

FINANCE COMMISSION OF TEXAS AUDIT COMMITTEE MEETING

Friday, April 21, 2023

8:30 a.m.

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

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

- A. Review and Approval of the Minutes of the February 17, 2023, Audit Committee Meeting
- B. Review of Agencies' Activities
 - 1. Texas Department of Banking
 - 2. Office of Consumer Credit Commissioner
 - 3. Department of Savings and Mortgage Lending
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2023 Second Quarter Investment Officer Reports
 - 1. Texas Department of Banking
 - 2. Office of Consumer Credit Commissioner
 - 3. Department of Savings and Mortgage Lending
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2023 Second Quarter Financial Statements
 - 1. Texas Department of Banking
 - 2. Office of Consumer Credit Commissioner
 - 3. Department of Savings and Mortgage Lending
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's Corporate Activities 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 Appointment of New Grant Advisory Committee Member Raechel Peters
- H. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Mortgage Grant Fund
- 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

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

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

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MINUTES OF THE AUDIT COMMITTEE MEETING Friday, February 17, 2023

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m., on February 17, 2023, with the following members present:

Audit Committee Members in Attendance:

Debbie Scanlon, Chairman
Hector Cerna
Roselyn "Rosie" Morris

Chairman Scanlon announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three (3) members present. *(0.30 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the December 16, 2022, Audit Committee Meeting	Rosie Morris made a motion to Approve the Minutes of the December 16, 2022, Audit Committee Meeting. Hector Cerna seconded, and the motion passed.	0:51 Start of discussion 1:06 Vote
B. Review of Agencies' Activities 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	No Action Required.	1:24 Start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2023 First Quarter Investment Officer Reports 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	Hector Cerna made a motion to recommend that the Finance Commission Approve the Agencies' 2023 First Quarter Investment Officer Reports. Rosie Morris seconded, and the motion passed.	3:40 Start of discussion 7:49 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2023 First Quarter Financial Statements 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	Rosie Morris made a motion to recommend that the Finance Commission Approve the Agencies' 2023 First Quarter Financial Statements. Hector Cerna seconded, and the motion passed.	8:08 Start of discussion 14:11 Vote
E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Solicitation of an Internal Auditor for the Finance Commission Agencies for Fiscal Year 2024	Rosie Morris made a motion to recommend that the Finance Commission Approve the Solicitation of an Internal Auditor for the Finance Commission Agencies for Fiscal Year 2024. Hector Cerna seconded, and the motion passed.	14:30 Start of discussion 15:29 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
F. 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.	15:52 Start of discussion
G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Mortgage Grant Fund	No Action Required.	20:24 Start of discussion
H. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §551.076 and §551.089, Texas Government Code	Deferred to Executive Session – no vote taken.	n/a

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Scanlon adjourned the meeting at 8:52 a.m. *(21:33 on the audio file)*.

Debbie Scanlon, Chairman, Audit Committee
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Ruth Wright, Executive Assistant
Finance Commission of Texas

Texas Department of Banking
Audit Activities Report
As of March 31, 2023

Auditor: Garza/Gonzales & Associates	Audit Report Date: March 2023
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Audit Area: Corporate Activities

Findings: **Status Update:**

Monitoring Overall – Processing Time

<p>A. Recommendation: Establish clear guidance and communicate management's expectations to Corporate Analysts.</p>	<p><i>On-going – The Filing Processing Manual was updated in March 2023 to require a status update at least monthly and include the reason for no change in the application status as appropriate. The Corporate division is holding weekly internal meetings to review the status of filings.</i></p>
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<p>B. Recommendation: Improve management's monitoring of long outstanding filings; such as, utilizing and optimizing available CATS reports, and explore methods to capture and track "idle days" caused by backlog.</p>	<p><i>On-going – Corporate has established a weekly application meeting to review the status of filings, explore and remove roadblocks, provide additional assistance where possible, and to move filings to resolution in an expeditious manner. The Weekly Status Report is the primary tool used to monitor the status of all pending filings which is sent weekly to management. Other filing monitoring reports are available which include the filing volume, aging, and deadlines. These reports are being automatically sent weekly and monthly to applicable personnel to better stay apprised of filings and divisional activities.</i></p>
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Filing Processing Deviations

<p>Recommendation: We recommend that DOB and the Area continue their periodic review and revision to AM 2031 and Manuals to ensure they are up to date and reflect current practice.</p>	<p><i>On-going – By April 30, 2023, the Corporate division will meet with executive management and develop action plans to ensure current application approval practices, signature authority detailed in AM 2031, and Corporate Manual procedures are aligned.</i></p>
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Auditor: State Office of Risk Management	Audit Report Date: February 2023
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Audit Area: Continuity of Operations Plan

Findings: **Status Update:**
None. Favorable review. No recommendations.

Texas Department of Banking
Audit Activities Report Continued
As of March 31, 2023

Auditor:	<i>Garza/Gonzales & Associates</i>	Audit Report Date: <i>Pending</i>
Audit Area:	<i>Procurement/Contract Management/HUB</i>	
Findings:	Status Update:	
<i>N/A</i>	<i>Commencement date to be determined.</i>	
Auditor:	<i>Department of Information Resources – AT&T</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Texas Cybersecurity Framework Assessment</i>	
Findings:	Status Update:	
	<i>Commencement date to be determined in 4th Quarter.</i>	



COOP Plan Evaluation Report

Texas Department of Banking

Conducted By:

Heather Hernandez, Statewide Continuity Coordinator



2/9/2023

Charles G. Cooper
Commissioner
Texas Department of Banking
2601 N. Lamar Blvd.
Austin, TX 78705

Re: Continuity Plan Evaluation

Agency # 451

Dear Charles Cooper,

The Texas Department of Banking recently submitted your Continuity of Operations (COOP) Plan to the State Office of Risk Management (SORM) for review. We have completed our evaluation and have included our findings below. Pursuant to [Texas Labor Code § 412.054](#), SORM acts as an advisory partner to ensure your plan meets Federal Emergency Management (FEMA) and other relevant standards.

Continuity plans are living documents, intended to continuously grow and adapt as organizations evolve. Your COOP plan should ensure you continue mission essential functions should a disruptive event make it impossible to continue work as normal. This is achieved through routinely conducting testing, training, and exercises, then making improvements to the plan based on your findings. SORM serves Texas agencies through review of COOP plans and exercises, and by offering training and resources.

With these goals in mind, we have made the following observations recognizing your plan achievements over the past year and making recommendations about where continued growth and development could be most effective in the year to come.

