

FINANCE COMMISSION OF TEXAS

AUDIT COMMITTEE MEETING

Friday, June 18, 2021
8:30 a.m.
Via Webinar

Due to Governor Greg Abbott's March 13, 2020 proclamation of a state of disaster affecting all counties in Texas due to the Coronavirus (COVID-19) and the Governor's March 16, 2020 suspension of certain provisions of the Texas Open Meetings Act, the June 18, 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 or at <https://register.gotowebinar.com/register/1843024895265950736>. An electronic copy of the agenda is now available at www.fc.texas.gov, and a copy of the meeting materials will be available on June 10, 2021 at www.fc.texas.gov. To access the recording visit www.fc.texas.gov after June 18, 2021.

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

- A. Review and Approval of the Minutes of the April 16, 2021 Audit Committee Meeting
- B. Review of Agencies' Activities
 - 1. Office of Consumer Credit Commissioner
 - 2. Texas Department of Banking
 - 3. Department of Savings and Mortgage Lending
- C. Discussion of the 2022 Budget Process
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Reapprove the Internal Auditor Contract for Garza/Gonzalez & Associates for Fiscal Year 2022
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's 2021 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates
- F. Report on Activities Relating to the Texas Financial Education Endowment Fund
- G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Revised Texas Financial Education Endowment (TFEE) Fund Grant Administration & Advisory Policy Manual and 2022-2023 Funding Priorities
- H. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Approve an Amount for the Upcoming 2022-2023 Grant Cycle for the Texas Financial Education Endowment (TFEE)
- I. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by Tex. Govt. Code Secs. 551.076 and 551.089

NOTE: The Audit Committee of the Finance Commission of Texas may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Accessibility: Under the Americans with Disabilities Act, the Finance Commission of Texas will accommodate special needs. Those requesting auxiliary aids or services should notify the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

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MINUTES OF THE AUDIT COMMITTEE MEETING Friday, April 16, 2021

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m. on April 16, 2021 with the following members present:

Audit Committee Members in Attendance (via webinar):

Phillip Holt, Chairman (*Acting Chairman*)

Hector Cerna

Larry Long

Chairman Holt announced there was a quorum of the Audit Committee of the Finance Commission of Texas. (*1:16 on audio file*).

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the February 19, 2021 Audit Committee Meeting	Larry Long made a motion to Approve the Minutes of the February 19, 2021 Audit Committee Meeting. Hector Cerna seconded and the motion passed.	1:44 start of discussion 1:59 Vote
B. Review of Agencies' Activities 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner	No Action Required.	2:24 start of discussion
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	Hector Cerna made a motion to recommend that the Finance Commission Approve the Agencies' 2021 Second Quarter Investment Officer Reports. Larry Long seconded and the motion passed.	7:42 start of discussion 19:31 Vote
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	Larry Long made a motion to recommend that the Finance Commission Approve the Agencies' 2021 Second Quarter Financial Statements. Hector Cerna seconded and the motion passed.	20:00 start of discussion 37:31 Vote
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	Hector Cerna made a motion to recommend that the Finance Commission Approve the Texas Department of Banking's Consumer Assistance Audit Report as Prepared and Presented by Garza/Gonzalez and Associates. Larry Long seconded and the motion passed.	37:55 start of discussion 46:10 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner's TFEF Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates	Larry Long made a motion to recommend that the Finance Commission Approve the Office of Consumer Credit Commissioner's TFEF Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates. Hector Cerna seconded and the motion passed.	46:39 start of discussion 52:13 Vote
G. Report on Activities Relating to the Texas Financial Education Endowment Fund	No Action Required.	52:43 start of discussion

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Holt adjourned the meeting at 9:25 a.m. (55:23 on the audio file).

Phillip Holt, Acting Chairman, Audit Committee
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Brenda Medina, Executive Assistant
Finance Commission of Texas

Office of Consumer Credit Commissioner
Audit Activities Report
as of 5/31/2021

Auditor:	Audit Report Date: March 19, 2021
Garza/Gonzales	

Audit Area: *Internal Audit – TFEE Fund Investment Portfolio*

Findings: The OCCC should consider defining bank reconciliation completion dates within its manual to ensure any discrepancies or unusual items are identified and resolved in a timely manner.	Status Update: Completed – The OCCC has updated procedures.
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Auditor:	Audit Report Date: <i>Pending</i>
Garza/Gonzales	

Audit Area: *Internal Audit – Fiscal Activities*

Findings: NA	Status Update: Pending
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Auditor: <i>Department of Public Safety</i>	Audit Report Date: <i>Pending</i>
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Audit Area: *Non-Criminal Justice Audit: Licensing*

Findings: NA	Status Update: Pending
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Texas Department of Banking
Audit Activities Report
as of May 31, 2021

Auditor:	<i>Garza/Gonzalez & Associates</i>	Audit Report Date: <i>March 25, 2021</i>
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Audit Area:	<i>Consumer Assistance</i>
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Findings: <i>Performance Measures</i>	Status Update: <i>Completed –Procedures were updated to reflect communications will be entered as two separate items - an inquiry and a complaint effective April 1, 2021.</i>
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Auditor:	<i>Department of Information Resources – AT&T</i>	Audit Report Date: <i>Completed</i>
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Audit Area:	<i>Texas Cybersecurity Framework Assessment</i>
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Findings:	Status Update: <i>Report will be made to the Audit Committee in Executive Session.</i>
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Auditor:	<i>Garza/Gonzalez & Associates</i>	Audit Report Date: <i>Completed</i>
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Audit Area:	<i>Management Information Systems - Includes Disaster Recovery Plan</i>
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Findings: <i>None</i>	Status Update: <i>None.</i>
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Auditor:	<i>Garza/Gonzalez & Associates</i>	Audit Report Date: <i>Completed</i>
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Audit Area:	<i>Imaging and Records Management Follow-up</i>
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Findings: <i>Record Retention Periods</i>	Status Update: <i>Completed. Recommendation was fully implemented.</i>
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<i>Archival Records</i>	<i>Completed. Recommendation was fully implemented. The Texas State Library Archivist review determined record series was no longer considered archival.</i>
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Texas Department of Banking
Audit Activities Report
as of May 31, 2021

Auditor: *Texas Department of Public Safety* **Audit Report Date:** *Completed*

Audit Area: *Secure Site Confirmation - Background Checks*

Findings: . **Status Update:**
In progress – Audit field work is complete and audit report is pending.

Auditor: *Texas Comptroller of Public Accounts* **Audit Report Date:** *Pending*

Audit Area: *Post Payment Audit*

Findings: **Status Update:**
In Progress – Audit field work began January 25, 2021.

Auditor: *State Office of Risk Management* **Audit Report Date:** *Pending*

Audit Area: *Risk Management Program Review*

Findings: **Status Update:**
Review to be performed on June 6, 2021

**Department of Savings and Mortgage Lending
Audit Activities Report as of May 31, 2021**

Auditor:	Garza/Gonzalez	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Procurement/Contract Management/HUB</i>	
Findings: <i>N/A</i>	Status Update: <i>Field work in progress.</i>	

2022 Tentative Budget Timeline

Date	Action
June – July 2021	Agencies develop draft 2022 budgets
August 2, 2021	Draft budgets posted on agencies' websites and submitted to Finance Commission members
August 11, 2021	Conduct public hearing on draft budgets
August 20, 2021	Audit Committee and Finance Commission meetings to review draft budgets



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

May 14, 2021

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

Re: Audit Delegation Request 449-2021-001

Dear Mr. Chadli:

In accordance with Texas Government Code, Section 321.020, the State Auditor's Office delegates to the Finance Commission of Texas, the Department of Banking, the Department of Savings and Mortgage Lending, and the Office of Consumer Credit Commissioner (Agencies) the authority to employ a private auditor to provide internal audit services as described in your online request submitted April 21, 2021.

This delegation of authority is subject to the following:

1. The services provided should be performed in accordance with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102).
2. This delegation of authority is for state fiscal year 2022.
3. The Agencies will notify the State Auditor's Office if an amendment to the contract significantly alters any contract terms, including, but not limited to, the scope of work to be performed and the term of the contract.
4. The Agencies will comply with applicable law, policies and procedures in the procurement of audit services, the expenditure of funds under the contract, and all other aspects of forming and administering the contract with the private auditor.
5. The Agencies will ensure that the State Auditor's Office promptly receives a copy of any report resulting from a peer review of the private auditor that is received by the private auditor after entering into the contract with the Agencies.
6. Any contracts entered into under this delegation of authority should include the following language: The Contractor understands that acceptance of state funds under this contract acts as acceptance of the authority of the State Auditor's Office to conduct an audit or investigation in connection with those funds. The Contractor further agrees to cooperate fully with the State Auditor's Office in the conduct of the audit or investigation, including providing all records requested. The Contractor will

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Mr. Sami Chadli, Director of Administrative Services
Department of Banking
May 14, 2021
Page 2

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

7. If the terms of the agreement with the private auditor are set forth only in an engagement letter, the engagement letter will include the language quoted in #6 above.
8. A signed copy of the contract or contract amendment should be provided to the State Auditor's Office within two weeks of execution. You may send it electronically to auditdelegation@sao.texas.gov or send a hard copy to the attention of Audit Delegation. Additionally, a copy of final audit reports should be provided to the State Auditor's Office upon completion. Texas Government Code, Section 2102.0091, requires that internal audit reports be filed with the State Auditor's Office, the Sunset Advisory Commission, the budget division of the Governor's Office, and the Legislative Budget Board not later than the 30th day after the date the report is submitted to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board. Internal audit reports may be sent to the State Auditor's Office electronically to iacoordinator@sao.texas.gov or a hard copy may be sent to the attention of Internal Audit Coordinator. Please include the audit delegation request number 449-2021-001 with all submissions and related correspondence.

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

Sincerely,

Verma L. Elliott

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

TEXAS DEPARTMENT OF BANKING
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2021



TEXAS DEPARTMENT OF BANKING
Austin, Texas

Annual Internal Audit Report
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 Texas Department of Banking's (DOB) internal control structure over the Management Information Systems (MIS) Area, to include the Disaster Recovery Plan, and its established policies and procedures, as applicable to the MIS Area, for the 7 months ended March 31, 2021. We performed these tests for the limited purpose specified in the fiscal year 2021 Internal Audit Plan, which was to validate the implementation status of the audit findings and recommendations included in the Information Technology Change Management Program audit, dated June 27, 2019, and to review the Disaster Recovery Plan and the Continuity of Operations Planning (COOP) Plan, for inclusion of vital information as related to MIS.

The results of our tests disclosed that such controls were adequate and no instances of noncompliance were noted. The report that accompanies this letter provides a summary of the Area; summarizes the audit objective, scope, and methodology; and, the procedures performed to achieve the objective of our audit.

We also performed a follow-up of findings and recommendations that were presented in the prior year internal audit report, and this report reflects the results and implementation status of our follow-up procedures performed; and, includes all information required for compliance with State of Texas Internal Audit Annual Report requirements.

We have discussed the implementation status from the follow-up performed, with various DOB personnel; and, 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 made.



April 30, 2021

TEXAS DEPARTMENT OF BANKING

Annual Internal Audit Report

Fiscal Year 2021

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 81st Legislative Session. As an SDSI agency, DOB is not required to have their budget approved by the Legislature; however, the Finance Commission is responsible for setting their spending authority or limits. DOB's 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 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 MIS Area; reflects the results of the follow-up procedures performed in the current year of the findings that were presented in the prior year internal audit report; and, meets the State of Texas Internal Audit Annual Report requirements. The Consumer Assistance report, dated March 3, 2021, was presented to, and approved by, the Audit Committee and Finance Commission at the April 16, 2021 meetings.

INTERNAL AUDIT 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 DOB'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.

TEXAS DEPARTMENT OF BANKING

Annual Internal Audit Report

Fiscal Year 2021

I. Compliance with Texas Government Code 2102: Required Posting of Internal Audit Information

To comply with the provisions of Texas Government Code, 2102.015 and the State Auditor's Office guidelines, within 30 days after approval by the Finance Commission, DOB will post the following information on its website:

- An approved fiscal year 2022 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2021 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The periodic and annual internal audit reports include any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor as well as the summary of the action taken by DOB to address such concerns.

II. Consulting and Nonaudit Services Completed

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards, 2018 Revision*, Sections 3.64-3.106.

III. External Quality Assurance Review

The internal audit division's most recent *System Review Report*, dated November 16, 2018, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

IV. Internal Audit Plan for Fiscal Year 2021

The approved Internal Audit Plan (Plan) included two audits to be performed during the 2021 fiscal year. The Plan also included a follow-up of the prior year internal audit recommendations that were not fully implemented as of fiscal year ended August 31, 2020, other tasks as may have been assigned by the Finance Commission or the Audit Committee, and preparation of the Internal Audit Annual Report for fiscal year 2021.

