

FINANCE COMMISSION OF TEXAS AUDIT COMMITTEE MEETING

Friday, December 17, 2021
8:30 a.m.

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

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission 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 October 15, 2021 Audit Committee Meeting
- B. Review of Agencies' Activities
 - 1. Department of Savings and Mortgage Lending
 - 2. Texas Department of Banking
 - 3. Office of Consumer Credit Commissioner
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2022 Internal Auditor's Risk Assessment and Audit Plan
 - 1. Department of Savings and Mortgage Lending
 - 2. Texas Department of Banking
 - 3. Office of Consumer Credit Commissioner
- D. Report on Activities Relating to the Texas Financial Education Endowment Fund
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment and Reappointment of Grant Advisory Committee Members

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, October 15, 2021

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m., on October 15, 2021, with the following members present:

Audit Committee Members in Attendance:

Debbie Scanlon, Chairman
Hector Cerna
Larry Long

Chairman Scanlon announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three (3) members present. *(0:29 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the August 20, 2021 Audit Committee Meeting	Hector Cerna made a motion to Approve the Minutes of the August 20, 2021 Audit Committee Meeting. Larry Long seconded and the motion passed.	0:50 start of discussion 1:03 Vote
B. Review of Agencies' Activities 1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	No Action Required.	1:23 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2021 Fourth Quarter Investment Officer Reports 1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	Larry Long made a motion to recommend that the Finance Commission Approve the Agencies' 2021 Fourth Quarter Investment Officer Reports. Hector Cerna seconded and the motion passed.	7:49 start of discussion 10:29 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2021 Fourth Quarter Financial Statements 1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	Larry Long made a motion to recommend that the Finance Commission Approve the Agencies' 2021 Fourth Quarter Financial Statements. Hector Cerna seconded and the motion passed.	10:52 start of discussion 19:47 Vote
E. Report on Activities Relating to the Texas Financial Education Endowment Fund	No Action Required	20:08 start of discussion

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Amend the Amount of Grant Awards for the 2022-2023 Grant Cycle for the Texas Financial Education Endowment (TFEE)	Hector Cerna made a motion to recommend that the Finance Commission Approve the Amendment of the Amount of Grant Awards for the 2022-2023 Grant Cycle for the Texas Financial Education Endowment. Larry Long seconded and the motion passed.	21:04 start of discussion 26:48 Vote
G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Final Selection of Organizations to Receive Grant Funds from the Texas Financial Education Endowment Fund	Larry Long made a motion to recommend that the Finance Commission Approve the Final Selection of Organizations to Receive Grant Funds from the Texas Financial Education Endowment Fund. Hector Cerna seconded and the motion passed.	27:11 start of discussion 29:54 Vote
H. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessments or Deployment Related to Information Resources Technology as Authorized by Texas Government Code Sections 551.076 and 551.089	Deferred to Executive Session - No vote taken.	30:47 start of discussion

Chairman Scanlon called for an Executive Session at 9:01 a.m. (30:58 on the audio file). The open meeting resumed at 9:27 a.m. (31:25 on the audio file).

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Scanlon adjourned the meeting at 9:27 a.m. (31:38 on the audio file).

Debbie Scanlon, Chairman, Audit Committee
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Ruth Wright, Executive Assistant
Finance Commission of Texas

Department of Savings and Mortgage Lending Audit Activities Report as of November 30, 2021

Auditor:	<i>Garza/Gonzales</i>	Audit Report Date: <i>11/19/2021</i>
Audit Area:	<i>FY2022 Annual Risk Assessment</i>	
Findings:	Status Update:	
<i>N/A</i>	<i>Completed.</i>	

Auditor:	<i>State Office of Risk Management (SORM)</i>	Audit Report Date: <i>12/01/2021</i>
Audit Area:	<i>On-site Consultation and Walk-through</i>	
Findings:	Status Update:	
<i>None</i>	<i>Walk-through completed on November 18, 2021.</i>	

Auditor:	<i>Department of Information Resources – AT&T</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Controlled Penetration Test and Web Application Vulnerabilities Scan</i>	
Findings:	Status Update:	
<i>N/A</i>	<i>Scheduled for January 2022.</i>	



On-Site Consultation Report

Department of Savings and Mortgage Lending

December 1, 2021

Conducted by:

Cynthia Stuart, Enterprise Risk Specialist





State Office of Risk Management

300 W. 15TH, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777
(512) 475-1440, FAX (512) 370-9025 / WWW.SORM.STATE.TX.US