Synopsis of Key Elements:

- The COOP plan contains thorough analysis and forms to aid the Continuity process during an event.
- The COOP plan provides an excellent balance of detail with necessary flexibility to adapt to continuity events.

Action Items for Follow-up (if any):

None

SORM recommends the above option(s) for you to consider when conducting your annual plan update to help continue to strengthen your program. Additional refinements may be identified through disaster events, testing and exercises, and sharing of best practices with other professionals.

Please convey my appreciation to your continuity staff and all personnel who assisted in the completion of this year's submission. If you have questions or concerns regarding information detailed in this review, please feel free to reach out to me.

Your COOP exercise is due January 27, 2023.
Your next COOP plan is due January 27, 2024.

Respectfully,



Heather Hernandez, MPA, PCP, MEMS
Statewide Continuity Coordinator
State Office of Risk Management

cc: Sami Chadli, Chief Financial Officer, Texas Department of Banking
Cynthia Stuart, Risk Manager, State Office of Risk Management





Important SORM Resources

[Request Training](#)

[SORM Safety Videos](#)

[Workers' Compensation Healthcare Network](#)

SORM Contact Information

Main: (512) 475-1440

Toll-Free: (877) 445-0006

Website: www.sorm.texas.gov

Continuity of Operations

coop@sorm.texas.gov

Heather
Hernandez

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Other Contacts

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Jamell Collins

Training Consultant

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

Auditor: Garza/Gonzalez	Audit Report Date: NA
Audit Area: Internal Audit – Payroll & Human Resources TFEE Fund Investment Portfolio Administration (Required Periodic Audit) Follow-up of Prior Year Audits	
Findings: NA	Status Update: TFEE scheduled for April 2023
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Auditor: Department of Information Resources – AT&T Consulting	Audit Report Date: NA
Audit Area: Texas Cybersecurity Framework Assessment	
Findings: NA	Status Update: Scheduled for June 2023
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Auditor: Department of Information Resources – AT&T Consulting	Audit Report Date: March 6, 2023
Audit Area: Web Application Vulnerability Scan & Controlled Penetration Test	
Findings: NA	Status Update: Penetration test and scan completed in March 2023; rescan pending.
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Auditor: Department of Public Safety	Audit Report Date: May 18, 2022
Audit Area: Non-Criminal Justice Audit – Licensing	
Findings: Evaluate IT Access. IT should be fingerprinted or access should be limited.	Status Update: Pending. Coordinating with DPS and awaiting clarification.

Department of Savings and Mortgage Lending

Audit Activities Report as of March 31, 2023

Auditor:	<i>Department of Information Resources– AT&T Cybersecurity Consulting</i>	Audit Report Date: March 24, 2023
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Audit Area:	<i>Information Resources - Texas Cybersecurity Framework Assessment</i>
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Recommendations:	Status Update:
<i>Related to cybersecurity</i>	<i>Final report received. Executive Closeout meeting scheduled for April 12, 2023.</i>

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



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

April 10, 2023

Mr. Sami Chadli, Chief Financial Officer
Department of Banking
State Finance Commission Building
2601 North Lamar Boulevard
Austin, TX 78705

Re: Audit Delegation Request 451-2023-001

Dear Mr. Chadli:

In accordance with Texas Government Code, Section 321.020, and subject to the conditions listed in Attachment A, the State Auditor's Office delegates to the Finance Commission of Texas, the Department of Banking, the Department of Mortgage Lending and the Office of Consumer Credit Commissioner (Agencies) the authority to employ a private auditor to provide internal audit services as described in your online request submitted March 22, 2023.

If you have any questions, please contact Audit Manager Jeannette Garcia or me at (512) 936-9500.

Sincerely,

Charles H. Wilson

Charles H. Wilson
Risk Assessment Manager

Attachment



Robert E. Johnson
Building
1501 N. Congress Avenue
Austin, Texas 78701



P.O. Box 12067
Austin, Texas 78711-2067



Phone:
(512) 936-9500



Fax:
(512) 936-9400



Internet:
www.sao.texas.gov



Attachment A

This delegation of authority is subject to the following:

1. The services provided should be performed in accordance with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102).
2. This delegation of authority is for state fiscal year 2024.
3. The Agencies must notify the State Auditor's Office if an amendment to the contract substantially alters any contract terms, including, but not limited to, the scope of work to be performed and the term of the contract.
4. The Agencies must comply with applicable law, policies and procedures in the procurement of audit services, the expenditure of funds under the contract, and all other aspects of forming and administering the contract with the private auditor.
5. For any report resulting from a peer review of the private auditor that the private auditor receives after entering into the contract with the Agencies, the Agencies must ensure that the State Auditor's Office receives a copy of the report within ten (10) business days of receipt.
6. Any contracts entered into under this delegation of authority must include the following language: The state auditor may conduct an audit or investigation of any entity receiving funds from the state directly under the contract or indirectly through a subcontract under the contract. The acceptance of funds directly under the contract or indirectly through a subcontract under the contract acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, an entity that is the subject of an audit or investigation by the state auditor must provide the state auditor with access to any information the state auditor considers relevant to the investigation or audit.
7. The term contract, as used throughout Appendix A, is used interchangeably with any written agreement, including an engagement letter. Therefore, if the terms of the agreement are not set out in a contract, the engagement letter or other written agreement, must still contain the language quoted in #6 above.

8. A signed copy of the contract and contract amendments must be provided to the State Auditor's Office within two weeks of execution. You may send it electronically to auditdelegation@sao.texas.gov or send a hard copy to the attention of Audit Delegation. Additionally, a copy of final audit reports must be provided to the State Auditor's Office upon completion. Texas Government Code, Section 2102.0091, requires that internal audit reports be filed with the State Auditor's Office, the Sunset Advisory Commission, the budget division of the Governor's Office, and the Legislative Budget Board not later than the 30th day after the date the report is submitted to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board. Internal audit reports may be sent to the State Auditor's Office electronically to iacoordinator@sao.texas.gov or a hard copy may be sent to the attention of the Internal Audit Coordinator. Please include the audit delegation request number 451-2023-001 with all submissions and related correspondence.