TEXAS DEPARTMENT OF BANKING

Annual Internal Audit Report

Fiscal Year 2021

Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 17 audit areas were identified as potential audit topics. A risk analysis utilizing 8 risk factors, was completed for each of the 17 potential audit topics and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 17 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Procurement/Contract Management/HUB Management Information Systems [(MIS) Includes Disaster Recovery Plan] Fixed Asset Management Payroll & Human Resources	Travel Revenue Accounting Process Consumer Assistance Bank Examinations IT Examinations	Corporate Activities Financial Reporting Trust Examinations Money Service Businesses Prepaid Funeral Guaranty Fund Imaging & Records Management Perpetual Care Cemeteries Prepaid Funeral Contracts

In the prior 3 years, the following internal audits and other functions were performed:

Fiscal Year 2020:

- Risk Assessment & Preparation of the Internal Audit Plan
- Revenue Accounting Process Audit
- Imaging & Records Management Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2019¹:

- Risk Assessment & Preparation of the Internal Audit Plan
- Information Technology Change Management Program
- Fines, Penalties, and Restitution Processes
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2018:

- Risk Assessment & Preparation of the Internal Audit Plan
- Prepaid Funeral Guaranty Fund
- Trust Examinations
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

¹ Performed by McConnell & Jones LLP.

TEXAS DEPARTMENT OF BANKING

Annual Internal Audit Report

Fiscal Year 2021

The internal audits and other tasks performed for fiscal year 2021 were as follows:

Report No.	Audits/Report Titles	Report Date
1.	Consumer Assistance <i>Objective:</i> 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.	3/3/2021
2.	Management Information Systems [(MIS) Includes Disaster Recovery Plan] <i>Objective:</i> To review established policies and procedures and the internal control structure over the MIS Area, for the limited purpose of validating the implementation status of the audit findings and recommendations included in the Information Technology Change Management Program audit, dated June 27, 2019, and to review the Disaster Recovery Plan and the Continuity of Operations Planning (COOP) Plan, for inclusion of vital information as related to MIS.	4/30/2021
2.	Annual Internal Audit Report – Follow-Up of findings and recommendations that were presented in the Prior Year Internal Audit Report	4/30/2021
-	Other Tasks Assigned by the Finance Commission or the Audit Committee	None

V. Executive Summary

Management Information Systems [(MIS) Includes Disaster Recovery Plan]

Background

The Management Information Systems Area (Area) is subject to various federal and state statutes and regulations, with the most significant being the Texas Government Code Chapter 2054 and the Texas Administrative Code (TAC) Chapter 202.

DOB has chartered the Information Technology Steering Committee (ITSC) consisting of its executive management and staff representation, as a decision-making body responsible for setting Information Technology (IT) strategy and priority, and for approving IT-related policies proposed by the IT division. The IT division is supervised by a director who reports to the Deputy Commissioner and is DOB's designated Information Resources Manager. An IT Security Officer is DOB's designated Information Security Officer (ISO), and concurrently reports to the IT Director and has a direct line of communication to the Deputy Commissioner, as required by TAC §202.21.

IT Change Management Audit

DOB's predecessor internal auditor issued internal audit report #19-001, *Information Technology Change Management Program* dated June 27, 2019, which included 5 recommendations. Our follow-up procedures performed in fiscal year 2020 of these recommendations validated implementation for 2 of the 5 recommendations. The 3 recommendations that remained either "substantially implemented" or "incomplete/ongoing" related to (1) change management framework; (2) risk assessment process; and, (3) approval authority based on risk rating. Subsequent to our fiscal year 2020 follow-up, DOB management reported full implementation of these 3 recommendations to the Audit Committee at the October 16, 2020 and December 11, 2020 meetings.

During fiscal year 2021, the IT division updated the Change Management Standard Operating Procedure (SOP), which now serves as DOB's consolidated MIS change management framework.

To address the risk assessment process and approval authority recommendations, the SOP defines risk ratings of High, Medium, or Low that are assigned to each change request; identifies factors considered by IT staff, using their professional judgement, in determining the assigned risk rating; and, specifies approval authority and required stakeholder communication based on the respective risk rating.

The requirements in the SOP are incorporated in Track-It, which is the online change management system used by DOB. All change requests must be logged in Track-It as a change ticket; and, the assigned IT staff must assign it a change category and a risk rating. There are various change categories; such as, a data change for bank & trust, or a server configuration change. The change category and risk rating fields in Track-It are required to be completed to be compliant with the Change Management SOP. The change category and risk rating assigned to the change ticket will prompt the system to activate the associated approval authority, which then assigns and notifies the approvers required for the respective change ticket. The approval status is tracked and prominently displayed in the change ticket. The IT division periodically reviews the approvers list to ensure it is timely updated.

TEXAS DEPARTMENT OF BANKING

Annual Internal Audit Report

Fiscal Year 2021

Disaster Recovery Planning

Texas Department of Information Resources (DIR) has established the Texas Cybersecurity Framework (TCSF) for state agencies and institutions of higher education (state organizations) as a guide in implementing their Information Security Program. DIR also provides state organizations a set of minimum requirements for implementing security controls in the Security Control Standards Catalog (Catalog). Security controls in the Catalog align with controls established by the National Institute of Standards and Technology (NIST) in the Special Publication (SP) 800-53, *Security and Privacy Controls for Information Systems and Organizations*.

DOB's Disaster Recovery (DR) Plan is developed by the IT division, and reviewed and approved by the ITSC. The DR Plan is prepared in accordance with the DR Plan Policy, which establishes policies for ongoing maintenance, updates, and testing of the DR Plan. DOB's Continuity of Operations Plan (COOP) is developed by DOB's Chief Financial Officer who is DOB's designated COOP Coordinator, using the guidance provided by the State Office of Risk Management (SORM) and Federal Emergency Management Agency (FEMA). The DR Plan and the COOP (collectively, the Plans), address key NIST controls related to disaster recovery and contingency planning.

DOB has identified and documented essential functions and essential records in the COOP. DOB's DR Plan identifies critical systems, applications, and equipment; analyzes their interdependencies; and, provides restoration priority order to achieve minimum disruption to systems and applications that support essential functions. For each of the critical systems, applications, and equipment identified, the recovery metrics are specified for: Recovery Time Objectives (RTO), Recovery Point Objectives (RPO), and Maximum Tolerable Downtime (MTD). DOB's overall RTO is 24 hours from the activation of the Plans.

Mission-critical records and applications residing on DOB servers are backed up in an automated process, and a copy of backup data is sent to DOB's alternate site located in a separate geographical area. The Plans, which are maintained in multiple physical and virtual locations, provide procedures for activation, communication, recovery, and reconstitution; and, include internal and external contact information.

The IT division conducts DR training for its staff at least annually, and when the DR Plan is updated. The IT division also conducts quarterly Incident Response/Contingency tabletop tests with its staff using various scenarios. Test results are documented and used to assess and improve the DR Plan and preparedness.

The IT division reviews and updates the DR Plan at least annually and when there are significant system changes, with the most recent update in March 2021. Additionally, the State Office of Risk Management reviews the COOP after each biennial review and update, with the most recent evaluation report issued in January 2021.

TEXAS DEPARTMENT OF BANKING

Annual Internal Audit Report

Fiscal Year 2021

Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to review established policies and procedures and the internal control structure over the MIS Area, for the limited purpose of validating the implementation status of the audit findings and recommendations included in the Information Technology Change Management Program audit, dated June 27, 2019, and to review the Disaster Recovery Plan and the Continuity of Operations Planning (COOP) Plan, for inclusion of vital information as related to MIS.

Scope

The scope of the audit was for the 7-month period from September 1, 2020 to March 31, 2021 (audit period).

Methodology

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

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

- A. Internal audit report #19-001, *Information Technology Change Management Program*, dated June 27, 2019, McConnell & Jones LLP.
- B. DOB Audit Activities Reports as of September 30, 2020 and as of November 30, 2020, as presented to the Audit Committee on October 16, 2020 and December 11, 2020, respectively.
- C. DOB Change Management Standard Operating Procedure (SOP), Version 1.1, and, Data Application Owner Review SOP, Version 1.0.
- D. Listing of change tickets opened during the audit period.
- E. Texas Cybersecurity Framework Security Control Objectives and Definitions; NIST SP 800-53 Rev. 5; and, DIR Security Control Standards Catalog Version 1.3, as applicable to the Area.
- F. DOB Continuity of Operations Plan, January 2021 and Information Technology Disaster Recovery Plan, March 2021.
- G. DOB Personnel Policy and Procedures Manual Section 14-33, *Disaster Recovery Planning*.
- H. SORM COOP Plan Evaluation Report, January 26, 2021.
- I. Documentation for a sample of DR exercise and tests conducted during the audit period.

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

- 1. Reviewed and obtained an understanding of state laws and regulations, and other requirements established by the DIR, as applicable to the Area.
- 2. Validated, through review of SOPs and Track-It demonstration by DOB staff, the implementation of IT Change Management Program audit recommendations, as reported by DOB management to the Audit Committee in the Audit Activity reports on October 16, 2020 and December 11, 2020.

TEXAS DEPARTMENT OF BANKING

Annual Internal Audit Report

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3. Reviewed DOB's applicable internal policies and procedures to determine whether the organizational structure and established policies and procedures provide adequate oversight and accountability over disaster recovery planning.
4. Reviewed the COOP, the DR Plan, and related internal policies and procedures, to verify inclusion of applicable controls in NIST SP 800-53 rev. 5, specifically, CP-1, CP-2, CP-3, CP-4, CP-6, CP-7, CP-8, CP-9, and CP-10; and, compliance with state implementation requirements for the same controls in the Security Control Standards Catalog v. 1.3.
5. Reviewed a sample of Test, Training & Exercise (TT&E) activities documentation to verify TT&E activities take place on a regular basis and to determine whether there is a system in place to ensure test results are documented and utilized to improve the DR Plan.

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VI. Observations/Findings and Recommendations**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 findings in this report and the related rating.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
-	None	-
<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 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 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 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 or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.		

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OBSERVATIONS/FINDINGS and RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
2	4/30/2021	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	None.	

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with explanation if not yet fully implemented
2	4/30/2021	2021 Follow-Up	<p><u>Follow-Up of the Prior Year Internal Audit</u></p> <p>Following is the status of the recommendations made during fiscal year 2020 that had not been fully implemented.</p> <p>Imaging & Records Management (Report date 6/12/2020)</p> <p>1. Record Retention Periods</p> <p>DOB should strengthen their controls to ensure the record retention period entered in the record index is accurate and agrees to the RRS since the record index date is used by the division directors and managers when identifying records for deletion.</p> <p>2. Archival Records</p> <p>DOB should establish procedures for compliance with TAC §6.8(b)(1) to ensure records are transferred to TSLAC's ARIS division or reviewed by the ARIS division, if required per the RRS, to confirm that the record is properly archived or deleted.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>

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Fiscal Year 2021

VII. External Audit Services Procured in Fiscal Year 2021

DOB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2021. No other external audit services were performed.

VIII. Reporting Suspected Fraud and Abuse

DOB has provided information on their website home page on how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO) by posting a link to the SAO's fraud hotline. DOB has also developed a Fraud Prevention Policy that provides information on how to report suspected fraud, waste, and abuse to the SAO.

IX. Proposed Internal Audit Plan for Fiscal Year 2022

The risk assessment performed during the 2021 fiscal year was used to identify the following *proposed* areas that are recommended for internal audit and other tasks to be performed for fiscal year 2022. The Internal Audit Plan for Fiscal Year 2022 will be developed and presented to the Audit Committee and Finance Commission, for acceptance and approval, at a meeting to be determined at a later date.

