

FINANCE COMMISSION OF TEXAS
AUDIT COMMITTEE MEETING

Friday, June 15, 2018

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 the Minutes of the April 20, 2018, 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 Texas Department of Banking's Audit Report on the Prepaid Funeral Guaranty Funds as Prepared by Garza/Gonzalez and Associates
- D. Discussion of the 2019 Budget Process
- 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, April 20, 2018**

The Audit Committee of the Finance Commission of Texas convened at 8:01 a.m. on April 20, 2018 with the following members present:

Audit Committee Members in Attendance:

Molly Curl, Chairman
Lori McCool
Vince E. Puente

Additional Members in Attendance:

Stacy G. London
Jay Shands
Bob Borochoff
Hector Cerna
Phillip Holt
Matt Moore

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 February 16, 2018, Audit Committee Meeting	Vince Puente made a motion to Approve the Minutes of the February 16, 2018 Audit Committee Meeting. Lori McCool seconded, and the motion passed.	00:28 start of discussion 00:35 vote
B. Audit Committee Review of Agencies' Activities	No Action Required.	1:04 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' February 28, 2018 Investment Officer Reports <ol style="list-style-type: none">1. Texas Department of Banking2. Department of Savings and Mortgage Lending3. Office of Consumer Credit Commissioner	Lori McCool made a motion to Recommend that the Finance Commission Approve the Agencies' February 28, 2018 Investment Officer Reports. Vince Puente seconded, and the motion passed.	4:51 start of discussion 12:20 vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2018 Second Quarter Financial Statements	Lori McCool made a motion to Recommend that the Finance Commission Approve the Agencies' 2018 Second Quarter Financial Statements. Vince Puente seconded, and the motion passed.	12:42 start of discussion 24:33 vote
E. Discussion of and Possible Vote to Recommend that the Finance Commission Approve the Reserve and Expenditure of Funds for Building Deferred Maintenance	Lori McCool made a motion to Recommend that the Finance Commission Approve the Reserve and Expenditure of Funds not to exceed \$950,000 for Building Deferred Maintenance. Vince Puente seconded and the motion passed.	24:55 start of discussion 34:15 vote
F. Report on Activities Relating to the Texas Financial Education Endowment Fund	No Action Required.	34:42 start of discussion

There being no further business of the Audit Committee of the Finance Commission of Texas, Molly Curl adjourned the meeting at 8:37 a.m. (36:11) *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

Office of Consumer Credit Commissioner
Outstanding Audit Findings Report as of 6/1/2018

There are currently no outstanding audit findings

Texas Department of Banking
Outstanding Audit Findings/Recommendations Report as of June 1, 2018

None.

Department of Savings and Mortgage Lending
Outstanding Audit Issues Report as of May 31, 2018

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Management Information Systems	07/25/16
Recommendation	Status Update	
Establish audit trails	<i>In progress.</i> The Department is working with its contracted managed service provider to establish and implement this recommendation.	

Auditor	Comptroller of Public Accounts	Audit Report Date
Audit Area	Post-Payment and Procurement Audit	N/A
Recommendation	Status Update	
N/A	<i>Pending.</i> Field work completed on May 11, 2018.	

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Thrift Supervision	N/A
Recommendation	Status Update	
N/A	<i>Pending.</i> Field work completed on May 17, 2018.	

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TEXAS DEPARTMENT OF BANKING
Austin, Texas

INTERNAL AUDIT REPORT

on

Prepaid Funeral Guaranty Funds

Fiscal Year 2018



TEXAS DEPARTMENT OF BANKING
Austin, Texas

Internal Audit Report
on
Prepaid Funeral Guaranty Funds

Fiscal Year 2018

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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 Prepaid Funeral Guaranty Funds (Guaranty Funds) area of the Texas Department of Banking (DOB) and its compliance with the Texas Finance Code, the Texas Administrative Code, and DOB's established policies and procedures, as applicable to the Guaranty Funds, for the 6 months ended February 28, 2018. The results of our tests disclosed that such controls were adequate and no instances of noncompliance were noted. The report that accompanies this letter provides a summary of the Guaranty Funds Area and summarizes our audit scope and procedures performed to achieve the objective of our audit.



April 10, 2018

TEXAS DEPARTMENT OF BANKING
Prepaid Funeral Guaranty Funds
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 Health and Safety Code; 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, and representative offices;
- 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.

