

FINANCE COMMISSION OF TEXAS AUDIT COMMITTEE MEETING

Friday, June 19, 2020
8:30 a.m.
Via Webinar

Due to Governor Greg Abbott's March 13, 2020 proclamation of a state of disaster affecting all counties in Texas due to the Coronavirus (COVID-19) and the Governor's March 16, 2020 suspension of certain provisions of the Texas Open Meetings Act, the June 19, 2020 meeting of the Finance Commission of Texas will be held via webinar/telephonic conference call, as authorized under Texas Government Code section 551.125.

Members of the public who would like to participate in this meeting will need to register at www.fc.texas.gov. An electronic copy of the agenda is now available at www.fc.texas.gov, and a copy of the meeting materials will be available on June 11, 2020 at www.fc.texas.gov. To access the recording visit www.fc.texas.gov after June 19, 2020.

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission of Texas 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 17, 2020 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 the 2021 Budget Process
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Reapprove the Internal Auditor Contract for Garza/Gonzalez & Associates for Fiscal Year 2021
- E. Report on Activities Relating to the Texas Financial Education Endowment Fund
- F. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by Tex. Govt. Code Secs. 551.076 and 551.089

NOTE: The Audit Committee of the Finance Commission of Texas 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 of Texas will accommodate special needs. Those requesting auxiliary aids or services should notify the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

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MINUTES OF THE AUDIT COMMITTEE MEETING Friday, April 17, 2020

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m. on April 17, 2020 with the following members present:

Audit Committee Members in Attendance (via webinar):

Molly Curl, Chairman

Hector Cerna

Lori McCool

Chairman Curl announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three members present. (:26 on audio file).

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the February 14, 2020 Audit Committee Meeting	Lori McCool made a motion to Approve the Minutes of the February 14, 2020 Audit Committee Meeting. Hector Cerna seconded and the motion passed.	1:08 start of discussion 1:25 Vote
B. Review of Agencies' Activities 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner	No Action Required.	1:50 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2020 Internal Auditor's Risk Assessment and Audit Plan 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner	Lori McCool made a motion to recommend that the Finance Commission Approve the Agencies' Fiscal Year 2020 Internal Auditor's Risk Assessment and Audit Plan. Hector Cerna seconded and the motion passed.	9:12 start of discussion 30:05 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' February 29, 2020 Investment Officer Reports 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner	Lori McCool made a motion to recommend that the Finance Commission Approve the Agencies' February 29, 2020 Investment Officer Reports. Hector Cerna seconded and the motion passed.	3:50 start of discussion 8:29 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
<p>E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2020 Second Quarter Financial Statements</p> <ol style="list-style-type: none"> 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner 	<p>Hector Cerna made a motion to recommend that the Finance Commission Approve the Agencies' 2020 Second Quarter Financial Statements. Lori McCool seconded and the motion passed.</p>	<p>30:30 start of discussion</p> <p>44:45 Vote</p>
<p>F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Reduction of Assessment Rates, and the Reserve and Expenditure of Funds for Thrift Examination and Supervision for FY2020, as needed, in Connection with the Charles Schwab Bank, SSB and Charles Schwab Premier Bank, SSB Conversions</p>	<p>Hector Cerna made a motion to recommend that the Finance Commission Approve the Reduction of Assessment Rates, and the Reserve and Expenditure of Funds for Thrift Examination and Supervision for FY2020, as needed, not to exceed \$100,000, in Connection with the Charles Schwab Bank, SSB and Charles Schwab Premier Bank, SSB Conversions. Lori McCool seconded and the motion passed.</p>	<p>45:07 start of discussion</p> <p>59:17 Vote</p>
<p>G. Report on Activities Relating to the Texas Financial Education Endowment Fund</p>	<p>No Action Required.</p>	<p>1:01:01 start of discussion</p>

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Curl adjourned the meeting at 9:32 a.m. (1:02:22 on the audio file).

Molly Curl, Chairman, Audit Committee
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
Outstanding Audit Findings and Recommendations Report
as of May 31, 2020**

No outstanding items.

Texas Department of Banking
Outstanding Audit Findings/Recommendations Report
as of May 31, 2020

Auditor:	<i>Garza/Gonzalez & Associates</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Revenue Accounting Process</i>	
Findings:	Status Update: <i>In-process – Testing the accuracy of the assessed amount based on fee, as well as testing for the timely collection and deposit of the assessed amount.</i>	
Auditor:	<i>Garza/Gonzalez & Associates</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Imaging and Records Management</i>	
Findings:	Status Update: <i>In-process – Request list items have been provided to firm for review.</i>	
Auditor:	<i>Department of Information Resources/AT&T Consulting</i>	Audit Report Date: <i>February 28, 2020</i>
Audit Area:	<i>External Network Penetration Test and Web Application Vulnerability Scan</i>	
Findings:	Status Update: <i>Findings relate to network security</i> <i>On-going – Action plan in place to remediate report findings. Details to be discussed in Audit Committee Executive session.</i>	

Department of Savings and Mortgage Lending
Audit Activity Report as of May 31, 2020

Auditor	Garza/Gonzales	Audit Report Date
Audit Area	Records Management	N/A
Recommendation	Status Update	
N/A	<i>Scheduled.</i> Field work to begin on June 29, 2020.	