December 1, 2021

Ms. Stephany Trotti
Interim Commissioner
Department of Savings and Mortgage Lending
State Finance Commission Building
2601 North Lamar Blvd., Suite 201
Austin, TX 78705-4241

Agency # 450

Re: On-Site Consultation (OSC)

Dear Ms. Trotti,

The State Office of Risk Management (SORM) conducted an On-Site Consultation (OSC) of the Department of Savings and Mortgage Lending, (SML) on November 18, 2021. The review was conducted under the authority of Texas Labor Code, Title V, Subtitle A, Chapter 412, and is designed to assist state agencies to develop and implement comprehensive risk management programs that meet Risk Management for Texas State Agencies (RMTSA) guidelines.

EXECUTIVE SUMMARY

The visit was scheduled as a consultation with agency risk management to discuss observed or potential exposures in an attempt to eliminate or mitigate those risks. This visit was limited in scope to the actual space occupied by the agency in the Finance Commission Building.

The following individuals participated during the OSC:

- **State Office of Risk Management (SORM)**
 - Cynthia Stuart, Enterprise Risk Specialist
- **Department of Savings and Mortgage Lending (SML)**
 - Antonia Antov, Director of Administration & Finance
 - Janie Recio, Sr. Accountant
 - Steven Lang, Purchaser

The following SORM core mission areas were discussed:

- Workers' Compensation: SML submitted no claims during the review period of FY18-FY22.
- Insurance: SML is currently participating in following lines of insurance: Auto Hired Non-Owned (HNO), Directors & Officers (D&O), and Property "Contents Only".
- Noteworthy observations made during the consultation include the following:
 - The agency implemented an optional telework plan that allows employees to work from home with their supervisor's approval. The agency is currently working a hybrid schedule that requires employees to report to the office two times per week.
 - The agency has provided COVID-19 screens throughout the office to address concerns from staff about working in close proximity to others.
 - The agency has installed air purifiers in areas of the office with high employee counts in further efforts to address COVID-19 concerns.
 - SML is in the final stages of transferring data to the Data Center. They have been working to finalize their COOP plan and working on disaster recovery issues.
 - Housekeeping in the office space was remarkable. Observations revealed that the supply room is neat and orderly.
 - The cubicles are well organized and free of clutter. Employees did not display improper use of power strips or daisy chains.
 - The emergency evacuation signage is prominently displayed. It contains all necessary landmarks to aid employees/visitors in evacuating the building.

As a result of this consultations, there are no recommendations related to the Department of Savings Mortgage & Lending (SML).

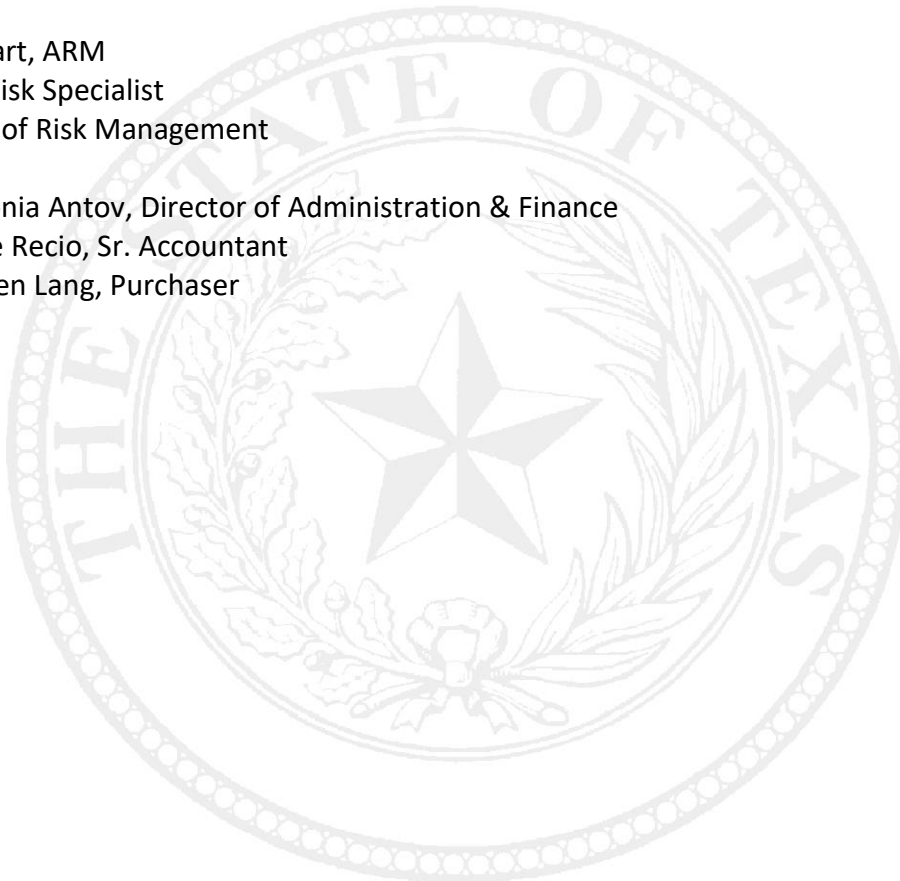
Please convey my sincere appreciation to the staff at Savings Mortgage & Lending for their cooperation and assistance during the consultation. If you have any questions or concerns regarding the information detailed in this report, please contact me by either phone at 512-936-1568 or email at cynthia.stuart@sorm.texas.gov.