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Texas Department of Banking Quarterly Investment Report
 December 1, 2022 to February 28, 2023

Seized Prepaid Funeral Funds Held in a Financial Institution	Book Value at November 30, 2022	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at February 28, 2023	Financial Institution	Investment Type	Maturity Date	Interest Rate
None	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			N/A	N/A
Total Seized Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				

Notes:

/s/ Jesse Saucillo
Investment Officer

3/30/2023
Date

/s/ Sami Chadli
Investment Officer

3/30/2023
Date

Trust-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2022 to February 28, 2023

<u>Book Value at November 30, 2022</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deduction(s)</u>	<u>(1) Other Addition(s)</u>	<u>Book/Market Value at February 28, 2023</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,409,952.50	\$10,562.06	\$92.22		\$2,000.00	\$1,422,422.34	--	--	\$3,019.61

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$690,349.06	3/1/2023	4.49%	--
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2023	5.00%	\$230.14
Texas Bank Financial, Weatherford, Texas (CD)	\$246,992.73	12/24/2023	4.40%	\$119.10
American Bank of Commerce, Wolfforth, Texas (CD)	\$245,080.55	11/23/2023	4.10%	\$2,670.37
Subtotal	\$1,422,422.34			

(1) Other additions include \$2,000 restitution received from Mr. Kevin Keeney related to Howell-Doran Funeral Home.

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

/s/ Jesse Saucillo
Investment Officer

3/30/2023
Date

/s/ Sami Chadli
Investment Officer

3/30/2023
Date

Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2022 to February 28, 2023

<u>Book Value at November 30, 2022</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deduction(s)</u>	(1) <u>Other Addition(s)</u>	<u>Book/Market Value at February 28, 2023</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$882,613.81	\$7,434.57	\$ 86.53		\$ 48,984.00	\$938,945.85	--	--	\$93.97

Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$693,945.85	3/1/2023	4.49%	--
Spring Hill State Bank, Longview, Texas (CD)	<u>\$245,000.00</u>	5/12/2023	1.00%	\$93.97
Subtotal	\$938,945.85			

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

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

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

<u>/s/ Jesse Saucillo</u>	<u>3/30/2023</u>
Investment Officer	Date

<u>/s/ Sami Chadli</u>	<u>3/30/2023</u>
Investment Officer	Date

University of North Texas Center for Public Management
and
Government Treasurers' Organization of Texas

Co-Sponsored by Texas Higher Education Coordinating Board

Certificate of Attendance
presented to

Jesse Saucillo

For completion of training on the Texas Public Funds Investment Act and related investment issues

February 3, 2023 5 hours

Patrick Shinkle
Center for Public Management
TSBPA CPE Sponsor 007716

**Office of Consumer Credit Commissioner
Fiscal Year 2023 - 2nd Quarter**

Residential Mortgage Loan Originator Recovery Trust Fund #3008

<u>Beginning Balance at 12/01/2022</u>	<u>Additions / *(Deductions)</u>	<u>Interest Paid</u>	<u>Paid Bank Fees</u>	<u>Ending Balance at 02/28/2023</u>	<u>Current Interest Rate</u>
\$ 181,491.60	\$ 7,650.00	\$ 1,953.81	\$ (48.38)	\$ 191,047.03	4.49%

Prepared By: /s/ William Collard

Date: 03/10/2023

Investment Officer: /s/ Mirand Diamond

Date: 4/5/23

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

Office of Consumer Credit Commissioner
Fiscal Year 2023 - 2nd Quarter

Texas Financial Education Endowment Fund #3071								
	Beginning Balance at 11/30/2022	Additions	Interest Paid	Transfers	Grant Disbursements	Paid Bank Fees	Ending Balance at 02/28/2023	Current Interest Rate
Cash	\$ 800,911.58	\$ 275,897.32	\$ 9,544.05	\$ -	\$ (15,259.17)	\$ (6,254.07)	\$ 1,064,839.71	4.49%
Invested Portfolio	Beginning Balance at 11/30/2022	Additions	*Change in Value	Transfers	Transfer Out	Paid Fees	Ending Balance at 02/28/2023	
Cash in Bank	\$ -	\$ -	\$ 31,109.27	\$ -	\$ -	\$ -	\$ 31,109.27	
Investments - STIF	1,810,782.92	-	(25,198.88)			-	1,785,584.04	
Investments - Short Term	69,201.57		110,253.72			-	179,455.29	
Interest & Dividends Receivable	4,938.88		939.53				5,878.41	
Trade Receivables	39,475.38		(38,293.60)				1,181.78	
Investments - Equities	7,058.06		146,115.86				153,173.92	
Investments - Alternatives	6,414,485.53		(49,876.87)				6,364,608.66	
Investments - Fixed Income	106,805.63		6,145.33				112,950.96	
Investments - Futures	-		-				-	
Investments - SWAPS, at Fair Value	62,038.92		(77,588.85)				(15,549.93)	
Total Assets-Invested Portfolio	\$ 8,514,786.89	\$ -	\$ 103,605.51	\$ -	\$ -	\$ -	\$ 8,618,392.40	
Liabilities								
Accounts Payable	\$ (3,896.01)		\$ (19.89)	\$ -	\$ -	\$ -	\$ (3,915.90)	
Interest Payable	(7,083.30)		\$ (14,840.79)				(21,924.09)	
Trade Payables	(53,431.97)		\$ 53,431.97				-	
Futures Contracts, at Fair Value	-	-					-	
Swaps, at Fair Value	-	-					-	
Total Liabilities	\$ (64,411.28)	\$ -	\$ 38,571.29	\$ -	\$ -	\$ -	\$ (25,839.99)	
Total Net Fiduciary Assets-Invested Portfolio	\$ 8,450,375.61						\$ 8,592,552.41	
Total Endowment Funds	\$ 9,251,287.19						\$ 9,657,392.12	

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

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

Prepared By: /s/ William Collard

3/29/2023

Investment Officer: /s/ Mirand Diamond

Date: 4/5/23

Department of Savings and Mortgage Lending

Investment Officer Report as of February 28, 2023

Recovery Fund

	Beginning Balance 12/1/2022	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 2/28/2023
Cash & Cash Equivalents	\$4,779,049.31	\$24,640.00	\$39,502.14	(\$368.20)	\$4,842,823.25
Mortgage Grant Program Balance (12/31/2021)					935,489.78
Mortgage Grant Program Balance (12/31/2022)					356,479.17
Recovery Balance					\$3,550,854.30

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	3/1/2023	4.55%	\$3,592,823.25	\$448.10
TBK Bank	CD - 12 months	4/7/2023	0.60%	250,000.00	216.67
South Star Bank SSB	CD - 12 months	4/26/2023	0.50%	250,000.00	125.00
Sunflower Bank	CD - 12 months	6/2/2023	0.60%	250,000.00	491.67
Dalhart Federal Savings	CD - 24 months	10/18/2024	2.25%	250,000.00	2,078.13
Horizon Bank SSB	CD - 12 months	2/7/2024	4.06%	250,000.00	592.08
				<u>\$4,842,823.25</u>	<u>\$3,951.65</u>

