

# FINANCE COMMISSION OF TEXAS

## AUDIT COMMITTEE MEETING

Friday, February 20, 2015

8:30 a.m.

Finance Commission Building  
William F. Aldridge Hearing Room,  
2601 N. Lamar Blvd.  
Austin, Texas 78705

*Public comment on any agenda item or issue under the jurisdiction of the Finance Commission agencies is allowed unless the comment is in reference to a rule proposal for which the public comment period has ended. However, upon majority vote of the Commission, public comment may be allowed related to final rule adoption.*

- A. Review and Approval of Minutes of the December 12, 2014, Audit Committee Meeting
- B. Audit Committee Review of Agencies' Activities
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' November 30, 2014, Investment Officer Reports
  - 1. Texas Department of Banking
  - 2. Texas Department of Savings and Mortgage Lending
  - 3. Office of Consumer Credit Commissioner
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2015 First Quarter Financial Statements
  - 1. Texas Department of Banking
  - 2. Texas Department of Savings and Mortgage Lending
  - 3. Office of Consumer Credit Commissioner
- E. Report on Activities Relating to the Texas Financial Education Endowment Fund

**NOTE: The Audit Committee may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.**

**Meeting Accessibility:** Under the Americans with Disabilities Act, the Finance Commission will accommodate special needs. Those requesting auxiliary aids or services should notify Judy Schooling, Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

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# 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.

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

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

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Judy Schooling, Executive Assistant  
Finance Commission of Texas

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**Texas Department of Banking**  
**Outstanding Audit Findings Report as of February 2015**

Auditor	State Auditor's Office (SAO)	Audit Report Date
Audit Area	Bank Examinations	June 2009
Finding	Status Update	
Improve timeliness of examination report processing	<p><b>Fully Implemented</b> – For the fiscal year ending August 2014 and the first quarter for fiscal year 2015, 75% and 91%, respectively, of the examination reports were mailed within policy guidelines. However, when joint examinations conducted with the federal regulators are excluded, the percentage mailed within policy guidelines for the first quarter increases to 95%. The average number of days late for all commercial examinations was 3 in the first fiscal quarter, compared to 9 days for fiscal year 2014.</p>	
Conduct bank examinations in a timely manner	<p><b>Substantially Implemented</b> – For the fiscal year ending August 2014 and the first quarter for fiscal year 2015, 72% and 87%, respectively, of the examinations were conducted within policy guidelines. The average days late to begin an examination for the first quarter were 18 days, compared to 28 days for fiscal year 2014.</p>	
Auditor	Garza / Gonzalez and Associates	Audit Report Date
Audit Area	Management Information Systems	July 2014
Finding	Status Update	
Review server settings and include procedures for semi-annual review in IT procedures manual	<p><b>Fully Implemented</b> – Management agreed with the finding and has installed and run Microsoft's Baseline Security Analyzer and has completed its first review on December 16th. The Department's IT Policy and procedure manual section 14-19.2, 14-24.2g and the IT Division Policy and Procedures manual has been updated with the new policy.</p>	

**Texas Department of Savings and Mortgage Lending  
Outstanding Audit Issues Report as of February 6, 2015**

Auditor	State Office Of Risk Management	Audit Report Date
Audit Area	Risk Management	8/26/2014
Recommendation	Status Update	
<p>Conduct a risk assessments of exposure for building contents and for potential directors' and officers' liabilities and develop protocols to prevent and finance the identified potential losses.</p>	<p><b>Completed.</b> Building contents insurance obtained, effective October 21, 2014. Directors' and Officers' Insurance obtained with coverage to start March 1, 2015.</p>	

**Office of Consumer Credit Commissioner**  
**Outstanding Audit Findings Report as of 2/1/2015**

Auditor	U.S. Dept. of Justice FBI	Audit Report Date
Audit Area	Integrated Automated Fingerprint ID System Audit	Apr-13
Finding	Status Update	
Obtain Authorization to pull criminal history for Credit Access Business Licensee	<b>In progress.</b> No changes to be made at this time. The agency has statutory authority under section 14.151 Texas Finance Code to obtain criminal history, but the FBI does not recognize that section as authoritative and desires that Ch. 393 be added to the provisions found in Gov't Code section 411.095. Legislation will be recommended in the 84th session.	
Auditor	Texas Comptroller of Public Accounts	Audit Report Date
Audit Area	Post-Payment Audit - Purchase	Feb-14
Finding	Status Update	
Strengthen current procedures to prevent making duplicate refunds to vendors.	<b>Implemented.</b> The agency implemented a new online payment system in February 2014 which will assist in the reconciliation process. System controls are in place to reduce the number of needed refunds to assist in the prevention of duplicate payments. Completion date December 2014.	
Auditor	Texas Comptroller of Public Accounts	Audit Report Date
Audit Area	Post-Payment Audit - Expenditure Processing	Feb-14
Finding	Status Update	
Review controls over expenditure processing and segregate tasks to ensure that no individual is able to process payments without oversight.	<b>Implemented.</b> The agency's accounting department consists of three employees. Since the department is so small this makes segregation of duties a challenge when assigning job tasks. The agency has internal controls and policies in place to help ensure that vouchers are processed appropriately. The agency will evaluate whether additional controls are feasible and beneficial. Completion date December 2014.	
Auditor	Garza / Gonzalez & Associates	Audit Report Date
Audit Area	Professional Licensing	Jun-14
Finding	Status Update	
Develop a reconciliation process between Pawnshop Employee Database to the general ledger to ensure all fees are received for licenses approved and renewed.	<b>Implemented.</b> The reconciliation process will be performed through ALECS import data on a monthly basis. Additional resources are required to accommodate reconciliation process. Completion date December 2014.	
Auditor	Garza / Gonzalez & Associates	Audit Report Date
Audit Area	Professional Licensing	Jun-14
Finding	Status Update	
Implement a quality control review process for RMLO and Pawnshop Employee in which applications received are sampled and reviewed on a periodic basis.	<b>In progress.</b> Additional resources are required for this new quality control, given the current volume levels. The agency is committed to continually improving the process in an efficient manner and will plan for a quality control process. Implementation by August 2015.	

