

**FINANCE COMMISSION OF TEXAS**  
**AUDIT COMMITTEE MEETING**

Friday, June 20, 2025  
8:30 a.m.

Finance Commission Building  
William F. Aldridge Hearing Room  
2601 North Lamar Boulevard  
Austin, Texas 78705

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

- A. Review and Approval of the Minutes of the April 25, 2025 Audit Committee Meeting
- B. Review of Agencies' Activities
  - 1. Department of Savings and Mortgage Lending
  - 2. Texas Department of Banking
  - 3. Office of Consumer Credit Commissioner
- C. Discussion of the 2026 Budget Process
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's 2025 Revenue Processing Audit and Follow-Up on Prior Year Recommendations Report as Prepared and Presented by Garza/Gonzalez and Associates
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's 2025 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates
- 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 Revised Texas Financial Education Endowment Fund Grant Administration & Advisory Policy Manual and 2026-2027 Funding Priorities
- H. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Approve an Amount for the Upcoming 2026-2027 Grant Cycle for the Texas Financial Education Endowment
- I. Discussion of the Activities of the Mortgage Grant Fund
- J. 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, April 25, 2025**

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m., on Friday, April 25, 2025, with the following members present:

**Audit Committee Members in Attendance:**

Kathleen Fields, Chairman  
Phillip Holt, Chairman, Finance Commission of Texas  
David Osborn

**Audit Committee Members Absent:**

Roselyn "Rosie" Morris

Chairman Fields announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three (3) members present. *(0:37 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of February 21, 2025 Audit Committee Meeting	Phillip Holt made a motion to Approve the Minutes of the February 21, 2025 Audit Committee Meeting. David Osborn seconded, and the motion passed.	0:56 Start of Discussion  1:11 Vote
B. Review of Agencies' Activities  1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	No Action Required.	1:38 Start of Discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2025 Second Quarter Investment Officer Reports  1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	David Osborn made a motion to recommend that the Finance Commission Approve the Agencies' 2025 Second Quarter Investment Officer Reports. Phillip Holt seconded, and the motion passed.	10:36 Start of Discussion  13:13 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2025 Second Quarter Financial Statements  1. Texas Department of Banking 2. Officer of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	Phillip Holt made a motion to recommend that the Finance Commission Approve the Agencies' 2025 Second Quarter Financial Statements. David Osborn seconded, and the motion passed.	13:37 Start of Discussion  20:60 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking’s Money Services Businesses Audit Report as Prepared and Presented by Garza/Gonzalez and Associates	David Osborn made a motion to recommend that the Finance Commission Approve the Texas Department of Banking’s Money Services Businesses Audit Report as Prepared and Presented by Garza/Gonzalez and Associates. Phillip Holt seconded, and the motion passed.	21:25 Start of Discussion  26:35 Vote
F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner’s Texas Financial Education Endowment Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates	Phillip Holt made a motion to recommend that the Finance Commission Approve the Office of Consumer Credit Commissioner’s Texas Financial Education Endowment Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates. David Osborn seconded, and the motion passed.	27:10 Start of Discussion  30:57 Vote
G. 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.	31:30 Start of Discussion
H. Discussion of the Activities of the Mortgage Grant Fund	No Action Required.	34:12 Start of Discussion
I. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code	No Discussion.	n/a

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Kathleen Fields adjourned the meeting at 9:05 a.m. (35:21 on the audio file).

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Kathleen Fields, Chairman, Audit Committee  
 Finance Commission of Texas

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Wendy Rodriguez, Deputy Commission  
 Texas Department of Banking

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Ruth Wright, Executive Assistant  
 Finance Commission of Texas

# Department of Savings and Mortgage Lending

## Audit Activities Report as of May 31, 2025

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<b>Auditor:</b>	<i>State Auditor's Office</i>	<b>Audit Report Date:</b>	<i>May 28, 2025</i>
<b>Audit Area:</b>	<i>Self-Directed Semi-Independent Audit</i>		
<b>Findings:</b>	<b>Status Update:</b>		
<i>Strengthen review process of Annual Financial Report</i>	<i>Scheduled. Enhanced process to be implemented in September 2025.</i>		
<i>Review user access to information systems</i>	<i>Scheduled. Additional review of user access to be completed by August 31, 2025</i>		

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<b>Auditor:</b>	<i>Department of Public Safety</i>	<b>Audit Report Date:</b>	<i>April 9, 2025</i>
<b>Audit Area:</b>	<i>DPS Secure Site Audit</i>		
<b>Recommendations:</b>	<b>Status Update:</b>		
<i>Update policy to include information on disposition of CHRI</i>	<i>Completed. Policy published on May 1, 2025.</i>		
<i>Implement DPS/FBI forms</i>	<i>Completed. Forms implemented May 1, 2025.</i>		
<i>Training for users with access to CHRI</i>	<i>Completed. Required training taken in April 2025.</i>		

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<b>Auditor:</b>	<i>Department of Information Resources</i>	<b>Audit Report Date:</b>	<i>May 2, 2025</i>
<b>Audit Area:</b>	<i>Cybersecurity Framework Assessment</i>		
<b>Recommendations:</b>	<b>Status Update:</b>		
<i>Confidential – to be discussed in Executive Session</i>	<i>Completed.</i>		

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<b>Auditor:</b>	<i>Comptroller of Public Accounts</i>	<b>Audit Report Date:</b>	<i>N/A</i>
<b>Audit Area:</b>	<i>Post-Payment and Procurement Audit</i>		
<b>Findings:</b>	<b>Status Update:</b>		
<i>N/A</i>	<i>In progress. Received preliminary report.</i>		

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<b>Auditor:</b>	<i>Garza/Gonzales and Associates</i>	<b>Audit Report Date:</b>	<i>N/A</i>
<b>Audit Area:</b>	<i>Thrift Examinations</i>		
<b>Recommendations:</b>	<b>Status Update:</b>		
<i>N/A</i>	<i>In progress Field work began on 5/28.</i>		

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# The Department of Savings and Mortgage Lending: A Self-directed, Semi-Independent Agency

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

The Department of Savings and Mortgage Lending (Department) had effective processes and related controls to ensure the accuracy and completeness of its performance and financial data. It also had an effective process for setting fees based on its budgetary needs and assessing penalties in compliance with its rules.

However, the Department should strengthen its reviews of its financial statements and user access rights to key systems to ensure that they align with users' job duties.

- [Background](#) | p. 3
- [Audit Objectives](#) | p. 9

*This audit was conducted in accordance with Texas Finance Code, Section 16.004.*

## **MEDIUM**

### **FINANCIAL AND PERFORMANCE DATA**

The Department had effective processes for calculating and recording performance and financial data. However, its reviews of the 2024 financial statements did not detect certain errors. In addition, some user rights to certain information systems did not align with the employees' assigned job duties.

[Chapter 1 | p. 4](#)

## **LOW**

### **SETTING FEES AND PENALTIES**

The Department had a process for setting fees based on its budgetary needs, and it set amounts for penalties in compliance with Texas Finance Code requirements.

[Chapter 2 | p. 7](#)

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## Summary of Management's Response

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Auditors made recommendations to address the issues identified during this audit, provided at the end of each chapter in this report. The Department agreed with the recommendations.

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## Ratings Definitions

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Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

**PRIORITY:** Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

**HIGH:** Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

**MEDIUM:** Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

**LOW:** The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

## Background Information

The Department of Savings and Mortgage Lending (Department) has two key areas of responsibility: the chartering, regulation, and supervision of state-chartered savings banks (thrift industry); and the licensing/registration and regulation of the state's mortgage industry. These two areas of responsibility cover most residential mortgage lending in Texas. The Department operates under the oversight of the Finance Commission of Texas.

The 81st Legislature granted the Department self-directed and semi-independent (SDSI) status effective September 1, 2009. As an SDSI agency, the Department receives revenue from fees and assessments collected from regulated entities. The Department is responsible for all direct and indirect costs and does not receive general revenue funds. Various provisions in the Texas Finance Code authorize the Department's Commissioner to impose and collect fees to cover the costs of performing regulatory responsibilities.



**MEDIUM**

## Chapter 1 Financial and Performance Data

The Department of Savings and Mortgage Lending (Department) had processes and related controls to ensure the accuracy and completeness of financial and performance data. However, the Department should strengthen its review of financial statements and user access to its information systems.

### The Department had adequate processes for reporting performance measures.

The Department had effective processes and controls to accurately calculate and report the performance measure results tested (see text box). Specifically, the Department accurately reported that it completed 375 mortgage industry examination reports and 18 examinations of state-chartered savings institutions for fiscal year 2024.

#### Selected Performance Measures

- **Number of Examination Reports Issued** - The total number of examination reports issued during the reporting period.
- **Number of State Chartered Savings Institutions Examinations Performed** - The total number of on-site independent, joint, full scope, limited scope, or special examinations of savings institutions performed during the quarter.

Source: *Agency Strategic Plan, Fiscal Years 2023 to 2027.*

### The Department should strengthen certain processes for financial reporting and information technology systems.

Overall, the Department had processes and controls to ensure that its financial data was accurate. Specifically:

- The Department’s mortgage licensing and thrift revenues, payroll expenditures, travel expenditures, and other expenditures were supported.
- The Department performed reconciliations of revenue, cash, and expenditure amounts as required by its accounting policies to verify that all amounts were accurately captured in the Uniform Statewide Accounting System (USAS), which is the Department’s system of record for financial reporting.

In addition, the Department’s fiscal year 2024 annual financial report balances were supported by USAS. However, the Department’s review process did not identify that its financial statements were out of balance. Specifically, its total assets did not equal the sum of its total liabilities and fund balance. This error was caused because the Department mistakenly excluded one deposit; that deposit was not large enough to have a significant impact on the total assets reported.

The Department also ensured that most users of the information systems used for financial and performance reporting had appropriate levels of access. However, certain user rights did not align with the employees’ assigned job duties. Users having excessive access increases the risk that transactions may be processed incorrectly.

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## Recommendations

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The Department should:

- Strengthen its review process of the Annual Financial Report to ensure that all amounts are reported.
- Review user access to information systems to verify that access aligns with users’ assigned job duties.

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## Management's Response

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- SML agrees with the recommendation. The Director of Operations has developed and documented an enhanced secondary review process to ensure that all amounts in the Annual Financial Report are reported. The new process will be implemented with the preparation of the next Annual Financial Report in September 2025.
- SML agrees with the recommendation. The Department reviews its user access regularly – semiannually for statewide systems (e.g. CAPPs) and annually for all other systems. Additionally, staff relies on the built-in system controls that disallow transactions to be processed by a single user without oversight. The Director of Operations, in conjunction with the Information Resources staff, will perform and document an additional in-depth review to ensure no user has excessive access that allows transactions to be processed inappropriately or incorrectly. The review will be completed by August 31, 2025.

**LOW**

## Chapter 2 Setting Fees and Penalties

The Department had a process for setting fees that was based on its budgetary needs. The Department also complied with requirements for the calculation of licensing and regulatory fees for the mortgage industry and the thrift industry.

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### The Department had sufficient processes for setting fee and penalty amounts.

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**Fees.** As an SDSI, the Department does not receive appropriated funds, so it relies on fees for revenue and to maintain a cash reserve. Department staff consider previous and projected expenses to determine whether fee amounts should be revised. For fiscal year 2024, the Department's fee revenue covered its operating expenses, and its cash reserves amount complied with the Finance Commission's policy.

In addition, the Department's process requires the Commissioner to approve the fee amounts before sending the budget to the Finance Commission for its approval. The Commissioner's approval of fee amounts was documented for fiscal year 2025 but not for fiscal year 2024.

**Penalties.** The Department appropriately documented and set amounts for the penalties reviewed. Penalties are determined by the results of complaint investigations. The Department established a matrix to clearly define administrative penalty amounts, which it consistently applied for all penalties tested. Penalty amounts are determined by factors such as the nature of the violation and any history of noncompliance.

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### Recommendation

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The Department should ensure that the Commissioner documents approval of fee amounts as required by its policy.

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## Management's Response

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SML agrees with the recommendation. The Department has already implemented a formal approval process during FY24 in setting the FY25 fees, as evidenced and stated in the report. Staff will ensure the fees approval process continues to be formally documented.



## Appendix I

### Objectives, Scope, and Methodology

#### Objectives

The objectives of this audit were to:

- Determine whether the Department of Savings and Mortgage Lending (Department) has processes and related controls to ensure the accuracy and completeness of financial and performance data.
- Evaluate the Department’s processes for setting fees and penalties.

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



- Brenda Zamarripa, CIA, CGAP (Project Manager)
- Benjamin Hikida, MACy, CFE (Assistant Project Manager)
- Geddy Emery
- Victor Isoh, MPA
- Marcus Kahler
- Michele Yonkeu
- Dana Musgrave, MBA, CFE (Quality Control Reviewer)
- Michael O. Clayton, CPA, CISA, CFE, CIDA (Audit Manager)

#### Scope

The scope of this performance audit included a review of financial and performance data, applicable processes, and other supporting documentation for the period from September 1, 2023, through January 31, 2025. The work included a review of the automated systems that support those processes.

The scope also included a review of significant internal control components related to the Department’s revenue collection, expenditures, penalties assessed and collected, and accuracy and completeness of related data.

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## Methodology

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We conducted this performance audit from November 2024 through April 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Department management for consideration.

### Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed Department management to gain an understanding of financial and performance data reported; fee and penalty assessments; and required reports.
- Identified relevant criteria by reviewing:
  - Department policies and procedures.
  - The Department’s penalty matrix.
  - Texas Finance Code, Chapters 16, 156, 157, and 180.
  - Texas Administrative Code, Title 1, Part 10, Chapter 202, and Title 7, Part 4, Chapters 60 and 75.
  - Texas Government Code, Chapter 404.
  - The Office of the Comptroller of Public Accounts’ Financial Reporting Requirements, Purchasing Policy, and Travel Guide.
  - The Department’s strategic plan for fiscal years 2023-2027.
- Tested the annual report and traced to the Department’s underlying records.
- Tested reconciliations to determine whether they were properly completed.

