

FINANCE COMMISSION OF TEXAS AUDIT COMMITTEE MEETING

Friday, June 21, 2019

7:30 a.m.

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

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission agencies is allowed. Finance Commission members who are not members of the Audit Committee may be present at this committee meeting creating a quorum of the Finance Commission.

- A. Review and Approval of the Minutes of the April 11, 2019, Audit Committee Meeting
- B. Review of Agencies' Activities
 - 1. Office of Consumer Credit Commissioner
 - 2. Texas Department of Banking
 - 3. Department of Savings and Mortgage Lending
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies 2019 Second Quarter Financial Statements
 - 1. Office of Consumer Credit Commissioner
 - 2. Texas Department of Banking
 - 3. Department of Savings and Mortgage Lending
- D. Discussion of the Fiscal Year 2020 Budget Process
- E. Report on Activities Relating to the Texas Financial Education Endowment Fund
- F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Financial Education Endowment (TFEE) 2020-2021 Funding Priorities
- G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of a New Grant Advisory Committee Member
- H. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Approve an Amount for the Upcoming 2020-21 Grant Cycle for the Texas Financial Education Endowment (TFEE)

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, April 11, 2019**

The Audit Committee of the Finance Commission of Texas convened at 3:30 p.m. on April 11, 2019 with the following members present:

Audit Committee Members in Attendance:

Molly Curl, Chair
Hector Cerna
Paul Plunket

Molly Curl announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three members present. She noted that Lori McCool was not present and Paul Plunket is filling in for her. (.08 on audio file)

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the February 14, 2019 Audit Committee Meeting	Paul Plunket made a motion to Approve the Minutes of the February 14, 2019 Audit Committee Meeting. Hector Cerna seconded, and the motion passed.	:22 start of discussion :36 vote
B. Review of Agencies' Activities	No Action Required.	:51 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' February 28, 2019 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	Hector Cerna made a motion to Recommend that the Finance Commission Approve the Agencies' February 28, 2019 Investment Officer Reports. Paul Plunket seconded, and the motion passed.	3:26 start of discussion 11:46 vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner's Internal Audit Report as Prepared and Presented by McConnell & Jones LLP Regarding the Investment Administration Controls of the Texas Financial Education Endowment Fund	Paul Plunket made a motion to Recommend that the Finance Commission Approve the Office of Consumer Credit Commissioner's Internal Audit Report as Prepared and Presented by McConnell & Jones LLP Regarding the Investment Administration Controls of the Texas Financial Education Endowment Fund. Hector Cerna seconded, and the motion passed.	12:06 start of discussion 18:49 vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
E. Report on Activities Relating to the Texas Financial Education Endowment Fund	No Action Required.	19:23 start of discussion

There being no further business of the Audit Committee of the Finance Commission of Texas, Molly Curl adjourned the meeting at 4:00 p.m. (26:56 on the audio file)

Molly Curl, Audit Committee Chair
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Brenda Medina, Executive Assistant
Finance Commission of Texas

Office of Consumer Credit Commissioner
Status of Agency Activities and Outstanding Audit Findings as of June, 2019

Auditor Garza/Gonzales			Audit Report Date
Audit Area Property Tax Lender Examinations			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	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 Sunset Review			Audit Report Date
Audit Area Management Action for OCCC			September 2018
<i>Recommendation</i>	<i>Response</i>	<i>Status Update</i>	<i>Implementation Date</i>
Evaluate and update agency key performance measures (2.2)	The OCCC is evaluating its key performance measures and working towards updated measures. These measures will be scheduled for implementation by September 1, 2019.	In progress	9/1/2019
Develop an updated complaint process in rule (5.11)	The OCCC's legal team is working with the consumer assistance department to develop rules that accurately reflect its processes and implement the statutory requirements for complaint processing. Rules will be presented in time for adoption by September 1, 2019.	In progress	9/1/2019

Future Items			
Entity	Activity	Status	Date
McConnell & Jones	Information Technology Change Management Audit	In progress	
Texas Workforce Commission	Personnel Policies and Procedures Review	In progress	

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Texas Department of Banking
Outstanding Audit Findings/Recommendations Report as of June 10, 2019

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>	<i>On-going</i> – <i>The rule is being proposed at the June Finance Commission meeting.</i>		



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

TO: Kurt Purdom, Deputy Commissioner
FROM: Joe Broz, Information Technology Director
DATE: May 31, 2019
SUBJ: Executive Summary of the DIR Controlled Penetration Test

The information below is from the Executive Summary of the DIR Controlled Penetration Test contracted through AT&T Consulting. The agency's systems were not compromised during this test, though recommendations for system enhancements were made which the Department agreed to implement.

Scope

AT&T Consulting conducted this assessment from May 6, 2019, to May 10, 2019.

AT&T Consulting performed an external application penetration test of the Texas Department of Banking (TxDOB)'s Internet-facing applications. The test was designed to simulate an attack from an external adversary. These activities were designed to identify application security vulnerabilities in TxDOB's systems that external adversaries may exploit.

The scope of the test included TxDOB's Internet-connected systems. AT&T Consulting performed the application penetration testing from the vantage point of an outside attacker, restricting its activity to reconnaissance, vulnerability analysis, and limited exploits of areas deemed most vulnerable. Other security areas, such as policy review, were not part of the scope.

Result

During the penetration test, AT&T Consulting analysts attempt to identify weaknesses and use them to exploit targeted systems with the following objectives:

- *Establish control of resources such as network devices, servers, and web applications*
- *Identify and retrieve proprietary information*

The result was based on AT&T Consulting's ability to complete the objectives successfully and was measured by whether the analysts achieved one, both, or neither of the objectives, as shown below.