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Department of Banking Quarterly Investment Report  
 September 1, 2014 to November 30, 2014

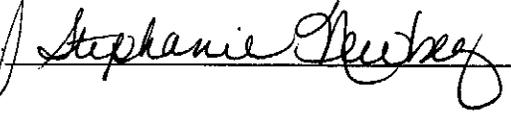
	<u>Book Value at August 31, 2014</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deductions</u>	<u>Other Additions</u>	<u>Book Value at November 30, 2014</u>
<b>Seized Prepaid Funeral Funds</b>						
1. Howell-Doran Funeral Home, Inc. PFC 272	\$4,004.15			\$4,004.15		\$0.00
2. Washington Memorial Funeral Home PFC 681	\$31.36			\$31.36		\$0.00
<b>Total Seized Funds</b>	<b>\$4,035.51</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$4,035.51</b>	<b>\$0.00</b>	<b>\$0.00</b>

**Notes:**

1. The records and funds related to Permit Number 272 were seized as a result of management failing to deposit preneed funds as required. Emergency Order Number 2011-026 issued on June 28, 2011 ordered the immediate seizure of the funds and records. The Department presented the file to the San Saba District Attorney's Office and Mr. Kevin Keeney plead guilty to misapplication of fiduciary property on August 15, 2013. The plea agreement provided for full payment of restitution due. Mr. Keeney also signed an Agreed Order with the Department on November 5, 2013 providing for administrative penalties and restitution for contracts not included in the criminal case. On November 25, 2013, an invitation to bid on the Howell-Doran contracts was sent to area funeral homes. The bid deadline for funeral homes to respond was December 30, 2013. The PFCs were awarded to Funeral Agency, Inc. (FAI) Permit Number 673. On April 1, 2014, the Department approved FAI's conversion application and the PFCs and funds were transferred to FAI's permit that same month. The amount under "Other Deductions" represents final payment of remaining seized funds to consumers that were not covered by the Guaranty Fund. Proportionate payment of funds was made to consumers in October 2014.

2. The records and funds related to Permit Number 681 were seized as a result of management failing to file the required application to renew the prepaid funeral contract permit as required. Order Number 2013-016 issued on July 25, 2013 ordered the seizure of the funds and records of the PFCs. The depository was advised on the same day. On November 21, 2013, an invitation to bid on the Washington Funeral Home contracts was sent to area funeral homes. The bid deadline for funeral homes to respond was December 13, 2013. No bids were received, however, the Department was able to secure a trust-funded permit holder to agree to administer the two remaining contracts. The amount under "Other Deductions" represents final payment of residual interest for the two remaining contracts to Lifetime Services, Inc. paid in September 2014.

The above investments are in compliance with the investment strategies of Administrative Memorandum 2027.

Prepared By:   
 Reviewed By: 

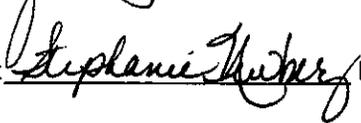
Date: 1/6/15  
 Date: 1/6/15

**Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report  
September 1, 2014 to November 30, 2014**

<u>Book Value at August 31, 2014</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deductions</u>	<u>(1) Other Additions</u>	<u>Book/Market Value at November 30, 2014</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
\$260,378.39	\$21.41				\$260,399.80	1-Dec-2014	0.03%

Note: These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.  
The above investments are in compliance with the investment strategies of Administrative Memorandum 2016.

Prepared By:  Date: 1/6/15

Reviewed By:  Date: 1/6/15

**Trust Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report  
September 1, 2014 to November 30, 2014**

<u>Book Value at August 31, 2014</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>(1) Other Deductions</u>	<u>(2) Other Additions</u>	<u>Book/Market Value at November 30, 2014</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,291,131.36	\$2,201.44		\$8,179.51	\$3,432.00	\$1,288,585.29	--	--	\$1,107.59

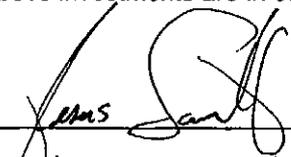
Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$321,521.75	12/1/2014	0.03%	
First Bank and Trust of Childress (CD)	\$240,000.00	12/11/2015	0.85%	\$173.25
First State Bank of Yoakum (CD)	\$240,000.00	12/17/2015	0.85%	\$418.86
Citizens State Bank, Buffalo, TX (CD)	\$244,500.25	12/26/2015	0.97%	\$515.48
Pilgrim Bank (money market)	<u>\$242,563.29</u>	n/a	0.85%	
Subtotal	\$1,288,585.29			

(1) Other deductions include: (a) \$5,004.15 restitution paid to consumer related to a Howell-Doran Funeral Home; (b) \$31.36 residual funds due to Lifetime Services, Inc., PFC Permit Number 938 related to the Washington Memorial Funeral Home seizure; (c) \$1,895.00 withdrawal related to a Guaranty Fund claim related to Roselawn Funeral Home; (d) \$626.00 withdrawal related to legal fees received from Marc Gonzalez related to Gonzalez Funeral Home due the Texas Department of Banking; (e) \$499.42 withdrawal related to legal fees received from Christopher Ferraro related to Gonzalez Funeral Home due the Texas Department of Banking; and, (f) \$123.58 received from Christopher Ferraro paid to consumers as restitution related to Gonzalez Funeral Home.

