

MINUTES OF AUDIT COMMITTEE MEETING

Friday, October 17, 2014

The Audit Committee of the Finance Commission of Texas met Friday, October 17, 2014, 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
Bill White, Ex Officio Member

Members absent:

Victor Leal, Audit Committee Member

Others in attendance:

Leslie Pettijohn, Commissioner, Office of Consumer Credit Commissioner (OCCC)
Charles Cooper, Executive Director to the Finance Commission and Commissioner, Department of Banking (DOB)
Caroline C. Jones, Commissioner, Texas Department of Savings and Mortgage Lending (TDSML)

Audit Committee Chair Cindy Lyons called the meeting to order at 8:33a.m.

Audit Committee Chair Cindy Lyons requested Chairman Bill White to participate as a voting member of the Audit Committee.

Review and Approval of Minutes of the August 15, 2014, Audit Committee Meeting

Lori McCool made a motion to approve the minutes of the August 15, 2014, Audit Committee meeting. Bill White seconded and the motion passed.

Audit Committee Review of Agencies' Activities

Discussion item only.

Office of Consumer Credit Commissioner

Commissioner Pettijohn reported no significant changes in this report from the prior report.

Texas Department of Banking

Kurt Purdom, Director of Bank & Trust, gave an update on progress being made in terms of processing and conducting examinations.

Texas Department of Savings and Mortgage Lending

Commissioner Jones gave an update on implementation of audit recommendations.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' August 31, 2014, Investment Officer Reports

Office of Consumer Credit Commissioner

Commissioner Pettijohn gave an update on the Financial Education Endowment Fund and stated they are in discussion with Safekeeping Trust Company on the timing and frequency of transfers to the invested portion of the fund. The Residential Mortgage Loan Originator Recovery Trust Fund continues to be stable.

Texas Department of Banking

Russell Reese, Director of Special Audits, reported nominal activity in the Guaranty Fund. Two seizures will be finalized this month and there will be no seizures on the next report.

Texas Department of Savings and Mortgage Lending

Antonia Antov, Director of Administration and Finance, reported that the Recovery Trust Fund had minimal activity and the current balance is \$3.7 million.

Lori McCool made a motion to approve the Investment Officer Reports, Bill White seconded and the motion passed.

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 OCCC Fourth Quarter Financial Statement and variances. The OCCC increased reserves designated for the building to \$4.5 million. The agency will continue to evaluate cash flow requirements and whether they can designate an additional \$500,000 to match the reserves of the other two agencies.

Texas Department of Banking

Sami Chadli, Director of Administrative Services, provided an overview of the DOB Fourth Quarter Financial Statement and variances. He also stated that budget was moved within the salary and wages category in FY14 and FY15. This movement was from other salaries to classified salaries in the amount of approximately \$90,000 for FY14 and \$77,000 for FY15 related to misclassifying the travel stipend budget. The DOB did increase building reserves to \$5 million.

Texas Department of Savings and Mortgage Lending

Antonia Antov, Director of Administration and Finance, provided an overview of TDSML's Fourth Quarter Financial Statement and variances. Revenues are over budget mainly due to the volume of license applications.

Bill White made a motion to approve the Fourth Quarter Financial Statements, Lori McCool seconded and the motion passed.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Financial Education Endowment Fund

Commissioner Pettijohn gave an overview of endowment fund and activities. This was a discussion item only.

There being no further business of the Audit Committee of the Finance Commission of Texas, Chair Cindy Lyons adjourned the meeting at 9:01 a.m.

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

Charles G. Cooper, Executive Director of the
Finance Commission of Texas

Judy Schooling, Executive Assistant
Finance Commission of Texas