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Anis Golshan

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 3/16/2023

Date: 3/16/2023

Department of Savings and Mortgage Lending

Investment Officer Report as of February 28, 2023

Mortgage Grant Fund

	Beginning Balance 12/1/2022	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 2/28/2023
Cash & Cash Equivalents	\$274,596.37	\$0.00	\$2,910.06	(\$118.06)	\$277,388.37

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	3/1/2023	4.55%	\$277,388.37	\$34.60
				\$277,388.37	\$34.60

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Anis Golshan

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 3/16/2023

Date: 3/16/2023

Texas Department of Banking
Operating Statement and Budget Analysis
For the Quarter Ending February 28, 2023

	FY 2022 ACTUAL	FY 2023 BUDGET	QUARTER PERFORMANCE				FY 2023 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Bank & Trust Regulation	\$23,622,042	\$30,345,091	\$8,706,984	\$8,595,369	\$111,616	98.7%	\$17,415,488	\$17,146,825	\$268,663	98.5%
Penalties - Bank & Trust Regulation	250,000	0	0	0	0	0.0%	0	0	0	0.0%
Non-Depository Supervision	2,609,768	3,237,400	828,950	785,457	43,493	94.8%	2,175,950	2,087,389	88,561	95.9%
Penalties - Non-Depository Supervision	716,705	285,000	67,500	157,160	(89,660)	232.8%	241,500	509,995	(268,495)	211.2%
Miscellaneous Revenues	91,505	84,200	21,050	201,541	(180,491)	957.4%	42,100	343,976	(301,876)	817.0%
TOTAL REVENUES	\$27,290,019	\$33,951,691	\$9,624,484	\$9,739,527	(\$115,042)	101.2%	\$19,875,038	\$20,088,185	(\$213,147)	101.1%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$18,330,063	\$21,650,654	\$5,239,212	\$4,728,799	\$510,412	90.3%	\$10,124,118	\$9,352,519	\$771,600	92.4%
Employee Benefits	5,152,387	6,101,007	1,457,703	1,333,538	124,165	91.5%	2,881,606	2,596,620	284,987	90.1%
Add'l Health/Retirement	253,643	314,468	78,588	67,144	11,444	85.4%	151,862	133,437	18,425	87.9%
Other Personnel Costs	520,138	596,388	73,108	86,938	(13,830)	118.9%	145,988	173,845	(27,857)	119.1%
Subtotal Personnel Costs	\$24,256,231	\$28,662,517	\$6,848,610	\$6,216,419	\$632,191	90.8%	\$13,303,574	\$12,256,420	\$1,047,154	92.1%
Travel										
In-State	\$475,391	\$1,246,150	\$273,159	\$212,563	\$60,596	77.8%	\$517,566	\$458,202	\$59,364	88.5%
Out-of-State	95,374	675,895	106,730	64,202	42,528	60.2%	219,219	159,242	59,977	72.6%
Subtotal Travel	\$570,766	\$1,922,045	\$379,889	\$276,765	\$103,124	72.9%	\$736,785	\$617,445	\$119,341	83.8%
Operating Costs										
Professional Fees	\$275,678	\$669,070	\$51,632	\$51,710	(\$78)	100.2%	\$96,713	\$97,098	(\$385)	100.4%
Consumables	48,668	38,000	7,465	9,362	(1,897)	125.4%	33,884	40,006	(\$6,122)	118.1%
Office Utilities	32,012	33,870	9,063	8,253	810	91.1%	24,813	23,290	\$1,523	93.9%
Rent - Building/Space	410,994	471,735	108,155	104,756	3,399	96.9%	248,773	244,827	\$3,946	98.4%
Rent - Equipment/Other	24,216	28,784	5,696	8,231	(2,535)	144.5%	11,892	14,175	(\$2,283)	119.2%
Communications	239,885	270,841	63,148	63,965	(817)	101.3%	124,069	125,771	(\$1,702)	101.4%
Information Technology	538,893	734,225	133,792	133,783	9	100.0%	265,839	302,827	(\$36,988)	113.9%
Employee Training	216,573	348,581	30,330	24,733	5,597	81.5%	60,865	51,619	\$9,246	84.8%
Misc. Operating Costs	441,992	772,023	123,762	90,814	32,948	73.4%	263,973	207,245	56,729	78.5%
Subtotal Operating Costs	\$2,228,911	\$3,367,129	\$533,042	\$495,605	\$37,437	93.0%	\$1,130,821	\$1,106,859	\$23,962	97.9%
TOTAL EXPENDITURES	\$27,055,908	\$33,951,691	\$7,761,542	\$6,988,790	\$772,752	90.0%	\$15,171,180	\$13,980,724	\$1,190,457	92.2%
EXPENDITURES (OVER) / UNDER REVENUES	\$234,111	\$0	\$1,862,942	\$2,750,737	(\$887,795)		\$4,703,858	\$6,107,462	(\$1,403,604)	

Texas Department of Banking

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

Non-Depository Supervision (NDS) – The variance is related to lower collected examination fees than budgeted and lower than anticipated examination travel reimbursements.

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

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

Employee Compensation and Benefits – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of February 28, 2023 are listed below:

Administrative	11
Examiners	29

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

Travel Breakdown

	In-State Travel	Out-of-State Travel
Regulatory Supervision	\$185,527	\$42,762
Development and Training	12,062	19,817
Other Regulatory Activities	11,630	1,623
Non-Employee	3,344	0
Total	\$212,563	\$64,202

In-State Travel – The positive variance is related to a number of examinations being conducted off-site and other examinations not conducted due to staffing limitations.

Out-of-State Travel – The positive variance is related to NDS examinations being conducted using a hybrid model, alternating on-site and off-site examinations.

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

Rent – Equipment/Other – The negative variance is related to the need to rent portable HVAC units as the main Headquarters HVAC system was being repaired.

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

Misc. Operating Costs – The positive variance is mainly due to unused funds that were allocated for a contractor and a budgeted unemployment claim expenditure that did not occur.

