

FINANCE COMMISSION OF TEXAS
AUDIT COMMITTEE MEETING

Friday, February 17, 2023
8:30 a.m.

Finance Commission Building
William F. Aldridge Hearing Room
2601 North Lamar Boulevard
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 December 16, 2022, Audit Committee Meeting
- B. Review of Agencies' Activities
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2023 First Quarter Investment Officer Reports
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2023 First Quarter Financial Statements
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Solicitation of an Internal Auditor for the Finance Commission Agencies for Fiscal Year 2024
- F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund
- G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Mortgage Grant 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, December 16, 2022**

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m. on December 16, 2022, with the following members present:

Audit Committee Members in Attendance:

Phillip Holt, Chairman (Acting Chair)
Hector Cerna
Roselyn “Rosie” Morris

Audit Committee Members Absent:

Debbie Scanlon, Chairman

Chairman Holt announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three (3) members present. (0:26 on audio file).

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the October 28, 2022, Audit Committee Meeting	Roselyn Morris made a motion to Approve the Minutes of the October 28, 2022, Audit Committee Meeting. Hector Cerna seconded, and the motion passed.	0:42 start of discussion 0:52 Vote
B. Review of Agencies’ Activities 1. Department of Savings and Mortgage Lending 2. Texas Department of Banking 3. Office of Consumer Credit Commissioner	No Action Required.	1:10 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies’ Fiscal Year 2023 Internal Auditor’s Risk Assessment and Audit Plan 1. Department of Savings and Mortgage Lending 2. Texas Department of Banking 3. Office of Consumer Credit Commissioner	Kimberly Lopez-Gonzales with Garza/Gonzalez & Associates presented this item. Roselyn Morris made a motion to recommend that the Finance Commission Approve the Agencies’ Fiscal Year 2023 Internal Auditor’s Risk Assessment and Audit Plan. Hector Cerna seconded, and the motion passed.	2:52 start of discussion 18:33 Vote
D. 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.	18:57 start of discussion
E. A 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	Deferred to Executive Session – no vote taken.	n/a

Chairman Holt called for an Executive Session at 8:50 a.m. *(20:00 on the audio file)*. The open meeting resumed at 8:59 a.m. *(20:22 on the audio file)*.

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Holt adjourned the meeting at 8:59 a.m. *(20:37 on the audio file)*.

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

Wendy Rodriguez, Deputy Commissioner
Texas Department of Banking

Ruth Wright, Executive Assistant
Finance Commission of Texas

Texas Office of Consumer Credit Commissioner
Audit Activities Report
As of January 31, 2023

Auditor: <i>Garza/Gonzalez</i>	Audit Report Date: <i>NA</i>
Audit Area: <i>Internal Audit – Payroll & Human Resources</i> <i>TFEE Fund Investment Portfolio Administration (Required Periodic Audit)</i> <i>Follow-up of Prior Year Audits</i>	
Findings: <i>NA</i>	Status Update: <i>Upcoming</i>

Auditor: <i>Department of Information – AT&T</i>	Audit Report Date: <i>NA</i>
Audit Area: <i>Web Application Vulnerability Scan & Controlled Penetration Test</i>	
Findings: <i>NA</i>	Status Update: <i>Scheduled to begin 2/20/2023</i>

Auditor: <i>Department of Public Safety</i>	Audit Report Date: <i>May 18, 2022</i>
Audit Area: <i>Non-Criminal Justice Audit – Licensing</i>	
Findings: <i>Evaluate IT Access. IT should be fingerprinted or access should be limited.</i>	Status Update: <i>Pending. Coordinating with DPS and awaiting clarification.</i>

Department of Savings and Mortgage Lending

Audit Activities Report as of January 31, 2023

Auditor:	<i>Department of Information Resources– AT&T Cybersecurity Consulting</i>	Audit Report Date: N/A
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Audit Area:	<i>Information Resources - Texas Cybersecurity Framework Assessment</i>	
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Findings:	Status Update:
<i>N/A</i>	<i>Kick-off meeting scheduled for February 6, 2022.</i>

Auditor:	<i>Garza/Gonzales</i>	Audit Report Date: N/A
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Audit Area:	<i>Mortgage Examinations</i>	
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Findings:	Status Update:
<i>N/A</i>	<i>Planned.</i>

Texas Department of Banking
Audit Activities Report
as of January 31, 2023

Auditor: *Garza/Gonzales & Associates* **Audit Report Date:** *Pending*

Audit Area: *Corporate Activities*

Findings: *N/A* **Status Update:** *Information gathering has commenced. Auditor firm will be onsite the week of February 13th.*

Auditor: *Garza/Gonzales & Associates* **Audit Report Date:** *Pending*

Audit Area: *Procurement/Contract Management/HUB*

Findings: *N/A* **Status Update:** *Commencement date to be determined.*

**Office of Consumer Credit Commissioner
Fiscal Year 2023 - 1st Quarter**

Residential Mortgage Loan Originator Recovery Trust Fund #3008

Beginning Balance at 09/01/2022	Additions / *(Deductions)	Interest Paid	Paid Bank Fees	Ending Balance at 11/30/2022	Current Interest Rate
\$ 180,166.31	\$ -	\$ 1,373.40	\$ (48.11)	\$ 181,491.60	3.74%

