

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

Friday, April 20, 2018

8:00 a.m.

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

*Public comment on any agenda item or issue under the jurisdiction of the Finance Commission agencies is allowed unless the comment is in reference to a rule proposal for which the public comment period has ended. However, upon majority vote of the Commission, public comment may be allowed related to final rule adoption.*

- A. Review and Approval of the Minutes of the February 16, 2018, Audit Committee Meeting
- B. Audit Committee Review of Agencies' Activities
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' February 28, 2018 Investment Officer Reports
  - 1. Texas Department of Banking
  - 2. Department of Savings and Mortgage Lending
  - 3. Office of Consumer Credit Commissioner
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2018 Second Quarter Financial Statements
  - 1. Texas Department of Banking
  - 2. Department of Savings and Mortgage Lending
  - 3. Office of Consumer Credit Commissioner
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Approve the Reserve and Expenditure of Funds for Building Deferred Maintenance
- F. Report on Activities Relating to the Texas Financial Education Endowment Fund

**NOTE: The Audit Committee 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 will accommodate special needs. Those requesting auxiliary aids or services should notify the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

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**MINUTES OF THE  
AUDIT COMMITTEE MEETING  
Friday, February 16, 2018**

The Audit Committee of the Finance Commission of Texas convened at 8:00 a.m. on February 16, 2018 with the following members present:

**Audit Committee Members in Attendance:**

Molly Curl, Chairman  
Vince E. Puente  
Stacy G. London (in place of Lori McCool's absence)

**Additional Members in Attendance:**

Jay Shands  
Bob Borochoff  
Hector Cerna  
Phillip Holt  
Will Lucas

Audit Committee Chairman Curl announced that there was a quorum of the Audit Committee of the Finance Commission of Texas with three members present.

<b>AGENDA ITEM</b>	<b>ACTION</b>	<b>LOCATION ON AUDIO FILE</b>
A. Review and Approval of the Minutes of the December 15, 2017, Audit Committee Meeting	Vince E. Puente made a motion to Approve the Minutes of the December 15, 2017 Audit Committee Meeting. Stacy G. London seconded, and the motion passed.	00:15 start of discussion 00:35 vote
B. Audit Committee Review of Agencies' Activities	No Action Required.	00:59 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' November 30, 2017 Investment Officer Reports	Stacy G. London made a motion to Recommend that the Finance Commission Approve the Agencies' November 30, 2017 Investment Officer Reports. Vince E. Puente seconded, and the motion passed.	4:16 start of discussion 11:19 vote

<b>AGENDA ITEM</b>	<b>ACTION</b>	<b>LOCATION ON AUDIO FILE</b>
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2018 First Quarter Financial Statements	Vince E. Puente made a motion to Recommend that the Finance Commission Approve the Agencies' 2018 First Quarter Financial Statements. Stacy G. London seconded, and the motion passed.	11:44 start of discussion 18:25 vote
E. Presentation from the Texas Treasury Safekeeping Trust Company	No Action Required.	18:40 start of discussion
F. Report on Activities Relating to the Texas Financial Education Endowment Fund	No Action Required.	58:35 start of discussion
G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Proposal for the Department of Savings and Mortgage Lending to contribute \$750,000.00 to the Texas Financial Education Endowment Fund	Stacy G. London made a motion to Recommend that the Finance Commission Approve the Proposal for the Department of Savings and Mortgage Lending to contribute \$750,000.00 to the Texas Financial Education Endowment Fund. Vince E. Puente seconded and the motion passed.	58:47 start of discussion 1:02:37 vote

There being no further business of the Audit Committee of the Finance Commission of Texas, Molly Curl adjourned the meeting at 9:03 a.m. (1:02:56) *on the audio file*

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Molly Curl, Audit Committee Chair  
Finance Commission of Texas

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Charles G. Cooper, Executive Director  
Finance Commission of Texas

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Anne Benites, Executive Assistant  
Finance Commission of Texas

**Texas Department of Banking  
Outstanding Audit Findings/Recommendations Report as of March 31, 2018**

None.

**Department of Savings and Mortgage Lending  
Outstanding Audit Issues Report as of March 30, 2017**

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Management Information Systems	7/25/2016
Recommendation	Status Update	
Establish audit trails	<b><i>In progress.</i></b> The Department is working with its contracted managed service provider to establish and implement this recommendation.	

Auditor	Comptroller of Public Accounts	Audit Report Date
Audit Area	Post-Payment and Procurement Audit	5/5/2017
Recommendation	Status Update	
N/A	<b><i>Scheduled.</i></b> Field work to begin May 7, 2018.	

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Thrift Supervision	5/5/2017
Recommendation	Status Update	
N/A	<b><i>Scheduled.</i></b> Field work to begin May 14, 2018.	

March 6, 2018

Ms. Caroline Jones  
Commissioner  
Texas Department of Savings and Mortgage Lending  
2601 N. Lamar. Blvd., Ste. 201  
Austin, Texas 78705-4207

Dear Ms. Jones:

The Fiscal Management Division of the Comptroller of Public Accounts has selected the Texas Department of Savings and Mortgage Lending (Agency) for a routine post-payment audit of the Agency's payroll, purchase, and travel transactions. The audit will cover payments made during the period from December 1, 2016 through November 30, 2017. The post-payment audit will be conducted in accordance with Texas Government Code, Section 403.071.

Attached is a questionnaire that will assist us in conducting the audit. Please complete the questionnaire and return it to us by March 20, 2018.

I will contact you or your designee in the near future to establish an acceptable date to begin the fieldwork, approximately four to six week from receipt of questionnaire responses. At that time, we will set up an entrance conference to discuss the audit process and answer any questions you may have about the audit. Please include in the meeting your internal auditor and any other personnel you would like to have attend.

The Comptroller's Office acknowledges that the information to which Comptroller staff will have access during the post-payment audit may contain confidential information. The Comptroller's Office will comply with the applicable state and federal laws relating to the safekeeping and disclosure of such information.

If you have any questions about this subject, please call me 512-475-1426, or contact me via email at [Amanda.Price@cpa.texas.gov](mailto:Amanda.Price@cpa.texas.gov).