- Tested revenues and expenditures to determine whether they were reported correctly in the Uniform Statewide Accounting System (USAS).
- Analytically tested the Department's payroll expenditures to determine whether the payroll expense was completely and accurately reported in USAS in fiscal years 2024 and 2025.
- Tested the Department's compliance with its cash reserves policy.
- Reviewed user access controls for significant Department systems
- For the selected performance measures, reviewed the queries and re-calculated the data to determine whether the Number of Examination Reports Issued (Mortgage Industry) and the Number of State-chartered Savings Institution Examinations Performed (Thrift Industry) were accurately reported.
- Evaluated the Department's processes for setting licensing fee and penalty rates.
- Tested all quarterly revenue reconciliations of the Nationwide Mortgage Licensing System (NMLS) to the Centralized Accounting and Payroll/Personnel System (CAPPS) for fiscal years 2024 and 2025 to determine whether they were properly performed.
- Tested all quarterly expenditure reconciliations of USAS to CAPPS for fiscal years 2024 and 2025 to determine whether they were properly performed.

### Data Reliability and Completeness

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit by (1) observing the Department staff extract requested data populations, (2) reviewing data queries and report parameters, (3) analyzing the populations, and (4) testing selected user access controls over the information systems. The following fiscal year data sets were used:

- **USAS.** Revenues, expenditures, and cash in treasury data for fiscal year 2024 and the first five months of fiscal year 2025.
- **CAPPS.** Revenues and expenditures for fiscal year 2024 and the first five months of fiscal year 2025.

- **My License.** The Department’s licensing and enforcement system penalty revenue assessment and collection amounts for fiscal year 2024 and the first five months of fiscal year 2025.
- **NMLS.** Licensing fee data for fiscal year 2024 and the first five months of fiscal year 2025.

Figure 1

### *Populations and Samples<sup>a</sup>*

Population	Sample Size	Population Size	Sampling Methodology
Monthly CAPPs to USAS cash reconciliations for fiscal years 2024 and 2025	5	17	Tested a random nonstatistical sample of 4 items and 1 risk-based sample for CAPPs to USAS cash reconciliations.
Monthly CAPPs to Texas Treasury Safekeeping Trust Company cash reconciliations for fiscal years 2024 and 2025	4	17	Tested a random nonstatistical sample stratified by fiscal year.
Thrift assessment revenue and administrative revenue transactions for fiscal years 2024 and 2025	11	103	Tested a risk-based sample of 8 thrift assessment revenue and 3 administrative revenue transactions.
Travel expenditures recorded in the Department’s Annual Financial Report (AFR) for fiscal years 2024 and 2025	25	1219	Tested a risk-based sample of expenditure transactions.
Other expenditures recorded in the AFR for fiscal years 2024 and 2025	25	728	Tested a risk-based sample of expenditure transactions.
Mortgage licensee examinations reports reported in performance measures	25	456	Tested a risk-based sample of mortgage licensee examination reports.
Thrift examinations reports reported in performance measures	5	24	Tested a random nonstatistical sample of thrift examination reports stratified by fiscal year.

Population	Sample Size	Population Size	Sampling Methodology
Administrative penalties for fiscal years 2024 and 2025	8	63	Tested a risk-based sample of administrative penalties assessed.
Complaints not forwarded to enforcement	25	1,717	Tested a risk-based sample of complaints.
<sup>a</sup> The sample items were selected to obtain coverage and were not representative of the population, so it would not be appropriate to project the test results to the population.			

### Report Ratings

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



Copies of this report have been distributed to the following:

## **Legislative Audit Committee**

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

## **Office of the Governor**

The Honorable Greg Abbott, Governor

## **Department of Savings and Mortgage Lending**

Members of the Finance Commission of Texas

Mr. Hector Retta, Commissioner



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**Texas Department of Banking  
Audit Activities Report  
As of May 31, 2025**

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**Auditor:** Comptroller of Public Accounts      **Audit Report Date:** March 7, 2025

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**Audit Area:** *Follow-Up to September 2022 Post Payment Audit*

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<b>Findings:</b>	<b>Status Update:</b>
Payroll	<i>Implemented: The Department verified all prior state service for active employees coincides with the information reported in the State Employment History Portal. The onboarding checklist was implemented in March 2024.</i>
Purchase/Procurement, Payment Card and Contract Transactions	<i>Implemented / In Progress: A checklist was revised per auditors' recommendations to mitigate missing documentation and strengthen documentation processes.</i>
Internal Control Structure	<i>In Progress: The Department attempts to fully comply with control structure. Due to the size of the agency and to maintain payment and accounting operations, full access removal was not possible for specific personnel within the division.</i>

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**Auditor:** Texas Department of Public Safety      **Audit Report Date:** April 1, 2025

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**Audit Area:** *Access & Dissemination Policy and the CJIS Security Policy Review – Human Resources*

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<b>Findings:</b>	<b>Status Update:</b>
System Access	<i>Completed: All IT personnel were re-fingerprinted.</i>
CHRI Policy and Procedures	<i>In Progress: Agency drafting a Criminal History Record Information (CHRI) policy to cover the various aspects of security, sanitations and destruction of electronic media, incident response with a reporting form.</i>

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**Texas Department of Banking  
Audit Activities Report Continued  
As of May 31, 2025**

<b>Auditor:</b>	<b>Garza /Gonzalez &amp; Associates</b>	<b>Audit Report Date:</b> <i>April 30, 2025</i>
<b>Audit Area:</b>	<i>Revenue Accounting Process</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>Assessment Calculation</i>	<i>Implemented: A discrepancy was noted due to the implementation of the August 2024 revisions to the assessment tables utilized by the division’s program from the testing environment to live database, which inadvertently omitted a factor digit for a particular tier. This resulted in one factor being off by 1/10000th. To address this issue, the Management Information Systems division has strengthened its processes to ensure all data changes are completed utilizing Data Pipelines allowing for systemic transfers of the programming code. The system was also enhanced to produce a automated alert upon any changes to the assessment tables to a set distribution group, requiring for an independent verification that revisions were properly implemented. Further, if any change is made to the assessment table in the program, an email will be generated to the same distribution group.</i>	

<b>Auditor:</b>	<b>Garza /Gonzalez &amp; Associates</b>	<b>Audit Report Date:</b> <i>April 30, 2025</i>
<b>Audit Area:</b>	<i>Follow-up Review – Trust Examinations, Human Resources, and Procurement</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>None.</i>	<i>All areas were fully implemented from previous year findings and observations.</i>	

<b>Auditor:</b>	<b>CISA</b>	<b>Audit Report Date:</b> <i>April 2025</i>
<b>Audit Area:</b>	<i>Penetration Testing</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>N/A</i>	<i>To be discussed in Executive Session of Audit Committee.</i>	

<b>Auditor:</b>	<b>Comptroller of Public Accounts</b>	<b>Audit Report Date:</b> <i>May 2, 2025</i>
<b>Audit Area:</b>	<i>A Statewide Desk Audit: Payment Approval Authority and Security</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>None.</i>	<i>None.</i>	

**Texas Department of Banking  
Audit Activities Report Continued  
As of May 31, 2025**

<b>Auditor:</b>	<b>Texas Department of Public Safety</b>	<b>Audit Report Date:</b> <i>May 12, 2025</i>
<b>Audit Area:</b>	<i>Access &amp; Dissemination Policy and the CJIS Security Policy Review -Corporate</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>System Access</i>	<i>Completed. Expired users on account were noted during review. These users were removed during the review. Department will verify user access annually.</i>	
<i>Fingerprint CHRI</i>	<i>Completed: One individual related to an application was not unsubscribed to within three days of when the Department no longer required access to CHRI. During the review, the Department unsubscribed from the individual. Going forward, the Department will ensure they unsubscribe for individuals within three days of their disassociation from the agency.</i>	

<b>Auditor:</b>	<b>State Auditor’s Office</b>	<b>Audit Report Date:</b> <i>N/A</i>
<b>Audit Area:</b>	<i>An Audit of the Department of Banking: A Self-Directed, Semi- Independent Agency</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>N/A</i>	<i>The Department received a draft report and provided the State Auditor’s Office with its management response. A final report will be provided later.</i>	

<b>Auditor:</b>	<b>Department of Information Resources – AT&amp;T s</b>	<b>Audit Report Date:</b> <i>NA</i>
<b>Audit Area:</b>	<i>Texas Cybersecurity Framework Assessment</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>N/A</i>	<i>Assessment to begin in July 2025.</i>	

May 2, 2025

Greetings:

The Texas Comptroller of Public Accounts has completed its annual Payment Approval Authority and Security desk audit for 172 state agencies (agencies) and institutions of higher education (institutions). The objective of this review was to assess compliance with pertinent statutes, rules and Comptroller requirements. The related statewide report is attached.

This annual report covered employee terminations and transfers from Sept. 1, 2023, to Aug. 31, 2024. The audit scope included a review of:

- Statewide systems ad hoc reports.
- Signature cards database entries.
- Staff system access.

Additionally, auditors determined whether agencies and institutions complied with requirements to:

- Revoke terminated/transferred employee authorization to approve payments.
- Remove terminated/transferred employee access to Comptroller systems.

We intend for this report to be used by agency management and certain state officials and agencies as listed in Texas Government Code, Section 403.071. However, this report is a public record and its distribution is not limited.

The agencies and institutions may inquire about and register for training related to expenditure approval and authorization through the Fiscal Management [Training Center](#). For immediate training needs, review our current [web-based training and tutorials](#) or contact your [Fiscal Management contact](#) for assistance.

We would like input from you or your designee on the quality of the audit process and the service the audit staff provided while conducting this audit. Please take our [Fiscal Management Audit Survey](#) to rate and comment on the payment approval authority and security desk audit process. Your feedback is greatly appreciated.



Page Two  
May 2, 2025

Thank you for your cooperation. If you have any questions or comments regarding this audit, please contact Roslyn Harris at (512) 463-4258 or Ly Griffin at (512) 463-4825, or email [EASignatureCards@cpa.texas.gov](mailto:EASignatureCards@cpa.texas.gov).

Sincerely,



Jennifer Smith  
Payment Operations Area Manager  
Fiscal Management Division

Attachments

cc: Rob Coleman, Fiscal Management Division Director, Texas Comptroller of Public Accounts  
Agency heads and CFOs at all audited agencies





# **A Statewide Desk Audit**

## **Payment Approval Authority and Security**

**Audit Report #001-24-01**  
**May 2, 2025**

**Glenn Hegar**  
Texas Comptroller of Public Accounts



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# Executive Summary

## Purpose and Scope

The Texas Comptroller of Public Accounts (Comptroller's office) performed a desk audit of payment approval authorization and security at state agencies (agencies) and institutions of higher education (institutions).

The objectives of the audit were to determine whether agencies and institutions complied with Comptroller requirements for terminated and transferred employee authorization and Comptroller system access from Sept. 1, 2023, through Aug. 31, 2024. The audit was conducted in accordance with Texas Government Code, Section 403.071.

The audit scope included reviews of statewide system ad hoc reports, signature card database entries and staff system access. These included reviews of:

- A weekly Comptroller Statewide Security Administration (SSA) termination/transfer report to determine whether agencies and institutions notified the Comptroller's office to remove terminated employees authorized to approve payments from the agency's signature card.
- A weekly Comptroller SSA termination/transfer report to determine whether agencies and institutions requested system security access removal for terminated employees.
- An ad hoc report for payments released by unauthorized users to determine whether any of the terminated employees approved payments without authorization (after termination).
- A quarterly ad hoc report showing all users with access to the statewide systems at the time the report is run. Auditors compare users with access to approve payments to authorized users on the signature card database to determine whether there were any users with payment approval access who were never added to the signature card database. Failure to add a user may be the result of an agency or institution not notifying the Comptroller's office that the user would be approving agency payments at the time systems access was requested.
- A quarterly termination ad hoc report from the Standardized Payroll/Personnel Reporting System (SPRS) and the Human Resource Information System (HRIS) with a comparison to weekly termination reports. If a related issue is discovered, this comparison ensures all terminations were captured and addressed in this annual report.
- An ad hoc report to verify that no employees who approved agency payments during this audit period also entered the same payments in the system without oversight.



## Background

***Expenditure Approvals and Certification (FPP B.007)*** requires an individual who approves/releases payments (or payment batches) in the Comptroller's statewide financial systems to be properly authorized. The agency or institution must complete and submit a voucher signature card and authorization letter to authorize staff to approve expenditures.

***Access Requirements for Comptroller Systems (FPP K.015)*** requires the agency security coordinator to ensure no user has payment release/approval capabilities in the Comptroller's statewide financial systems unless the user is authorized and listed on a voucher signature card and the agency has notified the Comptroller's office about the authorization.

## Audit Results

Auditors reviewed termination/transfer information at 172 agencies and institutions for employee terminations and transfers. The 172 agencies and institutions had 60,756 employees terminated/transferred. Of those, 1,379 had access to the Comptrollers' financial systems or were authorized to approve payments.

The 1,379 employees (384 transferred and 995 terminated) had Comptroller system access and were on the signature card. Of the 172 agencies and institutions tested, auditors identified one to three findings in 29 agencies and institutions; these findings involved 33 of the terminated employees. See Table 1 for a list of reviewed and audited agencies and institutions. See Table 2 for results by agency and institution.



# Detailed Findings

## Failure to Notify Comptroller to Remove Terminated Employees From Signature Card

During the audit period, 27 agencies and institutions failed to notify the Comptroller's office in a timely fashion about the termination of 31 employees designated to approve expenditures. The requests to remove the employees from the signature cards were sent four to 122 days late.

