

FINANCE COMMISSION OF TEXAS

AUDIT COMMITTEE MEETING

Friday, April 17, 2015

8:00 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 February 20, 2015, 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' February 28, 2015, Investment Officer Reports
 - 1. Office of Consumer Credit Commissioner
 - 2. Texas Department of Banking
 - 3. Texas Department of Savings and Mortgage Lending
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2015 Second Quarter Financial Statements
 - 1. Office of Consumer Credit Commissioner
 - 2. Texas Department of Banking
 - 3. Texas Department of Savings and Mortgage Lending
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Department of Banking's 2015 Audit of the Perpetual Care Cemetery Area as Prepared and Presented by Garza/Gonzalez and Associates
- F. 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, 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

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Office of Consumer Credit Commissioner
Outstanding Audit Findings Report as of 3/1/2015

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	<p><i>In progress.</i> 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 has been introduced in this session which will amend the government code.</p>	
Auditor	Garza / Gonzalez & Associates	Audit Report Date
Audit Area	Professional Licensing	Jun-14
Finding	Status Update	
Implement a quality control review process in which RMLO and Pawnshop Employee applications received are sampled and reviewed on a periodic basis.	<p><i>In progress.</i> Additional resources are required for the 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.</p>	

Texas Department of Banking
Outstanding Audit Findings Report as of April 2015

Auditor	State Auditor's Office (SAO)	Audit Report Date
Audit Area	Bank Examinations	June 2009
Finding	Status Update	
Conduct bank examinations in a timely manner	<p>Fully Implemented – For the fiscal year ending August 2014 and the two quarters of fiscal year 2015, 72% and 95%, respectively, of the examinations were conducted within policy guidelines. For the exams that were not conducted within policy guidelines, the average days late to begin an examination for the two quarters of fiscal year 2015 were 19 days, compared to 28 days for fiscal year 2014.</p>	

**Texas Department of Savings and Mortgage Lending
Outstanding Audit Issues Report as of March 31, 2015**

None.

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**Office of Consumer Credit Commissioner
Fiscal Year 2015 - 2nd Quarter**

Residential Mortgage Loan Originator Recovery Trust Fund #3008

Beginning Balance at 12/01/14	Additions	Interest Paid	Paid Claims	Paid Bank Fees	Ending Balance at 02/28/15	Current Interest Rate
\$ 111,106.67	\$ 8,225.00	\$ 10.97	\$ -	\$ -	\$ 119,342.64	.03%

Investment Officer: Christina Cuellar

Date: 3/24/15

Reviewed By: 

Date: 3.30.15

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 - 2nd Quarter

Texas Financial Education Endowment Fund #3071

	Beginning Balance at 12/01/14	Additions	Interest Paid	Grant Disbursements	Paid Bank Fees	Ending Balance at 02/28/15	Current Interest Rate
Cash	\$ 1,082,501.21	\$ 595,532.03	\$ 136.56	\$ -	\$ (1,132.03)	\$ 1,677,037.77	.03%
Invested Portfolio	Beginning Balance at 12/01/14	Additions	Change in Value	Transfer out	Paid Fees	Ending Balance at 02/28/15	
Investments - STIF	\$ 30,968.31	\$ 2,437.48	\$ 3,044.61	\$ -	\$ (380.11)	\$ 36,070.29	
Interest & Dividends Receivable	16.91		(14.32)			2.59	
Trade Receivables	-		-			-	
Investments - Equities	29,011.76		(1,006.32)			28,005.44	
Investments - Alternatives	1,282,667.53		34,357.91			1,317,025.44	
Investments - Fixed Income	163,623.83		(8,334.79)			155,289.04	
Invested Portfolio	<u>\$ 1,506,288.34</u>	<u>\$ 2,437.48</u>	<u>\$ 28,047.09</u>	<u>\$ -</u>	<u>\$ (380.11)</u>	<u>\$ 1,536,392.80</u>	
Total Endowment Funds	<u><u>\$ 2,588,789.55</u></u>					<u><u>\$ 3,213,430.57</u></u>	

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 Cwell

Date: 3/24/15

Reviewed By: [Signature]

Date: 3.30.15

**Trust Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2014 to February 28, 2015**

<u>Book Value at November 30, 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 February 28, 2015</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,288,585.29	\$2,771.63	\$26.15	\$4,984.40	\$4,325.00	\$1,290,671.37	--	--	\$657.31

Trust Account Balances at Trustee/Depositories

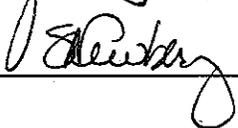
Texas Treasury Safekeeping Trust Company *	\$321,890.57	3/1/2015	0.03%	
First Bank and Trust of Childress (CD)	\$240,000.00	12/11/2015	0.85%	\$154.51
First State Bank of Yoakum (CD)	\$240,000.00	12/17/2015	0.85%	\$489.74
Citizens State Bank, Buffalo, TX (CD)	\$245,703.11	12/26/2015	0.97%	\$13.06
Pilgrim Bank (money market)	<u>\$243,077.69</u>	n/a	0.63%	
Subtotal	\$1,290,671.37			

(1) Other deductions include: (a) \$2,384.40 Guaranty Fund claim paid to consumer related to a Howell-Doran Funeral Home; and (b) \$2,600.00 Guaranty Fund claim related to Pruitt's Mortuary.

(2) Other additions include: (a) \$200.00 restitution received from Lonnie D. Wright; (b) \$450.00 restitution received from Mr. Dan L. Brothers; (c) \$2,175.00 restitution received from Mr. Kevin Keeney; and (d) \$1,500.00 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: 3/27/15

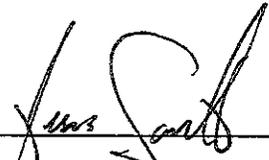
Reviewed By:  Date: 3/27/15

**Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2014 to February 28, 2015**

<u>Book Value at November 30, 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 February 28, 2015</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
\$260,399.80	\$25.53	\$23.27		\$17,230.00	\$277,632.06	1-Mar-2015	0.03%

(1) Other additions include assessments collected from permit holders on new insurance-funded contracts.