- *Compromised systems AND retrieved proprietary information*
- *EITHER compromised systems OR retrieved proprietary information*
- *Systems not compromised AND proprietary information not retrieved*

*Using the objective criteria and based upon the scope and nature of the vulnerabilities found, the result of TxDOB's assessment shows: **NO OBJECTIVES MET.***

Texas Workforce Commission

A Member of Texas Workforce Solutions

Ruth R. Hughs, Chair
Commissioner Representing
Employers

Julian Alvarez
Commissioner Representing
Labor

Robert D. Thomas
Commissioner Representing
the Public

Edward Sema
Interim Executive Director

April 23, 2019

VIA EMAIL ATTACHMENT

Charles G. Cooper
Commissioner
Texas Department of Banking
2601 North Lamar Blvd.
Austin, Texas 78705

SUBJECT: Review of Equal Employment Opportunity Policy Statement by Texas Workforce Commission
Civil Rights Division (CRD)

Dear Mr. Cooper:

In accordance with your agency's enabling legislation, you submitted an equal employment opportunity (EEO) policy statement for review by CRD. The policy statement must include personnel policies relating to recruitment, evaluation, selection, training, and promotion of personnel. The policy statement must also include an analysis of the extent that the composition of the agency's personnel complies with state and federal law and a description of reasonable methods to achieve compliance. Your EEO policy statement must be filed with CRD on behalf of the governor as provided by Tex. Gov't Code Sec. 2052.003(d).

Based on the review of your EEO policy statement by CRD, your agency is currently in compliance.

Please note that this review of your EEO policy statement is separate and distinct from the in-depth review conducted every six years (or more frequently if indicated by a risk assessment) of your agency's personnel policies and procedures system pursuant to Tex. Lab. Code Sec. 21.451—21.456. Also, we encourage you to contact CRD for technical assistance at any time, as authorized by Tex. Lab. Code Sec. 21.003(a)(5).

Thank you for your cooperation and assistance. If you have any questions, please contact Ellena E. Rodriguez, EEO Compliance Monitor, at (512) 463-4618 or crdreviews@twc.state.tx.us.

Sincerely,



Lowell A. Keig
Civil Rights Division Director

cc: Lori Wright, Human Resources Director

Attachment: Review Checklist



COOP Plan Evaluation Report

Department of Banking

Conducted By:

Shelley Crain, Senior Statewide Continuity Coordinator





State Office of Risk Management

300 W. 15TH, AUSTIN, TX 78701 / P.O. BOX 13777, AUSTIN, TX 78711

(512) 475-1440, FAX (512) 370-9025 www.sorm.texas.gov

March 7th, 2019

Charles Cooper
Banking Commissioner
Department of Banking
2601 N. Lamar Blvd., Floor 3
Austin, Texas 78705-4294

COOP Plan Evaluation

Agency #451

Dear Mr. Cooper,

Thank you for this year's submission of your entity's Continuity of Operations Plan (COOP) for review by the State Office of Risk Management (SORM).

A COOP plan is a 'living' document, intended to grow and adapt in tandem with the organization it serves. The annual SORM review allows us to work as an advisory partner to ensure your plan meets state standards. We will suggest areas where additional development will make it a more viable and robust part of your continuity program.

To fulfil your mission, retain the trust and support of your stakeholders, and support the resiliency of our state, it is important to include a thorough analysis of the business processes and required resources necessary to conduct each essential function during a crisis, as well as the ability to resume full operations as quickly as possible thereafter.

Each year your plan development goals should include:

1. Ensuring your plan meets FEMA guidelines (as per Chapter 412, Texas Labor Code),
2. Modifying your plan to accommodate changes in your entity's mission or duty,
3. Building a stronger and more robust plan by systematically testing and evaluating where more detailed development could minimize uncertainties and avoid decision-making delays at the onset of an incident.

Each year our goals in reviewing your plan are to help you:

1. Understand and utilize planning guidance and templates to create and maintain a continuity plan that increases your resiliency and meets the standards required for state agencies,
2. Identify areas where additional development could make the plan a more thorough and useful tool,
3. Become part of a continuity community that shares ideas and works together to ensure the resiliency of all levels of government and infrastructure necessary to sustain our way of life.

With these goals in mind, we have made the following observations regarding plan achievements over the past year. We have also made recommendations of where continued growth and development could

be most effective in the year to come.

Noteworthy observations:

Use this to commend them if anything was particularly well done. Delete otherwise.

- Your staff have completed the Reconstitution section.
- Sami is dedicated to ongoing learning and program growth, and has been an active partner with the Continuity Council helping to develop the new Texas template and establish standards to make continuity planning as effective as possible for each state agency.

Past recommendations that have been completed and are now closed:

COOP-18-01 Administrative Sections – promulgation statement

COOP-18-02 Human Resources

COOP-18-03 Reconstitution

COOP-18-04 COOP Standards

Ideas for continued growth:

A continuity plan is never “done.” SORM recommends the following to help you identify areas where you can continue to strengthen your plan. Other potential advancements may be identified through disaster events, testing and exercises, and sharing of best practices with other professionals.

COOP-19-01 COOP Standards – updated format

Over the coming year SORM and the Continuity Council will be refining and introducing the new template sections. Continue to migrate your plan to implement new content, format and order.

Your entity reported that training, testing and exercising were completed during the past year.

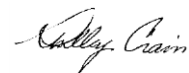
Yes, testing the mass notification system.

Please convey my sincere appreciation to your continuity staff and all who assisted in the completion of this year’s submission. If you have any questions or concerns regarding the information detailed in this review, please feel free to reach out to one of our Statewide Continuity Coordinators. We are here to answer questions and provide resources and advice as you continue the refinement of your program.

You should prepare to submit your updated plan again by January 31, 2021.

You should prepare to submit your exercise summary by January 31, 2020.

Sincerely,



Shelley Crain

Statewide Continuity Coordinator

State Office of Risk Management

Cc: **Sami Chadli, Continuity Planner**
 Patrick McReynolds, Staff Services Officer
 Caleb Walker, SORM Risk Manager

As a reminder, House Bill 1832, 84th R.S., under Section 412.054, Texas Labor Code protects all records written, produced, collected, assembled or maintained as part of the development or review of COOP plans as confidential and excepted from public disclosure.

In addition, House Bill 1832 clarifies that all former references to business continuity planning (BCP) or other related plans are superseded by the COOP standard in the state of Texas.

