

FINANCE COMMISSION OF TEXAS AUDIT COMMITTEE MEETING

Friday, April 22, 2022
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 February 18, 2022 Audit Committee Meeting
- B. Review of Agencies' Activities
 - 1. Texas Department of Banking
 - 2. Office of Consumer Credit Commissioner
 - 3. Department of Savings and Mortgage Lending
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2022 Second Quarter Investment Officer Reports
 - 1. Texas Department of Banking
 - 2. Office of Consumer Credit Commissioner
 - 3. Department of Savings and Mortgage Lending
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2022 Second Quarter Financial Statements
 - 1. Texas Department of Banking
 - 2. Office of Consumer Credit Commissioner
 - 3. Department of Savings and Mortgage Lending
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Reapprove the Internal Audit Contract for Garza/Gonzalez and Associates for Fiscal Year 2023
- F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's Bank Examination Audit Report as Prepared and Presented by Garza/Gonzalez and Associates
- G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund
- H. 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 §§551.076 and 551.089, Texas Government Code

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

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

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MINUTES OF THE AUDIT COMMITTEE MEETING Friday, February 18, 2022

The Audit Committee of the Finance Commission of Texas convened at 8:29 a.m., on February 18, 2022, with the following members present:

Audit Committee Members in Attendance:

Larry Long, Acting Chairman
Hector Cerna
Cliff McCauley

Audit Committee Members Absent:

Debbie Scanlon, Chairman

Acting Chairman Long announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three (3) members present. Chairman Debbie Scanlon was absent.

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the December 17, 2021 Audit Committee Meeting	Cliff McCauley made a motion to Approve the Minutes of the December 17, 2021 Audit Committee Meeting. Hector Cerna seconded and the motion passed.	n/a
B. Review of Agencies' Activities 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	No Action Required.	0:01 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2022 First Quarter Investment Officer Reports 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	Hector Cerna made a motion to recommend that the Finance Commission Approve the Agencies' 2022 First Quarter Investment Officer Reports. Cliff McCauley seconded and the motion passed.	4:59 start of discussion 9:24 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2022 First Quarter Financial Statements 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	Cliff McCauley made a motion to recommend that the Finance Commission Approve the Agencies' 2022 First Quarter Financial Statements. Hector Cerna seconded and the motion passed.	9:46 start of discussion 17:06 Vote
E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund	No Action Required.	17:30 start of discussion

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of a New Grant Advisory Committee Member Deborah Reyes	Cliff McCauley made a motion to recommend that the Finance Commission Approve the Appointment of a New Grant Advisory Committee Member Deborah Reyes. Hector Cerna seconded and the motion passed.	19:48 start of discussion 20:57 Vote
G. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by Texas Government Code Sections 551.76 and 551.089	Deferred to Executive Session. No vote taken.	n/a

Acting Chairman Long called for an Executive Session at 8:53 a.m. *(21:34 on the audio file)*. The open meeting resumed at 9:09 a.m. *(22:38 on the audio file)*.

There being no further business of the Audit Committee of the Finance Commission of Texas, Acting Chairman Long adjourned the meeting at 9:10 a.m. *(23:05 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

Texas Department of Banking
Audit Activities Report
as of March 31, 2022

Auditor:	<i>Department of Information Resources – AT&T</i>	Audit Report Date: <i>Completed</i>
Audit Area:	<i>Texas Cybersecurity Framework Assessment</i>	
Findings:	Status Update: <i>Remediations continue. Next report to Audit Committee will be in August 2022.</i>	
Auditor:	<i>Texas Comptroller of Public Accounts</i>	Audit Report Date: <i>Pending</i>
Audit Area:	<i>Post Payment Audit</i>	
Findings:	Status Update: <i>In Progress – Audit field work began January 25, 2021.</i>	
Auditor:	<i>Garza/Gonzalez & Associates</i>	Audit Report Date: <i>March 28, 2022</i>
Audit Area:	<i>Bank Examination Audit</i>	
Findings:	Status Update: <i>None. Audit was completed and final report provided to the Department .</i>	
Auditor:	<i>Garza/Gonzalez & Associates</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>IT Examination Audit</i>	
Findings:	Status Update: <i>Field work to begin April 25, 2022.</i>	
Auditor:	<i>Garza/Gonzalez & Associates</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Consumer Assistance Follow-up</i>	
Findings:	Status Update: <i>Field work to begin April 25, 2022.</i>	

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Office of Consumer Credit Commissioner
Audit Activities Report
as of 03/31/2022

Auditor: *Texas State Auditor's Office*

Audit Report Date: *March 2022*

Audit Area: *SDSI Audit*

Findings: *The Office should develop, document & implement procedures for information technology change management that include documented management approvals and that accurately reflect actual practice.*

Status Update: *The OCCC will review and revise its change management policy & procedures to implement this recommendation by August 31, 2022.*

Auditor: *Garza/Gonzales*

Audit Report Date: *TBD*

Audit Area: *Regulated Lender Examinations*

Findings: *NA*

Status Update: *Planned*

Auditor: *Department of Public Safety*

Audit Report Date: *Pending*

Audit Area: *Non-Criminal Justice Audit: Licensing*

Findings:
NA

Status Update:
Report Issuance Pending



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

An Audit Report on

**The Office of Consumer Credit
Commissioner: A Self-directed,
Semi-independent Agency**

March 2022
Report No. 22-023

State Auditor's Office reports are available on the Internet at <http://www.sao.texas.gov/>.



An Audit Report on

The Office of Consumer Credit Commissioner: A Self-directed, Semi- independent Agency

SAO Report No. 22-023
March 2022

Overall Conclusion

The Office of Consumer Credit Commissioner (Office) has established controls and processes to accurately report financial and performance data. It set its fiscal year 2021 fees as part of its budget process. Those fees and penalties assessed by the Office were within limits set by statute and applicable rules.

The Office performed reconciliations and maintained appropriate controls over processing receipts. These controls helped ensure that the Office's fiscal year 2021 annual financial report was mathematically accurate and internally consistent. In addition, the annual financial report accurately reported License and Fee transactions, Cash in Treasury, Cash Equivalents, Investments, Net Increase in Fair Value, and Fund Balances. The Office's annual report to the Legislature and the Governor, which is required by Texas Finance Code, Section 16.005, contained revenue and expenditure totals that were consistent with data in the annual financial report.

The Office had processes to collect and accurately calculate the performance measures tested. It reported accurate results to the Finance Commission of Texas (Finance Commission) for these two performance measures:

- Monies Returned to Consumers.
- Number of Complaints Closed.

The Office's budget was designed to keep the Office in compliance with the Finance Commission's rules for liquidity. However, the Office ended fiscal year 2021 with unreserved cash balances in excess of limits set by Finance Commission policy. These cash balances were higher than expected because the Office spent \$1.7 million less than it budgeted, largely due to factors related to the COVID-19 pandemic.

Background Information

The Office of Consumer Credit Commissioner (Office), which was created in 1963, licenses and regulates nondepository financial service providers in Texas. Licensed industries include motor vehicle sales finance, pawn shops, and residential mortgage loan originators. The Office reported that it had 18,813 licensees and 10,135 registrants as of August 31, 2021.

The 81st Legislature granted the Office self-directed and semi-independent (SDSI) status effective September 1, 2009. The Finance Commission of Texas oversees the Office and approves the Office's operating budget. The Office's fiscal year 2021 General Fund budget included total revenue of \$8,412,291 and total expenditures of \$8,843,678.

The Office reported 68.5 full-time equivalent positions at the end of August 2021.

Sources: The Office's website, *Strategic Plan for Fiscal Years 2021-2025*, fiscal year 2021 budget, and Finance Commission of Texas meeting packet for October 2021.

The Office generally has automated processes and related controls that help ensure the accuracy and completeness of its data. However, the Office inconsistently processes change management requests.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating ^a
1	The Office Had Effective Controls That Helped Ensure the Accuracy and Completeness of Its Financial Data and Required Reports	Low
2	The Office Reported Accurate Results for the Two Performance Measures Tested	Low
3	The Office Had an Adequate Budget Process and Complied with Requirements for Setting Fees	Low
4	The Office's Automated Controls Were Generally Adequate, But It Should Continue Implementing Recommended Information Technology Controls	Medium
^a A subchapter is rated Priority 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 subchapter is rated High 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 subchapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level. A subchapter is rated Low if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(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.		

Auditors communicated other, less significant issues separately in writing to Office management.

Summary of Management's Response

At the end of Chapter 4 in this report, auditors made a recommendation to address the issues identified during this audit. The Office agreed with this recommendation.

Audit Objectives and Scope

The objectives of this audit were to:

- Determine whether the Office has processes and related controls to help ensure the accuracy and completeness of financial and performance data.

- Evaluate the Office's processes for setting fees and penalties.

The scope of this audit covered financial and performance information, applicable processes, and other supporting documentation for fiscal year 2021 (September 1, 2020, through August 31, 2021).

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Detailed Results

Chapter 1

The Office Had Effective Controls That Helped Ensure the Accuracy and Completeness of Its Financial Data and Required Reports

**Chapter 1
Rating:**
Low ¹

The Office of Consumer Credit Commissioner (Office) had processes and related controls that were effectively designed, in place, and operating to help ensure the accuracy and completeness of its financial data. The Office performed reconciliations and maintained appropriate controls over processing receipts. These controls helped ensure that the Office's fiscal year 2021 annual financial report is significantly and mathematically accurate.

In addition, the Office submitted its biennial and annual reports to the Legislature and the Governor, as required.

Fiscal Year 2021 Annual Financial Report

The Office's financial statements are internally accurate. All totals shown in the annual financial report were calculated correctly. There were no differences between the totals on the combining schedules and the exhibits in the annual financial report. The Office accurately recorded and sufficiently supported the five year-end adjusting entries tested. The Office also reconciled its annual financial report to its Micro Information Products (MIP) accounting system as part of the preparation process. (See text box for more information about the Office's systems.)

The Office accurately reported the following accounts in the fiscal year 2021 annual financial report:

- **Fee Revenue** – The Office accurately reported the 27 fee revenue transactions tested. These transactions were supported by adequate documentation. In all cases, the Office collected the appropriate fee amount.

The Office's Key Automated Systems

The Uniform Statewide Accounting System (USAS) is the Office's accounting system of record. The Office uses USAS to prepare its annual financial report.

Micro Information Products (MIP) is the accounting system that recorded financial activity and generated financial reports during the audit period. The Office replaced this system with the Centralized Accounting and Payroll/Personnel System (CAPPS) at the beginning of fiscal year 2022.

Application, Licensing, Examinations, Compliance System (ALECS) is the Office's regulatory system, which the Office uses to record certain financial data, record and track complaints and investigations, and report performance measure data.

Source: The Office

¹ The risk related to the issues discussed in Chapter 1 is rated as Low because the audit identified strengths that support the Office's ability to administer the functions audited.

- Cash in Treasury, Cash Equivalents, Investments, and Net Increase in Fair Value – The Office accurately reported the amounts in these accounts.
- Fund Balances – The Office correctly classified its fund balances.

Additionally, related controls were operating effectively. Specifically:

- **Financial reconciliations.** The Office performed reconciliations as required and appropriately resolved differences identified as part of each reconciliation. The Office’s accounting policies and procedures require monthly reconciliations of (1) fee revenues recorded in the Texas.gov² Payments System and the Office’s Application, Licensing, Examinations, Compliance System (ALECS), (2) expenses recorded in MIP and the Uniform Statewide Accounting System (USAS), and (3) cash recorded in MIP and cash held at the Texas Treasury Safekeeping Trust Company.
- **Cash deposits.** The Office appropriately deposited cash received at its office. In addition, the supporting documentation for all cash deposits tested was properly signed and reviewed.

Required Reports

Texas Finance Code, Section 16.005, requires the Office to submit two reports to the Legislature and the Governor: an annual report and a biennial report.

The Office submitted its most recent annual report in October 2021. This report contained all required information, including revenue and expenditure totals. These totals match revenue and expenditure totals in the Office’s fiscal year 2021 annual financial report.

The Office submitted its most recent biennial report in November 2020. This report contained all information required by the statute.

² Texas.gov is the State’s official digital platform that processes online payments.

The Office Reported Accurate Results for the Two Performance Measures Tested

**Chapter 2
Rating:**
Low ³

The Office reported accurate results for the two performance measures tested in its reports to the Finance Commission of Texas (Finance Commission) for fiscal year 2021. The two performance measures tested were:

- Monies Returned to Consumers.
- Number of Complaints Closed.