2018 Internal Audit Plan

Following are the internal audits and other functions to be performed, as identified in DOB's 2018 Internal Audit Plan, dated November 27, 2017 and approved by the Audit Committee and Finance Commission on December 15, 2017:

- Prepaid Funeral Guaranty Funds
- Trust Examinations
- Follow-up of Prior Year Internal Audits
- Other Tasks

This report contains the results of our audit of the Prepaid Funeral Guaranty Funds area. The reports for the remaining internal audit area and other functions to be performed will be issued upon completion.

INTERNAL AUDIT SCOPE and 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 Laws, Regulations, Policies, Procedures, and Contracts** – Review the systems established to ensure compliance with those laws, regulations, policies, procedures, 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.

TEXAS DEPARTMENT OF BANKING

Prepaid Funeral Guaranty Funds

Internal Audit Report

EXECUTIVE SUMMARY

Background

The Special Audits Division (Division) of the Texas Department of Banking (DOB) is responsible for administering the Prepaid Funeral Guaranty Funds (Guaranty Funds). The Division reports to 1 of the 2 Deputy Commissioners and is under the supervision of the Division Director. The key employees involved in the administration of the Guaranty Funds are the Commissioner, the 2 Deputy Commissioners, the Division Director, the Division's Review Examiner, and 2 administrators.

The Guaranty Funds are administered in accordance with Subchapter H of §154 of the Texas Finance Code (TFC) and Chapter 25 of the Texas Administrative Code (TAC).

An individual/sole proprietor, partnership, association, or corporation may apply with DOB for a permit to sell or continue to sell *trust-funded* or *insurance-funded* prepaid funeral benefits contracts. In a *trust-funded* contract, payments to a seller are placed in a DOB-approved interest bearing restricted bank account or formal trust account; and, in an *insurance-funded* contract, payments are made to the insurance company to purchase an insurance policy or annuity. In both instances, payments by purchasers are made to pay for the future costs of the selected funeral goods and services.

Guaranty Funds

In accordance with TFC §154.351, DOB established the Guaranty Funds to guarantee performance by sellers and providers of prepaid funeral benefits contracts of their obligations to the purchasers. The Guaranty Funds are composed of 2 separate accounts, 1 for *trust-funded* contracts, established September 1, 1987; and, 1 for *insurance-funded* contracts, established September 1, 2009.

The Guaranty Funds Advisory Council (as described below) may authorize borrowing between accounts; however, no such borrowings have taken place since the accounts were established.

Guaranty Funds Advisory Council

The Guaranty Funds are supervised by the Guaranty Funds Advisory Council (Council). The Council is composed of the Commissioner (or his designee), who serves as the Chairperson; 2 representatives of the prepaid funeral industry, 1 of whom represents *trust-funded* contract sellers and 1 of whom represents *insurance-funded* contract sellers; and, 1 consumer representative. The prepaid funeral industry and consumer representatives are appointed by the Finance Commission, serve 2-year terms, and may not serve more than 4 terms.

Assessments and Deposits

In accordance with TFC §154.352 and §154.3525, sellers of both, *trust-funded* and *insurance-funded* contracts, are assessed \$1 for each contract sold during each calendar year. The assessments are remitted to DOB each year with its Annual Report filing, deposited in each respective account; and, stop when the amount in the account(s) first reaches \$1 million.

As part of the permit holder's annual examination, Division examiners verify the number of contracts sold, as reported in the Annual Report filed with DOB, to ensure the amount remitted to the Guaranty Fund(s) is accurate.

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Internal Audit Report

The amount in the *trust-funded* account reached \$1 million a number of years ago; therefore, sellers of such contracts are no longer assessed the fee. The most significant additions to the account are from interest income earned, which totaled \$8,070.55 as of February 28, 2018.

Since the amount in the *insurance-funded* account has not reached \$1 million, sellers of such contracts are assessed the fee. As of February 28, 2018, a total of \$22,099 in assessments were collected from 4 *insurance-funded* contract sellers for contracts sold during the 2017 calendar year.

The accounts of the Guaranty Funds are required to be deposited with the Texas Treasury Safekeeping Trust Company (Trust Company); with a federally insured financial institution that has its main office or a branch in the state of Texas; or, in trust with a financial institution that has its main office or a branch in the state of Texas and is authorized to act as a fiduciary in Texas.

