

FINANCE COMMISSION OF TEXAS AUDIT COMMITTEE MEETING

Friday, April 21, 2017

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 the Minutes of the February 17, 2017, 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, 2017 Investment Officer Reports
 - 1. Office of Consumer Credit Commissioner
 - 2. Texas Department of Banking
 - 3. Department of Savings and Mortgage Lending
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2017 Second Quarter Financial Statements
 - 1. Office of Consumer Credit Commissioner
 - 2. Texas Department of Banking
 - 3. Department of Savings and Mortgage Lending
- 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 the 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 THE
AUDIT COMMITTEE MEETING
Friday, February 17, 2017**

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m. on February 17, 2017, with the following members present:

Audit Committee Members in Attendance:

Molly Curl, Chairman
Hector Cerna
Lori McCool

Additional Members in Attendance:

Stacy G. London
Jay Shands
Bob Borochoff
Phillip Holt
Will Lucas
Matt Moore
Paul Plunket
Vince E. Puente

Audit Committee Chairman Curl announced that there was a quorum of the Audit Committee of the Finance Commission of Texas with three members present.

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the October 21, 2016 Audit Committee Meeting	Lori McCool made a motion to approve the minutes of the October 21, 2016 Audit Committee Meeting. Hector Cerna seconded and the motion passed.	0:10 start of discussion 0:22 vote
B. Audit Committee Review of Agencies' Activities	No Action Required.	0: 47 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action Pursuant to §551.076, Texas Government Code: Deliberation Regarding Security Devices or Security Audits, Relating to the Cyber Security Assessment Report of the Office of Consumer Credit Commissioner	Deferred to Executive Session. No vote taken.	n/a

<p>D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Finance Commission's Internal Audit Activity Charter</p>	<p>Hector Cerna made a motion to recommend that the Finance Commission approve the Finance Commission's Internal Audit Activity Charter. Lori McCool seconded and the motion passed.</p>	<p>10:23 start of discussion 12:15 vote</p>
<p>E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2017 Internal Auditor's Risk Assessment and Audit Plan</p> <ol style="list-style-type: none"> 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner 	<p>Lori McCool made a motion to recommend that the Finance Commission approve the Agencies' Fiscal Year 2017 Internal Auditor's Risk Assessment and Audit Plan. Hector Cerna seconded and the motion passed.</p>	<p>12:29 start of discussion 29:38 vote</p>
<p>F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' November 30, 2016 Investment Officer Reports</p> <ol style="list-style-type: none"> 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner 	<p>Hector Cerna made a motion to Recommend that the Finance Commission approve the Agencies' November 30, 2016 Investment Officer Reports. Lori McCool seconded and the motion passed.</p>	<p>29:47 start of discussion 36:46 vote</p>
<p>G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2017 First Quarter Financial Statements</p> <ol style="list-style-type: none"> 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner 	<p>Lori McCool made a motion to Recommend that the Finance Commission approve the Agencies' 2017 First Quarter Financial Statements. Hector Cerna seconded and the motion passed.</p>	<p>37:15 start of discussion 43:33 vote</p>
<p>H. Report on Activities Relating to the Texas Financial Education Endowment Fund</p>	<p>No Action Required.</p>	<p>43:56 start of discussion</p>

<p>I. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on Proposal for the Department of Savings & Mortgage Lending to Contribute Funds to the Texas Financial Education Endowment</p>	<p>Hector Cerna made a motion to Recommend that the Finance Commission approve the Proposal for the Department of Savings & Mortgage Lending to make a onetime contribution of Funds to the Texas Financial Education Endowment. Lori McCool seconded and the motion passed.</p>	<p>44:12 start start of discussion 57:04 vote</p>
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Chairman Molly Curl called for an Executive Session at 8:40 a.m. *(10:02 on the audio file)*. The open meeting resumed at 9:12 a.m. *(10:04 on the audio file)*.

There being no further business of the Audit Committee of the Finance Commission of Texas, Molly Curl adjourned the meeting at 10:00 a.m. *(57:16 on the audio file)*

Molly Curl, Audit Committee Chair
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Anne Benites, Executive Assistant
Finance Commission of Texas

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Office of Consumer Credit Commissioner
Outstanding Audit Findings Report as of 2/3/2017

