

FINANCE COMMISSION OF TEXAS

AUDIT COMMITTEE MEETING

Friday, February 16, 2024
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 15, 2023 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' 2024 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' 2024 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 Agencies' Fiscal Year 2024 Internal Auditor's Risk Assessment and Audit Plan
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- 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 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 15, 2023

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m., on December 15, 2023, with the following members present:

Audit Committee Members in Attendance:

Phillip Holt, Interim Chairman (Chairman, Finance Commission of Texas)

Hector Cerna

Roselyn "Rosie" Morris

Chairman Holt announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three (3) members present. *(0:23 on audio file)*.

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the October 27, 2023 Audit Committee Meeting	Rosie Morris made a motion to approve the Minutes of the October 27, 2023 Audit Committee Meeting. Hector Cerna seconded, and the motion passed.	0:38 Start of Discussion 0:55 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.	1:08 Start of Discussion
C. 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.	3:16 Start of Discussion
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of New Texas Financial Endowment Fund Advisory Committee Member Andrea Herrera	Hector Cerna made a motion to recommend that the Finance Commission approve the Appointment of New Texas Financial Education Endowment Fund Grant Advisory Committee Member Andrea Herrera. Rosie Morris seconded, and the motion passed.	4:11 Start of Discussion 4:43 Vote
E. Discussion of the Activities of the Mortgage Grant Fund	No Action Required.	5:02 Start of Discussion

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
F. 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 Required.	n/a

Chairman Holt called for an Executive Session at 8:35 a.m. *(5:54 on audio file)*. The open meeting resumed at 9:00 a.m. *(6:53 on audio file)*

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Holt adjourned the meeting at 9:00 a.m. *(7:08 on the audio file)*.

Phillip Holt, Interim 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 Office of Consumer Credit Commissioner
Audit Activities Report
As of January 31, 2024

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Auditor: <i>Garza/Gonzalez</i>	Audit Report Date: <i>NA</i>
<hr/>	
Audit Area: <i>Internal Audit – Risk Assessment</i>	
Findings: <i>NA</i>	Status Update: <i>Complete. Report included in February meeting materials.</i>
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Auditor: <i>State Office of Risk Management</i>	Audit Report Date: <i>NA</i>
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Audit Area: <i>On-Site Consultation – Risk Management Program Review</i>	
Findings: <i>NA</i>	Status Update: <i>Planned - originally scheduled for Jan 2024; reschedule date TBD</i>
<hr/>	
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Auditor: <i>Department of Public Safety</i>	Audit Report Date: <i>May 18, 2022</i>
<hr/>	
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>
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Department of Savings and Mortgage Lending

Audit Activities Report as of January 31, 2024

Auditor:	<i>Department of Information Resources – AT&T Cybersecurity Consulting</i>	Audit Report Date: <i>N/A</i>
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Audit Area:	<i>Information Resources</i>
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Findings: <i>N/A</i>	Status Update: <i>Scheduled. Controlled Penetration Test and Web Application Vulnerability Scan to be performed on February 19, 2024.</i>
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Auditor:	<i>State Office of Risk Management</i>	Audit Report Date: <i>N/A</i>
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Audit Area:	<i>Risk Management</i>
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Findings: <i>N/A</i>	Status Update: <i>Scheduled. Risk Management Program Review (RMPR) to be performed on May 17, 2024.</i>
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Texas Department of Banking
Audit Activities Report
As of January 31, 2024

Auditor:	<i>DIR / AT&T</i>	Audit Report Date: <i>September 6, 2023</i>
Audit Area:	<i>Control Penetration Test (CPT) Retest</i>	
Findings:	Status Update:	
<i>N/A</i>	<i>Results to be discussed in Audit Committee Executive Session.</i>	
Auditor:	State Office of Risk Management	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Risk Management Program Review</i>	
Findings:	Status Update:	
	<i>To be performed in March 2024</i>	
Auditor:	Texas Workforce Commission	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Personnel Policy and Procedure System (PPPS) Review</i>	
Findings:	Status Update:	
	<i>To be performed in 3rd quarter of Fiscal Year 2024</i>	

Office of Consumer Credit Commissioner
Fiscal Year 2024 - 1st Quarter

Residential Mortgage Loan Originator Recovery Trust Fund #3008

<u>Beginning Balance at</u> <u>08/31/2023</u>	<u>Additions /</u> <u>*(Deductions)</u>	<u>Interest Paid</u>	<u>Paid Bank Fees</u>	<u>Ending Balance at</u> <u>11/30/2023</u>	<u>Current</u> <u>Interest Rate</u>
\$ 200,591.75	\$ 25.00	\$ 2,687.49	\$ (50.12)	\$ 203,254.12	5.30%

Prepared By: /s/ William Collard

Date: 01/24/2024

Investment Officer: Mirand Diamond

Date: 01/30/2024

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 2024 - 1st Quarter**

Texas Financial Education Endowment Fund #3071								
	Beginning Balance at 8/31/2023	Additions	Interest Paid	Transfers	Grant Disbursements	Paid Bank Fees	Ending Balance at 11/30/2023	Current Interest Rate
Cash	\$ 991,349.76	\$ 5,227.18	\$ 12,781.36	\$ -	\$ (54,902.14)	\$ (5,355.11)	\$ 949,101.05	5.30%
Invested Portfolio	Beginning Balance at 08/31/2023	Additions	*Change in Value	Transfers	Transfer Out	Paid Fees	Ending Balance at 11/30/2023	
Cash in Bank	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Investments - STIF	2,453,856.50	-	(2,030,711.51)	-	-	-	423,144.99	
Investments - Short Term	-	-	-	-	-	-	-	
Interest & Dividends Receivable	10,812.27	-	(9,267.77)	-	-	-	1,544.50	
Trade Receivables	25,716.13	-	(21,303.92)	-	-	-	4,412.21	
Investments - Equities	204,227.54	-	587,504.49	-	-	-	791,732.03	
Investments - Alternatives	7,062,060.60	-	(67,738.43)	-	-	-	6,994,322.17	
Investments - Fixed Income	143,593.24	-	655,536.42	-	-	-	799,129.66	
Investments - Futures	-	-	-	-	-	-	-	
Investments - SWAPS, at Fair Value	9,450.25	-	43,296.24	-	-	-	52,746.49	
Total Assets-Invested Portfolio	\$ 9,909,716.53	\$ -	\$ (842,684.48)	\$ -	\$ -	\$ -	\$ 9,067,032.05	
Liabilities								
Accounts Payable	\$ (3,228.12)	-	\$ (38,419.71)	\$ -	\$ -	\$ -	\$ (41,647.83)	
Interest Payable	(17,458.04)	-	4,449.55	-	-	-	(13,008.49)	
Trade Payables	(11,275.03)	-	11,275.03	-	-	-	-	
Futures Contracts, at Fair Value	-	-	-	-	-	-	-	
Swaps, at Fair Value	-	-	-	-	-	-	-	
Total Liabilities	\$ (31,961.19)	\$ -	\$ (22,695.13)	\$ -	\$ -	\$ -	\$ (54,656.32)	
Total Net Fiduciary Assets-Invested Portfolio	\$ 9,877,755.34						\$ 9,012,375.73	
Total Endowment Funds	\$ 10,869,105.10						\$ 9,961,476.78	