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: 3/27/15

Reviewed By:  Date: 3/27/15

University of North Texas Center for Public Management
and
Government Treasurers' Organization of Texas

Co Sponsored by Texas Higher Education Coordinating Board

Certificate of Attendance
presented to

Jesus Saucillo

For completion of training on the Texas Public Funds Investment Act and related investment issues

February 20, 2015 5 hours

Austin, Texas

Patrick Shinkle

Patrick Shinkle
Center for Public Management
TSBPA CPE Sponsor 007716

University of North Texas Center for Public Management
and
Government Treasurers' Organization of Texas

Co Sponsored by McLennan Community College

Certificate of Attendance
presented to

Stephanie Newberg

For completion of training on the Texas Public Funds Investment Act and related investment issues

February 11, 2015 5 hours

Waco, Texas

Patrick Shinkle

Patrick Shinkle
Center for Public Management
TSBPA CPE Sponsor 007716

Texas Department of Savings and Mortgage Lending

Mortgage Recovery Trust Fund

Investment Officer Report as of February 28, 2015

Current Investments/Securities as of February 28, 2015

Purchase Date	Beginning Market Value	Ending Market Value	Accrued Interest - Estimated	Interest Rate	Maturity Date	Description	Fin. Institution
4/7/2013	245,803.01	250,919.66	425.87	1.18%	4/7/2015	CD - 24 months	Triumph SSB
6/14/2013	247,277.58	251,890.35	495.38	1.20%	6/14/2015	CD - 24 months	Pioneer Bank SSB
9/5/2013	244,097.34	244,951.68	419.14	0.35%	9/5/2015	CD - 24 months	Austin Capital SSB
10/2/2013	250,000.00	250,000.00	1,138.19	1.10%	10/2/2015	CD - 24 months	Cypress Bank SSB
10/15/2013	247,000.62	249,484.62	243.94	0.80%	10/15/2015	CD - 24 months	First Star Bank SSB
12/13/2013	240,000.00	240,000.00	2,357.33	0.80%	12/13/2015	CD - 24 months	First Fed Community Bank, SSB
12/15/2013	246,271.00	248,370.98	439.82	0.85%	12/15/2015	CD - 24 months	Spirit of Texas, SSB
2/4/2014	248,867.74	251,231.98	159.11	0.95%	2/4/2016	CD - 24 months	Third Coast Bank SSB
4/17/2014	248,443.47	250,320.01	292.04	1.00%	4/17/2016	CD - 24 months	Lone Star Bank SSB
6/15/2014	245,093.07	246,966.99	-	1.14%	6/15/2016	CD - 24 months	TrustTexas Bank SSB
8/4/2014	240,000.00	240,000.00	140.00	0.70%	8/4/2016	CD - 24 months	First Bank SSB
10/15/2014	249,285.91	250,541.01	306.22	1.00%	10/15/2016	CD - 24 months	Texas Star Bank
10/18/2014	249,786.42	251,395.28	-	1.75%	10/18/2016	CD - 24 months	Dalhart Federal Savings
1/31/2015	250,000.00	250,000.00	155.56	0.80%	1/31/2015	CD - 24 months	Horizon Bank SSB
Totals	3,451,926.16	3,476,072.56	6,572.60				

Texas Department of Savings and Mortgage Lending

Mortgage Recovery Trust Fund

Investment Officer Report as of February 28, 2015 (continued)

Fund Position for the Quarter Ended February 28, 2015		Claim Payment History			
Beginning Cash Balance as of November 30, 2014	\$	251,329.22	Fiscal Year	Total Amount \$	# of Payments
Receipts			2000-2006	121,243.68	5
Licensees' Remittances	15,990.00		2007	87,824.08	4
Interest from CDs	423.45		2008	25,488.14	3
Interest from overnight repos	25.16		2009	100,000.00	10
CD - Principal and Interest - Maturity	250,788.72		2010	147,033.52	16
Total Received	\$	267,227.33	2011	22,225.00	5
Disbursements			2012	1,300.00	1
CD - Purchase	(250,000.00)		2013	1,465.13	1
Transfer of excess to Operating Fund	-		2014	-	0
Bank Fees and Charges	(22.98)		2015	-	0
Total Disbursed	\$	(250,022.98)	Totals	506,579.55	45
Total Cash Balance in Trust and Treasury		268,533.57			
Reserve					
Reserved for Potential Payment of Claims w/in 90 days	\$	(47,885.72)			
Available Cash Balance as of February 28, 2015		220,647.85			
Total Amount of Investments		3,476,072.56			
Accrued Receivables		5,242.60			
Accrued Payables		-			
Fund Balance as of February 28, 2015	\$	3,749,848.73			



Antonia Antov, Investment Officer

3/25/2015

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
OPERATING STATEMENT & BUDGET ANALYSIS
For the Period Ended February 28, 2015

50%

	FY	FY	FY 2015 PERFORMANCE			
	2014 ACTUAL	2015 BUDGET	YTD BUDGET	YTD ACTUAL	(OVER)/UND BUDGET	PERCENT BUDGET
REVENUES:						
Regulated Lenders	\$ 1,075,765	\$ 1,787,413	\$ 1,576,362	\$ 1,643,009	\$ (66,647)	104.2%
Pawn Industry	611,313	890,280	109,200	78,329	30,871	71.7%
MV Industry	2,206,465	3,472,036	561,307	382,905	178,402	68.2% (1)
Credit Access Industry	2,139,745	2,100,130	2,035,106	1,802,320	232,786	88.6% (2)
Penalties	780,764	-	-	352,838	(352,838)	100.0% (3)
Debt Management Services	44,487	44,880	38,403	35,715	2,688	93.0%
RAL Assessment	36,150	32,500	33,176	44,950	(11,774)	135.5%
Precious Metals	89,475	76,450	57,204	34,000	23,204	59.4%
Tax Liens	63,817	66,436	61,413	59,301	2,112	96.6%
Sale of Publications	1,692	-	-	501	(501)	100.0%
Creditor Registration	102,470	80,531	62,082	92,485	(30,403)	149.0%
Mortgage Loan Originators	131,550	113,600	85,664	74,775	10,889	87.3%
Other Revenue	6,931	-	-	(2,167)	2,167	100.0%
Investment / Interest Income	2,262	-	-	1,530	(1,530)	100.0%
TOTAL REVENUES	\$ 7,292,886	\$ 8,664,256	\$ 4,619,918	\$ 4,600,491	\$ 19,427	99.6%
EXPENDITURES:						
Salaries and Wages-						
Base Pay	\$ 4,190,671	\$ 4,931,455	\$ 2,465,728	\$ 2,340,281	\$ 125,447	94.9% (4)
Benefit Replacement Pay	9,498	8,250	4,125	5,134	(1,009)	124.5%
Longevity	61,400	72,250	36,125	31,260	4,865	86.5%
	\$ 4,261,569	\$ 5,011,955	\$ 2,505,978	\$ 2,376,675	\$ 129,303	94.8%
Travel-						
Public Transportation, Lodging, Meals & Mileage	844,860	970,512	485,256	481,570	3,686	99.2%
	\$ 844,860	\$ 970,512	\$ 485,256	\$ 481,570	\$ 3,686	99.2%
Other Expenditures-						
Professional Services & Fees	299,800	433,500	216,750	216,680	70	100.0%
Consumable Supplies	27,707	30,300	15,150	9,800	5,350	64.7%
Postage & Freight	46,143	49,400	24,700	11,391	13,309	46.1%
Telephone & Communications	62,093	84,000	42,000	29,286	12,714	69.7%
Bldg. & Utilities	63,873	119,000	59,500	39,576	19,924	66.5%
Publication / Printing & Reproduction	4,835	2,000	1,000	2,467	(1,467)	246.7% (5)
Other Operating	85,529	305,550	152,775	126,753	26,022	83.0%
	\$ 589,980	\$ 1,023,750	\$ 511,875	\$ 435,953	\$ 75,922	85.2%
Acquisition of Info Technology	\$ 144,182	\$ 145,500	\$ 72,750	\$ 44,659	\$ 28,091	61.4%
Development in Progress	-	450,000	225,000	22,009	202,991	9.8% (6)
Employee Benefits	1,274,432	1,516,110	758,055	755,621	2,434	99.7%
SWCAP Reimb to Unapp Gr 0001	31,682	30,000	15,000	20,056	(5,056)	133.7% (7)
SORM Assessment	4,855	6,000	3,000	3,738	(738)	124.6%
Unemployment Benefits	3,703	5,000	2,500	-	2,500	0.0%
	\$ 1,458,854	\$ 2,152,610	\$ 1,076,305	\$ 846,083	\$ 230,222	78.6%
TOTAL EXPENDITURES	\$ 7,155,263	\$ 9,158,827	\$ 4,579,414	\$ 4,140,281	\$ 439,133	90.4%
EXCESS REVENUES	\$ 137,623	\$ (494,571)	\$ 40,504	\$ 460,210	\$ (419,706)	