(2) Other additions include: (a) \$100.00 restitution received from DJ Turner; (b) \$350.00 restitution received from Mr. Dan L. Brothers; (c) \$1,982.00 restitution received from Mr. Kevin Keeney; and (d) \$1,000.00 received from Mr. Marc Gonzalez.

Note: \* These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements. The above investments are in compliance with the investment strategies of Administrative Memorandum 2016.

Prepared By:  Date: 1/6/15

Reviewed By:  Date: 1/6/15

# Texas Department of Savings and Mortgage Lending

## Mortgage Recovery Trust Fund

Investment Officer Report as of November 30, 2014

### Current Investments/Securities as of November 30, 2014

Purchase Date	Beginning Market Value	Ending Market Value	Accrued Interest - Estimated	Interest Rate	Maturity Date	Description	Fin. Institution
1/31/2013	245,828.91	250,158.19	208.47	1.00%	1/31/2015	CD - 24 months	Horizon Bank SSB
4/7/2013	245,803.01	250,177.64	244.97	1.18%	4/7/2015	CD - 24 months	Triumph SSB
6/14/2013	247,277.58	248,903.51	2,771.13	1.20%	6/14/2015	CD - 24 months	Pioneer Bank SSB
9/5/2013	244,097.34	244,951.68	204.81	0.35%	9/5/2015	CD - 24 months	Austin Capital SSB
10/2/2013	250,000.00	250,000.00	450.69	1.10%	10/2/2015	CD - 24 months	Cypress Bank SSB
10/15/2013	247,000.62	248,982.56	254.52	0.80%	10/15/2015	CD - 24 months	First Star Bank SSB
12/13/2013	240,000.00	240,000.00	1,877.33	0.80%	12/13/2015	CD - 24 months	First Fed Community Bank, SSB
12/15/2013	246,271.00	247,845.75	444.75	0.85%	12/15/2015	CD - 24 months	Spirit of Texas, SSB
2/4/2014	248,867.74	248,867.74	1,963.64	0.95%	2/4/2016	CD - 24 months	Third Coast Bank SSB
4/17/2014	248,443.47	249,690.65	943.28	1.00%	4/17/2016	CD - 24 months	Lone Star Bank SSB
6/15/2014	245,093.07	246,267.97	-	1.14%	6/15/2016	CD - 24 months	TrustTexas Bank SSB
8/4/2014	240,000.00	240,000.00	158.67	0.70%	8/4/2016	CD - 24 months	First Bank SSB
10/15/2014	249,285.91	249,285.91	318.53	1.00%	10/15/2016	CD - 24 months	Texas Star Bank
10/18/2014	249,786.42	250,313.61	12.17	1.75%	10/18/2016	CD - 24 months	Dalhart Federal Savings
Totals	<b>3,447,755.07</b>	<b>3,465,445.21</b>	<b>9,852.96</b>				

**Texas Department of Savings and Mortgage Lending**  
**Mortgage Recovery Trust Fund**

**Investment Officer Report as of November 30, 2014 (continued)**

Fund Position for the Quarter Ended November 30, 2014		Claim Payment History			
<b>Beginning Cash Balance as of August 31, 2014</b>	\$	238,685.55	<b>Fiscal Year</b>	<b>Total Amount \$</b>	<b># of Payments</b>
<b>Receipts</b>			2000-2006	121,243.68	5
Licensees' Remittances	12,200.00		2007	87,824.08	4
Interest from CDs	423.45		2008	25,488.14	3
Interest from overnight repos	20.22		2009	100,000.00	10
CD - Principal and Interest - Maturity	499,072.33		2010	147,033.52	16
<b>Total Received</b>	<b>\$</b>	<b>511,716.00</b>	2011	22,225.00	5
<b>Disbursements</b>			2012	1,300.00	1
CD - Purchase	(499,072.33)		2013	1,465.13	1
Transfer of excess to Operating Fund	-		2014	-	0
Bank Fees and Charges			2015	-	0
<b>Total Disbursed</b>	<b>\$</b>	<b>(499,072.33)</b>	<b>Totals</b>	<b>506,579.55</b>	<b>45</b>
<b>Total Cash Balance in Trust and Treasury</b>		<b>251,329.22</b>			
<b>Reserve</b>					
Reserved for Potential Payment of Claims w/in 90 days	\$	(127,296.00)			
<b>Available Cash Balance as of November 30, 2014</b>		<b>124,033.22</b>			
<b>Total Amount of Investments</b>		3,465,445.21			
<b>Accrued Receivables</b>		12,032.96			
<b>Accrued Payables</b>		-			
<b>Fund Balance as of November 30, 2014</b>	<b>\$</b>	<b>3,728,807.39</b>			



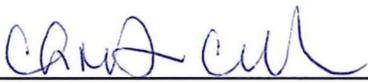
\_\_\_\_\_  
 Antonia Antov, Investment Officer      12/22/2014  
 Date

Investment Position: The Fund is capable of meeting all known obligations.  
 Investment Compliance: The Department's Investment Policy has been followed.