Sincerely,



Cynthia Stuart, ARM
Enterprise Risk Specialist
State Office of Risk Management

cc: Antonia Antov, Director of Administration & Finance
Janie Recio, Sr. Accountant
Steven Lang, Purchaser





Important SORM Resources

[Request Training](#)

[SORM Safety Videos](#)

[Workers' Compensation Healthcare Network](#)

SORM Contact Information

Main: (512) 475-1440

Toll-Free: (877) 445-0006

Website: www.sorm.texas.gov

James Cox	Chief of Strategic Programs	512-936-1527	james.cox@sorm.texas.gov
Marc Guyot	Director of Enterprise Risk	512-936-1555	marc.guyot@sorm.texas.gov
Shelby Hyman	COOP Task Force Leader, Director of Public Relations	512-936-1457	shelby.hyman@sorm.texas.gov
Heather Hernandez	Enterprise Risk Specialist, Continuity Planning	512-936-1477	heather.hernandez@sorm.texas.gov
Shelly Milvo	Enterprise Risk Specialist, Insurance Services	512-936-1561	Shelly.milvo@sorm.texas.gov
Courtney Page	Training Consultant	512-936-1572	courtney.page@sorm.texas.gov
Jamell Collins	Training Consultant	512-936-1512	jamell.collins@sorm.texas.gov

Texas Department of Banking
Audit Activities Report
as of November 30, 2021

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>Remediations continue on findings. Will report to Audit Committee in Executive Session upon completion.</i>
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Auditor:	<i>Texas Comptroller of Public Accounts</i>	Audit Report Date: <i>Pending</i>
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Audit Area:	<i>Post Payment Audit</i>
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Findings:	Status Update: <i>In Progress – Audit field work began January 25, 2021.</i>
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Office of Consumer Credit Commissioner
Audit Activities Report
as of 11/30/2021

Auditor: <i>Texas State Auditor's Office</i>	Audit Report Date: <i>Estimated March 2022</i>
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Audit Area: <i>SDSI Audit</i>

Findings: <i>Pending</i>

Status Update: <i>In Progress</i>
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Auditor: <i>Garza/Gonzales</i>

Audit Report Date: <i>May 20, 2021</i>

Audit Area: <i>Internal Audit – Fiscal Activities</i>
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Findings: <i>Travel policies & procedures</i>

Status Update: <i>Final Review in Progress</i> <i>Estimated Completion: 1/31/2022</i>
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<i>Guidance for justification of alternative travel methods</i>

<i>Final Review in Progress</i> <i>Estimated Completion: 1/31/2022</i>

Auditor: <i>Garza/Gonzales</i>

Audit Report Date: <i>June 19, 2020</i>
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Audit Area: <i>Internal Audit – Records Management</i>

Findings: <i>Imaging and verification logging procedures</i>
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Status Update: <i>Ongoing: Imaging and verification of records in FY 2021 has been delayed due to COVID- 19. Estimated completion: 01/31/2022</i>

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

Findings: <i>NA</i>

Status Update: <i>Report Issuance Pending</i>

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FINANCE COMMISSION
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2022



FINANCE COMMISSION

Austin, Texas

Internal Audit Plan
For Fiscal Year 2022

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

Enclosed is the Finance Commission's proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2022 for the Texas Department of Banking (DOB), Department of Savings and Mortgage Lending (SML), and the Office of Consumer Credit Commissioner (OCCC). This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2022. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by the Finance Commission or Audit Committee, as necessary.