Important Dates & Resources

SORM Training Calendar: www.sorm.state.tx.us/agency-outreach-and-training/training-calendar

SORM Safety Videos: www.youtube.com/user/SormTX

Workers' Compensation Healthcare Network: www.sorm.state.tx.us/workers-compensation/health-care-network

SORM Employment Opportunities: www.sorm.state.tx.us/about-us/employment

SORM Contact Information - www.sorm.state.tx.us - (512) 475-1440

Continuity Team			coop@sorm.texas.gov
Shelley Crain	Statewide Continuity Coordinator	512-936-1477	shelley.crain@sorm.texas.gov
Jonathan Ely	Statewide Continuity Coordinator	512-936-1596	jonathan.ely@sorm.texas.gov
Enterprise Risk Management Team			
James Cox	Chief of Strategic Programs	512-936-1527	james.cox@sorm.texas.gov
Jackie Baynard	Director of Enterprise Risk Management	512-936-1561	Jacqueline.baynard@sorm.texas.gov
Felicia McGee	Senior Risk Manager	512-936-1570	Felicia.mcgee@sorm.texas.gov
<i>currently open</i>	Senior Insurance Manager		

Department of Savings and Mortgage Lending
Audit Activity Report as of May 31, 2019

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.	

Auditor	Texas Workforce Commission	Audit Report Date
Audit Area	HR Policies and Procedures	N/A
Recommendation	Status Update	
N/A	<i>Pending.</i> Field work completed. Awaiting report.	

Auditor	McConnell & Jones, LLP	Audit Report Date
Audit Area	IT Change Management	N/A
Recommendation	Status Update	
N/A	<i>Scheduled.</i> Field visit to begin June 24.	

University of North Texas Center for Public Management

and

Government Treasurers' Organization of Texas

Co Sponsored by Harris County Department of Education

Certificate of Attendance

presented to

Steven O'Shields

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

May 9, 2019..... 5 hours

Houston, Texas

Patrick Shinkle
Center for Public Management
TSBPA CPE Sponsor 007716

OFFICE OF CONSUMER CREDIT COMMISSIONER
OPERATING STATEMENT & BUDGET ANALYSIS
For the Period Ended February 28, 2019

50.0%

	FY 2018 ACTUAL	FY 2019 BUDGET	FY 2019 PERFORMANCE			
			YTD BUDGET	YTD ACTUAL	(OVER)/UND BUDGET	PERCENT BUDGET
REVENUES:						
Regulated Lenders	\$ 2,197,475	\$ 2,065,414	\$ 1,985,381	\$ 1,823,930	\$ 161,451	91.9% (1)
Pawn Industry	986,540	1,006,835	58,747	59,617	(870)	101.5%
MV Industry	3,717,789	4,227,965	516,431	395,214	121,217	76.5% (2)
Credit Access Industry	1,188,900	1,213,200	1,197,868	1,163,175	34,693	97.1%
Penalties / Late Fees	413,410	-	-	236,920	(236,920)	- (3)
Debt Management Services	47,120	45,140	41,859	42,090	(231)	100.6%
Debt Cancellation	43,000	42,707	19,864	15,000	4,864	-
RAL Assessment	134,025	122,100	121,690	139,875	(18,185)	114.9% (4)
Precious Metals	40,075	45,000	26,051	12,975	13,076	49.8% (5)
Tax Liens	70,803	64,100	54,979	56,870	(1,891)	103.4%
Sale of Publications	1,307	-	-	824	(824)	-
Creditor Registration	83,220	89,420	80,609	83,270	(2,661)	103.3%
Mortgage Loan Originators	88,125	70,600	56,500	59,300	(2,800)	105.0%
Other Revenue	85,384	-	-	543	(543)	-
Investment / Interest Income	161,958	-	-	128,870	(128,870)	-
TOTAL REVENUES	\$ 9,259,131	\$ 8,992,481	\$ 4,159,978	\$ 4,218,473	\$ (58,495)	101.4%
EXPENDITURES:						
Salaries and Wages-						
Base Pay	\$ 5,079,765	\$ 5,602,012	\$ 2,801,006	\$ 2,644,517	156,489	94.4%
Benefit Replacement Pay	6,247	6,162	3,081	5,391	(2,310)	175.0%
Longevity	75,700	84,680	42,340	37,520	4,820	88.6%
	\$ 5,161,712	\$ 5,692,854	\$ 2,846,427	\$ 2,687,428	\$ 158,999	94.4% (6)
Travel-						
Public Transportation, Lodging, Meals & Mileage	688,536	877,225	438,613	381,977	56,636	87.1%
	\$ 688,536	\$ 877,225	\$ 438,613	\$ 381,977	\$ 56,636	87.1% (7)
Other Expenditures-						
Professional Services & Fees	327,740	225,520	112,760	63,400	49,360	56.2% (8)
Consumable Supplies	18,110	22,000	11,000	6,809	4,191	61.9%
Postage & Freight	11,717	17,750	8,875	12,103	(3,228)	136.4%
Telephone & Communications	69,146	77,175	38,588	35,726	2,862	92.6%
Bldg. & Utilities	298,227	96,770	48,385	30,337	18,048	62.7% (9)
Publication / Printing & Reproduction	2,192	2,000	1,000	1,411	(411)	141.1%
Other Operating	354,961	366,725	183,363	222,784	(39,422)	121.5% (10)
	\$ 1,082,093	\$ 807,940	\$ 403,970	\$ 372,570	\$ 31,400	92.2%
Acquisition of Info Technology	\$ 127,117	\$ 100,630	\$ 50,315	\$ 61,030	\$ (10,715)	121.3% (11)
Employee Benefits	1,858,812	2,108,309	1,054,155	953,566	100,589	90.5%
SWCAP Reimb to Unapp Gr 0001	32,902	35,000	17,500	18,040	(540)	103.1%
SORM Assessment	6,230	6,500	3,250	5,144	(1,894)	158.3%
Unemployment Benefits	6,925	10,000	5,000	-	5,000	0.0%
	\$ 2,031,986	\$ 2,260,439	\$ 1,130,220	\$ 1,037,780.00	\$ 92,440	91.8%
TOTAL EXPENDITURES:	\$ 8,964,327	\$ 9,638,458	\$ 4,819,229	\$ 4,479,755	\$ 339,474	93.0%
EXPENDITURES (OVER) / UNDER REVENUE	\$ 294,804	\$ (645,977)	\$ (659,251)	\$ (261,282)	\$ (397,969)	

Office of Consumer Credit Commissioner

Overview of Budget Variances for 2nd Quarter FY 2019

Revenues- 101.4% of budget

- 1.) Regulated Lender Revenue is under budget in the 2nd quarter due to fewer renewals being received.
- 2.) Motor Vehicle Industry is under budget due to fewer applications being received in the 2nd quarter.
- 3.) Penalties/late fees are comprised of approximately 6.7% of penalties and 93.3% of late fees.
- 4.) RAL Assessment is above budget because there was an increase in registrations beyond initial projections during the 1st quarter and 2nd quarter.
- 5.) Precious Metals is under budget in the 2nd quarter due to the phased transition to an annual renewal which adjusted fee amounts and terms.