Prepared By: /s/ William Collard

Date: 01/24/2023

Investment Officer: /s/ Mirand Diamond

Date: 1/26/2023

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 2023 - 1st Quarter

Texas Financial Education Endowment Fund #3071

	Beginning Balance at 09/01/2022	Additions	Interest Paid	Transfers	Grant Disbursements	Paid Bank Fees	Ending Balance at 11/30/2022	Current Interest Rate
Cash	\$ 858,060.01	\$ 8,126.15	\$ 6,171.29	\$ -	\$ (63,244.60)	\$ (8,201.27)	\$ 800,911.58	3.74%
Invested Portfolio	Beginning Balance at 09/01/2022	Additions	*Change in Value	Transfers	Transfer Out	Paid Fees	Ending Balance at 11/30/2022	
Cash in Bank	\$ 14,395.12	\$ -	\$ (14,395.12)	\$ -	\$ -	\$ -	\$ -	
Investments - STIF	1,622,736.96	-	188,045.96	-	-	-	1,810,782.92	
Investments - Short Term	-	69,201.57	-	-	-	-	69,201.57	
Interest & Dividends Receivable	2,999.13	-	1,939.75	-	-	-	4,938.88	
Trade Receivables	-	-	39,475.38	-	-	-	39,475.38	
Investments - Equities	7,127.25	-	(69.19)	-	-	-	7,058.06	
Investments - Alternatives	6,508,938.61	-	(94,453.08)	-	-	-	6,414,485.53	
Investments - Fixed Income	316,667.61	-	(209,861.98)	-	-	-	106,805.63	
Investments - Futures	-	-	-	-	-	-	-	
Investments - SWAPS, at Fair Value	(19,506.69)	-	81,545.61	-	-	-	62,038.92	
Total Assets-Invested Portfolio	\$ 8,453,357.99	\$ 69,201.57	\$ (7,772.67)	\$ -	\$ -	\$ -	\$ 8,514,786.89	
Liabilities								
Accounts Payable	\$ (2,644.53)	\$ (1,251.48)	\$ -	\$ -	\$ -	\$ -	\$ (3,896.01)	
Interest Payable	(4,853.66)	(2,229.64)	-	-	-	-	(7,083.30)	
Trade Payables	-	(53,431.97)	-	-	-	-	(53,431.97)	
Futures Contracts, at Fair Value	-	-	-	-	-	-	-	
Swaps, at Fair Value	-	-	-	-	-	-	-	
Total Liabilities	\$ (7,498.19)	\$ (56,913.09)	\$ -	\$ -	\$ -	\$ -	\$ (64,411.28)	
Total Net Fiduciary Assets-Invested Portfolio	\$ 8,445,859.80						\$ 8,450,375.61	
Total Endowment Funds	\$ 9,303,919.81						\$ 9,251,287.19	

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/ William Collard

Date: 01/24/2023

Investment Officer: /s/ Mirand Diamond

Date: 1/26/2023

Asset Allocation Summary *(unaudited)*

As of November 30, 2022

Asset Class	Strategy	Number of Funds ^{1,2}	Number of Managers ^{1,2}	Current Market Value	Weight	Long-Term Target	Total Endowment Policy Range
Fixed Income		75	51	\$3,274,326	38.7%	34.0%	20-50%
	Global Fixed Income (ex-cash)	3	3	1,248,796	14.8%	9.0%	
	Alternative Fixed Income	13	11	1,757,496	20.8%	15.0%	
	Private Debt	59	37	268,035	3.2%	10.0%	
Equity		131	62	\$4,432,326.69	52.4%	50.0%	35-65%
	Global Public Equity	7	7	1,769,222	20.9%	15.0%	
	Hedged Equity	12	9	2,126,376	25.2%	20.0%	
	Private Equity	112	46	536,728	6.3%	15.0%	
Real Assets		68	31	\$548,445	6.5%	15.0%	5-25%
	Stable Value Real Estate	22	12	357,461	4.2%	7.5%	
	Enhanced Real Estate	46	19	190,984	2.3%	7.5%	
Strategic All Asset & Overlays		9	8	\$580,169	6.9%	0.0%	0-15%
	All Asset Strategies	4	3	144,223	1.7%	0.0%	
	Overlays	5	5	435,946	5.2%	0.0%	
Subtotal (ex-Offset, ex-Cash)		283	152	\$8,835,266	104.5%	99.00%	
	Cash	2	2	1,863,883	22.0%	1.0%	
	Overlay Offset ³	-	-	-2,244,878	-26.6%	0.0%	
Total Portfolio		285	154	\$8,454,272	100.0%	100.0%	

Management Fee Payable

(3,896.01)

8,450,375.61

0.00

1 Does not include funds in wind down or redemption.

2 Manager count for aggregates are less than sum of components due to managers with multiple strategy allocations.

3 Derivative exposures are reported at notional value in the global equity and global fixed portfolios. This requires an equal-sized offset, which is reported as a negative market value.