This Plan has been prepared by Garza/Gonzalez & Associates, an independent Certified Public Accounting firm, following Generally Accepted Auditing Standards, International Standards for the Professional Practice of Internal Auditing, and the Institute of Internal Auditors' Code of Ethics contained in the Professional Practices Framework.



November 19, 2021

FINANCE COMMISSION

Austin, Texas

Internal Audit Plan For Fiscal Year 2022

I. Methodology

The Finance Commission's fiscal year 2022 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents; and, questionnaires completed by the Audit Committee Chair, management, and other staff from each of the 3 agencies, as documented below.

These 3 agencies are considered financial regulatory agencies who were granted a self-directed, semi-independent (SDSI) status by the Legislature. With the SDSI status, these agencies are responsible for its costs of operation, prohibited from causing the general revenue fund to incur any cost, and removed from the legislative budgeting process. However, the Finance Commission is responsible for setting their spending authority or limits. Each agency's entire operating funds are generated from fees assessed to the businesses they regulate and are used to fund both, direct and indirect costs.

The following documents from the 3 agencies were reviewed and considered in our risk assessment process:

- Operating Budgets
- Organizational Charts
- Policies and Procedures
- Applicable Laws and Rules
- Audit and/or Monitoring Reports from Third Party Agencies
- Prior Internal Audit Reports
- Finance Commission and Audit Committee minutes

Questionnaires were developed for completion by the Audit Committee Chair, Commissioners, Deputy Commissioners, Division Directors, and other staff to update our understanding of each division, and its role within the overall scheme of the respective agency. The questionnaires included topics; such as, issues and/or concerns, recent changes in key personnel, time elapsed since last audit, status of past audit findings, and regulatory compliance requirements (i.e., TAC 202, *Information Security Standards* and contract management). Utilizing information obtained through the completed questionnaires and background information reviewed, audit areas for each of the 3 agencies were identified as potential audit topics. A risk analysis was completed for each individual audit topic and then compiled to develop an overall risk assessment for each of the 3 agencies.

FINANCE COMMISSION

Internal Audit Plan

The following 8 risk factors were considered for each potential audit topic:

- | | |
|---|---|
| 1. Materiality | Measure of the auditable unit's <i>financial</i> materiality based on the dollar amount per year of assets, receipts, or disbursements for which the unit is responsible, or the license/chapter holders' assets that the unit supervises; or, <i>non-financial</i> materiality based on the number of licensees for which the unit is responsible, or the magnitude of its responsibility related to the agency's primary mission. |
| 2. Time since Last Audit or Review | Measure of the number of years between the date of the previous audit or review and the date of the risk assessment. |
| 3. Results of Previous Audit or Review | Measure of the results of the prior audit or review. |
| 4. Adequacy of Staffing Levels | Measure of the adequacy of the auditable unit's staffing level as it relates to the achievement of its objectives. |
| 5. Policies and Procedures | Measure of the existence of policies and procedures documenting the auditable unit's activities. |
| 6. Compliance with Contracts, Laws, and Regulations | Measure of the magnitude of contracts, laws, and/or regulations for which the auditable unit is responsible for complying. |
| 7. Susceptibility of Theft, Waste, Abuse, or Fraud | Measure of the auditable unit's risk and controls in place as it relates to theft, waste, abuse, or fraud. |
| 8. Issues or Concerns | Measure of issues or concerns expressed in completed questionnaires. |

II. Audit Scope

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass the examination and evaluation of the adequacy and effectiveness of the respective agency's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope, as applicable, considers 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.

FINANCE COMMISSION

Internal Audit Plan

III. Texas Department of Banking (DOB)

Internal Audit Plan

In addition to performing the 2022 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes 2 audits to be performed; a follow-up of the prior year audit recommendations; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, preparation of the Internal Audit Annual Report for fiscal year 2022.