Sincerely,

*Amanda M. Price*

Amanda Price, CFE  
Auditor  
Statewide Fiscal Services

Attachments

cc: Lisa Nance, Manager, Statewide Fiscal Services, Fiscal Management Division



Comptroller.Texas.Gov  
P.O. Box 13528  
Austin, Texas 78711-3528

512-463-4444  
Toll Free: 1-800-531-5441 ext: 3-4444  
Fax: 512-463-4902

**Office of Consumer Credit Commissioner**  
**Outstanding Audit Findings Report as of 4/6/2018**

Auditor	Department of Public Safety	Audit Report Date
Audit Area	Storage and Security of Criminal History Records	Feb-18
Finding	Status Update	
CCH verification or log not in place for all name-based searches.	<b>Completed.</b> The agency has created a log tracking all human resources related searches and the reason for all name-based inquiries per CJIS Security Policy 4.2.5.1. In addition the agency has adopted the recommended addendum, which references all policies for CJIS under one policy.	



**Trust Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report  
December 1, 2017 to February 28, 2018**

<u>Book Value at November 30, 2017</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>(1) Other Deductions</u>	<u>(2) Other Additions</u>	<u>Book/Market Value at February 28, 2018</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,295,837.90	\$3,982.85	\$84.47	\$5,422.70	\$9,772.70	\$1,304,086.28	--	--	\$1,622.28

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$337,300.54	3/1/2018	1.26%	
Veritex Community Bank, Dallas, Texas (CD)	\$240,000.00	12/14/2018	1.55%	\$781.20
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2018	1.55%	\$74.40
Frontier Bank of Texas, Elgin, Texas (CD)	\$244,525.69	1/18/2019	1.45%	\$766.68
Pilgrim Bank (money market)	<u>\$242,260.05</u>	n/a	0.82%	
Subtotal	\$1,304,086.28			

(1) Other deductions include: (a) payment of partial restitution in the amount of \$4,700.00 sent to the Comptroller's Office for the benefit of consumer F. Cox related to Commissioners Order No. 2012-005 issued against Lonnie Wright, owner of Angel Hills Funeral Home; and (b) reissue of restitution check of \$722.70 to contract purchaser related to Howell-Doran Funeral Home, inc.

(2) Other additions include: (a) \$100.00 restitution received from Mr. Dan L. Brothers; (b) \$1,050.00 restitution received from Mr. Kevin Keeney; (c) \$200.00 restitution received from Mr. Marc Gonzalez; (d) \$200.00 restitution received from Lonnie Wright; (e) stop payment of a restitution check \$722.70 issued to a consumer related to Howell-Doran Funeral Home, Inc.; and (f) \$7,500.00 restitution received from Timothy Gaffney.

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

Prepared By: /s/ Jesus Saucillo

Date: 3/21/2018

Reviewed By: /s/ Stephanie Newberg

Date: 3/21/2018

**Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report  
December 1, 2017 to February 28, 2018**

<u>Book Value at November 30, 2017</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deductions</u>	(1) <u>Other Additions</u>	<u>Book/Market Value at February 28, 2018</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$480,163.86	\$1,445.53	\$66.47		\$22,099.00	\$503,641.92			\$116.92
<u>Account Balances at Trustee/Depositories</u>								
					\$258,010.37	3/1/2018	1.26%	
					<u>\$245,631.55</u>	7/14/2018	1.19%	\$116.92
				Subtotal	<u>\$503,641.92</u>			

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

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

Prepared By: /s/ Jesus Saucillo Date: 3/21/2018

Reviewed By: /s/ Stephanie Newberg Date: 3/21/2018

Department of Banking Quarterly Investment Report  
 December 1, 2017 to February 28, 2018

Seized Prepaid Funeral Funds	Book Value at November 30, 2017	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at February 28, 2018	Trustee	Investment Type	Maturity Date	Interest Rate
None										
<b>Total Seized Funds</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				

**Notes:**

The above investments are in compliance with the investment strategies of Administrative Memorandum 2027.

Prepared By: /s/ Jesus Saucillo

Date: 3/21/2018

Reviewed By: /s/ Stephanie Newberg

Date: 3/21/2018

# Department of Savings and Mortgage Lending

## Recovery Fund

### Investment Officer Report as of February 28, 2018

#### Current Investments/Securities as of February 28, 2018

Purchase Date	Beginning Market Value	Ending Market Value	Accrued Interest - Estimated	Interest Rate	Maturity Date	Description	Fin. Institution
10/9/2016	245,000.00	245,000.00	2,218.61	1.00%	4/9/2018	CD - 18 months	Sunflower Bank
4/17/2016	250,000.00	250,000.00	262.50	1.05%	4/17/2018	CD - 24 months	South Star Bank SSB
6/15/2016	250,000.00	250,000.00	467.08	1.14%	6/15/2018	CD - 24 months	TrustTexas Bank SSB
8/4/2016	240,000.00	241,537.32	166.06	0.45%	8/4/2018	CD - 24 months	First Bank SSB
10/18/2016	250,000.00	250,000.00	717.01	1.75%	10/18/2018	CD - 24 months	Dalhart Federal Savings
1/31/2017	250,000.00	250,000.00	291.67	1.50%	1/31/2019	CD - 24 months	Horizon Bank SSB
4/7/2017	240,000.00	242,821.58	557.68	1.56%	4/7/2019	CD - 24 months	TBK Bank
5/5/2017	240,000.00	240,000.00	897.00	0.45%	5/5/2019	CD - 24 months	Angelina Savings Bank
6/14/2017	250,000.00	250,000.00	1,791.96	1.00%	6/14/2019	CD - 24 months	Pioneer Bank SSB
9/8/2017	247,537.83	247,537.83	1,427.47	1.20%	9/8/2019	CD - 24 months	Austin Capital SSB
10/2/2017	250,000.00	250,000.00	1,138.19	1.10%	10/2/2019	CD - 24 months	Cypress Bank SSB
12/13/2017	248,446.16	248,446.16	386.82	0.95%	12/13/2019	CD - 24 months	First Fed Community Bank, SSB
12/15/2017	250,000.00	250,000.00	703.13	1.35%	12/15/2019	CD - 24 months	Spirit of Texas, SSB
2/4/2018	250,000.00	250,000.00	116.67	0.70%	2/4/2020	CD - 24 months	Third Coast Bank SSB
Totals	<u>3,460,983.99</u>	<u>3,465,342.89</u>	<u>11,141.85</u>				