Department of Savings and Mortgage Lending

Investment Officer Report as of November 30, 2022

Recovery Fund

	Beginning Balance 9/1/2022	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 11/30/2022
Cash & Cash Equivalents	\$4,988,011.81	(\$235,680.00)	\$27,100.67	(\$383.17)	\$4,779,049.31
Mortgage Grant Program Balance (12/31/2021)					935,489.78
Recovery Balance					\$3,843,559.53

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	12/1/2022	3.79%	\$3,279,049.31	\$340.66
First Fed Community Bank, SSB	CD - 18 months	12/23/2022	0.45%	250,000.00	1,640.63
Horizon Bank SSB	CD - 24 months	1/31/2023	0.60%	250,000.00	129.17
TBK Bank	CD - 12 months	4/7/2023	0.60%	250,000.00	225.00
South Star Bank SSB	CD - 12 months	4/26/2023	0.50%	250,000.00	121.53
Sunflower Bank	CD - 12 months	6/2/2023	0.60%	250,000.00	116.67
Dalhart Federal Savings	CD - 24 months	10/18/2024	2.25%	250,000.00	671.88
				\$4,779,049.31	\$2,573.66

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Anis Golshan

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 1/10/2023

Date: 1/10/2023

Department of Savings and Mortgage Lending

Investment Officer Report as of November 30, 2022

Mortgage Grant Fund

	Beginning Balance 9/1/2022	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 11/30/2022
Cash & Cash Equivalents	\$0.00	\$273,760.00	\$836.37	\$0.00	\$274,596.37

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	12/1/2022	3.79%	\$274,596.37	\$28.53
				\$274,596.37	\$28.53

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Anis Golshan

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 1/10/2023

Date: 1/10/2023

**Trust-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
September 1, 2022 to November 30, 2022**

<u>Book Value at August 31, 2022</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 November 30, 2022</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,403,045.39	\$6,473.47	\$566.36	\$10.10	\$1,010.10	\$1,409,952.50	--	--	\$276.70

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$677,879.22	12/1/2022	3.74%	--
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2022	0.85%	\$67.07
Texas Bank Financial, Weatherford, Texas (CD)	\$246,992.73	12/24/2022	0.50%	\$16.92
American Bank of Commerce, Wolfforth, Texas (CD)	\$245,080.55	11/23/2023	4.10%	\$192.71
Subtotal	\$1,409,952.50			

(1) Other deduction includes \$10.10 in consumer restitution escheated to the Texas Comptroller of Public Accounts as abandoned property related to Hernandez Funeral Home.

(2) Other additions include: (a) \$1,000.00 restitution received from Mr. Kevin Keeney related to Howell-Doran Funeral Home; and (b) \$10.10 related to a stop payment of a restitution check for Hernandez Funeral Home that was not negotiated by the consumer.

* 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.

<u>/s/ Jesse Saucillo</u> Investment Officer	<u>1/10/2023</u> Date
<u>/s/ Sami Chadli</u> Investment Officer	<u>1/12/2023</u> Date

**Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
September 1, 2022 to November 30, 2022**

<u>Book Value at August 31, 2022</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deduction(s)</u>	<u>Other Addition(s)</u>	<u>Book/Market Value at November 30, 2022</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$877,261.53	\$5,438.31	\$ 86.03			\$882,613.81	--	--	\$93.97

Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$637,613.81	12/1/2022	3.74%	--
Spring Hill State Bank, Longview, Texas (CD)	<u>\$245,000.00</u>	5/12/2023	1.00%	\$93.97
Subtotal	\$882,613.81			

* 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	1/10/2023 Date
/s/ Sami Chadli Investment Officer	1/12/2023 Date

**Office of Consumer Credit Commissioner
Operating Statement and Budget Analysis
For the Quarter Ending November 30, 2022**