TEXAS DEPARTMENT OF BANKING
Liquidity Report
For the Period Ending February 28, 2023

	Actual
Cash at Beginning of Period	\$20,867,900
Revenues Over (Under) Expenditures	2,755,321
Increase (Decrease) in Payables/Encumbrances	(194,679)
(Increase) Decrease in Receivables	(18,825)
Cash at End of Period	<u><u>\$23,409,717</u></u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$0
Long-term facilities planning	6,424,050
Payables (net of receivables)	2,166,055
Lump Sums for Retirements	803,053
Program Funds	0
Other	0
Total Reserved Cash Balance	<u><u>\$9,393,158</u></u>
Unreserved Cash Balance:	
Future Operations	14,016,559
Total Unreserved Cash Balance	<u><u>\$14,016,559</u></u>
Total Cash Balance	<u><u>\$23,409,717</u></u>
Unreserved Cash/FY2023 Monthly Budget	4.95 months

Office of Consumer Credit Commissioner
Operating Statement and Budget Analysis
For the Quarter Ending February 28, 2023

	FY 2022 ACTUAL	FY 2023 BUDGET	QUARTER PERFORMANCE				FY 2023 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Industry										
Consumer Lending Industry	\$ 1,672,949	\$ 2,291,531	\$ 1,649,385	\$ 1,550,387	\$ 99,000	94.0%	\$ 2,223,104	\$ 1,807,480	\$ 415,623	81.3%
Credit Access Industry	818,210	746,351	448,613	752,990	(304,377)	167.8%	690,598	755,465	(64,867)	109.4%
MVSF Industry	3,415,651	4,355,540	327,746	259,253	68,493	79.1%	3,756,076	3,815,213	(59,136)	101.6%
Pawn	471,353	737,403	5,795	8,725	(2,930)	150.6%	27,298	22,482	4,816	82.4%
Registered Entities	369,390	330,485	156,838	225,345	(68,507)	143.7%	243,838	303,255	(59,417)	124.4%
Penalties	114,600	-	0	6,856	(6,856)	0.0%	0	30,406	(30,406)	0.0%
Miscellaneous Revenue	65,474	15,000	2,711	158,388	(155,677)	5842.2%	10,102	256,900	(246,798)	2543.1%
TOTAL REVENUES	\$ 6,927,627	\$ 8,476,310	\$ 2,591,088	\$ 2,961,944	\$ (370,855)	114.3%	\$ 6,951,015	\$ 6,991,201	\$ (40,186)	100.6%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,435,662	\$ 5,045,938	\$ 1,261,484	\$ 1,166,880	\$ 94,605	92.5%	\$ 2,522,969	\$ 2,304,838	\$ 218,131	91.4%
Employee Benefits	1,524,245	1,805,828	450,288	391,167	59,120	86.9%	900,575	765,351	135,224	85.0%
Add'l Health/Retirement	68,443	74,950	19,907	18,014	1,893	90.5%	39,814	35,609	4,205	89.4%
Other Personnel Costs	120,175	121,194	30,298	20,656	9,642	68.2%	60,597	36,176	24,421	59.7%
Subtotal Personnel Costs	\$ 6,148,526	\$ 7,047,910	\$ 1,761,977	\$ 1,596,718	\$ 165,260	90.6%	\$ 3,523,955	\$ 3,141,974	\$ 381,981	89.2%
Travel										
In-State Travel	\$ 466,732	\$ 567,000	\$ 139,625	\$ 119,827	\$ 19,798	85.8%	\$ 279,250	\$ 246,699	\$ 32,551	88.3%
Out of State - Travel	0	15,000	5,875	904	4,971	15.4%	11,750	8,461	3,289	72.0%
Subtotal Travel	\$ 466,732	\$ 582,000	\$ 145,500	\$ 120,731	\$ 24,769	83.0%	\$ 291,000	\$ 255,160	\$ 35,840	87.7%
Operating Costs										
Professional Services & Fees	\$ 91,283	\$ 90,500	\$ 22,625	\$ 4,811	\$ 17,814	21.3%	\$ 60,250	\$ 23,595	\$ 36,655	39.2%
Consumables	7,083	7,500	1,875	164	1,711	8.7%	3,750	1,539	2,211	41.0%
Office Utilities	16,616	17,250	4,313	4,444	(131)	103.0%	8,625	8,313	312	96.4%
Rent - Building/Space	28,802	27,600	6,900	6,872	28	99.6%	13,800	15,890	(2,090)	115.1%
Rent - Equipment/Other	2,841	3,100	775	543	232	70.0%	1,550	1,261	289	81.4%
Communications	78,834	79,830	19,958	22,644	(2,686)	113.5%	39,915	39,579	336	99.2%
Information Technology	409,708	488,969	122,242	77,478	44,764	63.4%	244,485	170,771	73,714	69.8%
Employee Training	7,321	8,700	2,175	2,270	(95)	104.4%	4,350	6,244	(1,894)	143.5%
Misc. Operating Costs	291,666	277,240	69,310	51,123	18,187	73.8%	150,821	141,028	9,792	93.5%
Subtotal Operating Costs	\$ 934,154	\$ 1,000,689	\$ 250,173	\$ 170,350	\$ 79,823	68.1%	\$ 527,546	\$ 408,221	\$ 119,324	77.4%
TOTAL EXPENDITURES	\$ 7,549,412	\$ 8,630,599	\$ 2,157,650	\$ 1,887,798	\$ 269,852	87.5%	\$ 4,342,500	\$ 3,805,355	\$ 537,145	87.6%
EXPENDITURES (OVER) / UNDER REVENUES	\$ (621,785)	\$ (154,289)	\$ 433,438	\$ 1,074,145	\$ (640,707)		\$ 2,608,515	\$ 3,185,845	\$ (577,331)	

Office of Consumer Credit Commissioner

Budget Variance Analysis

For the Quarter Ending February 28, 2023

Revenues: Overall revenues are 100% of the year-to-date budget.

Consumer Lending- The variance (-19%) is due to a lower renewal rate for regulated lenders than expected and a higher discount for renewal than budgeted. It was anticipated that 93% of regulated lenders would renew based on historical trends and 85% completed renewal.

Credit access industry- The positive variance (9%) is due to higher than anticipated renewal rate. It was anticipated that 85% of CABs would renew and 93% completed renewal.

Registered entities-The positive variance (24%) is due to timing in the receipt of revenue for debt management and settlement registrations, and higher than anticipated refund anticipation loan applications.

Misc Revenue- This category is greater than budgeted due to significantly higher interest earned than anticipated. Interest revenue projections were based on historical trends and current interest rates have resulted in a significant increase in actual revenue collected.

Expenditures: Overall expenditures are 88% of the budget.

Personnel- Expenditures are ~11% under budget primarily due to delays in filling vacant positions. Some vacancies for financial examiners that were forecasted to fill throughout the year have been more difficult to fill and have been deferred into a hiring class in the summer.

Travel- Travel expenditures are 12% under budget due to examiner vacancies and some reduced examination travel in Q1 consistent with the level of examination production.

Expenditure Type	In-State	Out of State	Total
	FY23	FY23	
Regulatory Supervision	183,530	0	183,530
Development & Training	61,459	8,461	69,920
Other Reg Activities	1,710	-	1,710
Total	246,699	8,461	255,160

Professional fees- This category is 60% under budget due to the timing of planned expenditures. Anticipated expenditures for accounting services and architectural/engineering services will occur as the year progresses.

