

# FINANCE COMMISSION OF TEXAS

## AUDIT COMMITTEE MEETING

Friday, April 16, 2021  
8:30 a.m.  
Via Webinar

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**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 April 16, 2021 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](http://www.fc.texas.gov) or at <https://register.gotowebinar.com/register/6796370956735326732>. An electronic copy of the agenda is now available at [www.fc.texas.gov](http://www.fc.texas.gov), and a copy of the meeting materials will be available on April 8, 2021 at [www.fc.texas.gov](http://www.fc.texas.gov). To access the recording visit [www.fc.texas.gov](http://www.fc.texas.gov) after April 16, 2021.

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*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 February 19, 2021 Audit Committee Meeting
- B. Review of Agencies' Activities
  - 1. Texas Department of Banking
  - 2. Department of Savings and Mortgage Lending
  - 3. Office of Consumer Credit Commissioner
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2021 Second Quarter 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' 2021 Second 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 the Texas Department of Banking's Consumer Assistance Audit Report as Prepared and Presented by Garza/Gonzalez and Associates
- F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner's TFEE Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates
- G. Report on Activities Relating to the Texas Financial Education Endowment Fund

**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, February 19, 2021

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m. on February 19, 2021 with the following members present:

**Audit Committee Members in Attendance (via webinar):**

Molly Curl, Chairman  
Hector Cerna  
Larry Long

Chairman Curl announced there was a quorum of the Audit Committee of the Finance Commission of Texas. (:35 on audio file).

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the December 11, 2020 Audit Committee Meeting	Larry Long made a motion to Approve the Minutes of the December 11, 2020 Audit Committee Meeting. Hector Cerna seconded and the motion passed.	1:00 start of discussion  1:18 Vote
B. Review of Agencies' Activities 1. Department of Savings and Mortgage Lending 2. Office of Consumer Credit Commissioner 3. Texas Department of Banking	No Action Required.	1:45 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2021 First Quarter Investment Officer Reports 1. Department of Savings and Mortgage Lending 2. Office of Consumer Credit Commissioner 3. Texas Department of Banking	Hector Cerna made a motion to recommend that the Finance Commission Approve the Agencies' 2021 First Quarter Investment Officer Reports. Larry Long seconded and the motion passed.	6:15 start of discussion  8:58 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2021 First Quarter Financial Statements 1. Department of Savings and Mortgage Lending 2. Office of Consumer Credit Commissioner 3. Texas Department of Banking	Hector Cerna made a motion to recommend that the Finance Commission Approve the Agencies' 2021 First Quarter Financial Statements. Larry Long seconded and the motion passed.	9:25 start of discussion  20:05 Vote
E. Report on Activities Relating to the Texas Financial Education Endowment Fund	No Action Required.	20:32 start of discussion

F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of a New Grant Advisory Committee Member	Molly Curl made a motion to recommend that the Finance Commission Approve Justin Accola as a New Grant Advisory Committee Member. Larry Long seconded and the motion passed.	22:27 start of discussion  23:00 Vote
G. 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	Deferred to Executive Session – no vote taken.	n/a

Chairman Curl called for an Executive Session at 8:54 a.m. *(23:36 on the audio file)*. The open meeting resumed at 9:24 a.m. *(24:59 on the audio file)*.

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Curl adjourned the meeting at 9:24 a.m. *(25:51 on the audio file)*.

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Molly Curl, Chairman, Audit Committee  
Finance Commission of Texas

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Charles G. Cooper, Executive Director  
Finance Commission of Texas

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Brenda Medina, Executive Assistant  
Finance Commission of Texas



## COOP Plan Evaluation Report

Department of Banking

**Conducted By:**

Frank Peña, Enterprise Risk Specialist, Continuity Operations



1/26/2021

Charles G. Cooper  
Banking Commissioner  
2601 North Lamar Blvd., Third Floor  
Austin, TX. 78705-4294

Re: COOP Plan Evaluation

Agency #451

Dear Mr. Charles G. 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 fulfill 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:**

- Your plan effectively tracks your Record of Changes and Record of Distribution from the inception of your COOP Plan in 2014. Both records provide clear detail of the evolution of your COOP Plan and history of the distribution.
- Your plan appropriately includes a copy of your FEMA Level I PCP and Level II MCP certificates in your agency COOP Plan.
- Your plan includes a noteworthy appendix of all agency exercises from 2015 through 2020.

Thank you for your effort in designing your Continuity Plan and making our state better prepared to survive a disaster event. The Texas Department of Banking is a great example for other state agencies around the State of Texas.

**Helpful hint** Consider adding Texas Labor Code §412.054 to the Security and Privacy Statement section of your plan as this provides the basis for plan creation and stipulates the confidentiality restrictions for Texas State Agency COOP plans.

**Past recommendations that have been successfully incorporated and are now closed:**

*(Please note that in the future we may make further recommendations on these topics. This is to encourage you to continue development beyond basic viability toward a thorough and easy to use plan that helps staff understand and complete essential functions, and ensures the availability of the tools, data and communications access they need to do their work.)*

**COOP FY-19-01 Coop Standards – updated format****Ideas to continue advancing plan development:**

A continuity plan is never “done.” SORM does not make any recommendations currently for you to consider when conducting your annual plan update to help continue to strengthen your program. Additional refinements may be identified through disaster events, testing and exercises, and sharing of best practices with other professionals.

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 me. 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 on **(1/30/2022)**.

You should prepare to submit your **exercise summary** on **(1/30/2021)**.

Sincerely,



Frank Peña, PCP

Enterprise Risk Specialist, Continuity Operations

Cc: Sami Chadli, Continuity Planner and Risk Manager  
Carly Hughes, SORM Risk Manager





## Important SORM Resources

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[Request Training](#)

[SORM Safety Videos](#)

[Workers' Compensation Healthcare Network](#)

## SORM Contact Information

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Main: (512) 475-1440

Toll-Free: (877)445-0006

Website: [www.sorm.texas.gov](http://www.sorm.texas.gov)

### Continuity of Operations

[coop@sorm.texas.gov](mailto:coop@sorm.texas.gov)

Frank Peña	Enterprise Risk Specialist, Continuity Operations	512-936-1596	<a href="mailto:frank.pena@sorm.texas.gov">frank.pena@sorm.texas.gov</a>
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### Other Contacts

James Cox	Chief of Strategic Programs	512-936-1527	<a href="mailto:james.cox@sorm.texas.gov">james.cox@sorm.texas.gov</a>
Shelby Hyman	COOP Task Force Leader, Director of Public Relations	512-936-1457	<a href="mailto:shelby.hyman@sorm.texas.gov">shelby.hyman@sorm.texas.gov</a>
Nick Witkowski	Interim Director of Enterprise Risk	512-936-1483	<a href="mailto:nick.witkowski@sorm.texas.gov">nick.witkowski@sorm.texas.gov</a>
Courtney Page	Training Consultant	512-936-1572	<a href="mailto:courtney.page@sorm.texas.gov">courtney.page@sorm.texas.gov</a>



**Texas Department of Banking**  
**Audit Activities Report**  
**as of March 31, 2021**

<b>Auditor:</b>	<i>Garza/Gonzalez &amp; Associates</i>	<b>Audit Report Date:</b> <i>March 25, 2021</i>
<b>Audit Area:</b>	<i>Consumer Assistance</i>	
<b>Findings:</b>	<i>Performance Measures</i>	<b>Status Update:</b> <i>On-going –To address the discrepancies noted in the audit, data entry procedures will be changed by entering communications as two separate items - an inquiry and a complaint effective April 1, 2021. Changing this process will simplify the reporting function and improve accuracy.</i>
<b>Auditor:</b>	<i>Department of Information Resources – AT&amp;T</i>	<b>Audit Report Date:</b> <i>Pending</i>
<b>Audit Area:</b>	<i>Texas Cybersecurity Framework Assessment</i>	
<b>Findings:</b>		<b>Status Update:</b> <i>In Progress – Audit field work began January 25, 2021.</i>
<b>Auditor:</b>	<i>Texas Comptroller of Public Accounts</i>	<b>Audit Report Date:</b> <i>Pending</i>
<b>Audit Area:</b>	<i>Post Payment Audit</i>	
<b>Findings:</b>		<b>Status Update:</b> <i>In Progress – Audit field work began January 25, 2021.</i>
<b>Auditor:</b>	<i>Garza/Gonzalez &amp; Associates</i>	<b>Audit Report Date:</b> <i>Pending</i>
<b>Audit Area:</b>	<i>Management Information Systems - Includes Disaster Recovery Plan</i>	
<b>Findings:</b>		<b>Status Update:</b> <i>Audit field work pending for April 2021.</i>
<b>Auditor:</b>	<i>Texas Department of Public Safety</i>	<b>Audit Report Date:</b> <i>Pending</i>
<b>Audit Area:</b>	<i>Secure Site Confirmation - Background Checks</i>	
<b>Findings:</b>		<b>Status Update:</b> <i>Audit field work has been delayed until late April 2021.</i>

**Texas Department of Banking**  
**Audit Activities Report**  
**as of March 31, 2021**

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<b>Auditor:</b>	<i>State Office of Risk Management</i>	<b>Audit Report Date:</b> <i>Pending</i>
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<b>Audit Area:</b>	<i>Risk Management Program Review</i>
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<b>Findings:</b>	<b>Status Update:</b> <i>Review to be performed on June 10, 2021</i>
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**Department of Savings and Mortgage Lending  
Audit Activities Report as of March 31, 2021**

None.

**Office of Consumer Credit Commissioner**  
**Audit Activities Report**  
**as of 2/28/2021**

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<b>Auditor:</b> <i>Department of Public Safety</i>	<b>Audit Report Date:</b> <i>February 8, 2021</i>
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**Audit Area:** *Non-Criminal Justice Audit – Human Resources*

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<b>Findings:</b> The agency did not know where to locate the DPS/CJIS Security Policies.	<b>Status Update:</b> <b>Completed</b> – The agency has reviewed the DPS Access & Dissemination Policy located on the DPS Secured Site.
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<b>Auditor:</b> <i>Department of Public Safety</i>	<b>Audit Report Date:</b> <i>Pending</i>
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**Audit Area:** *Non-Criminal Justice Audit: Licensing*

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<b>Findings:</b> NA	<b>Status Update:</b> In Progress
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<b>Auditor:</b> <i>Garza/Gonzales</i>	<b>Audit Report Date:</b> <i>Pending</i>
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**Audit Area:** *Internal Audit – TFEE Fund Investment Administration*

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<b>Findings:</b> NA	<b>Status Update:</b> In Progress
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<b>Auditor:</b> <i>Garza/Gonzales</i>	<b>Audit Report Date:</b> <i>Pending</i>
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**Audit Area:** *Internal Audit – Fiscal Activities*

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<b>Findings:</b> NA	<b>Status Update:</b> Pending
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Department of Banking Quarterly Investment Report  
 December 1, 2020 to February 28, 2021

Seized Prepaid Funeral Funds Held in a Financial Institution	Book Value at November 30, 2020	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at February 28, 2021	Financial Institution	Investment Type	Maturity Date	Interest Rate
None	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			N/A	N/A
Total Seized Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				

Notes:

/s/ Jesse Saucillo  
Investment Officer

3/23/2021  
Date

/s/ Sami Chadli  
Investment Officer

3/24/2021  
Date

**Trust-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report**  
**December 1, 2020 to February 28, 2021**

<u>Book Value at November 30, 2020</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>(1) Other Deduction(s)</u>	<u>(2) Other Addition(s)</u>	<u>Book/Market Value at February 28, 2021</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,380,209.75	\$2,152.31	\$0.00	\$17,232.66	\$10,548.93	\$1,375,678.33	--	--	\$610.04

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$644,159.91	3/1/2021	0.01%	
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2021	0.90%	\$59.18
Texas Bank Financial, Weatherford, Texas (CD)	\$246,992.73	12/24/2021	0.95%	\$218.57
Frontier Bank of Texas, Elgin, Texas (CD)	\$244,525.69	7/18/2021	1.24%	\$332.29

Subtotal \$1,375,678.33

(1) Other deductions include: (a) \$132.66 escheated to the Texas Comptroller of Public Accounts (Comptroller's Office) as abandoned property for one restitution check related to Mr. Roy and Ms. Kay Bryant dba Amarillo Family Funeral Home; (b) \$15,109.97 restitution paid to 65 consumers and \$90.03 for one consumer escheated to the Comptroller's Office as abandoned property related to Hernandez Funeral Home; and (c) \$1,900.00 restitution previously received and posted to the fund relating to Hernandez Funeral Home was subsequently returned as non-negotiable.

(2) Other additions include: (a) \$300.00 restitution received from Mr. Roy and Ms. Kay Bryant dba Amarillo Family Funeral Home; (b) \$400.00 restitution received from Mr. Marc Gonzalez on behalf of Gonzalez Funeral Home; (c) \$3,800.00 restitution received from Hernandez Funeral Home; (d) \$1,750.00 restitution received from Mr. Kevin Keeney on behalf of Howell-Doran Funeral Home; and (e) \$4,298.93 restitution received from Mr. Rolando Lopez dba Lopez Funeral Chapels.

\* 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.

/s/ Jesse Saucillo  
Investment Officer

3/23/2021  
Date

/s/ Sami Chadli  
Investment Officer

3/24/2021  
Date

**Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report**  
**December 1, 2020 to February 28, 2021**

<u>Book Value at November 30, 2020</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deduction(s)</u>	(1) <u>Other Addition(s)</u>	<u>Book/Market Value at February 28, 2021</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$721,589.01	\$587.55	\$0.00	\$0.00	\$23,758.00	\$745,934.56			\$72.68

Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$500,303.01	3/1/2021	0.01%	
AccessBank, Denton, Texas (CD)	<u>\$245,631.55</u>	7/14/2021	0.90%	\$72.68
Subtotal	\$745,934.56			

(1) Other additions include assessments collected from permit holders on new insurance-funded contracts.