	FY 2022 ACTUAL	FY 2023 BUDGET	QUARTER PERFORMANCE				FY 2023 PERFORMANCE				
			1st Quarter BUDGET	1st Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET	
REVENUES											
Industry											
Consumer Lending Industry	\$ 1,672,949	\$ 2,291,531	\$ 573,718	\$ 257,094	\$ 316,625	44.8%	\$ 573,718	\$ 257,094	\$ 316,625	44.8%	
Credit Access Industry	818,210	746,351	241,985	2,475	239,510	1.0%	241,985	2,475	239,510	1.0%	
MVSF Industry	3,415,651	4,355,540	3,428,331	3,555,960	(127,630)	103.7%	3,428,331	3,555,960	(127,630)	103.7%	
Pawn	471,353	737,403	21,503	13,757	7,746	64.0%	21,503	13,757	7,746	64.0%	
Registered Entities	369,390	330,485	87,000	77,910	9,090	89.6%	87,000	77,910	9,090	89.6%	
Penalties	114,600	-	0	23,550	(23,550)	0.0%	0	23,550	(23,550)	0.0%	
Miscellaneous Revenue	65,474	15,000	7,391	98,512	(91,121)	1332.9%	7,391	98,512	(91,121)	1332.9%	
TOTAL REVENUES	\$ 6,927,627	\$ 8,476,310	\$ 4,359,927	\$ 4,029,257	\$ 330,670	92.4%	\$ 4,359,927	\$ 4,029,257	\$ 330,670	92.4%	
EXPENDITURES											
Personnel Costs											
Employee Compensation	\$ 4,435,662	\$ 5,045,938	\$ 1,261,484	\$ 1,137,958	\$ 123,527	90.2%	\$ 1,261,484	\$ 1,137,958	\$ 123,527	90.2%	
Employee Benefits	1,524,245	1,805,828	450,288	374,183	76,104	83.1%	450,288	374,183	76,104	83.1%	
Add'l Health/Retirement	68,443	74,950	19,907	17,596	2,311	88.4%	19,907	17,596	2,311	88.4%	
Other Personnel Costs	120,175	121,194	30,298	15,520	14,778	51.2%	30,298	15,520	14,778	51.2%	
Subtotal Personnel Costs	\$ 6,148,526	\$ 7,047,910	\$ 1,761,977	\$ 1,545,256	\$ 216,721	87.7%	\$ 1,761,977	\$ 1,545,256	\$ 216,721	87.7%	
Travel											
In-State Travel	\$ 466,732	\$ 567,000	\$ 139,625	\$ 126,872	\$ 12,753	90.9%	\$ 139,625	\$ 126,872	\$ 12,753	90.9%	
Out of State - Travel	0	15,000	5,875	7,557	(1,682)	128.6%	5,875	7,557	(1,682)	128.6%	
Subtotal Travel	\$ 466,732	\$ 582,000	\$ 145,500	\$ 134,429	\$ 11,072	92.4%	\$ 145,500	\$ 134,429	\$ 11,072	92.4%	
Operating Costs											
Professional Services & Fees	\$ 91,283	\$ 90,500	\$ 37,625	\$ 18,784	\$ 18,841	49.9%	\$ 37,625	\$ 18,784	\$ 18,841	49.9%	
Consumables	7,083	7,500	1,875	1,375	500	73.3%	1,875	1,375	500	73.3%	
Office Utilities	16,616	17,250	4,313	3,869	444	89.7%	4,313	3,869	444	89.7%	
Rent - Building/Space	28,802	27,600	6,900	9,018	(2,118)	130.7%	6,900	9,018	(2,118)	130.7%	
Rent - Equipment/Other	2,841	3,100	775	719	56	92.8%	775	719	56	92.8%	
Communications	78,834	79,830	19,958	16,935	3,023	84.9%	19,958	16,935	3,023	84.9%	
Information Technology	409,708	488,969	122,242	93,293	28,949	76.3%	122,242	93,293	28,949	76.3%	
Employee Training	7,321	8,700	2,175	3,974	(1,799)	182.7%	2,175	3,974	(1,799)	182.7%	
Misc. Operating Costs	291,666	277,240	81,510	89,905	(8,395)	110.3%	81,510	89,905	(8,395)	110.3%	
Subtotal Operating Costs	\$ 934,154	\$ 1,000,689	\$ 277,373	\$ 237,872	\$ 39,501	85.8%	\$ 277,373	\$ 237,872	\$ 39,501	85.8%	
TOTAL EXPENDITURES	\$ 7,549,412	\$ 8,630,599	\$ 2,184,850	\$ 1,917,557	\$ 267,293	87.8%	\$ 2,184,850	\$ 1,917,557	\$ 267,293	87.8%	
EXPENDITURES (OVER) / UNDER REVENUES	\$ (621,785)	\$ (154,289)	\$ 2,175,076	\$ 2,111,700	\$ 63,377		\$ 2,175,076	\$ 2,111,700	\$ 63,377		

**Office of Consumer Credit Commissioner
Budget Variance Analysis
For the Quarter Ending November 30, 2022**

Revenues: Overall revenues are 92% of the year-to-date budget.

Consumer Lending- The variance (-55%) is due to delays in opening online renewal for regulated lenders.

Credit access industry- The negative variance (-99%) is due to delays in opening online renewal for credit access businesses.

Pawn- The negative variance (-36%) is due to fewer applications submitted than projected.

Registered entities-The negative variance (-10%) is due to fewer debt management and settlement provider registration applications, along with fewer refund anticipation loan facilitator applications than initially projected.

Misc Revenue- This category is greater than budgeted due to significantly higher interest earned than anticipated.

Expenditures: Overall expenditures are 88% of the budget.

Personnel- Expenditures are ~12% under budget primarily due to delays in filling vacant positions.

Travel- Travel expenditures are 7% under budget due to examiner vacancies and some reduced examination travel in Q1 consistent with the level of examination production.