Monies Returned to Consumers

The Office had a process to collect and accurately calculate and report Monies Returned to Consumers. For fiscal year 2021, the Office reported that the total Monies Returned to Consumers was \$3,385,505. The data for this measure was accurately reported and adequately supported by source documentation.

Number of Complaints Closed

The Office had a process to collect and accurately calculate and report the Number of Complaints Closed. For the four quarters of fiscal year 2021, the Office reported that the Number of Complaints Closed was 430, 416, 432, and 447, respectively. Data for this measure was accurately reported and adequately supported by source documentation.

³ The risk related to the issues discussed in Chapter 2 is rated as Low because the audit identified strengths that support the Office's ability to administer the function audited.

The Office Had an Adequate Budget Process and Complied with Requirements for Setting Fees

**Chapter 3
Rating:**
Low ⁴

The Office set its fiscal year 2021 fees as part of its budget process. The Office set these fees and assessed penalties during fiscal year 2021 within limits set by statute and applicable rules.

The Office's budget was designed to keep the Office in compliance with the Finance Commission's rules for liquidity. However, the Office ended fiscal year 2021 with unreserved cash balances in excess of limits set by Finance Commission policy. These cash balances were higher than expected because the Office spent \$1.7 million less than it budgeted, largely due to factors related to the COVID-19 pandemic.

Budgeting

The Office used the following process to create the budget:

- The Office estimated it would spend \$8.8 million in fiscal year 2021. It based this estimate on expenditures for the prior three years, budget requests from the Office's managers, and anticipated personnel costs.
- The Office determined that it wanted to finance \$8.4 million of its spending from current year revenues and \$0.4 million from its unreserved cash balances.
- The Office then forecast available fee revenue from each industry that it licenses and registers, using its judgment and considering the following factors:
 - ♦ The actual or projected number of licenses or registrations in each industry when the budget was being developed, as well as the number of prior year licenses or registrations.
 - ♦ Estimated license renewal rates.
 - ♦ Potential fee discount rates.
- The Office then performed what it called a *fair share analysis*, in which it compared each licensed industry's proportion of licenses to the percentage of revenue it expected to receive from that industry's fees, to ensure that no industry subsidized another. The Office did not perform a

⁴ The risk related to the issues discussed in Chapter 3 is rated as Low because the audit identified strengths that support the Office's ability to administer the function audited.

similar analysis on its registered industries because those industries provide less than 5 percent of revenues.

- The Office prepared the final draft budget, which it presented to the Finance Commission. The Finance Commission approved the budget.

Fees

The Office sets its fees by starting with the maximums set by statute and rule. The Office then discounted renewal assessment fees in creating the revenue budget. The Office used its “fair share” analysis to verify that each industry would cover its costs after discount. The fair share analysis compares the proportion of its resources the Office estimates it will need to regulate each industry to the revenue that industry will contribute. The analysis does so by comparing the percentage of the number of renewed licenses or registrations to the percent of total revenue the Office estimates it will collect from that industry.

The Office performed an additional fee analysis during the year before each industry’s renewal period. If the analysis showed that the Office would meet its revenue targets with additional discounts, the Office increased the discount. In fiscal year 2021, the Office increased the discounts for regulated lenders and pawn shops. The industries and their discounts are listed in Table 2.

Table 2

Industries With Discounted Renewal Fees			
Industry	Base Fee	Discount	Fee After Discount
Motor vehicle sales finance - Licensed Location	\$460	21.7%	\$360
Motor vehicle sales finance - Registered Office	\$430	23.3%	\$330
Pawn shops	\$625	40.0%	\$375
Regulated lenders	\$600	35.0%	\$390
Residential mortgage loan originators	\$200	50.0%	\$100

Source: The Office.

Penalties

The Office did not include penalties in its revenue budget. Penalties are imposed as a result of a violation by a licensee. The Office evaluates each licensee’s violation and uses internal enforcement guidelines to assess a penalty. These enforcement guidelines include a review of applicable rules

and statutes. For all eight penalties tested, the penalty amounts were equal to or less than those allowed by enforcement guidelines.

Fiscal Year 2021 Budget and Actual Results

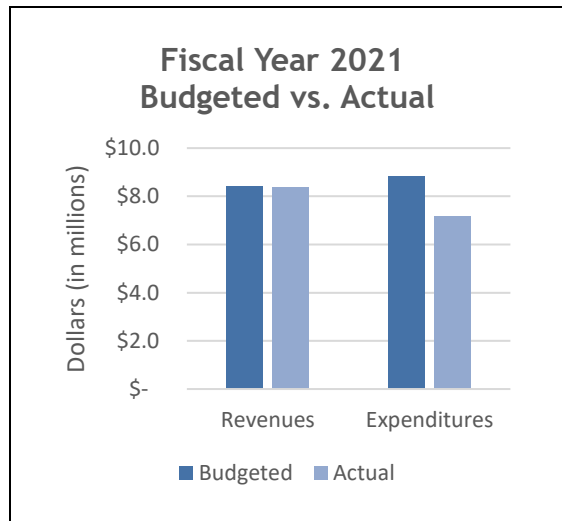
Budget. The Office budgeted \$8.8 million in costs for fiscal year 2021 and planned to raise \$8.4 million in revenues. It planned to finance the \$431,390 difference from its unreserved cash balances. The Office intended to lower these reserves, since the reserves at the end of fiscal year 2020 contained sufficient cash to cover the Office’s monthly budget for 5.9 months, which is slightly less than the 6-month maximum allowed by Finance Commission policy.

Actual Results. Figure 1 shows the differences between the Office’s budgeted and actual revenues and expenditures for fiscal year 2021. During fiscal year

2021, the Office raised \$8.4 million in revenues, which was within \$31,013 (0.4 percent) of the budgeted amount. However, the Office spent \$7.1 million, which was \$1.7 million (19 percent) less than the amount budgeted. The Office cited two key reasons—both related to the COVID-19 pandemic—that expenditures were lower than budgeted. Delays in filling vacant positions contributed to personnel costs that were \$840,783 below budget, and restrictions on travel helped result in travel costs that were \$389,519 below budget. As a result, the Office ended the year with \$5.6 million in unreserved cash

balances, which would cover 7.6 months of budgeted costs, which exceeds the Finance Commission’s maximum of 6 months. The Finance Commission voted on December 16, 2021, to increase the Office’s Long-term Facilities Planning Reserve by approximately \$3.0 million to address this overage.

Figure 1



Source: The Office’s annual financial report for fiscal year 2021 and the Office’s budget.

The Office's Automated Controls Were Generally Adequate, But It Should Continue Implementing Recommended Information Technology Controls

**Chapter 4
Rating:**
Medium ⁵

The Office generally has automated processes and related controls that help ensure the accuracy and completeness of its data. However, the Office inconsistently processes change management requests.

The Office implemented certain information technology controls recommended in previous audits, including:

- Implementing formal user access reviews for its directories and automated systems. The Office's management stated that these reviews are performed twice each year. These controls performed as designed.
- Strengthening user access controls in the Office's Application Licensing Examination Compliance System (ALECS).
- Documenting the job duties of information technology staff.

User Access

The Office verified that only authorized users could access key systems and directories, including ALECS, through the user access review that it implemented. The Office also verified that ALECS users could only access the parts of ALECS needed for their duties. In addition:

- All active users of the Office's Micro Information Products (MIP) accounting system were active employees. (The Office replaced MIP when it implemented the Centralized Accounting and Payroll/Personnel System [CAPPS] at the beginning of fiscal year 2022.)
- The Office's staff's access to USAS is appropriately restricted. All Office accounts with access to USAS are either system-generated or are associated with Office employees. None of the Office's staff's USAS accounts have access to both enter and release transactions.
- The Office strengthened its password requirements for ALECS to substantially meet Microsoft's password complexity requirements.

⁵ The risk related to the issues discussed in Chapter 4 is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

Change Management

The Office implemented a change management policy and a change request form, as recommended. However, the Office's change management process is informal and does not include detailed procedures regarding process steps. In addition, the policy did not capture the current procedure for tracking changes. The policy provides guidelines on change management, including requirements that:

- The Office's change management team review high-risk requests.
- The Office use change management processes in proportion to the projected inherent risk of the proposed change.

However, the Office did not always document all steps of the change process on the request form. Completion of most steps in the process was documented in emails. In addition, the Office did not document user acceptance for 2 (50 percent) of 4 changes.

Recommendation

The Office should develop, document, and implement procedures for information technology change management that include documented management approvals and that accurately reflect actual practice.

Management's Response

Management agrees with the recommendation. The Office will review and revise its change management policy and procedures to include documented management approvals and to accurately capture actual practice. The revised policy and procedures will require consistent usage and documentation of the risk matrix. Additionally a compliance component to review completed requests on a regular, ongoing basis for accuracy and completeness will be included.

This effort will be coordinated and implemented by the Project Manager and Programmer with oversight from the agency head. Completion is expected by 31-August-2022.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Office of Consumer Credit Commissioner (Office) has processes and related controls to help ensure the accuracy and completeness of financial and performance data.
- Evaluate the Office's processes for setting fees and penalties.

Scope

The scope of this audit covered financial and performance information, applicable processes, and other supporting documentation from September 1, 2020, through August 31, 2021. The scope also included a review of significant internal control components related to financial and performance data and the budgeting process (see Appendix 3 for more information about internal control components).

Methodology

The audit methodology included collecting information and documentation, performing selected tests and other procedures on the information obtained, analyzing and evaluating the results of tests, and conducting interviews with Office management and staff. In addition, the methodology included performing a limited review of the general and application controls over the information technology systems that the Office used to manage and report financial data and performance measure data.

Data Reliability and Completeness

Auditors used examination, consumer complaint, and licensing data from the Office's Application, Licensing, Examination, and Compliance System (ALECS) to review fee revenue information and to verify the accuracy of performance measures. To determine the reliability of that data, auditors (1) reviewed the parameters used to extract the data from that system, (2) tested access to that system, (3) reviewed record completeness, and (4) reviewed data fields and their contents for accuracy and validity. Auditors determined that the data in ALECS was sufficiently reliable for purposes of this audit.

Auditors used financial information from the Office’s Micro Information Products (MIP) system to verify the accuracy of certain financial information. To determine the reliability of financial information in MIP, auditors reviewed the validity and completeness of the information by (1) reviewing user access, (2) performing a high-level review of data fields and their contents for appropriateness, and (3) comparing that information to other sources. Auditors determined that the data in MIP was sufficiently reliable for the purposes of this audit.

Auditors independently obtained financial data from the Uniform Statewide Accounting System (USAS), analyzed the data output, and relied on previous State Auditor’s Office audit work to determine that the USAS revenue data was sufficiently reliable for the purposes of this audit.

Sampling Methodology

Auditors selected a nonstatistical sample of 27 of the 34,599 fee revenue transactions from ALECS, primarily through random selection. In some cases, auditors selected additional ALECS fee revenue transactions for testing based on risk. This sample design was chosen to (1) ensure that the sample included a cross section of revenue transactions from ALECS and (2) address specific risk factors identified in the population. The test results as reported do not identify which items were randomly selected or selected based on risk; therefore, it would not be appropriate to project the test results to the population.

Auditors selected a nonstatistical, risk-based sample of the 5 largest of 20 financial statement adjusting entries that the Office used in preparing its fiscal year 2021 annual financial report. This sample included 95 percent of the dollars in these entries. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Auditors selected a nonstatistical sample of 10 of 100 cash deposits through random selection. This sample design was chosen to ensure that the sample included a cross section of cash deposits. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

To assess the Office’s reconciliation processes, auditors selected a nonstatistical sample of 2 of 12 each of the 3 types of monthly reconciliations—cash, revenues, and expenditures—primarily through random selection. In some cases, auditors selected additional monthly reconciliations for testing based on risk. This sampling design was chosen to ensure that the sample would address specific risk factors identified in the population. The test results as reported do not identify which items were

randomly selected or selected using professional judgment; therefore, it would not be appropriate to project the test results to the population.

To assess the Monies Returned to Consumers performance measure, auditors selected a nonstatistical sample of 26 examinations and complaints that resulted in monies being returned to consumers, primarily through random selection. There were 444 such examinations and 184 complaints. In some cases, auditors selected additional examinations for testing based on risk. This sample design was chosen to (1) ensure that the sample included a cross section of monies returned to consumers and (2) address specific risk factors identified in the population. The test results as reported do not identify which items were randomly selected or selected based on risk; therefore, it would not be appropriate to project the test results to the population.