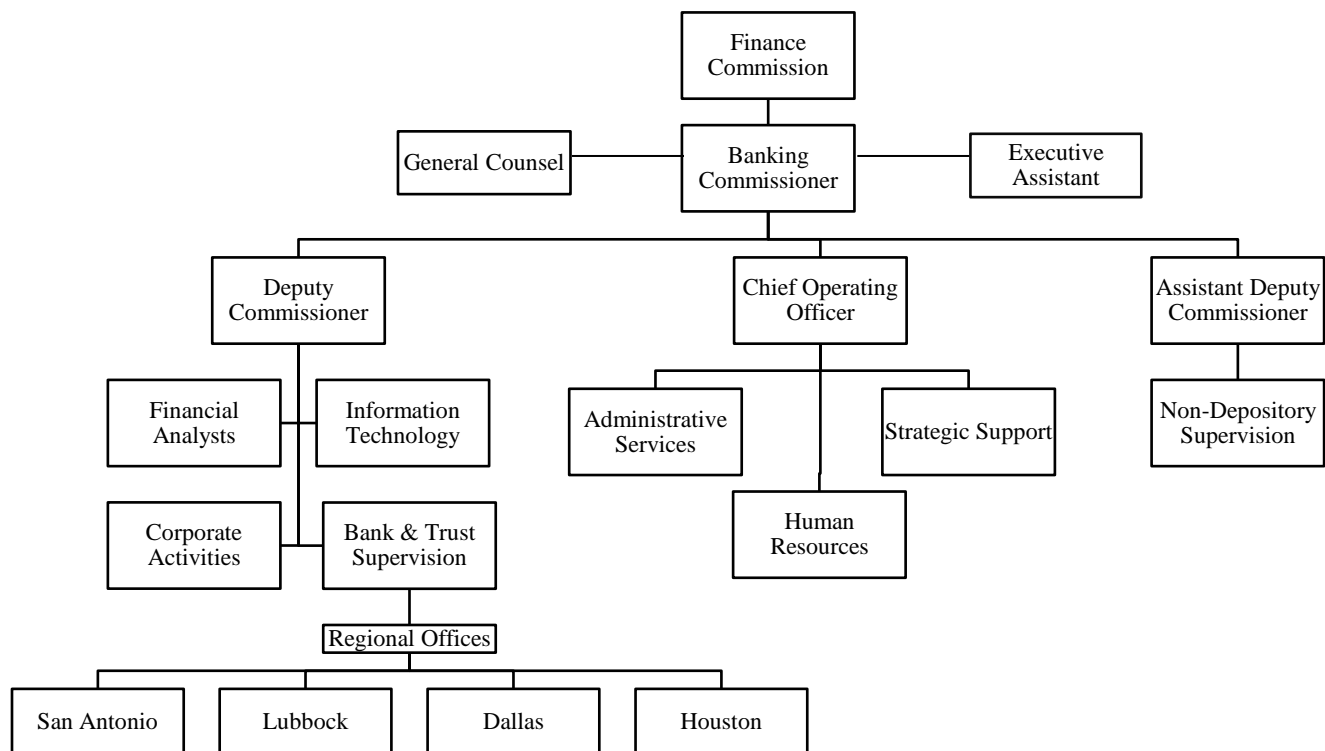
- Corporate Activities
- Payroll and Human Resources
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Finance Commission or the Audit Committee

TEXAS DEPARTMENT OF BANKING

Annual Internal Audit Report

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X. Organizational Chart



ATTACHMENT

TEXAS DEPARTMENT OF BANKING
History of Areas Audited
For Fiscal Year 2021

POTENTIAL AUDIT TOPIC		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Bank Examinations		A/B*	B*				A/B*	E			
2	Consumer Assistance								E			A
3	Corporate Activities			A			G*		E			
4	Financial Reporting	A						B	E*/C*			
5	Fixed Asset Management				C*			A	C*			C*
6	Imaging and Records Management						A				A	
7	IT Examinations						A		E			
8	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	D*	D*	D*/W	A, D*	D*	D*/G*	D*/B	E*	A1*/D	D*	A*/D
9	Money Service Businesses				A			B*	E	A1*	A*	
10	Payroll and Human Resources	A*	V	G*	C*		G*		C*/F*	F*	G*	C*
11	Perpetual Care Cemeteries					A		B*	E	A1*	A*	
12	Prepaid Funeral Contracts			A				B*	E	A1*	A*	
13	Prepaid Funeral Guaranty Fund		A						A/E	A1*	A*	
14	Procurement/Contract Management/HUB	A			C*			B*	C*			C*
15	Revenue Accounting Process	A				A		B	E	A1*	A	
16	Travel	A*			C*			B*	C*/E*			C*
17	Trust Examinations	A							A/E			

Note: Performance Measures is included in the scope of the applicable audit area(s).

Legend (audits/reviews with asterisk are considered limited scope for the audit area)

- A Internal audit performed by Garza/Gonzalez & Associates, CPAs.
- A1 Internal audit performed by McConnell & Jones LLP.
- B Audit performed by the State Auditor's Office (SAO).
- C Post-Payment audit performed by the Comptroller of Public Accounts.
- D IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- E Sunset Review performed by the Sunset Advisory Commission.
- F Review performed by the Texas Workforce Commission.
- G Review performed by the Department of Public Safety.



Texas Financial Education Endowment (TFEE)

TFEE Report – June 18, 2021

F. Activities Relating to the Texas Financial Education Endowment Fund

The 2020-2021 TFEE grant cycle has processed reimbursements totaling \$104,513.04. Third period grant award recipient's semi-annual reports are due on July 31, 2021.

In preparation for the 2022-2023 TFEE grant cycle the Grant Advisory Committee met in May to discuss document revisions, TFEE funding priorities and TFEE funding recommendations.

The timeline for the TFEE 2022-2023 TFEE Grant Cycle is as follows:

2022-2023 TFEE Grant Projected Timeline	
June 18, 2021	TFEE priorities and funding recommendations are presented to the Finance Commission.
July 1, 2021	The 2022-2023 TFEE application period opens.
September 1, 2021	TFEE application submission deadline.
September 6, 2021	GAC Conflict of Interest Forms are due.
September 30, 2021	GAC member application reviews and scores are due.
October 4-8, 2021	GAC members will meet to discuss applications, recommendations, & awards.
October 15, 2021	2022-2023 TFEE recommendations will be presented to the Finance Commission.
November 1, 2021	TFEE Award Announcements
December 1, 2021	New Grantee Orientation Webinar
January 1, 2022	The 2022-2023 TFEE Grant Cycle Begins

G. TFEE Administration & Advisory Policy Manual Revisions & 2022-2023 TFEE Funding Priorities

During the recent GAC meeting, revisions to the TFEE Grant Administration & Advisory Manual were reviewed and distributed for GAC member comment. These revisions were based on feedback from recipients and lessons learned during the current grant cycle. The major revisions were as follows:

- A. TFEE background information was expanded.
- B. A section related to the investment, payout, and reinvestment of the fund was added.
- C. GAC term information was updated to standardize terms and outline GAC vacancy procedures.
- D. The phrasing of TFEE funding priorities was updated for transparency and conciseness.

Additionally, there were minor edits including references to grant management guidance manuals, appendix information, and formatting/punctuation/grammar. The Grant Administration & Advisory Manual is included in this packet with the revisions underlined.



Texas Financial Education Endowment (TFEE)

The Finance Commission sets funding priorities for each grant cycle. These priorities dictate where TFEE efforts will be focused at the beginning of each grant cycle. The current grant funding priorities are identified in bold, however, all others may be considered:

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

The GAC recommends that the funding priorities remain in place, with slight adjustments to the phrasing, to ensure clarity and consistency. The GAC recommends the Finance Commission adopt the following funding priorities for the 2022-2023 Grant Cycle:

- School and youth-based financial education and capability, including teacher training programs that increase educational awareness for youth.
- Adult financial education, capability, and consumer counseling programs, including train-the-trainer programs that increase educational awareness for adults.
- Identify and provide opportunities for individuals to participate in one-on-one financial counseling and coaching programs.

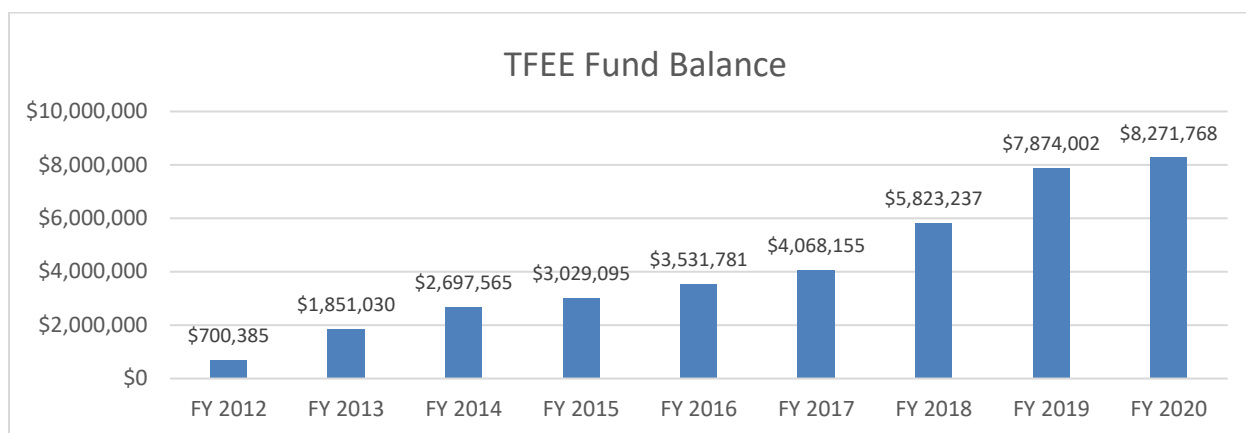
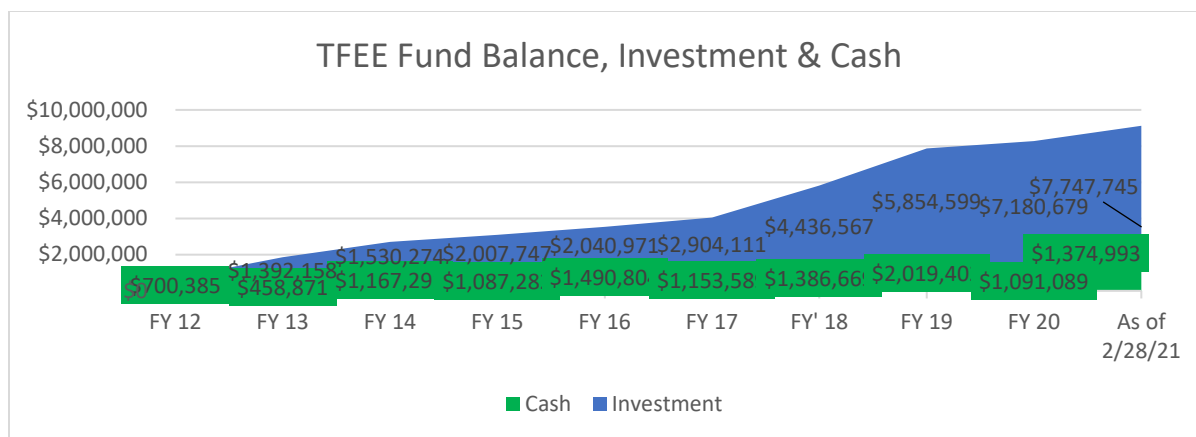
H. Funding Recommendation for the 2022-2023 TFEE Grant Cycle

The 82nd Legislature created the Texas Financial Education Endowment (TFEE) through the passage of HB 2594 in 2011. Each licensed credit access business pays an annual assessment (\$200) to the fund to support statewide financial education and consumer credit building activities and programs.

TFEE is an endowment fund. As such, it is designed to keep the principal amount intact while using the investment income for grant awards. The charts below represent the fund balance activity from 2012 through February 2021.



Texas Financial Education Endowment (TFEE)



Each year the Finance Commission determines the amount to be disbursed. During the 2014-2015 TFEE grant cycle a total of \$250,000 was awarded to eight organizations. In the 2016-2017 grant cycle \$249,000 in grant funds were awarded to eight recipients. During the 2018-2019 grant cycle nine organizations received a cumulative amount of \$250,000. The following grant cycle, 2020-2021, ten organizations were awarded a cumulative amount of \$300,000.

The TFEE Investment Policy has guidelines regarding distributions as follows, “Annual distributions, payable quarterly or annually, are calculated as 3.5% times the twenty-quarter, moving-average value of the Fund as of June 30 for distributions to be made the following fiscal year.”

To guide TFEE funding recommendations, the agency uses the greater of:

- The sum of the distribution calculations for the previous two years, or;
- The annual distribution calculated for the year most current to the TFEE cycle, multiplied by two.



Texas Financial Education Endowment (TFEE)

The OCCC calculated that the projected earnings distribution, based on the 20-month moving average as of June 30, 2020, is approximately \$187,915. This data is for distributions to be made in Fiscal Year 2021. Based on this information, the GAC recommends that an aggregate funding amount of \$350,000 be disbursed during the 2022-2023 TFEE grant cycle.



TEXAS FINANCIAL EDUCATION ENDOWMENT

Grant Administration & Advisory Policy Manual

~~(Revised: 5/1/2019)~~ Revised: 6/1/2021

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I. Purpose

The purpose of this document is to establish a guide for the administration of the Texas Financial Education Endowment (TFEE) grant program. This manual lays out the parameters for executing the administrative and management components of the TFEE.

A. Background

~~TFEE was developed under the authority of Chapter 393 of the Texas Finance Code during the 82nd Legislature. Section 393.628 of the Texas Finance Code provides that TFEE will be administered by the Finance Commission of Texas (FC) to support statewide financial capability and consumer credit building activities and programs.~~

~~On February 17, 2017, the Finance Commission approved a proposal for the Texas Department of Savings and Mortgage Lending (SML) to contribute one-time funds to the Texas Financial Education Endowment Fund.~~

The Texas Financial Education Endowment Fund was established as an endowment by 82nd Legislature of the State of Texas. The Finance Commission established an investment policy to govern the endowment. The endowment is funded by dedicated assessments from credit access businesses. The endowment is designed to provide permanent sources of funding dedicated to financial education from earnings.

Under the terms of the enabling legislation and this policy funds are held in a permanent endowment account entitled the Texas Financial Education Endowment Fund. Funds distributed from the endowment shall only be used to support grants to organizations that provide financial education and capability in accordance with the Policies and Rules of the Finance Commission.