Office of Consumer Credit Commissioner

Overview of Budget Variances for 2nd qtr. FY 2015

Revenues - 99.6% of budget

- 1.) Motor Vehicle is below budget due to timing issues and receipt of revenue.
- 2.) Credit Access Business Industry is below budget due to a decline in the number of licenses. This is due in part to the industry uncertainty related to municipal ordinances and anticipated federal regulations.
- 3.) The Penalty Revenue is comprised of approximately 22% Penalties and 78% late filing fees, primarily related to Motor Vehicle.

Expenditures - 90.4% of budget

- 4.) Personnel & Employee Benefit costs are just slightly below budget due to the staged hiring of vacant positions and turnover.
- 5.) Publication / Printing & Reproduction is over budget due to the need to reproduce a sizable volume of brochures for licenses that was not anticipated.
- 6.) The agency Development in Progress is under budget due to the delayed start of the next IT project, which is currently on hold pending modifications to contracting statutes and guidelines.
- 7.) 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 February 28, 2015**

	Actual
Cash at Beginning of Period	\$ 8,469,007.74
Revenues Over (Under) Expenditures	667,733.45
Increase (Decrease) in Payables	(121,143.46)
(Increase) Decrease in Receivables	329,700.01
Cash at End of Period	\$ 9,345,297.74
Restricted Cash Balance	
Payroll and Payroll Related Payables	\$ 699,859.24
Reserve for Building	4,500,000.00
Total Restricted Cash Balance	\$ 5,199,859.24
Assigned Cash Balance	
Retirement	75,182.00
Information Technology	350,000.00
Future Operations	3,720,256.50
Total Assigned Cash Balance	\$ 4,145,438.50
Total Restricted and Assigned Cash Balance	\$ 9,345,297.74
Assigned Cash Balance / FY 2015 Monthly Budget	4.87

**Texas Department of Banking
Operating Statement and Budget Analysis
For Period Ending February 2015**

	FY 2014 ACTUAL	FY 2015 BUDGET	QUARTER PERFORMANCE				FY 2015 PERFORMANCE				
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	YTD BUDGET	YTD ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	
REVENUE:											
Bank & Trust Regulation	\$22,629,774.91	\$22,675,128.00	\$5,545,319.00	\$5,488,618.20	\$56,700.80	99.0%	\$11,367,103.00	\$11,246,810.17	\$120,292.83	98.9%	
Nonbank Regulation	2,738,492.14	2,855,678.23	64,373.00	87,782.31	(23,409.31)	136.4%	1,867,820.80	2,100,841.42	(233,020.62)	112.5%	
Miscellaneous Revenues	10,911.72	7,560.00	1,640.00	1,828.58	(188.58)	111.5%	3,780.00	4,914.10	(1,134.10)	130.0%	
TOTAL REVENUES:	\$25,379,178.77	\$25,538,366.23	\$5,611,332.00	\$5,578,229.09	\$33,102.91	99.4%	\$13,238,703.80	\$13,352,565.69	(\$113,861.89)	100.9%	
EXPENDITURES:											
Salaries and Wages											
Exempt Salaries	\$224,683.34	\$233,007.96	\$58,251.99	\$57,250.00	\$1,001.99	98.3%	\$116,503.98	\$116,500.00	\$3.98	100.0%	
Classified Salaries	15,340,173.83	16,396,119.26	4,000,258.39	3,981,167.75	19,090.64	99.5%	7,929,506.23	7,889,527.86	39,978.37	99.5%	
Longevity	196,880.00	207,000.00	50,760.00	51,860.00	(1,100.00)	102.2%	100,160.00	102,320.00	(2,160.00)	102.2%	
Other	241,741.88	209,859.95	29,008.84	40,473.93	(11,465.09)	139.5%	37,887.72	65,844.74	(27,957.02)	173.8%	
Payroll Health Ins/Retire Contrib	215,476.94	248,267.66	60,877.66	57,574.87	3,302.79	94.6%	120,690.16	113,728.45	6,961.71	94.2%	
	\$16,218,955.99	\$17,294,254.83	\$4,199,156.88	\$4,188,326.55	\$10,830.33	99.7%	\$8,304,748.09	\$8,287,921.05	\$16,827.04	99.8%	
Travel											
In-State	\$1,497,385.37	\$1,583,275.06	\$331,827.10	\$303,837.95	\$27,989.15	91.6%	\$666,619.14	\$621,856.82	\$44,762.32	93.3%	
Out-of-State	560,051.71	639,734.00	72,729.22	76,032.45	(3,303.23)	104.5%	238,486.22	240,047.22	(1,561.00)	100.7%	
	\$2,057,437.08	\$2,223,009.06	\$404,556.32	\$379,870.40	\$24,685.92	93.9%	\$905,105.36	\$861,904.04	\$43,201.32	95.2%	
Other Expenditures											
Professional Fees & Services	\$114,086.06	\$118,240.00	\$12,810.00	\$6,909.47	\$5,900.53	53.9%	\$26,520.00	\$15,898.03	\$10,621.97	59.9%	
Postage	12,238.51	14,985.00	1,295.00	857.33	437.67	66.2%	6,415.00	\$5,396.33	1,018.67	84.1%	
Consumable Supplies	235,156.81	199,444.00	93,822.82	89,432.52	4,390.30	95.3%	127,828.38	\$123,702.39	4,125.99	96.8%	
Telephone	224,621.86	225,222.83	73,364.36	82,875.87	(9,511.51)	113.0%	128,192.85	\$149,392.24	(21,199.39)	116.5%	
Utilities	47,261.46	48,516.00	12,189.00	12,028.16	160.84	98.7%	32,574.00	\$31,659.99	914.01	97.2%	
Rent - Buildings	295,911.96	303,361.51	70,548.96	72,385.99	(1,837.03)	102.6%	163,034.76	\$164,409.20	(1,374.44)	100.8%	
Rent - Machinery & Other	35,445.48	39,768.00	10,042.00	8,507.57	1,534.43	84.7%	16,884.00	\$15,036.19	1,847.81	89.1%	
Other Operating	356,673.66	453,861.00	43,131.10	35,941.98	7,189.12	83.3%	155,328.00	\$170,809.17	(15,481.17)	110.0%	
Subscriptions	16,216.63	17,687.00	1,605.00	1,718.96	(113.96)	107.1%	8,754.00	\$8,615.80	138.20	98.4%	
Employee Training / Reg. Fees	162,908.91	256,732.75	28,526.00	28,719.70	(193.70)	100.7%	89,788.00	\$90,385.15	(597.15)	100.7%	
Claims/SORM Assessment	15,877.25	18,200.00	0.00	5,902.00	(5,902.00)	0.0%	15,200.00	\$18,865.61	(3,665.61)	124.1%	
Capital / Other IT Expenditures	35,115.44	97,679.43	8,531.00	8,531.00	0.00	100.0%	44,310.43	44,249.26	61.17	99.9%	
	\$1,551,514.03	\$1,793,697.52	\$355,865.24	\$353,810.55	\$2,054.69	99.4%	\$814,829.42	\$838,419.36	(\$23,589.94)	102.9%	
Employee Benefits (Less BRP)	\$3,833,622.37	\$4,227,404.82	\$1,026,293.25	\$1,050,148.50	(\$23,855.25)	102.3%	\$2,029,646.37	\$2,046,958.61	(\$17,312.24)	100.9%	
TOTAL EXPENDITURES:	\$23,661,529.47	\$25,538,366.23	\$5,985,871.69	\$5,972,156.00	\$13,715.69	99.8%	\$12,054,329.24	\$12,035,203.06	\$19,126.18	99.8%	
EXPENDITURES (OVER) /	\$1,717,649.30	\$0.00	(\$374,539.69)	(\$393,926.91)	\$19,387.22		\$1,184,374.56	\$1,317,362.63	(\$132,988.07)		
UNDER REVENUE:											