Auditor	Texas Department of Public Safety	Audit Report Date
Audit Area	Storage and security of criminal history record information	Mar-16
Finding	Status Update	
Unsubscribe from CHRI who no longer have active or inactive license	In progress. The agency continually works to unsubscribe to individuals CHRI who have a canceled, surrendered, or revoked license, with the goal of completion by the end of FY 2018.	
Auditor	Garza/Gonzales & Associates	Audit Report Date
Audit Area	MVSF Examinations	Jun-16
Finding	Status Update	
Ensure a copy of the notification letter is included in the examination work papers that are submitted to the Austin office to provide evidence that the notification letter was sent to the licensee, as required.	Completed. The procedure was reinforced at regional meetings and was covered in training during the examiner's September annual meeting. The ACE online system will ensure compliance with this procedure.	
Auditor	Garza/Gonzales & Associates	Audit Report Date
Audit Area	MVSF Examinations	Jun-16
Finding	Status Update	
OCCC to implement quality control procedures to ensure proper completion of examination work papers.	Completed. Examiners were briefed at regional meetings and training occurred at the September annual meeting. The functionality of ACE will ensure that all data elements for an exam are entered into the file.	
Auditor	State Auditors Office	Audit Report Date
Audit Area		Jan-17
Finding	Status Update	
OCCC should review data used to calculate performance measures reported to Finance Commission.	Completed: The implementation of the new automated scheduling, examination reporting and examination review functionality will improve data integrity. An additional level of management review and validation will be initiated.	
Auditor	State Auditors Office	Audit Report Date
Audit Area		Jan-17
Finding	Status Update	
OCCC should strengthen controls over financial reporting processes and achieve segregation of duties for users of internal accounting system.	In Progress: Revision to the financial reporting process including enhancing written policies and procedures will be implemented by April 30, 2017. The department has completed the formal evaluation of and realignment of duties and responsibilities of all accounting staff to ensure proper segregation of duties.	
Auditor	State Auditors Office	Audit Report Date
Audit Area		Jan-17
Finding	Status Update	
OCCC should improve controls over Information Technology, including written policies and procedures, change management and user access reviews.	In Progress: The agency is formalizing its change management process, enhancing its written policies and procedures and otherwise strengthening controls. The improvements will be completed by May 31, 2017.	

Texas Department of Banking
Outstanding Audit Findings/Recommendations Report as of April 2017

Auditor	State Auditor's Office	Audit Report Date
Audit Area	SDSI Audit of the Department of Banking	November 2016
Recommendation	Status Update	
Agency did not adequately protect the Department's information technology assets from environmental factors and unauthorized access	Completed – The unauthorized access concern has been corrected. Further, the Department has installed a leak diverter above the servers in the computer room. In the event of a leak, the diverter will carry the water to a second floor bathroom drain.	
User rights access were not always appropriate	On-going – The individual discrepancies noted in the audit have been corrected. In addition, the annual review process performed each August will be improved by having the Information Security Officer meet with each Division Director to assist in the review of the access levels of the staff and respond to any questions about user access rights. The next review will be performed in August 2017.	

Department of Savings and Mortgage Lending
Outstanding Audit Issues Report as of March 31, 2017

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Management Information Systems	7/25/2016
Recommendation	Status Update	
Conduct MIS Risk Assessment	Pending. The risk assessment scheduled for the summer of 2017.	
Establish audit trails	In progress. The Department is working with its contracted managed service provider to establish and implement this recommendation.	

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Thrift Examinations	
Recommendation	Status Update	
N/A	Scheduled. Field work to begin on April 25, 2017.	

Auditor	State Office Of Risk Management	Audit Report Date
Audit Area	Risk Management	
Recommendation	Status Update	
N/A	Scheduled. Risk Management Program Review and visit from SORM to be conducted on June 2, 2017.	

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Office of Consumer Credit Commissioner
Fiscal Year 2017 - 2nd Quarter

Residential Mortgage Loan Originator Recovery Trust Fund #3008

Beginning Balance at 12/01/16	Additions / *(Deductions)	Interest Paid	Paid Bank Fees	Ending Balance at 02/28/17	Current Interest Rate
\$ 133,765.23	\$ -	\$ 131.55	\$ (43.44)	\$ 133,853.34	0.43%

Investment Officer: Chad C. Miller

Date: 4/3/17

Reviewed By: [Signature]

Date: 4.3.17

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 2017 - 2nd Quarter

Texas Financial Education Endowment Fund #3071							
	Beginning Balance at 12/01/16	Additions	Interest Paid	Grant Disbursements	Paid Bank Fees	Ending Balance at 02/28/17	Current Interest Rate
Cash	\$ 808,631.12	\$ 380,898.64	\$ 804.50	\$ -	\$ (1,898.64)	\$ 1,188,435.62	0.43%
Invested Portfolio	Beginning Balance at 12/01/16	Additions	*Change in Value		Paid Fees	Ending Balance at 2/28/17	
Investments - STIF	\$ 728,955.38	\$ 5,555.99	\$ (690,045.69)	\$ -	\$ (2,065.22)	\$ 42,400.46	
Interest & Dividends Receivable	18.33		4.43			22.76	
Trade Receivables	-		-			-	
Investments - Equities	26,983.42		14,382.53			41,365.95	
Investments - Alternatives	1,844,087.35		648,606.03			2,492,693.38	
Investments - Fixed Income	133,348.33		120,178.53			253,526.86	
Invested Portfolio	\$ 2,733,392.81	\$ 5,555.99	\$ 93,125.83	\$ -	\$ (2,065.22)	\$ 2,830,009.41	
Liabilities							
Accounts Payable	\$ (1,197.86)	\$ (166.58)	\$ -	\$ -	\$ -	\$ (1,364.44)	
Trade Payables	-	-	-	-	-	-	
Total Liabilities	\$ (1,197.86)	\$ (166.58)	\$ -	\$ -	\$ -	\$ (1,364.44)	
Total Net Fiduciary Assets	\$ 2,732,194.95					\$ 2,828,644.97	
Total Endowment Funds	\$ 3,540,826.07					\$ 4,017,080.59	

Note: These funds are invested with the Texas Treasury Safekeeping Trust Company.
The above investments are in compliance with the agency's investment policy.

* Reflects redistributed amount among the asset classes in addition to market value adjustment.