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 the 8 risk factors, mentioned in section I of this report, 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
Bank Examinations Corporate Activities	Procurement/Contract Management/HUB Payroll & Human Resources Travel IT Examinations Trust Examinations Management Information Systems [(MIS) Includes Disaster Recovery Plan] Consumer Assistance Revenue Accounting Process	Fixed Asset Management Financial Reporting Money Service Businesses Prepaid Funeral Guaranty Fund Perpetual Care Cemeteries Prepaid Funeral Contracts Imaging & Records Management

This report includes the “Risk Assessment Summary” as Attachment A-1; and, the “History of Areas Audited” as Attachment B-1, which identifies audits and/or reviews performed from fiscal year 2012 through 2021 for the above 17 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2021:

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

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

FINANCE COMMISSION

Internal Audit Plan

Fiscal Year 2019¹:

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

The areas recommended for internal audits and other functions to be performed for fiscal year 2022 are as follows:

1. Completion of the Fiscal Year 2022 Risk Assessment and Preparation of this Internal Audit Plan
2. Audit of (1) Bank Examinations Area; and (2) IT Examinations Area
An audit of these areas will be performed to ensure DOB's established policies and procedures and internal controls are effective to enforce and administer applicable state laws and regulations of state-chartered financial institutions. The audits will also include a review of staff training and relevant performance measures.
3. Follow-up of Prior Year Internal Audits and Prepare the 2022 Internal Audit Annual Report
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of the fiscal year ended August 31, 2021 and prepare the 2022 Internal Audit Annual Report. The follow-up audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete or Ongoing; or, (4) Not Implemented.
5. Other Tasks
Other tasks as may be assigned by the Finance Commission, Audit Committee, or executive management during the year.

¹ Performed by McConnell & Jones LLP.

FINANCE COMMISSION

Internal Audit Plan

IV. Department of Savings and Mortgage Lending (SML)

Internal Audit Plan

In addition to performing the 2022 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes 1 audit to be performed; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, preparation of the Internal Audit Annual Report for fiscal year 2022.

Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 12 audit areas were identified as potential audit topics. A risk analysis utilizing the 8 risk factors, mentioned in section I of this report, was completed for each of the 12 potential audit topics and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 12 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Mortgage Examinations Legal and Enforcement Thrift Examinations Thrift Supervision and Compliance	Revenue Accounting Process Mortgage Licensing and Registration Management Information Systems [(MIS) Includes Disaster Recovery Plan] Payroll and Human Resources	Financial Reporting (includes Fixed Assets & Travel) Procurement/ Contract Management/ HUB Consumer Protection Records Management

This report includes the “Risk Assessment Summary” as Attachment A-2; and, the “History of Areas Audited” as Attachment B-2, which identifies audits and/or reviews performed from fiscal year 2012 through 2021 for the above 12 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2021:

- Risk Assessment & Preparation of the Internal Audit Plan
- Procurement/Contract Management/HUB Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2020:

- Risk Assessment & Preparation of the Internal Audit Plan
- 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 Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

¹ Performed by McConnell & Jones LLP.

FINANCE COMMISSION

Internal Audit Plan

The area recommended for internal audit and other functions to be performed for fiscal year 2022 are as follows:

1. Completion of the Fiscal Year 2022 Risk Assessment and Preparation of this Internal Audit Plan

2. Audit of Legal & Enforcement Area

An audit of this area will be performed to ensure SML's established policies and procedures and internal controls are effective to enforce and administer applicable state laws and regulations of the financial institutions it regulates. The audit will also include a review of SML's administration of the Mortgage Broker Recovery Fund.

3. Preparation of the 2022 Annual Report

Prepare the 2022 Internal Audit Annual Report.

4. Other Tasks

Other tasks as may be assigned by the Finance Commission, Audit Committee, or executive management during the year.

FINANCE COMMISSION

Internal Audit Plan

V. Office of Consumer Credit Commissioner (OCCC)

Internal Audit Plan

In addition to performing the 2022 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes 1 audit to be performed; a follow-up of the prior year audit recommendations; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, preparation of the Internal Audit Annual Report for fiscal year 2022.

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 the 8 risk factors, mentioned in section I of this report, 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
Fiscal Division (Includes Fixed Assets & Travel) Revenue Accounting Process	Procurement/Contract Management/HUB Regulated Lenders Examinations Legal and Enforcement Motor Vehicle Sales Finance Examinations Credit Access Business Examinations Pawn Examinations Management Information Systems [(MIS) Includes Disaster Recovery Plan] Payroll and Human Resources	Complaint Intake and Investigation Property Tax Lender Examinations TFEE Fund Grant Administration Business Licensing Business Registration Professional Licensing (Pawnshop Employees & RMLO) Records Management