[34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#) requires an agency to notify the Comptroller's office whenever a designated employee's authority to approve expenditures is revoked for any reason. The Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective termination date. Any officer or employee may send the notification of termination or revocation to the Comptroller's office.

Since this administrative code provision does not specify how the Comptroller's office must be notified about the terminations, the Comptroller's office accepts emails, faxes, letters, memorandums or other written notices. The written notification must indicate:

- The designated employee has terminated employment.
- The agency revoked (or will revoke) the employee's security access.
- The effective date of the revocation or termination.

The risk of a terminated employee remaining on the signature card is that the employee could approve paper vouchers submitted to the Comptroller's office during that time. Any payment produced by a paper voucher approved by a terminated employee would constitute an unapproved expenditure. Auditors determined no unapproved documents were processed during the audit period by 30 of the 31 employees who had been designated to approve expenditures but then terminated. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#) and [Expenditure Approvals and Certification \(FPP B.007\)](#).

See Table 2 for agencies and institutions with this issue.

### Recommendation/Requirement

Agencies and institutions must ensure compliance with the terminated employee security revocation requirements. They must also ensure the staff member responsible for sending revocation notifications to the Comptroller's office is aware of any terminations on or before the effective revocation dates. The staff member also must follow up with the Comptroller's office to ensure it received the notifications and revoked system access.



## Failure to Request Security Access Removal for Terminated Employees

During the audit period, 13 agencies and institutions failed to submit timely notice to remove security access for 13 employees who were either terminated or whose authority to approve expenditures was revoked.

The lack of timely notice meant the employees retained security access to Comptroller systems for 10 to 34 days after termination. The employees could have approved expenditures submitted to the Comptroller's office during that time. Any expenditure that was approved under the employees' expired authority would have constituted an unapproved expenditure. Auditors ran a report to determine whether any expenditure was approved by the terminated employees; no expenditures were submitted after employee termination dates.

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed no later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [Access Requirements for Comptroller Systems \(FPP K.015\)](#) for more information.

### Recommendation/Requirement

Agencies and institutions must ensure compliance with terminated employee security revocation requirements. They must also ensure that the staff member responsible for sending the revocation notifications to the Comptroller's office is aware of any employee terminations on or before the effective revocation dates. The staff member also must follow up with the Comptroller's office to ensure it received the notifications and revoked system access.

## Employee Approved Payment Without Authority

During the audit period, one agency did not notify the Comptroller's office about the termination of one employee designated to approve expenditures. Additionally, the agency did not request system security access removal for the terminated employee.

The employee terminated on April 30, 2024. The Comptroller's office was not notified about the employee's termination. The lack of timely notification meant the employee remained listed on the agency's voucher signature cards and theoretically retained access to the Comptroller's system for 64 days after termination. In the first 20 days



after the employee's termination date, the unauthorized employee or another staff member using the terminated employee's access credentials approved 18 transactions totaling \$67,298.

These payments produced by an electronic or paper voucher approved under the employee's expired authority are considered unapproved expenditures.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination. See [34 Texas Administrative Code Section 5.61\(k\)](#).

### Recommendation/Requirement

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The agency must enhance its controls to ensure compliance with [34 Texas Administrative Code Section 5.61](#). The agency must ensure the staff member responsible for sending these notifications to the Comptroller's office is aware of employee terminations on or before the termination effective dates. The staff member also must follow up with the Comptroller's office to ensure it received the notifications and revoked system access.



# Tables

**Table 1: Audited Agencies and Institutions**

Agency Number	Agency Name
101	Senate
102	House of Representatives
103	Texas Legislative Council
104	Legislative Budget Board
105	Legislative Reference Library
116	Sunset Advisory Commission
201	Supreme Court
211	State Bar of Texas
212	Office of Court Administration
215	Office of Capital and Forensic Writs
221	Court of Appeals - First Court of Appeals District
222	Court of Appeals - Second Court of Appeals District
223	Court of Appeals - Third Court of Appeals District
224	Court of Appeals - Fourth Court of Appeals District
225	Court of Appeals - Fifth Court of Appeals District
226	Court of Appeals - Sixth Court of Appeals District
228	Court of Appeals - Eighth Court of Appeals District
229	Court of Appeals - Ninth Court of Appeals District
230	Court of Appeals - Tenth Court of Appeals District
231	Court of Appeals - Eleventh Court of Appeals District
233	Court of Appeals - Thirteenth Court of Appeals District
234	Court of Appeals - Fourteenth Court of Appeals District
241	Comptroller - Judiciary Section
242	State Commission on Judicial Conduct
243	State Law Library
300	Governor - Fiscal
301	Governor - Executive
302	Attorney General
303	Texas Facilities Commission
304	Comptroller of Public Accounts
305	General Land Office
306	Texas State Library and Archives Commission
307	Secretary of State
308	State Auditor
312	State Securities Board
313	Department of Information Resources
320	Texas Workforce Commission
323	Teacher Retirement System of Texas



Agency Number	Agency Name
326	Texas Emergency Services Retirement System
327	Employees Retirement System of Texas
329	Texas Real Estate Commission – Semi-Independent
332	Texas Department of Housing and Community Affairs
338	State Pension Review Board
347	Texas Public Finance Authority
356	Texas Ethics Commission
360	State Office of Administrative Hearings
362	Texas Lottery Commission
364	Health Professions Council
401	Texas Military Department
403	Texas Veterans Commission
405	Department of Public Safety
407	Texas Commission on Law Enforcement
409	Commission on Jail Standards
411	Texas Commission on Fire Protection
448	Office of Injured Employee Counsel – Administered by 454
450	Department of Savings and Mortgage Lending – Semi-Independent
451	Texas Department of Banking – Semi-Independent
452	Texas Department of Licensing and Regulation
454	Texas Department of Insurance
455	Railroad Commission of Texas
456	Texas State Board of Plumbing Examiners
457	Texas State Board of Public Accountancy – Semi-Independent
458	Texas Alcoholic Beverage Commission
459	Texas Board of Architectural Examiners – Semi-Independent
460	Texas Board of Professional Engineers and Land Surveyors – Semi-Independent
466	Office of Consumer Credit Commissioner – Semi-Independent
469	Credit Union Department – Semi-Independent
473	Public Utility Commission of Texas
475	Office of Public Utility Counsel
476	Texas Racing Commission
477	Commission on State Emergency Communications
479	State Office of Risk Management
481	Texas Board of Professional Geoscientists
503	Texas Medical Board
504	State Board of Dental Examiners
506	University of Texas M. D. Anderson Cancer Center
507	Texas Board of Nursing
508	Texas Board of Chiropractic Examiners
510	Texas Behavioral Health Executive Council
513	Texas Funeral Service Commission



Agency Number	Agency Name
515	Texas State Board of Pharmacy
529	Health and Human Services Commission
530	Department of Family and Protective Services
533	Executive Council of Physical and Occupational Therapy
537	Department of State Health Services
542	Cancer Prevention and Research Institute of Texas
551	Department of Agriculture
554	Texas Animal Health Commission
555	Texas A&M AgriLife Extension Service
556	Texas A&M AgriLife Research
557	Texas A&M Veterinary Medical Diagnostic Laboratory
575	Texas Division of Emergency Management
576	Texas A&M Forest Service
578	State Board of Veterinary Medical Examiners
580	Texas Water Development Board
582	Texas Commission on Environmental Quality
592	Soil and Water Conservation Board
601	Texas Department of Transportation
608	Texas Department of Motor Vehicles
644	Texas Juvenile Justice Department
696	Texas Department of Criminal Justice
701	Texas Education Agency
706	Texas Permanent School Fund Corporation
708	Texas A&M University System - Shared Services Center
709	Texas A&M University System Health Science Center
710	Texas A&M University System
711	Texas A&M University
712	Texas A&M Engineering Experiment Station
713	Tarleton State University
714	University of Texas at Arlington
715	Prairie View A&M University
716	Texas A&M Engineering Extension Service
717	Texas Southern University
718	Texas A&M University at Galveston
719	Texas State Technical College System
720	University of Texas System
721	University of Texas at Austin
723	University of Texas Medical Branch at Galveston
724	University of Texas at El Paso
727	Texas A&M Transportation Institute
729	University of Texas Southwestern Medical Center
730	University of Houston



Agency Number	Agency Name
731	Texas Woman's University
732	Texas A&M University - Kingsville
733	Texas Tech University
734	Lamar University
735	Midwestern State University
737	Angelo State University
738	University of Texas at Dallas
739	Texas Tech University Health Sciences Center
742	University of Texas of the Permian Basin
743	University of Texas at San Antonio
744	University of Texas Health Science Center at Houston
745	University of Texas Health Science Center at San Antonio
746	University of Texas Rio Grande Valley
749	Texas A&M University at San Antonio
750	University of Texas at Tyler
751	Texas A&M University - Commerce
752	University of North Texas
753	Sam Houston State University
754	Texas State University
755	Stephen F. Austin State University, a member of The University of Texas System
756	Sul Ross State University
757	West Texas A&M University
758	Texas State University System
759	University of Houston - Clear Lake
760	Texas A&M University - Corpus Christi
761	Texas A&M International University
763	University of North Texas Health Science Center at Fort Worth
764	Texas A&M University - Texarkana
765	University of Houston - Victoria
768	Texas Tech University System
769	University of North Texas System
770	Texas A&M University - Central Texas
771	Texas School for the Blind and Visually Impaired
772	Texas School for the Deaf
773	University of North Texas at Dallas
774	Texas Tech University Health Sciences Center - El Paso
781	Texas Higher Education Coordinating Board
783	University of Houston System
784	University of Houston - Downtown
785	University of Texas Health Science Center at Tyler
787	Lamar State College - Orange
788	Lamar State College - Port Arthur



Agency Number	Agency Name
789	Lamar Institute of Technology
802	Parks and Wildlife Department
808	Texas Historical Commission
809	State Preservation Board
813	Texas Commission on the Arts
907	Comptroller - State Energy Conservation Office
909	Comptroller - Texas Broadband Development Office
930	Texas Treasury Safekeeping Trust Company
Total — 172 State Agencies and Higher Education Institutions	



**Table 2: Audit Results by Agency and Institution**

Agency #	Agency Name	Audit Results
101	Senate	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
303	Texas Facilities Commission	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
305	General Land Office	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
326	Texas Emergency Services Retirement System	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
327	Teacher Retirement System of Texas	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
362	Texas Lottery Commission	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
364	Health Professions Council	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> <li>One employee approved 18 payments without authority.</li> </ul>
403	Texas Veterans Commission	<ul style="list-style-type: none"> <li>Failed to remove two employees from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
456	Texas State Board of Plumbing Examiners	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
469	Credit Union Department – Semi-Independent	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
477	Commission on State Emergency Communications	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
479	State Office of Risk Management	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
551	Department of Agriculture	<ul style="list-style-type: none"> <li>Failed to remove two employees from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
554	Texas Animal Health Commission	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
580	Texas Water Development Board	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
601	Texas Department of Transportation	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
696	Texas Department of Criminal Justice	<ul style="list-style-type: none"> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
706	Texas Permanent School Fund Corporation	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
709	Texas A&M University System Health Science Center	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
710	Texas A&M University System	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> <li>Failed to request removal of systems access for one employee in a timely manner.</li> </ul>
717	Texas Southern University	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>
720	University of Texas System	<ul style="list-style-type: none"> <li>Failed to remove one employee from signature card in a timely manner.</li> </ul>



Agency #	Agency Name	Audit Results
723	University of Texas Medical Branch at Galveston	<ul style="list-style-type: none"><li>Failed to remove two employees from signature card in a timely manner.</li></ul>
731	Texas Woman's University	<ul style="list-style-type: none"><li>Failed to remove one employee from signature card in a timely manner.</li></ul>
749	Texas A&M University at San Antonio	<ul style="list-style-type: none"><li>Failed to remove one employee from signature card in a timely manner.</li></ul>
759	University of Houston - Clear Lake	<ul style="list-style-type: none"><li>Failed to request removal of systems access for one employee in a timely manner.</li></ul>
763	University of North Texas Health Science Center at Fort Worth	<ul style="list-style-type: none"><li>Failed to remove one employee from signature card in a timely manner.</li></ul>
781	Texas Higher Education Coordinating Board	<ul style="list-style-type: none"><li>Failed to remove two employees from signature card in a timely manner.</li></ul>
785	University of Texas Health Science Center at Tyler	<ul style="list-style-type: none"><li>Failed to remove one employee from signature card in a timely manner.</li></ul>
<b>Total — 29 State Agencies and Higher Education Institutions With 33 employees and 41 Issues Identified</b>		

**Texas Office of Consumer Credit Commissioner  
Audit Activities Report  
As of May 31, 2025**

<b>Auditor:</b> <i>Department of Public Safety</i>	<b>Audit Report Date:</b> <i>April 11, 2025</i>
<b>Audit Area:</b> <i>HR Criminal History Audit</i>	
<b>Findings:</b> <i>CHRI Policy and Procedures DPS found that the OCCC’s written policies must include: (1) specific disciplinary sanctions for violating CJIS requirements, (2) a specific statement that the OCCC does not print or electronically store CHRI, and (3) DPS’s model incident reporting form.</i>	<b>Status Update:</b> <i>DPS has issued its final report of the audit. The OCCC has revised its policies to address DPS’s findings.</i>
<b>Auditor:</b> <i>Department of Public Safety</i>	<b>Audit Report Date:</b> <i>April 12, 2025</i>
<b>Audit Area:</b> <i>Licensing Criminal History Audit</i>	
<b>Findings:</b> <i>DPS found that the OCCC must: (1) update certain policies and procedures; (2) timely review agency access and required training for CJIS; (3) maintain documentation for all FACT clearinghouse subscriptions; and, (4) promptly unsubscribe from CHRI when the authorized purpose has ended.</i>	<b>Status Update:</b> <i>DPS has issued its final report of the audit. The OCCC will work to revise its licensing policies, procedures, and processes to address DPS’s findings no later than 6/30/25.</i>
<b>Auditor:</b> <i>Department of Information Resources – AT&amp;T Cybersecurity Consulting</i>	<b>Audit Report Date:</b> <i>April 18, 2025</i>
<b>Audit Area:</b> <i>Cybersecurity Framework Assessment</i>	
<b>Findings:</b> <i>Results to be discussed in Executive Session</i>	<b>Status Update:</b> <i>Complete</i>
<b>Auditor:</b> <i>Department of Information Resources – AT&amp;T Cybersecurity Consulting</i>	<b>Audit Report Date:</b> <i>May 14, 2025</i>
<b>Audit Area:</b> <i>Web Application Vulnerability Scan &amp; Controlled Penetration Test</i>	
<b>Findings:</b> <i>NA</i>	<b>Status Update:</b> <i>Initial scan completed. Rescan pending.</i>