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: 02/7/2024

Investment Officer: /s/ Mirand Diamond

Date: 2/9/2024

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Department of Savings and Mortgage Lending

Investment Officer Report as of November 30, 2023

Recovery Fund

	Beginning Balance 9/1/2023	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 11/30/2023
Cash & Cash Equivalents	\$5,049,497.24	32,500.00	63,665.27	(488.86)	\$5,145,173.65
Mortgage Grant Program Balance (12/31/2021)					935,489.78
Mortgage Grant Program Balance (12/31/2022)					356,479.17
Recovery Balance					\$3,853,204.70

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	12/1/2023	5.37%	\$4,645,173.65	\$683.87
Horizon Bank SSB	CD - 12 months	2/7/2024	4.06%	250,000.00	874.03
Dalhart Federal Savings	CD - 24 months	10/18/2024	2.50%	250,000.00	7,083.33
				\$5,145,173.65	\$8,641.23

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: 12/21/2023

Date: 12/21/2023

Department of Savings and Mortgage Lending

Investment Officer Report as of November 30, 2023

Mortgage Grant Fund

	Beginning Balance 9/1/2023	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 11/30/2023
Cash & Cash Equivalents	\$161,857.28		\$2,168.28	(\$48.21)	\$163,977.35

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	12/1/2023	5.37%	\$163,977.35	\$24.14
				\$163,977.35	\$24.14

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: 12/21/2023

Date: 12/21/2023

Texas Department of Banking Quarterly Investment Report
September 1, 2023 to November 30, 2023

Seized Prepaid Funeral Funds Held in a Financial Institution	Book Value at August 31, 2023	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at November 30, 2023	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				
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Notes:

<div>/s/ Jesse Saucillo</div> <div>Investment Officer</div>	<div>1/17/2024</div> <div>Date</div>
<div>/s/ Wendy Rodriguez</div> <div>Deputy Commissioner</div>	<div>1/17/2024</div> <div>Date</div>

Trust-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
September 1, 2023 to November 30, 2023

<u>Book Value at August 31, 2023</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, 2023</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,443,960.10	\$16,671.52	\$95.35	\$3,050.00	\$1,260.00	\$1,458,746.27	--	--	\$710.85

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$726,672.99	12/1/2023	5.28%	--
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2023	5.00%	\$328.76
Texas Bank Financial, Weatherford, Texas (CD)	\$246,992.73	12/24/2023	4.40%	\$178.64
American Bank of Commerce, Wolfforth, Texas (CD)	\$245,080.55	11/23/2024	5.05%	\$203.45
Subtotal	\$1,458,746.27			

(1) Other deduction includes \$3,050.00 in consumer restitution paid to two consumers related to Pierce Boone Funeral Home.

(2) Other additions include: (a) \$560.00 restitution received from Mr. Kevin Keeney related to Howell-Doran Funeral Home; and (b) \$700.00 restitution received from Mr. Marc Gonzalez related to Gonzalez 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

1/17/2024
Date

/s/ Wendy Rodriguez
Deputy Commissioner

1/17/2024
Date

Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
September 1, 2023 to November 30, 2023

<u>Book Value at August 31, 2023</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, 2023</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$994,177.20	\$13,161.33	\$ 96.24			\$1,007,242.29	--	--	\$474.56

Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$762,242.29	12/1/2023	5.28%	--
Spring Hill State Bank, Longview, Texas (CD)	<u>\$245,000.00</u>	5/12/2024	5.05%	\$474.56
Subtotal	\$1,007,242.29			

* 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	____/1/17/2024_____ Date
_____/s/ Wendy Rodriguez_____ Deputy Commissioner	____/1/17/2024_____ Date

Office of Consumer Credit Commissioner
Operating Statement and Budget Analysis
For the Quarter Ending November 30, 2023

	FY 2023 ACTUAL	FY 2024 BUDGET	QUARTER PERFORMANCE				FY 2024 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	\$ 1,906,361	\$ 2,020,130	\$ 500,253	\$ 475,814	\$ 24,439	95.1%	\$ 500,253	\$ 475,814	\$ 24,439	95.1%
Credit Access Industry	782,040	824,000	267,221	43,325	223,896	16.2%	267,221	43,325	223,896	16.2%
MVSF Industry	4,173,413	4,301,370	3,452,798	3,680,058	(227,260)	106.6%	3,452,798	3,680,058	(227,260)	106.6%
Pawn	688,941	728,560	14,976	9,472	5,504	63.2%	14,976	9,472	5,504	63.2%
Registered Entities	332,080	326,280	78,042	89,770	(11,728)	115.0%	78,042	89,770	(11,728)	115.0%
Penalties	54,131	-	0	9,369	(9,369)	0.0%	0	9,369	(9,369)	0.0%
Miscellaneous Revenue	590,162	504,000	126,145	176,725	(50,580)	140.1%	126,145	176,725	(50,580)	140.1%
TOTAL REVENUES	\$ 8,527,130	\$ 8,704,340	\$ 4,439,435	\$ 4,484,533	\$ (45,097)	101.0%	\$ 4,439,436	\$ 4,484,533	\$ (45,097)	101.0%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,766,803	\$ 5,219,845	\$ 1,274,589	\$ 1,240,521	\$ 34,068	97.3%	\$ 1,274,589	\$ 1,240,521	\$ 34,068	97.3%
Employee Benefits	1,574,293	1,715,710	428,928	388,010	40,917	90.5%	428,928	388,010	40,917	90.5%
Add'l Health/Retirement	71,261	78,297	19,574	18,405	1,169	94.0%	19,574	18,405	1,169	94.0%
Other Personnel Costs	116,678	123,814	30,953	16,040	14,913	51.8%	30,953	16,040	14,913	51.8%
Subtotal Personnel Costs	\$ 6,529,035	\$ 7,137,666	\$ 1,754,045	\$ 1,662,977	\$ 91,068	94.8%	\$ 1,754,045	\$ 1,662,977	\$ 91,068	94.8%
Travel										
In-State Travel	\$ 516,923	\$ 535,500	\$ 133,875	\$ 118,922	\$ 14,953	88.8%	\$ 133,875	\$ 118,922	\$ 14,953	88.8%
Out of State - Travel	21,361	26,500	6,625	5,195	1,430	78.4%	6,625	5,195	1,430	78.4%
Subtotal Travel	\$ 538,284	\$ 562,000	\$ 140,500	\$ 124,117	\$ 16,383	88.3%	\$ 140,500	\$ 124,117	\$ 16,384	88.3%
Operating Costs										
Professional Services & Fees	\$ 68,617	\$ 87,200	\$ 21,800	\$ 17,852	\$ 3,948	81.9%	\$ 21,800	\$ 17,852	\$ 3,948	81.9%
Consumables	3,748	3,500	875	1,738	(863)	198.6%	875	1,738	(863)	198.6%
Office Utilities	17,738	16,700	4,175	3,219	956	77.1%	4,175	3,219	956	77.1%
Rent - Building/Space	27,261	6,274	3,274	2,195	1,079	67.0%	3,274	2,195	1,079	67.0%
Rent - Equipment/Other	2,611	2,800	700	675	25	96.4%	700	675	25	96.4%
Communications	75,387	79,700	19,925	18,481	1,444	92.8%	19,925	18,481	1,444	92.8%
Information Technology	356,323	512,600	128,150	90,147	38,003	70.3%	128,150	90,147	38,003	70.3%
Employee Training	11,723	26,000	6,500	4,214	2,286	64.8%	6,500	4,214	2,286	64.8%
Misc. Operating Costs	226,774	269,900	67,475	85,031	(17,556)	126.0%	67,475	85,031	(17,556)	126.0%
Subtotal Operating Costs	\$ 790,183	\$ 1,004,674	\$ 252,874	\$ 223,550	\$ 29,324	88.4%	\$ 252,874	\$ 223,550	\$ 29,324	88.4%
TOTAL EXPENDITURES	\$ 7,857,502	\$ 8,704,340	\$ 2,147,419	\$ 2,010,643	\$ 136,776	93.6%	\$ 2,147,419	\$ 2,010,643	\$ 136,776	93.6%
EXPENDITURES (OVER) / UNDER REVENUES	\$ 669,628	\$ -	\$ 2,292,017	\$ 2,473,890	\$ (181,873)		\$ 2,292,017	\$ 2,473,890	\$ (181,873)	