Texas Department of Banking

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

Nonbank Regulation – The variance relates to the collection of higher than budgeted prepaid funeral contract examination and travel fees.

Classified Salaries and Payroll Health Insurance – There is a small positive variance in salaries at the end of the second quarter. The salary budget for six new financial examiner I positions was used to hire a senior examiner and provide internal promotions for three review examiners. Four to five more financial examiners are expected to be hired in the third and fourth quarters.

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

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) overall efficient use of staff.

Professional Fees and Services – The positive variance relates to unspent budgeted expenditures for Attorney General and Administrative Law Judge fees.

Telephone – The negative variance is due to: (1) higher than budgeted online subscription purchase of SNL Financial and (2) computer/data line expenditures related to the Lubbock regional office remodel.

Rent – Machinery & Other – The positive variance is due to service and maintenance fees the copier vendor waived.

Other Operating – The positive variance is due to lower than expected Lubbock regional office space reconfiguration expenditures. These expenditures included new cubicles installation, old cubicles disposal, mover expenses and other miscellaneous labor charges.

SORM – The negative variance relates to an anticipated unemployment claim payment.

TEXAS DEPARTMENT OF BANKING

Changes in Cash Balance

For the Quarter Ending February 28, 2015

	<u>Actual</u>
Cash at Beginning of Period	\$14,972,604.10
Revenues Over (Under) Expenditures	(\$393,926.91)
Increase (Decrease) in Payables/Encumbrances	\$71,328.19
(Increase) Decrease in Receivables	<u>(\$22,926.22)</u>
Cash at End of Period	<u><u>\$ 14,627,079.16</u></u>
Restricted Cash Balance:	
Payroll and Related Payables	\$1,849,261.03
Reserve for Building	<u>5,000,000.00</u>
Total Restricted Cash Balance	<u><u>\$ 6,849,261.03</u></u>
Assigned Cash Balance:	
Retirements	\$714,182.84
Future Operations	<u>7,063,635.29</u>
Total Assigned Cash Balance	<u><u>\$ 7,777,818.13</u></u>
Total Restricted and Assigned Cash Balance	\$ 14,627,079.16
Assigned Cash Balance/FY2015 Monthly Budget	3.65 months

TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

OPERATING STATEMENT AND BUDGET ANALYSIS

For the Period Ended February 28, 2015

	FY 2014 EXPENDED	FY 2015 BUDGET	FY 2015 PERFORMANCE			
			YTD BUDGET	YTD EXPENDED*	((OVER)/UNDER BUDGET	PERCENT BUDGET
REVENUE:						
Annual Assessment	1,153,876	1,146,354	777,314	795,841	(\$18,527)	102.4%
Thrift Application Fees	20,600	20,000	10,000	4,000	6,000	40.0%
Licensing Fees	4,308,955	3,747,325	2,925,637	3,018,735	(93,098)	103.2%
Fines and Penalties	472,330	155,000	102,500	360,244	(257,744)	351.5%
Recovery Fund Offset	12,984	15,000	0	0	0	0.0%
Depository Interest	2,179	2,000	1,500	1,571	(71)	104.7%
Miscellaneous	6,752	3,000	250	222	28	88.8%
TOTAL REVENUE	5,977,676	5,088,679	3,817,201	4,180,613	(363,412)	109.5%
EXPENDITURES:						
Salaries and Wages-						
Exempt	192,392	190,000	95,000	95,000	0	100.0%
Classified	3,615,890	3,873,154	1,908,527	1,730,818	177,709	90.7%
Other Personnel Costs	178,738	101,790	49,302	45,325	3,977	91.9%
	3,987,020	4,164,944	2,052,829	1,871,143	181,686	91.1%
Travel-						
Transportation & Mileage	386,341	394,000	168,000	155,532	12,468	92.6%
	386,341	394,000	168,000	155,532	12,468	92.6%
Other Expenditures-						
Professional Services/Fees	41,450	57,950	16,950	14,757	2,193	87.1%
Consumable Supplies	10,752	11,000	6,000	5,996	4	99.9%
Utilities	24,015	23,117	11,558	11,258	300	97.4%
Rent-Space & Equipment	4,317	6,000	1,900	1,842	58	96.9%
Other Operating Expenses	255,898	244,982	113,868	107,937	5,931	94.8%
	336,432	343,049	150,276	141,790	8,486	94.4%
Other Agency Costs						
Employee Benefits	1,032,190	1,196,774	581,866	511,496	70,370	87.9%
SWCAP Indirect Costs	18,480	19,404	9,702	14,441	(4,739)	148.8%
	1,050,670	1,216,178	591,568	525,937	65,631	88.9%
TOTAL EXPENDITURES	5,760,463	6,118,171	2,962,673	2,694,402	268,271	90.9%
EXPENDITURES (OVER)/ UNDER REVENUE	217,213	(1,029,492)	854,528	1,486,211	(\$631,683)	N/A

* Amounts include accruals and encumbrances.