Expenditures- 93.0% of budget

- 6.) Salaries and Wages expenditures are 94.4% of the projected budget. There were approximately 11 vacancies throughout the year that were vacant and some have been filled.
- 7.) Travel expenditures are at 87.1% of the projected budget. Employee vacancies within the Exam department have contributed to this variance, as well as travel that has not yet occurred within other departments in the agency. Development and training includes costs associated with the annual examiner meeting, which provides employees with updates regarding changes in regulation, statutes, & agency policies.

	In-State	Out-State
Regulatory Supervision	\$314,396	-
Development & Training	\$65,949	-
Other Reg Activities	-	-
Non-Employee	\$1,632	-

- 8.) Professional Fee expenditures are below budget due to deferring ALECS enhancements to the third and fourth quarters.
- 9.) Building and utilities are under budget due to budgeted deferred maintenance that has not been incurred. In addition, some unexpected utility invoices for 1st quarter were not received until 2nd quarter.

- 10.) Other Operating is over budget due to the delay by the vendor in the delivery of some modular furniture modifications for the legal and human resource departments that were planned for FY 18, but were incurred in FY19. In addition, ACE maintenance expenses were more than expected due to additional services needed.
- 11.) Acquisition of Technology is above budget due to the timing of certain purchases. Additional security software was acquired to improve security posture and meet new standards. In addition, procurement of computer equipment according to the standard replacement cycle contributes to the variance as the items were purchased earlier in the year. The budget should fall more in line for these two items in the 3rd qtr.

**Office of Consumer Credit Commissioner
Liquidity Report
For the Quarter Ending February 28, 2019**

	Actual
Cash at Beginning of Period	\$ 12,210,791.36
Revenues Over (Under) Expenditures CY	(218,254.31)
Increase (Decrease) in Payables	(79,673.95)
(Increase) Decrease in Receivables	680,808.23
Cash at End of Period	<u>\$ 12,593,671.33</u>

Restricted Cash Balance

Payroll and Payroll Related Payables	\$ 748,565.67
Reserve for Building	6,149,520.71
Total Restricted Cash Balance	<u>\$ 6,898,086.38</u>

Assigned Cash Balance

Retirement	254,736.69
Future Operations	5,440,848.26
Total Assigned Cash Balance	<u>\$ 5,695,584.95</u>