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<b>Auditor:</b> <i>Garza/Gonzalez</i>	<b>Audit Report Date:</b> <i>NA</i>
<b>Audit Area:</b> <i>Business Licensing</i>	
<b>Findings:</b> <i>NA</i>	<b>Status Update:</b> <i>Scheduled to begin June 16, 2025</i>

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<b>Auditor:</b> <i>Department of Public Safety</i>	<b>Audit Report Date:</b> <i>May 18, 2022</i>
<b>Audit Area:</b> <i>Non-Criminal Justice Audit – Licensing</i>	
<b>Findings:</b> <i>See HR Criminal History Audit Above</i>	<b>Status Update:</b> <i>Complete</i>

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## 2026 Tentative Budget Timeline

Date	Action
June – July 2025	Agencies develop draft 2026 budgets
July 31, 2025	Draft budgets posted on agencies' websites and submitted to Finance Commission members
August 7, 2025	Conduct public hearing on draft budgets
August 15, 2025	Audit Committee and Finance Commission meetings to review draft budgets

**TEXAS DEPARTMENT OF BANKING**  
Austin, Texas

**INTERNAL AUDIT ANNUAL REPORT**

Fiscal Year 2025

TEXAS DEPARTMENT OF BANKING  
Austin, Texas

Internal Audit Annual Report  
Fiscal Year 2025

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# Garza/Gonzalez & Associates, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

We performed procedures to assess the effectiveness and efficiency of the Texas Department of Banking's (DOB) internal control structure over the Revenue Accounting Process Area (the Area) and its compliance with applicable chapters of the Texas Finance Code, relevant rules of the Texas Administrative Code, and the Area's established policies and procedures, for the seven months ended March 31, 2025. The audit scope was limited to revenues related to Non-Depository Supervision to avoid duplicating the efforts of the State Auditor's Office in its ongoing Self-Directed, Semi-Independent (SDSI) audit.

Our audit procedures determined that DOB's internal control structure over the Area was generally adequate, and no material instances of noncompliance were noted. However, we did identify certain matters, detailed in this report, that present opportunities to strengthen internal controls and enhance compliance with DOB's policies and procedures. Based on their degree of risk or effect in relation to the audit objectives, these matters were rated as Priority, High, Medium, or Low, as described in the "Summary and Related Rating of Observations/Findings and Recommendations" section of this report.

We also conducted follow-up procedures on findings and recommendations from prior internal audit reports that were not fully implemented. This report reflects the results and implementation status of our follow-up procedures, and includes all information required for compliance with State of Texas Internal Audit Annual Report requirements.

This report was prepared by Garza/Gonzalez & Associates, LLC, an independent Certified Public Accounting firm, following Generally Accepted Government 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.

We have discussed the audit comments and recommendations for the Area, as well as the follow-up results, with various DOB personnel. We are available to provide additional information if needed.

*Garza/Gonzalez  
& Associates, LLC*

April 30, 2025

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

# TEXAS DEPARTMENT OF BANKING

## Internal Audit Annual Report

Fiscal Year 2025

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### INTRODUCTION

The Texas Department of Banking (DOB) is a Texas state agency responsible for maintaining a financial regulatory system in Texas that ensures a stable banking environment while providing the public with convenient, safe, and competitive banking and other financial services. DOB operates under the oversight of the Finance Commission of Texas as authorized by various provisions of the Texas Finance Code, Texas Health and Safety Code, and the Texas Administrative Code.

DOB's primary functions are to:

- Charter, regulate, and examine state-chartered commercial banks, trust companies, and foreign bank branches, agencies, and representative offices;
- License, regulate, and examine money services businesses (MSBs), prepaid funeral contract sellers (PFCs) and perpetual care cemeteries (PCCs); and,
- Register check verification entities.

DOB was granted Self-Directed, Semi-Independent (SDSI) status during the 81<sup>st</sup> Legislative Session. As an SDSI agency, DOB does not require legislative budget approval; instead, the Finance Commission determines its spending authority or limits. DOB's operating funds are generated from fees assessed to regulated businesses, with no reliance on legislative appropriations.

### 2025 Internal Audit Plan

Following are the internal audit functions performed, as identified in DOB's 2025 Internal Audit Plan, dated November 25, 2024, and approved by the Audit Committee and Finance Commission on December 13, 2024:

- Risk Assessment & Preparation of the 2025 Internal Audit Plan
- Revenue Accounting Process Audit
- Money Services Businesses (MSB) Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the 2025 Internal Audit Annual Report
- Other Tasks

This report (Report No. 2) contains the results of the Revenue Accounting Process Audit, reflects the results of the follow-up procedures performed this year on the findings from the prior internal audits, and complies with the State of Texas Internal Audit Annual Report requirements. The Money Services Businesses (MSB) Audit report, dated February 26, 2025, was presented to and approved by the Audit Committee and Finance Commission on April 25, 2025.

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### I. Compliance with Posting Requirements

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

- An approved fiscal year 2026 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2025 internal audit annual report, as required by Texas Government Code, Section 2102.009.

DOB will also post periodic internal audit reports on its website, unless the content is considered confidential or exempt from public disclosure under Texas Government Code Chapter 552. These periodic and internal audit annual reports will include any identified weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor, as well as a summary of the actions taken by DOB to address such concerns.

### II. Consulting and Nonaudit Services Completed

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards*, 2018 Revision, Technical Update April 2021, Sections 3.64-3.106.

### III. External Quality Assurance Review

The internal audit department's most recent *Peer Review Report*, dated January 20, 2025, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

### IV. Internal Audit Plan for Fiscal Year 2025

The approved Internal Audit Plan (Plan) included two audits to be performed during fiscal year 2025. The Plan also included a follow-up on prior year internal audit recommendations that had not been fully implemented as of fiscal year 2024, other tasks as assigned by the Finance Commission or Audit Committee, and preparation of the 2025 Internal Audit Annual Report.

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**Risk Assessment**

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

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

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

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

Fiscal Year 2024:

- Risk Assessment & Preparation of the Internal Audit Plan
- Payroll and Human Resources Audit
- Trust Examinations Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2023:

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

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The internal audits and other tasks performed for fiscal year 2025 were as follows:

<b>Report No.</b>	<b>Audits/Report Titles</b>	<b>Report Date</b>
1.	Money Services Businesses (MSB) <i>Objective:</i> To assess whether DOB’s established policies, procedures, processes, and internal controls for the MSB area ensure effective and timely MSB examinations and compliance monitoring.	2/26/25
2.	Revenue Accounting Process <i>Objective:</i> To evaluate the effectiveness and efficiency of internal controls, policies, procedures, and processes within the Revenue Accounting Process Area (Area), and to assess compliance with applicable requirements related to the assessment, collection, and accounting of various fees and penalties administered by the Non-Depository Supervision (NDS) division.	4/30/25
2.	Internal Audit Annual Report – Follow-up on findings and recommendations that were presented in the Prior Year Internal Audit Report.	4/30/25
-	Other Tasks Assigned by the Finance Commission or the Audit Committee	None

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**V. Executive Summary**

**Revenue Accounting Process – Non-Depository Supervision (NDS)**

**BACKGROUND**

Under the Texas Finance Code and Health and Safety Code, DOB is authorized to assess and collect fees, fines, penalties, and restitutions (collectively, “fees”) from regulated entities, as well as from unlicensed entities engaged in prohibited activities. The applicable fee types and amounts, shown below, are specified in the Texas Administrative Code (TAC) rules adopted by the Finance Commission.

<b>License Type</b>	<b>Applicable TAC Rules</b>
Money Services Businesses (MSB)	Title 7, Part 2, §33.27
Prepaid Funeral Contracts (PFC)	Title 7, Part 2, §25.23 and §25.24
Perpetual Care Cemeteries (PCC)	Title 7, Part 2, §26.1

The table below summarizes significant NDS-related revenues collected by DOB from September 1, 2024, through March 31, 2025:

<b>Revenue Type</b>	<b>MSB</b>	<b>PFC</b>	<b>PCC</b>
Assessments	\$ 1,665,823	\$ 541,869	\$ 531,501
Examination & Travel Fees	\$ 94,166	\$ 42,982	\$ 1,925
Penalties & Late Filing Fees	\$ 2,492,712	\$ 34,900	\$ -

All collected fees are deposited into an interest-bearing account with the Texas Treasury Safekeeping Trust Company (TTSTC), as required by Texas Government Code §472.110.

**Organizational Roles and Responsibilities**

The assessment, collection, and accounting of NDS-related fees are coordinated between the NDS Division and the Accounting Section within the Administrative Services Division:

- **NDS Division:** Managed by the Director, who reports to the Commissioner. The MSB Program Specialist and the PFC/PCC Administrative Assistants (collectively, the “Administrators”) prepare quarterly assessments, coordinate billing and collections with Accounting, and follow up on returned payments. The Review Examiner monitors and reconciles fee collections.
- **Administrative Services Division:** Managed by the Chief Financial Officer, who reports to the Deputy Commissioner. Key staff include:
  - **Chief Accountant** - Approves revenue recorded in CAPPs and performs monthly reconciliations.
  - **Senior Accountant** - Manages daily accounting tasks related to revenue collections.
  - **Inventory and Store Specialist** - Processes incoming mail.

**Annual Assessments**

Annual assessments fund the operational and indirect costs of the NDS Division. Each license type has a defined basis for calculating these assessments:

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**FY25 Q1 Minimum Assessment and Calculation Basis by License Type**

<b>License Type</b>	<b>MSB-MT</b>	<b>MSB-CEX</b>	<b>PFC</b>	<b>PCC</b>
Q1 Minimum	\$ 4,500	\$ 3,150	\$ 279	\$ 269
Basis	Annual transaction volume	Annual transaction volume	Outstanding contracts	Required fund balance

*Payment Structure:*

NDS licensees typically pay their annual assessment in four equal quarterly installments. However, in the first fiscal quarter, licensees must remit the greater of 25% of their annual assessment or a fixed “minimum” amount. Any excess paid in the first quarter (i.e., the difference between the Q1 minimum and 25% of the annual fee) is credited toward subsequent quarters.

*Inflationary Adjustment:*

Assessments for PFC and PCC licensees include an annual inflationary adjustment based on the Gross Domestic Product Implicit Price Deflator (GDPIPD) factor, which is calculated using data from the U.S. Department of Commerce, Bureau of Economic Analysis. Beginning in FY26, this annual adjustment will also apply to MSB assessments.

*Collection Process:*

Assessment amounts are calculated in the Supervisory Administrative Regulation Application (SARA) using data from licensees’ most recent annual reports. An Administrator exports the system-generated ACH payment file from SARA and updates bank information as needed. After review by the Review Examiner, the file is finalized and submitted by the Chief Accountant or Senior Accountant to the TTSTC where collected revenue is deposited.

Examination Fees

Under TAC rules, DOB assesses examination fees at the following hourly rates:

- \$120 per hour for MSBs
- \$75 per hour for PFCs and PCCs

These fees, along with applicable travel costs, are assessed under the following circumstances:

- (a) When more than one examination per fiscal year is deemed necessary by the Commissioner.
- (b) For travel related to out-of-state examinations.
- (c) For new licensees that have not yet filed an annual report.

These fees are intended to recover the direct examination costs and are invoiced to the licensee once the costs are incurred by DOB.

Penalties and Fines

DOB may impose administrative penalties for regulatory violations. The Legal Division determines penalty amounts using a weighted matrix that considers:

- The severity of the violation
- Demonstrated good faith efforts
- The entity’s history of compliance

Penalty amounts and payment deadlines are specified in enforcement orders.

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### Revenue Processing and Recording

The Accounting Section processes payments received through the following methods:

- ACH transfers (primarily for quarterly assessments)
- Checks
- Wire transfers

Non-assessment ACH and wire payments are processed upon receipt at TTSTC. Check payments are processed when delivered to DOB. The Senior Accountant records all revenue in the CAPPS system using account codes provided by the receiving division. Revenue entries are reviewed by the Chief Accountant and the Chief Financial Officer, whose initials on printed records denote approval.

## AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

### **Objective**

The objective of this audit was to evaluate the effectiveness and efficiency of internal controls, policies, procedures, and processes within the Revenue Accounting Process Area (Area). The audit also assessed compliance with applicable requirements related to the assessment, collection, and accounting of various fees and penalties administered by the Non-Depository Supervision (NDS) division.

### **Scope**

The scope of this audit included selected functions within the Area during the 7-month period from September 1, 2024 to March 31, 2025 (audit period). The scope was limited to NDS-related revenues to avoid duplicating the efforts of the State Auditor's Office in its ongoing Self-Directed, Semi-Independent (SDSI) audit. Restitutions and MSB application fees were also excluded from the scope, as they are addressed under separate potential audit topics.

### **Methodology**

The audit methodology included reviewing applicable laws and regulations, internal policies and procedures, and other relevant internal and external documentation. Interviews and walkthroughs were conducted with appropriate DOB personnel to gain an understanding of current practices and control activities.