The balances and composition of the Guaranty Funds as of February 28, 2018, as reported in the quarterly investment reports, are as follows:

Trustee Depository	Trust-Funded Guaranty Fund	Insurance-Funded Guaranty Fund
Texas Treasury Safekeeping Trust Company		
Repurchase Agreements	\$ 337,300.54	\$ 258,010.37
Certificates of Deposit	724,525.69	245,631.55
Money Market Funds	242,260.05	-
Total	\$ 1,304,086.28	\$ 503,641.92

Investment Policy/Procedures

Policy Memorandum 2016 (Policy), which is the policy that governs the investment of funds placed into the Guaranty Funds, was last approved by the Council on November 9, 2017. As reflected above, amounts in the Guaranty Funds have been invested in repurchase agreements, certificates of deposit, and money market funds, which are all investments authorized by the Policy. In accordance with the Policy, a written acknowledgment is required to be received from the entities engaged in investment business with the Council, if not federally insured deposit accounts, that denotes the entity has—

- received and reviewed the investment policy for funds under the oversight of the Council; and,
- implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by the Council's investment policy.

The Guaranty Fund accounts are invested in federally insured deposit accounts at various state banks and with the Trust Company. DOB, on behalf of the Council, has entered into a Funds Management Agreement with the Comptroller; which, in lieu of the written acknowledgement, denotes that Guaranty Fund account balances deposited with the Trust Company will be invested in investments authorized by the Policy.

One of the two Deputy Commissioners and the Division's Review Examiner are the Investment Officers for the Guaranty Funds. In accordance with the Policy, the Investment Officers prepare and sign, quarterly investment reports for both, the *trust-funded* and *insurance-funded* accounts for presentation to the Council.

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The Division's Review Examiner tracks all activity for the Guaranty Funds and upon receipt of the monthly statements from the Comptroller, prepares a monthly reconciliation for the *trust-funded* and *insurance-funded* accounts, which is used to prepare the required quarterly investment reports.

Assessments for Insufficient Account Balances

In the event that the balance of the *trust-funded* account is insufficient to pay a claim, the Council may assess each permit holder that has outstanding *trust-funded* contracts an amount based on the permit holder's proportionate share of the purchasers' deposits on all outstanding *trust-funded* contracts, determined as of the end of the preceding calendar year. For the *insurance-funded* account, the assessment is based on the permit holder's proportionate share of all outstanding *insurance-funded* contracts, determined as of the end of the preceding calendar year.

Since inception of these accounts, balances have been sufficient to pay claims; therefore, no such assessments have been imposed on permit holders.

Claims and Uses of Funds

A claim against the Guaranty Funds may be made by (1) a purchaser of a prepaid funeral benefits contract; (2) a purchaser's estate; (3) a permit holder or funeral provider who assumes or performs a contract; or, (4) a claimant for the benefit of a group of purchasers of prepaid funeral benefits contracts as part of a plan to arrange for another permit holder or funeral provider to assume the contract obligations.

Claims under \$6,500 must be reviewed and approved by the Commissioner, with review and ratification by the Council at the next scheduled Council meeting. Claims over \$6,500 must be presented to the Council for approval at the next scheduled meeting. An approved claim or expense relating to a *trust-funded* contract or an *insurance-funded* contract may be paid only from the respective *trust-funded* or *insurance-funded* account.

The Guaranty Funds may be used to pay a loss attributable to the failure or inability of a permit holder or funeral provider to perform its obligations under a prepaid funeral benefits contract; expenses of a plan to arrange for another permit holder or funeral provider to assume the obligations of the permit holder or funeral provider; administrative expenses related to servicing and handling outstanding prepaid funeral benefits contracts that have not been assumed by another permit holder or funeral provider; expenses for administering the receivership of an insolvent permit holder or funeral provider if their assets are insufficient to pay those expenses; and, expenses to employ and compensate a consultant, an agent, legal counsel, an accountant, and any other person appropriate and consistent with the purpose of the Guaranty Funds, as determined by the Council.

It is DOB's practice to use earnings and collections from the Guaranty Fund accounts only for valid claims made and not for administrative and operating expenses.

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Seized Funds and Restitution Payable

Included in the *trust-funded* account are seized funds and restitution payable in the amount of \$54,324.40 at February 28, 2018, which are collections from permit holders related to cease and desist and/or agreed orders. Although these funds are not assessments collected for the *trust-funded* Guaranty Fund as provided in Subchapter H of TFC §154 and Chapter 25 of the TAC, they are deposited in the same account but accounted for separately by the Division. The funds collected remain in this account until such time that the Division conducts research and makes a determination of the proper disbursement; which, will generally be to the consumer/purchaser, a successor permit holder/funeral provider who assumes outstanding prepaid funeral benefits contracts, and/or DOB for penalties assessed for violations of the TFC and TAC.