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

Miscellaneous Operating Costs – This category is ~6% under budget due to the timing of SWCAP reimbursement payments.

Office of Consumer Credit Commissioner
Liquidity Report
For the Quarter Ending February 28, 2023

	Actual
Cash at Beginning of Period	\$ 14,061,400
Revenues Over (Under) Expenditures	\$ 1,074,145
Increase (Decrease) in Payables/Encumbrances	\$ 54,520
(Increase) Decrease in Receivables	\$ 187,740
Other source of funds (transfer)	\$ -
Cash at End of Period	<u>\$ 15,377,805</u>

Reserved Cash Balance:	
Building Maintenance/IT	\$ -
Long-term facilities planning	\$ 6,420,394
Payables (net of receivables)	\$ 707,835
Lump sums for Retirements	\$ 290,704
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	<u>\$ 7,418,932</u>
Unreserved Cash Balance:	
Future Operations	\$ 7,958,873
Total Unreserved Cash Balance	<u>\$ 7,958,873</u>
 Total Cash Balance	 <u>\$ 15,377,805</u>
 Unreserved Cash / FY 2023 Monthly Budget	 11.1

Department of Savings and Mortgage Lending

Operating Statement and Budget Analysis For the Quarter Ending February 28, 2023

	FY 2022 ACTUAL	FY 2023 BUDGET	QUARTER PERFORMANCE				FY 2023 PERFORMANCE			
			2nd Quarter BUDGET	2nd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Thrift Industry										
Assessments	\$ 3,921,495	\$ 4,076,434	\$ 1,027,429	\$ 1,216,908	\$ (189,479)	118.4%	\$ 2,087,895	\$ 2,487,984	\$ (400,089)	119.2%
Application Fees	7,750	16,000	4,000	2,200	1,800	55.0%	8,000	4,800	3,200	60.0%
Mortgage Industry										
Licensing Fees	3,353,999	4,707,550	1,534,125	1,197,150.00	336,975	78.0%	3,798,375	3,140,945.0	657,430	82.7%
Administrative Penalties	154,567	-	-	25,101	(25,101)	0.0%	-	58,557	(58,557)	0.0%
Misc. Revenues	51,532	105,000	25,000	130,840	(105,840)	523.4%	50,000	212,037	(162,037)	424.1%
TOTAL REVENUES	\$ 7,489,343	\$ 8,904,984	\$ 2,590,554	\$ 2,572,199	\$ 18,355	99.3%	\$ 5,944,270	\$ 5,904,323	\$ 39,947	99.3%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,984,086	\$ 5,858,020	\$ 1,370,755	\$ 1,249,995	\$ 120,760	91.2%	\$ 2,732,510	\$ 2,499,014	\$ 233,496	91.5%
Employee Benefits	1,475,368	1,734,627	424,196	386,604	37,592	91.1%	827,708	764,108	63,600	92.3%
Add'l Health/Retirement	64,658	81,661	19,422	17,351	2,071	89.3%	38,408	34,514	3,894	89.9%
Other Personnel Costs	130,222	105,481	22,717	36,298	(13,581)	159.8%	63,317	80,386	(17,069)	127.0%
Subtotal Personnel Costs	\$ 6,654,335	\$ 7,779,789	\$ 1,837,090	\$ 1,690,248	\$ 146,842	92.0%	\$ 3,661,943	\$ 3,378,022	\$ 283,921	92.2%
Travel										
In-State	\$ 52,341	\$ 108,000	\$ 27,000	\$ 19,910.25	\$ 7,090	73.7%	\$ 54,000	\$ 40,472	\$ 13,528	74.9%
Out-of-State	16,387	45,000	8,250	873	7,377	10.6%	11,500	1,158	10,342	10.1%
Subtotal Travel	\$ 68,728	\$ 153,000	\$ 35,250	\$ 20,783.49	\$ 14,467	59.0%	\$ 65,500	\$ 41,631	\$ 23,869	63.6%
Operating Costs										
Professional Fees	\$ 45,169	\$ 120,844	\$ 3,000	\$ -	\$ 3,000	0.0%	\$ 32,044	\$ 25,799	\$ 6,245	80.5%
Consumables	6,551	10,000	2,500	497	2,003	19.9%	5,000	1,434	3,566	28.7%
Office Utilities	13,486	14,059	3,259	3,604	(345)	110.6%	6,579	6,904	(325)	104.9%
Rent - Space & Equipment	7,138	10,700	4,200	1,397	2,803	33.3%	10,200	6,792	3,408	66.6%
Communications	88,886	96,432	20,635	18,922	1,713	91.7%	63,862	61,077	2,785	95.6%
Information Technology	228,459	258,391	50,900	51,128	(228)	100.4%	103,301	100,478	2,823	97.3%
Employee Training	50,741	70,000	17,500	2,308	15,192	13.2%	35,000	13,756	21,244	39.3%
Misc. Operating Costs	106,096	132,205	18,955	16,752	2,203	88.4%	52,056	47,998	4,058	92.2%
Subtotal Operating Costs	\$ 546,525	\$ 712,631	\$ 120,949	\$ 94,607	\$ 26,342	78.2%	\$ 308,042	\$ 264,238	\$ 43,804	85.8%
TOTAL EXPENDITURES	\$ 7,269,587	\$ 8,645,420	\$ 1,993,289	\$ 1,805,638	\$ 187,651	90.6%	\$ 4,035,485	\$ 3,683,890.51	\$ 351,594	91.3%
EXPENDITURES (OVER)/ UNDER REVENUES										
	\$ 219,756	\$ 259,564	\$ 597,265	\$ 766,561	\$ (169,296)		\$ 1,908,785	\$ 2,220,433	\$ (311,648)	

Department of Savings and Mortgage Lending

Budget Variance Analysis

For the Quarter Ending February 28, 2023

Revenues: Overall revenues are at 99.3% of budget.

Thrift Assessments – Amounts collected are 19.2% over budget due to higher thrift industry risk-weighted assets than budgeted.

Licensing Fees – Amounts collected are 18.3% under budget. The Department received fewer applications than budgeted.

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

Expenditures: Overall expenditures are at 8.7% under budget.

Personnel Costs – The category is 7.8% under budget due to unfilled vacancies.