We performed procedures to achieve the audit objective, including:

1. Reviewed relevant provisions in the Texas Finance Code, Health and Safety Code, and Texas Administrative Code applicable to the Area.
2. Reviewed the Area's documented policies and procedures, and relevant documents such as templates and logs. Conducted interviews and walkthroughs to evaluate internal controls, processes, and current practices.
3. Selected a sample of 3 out of the 6 NDS quarterly assessment collections during the audit period. For each sample:
  - a. Verified that licensees were provided at least 15 days' notice between the notification letter date and the scheduled ACH withdrawal date.
  - b. Confirmed that fee type, number of records, and total collection amounts reported in ACH notification emails from NDS and Accounting matched the revenue recorded in CAPPS.

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4. Selected a sample of 16 NDS-related receipts not associated with quarterly assessments, and tested for the following attributes:
  - a. Accuracy of the recorded amount, account codes (Program Code and Revenue Code), and payer information in CAPPs.
  - b. Presence of the Chief Accountant’s initials on the CAPPs Journal Detail Print, indicating approval.
  - c. Retention of TTSTC deposit approval screen printouts.
  - d. Compliance with DOB’s check receipt procedures:
    - i. Logging of received checks in the date-stamped Check Register List by the Inventory and Store Specialist.
    - ii. Retention of DOB’s copy of the deposit ticket validated and date-stamped by TTSTC.
    - iii. Deposit of checks within 3 business days.
5. For a sample of 25 NDS licensees:
  - a. Traced the assessment basis data entered into the SARA system to the licensees’ 2023 Annual Reports.
  - b. Recalculated FY25 Q1 and Q2 assessments and compared the results to the amounts recorded in CAPPs.
6. For all 8 NDS enforcement orders issued during the audit period, tested for the following attributes:
  - a. Inclusion and accuracy in the NDS Penalty Monitoring Report.
  - b. Accuracy of the recorded collection amount and account codes in CAPPs.
  - c. Timeliness of collection.Additionally, for a sample of 4 orders
  - d. Completion of the penalty matrix.
  - e. Confirmation that assessed penalties were within the statutory limit.
7. Selected 4 of the 6 refunds issued during the audit period and tested for:
  - a. Eligibility based on refund criteria: (a) error, (b) overpayment, or (c) denied/cancelled application.
  - b. Submission of refund request in writing.
  - c. Accuracy of recording in CAPPs using the same account code as the original revenue.
  - d. Issuance of refunds to the original payer within 30 days of the written request.
8. For FY25 Q2 assessment reconciliations (MSB, PFC, and PCC):
  - a. Traced the “Assessment Amount Per SARA” in the reconciliation to the corresponding SARA assessment spreadsheet export.
  - b. Traced the total posting amount in the reconciliation to the CAPPs report.
  - c. Verified that reconciling items were valid and adequately documented.

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9. Reviewed DOB's methodology for calculating the GDPIPD factor and independently recalculated the FY25 adjustment applied to PFC and PCC assessments.
10. Traced the following FY25 year-to-date (YTD) NDS revenue amounts, as reported in the Second Quarter Financial Statements presented to the Audit Committee on April 25, 2025, to supporting CAPPs reports:
  - a. Non-Depository Supervision: \$2,852,132
  - b. Penalties – Non-Depository Supervision: \$2,521,612

**VI. Observations/Findings and Recommendations**

SUMMARY AND RELATED RATING OF  
OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

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

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
1	Assessment Calculation	Low
Observation No.		
1	NDS Assessment Schedule	--
<p><u>Description of Rating</u></p> <p>A finding is rated <i>Priority</i> if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity’s ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.</p>		

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**OBSERVATIONS/FINDINGS AND RECOMMENDATIONS**

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations
2	4/30/25	Revenue Accounting Process	<p><b>1. Assessment Calculation</b></p> <p>Our review of the FY25 Q2 assessment spreadsheet generated from the SARA system identified one licensee whose assessment was higher than those of similarly sized licensees. DOB subsequently determined that a total of 12 MT licensees were over-assessed as of the second quarter of fiscal year 2025 due to the same issue, which was not detected by existing layers of internal controls. The error resulted from an incorrect marginal rate being applied to one of the assessment tiers, and the total overpayments in FY25 Q2 accounted for approximately 3.5% of total collection for the quarter. While the correct rate had been used during testing, it was not accurately transferred to the final version used to process assessments.</p> <p><b>Recommendation</b></p> <p>We recommend that DOB ensure the enhanced controls developed by the NDS Division in response to this issue are fully implemented and functioning as intended prior to the FY26 assessment.</p> <p><b>Management’s Response</b></p> <p>The discrepancy was traced to the implementation of the August 2024 revisions to the assessment tables utilized by the division’s program from the testing environment to live database, which inadvertently omitted a factor digit for a particular tier. This resulted in one factor being off by 1/10000<sup>th</sup>. To address this issue, the Management Information Systems (MIS) division has strengthened its processes to ensure all data changes are completed utilizing Data Pipelines, which will allow for systemic transfers of the programming code. Also, MIS has enhanced its system to produce a system-generated alert upon any changes to the assessment tables to a set distribution group, which includes the financial analysts in the Bank and Trust division, requiring for an independent verification that revisions were properly implemented. Furthermore, if any change is made to the assessment table in SARA, the program will trigger an email to the same distribution group.</p>

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations
2	4/30/25	Revenue Accounting Process	<p style="text-align: center;"><b>OBSERVATION</b></p> <p><b>1. NDS Assessment Schedule</b></p> <p>DOB is required by law to charge fair and proportional fees to its licensees, as outlined in the following statutes:</p> <ul style="list-style-type: none"> <li>• Finance Code Sec. 152.052 (Money Services Businesses)</li> <li>• Finance Code Sec. 154.054 (Prepaid Funeral Contracts)</li> <li>• Health and Safety Code Sec. 712.044 (Perpetual Care Cemeteries)</li> </ul> <p>To meet this requirement, DOB uses tiered assessment schedules based on each licensee’s level of activity. Each licensee pays a base fee, plus an additional amount determined by a specific variable:</p> <ul style="list-style-type: none"> <li>• Transaction volume for MSBs</li> <li>• Outstanding contracts for PFCs</li> <li>• Required fund balance for PCCs</li> </ul> <p>However, these schedules do not always transition smoothly as activity increases. Instead, as illustrated in the <b>Exhibit</b> below, fees reflect an increase or decrease at certain tier thresholds. This can result in two licensees — whose activity levels differ only slightly — being assessed different fees, simply because one crossed into a new tier. These shifts may raise concerns about whether assessments are fair and proportional.</p> <p>Similar step patterns were observed in the assessment schedules for other NDS license types as well.</p> <p><b>Recommendation</b> We recommend that DOB review the tiered assessment structure during its next rulemaking cycle and, specifically, explore options to smooth fee transitions between tiers. This would help ensure that assessments remain equitable and proportional across all licensees.</p> <p><b>Management’s Response</b> The Department acknowledges the auditor’s recommendation to review and explore options to improve the transition between the various assessment tiers.</p>

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**EXHIBIT**

**FY25 Currency Exchange License Assessment Schedule**

Tier	Variable (Transaction Volume) Range	Tier Minimum Fee	Multiplier
1	\$0 - \$249,999.99	\$3,150.00	--
2	\$250,000.00 - \$499,999.99	\$3,150.00	0.00235000
3	\$500,000.00 - \$999,999.99	\$3,850.00	0.00175000
4	\$1,000,000.00 - \$9,999,999.99	\$4,900.00	0.00011500
5	\$25,000,000.00 - \$49,999,999.99	\$7,150.00	0.00007350
6	\$50,000,000.00 - \$199,999,999.99	\$9,150.00	0.00001155
7	\$200,000,000.00 and above	\$10,500.00	0.00001125

**Example 1: Increase at Tier Threshold**

Variable	Assessment Calculation	Fee
\$49,999,999.99	\$7,150.00 + (24,999,999.99 x 0.00007350)	\$8,987.50
\$50,000,000.00	\$9,150.00 + (0 x 0.00001155)	\$9,150.00
<b>Difference</b>		<b>+ \$162.50</b>

A licensee with \$49.9 million in activity (Tier 5) pays:

- Base fee: \$7,150.00
- Plus: \$1,873.50 (\$24,999,999.99 × 0.00007350)
- Total Fee: \$8,987.50

A licensee with \$50 million in activity (Tier 6) pays:

- Base fee: \$9,150.00
- Plus: \$0.00 (\$0 × 0.00001155)
- Total Fee: \$9,150.00

Result: A one-penny increase in activity results in a \$162.50 fee increase.

**Example 2: Decrease at Tier Threshold**

Variable	Assessment Calculation	Fee
\$199,999,999.99	\$9,150.00 + (149,999,999.99 x 0.00001155)	\$10,882.50
\$200,000,000.00	\$10,500.00 + (0 x 0.00001125)	\$10,500.00
<b>Difference</b>		<b>- \$382.50</b>

A licensee with \$199.9 million in activity (Tier 6) pays:

- Base fee: \$9,150.00
- Plus: \$1,732.50 (\$149,999,999.99 × 0.00001155)
- Total Fee: \$10,882.50

A licensee with \$200 million (Tier 7) pays:

- Base fee: \$10,500.00
- Plus: \$0.00 (\$0 × 0.00001125)
- Total Fee: \$10,500.00

Despite having slightly more activity, the Tier 7 licensee pays \$382.50 less.

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with explanation if not yet fully implemented
2	4/30/25	2025 Follow-Up	<p style="text-align: center;"><b><u>Follow-Up of Prior Year Internal Audits</u></b></p> <p>Following is the status of the recommendations made in prior years that had not been fully implemented.</p> <p><u>Payroll and Human Resources (Report date 4/19/2024)</u></p> <ol style="list-style-type: none"> <li><b>1. Data Exchange (DEX) Access Deletion</b> DOB should enhance current procedures to ensure that critical offboarding procedures are identified, given priority, and receive higher oversight.</li> <li><b>2. Prior State Employment Verification</b> DOB should ensure the full implementation of the new Onboarding Checklist, which became effective March 2024 and incorporates specific prior service verification steps.</li> <li><b>3. Job Offer Checklist and Right to Opt-Out 401(k) Acknowledgement</b> DOB should ensure checklists, including the recently implemented Onboarding Checklist, are completed in their entirety to document each required step’s completion, and are retained in the employee’s personnel files.</li> </ol> <p><u>Trust Examinations (Report date 7/9/2024)</u></p> <ol style="list-style-type: none"> <li><b>1. Completeness of Work Papers</b> DOB should enhance current procedures to ensure that critical offboarding procedures are identified, given priority, and receive higher oversight.</li> </ol> <p><i>Observations</i></p> <ol style="list-style-type: none"> <li><b>2. Policies &amp; Procedures</b> Various documents identified in the Report should be reviewed periodically to assess whether procedures and/or processes should be updated for improvement.</li> <li><b>3. Quality Control Procedures</b> DOB should ensure the quality control procedures are followed to ensure completion of all embedded documents.</li> </ol> <p><u>Procurement/Contract Management/HUB (Report date 6/7/2023)</u></p> <ol style="list-style-type: none"> <li><b>1. LBB Reporting</b> DOB should strengthen its controls to ensure it remains compliant with LBB state reporting requirements.</li> </ol>	<p style="text-align: center;"><b>Fully Implemented</b></p>

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### **VII. External Audit Services Procured in Fiscal Year 2025**

DOB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2025. No other external audit services were performed.

### **VIII. Reporting Suspected Fraud and Abuse**

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

### **IX. Proposed Internal Audit Plan for Fiscal Year 2026**

The risk assessment performed during fiscal year 2025 was used to identify the following *proposed* areas that are recommended for internal audit and other tasks to be performed for fiscal year 2026. The 2026 Internal Audit Plan will be developed and presented to the Audit Committee and Finance Commission, for acceptance and approval, at a meeting to be determined at a later date.

- MIS: Governance, Policies, and General IT Controls Audit
- Bank Examinations Audit
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Finance Commission or the Audit Committee

ATTACHMENT

**TEXAS DEPARTMENT OF BANKING  
History of Areas Audited  
For Fiscal Year 2025**

POTENTIAL AUDIT TOPIC		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1	Bank Examinations			A/B*	E				A			
2	Consumer Assistance				E			A				
3	Corporate Activities				E					A		
4	Financial Reporting			B	E*							B
5	Fixed Asset Management			A	C*			C*				
6	Imaging and Records Management		A				A					
7	IT Examinations		A		E				A			
8	Management Information Systems [(MIS) Includes Disaster Recovery Plan] <sup>1</sup>			B	E*	A1*/D		A*/D		D		B*
9	Money Service Businesses			B*	E	A1*	A*					A
10	Payroll and Human Resources				C*/F*	F*		C*			A/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			B*	C*			C*		A		C*
15	Revenue Accounting Process	A		B	E	A1*	A					A/B
16	Travel			B*	C*/E*			C*				C*
17	Trust Examinations				A/E						A	

<sup>1</sup> Quarterly 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

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

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

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



## TFEE Report – June 20, 2025

### **F. ACTIVITIES OF THE TEXAS FINANCIAL EDUCATION ENDOWMENT FUND**

The third semi-annual reporting period of the 2024-2025 grant cycle is underway, with semi-annual reports due on July 31, 2025. The 4<sup>th</sup> semi-annual reporting period runs from July 1- December 31, concluding the 2024-2025 grant cycle. The 2026-2027 grant cycle commences on January 1, 2026.

TFEE materials were reviewed in May by Grant Advisory Committee members and were updated in anticipation of this month’s opening of the 2026-2027 grant application cycle.

