

FINANCE COMMISSION OF TEXAS
AUDIT COMMITTEE MEETING

Friday, October 19, 2018

8:30 a.m.

Texas State Capitol
1100 Congress Avenue, Room E2.030
Austin, Texas 78701

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 August 16-17, 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 Agencies' August 31, 2018 Investment Officer Reports
 - 1. Texas Department of Banking
 - 2. Department of Savings and Mortgage Lending
 - 3. Office of Consumer Credit Commissioner
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2018 Fourth Quarter Financial Statements
 - 1. Texas Department of Banking
 - 2. Department of Savings and Mortgage Lending
 - 3. Office of Consumer Credit Commissioner
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on an additional Finance Commission audit to be provided under the current Internal Auditor Contract
- F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Department of Savings and Mortgage Lending's Contribution of \$750,000 to the Texas Financial Education Endowment Fund
- G. 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
THURSDAY, AUGUST 16, 2018**

The Audit Committee of the Finance Commission of Texas convened at 1:00 p.m. on August 16, 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
Phillip Holt

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 VIDEO FILE
A. Review and Approval of the minutes of the June 15, 2018, Audit Committee Meeting	Vince Puente made a motion to Approve the Minutes of the June 15, 2018, Audit Committee Meeting. Lori McCool seconded, and the motion passed.	Recording unavailable – Manual Minutes Taken
B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Readoption of the Investment Policies for: 1. Department of Savings and Mortgage Lending 2. Office of Consumer Credit Commissioner 3. Texas Department of Banking	Lori McCool made a motion to Recommend that the Finance Commission Approve the Readoption of the Investment Policies for the Department of Savings and Mortgage Lending, the Office of Consumer Credit Commissioner, and the Texas Department of Banking. Vince Puente seconded, and the motion passed.	Recording unavailable – Manual Minutes Taken

C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Department of Savings and Mortgage Lending's 2018 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzales and Associates	Vince Puente made a motion to Recommend that the Finance Commission Approve the Department of Savings and Mortgage Lending's 2018 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzales and Associates. Lori McCool seconded, and the motion passed.	00:01 start of discussion 18:57 vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner's 2018 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzales and Associates	Lori McCool made a motion to recommend that the Finance Commission Approve the Office of Consumer Credit Commissioner's 2018 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzales and Associates. Vince Puente seconded, and the motion passed.	19:15 start of discussion 26:30 vote
E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's 2018 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzales and Associates	Vince Puente made a motion to Recommend that the Finance Commission Approve the Texas Department of Banking's 2018 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzales and Associates. Lori McCool seconded, and the motion passed.	27:10 start of discussion 37:03 vote
F. Interviews of Selected Respondents for the Internal Auditor Contract	No Action Required.	37:47 start of discussion
G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Selection of an Internal Auditor for the Finance Commission Agencies for Fiscal Year 2019	Deferred to August 17, 2018.	n/a
H. Audit Committee Review of Agencies' Activities	No Action Required.	2:52:14 start of discussion

<p>I. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies May 31, 2018, Investment Officer Reports</p> <ol style="list-style-type: none"> 1. Department of Savings and Mortgage Lending 2. Office of Consumer Credit Commissioner 3. Texas Department of Banking 	<p>Lori McCool made a motion to Recommend that the Finance Commission Approve the Agencies May 31, 2018, Investment Officer Reports. Vince Puente seconded and the motion passed.</p>	<p>3:00:05 start of discussion 3:12:45 vote</p>
<p>J. Discussion of and Possible Vote to Recommend that the Finance Commission take Action on the Agencies' 2018 Third Quarter Financial Statements</p> <ol style="list-style-type: none"> 1. Department of Savings and Mortgage Lending 2. Office of Consumer Credit Commissioner 3. Texas Department of Banking 	<p>Vince Puente made a motion to Recommend that the Finance Commission Approve the Agencies 2018 Third Quarter Financial Statements. Lori McCool seconded, and the motion passed.</p>	<p>3:13:06 start of discussion 3:24:40 vote</p>
<p>K. Report on Activities Relating to the Texas Financial Education Endowment Fund</p>	<p>No Action Required.</p>	<p>3:24:50 start of discussion</p>
<p>L. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2019 Operating Budgets</p>	<p>Deferred to August 17, 2018.</p>	<p>n/a</p>

Chairman Molly Curl recessed the meeting at 4:40 p.m. (3:25:22) *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

**MINUTES OF THE
AUDIT COMMITTEE MEETING
FRIDAY, AUGUST 17, 2018**

The Audit Committee of the Finance Commission of Texas reconvened at 8:00 a.m. on August 17, 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
Phillip Holt
Bob Borochoff
Hector Cerna
Will Lucas
Cliff McCauley
Matt Moore
Paul Plunket

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 VIDEO FILE
G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Selection of an Internal Auditor for the Finance Commission Agencies for Fiscal Year 2019	Vince Puente made a motion to Recommend that the Finance Commission Approve the Selection of McConnell & Jones LLP as Internal Auditor for the Finance Commission Agencies for Fiscal Year 2019. Lori McCool seconded, and the motion passed.	00:01 start of discussion 00:55 vote
L. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2019 Operating Budgets	Lori McCool made a motion to Recommend that the Finance Commission Approve the Agencies' Fiscal Year 2019 Operating Budgets. Vince Puente seconded, and the motion passed.	01:31 start of discussion 35:06 vote

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Curl adjourned the meeting at 8:36 a.m. (35:30) *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

Texas Department of Banking
Outstanding Audit Findings/Recommendations Report as of October 7, 2018

Auditor	<i>Garza/Gonzalez & Associates</i>	Audit Report Date	<i>May 2018</i>
Audit Area	<i>Trust Supervision – Bank & Trust Division</i>		
Findings	Status Update		
<i>Investigation Workpapers</i>	Completed – Effective September 2018, all Department staff are using Microsoft's OneDrive to automatically backup all documents in the users' My Documents and Desktop folders to Microsoft's government cloud.		

Auditor	<i>Texas Sunset Advisory Commission</i>	Audit Report Date	<i>September 2018</i>
Audit Area	<i>Agency Review</i>		
Findings	Status Update		
<i>Update complaint process in rule</i>	On-going – The rule research and drafting has begun. Our goal is to propose complaint process rules at the December Finance Commission meeting.		

Department of Savings and Mortgage Lending
Outstanding Audit Issues Report as of September 30, 2018

Auditor	Sunset Commission	Audit Report Date
Audit Area	Sunset Review	4/29/2018
Recommendation	Status Update	
Develop updated complaint process in rule.	<i>In progress.</i> To be completed by September 1, 2019.	
Modify the penalty matrix to ensure consistent application of administrative penalties.	<i>In progress.</i> To be completed by May 1, 2019.	

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Thrift Supervision	5/25/2018
Recommendation	Status Update	
Update the Application Manual	<i>Completed.</i> Manual updated as needed.	
Update the Application Checklist	<i>Completed.</i> Application Checklist updated as needed.	
Implement a quality control process	<i>Completed.</i> Quality control process implemented as required.	

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.	

Office of Consumer Credit Commissioner
Status of Agency Activities and Outstanding Audit Findings as of October, 2018

Auditor			Audit Report Date
Garza/Gonzales			
Audit Area			August 2018
<i>Recommendation</i>	<i>Response</i>	<i>Status Update</i>	<i>Implementation Date</i>
Revise Annual Report template to enhance data quality and improve efficiency	(1) Interest Rate. A programming change was implemented to ensure that data is entered according to the proper format.	Completed	8/31/2018
	(2) Data Validation. The OCCC has a project for new functionality associated with annual reporting by licensees that will improve and enhance data validation.	In progress	08/31/2019
Auditor			Audit Report Date
Sunset Review			
Audit Area			September 2018
<i>Recommendation</i>	<i>Response</i>	<i>Status Update</i>	<i>Implementation Date</i>
Make enforcement orders available online (5.13)	All new enforcement orders that are issued 9/1/18 or later will be uploaded to the website for the prior month during month-end processing. Historical information for the prior fiscal year will be uploaded as resources are available.	In progress	10/31/2018
Auditor			Audit Report Date
Comptroller of Public Accounts			
Audit Area			September 2018
<i>Recommendation</i>	<i>Response</i>	<i>Status Update</i>	<i>Implementation Date</i>
Prior State Service Verification missing	A review of all personnel files will be conducted for prior state service verification forms. As of 9/30/18, the review progress included 87.5% of files completed, with 12.5% of files remaining for review.	In progress	12/31/2018
Vendor System for Award Management Verification missing	All procurement staff were retrained on the procedure to ensure that a SAM search was conducted and documented prior to the purchase.	Completed	8/31/2018
Control Weakness over Expenditure Processing	The OCCC has made significant efforts to ensure proper internal controls and segregation of duties exist in expenditure processing. As a small agency, though, it remains necessary to have individuals with certain authorizations as a back up to the staff members with primary responsibility for an activity. In further efforts to strengthen internal controls, the OCCC has removed authorization to enter transactions from one user and has removed the two users identified from the Authorized Warrant Pickup List. The OCCC will seek advice from the Comptroller whether other system batch processing limitations may further enhance payroll processing controls.	In progress	12/31/2018

Office of Consumer Credit Commissioner**Status of Agency Activities and Outstanding Audit Findings as of October, 2018**

Future Items			
Entity	Activity	Status	Date
Texas Workforce Commission	Personnel Policies and Procedures Review	Scheduled	3/12/2019
McConnell & Jones	Internal Audit Risk Assessment and Internal Audit Plan	In progress	Report expected for Finance Commission meeting on 12/14/18

Fiscal Management Division
Statewide Fiscal Oversight Dept
Expenditure Audit Section
Auditor: Alex Necak

Audit Report # 466-18-01
September 7, 2018

Post Payment Audit of Texas Office of Consumer Credit Commissioner

https://fm.xcpa.texas.gov/fm/audit/ar19-1q/TxOCCC_466.pdf

By Texas Comptroller of Public Accounts

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Trust Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
June 1, 2018 to August 31, 2018

<u>Book</u> <u>Book Value at May 31, 2018</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 August 31, 2018</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Accrued Interest</u> <u>on CDs</u>
\$1,324,196.68	\$4,972.99	\$86.35	\$12,851.99	\$17,775.00	\$1,334,006.33	--	--	\$1,392.67

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$366,154.69	9/1/2018	1.87%	
Veritex Community Bank, Dallas, Texas (CD)	\$240,000.00	12/14/2018	1.55%	\$818.40
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2018	1.55%	\$148.80
Frontier Bank of Texas, Elgin, Texas (CD)	\$244,525.69	1/18/2019	1.45%	\$425.47
Pilgrim Bank (money market)	<u>\$243,325.95</u>	n/a	0.96%	
Subtotal	\$1,334,006.33			

(1) Other deductions include: (a) \$445.50 to reimburse Ms. R. Motley for travel expenses related to May 2018 Guaranty Fund meeting; (b) \$5,881.50 payment to Central Texas Heritage Holdings, related to an illegal PFC sold by Timothy Gaffney through Lake Road Cemetery, Inc. who previously held PFC Permit Number 804; and (c) \$6,524.99 withdrawal for a PFC purchased by V. Mayes that was sold illegally by Tom G. Walker Funeral Home, who previously held PFC Permit Number 574 (notably, this payment was reversed and in September 2018, a check was reissued to the funeral home that provided the funeral service).