Office of Consumer Credit Commissioner
Budget Variance Analysis
For the Quarter Ending November 30, 2023

Revenues: Overall revenues are 101% of the budget.

Credit access industry- The negative variance (-84%) is due to timing issues with the renewal revenue for credit access businesses, including a delay in the opening of online renewal. The renewal process was complete in December 2023.

MVSF- MVSF renewals were strongly on target. It appears the positive variance (6.6%) arises from an underweighted budgeted allocation of revenue to Q1.

Pawn- The negative variance (-37%) is due to fewer applications submitted than projected. Management estimated approximately 18 applications would be received and 8 were actually received.

Registered entities-The positive variance (15%) is due to an increase in registered creditor renewals and applications. Management estimated 75% of registrants would renew and 81% renewed. Additionally, management projected about 650 new registered creditor applications would be submitted in Q1 and almost 950 were received.

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

Expenditures: Overall expenditures are 94% of the budget.

Travel- Travel expenditures are under budget by 12% due to adjustments in examiner travel to accommodate training experiences and targeted work within the regional centers.

Expenditure Type	In-State	Out of State	Total
	FY24	FY24	
Regulatory Supervision	64,887	-	64,887
Development & Training	53,517	5,195	58,712
Non-Employee	518	-	518
Total	118,922	5,195	124,117

Information Technology – This category is ~30% under budget due to the timing and change of scope in IT projects and purchases.

Miscellaneous Operating Costs – This category is ~26% over budget due to the timing of insurance premium payments and fees for receiving electronic payments. The fees for receiving electronic payments are related to motor vehicle renewals which account for roughly half of revenue and occur at the beginning of the fiscal year.

Office of Consumer Credit Commissioner
Liquidity Report
For the Quarter Ending November 30, 2023

	Actual
Cash at Beginning of Period	\$ 12,842,546
Revenues Over (Under) Expenditures	\$ 2,473,890
Increase (Decrease) in Payables/Encumbrances	\$ (19,772)
(Increase) Decrease in Receivables	\$ (379,757)
Other source of funds (transfer)	\$ -
Cash at End of Period	<u>\$ 14,916,906</u>

Reserved Cash Balance:	
Building Maintenance/IT	\$ -
Long-term facilities planning	\$ 9,636,510
Payables (net of receivables)	\$ 677,251
Lump sums for Retirements	\$ 263,434
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	<u>\$ 10,577,195</u>
Unreserved Cash Balance:	
Future Operations	\$ 4,339,712
Total Unreserved Cash Balance	<u>\$ 4,339,712</u>
 Total Cash Balance	 <u><u>\$ 14,916,906</u></u>
Unreserved Cash / FY 2024 Monthly Budget	6.0