Total Restricted and Assigned Cash Balance \$ 12,593,671.33

Assigned Cash Balance - Future Operations / FY 2019
Monthly Budget 6.77

**Texas Department of Banking
Operating Statement and Budget Analysis
For Period Ending February 2019**

	FY 2018 ACTUAL	FY 2019 BUDGET	QUARTER PERFORMANCE				FY 2019 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	YTD BUDGET	YTD ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET
REVENUE:										
Bank & Trust Regulation	\$23,033,007.34	\$25,299,546.49	\$6,984,574.00	\$6,951,290.58	\$33,283.42	99.5%	\$13,809,826.00	\$13,948,731.47	(\$138,905.47)	101.0%
Nonbank Regulation	3,249,957.84	3,384,232.34	97,528.00	347,921.67	(250,393.67)	356.7%	2,015,673.50	3,002,573.03	(986,899.53)	149.0%
Miscellaneous Revenues	197,408.31	184,400.00	46,100.00	251,627.86	(205,527.86)	545.8%	92,200.00	325,255.41	(233,055.41)	352.8%
TOTAL REVENUES:	\$26,480,373.49	\$28,868,178.83	\$7,128,202.00	\$7,550,840.11	(\$422,638.11)	105.9%	\$15,917,699.50	\$17,276,559.91	(\$1,358,860.41)	108.5%
EXPENDITURES:										
Salaries and Wages										
Exempt Salaries	\$234,725.00	\$234,725.00	\$58,681.25	\$58,681.25	\$0.00	100.0%	\$117,362.50	\$117,362.50	\$0.00	100.0%
Classified Salaries	16,226,308.54	17,955,800.63	4,471,063.88	4,075,501.50	395,562.38	91.2%	8,663,428.29	8,171,561.79	491,866.50	94.3%
Other Personnel Costs	533,541.90	580,050.46	80,939.57	104,781.05	(23,841.48)	129.5%	137,737.19	162,142.03	(24,404.84)	117.7%
	\$16,994,575.44	\$18,770,576.09	\$4,610,684.70	\$4,238,963.80	\$371,720.90	91.9%	\$8,918,527.98	\$8,451,066.32	\$467,461.66	94.8%
Travel										
In-State	\$1,280,268.95	\$1,511,051.97	\$354,293.04	\$337,262.73	\$17,030.31	95.2%	\$685,842.81	\$601,478.30	\$84,364.51	87.7%
Out-of-State	588,476.17	695,637.00	118,290.50	118,343.29	(52.79)	100.0%	311,575.50	316,425.43	(4,849.93)	101.6%
	\$1,868,745.12	\$2,206,688.97	\$472,583.54	\$455,606.02	\$16,977.52	96.4%	\$997,418.31	\$917,903.73	\$79,514.58	92.0%
Other Expenditures										
Professional Fees & Services	\$349,935.45	\$462,440.00	\$70,335.00	\$132,203.84	(\$61,868.84)	188.0%	\$93,557.12	\$198,529.53	(\$104,972.41)	212.2%
Postage	8,030.39	9,799.00	1,235.00	966.00	269.00	78.2%	2,775.00	\$1,927.45	847.55	69.5%
Consumable Supplies	294,155.08	115,180.00	11,872.16	9,158.81	2,713.35	77.1%	42,452.15	\$39,945.31	2,506.84	94.1%
Telephone	267,091.79	334,514.28	75,263.57	66,875.11	8,388.46	88.9%	152,694.14	\$132,935.91	19,758.23	87.1%
Utilities	43,465.07	45,481.00	11,660.00	11,562.37	97.63	99.2%	29,770.44	\$29,822.44	(52.00)	100.2%
Rent - Buildings	392,638.80	415,455.44	101,372.61	105,831.03	(4,458.42)	104.4%	229,008.09	\$233,180.14	(4,172.05)	101.8%
Rent - Machinery & Other	35,949.31	35,728.00	7,882.00	6,218.17	1,663.83	78.9%	14,214.00	\$12,567.72	1,646.28	88.4%
Other Operating	799,435.02	372,940.24	39,784.77	43,100.42	(3,315.65)	108.3%	147,415.77	\$156,214.24	(8,798.47)	106.0%
Subscriptions	13,852.17	20,689.84	4,672.46	3,726.20	946.26	79.7%	9,579.92	\$7,415.90	2,164.02	77.4%
Employee Training / Reg. Fees	219,002.51	275,964.00	49,880.65	34,780.70	15,099.95	69.7%	104,290.50	\$87,893.64	16,396.86	84.3%
Claims/SORM Assessment	33,881.13	22,630.00	0.00	0.00	0.00	0.0%	17,098.00	\$13,345.54	3,752.46	78.1%
Capital / Other IT Expenditures	45,168.92	59,000.00	0.00	0.00	0.00	0.0%	25,000.00	24,884.32	115.68	99.5%
	\$2,502,605.64	\$2,169,821.80	\$373,958.22	\$414,422.65	(\$40,464.43)	110.8%	\$867,855.13	\$938,662.14	(\$70,807.01)	108.2%
Total Expenditures before Benefits	\$21,365,926.20	\$23,147,086.86	\$5,457,226.46	\$5,108,992.47	\$348,233.99	93.6%	\$10,783,801.42	\$10,307,632.19	\$476,169.23	95.6%
Employee Benefits (Less BRP)	\$4,805,392.70	\$5,395,952.84	\$1,323,266.51	\$1,221,561.65	\$101,704.86	92.3%	\$2,559,617.53	\$2,407,304.29	\$152,313.24	94.0%
Payroll Hlth. Care/Retirement Cont.	237,902.15	270,139.13	\$67,946.18	\$60,475.59	\$7,470.59	89.0%	\$131,711.86	\$120,900.94	\$10,810.92	91.8%
SWCAP	\$50,548.00	\$55,000.00	\$55,000.00	\$58,678.00	(\$3,678.00)	106.7%	\$55,000.00	\$58,678.00	(\$3,678.00)	106.7%
TOTAL EXPENDITURES:	\$26,459,769.05	\$28,868,178.83	\$6,903,439.15	\$6,449,707.71	\$453,731.44	93.4%	\$13,530,130.81	\$12,894,515.42	\$635,615.39	95.3%
EXPENDITURES (OVER) / UNDER REVENUE:	\$20,604.44	\$0.00	\$224,762.85	\$1,101,132.40	(\$876,369.55)		\$2,387,568.69	\$4,382,044.49	(\$1,994,475.80)	

Texas Department of Banking

Overview of Budget Variances for the Second Quarter of Fiscal Year 2019 – (Variances in excess of \$1,000 and 5% from budget are reported).

Nonbank Regulation – Actual revenues were in excess of budget due to an unanticipated penalty from an unlicensed prepaid funeral contract (PFC) seller. The next PFC assessment will be adjusted to offset this overage.

Miscellaneous Revenues – The variance for the quarter relates to: (1) interest payments from the Treasury being higher than anticipated and (2) a bank enforcement order that required reimbursement of the Department's investigative and litigation fees. The next bank assessment will be adjusted to offset this reimbursement.

Classified Salaries and Employee Benefits – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of February 28, 2019 are listed below:

Administrative	7
Examiners	11

Other Personnel Costs – The negative variance relates to unbudgeted lump sum resignation payments. These are offset by a portion of the positive salary variance above.

Travel Breakdown

	In-State Travel	Out-of-State Travel
Regulatory Supervision	\$275,146.36	\$72,220.26
Development and Training	\$50,973.45	\$44,176.57
Other Regulatory Activities	\$7,168.61	\$1,946.46
Non-Employee	\$3,974.31	\$0.00
Total	\$337,262.73	\$118,343.29

Professional Fees and Services – The negative variance relates to a net combination of: (1) Two contract IT programmers that were budgeted as full-time employees but because we were unable to hire qualified employees from our external postings, we opted to use contract programmers; (2) budgeted architect expenditures that did not occur; and (3) lower expenditures than budgeted for building related Outside Counsel fees and administrative law judge fees.

Consumable Supplies – The positive variance is due to Headquarters consumables expenditures being lower than anticipated.

Telephone – The positive variance is due to data line upgrade costs that were not necessary and unanticipated billing credits that were received.

Rent – Machinery and Other – The positive variance is due to audio/visual expenditures that were not incurred for the leadership training.

Other Operating – The negative variance is due to higher than budgeted CSBS accreditation on-site review expenditures.

Employee Training – The positive variance is due to: (1) examiner vacancies; (2) an unbudgeted Federal Reserve Bank training reimbursement; and (3) training that was cancelled or not attended.

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.

Statewide Cost Allocation Plan (SWCAP) – The negative variance is due to higher than anticipated SWCAP assessments.