(2) Other additions include: (a) \$300.00 restitution received from Mr. Dan L. Brothers; (b) \$3,075.00 restitution received from Mr. Kevin Keeney; (c) \$300.00 restitution received from Mr. Marc Gonzalez; (d) \$600.00 restitution received from Lonnie Wright / Angel Hills Funeral Directors; (e) \$7,500.00 restitution received from Timothy Gaffney; (f) and \$6,000.00 from R. Ritter / Heartfield-Ritter Funeral Home.

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: 9/12/2018

Reviewed By: /s/Stephanie Newberg

Date: 9/12/2018

Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
June 1, 2018 to August 31, 2018

<u>Book</u> <u>Book Value at May 31, 2018</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 August 31, 2018</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Accrued Interest</u> <u>on CDs</u>
\$551,137.55	\$2,271.17	\$77.21	\$0.00	\$4.00	\$553,335.51			\$243.18
<u>Account Balances at Trustee/Depositories</u>								
					\$307,703.96	9/1/2018	1.87%	
					<u>\$245,631.55</u>	7/14/2019	1.98%	\$243.18
				Subtotal	<u>\$553,335.51</u>			

(1) Other additions include an assessment collected from a permit holder 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: 9/12/2018

Reviewed By: /s/Stephanie Newberg

Date: 9/12/2018

Department of Banking Quarterly Investment Report
 June 1, 2018 to August 31, 2018

Seized Prepaid Funeral Funds	Book Value at May 31, 2018	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at August 31, 2018	Financial Institution	Investment Type	Maturity Date	Interest Rate
Billy F. Peel and Austin Peel and Son Funeral Home, Inc.	\$0.00			\$0.00	\$3,849.13	\$3,849.13	Wells Fargo Bank	demand deposit	N/A	N/A
Total Seized Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$3,849.13	\$3,849.13				

Notes:

On August 1, 2018, the Department issued Emergency Order to Cease and Desist Activity, and to Seize Records and Funds (Order) to Billy F. Peel, individually and as President of Austin Peel and Son Funeral Home, Inc. (Peel and Son). Order No. 2018-019 was issued as a result of Peel and Son violating Section 154.101 of the Texas Finance Code by selling PFCs without a permit. A hearing on this matter has been set for October 11, 2018

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

Prepared By: /s/Jesus Saucillo
 Date: 9/12/2018

Reviewed By: /s/Stephanie Newberg
 Date: 9/12/2018

Department of Savings and Mortgage Lending

Investment Officer Report as of August 31, 2018

Recovery Fund

	Beginning Balance 6/1/2017	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 8/31/2018
Cash & Cash Equivalents	\$4,063,713.42	\$18,550.72	\$10,773.10	(\$116.22)	\$4,092,921.02

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	9/1/2018	1.88%	\$1,112,240.69	
Dalhart Federal Savings	CD - 24 months	10/18/2018	1.75%	\$250,000.00	\$680.56
Horizon Bank SSB	CD - 24 months	1/31/2019	1.50%	\$250,000.00	\$333.33
TBK Bank	CD - 24 months	4/7/2019	1.56%	\$244,696.34	\$593.80
Angelina Savings Bank	CD - 24 months	5/5/2019	0.45%	\$240,000.00	\$1,449.00
Pioneer Bank SSB	CD - 24 months	6/14/2019	1.00%	\$250,000.00	\$539.66
TrustTexas Bank SSB	CD - 12 months	6/15/2019	1.77%	\$250,000.00	\$972.75
Austin Capital SSB	CD - 24 months	9/8/2019	1.20%	\$247,537.83	\$2,945.70
Cypress Bank SSB	CD - 24 months	10/2/2019	1.10%	\$250,000.00	\$2,543.75
First Fed Community Bank, SSB	CD - 24 months	12/13/2019	0.95%	\$248,446.16	\$1,593.16
Spirit of Texas, SSB	CD - 24 months	12/15/2019	1.35%	\$250,000.00	\$2,428.13
Third Coast Bank SSB	CD - 24 months	2/4/2020	0.70%	\$250,000.00	\$1,011.11
South Star Bank SSB	CD - 24 months	4/17/2020	1.05%	\$250,000.00	\$328.13
				\$4,092,921.02	\$15,419.08

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Steven O'Shields

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 9/26/2018

Date: 9/26/2018

**Office of Consumer Credit Commissioner
Fiscal Year 2018 - 4th Quarter**

Residential Mortgage Loan Originator Recovery Trust Fund #3008

Beginning Balance at 06/01/18	Additions / *(Deductions)	Interest Paid	Paid Bank Fees	Ending Balance at 08/31/18	Current Interest Rate
\$ 147,269.90	\$ 775.00	\$ 668.55	\$ (44.83)	\$ 148,668.62	1.87%

Investment Officer: /s/ Christina Cuellar

Date: 10/05/18

Reviewed By: /s/ Leslie Pettijohn

Date: 10/05/18

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 2018 - 4th Quarter

Texas Financial Education Endowment Fund #3071

	Beginning Balance at 06/01/18	Additions	Interest Paid	Grant Disbursements	Transfer	Paid Bank Fees	Ending Balance at 08/31/18	Current Interest Rate
Cash	\$ 1,983,611.20	\$ 3,289.11	\$ 8,910.49	\$ (7,022.05)	\$ (600,000.00)	\$ (2,119.37)	\$ 1,386,669.38	1.87%
Invested Portfolio	Beginning Balance at 06/01/18	Additions	*Change in Value	Transfer Out	Transfer	Paid Fees	Ending Balance at 08/31/18	
Investments - STIF	\$ 312,087.45	\$ (1,151.11)	\$ 1,501,260.07		\$ 600,000.00	\$ (3,047.37)	\$ 2,409,149.04	
Interest & Dividends Receivable	481.73		2,208.85				2,690.58	
Trade Receivables	-		-				-	
Investments - Equities	43,740.58		(43,740.58)				-	
Investments - Alternatives	3,137,845.64		(1,263,392.55)				1,874,453.09	
Investments - Fixed Income	324,394.87		(170,383.49)				154,011.38	
Investments - Futures	2,579.23		(2,579.23)				-	
Investments - SWAPS, at Fair Value	-		127,960.75				127,960.75	
Invested Portfolio	\$ 3,821,129.50	\$ (1,151.11)	\$ 151,333.82	\$ -	\$ 600,000.00	\$ (3,047.37)	\$ 4,568,264.84	
Liabilities								
Accounts Payable	\$ (948.10)	\$ (1,158.26)	\$ -	\$ -	\$ -	\$ -	\$ (2,106.36)	
Trade Payables	(222.47)	111.90					\$ (110.57)	
Futures Contracts, at Fair Value	-	(1,359.68)					\$ (1,359.68)	
Swaps, at Fair Value	-	(128,120.62)					\$ (128,120.62)	
Total Liabilities	\$ (1,170.57)	\$ (130,526.66)	\$ -	\$ -	\$ -	\$ -	\$ (131,697.23)	
Total Net Fiduciary Assets	\$ 3,819,958.93						\$ 4,436,567.61	
Total Endowment Funds	\$ 5,803,570.13						\$ 5,823,236.99	