The policy of the Finance Commission is to invest funds in compliance with the following priorities:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need; and,
- Procurement of an appropriate yield;
- Diversification of investment portfolio; and
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

Investment strategies for the different funds held will consider the appropriate mix of investments to the extent that diversification of investment types and maturities assist in the achievement of the above-named priorities.

B. Administration, Investment, Payout, and Reinvestment

B. Roles and Responsibilities

Funds of the endowment shall be subject to the provisions of the investment policy. If in the opinion of the Finance Commission, future circumstances change so that the purposes for which the endowment was established become illegal, impracticable, or no longer able to be carried out, the Finance Commission may designate an alternative use for the endowment payout in accordance with applicable state law to further the objective of the Finance Commission in the spirit of the original purpose.

In connection with administration and management of the endowment funds, the Finance Commission or the Office of Consumer Credit Commissioner may charge certain expenses against the endowment funds for administration, management, and similar charges. Assets in the fund are restricted until authorized for payout by the Finance Commission. Funds distributed from the endowment in a year may be retained and expended for the purposes of the endowment in subsequent years, or may be reinvested, at the discretion of the Finance Commission, as a permanent addition to the principal of the endowment.

C. Roles and Responsibilities

1. Finance Commission (FC)
 - a) Determines the total fund amount before the start of the selection process.
 - b) Allocates endowment funds to the TFEE Grant Program each award cycle.
 - c) Reviews and approves recommendations from the Audit Committee regarding program improvements.
 - d) Develops program objectives, and identifies methods to support statewide financial education and consumer credit building activities.
 - e) Determines the final selection of grant award recipients and award amounts. The FC will award grant funds to organizations based on recommendations from the Audit Committee. The FC will approve fund allocations and amendments. The FC may request presentations from the organizations selected for final review.
2. Audit Committee (AC)
 - a) Proposes program amendments to the Finance Commission and oversees the development of the grant program.
 - b) Provides grant-funding recommendations to the FC.
3. Grant Advisory Committee (GAC)
 - a) The GAC serves in an advisory role to the Grant Coordinator (Coordinator). The GAC: recommends program improvements to the Coordinator and

Audit Committee; evaluates grant proposals; and advises on the development of the grant program.

- b) Prospective GAC members are recommended to the Audit Committee and approved by the Finance Commission.
- c) The Grant Advisory Committee shall be comprised of six ~~(6)~~ members. ~~A TTEE grant cycle consists of two years. Upon implementation of this section, the two (2) Two~~ Finance Commission members shall be appointed by serve at the pleasure of the Finance Commission FC Chair. Four non-Finance Commission members shall be appointed by the Finance Commission, two (2) non-Finance Commission members shall be appointed to a two-cycle term, and two (2) non-Finance Commission members shall be appointed to a three-cycle term. GAC Members shall take office immediately following the appointment. GAC Members may be reappointed with approval from the Finance Commission to serve more than three (3) consecutive three-cycle terms. GAC Members shall serve staggered terms to balance continuity with new perspective.
- d) Each Grant Advisory Committee Member will be appointed for a specific term. Finance Commission members shall serve at the pleasure of the Finance Commission Chair. The four non-Finance Commission members serve four-year terms that correspond with grant cycles. Members will serve staggered terms to balance continuity with new perspective. GAC Members may be reappointed with approval from the Finance Commission to serve more than a four-year term. GAC members take office immediately following their appointment.
- e) In the event of a GAC vacancy due to a regularly expired term, the Finance Commission shall appoint a new member to coincide with the beginning of the next grant cycle. In the event a GAC vacancy occurs during an unexpired term, the Finance Commission may appoint a new GAC member.
- f) The GAC shall consist of no more than six members with varied experience in financial education or grant administration. The list below is not all-inclusive and the FC reserves the right to include other appropriate backgrounds with the exception of the Credit Access Business representative.
 - (1) Financial Education Consultant – informs the group of existing programs and advocates for the needs of the financial education community.
 - (2) Educational Consultant – understands best practices for impacting education for both youth and adults. Assesses the program proposals for effective measures of knowledge gained. Has knowledge of financial education curriculum standards (Texas Essential Knowledge & Skills “TEKS”) and helps ensure that funding school-based financial education programs cover requirements consistent with Texas Education Agency standards.

- (3) Finance Commission Representative(s) – Ensure TFEF objectives and goals align with Finance Commission intentions. Evaluate proposed program and business structure.
- (4) Department of Savings & Mortgage Lending (SML) Representative – Recommended by the SML to advocate for programs focused on asset building, affordable housing and preparation for home ownership.
- (5) Grant Administrator - Objectively assesses, evaluates, and makes recommendations regarding the grant administration process.
- (6) Consumer Advocate – Advocates for consumers based on community engagement and needs assessment.
- (7) Credit Access Business (CAB) industry representative – Serves as a stakeholder for the CAB industry and assists in funding decisions.
- g) The GAC meets during the grant-funding cycle for the following purposes:
 - (1) Provide consultation and technical assistance to the Grant Coordinator (Coordinator)
 - (2) Assist with major project management decisions associated with awarded grants, including:
 - (a) Evaluating grant applications and providing recommendations to the Audit Committee
 - (b) Monitoring grantee project's unspent funds and associated funding
 - (c) Offering input, interviewing, and recommending new GAC members to Audit Committee
 - (3) The GAC makes recommendations to the Audit Committee for consideration of specific award allocations, termination of grant agreements for noncompliance, and amendments to program policies and procedures.
- 4. Office of Consumer Credit Commissioner (OCCC)
 - a) OCCC is responsible for:
 - (1) Collecting assessment fees, the endowment fund, and maintaining reconciliation of funds;
 - (2) Maintaining financial records of revenue and expenditures;
 - (3) Serving as investment officer and maintaining compliance with the investment policy in accordance with state of Texas regulations;
 - (4) Disbursing and tracking funds; and
 - (5) Grant coordination oversight.
- 5. Grant Coordinator (Coordinator)

The Coordinator works under the direction and oversight of the OCCC Commissioner or the Commissioner's designee. The Coordinator makes

presentations to the GAC and the Finance Commission regarding grant activity and serves as the liaison between grantees and the GAC.

- a) The Coordinator is responsible for monitoring the following regarding program development:
 - (1) Program objectives and goals;
 - (2) Grant administration and oversight practices; and
 - (3) Recommendations for program needs to the GAC and FC.
- b) The Coordinator is responsible for ensuring and developing procedures to provide evidence of timely submission for required documents, including, but not limited to, applications and grant reports.
- c) The Coordinator maintains the electronic records of all documentation submitted by grantees regardless of the delivery method. Hard copy submissions of applications, reports, and other documentation will receive a date stamp prior to being scanned and saved electronically.
- d) The Coordinator will recommend policy and procedure amendments in order to ensure successful and effective implementation of the grant program. The Coordinator will advise and assist in the maintenance of the following:
 - (1) Track, evaluate and monitor progress at each phase of the grant cycle;
 - (2) Revise official grant documentation, policies and procedures;
 - (3) Coordinate systems for tracking grant applications, awards, and major project management decisions associated with awarded grants;
 - (4) Adhere to processes for dispute resolution with grantees;
 - (5) Implement awarded grant funds according to terms and conditions of program policy;
 - (6) Maintain established operations and system to ensure objectives and goals are being met; and
 - (7) Monitor GAC process and procedures.
- e) As the liaison for the GAC, the Coordinator will monitor the need for and composition of members to the GAC. Should a vacancy need to be filled during a grant cycle, the Coordinator will work to identify suitable candidates. The Coordinator will make the recommendation to the GAC to recommend a new member to the Finance Commission.
- f) Publicizing and promoting TFEF grant application opportunities.

D. Conflict of Interest

- 1. A GAC member may not derive any personal profit or gain, directly or indirectly, by participating with the Texas Financial Education Endowment.
- 2. Each GAC member must sign a Conflict of Interest form prior to participating in the grantee selection process.

3. Each GAC member must disclose to the Coordinator any personal or professional interests that may pose a potential conflict and shall refrain from participation in any discussion related to the conflict of interest or funding decisions.
4. Each GAC member must refrain from obtaining applicant information for personal or private solicitation purposes at any time during the term of their affiliation with TFEE.

E. TFEE Funds Oversight

1. TFEE funds are used to support the goals and strategies for the TFEE set by the Finance Commission. The priorities of the endowment for the early funding cycles focus on school and youth based financial literacy, financial capability programs, as well as financial coaching and consumer counseling initiatives. Prohibited and permissible uses of grant funds are defined in the grant agreement.
2. The OCCC Commissioner, Audit Committee, or Finance Commission may request an internal or external audit to examine compliance and when deemed necessary.
3. Reimbursement requests will be executed pursuant to the grant agreement and are based upon satisfactory compliance and performance outcomes.

II. Process Overview

A. Intention

The TFEE fund may have one competitive grant cycle every two years. Announcements for grant proposals will be made in the fall of every odd number year.

B. Stage 1 – Administration

Grant Coordinator is responsible for the following:

1. Refines, revises and makes policy recommendations based on observed program needs.
2. Develops allocations and administrative processes.
3. Revises grantee applications, grant agreements, grant reports, and evaluation and tracking tools.
4. Create timeline for grant cycle.
5. Identify and invite qualified professionals to serve on GAC (should existing member(s) need to be replaced).
6. Publicize opportunities with a goal to increase the number of applicants each grant cycle.

C. Stage 2 – Policy Development and Implementation

1. The GAC advises on, oversees and approves program development.
2. The GAC makes recommendations to the Audit Committee to approve program development. The Audit Committee makes recommendations for the Finance Commission to approve program modifications.
3. Upon Finance Commission approval, the Coordinator ensures all administrative and grantee documentation are in place for grant announcement, such as applications, webinars, grant reports, grant agreements, and policies and procedures.
4. The Coordinator updates TFEE web page with program information and materials.

D. Stage 3 – Grantee Selection

1. The Coordinator receives and prepares applications for first phase of screening: confirms eligibility, ensures applications are complete and have been timely submitted, logs applicant information, and submits to the GAC for evaluation.
2. The GAC will score applications and provide recommendations to Audit Committee upon review of the TFEE budget, grant structure, number of awards and amounts to be funded, method of funding, and reporting requirements.
3. The Audit Committee makes recommendations to the Finance Commission based on the information presented by the GAC.
4. The Finance Commission reviews recommendations from the Audit Committee and selects award recipients.
5. After selections have been made, each applicant will be sent an award letter or letter of regret. Additionally, grant recipients will be provided (2) Grant

Agreements for review and signature. Grant agreements must be fully executed by the OCCC Commissioner, or designee, and the grantee, before grant activities can commence.

E. Stage 4 – Manage Grant and Measure Progress

1. In collaboration with the GAC, the Coordinator will develop a strategy for ongoing grant management and ensure timely report submission.
2. Funding is dependent on program impact and compliance.
3. The Grantee is responsible for tracking and reporting program progress, as well as assessing and communicating program success, challenges, and impact.
4. The Coordinator provides technical assistance to grantees and offers opportunities for regular consultation.
5. The Grantees submit a final report summarizing the impact, results, and consumer follow-up surveys (six months after the program completion).
6. Program evaluation addresses issues of non-compliance, identifies risks, and recommends specific deliverables.
7. The Coordinator manages conflict honestly and directly with grantee. The GAC assists with recommendations to rectify issues of non-compliance.

III. Funding Priorities and Goals

A. Scope

This section identifies ~~four categories~~ priorities that support statewide financial education and consumer credit building activities. With recommendations from the GAC to the Audit Committee, the Finance Commission will select which categories TFEF's efforts will be focused on prior to the start of a new grant award cycle.

B. Goals

1. Produce and disseminate approved financial education materials at licensed locations.
Identify and support educational programs specific to the subprime demographic, including general information to be made available through state agency partners, financial service providers, trade organizations, and community events.
2. Public awareness campaigns to improve credit profiles and credit scores of Texas consumers.
 - a) Savings campaigns to promote employee incentives.
 - b) Identify outreach opportunities to the unbanked and encourage lending institutions to allow low- to moderate-income citizens to open accounts and waive the required minimum balance and fees.
3. Adult financial education, school, and youth-based financial literacy and capability, and consumer counseling programs, including train-the-trainer

~~Teacher training programs that increase educational awareness for adults and youth.~~

School and youth-based financial education and capability, including teacher training programs that increase educational awareness for youth.

4. Financial coaching and consumer counseling
 - a) Encourage lending institutions to offer classes on financial education.
 - b) Identify and provide opportunities for individuals to participate in and one-on-one financial counseling and coaching programs.

Pre-Award Requirements

C. Organizational Eligibility

Non-profit organizations, governmental organizations, schools, and for-profit entities are eligible to apply for grant funding. Eligibility is not open to financial service providers and entities regulated by the Finance Commission.