Investment Officer: CHD CH Wok

Date: 4/3/17

Reviewed By: [Signature]

Date: 4.3.17

Department of Banking Quarterly Investment Report
December 1, 2016 to February 28, 2017

Seized Prepaid Funeral Funds	Book Value at November 30, 2016	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at February 28, 2017	Trustee	Investment Type	Maturity Date	Interest Rate
El Paso Mission Funeral Home, Inc. PFC No. 606 (1)	\$55,830.17	\$1,158.44	\$38.45	\$89,842.41	\$32,892.25	\$0.00	Regions Bank	trust	n/a	n/a
Allcorn Funeral & Cremation Care, PFC No. 1118 (2)	\$0.00				\$216,702.02	\$216,702.02	ClearPoint Federal Bank and Trust	trust	n/a	n/a
Total Seized Funds	\$55,830.17	\$1,158.44	\$38.45	\$89,842.41	\$249,594.27	\$216,702.02				

Notes:

(1) The records and funds related to Permit Number 606 were seized as a result of management fraudulently withdrawing consumer funds without the purchasers' approvals. Further, the funds withdrawn from the PFC restricted account were not forwarded to the purchasers. Subsequent to the seizure, the Department placed a notice in the El Paso newspaper requesting consumers contact our Department. The permit holder and its owner have agreed to pay restitution per Agreed Order No. 2015-020a. An initial invitation for area funeral homes to bid on the outstanding PFCs was sent on September 20, 2016, with a due date of October 21, 2016. No bids were received from funeral homes. A second bid notice was sent on November 21, 2016, with a due date of December 9, 2016. Since no bids were received. With the Guaranty Fund Council's concurrence, the Department processed a Guaranty Fund claim and processed restitution checks to consumers who held valid PFCs and whose addresses had been verified (also see Trust Funded Report for other activity of El Paso Mission Funeral Home).

(2) The records and funds related to Permit Number 1118 were seized as a result of the funeral home going out of business. Subsequent to the Agreed Order, the Department sent an invitation for area funeral homes to bid on the outstanding PFCs. The bid was awarded to Funeral Agency, Inc. and the Department is working to transfer the PFCs to its permit.

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

Prepared By: /s/Jesus Saucillo

Date: March 10, 2017

Reviewed By: /s/Stephanie Newberg

Date: March 10, 2017

Trust Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2016 to February 28, 2017

<u>Book</u> <u>Book Value at November 30, 2016</u>	<u>Interest Income</u> <u>Received</u>	<u>Trustee</u> <u>Fees Paid</u>	(1) <u>Other</u> <u>Deductions</u>	(2) <u>Other</u> <u>Additions</u>	<u>Book/Market</u> <u>Value at February 28, 2017</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Accrued Interest</u> <u>on CDs</u>
\$1,330,553.70	\$3,331.87	\$87.92	\$46,712.55	\$13,162.05	\$1,300,247.15	--	--	\$785.31

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$340,036.84	3/1/2017	0.43%	
First Bank and Trust of Childress (CD)	\$240,000.00	12/11/2017	1.00%	\$111.78
State Bank of Texas (CD)	\$240,000.00	12/16/2017	1.35%	\$124.28
Lone Star State Bank of West Texas	\$240,000.00	1/5/2018	1.50%	\$549.25
Pilgrim Bank (money market)	<u>\$240,210.31</u>	n/a	0.85%	
Subtotal	\$1,300,247.15			

(1) Other deductions include restitution in the amount of \$5,695.00 paid to consumer E. Gonzalez related to an illegal PFC sold by Walker-Mora Funeral Home; \$1,917.00 paid for the benefit to consumers G. Clark and K. Clark related to PFCs sold by Tom G. Walker Funeral Home, Inc, that were not previously disclosed; \$2,157.30 cancellation benefit paid to V. Hundley related to PFCs sold by Timothy Gaffney and Daniel Brothers; and \$36,943.25 paid as restitution to consumers related to El Paso Mission Funeral Home, Inc. (also see Seized PFC Funds Report for activity related to El Paso Mission Funeral Home).

(2) Other additions include: (a) \$200.00 restitution received from Mr. Dan L. Brothers; (b) \$1,275.00 restitution received from Mr. Kevin Keeney; (c) \$300.00 restitution received from Mr. Marc Gonzalez; (d) \$748.05 related to the Allcorn Funeral Home & Cremation Care Agreed Order; (e) \$3,139.00 of insurance-funded PFC assessments deposited into this account in error; and (f) \$7,500.00 restitution received from Timothy Gaffney.

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: /s/Jesus Saucillo

Date: March 10, 2017

Reviewed By: /s/Stephanie Newberg

Date: March 10, 2017

Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2016 to February 28, 2017

<u>Book</u> <u>Book Value at November 30, 2016</u>	<u>Interest Income</u> <u>Received</u>	<u>Trustee</u> <u>Fees Paid</u>	<u>Other</u> <u>Deductions</u>	(1) <u>Other</u> <u>Additions</u>	<u>Book/Market</u> <u>Value at February 28, 2017</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Accrued Interest</u> <u>on CDs</u>
\$404,122.08	\$650.54	\$54.74		\$36,930.00	\$441,647.88			\$115.85

Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$196,016.33	3/1/2017	0.43%	
AccessBank Texas (CD)	<u>\$245,631.55</u>	7/14/2017	1.19%	\$115.85
Subtotal	\$441,647.88			