**Department of Savings and Mortgage Lending  
Recovery Fund**


**Investment Officer Report as of February 28, 2018 (continued)**

<b>Fund Position for the Quarter Ended February 28, 2018</b>		
<b>Beginning Cash Balance as of December 1, 2017</b>	\$	<b>545,284.72</b>
<b>Receipts</b>		
Licenses' Remittances	20,530.00	
Interest from CDs	12,558.32	
Interest from overnight repos	1,648.10	
CD - Maturity	748,446.16	
<b>Total Received</b>	<b>\$</b>	<b>783,182.58</b>
<b>Disbursements</b>		
CD - Purchase	(748,446.16)	
Recovery Fund Claims	(5,175.00)	
Bank Fees and Charges	(84.86)	
<b>Total Disbursed</b>	<b>\$</b>	<b>(753,706.02)</b>
<b>Total Cash Balance in Trust and Treasury</b>		<b>574,761.28</b>
<b>Reserve</b>		
Reserved for Potential Payment of Claims w/in 90 days	\$	(20,052.16)
<b>Available Cash Balance as of February 28, 2018</b>		<b>554,709.12</b>
Total Amount of Investments		3,465,342.89
Accrued Receivables		11,881.85
Accrued Payables		(27.80)
<b>Fund Balance as of February 28, 2018</b>	<b>\$</b>	<b>4,051,958.22</b>

<b>Claim Payment History</b>		
Fiscal Year	Total Amount \$	# of Payments
2000-2008	234,555.90	12
2009	100,000.00	10
2010	147,033.52	16
2011	22,225.00	5
2012	1,300.00	1
2013	1,465.13	1
2014	-	0
2015	1,039.50	1
2016	-	0
2017	8,566.00	2
2018 YTD	7,175.00	2
<b>Totals</b>	<b>523,360.05</b>	<b>50</b>

**Investment Position:**  
The Fund is capable of meeting all known obligations.

**Investment Compliance:**  
The Department's Investment Policy has been followed.



\_\_\_\_\_  
Antonia Antov, Investment Officer      4/5/2018  
Date



\_\_\_\_\_  
Steven O'Shields, Investment Officer      4/5/2018  
Date

**Office of Consumer Credit Commissioner  
Fiscal Year 2018 - 2nd Quarter**

**Residential Mortgage Loan Originator Recovery Trust Fund #3008**

Beginning Balance at 12/01/17	Additions / *(Deductions)	Interest Paid	Paid Bank Fees	Ending Balance at 02/28/18	Current Interest Rate
\$ 144,102.81	\$ 1,050.00	\$ 431.67	\$ (44.51)	\$ 145,539.97	1.26%

Investment Officer: /s/ Christina Cuellar \_\_\_\_\_

Date: 03/28/2018 \_\_\_\_\_

Reviewed By: /s/ Leslie Pettijohn \_\_\_\_\_

Date: 04/04/2018 \_\_\_\_\_

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

**Office of Consumer Credit Commissioner  
Fiscal Year 2018 - 2nd Quarter**

**Texas Financial Education Endowment Fund #3071**

	Beginning Balance at 12/01/17	Additions	Interest Paid	Grant Disbursements	Paid Bank Fees	Ending Balance at 02/28/18	Current Interest Rate
<b>Cash</b>	\$ 912,624.57	\$ 1,144,853.34	\$ 2,733.93	\$ (14,803.00)	\$ (2,788.89)	\$ 2,042,619.95	1.26%
<b>Invested Portfolio</b>	Beginning Balance at 12/01/17	Additions	*Change in Value	Transfer Out	Paid Fees	Ending Balance at 02/28/18	
Investments - STIF	\$ 853,461.42	\$ 7,410.09	\$ (496,379.83)		\$ (2,816.67)	\$ 361,675.01	
Interest & Dividends Receivable	299.50		145.38			444.88	
Trade Receivables	3,435.72		(3,435.72)			-	
Investments - Equities	36,581.98		11,806.43			48,388.41	
Investments - Alternatives	2,600,668.99		454,432.13			3,055,101.12	
Investments - Fixed Income	246,421.44		99,024.09			345,445.53	
Investments - Futures			2,607.14			2,607.14	
Invested Portfolio	<u>\$ 3,740,869.05</u>	<u>\$ 7,410.09</u>	<u>\$ 68,199.62</u>	<u>\$ -</u>	<u>\$ (2,816.67)</u>	<u>\$ 3,813,662.09</u>	
<b>Liabilities</b>							
Accounts Payable	\$ (1,692.46)	\$ (163.33)	\$ -	\$ -	\$ -	\$ (1,855.79)	
Trade Payables	-	(13,564.62)				\$ (13,564.62)	
Total Liabilities	<u>\$ (1,692.46)</u>	<u>\$ (13,727.95)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,420.41)</u>	
Total Net Fiduciary Assets	<u>\$ 3,739,176.59</u>					<u>\$ 3,798,241.68</u>	
<b>Total Endowment Funds</b>	<u>\$ 4,651,801.16</u>					<u>\$ 5,840,861.63</u>	

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

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

Investment Officer: /s/ Christina Cuellar

Date: 03/28/2018

Reviewed By: /s/ Leslie Pettijohn

Date: 04/04/2018

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**Texas Department of Banking  
Operating Statement and Budget Analysis  
For Period Ending February 2018**