The timeline for the 2026-2027 TFEE Grant Cycle is:

Month	Action
June 2025	TFEE priorities and funding recommendations are presented to the Finance Commission. TFEE application period opens.
July 2025	TFEE application period continues
August 2025	TFEE application submission deadline.
September 2025	GAC Conflict of Interest Forms are due. GAC member application reviews and scores are due. GAC members will meet to discuss applications, recommendations, & awards.
October 2025	2026-2027 TFEE Grant Cycle recommendations will be presented to the Finance Commission.
November 2025	TFEE Award Announcements
December 2025	New Grantee Orientation Webinar
January 2026	2026-2027 TFEE Grant Cycle Begins

### **G. DISCUSSION OF AND POSSIBLE VOTE TO RECOMMEND THAT THE FINANCE COMMISSION TAKE ACTION ON THE REVISED TEXAS FINANCIAL EDUCATION ENDOWMENT FUND GRANT ADMINISTRATION & ADVISORY POLICY MANUAL AND 2026-2027 FUNDING PRIORITIES**

Revisions to the TFEE Grant Administration & Advisory Manual were distributed for GAC member review and comment. These revisions were based on feedback from recipients and lessons learned during the current grant cycle. The revisions are as follows:



## Texas Financial Education Endowment (TFEE)

1. General revisions to improve formatting, wording, revision dates, table of contents and page numbers
2. Formalized a representative of SML as a standing GAC member without requiring Finance Commission approval at each change of representative.
3. Improved the language related to goals of the program in section III, B. Goals.
4. Removed Appendices section.

The revised Grant Administration & Advisory Manual follows this report. One version shows a redlined proposal; the other version shows a clean draft of the proposed document with all changes accepted.

The Finance Commission sets funding priorities for each grant cycle that supports statewide financial education and consumer credit building activities, dictating where TFEE efforts will be focused on the beginning of each grant cycle. Current grant funding priorities are as follows, and staff recommend funding priorities remain the same for the 2026-2027 cycle.

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

**RECOMMENDED ACTION:** The OCCC requests that the Audit Committee recommend that the Finance Commission approve the revised TFEE Grant Administration and Policy Manual and the 2026-2027 Funding Priorities.

**RECOMMENDED MOTION:** I move that the Audit Committee recommend that the Finance Commission approve the revised TFEE Grant Administration and Policy Manual and the 2026-2027 Funding Priorities.



Grant  
Administration  
&  
Advisory Policy Manual

Revised: ~~6/16/2023~~6/1/2025

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## I. Purpose

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

### A. Background

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

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

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

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

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

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

### B. Administration, Investment, Payout, and Reinvestment

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

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

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

### C. Roles and Responsibilities

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

- d) Each Grant Advisory Committee Member will be appointed for a specific term. Finance Commission members shall serve at the pleasure of the Finance Commission Chair. ~~The four n~~Non-Finance Commission members shall serve four-year terms that correspond with grant cycles. Members will serve staggered terms to balance continuity with new perspective. Non-standing GAC Members may be reappointed with approval from the Finance Commission to serve more than a four-year term. GAC members take office immediately following their appointment. In the event a GAC member is not able to complete their term, a replacement will be appointed.
- e) In the event of a GAC vacancy due to a regularly expired term, the Finance Commission shall appoint new members to coincide with the beginning of the next grant cycle. In the event a GAC vacancy occurs during an unexpired term, the Finance Commission may appoint a new GAC member.
- f) The GAC aims to include members with varied experience in financial education or grant administration. The list below is not all-inclusive and the FC reserves the right to include other appropriate backgrounds with the exception of the Credit Access Business representative.
- (1) Financial Education Consultant – informs the group of existing programs and advocates for the needs of the financial education community.
  - (2) Educational Consultant – understands best practices for impacting education for both youth and adults. Assesses the program proposals for effective measures of knowledge gained. Has knowledge of financial education curriculum standards (Texas Essential Knowledge & Skills “TEKS”) and helps ensure that funding school-based financial education programs cover requirements consistent with Texas Education Agency standards.
  - (3) Finance Commission Representative(s) – Ensure TFEE objectives and goals align with Finance Commission intentions. Evaluate proposed program and business structure.
  - (4) Department of Savings & Mortgage Lending (SML) Representative – Recommended by the SML to advocate for programs focused on asset building, affordable housing and preparation for home ownership.
  - (5) Grant Administrator - Objectively assesses, evaluates, and makes recommendations regarding the grant administration process.
  - (6) Consumer Advocate – Advocates for consumers based on community engagement and needs assessment.
  - (7) Credit Access Business (CAB) industry representative – Serves as a stakeholder for the CAB industry and assists in funding decisions.
- g) The GAC meets during the grant-funding cycle for the following purposes:

- (1) Provide consultation and technical assistance to the ~~Grant Coordinator~~ (Coordinator)
  - (2) Assist with major project management decisions associated with awarded grants, including:
    - (a) Evaluating grant applications and providing recommendations to the Audit Committee
    - (b) Monitoring grantee project's unspent funds and associated funding
    - (c) Offering input, interviewing, and recommending new GAC members to Audit Committee
  - (3) The GAC makes recommendations to the Audit Committee for consideration of specific award allocations, termination of grant agreements for noncompliance, and amendments to program policies and procedures.
4. Office of Consumer Credit Commissioner (OCCC)
- a) OCCC is responsible for:
    - (1) Collecting assessment fees, the endowment fund, and maintaining reconciliation of funds;
    - (2) Maintaining financial records of revenue and expenditures;
    - (3) Serving as investment officer and maintaining compliance with the investment policy in accordance with state of Texas regulations;
    - (4) Disbursing and tracking funds; and
    - (5) Grant coordination oversight.
5. Grant Coordinator (Coordinator)
- The Coordinator works under the direction and oversight of the OCCC Commissioner or the Commissioner's designee. The Coordinator makes presentations to the GAC and the Finance Commission regarding grant activity and serves as the liaison between grantees and the GAC.
- a) The Coordinator is responsible for monitoring the following regarding program ~~development~~operation:
    - (1) Program objectives and goals;
    - (2) Grant administration and oversight practices; and
    - (3) Recommendations for program needs to the GAC and FC.
  - b) The Coordinator is responsible for ensuring and developing procedures to provide evidence of timely submission for required documents, including, but not limited to, applications and grant reports.
  - c) The Coordinator maintains the electronic records of all documentation submitted by grantees regardless of the delivery method. Hard copy submissions of applications, reports, and other documentation will receive a date stamp prior to being scanned and saved electronically.

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

#### D. Conflict of Interest

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

#### E. TFEE Funds Oversight

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

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

#### F. Maximum Grant Awards

1. The total estimated program funding fluctuates based on endowment fund contributions, distributions, and performance. The aggregate award amount is determined by the Finance Commission prior to each grant cycle.
2. The current maximum grant award per organization is \$45,000 for a one-year term and \$90,000 for a two-year term. Maximum grant awards are subject to change.

## II. Process Overview

### A. Intention

The TFEF fund may have one competitive grant cycle every two years. Announcements for grant proposals will be made in the summer, with submissions due in the fall of every odd number year.

### B. Stage 1 – Administration

Grant Coordinator is responsible for the following:

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

### C. Stage 2 – Policy Development and Implementation

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

### D. Stage 3 – Grantee Selection

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

#### E. Stage 4 – Manage Grant and Measure Progress

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

### III. Funding Priorities and Goals

#### A. Scope

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

#### B. Goals

1. ~~Produce and disseminate approved financial education materials at licensed locations. Identify and support~~ Support financial educational programs specific to the subprime demographic that offer financial education services for Texas consumers, including general information to be made available through partnerships with state ~~agency agencies~~ partners, financial service providers, trade organizations, and community events.

2. ~~Encourage Publicpublic~~ awareness campaigns to improve credit profiles and credit scores of Texas consumers, ~~including savings campaigns to improve employee incentives and outreach opportunities to unbanked communities. Encourage lending institutions to allow low-to-moderate income citizens to open accounts and waive the required minimum balance and fee.~~
  - a) ~~— Savings campaigns to promote employee incentives.~~
  - b) ~~— Identify outreach opportunities to the unbanked and encourage lending institutions to allow low- to moderate-income citizens to open accounts and waive the required minimum balance and fees.~~
3. ~~PromoteAdult adult~~ financial education, capability, and consumer counseling programs, including train-the-trainer programs that increase ~~and expand~~ educational awareness for ~~adultsadult financial stability~~.
4. ~~Foster School school~~ and youth-based financial education and capability, including teacher training programs that ~~increase supports educational awareness for youththe integration and delivery of financial literacy content in K-12 school settings.~~
5. ~~Support Financialfinancial~~ coaching and consumer counseling ~~programs that offer~~
  - a) ~~— Encourage lending institutions to offer classes on financial education.~~
  - b)a) ~~— Identify and provide~~ opportunities for individuals to participate in one-on-one financial counseling and coaching programs.

## IV. Pre-Award Requirements

### A. Organizational Eligibility

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

### B. Program Criteria & Grant Application

1. The TFEE Guidelines and Instructions for application submission will be posted on the TFEE website.
2. Applications will be accepted via postal mail or digitally, through a secure online portal. Applicants will contact the Grant Coordinator for access to the portal. Electronic submissions will receive an automatic date stamp upon receipt; this “digital” date stamp will provide sufficient and accurate evidence of timely submission.
3. Applicant’s program must:
  - a) Align with TFEE goals or strategies
  - b) Demonstrate effective evaluative tools and metrics
  - c) Predict or provide evidence of program impact
  - d) Provide longitudinal evidence of performance and outcomes
    - (1) Demonstrate adequate return-on-investment
    - (2) Document strategic goals

- (3) Demonstrate capacity to collect and report the following data: number of people served, training hours, pre-and-post survey data, demographic information, and sign-in sheets to justify amount of funds requested
- e) Provide evidence that programming will begin when the grant is awarded
- 4. Applicants must read and follow all application instructions and guidelines. Applications that do not comply with these instructions may be delayed or not accepted for review.

### C. Application Submission

- 1. Grant funding cycles commence every two years. Announcements for grant proposals will be made every two years, and selected grantees will be announced shortly thereafter.
- 2. The Coordinator confirms receipt of grant applications by email. Applications will only be accepted on, or prior to the due date. Late or incomplete applications will be rejected.

### D. Application Review and Selection Process

- 1. Funding consideration will be given to organizations that promote, provide, or support financial education or financial literacy initiatives. Successful applicants must demonstrate evidence-based programming that increases financial capacity and promotes asset building. Reimbursement allocations are to be funded semi-annually, based on performance and reporting compliance.
- 2. The application review and selection process consist of four steps:
  - a) The Coordinator will collect and review each application for eligibility. Eligible applications will be submitted to the GAC for evaluation.
  - b) The GAC will score each application and recommend programs for funding consideration to the Audit Committee.
  - ~~(1)c)~~ GAC will determine recommended award amounts based on the applicant's application and demonstration to meet program eligibility criteria.
  - ~~d)~~ If two or more applicants receive the same score, the GAC will select an applicant using the following criteria:
    - ~~(1)~~ ~~(1)~~ ability to impact the most consumers,
    - ~~(2)~~ ~~(2)~~ stability of the funding structure, and
    - ~~(2)(3)~~ ~~(3)~~ the needs based on the target population.
    - ~~e)(4)~~ The Finance Commission will make the final selections of award recipients and award amounts.
- 3. Upon completion of the competitive application and review process, successful grant applicants will be notified, in writing, no later than December of the year before the grant cycle begins.

### E. Public Records

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

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

## V. Post Award Requirements

### A. Definitions

1. “Grantee” means applicant.
2. “Grantor” means the Finance Commission of Texas and the Texas Financial Education Endowment. The Commission may authorize one or more persons, including the Grant Coordinator, to perform any action that the Commission is authorized to perform as Grantor under the Agreement.

### B. Grant Agreements

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

### C. TFEE’s (Grantor) Obligation

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

### D. Grantee’s Obligation

1. Grantee may use the Grant only to create, deliver, or expand Grantee’s financial education, literacy, and capability building programs within the State of Texas.

2. Grantee must use the Grant in accordance with all of the following: (1) the terms of Agreement, (2) TFEЕ Grant Administration & Advisory Policy Manual as defined in the application guidelines and instructions, and (3) Grantee's application.
3. Texas Grant Management Standards (TxGMS) provides parameters by which the Coordinator can work to ensure consistency with state practices.
4. Grantee must cooperate fully with Grantor.
5. Grantee must notify Grantor within 30 days of significant changes or events occurring during the term of Agreement that could potentially impact the progress or outcome of the Grant, including, but not limited to, the following changes: (1) Grantee's management personnel, (2) physical or mailing address, (3) loss of funding, and (4) changes to Grantee's status with the Internal Revenue Service.
6. Failure to submit the required 30-day notice of significant change or events will be grounds for termination of the Agreement.
7. The fiscal and programmatic management of the Grantee will include accountability for all funds and materials received from Grantor; compliance with Grantor's rules, policies, and procedures, as well as applicable federal and state laws and regulations; and correction of fiscal and program deficiencies identified through self-evaluation or Grantor's monitoring processes.
8. Grantee must develop, implement, and maintain all of the following: (1) financial management and control systems that include appropriate financial planning, including the development of budgets that adequately reflect all functions and resources necessary to carry out authorized activities and the adequate determination of costs; (2) financial management systems, including accurate and complete payroll, accounting, and financial reporting records; (3) cost source documentation; (4) effective internal and budgetary controls; (5) documentation regarding determination of reasonableness, allocation of costs, and timely and appropriate audits and resolution of any findings; and (6) annual financial statements, including statements of financial position, activities, and cash flows, prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) or other recognized accounting principles.
9. The format for submitting reimbursement requests will be provided in the grant report. Each reimbursement request must contain supporting documentation or back-up documentation for all amounts shown on the request, including receipts for all materials and supplies, all Grantee staff time shown by number of hours worked and hourly rate, and all contractor or sub-contractor services, which can be identifiable to reconcile expenditures.
10. Grantees must comply with all laws, regulations, requirements, and guidelines applicable to a Grantee providing services to the State of Texas, as these laws, regulations, requirements, and guidelines currently exist and as they are amended throughout the term of the Agreement.