(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: /s/Jesus Saucillo

Date: March 10, 2017

Reviewed By: /s/Stephanie Newberg

Date: March 10, 2017

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 17, 2017 5 hours

Austin, Texas

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 7, 2017 5 hours

Waco, Texas

Patrick Shinkle
Center for Public Management
TSBPA CPE Sponsor 007716

Department of Savings and Mortgage Lending
Mortgage Recovery Trust Fund

Investment Officer Report as of February 28, 2017

Current Investments/Securities as of February 28, 2017

Purchase Date	Beginning Market Value	Ending Market Value	Accrued Interest - Estimated	Interest Rate	Maturity Date	Description	Fin. Institution
4/7/2015	240,000.00	244,449.35	376.91	1.05%	4/7/2017	CD - 24 months	TBK Bank
4/29/2015	240,000.00	240,000.00	894.67	0.20%	4/29/2017	CD - 24 months	Angelina Savings Bank
6/14/2015	250,000.00	250,000.00	491.67	1.20%	6/14/2017	CD - 24 months	Pioneer Bank SSB
9/8/2015	245,809.01	247,035.19	48.03	0.35%	9/8/2017	CD - 24 months	Austin Capital SSB
10/2/2015	250,000.00	250,000.00	3,576.39	1.00%	10/2/2017	CD - 24 months	Cypress Bank SSB
12/13/2015	243,813.70	243,813.70	2,850.25	0.95%	12/13/2017	CD - 24 months	First Fed Community Bank, SSB
12/15/2015	250,000.00	250,000.00	3,093.13	1.01%	12/15/2017	CD - 24 months	Spirit of Texas, SSB
2/4/2016	250,000.00	250,000.00	116.67	0.70%	2/4/2018	CD - 24 months	Third Coast Bank SSB
10/9/2016	245,000.00	245,000.00	966.39	1.00%	4/9/2018	CD - 18 months	Capital Bank
4/17/2016	250,000.00	250,000.00	306.25	1.05%	4/17/2018	CD - 24 months	South Star Bank SSB
6/15/2016	250,000.00	250,000.00	467.08	1.14%	6/15/2018	CD - 24 months	TrustTexas Bank SSB
8/4/2016	240,000.00	240,512.23	72.15	0.45%	8/4/2018	CD - 24 months	First Bank SSB
10/18/2016	250,000.00	250,000.00	717.01	1.75%	10/18/2018	CD - 24 months	Dalhart Federal Savings
1/31/2017	250,000.00	250,000.00	291.67	1.50%	1/31/2019	CD - 24 months	Horizon Bank SSB
Totals	3,454,622.71	3,460,810.47	14,268.27				

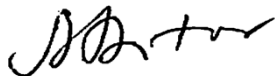
Department of Savings and Mortgage Lending

Mortgage Recovery Trust Fund

Investment Officer Report as of February 28, 2017 (continued)

Fund Position for the Quarter Ended February 28, 2017		
Beginning Cash Balance as of December 1, 2016	\$	452,976.01
Receipts		
Licensees' Remittances		17,370.00
Interest from CDs		8,391.80
Interest from overnight repos		451.39
CD - Maturity		250,000.00
Total Received	\$	276,213.19
Disbursements		
CD - Purchase		(250,000.00)
Recovery Fund Claim		(4,000.00)
Bank Fees and Charges		(76.12)
Total Disbursed	\$	(254,076.12)
Total Cash Balance in Trust and Treasury		475,113.08
Reserve		
Reserved for Potential Payment of Claims w/in 90 days	\$	(19,324.00)
Available Cash Balance as of February 28, 2017		455,789.08
Total Amount of Investments		3,460,810.47
Accrued Receivables		17,578.27
Accrued Payables		(4,590.58)
Fund Balance as of February 28, 2017	\$	3,948,911.24

Claim Payment History		
Fiscal Year	Total Amount \$	# of Payments
2000-2008	234,555.90	12
2009	100,000.00	10
2010	147,033.52	16
2011	22,225.00	5
2012	1,300.00	1
2013	1,465.13	1
2014	-	0
2015	1,039.50	1
2016	-	0
2017	4,000.00	1
Totals	511,619.05	47