\* 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.

/s/ Jesse Saucillo  
Investment Officer

3/23/2021  
Date

/s/ Sami Chadli  
Investment Officer

3/24/2021  
Date



**University of North Texas Center for Public Management**  
and  
Government Treasurers' Organization of Texas

**Co Sponsored by**

**Certificate of Attendance**  
presented to

*Jesse Saucillo*

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

February 5, 2021 ..... 5 hours

Patrick Shinkle  
Center for Public Management  
TSBPA CPE Sponsor 007716

# Department of Savings and Mortgage Lending

## Investment Officer Report as of February 28, 2021

### Recovery Fund

	Beginning Balance 12/1/2020	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 2/28/2021
Cash & Cash Equivalents	\$4,440,357.81	\$51,536.33	\$3,089.30	(\$117.84)	\$4,494,865.60

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	3/1/2021	0.01%	\$2,994,865.60	\$0.83
TBK Bank	CD - 24 months	4/7/2021	3.00%	250,000.00	41.67
First Fed Community Bank, SSB	CD - 18 months	6/13/2021	1.70%	250,000.00	5,229.86
South Star Bank SSB	CD - 24 months	4/17/2022	1.20%	250,000.00	350.00
Dalhart Federal Savings	CD - 24 months	10/18/2022	1.25%	250,000.00	1,154.51
Pioneer Bank SSB	CD - 18 months	5/24/2022	0.60%	250,000.00	366.67
Horizon Bank SSB	CD - 24 months	1/31/2023	0.60%	250,000.00	116.67
				<u>\$4,494,865.60</u>	<u>\$6,776.87</u>

### Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Janie Recio

### Investment Compliance:

The Department's Investment Policy has been followed.

Date: 3/17/2021

Date: 3/17/2021

**Office of Consumer Credit Commissioner  
Fiscal Year 2021 - 2nd Quarter**

**Residential Mortgage Loan Originator Recovery Trust Fund #3008**

<u>Beginning Balance at 12/01/2020</u>	<u>Additions / *(Deductions)</u>	<u>Interest Paid</u>	<u>Paid Bank Fees</u>	<u>Ending Balance at 02/28/2021</u>	<u>Current Interest Rate</u>
\$ 160,594.31	\$ 2,950.00	\$ 10.37	\$ -	\$ 163,554.68	0.01%

Prepared By: /s/ Adrian Alejandro Hernandez

Date: 03/26/2021

Investment Officer: /s/ Mirand Diamond

Date: 03/30/2021

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 2021 - 2nd Quarter**

<b>Texas Financial Education Endowment Fund #3071</b>								
	Beginning Balance at 12/01/2020	Additions	Interest Paid	Transfers	Grant Disbursements	Paid Bank Fees	Ending Balance at 02/28/2021	Current Interest Rate
<b>Cash</b>	\$ 1,091,122.20	\$ 290,698.27	\$ 70.94	\$ -	\$ -	\$ (6,898.27)	\$ 1,374,993.14	0.01%
<b>Invested Portfolio</b>	Beginning Balance at 12/01/2020	Additions	*Change in Value	Transfers	Transfer Out	Paid Fees	Ending Balance at 02/28/2021	
Cash in Bank	\$ -	\$ -	\$ 2,920.00	\$ -	\$ -	\$ -	\$ 2,920.00	
Investments - STIF	3,593,303.90	8,309.38	68,965.07			(5,285.38)	3,665,292.97	
Interest & Dividends Receivable	68.98		10.44				79.42	
Trade Receivables	-		-				-	
Investments - Equities	4,750.97		(1,080.23)				3,670.74	
Investments - Alternatives	3,818,649.47		254,508.09				4,073,157.56	
Investments - Fixed Income	14,779.04		(163.89)				14,615.15	
Investments - Futures	-		-				-	
Investments - SWAPS, at Fair Value	30,747.60		(38,917.34)				(8,169.74)	
Total Assets-Invested Portfolio	\$ 7,462,299.96	\$ 8,309.38	\$ 286,242.14	\$ -	\$ -	\$ (5,285.38)	\$ 7,751,566.10	
<b>Liabilities</b>								
Accounts Payable	\$ (36,584.94)	\$ 33,105.86	\$ -	\$ -	\$ -	\$ -	\$ (3,479.08)	
Interest Payable	(320.41)	(21.69)					(342.10)	
Trade Payables	-	-					-	
Futures Contracts, at Fair Value	-	-					-	
Swaps, at Fair Value	-	-					-	
Total Liabilities	\$ (36,905.35)	\$ 33,084.17	\$ -	\$ -	\$ -	\$ -	\$ (3,821.18)	
Total Net Fiduciary Assets-Invested Portfolio	\$ 7,425,394.61						\$ 7,747,744.92	
<b>Total Endowment Funds</b>	<u>\$ 8,516,516.81</u>						<u>\$ 9,122,738.06</u>	

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.

Prepared By: /s/ Adrian Alejandro Hernandez

Date: 03/26/2021

Investment Officer: /s/ Mirand Diamond

Date: 03/30/2021

**Texas Department of Banking  
Operating Statement and Budget Analysis  
For the Quarter Ending February 28, 2021**

	FY 2020 ACTUAL	FY 2021 BUDGET	QUARTER PERFORMANCE				FY 2021 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
<b>REVENUES</b>										
Bank & Trust Regulation	\$22,720,521	\$25,888,937	\$6,695,452	\$6,630,484	\$64,968	99.0%	\$13,602,435	\$13,597,897	\$4,538	100.0%
Penalties - Bank & Trust Regulation	10,000	0	\$0	\$15,000	(\$15,000)	0.0%	\$0	\$15,000	(\$15,000)	0.0%
Non-Depository Supervision	2,802,379	3,347,565	\$707,522	\$669,866	\$37,656	94.7%	\$1,862,181	\$1,824,944	\$37,236	98.0%
Penalties - Non-Depository Supervision	648,360	404,900	\$108,300	\$365,351	(\$257,051)	337.4%	\$222,100	\$669,301	(\$447,201)	301.4%
Miscellaneous Revenues	123,425	206,000	\$51,250	\$2,477	\$48,773	4.8%	\$53,500	\$4,646	\$48,854	8.7%
<b>TOTAL REVENUES</b>	<b>\$26,304,685</b>	<b>\$29,847,402</b>	<b>\$7,562,524</b>	<b>\$7,683,178</b>	<b>(\$120,654)</b>	<b>101.6%</b>	<b>\$15,740,216</b>	<b>\$16,111,788</b>	<b>(\$371,573)</b>	<b>102.4%</b>
<b>EXPENDITURES</b>										
Personnel Costs										
Employee Compensation	\$17,356,529	\$19,557,429	\$4,773,484	\$4,546,993	\$226,491	95.3%	\$9,449,534	\$9,094,808	\$354,725	96.2%
Employee Benefits	4,998,458	\$5,707,592	\$1,372,961	\$1,324,762	\$48,199	96.5%	\$2,714,658	\$2,598,271	\$116,387	95.7%
Add'l Health/Retirement	248,089	\$290,645	\$71,602	\$65,866	\$5,736	92.0%	\$141,743	\$131,405	\$10,338	92.7%
Other Personnel Costs	350,095	\$570,194	\$77,970	\$80,265	(\$2,296)	102.9%	\$142,896	\$163,156	(\$20,260)	114.2%
Subtotal Personnel Costs	\$22,953,171	\$26,125,860	\$6,296,018	\$6,017,886	\$278,131	95.6%	\$12,448,830	\$11,987,640	\$461,190	96.3%
Travel										
In-State	\$791,009	\$968,704	\$210,166	\$8,170	\$201,996	3.9%	\$218,355	\$16,451	\$201,904	7.5%
Out-of-State	330,242	\$431,616	\$53,700	\$0	\$53,700	0.0%	\$53,700	\$0	\$53,700	0.0%
Subtotal Travel	\$1,121,250	\$1,400,320	\$263,866	\$8,170	\$255,696	3.1%	\$272,055	\$16,451	\$255,604	6.0%
Operating Costs										
Professional Fees	\$232,474	\$331,580	\$21,026	\$20,410	\$616	97.1%	\$50,032	\$44,993	\$5,039	89.9%
Consumables	19,871	\$40,100	\$20,957	\$3,580	\$17,377	17.1%	\$37,100	\$15,792	21,308	42.6%
Office Utilities	34,386	\$42,025	\$10,379	\$5,915	\$4,464	57.0%	23,369	18,164	5,206	77.7%
Rent - Building/Space	420,591	\$421,077	\$101,585	\$98,944	\$2,641	97.4%	234,368	230,804	3,564	98.5%
Rent - Equipment/Other	28,087	\$29,398	\$7,187	\$5,910	\$1,277	82.2%	13,374	11,821	1,553	88.4%
Communications	257,638	\$324,025	59,294	61,394	(2,100)	103.5%	133,996	137,253	(3,258)	102.4%
Information Technology	521,309	\$495,557	\$88,185	\$80,731	\$7,454	91.5%	\$183,289	\$176,031	\$7,258	96.0%
Employee Training	150,177	\$244,466	\$18,558	(\$4,451)	\$23,009	-24.0%	\$73,609	\$33,741	\$39,868	45.8%
Misc. Operating Costs	452,211	\$392,994	\$35,257	\$41,759	(\$6,502)	118.4%	\$138,110	\$157,331	(19,221)	113.9%
Subtotal Operating Costs	\$2,116,742	\$2,321,222	\$362,427.12	\$314,192.25	\$48,234.87	86.7%	\$887,246.35	\$825,930.65	\$61,316	93.1%
<b>TOTAL EXPENDITURES</b>	<b>\$26,191,164</b>	<b>\$29,847,401.96</b>	<b>\$6,922,310.86</b>	<b>\$6,340,248.54</b>	<b>\$582,062.32</b>	<b>91.6%</b>	<b>\$13,608,132.06</b>	<b>\$12,830,022.20</b>	<b>\$778,110</b>	<b>94.3%</b>
<b>EXPENDITURES (OVER) / UNDER REVENUES</b>	<b>\$113,522</b>	<b>\$0</b>	<b>\$640,212.67</b>	<b>\$1,342,929.39</b>	<b>(\$702,716.72)</b>		<b>\$2,132,083.55</b>	<b>\$3,281,766.15</b>	<b>(\$1,149,683)</b>	

## Texas Department of Banking

**Overview of Budget Variances for the Second Quarter of Fiscal Year 2021** - (Variances in excess of \$1,000 and 5% from budget are reported).

**Penalties - Bank & Trust Regulation** – The variance is due to an administrative penalty that was not budgeted or anticipated.

**Non-Depository Supervision** – The variance is due to uncollected travel reimbursements as examination related travel is on hold because of the pandemic.

**Penalties - Non-Depository Supervision** – The variance is due to the higher than anticipated collected penalties from unlicensed money service businesses (MSB) and prepaid funeral contract permit holders.

**Miscellaneous Revenues** – The variance for the quarter relates to lower than budgeted interest payments from the Texas Treasury Safekeeping Trust Company (TTSTC). Due to current market conditions, funds on deposit with TTSTC that are invested in repurchase agreements (repos) may not be fully invested due to negative repo interest rates.

**Personnel Costs: Additional Health/Retirement** – 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.

Vacancies in terms of FTEs as of February 28, 2021 are listed below:

Administrative	8
Examiners	10

### Travel Breakdown

	In-State Travel	Out-of-State Travel
Regulatory Supervision	\$109	\$0
Development and Training	6,782	0
Other Regulatory Activities	856	0
Non-Employee	423	0
Total	\$8,170	\$0

**In-State Travel** – The positive variance is due to the COVID-19 pandemic hold on virtually all travel.

**Out-of-State Travel** – The positive variance is due to the COVID-19 pandemic hold on all out-of-state travel.

**Consumables** – The positive variance is due to software renewal charges that did not materialize and lower than anticipated expenditures for office supplies.

**Office Utilities** – The positive variance is due to less than historically anticipated usage.

**Rent - Equipment/Other** – The positive variance is due to lift rentals that were not needed for Headquarters building management.

**Information Technology** – The positive variance is due to a reimbursement by the Office of Consumer and Credit Commissioner and Department of Savings and Mortgage Lending for a shared document management application.

**Employee Training** – The positive variance is due to training that was not attended and courses that were held virtually with no fee.

**Miscellaneous Operating Costs** – The negative variance relates to an unanticipated temporary contract for accounting services (payroll and travel reimbursements). A budget variance request for this item was approved by the Commissioner. This expenditure was offset by a Conference of State Bank Supervisors MSB accreditation budgeted expenditure which was covered by a grant.