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

Travel Breakdown 2nd Qtr FY23			
Category	In-State	Out-of-State	Total
Regulation and Supervision	\$32,086.81	\$285.13	\$32,371.94
Development and Training	7,551.70	873.24	8,424.94
Other Regulatory Activities	55.00	0.00	55.00
Non-Employee Travel	778.94	0.00	778.94
Total	\$40,472.45	\$1,158.37	\$41,630.82

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

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

Department of Savings and Mortgage Lending

Liquidity Report For the Quarter Ending February 28, 2023

	ACTUAL
Cash at Beginning of Period	\$ 12,587,294
Revenues Over (Under) Expenditures	\$ 765,961
Increase (Decrease) in Payables	\$ 25,785
(Increase) Decrease in Receivables	\$ 52,386
Cash at End of Period	<u>\$ 13,431,426</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	6,430,688
Payables (net of receivables)	624,764
Lump Sums for Retirements	183,979
Program Funds	-
Other	-
Total Reserved Cash Balance	<u>\$ 7,239,432</u>
Unreserved Cash Balance:	
Future Operations	\$ 6,191,995
Total Unreserved Cash Balance	<u>\$ 6,191,995</u>
Total Cash Balance	<u>\$ 13,431,426</u>
Unreserved Cash/FY2023 Monthly Budget	8.6 months

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TEXAS DEPARTMENT OF BANKING
Austin, Texas

INTERNAL AUDIT REPORT

on

Corporate Activities

Fiscal Year 2023



TEXAS DEPARTMENT OF BANKING
Austin, Texas

Internal Audit Report
on
Corporate Activities

Fiscal Year 2023

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

We performed procedures to determine the effectiveness and efficiency of the Texas Department of Banking's (DOB) internal control structure over the Corporate Activities Area (Area); and, its compliance with applicable chapters of the Texas Finance Code, the Texas Administrative Code rules; and, the Area's established policies and procedures, for the 5 months ended January 31, 2023.

The results of our procedures disclosed that DOB's internal control structure over the Area were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters, included in this report, that are opportunities for strengthening internal controls and ensuring compliance with state requirements, and established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the "Summary and Related Rating of Observations/Findings and Recommendations," which is included in page 8 of this report.

We have discussed the comments and recommendations from the audit of the Area with various DOB personnel, and will be pleased to discuss them with you in further detail.

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



February 27, 2023

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TEXAS DEPARTMENT OF BANKING

Corporate Activities Internal Audit Report

INTRODUCTION

The Texas Department of Banking (DOB) is a Texas state agency that performs functions designed to maintain a financial regulatory system for Texas to promote a consistent banking environment, and to provide the public with convenient, safe, and competitive banking and other financial services. DOB operates under the oversight of the Finance Commission of Texas pursuant to the authority of various provisions of the Texas Finance Code; the Texas Health and Safety Code; and, the Texas Administrative Code.

DOB's primary functions are to:

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

DOB was granted Self-Directed, Semi-Independent (SDSI) status in the 81st Legislative Session. As an SDSI agency, DOB is not required to have their budget approved by the Legislature; however, the Finance Commission is responsible for setting their spending authority or limits. DOB's operating funds are generated from fees assessed to the businesses it regulates and are used to fund both, direct and indirect costs. General revenue funds are not used to support DOB's operations.

2023 Internal Audit Plan

Following are the internal audit functions to be performed, as identified in DOB's 2023 Internal Audit Plan, dated November 28, 2022, and approved by the Audit Committee and Finance Commission on December 16, 2022:

- Risk Assessment & Preparation of the 2023 Internal Audit Plan
- Corporate Activities Audit
- Procurement/Contract Management/HUB Audit
- Preparation of the 2023 Internal Audit Annual Report
- Other Tasks

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

EXECUTIVE SUMMARY

Background

The Corporate Activities Division (Area) was established by DOB to provide an effective process to evaluate and act upon corporate filings requesting to initiate, expand, or modify financial services in the state of Texas; and, in doing so, ensuring the safety and soundness of such services. The Area's primary activities are to review and process various applications and notice filings (collectively "filings") for state-chartered banks, foreign banks, trust companies, and bank holding companies; licensed money service businesses (MSB); and, registered check verification companies. Filings for regulated perpetual care cemeteries and prepaid funeral contract sellers are reviewed and processed by DOB's Non-Depository Supervision (NDS) Division, and outside the scope of this audit.

Organization

The Area is comprised of the Director of Corporate Activities (DCA), 5 Corporate Analysts (CAs), a Program Specialist (PS), and an Administrative Assistant (AA). The DCA, who reports to the Commissioner, directly supervises the Area's staff. The DCA and CAs are primarily responsible for reviewing, evaluating, and processing all filings. The PS and AA (collectively "Staff") are responsible for assisting the DCA and CAs with logging and imaging filings, and preparing various reports and correspondences.

Filing Intake

Applications and forms, along with detailed instructions, are publicly available from DOB's website. DOB requires that MSB Money Transmission applications be submitted electronically through the National Multistate Licensing System (NMLS); while, all other filings are submitted directly to DOB, via delivery or the Corporate Application Filing System (CAFE), DOB's electronic filing system. All filings and associated fees are date-stamped upon receipt, either electronically, if received through the NMLS or CAFE; or, manually, if delivered to DOB. Filings requiring a fee are not considered "received" until both, filing documents and the respective fees, are received. Filings accompanied by a check are first sent to the Accounting Department for fee processing, who then forwards the filing documents and a copy of the check to the Area for filing processing. During the period from September 1, 2022 to January 31, 2023, the Area received 159 filings.

Filings received by the Area are first scanned by the DCA to determine filing type, and assignment to a CA. In determining the assignment, the DCA considers various factors; such as, complexity of the filing, and each CA's workload, schedule, and training needs. The filing is then sent to a Staff, who data-enters filing information, and images filing documents, into the Corporate Activities Tracking System (CATS), a database system used by the Area to process and track all filings, and that assigns a sequential filing number to each filing created. The filing is then forwarded to the assigned CA for processing.

Filings that meet certain criteria, may be eligible for expedited filing, which reduces the information required to be submitted and fees to be paid.

Filing Processing

The assigned CA is responsible for documenting and updating the filing status in the CATS throughout the processing phase. Filing processing generally consists of 2 phases: (1) Initial Review, and (2) Detail Review and Analysis, as described below, although clear distinctions may not be present for noncomplex filings.

Phase 1: Initial Review

During this phase, the assigned CA performs an initial review of the filing to determine whether it contains information sufficient for a detail review and analysis, performed in the next phase. If determined complete, the CA notifies the applicant that the filing is officially accepted ("Filed"). Otherwise, the CA will acknowledge receipt of the filing, and request additional information before the filing can be officially accepted.