To test the Number of Complaints Closed performance measure, auditors selected a nonstatistical sample of 26 of 1,725 complaints closed, primarily through random selection. In some cases, auditors selected additional complaints closed for testing based on risk. This sample design was chosen to (1) ensure that the sample included a cross section of complaints closed and (2) address specific risk factors identified in the population. The test results as reported do not identify which items were randomly selected or selected based on risk; therefore, it would not be appropriate to project the test results to the population.

Auditors selected a nonstatistical, risk-based sample of 8 out of 57 penalties, selecting the largest penalty paid under each law cited in the population. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

To test information technology change orders, auditors selected a nonstatistical random sample of 5 of the 25 change orders implemented during fiscal year 2021. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- The Office's fiscal year 2021 annual financial report.
- The Office's policies and procedures.
- Finance Commission of Texas (Finance Commission) meeting packets, budget information, and supporting documentation for the Office's budget process.

- All fiscal year 2021 year-end adjusting accounting entries and related supporting documentation.
- Financial data from USAS and MIP, and revenue data from ALECS.
- Office reconciliations for cash, revenue, and expenditures and the supporting documentation.
- The Office's Texas Treasury Safekeeping Trust Company investment reports.
- The Office's Strategic Plan for Fiscal Years 2021–2025.
- Data and supporting documents for selected performance measures.

Procedures and tests conducted included the following:

- Tested internal controls and selected significant accounts, including testing of detailed supporting documentation, to determine the accuracy of selected financial data in the Office's annual financial report for fiscal year 2021.
- Evaluated the Office's budgeting and penalty assessment processes.
- Tested selected licensing and regulatory fee transactions.
- Examined the Office's penalty assessments.
- Tested selected performance measure data that the Office reported to the Finance Commission.

Criteria used included the following:

- The Office's policies and procedures.
- Title 7, Texas Administrative Code, Parts 1 and 5.
- Texas Finance Code, Chapters 11, 14, 16, and 349.
- The Office of the Comptroller of Public Accounts' financial reporting requirements.
- The Office's strategic plan for fiscal years 2021 through 2025.
- Title 1, Texas Administrative Code, Chapter 202.

Project Information

Audit fieldwork was conducted from September 2021 through March 2022. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Those standards also require independence in both fact and appearance. At the time of the audit, legislative funding was vetoed. This condition could be seen as potentially affecting our independence in reporting results related to this agency. However, we proceeded with this audit as set forth by the annual state audit plan, operated under the Legislative Audit Committee. We believe this condition did not affect our audit conclusions.

The following members of the State Auditor's staff performed the audit:

- Gregory Scott Adams, CPA, MPA, CGFM (Project Manager)
- Sarah-Jane Puerto, CIA, CFE, CGAP (Assistant Project Manager)
- Steven Arnold, CFE
- Ashlie Garcia, CFE
- Derek Lopez, MBA
- Hudson Marsh
- Susana Preciado
- Ann E. Karnes, CPA (Quality Control Reviewer)
- Cesar Saldivar, CIA, CFE, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 3 provides a description of the issue ratings presented in this report.

Table 3

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Internal Control Components

Internal control is a process used by management to help an entity achieve its objectives. The U.S. Government Accountability Office's *Government Auditing Standards* require auditors to assess internal control when internal control is significant to the audit objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a framework for five integrated components of internal control, which are listed in Table 4.

Table 4

Internal Control Components	
Component	Component Description
Control Environment	The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
Risk Assessment	Risk assessment is the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.
Control Activities	Control activities are the policies and procedures that help ensure that management's directives are carried out.
Information and Communication	Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
Monitoring Activities	Monitoring is a process that assesses the quality of internal control performance over time.

Source: Internal Control - Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, May 2013.

Related State Auditor's Office Reports

Table 5

Related State Auditor's Office Reports		
Number	Report Name	Release Date
21-010	<i>A Report on the Self-reported Implementation of Sunset Advisory Commission Management Actions</i>	February 2021
19-027	<i>A Report on the Implementation Status of Prior State Auditor's Office Recommendations</i>	February 2019
17-020	<i>An Audit Report on the Office of Consumer Credit Commissioner: A Self-directed, Semi-independent Agency</i>	January 2017

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dade Phelan, Speaker of the House, Joint Chair
The Honorable Joan Huffman, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable Greg Bonnen, House Appropriations Committee
The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Finance Commission of Texas

Mr. Phillip A. Holt, Chair
Mr. George (Cliff) McCauley, Vice Chair
Dr. Robin Armstrong
Mr. Robert (Bob) Borochoff
Mr. Hector J. Cerna
Mr. Larry Long
Mr. William M. (Will) Lucas
Ms. Sharon McCormick
Ms. Roselyn "Rosie" Morris
Mr. Vince E. Puente, Sr.
Ms. Debbie Scanlon
Ms. Laura Nassri Warren

Office of Consumer Credit Commissioner

Ms. Leslie Pettijohn, Consumer Credit Commissioner



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On-Site Consultation Report

Office of Consumer Credit Commissioner

March 18, 2022

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

March 18, 2022

Ms. Leslie L. Pettijohn
Commissioner
Office of Consumer Credit Commissioner
State Finance Commission Building
2601 North Lamar Blvd., Suite 201
Austin, TX 78705-4241

Agency # 466

Re: On-Site Consultation (OSC)

Dear Ms. Pettijohn,

The State Office of Risk Management (SORM) conducted an On-Site Consultation (OSC) of the Office of Consumer Credit Commissioner, (OCCC) on March 8, 2022. 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 Texas Enterprise Risk Management (TERM) 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. The Finance Commission Building is owned and managed by the Texas Department of Banking (DOB). DOB is responsible for fire/life safety concerns in the building. An OSC was performed with DOB in December 2020 that addressed any building/communal area concerns. As such, this visit was limited in scope to the actual space occupied by OCCC in the Finance Commission Building.

The following individuals participated during the OSC:

- **State Office of Risk Management (SORM)**
 - Cynthia Stuart, Enterprise Risk Specialist
- **Office of Consumer Credit Commissioner (OCCC)**
 - Mirand Diamond, Director of Licensing & Finance
 - John Fleming, Safety Officer

The following SORM core mission areas were discussed:

- Workers' Compensation: OCCC submitted three claims during the review period of FY18-FY22 (year-to-date). These claims resulted in payment of \$438.06 in medical benefits.
- Insurance: OCCC is currently participating in the following lines of insurance: Auto Hired and Non-Owned (HNO), Directors & Officers (D&O), and Property "Contents Only".

Noteworthy observations made during the consultation include the following:

- The agency implemented a remote work program that allowed them to adapt to the COVID-19 pandemic. This program was also utilized during the winter storms. Currently, the agency is utilizing a hybrid model with employees teleworking and in office.
- The agency expressed interest in having a Lifting Safety class performed by SORM. This course was previously conducted by Jim Stephens and was well received by OCCC employees. Ms. Diamond believes this course would benefit employees.
- The office space occupied by OCCC is well maintained. OCCC housekeeping in the office space was remarkable. The cubicles are well organized and free of clutter; there was no evidence of improper use of power strips or daisy chains.
- The agency made immediate corrections during their last OSC in 2019; upon today's visit those corrections were still effective.
- Ms. Diamond expressed interest in learning more about efforts to develop a risk management course for new agency risk managers.
- A Risk Management Program Review (RMPR) was performed in June 2020, and a Continuity of Operations Plan (COOP) Evaluation was completed in July of 2021. These were both discussed during the consultation.

ACTION ITEMS FOR SORM

The following action items require follow-up by the SORM per OCCC request:

- A. OCCC has requested a copy of the SORM [Course Catalog](#) to identify potential courses that would benefit staff.
- B. OCCC has requested a copy of the SORM [Enterprise Risk Contacts](#) for assistance and inquiries.

C. Contact Ms. Diamond about assisting in development of a RM101 Training program.

As a result of this consultations, there are no recommendations related to the Office of Consumer Credit Commissioner (OCCC).

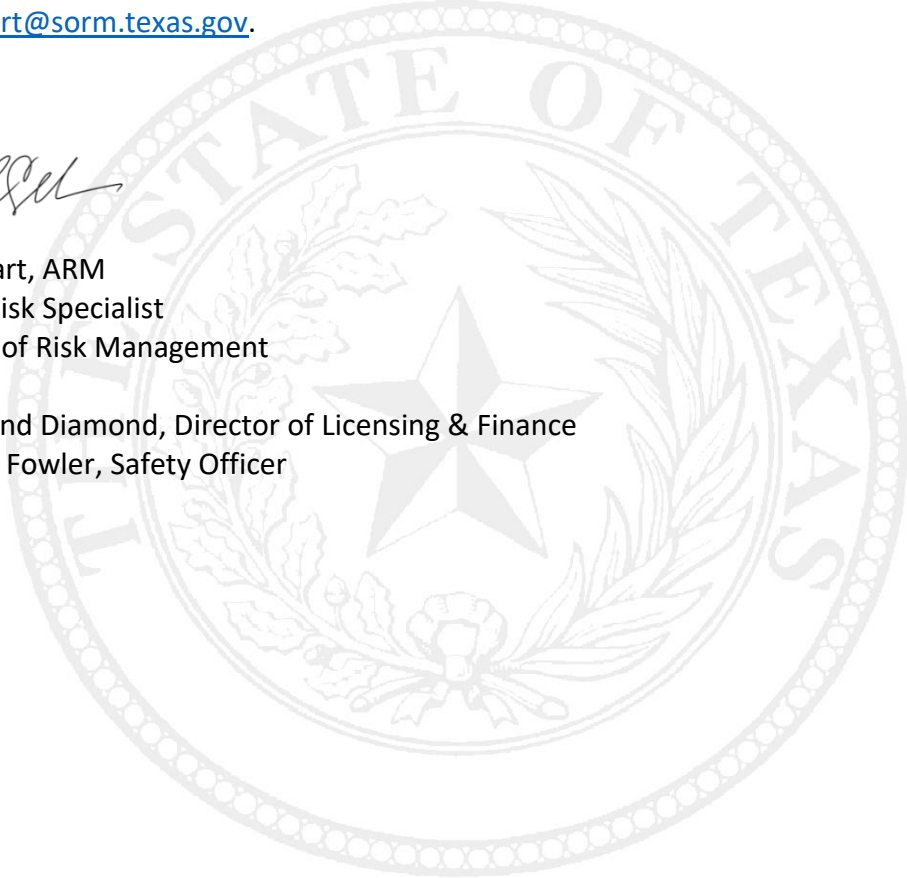
Please convey my sincere appreciation to the staff at Office of Consumer Credit Commissioner for their cooperation and assistance during the consultation. It was a pleasure to meet Ms. Diamond and Mr. Fleming. If you have any questions or concerns regarding the information detailed in this report, please 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: Mirand Diamond, Director of Licensing & Finance
John Fowler, Safety Officer



Department of Savings and Mortgage Lending

Audit Activities Report as of March 31, 2022

Auditor:	<i>Department of Information Resources– AT&T Cybersecurity Consulting</i>	Audit Report Date: <i>Jan 31, 2022</i>
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Audit Area:	<i>Controlled Penetration Test and Web Application Vulnerabilities Scan</i>
--------------------	-----------------------------------------------------------------------------

Findings: <i>N/A</i>	Status Update: <i>Penetration test and scan completed in January 2022. Initial report received on January 31, 2022; rescan pending.</i>
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Auditor:	<i>Garza/Gonzales</i>	Audit Report Date: <i>N/A</i>
-----------------	-----------------------	--------------------------------------

Audit Area:	<i>Legal and Enforcement</i>
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Findings: <i>N/A</i>	Status Update: <i>Planned.</i>
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Texas Department of Banking Quarterly Investment Report
 December 1, 2021 to February 28, 2022

Seized Prepaid Funeral Funds Held in a Financial Institution	Book Value at November 30, 2021	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at February 28, 2022	Financial Institution	Investment Type	Maturity Date	Interest Rate
None	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			N/A	N/A
Total Seized Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				

Notes:

/s/ Jesse Saucillo

Investment Officer

3/18/2022

Date

/s/ Sami Chadli

Investment Officer

3/22/2022

Date

Trust-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2021 to February 28, 2022

<u>Book Value at November 30, 2021</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>(1) Other Deduction(s)</u>	<u>(2) Other Addition(s)</u>	<u>Book/Market Value at February 28, 2022</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,412,068.99	\$1,752.28	--	\$14,871.14	\$3,140.00	\$1,402,090.13	--	--	\$429.31

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$425,571.71	3/1/2022	0.026%	--
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2022	0.85%	\$55.89
Texas Bank Financial, Weatherford, Texas (CD)	\$246,992.73	12/24/2022	0.50%	\$118.42
Frontier Bank of Texas, Elgin, Texas (CD)	\$244,525.69	7/18/2022	0.75%	\$206.00
American Bank of Commerce, Wolfforth, Texas (CD)	\$245,000.00	11/18/2022	0.73%	\$49.00
Subtotal	\$1,402,090.13			

(1) Other deductions include: (a) \$804.41 restitution issued to consumers and \$695.59 escheated to the Texas Comptroller of Public Accounts (Comptroller's Office) as abandoned property related to Mr. Marc Gonzalez and Gonzalez Funeral Home; and (b) \$11,054.26 final restitution issued to consumers and \$2,316.88 escheated to the Comptroller's Office as abandoned property related to Hernandez Funeral Home.