Expenditure Type	In-State FY23	Out of State FY23	Total
Regulatory Supervision	79,382	\$ -	\$ 79,382
Development & Training	45,625	\$ 7,577	\$ 53,202
Other Reg Activities	1,865	\$ -	\$ 1,865
Total	\$ 126,872	\$ 7,577	\$ 134,449

Professional fees- This category is 50% under budget due to the timing of planned expenditures. Anticipated expenditures for accounting services and architectural/engineering services will occur as the year progresses.

Information Technology – This category is ~24% under budget due to the timing and change of scope in IT projects.

Miscellaneous Operating Costs – This category is ~10% over budget due to the timing of insurance premium payments and funding the postage reserve account for bulk mailings.

**Office of Consumer Credit Commissioner
Liquidity Report
For the Quarter Ending November 30, 2022**

	Actual
Cash at Beginning of Period	\$ 12,148,657
Revenues Over (Under) Expenditures	\$ 2,111,700
Increase (Decrease) in Payables/Encumbrances	\$ (11,639)
(Increase) Decrease in Receivables	\$ (187,318)
Other source of funds (transfer)	\$ -
Cash at End of Period	\$ 14,061,400
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Reserved Cash Balance:	
Building Maintenance/IT	\$ -
Long-term facilities planning	\$ 6,353,077
Payables (net of receivables)	\$ 653,314
Lump sums for Retirements	\$ 290,704
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	\$ 7,297,095
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Unreserved Cash Balance:	
Future Operations	\$ 6,764,306
Total Unreserved Cash Balance	\$ 6,764,306
<hr/>	
Total Cash Balance	\$ 14,061,400
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Unreserved Cash / FY 2023 Monthly Budget	9.4

Department of Savings and Mortgage Lending
Operating Statement and Budget Analysis
For the Quarter Ending November 30, 2022

	FY 2022 ACTUAL	FY 2023 BUDGET	QUARTER PERFORMANCE				FY 2023 PERFORMANCE			
			1st Quarter BUDGET	1st Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Thrift Industry										
Assessments	\$ 3,921,495	\$ 4,076,434	\$ 1,060,466	\$ 1,271,076	\$ (210,610)	119.9%	\$ 1,060,466	\$ 1,271,076	\$ (210,610)	119.9%
Application Fees	7,750	16,000	4,000	2,600.00	1,400	65.0%	4,000	2,600.00	1,400	65.0%
Mortgage Industry										
Licensing Fees	3,353,999	4,707,550	2,264,250	1,943,795.00	320,455	85.8%	2,264,250	1,943,795.00	320,455	85.8%
Administrative Penalties	154,567	-	-	33,455.43	(33,455)	0.0%	-	33,455.43	(33,455)	0.0%
Misc. Revenues	51,790	105,000	25,000	81,197	(56,197)	324.8%	25,000	81,197	(56,197)	324.8%
TOTAL REVENUES	\$ 7,489,601	\$ 8,904,984	\$ 3,353,716	\$ 3,332,124	\$ 21,592	99.4%	\$ 3,353,716	\$ 3,332,124	\$ 21,592	99.4%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,984,086	\$ 5,858,020	\$ 1,361,755	\$ 1,249,018	\$ 112,737	91.7%	\$ 1,361,755	\$ 1,249,018	\$ 112,737	91.7%
Employee Benefits	1,475,368	1,734,627	403,512	377,504	26,008	93.6%	403,512	377,504	26,008	93.6%
Add'l Health/Retirement	64,658	81,661	18,986	17,163	1,823	90.4%	18,986	17,163	1,823	90.4%
Other Personnel Costs	130,222	105,481	40,600	44,088	(3,488)	108.6%	40,600	44,088	(3,488)	108.6%
Subtotal Personnel Costs	\$ 6,654,335	\$ 7,779,789	\$ 1,824,853	\$ 1,687,774	\$ 137,079	92.5%	\$ 1,824,853	\$ 1,687,774	\$ 137,079	92.5%
Travel										
In-State	\$ 51,793	\$ 108,000	\$ 27,000	\$ 20,562	\$ 6,438	76.2%	\$ 27,000	\$ 20,562	\$ 6,438	76.2%
Out-of-State	16,387	45,000	3,250	285	2,965	8.8%	3,250	285	2,965	8.8%
Subtotal Travel	\$ 68,180	\$ 153,000	\$ 30,250	\$ 20,847.33	\$ 9,403	68.9%	\$ 30,250	\$ 20,847	\$ 9,403	68.9%
Operating Costs										
Professional Fees	\$ 45,169	\$ 120,844	\$ 29,044	\$ 25,799	\$ 3,245	88.8%	\$ 29,044	\$ 25,799	\$ 3,245	88.8%
Consumables	6,551	10,000	2,500	937	1,563	37.5%	2,500	937	1,563	37.5%
Office Utilities	13,486	14,059	3,320	3,300	20	99.4%	3,320	3,300	20	99.4%
Rent - Space & Equipment	7,138	10,700	6,000	5,396	604	89.9%	6,000	5,396	604	89.9%
Communications	88,886	96,432	43,227	42,154	1,073	97.5%	43,227	42,154	1,073	97.5%
Information Technology	228,459	258,391	52,401	49,351	3,050	94.2%	52,401	49,351	3,050	94.2%
Employee Training	50,946	70,000	17,500	11,448	6,052	65.4%	17,500	11,448	6,052	65.4%
Misc. Operating Costs	106,096	132,205	33,101	31,246	1,855	94.4%	33,101	31,246	1,855	94.4%
Subtotal Operating Costs	\$ 546,730	\$ 712,631	\$ 187,093	\$ 169,631	\$ 17,462	90.7%	\$ 187,093	\$ 169,631	\$ 17,462	90.7%
TOTAL EXPENDITURES	\$ 7,269,244	\$ 8,645,420	\$ 2,042,196	1,878,252	\$ 163,944	92.0%	\$ 2,042,196	1,878,252	\$ 163,944	92.0%
EXPENDITURES (OVER)/ UNDER REVENUES	\$ 220,357	\$ 259,564	\$ 1,311,520	\$ 1,453,871	\$ (142,351)		\$ 1,311,520	\$ 1,453,871	\$ (142,351)	