11. If a Grantee fails to use grant funds to create, deliver, or expand financial education, literacy, and capability building programs as described in Grantee's application, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) withhold the grant funds, (3) require that Grantee refund grant funds received, (4) submit an amended report to the Coordinator, and (5) determine that Grantee is ineligible for future TFEE funds.
12. If the Texas Comptroller's Office forfeits a Grantee's right to transact business in Texas due to failure to pay a franchise tax or for any other reason, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) suspend the Agreement until Grantee returns to good standing with the Comptroller's Office, or (3) take any other action described in paragraph 5.6 of the Agreement.

#### E. Grantee's Reporting Requirements

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

## VI. Recordkeeping and Monitoring

#### A. Duty to Maintain Records

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

#### B. Record Retention

For a period of three years after the end of the grant cycle, or until full and final resolution of all audit or litigation matters that arise after the expiration of the term, whichever is later, Grantee must maintain any records that are necessary to fully disclose the extent of services provided under the Agreement, including but not limited to any daily activity reports, time distribution and attendance records, and other records that may show the basis of the charges made or performances delivered.

#### C. Access by Grantor and State Auditor's Office

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

#### D. Audits or Investigations

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

#### E. Location

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

#### F. Risk Assessment

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

will be taken based on the *low-risk, moderate-risk, or high-risk* assessment provided by the risk assessment.

#### G. Disallowance of Grant Funds

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

### VII. Use of Grant Funds and Property

#### A. Allowable Expenditures

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

#### B. Salaries

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

#### C. Consultant Services

1. Grantees normally are expected to utilize the services of their own officers or employees to the maximum extent in managing and performing the activities supported by TFEE grant. Where it is necessary for a grantee to enter into a sub-award for the services of persons who are not its officers or employees, it is expected to do so in accordance with its own written organizational standards.
2. If the need for consultant services is anticipated, the proposal narrative should provide appropriate rationale, and the summary proposal budget should estimate the amount of funds that may be required for this purpose. To the extent possible, consultant rates should show separate amounts for actual

services and each of the components of the rate (such as fringe benefits, indirect costs, and other expenses).

3. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. However, payment for a consultant's services may not exceed more than 30% of actual award.
4. In determining the allowable costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant:
  - a) The nature and scope of the service rendered in relation to the service required;
  - b) The necessity of issuing a sub award for the service considering the organization's capability in the particular area;
  - c) The past pattern of such costs, particularly in the years prior to the award of grant;
  - d) The impact of government contracts and grants on the organization's total activity (e.g., what new problems have arisen);
  - e) The service can be performed more economically by employment rather than by consulting;
  - f) The qualifications of the individual or concern rendering the service and the normal/customary fees charged and received by the individual for comparable services;
  - g) The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation and termination provisions); or
  - h) Costs of legal or lobbying services are unallowable in the grant.

#### D. Allowable Travel Expenditures

1. Travel costs will be reimbursed for certain expenses at the rates authorized by the Agreement and limited by rules and rates promulgated by the Comptroller of Public Accounts.
2. All travel must be performed in conjunction with official TFEE business. It is the responsibility of each grantee to track and submit (with grant reports) the completed mileage log for travel reimbursement. Failure to comply with the travel guidelines will result in delay of payment or rejection of travel reimbursement. When tracking mileage grantees must use the Mileage Log included with the grant report.
3. Grantees should use online mapping tools to compare and compute point-to-point mileage. The allowable reimbursement is determined using the lower of the actual miles driven or the mileage calculated, point to point. The Grantor is not required to reimburse grantees at the maximum rate. The Grantor's maximum mileage reimbursement rate for travel by grantees is in accordance

with the Texas Comptroller of Public Accounts. Mileage to and from ordinary in-town errands will not be reimbursed.

4. Mileage is consistent with state reimbursement rates set by the State Comptroller and is subject to change. Refer to Texas Grant Management Standards (TxGMS) for conditions related to all travel, lodging, and food related reimbursement expenses. Refer to the State Comptroller for specific travel allowances, definitions, and restrictions.
5. Parking is eligible for reimbursement as long as it is incurred for official TFEE business.
6. Grantees are encouraged to compare airline costs and use the lesser amount. To be reimbursed for airline travel a Grantee must submit receipts that contain the following information: grantee (employee) name, airline, cost of airfare, travel dates, destinations, ticket number, and seating class. Grantees must also show proof of payment for airfare.

#### E. Disbursement of Grant Funds

1. Payments are made on a reimbursement basis after Grantor receives Grantee's Account and Report on Use of Grant Funds including receipts and invoices for all expenditures and accompanying reports.
2. Receipts and invoices must match the funds requested on Grantee's initial budget, unless otherwise approved in writing by the Grantor.

#### F. Misuse of Grant Funds

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

#### G. Use of Property

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

#### H. Records of Property

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

#### I. Purchase of Equipment; Title Upon Termination

1. Grantee may not give any security interest, lien or otherwise encumber any item of equipment purchased with funds.

2. Grantee must permanently identify all equipment purchased under this contract by appropriate tags or labels affixed to the equipment.
3. Grantee must maintain a current inventory of all equipment or assets, which is available to Grantor at all times upon request. Grantee must administer a program of maintenance, repair, and protection of equipment or assets under this contract so as to ensure the full availability and usefulness of the equipment or assets.
4. If Grantee is indemnified, reimbursed, or otherwise compensated for any loss of, destruction of, or damage to the assets provided under this contract, it must use the proceeds to repair or replace these equipment or assets. To the extent that Grantor reimburses Grantee for its purchase of equipment and supplies with funds from this contract. Upon termination of the contract, title to or ownership of all purchased equipment and supplies, at the sole option of Grantor, will remain with Grantor.

#### J. Intellectual Property

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

### VIII. Grant Agreement Termination

#### A. Termination for Convenience

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

#### B. Termination for Cause

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

### C. No Reimbursement Upon Termination

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

## IX. Dispute Resolution

### A. Mediation; Noncompliance Actions

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

## Appendices

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



Grant  
Administration  
&  
Advisory Policy Manual

Revised: 6/1/2025

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## I. Purpose

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

### A. Background

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

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

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

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

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

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

### B. Administration, Investment, Payout, and Reinvestment

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

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

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

### C. Roles and Responsibilities

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

- d) Each Grant Advisory Committee Member will be appointed for a specific term. Finance Commission members shall serve at the pleasure of the Finance Commission Chair. Non-Finance Commission members shall serve four-year terms that correspond with grant cycles. Members will serve staggered terms to balance continuity with new perspective. Non-standing GAC Members may be reappointed with approval from the Finance Commission to serve more than a four-year term. GAC members take office immediately following their appointment. In the event a GAC member is not able to complete their term, a replacement will be appointed.
- e) In the event of a GAC vacancy due to a regularly expired term, the Finance Commission shall appoint new members to coincide with the beginning of the next grant cycle. In the event a GAC vacancy occurs during an unexpired term, the Finance Commission may appoint a new GAC member.
- f) The GAC aims to include members with varied experience in financial education or grant administration. The list below is not all-inclusive and the FC reserves the right to include other appropriate backgrounds with the exception of the Credit Access Business representative.
  - (1) Financial Education Consultant – informs the group of existing programs and advocates for the needs of the financial education community.
  - (2) Educational Consultant – understands best practices for impacting education for both youth and adults. Assesses the program proposals for effective measures of knowledge gained. Has knowledge of financial education curriculum standards (Texas Essential Knowledge & Skills “TEKS”) and helps ensure that funding school-based financial education programs cover requirements consistent with Texas Education Agency standards.
  - (3) Finance Commission Representative(s) – Ensure TFEE objectives and goals align with Finance Commission intentions. Evaluate proposed program and business structure.
  - (4) Department of Savings & Mortgage Lending (SML) Representative – Recommended by the SML to advocate for programs focused on asset building, affordable housing and preparation for home ownership.
  - (5) Grant Administrator - Objectively assesses, evaluates, and makes recommendations regarding the grant administration process.
  - (6) Consumer Advocate – Advocates for consumers based on community engagement and needs assessment.
  - (7) Credit Access Business (CAB) industry representative – Serves as a stakeholder for the CAB industry and assists in funding decisions.
- g) The GAC meets during the grant-funding cycle for the following purposes:

- (1) Provide consultation and technical assistance to the (Coordinator)
  - (2) Assist with major project management decisions associated with awarded grants, including:
    - (a) Evaluating grant applications and providing recommendations to the Audit Committee
    - (b) Monitoring grantee project's unspent funds and associated funding
    - (c) Offering input, interviewing, and recommending new GAC members to Audit Committee
  - (3) The GAC makes recommendations to the Audit Committee for consideration of specific award allocations, termination of grant agreements for noncompliance, and amendments to program policies and procedures.
4. Office of Consumer Credit Commissioner (OCCC)
- a) OCCC is responsible for:
    - (1) Collecting assessment fees, the endowment fund, and maintaining reconciliation of funds;
    - (2) Maintaining financial records of revenue and expenditures;
    - (3) Serving as investment officer and maintaining compliance with the investment policy in accordance with state of Texas regulations;
    - (4) Disbursing and tracking funds; and
    - (5) Grant coordination oversight.
5. Grant Coordinator (Coordinator)
- The Coordinator works under the direction and oversight of the OCCC Commissioner or the Commissioner's designee. The Coordinator makes presentations to the GAC and the Finance Commission regarding grant activity and serves as the liaison between grantees and the GAC.
- a) The Coordinator is responsible for monitoring the following regarding program operation:
    - (1) Program objectives and goals;
    - (2) Grant administration and oversight practices; and
    - (3) Recommendations for program needs to the GAC and FC.
  - b) The Coordinator is responsible for ensuring and developing procedures to provide evidence of timely submission for required documents, including, but not limited to, applications and grant reports.
  - c) The Coordinator maintains the electronic records of all documentation submitted by grantees regardless of the delivery method. Hard copy submissions of applications, reports, and other documentation will receive a date stamp prior to being scanned and saved electronically.

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

#### D. Conflict of Interest

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

#### E. TFEE Funds Oversight

- 1. TFEE funds are used to support the goals and strategies for the TFEE set by the Finance Commission. Prohibited and permissible uses of grant funds are defined in the grant agreement.
- 2. The OCCC Commissioner, Audit Committee, or Finance Commission may request an internal or external audit to examine compliance and when deemed necessary.

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

#### F. Maximum Grant Awards

1. The total estimated program funding fluctuates based on endowment fund contributions, distributions, and performance. The aggregate award amount is determined by the Finance Commission prior to each grant cycle.
2. The current maximum grant award per organization is \$45,000 for a one-year term and \$90,000 for a two-year term. Maximum grant awards are subject to change.

## II. Process Overview

### A. Intention

The TFEF fund may have one competitive grant cycle every two years. Announcements for grant proposals will be made in the summer, with submissions due in the fall of every odd number year.

### B. Stage 1 – Administration

Grant Coordinator is responsible for the following:

1. Refines, revises and makes policy recommendations based on program needs.
2. Develops funding recommendations and administrative processes.
3. Revises grantee applications, grant agreements, grant reports, and evaluation and tracking tools.
4. Creates the timeline for grant cycles.
5. Identifies and invites qualified professionals to serve on the GAC.
6. Publicizes opportunities with a goal of increasing the number of applicants each grant cycle.

### C. Stage 2 – Policy Development and Implementation

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

### D. Stage 3 – Grantee Selection

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

#### E. Stage 4 – Manage Grant and Measure Progress

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

### III. Funding Priorities and Goals

#### A. Scope

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

#### B. Goals

1. Support financial educational that offer financial education services for Texas consumers including general information to be made available through partnerships with state agencies, financial service providers, trade organizations, and community events.

2. Encourage public awareness campaigns to improve credit profiles and credit scores of Texas consumers, including savings campaigns to improve employee incentives and outreach opportunities to unbanked communities. Encourage lending institutions to allow low-to-moderate income citizens to open accounts and waive the required minimum balance and fee.
3. Promote adult financial education, capability, and consumer counseling programs, including train-the-trainer programs that increase and expand educational awareness for adult financial stability.
4. Foster school and youth-based financial education and capability, including teacher training programs that supports the integration and delivery of financial literacy content in K-12 school settings.
5. Support financial coaching and consumer counseling programs that offer
  - a) opportunities for individuals to participate in one- on-one financial counseling and coaching programs.

## IV. Pre-Award Requirements

### A. Organizational Eligibility

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

### B. Program Criteria & Grant Application

1. The TFEE Guidelines and Instructions for application submission will be posted on the TFEE website.
2. Applications will be accepted via postal mail or digitally, through a secure online portal. Applicants will contact the Grant Coordinator for access to the portal. Electronic submissions will receive an automatic date stamp upon receipt; this “digital” date stamp will provide sufficient and accurate evidence of timely submission.
3. Applicant’s program must:
  - a) Align with TFEE goals or strategies
  - b) Demonstrate effective evaluative tools and metrics
  - c) Predict or provide evidence of program impact
  - d) Provide longitudinal evidence of performance and outcomes
    - (1) Demonstrate adequate return-on-investment
    - (2) Document strategic goals

- (3) Demonstrate capacity to collect and report the following data: number of people served, training hours, pre-and-post survey data, demographic information, and sign-in sheets to justify amount of funds requested
  - e) Provide evidence that programming will begin when the grant is awarded
4. Applicants must read and follow all application instructions and guidelines. Applications that do not comply with these instructions may be delayed or not accepted for review.

### C. Application Submission

1. Grant funding cycles commence every two years. Announcements for grant proposals will be made every two years, and selected grantees will be announced shortly thereafter.
2. The Coordinator confirms receipt of grant applications by email. Applications will only be accepted on, or prior to the due date. Late or incomplete applications will be rejected.