TEXAS DEPARTMENT OF BANKING
Liquidity Report
For the Quarter Ending February 28, 2019

	Actual
Cash at Beginning of Period	\$ 17,700,775
Revenues Over (Under) Expenditures	\$ 1,101,132
Increase (Decrease) in Payables/Encumbrances	\$ 81,084
(Increase) Decrease in Receivables	\$ 9,409
Cash at End of Period	<u>\$ 18,892,400</u>

Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	\$ 6,150,728
Payables (net of receivables)	\$ 1,960,116
Lump Sums for Retirements	\$ 661,989
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	<u>\$ 8,772,834</u>
Unreserved Cash Balance:	
Future Operations	\$ 10,119,565
Total Unreserved Cash Balance	<u>\$ 10,119,565</u>
Total Cash Balance	<u>\$ 18,892,400</u>
Unreserved Cash/FY2019 Monthly Budget	4.24 months

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DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

OPERATING STATEMENT AND BUDGET ANALYSIS

For the Period Ended February 28, 2019

	FY 2018 EXPENDED	FY 2019 BUDGET	FY 2019 PERFORMANCE			
			YTD BUDGET	YTD EXPENDED*	(OVER)/UNDER BUDGET	PERCENT BUDGET
REVENUE:						
Annual Assessment	1,884,681	2,540,764	1,467,225	1,488,561	(21,336)	101.5%
Thrift Application Fees	26,900	20,000	10,000	10,700	(700)	107.0%
Licensing Fees	3,872,600	3,372,025	2,625,475	2,411,058	214,417	91.8%
Fines and Penalties	485,604	0	0	280,931	(280,931)	0.0%
Recovery Fund Offset	0	8,000	0	0	0	0.0%
Depository Interest	164,018	90,000	45,000	113,560	(68,560)	252.4%
Miscellaneous	1,917	3,000	200	120	80	60.0%
Judgements and Settlements	84,483	0	0	0	0	0.0%
TOTAL REVENUE	6,520,203	6,033,789	4,147,900	4,304,930	(157,030)	103.8%
EXPENDITURES:						
Salaries and Wages-						
Exempt	194,750	194,750	97,375	97,375	0	100.0%
Classified	3,918,338	3,868,872	1,838,661	1,773,122	65,539	96.4%
Other Personnel Costs	149,467	250,352	48,560	47,723	837	98.3%
	4,262,555	4,313,974	1,984,596	1,918,220	66,376	96.7%
Travel-						
In-State	203,034	220,000	110,500	107,124	3,376	96.9%
Out-of-State	69,631	69,000	19,500	15,778	3,722	80.9%
	272,665	289,000	130,000	122,902	7,098	94.5%
Other Expenditures-						
Professional Services/Fees	119,176	89,345	50,288	50,094	194	99.6%
Consumable Supplies	10,513	12,000	5,700	5,427	273	95.2%
Utilities	31,537	34,910	16,708	15,758	950	94.3%
Rent-Space & Equipment	7,038	6,000	2,650	2,454	196	92.6%
Other Operating Expenses	563,242	338,138	145,500	139,949	5,551	96.2%
	731,506	480,393	220,846	213,682	7,164	96.8%
Other Agency Costs						
Employee Benefits	1,274,041	1,321,883	626,515	599,281	27,234	95.7%
SWCAP Indirect Costs	20,299	21,000	10,500	10,446	54	0.0%
	1,294,340	1,342,883	637,015	609,727	27,288	95.7%
TOTAL EXPENDITURES	6,561,066	6,426,250	2,972,457	2,864,531	107,926	96.4%
EXPENDITURES (OVER)/ UNDER REVENUE	(40,863)	(392,461)	1,175,443	1,440,399	(264,956)	N/A

* Amounts include accruals and encumbrances.

Department of Savings and Mortgage Lending

Budget Variance Analysis as of February 28, 2019

Revenues:

Overall revenues are at 3.8% over budget.

Licensing Revenues – Overall licensing revenues are 8.2% under budget due to fewer license applications received during the 2nd quarter.

Depository Interest – Revenues are over budget due to higher interest rates.

Fines and Penalties – No amount was budgeted.

Expenditures:

Overall expenditures are at 3.6% under budget.