**TEXAS DEPARTMENT OF BANKING**  
**Liquidity Report**  
**For the Period Ending February 28, 2021**

	<b>Actual</b>
Cash at Beginning of Period	\$ 16,842,789
Revenues Over (Under) Expenditures	\$ 1,342,604
Increase (Decrease) in Payables/Encumbrances	\$ 14,442
(Increase) Decrease in Receivables	\$ 125,363
<b>Cash at End of Period</b>	<b><u>\$ 18,325,198</u></b>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	\$ 6,277,779
Payables (net of receivables)	\$ 2,014,864
Lump Sums for Retirements	\$ 723,133
Program Funds	\$ -
Other	\$ -
<b>Total Reserved Cash Balance</b>	<b><u>\$ 9,015,776</u></b>
Unreserved Cash Balance:	
Future Operations	\$ 9,309,422
<b>Total Unreserved Cash Balance</b>	<b><u>\$ 9,309,422</u></b>
<b>Total Cash Balance</b>	<b><u>\$ 18,325,198</u></b>
Unreserved Cash/FY2021 Monthly Budget	3.74 months



**Department of Savings and Mortgage Lending**  
**Operating Statement and Budget Analysis For**  
**the Quarter Ending February 28, 2021**

	FY 2020 ACTUAL	FY 2021 BUDGET	QUARTER PERFORMANCE				FY 2021 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
<b>REVENUES</b>										
Thrift Industry										
Assessments	\$ 2,765,352	\$ 3,770,930	\$ 937,503	\$ 1,022,955	\$ (85,452)	109.1%	\$ 1,895,926	\$ 2,047,590	\$ (151,664)	108.0%
Application Fees	60,600	20,000	5,000	8,500	(3,500)	170.0%	10,000	26,000	(16,000)	260.0%
Mortgage Industry										
Licensing Fees	3,877,988	3,229,865	965,560	1,454,485	(488,925)	150.6%	2,498,170	3,472,644	(974,474)	139.0%
Administrative Penalties	320,731	-	-	27,649	(27,649)		-	88,019	(88,019)	
Misc. Revenues	101,144	49,000	11,600	829	10,771	7.2%	23,200	1,905	21,295	8.2%
<b>TOTAL REVENUES</b>	<b>\$ 7,125,814</b>	<b>\$ 7,069,795</b>	<b>\$ 1,919,663</b>	<b>\$ 2,514,418</b>	<b>\$ (594,755)</b>	<b>131.0%</b>	<b>\$ 4,427,296</b>	<b>\$ 5,636,157</b>	<b>\$ (1,208,861)</b>	<b>127.3%</b>
<b>EXPENDITURES</b>										
Personnel Costs										
Employee Compensation	\$ 3,794,690	\$ 5,235,338	\$ 1,280,210	\$ 1,086,691	\$ 193,519	84.9%	\$ 2,566,919	\$ 2,121,432	\$ 445,487	82.6%
Employee Benefits	1,245,107	1,608,639	399,438	342,790	56,648	85.8%	792,915	666,966	125,949	84.1%
Add'l Health/Retirement	55,464	78,507	19,504	15,231	4,273	78.1%	38,805	29,934	8,871	77.1%
Other Personnel Costs	145,849	88,174	23,374	42,109	(18,735)	180.2%	44,294	69,197	(24,903)	156.2%
Subtotal Personnel Costs	\$ 5,241,109	\$ 7,010,658	\$ 1,722,526	\$ 1,486,821	\$ 235,705	86.3%	\$ 3,442,933	\$ 2,887,529	\$ 555,404	83.9%
Travel										
In-State	\$ 102,237	\$ 131,691	\$ 26,337	\$ 59	\$ 26,278	0.0%	\$ 26,337	\$ 59	\$ 26,278	0.0%
Out-of-State	40,712	45,500	9,100	-	9,100	0.0%	9,100	-	9,100	0.0%
Subtotal Travel	\$ 142,949	\$ 177,191	\$ 35,437	\$ 59	\$ 35,378	0.0%	\$ 35,437	\$ 59	\$ 35,378	0.0%
Operating Costs										
Professional Fees	\$ 49,923	\$ 110,196	\$ 500	\$ 615	\$ (115)	123.0%	\$ 24,896	\$ 22,188	\$ 2,708	89.1%
Consumables	7,213	12,000	3,500	2,323	1,177	66.4%	5,500	3,468	2,032	63.1%
Office Utilities	13,197	14,244	3,246	4,348	(1,102)	134.0%	6,688	7,209	(521)	107.8%
Rent - Space & Equipment	4,336	2,800	450	278	172	61.9%	900	645	255	71.7%
Communications	75,186	94,726	20,300	16,311	3,989	80.3%	60,726	56,246	4,480	92.6%
Information Technology	188,375	126,537	27,398	27,416	(18)	100.1%	53,523	53,417	106	99.8%
Employee Training	24,575	69,820	22,455	17,281	5,174	77.0%	24,910	19,126	5,784	76.8%
Misc. Operating Costs	133,592	142,023	22,495	21,403	1,092	95.1%	50,732	47,982	2,750	94.6%
Subtotal Operating Costs	\$ 496,395	\$ 572,346	\$ 100,344	\$ 89,976	\$ 10,368	89.7%	\$ 227,875	\$ 210,280	\$ 17,595	92.3%
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,880,453</b>	<b>\$ 7,760,195</b>	<b>\$ 1,858,307</b>	<b>\$ 1,576,856</b>	<b>\$ 281,451</b>	<b>84.9%</b>	<b>\$ 3,706,245</b>	<b>\$ 3,097,869</b>	<b>\$ 608,376</b>	<b>83.6%</b>
<b>EXPENDITURES (OVER)/ UNDER REVENUES</b>	<b>\$ 1,245,361</b>	<b>\$ (690,400)</b>	<b>\$ 61,356</b>	<b>\$ 937,562</b>	<b>\$ (876,206)</b>		<b>\$ 721,051</b>	<b>\$ 2,538,289</b>	<b>\$ (1,817,238)</b>	

## Department of Savings and Mortgage Lending

### Budget Variance Analysis

For the Quarter Ending February 28, 2021

Revenues: Overall revenues are at 27.3% over budget.

Thrift Industry:

Assessments – This category is 8% over budget due to growth in the asset size of the thrift industry.

Application Fees – This category is significantly over budget due to application fees received in excess of budgeted amounts.

Mortgage Industry:

Licensing Revenues – Overall licensing revenues are 39% over budget, the majority of which is attributable to higher than expected new RMLO license applications received.

Fines and Penalties – No amount was budgeted.

Miscellaneous Revenues – This category is under budget, due to lower than budgeted depository interest received.

Expenditures: Overall expenditures are at 16.4% under budget.

Personnel Costs – This category is 16.1% under budget due to unfilled vacancies. Other Personnel Costs subcategory is over budget due to lump sums paid to separating employees.

Travel – Due to the travel restrictions imposed in response to COVID-19 pandemic, travel costs incurred were significantly under budget.

**Department of Savings and Mortgage Lending**  
**Liquidity Report**  
**For the Quarter Ending February 28, 2021**

	<b>ACTUAL</b>
Cash at Beginning of Period	\$ 12,927,502
Revenues Over (Under) Expenditures CY	937,562
Revenues Over (Under) Expenditures PY	-
Increase (Decrease) in Payables	56,590
(Increase) Decrease in Receivables	46,703
<b>Cash at End of Period</b>	<b><u>\$ 13,968,357</u></b>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	6,278,470
Payables (net of receivables)	542,116
Lump Sums for Retirements	171,021
Program Funds	-
Other	-
Total Reserved Cash Balance	<b><u>\$ 6,991,607</u></b>
Unreserved Cash Balance:	
Future Operations	<b><u>\$ 6,976,750</u></b>
Total Unreserved Cash Balance	<b><u>\$ 6,976,750</u></b>
<b>Total Cash Balance</b>	<b><u>\$ 13,968,357</u></b>
Unreserved Cash/FY2021 Monthly Budget	10.8 months

**Office of Consumer Credit Commissioner  
Operating Statement and Budget Analysis  
For the Quarter Ending February 28, 2021**

	FY 2020 ACTUAL	FY 2021 BUDGET	QUARTER PERFORMANCE				FY 2021 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
<b>REVENUES</b>										
Industry										
Consumer Lending Industry	\$ 2,182,094	\$ 2,230,185	\$ 1,808,024	\$ 1,378,608	\$ (429,415)	76.2%	\$ 2,162,374	\$ 2,036,587	\$ (125,787)	94.2%
Credit Access Industry	1,116,650	1,084,540	808,477	797,900	(10,577)	98.7%	999,311	973,875	(25,436)	97.5%
MVSF Industry	1,140,179	3,987,339	294,301	346,780	52,480	117.8%	3,427,918	3,675,924	248,006	107.2%
Pawn	848,860	738,157	5,922	6,375	453	107.6%	21,656	67,020	45,363	309.5%
Registered Industry of Entities	339,875	314,070	198,973	214,345	15,372	107.7%	234,657	296,655	61,998	126.4%
Penalties	68,900	-	-	15,500	15,500	0.0%	-	23,500	23,500	0.0%
Miscellaneous Revenue	115,626	58,000	9,146	1,307	(7,840)	14.3%	30,218	2,565	(27,653)	8.5%
<b>TOTAL REVENUES</b>	<b>\$ 5,812,183</b>	<b>\$ 8,412,291</b>	<b>\$ 3,124,843</b>	<b>\$ 2,760,815</b>	<b>\$ (364,028)</b>	<b>88.4%</b>	<b>\$ 6,876,133</b>	<b>\$ 7,076,126</b>	<b>\$ 199,992</b>	<b>102.9%</b>
<b>EXPENDITURES</b>										
Personnel Costs										
Employee Compensation	\$ 4,702,643	\$ 5,121,433	\$ 1,280,358	\$ 1,152,820	\$ 127,539	90.0%	\$ 2,560,716	\$ 2,282,061	\$ 278,655	89.1%
Employee Benefits	1,688,213	1,807,730	451,933	401,648	50,285	88.9%	903,865	795,746	108,119	88.0%
Add'l Health/Retirement	72,429	76,821	19,205	18,116	1,089	94.3%	38,411	35,951	2,460	93.6%
Other Personnel Costs	117,163	71,911	17,978	18,830	(853)	104.7%	35,956	35,127	828	97.7%
Subtotal Personnel Costs	<b>\$ 6,580,449</b>	<b>\$ 7,077,896</b>	<b>\$ 1,769,474</b>	<b>\$ 1,591,414</b>	<b>\$ 178,060</b>	<b>89.9%</b>	<b>\$ 3,538,948</b>	<b>\$ 3,148,886</b>	<b>\$ 390,062</b>	<b>89.0%</b>
In-State Travel	\$ 401,900	\$ 633,045	\$ 158,261	\$ 17,214	\$ 141,047	10.9%	\$ 316,523	\$ 39,229	\$ 277,294	12.4%
Out of State - Travel	11,724	2,000	(5,500)	-	(5,500)	0.0%	(3,000)	-	(3,000)	0.0%
Subtotal Travel	<b>\$ 413,624</b>	<b>\$ 635,045</b>	<b>\$ 152,761</b>	<b>\$ 17,214</b>	<b>\$ 135,547</b>	<b>11.3%</b>	<b>\$ 313,522</b>	<b>\$ 39,229</b>	<b>\$ 274,294</b>	<b>12.5%</b>
Operating Costs										
Professional Services & Fees	\$ 159,436	\$ 263,351	\$ 65,838	\$ 9,747	\$ 56,091	14.8%	\$ 131,676	\$ 34,839	\$ 96,836	26.5%
Consumables	9,905	13,000	3,250	1,738	1,512	53.5%	6,500	4,755	1,745	73.2%
Office Utilities	16,202	18,500	4,625	3,067	1,558	66.3%	9,250	6,188	3,062	66.9%
Rent - Building/Space	25,391	26,829	6,707	6,688	20	99.7%	13,415	15,256	(1,842)	113.7%
Rent - Equipment/Other	3,106	3,500	875	857	18	97.9%	1,750	1,532	218	87.5%
Communications	70,266	85,400	21,351	18,052	3,300	84.5%	42,698	39,502	3,196	92.5%
Information Technology	166,120	373,016	93,254	34,084	59,170	36.5%	186,508	86,565	99,943	46.4%
Employee Training	3,348	15,000	3,750	100	3,650	2.7%	7,500	1,050	6,450	14.0%
Misc. Operating Costs	225,052	332,141	83,035	56,575	26,460	68.1%	166,071	168,640	(2,569)	101.5%
Subtotal Operating Costs	<b>\$ 678,827</b>	<b>\$ 1,130,737</b>	<b>\$ 282,685</b>	<b>\$ 130,907</b>	<b>\$ 151,779</b>	<b>46.3%</b>	<b>\$ 565,366</b>	<b>\$ 358,327</b>	<b>\$ 207,040</b>	<b>63.4%</b>
<b>TOTAL EXPENDITURES</b>	<b>7,672,899</b>	<b>8,843,678</b>	<b>2,204,920</b>	<b>1,739,535</b>	<b>465,385</b>	<b>78.9%</b>	<b>\$ 4,417,837</b>	<b>\$ 3,546,441</b>	<b>\$ 871,395</b>	<b>80.3%</b>
<b>EXPENDITURES (OVER) / UNDER REVENUES</b>	<b>\$ (1,860,716)</b>	<b>\$ (431,387)</b>	<b>\$ 919,923</b>	<b>\$ 1,021,280</b>	<b>\$ 101,357</b>		<b>\$ 2,458,297</b>	<b>\$ 3,529,715</b>	<b>\$ 1,071,418</b>	

# Office of Consumer Credit Commissioner

## Budget Variance Analysis

### For the Quarter Ending February 28, 2021

**Revenues:** Overall revenues are 3% over budget.

Consumer Lending- The negative variance (~6%) is due to slightly lower rate of renewal for regulated lenders.

MVSF- The variance (7% over budget) results from a renewal rate that was greater than anticipated.

Pawn- The revenue variance is due to an increase in unforeseen late filing fees collected.

Registered entities- The positive variance is due to timing issues related to renewal.

Misc Revenue- The negative variance (92% under budget) is due to decreased interest earnings.