Texas Department of Savings and Mortgage Lending

Budget Variance Analysis as of February 28, 2015

Revenues:

Overall revenues are at 9.5% over budget.

Licensing Revenues – Revenues from license and registration fees are 3.2% 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 90.9% of budget.

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

Travel – The category is under budget due to vacancies and lower travel costs.

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 February 28, 2015

	Actual
Cash at Beginning of Period	\$ 9,584,333
Revenues Over (Under) Expenditures CY	\$ 479,740
Revenues Over (Under) Expenditures PY	\$ 38
(Increase) Decrease in Receivables	\$ 5,565
Increase (Decrease) in Payables/Encumbrances	\$ 14,455
Cash at End of Period	<u>\$ 10,084,130</u>
Restricted Cash Balance:	
Payroll Payable	\$ 396,158
Other Payables (Net of Receivables)	\$ 32,534
Building	\$ 5,000,000
Total Restricted Cash Balance	<u>\$ 5,428,692</u>
Assigned Cash Balance:	
Retirements	\$ 100,000
Mortgage Enforcement Funds	\$ 500,000
Future Operations	\$ 4,055,438
Total Assigned Cash Balance	<u>\$ 4,655,438</u>
Total Restricted and Assigned Cash Balance	<u>\$ 10,084,130</u>
Assigned Cash Balance/FY2015 Monthly Budget	9.1 months

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TEXAS DEPARTMENT OF BANKING
Austin, Texas

INTERNAL AUDIT REPORT

on

Perpetual Care Cemeteries

Fiscal Year 2015



TEXAS DEPARTMENT OF BANKING
Austin, Texas

Internal Audit Report
on
Perpetual Care Cemeteries

Fiscal Year 2015

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Finance Commission Members and
Audit Committee Members
Texas Department of Banking
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over the Perpetual Care Cemeteries (PCC) area of the Texas Department of Banking (DOB) and its compliance with the Texas Health and Safety Code, the Texas Administrative Code (TAC), and DOB's established policies and procedures, as applicable to the PCC area. The results of our tests disclosed that such controls were adequate and no instances of noncompliance were noted. This report also provides a summary of the PCC area, summarizes our audit scope and objective; and, the procedures performed to achieve the objective of our audit.

*Garza/Gonzalez
& Associates*

March 4, 2015



TEXAS DEPARTMENT OF BANKING

Perpetual Care Cemeteries Internal Audit Report

INTRODUCTION

The Texas Department of Banking (DOB) operates under the oversight of the Texas Finance Commission, and is an agency of the State of Texas that performs functions designed to maintain a financial regulatory system for Texas that promotes a consistent banking environment, provides the public with convenient, safe, competitive banking and other legislative financial services.

DOB operates pursuant to the authority of various provisions of the Texas Finance Code, the Texas Trust Company Act, the Texas Public Information Act, Texas Government Code, Chapter 552, and the Texas Administrative Code. DOB regulates state banks, foreign bank branches, agencies, and representative offices, trust companies, prepaid funeral benefit contract sellers, perpetual care cemeteries, money services businesses, private child support enforcement agencies, and check verification entities.

The major functions of DOB are to:

- Charter, regulate, and examine all state banks, foreign bank branches, agencies, representative offices, and trust companies;
- Charter, regulate, and examine trust departments of commercial banks and trust companies;
- License, regulate, and examine sellers of prepaid funeral contracts;
- License, regulate, and examine perpetual care cemeteries;
- License, regulate, and examine money services businesses;
- Register and investigate complaints of private child support enforcement agencies; and
- Register check verification entities.

DOB was granted Self-Directed, Semi Independent (SDSI) status in the 81st Legislative Session. As an SDSI agency, DOB is not required to have their budget approved by the Legislature; however, the Finance Commission is responsible for setting their spending authority or limits. DOB's entire operating funds are generated from fees assessed to the businesses it supervises and are used to fund both direct and indirect costs. General revenue funds are not used to support DOB's operations.

2015 Internal Audit Plan

Following are the internal audits and other functions to be performed, as identified in DOB's approved 2015 Internal Audit Plan:

- Perpetual Care Cemeteries
- Revenue Accounting Process
- Follow-up of Prior Internal Audits
- Other Tasks

This report contains the results of our audit of the Perpetual Care Cemeteries (PCC) area. The reports for the remaining internal audit areas and other functions to be performed will be issued upon completion.

INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of the audit area's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations, and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts that could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

EXECUTIVE SUMMARY

BACKGROUND

Perpetual Care Cemeteries

The Special Audits Division (Division) of the Texas Department of Banking (DOB) is comprised of the following areas: (1) Prepaid Funeral Contracts (PFC), (2) Perpetual Care Cemeteries (PCC), and (3) Money Services Businesses (MSB). However, each area is a separate auditable area and this report provides the results of the internal audit of the PCC area.

The Division is organized into two areas, the PFC/PCC area and the MSB area. Both areas are managed by the Division Director, who reports to a Deputy Commissioner. The PFC/PCC area is comprised of a Review Examiner, 9 Financial Examiners, and 2 Administrative Assistants.

PCCs are regulated by Chapters 711 and 712 of the Texas Health and Safety Code, and has adopted Title 7, Chapter 26 and 27 of the Texas Administrative Code (TAC) to enforce and administer these chapters. Generally, all cemeteries established after September 1, 2003 are required to obtain a certificate of authority from DOB to operate as a PCC.

The Division is responsible for monitoring and providing sound regulatory supervision to PCC certificate holders to ensure compliance with applicable laws and regulations.

Application Process

PCC applications are available to applicants on DOB's website, as is a checklist that can be used by applicants to ensure that necessary documents are submitted to the Division for consideration in obtaining a certificate of authority. Some of the data and documents required to be submitted, along with the application, include biographical data, financial statements, investment plans, articles of incorporation, etc.

Applications can only be submitted by the applicant through mail. Upon receipt of the application by the Division, it is provided to an Administrative Assistant for initial review, which includes conducting a background check; application fee payment verification; and, verification that required documents were submitted. The Administrative Assistant utilizes the same checklist that is made available to the applicant to verify that all the required documents have been submitted. If the application is deemed incomplete or contains deficiencies, a letter is sent to the applicant, within 10 days of receipt of the application, requesting the missing documents. Once all documents are received, the application is sent to the Review Examiner.

The Review Examiner performs a second review of the application, and then forwards to the Director for his review and approval. Upon the Director's approval, the application is provided to the Deputy Commissioner for final review and approval.