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: /s/ Christina Cuellar

Date: 10/05/18

Reviewed By: /s/ Leslie Pettijohn

Date: 10/05/18

**Texas Department of Banking
Operating Statement and Budget Analysis
For Period Ending August 2018**

	FY 2017 ACTUAL	FY 2018 BUDGET	QUARTER PERFORMANCE				FY 2018 PERFORMANCE			
			4th Quarter BUDGET	4th Quarter ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	YTD BUDGET	YTD ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET
REVENUE:										
Bank & Trust Regulation	\$23,019,360.93	\$25,451,783.00	\$5,259,038.00	\$2,790,040.47	\$2,468,997.53	53.1%	\$25,451,783.00	\$23,033,007.34	\$2,418,775.66	90.5%
Nonbank Regulation	3,169,412.72	3,223,561.31	687,945.01	407,076.54	280,868.47	59.2%	3,223,561.31	3,249,957.84	(26,396.53)	100.8%
Miscellaneous Revenues	78,639.40	62,400.00	15,600.00	53,244.82	(37,644.82)	341.3%	62,400.00	197,408.31	(135,008.31)	316.4%
TOTAL REVENUES:	\$26,267,413.05	\$28,737,744.31	\$5,962,583.01	\$3,250,361.83	\$2,712,221.18	54.5%	\$28,737,744.31	\$26,480,373.49	\$2,257,370.82	92.1%
EXPENDITURES:										
Salaries and Wages										
Exempt Salaries	\$234,725.00	\$234,725.00	\$58,681.25	\$58,681.25	\$0.00	100.0%	\$234,725.00	\$234,725.00	\$0.00	100.0%
Classified Salaries	16,479,871.06	17,743,138.31	4,804,258.05	4,130,872.08	673,385.97	86.0%	17,743,138.31	16,226,308.54	1,516,829.77	91.5%
Other Personnel Costs	368,971.41	548,847.04	281,838.13	205,278.28	76,559.85	72.8%	548,847.04	533,541.90	15,305.14	97.2%
	\$17,083,567.47	\$18,526,710.35	\$5,144,777.43	\$4,394,831.61	\$749,945.82	85.4%	\$18,526,710.35	\$16,994,575.44	\$1,532,134.91	91.7%
Travel										
In-State	\$1,419,601.57	\$1,566,470.30	\$421,990.44	\$331,718.22	\$90,272.22	78.6%	\$1,566,470.30	\$1,280,268.95	\$286,201.35	81.7%
Out-of-State	654,309.12	737,909.00	212,481.00	131,804.80	80,676.20	62.0%	737,909.00	588,476.17	149,432.83	79.7%
	\$2,073,910.69	\$2,304,379.30	\$634,471.44	\$463,523.02	\$170,948.42	73.1%	\$2,304,379.30	\$1,868,745.12	\$435,634.18	81.1%
Other Expenditures										
Professional Fees & Services	\$252,417.61	\$384,390.00	\$138,026.07	\$119,901.73	\$18,124.34	86.9%	\$384,390.00	\$349,935.45	\$34,454.55	91.0%
Postage	11,912.37	10,049.00	7,103.00	6,584.44	518.56	92.7%	10,049.00	\$8,030.39	2,018.61	79.9%
Consumable Supplies	193,618.31	297,030.00	62,743.84	79,654.44	(16,910.60)	127.0%	297,030.00	\$294,155.08	2,874.92	99.0%
Telephone	247,735.71	270,784.52	61,713.78	59,594.55	2,119.23	96.6%	270,784.52	\$267,091.79	3,692.73	98.6%
Utilities	39,674.43	46,263.00	7,800.91	5,367.71	2,433.20	68.8%	46,263.00	\$43,465.07	2,797.93	94.0%
Rent - Buildings	383,095.41	407,919.04	80,391.84	65,523.18	14,868.66	81.5%	407,919.04	\$392,638.80	15,280.24	96.3%
Rent - Machinery & Other	31,126.06	38,834.00	11,646.00	9,360.76	2,285.24	80.4%	38,834.00	\$35,949.31	2,884.69	92.6%
Other Operating	346,413.76	415,088.64	247,080.04	161,214.05	85,865.99	65.2%	415,088.64	\$799,435.02	(384,346.38)	192.6%
Subscriptions	16,870.64	18,558.00	8,095.00	5,120.10	2,974.90	63.3%	18,558.00	\$13,852.17	4,705.83	74.6%
Employee Training / Reg. Fees	237,659.82	264,803.30	106,535.50	66,884.25	39,651.25	62.8%	264,803.30	\$219,002.51	45,800.79	82.7%
Claims/SORM Assessment	25,387.76	34,911.00	3,204.00	4,252.84	(1,048.84)	132.7%	34,911.00	\$33,881.13	1,029.87	97.1%
Capital / Other IT Expenditures	69,013.30	37,500.00	37,500.00	45,168.92	(7,668.92)	120.5%	37,500.00	45,168.92	(7,668.92)	120.5%
	\$1,854,925.18	\$2,226,130.50	\$771,839.98	\$628,626.97	\$143,213.01	81.4%	\$2,226,130.50	\$2,502,605.64	(\$276,475.14)	112.4%
Total Expenditures before Benefits	\$21,012,403.34	\$23,057,220.15	\$6,551,088.85	\$5,486,981.60	\$1,064,107.25	83.8%	\$23,057,220.15	\$21,365,926.20	\$1,691,293.95	92.7%
Employee Benefits (Less BRP)	\$4,834,156.07	\$5,287,762.45	\$1,473,911.57	\$1,204,914.97	\$268,996.60	81.7%	\$5,287,762.46	\$4,805,392.70	\$482,369.76	90.9%
Payroll Hlth. Care/Retirement Cont.	241,200.25	266,859.20	\$70,135.34	\$58,373.42	\$11,761.92	83.2%	\$266,859.19	\$237,902.15	\$28,957.04	89.1%
SWCAP	\$46,228.00	\$50,000.00	\$0.00	\$0.00	\$0.00	0.0%	\$50,000.00	\$50,548.00	(\$548.00)	101.1%
TOTAL EXPENDITURES:	\$26,133,987.66	\$28,661,841.80	\$8,095,135.76	\$6,750,269.99	\$1,344,865.77	83.4%	\$28,661,841.80	\$26,459,769.05	\$2,202,072.75	92.3%
EXPENDITURES (OVER) / UNDER REVENUE:	\$133,425.39	\$75,902.51	(\$2,132,552.75)	(\$3,499,908.16)	\$1,367,355.41		\$75,902.51	\$20,604.44	\$55,298.07	

Texas Department of Banking

Overview of Budget Variances for the Fourth Quarter of Fiscal Year 2018 - (Variances in excess of \$1,000 and 5% from budget are reported).

Bank & Trust Regulation – Actual revenues were less than budgeted due to the reduction in the fourth quarter bank assessments of 63.3% or approximately \$3.8 million. Year to date bank and trust regulation revenue is at 90.5% of budget and was adequate to cover all direct and indirect costs of the Bank and Trust area.

Nonbank Regulation – Actual revenues were less than budgeted due to forgiven fourth quarter assessments. Year to date nonbank regulation revenue is at 100.8% of budget and was adequate to cover all direct and indirect costs of the Special Audits area.

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

Classified Salaries and Employee Benefits – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of August 31, 2018 are listed below:

Administrative	4
Examiners	10

Other Personnel Costs – The positive variance is due to certain budgeted lump sum retirements that did not materialize in the fourth quarter. This positive variance was offset in prior quarters by unexpected departures. Year to date expenditures are at 97.2% of budget.

In-State Travel – The positive variance is due to: (1) vacant examiner positions; (2) Bank and Trust and Special Audits procedures performed off-site; (3) and examination and training related travel that did not occur or was postponed to fiscal year 2019.

Out-of-State Travel – The positive variance is due to: (1) vacant examiner positions; (2) five MSB examinations where we accepted other states' reports in lieu of performing an examination; (3) examination and training related travel that did not occur or was postponed to fiscal year 2019; and (4) meetings and conferences that were not attended.

Professional Fees and Services – The positive variance is due to: (1) lower than budgeted expenditures for programming services; (2) limited work performed by contracted architects; and (3) lower expenditures than budgeted for building related Outside Counsel fees.

Consumable Supplies – The negative variance is due to several consumable purchases that were deferred during the year and made in the fourth quarter. Year to date expenditures are at 99.0% of budget.

Utilities – The positive variance is due to lower than projected expenditures which were based on historical data.

Rent – Buildings – The positive variance is due to an additional monthly lease payment budgeted in error and cancelled townhall meetings. Year to date expenditures are at 96.3% of budget.

Rent – Machinery and Other – The positive variance is due to a net combination of audio-visual equipment that was not needed for cancelled townhall meetings and unbudgeted lift rental to repair Headquarters building video cameras.

Other Operating – The positive variance is due to: (1) lower than budgeted investigator fees which are now expensed out of the professional services category; (2) lower than budgeted service award expenditures; and (3) lower than anticipated deferred maintenance expenditures. The large year to date variance is due to the on-going elevator and boiler upgrade project through the Texas Facilities Commission.

Subscriptions – The positive variance is due to lower than anticipated subscription renewal fees.

Employee Training – The positive variance is due to examiner vacancies and training classes that did not materialize or were postponed to fiscal year 2019.

Claims/SORM Assessment – The negative variance relates to an unanticipated unemployment claim payment. Year to date expenditures are at 97.1% of budget.

Capital/Other IT Expenditures – The negative variance is due to higher pricing than projected for three servers.

Payroll Health Insurance/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
Liquidity Report
For the Quarter Ending August 31, 2018

	Actual
Cash at Beginning of Period	\$ 17,790,751
Revenues Over (Under) Expenditures	\$ (3,499,908)
Increase (Decrease) in Payables/Encumbrances	\$ 407,876
(Increase) Decrease in Receivables	\$ 43,966
Cash at End of Period	<u>\$ 14,742,684</u>

Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	\$ 6,084,311
Payables (net of receivables)	\$ 2,190,664
Lump Sums for Retirements	\$ 665,552
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	<u>\$ 8,940,528</u>
Unreserved Cash Balance:	
Future Operations	<u>\$ 5,802,156</u>
Total Unreserved Cash Balance	<u>\$ 5,802,156</u>
Total Cash Balance	<u>\$ 14,742,684</u>
Unreserved Cash/FY2019 Monthly Budget	2.41 months

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

OPERATING STATEMENT AND BUDGET ANALYSIS

For the Period Ended August 31, 2018

	FY 2017 EXPENDED	FY 2018 BUDGET	FY 2018 PERFORMANCE			
			YTD BUDGET	YTD EXPENDED*	(OVER)/UNDER BUDGET	PERCENT BUDGET
REVENUE:						
Annual Assessment	1,656,500	1,783,534	1,783,534	1,884,681	(101,147)	105.7%
Thrift Application Fees	17,600	15,000	15,000	26,900	(11,900)	179.3%
Licensing Fees	4,012,638	3,715,105	3,715,105	3,887,825	(172,720)	104.6%
Fines and Penalties	778,830	0	0	485,604	(485,604)	0.0%
Recovery Fund Offset	6,281	10,000	10,000	0	10,000	0.0%
Depository Interest	68,152	45,000	45,000	164,018	(119,018)	364.5%
Miscellaneous	4,761	3,000	3,000	1,917	1,083	0.0%
Judgements and Settlements	0	0	0	84,483	(84,483)	0.0%
TOTAL REVENUE	6,544,762	5,571,639	5,571,639	6,535,428	(963,789)	117.3%
EXPENDITURES:						
Salaries and Wages-						
Exempt	194,750	194,750	194,750	194,750	0	100.0%
Classified	3,601,610	4,017,586	4,017,586	3,924,788	92,798	97.7%
Other Personnel Costs	90,552	89,203	89,203	143,017	(53,814)	160.3%
	3,886,912	4,301,539	4,301,539	4,262,555	38,984	99.1%
Travel-						
Transportation & Mileage	262,365	327,500	327,500	272,753	54,747	83.3%
	262,365	327,500	327,500	272,753	54,747	83.3%
Other Expenditures-						
Professional Services/Fees	108,327	125,090	125,090	115,986	9,104	92.7%
Consumable Supplies	11,353	14,000	14,000	10,513	3,487	75.1%
Utilities	30,865	36,088	36,088	31,573	4,515	87.5%
Rent-Space & Equipment	6,086	6,000	6,000	7,038	(1,038)	117.3%
Other Operating Expenses	279,968	368,080	368,080	352,445	15,635	95.8%
Elevator/Boiler Replacement			0	207,703	(207,703)	0.0%
	436,599	549,258	549,258	725,258	(176,000)	132.0%
Other Agency Costs						
Employee Benefits	1,216,266	1,336,996	1,336,996	1,274,041	62,955	95.3%
SWCAP Indirect Costs	21,708	22,000	22,000	20,299	1,701	92.3%
	1,237,974	1,358,996	1,358,996	1,294,340	64,656	95.2%
TOTAL EXPENDITURES	5,823,850	6,537,293	6,537,293	6,554,906	(17,613)	100.3%
EXPENDITURES (OVER)/ UNDER REVENUE	720,912	(965,654)	(965,654)	(19,478)	(946,176)	N/A

* Amounts include accruals and encumbrances.

Department of Savings and Mortgage Lending

Budget Variance Analysis as of August 31, 2018

Revenues:

Overall revenues are at 17.3% over budget.

Thrift Assessments – Revenues are 5.7% over budget, mostly due to higher than budgeted level of assets.

Thrift Application Fees – Revenues are 158% over budget due to higher than budgeted application activity.