Office of Consumer Credit Commissioner  
Fiscal Year 2015 - 1st Quarter

**Residential Mortgage Loan Originator Recovery Trust Fund #3008**

Beginning Balance at 09/01/14	Additions	Interest Paid	Paid Claims	Paid Bank Fees	Ending Balance at 11/30/14	Current Interest Rate
\$ 110,086.01	\$ 1,025.00	\$ 9.36	\$ -	\$ (13.70)	\$ 111,106.67	.03%

Investment Officer: 

Date: 1/15/15

Reviewed By: 

Date: 1.27.15

Note: These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.  
The above investments are in compliance with the agency's investment policy.

Office of Consumer Credit Commissioner  
Fiscal Year 2015 - 1st Quarter

**Texas Financial Education Endowment Fund #3071**

	Beginning Balance at 09/01/14	Additions	Interest Paid	Transfer out to Investment	Paid Bank Fees	Ending Balance at 11/30/14	Current Interest Rate
Cash	\$ 1,167,291.38	\$ 5,946.77	\$ 91.83	\$ -	\$ (90,828.77)	\$ 1,082,501.21	.03%

Invested Portfolio	Beginning Balance at 09/01/14	Additions	Change in Value	Transfer out	Paid Fees	Ending Balance at 11/30/14
Investments - STIF	\$ 54,340.70	\$ 1,134.28	\$ (23,384.65)	\$ -	\$ (1,122.02)	\$ 30,968.31
Interest & Dividends Receivable	19.75		(2.84)			16.91
Trade Receivables	-		-			-
Investments - Equities	36,428.25		(7,416.49)			29,011.76
Investments - Alternatives	1,271,910.74		10,756.79			1,282,667.53
Investments - Fixed Income	167,574.58		(3,950.75)			163,623.83
Invested Portfolio	\$ 1,530,274.02	\$ 1,134.28	\$ (23,997.94)	\$ -	\$ (1,122.02)	\$ 1,506,288.34

<b>Total Endowment Funds</b>	<u>\$ 2,697,565.40</u>					<u>\$ 2,588,789.55</u>
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Note: These funds are invested with the Texas Treasury Safekeeping Trust Company.  
The above investments are in compliance with the agency's investment policy.

Investment Officer: Christina Cuella

Date: 1/28/15

Reviewed By: [Signature]

Date: 2.3.15

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**Texas Department of Banking  
Operating Statement and Budget Analysis  
For Period Ending November 2014**