D. Program Criteria & Grant Application

1. The TFEE Guidelines and Instructions for application submission will be posted on the TFEE website.
2. Applicants may submit applications via mail, fax, or email. Documents submitted by email receive an automatic date stamp upon receipt; this “digital” date stamp provides sufficient and accurate evidence of timely submission.
3. Applicant’s program must:
 - a) Align with TFEE goals or strategies
 - b) Demonstrate effective evaluative tools and metrics
 - c) Predict or provide evidence of program impact
 - d) Provide longitudinal evidence of performance and outcomes
 - (1) Demonstrate adequate return-on-investment
 - (2) Document strategic goals
 - (3) Demonstrate capacity to collect and report the following data: number of people served, training hours, pre-and-post survey data, demographic information, and sign-in sheets to justify amount of funds requested
 - e) Provide evidence that programming will begin when the grant is awarded
4. Applicants must read and follow all application instructions and guidelines. Applications that do not comply with these instructions may be delayed or not accepted for review.

E. Application Submission

1. Grant funding cycles commence every two years. Announcements for grant proposals will be made in every ~~odd-number~~ two years, and selected grantees will be announced shortly thereafter.

2. The Coordinator confirms receipt of grant applications by email. Applications will only be accepted on, or prior to the due date. Late or incomplete applications will be rejected.

F. Application Review and Selection Process

1. Funding consideration will be given to organizations that promote, provide, or support financial education or financial literacy initiatives. Successful applicants must demonstrate evidence-based programming that increases financial capacity and promotes asset building. Reimbursement allocations are to be funded semi-annually, based on performance and reporting compliance.
2. The application review and selection process consist of four steps:
 - (1) The Coordinator will collect and review each application for eligibility. Eligible applications will be submitted to the GAC for evaluation.
 - (2) The GAC will score each application and recommend programs for funding consideration to the Audit Committee.
 - (a) GAC will determine recommended award amounts based on the applicant's application and demonstration to meet program eligibility criteria.
 - (b) If two or more applicants receive the same score, the GAC will select an applicant using the following criteria: (1) ability to impact the most consumers, (2) stability of the funding structure, and (3) the needs based on the target population.
 - (3) The Finance Commission will make the final selections of award recipients and award amounts.
3. Upon completion of the competitive application and review process, successful grant applicants will be notified, in writing, no later than December of the grant funding cycle year.

G. Public Records

Texas Public Information Act: All information, documentation, and other material submitted are subject to public disclosure under the *Texas Public Information Act*.

1. A full list of individuals and organizations selected for an award will be published on the TFEE website.
2. Information may be publicly available and published online (TFEE webpage, OCCC or Finance Commission website).

IV. Post Award Requirements

A. Definitions

1. "Grantee" means applicant.
2. "Grantor" means the Finance Commission of Texas and the Texas Financial Education Endowment. The Commission may authorize one or more persons,

including the Grant Coordinator, to perform any action that the Commission is authorized to perform as Grantor under the Agreement.

B. Grant Agreements

1. Once a grantee has been selected, and prior to initiating any grant funded activities, grantees and the Finance Commission appointed administrator, usually the OCCC Commissioner or the Commissioner's designee, must sign the grant agreement.
2. The terms of the Grant will be defined in the Grant Agreement, and terminate either one or two years after the grant has been awarded, unless it is terminated earlier in accordance with another provision.
3. Expenses that were incurred before the beginning or after the termination of the Agreement are not eligible for reimbursement.
4. Grantees are expected to continue to report grant funded activities until the end of the term of the agreement.

C. TFEE's (Grantor) Obligation

1. Grantor will reimburse Grantee for actual, allowable, and allocable costs incurred by Grantee pursuant to Agreement up to the maximum amount of the grant award.
2. Grantor is not obligated to pay unauthorized costs. Prior written approval from Grantor is required if Grantee anticipates any of the following: (1) altering the scope of the Grant, (2) adding funds to previously unapproved budget categories, (3) changing funds in any awarded budget category by more than 10% of the total amount awarded, or (4) adding new line items to any awarded budget category.
3. Grantor's maximum liability under the Agreement is the "Amount Awarded."
4. Reimbursement of awarded funds is not an entitlement or right. Reimbursement depends, among other things, upon strict compliance with all terms, conditions, and provisions of the Grant Agreement.

D. Grantee's Obligation

1. Grantee may use the Grant only to create, deliver, or expand Grantee's financial education, literacy, and capability building programs within the State of Texas.
2. Grantee must use the Grant in accordance with all of the following: (1) the terms of Agreement, (2) TFEE Grant Administration & Advisory Policy Manual as defined in the application guidelines and instructions, and (3) Grantee's application.
3. The ~~Uniform Grant Management Standards (UGMS)~~ Texas Grant Management Standards (TxGMS) provides parameters by which the Coordinator can work to ensure consistency with state practices.
4. Grantee must cooperate fully with Grantor.
5. Grantee must notify Grantor within 30 days of significant changes or events occurring during the term of Agreement that could potentially impact the progress or outcome of the Grant, including, but not limited to, the following

changes: (1) Grantee's management personnel, (2) physical or mailing address, (3) loss of funding, and (4) changes to Grantee's status with the Internal Revenue Service.

6. Failure to submit the required 30-day notice of significant change or events will be grounds for termination of the Agreement.
7. The fiscal and programmatic management of the Grantee will include accountability for all funds and materials received from Grantor; compliance with Grantor's rules, policies, and procedures, as well as applicable federal and state laws and regulations; and correction of fiscal and program deficiencies identified through self-evaluation or Grantor's monitoring processes.
8. Grantee must develop, implement, and maintain all of the following: (1) financial management and control systems that include appropriate financial planning, including the development of budgets that adequately reflect all functions and resources necessary to carry out authorized activities and the adequate determination of costs; (2) financial management systems, including accurate and complete payroll, accounting, and financial reporting records; (3) cost source documentation; (4) effective internal and budgetary controls; (5) documentation regarding determination of reasonableness, allocation of costs, and timely and appropriate audits and resolution of any findings; and (6) annual financial statements, including statements of financial position, activities, and cash flows, prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) or other recognized accounting principles.
9. The format for submitting reimbursement requests will be provided in the grant report. Each reimbursement request must contain supporting documentation or back-up documentation for all amounts shown on the request, including receipts for all materials and supplies, all Grantee staff time shown by number of hours worked and hourly rate, and all contractor or sub-contractor services, which can be identifiable to reconcile expenditures.
10. Grantees must comply with all laws, regulations, requirements, and guidelines applicable to a Grantee providing services to the State of Texas, as these laws, regulations, requirements, and guidelines currently exist and as they are amended throughout the term of the Agreement.
11. If a Grantee fails to use grant funds to create, deliver, or expand financial education, literacy, and capability building programs as described in Grantee's application, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) withhold the grant funds, (3) require that Grantee refund grant funds received, (4) submit an amended report to the Coordinator, and (5) determine that Grantee is ineligible for future TFEE funds.
12. If the Texas Comptroller's Office forfeits a Grantee's right to transact business in Texas due to failure to pay a franchise tax or for any other reason, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) suspend the Agreement until Grantee returns to good standing with the Comptroller's Office, or (3) take any other action described in paragraph 5.6 of the Agreement.

E. Grantee's Reporting Requirements

1. As part of a Grantee's proposed application, Grantees will provide the detailed measurable outcomes that Grantee expects to achieve through use of the grant funds during the Term of the Agreement. Grantees must submit to Grantor a report on or before each due date specified, and must use the standard TFEE grant report template. Grantee also agrees to submit a longitudinal report to assess changes in consumer behavior and program impact six months upon program completion.
2. For adult financial education programs, reimbursement reports will be considered incomplete if they do not include participant sign-in sheets and aggregate pre-and-post survey data. Grantee must retain copies of the pre-and-post surveys for a period of three years after the end of the grant cycle.
3. Grantee must provide a written explanation to Grantor for any variances on the periodic reports for any performance by Grantee that varies from projected performance. In addition to the written explanation, Grantee must promptly answer any questions by Grantor, whether in writing or otherwise, in connection with the periodic reports presented to Grantor.
4. If Grantee exhausts all funds prior to the completion of the grant term the Grantee is obligated to continue to track and report grant related activities for the remaining duration of the term outlined in the agreement.
5. If Grantee fails to comply with any of the reporting requirements, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) withhold the grant funds, (3) require that Grantee refund grant funds received, (4) submit an amended report to the Coordinator, and (5) determine that Grantee is ineligible for future TFEE funds.
6. Grantee shall request disbursement of grant funds by submitting a Grant Reimbursement Report to Grantor for work performed on the project. Disbursement is contingent upon approval of the disbursement request by Grantor.

V. Recordkeeping and Monitoring

A. Duty to Maintain Records

Grantee must maintain adequate records to support its charges, procedures, and performances for all work related to the Agreement. Grantee must also maintain records that are deemed necessary by Grantor, the State Auditor's Office, other auditors of the State of Texas, or any other persons designated by Grantor, to ensure proper accounting for all costs and performances related to the Agreement.

B. Record Retention

For a period of three years after the end of the grant cycle, or until full and final resolution of all audit or litigation matters that arise after the expiration of the term, whichever is later, Grantee must maintain any records that are necessary to fully disclose the extent of services provided under the Agreement, including but not limited to any daily activity

reports, time distribution and attendance records, and other records that may show the basis of the charges made or performances delivered.

C. Access by Grantor and State Auditor's Office

1. During the Term and for at least three years thereafter, Grantee must allow Grantor and the State Auditor's Office access to and the right to examine the organization, program, premises, books, accounts, records, files, and other papers or property belonging to or in use by Grantee and pertaining to the Agreement or the use of funds pursuant to the Agreement, in order to ascertain complete compliance with the provisions of the Agreement and with TFEE program guidelines.
2. Grantee must maintain these records at a location that is readily accessible to Grantor.
3. Grantor has the right to make a visual inspection of any assets, goods, or products purchased with Grant funds.

D. Audits or Investigations

Acceptance of grant funds under the Agreement acts as acceptance of the authority of the Grantor to conduct an audit or investigation in connection with grant funds. Grantee further agrees to cooperate fully with the Grantor and the State Auditor's Office, or their successors, in the conduct of any audit or investigation, including providing all records requested. Grantee will ensure that this clause concerning the authority to audit the funds received by Grantee is included in any subcontract it awards.

E. Location

Any audit of records may be conducted at Grantee's principal place of business or a location of Grantee's operations during Grantee's normal business hours.

F. Risk Assessment

The TFEE Risk Assessment is a risk-based monitoring system used to analyze the potential risk levels of TFEE Grantees and establish effective monitoring practices. The Coordinator will perform the risk analysis for each grantee at the beginning of each grant cycle in order to identify potential risk to the grant program. Additionally, the Coordinator may reanalyze grantees after each reporting period to ensure compliance. Monitoring actions will be taken based on the *low-risk*, *moderate-risk*, or *high-risk* assessment provided by the risk assessment.

G. Disallowance of Grant Funds

Grantee will be liable to the Grantor for any costs disallowed as a result of any audit or investigations, and must, upon demand, immediately reimburse the Grantor for disallowed costs.

VI. Use of Grant Funds and Property

A. Allowable Expenditures

1. Grantee may use the grant funds only for allowable expenditures as identified in Grantee's application and authorized pursuant to the ~~Uniform~~ **Texas** Grant Management Standards for the State of Texas, as adopted by the Governor of the State of Texas pursuant to Chapter 783 of the Texas Government Code.
2. Grant funds may not be used for capital expenditures (land or any items over \$5,000).
3. Grantee must produce proof of payment (stamped paid invoices or receipts) of all allowable expenditures.
4. All costs must be directly attributable to the project that is the subject of the Agreement.
5. Grantee may not use grant funds for any of the following: (1) entertainment or alcoholic beverages, (2) to directly fund class action suits, lawsuits against governmental entities, or lobbying for or against any candidate or issue, or (3) to sue or otherwise support a cause of action, claim, or defense against Grantor or the State of Texas.

B. Salaries

Salary costs will be reimbursed for direct program activity. Any salary charged to grant must be accurately recorded. Grantee must submit timesheets with specific duties performed in relation to grant activity in order for salary to be considered for reimbursement. This documentation must be submitted with grant reimbursement report.

C. Consultant Services

1. Grantees normally are expected to utilize the services of their own officers or employees to the maximum extent in managing and performing the activities supported by TFEE grant. Where it is necessary for a grantee to enter into a sub-award for the services of persons who are not its officers or employees, it is expected to do so in accordance with its own written organizational standards.
2. If the need for consultant services is anticipated, the proposal narrative should provide appropriate rationale, and the summary proposal budget should estimate the amount of funds that may be required for this purpose. To the extent possible, consultant rates should show separate amounts for actual services and each of the components of the rate (such as fringe benefits, indirect costs, and other expenses).
3. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. However, payment for a consultant's services may not exceed more than 30% of actual award.
4. In determining the allowable costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant:

- a) The nature and scope of the service rendered in relation to the service required;
- b) The necessity of issuing a sub award for the service considering the organization's capability in the particular area;
- c) The past pattern of such costs, particularly in the years prior to the award of grant;
- d) The impact of government contracts and grants on the organization's total activity (e.g., what new problems have arisen);
- e) The service can be performed more economically by employment rather than by consulting;
- f) The qualifications of the individual or concern rendering the service and the normal/customary fees charged and received by the individual for comparable services;
- g) The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation and termination provisions); or
- h) Costs of legal or lobbying services are unallowable in the grant.