(2) Other additions include: (a) \$940.00 restitution received from Mr. Kevin Keeney on behalf of Howell-Doran Funeral Home; (b) \$200.00 restitution received from Mr. Marc Gonzalez on behalf of Gonzalez Funeral Home; (c) \$100.00 restitution received from Mr. Roy and Ms. Kay Bryant dba Amarillo Family Funeral Home; and (d) \$1,900.00 restitution received from Hernandez Funeral Home.

* These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.
The above investments are in compliance with the investment strategies of Administrative Memorandum 2016.

/s/ Jesse Saucillo Investment Officer	3/18/2022 Date
/s/ Sami Chadli Investment Officer	3/22/2022 Date

**Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2021 to February 28, 2022**

<u>Book Value at November 30, 2021</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deduction(s)</u>	<u>(1) Other Addition(s)</u>	<u>Book/Market Value at February 28, 2022</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$792,471.99	\$599.44	--	--	\$ 43,865.00	\$836,936.43	--	--	\$85.34

Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$346,304.88	3/1/2022	0.026%	--
AccessBank, Denton, Texas (CD)	\$245,631.55	7/14/2022	0.35%	\$32.98
Spring Hill State Bank, Longview, Texas (CD)	<u>\$245,000.00</u>	5/12/2022	0.60%	\$52.36
Subtotal	\$836,936.43			

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

* These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.

The above investments are in compliance with the investment strategies of Administrative Memorandum 2016.

/s/ Jesse Saucillo
Investment Officer

3/18/2022
Date

/s/ Sami Chadli
Investment Officer

3/22/2022
Date

**Office of Consumer Credit Commissioner
Fiscal Year 2022 - 1st Quarter**

Residential Mortgage Loan Originator Recovery Trust Fund #3008

<u>Beginning Balance at 09/01/2021</u>	<u>Additions / *(Deductions)</u>	<u>Interest Paid</u>	<u>Paid Bank Fees</u>	<u>Ending Balance at 2/28/2022</u>	<u>Current Interest Rate</u>
\$ 169,522.39	\$ 3,950.00	\$ 6.60	\$ -	\$ 173,478.99	0.01%

Prepared By: /s/ Chris Churchill

Date: 04/1/2022

Investment Officer: /s/ Mirand Diamond

Date: 4/7/2022

Note: These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.
The above investments are in compliance with the agency's investment policy.

Office of Consumer Credit Commissioner
Fiscal Year 2022 - 2nd Quarter

Texas Financial Education Endowment Fund #3071								
	Beginning Balance at 12/01/2021	Additions	Interest Paid	Transfers	Grant Disbursements	Paid Bank Fees	Ending Balance at 2/28/2022	Current Interest Rate
Cash	\$ 1,306,079.07	\$ 421,895.38	\$ 52.59	\$ -	\$ -	\$ (4,623.95)	\$ 1,723,403.09	0.01%
Invested Portfolio	Beginning Balance at 12/01/2021	Additions	*Change in Value	Transfers	Transfer Out	Paid Fees	Ending Balance at 02/28/2022	
Cash in Bank	\$ 13,200.79	\$ -	\$ 122,440.30	\$ -	\$ -	\$ -	\$ 135,641.09	
Investments - STIF	1,387,090.71	-	(162,060.58)			-	1,225,030.13	
Interest & Dividends Receivable	29.10		(3.24)				25.86	
Trade Receivables	-		-				-	
Investments - Equities	8,548.01		(899.19)				7,648.82	
Investments - Alternatives	6,870,396.37		(107,921.63)				6,762,474.74	
Investments - Fixed Income	120,605.11		(198.07)				120,407.04	
Investments - Futures	-		-				-	
Investments - SWAPS, at Fair Value	(29,551.08)		(13,442.95)				(42,994.03)	
Total Assets-Invested Portfolio	\$ 8,370,319.01	\$ -	\$ (162,085.36)	\$ -	\$ -	\$ -	\$ 8,208,233.65	
Liabilities								
Accounts Payable	\$ (2,609.14)	\$ (1,117.61)	\$ -	\$ -	\$ -	\$ -	\$ (3,726.75)	
Interest Payable	(772.39)	\$ 139.30					(633.09)	
Trade Payables	0.80	\$ (0.80)					-	
Futures Contracts, at Fair Value	-	-					-	
Swaps, at Fair Value	-	-					-	
Total Liabilities	\$ (3,380.73)	\$ (979.11)	\$ -	\$ -	\$ -	\$ -	\$ (4,359.84)	
Total Net Fiduciary Assets-Invested Portfolio	\$ 8,366,938.28						\$ 8,203,873.81	
Total Endowment Funds	<u>\$ 9,673,017.35</u>						<u>\$ 9,927,276.90</u>	

Note: These funds are invested with the Texas Treasury Safekeeping Trust Company.
The above investments are in compliance with the agency's investment policy.

* Reflects redistributed amount among the asset classes in addition to market value adjustment.

Prepared By: /s/ Chris Churchill

Date: 4/01/2022

Investment Officer: /s/ Mirand Diamond

Date: 4/7/2022

Department of Savings and Mortgage Lending

Investment Officer Report as of February 28, 2022

Recovery Fund

	Beginning Balance 12/1/2021	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 2/28/2022
Cash & Cash Equivalents	\$4,734,811.36	\$64,680.00	\$2,393.58	(\$115.36)	\$4,801,769.58
Mortgage Grant Fund Designated Balance (12/31/2021)					1,235,489.78
Recovery Balance					\$3,566,279.80

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	3/1/2022	0.03%	\$3,301,769.58	\$2.39
South Star Bank SSB	CD - 24 months	4/17/2022	1.20%	250,000.00	350.00
TBK Bank	CD - 12 months	4/22/2022	0.60%	250,000.00	216.67
Pioneer Bank SSB	CD - 18 months	5/24/2022	0.60%	250,000.00	366.67
Dalhart Federal Savings	CD - 24 months	10/18/2022	1.25%	250,000.00	4,322.92
First Fed Community Bank, SSB	CD - 18 months	12/23/2022	0.45%	250,000.00	781.25
Horizon Bank SSB	CD - 24 months	1/31/2023	0.60%	250,000.00	120.83
				\$4,801,769.58	\$6,160.73

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Janie Recio

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 3/15/2022

Date: 3/15/2022

**Texas Department of Banking
Operating Statement and Budget Analysis
For the Quarter Ending February 28, 2022**

	FY 2021 ACTUAL	FY 2022 BUDGET	QUARTER PERFORMANCE				FY 2022 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Bank & Trust Regulation	\$24,298,891	\$28,025,383	\$7,790,333	\$7,784,295	\$6,038	99.9%	\$15,766,460	\$15,235,007	\$531,453	96.6%
Penalties - Bank & Trust Regulation	15,000	0	0	0	0	0.0%	0	250,000	(250,000)	0.0%
Non-Depository Supervision	2,547,904	2,929,920	745,550	697,045	48,505	93.5%	1,992,670	1,912,344	80,326	96.0%
Penalties - Non-Depository Supervision	1,135,524	349,750	96,500	220,544	(124,044)	228.5%	207,100	364,712	(157,612)	176.1%
Miscellaneous Revenues	8,487	8,500	2,125	1,492	633	70.2%	4,250	3,221	1,029	75.8%
TOTAL REVENUES	\$28,005,806	\$31,313,553	\$8,634,508	\$8,703,375	(\$68,867)	100.8%	\$17,970,480	\$17,765,283	\$205,197	98.9%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$18,288,942	\$20,300,024	\$4,979,799	\$4,333,475	\$646,324	87.0%	\$9,731,182	\$8,729,783	\$1,001,399	89.7%
Employee Benefits	5,257,976	5,974,356	1,445,610	1,268,195	177,415	87.7%	2,819,046	2,505,703	313,342	88.9%
Add'l Health/Retirement	262,772	301,068	74,697	62,142	12,555	83.2%	145,968	125,330	20,638	85.9%
Other Personnel Costs	628,821	608,946	92,518	141,674	(49,156)	153.1%	160,207	220,892	(60,685)	137.9%
Subtotal Personnel Costs	\$24,438,511	\$27,184,394	\$6,592,625	\$5,805,486	\$787,138	88.1%	\$12,856,403	\$11,581,708	\$1,274,695	90.1%
Travel										
In-State	\$56,229	\$1,015,704	\$225,497	\$71,862	\$153,635	31.9%	\$404,468	\$145,695	\$258,772	36.0%
Out-of-State	4,065	504,755	61,718	8,831	52,887	14.3%	94,018	14,528	79,490	15.5%
Subtotal Travel	\$60,295	\$1,520,459	\$287,215	\$80,693	\$206,522	28.1%	\$498,485	\$160,224	\$338,262	32.1%
Operating Costs										
Professional Fees	\$136,197	\$461,005	\$127,720	\$64,227	\$63,493	50.3%	\$237,638	\$113,836	\$123,801	47.9%
Consumables	33,293	44,500	11,417	7,737	3,680	67.8%	35,383	31,290	4,093	88.4%
Office Utilities	28,604	38,838	9,641	12,845	(3,204)	133.2%	26,541	22,669	3,872	85.4%
Rent - Building/Space	401,134	434,544	102,981	103,582	(601)	100.6%	238,864	237,915	950	99.6%
Rent - Equipment/Other	23,656	30,504	6,126	6,442	(316)	105.2%	12,752	12,184	568	95.5%
Communications	274,364	269,576	60,108	55,059	5,049	91.6%	135,297	124,133	11,164	91.7%
Information Technology	394,470	515,377	169,905	176,553	(6,647)	103.9%	224,264	341,491	(117,226)	152.3%
Employee Training	109,377	260,548	41,570	27,510	14,060	66.2%	76,808	54,361	22,447	70.8%
Misc. Operating Costs	367,259	553,808	85,259	101,797	(16,538)	119.4%	216,229	262,359	(46,130)	121.3%
Subtotal Operating Costs	\$1,768,355	\$2,608,700	\$614,728	\$555,751	\$58,977	90.4%	\$1,203,777	\$1,200,238	\$3,539	99.7%
TOTAL EXPENDITURES	\$26,267,161	\$31,313,553	\$7,494,567	\$6,441,930	\$1,052,638	86.0%	\$14,558,665	\$12,942,170	\$1,616,496	88.9%
EXPENDITURES (OVER) / UNDER REVENUES	\$1,738,645	\$0	\$1,139,941	\$2,261,446	(\$1,121,505)		\$3,411,815	\$4,823,114	(\$1,411,299)	

Texas Department of Banking

Overview of Budget Variances for the Second Quarter of Fiscal Year 2022 - (Variances in excess of \$1,000 and 5% from budget are reported).

Non-Depository Supervision – The variance is due to less than anticipated collected travel reimbursements as examination related travel did not resume as planned due to the pandemic.

Penalties - Non-Depository Supervision – The variance is due to the higher than anticipated collected penalties primarily from unlicensed money service businesses.

Employee Compensation and Benefits – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of February 28, 2022 are listed below:

Administrative	10
Examiners	27

Other Personnel Costs – The negative variance is mainly due to one unanticipated resignation and two unanticipated retirements.