Antonia Antov, Investment Officer 3/21/2017
Date

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

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OFFICE OF CONSUMER CREDIT COMMISSIONER OPERATING STATEMENT & BUDGET ANALYSIS <i>For the Period Ended February 28, 2017</i>						
						50.00%
	FY 2016 ACTUAL	FY 2017 BUDGET	FY 2017 PERFORMANCE			
			YTD BUDGET	YTD ACTUAL	(OVER)/UND BUDGET	PERCENT BUDGET
REVENUES:						
Regulated Lenders	\$ 2,301,912	\$ 2,086,777	\$ 1,940,225	\$ 2,044,729	\$ (104,504)	105.4%
Pawn Industry	1,039,978	1,060,371	56,191	62,688	(6,497)	111.6%
MV Industry	4,004,883	3,895,375	368,104	435,150	(67,046)	118.2%
Credit Access Industry	1,394,845	1,156,000	1,129,554	1,247,575	(118,021)	110.4% (1)
Penalties	960,857	-	-	304,078	(304,078)	- (2)
Debt Management Services	40,390	41,200	26,588	35,390	(8,802)	133.1%
Debt Cancellation	10,750	-	-	17,500	(17,500)	-
RAL Assessment	76,525	85,000	71,532	131,700	(60,168)	184.1% (3)
Precious Metals	46,450	50,000	24,327	26,425	(2,098)	108.6%
Tax Liens	59,208	62,203	60,559	59,374	1,185	98.0%
Sale of Publications	1,041	-	-	836	(836)	-
Creditor Registration	125,860	84,000	58,325	86,810	(28,485)	148.8% (4)
Mortgage Loan Originators	104,100	99,500	77,086	51,325	25,761	66.6%
Other Revenue	3,657	-	-	58	(58)	-
Investment / Interest Income	19,098	-	-	18,766	(18,766)	-
TOTAL REVENUES	\$ 10,189,554	\$ 8,620,426	\$ 3,812,491	\$ 4,522,404	\$ (709,913)	118.6%
EXPENDITURES:						
Salaries and Wages-						
Base Pay	\$ 4,928,968	\$ 5,453,323	\$ 2,726,662	\$ 2,545,806	180,856	93.4%
Benefit Replacement Pay	7,188	7,702	3,851	5,134	(1,283)	133.3%
Longevity	67,400	76,000	38,000	34,340	3,660	90.4%
	\$ 5,003,556	\$ 5,537,025	\$ 2,768,513	\$ 2,585,280	\$ 183,233	93.4% (5)
Travel-						
Public Transportation, Lodging, Meals & Mileage	724,516	917,950	458,975	412,166	46,809	89.8% (6)
	\$ 724,516	\$ 917,950	\$ 458,975	\$ 412,166	\$ 46,809	89.8%
Other Expenditures-						
Professional Services & Fees	213,449	293,935	146,968	98,750	48,217	67.2% (7)
Consumable Supplies	19,787	28,000	14,000	11,937	2,063	85.3%
Postage & Freight	17,352	37,000	18,500	16,518	1,982	89.3%
Telephone & Communications	63,994	91,250	45,625	36,799	8,826	80.7%
Bldg. & Utilities	64,089	83,100	41,550	28,983	12,567	69.8%
Publication / Printing & Reproduction	5,465	6,000	3,000	272	2,728	9.1% (8)
Other Operating	288,585	317,500	158,750	104,735	54,015	66.0% (9)
	\$ 672,721	\$ 856,785	\$ 428,393	\$ 297,994	\$ 130,398	69.6%
Acquisition of Info Technology	\$ 72,393	\$ 85,600	\$ 42,800	\$ 28,898	\$ 13,902	67.5%
Development in Progress	-	483,000	241,500	292,618	(51,118)	121.2% (10)
Employee Benefits	1,721,687	1,742,908	871,454	910,991	(39,537)	104.5%
SWCAP Reimb to Unapp Gr 0001	31,654	35,000	17,500	6,141	11,359	35.1%
SORM Assessment	5,207	6,000	3,000	4,604	(1,604)	153.5%
Unemployment Benefits	11,980	10,000	5,000	8,085	(3,085)	161.7%
	\$ 1,842,921	\$ 2,362,508	\$ 1,181,254	\$ 1,251,337	\$ (70,083)	105.9%
TOTAL EXPENDITURES:	\$ 8,243,714	\$ 9,674,268	\$ 4,837,134	\$ 4,546,777	\$ 290,357	94.0%
EXPENDITURES (OVER) / UNDER REVENUE	\$ 1,945,840	\$ (1,053,842)	\$ (1,024,643)	\$ (24,373)	\$ (1,000,270)	

Office of Consumer Credit Commissioner

Overview of Budget Variances for 2nd Quarter FY 2017

Revenues- 118.6% of budget

- 1.) Credit Access Business Industry revenue has exceeded budget for the year as of the end of the 2nd quarter. As forecasted last quarter, CAB renewals were higher than initially anticipated and will continue to be ahead of prior projections.
- 2.) Penalties are comprised of approximately 25% penalties and 75% late filing fees.
- 3.) RAL Assessment revenue is above budget due to renewal of registration for the year. The number of refund anticipation loans has increased because of the IRS's delays in issuing refunds, in order to combat fraudulent filings. This has resulted in an increase in the number of RAL registrations.
- 4.) Creditor Registration is above budget for the 2nd quarter. Registered creditors renewed at an 84% rate which is higher than anticipated. Registration has also continued at about a 10% rate with an additional 680 locations registering since September

Expenditures- 94% of budget

- 5.) Personnel & Employee Benefit costs continue below budget due to the suspended hiring of vacant positions.
- 6.) Travel is below budget due to the suspended hiring of vacant positions and some cost efficiencies that have been realized through the enterprise level examinations.
- 7.) Professional Services and Fees are under budget due to not yet incurred legal services from the Office of Attorney General. In addition, the agency has not yet incurred the cost of the risk assessment and internal audit pending completion by Garza and Gonzalez, which has commenced at the start of 3rd quarter.
- 8.) Publication / Printing & Reproduction are below budget due to the reduction in brochures and notices prepared for licensees during the first two quarters, which occurs on an as needed basis. The accessibility of agency literature online also allows licensees to print and reproduce needed material, providing cost savings to the agency.
- 9.) Other Operating is below budget due to the delay in maintenance costs in ALECS, which will begin in the 3rd quarter, as well as a group of pending change orders for ongoing software maintenance
- 10.) Development in Progress is above budget for the 2nd quarter due to the estimation of the phasing and timing of Annual Report, Compliance and Examination (ACE) application development. Some of the deliverables expected at the end of FY16 were not complete and were carried into FY17.