	FY 2017 ACTUAL	FY 2018 BUDGET	QUARTER PERFORMANCE				FY 2018 PERFORMANCE				
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	YTD BUDGET	YTD ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	
<b>REVENUE:</b>											
Bank & Trust Regulation	\$23,019,360.93	\$25,451,783.00	\$6,806,167.00	\$6,782,246.87	\$23,920.13	99.6%	\$13,477,042.00	\$13,569,739.37	(\$92,697.37)	100.7%	
Nonbank Regulation	3,169,412.72	3,223,561.31	106,694.00	462,234.93	(355,540.93)	433.2%	2,075,863.30	2,397,393.91	(321,530.61)	115.5%	
Miscellaneous Revenues	78,639.40	62,400.00	15,600.00	46,264.84	(30,664.84)	296.6%	31,200.00	80,380.23	(49,180.23)	257.6%	
<b>TOTAL REVENUES:</b>	<b>\$26,267,413.05</b>	<b>\$28,737,744.31</b>	<b>\$6,928,461.00</b>	<b>\$7,290,746.64</b>	<b>(\$362,285.64)</b>	<b>105.2%</b>	<b>\$15,584,105.30</b>	<b>\$16,047,513.51</b>	<b>(\$463,408.21)</b>	<b>103.0%</b>	
<b>EXPENDITURES:</b>											
Salaries and Wages											
Exempt Salaries	\$234,725.00	\$234,725.00	\$58,681.25	\$58,681.25	\$0.00	100.0%	\$117,362.50	\$117,362.50	\$0.00	100.0%	
Classified Salaries	16,479,871.06	17,743,138.31	4,367,120.73	4,041,512.97	325,607.76	92.5%	8,497,921.81	8,139,669.66	358,252.15	95.8%	
Other Personnel Costs	368,971.41	548,847.04	91,628.04	146,239.49	(54,611.45)	159.6%	154,245.87	211,597.77	(57,351.90)	137.2%	
	<b>\$17,083,567.47</b>	<b>\$18,526,710.35</b>	<b>\$4,517,430.02</b>	<b>\$4,246,433.71</b>	<b>\$270,996.31</b>	<b>94.0%</b>	<b>\$8,769,530.18</b>	<b>\$8,468,629.93</b>	<b>\$300,900.25</b>	<b>96.6%</b>	
Travel											
In-State	\$1,419,601.57	\$1,566,470.30	\$327,193.85	\$284,463.21	\$42,730.64	86.9%	\$781,902.92	\$649,688.62	\$132,214.30	83.1%	
Out-of-State	654,309.12	737,909.00	119,150.00	105,942.93	13,207.07	88.9%	336,360.00	290,802.94	45,557.06	86.5%	
	<b>\$2,073,910.69</b>	<b>\$2,304,379.30</b>	<b>\$446,343.85</b>	<b>\$390,406.14</b>	<b>\$55,937.71</b>	<b>87.5%</b>	<b>\$1,118,262.92</b>	<b>\$940,491.56</b>	<b>\$177,771.36</b>	<b>84.1%</b>	
Other Expenditures											
Professional Fees & Services	\$252,417.61	\$384,390.00	\$150,137.57	\$150,669.23	(\$531.66)	100.4%	\$181,497.57	\$173,213.05	\$8,284.52	95.4%	
Postage	11,912.37	10,049.00	1,076.00	725.30	350.70	67.4%	1,916.00	\$861.15	1,054.85	44.9%	
Consumable Supplies	193,618.31	297,030.00	19,527.55	16,281.20	3,246.35	83.4%	68,005.94	\$48,367.29	19,638.65	71.1%	
Telephone	247,735.71	270,784.52	90,566.07	89,548.29	1,017.78	98.9%	151,146.20	\$148,186.69	2,959.51	98.0%	
Utilities	39,674.43	46,263.00	10,522.00	10,459.37	62.63	99.4%	27,496.09	\$27,286.42	209.67	99.2%	
Rent - Buildings	383,095.41	407,919.04	104,776.68	105,682.22	(905.54)	100.9%	227,333.94	\$227,623.91	(289.97)	100.1%	
Rent - Machinery & Other	31,126.06	38,834.00	7,646.00	7,511.64	134.36	98.2%	18,917.00	\$18,440.69	476.31	97.5%	
Other Operating	346,413.76	415,088.64	23,242.31	27,816.30	(4,573.99)	119.7%	117,003.31	\$137,466.34	(20,463.03)	117.5%	
Subscriptions	16,870.64	18,558.00	3,155.04	3,757.68	(602.64)	119.1%	6,415.00	\$6,982.22	(567.22)	108.8%	
Employee Training / Reg. Fees	237,659.82	264,803.30	42,515.50	42,919.00	(403.50)	100.9%	99,256.40	\$102,364.50	(3,108.10)	103.1%	
Claims/SORM Assessment	25,387.76	34,911.00	6,408.00	6,409.00	(1.00)	100.0%	26,184.00	\$24,359.82	1,824.18	93.0%	
Capital / Other IT Expenditures	69,013.30	37,500.00	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%	
	<b>\$1,854,925.18</b>	<b>\$2,226,130.50</b>	<b>\$459,572.72</b>	<b>\$461,779.23</b>	<b>(\$2,206.51)</b>	<b>100.5%</b>	<b>\$925,171.45</b>	<b>\$915,152.08</b>	<b>\$10,019.37</b>	<b>98.9%</b>	
Total Expenditures before Benefits	\$21,012,403.34	\$23,057,220.15	\$5,423,346.59	\$5,098,619.08	\$324,727.51	94.0%	\$10,812,964.55	\$10,324,273.57	\$488,690.98	95.5%	
Employee Benefits (Less BRP)	\$4,834,156.07	\$5,287,762.45	\$1,287,467.56	\$1,220,490.79	\$66,976.77	94.8%	\$2,499,316.10	\$2,404,767.34	\$94,548.76	96.2%	
Payroll Hlth. Care/Retirement Cont.	241,200.25	266,859.20	\$66,387.03	\$60,048.10	\$6,338.93	90.5%	\$129,229.26	\$121,015.68	\$8,213.58	93.6%	
SWCAP	\$46,228.00	\$50,000.00	\$0.00	\$0.00	\$0.00	0.0%	\$0.00	\$0.00	\$0.00	0.0%	
<b>TOTAL EXPENDITURES:</b>	<b>\$26,133,987.66</b>	<b>\$28,661,841.80</b>	<b>\$6,777,201.18</b>	<b>\$6,379,157.97</b>	<b>\$398,043.21</b>	<b>94.1%</b>	<b>\$13,441,509.91</b>	<b>\$12,850,056.59</b>	<b>\$591,453.32</b>	<b>95.6%</b>	
<b>EXPENDITURES (OVER) / UNDER REVENUE:</b>	<b>\$133,425.39</b>	<b>\$75,902.51</b>	<b>\$151,259.82</b>	<b>\$911,588.67</b>	<b>(\$760,328.85)</b>		<b>\$2,142,595.39</b>	<b>\$3,197,456.92</b>	<b>(\$1,054,861.53)</b>		