Depository Interest – Revenues are over budget due to higher interest rates and increased account balances.

Recovery Fund Offset – NMLS related agency expenses

Fines and Penalties – No amount was budgeted.

Expenditures:

Overall expenditures are at 100% of budget.

Employees' Salaries and Related Benefits – These categories are at 3% under budget due to vacancies.

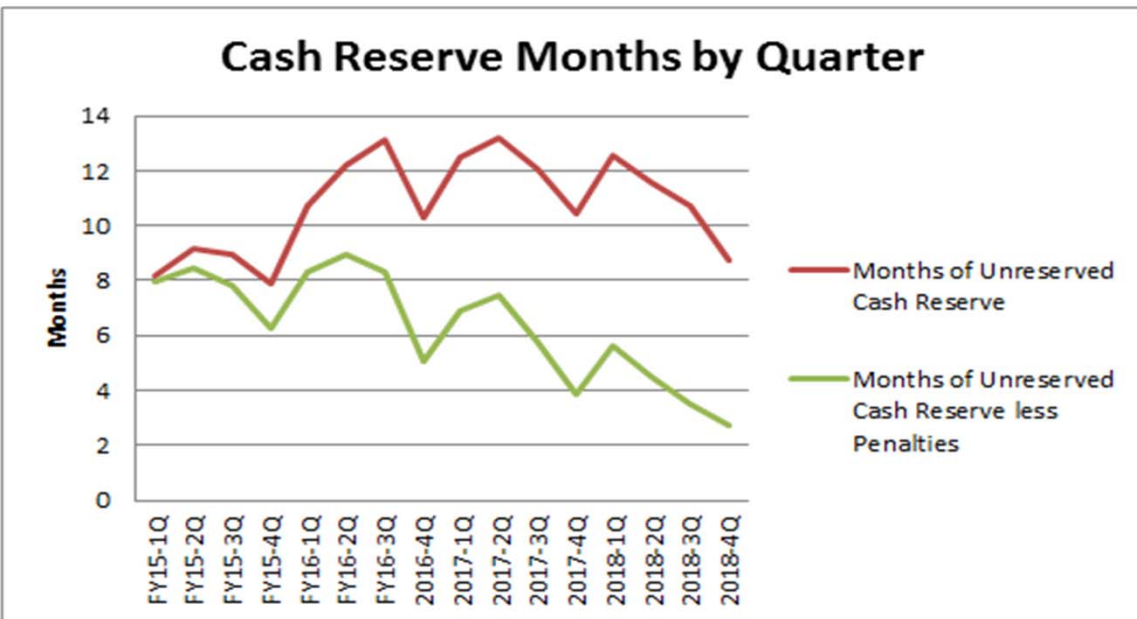
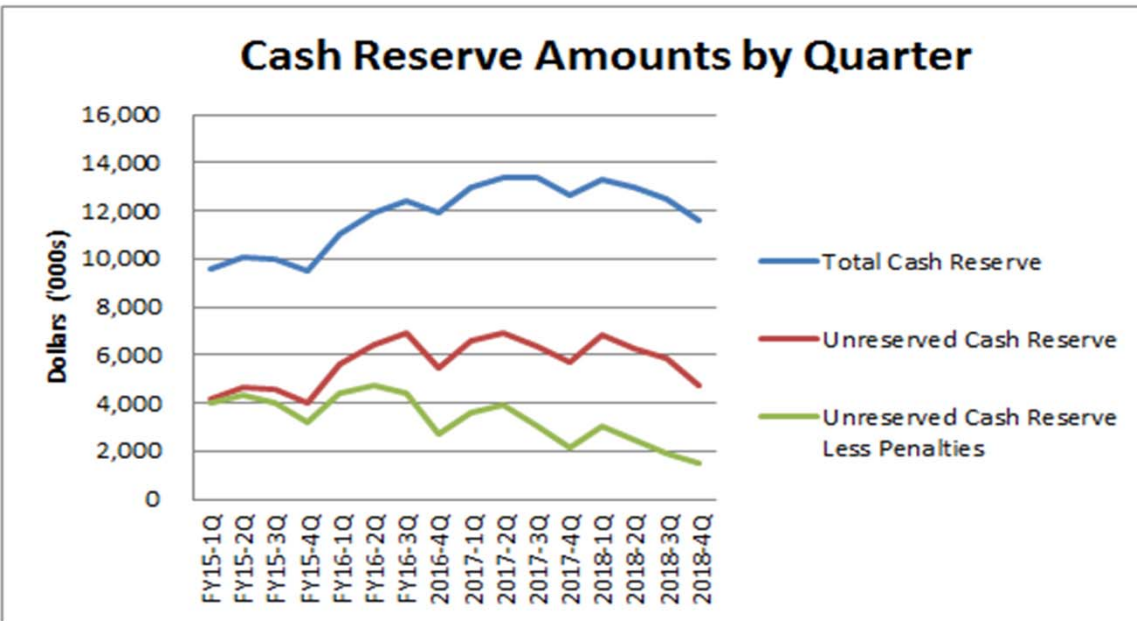
Other Personnel Costs – This category is 60% over budget due to a retirement lump sum that was not budgeted for. Amounts for such lump sums are included in the cash reserves. The cash reserve for retirements was decreased accordingly.

Travel – This category is 16.7% under budget due to less travel expenses incurred.

Elevator/Boiler Replacement – No amount was budgeted.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING LIQUIDITY REPORT <i>For the Quarter Ending August 31, 2018</i>		
		Actual
Cash at Beginning of Period	\$	12,515,009
Revenues Over (Under) Expenditures CY	\$	(1,123,126)
Revenues Over (Under) Expenditures PY	\$	-
Increase (Decrease) in Payables/Encumbrances	\$	205,217
(Increase) Decrease in Receivables		(5,547)
Cash at End of Period	\$	11,591,553
Reserved Cash Balance:		
Bldg. maintenance/IT	\$	-
Long-term facilities planning	\$	6,084,274
Payables (net of receivables)	\$	708,389
Lump Sums for Retirements	\$	45,696
Program Funds	\$	-
Other	\$	-
Total Reserved Cash Balance	\$	6,838,359
Unreserved Cash Balance:		
Future Operations	\$	4,753,195
Total Unreserved Cash Balance	\$	4,753,195
Total Cash Balance	\$	11,591,553
Unreserved Cash/FY2018 Monthly Budget		8.7 months