Department of Savings and Mortgage Lending

**Operating Statement and Budget Analysis
For the Quarter Ending November 30, 2023**

	FY2023 ACTUAL	FY 2024 BUDGET	QUARTER PERFORMANCE				FY 2024 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	\$ 4,881,660	\$ 4,767,743	\$ 1,308,922	\$ 1,298,630	\$ 10,292	99.2%	\$ 1,308,922	\$ 1,298,630	\$ 10,292	99.2%
Application Fees	25,900	16,000	500	200	300	40.0%	500	200	300	40.0%
Mortgage Industry										
Licensing Fees	3,746,460	4,959,195	2,351,135	2,345,495	5,640	99.8%	2,351,135	2,345,495	5,640	99.8%
Administrative Penalties	117,392	-	-	7,447	(7,447)	0.0%	-	7,447	(7,447)	0.0%
Misc. Revenues	536,854	505,000	125,500	168,881	(43,381)	134.6%	125,500	168,881	(43,381)	134.6%
TOTAL REVENUES	\$ 9,308,266	\$ 10,247,938	\$ 3,786,057	\$ 3,820,653	\$ (34,596)	100.9%	\$ 3,786,057	\$ 3,820,653	\$ (34,596)	100.9%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 5,137,826	\$ 6,347,998	\$ 1,464,126	\$ 1,372,955	\$ 91,171	93.8%	\$ 1,464,126	1,372,955	\$ 91,171	93.8%
Employee Benefits	1,589,155	1,905,784	436,380	418,383	17,997	95.9%	436,380	418,383	17,997	95.9%
Add'l Health/Retirement	71,645	93,826	21,685	19,324	2,361	89.1%	21,685	19,324	2,361	89.1%
Other Personnel Costs	217,454	106,393	23,300	21,162	2,138	90.8%	23,300	21,162	2,138	90.8%
Subtotal Personnel Costs	\$ 7,016,079	\$ 8,454,001	\$ 1,945,491	\$ 1,831,824	\$ 113,667	94.2%	\$ 1,945,491	1,831,824	\$ 113,667	94.2%
Travel										
In-State	\$ 111,401	\$ 108,000	\$ 30,000	\$ 40,503	\$ (10,503)	135.0%	\$ 30,000	40,503	\$ (10,503)	135.0%
Out-of-State	16,397	42,000	10,500	2,170	8,330	20.7%	10,500	2,170	8,330	20.7%
Subtotal Travel	\$ 127,797	\$ 150,000	\$ 40,500	\$ 42,673	\$ (2,173)	105.4%	\$ 40,500	42,673	\$ (2,173)	105.4%
Operating Costs										
Professional Fees	\$ 72,408	\$ 90,039	\$ 30,759	\$ 28,581	\$ 2,178	92.9%	\$ 30,759	28,581	\$ 2,178	92.9%
Consumables	6,532	8,500	2,500	2,828	(328)	113.1%	2,500	2,828	(328)	113.1%
Office Utilities	14,574	13,114	3,180	2,610	570	82.1%	3,180	2,610	570	82.1%
Rent - Space & Equipment	6,882	11,500	2,000	951	1,049	47.6%	2,000	951	1,049	47.6%
Communications	93,889	100,365	46,545	45,762	783	98.3%	46,545	45,762	783	98.3%
Information Technology	241,521	336,210	44,460	42,514	1,946	95.6%	44,460	42,514	1,946	95.6%
Employee Training	31,604	68,000	13,500	9,432	4,068	69.9%	13,500	9,432	4,068	69.9%
Misc. Operating Costs	112,797	140,483	24,998	20,299	4,699	81.2%	24,998	20,299	4,699	81.2%
Subtotal Operating Costs	\$ 580,208	\$ 768,211	\$ 167,942	\$ 152,978	\$ 14,964	91.1%	\$ 167,942	152,978	\$ 14,964	91.1%
TOTAL EXPENDITURES	7,724,084	\$ 9,372,212	\$ 2,153,933	2,027,475	\$ 126,458	94.1%	2,153,933	2,027,475	\$ 126,458	94.1%
EXPENDITURES (OVER)/ UNDER REVENUES	1,584,182	\$ 875,726	\$ 1,632,124	1,793,178	\$ (161,054)		\$ 1,632,124	1,793,178	\$ (161,054)	

Department of Savings and Mortgage Lending

Budget Variance Analysis

For the Quarter Ending November 30, 2023

Revenues: Overall revenues are 0.9% over budget.

Thrift Application Fees – Amounts collected are 40% of budget due to lower application activity during the quarter.

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

Expenditures: Overall expenditures are 5.9% under budget.

Personnel Costs – The category is 5.8% under budget due to unfilled vacancies.

Travel – Travel costs incurred are 5.4% over budget, due to higher volume of travel to the exam locations and training events.

Travel Breakdown 1st Qtr FY24			
Category	In-State	Out-of-State	Total
Regulation and Supervision	\$24,960.76	\$0.00	\$24,960.76
Development and Training	14,682.97	2,169.52	16,852.49
Other Regulatory Activities	309.37	0.00	309.37
Non-Employee Travel	549.95	0.00	549.95
Total	\$40,503.05	\$2,169.52	\$128,031.02

Professional Fees – Fees for legal services paid to Office of the Attorney General were 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 at reduced or no cost.

Miscellaneous Operating Costs – The category is 18.8% under budget due to lower than budgeted costs for maintenance and repairs of the building, and other contracted services.

Department of Savings and Mortgage Lending

Liquidity Report For the Quarter Ending November 30, 2024

	ACTUAL
Cash at Beginning of Period	\$ 12,949,583
Revenues Over (Under) Expenditures	1,774,467.57
Revenues Over (Under) Expenditures PY	-
Increase (Decrease) in Payables	(105,888.92)
(Increase) Decrease in Receivables	(78,148.10)
Cash at End of Period	<u>14,540,013.59</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	9,762,893
Payables (net of receivables)	576,239
Lump Sums for Retirements	144,602
Program Funds	-
Other	-
Total Reserved Cash Balance	<u>\$ 10,483,735</u>
Unreserved Cash Balance:	
Future Operations	\$ 4,056,279
Total Unreserved Cash Balance	<u>\$ 4,056,279</u>
Total Cash Balance	<u>\$ 14,540,014</u>
Unreserved Cash/FY2024 Monthly Budget	5.19 months

Texas Department of Banking
Operating Statement and Budget Analysis
For Period Ending November 2023

	FY 2023 ACTUAL	FY 2024 BUDGET	QUARTER PERFORMANCE				FY 2024 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	\$26,191,521	\$31,577,971	\$8,797,857	\$8,895,957	(\$98,100)	101.1%	\$8,797,857	\$8,895,957	(\$98,100)	101.1%
Penalties - Bank & Trust Regulation	0	0	0	13,000	(13,000)	0.0%	0	13,000	(13,000)	0.0%
Non-Depository Supervision	3,093,981	3,983,938	1,349,385	1,364,222	(\$14,837)	101.1%	1,349,385	1,364,222	(14,837)	101.1%
Penalties - Non-Depository Supervision	714,249	154,600	71,900	476,831	(404,931)	663.2%	71,900	476,831	(404,931)	663.2%
Miscellaneous Revenues	811,514	963,400	240,850	249,301	(8,451)	103.5%	240,850	249,301	(8,451)	103.5%
TOTAL REVENUES	\$30,811,266	\$36,679,909	\$10,459,992	\$10,999,311	(\$539,319)	105.2%	\$10,459,992	\$10,999,311	(\$539,319)	105.2%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$19,147,451	\$23,513,891	\$5,111,786	\$4,895,234	\$216,553	95.8%	\$5,111,786	\$4,895,234	\$216,553	95.8%
Employee Benefits	5,301,086	6,275,031	1,425,567	1,347,669	77,898	94.5%	1,425,567	1,347,669	77,898	94.5%
Add'l Health/Retirement	268,558	345,091	76,677	70,265	6,411	91.6%	76,677	70,265	6,411	91.6%
Other Personnel Costs	679,987	852,847	107,212	140,512	(33,300)	131.1%	107,212	140,512	(33,300)	131.1%
Subtotal Personnel Costs	\$25,397,083	\$30,986,860	\$6,721,242	\$6,453,680	\$267,562	96.0%	\$6,721,242	\$6,453,680	\$267,562	96.0%
Travel										
In-State	\$1,106,923	\$1,856,074	\$460,682	\$332,607	\$128,074	72.2%	\$460,682	\$332,607	\$128,074	72.2%
Out-of-State	385,574	663,055	127,368	108,597	18,771	85.3%	127,368	108,597	18,771	85.3%
Subtotal Travel	\$1,492,497	\$2,519,129	\$588,050	\$441,204	\$146,846	75.0%	\$588,050	\$441,204	\$146,846	75.0%
Operating Costs										
Professional Fees	\$338,359	\$632,766	\$64,141	\$67,716	(\$3,574)	105.6%	\$64,141	\$67,716	(\$3,574)	105.6%
Consumables	79,570	55,000	21,290	21,611	(321)	101.5%	21,290	21,611	(321)	101.5%
Office Utilities	34,247	32,670	12,650	12,213	437	96.5%	12,650	12,213	437	96.5%
Rent - Building/Space	430,846	497,582	141,678	142,369	(691)	100.5%	141,678	142,369	(691)	100.5%
Rent - Equipment/Other	25,705	39,516	5,854	5,590	264	95.5%	5,854	5,590	264	95.5%
Communications	266,617	313,761	79,624	82,796	(3,171)	104.0%	79,624	82,796	(3,171)	104.0%
Information Technology	591,947	709,573	193,106	196,194	(3,088)	101.6%	193,106	196,194	(3,088)	101.6%
Employee Training	194,505	310,509	55,603	42,121	13,482	75.8%	55,603	42,121	13,482	75.8%
Misc. Operating Costs	497,393	582,543	107,986	90,488	17,499	83.8%	107,986	90,488	17,499	83.8%
Subtotal Operating Costs	\$2,459,190	\$3,173,920	\$681,932	\$661,096	\$20,836	96.9%	\$681,932	\$661,096	\$20,836	96.9%
TOTAL EXPENDITURES	\$29,348,770	\$36,679,909	\$7,991,224	\$7,555,980	\$435,244	94.6%	\$7,991,224	\$7,555,980	\$435,244	94.6%
EXPENDITURES (OVER) / UNDER REVENUES	\$1,462,496	\$0	\$2,468,768	\$3,443,331	(\$974,563)		\$2,468,768	\$3,443,331	(\$974,563)	

