through Fiscal Year 2014.

Steven O'Shields provided an overview of the internal auditor contract with Garza/Gonzalez & Associates. There was discussion among members with Mr. O'Shields addressing the questions.

Victor Leal made a motion to recommend that the Finance Commission Take Action to Extend the Internal Auditor Contract for Garza/Gonzalez & Associates through Fiscal Year 2014. Lori McCool seconded and the motion was adopted.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Department of Banking's Audit of the Prepaid Funeral Contract Area as Prepared and Presented by Garza/Gonzalez and Associates.

Ms. Kimberly Lopez-Gonzalez, with Garza/Gonzalez and Associates, presented an overview of the prepaid funeral contracts (PFC) audit report. She commented there had been neither control deficiencies nor any non-compliance issues regarding the audit. Ms. Lopez-Gonzalez stated there was one area of observation regarding the timeliness of the PFC examinations.

Stephanie Newberg commented on the third quarter reports regarding the PFC audit. She noted there had been 40 past due exams at the end of May. Ms. Newberg continued by highlighting the progress of the examinations with an increase in this area due to the hiring of new staff members.

Lori McCool made a motion to recommend that the Finance Commission Take Action on the Department of Banking's Audit of the Prepaid Funeral Contract Area as Prepared and Presented by Garza/Gonzalez and Associates. Mr. Leal seconded and the motion was adopted.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Financial Education Endowment Fund Grant Program Administration and Advisory Policy and Grant Advisory Committee members.

Commissioner Pettijohn provided an overview of recent activity pertaining to the Texas Financial Education Endowment Fund. She highlighted the administrative and grant oversight portion of the program while commenting on the alternatives for the administration of the program. The Commissioner discussed the appointment of Ms. Dana Edgerton to serve as the grant coordinator for the program. There was discussion among members regarding the grant advisory policy with Commissioner Pettijohn addressing the questions.

Commissioner Pettijohn continued by providing an overview of the Grant Advisory Committee stating Ms. Lyons and Ms. McCool would be serving on the committee.

Lori McCool made a motion to recommend that the Finance Commission Approve the Texas Financial Education Endowment Fund Grant Program Administration and Advisory Policy and Grant Advisory Committee members. Mr. 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 June 21, 2013, at 8:35 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