This report includes the “Risk Assessment Summary” as Attachment A-3; and, the “History of Areas Audited” as Attachment B-3, which identifies audits and/or reviews performed from fiscal year 2012 through 2021 for the above 17 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2021:

- Risk Assessment & Preparation of the Internal Audit Plan
- TFEE Fund Investment Portfolio Administration Audit (*Required Periodic Audit*)
- Fiscal Division (Includes Fixed Assets & Travel) Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2020:

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

FINANCE COMMISSION

Internal Audit Plan

Fiscal Year 2019¹:

- Risk Assessment & Preparation of the Internal Audit Plan
- Investment Administration Controls Audit (*Required Periodic Audit*)
- Information Technology Change Management Program Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

The areas recommended for internal audit and other functions to be performed for fiscal year 2022 are as follows:

1. Completion of the Fiscal Year 2022 Risk Assessment and Preparation of this Internal Audit Plan
2. Audit of Regulated Lenders Examinations Area
An audit of this area will be performed to ensure OCCC's established policies and procedures and internal controls are effective to enforce and administer applicable state laws and regulations of Regulated Lenders. The audit will also include a review of staff training and relevant performance measures.
3. Follow-up of Prior Year Internal Audits and Preparation of the 2022 Annual Report
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of the fiscal year ended August 31, 2021 and prepare the 2022 Internal Audit Annual Report. The follow-up audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete or Ongoing; or, (4) Not Implemented.
4. Other Tasks
Other tasks as may be assigned by the Finance Commission, Audit Committee, or executive management during the year.

¹ Performed by McConnell & Jones LLP.

ATTACHMENTS

TEXAS DEPARTMENT OF BANKING
Risk Assessment Summary
For Fiscal Year 2022

		RISK FACTOR WEIGHT																
		10.00%		16.50%		16.00%		15.00%		12.50%		12.00%		8.00%		10.00%		
		RISK FACTORS																
		1		2		3		4		5		6		7		8		
												Compliance with Contracts, Laws & Regulations		Susceptibility of Theft or Fraud		Issues or Concerns		
POTENTIAL AUDIT TOPIC		Materiality		Time Since Last Audit or Review		Results of Last Audit or Review		Adequacy of Staffing Levels		Policies and Procedures								
																Total		
High Risk: > 174																		
1	Bank Examinations	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	3	36.00	1	8.00	3	30.00	195.50
2	Corporate Activities	3	30.00	2	33.00	1	16.00	3	45.00	1	12.50	2	24.00	1	8.00	2	20.00	188.50
Moderate Risk: 152 - 174																		
3	Procurement/Contract Management/HUB	2	20.00	2	33.00	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	1	10.00	174.00
4	Payroll and Human Resources	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	2	24.00	2	16.00	1	10.00	171.50
5	Travel	2	20.00	2	33.00	1	16.00	2	30.00	2	25.00	1	12.00	2	16.00	1	10.00	162.00
6	IT Examinations	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	160.50
7	Trust Examinations	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	2	20.00	160.50
8	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	158.00
9	Consumer Assistance	2	20.00	1	16.50	2	32.00	2	30.00	1	12.50	2	24.00	1	8.00	1	10.00	153.00
10	Revenue Accounting Process	3	30.00	1	16.50	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	152.50
Low Risk: < 152																		
11	Fixed Asset Management	2	20.00	2	33.00	1	16.00	1	15.00	2	25.00	1	12.00	2	16.00	1	10.00	147.00
12	Financial Reporting	1	10.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	1	8.00	1	10.00	141.00
13	Money Service Businesses	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	138.50
14	Prepaid Funeral Guaranty Fund	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	1	12.00	2	16.00	1	10.00	134.50
15	Perpetual Care Cemeteries	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	128.50
16	Prepaid Funeral Contracts	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	128.50
17	Imaging & Records Management	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	100.00

Risk Factor Rating:

1 - Low Risk

2 - Moderate Risk

3 - High Risk

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
Risk Assessment Summary
For Fiscal Year 2022

RISK FACTOR WEIGHT							
10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%

RISK FACTORS							
1	2	3	4	5	6	7	8

POTENTIAL AUDIT TOPIC											Compliance with Contracts, Laws & Regulations		Susceptibility of Theft or Fraud		Issues or Concerns		Total	
Materiality		Time Since Last Audit or Review		Results of Prior Audit or Review		Adequacy of Staffing Levels		Policies and Procedures										
High Risk: > 172																		
1	Mortgage Examinations	3	30.00	2	33.00	1	16.00	2	30.00	2	25.00	3	36.00	1	8.00	1	10.00	188.00
2	Legal & Enforcement	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	3	36.00	1	8.00	1	10.00	173.00
3	Thrift Examinations	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	3	36.00	1	8.00	1	10.00	173.00
4	Thrift Supervision and Compliance	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	3	36.00	1	8.00	1	10.00	173.00