Texas Department of Banking

Overview of Budget Variances for the First Quarter of Fiscal Year 2024 - (Variances in excess of \$1,000 and 5% from budget are reported).

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

Employee Benefits and Additional Health/Retirement Contribution – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of November 30, 2023 are listed below:

Administrative	18
Examiners	30

Other Personnel Costs – The negative variance is mainly due to unanticipated retirement lump sum payments.

Travel Breakdown

	In-State Travel	Out-of-State Travel
Regulatory Supervision	\$201,460	\$50,154
Development and Training	114,070	50,500
Other Regulatory Activities	13,792	7,943
Non-Employee	3,285	0
Total	\$332,607	\$108,597

In-State Travel – The positive variance is due to realized efficiencies related to examiner assignments and conducting off-site examinations.

Out-of-State Travel – The positive variance is related to training events that were cancelled or not attended as scheduled.

Professional Fees – The negative variance is due to higher than anticipated State Office of Administrative Hearings expenditures.

Employee Training – The positive variance is due to training events that were cancelled or not attended as scheduled.

Misc. Operating Costs – The positive variance is due to a lower than anticipated State Office of Risk Management's assessment.

TEXAS DEPARTMENT OF BANKING
Liquidity Report
For the Period Ending November 30, 2023

	Actual
Cash at Beginning of Period	\$19,365,501
Revenues Over (Under) Expenditures	3,443,331
Increase (Decrease) in Payables/Encumbrances	(554,640)
(Increase) Decrease in Receivables	44,584
Cash at End of Period	<u>\$22,298,776</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$0
Long-term facilities planning	9,627,529
Payables (net of receivables)	2,392,484
Lump Sums for Retirements	793,595
Program Funds	0
Other	0
Total Reserved Cash Balance	<u>\$12,813,608</u>
Unreserved Cash Balance:	
Future Operations	9,485,168
Total Unreserved Cash Balance	<u>\$9,485,168</u>
Total Cash Balance	<u>\$22,298,776</u>
Unreserved Cash/FY2024 Monthly Budget	3.1 months

FINANCE COMMISSION
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2024



FINANCE COMMISSION
Austin, Texas

Internal Audit Plan
For Fiscal Year 2024

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

Enclosed is the Finance Commission's proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2024 for the Texas Department of Banking (DOB), Department of Savings and Mortgage Lending (SML), and the Office of Consumer Credit Commissioner (OCCC). This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2024. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by the Finance Commission or Audit Committee, as necessary.

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

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

January 23, 2024

FINANCE COMMISSION

Austin, Texas

Internal Audit Plan For Fiscal Year 2024

I. Methodology

The Finance Commission is responsible for overseeing and coordinating the activities of the Texas Department of Banking (DOB), the Department of Savings and Mortgage Lending (SML), and the Office of Consumer Credit Commissioner (OCCC), which are financial regulatory agencies. The 3 agencies were granted a self-directed, semi-independent (SDSI) status by the Legislature. Under this SDSI status, each agency is responsible for its operational costs, prohibited from incurring any costs to the general revenue fund, and operate independently from the legislative budgeting process. However, the Finance Commission retains the responsibility of establishing their spending authority or limits. Each agency relies entirely on fees assessed to the businesses they regulate to generate operating funds, which are then utilized to cover both direct and indirect costs.

This Internal Audit Plan (Plan) encompasses all 3 agencies. The Plan was developed using a risk assessment process, where we reviewed various documents and questionnaires completed by the Finance Commission Chair, management, and other staff from each of the 3 agencies, as documented below.

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

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

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

FINANCE COMMISSION

Internal Audit Plan

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

Risk Factor	Description
1. Materiality	Measure of the auditable unit's <i>financial</i> materiality based on the dollar amount per year of assets, receipts, or disbursements for which the unit is responsible, or the license/charter holders' assets that the unit supervises; or, <i>non-financial</i> materiality based on the degree of its responsibility related to the agency's primary mission.
2. Time Since Last Audit or Review	Measure of the number of years between the date of the previous audit or review and the date of the risk assessment.
3. Results of Prior Audit or Review	Measure of the results and status of prior audits or reviews.
4. Personnel	Measure of personnel changes and the adequacy of the auditable unit's staffing level as it relates to the achievement of its objectives.
5. Policies & Procedures and Processes	Measure of established internal controls (policies and procedures documenting the auditable unit's activities) and changes in processes and systems.
6. Compliance Requirements	Measure of the complexity of contracts, laws, and/or regulations for which the auditable unit is responsible for ensuring compliance.
7. Fraud, Waste, or Abuse	Measure of the auditable unit's risks and controls in place as it relates to fraud, waste, or abuse.
8. Commission & Management Feedback	Measure of feedback expressed in completed questionnaires.