	FY 2014 ACTUAL	FY 2015 BUDGET	QUARTER PERFORMANCE				FY2014 PERFORMANCE				
			1st Quarter BUDGET	1st Quarter ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	YTD BUDGET	YTD ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	
<b>REVENUE:</b>											
Bank & Trust Regulation	\$22,629,774.91	\$22,675,128.00	\$5,821,784.00	\$5,758,191.97	\$63,592.03	98.9%	\$5,821,784.00	\$5,758,191.97	\$63,592.03	98.9%	
Nonbank Regulation	2,738,492.14	2,855,678.23	1,803,447.80	2,013,059.11	(209,611.31)	111.6%	1,803,447.80	2,013,059.11	(209,611.31)	111.6%	
Miscellaneous Revenues	10,911.72	7,560.00	2,140.00	3,085.52	(945.52)	144.2%	2,140.00	3,085.52	(945.52)	144.2%	
<b>TOTAL REVENUES:</b>	<b>\$25,379,178.77</b>	<b>\$25,538,366.23</b>	<b>\$7,627,371.80</b>	<b>\$7,774,336.60</b>	<b>(\$146,964.80)</b>	<b>101.9%</b>	<b>\$7,627,371.80</b>	<b>\$7,774,336.60</b>	<b>(\$146,964.80)</b>	<b>101.9%</b>	
<b>EXPENDITURES:</b>											
Salaries and Wages											
Exempt Salaries	\$224,683.34	\$233,007.96	\$58,251.99	\$59,250.00	(\$998.01)	101.7%	\$58,251.99	\$59,250.00	(\$998.01)	101.7%	
Classified Salaries	15,340,173.83	16,396,119.26	3,929,247.84	3,908,360.11	20,887.73	99.5%	3,929,247.84	3,908,360.11	20,887.73	99.5%	
Longevity	196,880.00	207,000.00	49,400.00	50,460.00	(1,060.00)	102.1%	49,400.00	50,460.00	(1,060.00)	102.1%	
Other	241,741.88	209,859.95	8,878.88	25,370.81	(16,491.93)	285.7%	8,878.88	25,370.81	(16,491.93)	285.7%	
Payroll Health Ins/Retire Contrib	215,476.94	248,267.66	59,812.50	56,153.58	3,658.92	93.9%	59,812.50	56,153.58	3,658.92	93.9%	
	<b>\$16,218,955.99</b>	<b>\$17,294,254.83</b>	<b>\$4,105,591.21</b>	<b>\$4,099,594.50</b>	<b>\$5,996.71</b>	<b>99.9%</b>	<b>\$4,105,591.21</b>	<b>\$4,099,594.50</b>	<b>\$5,996.71</b>	<b>99.9%</b>	
Travel											
In-State	\$1,497,385.37	\$1,583,275.06	\$334,792.04	\$318,018.87	\$16,773.17	95.0%	\$334,792.04	\$318,018.87	\$16,773.17	95.0%	
Out-of-State	560,051.71	639,734.00	165,757.00	164,014.77	1,742.23	98.9%	165,757.00	164,014.77	1,742.23	98.9%	
	<b>\$2,057,437.08</b>	<b>\$2,223,009.06</b>	<b>\$500,549.04</b>	<b>\$482,033.64</b>	<b>\$18,515.40</b>	<b>96.3%</b>	<b>\$500,549.04</b>	<b>\$482,033.64</b>	<b>\$18,515.40</b>	<b>96.3%</b>	
Other Expenditures											
Professional Fees & Services	\$114,086.06	\$118,240.00	\$13,710.00	\$8,988.56	\$4,721.44	65.6%	\$13,710.00	\$8,988.56	\$4,721.44	65.6%	
Postage	12,238.51	14,985.00	5,120.00	4,539.00	581.00	88.7%	5,120.00	\$4,539.00	581.00	88.7%	
Consumable Supplies	235,156.81	199,444.00	34,005.56	34,269.87	(264.31)	100.8%	34,005.56	\$34,269.87	(264.31)	100.8%	
Telephone	224,621.86	225,222.83	54,828.49	66,516.37	(11,687.88)	121.3%	54,828.49	\$66,516.37	(11,687.88)	121.3%	
Utilities	47,261.46	48,516.00	20,385.00	19,631.83	753.17	96.3%	20,385.00	\$19,631.83	753.17	96.3%	
Rent - Buildings	295,911.96	303,361.51	92,485.80	92,023.21	462.59	99.5%	92,485.80	\$92,023.21	462.59	99.5%	
Rent - Machinery & Other	35,445.48	39,768.00	6,842.00	6,528.62	313.38	95.4%	6,842.00	\$6,528.62	313.38	95.4%	
Other Operating	356,673.66	453,861.00	112,196.90	134,867.19	(22,670.29)	120.2%	112,196.90	\$134,867.19	(22,670.29)	120.2%	
Subscriptions	16,216.63	17,687.00	7,149.00	6,896.84	252.16	96.5%	7,149.00	\$6,896.84	252.16	96.5%	
Employee Training / Reg. Fees	162,908.91	256,732.75	61,262.00	61,665.45	(403.45)	100.7%	61,262.00	\$61,665.45	(403.45)	100.7%	
Claims/SORM Assessment	15,877.25	18,200.00	15,200.00	12,963.61	2,236.39	85.3%	15,200.00	\$12,963.61	2,236.39	85.3%	
Capital / Other IT Expenditures	35,115.44	97,679.43	35,779.43	35,718.26	61.17	99.8%	35,779.43	35,718.26	61.17	99.8%	
	<b>\$1,551,514.03</b>	<b>\$1,793,697.52</b>	<b>\$458,964.18</b>	<b>\$484,608.81</b>	<b>(\$25,644.63)</b>	<b>105.6%</b>	<b>\$458,964.18</b>	<b>\$484,608.81</b>	<b>(\$25,644.63)</b>	<b>105.6%</b>	
Employee Benefits (Less BRP)	\$3,833,622.37	\$4,227,404.82	\$1,003,353.12	\$996,810.11	\$6,543.01	99.3%	\$1,003,353.12	\$996,810.11	\$6,543.01	99.3%	
<b>TOTAL EXPENDITURES:</b>	<b>\$23,661,529.47</b>	<b>\$25,538,366.23</b>	<b>\$6,068,457.55</b>	<b>\$6,063,047.06</b>	<b>\$5,410.49</b>	<b>99.9%</b>	<b>\$6,068,457.55</b>	<b>\$6,063,047.06</b>	<b>\$5,410.49</b>	<b>99.9%</b>	
<b>EXPENDITURES (OVER) /</b>											
	<b>\$1,717,649.30</b>	<b>\$0.00</b>	<b>\$1,558,914.25</b>	<b>\$1,711,289.54</b>	<b>(\$152,375.29)</b>		<b>\$1,558,914.25</b>	<b>\$1,711,289.54</b>	<b>(\$152,375.29)</b>		

**UNDER REVENUE:**

## Texas Department of Banking

**Overview of Budget Variances for the First Quarter of Fiscal 2015** - (Variances in excess of \$1,000 and 5% from budget are reported).

**Nonbank Regulation** – Actual revenues were higher than budgeted due to unanticipated collected penalties from unlicensed money services businesses.

**Classified Salaries and Payroll Health Insurance** – The positive variance relates to new and vacant positions that were not filled. Vacancies in terms of FTEs at November 30, 2014 are listed below.

Examiners	6*
-----------	----

\* Five more financial examiners and one IT administrator are budgeted to be hired in the second, third and fourth quarters to reach the staffing plan of 201 FTEs.

**In-State Travel** – The positive variance relates to lower than budgeted expenditures. This is due to: (1) vacant examiner positions; (2) rotating review examiner travel that did not occur; (3) lower expenditures than budgeted for specialist travel; and (4) fewer resources expended on market/liquidity risk target examinations.

**Salaries and Wages, Other** – The negative variance relates to unbudgeted lump sum payments due to resignations.

**Professional Fees and Services** – The positive variance relates to lower than budgeted Administrative Law Judge and Attorney General fees.