**Expenditures:** Overall expenditures are 20% under budget.

Personnel- These expenditures are ~11% under budget primarily due to turnover and a delay in filling vacant positions.

Travel- Even though the FY21 budget anticipated lower travel expenditures in the first half of the fiscal year due to covid-19, expenditures are significantly under the reduced budget amount. Travel expenditures will increase somewhat in the 3<sup>rd</sup> quarter as travel resumes but still on a reduced basis.

	In- State	Out of State	
	FY21	FY21	TOTAL
Regulatory Supervision	\$38,998.76	-	\$38,998.76
Development & Training	\$145.24	-	\$145.24
Other Reg Activities	-	-	-
Non-Employee	\$84.68	-	\$84.68
	\$39,228.68	-	\$39,228.68

Professional Services & Fees – This category is currently ~ 70% under budget because the larger project costs have not yet been incurred for computer programming services for ALECS upgrades & enhancements, legal services, or financial and accounting services.

Information Technology – This category is ~54% under budget due to timing of projects and expenses.

Employee Training – This category is ~86% under budget due to timing of training sessions and the wider availability of training through lower cost webinar offerings.

**Office of Consumer Credit Commissioner**  
**Liquidity Report**  
**For the Quarter Ending February 28, 2021**

	<b>Actual</b>
Cash at Beginning of Period	\$ 13,981,612.89
Revenues Over (Under) Expenditures	1,021,280.19
Increase (Decrease) in Payables/Encumbrances	(84,615.44)
(Increase) Decrease in Receivables	122,579.29
Prior period correction	-
<b>Cash at End of Period</b>	<u><u>\$ 15,040,856.93</u></u>

  

Reserved Cash Balance:	
Building Maintenance/IT	\$ -
Long-term facilities planning	6,277,278.75
Payables (net of receivables)	624,323.96
Lump sums for Retirements	216,670.00
Program Funds	-
Other	-
<b>Total Reserved Cash Balance</b>	<u><u>7,118,272.71</u></u>
Unreserved Cash Balance:	
Future Operations	<u>7,922,584.22</u>
<b>Total Unreserved Cash Balance</b>	<u><u>7,922,584.22</u></u>
 <b>Total Cash Balance</b>	 <u><u>\$ 15,040,856.93</u></u>
 Unreserved Cash / FY 2021 Monthly Budget	 10.8

**TEXAS DEPARTMENT OF BANKING**  
Austin, Texas

**INTERNAL AUDIT REPORT**

on

**Consumer Assistance**

**Fiscal Year 2021**



TEXAS DEPARTMENT OF BANKING  
Austin, Texas

Internal Audit Report  
on  
Consumer Assistance

Fiscal Year 2021

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Finance Commission Members and  
Audit Committee Members  
Texas Department of Banking  
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over DOB's Consumer Assistance area (Area), which includes consumer complaints and inquiries; and, its compliance with the Texas Finance Code, the Texas Administrative Code, Finance Commission Directive; and, DOB's established policies and procedures, as applicable to the Area, for the 5 months ended January 31, 2021.

The results of our tests disclosed that DOB's internal control structure over the Area and its established policies and procedures, were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters that are included in this report, that are opportunities for strengthening internal controls and ensuring compliance with state requirements and DOB's established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the "Summary and Related Rating of Observations/Findings and Recommendations", which is included on page 12 of this report.

We have discussed the comments and recommendations from the audit of the Area with various DOB personnel, and we will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.



March 3, 2021

## TEXAS DEPARTMENT OF BANKING

### Consumer Assistance Internal Audit Report

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#### INTRODUCTION

The Texas Department of Banking (DOB) is a Texas state agency that performs functions designed to maintain a financial regulatory system for Texas to promote a consistent banking environment, and to provide the public with convenient, safe, and competitive banking and other financial services. DOB operates under the oversight of the Finance Commission of Texas pursuant to the authority of various provisions of the Texas Finance Code; the Texas Health and Safety Code; and, the Texas Administrative Code.

DOB's primary functions are to:

- Charter, regulate, and examine all state banks, foreign bank branches, agencies, and representative offices;
- Charter, regulate, and examine trust departments of commercial banks and trust companies;
- License, regulate, and examine prepaid funeral contract sellers (PFC) and perpetual care cemeteries (PCC);
- License, regulate, and examine money services businesses (MSB); and,
- Register check verification entities.

DOB was granted Self-Directed, Semi-Independent (SDSI) status in the 81<sup>st</sup> Legislative Session. As an SDSI agency, DOB is not required to have their budget approved by the Legislature; however, the Finance Commission is responsible for setting their spending authority or limits. DOB's operating funds are generated from fees assessed to the businesses it regulates and are used to fund both, direct and indirect costs. General revenue funds are not used to support DOB's operations.

#### 2021 Internal Audit Plan

Following are the internal audit functions to be performed, as identified in DOB's 2021 Internal Audit Plan, dated November 18, 2020 and approved by the Audit Committee and Finance Commission on December 11, 2020:

- Risk Assessment & Preparation of the 2021 Internal Audit Plan
- Management Information Systems [(MIS) Includes Disaster Recovery Plan]
- Consumer Assistance
- Follow-up of Prior Year Internal Audits
- Preparation of the 2021 Internal Audit Annual Report
- Other Tasks

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

## INTERNAL AUDIT SCOPE and OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of the audit area's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Laws, Regulations, Policies, Procedures, and Contracts** – Review the systems established to ensure compliance with those laws, regulations, policies, procedures, and contracts that could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

## TEXAS DEPARTMENT OF BANKING

Consumer Assistance

Internal Audit Report

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### EXECUTIVE SUMMARY

#### Background

DOB was one of the state agencies that was evaluated by the Sunset Advisory (Sunset) Commission during its 2018-2019 Review Cycle, 86<sup>th</sup> Legislative Session. As a result of that evaluation, the Legislature, in 2019, adopted various Sunset Commission recommendations, which included the following two mandates relating to complaint processing:

- Recommendation 4.2 (Change in Statute) – Update the agency’s complaint processing provisions to meet the Sunset Commission’s standard across-the-board requirements.
- Recommendation 4.4 (Management Action) – Direct DOB and the Finance Commission to develop an updated complaint process in rule.

See Appendix A, included in the report, for full text of these recommendations. In response, the Legislature adopted Senate Bill 614, which amended Texas Finance Code Sec. 12.108, requiring DOB to maintain a system to promptly and efficiently act on complaints filed with the department. DOB must maintain the following information related to a complaint:

- Parties to the complaint.
- Subject matter of the complaint.
- Summary of the results of the review or investigation of the complaint.

Texas Finance Code Sec. 12.108 also requires that DOB make information available describing its procedures for complaint investigation and resolution; and, to periodically notify the complaint parties of the complaint status until final disposition.

Subsequent to the Sunset Commission Review, DOB updated its complaint process to be consistent with the Sunset Commission’s recommendations; and, the Finance Commission adopted the complaint process codified as Title 7 of the Texas Administrative Code (TAC), Rules §11.10, §11.11, and §11.12 on August 16, 2019, which became effective on September 8, 2019. By performing these functions, DOB and the Finance Commission addressed the two aforementioned recommendations made by the Sunset Commission.

Concurrently, the Finance Commission contracted a third-party auditor to perform an “Efficiency Audit” in response to Sunset Commission Recommendation 2.6, which directed the Finance Commission to minimize duplication of agency functions and promote cost efficient administration of three finance agencies: DOB, Department of Savings and Mortgage Lending, and Texas Office of Consumer Credit Commissioner. On October 18, 2019, the Finance Commission issued a “Directive” instructing the three finance agencies to implement certain Efficiency Audit recommendations, which included establishing a workgroup to explore opportunities to improve customer service.

### **Consumer Assistance**

In accordance with 7 TAC §11.10(b), a *complaint* over alleged misconduct by a DOB-regulated entity must be submitted to DOB in writing and contain all of the following information:

- a. The complainant's name and contact information.
- b. The name of the entity subject to the complaint.
- c. The date and place, and description of the alleged violation.
- d. Supporting documentation.

Such communication made to DOB that does not include all of the required elements above, is classified as an *inquiry*, in accordance with TAC §11.10(c). A request for general information is also considered an *inquiry*.

TAC §11.11 establishes agency-wide rules for complaint processing; such as, processing timeline, tracking, and required communications to parties of the complaint, to ensure all complaints are resolved within 90 calendar days of receipt while maintaining quality service. Requirements of the rule, to ensure DOB is compliant with the 90-day resolution timeline, are as follows:

- a. If nonjurisdictional, notify the complainant and, if applicable, refer the nonjurisdictional complaint or inquiry to the appropriate regulatory entity, within 5 business days of receiving the complaint or inquiry.
- b. Within 10 business days of receiving a complaint, a copy of the complaint and supporting documentation is sent to the entity that is subject of the complaint ("subject entity").
- c. The subject entity must respond within 30 calendar days from the date complaint is sent from DOB, which is the date indicated on the DOB cover letter correspondence.
- d. DOB must notify the complainant of the complaint status at least quarterly if open for over 45 calendar days from the receipt date.
- e. DOB must notify all parties to the complaint within 10 business days of closing the complaint.

In accordance with TAC §11.12, a sample of nonjurisdictional and dismissed complaints must be internally reviewed quarterly. Additionally, complaint activities must be reported to the Finance Commission at least quarterly.

### **Filing Complaints**

Consumers may file a complaint or make an inquiry using one or more of the following methods:

- Mail or in-person delivery to DOB Austin Headquarters
- Email
- Fax
- Call a toll-free telephone number

## TEXAS DEPARTMENT OF BANKING

### Consumer Assistance

#### Internal Audit Report

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To comply with Finance Code Sec. 12.108(b), the methods and Complaint Forms along with a description of complaint procedures, are provided on DOB's website. Use of a Complaint Form is not required but encouraged, as completion of a form ensures information required to be considered a complaint is provided to DOB.

Additionally, DOB-regulated entities must provide information on how to file complaints to their customers, as required by TAC §11.37, §25.41, §26.11, and §33.51.

#### Complaint Processing

Consumer complaints received by DOB are processed by either the Division of Strategic Support (DSS) or the Non-Depository Supervision (NDS) division, depending on the subject entity's license type. The Consumer Assistance Activities group in DSS is responsible for processing complaints against state-chartered banks, trusts, and foreign bank agencies; while, administrative staff of the NDS are responsible for processing complaints against money services businesses (MSB) and perpetual care cemeteries & prepaid funeral businesses (PCC/PFC). Both divisions process complaints in accordance with the TAC rules described above, and procedures specific to the respective division to address the unique nature of the entities each division regulates, and the complexity of complaints typically received.

Both DSS and NDS staff follow general steps below when processing complaints and inquiries:

- (1) Determine whether the communication is a complaint or an inquiry, and whether it is jurisdictional. If determined nonjurisdictional or an inquiry, respond to the consumer within 5 business days; and, if applicable, provide the consumer with information of the agency by whom the subject entity is regulated, and/or refer the complaint to that agency.
- (2) For jurisdictional complaints, send a cover letter and the complaint to the subject entity, requesting that the entity timely respond either to DOB (DSS) or directly to complainant with DOB being copied (NDS). For complaints against NDS entities, a copy of this letter is also sent to the complainants.
- (3) Consumer assistance staff and manager, of each respective division, monitor the subject entity's response and follow up as necessary.
- (4) Once a satisfactory response is obtained from the subject entity, a closure letter is sent to the subject entity and the complainant.
- (5) All complaint records, correspondence, and supporting documentation are imaged for retention upon closure.

Complaints received by DSS and NDS are tracked in the Consumer Help Information Processing System (CHIPS), or in the Complaint module of Supervisory Administrative Regulation Application (SARA), respectively. DSS and NDS staff responsible for complaint processing enter complaint information into the respective systems over the course of complaint processing. Examiners have read-only access to complaints in each system.



**TEXAS DEPARTMENT OF BANKING**  
Consumer Assistance  
Internal Audit Report

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The systems are designed to collect and maintain all types of complaint data required by Finance Code Sec. 12.108(a) described in the Background section above, and are the source of computing the following performance measures related to the area:

- Outcome Measure 01-04.01: Percentage of Written Complaints Closed Within 90 Days, as required by TAC §11.11.
- Output Measure 01-04.02: Number of Written Complaints Closed.

Both, CHIPS and SARA have built-in safeguards to ensure consistency and completeness of data; such as, required fields, pull-down menus for classification, and automatically-generated sequential record numbers.

During the period from September 1, 2020 to January 31, 2021, DOB records reflect the following information related to the number of complaints and inquiries received:

Entity Type	Jurisdictional		Nonjurisdictional	
	Complaints	Inquiries	Complaints	Inquiries
Bank & Trust	22	135	108	402
MSB	51	65	7	3
PFC/PCC	14	5	1	0
<b>Total</b>	<b>87</b>	<b>205</b>	<b>116</b>	<b>405</b>

Monitoring and Review

Both DSS and NDS have developed formal procedures to ensure compliance with the 90-day requirement to process complaints. Both divisions review 100% of complaints and inquiries on a monthly basis, which exceeds the quarterly, sample-based review required by TAC §11.12(b).

The DSS Director or the Financial Analyst who assists her, reviews complaints and inquiries closed and imaged in the previous month for timeliness and adherence to internal procedures; and, documents the results of the review in the same listing. The DSS Director also prepares a monthly Outstanding Complaints report to ensure complaints do not remain outstanding beyond a reasonable time, and submits the report to the Deputy Commissioner of Bank & Trust and the Chief Operating Officer.