II. Audit Scope

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

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

FINANCE COMMISSION

Internal Audit Plan

III. Texas Department of Banking (DOB)

Internal Audit Plan

In addition to conducting the 2024 risk assessment in preparation for this Internal Audit Plan (Plan), this Plan also includes 2 audits to be performed; a follow-up on the prior year's audit recommendations; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, the preparation of the 2024 Internal Audit Annual Report.

Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 17 potential audit topics were identified. A risk analysis was conducted for each of these topics using the 8 risk factors mentioned in section I of this report. The results of these individual assessments were then compiled to develop an overall risk assessment.

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

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

This report includes the "Risk Assessment Summary" as Attachment A-1; and, the "History of Areas Audited" as Attachment B-1, which identifies audits and/or reviews performed from fiscal year 2014 through 2023 for the above 17 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2023:

- Risk Assessment & Preparation of the Internal Audit Plan
- Corporate Activities Audit
- Procurement/Contract Management/HUB Audit
- Preparation of the Internal Audit Annual Report

Fiscal Year 2022:

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

Fiscal Year 2021:

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

FINANCE COMMISSION

Internal Audit Plan

The areas recommended for internal audits and other functions to be performed for fiscal year 2024 are as follows:

1. Completion of the Fiscal Year 2024 Risk Assessment and Preparation of this Internal Audit Plan
2. Audit of Payroll and Human Resources Area
An audit of this area will be performed to assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for the Payroll and Human Resources Area; and, to ensure compliance with applicable state requirements.
3. Audit of Trust Examinations Area
An audit of this area will be performed to ensure DOB's established policies and procedures, and internal controls are effective to enforce and administer applicable state laws and regulations of the financial institutions it regulates. The audit will also include a review of staff training and relevant performance measures.
4. Follow-Up of Prior Year Internal Audits
Follow-up procedures will be performed to determine the status of the prior year comments that were not fully implemented as of fiscal year ended August 31, 2023, which will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or (4) Not Implemented.
5. Preparation of the 2024 Internal Audit Annual Report
The 2024 Internal Audit Annual Report will be prepared in the form prescribed by the State Auditor's Office; and, that meets the Texas Internal Auditing Act requirements.
6. Other Tasks
Other tasks as may be assigned by the Finance Commission, Audit Committee, or executive management during the year.

FINANCE COMMISSION

Internal Audit Plan

IV. Department of Savings and Mortgage Lending (SML)

Internal Audit Plan

In addition to conducting the 2024 risk assessment in preparation for this Internal Audit Plan (Plan), this Plan also includes one audit to be performed; a follow-up on the prior year's audit recommendation; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, the preparation of the 2024 Internal Audit Annual Report.

Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 13 potential audit topics were identified. A risk analysis was conducted for each of these topics using the 8 risk factors mentioned in section I of this report. The results of these individual assessments were then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 13 potential audit topics identified:

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

This report includes the "Risk Assessment Summary" as Attachment A-2; and, the "History of Areas Audited" as Attachment B-2, which identifies audits and/or reviews performed from fiscal year 2014 through 2023 for the above 13 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2023:

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

Fiscal Year 2022:

- Risk Assessment & Preparation of the Internal Audit Plan
- Legal & Enforcement Audit
- Preparation of the Internal Audit Annual Report

Fiscal Year 2021:

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

FINANCE COMMISSION

Internal Audit Plan

The area recommended for internal audit and other functions to be performed for fiscal year 2024 are as follows:

1. Completion of the Fiscal Year 2024 Risk Assessment and Preparation of this Internal Audit Plan

2. Audit of Mortgage Grant Fund Administration Area

An audit of this area will be performed to determine whether SML's established policies and procedures and internal controls are adequately designed and followed in administering the Mortgage Grant Fund in accordance with applicable state laws and regulations.

3. Follow-Up of Prior Year Internal Audits

Follow-up procedures will be performed to determine the status of the prior year comment that was not fully implemented as of fiscal year ended August 31, 2023, which will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or (4) Not Implemented.

4. Preparation of the 2024 Internal Audit Annual Report

The 2024 Internal Audit Annual Report will be prepared in the form prescribed by the State Auditor's Office; and, that meets the Texas Internal Auditing Act requirements.

5. Other Tasks

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

FINANCE COMMISSION

Internal Audit Plan

V. Office of Consumer Credit Commissioner (OCCC)

Internal Audit Plan

In addition to conducting the 2024 risk assessment in preparation for this Internal Audit Plan (Plan), this Plan also includes one audit to be performed; a follow-up on the prior year's audit recommendations; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, the preparation of the 2024 Internal Audit Annual Report.

Risk Assessment

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

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

HIGH RISK	MODERATE RISK	LOW RISK
Payroll and Human Resources Examinations Legal and Enforcement	Management Information Systems [(MIS) Includes Disaster Recovery Plan] Business Licensing Procurement/Contract Management/HUB	Fiscal Division (Includes Asset Management & Travel) Revenue Accounting Process Complaint Intake and Investigation Business Registration & Professional Licensing Records Management TFEE Fund Grant Administration

This report includes the "Risk Assessment Summary" as Attachment A-3; and, the "History of Areas Audited" as Attachment B-3, which identifies audits and/or reviews performed from fiscal year 2014 through 2023 for the above 12 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2023:

- Risk Assessment & Preparation of the Internal Audit Plan
- TFEE Fund Investment Portfolio Administration Audit (*Required Periodic Audit*)
- Human Resources and Payroll Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2022:

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

Fiscal Year 2021:

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

FINANCE COMMISSION

Internal Audit Plan

The areas recommended for internal audit and other functions to be performed for fiscal year 2024 are as follows:

1. Completion of the Fiscal Year 2024 Risk Assessment and Preparation of this Internal Audit Plan

2. Audit of Examinations: Data Collection Area

An audit of this area will be performed to assess the access levels for ensuring authorized handling of examination data; and, the design and operation of internal controls over examination data collection, ensuring the validity, accuracy, and completeness of the data entered into or extracted from the database, to support monitoring and reporting activities.

3. Follow-Up of Prior Year Internal Audits

Follow-up procedures will be performed to determine the status of the prior year comments that were not fully implemented as of fiscal year ended August 31, 2023, which will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or (4) Not Implemented.

4. Preparation of the 2024 Internal Audit Annual Report

The 2024 Internal Audit Annual Report will be prepared in the form prescribed by the State Auditor's Office; and, that meets the Texas Internal Auditing Act requirements.