**Telephone** – The negative variance is due to: (1) the unbudgeted subscription purchase of Cornerstone – an employee performance management tool; and (2) data line expenditures related to the Lubbock regional office remodel.

**Other Operating** – The negative variance is due to: (1) higher than anticipated Statewide Cost Allocation Plan (SWCAP) assessments (budgeted: \$24,150, actual: \$44,952); and (2) unbudgeted moving costs related to an employee transfer from the Lubbock to Dallas region.

**SORM** – The positive variance relates to lower than anticipated assessments from the State Office of Risk Management.

**TEXAS DEPARTMENT OF BANKING**

**Changes in Cash Balance**

**For the Quarter Ending November 30, 2014**

	<u>Actual</u>
Cash at Beginning of Period	\$13,694,308.15
Revenues Over (Under) Expenditures	\$1,711,289.54
Increase (Decrease) in Payables/Encumbrances	(\$613,745.92)
(Increase) Decrease in Receivables	<u>\$180,752.33</u>
Cash at End of Period	<u><u>\$ 14,972,604.10</u></u>
Restricted Cash Balance:	
Payroll and Related Payables	\$1,777,932.84
Reserve for Building	<u>5,000,000.00</u>
<b>Total Restricted Cash Balance</b>	<u><u>\$ 6,777,932.84</u></u>
Assigned Cash Balance:	
Retirements	\$714,182.84
Future Operations	<u>7,480,488.42</u>
<b>Total Assigned Cash Balance</b>	<u><u>\$ 8,194,671.26</u></u>
<b>Total Restricted and Assigned Cash Balance</b>	<b>\$ 14,972,604.10</b>
Assigned Cash Balance/FY2015 Monthly Budget	3.85 months

**TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**

OPERATING STATEMENT AND BUDGET ANALYSIS

*For the Period Ended November 30, 2014*

	FY 2014 EXPENDED	FY 2015 BUDGET	FY 2015 PERFORMANCE			
			YTD BUDGET	YTD EXPENDED*	(OVER)/UNDER BUDGET	PERCENT BUDGET
<b>REVENUE:</b>						
Annual Assessment	1,153,876	1,146,354	393,909	400,512	(\$6,603)	101.7%
Thrift Application Fees	20,600	20,000	5,000	3,500	1,500	70.0%
Licensing Fees	4,308,955	3,747,325	1,758,356	1,803,500	(45,144)	102.6%
Fines and Penalties	472,330	155,000	76,250	134,823	(58,573)	176.8%
Recovery Fund Offset	12,984	15,000	0	0	0	0.0%
Depository Interest	2,179	2,000	500	653	(153)	130.6%
Miscellaneous	6,752	3,000	750	170	580	22.7%
<b>TOTAL REVENUE</b>	5,977,676	5,088,679	2,234,765	2,343,158	(108,393)	104.9%
<b>EXPENDITURES:</b>						
Salaries and Wages-						
Exempt	192,392	190,000	47,500	47,500	0	100.0%
Classified	3,615,890	3,873,154	931,214	862,111	69,103	92.6%
Other Personnel Costs	178,738	101,790	22,254	21,839	415	98.1%
	3,987,020	4,164,944	1,000,968	931,450	69,518	93.1%
Travel-						
Transportation & Mileage	386,350	394,000	81,500	75,291	6,209	92.4%
	386,350	394,000	81,500	75,291	6,209	92.4%
Other Expenditures-						
Professional Services/Fees	41,450	57,950	8,700	8,016	684	92.1%
Consumable Supplies	10,752	11,000	2,500	2,255	245	90.2%
Utilities	24,015	23,117	5,216	5,479	(263)	105.0%
Rent-Space & Equipment	4,317	6,000	1,400	1,300	100	92.9%
Other Operating Expenses	255,927	244,982	56,811	55,843	968	98.3%
	336,461	343,049	74,627	72,893	1,734	97.7%
Other Agency Costs						
Employee Benefits	1,032,190	1,196,774	277,223	249,833	27,390	90.1%
SWCAP Indirect Costs	18,480	19,404	4,851	7,220	(2,369)	148.8%
	1,050,670	1,216,178	282,074	257,053	25,021	91.1%
<b>TOTAL EXPENDITURES</b>	5,760,501	6,118,171	1,439,169	1,336,687	102,482	92.9%
<b>EXPENDITURES (OVER)/ UNDER REVENUE</b>	217,175	(1,029,492)	795,596	1,006,471	(\$210,875)	N/A

\* Amounts include accruals and encumbrances.

# Texas Department of Savings and Mortgage Lending

## Budget Variance Analysis as of November 30, 2014

### Revenues:

Overall revenues are at 4.9% over budget.

Licensing Revenues – Revenues from license and registration fees are 2.6% over budget. The overage is mostly due to higher than budgeted volume of RMLO license applications.

Fines and Penalties – Excess revenues are from collection of disciplinary action penalties for unlicensed activity.

### Expenditures:

Overall expenditures are at 92.9% of budget.

Salaries and Employee Benefits – Both categories are under budget due to vacancies.

SWCAP Indirect Costs – The category is over budget due to the allocation amount being higher than budgeted. The trend will continue throughout the year.

**TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**

**CHANGES IN CASH BALANCE**

*For the Quarter Ending November 30, 2014*

	Actual
Cash at Beginning of Period	\$ 8,552,711
Revenues Over (Under) Expenditures CY	\$ 1,006,471
Revenues Over (Under) Expenditures PY	\$ (18,479)
Increase (Decrease) in Payables/Encumbrances	\$ 166,843
(Increase) Decrease in Receivables	\$ (123,212)
<b>Cash at End of Period</b>	<b><u>\$ 9,584,333</u></b>
Restricted Cash Balance:	
Payroll Payable	\$ 389,047
Other Payables (Net of Receivables)	\$ 19,625
Building	\$ 5,000,000
<b>Total Restricted Cash Balance</b>	<b><u>\$ 5,408,672</u></b>
Assigned Cash Balance:	
Retirements	\$ 100,000
Mortgage Enforcement Funds	\$ 500,000
Future Operations	\$ 3,575,660
<b>Total Assigned Cash Balance</b>	<b><u>\$ 4,175,660</u></b>
<b>Total Restricted and Assigned Cash Balance</b>	<b><u>\$ 9,584,333</u></b>
Assigned Cash Balance/FY2015 Monthly Budget	8.2 months

**OFFICE OF CONSUMER CREDIT COMMISSIONER**  
**OPERATING STATEMENT & BUDGET ANALYSIS**  
*For the Period Ended November 30, 2014*

25%

	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2015 PERFORMANCE			
			YTD BUDGET	YTD ACTUAL	(OVER)/UND BUDGET	PERCENT BUDGET
<b>REVENUES:</b>						
Regulated Lenders	\$ 1,075,765	\$ 1,787,413	\$ 677,886	\$ 615,565	\$ 62,321	90.8%
Pawn Industry	611,313	890,280	54,314	38,369	15,945	70.6%
MV Industry	2,206,465	3,472,036	285,353	208,560	76,793	73.1% (1)
Credit Access Industry	2,139,745	2,100,130	117,873	472,610	(354,737)	400.9% (2)
Penalties	780,764	-	-	162,000	(162,000)	100.0% (3)
Debt Management Services	44,487	44,880	2,134	3,400	(1,266)	159.3%
RAL Assessment	36,150	32,500	5,184	8,850	(3,666)	170.7%
Precious Metals	89,475	76,450	28,623	14,350	14,273	50.1%
Tax Liens	63,817	66,436	20,682	9,649	11,033	46.7%
Sale of Publications	1,692	-	-	30	(30)	100.0%
Creditor Registration	102,470	80,531	53,877	76,815	(22,938)	142.6% (4)
Mortgage Loan Originators	131,550	113,600	42,875	45,025	(2,150)	105.0%
Other Revenue	6,931	-	-	783	(783)	100.0%
Investment / Interest Income	2,262	-	-	630	(630)	100.0%
<b>TOTAL REVENUES</b>	<b>\$ 7,292,886</b>	<b>\$ 8,664,256</b>	<b>\$ 1,288,802</b>	<b>\$ 1,656,636</b>	<b>\$ (367,834)</b>	<b>128.5%</b>
<b>EXPENDITURES:</b>						
Salaries and Wages-						
Base Pay	\$ 4,190,671	\$ 4,931,455	\$ 1,232,864	\$ 1,117,472	\$ 115,392	90.6% (5)
Benefit Replacement Pay	9,498	8,250	2,063	1,027	1,036	49.8%
Longevity	61,400	72,250	18,063	15,460	2,603	85.6%
	<b>\$ 4,261,569</b>	<b>\$ 5,011,955</b>	<b>\$ 1,252,989</b>	<b>\$ 1,133,959</b>	<b>\$ 119,030</b>	<b>90.5%</b>
Travel-						
Public Transportation, Lodging, Meals & Mileage	844,860	970,512	242,628	251,384	(8,756)	103.6% (6)
	<b>\$ 844,860</b>	<b>\$ 970,512</b>	<b>\$ 242,628</b>	<b>\$ 251,384</b>	<b>\$ (8,756)</b>	<b>103.6%</b>
Other Expenditures-						
Professional Services & Fees	299,800	433,500	108,375	85,910	22,465	79.3% (7)
Consumable Supplies	27,707	30,300	7,575	8,395	(820)	110.8%
Postage & Freight	46,143	49,400	12,350	10,459	1,891	84.7%
Telephone & Communications	62,093	84,000	21,000	15,222	5,778	72.5%
Bldg. & Utilities	63,873	119,000	29,750	18,028	11,722	60.6%
Publication / Printing & Reproduction	4,835	2,000	500	460	40	92.0%
Other Operating	85,529	305,550	76,388	29,972	46,416	39.2% (8)
	<b>\$ 589,980</b>	<b>\$ 1,023,750</b>	<b>\$ 255,938</b>	<b>\$ 168,446</b>	<b>\$ 87,492</b>	<b>65.8%</b>
Acquisition of Info Technology	\$ 144,182	\$ 145,500	\$ 36,375	\$ 19,632	\$ 16,743	54.0%
Development in Progress	-	450,000	112,500	17,509	94,991	15.6% (9)
Employee Benefits	1,274,432	1,516,110	379,028	368,754	10,274	97.3%
SWCAP Reimb to Unapp Gr 0001	31,682	30,000	7,500	10,028	(2,528)	133.7% (10)
SORM Assessment	4,855	6,000	1,500	3,738	(2,238)	249.2%
Unemployment Benefits	3,703	5,000	1,250	-	1,250	0.0%
	<b>\$ 1,458,854</b>	<b>\$ 2,152,610</b>	<b>\$ 538,153</b>	<b>\$ 419,661</b>	<b>\$ 118,492</b>	<b>78.0%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 7,155,263</b>	<b>\$ 9,158,827</b>	<b>\$ 2,289,707</b>	<b>\$ 1,973,450</b>	<b>\$ 316,257</b>	<b>86.2%</b>
<b>EXCESS REVENUES</b>	<b>\$ 137,623</b>	<b>\$ (494,571)</b>	<b>\$ (1,000,905)</b>	<b>\$ (316,814)</b>	<b>\$ (684,091)</b>	