Travel Breakdown

	In-State Travel	Out-of-State Travel
Regulatory Supervision	\$57,112	\$4,106
Development and Training	6,794	4,277
Other Regulatory Activities	5,632	448
Non-Employee	2,324	0
Total	\$71,862	\$8,831

In-State Travel – The positive variance is due to the pandemic and its effect on travel.

Out-of-State Travel – The positive variance is due to the pandemic and its effect on travel.

Professional Fees – The positive variance is due to lower than budgeted expenditures for an Information Technology (IT) contractor and budgeted IT professional fees in IT operations that were expended under IT capital. A budget variance request related to this item was approved by the Commissioner.

Consumables – The positive variance is due to budgeted expenditures that did not materialize as based on history.

Office Utilities – The negative variance is due to an expenditure timing difference. Year-to-date expenditures are at 85.4% of budget.

Communications – The positive variance is due to lower expenditures than anticipated as based on historical trends.

Employee Training – The positive variance is due to classes that were not attended as scheduled.

Misc. Operating Costs – The positive variance is related to: (1) higher than anticipated Statewide Cost Allocation Plan assessment by the Texas Comptroller of Public Accounts; (2) unanticipated court reporter services charges; and (3) unbudgeted temporary contract expenditures for a human resources specialist. A budget variance request related to this item was approved by the Commissioner.

TEXAS DEPARTMENT OF BANKING
Liquidity Report
For the Period Ending February 28, 2022

	Actual
Cash at Beginning of Period	\$19,158,250
Revenues Over (Under) Expenditures	2,261,446
Increase (Decrease) in Payables/Encumbrances	67,482
(Increase) Decrease in Receivables	64,043
Cash at End of Period	<u>\$21,551,221</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$0
Long-term facilities planning	6,278,702
Payables (net of receivables)	1,969,582
Lump Sums for Retirements	606,795
Program Funds	0
Other	0
Total Reserved Cash Balance	<u>\$8,855,080</u>
Unreserved Cash Balance:	
Future Operations	<u>\$12,696,141</u>
Total Unreserved Cash Balance	<u>\$12,696,141</u>
Total Cash Balance	<u>\$21,551,221</u>
Unreserved Cash/FY2022 Monthly Budget	4.87 months

Office of Consumer Credit Commissioner
Operating Statement and Budget Analysis
For the Quarter Ending February 28, 2022

	FY 2021 ACTUAL	FY 2022 BUDGET	QUARTER PERFORMANCE				FY 2022 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Industry										
Consumer Lending Industry	\$ 2,101,206	\$ 2,029,648	\$ 1,616,938	\$ 762,952	\$ 853,986	47.2%	\$ 1,930,640	\$ 1,564,619	\$ 366,021	81.0%
Credit Access Industry	1,044,545	998,574	747,102	470,375	276,727	63.0%	922,398	815,385	107,013	88.4%
MVSF Industry	4,141,299	3,684,013	291,969	227,477	64,492	77.9%	3,193,783	2,941,761	252,022	92.1%
Pawn	703,744	613,919	5,850	7,300	(1,450)	124.8%	26,864	13,450	13,414	50.1%
Registered Industry of Entities	359,250	308,813	154,907	182,575	(27,668)	117.9%	235,463	319,115	(83,652)	135.5%
Penalties	26,600	-	0	11,035	(11,035)	0.0%	0	40,713	(40,713)	0.0%
Miscellaneous Revenue	4,634	6,500	1,421	3,825	(2,404)	269.2%	3,958	5,859	(1,901)	148.0%
TOTAL REVENUES	\$ 8,381,278	\$ 7,641,467	\$ 2,818,187	\$ 1,665,539	\$ 1,152,648	59.1%	\$ 6,313,106	\$ 5,700,902	\$ 612,204	90.3%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,527,625	\$ 4,695,706	\$ 1,173,927	\$ 1,108,916	\$ 65,011	94.5%	\$ 2,347,853	\$ 2,232,646	\$ 115,207	95.1%
Employee Benefits	1,571,060	1,787,758	446,940	380,596	66,343	85.2%	893,879	760,815	133,064	85.1%
Add'l Health/Retirement	70,687	74,241	18,560	17,505	1,055	94.3%	37,121	34,844	2,277	93.9%
Other Personnel Costs	67,741	122,384	31,221	18,194	13,027	58.3%	62,442	34,530	27,912	55.3%
Subtotal Personnel Costs	\$ 6,237,113	\$ 6,680,090	\$ 1,670,648	\$ 1,525,212	\$ 145,436	91.3%	\$ 3,341,295	\$ 3,062,835	\$ 278,460	91.7%
In-State Travel	\$ 245,526	\$ 671,750	\$ 167,938	\$ 124,739	\$ 43,198	74.3%	\$ 335,875	\$ 244,732	\$ 91,143	72.9%
Out of State - Travel	0	18,750	4,688	0	4,688	0.00%	9,375	0	9,375	0.00%
Subtotal Travel	\$ 245,526	\$ 690,500	\$ 172,626	\$ 124,739	\$ 47,886	72.3%	\$ 345,250	\$ 244,732	\$ 100,518	70.9%
Operating Costs										
Professional Services & Fees	\$ 104,545	\$ 57,466	\$ 14,367	\$ 7,502	\$ 6,865	52.2%	\$ 28,733	\$ 24,374	\$ 4,359	84.8%
Consumables	8,474	12,000	3,000	3,615	(615)	120.5%	6,000	4,721	1,279	78.7%
Office Utilities	14,012	17,800	4,450	3,854	596	86.6%	8,900	7,761	1,139	87.2%
Rent - Building/Space	26,389	27,700	6,925	6,839	86	98.8%	13,850	15,827	(1,977)	114.3%
Rent - Equipment/Other	2,882	3,000	750	1,041	(291)	138.8%	1,500	1,716	(216)	114.4%
Communications	73,650	78,455	19,614	19,854	(240)	101.2%	39,228	41,768	(2,540)	106.5%
Information Technology	206,170	489,153	122,288	25,337	96,951	20.7%	244,577	130,441	114,136	53.3%
Employee Training	4,253	14,000	3,500	299	3,201	8.5%	7,000	1,874	5,126	26.8%
Misc. Operating Costs	243,679	280,880	69,595	55,176	14,419	79.3%	139,190	196,463	(57,273)	141.1%
Subtotal Operating Costs	\$ 684,054	\$ 980,454	\$ 244,489	\$ 123,517	\$ 120,972	50.5%	\$ 488,978	\$ 424,945	\$ 64,033	86.9%
TOTAL EXPENDITURES	\$ 7,166,692	\$ 8,351,044	\$ 2,087,762	\$ 1,773,468	\$ 314,294	84.9%	\$ 4,175,523	\$ 3,732,512	\$ 443,011	89.4%
EXPENDITURES (OVER) / UNDER REVENUES	\$ 1,214,586	\$ (709,577)	\$ 730,425	\$ (107,929)	\$ 838,355		\$ 2,137,583	\$ 1,968,390	\$ 169,193	

Office of Consumer Credit Commissioner Budget Variance Analysis For the Quarter Ending February 28, 2022

Revenues: Overall revenues are 90% of the budget.

Consumer Lending- The negative variance (-19%) is due to lower than projected renewal rates for regulated lenders and RMLOs. Additionally, the renewal fee for RMLOs was lower than budgeted.

Pawn- The revenue collected from this industry is lower than budgeted (-50%) because few applications for pawn shops and pawn employees were received in the first 2 quarters of FY 22. When this industry renews in Q4, revenue collected will likely align with annual projections.

MVSF- Fewer applications were received in Q2 than projected.

Credit access industry- The negative variance (-12%) is due to slightly lower renewal rates than projected. CABs also received a 15% renewal discount that was not included in the budget.

Registered entities- The positive variance (35% over budget) is due to increases in registered creditor late filing fees and timing differences. Most of the revenue for the year has been received through the 2nd quarter and when compared to the annual budget, revenues are 3% over budget. Throughout the remainder of the fiscal year revenue collections are not expected to be substantial.

Expenditures: Overall expenditures are 89% budget.

Personnel- These expenditures are ~8% under budget primarily due to delays in filling vacant positions.

Travel- Due to travel restrictions in response to covid-19, these expenditures are significantly under budget.

	In-State	Out of State	
	FY22	FY22	Total
Regulatory Supervision	\$ 227,646		\$ 227,646
Development & Training	\$ 15,490		\$ 15,490
Other Reg Activities	\$ 1,596		\$ 1,596
	\$ 244,732	\$ -	\$ 244,732

Information Technology – This category is ~47% under budget due to timing of projects and expenses, and lower than anticipated costs for the Texas Private Cloud. Additionally, payment of some IT expenses will be higher in Q3.

Employee Training – This category is ~73 under budget due to the timing of training sessions and the continued shift to virtual training which is less expensive.

Misc Operating Costs - This category is ~41% over budget due to the timing of insurance premium payments, the replenishment of the postage, and timing of increased fees for receiving electronic payments.

Office of Consumer Credit Commissioner
Liquidity Report
For the Quarter Ending February 28, 2022

	Actual
Cash at Beginning of Period	\$ 14,761,584
Revenues Over (Under) Expenditures	\$ (107,929)
Increase (Decrease) in Payables/Encumbrances	\$ (201,153)
(Increase) Decrease in Receivables	\$ 226,665
Prior period correction	\$ -
Cash at End of Period	\$ 14,679,167

Reserved Cash Balance:	
Building Maintenance/IT	\$ -
Long-term facilities planning	\$ 6,278,210
Payables (net of receivables)	\$ 610,807
Lump sums for Retirements	\$ 237,276
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	\$ 7,126,293

Unreserved Cash Balance:	
Future Operations	\$ 7,552,873
Total Unreserved Cash Balance	\$ 7,552,873

Total Cash Balance	\$ 14,679,167
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Unreserved Cash / FY 2022 Monthly Budget	10.9
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PRO FORMA

Additional long-term facilities planning pursuant to Finance Commission action in December 2021	2,965,000.00
Total Unreserved Cash Balance	4,587,873.35
Unreserved Cash / FY 2022 Monthly Budget	6.6

Department of Savings and Mortgage Lending
Operating Statement and Budget Analysis
For the Quarter Ending February 28, 2022

	FY 2021 ACTUAL	FY 2022 BUDGET	QUARTER PERFORMANCE				FY 2022 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Thrift Industry										
Assessments	\$ 2,047,590	\$ 3,977,825	\$ 987,389	\$ 974,232	\$ 13,157	98.7%	\$ 1,960,707	\$ 1,937,368	\$ 23,339	98.8%
Application Fees	38,100	20,000	8,500	3,500	5,000	41.2%	10,000	4,750	5,250	47.5%
Mortgage Industry										
Licensing Fees	3,985,594	3,574,250	1,245,500	988,175	257,325	79.3%	2,852,950	2,627,115	225,835	92.1%
Administrative Penalties	168,953	-	-	25,800	(25,800)	0.0%	-	75,649	(75,649)	0.0%
Misc. Revenues	10,629	5,000	500	476	24	95.1%	1,000	936	64	93.6%
TOTAL REVENUES	\$ 6,250,866	\$ 7,577,075	\$ 2,241,889	\$ 1,992,182	\$ 249,707	88.9%	\$ 4,824,657	\$ 4,645,818	\$ 178,839	96.3%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,522,006	\$ 5,338,176	\$ 1,347,340	\$ 1,232,948	\$ 114,392	91.5%	\$ 2,606,976	\$ 2,422,415	\$ 184,561	92.9%
Employee Benefits	1,398,132	1,701,126	430,076	364,564	65,512	84.8%	831,295	718,836	112,459	86.5%
Add'l Health/Retirement	61,968	79,770	20,210	15,732	4,478	77.8%	38,800	31,405	7,395	80.9%
Other Personnel Costs	193,943	96,894	27,154	28,921	(1,767)	106.5%	53,574	49,699	3,875	92.8%
Subtotal Personnel Costs	\$ 6,176,049	\$ 7,215,966	\$ 1,824,780	\$ 1,642,165	\$ 182,615	90.0%	\$ 3,530,645	\$ 3,222,355	\$ 308,290	91.3%
Travel										
In-State	\$ 4,818	\$ 127,500	\$ 36,530	\$ 10,244	\$ 26,286	28.0%	\$ 54,438	\$ 20,445	\$ 33,993	37.6%
Out-of-State	-	34,000	9,810	4,046	5,764	41.2%	14,382	5,026	9,356	34.9%
Subtotal Travel	\$ 4,818	\$ 161,500	\$ 46,340	\$ 14,291	\$ 32,049	30.8%	\$ 68,820	\$ 25,471	\$ 43,349	37.0%
Operating Costs										
Professional Fees	\$ 38,607	\$ 87,940	\$ 5,500	\$ 2,614	\$ 2,886	47.5%	\$ 37,140	\$ 30,123	\$ 7,017	81.1%
Consumables	7,042	12,000	3,000	1,203	1,797	40.1%	6,000	2,982	3,018	49.7%
Office Utilities	11,589	14,975	3,663	3,332	331	91.0%	7,259	6,503	756	89.6%
Rent - Space & Equipment	1,434	2,490	50	141	(91)	282.0%	2,390	6,760	(4,370)	282.8%
Communications	86,991	82,890	14,785	17,069	(2,284)	115.4%	52,870	57,114	(4,244)	108.0%
Information Technology	298,006	263,449	62,750	53,997	8,753	86.1%	113,449	99,463	13,986	87.7%
Employee Training	44,895	69,600	13,400	1,925	11,475	14.4%	42,800	30,343	12,457	70.9%
Misc. Operating Costs	111,158	137,143	30,949	20,109	10,840	65.0%	64,231	49,469	14,762	77.0%
Subtotal Operating Costs	\$ 599,723	\$ 670,487	\$ 134,097	\$ 100,390	\$ 33,707	74.9%	\$ 326,139	\$ 282,756	\$ 43,383	86.7%
TOTAL EXPENDITURES	\$ 6,780,589	\$ 8,047,953	\$ 2,005,217	\$ 1,756,846	\$ 248,371	87.6%	\$ 3,925,604	\$ 3,530,582	\$ 395,022	89.9%
EXPENDITURES (OVER)/ UNDER REVENUES	\$ (529,724)	\$ (470,878)	\$ 236,672	\$ 235,336	\$ 1,336		\$ 899,053	\$ 1,115,236	\$ (216,183)	