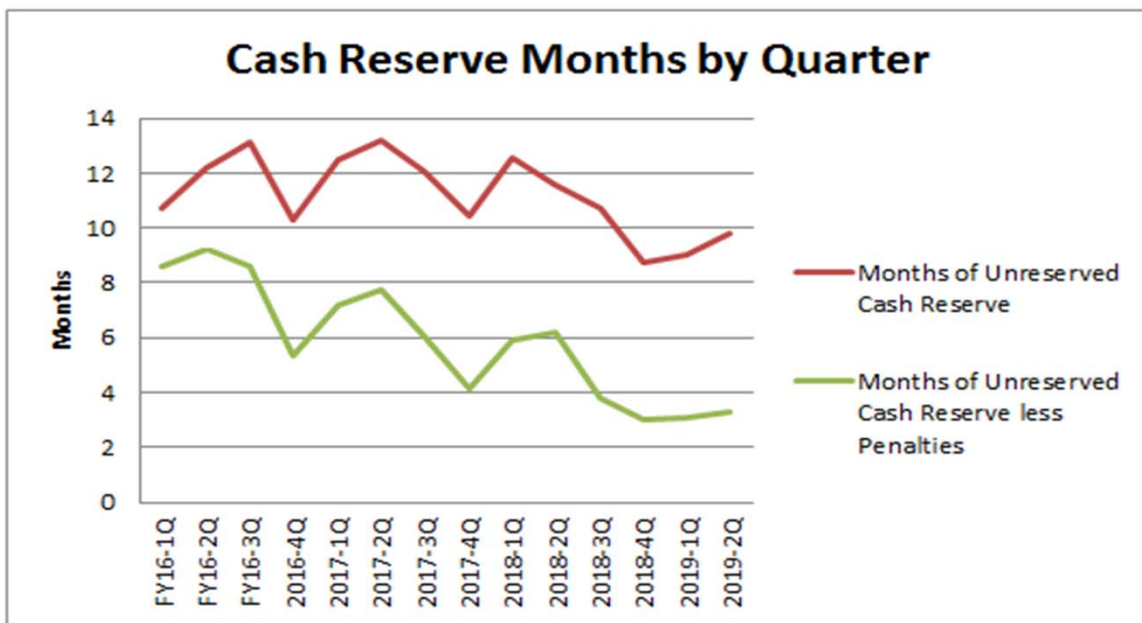
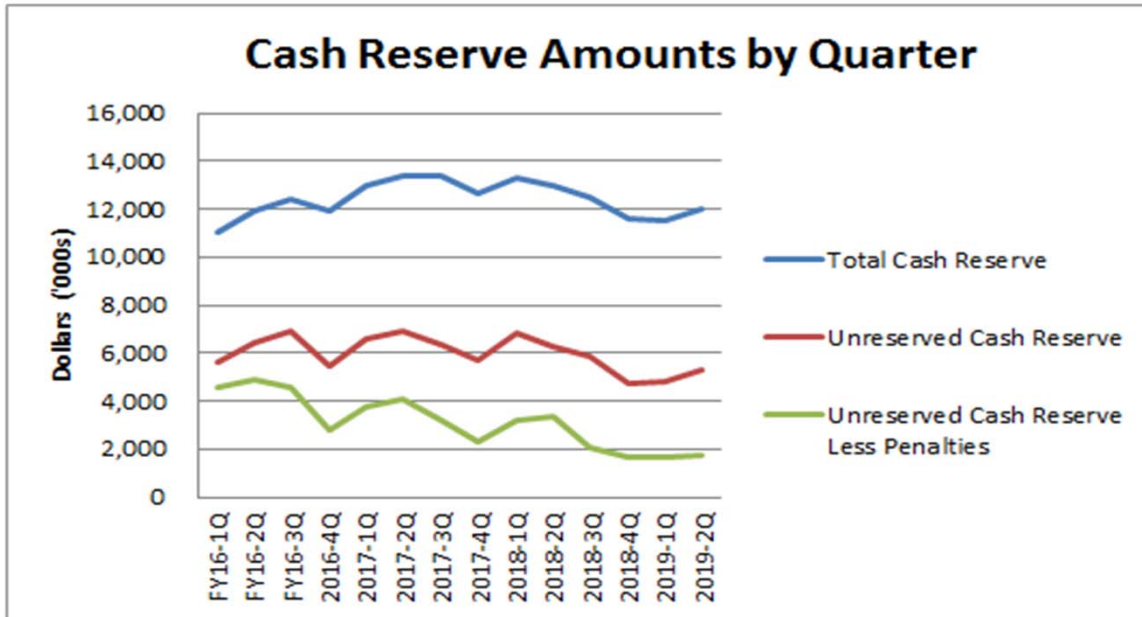
Employees' Salaries and Related Benefits – These categories are at 3.8% under budget due to vacancies.

Travel – This category is 5.5% under budget mostly due to less out-of-state travel expenses incurred.

Travel Breakdown 2nd Qtr FY19			
Category	In-State	Out-of-State	Total
Regulation and Supervision	\$97,246	\$1,418	\$93,664
Development and Training	3,845	10,278	14,123
Other Regulatory Activities	64	4,082	4,146
Non-Employee Travel	753		753
Total	\$101,908	\$15,778	\$117,686

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING	
LIQUIDITY REPORT	
<i>For the Quarter Ending February 28, 2019</i>	
	Actual
Cash at Beginning of Period	\$ 11,536,257
Revenues Over (Under) Expenditures CY	\$ 451,263
Revenues Over (Under) Expenditures PY	\$ (1,869)
Increase (Decrease) in Payables/Encumbrances	\$ (6,369)
(Increase) Decrease in Receivables	54,550
Cash at End of Period	\$ 12,033,831
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	\$ 6,150,716
Payables (net of receivables)	\$ 483,365
Lump Sums for Retirements	\$ 142,663
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	\$ 6,776,743
Unreserved Cash Balance:	
Future Operations	\$ 5,257,088
Total Unreserved Cash Balance	\$ 5,257,088
Total Cash Balance	\$ 12,033,831
Unreserved Cash/FY2019 Monthly Budget	9.8 months

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING



2020 Tentative Budget Timeline

Date	Action
June – July	Agencies develop draft 2020 budgets
August 1, 2019	Draft budgets posted on agencies' websites and submitted to Finance Commission members
August 13, 2019	Conduct public hearing on draft budgets
August 15 and 16, 2019	Audit Committee and Finance Commission meetings to review final draft budgets

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TEXAS FINANCIAL EDUCATION ENDOWMENT

TFEE REPORT – JUNE 7, 2019

Juan V. Garcia, Program Director

E. ACTIVITIES RELATING TO THE TEXAS FINANCIAL EDUCATION ENDOWMENT FUND

2018-19 TFEE reimbursements were processed in March and April. A total of \$52, 596.90 was remitted to six of the seven grantees requesting reimbursement for the second reporting period, while one request remains under review. The 2018-19 Grantees will submit the third set of Semi-Annual reports in July. Once the reports are reviewed and verified, the Grant Coordinator will prepare a program summary report for the October Finance Commission meeting.

In preparation for the 2020-21 Grant Cycle, the Grant Coordinator and Grant Advisory Committee (GAC) met by conference call on May 17th to review grant documents and provide feedback and lessons learned from previous cycles. The TFEE Grant Advisory & Policy Manual, grant application, semi-annual progress report, and score sheet were reviewed. Minor recommendations were proposed, such as rewriting the grant application to provide more clear objectives that measure program impact. For this coming grant cycle, the committee did not make any recommendations to the TFEE Grant Advisory & Policy Manual that would require vote approval.

The goal is to have the 2020-21 grant application form posted on the TFEE website 60 days prior to the September 20, 2019 application due date to allow applicants ample time to prepare and submit their application for consideration.



TEXAS FINANCIAL EDUCATION ENDOWMENT

F. ESTABLISHMENT OF FUNDING PRIORITIES FOR THE 2020-2021 TEXAS FINANCIAL EDUCATION ENDOWMENT

GRANT CYCLE.