5. Other Tasks

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

ATTACHMENTS

TEXAS DEPARTMENT OF BANKING
Risk Assessment Summary
For Fiscal Year 2024

RISK FACTOR WEIGHT							
10.00%	17.00%	13.00%	12.00%	16.00%	12.00%	9.00%	11.00%
RISK FACTORS							
1	2	3	4	5	6	7	8

POTENTIAL AUDIT TOPIC			Time Since		Results of		Policies		Procedures		Compliance		Fraud Waste		Commission &		Total	
			Materiality	Review	Last Audit or	Prior Audit	Personnel	and Processes	Requirements	or Abuse	Management							
High Risk: > 174																		
1	Payroll and Human Resources	3	30.00	2	34.00	1	13.00	2	24.00	2	32.00	2	24.00	2	18.00	2	22.00	197.00
2	Trust Examinations	2	20.00	2	34.00	1	13.00	2	24.00	1	16.00	3	36.00	1	9.00	3	33.00	185.00
Moderate Risk: 151 - 174																		
3	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	2	20.00	1	17.00	1	13.00	2	24.00	2	32.00	3	36.00	2	18.00	1	11.00	171.00
4	Revenue Accounting Process	3	30.00	2	34.00	1	13.00	2	24.00	1	16.00	2	24.00	2	18.00	1	11.00	170.00
5	Corporate Activities	3	30.00	1	17.00	2	26.00	2	24.00	1	16.00	2	24.00	1	9.00	1	11.00	157.00
6	Bank Examinations	3	30.00	1	17.00	1	13.00	2	24.00	1	16.00	3	36.00	1	9.00	1	11.00	156.00
7	Procurement/Contract Management/HUB	2	20.00	1	17.00	2	26.00	2	24.00	1	16.00	2	24.00	2	18.00	1	11.00	156.00
8	Financial Reporting	1	10.00	2	34.00	1	13.00	2	24.00	1	16.00	2	24.00	1	9.00	2	22.00	152.00
Low Risk: < 151																		
9	Money Service Businesses	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	1	9.00	2	22.00	150.00
10	Travel	2	20.00	2	34.00	1	13.00	2	24.00	1	16.00	1	12.00	2	18.00	1	11.00	148.00
11	IT Examinations	3	30.00	1	17.00	1	13.00	1	12.00	1	16.00	3	36.00	1	9.00	1	11.00	144.00
12	Asset Management	1	10.00	2	34.00	1	13.00	2	24.00	1	16.00	1	12.00	2	18.00	1	11.00	138.00
13	Imaging & Records Management	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	1	12.00	2	18.00	1	11.00	136.00
14	Prepaid Funeral Guaranty Fund	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	1	12.00	2	18.00	1	11.00	136.00
15	Perpetual Care Cemeteries	1	10.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	1	9.00	1	11.00	129.00
16	Prepaid Funeral Contracts	1	10.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	1	9.00	1	11.00	129.00
17	Consumer Assistance	2	20.00	1	17.00	1	13.00	1	12.00	1	16.00	2	24.00	1	9.00	1	11.00	122.00

Risk Factor Rating:

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

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
Risk Assessment Summary
For Fiscal Year 2024

RISK FACTOR WEIGHT							
10.00%	17.00%	13.00%	12.00%	16.00%	12.00%	9.00%	11.00%
RISK FACTORS							
1	2	3	4	5	6	7	8

POTENTIAL AUDIT TOPIC			Materiality		Time Since Last Audit or Review		Results of Prior Audit or Review		Personnel		Policies Procedures and Processes		Compliance Requirements		Fraud Waste or Abuse		Commission & Management Feedback		Total
High Risk: > 182																			
1	Mortgage Grant Fund Administration	2	20.00	3	51.00	2	26.00	1	12.00	2	32.00	1	12.00	2	18.00	3	33.00	204.00	
2	Thrift Examinations	3	30.00	2	34.00	1	13.00	2	24.00	2	32.00	3	36.00	1	9.00	1	11.00	189.00	
3	Mortgage Examinations	3	30.00	1	17.00	2	26.00	2	24.00	2	32.00	3	36.00	1	9.00	1	11.00	185.00	
Moderate Risk: 161 - 182																			
4	Thrift Supervision and Compliance	3	30.00	2	34.00	1	13.00	1	12.00	2	32.00	3	36.00	1	9.00	1	11.00	177.00	
5	Payroll and Human Resources	3	30.00	2	34.00	1	13.00	1	12.00	2	32.00	2	24.00	2	18.00	1	11.00	174.00	
6	MIS (Includes Disaster Recovery Plan)	2	20.00	1	17.00	1	13.00	1	12.00	2	32.00	3	36.00	2	18.00	2	22.00	170.00	
Low Risk: < 161																			
7	Revenue Accounting Process	3	30.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	2	18.00	1	11.00	158.00	
8	Legal & Enforcement	3	30.00	1	17.00	1	13.00	2	24.00	1	16.00	3	36.00	1	9.00	1	11.00	156.00	
9	Consumer Responsiveness	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	1	9.00	1	11.00	139.00	
10	Mortgage Licensing & Registration	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	1	9.00	1	11.00	139.00	
11	Financial Reporting (Includes Asset Management & Travel)	1	10.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	2	18.00	1	11.00	138.00	
12	Records Management	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	1	12.00	2	18.00	1	11.00	136.00	
13	Procurement/Contract Management/HUB	2	20.00	1	17.00	1	13.00	1	12.00	1	16.00	2	24.00	2	18.00	1	11.00	131.00	

Risk Factor Rating:

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

OFFICE OF CONSUMER CREDIT COMMISSIONER
Risk Assessment Summary
For Fiscal Year 2024

RISK FACTOR WEIGHT							
10.00%	17.00%	13.00%	12.00%	16.00%	12.00%	9.00%	11.00%
RISK FACTORS							
1	2	3	4	5	6	7	8

POTENTIAL AUDIT TOPIC			Materiality		Time Since Last Audit or Review		Results of Prior Audit or Review		Personnel		Policies Procedures and Processes		Compliance Requirements		Fraud Waste or Abuse		Commission & Management Feedback		Total
High Risk: > 159																			
1	Payroll and Human Resources	3	30.00	1	17.00	2	26.00	1	12.00	2	32.00	2	24.00	2	18.00	1	11.00	170.00	
2	Examinations	3	30.00	2	34.00	1	13.00	1	12.00	1	16.00	3	36.00	1	9.00	1	11.00	161.00	
3	Legal and Enforcement	3	30.00	2	34.00	1	13.00	1	12.00	1	16.00	3	36.00	1	9.00	1	11.00	161.00	
Moderate Risk: 148 - 159																			
4	MIS (Includes Disaster Recovery Plan)	2	20.00	1	17.00	1	13.00	1	12.00	2	32.00	3	36.00	2	18.00	1	11.00	159.00	
5	Business Licensing	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	3	36.00	1	9.00	1	11.00	151.00	
6	Procurement/Contract Management/HUB	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	2	18.00	1	11.00	148.00	
Low Risk: < 148																			
7	Fiscal Division (Includes Asset Management & Travel)	3	30.00	1	17.00	1	13.00	1	12.00	1	16.00	2	24.00	2	18.00	1	11.00	141.00	
8	Revenue Accounting Process	3	30.00	1	17.00	1	13.00	1	12.00	1	16.00	2	24.00	2	18.00	1	11.00	141.00	
9	Business Registration & Professional Licensing	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	1	9.00	1	11.00	139.00	
10	Complaint Intake and Investigation	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	1	9.00	1	11.00	139.00	
11	Records Management	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	1	12.00	2	18.00	1	11.00	136.00	
12	TFEE Fund Grant Administration	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	1	12.00	2	18.00	1	11.00	136.00	