Department of Savings and Mortgage Lending

Budget Variance Analysis For the Quarter Ending February 28, 2022

Revenues: Overall revenues are at 3.7% over budget.

Mortgage Industry:

Licensing Fees – Amounts collected are 7.9% under budget. The Department received fewer renewal and new applications than budgeted.

Expenditures: Overall expenditures are at 10.5% under budget.

Personnel Costs – The category is 8.9% under budget due to unfilled vacancies.

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

Travel Breakdown 2nd Qtr FY22			
Category	In-State	Out-of-State	Total
Regulation and Supervision	\$13,856.95	\$0.00	\$13,856.95
Development and Training	5,946.15	5,026.21	10,972.36
Other Regulatory Activities	0.00	0.00	0.00
Non-Employee Travel	641.55	0.00	641.55
Total	\$20,444.65	\$5,026.21	\$25,470.86

Rent – Space & Equipment – The category is significantly over budget, due to space and audio/video equipment rented for Department events held in-person and not virtual as budgeted.

Communications – The category is over budget due to higher than budgeted costs for internet bandwidth.

Department of Savings and Mortgage Lending

Liquidity Report For the Quarter Ending February 28, 2022

	ACTUAL
Cash at Beginning of Period	\$ 11,787,859
Revenues Over (Under) Expenditures	\$ 237,986
Increase (Decrease) in Payables	\$ 30,049
(Increase) Decrease in Receivables	\$ 74,725
Cash at End of Period	<u>\$ 12,130,619</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	6,279,305
Payables (net of receivables)	648,786
Lump Sums for Retirements	157,801
Program Funds	-
Other	-
Total Reserved Cash Balance	<u>\$ 7,085,892</u>
Unreserved Cash Balance:	
Future Operations	<u>\$ 5,044,727</u>
Total Unreserved Cash Balance	<u>\$ 5,044,727</u>
Total Cash Balance	<u>\$ 12,130,619</u>
Unreserved Cash/FY2022 Monthly Budget	7.52 months

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TEXAS DEPARTMENT OF BANKING
Austin, Texas

INTERNAL AUDIT REPORT

on

Bank Examinations

Fiscal Year 2022



TEXAS DEPARTMENT OF BANKING
Austin, Texas

Internal Audit Report
on
Bank Examinations

Fiscal Year 2022

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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 procedures to determine the effectiveness and efficiency of the Texas Department of Banking's (DOB) internal control structure over the Bank Examination area (Area); and, its compliance with the Texas Finance Code, the Texas Administrative Code; and, DOB's established policies and procedures, as applicable to the Area, for the 5 months ended January 31, 2022.

The results of our procedures disclosed that DOB's internal control structure over the Area, and its compliance with the various requirements and established policies procedures, 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.

A handwritten signature in black ink that reads "Garza/Gonzalez & Associates". The signature is written in a cursive, flowing style.

March 11, 2022

207 Arden Grove
San Antonio, TX 78215
210/227-1389
Fax 227-0716

TEXAS DEPARTMENT OF BANKING

Bank Examinations Internal Audit Report

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.

2022 Internal Audit Plan

Following are the internal audit functions to be performed, as identified in DOB's 2022 Internal Audit Plan, dated November 19, 2021 and approved by the Audit Committee and Finance Commission on December 17, 2021:

- Risk Assessment & Preparation of the 2022 Internal Audit Plan
- Bank Examinations Audit
- IT Examinations Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the 2022 Internal Audit Annual Report
- Other Tasks

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

INTERNAL AUDIT SCOPE AND OBJECTIVES

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

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

EXECUTIVE SUMMARY

Background

In accordance with the Texas Finance Code (TFC) Sec. 31.105, DOB is tasked with examining each state-chartered bank, annually; or, on another periodic schedule, or as necessary, as determined by the Banking Commissioner. Section 31.105 allows DOB to accept an examination conducted by, or, to conduct a joint examination with, the Federal Deposit Insurance Corporation (FDIC) or the Federal Reserve Bank (FRB) of Dallas. The scope of the examination may extend to an affiliate and the related bank holding company, where applicable, as authorized by TFC Sec. 31.107 and Sec. 202.005, respectively.

In addition to examinations, DOB performs established offsite monitoring procedures, including analyzing quarterly call reports and maintaining contacts with the regulated entities' management.

Organization

The Bank Examinations Area (Area) is part of the Bank and Trust Supervision Division (Division), whose primary function is to examine and supervise state-chartered banks. The Bank and Trust Supervision Director (Director), who reports to the Banking Commissioner, is responsible for managing the operations of the Division. The Division is comprised of the Austin headquarters and 4 regional offices (RO) (Dallas, Houston, Lubbock, and San Antonio); and, is supervised by a Director of Examination Support Activities, 4 Regional Directors, and a Director of IT Security Examinations. The IT and Trust Examination Areas are also part of the Division but are separate auditable areas that were not included in the scope of this audit.

Bank Examinations

Examination scope and frequency are determined by DOB Supervisory Memorandum (SM) 1003, and are generally based on the entity's asset size, composite rating, and capital category, to ensure higher risk entities receive frequent and more comprehensive examinations. Regional directors (RD) are responsible for scheduling examinations for the regulated entities within their respective geographic area by the due date determined by SM 1003. Examination records are tracked in DOB's proprietary database, the *Examination Division Information System On the Network* (EDISON). RO staff utilize built-in reports in EDISON to identify entities due for an examination. The Area tracks its compliance with examination frequency and reports the status at every Finance Commission meeting as the "Examination Priorities", which is part of the *Bank & Trust Supervision division Activities* agenda item.

During the planning phase, an Examiner in Charge (EIC) who is assigned to the respective examination, performs examination planning procedures using a standardized Scope Form. The EIC determines the scope of the examination, based on a risk analysis of the entity, and documents proposed examination procedures to be performed and personnel to be assigned, to the examination, in the Scope Form. The Scope Form must be initialed by an RD or a Regional Review Examiner (RRE) denoting their approval prior to commencement of the examination.

DOB has developed tailored examination work programs that are used to document the examination procedures performed, and to support the examination conclusion included in the Report of Examination (ROE). All examination procedures must be documented in work papers in accordance with DOB's internal work paper organization policy. The assigned examiner must complete all required steps included in the respective examination procedure, and if a required step is not performed, an explanation must be documented in the work paper. DOB utilizes the Uniform Financial Institutions Rating System to assess the safety and soundness of the entities it regulates, which is based on a scale of 1 to 5, with 1 representing the strongest position. As part of an examination and during the ROE process, the entity is assigned a composite (overall) rating of 1 to 5 and a component rating of 1 to 5 for each of the six key components (CAMELS): Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk.

TEXAS DEPARTMENT OF BANKING

Bank Examinations

Internal Audit Report

The EIC and the Assistant Examiner in Charge (AEIC) are responsible for reviewing work papers to ensure all required procedures were completed, adequately documented, and properly organized. The EIC/AEIC initial each applicable procedure on the Scope Form to indicate their review. Completed work papers are retained in DOB's document management system by importing them into Document Manager. The EIC/AEIC are responsible for ensuring all work papers are imported, properly indexed, and accessible in Document Manager.

Upon completion of an examination, the EIC prepares an ROE, which is then submitted to the RRE and the RD for review. ROEs for qualifying entities, i.e., lower risk as determined by DOB, are signed by the RD under the delegation of signature authority and submitted directly to regulated entities. ROEs for all other entities, are submitted to the Austin headquarters after the RO review, for additional review by a Review Examiner (RE), and must be signed by the Director before being sent to the entity. The ROE must be presented to the entity's governing board as evidenced by each board member's signed acknowledgment. DOB has established a processing schedule to ensure ROEs are completed and submitted to the entities in a timely manner. A Financial Analyst monitors weekly processing time, and prepares a semi-annual analysis, for management's review. During the period from September 1, 2021 to January 31, 2022, DOB issued 30 ROEs, 5 of which were for examinations conducted jointly with a federal supervisory agency.

Work Paper Reviews

In addition to the reviews performed throughout the examination and the ROE processing schedule, DOB conducts, on a sample basis, comprehensive work paper reviews to ensure work papers are of high quality and comply with its established guidelines. DOB utilizes the Work Paper Examination Support Tool (WEST) application to document and communicate review results with management, regional offices, and examiners, in a uniform manner. DOB has established the following types of comprehensive work paper reviews:

- **Comprehensive RO Review** is performed by the RRE and/or their designee to annually review 20% of examinations conducted by an EIC from their office. Compliance with this requirement is monitored by the Examiner Reference and Policy Coordinator. During the most recent monitoring period from September 1, 2020 to August 31, 2021, all 4 ROs met or exceeded the required number of reviews.
- **Examiners' Council (EC) Review** is performed by members of the EC. The EC member serves a 2-year term and consists of: an examiner from each RO, a trust examiner, and an IT examiner. Since EC Reviews aim to achieve uniformity among ROs, the EC member who performs an EC Review must be independent from the examination and the RO being reviewed. DOB policy requires an annual review of at least 2 bank examinations from each RO. During the 12-month period from February 1, 2021 to January 31, 2022, the EC reviewed 2 examinations from each RO.

Examiners Training

DOB has established a Commissioning Process, or the Bank Examination Testing System (BETS), to develop an examiner's competency. The Commissioning Process is divided into 4 phases, and passing of a lower phase is a prerequisite to progress to the next phase. Entry level financial examiners (assistant financial examiners, or AFEs) are expected to be certified as a commissioned examiner within 7 years of their employment. For Commissioned FEs to further advance, they must complete certain training courses required by DOB's training policy. A training plan is developed jointly by an AFE and the RD upon hiring of an examiner, and updated annually. Any exceptions to the training policy must be in writing, reviewed and approved by the Banking Commissioner, and retained by Human Resources.

TEXAS DEPARTMENT OF BANKING

Bank Examinations

Internal Audit Report

COVID-19

DOB continued conducting full scope examinations during business disruptions caused by the COVID-19 pandemic. Safety protocols were implemented, which included temporary modifications to examination procedures, and transitioning from conducting onsite to primarily offsite examinations. The modifications allowed a risk-based approach for an examination of smaller, well-managed entities, to ensure adherence to the examination schedule without compromising examination quality. The Area developed a new set of work papers with modified procedures as well as a new work paper that specifically addresses COVID-19-related risks, which were made available to all examiners to ensure the modified procedures were implemented uniformly. In addition to the modified procedures, the Area also formally documented and informed all examiners of authorization for deviation from certain established procedures during the pandemic.