## Office of Consumer Credit Commissioner

### Overview of Budget Variances for 1st qtr. FY 2015

#### Revenues

- 1.) Motor Vehicle is below budget due to timing issues and receipt of revenue.
- 2.) Credit Access Business Industry is above budget due to the timing of the renewal cycle. The renewal period ended Dec 31<sup>st</sup>.
- 3.) The Penalty Revenue is comprised of approximately 23% Penalties and 77% late filing fees, primarily related to Motor Vehicle.
- 4.) Creditor Registration is above budget due to greater retention after the renewal cycle.

#### Expenditures

- 5.) Personnel & Employee Benefit costs are below budget due to the staged hiring of new vacant positions and turnover.
- 6.) Travel expenditures are over budget due to a timing issue of a reimbursement for an out-of-state examination that occurred in November. The funds were received in the 2<sup>nd</sup> quarter.
- 7.) Professional fees are running higher than expected due to the need for and use of contract workers.
- 8.) Other expenditures are below budget, primarily due to a brief delay in transition of costs such as application maintenance and help desk for ALECS system.
- 9.) The agency Development in Progress is under budget due to the delayed start of phase II of the ALECS project, which is set to begin in the 3<sup>rd</sup> qtr.
- 10.) SWCAP (statewide cost allocation) is unpredictable and will vary between fiscal years. This fiscal year the amount will be higher than originally budgeted.

**Office of Consumer Credit Commissioner  
Changes in Cash Balance  
For the Quarter Ending November 30, 2014**

	<b>Actual</b>
Cash at Beginning of Period	\$ 9,000,113.60
Revenues Over (Under) Expenditures	(361,965.58)
Increase (Decrease) in Payables	166,274.73
(Increase) Decrease in Receivables	(335,415.01)
Cash at End of Period	\$ 8,469,007.74

<b>Restricted Cash Balance</b>	
Payroll and Payroll Related Payables	\$ 821,002.70
Reserve for Building	4,500,000.00
<b>Total Restricted Cash Balance</b>	<b>\$ 5,321,002.70</b>

<b>Assigned Cash Balance</b>	
Retirement	75,182.00
Information Technology	350,000.00
Future Operations	2,722,823.04
<b>Total Assigned Cash Balance</b>	<b>\$ 3,148,005.04</b>

Total Restricted and Assigned Cash Balance	\$ 8,469,007.74
Assigned Cash Balance / FY 2015 Monthly Budget	3.57

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## **Texas Financial Education Endowment Report**

TTEE Grant Coordinator, Dana Edgerton, has created a 2015-2016 timeline in preparation of the upcoming grant cycle. In addition, staff is currently reviewing the second installation of Reimbursement Request Reports. Upon review, a report summary will be sent to the Grant Advisory Committee for reimbursement approval. Three of the eight grantees have concluded their one-year funding period. There are five, two-year grantees remaining.

Staff partnered with Leilani Lim-Villegas Financial, Education Coordinator with the Texas Department of Banking, to host a webinar to discuss TTEE eligibility criteria and guidelines with potential applicants.



Texas Education Endowment Fund (TFEE) Grant Program

Timeline 2015 - 2016

2015												2016
January	February	March	April	May	June	July	August	September <i>(FY 2016)</i>	October	November	December	January
	FC Meeting		FC Meeting		FC Meeting		FC Meeting		FC Meeting		FC Meeting	New Grant Cycle Begins <i>(Jan 1, 2016 - Dec. 31, 2017)</i>
1/30 - Grant Reports Due	Grant Coordinator (GC) review grant installment requests (2 of 4) and makes recommendations to Grant Advisory Committee (GAC).	GAC meeting to review TFEE program, propose changes to selection process, & strategy for upcoming CYs 2016 - 2017 grant cycle.	Present proposed recommendations to Audit and FC for approval.		6/30 - send 3rd installment of Reimbursement Request Reports to grantees.	7/31 - 3rd installment of Reimbursement Request Reports due.	8/01 - Publish new CYs 2016-2017 grant cycle announcement on OCCC and TFEE websites.	9/1 - Publish application and due date on TFEE website (9/30).	Grant application materials to GAC for selection and review for new grant cycle.		12/01 - Send 4th and final installment of CYs 2014-2015 Reimbursement Request Report due 12/31.	Initiate process for 4th (final) installment of grant reimbursements upon report approval.
	2/19 - Participate in webinar to discuss grant program (Informative session to potential grantees.)	GC follow up with grantees and report feedback to FC (April) regarding TFEE impact to the community.					Prepare press release for media outreach.	9/8 - Webinar for potential applicants to discuss TFEE eligibility and guidelines.			FC selection of grant recipients	
	Initiate process for 2nd installment of grant reimbursements upon report approval.						Conference call with GAC to discuss/ approve 3rd installment of Reimbursement Request Reports.				Press release announcing recipients.	