The Division's Review Examiner and administrator account for assessed restitution and/or fines when orders are issued, using a Monitoring Report spreadsheet. A monthly Summary Report is also prepared by the administrator for the Deputy Commissioner, Division Director, Review Examiner, and Legal Division, which summarizes the activity in the Monitoring Report and provides a status of each outstanding order requiring restitution and/or fines.

For the 6 months ended February 28, 2018, a total of \$20,525 was deposited into the account by permit holders and non-permit holders as directed by final orders and/or agreed orders for the sale or mishandling of unlicensed or illegal prepaid funeral contracts. For this same time period, a total of \$65,195.68 was disbursed from the account. The most significant disbursement that occurred was in the amount of \$23,878.75 for full payment of restitution to 11 purchasers of prepaid funeral benefit contracts and partial payment to 15 others. In addition, a total of \$13,482.93 of undeliverable restitution checks were sent to the Texas Comptroller of Public Accounts as unclaimed property.

Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to gain an understanding of DOB's internal control structure over the administration of the Prepaid Funeral Guaranty Funds (Guaranty Funds) to determine its compliance with applicable laws and regulations and established policies and procedures.

Scope

The scope of this audit covered the 6-month period from September 1, 2017 through February 28, 2018; and, fiscal year 2017 for certain reporting requirements.

Methodology

The audit methodology included a review of applicable laws and regulations; DOB's established policies and procedures, and other internal and external documentation; and, correspondence and an interview with selected DOB personnel.

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We obtained and/or reviewed the following information:

- a. List of employees involved in the administration of the Guaranty Funds.
- b. List of Council members.
- c. DOB's policies and procedures applicable to the administration of the Guaranty Funds.
- d. Investment Policy for Funds Under the Oversight Fund Advisory Council (Administrative Memorandum – 2016).
- e. 1st and 2nd Quarter Investment Reports for fiscal year 2018 and 4th Quarter Investment Report for fiscal year 2017.
- f. Guaranty Funds bank statements for November 2017 and February 2018.
- g. Monthly Council minutes for meetings held during fiscal year 2016 and 2017.
- h. Investment Officers' training certificates.
- i. February 2018 Summary Report.
- j. February 2018 Monitoring Report.
- k. *Trust-Funded* and *Insurance-Funded* Activity Reports for the period of September 1, 2017 through February 28, 2018.
- l. DOB's Annual Financial Report for fiscal year 2017.
- m. For assessments paid by 4 *insurance-funded* permit holders:
 - Annual Report of 2017 Activity of Insurance-Funded Permit No. Report;
 - Letter of Instruction Deposit Request Report;
 - Transaction Confirmation Receipt from the Texas Treasury Safekeeping Trust Company; and,
 - Copy of assessment payment.
- n. For selected restitution payments deposited into and disbursed from the Guaranty Funds account, as applicable:
 - Agreed or Final Order;
 - Copy of Check;
 - Letter of Instruction Deposit Request Report or Letter of Instruction Check Disbursement Request Report;
 - Transaction Confirmation Receipt from the Texas Treasury Safekeeping Trust Company;
 - List of consumers/purchasers to be paid restitution per order; and,
 - Other supporting documentation; such as, internal memorandums, letters to permit holders/funeral providers, etc.

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Internal Audit Report

- o. List of restitution checks submitted to the Texas Comptroller of Public Accounts as unclaimed property.
- p. Funds Management Agreement between Bank Commissioner and Comptroller of Public Accounts.

