

MINUTES OF AUDIT COMMITTEE MEETING

Friday, December 12, 2014

The Audit Committee of the Finance Commission of Texas met Friday, December 12, 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
Larry Patton, Audit Committee Member

Others in attendance:

Charles Cooper, Executive Director to the Finance Commission and Commissioner, Department of Banking (DOB)
Leslie Pettijohn, Commissioner, Office of Consumer Credit Commissioner (OCCC)
Caroline C. Jones, Commissioner, Texas Department of Savings and Mortgage Lending (TDSML)
Paul Plunket, Finance Commission Member
Victor Leal, Finance Commission Member
Kimberly Lopez-Gonzales, Partner, Garza/Gonzales & Associates
Jim Crowson, Assistant Attorney General, Office of the Attorney General

Audit Committee Chair Cindy Lyons called the meeting to order at 8:07 a.m.

Review and Approval of Minutes of the October 17, 2014, Audit Committee Meeting

Lori McCool made a motion to approve the minutes of the October 17, 2014, Audit Committee Meeting. Larry Patton seconded and the motion passed.

Audit Committee Review of Agencies' Activities

Texas Department of Savings and Mortgage Lending

Commissioner Jones reported that building content insurance has been purchased. The Agency submitted to the insurance agency all information necessary to receive a quote for directors and officers insurance. No response has been received from the insurance company's underwriting department. These items are recommendations from the August 26, 2014, SORM audit.

Office of Consumer Credit Commissioner

Commissioner Pettijohn reported that the business continuity plan was implemented and the remaining outstanding items are in progress.

Texas Department of Banking

Commissioner Cooper reported that the Self-Reported Status of the State Auditor's Recommendations related to their 2009 Bank Examination was recently submitted to the State Auditor's Office. The two remaining items are in an ongoing status.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Fiscal Year 2015 Internal Auditor's Risk Assessment and Audit Plan for the Finance Commission Agencies

Kimberly Lopez-Gonzales, Partner, Garza/Gonzales & Associates, reported that each year they perform a risk assessment on the three agencies and recommendations for internal audits are presented. The recommended audits to be performed are as follows:

DOB – Revenue accounting and perpetual care cemeteries

TDSML – Mortgage examinations

OCCC – Texas Financial Education Endowment Fund

In addition, Garza/Gonzales will follow up on comments and recommendations from prior audits that may not have been fully implemented as of August 31, 2014, and develop an internal annual report due by November.

Paul Plunket asked if there was a way to measure long-term audit items to ensure high performance. Commissioner Cooper suggested that the agencies get together to discuss options.

Cindy Lyons asked whether management information systems (MIS) has been audited since 2007. Ms. Lopez-Gonzales responded that DIR audits MIS yearly; therefore, it is not a high-risk area. Cindy Lyons stated that OCCC's MIS was last audited in 2007. Ms. Gonzales will make MIS a priority for the next internal audit plan for the OCCC.

Victor Leal asked Commissioner Pettijohn if there is a way to measure the need for examiners. He is concerned about frequency of examinations in the new growth areas. Commissioner Pettijohn responded that it is a function of performance measures and budget.

Larry Patton made a motion to recommend the Fiscal Year 2015 Internal Auditor's Risk Assessment and Audit Plan. Second by Lori McCool and the motion passed.

Report on Activities Relating to the Texas Financial Education Endowment Fund

Commissioner Pettijohn stated that the second round of reporting is coming up and the agency is preparing for the next round of grant applications and selection of awards.

There being no further business of the Audit Committee of the Finance Commission of Texas, Chair Cindy Lyons adjourned the meeting at 8:34 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