

MINUTES OF
AUDIT COMMITTEE MEETING

Friday, February 20, 2015
8:30 a.m.

The Audit Committee of the Finance Commission of Texas met Friday, February 20, 2015, 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)
Caroline C. Jones, Commissioner, Texas Department of Savings and Mortgage Lending (TDSML)
Leslie Pettijohn, Commissioner, Office of Consumer Credit Commissioner (OCCC)
Jim Crowson, Assistant Attorney General, Office of the Attorney General
Paul Plunkett, Commission Member

Audit Committee Chair Cindy Lyons called the meeting to order at 8:30 a.m.

Review and Approval of Minutes of the December 12, 2014, Audit Committee Meeting

Lori McCool made a motion to approve the minutes. Larry Patton seconded and the motion passed.

Audit Committee Review of Agencies' Activities

Texas Department of Banking

Bob Bacon, Deputy Commissioner, stated that the examination report process has been fully implemented with 91% of the examination reports mailed in a timely manner. The timely completion of bank examinations have been substantially implemented with 87% conducted within policy guidelines.

Texas Department of Savings and Mortgage Lending

Caroline Jones, Commissioner, reported that the two remaining audit recommendations have been completed; building insurance and D&O insurance have been obtained.

Office of Consumer Credit Commissioner

Leslie Pettijohn, Commissioner, reported that of the five audit items that have been outstanding, three have been completed. The two in progress are the FBI's request for criminal history authorization to be added to the Government Code and the implementation of a quality control review process which should be completed by the end of the summer.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' November 30, 2014, Investment Officer Reports

Texas Department of Banking

Stephanie Newberg, Deputy Commissioner, reported that the two seizures are completed and the fund assets have been transferred to new providers. The Insurance Funded Guaranty Fund and the Trust Funded Guarantee Fund show normal deductions and additions for the review period.

Texas Department of Savings and Mortgage Lending

Antonia Antov, Director of Administration and Finance, reported that there was no unusual activity on the certificates of deposit. There was a cash balance reserved for a potential payout, but the claim was settled and the payout was not necessary.

Office of Consumer Credit Commissioner

Christina Cuellar, Manager of Accounting, reported that the Mortgage Loan Recovery Trust Fund had minimal activity, and the Texas Financial Education Endowment Fund had a disbursement of around \$89,000.

Lori McCool made a motion to approve the investment officer reports. Larry Patton seconded and the motion passed.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2015 First Quarter Financial Statements

Texas Department of Banking

Sami Chadli, Director of Administrative Services, provided an overview of first quarter financials. The operating statement revenues are at 101.9% of budget and expenditures are at 99.9%. Actual revenues were higher than budgeted due to unanticipated penalties. Classified salaries and payroll had a positive variance due to unfilled vacancies. In-state travel has a positive variance due to vacancies, rotating examiner travel; lower than budgeted travel, and less risk target examinations. Telephone had a negative variance due to an unbudgeted purchase of Cornerstone, an employee performance management tool, and data line expenditures related to the move of the Lubbock regional office. The SWCAP assessment was higher than budgeted and the State Office of Risk Management assessment was lower than anticipated.

Texas Department of Savings and Mortgage Lending

Antonia Antov, Director of Administration and Finance, reported that fines and penalties are in excess due to disciplinary action for unlicensed activity. Licensing revenue is over budget due to renewal activity in the first quarter. Salaries and benefits are under budget due to unexpected vacancies. The SWCAP allocation is higher than anticipated as there is no way to budget this correctly. For the cash balance, the first and second quarters will be over budget, but the third and fourth quarters will go down to under a six-month reserve.

Office of Consumer Credit Commissioner

Christina Cuellar, Manager of Accounting, reported that revenues are 129% of the budget due to credit access business industry renewals and penalty revenue. The renewal period ended on

December 31; the second quarter will more align. Personnel and benefits is under budget due to vacant positions, travel is over budget due to timing of a reimbursement and development is under budget due to the delayed start of ALECS (IT project).

Larry Patton made a motion to approve the first quarter financials. Lori McCool seconded and the motion passed.

Report on Activities Relating to the Texas Financial Education Endowment Fund (TFEE)

Dana Edgerton, TFEE Grant Coordinator, and Juan Garcia, Director of Strategic Communications and Administration Planning, reported that they have received the second round of Reimbursement Request Reports. The reports will be summarized and distributed to the Grant Advisory Committee and an updated mid-year status report will be provided to the Finance Commission members .

Finance Commission member Paul Plunket, Dana Edgerton, and Commissioner Pettijohn discussed education programs and how to support or compliment the programs that align with TEA-approved curriculum.

There being no further business of the Audit Committee of the Finance Commission of Texas, Chair Cindy Lyons adjourned the meeting at 8:57 a.m.

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

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

Brenda Medina, Executive Assistant
Finance Commission of Texas