Department of Savings and Mortgage Lending

Liquidity Report For the Quarter Ending November 30, 2022

	ACTUAL
Cash at Beginning of Period	\$ 11,324,988
Revenues Over (Under) Expenditures	\$ 1,453,871
Revenues Over (Under) Expenditures PY	\$ (6,677)
Increase (Decrease) in Payables	\$ (123,684)
(Increase) Decrease in Receivables	\$ (61,203)
Cash at End of Period	<u>\$ 12,587,294</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	6,363,298
Payables (net of receivables)	546,593
Lump Sums for Retirements	183,979
Program Funds	-
Other	-
Total Reserved Cash Balance	<u>\$ 7,093,870</u>
Unreserved Cash Balance:	
Future Operations	<u>\$ 5,493,424</u>
Total Unreserved Cash Balance	<u>\$ 5,493,424</u>
Total Cash Balance	<u>\$ 12,587,294</u>
Unreserved Cash/FY2023 Monthly Budget	7.63 months

Department of Savings and Mortgage Lending

Budget Variance Analysis

For the Quarter Ending November 30, 2022

Revenues: Overall revenues are at 99.4% of budget.

Thrift Assessments – Amounts collected are 19.9% over budget due to higher thrift industry risk-weighted assets than budgeted.

Licensing Fees – Amounts collected are 14.2% under budget. The Department received fewer renewal applications than budgeted.

Misc. Revenues – Actual amounts are significantly over budget, due to an increase of the collected depository interest.

Expenditures: Overall expenditures are at 8% under budget.

Personnel Costs – The category is 7.5% under budget due to unfilled vacancies.

Travel – Travel costs incurred were 21.1% under budget, due to fewer training events attended in person and changes in business processes, reducing the requirements for travel to exam locations.

Travel Breakdown 1st Qtr FY23			
Category	In-State	Out-of-State	Total
Regulation and Supervision	\$15,042.64	\$285.13	\$15,327.77
Development and Training	4,889.56	0.00	4,889.56
Other Regulatory Activities	0.00	0.00	0.00
Non-Employee Travel	630.00	0.00	630.00
Total	\$20,562.50	\$285.13	\$20,847.33

Professional Fees – Fees for legal services paid to Office of the Attorney General were significantly below budgeted.

Employee Training – The category is impacted by unfilled vacancies and changes in the type of training offered taken - multiple training events are offered virtually for a reduced or at no cost.

