

MINUTES OF THE  
**Finance Commission Audit Committee Meeting**  
Friday, October 18, 2013

The Audit Committee of the Finance Commission of Texas met Friday, October 18, 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 (arrived at 8:45 a.m.)

**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)  
Rudy Aguilar, Director of Consumer Protection, (OCCC)

Audit Committee Chair Cindy Lyons announced a quorum with two Committee Members (Ms. Lyons, and Ms. McCool) present. She called the meeting to order at 8:35 a.m.

**Review and Approval of Minutes of the August 15, 2013, Audit Committee Meeting**

Lori McCool made a motion to approve the minutes of the August 15, 2013, Audit Committee meeting. Cindy Lyons seconded and the minutes were adopted.

**Audit Committee Review of Agencies' Activities:**

***Office of Consumer Credit Commissioner***

Commissioner Pettijohn provided an overview of the Outstanding Audit Findings and presented an update on the two remaining items; the amendment of rule language on assessment fee maximums which is awaiting the rule review process and the FBI criminal history audit finding on legislative authority. Both items remain in progress. She continued by highlighting the recently implemented items from the Garza/Gonzalez and Associates audit report. The Agency will soon have a post-payment audit by the Texas Comptroller of Public Accounts beginning the last week of October.

***Texas Department of Banking***

Deputy Commissioner Newberg provided an overview of the Outstanding Audit Findings noting two items regarding the timeliness of examination report processing and conducting bank examinations. There have been substantial and continued improvements in both audit areas. There was discussion among members with Deputy Commissioner Newberg addressing the questions.

She continued with a discussion of the recent letter received from the Texas Department of Information Resources (DIR) regarding the Agency's recent controlled penetration testing. The testing results revealed there were no compromised systems or released information.

Deputy Commissioner Newberg provided an overview of the current Texas Comptroller of Public Accounts routine post-payment audit noting the Agency's recognition regarding their outstanding travel voucher program. She continued with an update on the State Office of Risk Management (SORM) risk assessment audit review beginning in January 2014.

***Texas Department of Savings and Mortgage Lending***

Commissioner Foster provided an overview of the Outstanding Audit Findings while reporting on the SORM audit review report. There has been no final after action report received following the Agency's participation in the federal government cyber-attack simulation.

He continued with a discussion and recommendation from the Garza/Gonzalez and Associates audit report regarding an update to the Agency's supervisory manual. The Agency has completed this item.

The Commissioner highlighted the Texas Comptroller of Public Accounts post-payment audit noting there has been no written report issued as of this time.

Chair Lyons requested that all agencies update their list of prior audits prior to the internal auditor conducting the agencies' risk assessments.

**Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' August 31, 2013, Investment Officer Reports.**

***Office of Consumer Credit Commissioner***

Commissioner Pettijohn provided an overview of the Agency's Investment Officer Report while highlighting the Texas Financial Education Endowment and Residential Mortgage Loan Originator Recovery Trust Fund. She continued with the submission of more detailed information for the investment portfolio of the endowment fund. There was discussion among members relating to the alternative investment area with Commissioner Pettijohn addressing the questions.

***Texas Department of Banking***

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

***Texas Department of Savings and Mortgage Lending***

Commissioner Foster provided an overview of the Investment Officer Report detailing the Agency's certificates of deposit and other funding activity. The Agency opened an additional CD in October and will open an additional one in December.

Lori McCool made a motion to recommend that the Finance Commission approve the agencies' August 31, 2013, 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' Fourth Quarter Financial Statements.**

***Office of Consumer Credit Commissioner***

Commissioner Pettijohn provided an overview of the Agency's Fourth Quarter Financial Statements. She detailed the variances while explaining the revenues and expenditures.

The Commissioner continued by noting the annual financial reports that had been emailed earlier to the Members for their review.

***Texas Department of Banking***

Deputy Commissioner Newberg provided an overview of the Agency's Fourth Quarter Financial Statements, highlighting individual revenue and budgeted expenditure line items. There was discussion among members regarding personnel staffing and salaries with Deputy Commissioner Newberg addressing the questions.

***Texas Department of Savings and Mortgage Lending***

Commissioner Foster provided an overview of the Agency's Fourth Quarter Financial Statements. He highlighted total revenues and expenditures, licensing fees, penalties, and also discussed the Agency's current travel budget.

Victor Leal made a motion to recommend that the Finance Commission approve the agencies' Fourth Quarter Financial Statements. Lori McCool 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.**

Commissioner Pettijohn provided an overview and recent status report pertaining to the Texas Financial Education Endowment Fund. She further reported on the Grant Advisory Committee meetings and the launching of a new endowment fund website. The Commissioner highlighted the grant fund webinar held on September 12, 2013, while commenting on the potential applicants, guidelines and instructional process. The deadline for the grant application submission was on October 15, 2013. Thirty-three applications were received for review and processing.

There was discussion with no vote on the agenda item.

There being no further business, Committee Chair Cindy Lyons adjourned the meeting of the Audit Committee of the Finance Commission on October 18, 2013, at 9:05 a.m.

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

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Doug Foster, Executive Director of the  
Finance Commission of Texas

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Tammy King Wooten, Executive Assistant  
Finance Commission of Texas