Complaints and inquiries received and/or closed by NDS staff, along with an outstanding list, are reviewed on a monthly basis, first by the NDS Review Examiner, and then by the NDS Director, to ensure timely processing and adherence to internal procedures. Upon completion of the respective review, both the NDS Director and Review Examiner manually initial the first page of the report to denote their respective approval.

### **Finance Commission Directive – Complaint Intake**

As documented in the Background section above, in accordance with a Directive dated October 18, 2019, the Finance Commission instructed the three finance agencies to implement certain Efficiency Audit recommendations, which included establishing a workgroup to explore opportunities to improve customer service. Specifically, the workgroup was required to perform the following:

- a. Explore opportunities to improve customer service.
- b. Align performance measure reporting.
- c. Review best practices.
- d. Review federal complaint issues.
- e. Review emerging trends.

The three finance agencies formed a workgroup; and, according to internal Complaint Intake Meeting Notes, meetings of the workgroup have taken place three times, on March 5, 2020, August 31, 2020, and February 1, 2021; and, at least one representative from each agency participated in each of the meetings. Statuses of the Directive are reported to the Finance Commission during the months of October and April.

## AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

### Objective

The objective of the audit was to determine whether DOB's policies and procedures and internal controls in place over the Consumer Assistance area (Area) provide reasonable assurance of compliance with state requirements and Finance Commission mandates; and, whether such internal controls are operating effectively.

### Scope

The scope of this audit was DOB's consumer assistance activities, which includes consumer complaints and inquiries, for the 5-month period from September 1, 2020 through January 31, 2021 (audit period).

### Methodology

The audit methodology included a review of applicable laws and regulations and other mandates; DOB's established policies and procedures, and other internal and external documentation; and, interviews and walkthroughs with selected DOB employees.

We obtained and/or reviewed the following internal and external documentation:

- a. Sunset Advisory Commission *Staff Report with Final Results*, 2018–2019, 86<sup>th</sup> Legislature.
- b. *Finance Commission Plan to Minimize Duplication* ("Directive") as approved on October 18, 2019.
- c. Finance Code Sec. 12.108. Consumer Information and Complaints; and, various sections of the Texas Administrative Code (TAC) related to consumer complaints, including 7 TAC §11.10, §11.11, and §11.12.
- d. Organizational charts applicable to the Area.
- e. Complaint procedures posting, internal procedure manuals, sample letter templates relating to consumer assistance for DSS and NDS, to include:
  - Consumer Complaint Forms.
  - DSS Procedures for Consumer Complaints, updated on February 5, 2021.
  - Procedures for Money Service Businesses, Prepaid Funeral Contracts, and Perpetual Care Cemetery Complaints, updated in December 2020.
- f. Complaint Intake Meeting Notes for March 5, 2020, August 31, 2020, and February 1, 2021.
- g. Performance Measures definitions, and fiscal year 2021 first quarter reporting and supporting documentation, as they relate to consumer assistance.
- h. Listing of consumer complaints and inquiries received by DOB during the period from September 1, 2020 to January 31, 2021.
- i. Sample monthly reports used for review and tracking, for the month of December 2020.

## TEXAS DEPARTMENT OF BANKING

### Consumer Assistance

### Internal Audit Report

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

1. Reviewed and obtained an understanding of the Texas Finance Code, Texas Administrative Code, and other mandates provided by the Sunset Commission Report and the Finance Commission Directive, as applicable to the Area.
2. Obtained and reviewed DOB's written policies and procedures; and, conducted interviews and walkthroughs, to obtain an understanding of controls, processes, and current practices in place over the Area. Then, evaluated whether such controls adequately ensure compliance with applicable requirements identified in procedure 1 above.
3. Reviewed 7 TAC §11.10, §11.11, and §11.12 to ensure inclusion of all components required by Sunset Recommendation 4.4 and Texas Finance Code Sec. 12.108, as amended.
4. Ensured complaint filing processes and methodologies available to the public (consumers) on DOB's website was consistent with various TAC sections.
5. Reviewed the data fields in CHIPS and SARA to determine whether the systems are designed to capture all types of information required by Finance Code Sec. 12.108(a).
6. Reviewed user profiles for CHIPS and SARA complaint functionality to determine whether access levels are appropriate based on user job positions.
7. Selected a sample of 25 complaint/inquiry communications received by DOB during the audit period, and tested for the following attributes:
  - (a) Data entered into CHIPS/SARA is accurate based on supporting documentation.
  - (b) Complaint was processed in compliance with the following timeline and communication requirements of 7 TAC §11.11:
    - If nonjurisdictional or an inquiry, the complainant was notified within 5 business days of receiving the complaint; and, if applicable, complaint was referred to the appropriate regulatory agency.
    - If jurisdictional complaint—
      - i. A copy of the complaint and supporting documentation was sent to the subject entity within 10 business days of receiving the complaint.
      - ii. Complainant was notified of their complaint status at least quarterly if more than 45 days have elapsed since the complaint was received.
      - iii. Complaint was resolved within 90 days of receipt.
      - iv. All parties to the complaint were notified within 10 business days of closing the complaint.
  - (c) Complaint was processed in compliance with division-specific procedures:
    - DSS
      - i. A response was sent to the complainant within 5 business days of complaint/inquiry receipt, in the same communication method the complaint was received (letter, email, telephone, or fax).
      - ii. Closure/response letter was reviewed by the Director of Strategic Support.

**TEXAS DEPARTMENT OF BANKING**

Consumer Assistance

Internal Audit Report

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NDS

- i. If a response is not received, a second request is sent via certified mail.
  - ii. If applicable, a 7-day extension was granted only upon written request by the subject entity.
- (d) Consumer communication is properly classified (complaint versus inquiry; jurisdictional versus nonjurisdictional, etc.) in respective database.
- (e) Imaged complaint records, correspondence, and supporting documentation are legible and available.
- 8. Traced fiscal year 2021, quarter 1 performance measures related to the Area to supporting documentation.
- 9. Reviewed Complaint Intake Meeting Notes to determine whether Finance Commission Directive relating to complaint intake was implemented.

**TEXAS DEPARTMENT OF BANKING**  
Consumer Assistance  
Internal Audit Report

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**Summary and Related Rating of Observations/Findings and Recommendations**

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

<b>Summary of Findings &amp; Recommendations and Related Ratings</b>		
<b>Finding No.</b>	<b>Title</b>	<b>Rating</b>
1	Performance Measures	Low
<b>Observation No.</b>		
1	Complaint Processing	—
2	Inquiries Reporting	—
<p><u>Description of Rating</u></p> <p>A finding is rated <i>Priority</i> if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.</p>		

## Observations/Findings and Recommendations

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	3/3/2021	Consumer Assistance	<p><b>1. Performance Measures</b></p> <p>DOB reports the following two performance measures related to consumer assistance to the Finance Commission:</p> <ul style="list-style-type: none"> <li>Percentage of Written Complaints Closed Within 90 Days.</li> <li>Number of Written Complaints Closed.</li> </ul> <p>Performance measure results are automatically generated from CHIPS using underlying complaint/inquiry data collected in CHIPS and SARA; and, are accompanied by system-generated Jurisdictional Complaints reports as supporting documentation. Jurisdictional Complaints reports consist of a list of complaints accounted for in the reporting period, and totals derived from the complaint list, as generated from CHIPS. During our review of performance measures for fiscal year 2021, quarter 1, we were unable to validate the computed total of 13 complaints closed reported during the period since it differed from the complaint list, which reflected 16 closed complaints.</p> <p>Additionally, our review indicated that the formula used to compute the percentage computation is inaccurate since it excludes complaints opened in a previous reporting period and closed in the current reporting period. Since all complaints have been closed within the required 90 days, there is currently no effect to the percentage reported; however, if complaints are not closed within 90 days, the percentage reported will be incorrectly computed and reported.</p> <p><b>Recommendation</b></p> <p>We recommend that DOB identify the cause for these discrepancies and update the programming in CHIPS to ensure performance measure results are accurately reported.</p> <p><b>Management's Response</b></p> <p>For consumer activity handled by DSS, the CHIPS program was designed to capture multiple open and close dates, with the flexibility to document when an inquiry became a complaint. This made reporting more complex.</p> <p>To resolve the programming complexities as they relate to reporting, DSS will simplify their data entry to mirror the NDS methodology and enter communications as two separate items - an inquiry and a complaint effective April 1, 2021. By doing so, there will be one open and one close date per inquiry and complaint instead of multiple dates. This will allow for a simplified report and improved accuracy.</p>	To ensure accuracy of performance measures reported to the Texas Finance Commission required by 7 TAC §11.12(c).

**TEXAS DEPARTMENT OF BANKING**  
Consumer Assistance  
Internal Audit Report

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	3/3/2021	Consumer Assistance	<p style="text-align: center;"><b>OBSERVATION</b></p> <p><b>1. Complaint Processing</b></p> <p>DOB utilizes the data entered into CHIPS and SARA to track complaints and inquiries received for timely processing required by TAC §11.11 and accurate reporting required by TAC §11.12(c). Our testing of 25 complaints/inquiries received by DOB during the audit period disclosed the following instances where the data in the systems was inconsistent with the source documentation.</p> <p>(a) In 1 instance, an inquiry was misclassified as a complaint.</p> <p>(b) In 5 instances, the “Complaint Received” date entered in SARA were inconsistent with the timestamp date complaints were first received by DOB.</p> <p>While these inconsistencies did not result in any instances of noncompliance with the 90-day requirement by TAC §11.11, they could potentially have an effect in tracking and reporting, since multiple requirements in TAC §11.11 references the “Complaint Received” date as the starting date for required timelines.</p> <p>It is our understanding that, upon our inquiry, management had already communicated with its staff the identified discrepancies and asked that correct dates be entered into SARA going forward.</p> <p><b>Recommendation</b></p> <p>We recommend that DOB management monitor data entry to ensure enforcement of their communication.</p> <p><b>Management’s Response</b></p> <p>In the instance of the misclassified case as a complaint, the type classification was corrected and staff was provided clarifying instructions on data entry of cases.</p> <p>The Department acknowledges the noted instances in which the dates reflected in the "Date Response Received" fields in SARA were one business day following the dates the complaints/inquiries were received. Although all complaints/inquiries were timely processed in compliance with Section 11.11 of the Texas Administrative Code, personnel were reminded to ensure the dates entered in SARA correspond with the receipt dates going forward. The Department has also eliminated an auto-populate system feature in SARA for this field to require personnel to manually enter the receipt date. The Department will continue to monitor future date field entries to ensure similar instances do not occur.</p>	To ensure data used for tracking and reporting of complaints and inquiries is accurate.



**TEXAS DEPARTMENT OF BANKING**

Consumer Assistance

Internal Audit Report

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
			<p><b>2. Inquiries Reporting</b></p> <p>In accordance with Sunset Commission Recommendation 4.4 relating to consistently defining, counting, and reporting complaints, DOB reports complaint activity to the Finance Commission at regular meetings. The reporting includes jurisdictional complaints, jurisdictional inquiries, and nonjurisdictional complaints and inquiries.</p> <p>However, under certain circumstances, the number of jurisdictional inquiries is not counted consistently between DSS and NDS. When a complainant's initial communication to DOB is classified as an inquiry due to lack of information, the complainant is notified, and may provide additional information that results in meeting the criteria for a complaint. In these instances, DSS counts such cases as only a complaint, while NDS counts them as one complaint and one inquiry.</p> <p><b>Recommendation</b></p> <p>We recommend that DOB establish a policy of counting jurisdictional inquiries that are later classified as complaints to ensure such inquiries are counted in a consistent manner by both divisions.</p> <p><b>Management's Response</b></p> <p>Effective April 1, 2021, DSS will simplify their data entry to mirror the NDS methodology and enter communications as two separate items - an inquiry and a complaint.</p>	To ensure consistent reporting between divisions.

## **Appendix A. Sunset Recommendations 4.2 and 4.4 (Full Text)**

### **Recommendation 4.2 Update the agency's complaint processing provisions to meet the Sunset Commission's standard across-the-board requirements.**

This recommendation would modify DOB's statute to reflect updated Sunset Commission complaint best practices for agencies. Statute would require the agency to develop a system to promptly and efficiently act on complaints, maintain documentation on all complaints received by the agency, and inform all parties to a complaint about agency complaint investigation procedures and the status of the complaint until resolution. This recommendation would remove outdated complaint requirements from statute to ensure DOB has the flexibility necessary to adopt updated rules and procedures to timely and transparently resolve complaints.

### **Recommendation 4.4 Direct DOB and the Finance Commission to develop an updated complaint process in rule.**

This recommendation would require DOB and the Finance Commission to develop updated rules detailing all phases of the agency's complaint investigation and resolution process to promote consistent and transparent processing of consumer complaints. Recommendations in Issue 5 and Issue 6 would direct similar actions for the Office of Consumer Credit Commissioner and Department of Savings and Mortgage Lending. The rulemaking process coordinated through the Finance Commission would shed light on discrepancies between the three agencies' processes, ensure the agencies report consistent information for effective oversight, and help the Finance Commission identify best practices. The Finance Commission should coordinate this effort and adopt updated complaint rules for DOB by September 1, 2019.