Application Fee

TAC §26.1 authorizes DOB to assess a \$500 application fee, to be paid with the application for a certificate of authority, to operate a perpetual care cemetery, as required by Section 712.0033(a) of the Health and Safety Code. Adhering to this rule, the Division does not proceed in processing an application until the application fee is collected.

The Division collected \$1,500 in PCC application fees for the period ended November 30, 2014.

TEXAS DEPARTMENT OF BANKING

Perpetual Care Cemeteries

Internal Audit Report

Renewal Process

Per Health and Safety Code, Sec. 712.0036, an initial certificate of authority expires March 1 of the year after the year the certificate is issued, and must be renewed at that time.

As a condition of renewal, a certificate holder must meet the qualifications and satisfy the requirements that apply to an applicant for a new certificate of authority. Additionally, not later than the certificate's annual renewal date, a certificate holder shall pay an annual renewal fee in an amount established by the Finance Commission and submit a renewal report in the form established by DOB.

The Administrative Assistants prepare a letter for each certificate holder requiring renewal. The letter, which reflects the date, fiscal year, expiration date, packet due date, and instructions, is then mailed to the certificate holder.

Renewal packets are received by the Administrative Assistants who conduct the first review, which includes completion of a checklist to ensure all required items were submitted and to verify that the renewal fee was paid. Upon completion of the first review, the application is sent to a Financial Examiner for further review.

As part of their review, the Financial Examiner completes the remaining portion of the checklist to ensure all renewal requirements have been met, signs the renewal form and forwards it to the Review Examiner or Director for final review.

The Review Examiner or Director will review the renewal form for approval. If approved, the certificate of authority is printed by an Administrative Assistant and mailed to the certificate holder. The Administrative Assistant will also update the certificate holder's information in both, the PFACS system and the renewal tracking spreadsheet.

Renewal Fee

TAC §26.1 authorizes DOB to assess a renewal fee, as required by Section 712.0037 of the Texas Health & Safety Code. This annual renewal fee schedule, as established by TAC §26.1, is used to determine the renewal fee and is based on a certificate holder's fund balance, as reflected on the statement of funds, in the most recent annual renewal report filed with DOB.

The Division collected renewal fees totaling \$167,700 for the March 2014 renewal period.

Examinations

Examination Frequency

In accordance with chapter 712.044 of the Texas Health & Safety Code, DOB is authorized to examine certificate holders on a periodic basis, or as considered necessary or appropriate to protect the interest of plot owners.

DOB has implemented an 18-month risk-based examination frequency schedule. A certificate holder could be subject to more frequent examinations within this time period if a rating of less than satisfactory was received in the previous examination or by order of DOB's Commissioner.

TEXAS DEPARTMENT OF BANKING

Perpetual Care Cemeteries

Internal Audit Report

Examination Process

On site examinations are performed to determine the certificate holder’s compliance with applicable laws and regulations. The assigned examiner is responsible for conducting the examination and preparing the report of examination (ROE).

The Division utilizes tailored examination work programs to ensure examination procedures include testing of significant requirements of the Texas Health and Safety Code and the TAC.

Upon completion of the onsite examination, the Examiner prepares a draft ROE that reflects an assigned rating. All draft ROEs and respective workpapers are sent to the Division for review and approval. The Director signs all ROEs regardless of assigned rating; and, those with a rating of “3”, “4”, or “5” are also reviewed by the Deputy Commissioner.

Upon completion of an examination, all workpapers are imaged and stored.

Rating Assignment

At the conclusion of the examination, the Examiner assigns it an exam rating, using a scale of “1” to “5”, based on the certificate holder’s level of compliance, as follows:

Rating	Basis
1	Strong Overall Condition
2	Satisfactory Overall Condition
3	Marginal Overall Condition
4	Poor Overall Condition
5	Critically Deficient Overall Condition

Examination Assessment

TAC §26.1 authorizes DOB to assess an examination fee to defray the cost of administering the Act, which is computed using the annual assessment schedule, as established by TAC §26.1 and is based on the certificate holder’s fund balance, as reflected on the statement of funds, in the most recent annual renewal report filed with DOB.

The Division collected \$415,297 in examination assessment fees for the period ended November 30, 2014.

INTERNAL AUDIT SCOPE/OBJECTIVE

The scope of our audit was the Perpetual Care Cemeteries (PCC) area. The objective of our audit was to gain an understanding of the PCC area and determine if certificates of authority were issued and examinations performed in accordance with applicable sections of the Texas Health and Safety Code, TAC; and, DOB’s established policies and procedures.

TEXAS DEPARTMENT OF BANKING

Perpetual Care Cemeteries

Internal Audit Report

The procedures performed to achieve the objective of our audit were as follows:

1. Reviewed and obtained an understanding of the laws and regulations provided in Chapters 711 and 712 of the Texas Health and Safety Code and Chapters 26 and 27 of the Texas Administrative Code, as applicable to the PCC area.
2. Obtained and reviewed the PCC area's written policies and procedures, collected available documentation, and conducted interviews to document formal/informal processes and controls.
3. Determined if significant compliance requirements of Chapter 712 of the Texas Health and Safety Code and Chapter 26 of the Texas Administrative Code requirements were included in the examination procedures used to examine records of PCC certificate holders.
4. Obtained the list of applications processed during the period from September 1, 2014 to November 30, 2014 and selected 3 applications to test for the following attributes:
 - a. Obtained and reviewed the application, application checklist, and other documentation to ensure all the required documentation was submitted.
 - b. Ensured the application fee was collected.
 - c. Reviewed evidence of the Deputy Commissioner's approval prior to permit issuance and ensured the application was approved within 45 days after application was deemed complete.
5. Obtained the list of renewal applications processed during March, 2014 and selected 10 applications to test for the following attributes:
 - a. Obtained and reviewed the renewal application, renewal checklist and other documentation to ensure all the required documentation was submitted.
 - b. Ensured the renewal fee was computed in accordance with TAC §26.1 and collected.
 - c. Ensured the renewal application was reviewed and approved by the appropriate person(s).
6. Tested the 2 renewal applications pending approval as of November 30, 2014 to determine the adequacy of the status by reviewing the submittal of incomplete letters.
7. Obtained the list of examinations conducted during the period from September 1, 2014 to November 30, 2014 and selected 5 examinations to test for the following attributes:
 - a. Ensured compliance with the examination frequency requirements.
 - b. Ensured required documentation was obtained and reviewed.
 - c. Ensured the ROE was properly reviewed, approved, and signed.
 - d. Ensured the assessment fee was computed in accordance with TAC §26.1 and collected.
8. Obtained the list of permits that were closed during the period from September 1, 2014 to November 30, 2014 and ensured all required information was obtained for closure.
9. Reviewed the Exam Report Suspense List to ensure examinations were being completed in a timely manner.