**Texas Department of Banking
Operating Statement and Budget Analysis
For the Quarter Ending November 30, 2022**

	FY 2022 ACTUAL	FY 2023 BUDGET	QUARTER PERFORMANCE				FY 2023 PERFORMANCE			
			1st Quarter BUDGET	1st Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Bank & Trust Regulation	\$23,622,042	\$30,345,091	\$8,708,504	\$8,544,616	\$163,888	98.1%	\$8,708,504	\$8,544,616	\$163,888	98.1%
Penalties - Bank & Trust Regulation	250,000	0	0	0	0	0.0%	0	0	0	0.0%
Non-Depository Supervision	2,609,768	3,237,400	1,347,000	1,304,188	42,812	96.8%	1,347,000	1,304,188	42,812	96.8%
Penalties - Non-Depository Supervision	716,705	285,000	174,000	352,835	(178,835)	202.8%	174,000	352,835	(178,835)	202.8%
Miscellaneous Revenues	91,505	84,200	21,050	142,435	(121,385)	676.7%	21,050	142,435	(121,385)	676.7%
TOTAL REVENUES	\$27,290,019	\$33,951,691	\$10,250,554	\$10,344,075	(\$93,521)	100.9%	\$10,250,554	\$10,344,075	(\$93,521)	100.9%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$18,330,063	\$21,650,654	\$4,884,907	\$4,623,720	\$261,187	94.7%	\$4,884,907	\$4,623,720	\$261,187	94.7%
Employee Benefits	5,152,387	6,101,007	1,423,904	1,263,082	160,822	88.7%	1,423,904	1,263,082	160,822	88.7%
Add'l Health/Retirement	253,643	314,468	73,274	66,293	6,981	90.5%	73,274	66,293	6,981	90.5%
Other Personnel Costs	520,138	596,388	72,880	86,907	(14,027)	119.2%	72,880	86,907	(14,027)	119.2%
Subtotal Personnel Costs	\$24,256,231	\$28,662,517	\$6,454,964	\$6,040,001	\$414,962	93.6%	\$6,454,964	\$6,040,001	\$414,962	93.6%
Travel										
In-State	\$475,391	\$1,246,150	\$244,407	\$245,639	(\$1,232)	100.5%	\$244,407	\$245,639	(\$1,232)	100.5%
Out-of-State	95,374	675,895	112,489	95,040	17,449	84.5%	112,489	95,040	17,449	84.5%
Subtotal Travel	\$570,766	\$1,922,045	\$356,896	\$340,679	\$16,217	95.5%	\$356,896	\$340,679	\$16,217	95.5%
Operating Costs										
Professional Fees	\$275,678	\$669,070	\$45,081	\$45,388	(\$307)	100.7%	\$45,081	\$45,388	(\$307)	100.7%
Consumables	48,668	38,000	26,419	30,644	(4,225)	116.0%	26,419	30,644	(\$4,225)	116.0%
Office Utilities	32,012	33,870	15,750	15,037	713	95.5%	15,750	15,037	\$713	95.5%
Rent - Building/Space	410,994	471,735	140,618	140,071	547	99.6%	140,618	140,071	\$547	99.6%
Rent - Equipment/Other	24,216	28,784	6,196	5,945	251	95.9%	6,196	5,945	\$251	95.9%
Communications	239,885	270,841	60,921	61,807	(886)	101.5%	60,921	61,807	(\$886)	101.5%
Information Technology	538,893	734,225	132,047	169,045	(36,998)	128.0%	132,047	169,045	(\$36,998)	128.0%
Employee Training	216,573	348,581	30,535	26,886	3,649	88.0%	30,535	26,886	\$3,649	88.0%
Misc. Operating Costs	441,992	772,023	140,211	116,431	23,781	83.0%	140,211	116,431	23,781	83.0%
Subtotal Operating Costs	\$2,228,911	\$3,367,129	\$597,779	\$611,253	(\$13,475)	102.3%	\$597,779	\$611,253	(\$13,475)	102.3%
TOTAL EXPENDITURES	\$27,055,908	\$33,951,691	\$7,409,638	\$6,991,934	\$417,704	94.4%	\$7,409,638	\$6,991,934	\$417,704	94.4%
EXPENDITURES (OVER) / UNDER REVENUES	\$234,111	\$0	\$2,840,916	\$3,352,141	(\$511,225)		\$2,840,916	\$3,352,141	(\$511,225)	

Texas Department of Banking

Overview of Budget Variances for the First Quarter of Fiscal Year 2023 - (Variances in excess of \$1,000 and 5% from budget are reported).

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

Miscellaneous Revenue – The variance is due to a higher rate of return than anticipated.

Employee Compensation and Benefits – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of November 30, 2022 are listed below:

Administrative	12
Examiners	30

Other Personnel Costs – The negative variance is mainly due to two unanticipated resignations.

Travel Breakdown

	In-State Travel	Out-of-State Travel
Regulatory Supervision	\$203,153	\$32,240
Development and Training	17,240	46,579
Other Regulatory Activities	24,265	16,221
Non-Employee	981	0
Total	\$245,639	\$95,040

Out-of-State Travel – The positive variance is related to NDS examinations still being conducted off-site due to the lingering effects of Covid-19.

Consumables – The negative variance is due to miscategorized items that were budgeted under Miscellaneous Operating Costs.

Information Technology – The negative variance is due to Oracle Cloud Infrastructure usage and cloud space billing that was higher than anticipated.

Employee Training – The positive variance is due to training that was not held.

Misc. Operating Costs – The positive variance is due to: (1) lower than anticipated assessments from the State Office of Risk Management and (2) a budgeted unemployment claim expenditure that did not occur.