2020-2021 FUNDING PRIORITIES

The Finance Commission sets funding priorities for each grant cycle. The categories in bold have been selected for the last three grant cycles, but all others may be considered:

1. Producing and disseminating approved financial education materials at licensed locations.
2. Identifying and supporting educational programs specific to the subprime demographic, including general information to be made available through state agency partners, financial service providers, trade organizations, and community events.
3. Public awareness campaigns to improve credit profiles and credit scores of Texas consumers.
4. Savings campaigns to promote employee incentives.
5. Identify outreach opportunities to the unbanked and encourage lending institutions to allow low-to-moderate-income citizens to open accounts and waive the required minimum balance and fees.
6. **Adult, school, and youth-based financial literacy and capability**
7. **Teacher training programs that increase educational awareness for adults and youth.**
8. **Financial coaching and consumer counseling**
9. Encourage lending institutions to offer classes on financial education.
10. **Identify opportunities for individuals to participate in one-on-one financial counseling and coaching programs.**

The recommendation is that the Finance Commission prioritize the items in bold for the 2020-21 grant cycle.



TEXAS FINANCIAL EDUCATION ENDOWMENT

G. APPOINTMENT OF NEW GRANT ADVISORY COMMITTEE MEMBER

The Grant Advisory Committee has one vacancy. The committee is recommending that the Finance Commission appoint Roy Lopez to fill the vacancy. His biography is attached.

Roy C. Lopez

*Assistant Vice President - Community Development Officer
Federal Reserve Bank of Dallas*

Lopez leads the Dallas Fed's community development function, promoting economic mobility and resiliency for low- and moderate-income communities through resources, data analysis and convening that connect them to opportunities in the mainstream economy. He also chairs the bank's community leadership initiatives and is a member of the subcommittee on community affairs for the Federal Reserve System.

Lopez returned to the Dallas Fed after working as a community development banker for Capital One Bank. He managed the bank's external relationships, community development philanthropy and high-impact Community Reinvestment Act programs in the Dallas-Fort Worth market. He originally joined the Dallas Fed in 2005 in the Community Development Department. His current responsibilities include strategic planning, management and implementation of outreach programs across the Eleventh Federal Reserve District.

Lopez serves on several nonprofit boards, including the Center for Nonprofit Management, Trinity Park Conservancy, RAISE Texas and Social Venture Partners - Dallas. He is a 2015 Presidential Leadership Scholar, a leadership development initiative in conjunction with the presidential centers of George W. Bush and William J. Clinton. He is also a member of The Real Estate Council, Opportunity Dallas and the Urban Land Institute.

Originally from the Rio Grande Valley, Lopez is a proud Dallas resident where he lives with his wife and two children. He is a graduate of Texas A&M University-College Station and has a master's degree from Trinity University in San Antonio.



TEXAS FINANCIAL EDUCATION ENDOWMENT

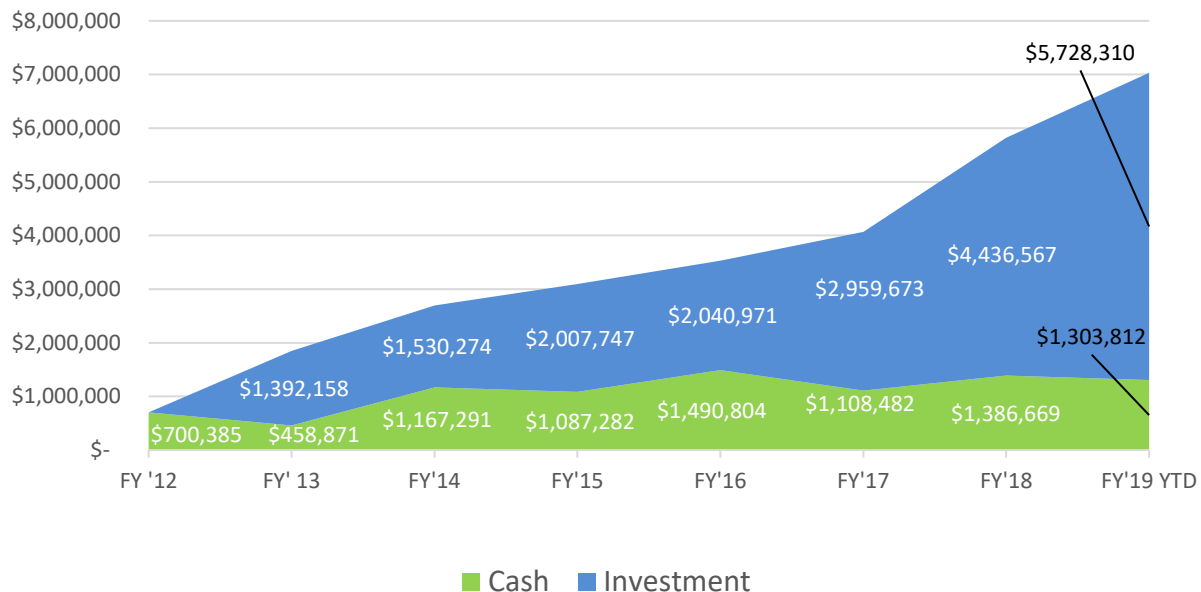
H. RECOMMENDATION FOR APPROVAL OF AN AMOUNT FOR GRANT AWARDS FOR THE 2020-21 GRANT CYCLE FOR THE TEXAS FINANCIAL EDUCATION ENDOWMENT FUND

TFEE FUND BACKGROUND

The 82nd Legislature created the Texas Financial Education Endowment (TFEE) through the passage of HB 2594 in 2011. Each licensed credit access business must pay an annual assessment (\$200) to the fund to support statewide financial education and consumer credit building activities and programs. In the 2018-2019 grant cycle, the Finance Commission approved \$250,000 in competitive grant awards.

At the end of the second quarter of FY19, the TFEE funds in both cash and the invested portfolio total \$7,032,122. The chart below represents the fund balance activity from 2012 through 2019.

TFEE FY 2012 - FY 2019



The Texas Treasury Safekeeping Trust Company (TTSTC), the fund manager, calculated that the projected earnings distribution for FY 2020 on the invested portfolio will be \$105,466. For FY 2019, the projected earnings distribution will be \$80,245. These estimates (\$185,711 total) are based on distributions payable annually and calculated at 3.5% times the twenty-quarter, moving-average value of the Fund. The recommendation is that the Finance Commission approve \$250,000 for grant awards in the 2020-2021 grant cycle for TFEE.

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