**Office of Consumer Credit Commissioner
Changes in Cash Balance
For the Quarter Ending February 28, 2017**

	Actual
Cash at Beginning of Period	\$ 10,996,366.51
Revenues Over (Under) Expenditures CY	230,802.00
Increase (Decrease) in Payables	193,972.27
(Increase) Decrease in Receivables	625,724.36
Cash at End of Period	<u>\$ 12,046,865.14</u>

Restricted Cash Balance

Payroll and Payroll Related Payables	\$ 962,801.66
Reserve for Building	6,000,000.00
Total Restricted Cash Balance	<u>\$ 6,962,801.66</u>

Assigned Cash Balance

Retirement	148,018.64
Information Technology	483,000.00
Future Operations	4,453,044.84
Total Assigned Cash Balance	<u>\$ 5,084,063.48</u>

Total Restricted and Assigned Cash Balance \$ 12,046,865.14

Assigned Cash Balance - Future Operations / FY 2017

Monthly Budget 5.52

**Texas Department of Banking
Operating Statement and Budget Analysis
For Period Ending February 2017**

	FY 2016 ACTUAL	FY 2017 BUDGET	QUARTER PERFORMANCE				FY 2017 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	\$23,882,487.21	\$24,973,502.78	\$6,577,284.00	\$6,726,372.22	(\$149,088.22)	102.3%	\$13,137,194.00	\$13,387,641.07	(\$250,447.07)	101.9%
Nonbank Regulation	2,921,826.30	3,133,629.79	82,804.00	191,548.47	(108,744.47)	231.3%	2,069,243.10	2,168,595.93	(99,352.83)	104.8%
Miscellaneous Revenues	27,789.17	22,800.00	5,700.00	15,554.40	(9,854.40)	272.9%	11,400.00	25,627.68	(14,227.68)	224.8%
TOTAL REVENUES:	\$26,832,102.68	\$28,129,932.57	\$6,665,788.00	\$6,933,475.09	(\$267,687.09)	104.0%	\$15,217,837.10	\$15,581,864.68	(\$364,027.58)	102.4%
EXPENDITURES:										
Salaries and Wages										
Exempt Salaries	\$244,442.00	\$234,525.00	\$58,631.25	\$58,681.25	(\$50.00)	100.1%	\$117,262.50	\$117,362.50	(\$100.00)	100.1%
Classified Salaries	16,337,543.36	17,528,545.13	4,309,198.52	4,047,371.55	261,826.97	93.9%	8,574,648.69	8,152,675.06	421,973.63	95.1%
Other Personnel Costs	334,020.61	466,832.90	82,141.13	97,915.40	(15,774.27)	119.2%	140,664.31	221,803.48	(81,139.17)	157.7%
	\$16,916,005.97	\$18,229,903.03	\$4,449,970.90	\$4,203,968.20	\$246,002.70	94.5%	\$8,832,575.50	\$8,491,841.04	\$340,734.46	96.1%
Travel										
In-State	\$1,605,275.73	\$1,648,532.00	\$435,509.54	\$365,137.88	\$70,371.66	83.8%	\$836,455.17	\$723,487.27	\$112,967.90	86.5%
Out-of-State	577,748.74	745,301.00	109,047.48	97,735.86	11,311.62	89.6%	309,883.57	292,844.78	17,038.79	94.5%
	\$2,183,024.47	\$2,393,833.00	\$544,557.02	\$462,873.74	\$81,683.28	85.0%	\$1,146,338.74	\$1,016,332.05	\$130,006.69	88.7%
Other Expenditures										
Professional Fees & Services	\$153,074.97	\$160,340.00	\$33,460.65	\$61,161.29	(\$27,700.64)	182.8%	\$47,820.00	\$85,963.82	(\$38,143.82)	179.8%
Postage	12,701.74	12,460.00	1,330.00	916.80	413.20	68.9%	9,585.00	\$9,041.29	543.71	94.3%
Consumable Supplies	476,701.21	219,800.00	40,551.00	38,946.55	1,604.45	96.0%	57,460.19	\$55,581.53	1,878.66	96.7%
Telephone	229,104.60	253,538.00	92,222.00	85,545.69	6,676.31	92.8%	147,404.00	\$144,532.68	2,871.32	98.1%
Utilities	44,982.17	49,201.00	9,019.48	8,743.65	275.83	96.9%	28,144.48	\$27,329.85	814.63	97.1%
Rent - Buildings	341,852.98	387,490.00	97,835.25	94,800.72	3,034.53	96.9%	224,194.92	\$218,095.07	6,099.85	97.3%
Rent - Machinery & Other	37,756.25	36,283.68	7,820.92	7,571.59	249.33	96.8%	17,141.84	\$14,985.90	2,155.94	87.4%
Other Operating	396,150.67	405,745.45	32,838.78	34,447.94	(1,609.16)	104.9%	138,097.99	\$142,773.13	(4,675.14)	103.4%
Subscriptions	16,109.46	18,658.00	2,353.34	1,934.68	418.66	82.2%	7,428.34	\$5,904.43	1,523.91	79.5%
Employee Training / Reg. Fees	251,013.16	362,688.00	48,944.50	42,718.41	6,226.09	87.3%	139,392.94	\$108,017.96	31,374.98	77.5%
Claims/SORM Assessment	19,517.09	20,404.00	0.00	0.00	0.00	0.0%	15,764.00	\$15,919.37	(155.37)	101.0%
Capital / Other IT Expenditures	15,275.16	69,000.00	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
	\$1,994,239.46	\$1,995,608.13	\$366,375.92	\$376,787.32	(\$10,411.40)	102.8%	\$832,433.70	\$828,145.03	\$4,288.67	99.5%
Total Expenditures before Benefits	\$21,093,269.90	\$22,619,344.16	\$5,360,903.84	\$5,043,629.26	\$317,274.58	94.1%	\$10,811,347.94	\$10,336,318.12	\$475,029.82	95.6%
Employee Benefits (Less BRP)	\$4,673,170.85	\$5,195,522.36	\$1,268,241.71	\$1,225,461.37	\$42,780.34	96.6%	\$2,517,284.02	\$2,406,248.59	\$111,035.43	95.6%
Payroll Hlth. Care/Retirement Cont.	235,251.88	265,066.05	\$65,517.45	\$60,595.74	\$4,921.71	92.5%	\$130,378.67	\$121,620.23	\$8,758.44	93.3%
SWCAP	\$42,010.00	\$50,000.00	\$0.00	\$0.00	\$0.00	0.0%	\$0.00	\$0.00	\$0.00	0.0%
TOTAL EXPENDITURES:	\$26,043,702.63	\$28,129,932.57	\$6,694,663.00	\$6,329,686.37	\$364,976.63	94.5%	\$13,459,010.63	\$12,864,186.94	\$594,823.69	95.6%
EXPENDITURES (OVER) / UNDER REVENUE:	\$788,400.05	\$0.00	(\$28,875.00)	\$603,788.72	(\$632,663.72)		\$1,758,826.47	\$2,717,677.74	(\$958,851.27)	