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

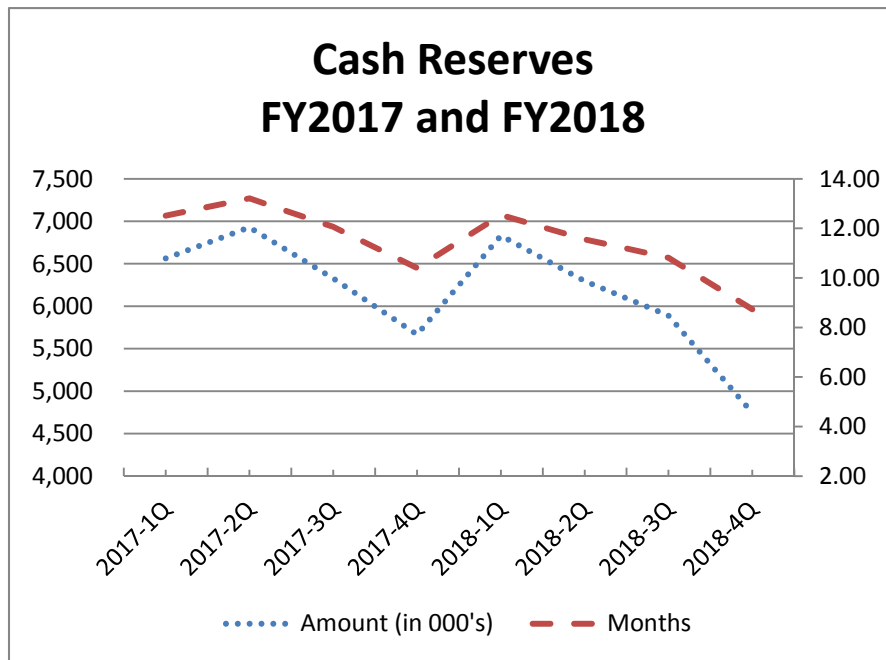


DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

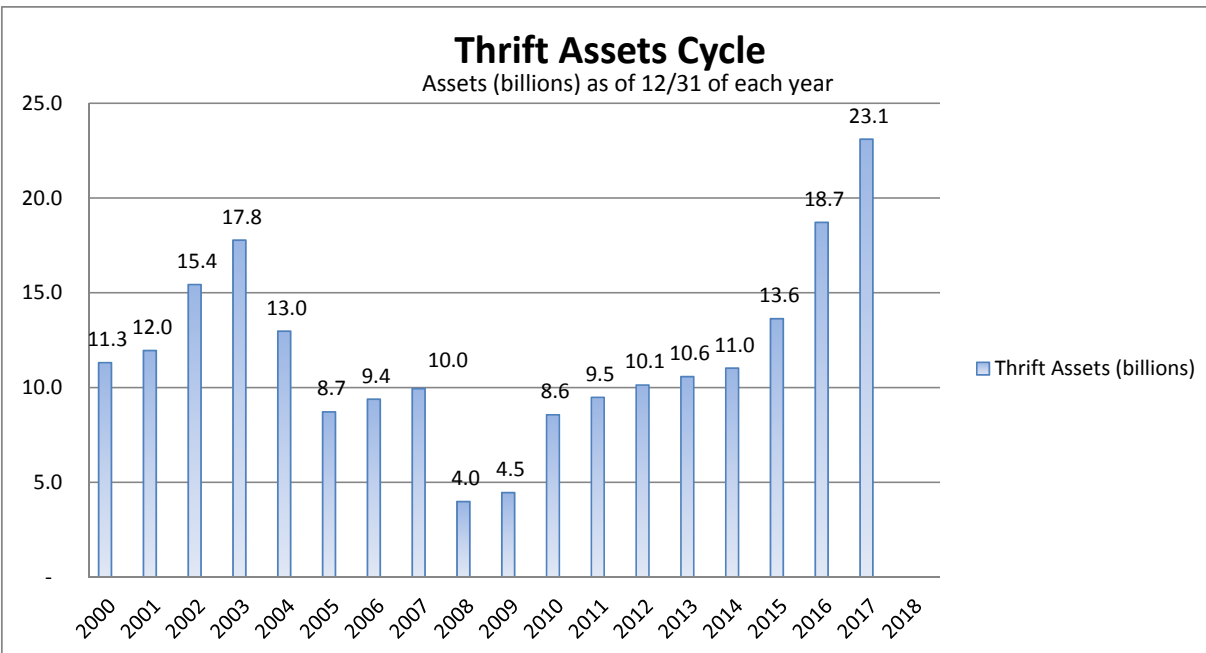
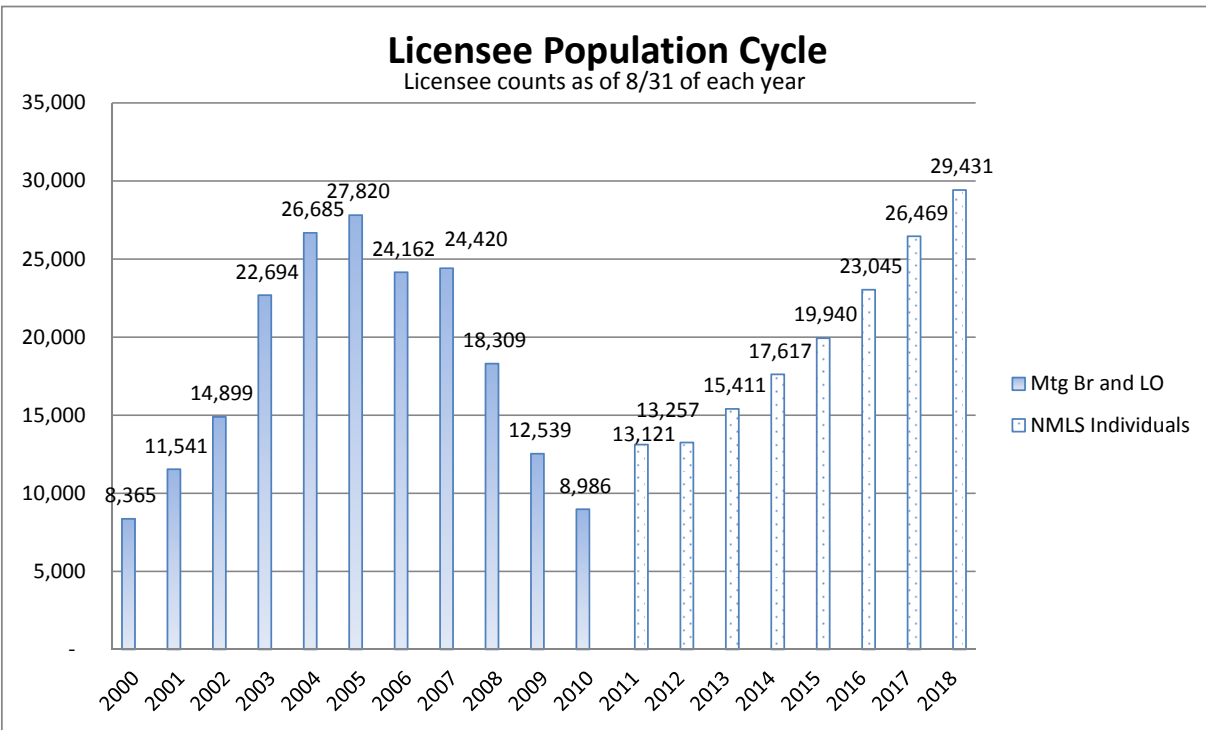
Cash Reserves FY2017 and FY2018

FY & Qtr	2017-1Q	2017-2Q	2017-3Q	2017-4Q
Amount (in 000's)	6,562	6,929	6,327	5,667
Months	12.5	13.2	12.1	10.4

FY & Qtr	2018-1Q	2018-2Q	2018-3Q	2018-4Q
Amount (in 000's)	6,830	6,295	5,850	4,754
Months	12.5	11.6	10.7	8.7



DEPARTMENT OF SAVINGS AND MORTGAGE LENDING



DEPARTMENT OF SAVINGS AND MORTGAGE LENDING PROJECTED CHANGES IN LIQUIDITY <i>For fiscal year 2018</i>		
Assigned Cash Balance/FY2018 Monthly Budget	In 000's	Months
FY 2018, 1st Q - Actual	\$ 6,830	12.5
FY 2018, 2nd Q - Actual	\$ 6,295	11.6
FY 2018, 3rd Q - Actual	\$ 5,850	10.7
FY 2018, 4th Q - Actual	\$ 4,753	8.7
Less: TFEE Contribution \$750,000 - Proposed	\$ 4,003	7.3
Less: FY 2019 Shortfall \$392,000 - Budgeted*	\$ 3,611	6.6
Less: Additional Excess \$343,000 - Estimated**	\$ 3,268	6.0

*Amount does not include administrative penalties and settlements.

**Not later than July 2019, the Department will propose additional actions in order to become compliant with the Liquidity Policy.

OFFICE OF CONSUMER CREDIT COMMISSIONER
OPERATING STATEMENT & BUDGET ANALYSIS
For the Period Ended August 31, 2018

100.00%

	FY 2017 ACTUAL	FY 2018 BUDGET	FY 2018 PERFORMANCE			
			YTD BUDGET	YTD ACTUAL	(OVER)/UND BUDGET	PERCENT BUDGET
REVENUES:						
Regulated Lenders	\$ 2,152,309	\$ 2,251,268	\$ 2,251,268	\$ 2,197,475	\$ 53,793	97.6%
Pawn Industry	1,065,539	1,035,415	1,035,415	986,540	48,875	95.3%
MV Industry	4,037,505	4,020,994	4,020,994	3,717,789	303,205	92.5% (1)
Credit Access Industry	1,258,815	1,152,740	1,152,740	1,188,900	(36,160)	103.1%
Penalties / Late Fees	600,337	-	-	369,910	(369,910)	- (2)
Debt Management Services	39,640	40,856	40,856	47,120	(6,264)	115.3% (3)
Debt Cancellation	42,000	-	-	43,000	(43,000)	-
RAL Assessment	132,050	118,530	118,530	134,025	(15,495)	113.1% (4)
Precious Metals	47,475	38,750	38,750	40,075	(1,325)	103.4%
Tax Liens	65,424	58,856	58,856	70,803	(11,947)	120.3% (5)
Sale of Publications	137	-	-	1,307	(1,307)	-
Creditor Registration	82,955	93,515	93,515	126,720	(33,205)	135.5% (6)
Mortgage Loan Originators	75,500	66,840	66,840	88,125	(21,285)	131.8% (7)
Other Revenue	4,063	-	-	85,384	(85,384)	-
Investment / Interest Income	61,019	-	-	161,958	(161,958)	-
TOTAL REVENUES	\$ 9,664,769	\$ 8,877,764	\$ 8,877,764	\$ 9,259,131	\$ (381,367)	104.3%
EXPENDITURES:						
Salaries and Wages-						
Base Pay	\$ 5,052,138	\$ 5,398,145	\$ 5,398,145	\$ 5,079,765	318,380	94.1%
Benefit Replacement Pay	7,188	6,761	6,761	6,247	514	92.4%
Longevity	70,280	82,600	82,600	75,700	6,900	91.6%
	\$ 5,129,606	\$ 5,487,506	\$ 5,487,506	\$ 5,161,712	\$ 325,794	94.1% (8)
Travel-						
Public Transportation, Lodging, Meals & Mileage	758,716	797,200	797,200	688,536	108,664	86.4%
	\$ 758,716	\$ 797,200	\$ 797,200	\$ 688,536	\$ 108,664	86.4% (9)
Other Expenditures-						
Professional Services & Fees	176,634	403,000	384,000	327,740	56,260	85.3% (10)
Consumable Supplies	17,121	27,000	27,000	18,110	8,890	67.1%
Postage & Freight	22,345	31,000	31,000	11,717	19,283	37.8%
Telephone & Communications	68,505	85,550	85,550	69,146	16,404	80.8%
Bldg. & Utilities	54,320	68,900	68,900	298,227	(229,327)	432.8% (11)
Publication / Printing & Reproduction	476	2,500	2,500	2,192	308	87.7%
Other Operating	222,274	306,783	325,783	354,961	(29,178)	109.0% (12)
	\$ 561,675	\$ 924,733	\$ 924,733	\$ 1,082,093	\$ (157,360)	117.0%
Acquisition of Info Technology	\$ 56,699	\$ 94,600	\$ 94,600	\$ 127,117	\$ (32,517)	134.4% (13)
Development in Progress	589,389	-	-	-	-	0.0%
Employee Benefits	1,853,669	2,047,768	2,047,768	1,858,812	188,956	90.8%
SWCAP Reimb to Unapp Gr 0001	28,706	35,000	35,000	32,902	2,098	94.0%
SORM Assessment	6,059	6,500	6,500	6,230	270	95.8%
Unemployment Benefits	13,046	15,000	15,000	6,925	8,075	46.2%
	\$ 2,547,568	\$ 2,198,868	\$ 2,198,868	\$ 2,031,986	\$ 166,882	92.4%
TOTAL EXPENDITURES:	\$ 8,997,565	\$ 9,408,307	\$ 9,408,307	\$ 8,964,327	\$ 443,980	95.3%
EXPENDITURES (OVER) / UNDER REVENUE	\$ 667,204	\$ (530,543)	\$ (530,543)	\$ 294,804	\$ (825,347)	

Office of Consumer Credit Commissioner

Overview of Budget Variances for 4TH Quarter FY 2018

Revenues- 103.9% of budget

- 1.) Motor Vehicle is under budget due to an increase in the amount of discount given in FY 18.
- 2.) Penalties are comprised of approximately 9.9% penalties and 90.1% late filing fees.
- 3.) Debt Management is over budget for the year because it was under estimated.
- 4.) RAL Assessment is above budget because during the budget process the agency made a conservative estimate consistent with multiple years of activity, yet the registration activity continued at a heightened level.
- 5.) Tax Lien over budget due to slight unexpected growth in license applications and greater retention during renewals.
- 6.) Creditor Registration is over budget because of additional reinstatements received that were greater than the number of reinstatements expected.
- 7.) Mortgage Loan Originator revenue is above budget due to the receipt of a greater number of renewals than anticipated.

Expenditures- 95.3% of budget

- 8.) Salaries and Wages expenditures are 94.1 % of the projected budget. The variance is primarily due to vacant positions. The agency filled 5 of the vacancies in September.
- 9.) Travel expenditures are at 86.4% of the projected budget. Employee turnover within the Exam department has contributed to this variance.
- 10.) Professional Fee expenditures are below budget due to a licensing project that was budgeted this year for the licensing department that was deferred. Also the agency budget for architectural engineering costs were deferred.
- 11.) Building and utilities are over budget due to the boiler and elevator project for the building in the amount of \$237,634.
- 12.) Other Operating is over budget due to the purchase of a license for security software that was not fully anticipated during the budget process. Also, additional costs for server maintenance and patching, were higher than anticipated.

13.) Acquisition of Information Technology is over budget due to the acquisition of additional cybersecurity tools that were not fully anticipated during the budget process.