### D. Application Review and Selection Process

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

### E. Public Records

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

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

## V. Post Award Requirements

### A. Definitions

1. “Grantee” means applicant.
2. “Grantor” means the Finance Commission of Texas and the Texas Financial Education Endowment. The Commission may authorize one or more persons, including the Grant Coordinator, to perform any action that the Commission is authorized to perform as Grantor under the Agreement.

### B. Grant Agreements

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

### C. TFEE’s (Grantor) Obligation

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

### D. Grantee’s Obligation

1. Grantee may use the Grant only to create, deliver, or expand Grantee’s financial education, literacy, and capability building programs within the State of Texas.

2. Grantee must use the Grant in accordance with all of the following: (1) the terms of Agreement, (2) TFEЕ Grant Administration & Advisory Policy Manual as defined in the application guidelines and instructions, and (3) Grantee's application.
3. Texas Grant Management Standards (TxGMS) provides parameters by which the Coordinator can work to ensure consistency with state practices.
4. Grantee must cooperate fully with Grantor.
5. Grantee must notify Grantor within 30 days of significant changes or events occurring during the term of Agreement that could potentially impact the progress or outcome of the Grant, including, but not limited to, the following changes: (1) Grantee's management personnel, (2) physical or mailing address, (3) loss of funding, and (4) changes to Grantee's status with the Internal Revenue Service.
6. Failure to submit the required 30-day notice of significant change or events will be grounds for termination of the Agreement.
7. The fiscal and programmatic management of the Grantee will include accountability for all funds and materials received from Grantor; compliance with Grantor's rules, policies, and procedures, as well as applicable federal and state laws and regulations; and correction of fiscal and program deficiencies identified through self-evaluation or Grantor's monitoring processes.
8. Grantee must develop, implement, and maintain all of the following: (1) financial management and control systems that include appropriate financial planning, including the development of budgets that adequately reflect all functions and resources necessary to carry out authorized activities and the adequate determination of costs; (2) financial management systems, including accurate and complete payroll, accounting, and financial reporting records; (3) cost source documentation; (4) effective internal and budgetary controls; (5) documentation regarding determination of reasonableness, allocation of costs, and timely and appropriate audits and resolution of any findings; and (6) annual financial statements, including statements of financial position, activities, and cash flows, prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) or other recognized accounting principles.
9. The format for submitting reimbursement requests will be provided in the grant report. Each reimbursement request must contain supporting documentation or back-up documentation for all amounts shown on the request, including receipts for all materials and supplies, all Grantee staff time shown by number of hours worked and hourly rate, and all contractor or sub-contractor services, which can be identifiable to reconcile expenditures.
10. Grantees must comply with all laws, regulations, requirements, and guidelines applicable to a Grantee providing services to the State of Texas, as these laws, regulations, requirements, and guidelines currently exist and as they are amended throughout the term of the Agreement.

11. If a Grantee fails to use grant funds to create, deliver, or expand financial education, literacy, and capability building programs as described in Grantee's application, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) withhold the grant funds, (3) require that Grantee refund grant funds received, (4) submit an amended report to the Coordinator, and (5) determine that Grantee is ineligible for future TFEE funds.
12. If the Texas Comptroller's Office forfeits a Grantee's right to transact business in Texas due to failure to pay a franchise tax or for any other reason, then Grantor may do one or more of the following: (1) terminate the Agreement, (2) suspend the Agreement until Grantee returns to good standing with the Comptroller's Office, or (3) take any other action described in paragraph 5.6 of the Agreement.

#### E. Grantee's Reporting Requirements

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

## VI. Recordkeeping and Monitoring

#### A. Duty to Maintain Records

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

#### B. Record Retention

For a period of three years after the end of the grant cycle, or until full and final resolution of all audit or litigation matters that arise after the expiration of the term, whichever is later, Grantee must maintain any records that are necessary to fully disclose the extent of services provided under the Agreement, including but not limited to any daily activity reports, time distribution and attendance records, and other records that may show the basis of the charges made or performances delivered.

#### C. Access by Grantor and State Auditor's Office

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

#### D. Audits or Investigations

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

#### E. Location

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

#### F. Risk Assessment

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

will be taken based on the *low-risk, moderate-risk, or high-risk* assessment provided by the risk assessment.

#### G. Disallowance of Grant Funds

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

### VII. Use of Grant Funds and Property

#### A. Allowable Expenditures

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

#### B. Salaries

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

#### C. Consultant Services

1. Grantees normally are expected to utilize the services of their own officers or employees to the maximum extent in managing and performing the activities supported by TFEE grant. Where it is necessary for a grantee to enter into a sub-award for the services of persons who are not its officers or employees, it is expected to do so in accordance with its own written organizational standards.
2. If the need for consultant services is anticipated, the proposal narrative should provide appropriate rationale, and the summary proposal budget should estimate the amount of funds that may be required for this purpose. To the extent possible, consultant rates should show separate amounts for actual

services and each of the components of the rate (such as fringe benefits, indirect costs, and other expenses).

3. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. However, payment for a consultant's services may not exceed more than 30% of actual award.
4. In determining the allowable costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant:
  - a) The nature and scope of the service rendered in relation to the service required;
  - b) The necessity of issuing a sub award for the service considering the organization's capability in the particular area;
  - c) The past pattern of such costs, particularly in the years prior to the award of grant;
  - d) The impact of government contracts and grants on the organization's total activity (e.g., what new problems have arisen);
  - e) The service can be performed more economically by employment rather than by consulting;
  - f) The qualifications of the individual or concern rendering the service and the normal/customary fees charged and received by the individual for comparable services;
  - g) The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation and termination provisions); or
  - h) Costs of legal or lobbying services are unallowable in the grant.

#### D. Allowable Travel Expenditures

1. Travel costs will be reimbursed for certain expenses at the rates authorized by the Agreement and limited by rules and rates promulgated by the Comptroller of Public Accounts.
2. All travel must be performed in conjunction with official TFEE business. It is the responsibility of each grantee to track and submit (with grant reports) the completed mileage log for travel reimbursement. Failure to comply with the travel guidelines will result in delay of payment or rejection of travel reimbursement. When tracking mileage grantees must use the Mileage Log included with the grant report.
3. Grantees should use online mapping tools to compare and compute point-to-point mileage. The allowable reimbursement is determined using the lower of the actual miles driven or the mileage calculated, point to point. The Grantor is not required to reimburse grantees at the maximum rate. The Grantor's maximum mileage reimbursement rate for travel by grantees is in accordance

with the Texas Comptroller of Public Accounts. Mileage to and from ordinary in-town errands will not be reimbursed.

4. Mileage is consistent with state reimbursement rates set by the State Comptroller and is subject to change. Refer to Texas Grant Management Standards (TxGMS) for conditions related to all travel, lodging, and food related reimbursement expenses. Refer to the State Comptroller for specific travel allowances, definitions, and restrictions.
5. Parking is eligible for reimbursement as long as it is incurred for official TFEE business.
6. Grantees are encouraged to compare airline costs and use the lesser amount. To be reimbursed for airline travel a Grantee must submit receipts that contain the following information: grantee (employee) name, airline, cost of airfare, travel dates, destinations, ticket number, and seating class. Grantees must also show proof of payment for airfare.

#### E. Disbursement of Grant Funds

1. Payments are made on a reimbursement basis after Grantor receives Grantee's Account and Report on Use of Grant Funds including receipts and invoices for all expenditures and accompanying reports.
2. Receipts and invoices must match the funds requested on Grantee's initial budget, unless otherwise approved in writing by the Grantor.

#### F. Misuse of Grant Funds

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

#### G. Use of Property

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

#### H. Records of Property

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

#### I. Purchase of Equipment; Title Upon Termination

1. Grantee may not give any security interest, lien or otherwise encumber any item of equipment purchased with funds.

2. Grantee must permanently identify all equipment purchased under this contract by appropriate tags or labels affixed to the equipment.
3. Grantee must maintain a current inventory of all equipment or assets, which is available to Grantor at all times upon request. Grantee must administer a program of maintenance, repair, and protection of equipment or assets under this contract so as to ensure the full availability and usefulness of the equipment or assets.
4. If Grantee is indemnified, reimbursed, or otherwise compensated for any loss of, destruction of, or damage to the assets provided under this contract, it must use the proceeds to repair or replace these equipment or assets. To the extent that Grantor reimburses Grantee for its purchase of equipment and supplies with funds from this contract. Upon termination of the contract, title to or ownership of all purchased equipment and supplies, at the sole option of Grantor, will remain with Grantor.

#### J. Intellectual Property

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

### VIII. Grant Agreement Termination

#### A. Termination for Convenience

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

#### B. Termination for Cause

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

### C. No Reimbursement Upon Termination

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

## IX. Dispute Resolution

### A. Mediation; Noncompliance Actions

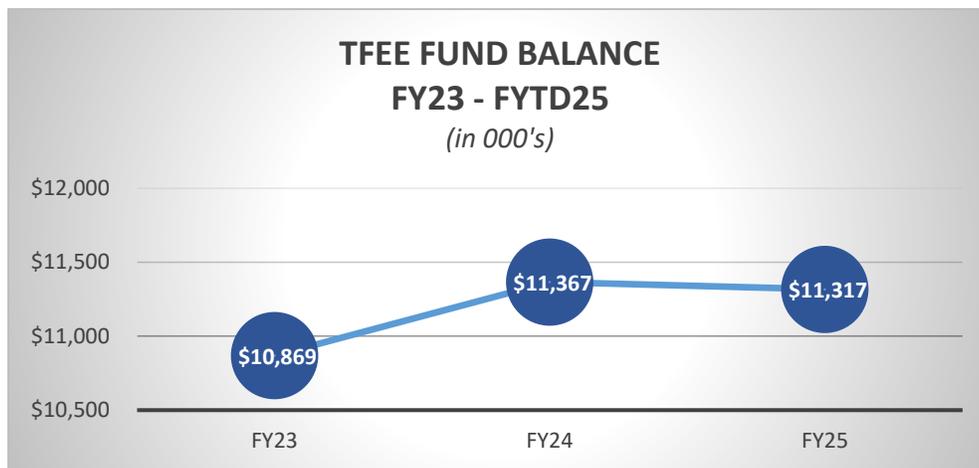
1. To the extent authorized by law, Grantor and Grantee may use a dispute resolution process before pursuing termination or litigation.
  2. Grantor and Grantee may sign an amended Grant Agreement or Noncompliance Action Plan agreeing to the amended terms.
  3. The Noncompliance Action Plan may include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



# Texas Financial Education Endowment (TFEE)

## H. DISCUSSION OF AND POSSIBLE VOTE TO RECOMMEND THAT THE FINANCE COMMISSION TAKE ACTION TO APPROVE AN AMOUNT FOR THE UPCOMING 2026-2027 GRANT CYCLE FOR THE TEXAS FINANCIAL EDUCATION ENDOWMENT

TFEE functions as an endowment fund and invests on a long-term basis to support sustainable funding to achieve the purpose and goals of the fund. Licensed Credit Access Businesses (CABs) pay assessments of \$200 into the fund on an annual basis. The chart below represents the fund balance activity and the stabilizing balance of the fund from Fiscal Year 2023 through March 2025:



To guide grant funding recommendations, in accordance with the OCCC Investment Policy, the endowment's projected annual earnings distribution is determined by calculating the 20-quarter moving average of the fund and multiplying the result by 3.5%. As of March 31, 2025, the fund's projected annual earnings distribution is \$345,506. To determine the two-year projected annual earnings distribution, this result is doubled, resulting in a total projected annual earnings distribution of \$691,012.

In addition to the fund's two-year projected earnings distributions, the OCCC is proposing to add 50% of projected CAB contributions to the award recommendation.

As of May 1, 2025, there were 1043 CAB licenses. To remain prudent, the OCCC is proceeding with the expectation that CAB licenses may continue to trend downwards. As such, assuming that the total number of CAB licenses is reduced by 25%, there will be approximately 780 CAB licenses contributing to the fund over the next two years. This results in a total projected CAB contribution of \$156,000 in each of the next two years (\$312,000 for two years).



## Texas Financial Education Endowment (TFEE)

The OCCC has added the two-year projected earnings distribution (\$691,012) to 50% of projected CAB contributions over the next 2 years ( $\$312,000 \times .50 = \$156,000$ ) for a total amount of \$847,012. To maximize the grant's impact, the OCCC is slightly rounding up the funding recommendation to \$850,000. This recommendation reflects the Commission's ongoing commitment to expanding grant support for eligible organizations while maintaining a stable endowment balance that preserves future support.

**RECOMMENDED ACTION:** The OCCC requests that the Audit Committee recommend that the Finance Commission approve an aggregate award amount for the 2026-2027 TFEE Grant Cycle of \$850,000.

**RECOMMENDED MOTION:** I move that the Audit Committee recommend that the Finance Commission approve an aggregate award amount for the 2026-2027 TFEE Grant Cycle of \$850,000.



## **Mortgage Grant Fund Activities Report — May 31, 2025**

### **Activities Relating to the Mortgage Grant Fund (MGF)**

As previously reported in the April Finance Commission Audit Committee meeting, the Grant Coordinator participated in the rule review of Texas Administrative Code, Chapter 51, Subchapter F, which governs the MGF. As part of this process, the Grant Coordinator is preparing to update all MGF materials to reflect the pending move from Chapter 51 to a newly created Chapter 53, including revising statutory citations and references across program documents and procedures.

In alignment with ongoing monitoring efforts, the Grant Coordinator met with low-risk grantees to discuss program status and ensure compliance. Topics discussed include strategies for maintaining homeownership readiness amid rising interest rates and inflation; no substantive programmatic concerns were noted.

Additionally, longitudinal reports from 2023-2024 grantees are due June 30. The first reimbursement period for 2025-2026 grantees ends on June 30, and the corresponding semiannual reports are due in July.