## Texas Department of Banking

**Overview of Budget Variances for the Second Quarter of Fiscal Year 2018** - (Variances in excess of \$1,000 and 5% from budget are reported).

**Nonbank Regulation** – Actual revenues were in excess of budget due to unanticipated penalties from unlicensed money service businesses. Future assessments will be waived to offset this overage.

**Miscellaneous Revenues** – The variance for the quarter relates to higher interest payments from the Treasury than anticipated.

**Classified Salaries and Employee Benefits** – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of February 28, 2018 are listed below:

Administrative	3
Examiners	14

**Other Personnel Costs** – The negative variance relates to unbudgeted lump sum retirement and resignation payments. This is offset by a portion of the positive salary variance above.

**In-State Travel** – The positive variance is due to: (1) vacant examiner positions; (2) resolution planning and horizontal interest rate risk reviews that did not occur; (3) Special Audits examinations that were performed off-site; and (4) training and meetings that were not attended.

**Out-of-State Travel** – The positive variance is due to: (1) examiner vacancies; (2) two Special Audits examinations that were performed off-site; and (3) Special Audits examinations that were performed in-state instead of out-of-state.

**Consumable Supplies** – The positive variance is due to expenditures being lower than history from which budget was created.

**Other Operating** – The negative variance is due to unbudgeted Headquarters building expenditures related to the elevator and boiler upgrade project through the Texas Facilities Commission.

**Payroll Health Care and Retirement Contribution** –The positive variance is due to staff vacancies and the budgeted amount being based on the additional state contribution of 1% and 0.5% to health care and retirement respectively for all employees. However, the 1% healthcare contribution is not calculated for new employees until after 60 days of their employment. In addition, the 0.5% calculation does not include return to work retirees.

**TEXAS DEPARTMENT OF BANKING**  
**Liquidity Report**  
**For the Quarter Ending February 28, 2018**

	<b>Actual</b>
Cash at Beginning of Period	\$ 16,541,034
Revenues Over (Under) Expenditures	\$ 911,589
Increase (Decrease) in Payables/Encumbrances	\$ 54,406
(Increase) Decrease in Receivables	\$ 86,405
<b>Cash at End of Period</b>	<b><u>\$ 17,593,434</u></b>

Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	\$ 6,032,783
Payables (net of receivables)	\$ 1,864,562
Lump Sums for Retirements	\$ 747,546
Program Funds	\$ -
Other	\$ -
<b>Total Reserved Cash Balance</b>	<b><u>\$ 8,644,891</u></b>

Unreserved Cash Balance:	
Future Operations	<u>\$ 8,948,543</u>
<b>Total Unreserved Cash Balance</b>	<b><u>\$ 8,948,543</u></b>

<b>Total Cash Balance</b>	<b><u><u>\$ 17,593,434</u></u></b>
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Unreserved Cash/FY2018 Monthly Budget	3.75 months
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**DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**

OPERATING STATEMENT AND BUDGET ANALYSIS

*For the Period Ended February 28, 2018*

	FY 2017 EXPENDED	FY 2018 BUDGET	FY 2018 PERFORMANCE			
			YTD BUDGET	YTD EXPENDED*	(OVER)/UNDER BUDGET	PERCENT BUDGET
<b>REVENUE:</b>						
Annual Assessment	1,656,500	1,783,534	1,172,666	1,225,765	(53,099)	104.5%
Thrift Application Fees	17,600	15,000	6,000	6,600	(600)	110.0%
Licensing Fees	4,012,638	3,715,105	2,879,555	2,902,860	(23,305)	100.8%
Fines and Penalties	778,869	0	0	291,486	(291,486)	0.0%
Recovery Fund Offset	6,281	10,000	0	0	0	0.0%
Depository Interest	68,152	45,000	22,500	67,423	(44,923)	299.7%
Miscellaneous	4,761	3,000	200	59	141	0.0%
Judgements and Settlements	0	0	0	84,484	(84,484)	0.0%
<b>TOTAL REVENUE</b>	6,544,801	5,571,639	4,080,921	4,578,677	(497,756)	112.2%
<b>EXPENDITURES:</b>						
Salaries and Wages-						
Exempt	194,750	194,750	97,375	97,375	0	100.0%
Classified	3,601,610	4,017,586	1,952,543	1,918,756	33,787	98.3%
Other Personnel Costs	90,552	89,203	43,834	42,471	1,363	96.9%
	3,886,912	4,301,539	2,093,752	2,058,602	35,150	98.3%
Travel-						
Transportation & Mileage	262,365	327,500	139,450	112,673	26,777	80.8%
	262,365	327,500	139,450	112,673	26,777	80.8%
Other Expenditures-						
Professional Services/Fees	108,327	125,090	81,380	80,722	658	99.2%
Consumable Supplies	11,353	14,000	6,000	5,179	821	86.3%
Utilities	30,865	36,088	16,994	14,901	2,093	87.7%
Rent-Space & Equipment	6,086	6,000	4,280	3,566	714	83.3%
Other Operating Expenses	279,568	368,080	158,067	142,511	15,556	90.2%
	436,199	549,258	266,721	246,879	19,842	92.6%
Other Agency Costs						
Employee Benefits	1,216,266	1,336,996	646,662	628,780	17,882	97.2%
SWCAP Indirect Costs	21,708	22,000	11,000	10,150	850	92.3%
	1,237,974	1,358,996	657,662	638,930	18,732	97.2%
<b>TOTAL EXPENDITURES</b>	5,823,450	6,537,293	3,157,585	3,057,084	100,501	96.8%
<b>EXPENDITURES (OVER)/ UNDER REVENUE</b>	721,351	(965,654)	923,336	1,521,593	(598,257)	N/A

\* Amounts include accruals and encumbrances.