Texas Department of Banking

Overview of Budget Variances for the Second Quarter of Fiscal 2017- (Variances in excess of \$1,000 and 5% from budget are explained).

Nonbank Regulation – Actual revenues were in excess of budget due to: (1) unanticipated collected penalties from unlicensed money service businesses and prepaid funeral contract permit holders; (2) higher than budgeted new prepaid funeral contract and perpetual cemetery contract application fees; and (3) the timing of collection of prepaid funeral contract examination and travel fees and money service businesses assessments. Year to date nonbank regulation revenue is at 104.8% of budget.

Miscellaneous Revenues – The variance for the quarter relates to higher interest payments from the Treasury than anticipated.

Classified Salaries – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of February 28, 2017 are listed below:

Administrative	3
Examiners	12

Other Personnel Costs – The negative variance relates to an unanticipated lump sum payment due to one resignation.

In-State Travel – The positive variance is due to: (1) vacant examiner positions; (2) training and examination related travel that did not occur; (3) cancelled in-state meetings; and (4) overall examination efficiencies.

Out-of-State Travel – The positive variance is due to: (1) vacant examiner positions; (2) training related travel that did not occur; (3) a joint bank examination led by the FDIC requiring fewer DOB staff than planned; and (4) unattended symposiums, summits, and legislative meetings.

Professional Fees – The negative variance relates to a contract IT programmer that was not budgeted for. Funds were initially budgeted in salaries; however, hiring attempts through job postings were unsuccessful due to the lack of qualified applicants. We are using a staff augmentation service company.

Telephone – The positive variance is due to a lower than budgeted online subscription renewal for SNL Financial.

Employee Training – The positive variance is due to fewer examiners than budgeted attending a CSBS board meeting and staff vacancies.

Payroll Health Care and Retirement Contribution – The positive variance is due to staff vacancies and the budgeted amount being based on the additional state contribution of 1% and 0.5% to health care and retirement respectively for all employees. However, the 1% healthcare contribution is not calculated for new employees until after 60 days of their employment. In addition, the 0.5% calculation does not include return to work retirees.

TEXAS DEPARTMENT OF BANKING

Changes in Cash Balance

For the Quarter Ending February 28, 2017

	<u>Actual</u>
Cash at Beginning of Period	\$16,480,158.75
Revenues Over (Under) Expenditures	\$603,788.72
Increase (Decrease) in Payables/Encumbrances	(\$18,382.94)
(Increase) Decrease in Receivables	<u>(\$123,300.32)</u>
Cash at End of Period	<u><u>\$ 16,942,264.21</u></u>

Restricted Cash Balance:

Payroll and Related Payables	\$1,958,003.38
Reserve for Building	<u>6,000,000.00</u>
Total Restricted Cash Balance	<u><u>\$ 7,958,003.38</u></u>

Assigned Cash Balance:

Retirements	\$685,233.47
Future Operations	<u>8,299,027.36</u>
Total Assigned Cash Balance	<u><u>\$ 8,984,260.83</u></u>