OFFICE OF CONSUMER CREDIT COMMISSIONER	
LIQUIDITY REPORT	
<i>For the Quarter Ending August 31, 2018</i>	
	Actual
Cash at Beginning of Period	\$ 11,087,382
Revenues Over (Under) Expenditures	1,699,786
Increase (Decrease) in Payables/Encumbrances	(34,189)
(Increase) Decrease in Receivables	(5,973)
Cash at End of Period	<u>\$ 12,747,006</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	6,083,202
Payables (net of receivables)	673,616
Lump Sums for Retirements	133,894
Other	-
Total Reserved Cash Balance	<u>\$ 6,890,711</u>
Unreserved Cash Balance:	
Future Operations	\$ 5,856,295
Total Unreserved Cash Balance	<u>\$ 5,856,295</u>
Total Cash Balance	<u>\$ 12,747,006</u>
Unreserved Cash/FY2019 Monthly Budget	7.29

Unreserved Cash/FY2018 Monthly Budget at	
5/31/18	5.34

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September 28, 2018

Mr. Charles Cooper
Commissioner and Executive Director, Texas Finance Commission
2601 North Lamar
Austin, TX 78705

Dear Mr. Cooper:

Thank you for the opportunity to conduct the Texas Finance Commission's (TFC) Efficiency Audit. This engagement letter outlines:

- ✓ our understanding of the services to be performed;
- ✓ the procedures we would perform to provide the services;
- ✓ staffing; and
- ✓ the proposed labor categories, estimated costs, and timetable to perform the services.

OVERALL UNDERSTANDING

We understand that the Texas Finance Commission desires to receive an efficiency audit to fulfill the requirements of Recommendation 2.6 in the Sunset Advisory Commission's Final Report, dated April 2018. This recommendation is for the Texas Finance Commission to determine if certain duplicative functions exist within TFC's three agencies that could be performed more efficiently and effectively if those functions were coordinated and established as resource sharing or consolidation without negatively impacting the necessary expertise or quality of each agency. Functions included in this efficiency audit for each of TFC's three agencies include:

- ✓ Complaint Intake;
- ✓ Budget and Accounting;
- ✓ Human Resources;
- ✓ Information Technology;
- ✓ Financial Literacy Programs; and
- ✓ Purchasing and Procurement

Therefore, the objectives of this engagement are: (1) to perform an analysis and evaluation of each agency's administrative functions included in this efficiency audit to identify potential areas for resource sharing or consolidation without diminishing necessary expertise or quality and (2) to develop draft and final reports that includes recommendations to reduce duplicative functions and promote more efficient administration of TFC's three agencies, including costs savings and the impact on the current expertise and quality of services in each of the three agencies. The recommendations will focus on optimizing staff resources, eliminating duplicative functions and processes, and decreasing expenditures for the next five years, while improving efficiency and leveraging technology.

We understand that each of the three Texas Finance Commission agencies have different missions with a distinct focus, specific goals, unique activities and trained people. We will work with your staff to identify the commonalities and exclusivities to ensure that our recommendations do not negatively impact current quality of services provided.

7600 Chevy Chase Drive
Suite 307
Austin, TX 78752
Phone: 512.430.5358

ENGAGEMENT APPROACH

MJ proposes to perform the efficiency audit in the following three stages:

Planning – Our team will work with your staff during the planning phase to ensure that the efficiency audit is executed according to expectations. Planning will also include a combined workshop with each agency’s leadership team to gain an understanding of their viewpoints and concerns; with a focus on what makes each agency’s process unique to them and what would be the impact if their agency’s function was recommended for consolidation. This workshop will be structured with each leadership team member completing a short open-ended survey in advance.

Execution – The focus of this phase is determining the following for each process or function under audit:

- What processes are performed for each function?
- How is the process performed?
- Who performs the process?
- What is the transaction volume?
- How often is the process performed?
- What performance measures are associated with the process, if any?
- What information and systems are used for the function?
- What and/or who is dependent upon the output of the process?
- What is common about the process?
- What requirement makes the process unique to the agency?
- What is the potential impact if the process was to be consolidated; financial, human resource, process, information technology, and service quality?
- Are there alternatives for efficiency improvements if consolidation is not a viable solution?
- What steps will need to be taken for the consolidation to occur?
- What is the financial impact if resource sharing or consolidation is determined to be a viable option?

This efficiency audit will be driven by interviews with the key process owners, process walk throughs, process dependency identification, and transaction volumes. Accordingly we will develop worksheets for each key process owner to complete. The completed worksheets will be used during our interviews and process walkthroughs to ensure we capture the full process, including nuances specific to each process. From there, we will develop process flows that identify the unique requirements for the respective agency.

We will assess transaction volume and use benchmarking information to determine the average transaction processing volume per FTE to provide guidance related to the FTEs required to fulfill the agency’s volume needs. We will also incorporate best practice administrative service models into our analysis.

Execution activities include reviewing prior audit reports, reviewing operational reports and documentation review.

Once we complete our analysis and recommendations, we will facilitate the second planned combined workshop with all three agency leadership teams. The purpose of this workshop will be to discuss the results of our analysis and potential recommendations.

Reporting – We will deliver draft and final reports with background, which includes the audit objectives, scope and methodology, and observations and recommendations using the report format established in the planning phase. We will also present the final report to the Audit Committee and the Texas Finance Commission.

STAFFING

We understand that the outcomes of this efficiency audit will have long-term implications for each agency's operations. Our experience in performing audits of this nature has confirmed the importance of ensuring that the team members have significant experience understanding process intricacies, dependencies and impacts. Therefore, we have intentionally assigned seasoned staff to this engagement.

Mr. Odysseus Lanier will serve as the engagement and quality assurance partner for this audit. Mr. Lanier has more than 30 years experience in conducting operational audits and business process improvements.

Ms. Darlene Brown currently serves as the director in charge of your internal audit services. Ms. Brown will participate in the efficiency audit to provide insight gained during the Internal Audit Risk Assessment and also work with the team to identify potential efficiency improvement opportunities. Ms. Brown is a director with McConnell & Jones LLP's Risk Advisory practice. She has more than 19 years' experience in leading internal audits, internal control evaluation, operational performance reviews, and business process reviews.

Mr. Gilbert Hopkins will serve as the engagement lead and will be responsible for performing the majority of the work. Mr. Hopkins is a director with MJ and specializes in providing financial management, accounting, and business process improvement services to public and private organizations. Mr. Hopkins is a certified public accountant with more than 30 years of accounting and business experience. He began his career as a staff auditor working in the Financial Services Division of a former "Big Eight" CPA firm.

Ms. Katyana Terrell will be the senior auditor on this engagement and will be responsible for process mapping and benchmarking. Ms. Terrell has more than 10 years of internal audit and business process improvement experience.

BUDGET

MJ understands that cost containment and sound stewardship of public funds are crucial to the Texas Finance Commission. Our budget reflects estimated costs to perform the requested efficiency audit. **These costs are not to exceed \$23,735.00.** Should unforeseen events such as insufficient documentation, lacking or corrupt electronic data, and non-responsiveness to requests occur, we will immediately notify the Texas Finance Commission Executive Director and provide options for the Texas Finance Commission to proceed. The proposed budget is reflected below. The agency allocation is based upon the percentage of each agency's staff to the total staff for all three agencies.

EFFICIENCY AUDIT BUDGET

Staff Level	Rate	Total Hours	Total Cost	DOB Allocation 42%	OCCC Allocation 33%	DSML Allocation 24%
O. Lanier - Partner	\$260	4	\$1,040.00	\$439.11	\$346.67	\$254.22
D. Brown - Director	\$195	7	\$1,365.00	\$576.33	\$455.00	\$333.67
G. Hopkins - Director	\$195	78	\$15,210.00	\$6,422.00	\$5,070.00	\$3,718.00
K. Terrell - Sr. Auditor	\$102	60	\$6,120.00	\$2,584.00	\$2,040.00	\$1,496.00
Total		149	\$23,735.00	\$10,021.44	\$7,911.67	\$5,801.89

ENGAGEMENT TIMETABLE

MJ anticipates beginning the efficiency audit on October 29, 2018 and issuing the final report no later than June 21, 2019.

BILLING AND PAYMENT TERMS

MJ will submit monthly billings for actual work performed in accordance with the professional services contract number 451-19-028 between the Texas Finance Commission and McConnell & Jones LLP. The Texas Finance Commission agrees to pay all invoices in accordance with the payment terms stipulated in the professional services contract number 451-19-028.

DISPUTES AND CLAIMS

Any dispute regarding this engagement will be governed by the laws of the State of Texas without regard to the conflict of laws or provisions thereof. The parties agree that the conditions outlined in the professional services contract number 451-19-028 shall govern any dispute or termination process.

If you are satisfied with the engagement terms, please sign both copies of the engagement letter and return one copy to our office. We are excited about the opportunity to partner with you. Please contact me at (713) 968-1603 if you have any questions or require additional information.

Sincerely yours,

Odysseus Lanier, Partner

Accepted

Date

Mr. Charles Cooper, Commissioner and Executive Director
Texas Finance Commission

GILBERT R. HOPKINS, CPA

MJ Consulting Director

PROJECT ROLE:

Project Director

CORE COMPETENCIES: Audit, Financial and Operational Analysis, Business Process Improvement, Project Management, Performance Measurement, Program Evaluation, Compliance Audits, Document Reviews

PROFESSIONAL HIGHLIGHTS

- 30+ years accounting, auditing, and business process improvement experience
- Project manager with proven capability to effectively manage large scale projects with a high degree of client satisfaction
- Expertise in developing and conducting training presentations
- Certified Public Accountant

SUMMARY OF PROFESSIONAL EXPERIENCE

Mr. Gilbert Hopkins, a director with MJ, specializes in providing financial management, accounting, and business process improvement services to public and private organizations. Mr. Hopkins is a certified public accountant with more than 30 years of accounting and business experience. He began his career as a staff auditor working in the Financial Services Division of a former “Big Eight” CPA firm.

Mr. Hopkins has conducted performance audits for federal, state, local governmental entities, and higher education entities for over 20 years. During these engagements, Mr. Hopkins has honed his skills in assessing program economy, efficiency, and effectiveness; examining the structure and design of programs to accomplish entity programs and objectives; evaluated alternative service delivery models, reviewed performance measures; examined legal and program documents and reports, and assessed compliance with policies, rules, and laws. As a director with MJ, Mr. Hopkins is responsible for managing and supervising MJ project personnel; interfacing and communicating with the client’s project manager; communicating effectively with client staff; planning, managing, and coordinating project activities; and preparing written communications. As a result of his extensive business experience, he has developed excellent written and oral communication skills, exceptional analytical skills, and focused client service delivery.