Performance Measures

The 86th Legislature adopted a recommendation made by the Sunset Advisory Commission and directed the Finance Commission to evaluate and update the agencies' key performance measures. The 3 Finance agencies now report comparable measures, to the extent possible. The Finance Commission approved DOB's fiscal year 2022 performance measures on August 20, 2021. The 4 key performance measures for the Area are generated from the Report menu in EDISON and reported to the Finance Commission at every meeting as part of reporting on the Area's activities.

TEXAS DEPARTMENT OF BANKING

Bank Examinations

Internal Audit Report

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to determine whether DOB's policies and procedures and internal controls in place over the Bank Examination area (Area) provide reasonable assurance that effective and timely bank examinations are performed; that they are performed in accordance with applicable laws and regulations; and, that internal controls are operating effectively.

Scope

The scope of this audit was to review and/or test the Area's selected functions and examinations performed, for the 5-month period from September 1, 2021 to January 31, 2022 (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, remote interviews and walkthroughs with selected DOB employees.

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

- A. Sections of the Texas Finance Code applicable to the Area.
- B. DOB's written policies and procedures, supervisory memorandums, administrative memorandums, a certain examiner bulletin, and internal memorandums related to the Area.
- C. Bank & Trust Supervision Division organizational chart.
- D. A listing of ROEs issued during the audit period; and, the supporting examination work papers and reports for the 6 examinations selected for testing.
- E. A listing of EC Reviews performed during the 12-month period from February 1, 2021 to January 31, 2022; and, the supporting examination work papers and WEST reports for the 3 reviews selected for testing.
- F. Sample scheduling reports, planning documents, and work programs.
- G. Performance measures related to the Area as reported to the Finance Commission on February 18, 2022; and, the supporting performance measures reports for the 3 types of performance measures selected for testing.

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

- 1. Reviewed and obtained an understanding of the sections of the Texas Finance Code and policies outlined in supervisory memorandums (SM) applicable to the Area.
- 2. Obtained and reviewed the Area's written procedures, administrative memorandums, examiner bulletins, and internal memorandums; collected other available documentation; and, conducted virtual interviews and walkthroughs, to obtain an understanding of controls, processes, and current practices in place over the Area. Then, evaluated whether such controls adequately ensure compliance with applicable requirements identified in procedure 1 above.

TEXAS DEPARTMENT OF BANKING

Bank Examinations

Internal Audit Report

3. Obtained a list of ROEs issued during the period from September 1, 2021 to January 31, 2022, and randomly selected 6 of the 25 independently conducted examinations to test for the following attributes:
 - a. Compliance with the examination scope and frequency requirements outlined in SM 1003.
 - b. The ROE was approved and signed at a proper level under DOB's delegation of signatory authority.
 - c. Scope Form was completed, approved by an RD or RRE, and initialed by an EIC/AEIC for each procedure reviewed.
 - d. All required procedures, as documented in the Scope Form, were performed.
 - e. All required steps in each required procedure were completed.
 - f. Work papers referenced in examination procedures were labeled correctly in the Table of Content and accessible/legible.
 - g. The ROE was processed timely in accordance with DOB's processing schedule.
 - h. The narrative in the Evaluation of Component Ratings section of the ROE was supported by the Summary of Findings (SOF) section of the applicable procedure, and further supported by the applicable step within the procedure.
 - i. The component rating assigned in the ROE agreed to the rating assigned in the SOF of the applicable procedure.
 - j. The ROE's Transmittal Letter included the entity's response deadline, if applicable.
 - k. An RE followed up with the entity for non-response, if applicable.
4. Obtained a list of EC Reviews conducted during the 12-month period from February 1, 2021 to January 31, 2022, and selected 3 of the 8 EC Reviews to test for the following attributes:
 - a. The EC Review was conducted by an EC member examiner who was not associated with the examination being reviewed.
 - b. EIC's response to Critical and Important fundings, if applicable, were obtained and retained with work papers.
 - c. Rating of each finding was in accordance with the internal guideline described in the applicable examiner bulletin.
5. Obtained and reviewed an internal memorandum dated November 2, 2021 to verify that the annual compliance with Comprehensive RO Work Paper Review is monitored, as required by DOB's procedure.
6. Randomly selected 5 of 43 commissioned examiners (directors were excluded) and, using the Personal Training Profile report, determined whether the examiner had completed the required core curriculum course needed for their classification.
7. Obtained the performance measures reporting presented to the Finance Commission on February 18, 2022, selected the performance measures below, and traced the most recent measures to supporting reports:
 - a. Examinations Performed: Banks and Foreign Bank Agency/Foreign Bank Branches.
 - b. Banks with a Uniform Financial Institutions Composite Rating of 3, 4, or 5.
 - c. Compliance with Examination Priorities: Commercial Banks.

TEXAS DEPARTMENT OF BANKING

Bank Examinations

Internal Audit Report

8. For each supporting reports used in procedure 7 above, performed the following procedures:
 - a. Ensured that filters used to generate the supporting reports are consistent with the respective performance measures definitions.
 - b. Recalculated item count and percentages in the report using the accompanying listing.
 - c. Ensured that the reports used as supporting documentation were generated for the correct time period.
9. To ensure that the reports used to compile performance measure data in Procedure 7.c above are accurately generated by EDISON, reviewed the logic used to derive at the examination due date for consistency with DOB's established Examination Frequency Schedule and due date calculation.

TEXAS DEPARTMENT OF BANKING

Bank Examinations

Internal Audit Report

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

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

Summary of 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(s) and reduce risks to the audited entity. A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity. A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level. A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.		

TEXAS DEPARTMENT OF BANKING

Bank Examinations

Internal Audit Report

OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	3/11/2022	Bank Examinations	None.	

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Texas Financial Education Endowment (TFEE)

TFEE Report – April 22, 2022

Report on Activities Relating to the Texas Financial Education Endowment Fund

The 2020-2021 TFEE Grant Cycle concluded on December 31, 2021. The final semi-annual report is included at the end of this section. The total amount of funds requested for reimbursement over the 2020-2021 grant cycle was \$275,143.72. This is 91.7% of the aggregate available award amount for the cycle. There were two grant recipients that did not request full reimbursement on their awards due to staffing and COVID-19 complications. A total of 33,430 individuals received financial education services as a result of the 2020-2021 TFEE cycle.

The 2022-2023 Grant Cycle is in full swing and grant award recipients will be submitting their first period semi-annual reports this summer. The Grant Advisory Committee met on April 11, 2022 to discuss the current status, background, and future considerations for TFEE as follows:

Current Status

The Texas Financial Education Endowment (TFEE) has attained the size and objectives informally set out by the Finance Commission when the Fund and grant program were initially formed. The Finance Commission and the Audit Committee should consider the future expectations for the Fund and for the grant program supported by the Fund. Key considerations should be the level of the grant awards expected each cycle and the size of the Fund necessary to support the desired grant level.

Background

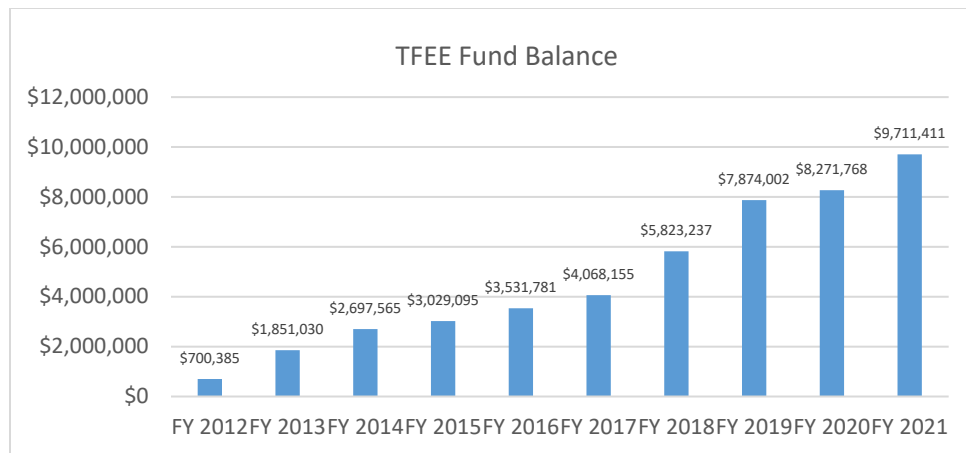
TFEE was established as an endowment by the 82nd Legislature of the State of Texas. The endowment is funded by dedicated assessments from Credit Access Businesses in an amount of up to \$200 per licensed location per year and is managed by Texas Treasury Safekeeping Trust Company. The endowment is designed to provide a permanent source of grant funding dedicated to financial education.

TFEE was launched as a biennial grant program in 2014. The first TFEE grant cycle awarded an aggregate amount of \$250,000. At that time, forecasts indicated the endowment would become self-sustaining and could support \$250,000 in grant funding every two years, once the fund balance reached approximately \$8,000,000.



Texas Financial Education Endowment (TFEE)

As illustrated in the chart below, since the endowment fund's inception, the fund balance has grown significantly.



Each year the Finance Commission determines the amount of grant funds 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 were awarded a cumulative amount of \$250,000. The following grant cycle, 2020-2021, ten organizations were awarded a cumulative amount of \$300,000. The 2022-2023 grant cycle recently began and eleven organizations were awarded a cumulative amount of \$409,000. In the program's nine years, \$ 1,458,000 in aggregate funding has been awarded supporting financial education of Texans.

Future Considerations

Agency staff have begun discussing options for potential targets and parameters for the grant program into the future. Decision points include:

- the criteria to qualify for grants;
- the timing of awards;
- the number of awards;
- the maximum award per organization; and
- the forecasted fund balance.

To assist in this analysis, financial modeling was used to predict the TFEE Fund balance and estimated grant awards for the next five grant cycles. A small-scale simulation with 10 iterations was run and



Texas Financial Education Endowment (TFEE)

aggregated in this model (similar to a small-scale Monte Carlo simulation) to illustrate potential scenarios using the following variables:

Initial Fund Balance (12/31/2021)	\$9,774,558
Grant Award as a %	3.5%
Expected real rate of return	6.0%
Volatility (sigma) ¹	10.0%
20 Qtr Moving Average Beginning (Q1 2022)	\$7,136,221
CAB Contributions (annual at current level)	\$300,000.00

Scenario #1 – The TFEE endowment funds grant on a two-year cycle. The amount of grant funding is based on an annual distribution of 3.5% of the 20-quarter moving average of the fund balance. The annual distribution is doubled to account for the two-year cycle. Credit Access Businesses contribute \$200 to the fund annually. This scenario models for current conditions and is an average of the 10 simulations run.

Grant Cycle Year CY24-25 CY26-27 CY28-29 CY30-31 CY32-33

TFEE Snapshot Current Conditions

Fund Balance	\$10,731,026	\$12,442,265	\$13,743,592	\$13,975,041	\$15,810,120
Grant Awards for Cycle	\$650,628	\$762,972	\$855,451	\$933,210	\$1,008,614

Range for Fund Balance in Model

Highest Returns	\$12,244,474	\$15,405,113	\$17,061,201	\$19,041,311	\$24,372,418
Lowest Returns	\$8,759,840	\$10,377,101	\$10,872,103	\$9,931,609	\$11,257,890

As an additional example, the fund balance under the best and worst performing single simulation for each grant cycle is shown.

¹ Standard deviation of S&P 500 last 20 years approximately 15.26% (TTSTC investments appear less volatile)



Texas Financial Education Endowment (TFEE)

Scenario #2 – Changes the inputs where 75% of annual contributions are added to the fund and 25% of contributions go directly to increase grant size

Grant Cycle Year CY24-25 CY26-27 CY28-29 CY30-31 CY32-33

TFEE Snapshot 75/25 mix

Fund Balance	\$10,578,893	\$12,111,697	\$13,230,006	\$13,318,023	\$14,934,664
Grant Awards for Cycle	\$797,448	\$901,878	\$982,445	\$1,048,322	\$1,111,189

Scenario #3 – Changes the inputs to where 50% of annual contributions are added to the fund and 50% of contributions go directly to increase grant size.

Grant Cycle Year CY24-25 CY26-27 CY28-29 CY30-31 CY32-33

TFEE Snapshot 50/50 mix

Fund Balance	\$10,426,760	\$11,781,129	\$12,716,421	\$12,661,005	\$14,059,208
Grant Awards for Cycle	\$944,268	\$1,040,785	\$1,109,439	\$1,163,435	\$1,213,763

Scenario #4 – Changes the inputs to where the fund no longer receives contributions from the industry.