## Department of Savings and Mortgage Lending

### Budget Variance Analysis as of February 28, 2018

#### Revenues:

Overall revenues are at 12% over budget.

Thrift Assessments – Revenues are 4.5% over budget, mostly due to higher than budgeted level of assets.

Depository Interest – Revenues are over budget due to higher interest rates and increased account balances.

Fines and Penalties – No amount was budgeted.

Judgements and Settlements – The Department received \$79,983.50 from the PHH Settlement and \$4,500 from Ocwen Financial Corporation.

#### Expenditures:

Overall expenditures are at 97% of budget.

Employees' Salaries and Related Benefits – These categories are at 2% under budget due to several vacancies.

Travel – This category is 19% under budget due to less travel expenses incurred.

Other Operating Expenses – The category is 10% under budget mostly due to timing of equipment purchases.

**DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**

**LIQUIDITY REPORT**

*For the Quarter Ending February 28, 2018*

	Actual
Cash at Beginning of Period	\$ 13,289,156
Revenues Over (Under) Expenditures CY	\$ 344,624
Revenues Over (Under) Expenditures PY	\$ (400)
Increase (Decrease) in Payables/Encumbrances	\$ 70,856
(Increase) Decrease in Receivables	\$ 24,625
TFEE Transfer	(750,000.00)
<b>Cash at End of Period</b>	<b><u>\$ 12,978,861</u></b>

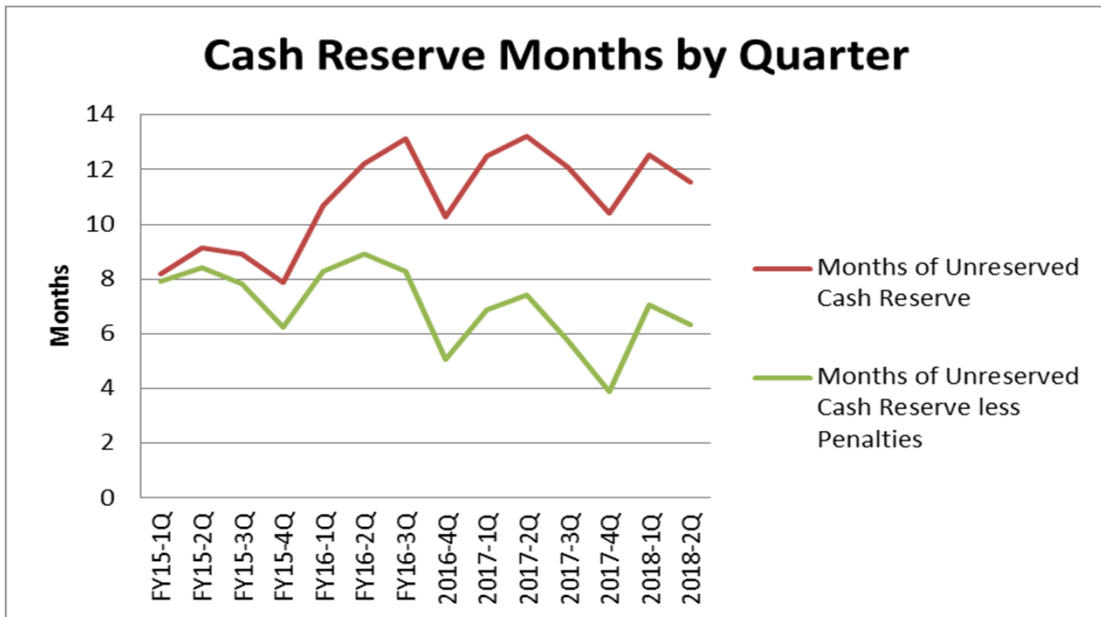
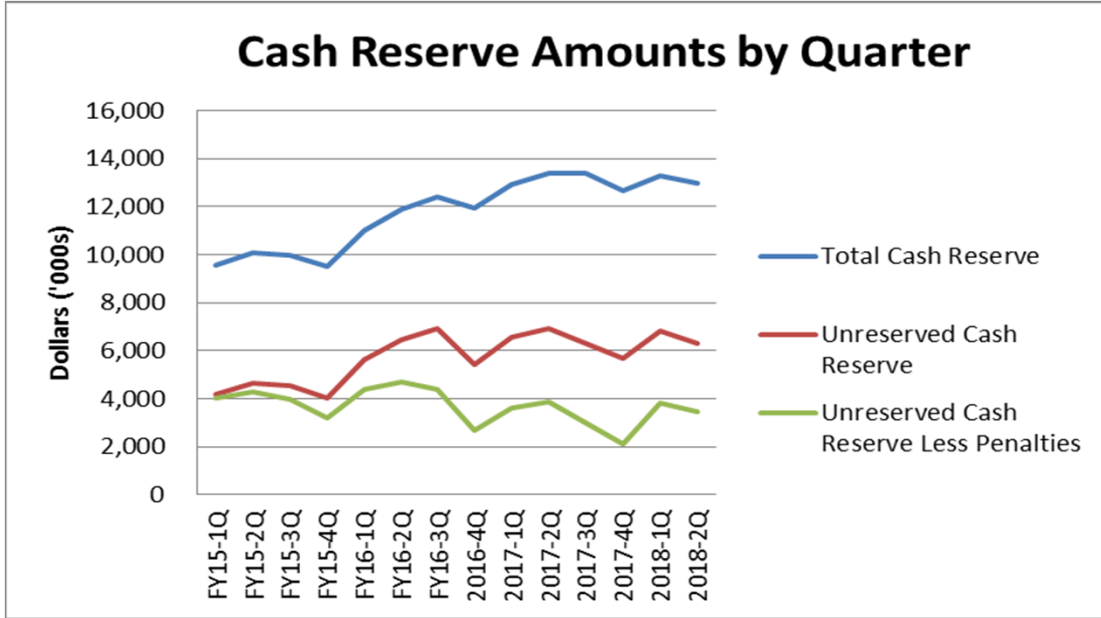
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	\$ 6,028,930
Payables (net of receivables)	\$ 554,589
Lump Sums for Retirements	\$ 100,000
Program Funds	\$ -
Other	\$ -
<b>Total Reserved Cash Balance</b>	<b><u>\$ 6,683,518</u></b>