D. Allowable Travel Expenditures

1. Travel costs will be reimbursed for certain expenses at the rates authorized by the Agreement and limited by rules and rates promulgated by the Comptroller of Public Accounts.
2. All travel must be performed in conjunction with official TFEF business. It is the responsibility of each grantee to track and submit (with grant reports) the completed mileage log for travel reimbursement. Failure to comply with the travel guidelines will result in delay of payment or rejection of travel reimbursement. When tracking mileage grantees must use the Mileage Log included with the grant report.
3. Grantees should use online mapping tools to compare and compute point-to-point mileage. The allowable reimbursement is determined using the lower of the actual miles driven or the mileage calculated, point to point. The Grantor is not required to reimburse grantees at the maximum rate. The Grantor's maximum mileage reimbursement rate for travel by grantees is in accordance with the Texas Comptroller of Public Accounts. Mileage to and from ordinary in-town errands will not be reimbursed.
4. Mileage is consistent with state reimbursement rates set by the State Comptroller and is subject to change. Refer to Uniform Texas Grant Management Standards (UGTxGMS) for conditions related to all travel, lodging, and food related reimbursement expenses. Refer to the State Comptroller for specific travel allowances, definitions, and restrictions.
5. Parking is eligible for reimbursement as long as it is incurred for official TFEF business.

6. Grantees are encouraged to compare airline costs and use the lesser amount. To be reimbursed for airline travel a Grantee must submit receipts that contain the following information: grantee (employee) name, airline, cost of airfare, travel dates, destinations, ticket number, and seating class. Grantees must also show proof of payment for airfare.

E. Disbursement of Grant Funds

1. Payments are made on a reimbursement basis after Grantor receives Grantee's Account and Report on Use of Grant Funds including receipts and invoices for all expenditures and accompanying reports.
2. Receipts and invoices must match the funds requested on Grantee's initial budget, unless otherwise approved in writing by the Grantor.
3. Advance payments that have not been used must be returned to the Grantor within 30 days of termination of grant period.

F. Misuse of Grant Funds

1. Grantor may require a refund of grant funds already disbursed to Grantee if one or more of the following events occur: (1) Grant funds are misused, (2) Grant funds are used in an illegal manner, (3) Grant funds are used for non-allowable expenses, (4) Grantee violates the terms or conditions of the Agreement, or (5) Grantor discovers that Grantee made any misrepresentations to Grantor in obtaining the Grant.
2. This provision is not exclusive of other grounds for withholding or refunding of funds or any other remedy, civil or criminal, which may be available to Grantor.

G. Use of Property

During the Term of Agreement, any property acquired with grant funds must be used in accordance with the Agreement, to accomplish the purposes of the grant and the program.

H. Records of Property

Grantee must maintain appropriate records of goods or property purchased with grant funds and must develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of these goods or property.

I. Purchase of Equipment; Title Upon Termination

1. Grantee may not give any security interest, lien or otherwise encumber any item of equipment purchased with funds.
2. Grantee must permanently identify all equipment purchased under this contract by appropriate tags or labels affixed to the equipment.
3. Grantee must maintain a current inventory of all equipment or assets, which is available to Grantor at all times upon request. Grantee must administer a program of maintenance, repair, and protection of equipment or assets under this contract so as to ensure the full availability and usefulness of the equipment or assets.

4. If Grantee is indemnified, reimbursed, or otherwise compensated for any loss of, destruction of, or damage to the assets provided under this contract, it must use the proceeds to repair or replace these equipment or assets. To the extent that Grantor reimburses Grantee for its purchase of equipment and supplies with funds from this contract. Upon termination of the contract, title to or ownership of all purchased equipment and supplies, at the sole option of Grantor, will remain with Grantor.

J. Intellectual Property

1. Where funds obtained under the Agreement may be used to produce original books, manuals, films, or other original material and intellectual property, Grantee may copyright such material subject to the royalty-free, non-exclusive, and irrevocable license that is reserved by Grantor.
2. Grantor has the unrestricted right to use, copy, modify, prepare derivative works, publish, and distribute, at no additional cost to Grantor, in any manner that Grantor deems appropriate at its sole discretion, any component of intellectual property which is the property of the grant project.

VII. Grant Agreement Termination

A. Termination for Convenience

1. The Grantor or Grantee may terminate an Agreement before the end of the Term, without cause, by delivering a written notice of termination to the other party at least 30 days before the termination.
2. Early termination of an Agreement will not relieve Grantee from reporting requirements, recordkeeping requirements, or liability to refund Grant funds in the event of misuse.
3. If Grantee terminates the agreement after receiving reimbursements in an amount that exceeds a pro rata portion of the total awarded amount over the elapsed Term of the Agreement, then Grantee must refund the portion of the reimbursement that exceeds the pro rata portion of the total awarded amount.

B. Termination for Cause

In the event that Grantee fails to perform or comply with an obligation of the terms, conditions, and provisions of the Agreement, Grantor may, upon written notice of the breach to Grantee, immediately terminate all or any part of the Agreement.

C. No Reimbursement Upon Termination

1. In the event of termination of the Agreement, Grantor will make no further disbursement of grant funds to Grantee beyond those already approved at the time of termination, and Grantee specifically waives all rights to any of these funds.
2. Grantee must refund the Grantor any unused funds at the time of termination.

VIII. Dispute Resolution

A. Mediation; Noncompliance Actions

1. To the extent authorized by law, Grantor and Grantee may use a dispute resolution process before pursuing termination or litigation.
2. Grantor and Grantee may sign an amended Grant Agreement or Noncompliance Action Plan agreeing to the amended terms.
3. The Noncompliance Action Plan may include increased communications between Grantor and Grantee, site visits, audits, and additional reports.
4. The dispute may be mediated by a mutually acceptable third party.
5. If mediation occurs, Grantor and Grantee will pay all costs of any mediation equally.
6. Grantor's participation in any mediation or nonbinding dispute resolution process will not be construed as a waiver by Grantor of any of the following: (1) any rights, privileges, defenses, remedies, or immunities available to Grantor as an agency of the State of Texas or otherwise available to Grantor, (2) Grantor's termination rights, or (3) other termination provisions or expiration dates of the Agreement.

Appendices

- ~~1. Application Eligibility Checklist~~
1. Grant Program Guidelines & Instructions
2. Grant Application & Eligibility Checklist
3. TFEE Scoring Rubric
4. Grant Agreement



TEXAS FINANCIAL EDUCATION ENDOWMENT

Grant Administration & Advisory Policy Manual

Revised: 6/1/2021

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I. Purpose

The purpose of this document is to establish a guide for the administration of the Texas Financial Education Endowment (TFEE) grant program. This manual lays out the parameters for executing the administrative and management components of the TFEE.

A. Background

The Texas Financial Education Endowment Fund was established as an endowment by 82nd Legislature of the State of Texas. The Finance Commission established an investment policy to govern the endowment. The endowment is funded by dedicated assessments from credit access businesses. The endowment is designed to provide permanent sources of funding dedicated to financial education from earnings.

Under the terms of the enabling legislation and this policy funds are held in a permanent endowment account entitled the Texas Financial Education Endowment Fund. Funds distributed from the endowment shall only be used to support grants to organizations that provide financial education and capability in accordance with the Policies and Rules of the Finance Commission.

The policy of the Finance Commission is to invest funds in compliance with the following priorities:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need; and,
- Procurement of an appropriate yield;
- Diversification of investment portfolio; and
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

Investment strategies for the different funds held will consider the appropriate mix of investments to the extent that diversification of investment types and maturities assist in the achievement of the above-named priorities.

B. Administration, Investment, Payout, and Reinvestment

Funds of the endowment shall be subject to the provisions of the investment policy. If in the opinion of the Finance Commission, future circumstances change so that the purposes for which the endowment was established become illegal, impracticable, or no longer able to be carried out, the Finance Commission may designate an alternative

use for the endowment payout in accordance with applicable state law to further the objective of the Finance Commission in the spirit of the original purpose.

In connection with administration and management of the endowment funds, the Finance Commission or the Office of Consumer Credit Commissioner may charge certain expenses against the endowment funds for administration, management, and similar charges. Assets in the fund are restricted until authorized for payout by the Finance Commission. Funds distributed from the endowment in a year may be retained and expended for the purposes of the endowment in subsequent years, or may be reinvested, at the discretion of the Finance Commission, as a permanent addition to the principal of the endowment.

C. Roles and Responsibilities

1. Finance Commission (FC)
 - a) Determines the total fund amount before the start of the selection process.
 - b) Allocates endowment funds to the TFEE Grant Program each award cycle.
 - c) Reviews and approves recommendations from the Audit Committee regarding program improvements.
 - d) Develops program objectives, and identifies methods to support statewide financial education and consumer credit building activities.
 - e) Determines the final selection of grant award recipients and award amounts. The FC will award grant funds to organizations based on recommendations from the Audit Committee. The FC will approve fund allocations and amendments. The FC may request presentations from the organizations selected for final review.
2. Audit Committee (AC)
 - a) Proposes program amendments to the Finance Commission and oversees the development of the grant program.
 - b) Provides grant-funding recommendations to the FC.
3. Grant Advisory Committee (GAC)
 - a) The GAC serves in an advisory role to the Grant Coordinator (Coordinator). The GAC: recommends program improvements to the Coordinator and Audit Committee; evaluates grant proposals; and advises on the development of the grant program.
 - b) Prospective GAC members are recommended to the Audit Committee and approved by the Finance Commission.
 - c) The Grant Advisory Committee shall be comprised of six members. Two Finance Commission members shall be selected and approved by the Finance Commission. Four non-Finance Commission members shall be appointed by the Finance Commission.

- d) Each Grant Advisory Committee Member will be appointed for a specific term. Finance Commission members shall serve at the pleasure of the Finance Commission Chair. The four non-Finance Commission members shall serve four-year terms that correspond with grant cycles. Members will serve staggered terms to balance continuity with new perspective. GAC Members may be reappointed with approval from the Finance Commission to serve more than a four-year term. GAC members take office immediately following their appointment.
- e) In the event of a GAC vacancy due to a regularly expired term, the Finance Commission shall appoint new members to coincide with the beginning of the next grant cycle. In the event a GAC vacancy occurs during an unexpired term, the Finance Commission may appoint a new GAC member.
- f) The GAC shall consist of no more than six members with varied experience in financial education or grant administration. The list below is not all-inclusive and the FC reserves the right to include other appropriate backgrounds with the exception of the Credit Access Business representative.
 - (1) Financial Education Consultant – informs the group of existing programs and advocates for the needs of the financial education community.
 - (2) Educational Consultant – understands best practices for impacting education for both youth and adults. Assesses the program proposals for effective measures of knowledge gained. Has knowledge of financial education curriculum standards (Texas Essential Knowledge & Skills “TEKS”) and helps ensure that funding school-based financial education programs cover requirements consistent with Texas Education Agency standards.
 - (3) Finance Commission Representative(s) – Ensure TFEE objectives and goals align with Finance Commission intentions. Evaluate proposed program and business structure.
 - (4) Department of Savings & Mortgage Lending (SML) Representative – Recommended by the SML to advocate for programs focused on asset building, affordable housing and preparation for home ownership.
 - (5) Grant Administrator - Objectively assesses, evaluates, and makes recommendations regarding the grant administration process.
 - (6) Consumer Advocate – Advocates for consumers based on community engagement and needs assessment.
 - (7) Credit Access Business (CAB) industry representative – Serves as a stakeholder for the CAB industry and assists in funding decisions.
- g) The GAC meets during the grant-funding cycle for the following purposes:
 - (1) Provide consultation and technical assistance to the Grant Coordinator (Coordinator)

- (2) Assist with major project management decisions associated with awarded grants, including:
 - (a) Evaluating grant applications and providing recommendations to the Audit Committee
 - (b) Monitoring grantee project's unspent funds and associated funding
 - (c) Offering input, interviewing, and recommending new GAC members to Audit Committee
 - (3) The GAC makes recommendations to the Audit Committee for consideration of specific award allocations, termination of grant agreements for noncompliance, and amendments to program policies and procedures.
- 4. Office of Consumer Credit Commissioner (OCCC)
 - a) OCCC is responsible for:
 - (1) Collecting assessment fees, the endowment fund, and maintaining reconciliation of funds;
 - (2) Maintaining financial records of revenue and expenditures;
 - (3) Serving as investment officer and maintaining compliance with the investment policy in accordance with state of Texas regulations;
 - (4) Disbursing and tracking funds; and
 - (5) Grant coordination oversight.
- 5. Grant Coordinator (Coordinator)

The Coordinator works under the direction and oversight of the OCCC Commissioner or the Commissioner's designee. The Coordinator makes presentations to the GAC and the Finance Commission regarding grant activity and serves as the liaison between grantees and the GAC.