TEXAS DEPARTMENT OF BANKING
Perpetual Care Cemeteries
Internal Audit Report

List of Audits Completed by High Level Audit Objectives

Report No.	Report Date	Name of Report	High Level Audit Objectives
1	3/4/2015	Perpetual Care Cemeteries (PCC)	<ul style="list-style-type: none">• To determine whether the controls in place within the PCC area provide reasonable assurance that applicable statutes, rules, policies, and procedures are consistently applied to all PCC certificate holders.



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Texas Financial Education Endowment Report

Staff has received, reviewed, and submitted reimbursement forms to issue payment to grantees for the second installation of Reimbursement Request Reports. A report summary was sent to the Grant Advisory Committee “GAC”.

Staff continues to review, make administrative amendments, and policies improvements to the grant program. Staff will plan a meeting with Grant Advisory Committee to get feedback and finalize programmatic changes.

Key milestones of upcoming 2016-2017 grant cycle:

June '15	Present recommendations for strategy and procedure to Audit and FC for approval.
Aug.	Publish new CYs 2016-2017 grant cycle announcement on OCCC and TFEЕ websites.
Sept.	CYs 2016-2017 grant cycle applications due on the 30 th .
Oct.	GAC reviews and recommend recipients to Audit Committee.
Dec.	Audit Committee & Finance Commission approve CYs 2016-2017 recipients
Jan. '16	CYs 2016-2017 Grant Cycle Begins

Grant Summary

Fiscal Year 2015 - 2nd Quarter

Grant Amount Awarded	\$	250,000
Claims Paid as of 2/28/15		(89,682)
Claims Filed / Pending		(49,931)
<hr/>		
Total Grant Amount		
Outstanding as of 2/28/15	\$	<u>110,387</u>



2014 TFEI Interim Program Report Highlights Funding Period July 1, 2014 – December 30, 2014

Organization & Funding Details	Approved Purpose	Program Impact	Program Findings
<p>Texas Council on Economic Education, Houston Service Area: Statewide Category: K-12, 1 yr. Cycle Yrs. in Operation: 44 Amount Requested: \$40,000 Amount Awarded: \$35,000 Reimbursement Awarded in Current Reporting Cycle: \$11,780 Remaining Balance: \$7,838</p>	<p>The grant will provide 125 Texas teachers full day staff development on financial literacy and/or paying for college. The goals are to: 1) educate teachers in math financial literacy concepts and lessons so they can more effectively facilitate their students' understanding. 2) train high school economics and career teachers on financial literacy and paying for college so that they can more effectively teach those concepts and skills to their students. 3) determine the effectiveness of the lessons and teachers teaching the concepts through an increase in student scores as determined by a pre-test and post-test.</p>	<p>Year to date numbers: trained 135 educators, estimate 113,443 students will be impacted by TFEI trainings; anticipate 59,126 students in the valley will receive instruction from trained teachers. 11.4% increase in post-test data. Project leaders have assisted in the development of state standards, as well as trained teachers. Lessons provide hands on, real world relevance so students learn applicable skills. One of the TFEI trainings was taped and aired on Katy ISD website for teachers to see district wide.</p>	<p>Teachers are focused on STARR requirements; limited lesson time to teach Personal Financial Literacy (PFL) in the classroom. Difficulty collecting test data from educators. Providing \$50 incentives to teachers who submit tests. Students have limited corresponding math skills for some PFL lessons.</p>
<p>Financial Mentors of America, Houston Service Area: Houston, San Antonio, Austin Category: K-12, 2 yr. Cycle Yrs. in Operation: 9 Amount Requested: \$40,000 Amount Awarded: \$35,000 Reimbursement Awarded in Current Reporting Cycle: \$1,726 Remaining Balance: \$33,274</p>	<p>This funding will help FMA provide research and expand the award winning, evidence based Game of Real Life (GAME) to Texas middle and high school students under the PFL HB2662 and career standards of HB5. While the State Board of Education (SBOE) promulgates TEKS for the PFL course, FMA plans to pilot the GAME to 5 school districts, 2,500 students in 2014-2015. Funding is requested for research, with control and intervention groups, to measure outcomes of the program.</p>	<p>Working with students in low performing, low economic middle schools. Working with enthusiastic college researchers to collect and collate data; all of which agreed to serve as unpaid professional advisors.</p> <p>50% permission slips returned from students. FMA provides snacks, dinner, and transportation as incentive to participate.</p>	<p>Houston ISD program commences in 2015; Four new board members started this year. Program is lacking incentive or leverage to attend financial literacy program. This is an optional afterschool program and could impact attendance. Problems securing third party research organization.</p>



2014 TFEE Interim Program Report Highlights Funding Period July 1, 2014 – December 30, 2014

Organization & Funding Details	Approved Purpose	Program Impact	Program Findings
<p>Foundation Communities, Austin Service Area: Austin Category: 2 yr. Cycle, Financial Coaching Yrs. in Operation: 23 Existing program Amount Requested: \$40,000 Amount Awarded: \$35,000 Reimbursement Awarded in Current Reporting Cycle: \$15,747 Remaining Balance: \$0</p>	<p>Funding from TFEE will support the expansion of Foundation Communities’ Financial Coaching Program. During the two-year project period, the Coaching program will provide 800 low-income clients the opportunity to work one-on-one with a trained financial coach who will provide the client with resources to help them better manage their finances and reach their self-defined financial goals. Clients may meet in-person with a coach for up to eight one-hour sessions. Opening a second location will allow them to expand and reach clients they are currently not able to serve. Coaching will be available to anyone with a household income less than \$50,000. Financial Coaching is offered free of charge.</p>	<p>Served 247 participants, 381 unduplicated clients served in 2014. Successful launch of North Austin Community Financial Center. Grantee has identified ways to engage clients in crisis for Financial Coaching program. Create individualized plan to assist with financial stability. 25 new volunteers trained during this reporting period. 89% established long-term goals; 38% reported a decreased level of financial stress after meeting with a coach; 55% established or increased savings and reduced debt; 53% improved credit scores; and 38 clients participated in the emergency savings account program in 2014.</p>	<p>Funds have been used to pay for staff to train financial coaches.. 46% of participants reported the same level of financial stress before and after meeting with a coach. Safety Net Savings program saw smaller numbers of participants and deposits than expected. Grantee is expected to continue to report through the end of the two year grant cycle.</p>