Unreserved Cash Balance:	
Future Operations	\$ 6,295,343
<b>Total Unreserved Cash Balance</b>	<b><u>\$ 6,295,343</u></b>

<b>Total Cash Balance</b>	<b><u>\$ 12,978,861</u></b>
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Unreserved Cash/FY2018 Monthly Budget	11.6 months
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DEPARTMENT OF SAVINGS AND MORTGAGE LENDING



# DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

## Cash Balance Management Plan FY2018

### Revenues Management:

1. **Plan:** Monitor inflow of revenues; note any deviations from the annual budget and the impact on the total cash balance.  
**Implementation:** Ongoing.
2. **Plan:** Assess fair and just amount of penalties for violations, utilizing the Department's matrix.  
**Implementation:** Ongoing.
3. **Plan:** Explore all options allowed by statute of using the Department's funds to give back to the consumers directly or to use for purposes that benefit consumers.  
**Implementation:** Recommended contribution to the Finance Commission's Texas Financial Education Endowment (TFEE).
4. **Plan:** Continue to annually review and set licensing fees for the upcoming year at a level that does not generate large excess cash balances and yet is sustainable for multiple years. Take into account changes in the industry that might affect the estimated licensee population, as well as comparisons to similar fees in other states.

Waive assessments to the thrift industry without negatively affecting the adequacy of regulation.

**Implementation:** For FY18, as budgeted, mortgage banker and mortgage servicer registration fees were discounted between 11% and 13%. The license fee for a new residential mortgage loan originator (RMLO) license was discounted 20% from \$250 to \$200.

Thrift assessments for the fourth quarter will be waived, as budgeted.

5. **Plan:** Research possible statutory changes that would allow better use of the Department's excess funds to the consumers' benefit.  
**Implementation:** Long-term.

### Expenditures Management:

1. **Plan:** Monitor actual expenditures; note any deviations from the annual budget and the impact on the total cash balance.  
**Implementation:** Ongoing.
2. **Plan:** Fill vacancies in a prompt and efficient manner without compromising on the quality of the new hires. Replace equipment timely according to the planned procurement schedule. Provide all necessary tools to staff to perform their duties successfully.  
**Implementation:** Ongoing.
3. **Plan:** Build the annual budget in a prudent and practical manner, targeting completion of specific goals, providing incentives to employees, and promoting wellness and development.  
**Implementation:** FY2018 budget was built following the planned guidelines.



**OFFICE OF CONSUMER CREDIT COMMISSIONER**  
**OPERATING STATEMENT & BUDGET ANALYSIS - Revised**  
*For the Period Ended February 28, 2018*

50.00%

	FY 2017 ACTUAL	FY 2018 BUDGET	FY 2018 PERFORMANCE			
			YTD BUDGET	YTD ACTUAL	(OVER)/UND BUDGET	PERCENT BUDGET
<b>REVENUES:</b>						
Regulated Lenders	\$ 2,152,309	\$ 2,251,268	\$ 2,093,164	\$ 2,130,195	\$ (37,031)	101.8%
Pawn Industry	1,065,539	1,035,415	64,344	55,181	9,163	85.8% (1)
MV Industry	4,037,505	4,020,994	459,310	449,253	10,057	97.8%
Credit Access Industry	1,258,815	1,152,740	1,130,088	1,173,850	(43,762)	103.9%
Penalties / Late Fees	600,337	-	-	262,621	(262,621)	-
Debt Management Services	39,640	40,856	32,309	43,695	(11,386)	135.2% (2)
Debt Cancellation	42,000	-	-	20,000	(20,000)	- (3)
RAL Assessment	132,050	118,530	100,834	133,575	(32,741)	132.5% (4)
Precious Metals	47,475	38,750	22,128	23,250	(1,122)	105.1%
Tax Liens	65,424	58,856	58,990	60,728	(1,738)	102.9%
Sale of Publications	137	-	-	677	(677)	-
Creditor Registration	82,955	93,515	81,939	75,090	6,849	91.6%
Mortgage Loan Originators	75,500	66,840	53,870	70,525	(16,655)	130.9% (5)
Other Revenue	4,063	-	-	85,683	(85,683)	-
Investment / Interest Income	61,019	-	-	65,139	(65,139)	-
<b>TOTAL REVENUES</b>	<b>\$ 9,664,769</b>	<b>\$ 8,877,764</b>	<b>\$ 4,096,975</b>	<b>\$ 4,649,462</b>	<b>\$ (552,487)</b>	<b>113.5%</b>
<b>EXPENDITURES:</b>						
Salaries and Wages-						
Base Pay	\$ 5,052,138	\$ 5,398,145	\$ 2,699,073	\$ 2,550,191	148,882	94.5%
Benefit Replacement Pay	7,188	6,761	3,381	4,706	(1,326)	139.2%
Longevity	70,280	82,600	41,300	37,420	3,880	90.6%
	<b>\$ 5,129,606</b>	<b>\$ 5,487,506</b>	<b>\$ 2,743,753</b>	<b>\$ 2,592,317</b>	<b>\$ 151,436</b>	<b>94.5%</b> (6)
Travel-						
Public Transportation, Lodging, Meals & Mileage	758,716	797,200	398,600	361,441	37,159	90.7%
	<b>\$ 758,716</b>	<b>\$ 797,200</b>	<b>\$ 398,600</b>	<b>\$ 361,441</b>	<b>\$ 37,159</b>	<b>90.7%</b> (7)
Other Expenditures-						
Professional Services & Fees	176,634	403,000	201,500	147,934	53,566	73.4% (8)
Consumable Supplies	17,121	27,000	13,500	7,951	5,549	58.9%
Postage & Freight	22,345	31,000	15,500	1,267	14,233	8.2%
Telephone & Communications	68,505	85,550	42,775	33,739	9,036	78.9%
Bldg. & Utilities	54,320	68,900	34,450	32,461	1,989	94.2%
Publication / Printing & Reproduction	476	2,500	1,250	1,305	(55)	104.4%
Other Operating	222,274	306,783	153,392	192,571	(39,180)	125.5% (9)
	<b>\$ 561,675</b>	<b>\$ 924,733</b>	<b>\$ 462,367</b>	<b>\$ 417,228</b>	<b>\$ 45,138</b>	<b>90.2%</b>
Acquisition of Info Technology	\$ 56,699	\$ 94,600	\$ 47,300	\$ 98,917	\$ (51,617)	209.1% (10)
Development in Progress	589,389	-	-	-	-	0.0%
Employee Benefits	1,853,669	2,047,768	1,023,884	925,950	97,934	90.4%
SWCAP Reimb to Unapp Gr 0001	28,706	35,000	17,500	-	17,500	0.0%
SORM Assessment	6,059	6,500	3,250	4,685	(1,435)	144.2%
Unemployment Benefits	13,046	15,000	7,500	503	6,997	6.7%
	<b>\$ 2,547,568</b>	<b>\$ 2,198,868</b>	<b>\$ 1,099,434</b>	<b>\$ 1,030,055</b>	<b>\$ 69,379</b>	<b>93.7%</b>
<b>TOTAL EXPENDITURES:</b>	<b>\$ 8,997,565</b>	<b>\$ 9,408,307</b>	<b>\$ 4,704,154</b>	<b>\$ 4,401,041</b>	<b>\$ 303,112</b>	<b>93.6%</b>
<b>EXPENDITURES (OVER) / UNDER REVENUE</b>	<b>\$ 667,204</b>	<b>\$ (530,543)</b>	<b>\$ (607,178)</b>	<b>\$ 248,421</b>	<b>\$ (855,599)</b>	