Grant Cycle Year CY24-25 CY26-27 CY28-29 CY30-31 CY32-33

TFEE Snapshot if fund is self-sustaining

Fund Balance	\$10,122,494	\$11,119,992	\$11,689,251	\$11,346,969	\$12,308,295
Grant Awards for Cycle	\$637,908	\$718,598	\$763,428	\$793,661	\$818,913



**2020-21 GRANT CYCLE
SEMI-ANNUAL REPORT No. 4**

JULY 1, 2021 – DECEMBER 31, 2021

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Grant Advisory Committee

Laura Nassri Warren, Finance Commission Representative
Deborah Reyes, Credit Access Business Industry Representative
Laura Rosen, Consumer Advocate Representative
Linda Dema-Davis, Financial Education Consultant
Justin Accola, Department of Savings and Mortgage Lending

Grant Coordinator

Christine Graham, Office of Consumer Credit Commissioner

2020-21 TFEE Grant Recipients

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

Summary

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

During the fourth reporting period (July 1, 2021 – December 31, 2021), grant funds provided 7016 hours of direct financial education training to 4,628 Texas consumers through group classes, one-on-one financial coaching sessions, debt reduction workshops, credit improvement clinics, and train the trainer programs. As a result of the COVID-19 pandemic, many organizations moved to a virtual platform to ensure continued services, but have begun to slowly transition back to in-person opportunities over the last several months.

Funds Disbursement to Date

Amount Awarded	\$300,000.00
Total Requested Amount for Reimbursement Request No. 1:	\$39,850.26
Total Requested Amount for Reimbursement Request No. 2:	\$64,636.77
Total Requested Amount for Reimbursement Request No. 3:	\$98,613.72
Reimbursement Requests (No. 4 July 1, 2021 – December 31, 2021)	
Building Financial Capacity Coalition	\$161.51
Center for Transforming Lives	\$4,998.72
Easter Seals of Greater Houston	\$8,333.36
Family Eldercare*	\$0.00
Family Service Association of San Antonio	\$13,015.64
FirstLight Community Foundation	\$0.00
Foundation Communities	\$2,436.49
Girl Scouts of Northeast Texas	\$14,577.00
Texas State Affordable Housing Corporation	\$18,000.00
Women's Resource of Greater Houston	\$10,520.24
Total Requested Amount for Reimbursement Request No. 4:	\$72,042.96
Total Requested Amount to Date:	\$275,143.71
% of Funds Expended to Date:	91.7%
Amount of Funds Remaining	\$24,856.29

Building Financial Capacity Coalition

The Building Financial Capacity Coalition's mission is to foster community prosperity for the Rio Grande Valley by enhancing the knowledge and skills needed for improved financial decision making.

The Money Smart Ambassador Program was created to teach young adults the importance and the basics of personal finances. Building Financial Capacity Coalition partners with local high schools to embed the curriculum into required classes and holds an Annual Financial Literacy Summit in partnership with Congressmen from the area.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$27,000

FUNDS REQUESTED THIS PERIOD: \$161.51 | TOTAL REIMBURSED YTD: \$26,999.91

Program Update

During the fourth reporting period Building Financial Capacity Coalition continued to update their website to reach the community regarding programs and initiatives. In October of 2021 Building Financial Capacity Coalition held a Train-the-Trainer session and is looking forward to 2022 where the plan is to hold additional train-the-trainer sessions.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- Ten high schools participated in a train-the-trainer program

Major Achievements

- Updates to the organization's website
- Established BFCC Zoom Account to conduct meetings and trainings with students and teachers
- Successfully conducted the Train the Trainer training for students and teachers
- Partnered with Children's Advocacy Center and Communities in Schools for Labor of Love Financial Education Training.

Biggest Challenges

- Economic instability in the community due to COVID-19 leading to sponsorship declines.
- Balancing school districts need for student academic success with extracurricular activities such as BFCC.
- Reliable access to the internet for students and teachers

Center for Transforming Lives

Center for Transforming Lives helps homeless and impoverished women, children, and families move from poverty to independence through homeless services (an emergency shelter for women and housing assistance for families), Early Childhood Development (providing free or subsidized early childhood education to impoverished and homeless families), and Financial Empowerment Services (individual financial coaching and other programs to promote financial self-sufficiency).

The goal for this program is to empower participants to develop financial self-sufficiency, credit improvement, and asset building through one-on-one, long term financial coaching.

PROGRAM TYPE: FINANCIAL COACHING

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

FUNDS REQUESTED THIS PERIOD: \$4998.72 | TOTAL REIMBURSED YTD: \$35,000

Program Status to Date

Center for Transforming Lives (CTL) continues to host monthly Asset Builder Clinics, promote the Save2Build credit improvement program, and conduct virtual one on one coaching sessions. CTL has partnered with the City of Fort Worth to list monthly workshops on their website. CTL has exceeded program goals for the grant cycle. Due to the continued COVID-19 pandemic, Center for Transforming Lives

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- Center for Transforming Lives is seeking accreditation with the Council on Accreditation to improve the agency's uniform standards

Major Achievements

- Improved documentation standards with the implementation of DocuSign
- 163 Direct contact hours with participants
- Six participants established or increased their credit scores
- Average increase of savings of \$1651.

Biggest Challenges

- Keeping participants engaged towards goal achievement over multiple financial coaching sessions
- Limited work opportunities for those clients who could not work in person

Easter Seals of Greater Houston

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

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

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

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

FUNDS REQUESTED THIS PERIOD: \$8,333.33 | TOTAL REIMBURSED YTD: \$35,000

Program Status to Date

During the fourth reporting period, Easter Seals of Greater Houston continued to meet with the client one-on-one for an initial intake to assess financial status and goals. Follow-up counseling was provided via e-mail and phone to support clients as they worked towards their goals.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- One on one counseling continued through the reporting period wherein credit reports were pulled and reviewed through the various sessions. Debt payoff schedules were used to help clients balance budgets in order to allow for an affordable housing payment.

Major Achievements

- 150 direct contact hours with participants
- 35 participants established or raised their credit scores with an average increase of 16%
- 74 individuals established or increased their savings for an average of \$275
- Helped 12 families purchase their first home

Biggest Challenges

- The housing market has been a challenge, as available homes in the price range of clients is very limited.
- Virtual sessions make it challenging to describe all the different mortgage products and down payment assistance programs available.

Family Eldercare

Family Eldercare was founded in 1982 by a group of professionals concerned with supporting the family's role as caregiver for frail elders through training and information. The agency expanded to include services to prevent abuse, neglect, and financial exploitation of elders and adults with disabilities.

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

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

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

FUNDS REQUESTED THIS PERIOD: \$28,789.50 | TOTAL REIMBURSED YTD: \$30,000

Program Status to Date

Family Eldercare is pleased to have new curriculum that has been undergone a peer review and approval process. The organization rolled out the program to two participants and plans to continue to incorporate the curriculum into many of its programs going forward.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- The program curriculum was finalized and was used to begin financial education

Major Achievements

- The program provided services to two individuals, with more participation projected in the future.

Biggest Challenges

- Implementation of the project has been significantly slower than anticipated
- Employee Turnover

Family Service Association of San Antonio

Family Service Association of San Antonio seeks to increase economic opportunities for low-income families and individuals. The Financial Empowerment Services program provides San Antonio residents financial education and capability services through one-on-one financial counseling. The focus is on reducing debt, increasing credit scores, savings, banking, and wealth building.

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

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

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

FUNDS REQUESTED THIS PERIOD: \$13,015.64 | TOTAL REIMBURSED YTD: \$18,454.81

Program Status to Date

During the fourth reporting period, Family Service Association of San Antonio provided 878 participants with 2,203 direct contact hours of one-on-one financial coaching sessions. In addition, the organization helped 152 individuals increase their credit scores by 35 points and 288 participants reduced their debt.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- In the second half of 2021, Family Association Service of San Antonio provided 4656 financial counseling sessions.

Major Achievements

- 55 individuals saved 2% of their household income
- 92 received pre-purchase homeownership counseling
- 12 participants purchased homes

Biggest Challenges

- More demand for the program than the organization staff can assist, Family Service Association works to triage participants based on their financial situation.
- COVID-19 created barriers over the grant cycle for participants

FirstLight Community Foundation

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

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

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

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

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

Program Status to Date

FirstLight Community Foundation intended to commit to host the Brighter U Financial Literacy Program to provide financial education into El Paso Independent School District High Schools. However, COVID-19 and staffing challenges prevented the program from taking place.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- No program activities to date

Major Achievements

- No achievements to date

Biggest Challenges

- Pandemic caused major restructuring of the financial literacy program and it was not able to be conducted over the grant cycle.

Foundation Communities

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

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

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

FUNDS REQUESTED THIS PERIOD: \$2,436.49 | TOTAL REIMBURSED YTD: \$29,999.99

Program Status to Date:

During the fourth reporting period, Foundation Communities provided financial coaching to 452 clients. Foundation Communities reports that community members with lower incomes continue to be disproportionately impacted by loss of jobs, wages, and childcare. This period over 600 clients received a variety of financial stability services, including financial coaching, rent assistance, and utility assistance.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- Continued to provide Financial Coaching virtually but also began offering some in person counseling sessions again.
- Provided educational information to clients on federal assistance programs, the advanced child tax credit, unemployment, and stimulus payments.
- Foundation Communities continued virtual training for new Financial Coaches to increase the capacity of our program.

Major Achievements

- 268 clients received rent assistance from Travis County
- 184 clients received utility assistance
- 159 clients received rent assistance from Foundation Communities
- Average increase in client savings of \$8,000

Biggest Challenges

- The volume of need for emergency financial assistance
- Clients impacted by COVID-19 crisis

Girl Scouts of Northeast Texas

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

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

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

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

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

FUNDS REQUESTED THIS PERIOD: \$14,577 | TOTAL REIMBURSED YTD: \$34,689

Program Status to Date:

Over the TFEF grant cycle, Girl Scouts of Northeast Texas program has exceeded the planned number of girls to be served by reaching 3,350 girls over a 2-year period.

For this reporting period, 731 girls in grades K-8 registered for the financial literacy sessions. Girl Scouts of Northeast Texas is delivering the programs in collaboration with 18 program partners that include 15 schools and 3 nonprofit organizations.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- 4 program facilitators were trained to deliver the programming

Major Achievements

- 731 students reached
- 12 direct contact hours

Biggest Challenges

- Ensuring all printed materials are delivered and on-time to girls before the session.
- Juggling virtual and in-person sessions with staff schedules

Texas State Affordable Housing Corporation

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

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

PROGRAM TYPE: FINANCIAL COACHING

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

FUNDS REQUESTED THIS PERIOD: \$18,000 | TOTAL REIMBURSED YTD: \$30,000

Program Status to Date:

Texas State Affordable Housing adapted the Housing Connection training for 2020 and 2021 to be primarily online courses. However, three in-person, instructor led courses were also provided.

Ongoing concerns surrounding COVID-19 have emphasized the importance of making online training options available for non-profit partners and anticipate it will be a large component of the program going forward.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- The organization partnered with NeighborWorks America, the Federal Reserve Bank of Dallas, and Habitat for Humanity for training programs.

Major Achievements

- 50 Non-Profit staff attended the instructor led courses *Homeownership Counseling Certification* and *Best Practices to Improve Your Foreclosure Intervention Counseling Program*.
- 15 non-profit staff attended the webinar *Foreclosure Basics for Homeownership Counselors*

Biggest Challenges

- COVID-19 pandemic impacted plans for in-person training sessions

Women's Resource of Greater Houston

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

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

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

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

FUNDS REQUESTED THIS PERIOD: \$10,531.24 | TOTAL REIMBURSED YTD: \$34,999.98

Program Status to Date

Women's Resource of Greater Houston returned to in-person instruction during this reporting period. Although there continue to be challenges as a result of the pandemic, 37% of classes were held in person during the second half of 2021.

Reporting Period Update (July 1, 2021 – December 31, 2021)

Program Activities

- 549 classes taught throughout the grant cycle
- Facilitated eight Possibility Groups and enrolled 120 women in the program
 - Hosted two groups with 33 total women enrolled

Major Achievements

- Survey responses indicate that 93% of clients believed they learned something new, 92% feel confident they can achieve a financial goal, and 93% would recommend the class.
- 159 classes were offered
- 631 unduplicated individuals were served through the program

Biggest Challenges

- Volunteer recruitment is lower than previous years