Moderate Risk: 157 - 172

5	Revenue Accounting Process	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	169.00
6	Mortgage Licensing & Registration	2	20.00	2	33.00	1	16.00	2	30.00	2	25.00	2	24.00	1	8.00	1	10.00	166.00
7	MIS (Includes Disaster Recovery Plan)	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	158.00

Low Risk: < 157

8	Payroll and Human Resources	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50
9	Financial Reporting (Includes Fixed Assets & Travel)	2	20.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	1	8.00	1	10.00	151.00
10	Procurement/Contract Management/HUB	2	20.00	1	16.50	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	142.50
11	Consumer Protection	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	138.50
12	Records Management	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	100.00

Risk Factor Rating:

- 1 - Low Risk
- 2 - Moderate Risk
- 3 - High Risk

OFFICE OF CONSUMER CREDIT COMMISSIONER
Risk Assessment Summary
For Fiscal Year 2022

RISK FACTOR WEIGHT							
10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%

RISK FACTORS							
1	2	3	4	5	6	7	8

Compliance with																			
POTENTIAL AUDIT TOPIC			Materiality		Time Since Last Audit or Review		Results of Prior Audit or Review		Adequacy of Staffing Levels		Policies and Procedures		Contracts, Laws & Regulations		Susceptibility of Theft, Waste, Abuse, or Fraud		Issues or Concerns		Total
High Risk: > 169																			
1	Fiscal Division (Includes Fixed Assets & Travel)	3	30.00	2	33.00	2	32.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	185.00	
2	Revenue Accounting Process	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	2	20.00	179.00	
Moderate Risk: 154 - 169																			
3	Procurement/Contract Management/HUB	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	169.00	
4	Regulated Lenders Examinations	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	168.50	
5	Legal and Enforcement	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	168.50	
6	Motor Vehicle Sales Finance Examinations	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	160.50	
7	Credit Access Business Examinations	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	158.50	
8	Pawn Examinations	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	158.50	
9	MIS (Includes Disaster Recovery Plan)	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	158.00	
10	Payroll and Human Resources	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50	

Risk Factor Rating:

- 1 - Low Risk
- 2 - Moderate Risk
- 3 - High Risk

TEXAS DEPARTMENT OF BANKING
History of Areas Audited
For Fiscal Year 2022

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited/Reviewed									
		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					E			
4	Financial Reporting						B	E*			
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*	A/D*	D*	D*	B/D*	E*	A1*/D	D*	A*/D/D*
9	Money Service Businesses			A			B*	E	A1*	A*	
10	Payroll and Human Resources	F*		C*				C*/F*	F*		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			C*			B*	C*			C*
15	Revenue Accounting Process				A		B	E	A1*	A	
16	Travel			C*			B*	C*/E*			C*
17	Trust Examinations							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.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
History of Areas Audited
For Fiscal Year 2022

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited/Reviewed									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Consumer Protection			A			B*	D			
2	Financial Reporting (Includes Fixed Assets & Travel)			E*			B	D*/E*			
3	Legal and Enforcement						B	D			
4	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	C*	C*	C*	C*	A/C*	B*/C*	C/C*/D*	A1*	C*	C/C*
5	Mortgage Examinations				A		B*	D			G*
6	Mortgage Licensing and Registration	A					B*	D			G*
7	Payroll and Human Resources		F*	E*				E*	F*		
8	Procurement/Contract Management/HUB			E*			B	D*/E*			A
9	Records Management									A	
10	Revenue Accounting Process						B	D*			
11	Thrift Examinations						A	D			
12	Thrift Supervision and Compliance		A				B*	A/D			

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** IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- D** Sunset Review performed by the Sunset Advisory Commission.
- E** Post Payment Audit performed by the Comptroller of Public Accounts.
- F** Review performed by the Texas Workforce Commission.
- G** Mortgage accreditation review performed by the Conference of State Bank Supervisors.