The rules should include, at a minimum, the following best practices:

- Details on all phases of the agency's complaint investigation and resolution process, including receipt, investigation, adjudication, closure, and disclosure to the complaint parties.
- Overall timeline goals for complaint investigation and resolution.
- Regular intervals for informing complaint parties of the status of investigations.
- A process for providing a summary of the complaint's resolution to the complaint parties once the agency has closed the complaint.
- Information about options for appealing the agency's resolution of the complaint.
- Procedures governing administrative dismissal of complaints by agency staff and establishing a quality control process to ensure the agency checks a sample of complaints closed without an investigation, found to be nonjurisdictional, or found to be lacking sufficient evidence to refer to enforcement.
- Procedures for consistently defining, counting, and reporting all types of complaints and their resolution to the Finance Commission. The rules should clearly define how the agency differentiates between complaints and inquiries, and should specifically require tracking and reporting of administratively dismissed complaints, complaints closed for lack of sufficient evidence, and nonjurisdictional complaints.

**OFFICE OF CONSUMER CREDIT COMMISSIONER**

Austin, Texas

**INTERNAL AUDIT REPORT**

on

**TFEE Fund Investment Portfolio Administration**

**Fiscal Year 2021**

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Finance Commission Members and  
Audit Committee Members  
Office of Consumer Credit Commissioner  
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the Office of Consumer Credit Commissioner's (OCCC) internal control structure over the administration of the investment portfolio of the Texas Financial Education Endowment (TFEE) Fund (Area) and its established policies and procedures, as applicable to the Area, for the purpose of determining OCCC's compliance with applicable laws and regulations provided in the Texas Finance Code and Texas Administrative Code, for the 5 months ended January 31, 2021.

The results of our tests disclosed that OCCC's internal control structure over the Area and its established policies and procedures, were generally adequate and no material instances of noncompliance were noted; however, we did identify a certain matter that is included in this report, that is an opportunity for strengthening internal controls and ensuring compliance with OCCC's established policies and procedures. Based on the degree of risk or effect of this matter in relation to the audit objective(s), this matter was rated as either Priority, High, Medium, or Low, which is further described in the "Summary and Related Rating of Observations/Findings and Recommendations", which is included in page 9 of this report.

We have discussed the comment and recommendation from the audit of the Area with various OCCC personnel; and, will be pleased to discuss it in further detail; to perform an additional study of this matter; or, to assist you in implementing the recommendation made.



March 19, 2021

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San Antonio, TX 78215  
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Fax 227-0716

## **OFFICE OF CONSUMER CREDIT COMMISSIONER**

TFEE Fund Investment Portfolio Administration

Fiscal Year 2021

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### **INTRODUCTION**

The Office of Consumer Credit Commissioner (OCCC) operates pursuant to Chapter 14 of the Texas Finance Code, and under the oversight of the Texas Finance Commission, who appoints the Consumer Credit Commissioner. OCCC has authority to regulate consumer credit transactions and interest rates in Texas, offers protection to consumers, coordinates educational efforts aimed at consumers and industry alike, and advises lenders on compliance issues.

OCCC's primary task is to license and perform examination of licensed industries; such as, motor vehicle sales finance companies, regulated lenders, payday/title loan lenders, and pawnshops/pawn employees; and, oversee registered industries such as debt management and settlement providers and registered creditors.

OCCC was granted Self-Directed, Semi-Independent (SDSI) status in the 81st Legislative Session. As an SDSI agency, OCCC is not required to have their budget approved by the Legislature; however, the Finance Commission is responsible for setting OCCC's spending authority or limits. OCCC's operating funds are generated from fees assessed to the businesses it supervises and are used to fund both direct and indirect costs. General revenue funds are not used to support OCCC's operations.

#### **2021 Internal Audit Plan**

Following are the internal audit functions to be performed, as identified in OCCC's 2021 Internal Audit Plan, dated November 18, 2020 and approved by the Audit Committee and Finance Commission on December 11, 2020:

- Risk Assessment & Preparation of the 2021 Internal Audit Plan
- TFEE Fund Investment Portfolio Administration
- Fiscal Division (includes Fixed Assets & Travel)
- Follow-up of Prior Year Internal Audits
- Preparation of the 2021 Internal Audit Annual Report
- Other Tasks

This report contains the results of our audit of the TFEE Fund Investment Portfolio Administration area. The reports for the remaining internal audit area and other functions to be performed will be issued upon completion.

## INTERNAL AUDIT SCOPE AND OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of OCCC's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope included the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations, and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

## **EXECUTIVE SUMMARY**

### **TFEE Fund Investment Portfolio Administration**

#### **Background**

The Texas Financial Education Endowment (TFEE) Fund was established in 2011 by the 82<sup>nd</sup> Legislature, to be administered by the Finance Commission of Texas, through OCCC, to support statewide programs that would improve consumer credit, provide financial education, and asset-building opportunities. In accordance with Texas Finance Code Sec.393.628, the TFEE Fund is funded with annual endowment fees, not to exceed \$200, assessed to each credit access business (CAB) license holder and applicant; and, gifts and donations. Collected funds must be deposited in an interest-bearing deposit account with the Texas Treasury Safekeeping Trust Company (TTSTC), a corporation created by the Texas Comptroller of Public Accounts (Comptroller). The statute allows the funds to be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas, as provided by Government Code Chapter 815, Subchapter D.

The Finance Commission administers all aspects of the TFEE, including the grant program, gifts, donations, funding, and policy decisions. The Audit Committee is responsible for reviewing and making recommendations on investment reports; and, providing oversight and administration of the TFEE, which includes recommending actions to be taken on the investment of funds. Each Finance Commission member is required to complete training on the governing board's responsibilities over public funds investments. OCCC's Director of Licensing and Finance (Director) and Accounting staff are responsible for managing the TFEE Fund; including, the administration of the TFEE Fund's investment portfolio.

#### **OCCC Investment Policy**

The administration of the TFEE Fund investments is governed by OCCC's Investment Policy, which is reviewed and approved by the Finance Commission annually, with the last review and approval on August 21, 2020. Although the funds collected by OCCC are not subject to the Government Code Chapter 2256, known as the Public Fund Investment Act (PFIA), OCCC's Investment Policy is comparable to the PFIA investment policy requirements.

In accordance with OCCC's Investment Policy—

- 1) The Director is the agency's sole designated investment officer.
- 2) Not less than quarterly, the Investment Officer must prepare a signed, written investment report and submit it to the Finance Commission for review and approval. The investment report reflects activity of the TFEE Fund that occurred for the reporting period; to include, beginning and ending investment and cash balances, deposits, interest earned, transfers, grant payments made, and bank fees paid.
- 3) Not less than once each biennium, the Investment Officer and other agency staff who perform investment-related activities must complete investment training. The Investment Officer must report the training status to the Finance Commission, annually, at the same time the Investment Policy is submitted for review and approval.



## **OFFICE OF CONSUMER CREDIT COMMISSIONER**

TFEE Fund Investment Portfolio Administration

Fiscal Year 2021

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### **TTSTC Endowment Investment Policy**

OCCC's Investment Policy for the TFEE Fund adopts the TTSTC Endowment Investment Policy, by reference. The TFEE Fund accounts are currently held at TTSTC in either an interest-bearing Cash account or the Investment account. TTSTC is responsible for managing funds in the Investment account in accordance with its Endowment Investment Policy.

The TFEE Fund is one of the 11 endowment funds managed by TTSTC. The Comptroller makes investments authorized by Government Code Sec. 404.024 through TTSTC, with the advice of, and in consultation with, the Comptroller's Investment Advisory Board (IAB), and oversight from the TTSTC Investment Committee, consisting of TTSTC's executive management. Endowment portfolios are invested across diverse asset classes, with a goal of achieving long-term, stable returns. For every calendar quarter, the Endowment Portfolio Review prepared by TTSTC, and the Endowment Performance prepared by an independent third party, are reported to the Comptroller, the IAB, and the Investment Committee. Additionally, TTSTC's annual financial reports are audited by an independent auditor.

Each biennium, a TTSTC representative makes an investment presentation to the Finance Commission, with the last one taking place in February 2020. It is at this time that the Finance Commission reviews the OCCC Investment Policy for alignment with the TTSTC Endowment Investment Policy.

### **TFEE Fund Cash and Investment Accounts Management**

OCCC collects annual fees, which include endowment fees, from new CAB license applicants, and existing CAB license holders at annual renewal in December. The majority of CAB application and renewal payments are made through and recorded in OCCC's licensing system, the Application, Licensing, Examination, Compliance System (ALECS), with the endowment portion differentiated from other fees by the assignment of a unique object code in ALECS. OCCC staff separately processes check payments mailed to a lockbox or its headquarters from a small number of CAB licensed entities.

Collected endowment fees are initially deposited to OCCC's Operating account at TTSTC while being processed, and then periodically transferred to the TFEE Fund Cash account, also at TTSTC. The transfer of funds is made via TTSTC's online banking portal, to which 3 authorized OCCC staff, the Commissioner, the Director, and a senior accountant, each have access with a unique user ID and a security token. The online banking user profiles allow the Director and the senior accountant to initiate a transfer; and, require dual approval of both the Commissioner and the Director.

On a monthly basis, the senior accountant prepares a reconciliation of the TFEE Fund Cash account and obtains TTSTC's monthly TFEE Fund financial statements to monitor account balances and activities. The senior accountant uses the same information to prepare the quarterly investment reports. These reconciliations and investment reports are reviewed and approved by the Director.

Additionally, the Director, not less than annually, reviews TTSTC's Endowment Performance report and Endowment Portfolio Review report to monitor performance and net asset balances. The Director also, on an annual basis, reviews the Distribution Calculation spreadsheet, which computes a 20-quarter moving-average of the TFEE Fund investment balance to determine the TFEE grants distribution for the upcoming fiscal year.

The Director periodically analyzes the TFEE Fund's Cash and Investment account balances and determines whether any excess balance in the Cash account should be invested. Target Cash account balance is computed as 10% of the total TFEE Fund balance plus grant awards to be disbursed in the fiscal year. If additional investments are to be made, the Director will present the analysis to the Commissioner, who, upon approval, will send a signed instruction letter to TTSTC authorizing them to make an investment contribution from the Cash account. During the 5 months ended January 31, 2021, there were no contributions made from the Cash account.

**OFFICE OF CONSUMER CREDIT COMMISSIONER**

TFEE Fund Investment Portfolio Administration

Fiscal Year 2021

The table below provides the TFEE Fund's Cash and Investment account balances at the end of fiscal years 2019 and 2020; and, at January 31, 2021, the end of the audit period. As shown in the table, the Cash account balance consists solely of repurchase agreements, and investments consist of Short-Term Investment Funds, and long-term investments in equity, alternative, fixed income, and SWAPS, which are all investments authorized by OCCC's Endowment Policy.

<b>TFEE FUND CASH &amp; INVESTMENT ACCOUNT BALANCES</b>			
<b>Asset Type</b>	<b>August 31, 2019</b>	<b>August 31, 2020</b>	<b>January 31, 2021</b>
<b>Cash &amp; Cash Equivalents</b>			
Repurchase Agreements	\$ 2,019,402.48	\$ 1,091,088.89	\$ 1,091,122.20
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$ 2,019,402.48</b>	<b>\$ 1,091,088.89</b>	<b>\$ 1,091,122.20</b>
<b>Investments</b>			
Short-Term Investment Fund	\$ 1,873,835.17	\$ 3,614,518.26	\$ 3,656,390.93
Other Short-Term Assets	3,764.83	135.42	79.89
<i>Long-Term Investments</i>			
Equities	10,576.39	2,761.85	3,033.17
Alternatives	3,553,587.82	3,504,468.89	3,964,525.80
Fixed Income	413,283.82	56,627.75	14,792.49
SWAPS, at Fair Value	9,979.62	36,030.73	29,856.00
<b>Total Investments</b>	<b>\$ 5,865,027.65</b>	<b>\$ 7,214,542.90</b>	<b>\$ 7,668,678.28</b>
<b>Total Liabilities<sup>1</sup></b>	<b>(10,428.09)</b>	<b>(33,863.70)</b>	<b>(43,642.59)</b>
<b>Investments, net</b>	<b>\$ 5,854,599.56</b>	<b>\$ 7,425,394.61</b>	<b>\$ 7,625,035.69</b>
<b>Total Endowment Fund, net</b>	<b>\$ 7,874,002.04</b>	<b>\$ 8,271,768.09</b>	<b>\$ 8,716,157.89</b>

Source: August 31 balances were obtained from OCCC 4<sup>th</sup> quarter investment reports for respective fiscal year.

January 31, 2021 Cash balance was obtained from TTSTC Portfolio Asset Summary.

January 31, 2021 Investments and liabilities balances were obtained from TTSTC Statement of Fiduciary Net Position.

OCCC collected TFEE fees totaling \$346,000 during the 5-month period from September 2020 to January 2021 that are not reflected in the table above since they were temporarily held in OCCC's Operating account at TTSTC while being processed. In February 2021, OCCC transferred \$284,200 of the TFEE fees collected, less \$400 to cover refunds made in August 2020, to the TFEE Fund Cash account, and will transfer the remaining \$61,800 upon completion of the processing. OCCC received no gifts or donations during the 5-month period from September 2020 to January 2021.

*Disbursements*

TFEE funds are disbursed only for the purposes specified in Finance Code Sec. 393.628, through the TFEE grant program. Upon proper approval of a semi-annual expense reimbursement request from a grantee, funds are transferred from the TTSTC Cash account to a Private Purpose Trust Fund, as established by the Comptroller, which is used to disburse TFEE funds. For the 5 months ended January 31, 2021, there were no disbursements made to grantees.

<sup>1</sup> Liabilities consist of management fees and fees related to SWAP trades.

## OFFICE OF CONSUMER CREDIT COMMISSIONER

TFEE Fund Investment Portfolio Administration

Fiscal Year 2021

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### Audit Objective, Scope, And Methodology

#### **Objective**

The objective of the audit was to determine OCCC's compliance with applicable state laws and rules, and established policies and procedures, over the administration of the Texas Financial Education Endowment (TFEE) Fund investment portfolio (Area).