Auditor	State Office of Risk Management (SORM)	Audit Report Date
Audit Area	Risk Management Program Review	N/A
Recommendation	Status Update	
N/A	<i>Scheduled.</i> Review scheduled for August 18, 2020.	

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2021 Tentative Budget Timeline

Date	Action
June – July 2020	Agencies develop draft 2021 budgets
July 31, 2020	Draft budgets posted on agencies' websites and submitted to Finance Commission members
August 11, 2020	Conduct public hearing on draft budgets
August 21, 2020	Audit Committee and Finance Commission meetings to review draft budgets

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Lisa R. Collier,
CPA, CFE, CIDA,
First Assistant State Auditor

April 24, 2020

Mr. Sami Chadli, Director of Administrative Services
Department of Banking
State Finance Commission Building
2601 N. Lamar Boulevard
Austin, TX 78705

Re: Audit Delegation Request 449-2020-001

Dear Mr. Chadli:

In accordance with Texas Government Code, Section 321.020, the State Auditor's Office delegates to the Finance Commission of Texas, the Department of Banking, the Department of Savings and Mortgage Lending, and the Office of Consumer Credit Commissioner (Agencies) the authority to employ a private auditor to provide internal audit services as described in your online request submitted April 20, 2020.

This delegation of authority is subject to the following:

1. The services provided should be performed in accordance with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102).
2. This delegation of authority is for state fiscal year 2021.
3. The Agencies will notify the State Auditor's Office if an amendment to the contract significantly alters any contract terms, including, but not limited to, the scope of work to be performed and the term of the contract.
4. The Agencies will comply with applicable law, policies and procedures in the procurement of audit services, the expenditure of funds under the contract, and all other aspects of forming and administering the contract with the private auditor.
5. The Agencies will ensure that the State Auditor's Office promptly receives a copy of any report resulting from a peer review of the private auditor that is received by the private auditor after entering into the contract with the Agencies.
6. Any contracts entered into under this delegation of authority should include the following language: The Contractor understands that acceptance of state funds under this contract acts as acceptance of the authority of the State Auditor's Office to conduct an audit or investigation in connection with those funds. The Contractor further agrees to cooperate fully with the State Auditor's Office in the conduct of the audit or investigation, including providing all records requested. The Contractor will

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Mr. Sami Chadli, Director of Administrative Services
Department of Banking
April 24, 2019
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ensure that this clause concerning the State Auditor's Office's authority to audit state funds and the requirement to cooperate fully with the State Auditor's Office is included in any subcontracts it awards. Additionally, the State Auditor's Office shall at any time have access to and the rights to examine, audit, excerpt, and transcribe any pertinent books, documents, audit documentation, and records of the Contractor relating to this contract

7. If the terms of the agreement with the private auditor are set forth only in an engagement letter, the engagement letter will include the language quoted in #6 above.
8. A signed copy of the contract or contract amendment should be provided to the State Auditor's Office within two weeks of execution. You may send it electronically to auditdelegation@sao.texas.gov or send a hard copy to the attention of Audit Delegation. Additionally, a copy of final audit reports should be provided to the State Auditor's Office upon completion. Texas Government Code, Section 2102.0091, requires that internal audit reports be filed with the State Auditor's Office, the Sunset Advisory Commission, the budget division of the Governor's Office, and the Legislative Budget Board not later than the 30th day after the date the report is submitted to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board. Internal audit reports may be sent to the State Auditor's Office electronically to iaordinator@sao.texas.gov or a hard copy may be sent to the attention of Internal Audit Coordinator. Please include the audit delegation request number 449-2020-001 with all submissions and related correspondence.

If you have any questions, please contact Michael Clayton, Audit Manager, or me at (512) 936-9500.

Sincerely,

Verma L. Elliott

Verma L. Elliott, CPA, CIA, CGAP, MBA
Assistant State Auditor



Texas Financial Education Endowment (TFEE)

TFEE Report – June 19, 2020

ACTIVITIES RELATING TO THE TEXAS FINANCIAL EDUCATION ENDOWMENT FUND

Since the Finance Commission meeting in April, all 2018-2019 grant reimbursement requests have been funded. A total of \$226,141.25 in funds has been disbursed during the 2018-2019 TFEE grant cycle. A longitudinal report will be compiled and presented in the fall regarding the 2018-2019 TFEE grant cycle and participants.

The 2020-2021 TFEE grant cycle wraps up the first period on June 30. Reimbursement requests are due by July 31. Several organizations have worked diligently to restructure their programs to an online platform due to social distancing guidelines. The grant coordinator has reached out to all recipients asking them to reflect any problems with participation in their programs as it relates to social distancing guidelines.

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