 - a) The Coordinator is responsible for monitoring the following regarding program development:
 - (1) Program objectives and goals;
 - (2) Grant administration and oversight practices; and
 - (3) Recommendations for program needs to the GAC and FC.
 - b) The Coordinator is responsible for ensuring and developing procedures to provide evidence of timely submission for required documents, including, but not limited to, applications and grant reports.
 - c) The Coordinator maintains the electronic records of all documentation submitted by grantees regardless of the delivery method. Hard copy submissions of applications, reports, and other documentation will receive a date stamp prior to being scanned and saved electronically.
 - d) The Coordinator will recommend policy and procedure amendments in order to ensure successful and effective implementation of the grant

program. The Coordinator will advise and assist in the maintenance of the following:

- (1) Track, evaluate and monitor progress at each phase of the grant cycle;
 - (2) Revise official grant documentation, policies and procedures;
 - (3) Coordinate systems for tracking grant applications, awards, and major project management decisions associated with awarded grants;
 - (4) Adhere to processes for dispute resolution with grantees;
 - (5) Implement awarded grant funds according to terms and conditions of program policy;
 - (6) Maintain established operations and system to ensure objectives and goals are being met; and
 - (7) Monitor GAC process and procedures.
- e) As the liaison for the GAC, the Coordinator will monitor the need for and composition of members to the GAC. Should a vacancy need to be filled during a grant cycle, the Coordinator will work to identify suitable candidates. The Coordinator will make the recommendation to the GAC to recommend a new member to the Finance Commission.
- f) Publicizing and promoting TFEE grant application opportunities.

D. Conflict of Interest

1. A GAC member may not derive any personal profit or gain, directly or indirectly, by participating with the Texas Financial Education Endowment.
2. Each GAC member must sign a Conflict of Interest form prior to participating in the grantee selection process.
3. Each GAC member must disclose to the Coordinator any personal or professional interests that may pose a potential conflict and shall refrain from participation in any discussion related to the conflict of interest or funding decisions.
4. Each GAC member must refrain from obtaining applicant information for personal or private solicitation purposes at any time during the term of their affiliation with TFEE.

E. TFEE Funds Oversight

1. TFEE funds are used to support the goals and strategies for the TFEE set by the Finance Commission. The priorities of the endowment for the early funding cycles focus on school and youth based financial literacy, financial capability programs, as well as financial coaching and consumer counseling initiatives. Prohibited and permissible uses of grant funds are defined in the grant agreement.
2. The OCCC Commissioner, Audit Committee, or Finance Commission may request an internal or external audit to examine compliance and when deemed necessary.

3. Reimbursement requests will be executed pursuant to the grant agreement and are based upon satisfactory compliance and performance outcomes.

II. Process Overview

A. Intention

The TFEE fund may have one competitive grant cycle every two years. Announcements for grant proposals will be made in the fall of every odd number year.

B. Stage 1 – Administration

Grant Coordinator is responsible for the following:

1. Refines, revises and makes policy recommendations based on observed program needs.
2. Develops allocations and administrative processes.
3. Revises grantee applications, grant agreements, grant reports, and evaluation and tracking tools.
4. Create timeline for grant cycle.
5. Identify and invite qualified professionals to serve on GAC (should existing member(s) need to be replaced).
6. Publicize opportunities with a goal to increase the number of applicants each grant cycle.

C. Stage 2 – Policy Development and Implementation

1. The GAC advises on, oversees and approves program development.
2. The GAC makes recommendations to the Audit Committee to approve program development. The Audit Committee makes recommendations for the Finance Commission to approve program modifications.
3. Upon Finance Commission approval, the Coordinator ensures all administrative and grantee documentation are in place for grant announcement, such as applications, webinars, grant reports, grant agreements, and policies and procedures.
4. The Coordinator updates TFEE web page with program information and materials.

D. Stage 3 – Grantee Selection

1. The Coordinator receives and prepares applications for first phase of screening: confirms eligibility, ensures applications are complete and have been timely submitted, logs applicant information, and submits to the GAC for evaluation.
2. The GAC will score applications and provide recommendations to Audit Committee upon review of the TFEE budget, grant structure, number of awards and amounts to be funded, method of funding, and reporting requirements.
3. The Audit Committee makes recommendations to the Finance Commission based on the information presented by the GAC.

4. The Finance Commission reviews recommendations from the Audit Committee and selects award recipients.
5. After selections have been made, each applicant will be sent an award letter or letter of regret. Additionally, grant recipients will be provided (2) Grant Agreements for review and signature. Grant agreements must be fully executed by the OCCC Commissioner, or designee, and the grantee, before grant activities can commence.

E. Stage 4 – Manage Grant and Measure Progress

1. In collaboration with the GAC, the Coordinator will develop a strategy for ongoing grant management and ensure timely report submission.
2. Funding is dependent on program impact and compliance.
3. The Grantee is responsible for tracking and reporting program progress, as well as assessing and communicating program success, challenges, and impact.
4. The Coordinator provides technical assistance to grantees and offers opportunities for regular consultation.
5. The Grantees submit a final report summarizing the impact, results, and consumer follow-up surveys (six months after the program completion).
6. Program evaluation addresses issues of non-compliance, identifies risks, and recommends specific deliverables.
7. The Coordinator manages conflict honestly and directly with grantee. The GAC assists with recommendations to rectify issues of non-compliance.

III. Funding Priorities and Goals

A. Scope

This section identifies priorities that support statewide financial education and consumer credit building activities. With recommendations from the GAC to the Audit Committee, the Finance Commission will select which categories TFEE's efforts will be focused on prior to the start of a new grant award cycle.

B. Goals

1. Produce and disseminate approved financial education materials at licensed locations.

Identify and support educational programs specific to the subprime demographic, including general information to be made available through state agency partners, financial service providers, trade organizations, and community events.

2. Public awareness campaigns to improve credit profiles and credit scores of Texas consumers.
 - a) Savings campaigns to promote employee incentives.
 - b) Identify outreach opportunities to the unbanked and encourage lending institutions to allow low- to moderate-income citizens to open accounts and waive the required minimum balance and fees.

3. Adult financial education, capability, and consumer counseling programs, including train-the-trainer programs that increase educational awareness for adults.

School and youth-based financial education and capability, including teacher training programs that increase educational awareness for youth.
4. Financial coaching and consumer counseling
 - a) Encourage lending institutions to offer classes on financial education.
 - b) Identify and provide opportunities for individuals to participate in and one-on-one financial counseling and coaching programs.

Pre-Award Requirements

C. Organizational Eligibility

Non-profit organizations, governmental organizations, schools, and for-profit entities are eligible to apply for grant funding. Eligibility is not open to financial service providers and entities regulated by the Finance Commission.

D. Program Criteria & Grant Application

1. The TFEE Guidelines and Instructions for application submission will be posted on the TFEE website.
2. Applicants may submit applications via mail, fax, or email. Documents submitted by email receive an automatic date stamp upon receipt; this “digital” date stamp provides sufficient and accurate evidence of timely submission.
3. Applicant’s program must:
 - a) Align with TFEE goals or strategies
 - b) Demonstrate effective evaluative tools and metrics
 - c) Predict or provide evidence of program impact
 - d) Provide longitudinal evidence of performance and outcomes
 - (1) Demonstrate adequate return-on-investment
 - (2) Document strategic goals
 - (3) Demonstrate capacity to collect and report the following data: number of people served, training hours, pre-and-post survey data, demographic information, and sign-in sheets to justify amount of funds requested
 - e) Provide evidence that programming will begin when the grant is awarded
4. Applicants must read and follow all application instructions and guidelines. Applications that do not comply with these instructions may be delayed or not accepted for review.

E. Application Submission

1. Grant funding cycles commence every two years. Announcements for grant proposals will be made every two years, and selected grantees will be announced shortly thereafter.

2. The Coordinator confirms receipt of grant applications by email. Applications will only be accepted on, or prior to the due date. Late or incomplete applications will be rejected.

F. Application Review and Selection Process

1. Funding consideration will be given to organizations that promote, provide, or support financial education or financial literacy initiatives. Successful applicants must demonstrate evidence-based programming that increases financial capacity and promotes asset building. Reimbursement allocations are to be funded semi-annually, based on performance and reporting compliance.
2. The application review and selection process consist of four steps:
 - (1) The Coordinator will collect and review each application for eligibility. Eligible applications will be submitted to the GAC for evaluation.
 - (2) The GAC will score each application and recommend programs for funding consideration to the Audit Committee.
 - (a) GAC will determine recommended award amounts based on the applicant's application and demonstration to meet program eligibility criteria.
 - (b) If two or more applicants receive the same score, the GAC will select an applicant using the following criteria: (1) ability to impact the most consumers, (2) stability of the funding structure, and (3) the needs based on the target population.
 - (3) The Finance Commission will make the final selections of award recipients and award amounts.
3. Upon completion of the competitive application and review process, successful grant applicants will be notified, in writing, no later than December of the grant funding cycle year.

G. Public Records

Texas Public Information Act: All information, documentation, and other material submitted are subject to public disclosure under the *Texas Public Information Act*.

1. A full list of individuals and organizations selected for an award will be published on the TFEE website.
2. Information may be publicly available and published online (TFEE webpage, OCCC or Finance Commission website).

IV. Post Award Requirements

A. Definitions

1. "Grantee" means applicant.
2. "Grantor" means the Finance Commission of Texas and the Texas Financial Education Endowment. The Commission may authorize one or more persons,

including the Grant Coordinator, to perform any action that the Commission is authorized to perform as Grantor under the Agreement.

B. Grant Agreements

1. Once a grantee has been selected, and prior to initiating any grant funded activities, grantees and the Finance Commission appointed administrator, usually the OCCC Commissioner or the Commissioner's designee, must sign the grant agreement.
2. The terms of the Grant will be defined in the Grant Agreement, and terminate either one or two years after the grant has been awarded, unless it is terminated earlier in accordance with another provision.
3. Expenses that were incurred before the beginning or after the termination of the Agreement are not eligible for reimbursement.
4. Grantees are expected to continue to report grant funded activities until the end of the term of the agreement.

C. TFEE's (Grantor) Obligation

1. Grantor will reimburse Grantee for actual, allowable, and allocable costs incurred by Grantee pursuant to Agreement up to the maximum amount of the grant award.
2. Grantor is not obligated to pay unauthorized costs. Prior written approval from Grantor is required if Grantee anticipates any of the following: (1) altering the scope of the Grant, (2) adding funds to previously unapproved budget categories, (3) changing funds in any awarded budget category by more than 10% of the total amount awarded, or (4) adding new line items to any awarded budget category.
3. Grantor's maximum liability under the Agreement is the "Amount Awarded."
4. Reimbursement of awarded funds is not an entitlement or right. Reimbursement depends, among other things, upon strict compliance with all terms, conditions, and provisions of the Grant Agreement.

D. Grantee's Obligation

1. Grantee may use the Grant only to create, deliver, or expand Grantee's financial education, literacy, and capability building programs within the State of Texas.
2. Grantee must use the Grant in accordance with all of the following: (1) the terms of Agreement, (2) TFEE Grant Administration & Advisory Policy Manual as defined in the application guidelines and instructions, and (3) Grantee's application.
3. Texas Grant Management Standards (TxGMS) provides parameters by which the Coordinator can work to ensure consistency with state practices.
4. Grantee must cooperate fully with Grantor.
5. Grantee must notify Grantor within 30 days of significant changes or events occurring during the term of Agreement that could potentially impact the progress or outcome of the Grant, including, but not limited to, the following changes: (1) Grantee's management personnel, (2) physical or mailing address,

- (3) loss of funding, and (4) changes to Grantee's status with the Internal Revenue Service.
6. Failure to submit the required 30-day notice of significant change or events will be grounds for termination of the Agreement.
 7. The fiscal and programmatic management of the Grantee will include accountability for all funds and materials received from Grantor; compliance with Grantor's rules, policies, and procedures, as well as applicable federal and state laws and regulations; and correction of fiscal and program deficiencies identified through self-evaluation or Grantor's monitoring processes.
 8. Grantee must develop, implement, and maintain all of the following: (1) financial management and control systems that include appropriate financial planning, including the development of budgets that adequately reflect all functions and resources necessary to carry out authorized activities and the adequate determination of costs; (2) financial management systems, including accurate and complete payroll, accounting, and financial reporting records; (3) cost source documentation; (4) effective internal and budgetary controls; (5) documentation regarding determination of reasonableness, allocation of costs, and timely and appropriate audits and resolution of any findings; and (6) annual financial statements, including statements of financial position, activities, and cash flows, prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) or other recognized accounting principles.
 9. The format for submitting reimbursement requests will be provided in the grant report. Each reimbursement request must contain supporting documentation or back-up documentation for all amounts shown on the request, including receipts for all materials and supplies, all Grantee staff time shown by number of hours worked and hourly rate, and all contractor or sub-contractor services, which can be identifiable to reconcile expenditures.
 10. Grantees must comply with all laws, regulations, requirements, and guidelines applicable to a Grantee providing services to the State of Texas, as these laws, regulations, requirements, and guidelines currently exist and as they are amended throughout the term of the Agreement.
 11. If a Grantee fails to use grant funds to create, deliver, or expand financial education, literacy, and capability building programs as described in Grantee's application, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) withhold the grant funds, (3) require that Grantee refund grant funds received, (4) submit an amended report to the Coordinator, and (5) determine that Grantee is ineligible for future TFEE funds.
 12. If the Texas Comptroller's Office forfeits a Grantee's right to transact business in Texas due to failure to pay a franchise tax or for any other reason, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) suspend the Agreement until Grantee returns to good standing with the Comptroller's Office, or (3) take any other action described in paragraph 5.6 of the Agreement.