## Office of Consumer Credit Commissioner

### Overview of Budget Variances for 2nd Quarter FY 2018

#### Revenues- 111.3% of budget

- 1.) Pawn Industry is under budget. Timing issues affect revenue targets. The renewal period occurs in May thru June.
- 2.) Debt Management Services has exceeded budget due to the increase in the number of applications received at the end of February.
- 3.) Debt Cancellation revenue variance is due to the number of contracts received for review is highly variable. Further, given the variable nature, no reliable data was available to project a reasonable revenue target for this item.
- 4.) RAL Assessment is above budget due to the increase in number of registrations in the second quarter of the fiscal year. The activity in this market segment has increased considerably over prior years.
- 5.) Mortgage Loan Originator revenue is above budget due to the receipt of a greater number of renewals than anticipated. The agency forecasted a greater rate of attrition than was realized.

#### Expenditures- 93.6% of budget

- 6.) Salaries and Wages expenditures are 94.5 % of the projected budget. Some turnover has contributed to the variance.
- 7.) Travel expenditures are at 90.7% of the projected budget. Some employee turnover within the Exam department as well as fewer out of state exams in the 2<sup>nd</sup> quarter has resulted in reduced expenditures in the travel budget.
- 8.) Professional Fee expenditures are below budget due to the timing of two projects which are scheduled for later in the fiscal year. The projects are for the licensing dept. and consist of the transition of crafted precious metal registrations into ALECS and security improvements.
- 9.) Other Operating is over budget due to a greater amount of online transaction costs than anticipated. In addition, ALECS maintenance and support costs were incurred at higher levels during the first two quarters.
- 10.) Acquisition of Information Technology is over budget due to the purchase of security software that was not fully anticipated during the budget process. In addition, the agency purchased replacement computers earlier in the year.

**OFFICE OF CONSUMER CREDIT COMMISSIONER**

LIVIDITY REPORT - Revised

*For the Quarter Ending February 28, 2018*

	Actual
Cash at Beginning of Period	\$ 12,308,055
Revenues Over (Under) Expenditures	\$ 89,678
Increase (Decrease) in Payables/Encumbrances	\$ (223,917)
(Increase) Decrease in Receivables	\$ 578,574
<b>Cash at End of Period</b>	<b><u>\$ 12,752,390</u></b>

Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	\$ 6,033,221
Payables (net of receivables)	\$ 719,240
Lump Sums for Retirements	\$ 133,894
Program Funds	\$ -
Other	\$ -
<b>Total Reserved Cash Balance</b>	<b><u>\$ 6,886,354</u></b>
Unreserved Cash Balance:	
Future Operations	\$ 5,866,036
<b>Total Unreserved Cash Balance</b>	<b><u>\$ 5,866,036</u></b>
<b>Total Cash Balance</b>	<b><u>\$ 12,752,390</u></b>
Unreserved Cash/FY2018 Monthly Budget	7.48

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## **TFEE Report – April 20, 2018**

*Juan V. Garcia, Program Director*

Grant Activities for the 2016-17 Grant Cycle (2<sup>nd</sup>) ended on December 31, 2017. The final expense and activities reports were due on January 31, 2018. The Grant Coordinator reviewed the recipient reports and prepared a Semi-Annual Grant Report covering the final reporting period. A total of \$68,447.44 was requested by the remaining six recipients during this period and recipients provided approximately 29,780 Texans with financial education. The 2016-17 recipients are required to submit a final longitudinal report, which is due in June 2018. The Grant Coordinator will then prepare a final report of program activities for the second grant cycle for the Finance Commission meeting in August.

In addition, program activities of the nine 2018-19 TFEE Grant recipients commenced on January 1st, 2018. The Grant Coordinator conducted observational site visits of two 2018-19 recipients on February 21st and March 5th.