TEXAS DEPARTMENT OF BANKING
Liquidity Report
For the Period Ending November 30, 2022

	Actual
Cash at Beginning of Period	\$18,016,556
Revenues Over (Under) Expenditures	3,352,141
Increase (Decrease) in Payables/Encumbrances	(661,297)
(Increase) Decrease in Receivables	160,501
Cash at End of Period	<u><u>\$20,867,900</u></u>

Reserved Cash Balance:	
Bldg. maintenance/IT	\$0
Long-term facilities planning	6,356,433
Payables (net of receivables)	2,379,558
Lump Sums for Retirements	803,053
Program Funds	0
Other	0
Total Reserved Cash Balance	<u><u>\$9,539,045</u></u>

Unreserved Cash Balance:	
Future Operations	11,328,856
Total Unreserved Cash Balance	<u><u>\$11,328,856</u></u>

Total Cash Balance	<u><u>\$20,867,900</u></u>
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Unreserved Cash/FY2023 Monthly Budget	4 months
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TFEE Report – February 17, 2023

ACTIVITIES RELATING TO THE TEXAS FINANCIAL ENDOWMENT FUND

As the 2024-2025 grant application cycle approaches, OCCC staff are in the process of reviewing TFEE's Grant Administration & Advisory Policy Manual and anticipate publishing the updated version in late spring. Reimbursement requests for the 2nd reporting period of the 2022-2023 cycle are being submitted at this time, and an update will be provided at the next Finance Commission meeting.

In February, staff will visit one of the TFEE grantees in the Rio Grande Valley (RGV) to participate in their annual financial education summit and to meet with local RGV organizations to promote TFEE in that area. Additionally, staff are scheduled to attend the American Association of Family and Consumer Sciences - Texas Affiliate's 2023 Conference in Bryan/College Station to promote the upcoming TFEE grant cycle.

PLANNING FOR THE 2024-2025 GRANT CYCLE

The next grant cycle will open for applications in the summer. TFEE grant items, including the grant application, grant application review process, and recipient reporting documents are currently under review. The timeline for the 2024-2025 TFEE Grant Cycle is as follows:

- April 2023: The GAC Advisory Committee will meet to discuss the 2024-2025 TFEE cycle. The GAC will review all TFEE documents and agency staff will obtain the GAC's feedback, edits, and comments. Any comments on forms are due by the end of the month.
- May 2023: TFEE Grant Coordinator will review GAC feedback and incorporate as appropriate.
- June 2023: At the June 16, 2023 Finance Commission meeting, the TFEE Grant Coordinator will submit the revised Grant Advisory and Policy Manual for Finance Commission approval and present TFEE funding recommendations.
- July 2023: 2024-2025 TFEE application period opens.
- August 2023: 2024-2025 TFEE application period continues.
- September 2023: TFEE application submission deadline.
GAC conflict of interest forms due.
GAC application review begins.
- October 2023: GAC member application reviews and scores are due.
GAC members will meet to discuss applications, recommendations, and awards.
The 2024-2025 TFEE Grant Cycle recommendations will be presented to the Finance Commission at the October 27, 2023 meeting.



Texas Financial Education Endowment (TFEE)

November 2023: TFEE Award Announcements.

December 2023: New Grantee Orientation Webinar.

January 2024: The 2024-2025 TFEE Grant Cycle begins.



Mortgage Grant Fund (MGF) Activities Report

January 31, 2023

Appointment of the Mortgage Grant Advisory Committee

The Mortgage Grant Advisory Committee (MGAC) members were appointed by the Commissioner and convened for the first time on November 10, 2022. The committee members were selected based on their respective experience in the mortgage industry, financial education, consumer advocacy, and grant administration. Mortgage Grant Advisory Committee members are as follows:

Ann Baddour (Presiding Officer) serves as Director of the Fair Financial Services Project with Texas Appleseed, a nonprofit public interest justice center. There, she endeavors to bring low-income and immigrant consumers into the financial mainstream. Previously, she was a member of the Consumer Advisory Board of the Consumer Financial Protection Bureau. Ann is a Fulbright Scholar with a Master of Public Affairs from the LBJ School of Public Affairs and a Master of Arts in Middle Eastern Studies from The University of Texas at Austin.

Martin Green is the Principal and Attorney in Charge for Polunsky Beitel Green, LLP. He has practiced law for more than 30 years with a focus on the financial services and consumer credit arenas. Marty received a Bachelor of Arts from Southern Utah University and a Juris Doctor from The University of Texas Law School.

Molly Curl is an experienced banker, board member, and advisor. Molly spent more than three decades in the financial services industry. In 2016, she was appointed by Governor Greg Abbott to serve on the Finance Commission, where she was the Audit Committee Chair until 2021. Throughout her career, Molly developed skills to understand all aspects of the financial services industry. Molly is a CPA licensed in the State of Texas.

Patricia Hord is a Grant, Education, and Communication Specialist with the Texas Office of Consumer Credit Commissioner. There, she manages the Texas Financial Education Endowment. She has experience with state and federal grants from her time working at The University of Texas, where she also earned a Master of Business Administration. Throughout her career, she has served as a resource, providing information, education, and encouragement so that others might achieve their goals.

Application and Grant Award Process

The agency received 15 applications for the inaugural grant cycle. The Mortgage Grant Advisory Committee reviewed these applications and submitted recommendations for grant award recipients. The Commissioner approved the recommendations. Grant Agreements were delivered during the week of January 20, 2023 for review and signature by the grant recipients.

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