E. Grantee's Reporting Requirements

1. As part of a Grantee's proposed application, Grantees will provide the detailed measurable outcomes that Grantee expects to achieve through use of the grant funds during the Term of the Agreement. Grantees must submit to Grantor a report on or before each due date specified, and must use the standard TFEE grant report template. Grantee also agrees to submit a longitudinal report to assess changes in consumer behavior and program impact six months upon program completion.
2. For adult financial education programs, reimbursement reports will be considered incomplete if they do not include participant sign-in sheets and aggregate pre-and-post survey data. Grantee must retain copies of the pre-and-post surveys for a period of three years after the end of the grant cycle.
3. Grantee must provide a written explanation to Grantor for any variances on the periodic reports for any performance by Grantee that varies from projected performance. In addition to the written explanation, Grantee must promptly answer any questions by Grantor, whether in writing or otherwise, in connection with the periodic reports presented to Grantor.
4. If Grantee exhausts all funds prior to the completion of the grant term the Grantee is obligated to continue to track and report grant related activities for the remaining duration of the term outlined in the agreement.
5. If Grantee fails to comply with any of the reporting requirements, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) withhold the grant funds, (3) require that Grantee refund grant funds received, (4) submit an amended report to the Coordinator, and (5) determine that Grantee is ineligible for future TFEE funds.
6. Grantee shall request disbursement of grant funds by submitting a Grant Reimbursement Report to Grantor for work performed on the project. Disbursement is contingent upon approval of the disbursement request by Grantor.

V. Recordkeeping and Monitoring

A. Duty to Maintain Records

Grantee must maintain adequate records to support its charges, procedures, and performances for all work related to the Agreement. Grantee must also maintain records that are deemed necessary by Grantor, the State Auditor's Office, other auditors of the State of Texas, or any other persons designated by Grantor, to ensure proper accounting for all costs and performances related to the Agreement.

B. Record Retention

For a period of three years after the end of the grant cycle, or until full and final resolution of all audit or litigation matters that arise after the expiration of the term, whichever is later, Grantee must maintain any records that are necessary to fully disclose the extent of services provided under the Agreement, including but not limited to any daily activity

reports, time distribution and attendance records, and other records that may show the basis of the charges made or performances delivered.

C. Access by Grantor and State Auditor's Office

1. During the Term and for at least three years thereafter, Grantee must allow Grantor and the State Auditor's Office access to and the right to examine the organization, program, premises, books, accounts, records, files, and other papers or property belonging to or in use by Grantee and pertaining to the Agreement or the use of funds pursuant to the Agreement, in order to ascertain complete compliance with the provisions of the Agreement and with TFEE program guidelines.
2. Grantee must maintain these records at a location that is readily accessible to Grantor.
3. Grantor has the right to make a visual inspection of any assets, goods, or products purchased with Grant funds.

D. Audits or Investigations

Acceptance of grant funds under the Agreement acts as acceptance of the authority of the Grantor to conduct an audit or investigation in connection with grant funds. Grantee further agrees to cooperate fully with the Grantor and the State Auditor's Office, or their successors, in the conduct of any audit or investigation, including providing all records requested. Grantee will ensure that this clause concerning the authority to audit the funds received by Grantee is included in any subcontract it awards.

E. Location

Any audit of records may be conducted at Grantee's principal place of business or a location of Grantee's operations during Grantee's normal business hours.

F. Risk Assessment

The TFEE Risk Assessment is a risk-based monitoring system used to analyze the potential risk levels of TFEE Grantees and establish effective monitoring practices. The Coordinator will perform the risk analysis for each grantee at the beginning of each grant cycle in order to identify potential risk to the grant program. Additionally, the Coordinator may reanalyze grantees after each reporting period to ensure compliance. Monitoring actions will be taken based on the *low-risk*, *moderate-risk*, or *high-risk* assessment provided by the risk assessment.

G. Disallowance of Grant Funds

Grantee will be liable to the Grantor for any costs disallowed as a result of any audit or investigations, and must, upon demand, immediately reimburse the Grantor for disallowed costs.

VI. Use of Grant Funds and Property

A. Allowable Expenditures

1. Grantee may use the grant funds only for allowable expenditures as identified in Grantee's application and authorized pursuant to the Texas Grant Management Standards for the State of Texas, as adopted by the Governor of the State of Texas pursuant to Chapter 783 of the Texas Government Code.
2. Grant funds may not be used for capital expenditures (land or any items over \$5,000).
3. Grantee must produce proof of payment (stamped paid invoices or receipts) of all allowable expenditures.
4. All costs must be directly attributable to the project that is the subject of the Agreement.
5. Grantee may not use grant funds for any of the following: (1) entertainment or alcoholic beverages, (2) to directly fund class action suits, lawsuits against governmental entities, or lobbying for or against any candidate or issue, or (3) to sue or otherwise support a cause of action, claim, or defense against Grantor or the State of Texas.

B. Salaries

Salary costs will be reimbursed for direct program activity. Any salary charged to grant must be accurately recorded. Grantee must submit timesheets with specific duties performed in relation to grant activity in order for salary to be considered for reimbursement. This documentation must be submitted with grant reimbursement report.

C. Consultant Services

1. Grantees normally are expected to utilize the services of their own officers or employees to the maximum extent in managing and performing the activities supported by TFEE grant. Where it is necessary for a grantee to enter into a sub-award for the services of persons who are not its officers or employees, it is expected to do so in accordance with its own written organizational standards.
2. If the need for consultant services is anticipated, the proposal narrative should provide appropriate rationale, and the summary proposal budget should estimate the amount of funds that may be required for this purpose. To the extent possible, consultant rates should show separate amounts for actual services and each of the components of the rate (such as fringe benefits, indirect costs, and other expenses).
3. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. However, payment for a consultant's services may not exceed more than 30% of actual award.
4. In determining the allowable costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant:

- a) The nature and scope of the service rendered in relation to the service required;
- b) The necessity of issuing a sub award for the service considering the organization's capability in the particular area;
- c) The past pattern of such costs, particularly in the years prior to the award of grant;
- d) The impact of government contracts and grants on the organization's total activity (e.g., what new problems have arisen);
- e) The service can be performed more economically by employment rather than by consulting;
- f) The qualifications of the individual or concern rendering the service and the normal/customary fees charged and received by the individual for comparable services;
- g) The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation and termination provisions); or
- h) Costs of legal or lobbying services are unallowable in the grant.

D. Allowable Travel Expenditures

1. Travel costs will be reimbursed for certain expenses at the rates authorized by the Agreement and limited by rules and rates promulgated by the Comptroller of Public Accounts.
2. All travel must be performed in conjunction with official TFEF business. It is the responsibility of each grantee to track and submit (with grant reports) the completed mileage log for travel reimbursement. Failure to comply with the travel guidelines will result in delay of payment or rejection of travel reimbursement. When tracking mileage grantees must use the Mileage Log included with the grant report.
3. Grantees should use online mapping tools to compare and compute point-to-point mileage. The allowable reimbursement is determined using the lower of the actual miles driven or the mileage calculated, point to point. The Grantor is not required to reimburse grantees at the maximum rate. The Grantor's maximum mileage reimbursement rate for travel by grantees is in accordance with the Texas Comptroller of Public Accounts. Mileage to and from ordinary in-town errands will not be reimbursed.
4. Mileage is consistent with state reimbursement rates set by the State Comptroller and is subject to change. Refer to Texas Grant Management Standards (TxGMS) for conditions related to all travel, lodging, and food related reimbursement expenses. Refer to the State Comptroller for specific travel allowances, definitions, and restrictions.
5. Parking is eligible for reimbursement as long as it is incurred for official TFEF business.

6. Grantees are encouraged to compare airline costs and use the lesser amount. To be reimbursed for airline travel a Grantee must submit receipts that contain the following information: grantee (employee) name, airline, cost of airfare, travel dates, destinations, ticket number, and seating class. Grantees must also show proof of payment for airfare.

E. Disbursement of Grant Funds

1. Payments are made on a reimbursement basis after Grantor receives Grantee's Account and Report on Use of Grant Funds including receipts and invoices for all expenditures and accompanying reports.
2. Receipts and invoices must match the funds requested on Grantee's initial budget, unless otherwise approved in writing by the Grantor.
3. Advance payments that have not been used must be returned to the Grantor within 30 days of termination of grant period.

F. Misuse of Grant Funds

1. Grantor may require a refund of grant funds already disbursed to Grantee if one or more of the following events occur: (1) Grant funds are misused, (2) Grant funds are used in an illegal manner, (3) Grant funds are used for non-allowable expenses, (4) Grantee violates the terms or conditions of the Agreement, or (5) Grantor discovers that Grantee made any misrepresentations to Grantor in obtaining the Grant.
2. This provision is not exclusive of other grounds for withholding or refunding of funds or any other remedy, civil or criminal, which may be available to Grantor.

G. Use of Property

During the Term of Agreement, any property acquired with grant funds must be used in accordance with the Agreement, to accomplish the purposes of the grant and the program.

H. Records of Property

Grantee must maintain appropriate records of goods or property purchased with grant funds and must develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of these goods or property.

I. Purchase of Equipment; Title Upon Termination

1. Grantee may not give any security interest, lien or otherwise encumber any item of equipment purchased with funds.
2. Grantee must permanently identify all equipment purchased under this contract by appropriate tags or labels affixed to the equipment.
3. Grantee must maintain a current inventory of all equipment or assets, which is available to Grantor at all times upon request. Grantee must administer a program of maintenance, repair, and protection of equipment or assets under this contract so as to ensure the full availability and usefulness of the equipment or assets.

4. If Grantee is indemnified, reimbursed, or otherwise compensated for any loss of, destruction of, or damage to the assets provided under this contract, it must use the proceeds to repair or replace these equipment or assets. To the extent that Grantor reimburses Grantee for its purchase of equipment and supplies with funds from this contract. Upon termination of the contract, title to or ownership of all purchased equipment and supplies, at the sole option of Grantor, will remain with Grantor.

J. Intellectual Property

1. Where funds obtained under the Agreement may be used to produce original books, manuals, films, or other original material and intellectual property, Grantee may copyright such material subject to the royalty-free, non-exclusive, and irrevocable license that is reserved by Grantor.
2. Grantor has the unrestricted right to use, copy, modify, prepare derivative works, publish, and distribute, at no additional cost to Grantor, in any manner that Grantor deems appropriate at its sole discretion, any component of intellectual property which is the property of the grant project.

VII. Grant Agreement Termination

A. Termination for Convenience

1. The Grantor or Grantee may terminate an Agreement before the end of the Term, without cause, by delivering a written notice of termination to the other party at least 30 days before the termination.
2. Early termination of an Agreement will not relieve Grantee from reporting requirements, recordkeeping requirements, or liability to refund Grant funds in the event of misuse.
3. If Grantee terminates the agreement after receiving reimbursements in an amount that exceeds a pro rata portion of the total awarded amount over the elapsed Term of the Agreement, then Grantee must refund the portion of the reimbursement that exceeds the pro rata portion of the total awarded amount.

B. Termination for Cause

In the event that Grantee fails to perform or comply with an obligation of the terms, conditions, and provisions of the Agreement, Grantor may, upon written notice of the breach to Grantee, immediately terminate all or any part of the Agreement.

C. No Reimbursement Upon Termination

1. In the event of termination of the Agreement, Grantor will make no further disbursement of grant funds to Grantee beyond those already approved at the time of termination, and Grantee specifically waives all rights to any of these funds.
2. Grantee must refund the Grantor any unused funds at the time of termination.

VIII. Dispute Resolution

A. Mediation; Noncompliance Actions

1. To the extent authorized by law, Grantor and Grantee may use a dispute resolution process before pursuing termination or litigation.
2. Grantor and Grantee may sign an amended Grant Agreement or Noncompliance Action Plan agreeing to the amended terms.
3. The Noncompliance Action Plan may include increased communications between Grantor and Grantee, site visits, audits, and additional reports.
4. The dispute may be mediated by a mutually acceptable third party.
5. If mediation occurs, Grantor and Grantee will pay all costs of any mediation equally.
6. Grantor's participation in any mediation or nonbinding dispute resolution process will not be construed as a waiver by Grantor of any of the following: (1) any rights, privileges, defenses, remedies, or immunities available to Grantor as an agency of the State of Texas or otherwise available to Grantor, (2) Grantor's termination rights, or (3) other termination provisions or expiration dates of the Agreement.

Appendices

1. Grant Program Guidelines & Instructions
2. Grant Application & Eligibility Checklist
3. TFEF Scoring Rubric
4. Grant Agreement