#### **Scope**

The scope of our audit was the Area's activities and transactions made during the 5-month period from September 1, 2020 through January 31, 2021 (audit period), and included subsequent activities for TFEE fees collected during the audit period.

#### **Methodology**

The audit methodology included a review of applicable laws and regulations; OCCC's established policies and procedures, and other internal and external documentation; and, interviews and correspondence with the Director of Licensing and Finance.

We obtained and/or reviewed the following internal and external documentation:

- a. Texas Finance Code Sec. 393.628, *Texas Financial Education Endowment*; Texas Government Code Chapter 815, Subchapter D, *Management of Assets*, as it relates to the *Employees Retirement System of Texas*; and, Title 7 of Texas Administrative Code Chapter 7, *Texas Financial Education Endowment Fund*.
- b. OCCC policies and procedures, to include:
  - 1) OCCC Investment Policy, effective August 21, 2020.
  - 2) TFEE Bank Reconciliation Procedure Manual.
  - 3) Funds Transfer Procedure.
- c. Other policies and procedures, to include:
  - 1) TTSTC Investment Policy Statement for Texas Endowment Funds, October 2020.
  - 2) Finance Commission Policies and Procedures, December 2018.
- d. Sample worksheets utilized by the Area, to include:
  - 1) The *Distribution Calculation*.
  - 2) Bank Reconciliation.
  - 3) TFEE Cash Balance Analysis.
- e. TTSTC Audits and Reports, to include:
  - 1) Fiscal year 2020 audited annual financial report and accompanying Conduct of Audit report.
  - 2) Fiscal year 2020 internal audit annual report and *Summary of Internal Audit Comments*.
  - 3) *Endowment Portfolio Review* for third quarter, 2020 calendar year.
  - 4) *Endowment Performance* report for third quarter, 2020 calendar year.
- f. TTSTC presentation to the Finance Commission, February 2020.
- g. OCCC Investment Report for first quarter, fiscal year 2021; and, supporting documentation consisting of TTSTC Statement of Fiduciary Net Position and Cash account statements.
- h. Cash account monthly reconciliations for the months of September 2020 through January 2021.

## OFFICE OF CONSUMER CREDIT COMMISSIONER

TFEE Fund Investment Portfolio Administration

Fiscal Year 2021

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- i. Investment training certificates for applicable OCCC staff; including, the investment officer; and, *Confirmation of Training Received* for selected Finance Commission members.
- j. Endowment fee collection reports for the audit period, evidence of funds transfer from OCCC Operating account to TFEE Cash account subsequent to the audit period; and, evidence of deposits to the Operating account for remaining TFEE funds collected but still held in the Operating account.

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

1. Updated our understanding of state laws and regulations and OCCC's policies and procedures, as applicable to the administration of the TFEE Fund investment portfolio.
2. Reviewed OCCC's Investment Policy to ensure it was substantially comparable to what is required by the Government Code 2256, Public Funds Investment Act (PFIA), which is considered best practices.
3. Reviewed quarter 1, fiscal year 2021 investment report presented to the Finance Commission's Audit Committee and performed the following procedures:
  - (1) Traced beginning and ending balances, additions/deletions during the reporting period, and interest rate, to source documents originated from TTSTC.
  - (2) Assessed compliance with OCCC Investment Policy, Section 6, *Reporting*.
4. Reviewed the August 21, 2020 meeting minutes for the Audit Committee and Finance Commission to ensure OCCC's Investment Policy is reviewed and approved annually.
5. Reviewed investment training certificates for applicable OCCC staff to assess compliance with OCCC Investment Policy, Section 11, *Investment Training*.
6. Reviewed *Confirmation of Training Received* for the 3 newest Finance Commission members to assess compliance with Finance Commission Policies and Procedures, *Training*.
7. Reviewed TTSTC's audited annual financial report and internal audit report for fiscal year 2020; and, Investment Advisory Board meeting minutes for 3 meetings held in calendar year 2020; to assess the levels of internal controls and oversight over TTSTC's endowment investments, and whether OCCC's reliance on such controls and oversight is appropriate.
8. Obtained the TFEE Cash account monthly bank reconciliations for the months from September 2020 to January 2021 and performed the following procedures:
  - (1) Traced the amounts in the reconciliations to TTSTC's monthly statements.
  - (2) Agreed the beginning balance to prior-month ending balance.
  - (3) Recomputed ending balances to ensure accuracy.
  - (4) Assessed OCCC's adherence to its established bank reconciliation procedures.
9. Reviewed bank records to validate that TFEE fees collected during the audit period were transferred into the TFEE Fund Cash account, or deposited into the OCCC Operating account while being processed.
10. Compared actual TFEE Endowment fee collection to an expectation based on the number of CAB licensees to evaluate reasonableness of the collection recorded by the Area.

**OFFICE OF CONSUMER CREDIT COMMISSIONER**

TFEE Fund Investment Portfolio Administration

Fiscal Year 2021

**SUMMARY AND RELATED RATING OF  
OBSERVATIONS/FINDINGS AND RECOMMENDATIONS**

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

<b>Summary of Observations/Findings &amp; Recommendations and Related Ratings</b>		
<b>Finding No.</b>	<b>Title</b>	<b>Rating</b>
1	TFEE Cash Account Reconciliations	Low
<u>Description of Rating</u>  A finding is rated <i>Priority</i> if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.  A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.  A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.  A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.		

**OFFICE OF CONSUMER CREDIT COMMISSIONER**

TFEE Fund Investment Portfolio Administration

Fiscal Year 2021

**OBSERVATIONS/FINDINGS AND RECOMMENDATIONS**

<b>Report No.</b>	<b>Report Date</b>	<b>Name of Report</b>	<b>Observations/Findings and Recommendations</b>	<b>Fiscal Impact/Other Impact</b>
1	3/19/2021	TFEE Fund Investment Portfolio Administration	<p><b>1. TFEE Cash Account Reconciliations</b></p> <p>The TFEE Bank Reconciliation procedure manual (Manual) requires monthly bank reconciliation of the TFEE Fund Cash account to monitor funds held at TTSTC. While the Manual does not define timeliness, it states that the monthly reconciliation report is prepared “upon receipt” of monthly bank statements. Our review of the 5 TFEE Cash account reconciliations prepared for the months during the audit period, disclosed 4 instances, for the months of September 2020 through December 2020 where the reconciliations were completed 2 to 5 months after the respective month-end.</p> <p><b>Recommendation</b></p> <p>We recommend that OCCC consider defining bank reconciliation completion dates within its Manual to ensure any discrepancies or unusual items are identified and resolved in a timely manner.</p> <p><b>Management’s Response</b></p> <p>The OCCC agrees with the recommendation and will promptly work to complete TFEE reconciliations 30 to 45 days after the close of every month. Procedures will also be updated to reflect these time frames and cross-training will occur to ensure these deadlines are met consistently.</p>	To safeguard funds in TFEE Cash account.



# Texas Financial Education Endowment (TFEE)

## TFEE Report – April 16, 2020

### ACTIVITIES RELATING TO THE TEXAS FINANCIAL ENDOWMENT FUND

Since the Finance Commission meeting in February the Texas Financial Education Endowment (TFEE) Grant is processing reimbursements totaling \$64,636.77 to 2020-2021 grant recipients. To date, the 2020-2021 grant cycle has processed reimbursements totaling \$104,513.04.

A review of existing grant documents is underway. The 2022-2023 TFEE grant cycle will open for applications in the summer.

The 2<sup>nd</sup> period 2020-2021 semi-annual TFEE report follows this report.



**2020-21 GRANT CYCLE  
SEMI-ANNUAL REPORT No. 2**

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**JULY 1, 2020 – DECEMBER 31, 2020**



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## **Grant Advisory Committee**

Molly Curl, Finance Commission Representative  
Laura Nassri Warren, Finance Commission Representative  
Eric Norrington, Credit Access Business Industry Representative  
Laura Rosen, Consumer Advocate Representative  
Roy Lopez, Financial Education Consultant  
Justin Accola, Department of Savings and Mortgage Lending

## **Grant Coordinator**

Andrea Johnson, Office of Consumer Credit Commissioner

## **2020-21 TFEE Grant Recipients**

Building Financial Capacity Coalition	K-12 Financial Education & Capability
Center for Transforming Lives	Financial Coaching
Easter Seals of Greater Houston	Financial Coaching
Family Eldercare	Adult Financial Education & Capability
Family Services Association of San Antonio	Financial Coaching
FirstLight Community Foundation	K-12 Financial Education & Capability
Foundation Communities	Financial Coaching
Girl Scouts of Northeast Texas	K-12 Financial Education & Capability
Texas State Affordable Housing Corp.	Financial Coaching
Women's Resource of Greater Houston	Adult Financial Education & Capability

# Summary

The Texas Financial Education Endowment awarded ten organizations an aggregate amount of \$300,000 in funds for program activities related to the 2020-21 grant cycle. These organizations promote and strengthen financial education and capability across Texas.

During the second reporting period many of our TFEF recipients continued to face problems related to the ongoing pandemic. During the second reporting period (July 1, 2020 – December 31, 2020), grant funds provided 8,243 hours of direct financial education training to 4,954 Texas consumers through group presentations and one-on-one financial coaching sessions. In addition, 80 teachers were trained to be better prepared to provide financial education to their students in accordance with Texas standards.

## *Funds Disbursement to Date*

<b>Amount Awarded</b>	<b>\$300,000.00</b>
<b>Total Requested Amount for Reimbursement Request No. 1:</b>	<b>\$39,876.27</b>
<b>Reimbursement Requests (No. 2 July 1, 2020 – December 31, 2020)</b>	
Building Financial Capacity Coalition	\$9,103.70
Center for Transforming Lives	\$9,341.46
Easter Seals of Greater Houston	\$10,000.00
Family Eldercare	\$0.00
Family Service Association of San Antonio	\$1,106.02
FirstLight Community Foundation	\$0.00
Foundation Communities	\$11,881.45
Girl Scouts of Northeast Texas	\$3,294.14
Texas State Affordable Housing Corporation	\$12,000.00
Women's Resource of Greater Houston	\$7,910.00
<b>Total Requested Amount for Reimbursement Request No. 2:</b>	<b>\$64,636.77</b>
<b>Total Requested Amount to Date:</b>	<b>\$104,513.04</b>
<b>% of Funds Expended to Date:</b>	<b>34.8%</b>
<b>Amount Of Funds Remaining</b>	<b>\$195,486.96</b>

# Building Financial Capacity Coalition

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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 Money Smart Ambassador Program was created to teach young adults the importance and the basics of personal finances. Building Financial Capacity Coalition 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: \$27,000**

**FUNDS REQUESTED THIS PERIOD: \$9,103.70 | TOTAL REIMBURSED YTD: \$16,638.50**

## *Program Update*

During the second reporting period 160 teachers and students were reached through 200 direct contact training hours.

The organization modified the program's best practices due to COVID-19 affecting school districts across Texas in order to continue to reach program goals. K-12 Financial Education and Capability programs were hit hardest due to the pandemic.

*Reporting Period Update (July 1, 2020 – December 31, 2020)*

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## *Program Activities*

- Restructured program to meet students and teachers through four different platforms including online
- Enhanced the Money Smart Ambassador Program by adding the Household Ambassador Program
- A College Savings Program was piloted at La Feria School District elementary schools
- Despite setbacks BFCC continues to exceed its program participation goals

## *Major Achievements*

- Moved the Money Smart Ambassador Congressional Summit to a virtual platform
- 80 Students were reached through the program

## *Biggest Challenges*

- Ongoing technical challenges brought on by the pandemic
- Harder to track an accurate number of participants due to it being an online platform

# Center for Transforming Lives

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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: \$35,000**

**FUNDS REQUESTED THIS PERIOD: \$9,341.46 | TOTAL REIMBURSED YTD: \$17,526.00**

## *Program Status to Date*

During the second reporting period, Center for Transforming Lives discovered that while the pandemic has brought on new challenges individuals are able to attend more financial coaching sessions throughout the month. This has led to many participants being able to attend not one but two sessions.

Center for Transforming Lives has collaborated with the City of Fort Worth to expand its online footprint. The organization uses the City of Fort Worth's new financial education website to announce its monthly workshops on [www.financialcompassarrantcounty.org](http://www.financialcompassarrantcounty.org).

*Reporting Period Update (July 1, 2020 – December 31, 2020)*

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## *Program Activities*

- Three new board members and new Chief Executive Officer
- Monthly Asset Builder Clinics, Save2Build, and virtual coaching sessions

## *Major Achievements*

- 34 participants were reached through financial coaching
- 194 Direct contact hours with participants
- Three individuals established or increased their credit scores
- Five participants established or increased their savings
- There was an average increase in savings of \$127 by participants

## *Biggest Challenges*

- Keeping participants engaged through goal achievement
- During the pandemic, financial coaching has become less of a priority as parents transition to homeschooling and also as some face loss of income
- Some participants do not have access to a computer or wi-fi in order to attend their coaching session calls

# Easter Seals of Greater Houston

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For over 70 years, Easter Seals of Greater Houston has been offering help, hope, and answers to people of all ages with disabilities and their families. Through therapy, training education, and support services, Easter Seals creates life-changing solutions so that people with disabilities can live, learn, work, and play in our community.

The goal of the organization's adult financial education and capability program is to provide financial coaching to low income families, especially veterans and people with disabilities, to help them meet their goals of creating a budget, reducing debt, increasing savings, improving credit scores, becoming banked and saving for a specific purpose such as the purchase of a new home.

**PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY**

**GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$35,000**

**FUNDS REQUESTED THIS PERIOD: \$10,000.00 | TOTAL REIMBURSED YTD: \$16,666.67**

## *Program Status to Date*

During the second reporting period, Easter Seals of Greater Houston 43 families were provided financial coaching services to lead them to homeownership. 24 of those individuals went to purchase their first home. In addition to those who went on to purchase homes, 8 families have qualified for mortgages and will be closing on their new homes in the Spring of 2021.

Easter Seals of Greater Houston continues to grow virtually in order to continue to reach their clients' needs. The organization is harnessing virtual coaching sessions to help people achieve their financial goals.

*Reporting Period Update (July 1, 2020 – December 31, 2020)*

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## *Program Activities*

- Clients complete a household budget during the first counseling session
- Counselors are now using multiple tools to track and monitor client success

## *Major Achievements*

- 43 unduplicated individuals directly served
- 172 direct contact hours with participants
- 35 participants established or raised their credit scores with an average increase of 10%
- Four individuals established or increased their savings

## *Biggest Challenges*

- Educating the client as to the guidelines of the down payment assistance program and the restrictions placed on the homeowner through the second lien assistance
  - Second lien documents were read, reviewed, discussed by phone to ensure homebuyer understood their responsibilities
  - Documents were signed virtually but this still led to in-person signings for original signatures

# Family Eldercare

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Family Eldercare was founded in 1852 by a group of professionals concerned with supporting the family's role as caregiver for frail elders through training and information. The agency expanded to include services to prevent abuse, neglect, and financial exploitation of elders and adults with disabilities.

The purpose of their program is to develop and pilot a curriculum to support the capacity of Family Eldercare's case managers to promote the financial capability of aging Texans, especially those who have experienced homelessness. The goal is to offer a continuum of services to empower more of our clients to become financially independent and secure, while also enabling case managers to focus their attention on the clients requiring more intensive money management services.

**PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY**

**GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$30,000**

**FUNDS REQUESTED THIS PERIOD: \$0.00 | TOTAL REIMBURSED YTD: \$1,210.50**

## *Program Status to Date*

Family Eldercare is using grant funds to develop and pilot a financial education curriculum that will allow select Money Management clients whose income is actively managed by their staff to gain the necessary knowledge and skills to independently manage their finances.

During this reporting period, the target audience of the program was expanded to include residents at Community First! Village who are not current Money Management clients. These individuals are formerly homeless and often have very limited income sources and are rent burdened. This expansion required curriculum be adapted for a group setting and for participants whom the instructor has limited knowledge of their individual finances.

*Reporting Period Update (July 1, 2020 – December 31, 2020)*

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## *Program Activities*

- The program is in its preliminary stages; staffing and research

## *Major Achievements*

- Draft of the curriculum was completed and is currently under review by department staff

## *Biggest Challenges*

- The curriculum needed to be made to fit a wide range of financial situations as well as varied reading and cognitive abilities
- Completion of the curriculum was slowed down due to the pandemic
- Modifying the program for those individuals whose money is not managed by the organization

# Family Service Association of San Antonio

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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 services through one-on-one financial counseling. The focus is on reducing debt, increasing credit scores, savings, banking, and wealth building.

Family Service Association of San Antonio has provided financial empowerment consisting of one-on-one financial counseling and coaching for over six years in an effort to effect low-income family's economic stability and sustainability in impactful and measurable ways.

**PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY**

**GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$30,000**

**FUNDS REQUESTED THIS PERIOD: \$1,106.02 | TOTAL REIMBURSED YTD: \$5,439.17**

## *Program Status to Date*

During the second reporting period, Family Service Association of San Antonio provided 488 participants with 2,976 direct contact hours of one-on-one financial coaching sessions. In addition, the organization helped 200 individuals increase their credit scores by an average of 10% and 845 participants reduced their debt.

*Reporting Period Update (July 1, 2020 – December 31, 2020)*

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## *Program Activities*

- Maintain constant contact with clients to keep them engaged in and help them to re-evaluate financial goals
- Linked emergency assistance with financial counseling due to the financial need of the community
- Developed a train-the-trainer model to assist other non-profits to build their internal capacity around asset building activities

## *Major Achievements*

- Continue to have strong programmatic achievements and participants achieve high outcomes in a relatively short amount of time
- 85 participants counseled on pre-homeownership
- Three participants purchased homes

## *Biggest Challenges*

- More demand for the program than the organization can staff to assist
  - Increased funding to add an additional financial counselor



# FirstLight Community Foundation

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FirstLight Community Foundation strives to help youth and families in the El Paso and Las Cruces communities improve their lives by achieving financial independence. The FirstLight Community Foundation charitable foundation was founded in 2015. Through strategic analysis, the decision was made to incorporate financial literacy and scholarships as focus for the foundation, in order to help youth and families achieve financial independence.

FirstLight Community Foundation believes that it has a social responsibility to play a vital role in the overall financial capability of the communities it serves. The focus is to incorporate social change in the community, find new ways to get vulnerable people access to capital, and to be part of the framework and driving force behind community financial literacy efforts.

**PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY**

**GRANT TERM: ONE YEAR | AMOUNT AWARDED: \$13,000**

**FUNDS REQUESTED THIS PERIOD: \$0.00 | TOTAL REIMBURSED YTD: \$0.00**

## ***Program Status to Date***

*FirstLight Community Foundation focuses on the Brighter U Financial Literacy Program providing 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 program is typically implemented in the spring semester. Due to the pandemic the financial literacy program was hit hard. The organization's grant funding and program activities have been moved to the 2020-2021 school year.

***Reporting Period Update (July 1, 2020 – December 31, 2020)***

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## ***Program Activities***

- No program activities to date

## ***Major Achievements***

- No achievements to date

## ***Biggest Challenges***

- Pandemic caused major restructuring of the financial literacy program, postponing it until the 2020-2021 school year

# Foundation Communities

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Foundation Communities is a local, homegrown nonprofit since 1990. It provides affordable, attractive homes and free on-site support services for thousands of families with kids, as well as veterans, seniors, and individuals with disabilities. The organization offers an innovative, proven model that empowers residents and neighbors to achieve educational success, financial stability, and healthier lifestyles. The organization owns and operates 23 communities all over Austin and in North Texas. The organization's programs are made possible in large part by more than 2,500 volunteers each year.

**PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY**

**GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$30,000**

**FUNDS REQUESTED THIS PERIOD: \$11,881.45 | TOTAL REIMBURSED YTD: \$17,522.51**

## *Program Status to Date:*

During the second reporting period, Foundation Communities provided financial education services to 221 individuals. Two participants were able to raise or establish their credit scores by an average of 2%. Four participants established or increased their savings by an average of \$903. Foundation Communities continues to reach clients through financial education both on a goal-oriented and emergency response-based coaching program.

*Reporting Period Update (July 1, 2020 – December 31, 2020)*

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## *Program Activities*

- Implementation of financial coaching:
  - Transition to a new client data system to collect and track client demographic data
  - Incorporating both long-term goal planning and short-term resource attainment
- Implementation of Fresh Start Loan:
  - Training financial coaches on how to identify a good candidate for Fresh Start Loan and how to help those clients enroll
  - Finalizing the loan portal, enabling coaches and clients to access the application online

## *Major Achievements*

- Increasing the number of Financial Coaching sessions completed so that by September, we had the same number of monthly appointments than we did before the pandemic
- Launching the Fresh Start Loan Program – the loan portal is now open and coaches are trained to help clients apply

## *Biggest Challenges*

- Working with fewer financial coaches
  - 50 active coaches to 15 active coaches
- Adjusting to the new data collection system and process
- Conducting outreach for Fresh Star Loans during the pandemic
  - Many clients do not have the income to support their basic living expenses, much less qualify for a loan

# Girl Scouts of Northeast Texas

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Girl Scouts of Northeast Texas *inspires girls everywhere to stand up and make a difference. By nurturing innovation and developing leadership skills, they prepare girls to overcome challenges and advocate for their ideas now and later. Girl Scouts of Northeast Texas is more than 25,000 girls and 12,500 adult members strong.*

Girl Scouts of Northeast Texas covers 32 counties beginning just North of Waco extending to the Oklahoma state line and from Irving to the Louisiana border.

The organization's financial literacy program is geared toward girls in grades K-8 and will run in tandem with the Girl Scout Cookie program which teaches entrepreneurship skills. The curriculum offers interactive, hands-on activities to engage girls while they learn about financial education. It is designed to support Girl Scout program levels and school grade levels: Daisy (K-1); Brownie (2-3); Junior (4-5); and Cadette (6-8).

**PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY**

**GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$35,000**

**FUNDS REQUESTED THIS PERIOD: \$3,294.14 | TOTAL REIMBURSED YTD: \$4,657.89**

## ***Program Status to Date:***

During the second reporting period, Girl Scouts of Northeast Texas launched its new financial education program. Despite being in its infancy, it is on track to meet its goals and objectives through in-person and virtual sessions.

For this reporting period, 1,941 girls in grades K-8 registered for the financial literacy sessions. Many received two of the sessions in December, the remaining began in January. Girl Scouts of Northeast Texas is delivering the programs in collaboration with 18 program partners that include 15 schools and 3 nonprofit organizations.

***Reporting Period Update (July 1, 2020 – December 31, 2020)***

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## ***Program Activities***

- Delivered the new financial education curriculum to several different schools and nonprofits to help serve the needs of the community

## ***Major Achievements***

- 1,490 students reached
- 30 direct contact hours with the program

## ***Biggest Challenges***

- Juggling the virtual and in-person sessions with staff schedules
  - Schools are helping with the delivery of printed materials to those who remain in virtual learning

# Texas State Affordable Housing Corporation

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Texas State Affordable Housing Corporation is a nonprofit organization incorporated in 1994. Texas State Affordable Housing Corporation was created at the direction of the Texas Legislature to serve as a self-sustaining, statewide affordable housing provider. It operates under the belief that every Texan deserves the opportunity to live in safe, decent, and affordable housing. As the population of our state continues to grow at a record rate, the need for affordable housing in Texas has only increased.

The organization's programs target the housing needs of low-income families and other underserved populations who do not have acceptable housing options through conventional financial channels. Texas State Affordable Housing Corporation's mission is to address this critical and expanding need with initiatives such as first time home buyer grants and other down payment assistance programs.

**PROGRAM TYPE: FINANCIAL COACHING**

**GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$30,000**

**FUNDS REQUESTED THIS PERIOD: \$12,000.00 | TOTAL REIMBURSED YTD: \$12,000.00**

## *Program Status to Date:*

During the second reporting period Texas State Affordable Housing Corporation launched its Housing Connection train-the-trainer program online. Also, during this time, the organization started a new course on foreclosure prevention counseling called Foreclosure Basics for Homeownership Counselors. This program started based on previous surveys.

Altogether, TSHAC trained 34 housing counselors, representing 24 organizations, and 17 different cities through the 2020 virtual training event.

*Reporting Period Update (July 1, 2020 – December 31, 2020)*

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## *Program Activities*

- Launched two new programs
- Started new partnerships with several financial organizations through the Housing Connection program

## *Major Achievements*

- 1,645 individuals were directly served through the Housing Connection program
- 4,671 direct contact hours were held with participants
- 98 people raised or established credit scores with an average increase of 27%
- 118 individuals established or increased their savings by an average of \$500
- 37 people reduced their use of consumer loan products

## *Biggest Challenges*

- Counselors identify funding resources as the number one obstacle to expanding counseling services

# Women's Resource of Greater Houston

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Women's Resource of Greater Houston helps women and girls make choices toward becoming independent, productive and financially stable. In the organization's programs, women acquire the essential financial knowledge, skills, and confidence they need to make sound decisions and improve their lives – for themselves and for generations to come.

For 2.8 million Houstonians who are experiencing financial distress, Women's Resource trains and coaches women and girls, meeting them where they are. The organization inspires financial change, improving financial health, and overall individual and family wellbeing.

**PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY**

**GRANT TERM: TWO YEARS | AMOUNT AWARDED: \$35,000.00**

**FUNDS REQUESTED THIS PERIOD: \$7,910.00 | TOTAL REIMBURSED YTD: \$12,851.80**

## *Program Status to Date*

During the second reporting period, Women's Resource of Greater Houston the organization still had setbacks in participation due to the pandemic. The organization, however, is using this experience to incorporate a virtual option moving forward even after in-person classes become more active.

The organization has been selected by United Way of Greater Houston to serve as the lead facilitator for its Financial Coaching certification program.

*Reporting Period Update (July 1, 2020 – December 31, 2020)*

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## *Program Activities*

- 22% increase in the number of women taking two or more classes
- Launched three Possibility Groups of 25 women
- Completed first virtual YourLife Possibility Group with clients from the Houston Area Women's Center and 2-1-1 Texas/United Way Helpline

## *Major Achievements*

- Ability to maintain on-line registration and participation despite the virtual learning fatigue other organizations are experiencing
- 873 individuals were directly served through 91 courses
- Collaboration with Houston Area Women's Center lead to 5 clients collectively saving \$1,290 and decreasing their overall debt by \$5,573
- Collaboration with 2-1-1 Texas/United Way Helpline lead to 7 women being able to save collectively over \$4,800

## *Biggest Challenges*

- Virtual classes present barriers for collecting pre and post surveys
  - 90% collection rate in-person fell to 34% virtual
- Technology divide continues to play a role in the decrease in regular participation rates
  - Working with other community partners to help make resources available

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