Risk Factor Rating:

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

TEXAS DEPARTMENT OF BANKING
History of Areas Audited
For Fiscal Year 2024

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited/Reviewed									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Asset Management	C*			A	C*			C*		
2	Bank Examinations				A/B*	E				A	
3	Consumer Assistance					E			A		
4	Corporate Activities					E					A
5	Financial Reporting				B	E*					
6	Imaging and Records Management			A				A			
7	IT Examinations			A		E				A	
8	Management Information Systems [(MIS) Includes Disaster Recovery Plan] ¹	A			B	E*	A1*/D		A*/D		D
9	Money Service Businesses	A			B*	E	A1*	A*			
10	Payroll and Human Resources	C*				C*/F*	F*		C*		
11	Perpetual Care Cemeteries		A		B*	E	A1*	A*			
12	Prepaid Funeral Contracts				B*	E	A1*	A*			
13	Prepaid Funeral Guaranty Fund					A/E	A1*	A*			
14	Procurement/Contract Management/HUB	C*			B*	C*			C*		A
15	Revenue Accounting Process		A		B	E	A1*	A			
16	Travel	C*			B*	C*/E*			C*		
17	Trust Examinations					A/E					

¹ Periodic vulnerability scans are performed by the DIR or a third-party procured through the DIR, which are considered standardized reviews and therefore not reflected in this schedule by year.

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

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

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

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
History of Areas Audited
For Fiscal Year 2024

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited/Reviewed									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Consumer Responsiveness	A			B*	D					
2	Financial Reporting (Includes Asset Management & Travel)	E*			B	D*/E*					
3	Legal and Enforcement				B	D				A	
4	Management Information Systems [(MIS) Includes Disaster Recovery Plan] ¹			A	B*	C/D*	A1*		C		C
5	Mortgage Examinations		A		B*	D			G*		A
6	Mortgage Grant Fund Administration										
7	Mortgage Licensing and Registration				B*	D			G*		
8	Payroll and Human Resources	E*				E*	F*				
9	Procurement/Contract Management/HUB	E*			B	D*/E*			A		
10	Records Management							A			
11	Revenue Accounting Process				B	D*					
12	Thrift Examinations				A	D					
13	Thrift Supervision and Compliance				B*	A/D					

¹ Periodic vulnerability scans are performed by the DIR or a third-party procured through the DIR, which are considered standardized reviews and therefore not reflected in this schedule by year.

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

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

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

OFFICE OF CONSUMER CREDIT COMMISSIONER
History of Areas Audited
For Fiscal Year 2024

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited/Reviewed									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Business Licensing				B*	D					
2	Business Registration & Professional Licensing	A*			A*/B*	D					
3	Complaint Intake and Investigation					D				B*	
4	Examinations			A*		A*/D				A*	
5	Fiscal Division (Includes Asset Management & Travel)				B	C*/D*		C1*	A*	B	
6	Legal and Enforcement				B*	D				B*	
7	Management Information Systems [(MIS) Includes Disaster Recovery Plan] ¹	E			B*/E	D*	A1*/E		E	B*	E
8	Payroll and Human Resources					C*	F*				A
9	Procurement/Contract Management/HUB				B	C*/D*					
10	Records Management							A			
11	Revenue Accounting Process				B	D				B	
12	TFEE Fund Grant Administration		A		A*	D					
<i>Required Periodic Audit</i>											
13	TFEE Fund Investment Portfolio Administration				A	D	A1		A		A

¹ Periodic vulnerability scans are performed by the DIR or a third-party procured through the DIR, which are considered standardized reviews and therefore not reflected in this schedule by year.

Note: 1. Performance Measures are included in the scope of the applicable audit area(s).

2. Effective FY23 —

- All examinations-related areas were combined into the "Examinations" auditable area.
- Business Registration and Professional Licensing were combined into the "Business Registration & Professional Licensing" auditable area.

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

- A** Internal audit performed by Garza/Gonzalez & Associates, CPAs.
- A1** Internal audit performed by McConnell & Jones LLP.
- B** Audit performed by the State Auditor's Office (SAO).
- C** Post-Payment audit performed by the Comptroller of Public Accounts (CPA).
- C1** Overpayment Recovery audit performed by the CPA.
- D** Sunset Review performed by the Sunset Advisory Commission.
- E** IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- F** Policy review performed by the Texas Workforce Commission.

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Texas Financial Education Endowment (TFEE)

F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund

The fourth and final cycle of TFEE's 2022-2023 grant term ended on December 31. Reimbursement requests for this reporting period are currently being processed, and an update will be provided at the next Finance Commission meeting. Full program impact reports for these grantees will be due in July. Additionally, activities for the 2024-2025 grant cycle began on January 1; initial reports and reimbursement requests for the new cycle will be due this summer.



Mortgage Grant Fund Activities Report — January 31, 2024

Activities Relating to the Mortgage Grant Fund (MGF)

The 2023–2024 MGF grant cycle concluded its second semi-annual reporting and reimbursement period on December 31, 2023. The deadline for grant recipients to submit activity reports and reimbursement requests is January 30, 2024. Additionally, Commissioner Retta approved a grant increase of \$4,450.00 for Habitat for Humanity Jefferson County and \$1,898.00 for Habitat for Humanity San Antonio.

Mortgage Grant Fund Advisory Committee (MGAC), Commissioner Retta, and Grant Coordinator Andrea Herrera met on December 4, 2023, to set calendar dates for the 2025–2026 grant cycle and discuss potential additional members of the MGAC.

Timeline for the 2025–2026 Grant Cycle

April 2024	MGAC meets to review possible updates to MGF documents.
May 2024	MGAC and Commissioner Retta meet to discuss possible updates to MGF documents.
June 2024	Mortgage Grant Coordinator submits updated documents to the Finance Commission for review.
July 2024	2025–2026 MGF application period opens.
September 2024	2025–2026 MGF application period closes.
October 2024	MGAC meets to recommend Grantees for next grant cycle.
November 2024	MGAC announces awards.
December 2024	Mortgage Grant Coordinator conducts grantee orientation.
January 2025	2025–2026 MGF grant cycle begins.