RELEVANT EXPERIENCE:

- Managed performance audits and agreed upon procedures engagements conducted in accordance with Government Auditing Standards (Yellow Book) and OMB Uniform Guidance.
- Provided project management leadership to executive team and subject matter experts during various projects.
- Assisted in the development of entity-wide business risk assessment and developed annual audit plans.
- Developed and presented fraud awareness, project management, and higher education accreditation training and presentations.
- Performed internal audit engagements conducted in accordance with the Texas Internal Auditing Act, the International Professional Practice Framework promulgated by The Institute of Internal Auditors, and the Government Auditing Standards.

EDUCATION AND CERTIFICATION:

- B.A. Accounting (Management, Economics Minor), Youngstown State University (Ohio)
- Certified Public Accountant

RELEVANT EXPERIENCE: CONT'D

- Reviewed business processes and assessed internal controls of private, governmental and not for profit entities.
- Developed written reports of audit findings and recommendations and presented such reports to executive leadership, audit committees, and governing boards.

REPRESENTATIVE PROJECTS/CLIENTS:■ **Management and Performance Reviews**

- City of Houston-Performance Audit of Tax Increment Reinvestment Zones
- City of Houston – Parks and Recreation-Business Process; Swimming Pools Reviews
- Nashville Public Schools – Districtwide Assessment
- Knox County Public Schools – Districtwide Assessment
- Legislative Budget Board – 30 School District and Community College Assessments
- Lamar Consolidated ISD – Districtwide Assessment
- Duval County Schools – Districtwide Assessment

■ **Internal Audits or Management Advisory Services**

- City of Houston-Travel Expenses, Fixed Assets, Interfund Billing, Cash Management audits
- Comptroller’s Office of the City of Milwaukee Comprehensive Assessment
- Harris County Auditor’s Office – Accounts Payable Audit
- Texas Lottery Commission – Sales to State Transfer Audit
- Texas Historical Commission – Audit of Management Reports
- Texas Department of Information Resources – Audit of Performance Measures
- Texas Southern University – Tuition Waiver Audit; College Compliance Audits
- University of Houston-Audit of Treasurer Function
- U.S. Treasury Office of Inspector General – RESTORE ACT Grant compliance audits
- Texas Department of Public Safety – Project worksheet audits
- Houston First – Construction Agreed Upon Procedures Engagement
- Louisiana Offshore Oil Port (LOOP) – Business Process Review
- Harris County Housing Authority (HCHA) – Disaster Housing Assistance Intake Services Project

■ **Special Investigations or Studies**

- City of Killeen, Texas – Forensic Review
- Humble Independent School District – Forensic Review
- Harris County Precinct 2 – Forensic Review
- San Jacinto College District – Forensic Review
- Texas Education Agency – Statewide Financial Systems Review

■ **Training Presentations**

- Metropolitan Transit Authority of Harris County (TX) – Small Business Training Program
- University of Houston – Gift System Reconciliations
- Texas Lottery – Fraud Detection and Avoidance
- Texas Office of Injured Employee Council – Fraud Detection and Avoidance

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING PROJECTED CHANGES IN LIQUIDITY <i>For fiscal year 2018</i>		
Assigned Cash Balance/FY2018 Monthly Budget	In 000's	Months
FY 2018, 1st Q - Actual	\$ 6,830	12.5
FY 2018, 2nd Q - Actual	\$ 6,295	11.6
FY 2018, 3rd Q - Actual	\$ 5,850	10.7
FY 2018, 4th Q - Actual	\$ 4,753	8.7
Less: TFEE Contribution \$750,000 - Proposed	\$ 4,003	7.3
Less: FY 2019 Shortfall \$392,000 - Budgeted*	\$ 3,611	6.6
Less: Additional Excess \$343,000 - Estimated**	\$ 3,268	6.0

*Amount does not include administrative penalties and settlements.

**Not later than July 2019, the Department will propose additional actions in order to become compliant with the Liquidity Policy.

**TFEE Report – August 17, 2018**

Juan V. Garcia, Program Director

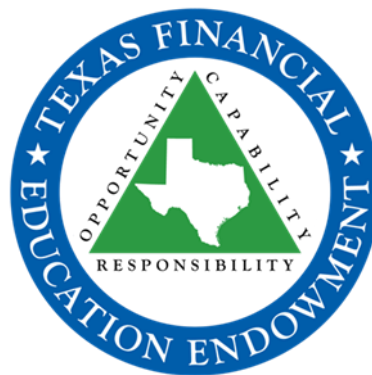
As previously reported, the 2016-17 TFEE Grant Cycle closed on December 31, 2017 and longitudinal reports were due by June 30, 2018. The Grant Coordinator prepared the 2016-17 TFEE Impact Report (summary report) containing additional information regarding program activities for the 2016-17 grant cycle.

Also, the first reporting period for the 2018-19 TFEE Grant Cycle ended on June 30, 2018 and semi-annual reports were due on July 30, 2018. The Grant Coordinator prepared a Semi-Annual Grant Summary Report covering program activities from the first reporting period. Program activities for the second reporting period will end on December 31, 2018.

TEXAS FINANCIAL EDUCATION ENDOWMENT 2018-19 GRANT CYCLE

SEMI-ANNUAL GRANT REPORT No. 1

JAN 1, 2018 – JUNE 30, 2018



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Grant Advisory Committee:

Lori McCool, Finance Commission Representative
Vince E. Puente, Sr., Finance Commission Representative
Eric Norrington, Credit Access Business Industry Representative
Steven O'Shields, Department of Savings and Mortgage Lending
Representative
Laura Rosen, Consumer Advocate Representative

Grant Coordinator:

Deandra Sullivan, Office of Consumer Credit Commissioner

2018-19 TFEE Grant Recipients:

Building Financial Capacity Coalition	K-12 Financial Education & Capability
Center for Transforming Lives	Financial Coaching
Family Services Association of San Antonio	Financial Coaching
FirstLight Community Foundation	K-12 Financial Education & Capability
Goodwill Industries of Central Texas	Adult Financial Education & Capability
Harris County Department of Education	K-12 Financial Education & Capability
Mansfield Mission Center	Financial Coaching
Trinity Basin Preparatory	K-12 Financial Education & Capability
Women's Resource of Greater Houston	Adult Financial Education & Capability

Summary

Background

The Texas Financial Education Endowment (TFEE) Grant Program awarded nine organizations an aggregate amount of \$250,000 in grant funds for program activities during the 2018-19 grant cycle. These organizations strive to increase and promote the financial capability of all Texas consumers.

Program Highlights

During the first reporting period (January 1, 2018 – June 30, 2018), TFEE funds provided 4,834 hours of direct financial education training to 7,706 Texas consumers through 325 group presentations and one-on-one financial coaching sessions. In addition, 72 teachers were trained to be better prepared to provide financial education to their students in accordance with Texas standards.

However, some recipients expressed difficulty with pre/post survey implementation, collection, and data analyzation. Some programs have utilized electronic survey strategies to encourage participants to return the survey on their own time; others have used the survey as a teaching tool by going through it with the participant during the first meeting.

Three of the nine recipients have not reported program activities or participation data for this reporting period or have not completed the reimbursement report process completely.

Financial Status

Amount Awarded:		\$250,000
Reimbursement Requests (No. 1 January 1, 2018 – June 30, 2018)		
	Building Financial Capacity Coalition*	-
	Center for Transforming Lives	\$5,567.15
	Family Service Association of San Antonio	\$11,606.59
	FirstLight Community Foundation	\$4,000.00
	Goodwill Industries of Central Texas	\$8,187.80
	Harris County Department of Education	\$0.00
	Mansfield Mission Center	\$7,027.46
	Trinity Basin Preparatory	\$0.00
	Women's Resource of Greater Houston	\$8,209.76
Total Requested Amount for Reimbursement Request No. 1:		\$44,598.76
Total Requested Amount to Date:		\$44,598.76
% of Funds Expended to Date		17.8%
Amount Of Funds Remaining		\$205,401.24
*Reimbursement Report pending review		

Building Financial Capacity Coalition (BFCC)

The Building Financial Capacity Coalition's mission is to foster community prosperity for the Rio Grande Valley by enhancing the knowledge and skills needed for improved financial decision making.

The BFCC Money Smart Ambassador Program was created to teach young adults the importance and the basics of personal finances. BFCC partners with local high schools to embed the curriculum into required classes and holds an Annual Financial Literacy Summit in partnership with congressmen from the area.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$19,000

FUNDS REQUESTED: - | TOTAL REIMBURSED YTD: \$0.00

Program Status to Date:

Additional documentation required for reimbursement request approval. Reimbursement is pending, 10/5/2018.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- An update regarding BFCC program activities will be provided on the next Semi-Annual Report.

Center for Transforming Lives (CTL)

Center for Transforming Lives helps homeless and impoverished women, children, and families move from poverty to independence through homeless services (an emergency shelter for women and housing assistance for families), Early Childhood Development (providing free or subsidized early childhood education to impoverished and homeless families), and Financial Empowerment Services (individual financial coaching and other programs to promote financial self-sufficiency).

The goal for this program is to empower participants to develop financial self-sufficiency, credit improvement, and asset building through one-on-one, long term financial coaching.

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$33,000

FUNDS REQUESTED: \$5,567.15 | TOTAL REIMBURSED YTD: \$5,567.15

Program Status to Date:

During the first reporting period, CTL experienced a delayed start of program activities due to the hiring and training of an additional financial coach. Additionally, CTL utilized other funds before beginning TFEE Program activities in June of 2018. CTL provided 29 participants one-on-one financial coaching during the first reporting period, specifically during the month of June. Two of 29 participants enrolled in the Financial Empowerment Program, completed four counseling sessions, and both saw significant improvements in their credit scores. Moving forward, CTL anticipates an increase of participation and being on target to meet their goal by the end of the grant term.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- Providing one-on-one financial coaching and small group classes

Major Achievements

- Provided a total of 43 participants with financial education services (group classes and one-on-one counseling)
- Dedicated 56 direct hours of service to participants
- \$150 average savings increase for participants attending four or more coaching sessions
- Partnered with Tarrant County College Trinity River Campus' Financial Aid Office, Housing Authorities, small businesses, shelters, and more to provide financial education to their clients

Biggest Challenges

- Pre/post survey collection – CTL implemented an online tracking system that generates reports each month to ensure program activities are on track
 - Additionally, CTL utilizes the pre/post survey as a teaching tool with participants. By going through the survey together, CTL ensures survey completion and participant comprehension
- Experienced delayed start at the beginning of the grant cycle due to hiring and training a new financial empowerment coach

Family Service Association of San Antonio (FSASA)

Family Service Association of San Antonio seeks to increase economic opportunities for low-income families and individuals. The Financial Empowerment Services program provides San Antonio residents financial education and capability through one-on-one financial counseling. The focus is on reducing debt, increasing credit scores, savings, banking, and wealth building.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$33,000

FUNDS REQUESTED: \$11,606.59 | TOTAL REIMBURSED YTD: \$11,606.59

Program Status to Date:

During the first reporting period, FSASA provided 1,976 participants with one-on-one financial coaching paired with employment case management services. By pairing these services, a financial counselor can guide the participant to pursue larger, long-term goals.