OFFICE OF CONSUMER CREDIT COMMISSIONER
History of Areas Audited
For Fiscal Year 2022

POTENTIAL AUDIT TOPIC		Fiscal Year Audited/Reviewed									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Business Licensing						B*	D			
2	Business Registration						A	D			
3	Complaint Intake and Investigation	A						D			
4	Credit Access Business Examinations		A					D			
5	Fiscal Division (Includes Fixed Assets & Travel)		C*				B	C*/D*		C1*	A*
6	Legal and Enforcement						B*	D			
7	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	E*	E*	E	E*	E*	B*/E	D*/E*	A1*/E		E/E*
8	Motor Vehicle Sales Finance Examinations					A		D			
9	Pawn Examinations							D			
10	Payroll and Human Resources		C*/F*					C*	F*		
11	Procurement/Contract Management/HUB		C*				B	C*/D*			
12	Professional Licensing (Pawnshop Employees & RMLO)			A			B*	D			
13	Property Tax Lender Examinations							A/D			
14	Records Management									A	
15	Regulated Lenders Examinations							D			
16	Revenue Accounting Process						B	D			
17	TFEE Fund Grant Administration				A		A*	D			
<i>Required Periodic Audit</i>											
18	TFEE Fund Investment Portfolio Administration						A	D	A1		A

Note: Performance Measures is included in the scope of the applicable audit area(s).
 OCCC is currently undergoing an SDSI Audit conducted by the State Auditor's Office.

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.
- C** Post-Payment audit performed by the Comptroller of Public Accounts (CPA).
- C1** Overpayment Recovery audit performed by the CPA.
- D** Sunset Review performed by the Sunset Advisory Commission.
- E** IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- F** Review performed by the Texas Workforce Commission.

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Texas Financial Education Endowment (TFEE)

TFEE Report – December 17, 2021

D. Report on Activities Relating to the Texas Financial Education Endowment Fund

The 2020-2021 TFEE Grant Cycle concludes on December 31, 2021. The 4th and final semi-annual reports and reimbursement requests for the 2020-2021 grant cycle are due at the end of January. To date, the 2020-2021 TFEE Grant Cycle has reimbursed \$203,115.76 to organizations to deliver and promote financial capability throughout Texas.

The 2022-2023 TFEE Grant Cycle will begin on January 1, 2022. The upcoming grant cycle will be awarding more funds than ever before, while working with more organizations than in any previous grant cycle to help promote financial capability across Texas.

E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment and Reappointment of Grant Advisory Committee Members

The Grant Advisory Committee (GAC) will have three vacancies beginning with the 2022-2023 grant cycle. These vacancies were previously held by a Consumer Advocate Representative, a Financial Education Consultant Representative, and a Credit Access Business Representative. The following individuals are recommended for appointment or reappointment for a term of January 1, 2022 – December 31, 2025:

Reappointment

Laura Rosen - Consumer Advocate Representative

Laura Rosen joined the University of Texas at Austin in 2019 as the Head of Programs for Impact Factory, a hub for civic entrepreneurship and innovation that is a joint initiative between the LBJ School of Public Affairs and Dell Medical School. Prior to Dell Med, Laura worked as a Senior Policy Analyst at the Center for Public Policy Priorities for 8 years, managing CPPP's quality jobs and financial empowerment portfolio of work, and worked as a Program Analyst at Central Health. Laura started her career as a Fulbright Scholar in Peru. Laura completed her Master of Public Policy from the University of Michigan, and received a Bachelor of Business Administration in Business Honors from the University of Texas at Austin. Laura serves as a mentor for the City of Austin's Challenge Studio business incubator.

New Appointment

Linda Davis-Demas - Financial Education Consultant Representative.

Linda Davis-Demas is the Vice President of Housing with BALANCE. Linda is responsible for all housing counseling programs, the management of housing grants, and the oversight of BALANCE's National Affiliate Housing Counseling Network. Linda has more than a decade of experience in grants, regulatory



Texas Financial Education Endowment (TFEE)

compliance, training, quality control, financial coaching, and counseling. Prior to joining BALANCE in November 2017, Linda served as Director of Client Experience, Training and Federal Grants for the national HUD intermediary of the Homeownership Preservation Foundation (HPF), Director of Quality Control and Compliance at HPF and Director of Housing at CCCS of Greater Dallas. During her tenure with HPF, she managed all Housing Grants, a network of over 400 counselors and coaches, and national counseling network. Over the last fifteen years she has served as an advocate for underserved communities, particularly the Hispanic community.

New Appointment

TBA - Credit Access Business Representative