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<p>Independent Bankers Association of Texas Education Foundation Austin Service Area: Statewide Category: K-12; 2 yr. Cycle Yrs. in Operation: 14 Existing program Amount Requested: \$40,000 Amount Awarded: \$30,000 Reimbursement Awarded in Current Reporting Cycle: \$15,000 Remaining Balance: \$ 0</p>	<p>Our goal is to teach middle and high school Texas teachers engaging instructional methods that convey practical and relevant personal financial management skills to their students. Community bankers have been involved in classroom teaching over the years and have observed that teachers are best equipped to connect with their students; hence this focus on providing teachers with the best tools to connect with students. The IBAT Teach the Teacher Program is a six-hour TEA-approved workshop which incorporates interactive games and video segments, and has been provided in 6 locations, already reaching more than 40,000 students. The program will expand to each of the 20 TEA service centers across Texas and give teacher’s confidence in addressing financial literacy content.</p>	<p>Trained a total 126 teachers, impacting approximately 18, 900 students. Evaluations demonstrate teachers are satisfied with the trainings. Track attendance from registration through evaluation. Use pre-and-post test data to modify the program to better suit their audience.</p>	<p>Difficult to get teachers interested in attending trainings during the summer – offered \$100 gift card incentives. Some of the Education Service Centers charge a fee for facility use even though IBAT provides the training at no cost. Participant travel poses challenges for attendees who live far from a service area.</p>
<p>Society of St. Vincent de Paul - Diocesan Council of Austin, Austin Service Area: Central Texas Category: Adult Fin. Lit.; 2 yr. Cycle Yrs. in Operation: 52 Existing program Amount Requested: \$40,000 Amount Awarded: \$30,000 Reimbursement Awarded in Current Reporting Cycle: \$19,953 Remaining Balance: \$577</p>	<p>The Society of St. Vincent de Paul Diocesan Council of Austin has established a Loan Conversion Program to offer a preferential alternative financing method in Central Texas. This program has a financial literacy component that has real-life and sustainable impact on families. Launching in February 2014, the Loan Conversion Program will be offered to established clients who currently hold payday loans. Efforts are made to educate clients on a very basic level. Once a client is identified as a candidate for the program, they must be approved by the Loan Committee. Once approved, their loan will be transferred to a cooperating credit union as a share-secured loan to be repaid over a 6-24 month period at a simple interest rate, currently fewer than 3%. Initial goal is to create an \$80,000-\$85,000 annual loan portfolio.</p>	<p>Converted 22 loans; 1 loan. 8 out of 21 clients attended 1 of 3 classes offered. Success evaluated by on-time payments. Tailored specific classes to the needs of the client; proved to be most effective at modifying consumer behavior. Volunteers encouraged check-in with clients every 6-8 weeks.</p>	<p>Technological limitations to online credit union access; clients who owe large loan amounts in high interest debt don’t meet credit unions requirement – those who may need education and assistance most may not have access.</p>



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<p>Goodwill of Central East Texas Lufkin Service Area: Lufkin Category: Adult Fin. Lit.; 2 yr. Cycle Yrs. in Operation: 25 Existing program</p> <p>Amount Requested: \$31,850 Amount Awarded: \$25,000 Reimbursement Awarded in Current Reporting Cycle: \$3,029 Remaining Balance: \$21,971</p>	<p>Good Sense - Family Financial Capability Services (Financial Coaching, Incentivized Savings, and VITA Free Tax Preparation Services): Good Sense provides both basic and intensive financial services with the goal of providing services that increase financial capability and stability, income tax compliance, and asset building. Grant funds will provide incentivized savings programs to 70 low-income adults with disabilities and other barriers to self-sufficiency. Services will consist of 6 2-hour sessions of financial education delivered to 80 students annually followed by 6 months of financial coaching to a select group of 35 of the original 80 participants.</p>	<p>100% of participants reported an increase in financial knowledge after attended financial coaching/classes.</p> <p>Renovating computer lab. Partnered with United Way of Nacogdoches County. Flexibility in scheduling the classes. On-line curriculum and self-study meet individual learning styles. Developed a plan increase enrollment in Youth Build Program in the financial education classes. Review surveys to evaluate and improve classes. Placed more emphasis on credit building and rebuilding during class time.</p>	<p>Funds have been used to pay for staff to train financial coaches. One person responsible for oversight of financial education classes.</p> <p>Private settings were successful but inefficient. Renovations caused problems finding class space, lowered number of classes available.</p> <p>Consistent participant attendance is a challenge. Slightly, more than 50% of participants completed all 6 (2 hour) sessions this funding period.</p>
<p>Texas State Affordable Housing Corporation Austin Service Area: Statewide Category: Adult Fin. Lit.; 1 yr. Cycle Yrs. in Operation: 19 Existing program</p> <p>Amount Requested: \$40,000 Amount Awarded: \$30,000 Reimbursement Awarded in Current Reporting Cycle: \$15,000 Remaining Balance: \$0</p>	<p>In 1997, the Texas Legislature charged the Texas Department of Housing and Community Affairs with the development and implementation of a statewide homebuyer education program for the purpose of providing information on the home buying process to prospective homebuyers. The Texas Statewide Homebuyer Education Program (TSHEP) was created to fulfill this mandate. The goal of TSHEP is to bring uniform, comprehensive and affordable educational opportunities to all 254 Texas counties by training housing and financial counselors working for a unit of local government or a nonprofit agency. To date, approximately 700 counselors have participated in TSHEP training and now serve individuals in their respective local communities. If awarded TFEI funds, it is anticipated that 140 counselors representing at least 60 organizations will be able to take advantage of trainings. These 140 counselors would have the ability to coach and education over 3,200 consumers in Texas.</p>	<p>Contracted with NeighborWorks for all 2014 trainings.</p> <p>122 Housing and financial counselors participated in trainings.</p> <p>Served 89 counties statewide. Organizations that attended trainings served 11, 826 households. 86% of households served by counselors in 2014 were low income.</p>	<p>Funds have been used to pay for staff to train financial coaches to train curriculum. Will try to work with grantee to provide additional statistics to effectively measure the program.</p>



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<p>United Way of Tarrant County, Fort Worth Service Area: Fort Worth and Tarrant County Category: Financial Coaching; 1 yr. Cycle Yrs. in Operation: 103 Existing program Amount Requested: \$40,000 Amount Awarded: \$30,000 Reimbursement Awarded in Current Reporting Cycle: \$15,000 Remaining Balance: \$0</p>	<p>United Way has worked with experts and volunteers to create a shared community goal, that we call a BOLD GOAL. By 2020, 32,000 low-income working families will move toward financial stability. In 2013-14, we will enroll 1200 in financial education and coaching and expect to see 900 with behavior changes and 600 with savings accounts. Instructor led training will use Money Smart and Finding Paths to Prosperity curricula. A one-stop center for many types of financial stability assistance is being developed, which will add a stronger financial coaching emphasis. Coaching will be offered in groups, and one-on-one, for four-to-six sessions per individual. In three years, more than 4,766 individuals have completed financial education sessions, and more than 10,788 have participated in the VITA tax preparation program.</p>	<p>Focus on financial coaching working well. Continue to track families. Served 1,058 families and 258 of those have saved \$100. 567 families have reduced debt and paid bills on time. 825 improved at least one financial behavior. Served 106% of goal in financial coaching and 110% improved behavior. Require individuals to engage in four coaching programs. Participants are followed 3, 6, and 9 months after program completion. Continue to explore more intensive on-going coaching. Match funds to incentivize savings.</p>	<p>Creating the behavior change was challenging. Unable to reach some clients prevents the collection of follow up data.</p>