We performed various procedures to achieve the objective of this audit; to include, the following:

1. Updated our understanding of the laws and regulations provided in Subchapter H of §154 of the Texas Finance Code; Chapter 25 of the Texas Administrative Code; and, DOB's policies and procedures, as applicable to the administration of the Guaranty Funds.
2. Obtained bank statements from the financial institutions to support the establishment and existence of a *trust-funded* and *insurance-funded* account and to confirm the account balances at February 28, 2018.
3. For assessments that were received from *insurance-funded* permit holders during the period of September 1, 2017 through February 28, 2018, we—
 - a. Reviewed the support (Annual Report) for the assessment and recomputed the assessment calculation for accuracy; and,
 - b. Ensured assessment was collected by reviewing a copy of the check and deposit receipt.
4. To ensure compliance with Policy Memorandum 2016 (Policy), which governs the investment of funds placed into the Guaranty Funds, we—
 - a. Obtained the signed quarterly investment reports prepared for the quarters ended November 30, 2017 and February 28, 2018, and—
 - i. Ensured balances agreed to bank statements and other supporting documentation;
 - ii. Ensured reports included all the reporting requirements, as required by the Policy; and,
 - iii. Ensured reports were prepared by the Division's Review Examiner and reviewed by the Deputy Commissioner.
 - b. Ensured investments of the Guaranty Fund accounts were authorized by the Policy.
 - c. Obtained the Funds Management Agreement between DOB, on behalf of the Council, and the Comptroller, which denotes that Guaranty Fund accounts with the Trust Company will be invested in investments authorized by the Policy.
 - d. Reviewed documentation of training obtained by the 2 Investment Officers to ensure the required investment training was obtained.

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5. For the Seized Restitution Payable funds, we performed the following procedures:
 - a. For selected deposits totaling \$15,000 that were made during the 6 months ended February 28, 2018, we—
 - i. Ensured the restitution amount paid by the permit holder/funeral provider agreed to the Agreed and/or Final Order;
 - ii. Ensured payments were properly collected and deposited into the account by reviewing copies of the checks; Letter of Instruction Deposit Request reports; and the deposit receipts;
 - iii. Ensured amount of restitution due was properly recorded in the February Summary Report; and,
 - iv. Recalculated the total amount collected from the permit holder/funeral provider as of February 28, 2018 and agreed it to the amount reported in the February 2018 Monitoring Report.
 - b. For selected disbursements totaling \$47,012.75 that were issued during the 6 months ended February 28, 2018, we—
 - i. Ensured amount disbursed to the consumer/purchaser was in accordance with the Agreed and/or Final Order and agreed to the Letter of Instruction Check Disbursement Request report, approved by the Deputy Commissioner, and the Division Director; and,
 - ii. Recalculated the partial restitution payments, which were paid proportionately.
6. Reviewed and reperformed the calculation of interest owed to consumers/purchasers as part of restitution payments that were submitted to the Texas Comptroller of Public Accounts as unclaimed property in the amount of \$13,482.93.
7. Agreed the balances reported in the investment report for quarter ended August 31, 2017 to amounts recorded in DOB's fiscal year 2017 Annual Financial Report.

TEXAS DEPARTMENT OF BANKING
 Prepaid Funeral Guaranty Funds
 Internal Audit Report

Summary and Related Rating of Findings and Recommendations

As DOB's internal auditors, we used our professional judgment in rating the audit findings identified in this report. The rating system used was developed by the Texas State Auditor's Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the findings in this report and the related rating.

Summary of Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
	None	N/A
	<p style="text-align: center;"><u>Description of Rating</u></p> <p>A finding is rated <i>Priority</i> if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.</p> <p>A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.</p> <p>A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.</p>	

TEXAS DEPARTMENT OF BANKING

Prepaid Funeral Guaranty Funds

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Observations/Findings and Recommendations

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Implemented, Substantially Implemented, Incomplete/On going, Do Not Implemented) with explanation if not yet fully implemented	Fiscal Impact/Other Impact
1	4/10/2018	Prepaid Funeral Guaranty Funds	None		

2019 Tentative Budget Timeline

Date	Action
June – July	Agencies develop draft 2019 budgets
August 1, 2018	Draft budgets posted on agencies' websites and submitted to Finance Commission Members
August 13, 2018	Conduct public hearing on draft budgets
August 16 or 17, 2018	Audit Committee and Finance Commission meetings to review final draft budgets

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TEXAS FINANCIAL EDUCATION ENDOWMENT

TFEE Report – June 15, 2018

Juan V. Garcia, Program Director

The 2016-17 recipients are required to submit a final longitudinal report, which is due in June 2018. The Grant Coordinator will then prepare a final grant summary report of program activities for the second grant cycle for the Finance Commission meeting in August.

The first reporting cycle for the 2018-19 TFEE Grant Cycle will be complete on June 30, 2018. The first round of reimbursement reports are due on July 30, 2018. A summary of these reports will be prepared for the Finance Commission meeting in October.