In addition, 174 participants reduced their debt by 10% or more, while 83 individuals saved 2% of their annual income. The program continues to bundle educational services with financial counseling to holistically approach the participants' needs. The program has maintained level staffing and created long term sustainability through other funding sources. For FSASA, meeting the demand for financial education in San Antonio consistently remains the program's biggest challenge.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- Created a detailed financial plan for participants that includes specific steps to assist them in reaching their financial goals
 - Individualized plans allow for a more effective change in participant behavior

Major Achievements

- Provided 1,976 participants with financial education
- Enrolled 656 new participants
- Dedicated 1,062 direct hours of services to participants
- Success with integration of financial counseling and long-term employment case management in order to achieve financial stability and economic stability
- Secured funding sources

Biggest Challenges

- The ongoing challenge faced by FSASA is meeting the demand for services, typically participants must be placed on a three to four week waiting list in order to enter financial counseling
 - Triaging is done during the initial appointment to identify emergency situations

FirstLight Community Foundation (FLCF)

FirstLight Community Foundation strives to help youth and families in the El Paso and Las Cruces communities improve their lives by achieving financial independence. FLCF has focused on the Brighter U Financial Literacy Program which provides implementation of financial education into El Paso Independent School District High Schools. Brighter U is an engaging, online resource that uses video, animations and interactive activities to bring complex financial concepts to life for students.

The FLCF is a 501(c)(3) charitable foundation that was founded in 2015, in order to do more for and give back to the underserved communities. FLCF has incorporated financial literacy and scholarships as a focus for the foundation, in order to help the youth and families achieve financial independence.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$16,000

FUNDS REQUESTED: \$4,000.00 | TOTAL REIMBURSED YTD: \$4,000.00

Program Status to Date:

During the first reporting period, FLCF reached 1,131 students through a total of 3,279 direct hours of learning. In addition to serving El Paso Independent School District, FLCF secured additional partnerships with neighboring school districts (Socorro Independent School District and Ysleta Independent School District) in order to reach more students. Brighter U is currently active in 10 schools in the area.

In addition, FLCF has faced challenges regarding teacher commitment and communication. FLCF has learned that in order to ensure program consideration, they must meet with school administration before reaching out to individual teachers. Moving forward, FLCF will explore additional schools open to partnership opportunities.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- Launched a scholarship program awarding \$3,000 in scholarship awards

Major Achievements

- Provided 1,131 participants with financial education
- Dedicated 3,279 direct hours of service to participants
- Provided services to ten different high schools
- Secured partnerships with Socorro Independent School District and Ysleta Independent School District

Biggest Challenges

- Teacher commitment and communication – to help counter this challenge, FLCF has focused initial outreach efforts primarily to administration to allow them to contact their teachers

Goodwill Industries of Central Texas

Goodwill Industries of Central Texas strives to increase the financial knowledge and capability of low-income clients, leading to increased self-sufficiency and economic security. Goodwill has developed a strong curriculum that clients enjoy, combining didactic elements and the relevant information clients need to achieve financial capability. Goodwill generates lifelong connections to work, where clients have access to meaningful employment and educational opportunities.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$33,000

FUNDS REQUESTED: \$8,187.80 | TOTAL REIMBURSED YTD: \$8,187.80

Program Status to Date:

During the first reporting period, Goodwill Industries focused on budgeting classes with an emphasis on those seeking occupational training. Several occupational trainings require participants to be amply prepared for several months of unemployment or limited employment as they pursue additional certifications. Goodwill assists participants with critical planning for potential obstacles, which has contributed to participants attending and successfully completing the program without experiencing significant financial crisis.

Goodwill has experienced ongoing challenges with pre/post survey collection. In order to increase response rates, Goodwill has moved both the pre and post surveys to electronic form that can be sent to participants via email.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- Partnered with several social services organizations in the area including United Way, Foundation Communities, The City of Austin, State of Texas agencies, and SafePlace to provide financial empowerment and education to different populations and improve the knowledge and financial 'habittudes' of their participants
- Updated available resources for obtaining credit reports, and budgeted funding to provide participants with their credit report in order to encourage program engagement and show progress through changes in scores

Major Achievements

- Provided 176 participants with financial education
- Hosted 44 group presentations
- High rate of return participants
- Provides strong, custom curriculum

Biggest Challenges

- Post-class follow-up communication and pre/post survey collection have continued to be challenges even with the electronic survey implementation

Harris County Department of Education (HCDE)

Harris County Department of Education (HCDE) collaborates with 25 school districts in Harris County to provide specialized services that school districts are unable to provide. For example, HCDE provides therapy services, staff development training for teachers and administration, adult education, after-school programs, and other services. In addition, through the 2018-19 TFEF Grant Cycle, HCDE plans to train 70 High School mathematics, social studies, and career and technical educators how to implement the Texas State Board of Education's newly adopted career and technology course, Financial Mathematics.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$19,000

FUNDS REQUESTED: \$0.00 | TOTAL REIMBURSED YTD: \$0.00

Program Status to Date:

HCDE did not request reimbursement for program expenses during the first reporting period. Program activities and expenses will commence in the second reporting period. HCDE experienced a slight delay while exploring additional funding opportunities.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- No program updates for this reporting period

Mansfield Mission Center (MMC)

Mansfield Mission Center is a non-profit organization committed to holistic family development in Mansfield Independent School District and surrounding areas. MMC interrupts financial crisis for families and helps them create a long-term plan to turn their financial situation around. MMC's wrap-around approach helps ensure families are safe by being able to afford to stay in their homes, keeping utilities turned on and food in the fridge. Once stable, coaches give clients the support and resources to create and implement long-term financial and employment goals.

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$33,000

FUNDS REQUESTED: \$7,027.46 | TOTAL REIMBURSED YTD: \$7,027.46

Program Status to Date:

On February 20, 2018, Wesley Mission Center became Mansfield Mission Center, Inc. to be more inclusive of all participants interested in financial services. During the first reporting period, MMC provided 377 direct service hours to 236 participants through one-on-one financial coaching. MMC shifted staff members and hired an additional financial coach in order to meet the demand for services. The main challenges faced during this reporting period include the training period for the recently hired financial coaches and participants' communication or engagement. To help with these challenges, MMC provided all of their coaches with training in April 2018, and has monthly meetings to ensure program activities are running smoothly. Additionally, an "orientation" session has been introduced to the program to allow participants to better understand the services offered by MMC and expectations of the sessions.

In addition, based on participant feedback, MMC has secured a partnership with Tarrant County Community College (TCC) to provide short-term certificates and GED programming. MMC provides childcare and an evening meal to participants during these programs to help surmount the barrier to entry. Moving forward, MMC is exploring additional partnership opportunities that will provide employment pathways for participants completing these programs.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- Provided staff with industry-recognized coach training in April

Major Achievements

- Provided 236 participants with long term financial counseling
- Provided 377 direct service hours to participants
- Secured a partnership with TCC to provide short-term certificate and GED programming

Biggest Challenges

- Access to participants – MMC utilizes non-traditional work hours as well as communication through phone or email to encourage continued engagement
- New financial coaches – MMC anticipated that participation numbers would be lower this reporting period due to the training period needed to prepare the newly hired financial coaching staff. MMC foresees being on target to meet their goal by the end of the grant term.

Trinity Basin Preparatory (TBP)

Trinity Basin Preparatory is an open enrollment charter school that has been awarded funding in order to expand the BizKid\$ Entrepreneur Contest to 24 classrooms, or all of the 7th and 8th grade classes. Each classroom will work as a team to compete in the contest. The contest gives the students a hands-on opportunity to become more financially literate and work on critical thinking, reading, writing, mathematics, and team work.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$17,000

FUNDS REQUESTED: \$0.00 | TOTAL REIMBURSED YTD: \$0.00

Program Status to Date:

The program expansion will begin in the Fall of 2018. TBP did not request reimbursement for program expenses during the first reporting period. TBP has focused on securing classroom or team sponsors for the 24 teams. TBP anticipates being on target to meet program goals by the end of the grant period.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- No program updates for this reporting period

Women's Resource of Greater Houston

The Women's Resource of Greater Houston provides services that help to ensure that women from all walks of life can become financially stable and self-sufficient by acquiring essential financial knowledge, skills, and confidence needed to make sound financial decisions. By fostering strong partnerships with other social service agencies, and offering services free of charge and at a convenient time and place, Women's Resource has found an excellent way to reach people who would not otherwise have access to their programs and services. Women's Resources offers two programs for our adult clients - YourLife Finance Classes (group presentations) and YourLife Possibility Groups (small group counseling).

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$33,000.00

FUNDS REQUESTED: \$8,209.76 | TOTAL REIMBURSED YTD: \$8,209.76

Program Status to Date:

During the first reporting period, Women's Resource provided a total of 2,529 participants with financial education through group classes and small group financial counseling. Most of the participants seeking services are low-income, in a state of transition, and are often hard to reach. Women's Resource hired their first financial coach in January 2018 to support their participants after they have found permanent housing. Lastly, Women's Resource currently utilizes FDIC Money Smart curriculum and US Department of Labor Wi\$e Up Curriculum but feels that both are outdated. Women's Resource will release a custom curriculum that will cover topics such as: basics of budgeting on limited income, credit repair and recovery, how to prioritize bill paying, and how to set future financial goals no matter your income, in January of 2019.

Reporting Period Update (January 1, 2018 – June 30, 2018)

Program Activities

- Secured new partnerships with TDIndustries and the United Way to deliver the first YourLife Possibility Group as a 12-week training program to place women in non-traditional jobs such as pipe fitters.
 - Workforce development programs are an excellent time to introduce new financial concepts as participants are often experiencing a significant increase in income.

Major Achievements

- Enrolled 1,471 new participants into the program
- Provided 2,529 participants with financial education services
- Secured 30 partnerships with agencies in order to provide classes to their clients
- 98% of class participants report that they found the class valuable
- 38% of participants attended two or more classes
- Trained 52 new volunteers
- 90 total volunteers contributed 1,521 hours to teaching all of the YourLife Finance Classes

Biggest Challenges

- Data collection and integrity is an ongoing challenge but Women's Resource moved to a new outcome database to help improve their collection process.
- Outdated curriculum