Total Restricted and Assigned Cash Balance **\$ 16,942,264.21**

Assigned Cash Balance/FY2017 Monthly Budget 3.83 months

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

OPERATING STATEMENT AND BUDGET ANALYSIS

For the Period Ended February 28, 2017

	FY 2016 EXPENDED	FY 2017 BUDGET	FY 2017 PERFORMANCE			
			YTD BUDGET	YTD EXPENDED*	(OVER)/UNDER BUDGET	PERCENT BUDGET
REVENUE:						
Annual Assessment	1,279,781	1,464,633	974,633	1,081,724	(107,091)	111.0%
Thrift Application Fees	56,500	20,000	8,000	6,900	1,100	86.3%
Licensing Fees	4,633,997	3,744,505	2,820,930	2,895,729	(74,799)	102.7%
Fines and Penalties	1,958,926	0	0	260,253	(260,253)	0.0%
Recovery Fund Offset	1,241	6,000	0	0	0	100.0%
Depository Interest	20,961	9,000	4,500	19,772	(15,272)	439.4%
Miscellaneous	10,001	3,000	120	73	47	60.8%
Judgements and Settlements	60,000					
TOTAL REVENUE	8,021,407	5,247,138	3,808,183	4,264,451	(456,268)	112.0%
EXPENDITURES:						
Salaries and Wages-						
Exempt	202,540	194,750	97,375	97,375	0	100.0%
Classified	3,443,438	3,934,913	1,924,358	1,745,660	178,698	90.7%
Other Personnel Costs	149,666	98,119	49,237	40,297	8,940	81.8%
	3,795,644	4,227,782	2,070,970	1,883,332	187,638	90.9%
Travel-						
Transportation & Mileage	271,625	351,000	159,445	113,553	45,892	71.2%
	271,625	351,000	159,445	113,553	45,892	71.2%
Other Expenditures-						
Professional Services/Fees	46,627	62,040	23,150	10,541	12,609	45.5%
Consumable Supplies	11,941	12,500	7,000	7,000	0	100.0%
Utilities	30,134	33,372	16,685	14,977	1,708	89.8%
Rent-Space & Equipment	4,130	6,000	3,750	3,741	9	99.8%
Other Operating Expenses	272,799	256,430	131,197	131,299	(102)	100.1%
Capital Expenditures	0	12,000	0	0	(0)	0.0%
	365,631	382,342	181,782	167,558	14,224	92.2%
Other Agency Costs						
Employee Benefits	1,140,338	1,310,328	644,888	587,900	56,988	91.2%
SWCAP Indirect Costs	23,396	24,000	12,000	10,854	1,146	90.5%
	1,163,734	1,334,328	656,888	598,754	58,134	91.2%
TOTAL EXPENDITURES	5,596,635	6,295,452	3,069,085	2,763,197	305,888	90.0%
EXPENDITURES (OVER)/ UNDER REVENUE	2,424,772	(1,048,314)	739,098	1,501,254	(\$762,156)	N/A

* Amounts include accruals and encumbrances.

Department of Savings and Mortgage Lending

Budget Variance Analysis as of February 28, 2017

Revenues:

Overall revenues are at 12% over budget.

Thrift Assessments – Revenues are 11% over budget, mostly due to higher than budgeted level of assets.

Licensing Revenues – Revenues from license and registration fees are 2.7% over budget. The overage is due to higher volume of new individual RMLO applications.

Fines and Penalties – No amount was budgeted.

Expenditures:

Overall expenditures are at 90% of budget.

Employees' Salaries and Related Benefits – These categories are at 8.8% under budget due to several vacancies.

Other Personnel Costs – The category is 18% under budget. Lower than budgeted longevity payments and lower additional retirement contribution costs were incurred due to vacancies.

Professional Fees and Services – The category is 54% under budget mainly due to lower than budgeted administrative hearings costs.

Travel – This category is at 29% under budget. Lower travel costs were incurred mostly due to vacancies.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING CHANGES IN CASH BALANCE <i>For the Quarter Ending February 28, 2017</i>	
	Actual
Cash at Beginning of Period	\$ 12,940,256
Revenues Over (Under) Expenditures CY	\$ 354,548
Revenues Over (Under) Expenditures PY	\$ (439)
Increase (Decrease) in Payables/Encumbrances	\$ 40,192
(Increase) Decrease in Receivables	\$ 79,472
Cash at End of Period	\$ 13,414,029
Restricted Cash Balance:	
Payroll Payable	\$ 420,265
Other Payables (Net of Receivables)	\$ 65,214
Building	\$ 6,000,000
Total Restricted Cash Balance	\$ 6,485,479
Assigned Cash Balance:	
Retirements	\$ 100,000
Mortgage Enforcement Funds	\$ 616,114
SAO Audit	\$ 50,000
Future Operations	\$ 6,162,436
Total Assigned Cash Balance	\$ 6,928,550
Total Restricted and Assigned Cash Balance	\$ 13,414,029
Assigned Cash Balance/FY2017 Monthly Budget	13.2 months

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Texas Financial Education Endowment Report

TFEE reimbursement payments were processed in March. A cumulative amount of \$76,892 was remitted to six of the seven grantees who requested reimbursement, while one request remains under review. The eighth grantee did not request reimbursement. Recipients will be allowed to submit their next reimbursement request in July. The TFEE Semi-Annual Grant Report No. 2 for the period of July 1 through December 31, 2016, which is a summary of the grantee's progress, will be provided at the meeting.

In preparation of the next application cycle, the Grant Coordinator and OCCC staff are in the process of reviewing and revising program guidelines and forms used during the 2016 application period. These documents are being revised based on feedback and lessons learned during the current grant cycle.