Phase 2: Detail Review and Analysis

During this phase, the assigned CA performs a detail review and analysis of the filing, utilizing internal Processing Manuals as guidance, and a checklist for processing common MSB applications. The CA is responsible for correspondence with the applicant and regulatory agencies; such as, the Federal Reserve Bank (FRB) and the Federal Deposit Insurance Corporation (FDIC), as applicable. The CA, with oversight from the DCA, prepares an Email Summary (Summary) and/or a Final Memorandum (Memo), if required by, and in accordance with, the Manuals. A Summary is prepared in the early stage of detailed analysis, and distributed to DOB management and key staff for their input. A Memo is prepared near the completion of application processing, and contains a recommended decision, and a summary of all pertinent information. Memos are reviewed and first approved by the DCA, before being approved by the Commissioner. Filing processing is considered complete when a decision is reached based on these processes. Upon completion, a “Decision Letter” is sent to the applicant, which may include an approval, denial, or withdrawal letter. Decision Letters are electronically signed by the Commissioner denoting his final approval; or, the DCA, if authorized in the Administrative Memorandum (AM) 2031, *Delegation of Authority*.

Time Requirements

Various Texas Administrative Code (TAC) rules set time requirements to achieve timely processing. Depending on filing type, one or both of the following time requirements, corresponding to the 2 filing processing phases described above, may apply:

- Initial Response Time: The assigned CA’s initial correspondence with the applicant during the *Initial Review Phase* must take place on or before 15 days after the filing is received. Applicability of the Initial Response Days requirement is determined based on filing type; and, if applicable, the deadline date is calculated from the “Received” Date, as reflected in the CATS.
- Processing Time: Processing time requirements vary based on filing type, and range from 15 days for certain expedited applications, to 180 days for complex filings, as provided by applicable TAC rules. Applicability of the Processing Time requirement is determined based on filing type. If applicable, the deadline date is calculated using the “Filed” Date, as reflected in the CATS, and assigned by the CA using the date they are able to review and determine that all information has been received to begin the detail review phase.

Background Checks

Background checks for individuals and entities are required for processing of various types of filings. The Area is granted access to various background check platforms; and, accordingly, has developed the Background Check Manual to ensure thorough background checks are conducted and confidential information is safeguarded in a uniform manner. Texas Department of Public Safety (DPS) conducts a periodic audit, with the most recent one performed in May 2021, to evaluate the Area’s compliance with federal and state requirements related to access, storage, dissemination, and destruction of criminal history record information. During the period from September 1, 2022 to January 31, 2023, the Area completed 181 background checks.

Performance Monitoring and Reporting

Various standardized reports have been developed and are made available in the CATS for monitoring and reporting purposes. For example, CAs are able to monitor their status and progress of pending filings by generating the *Analyst Pending List Report*; and, compliance with the Initial Response Time and the Processing Time can be monitored by generating the *Deadline for Acceptance For Filing Report* and the *Deadline For Action Date Report*, respectively.

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Performance metrics reported to the Finance Commission are prepared primarily from the CATS, except for background checks-related numbers, which are generated from the “Corporate Requests” database application. Preparation of such reports is largely automated to ensure consistency across reporting periods.

The Area is responsible for the following performance measures, which are reported to the Finance Commission as they become available:

- Outcome Measures (Annual): *Percentage of Applications and Notices for Banks, Trust Companies, Money Service Businesses, and Check Verification Companies Processed within Statutory Time Periods.*
- Output Measures (Quarterly): *Number of Applications and Notices Processed for Banks, Trust Companies, Money Service Businesses, and Check Verification Companies.*

The following performance metrics, along with Division Highlights narratives, are also presented to the Finance Commission:

- *Background Checks Completed* (Quarterly).
- *Applications and Notices Under Review* (as of the most recent month-end available).

Fee reconciliation (“Reconcilement”)

The PS performs monthly Reconcilement to ensure filing fees received, as recorded in the CATS, agree with the records maintained by the Accounting Department. The PS utilizes an Excel template designed to efficiently identify differences between the CATS and Accounting reports, if any, and each reconciling difference must be adequately explained. Once completed, the DCA reviews the Reconcilement for reasonableness of the transactions and explanations, then signs and dates the cover page to denote approval.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to determine whether DOB's policies and procedures and internal controls in place over the Corporate Activities Division (Area) adequately ensure that filings processing comply with applicable state statute and rules, and whether such policies and procedures and internal controls are operating as designed.

Scope

The scope of this audit was to review and/or test the Area's selected activities performed, for the 5-month period from September 1, 2022 to January 31, 2023 (audit period). Filings reviewed and processed by the NDS Division were outside the scope of this audit.

Methodology

The audit methodology included a review of applicable laws and regulations; DOB's established policies and procedures, and other internal and external documentation; and, onsite interviews and walkthroughs with selected DOB employees.

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

- A. Sections of the Texas Finance Code and Texas Administrative Code applicable to the Area.
- B. The Area's organizational chart.
- C. The Area's procedures manuals and applications user guides.
- D. Sample Letter templates, monitoring reports, logs, and checklists utilized by the Area.
- E. A listing of filings received during the audit period; and, applications, letters, and other documents for the 17 filings selected for testing.
- F. Fee reconcilements for the 2 months selected for testing.
- G. Performance measures and other Finance Commission reporting for selected periods, and corresponding supporting documentation.
- H. CATS user roles and privilege listing.

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

1. Reviewed and obtained an understanding of the sections of the Texas Finance Code and Texas Administrative Code, as applicable to filing processing performed by the Area.
2. Reviewed the Area's procedures manuals, applications user guides; sample letter templates, monitoring reports, logs, and checklists; collected other available documents; and, conducted interviews and walkthroughs, to obtain an understanding of controls, processes, and current practices in place, as established by the Area. Then, evaluated whether such controls, processes, and controls adequately ensure compliance with applicable requirements identified in procedure 1 above.

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3. Obtained a list of filings received during the period from September 1, 2022 to January 31, 2023, and selected 17 filings to test for the following attributes, where applicable:
 - a. Accuracy of the following dates entered in the CATS: Received, Responded, and Decision.
 - b. Verification that the following dates, as calculated in the CATS were correct: Filing (i.e., Initial Response) Deadline and Process Deadline.
 - c. Compliance with the Initial Response Time and the Processing Time requirements.
 - d. The correct processing fee amount was collected.
 - e. Filing-specific documentation, as provided in applicable Texas Finance Code or TAC sections, was obtained before the filing was accepted; such as, recent financial statements, legal counsel opinion letter, and documentation supporting eligibility for expedited filing.
 - f. Background check, when required, was performed.
 - g. The Area adhered to the following selected procedures and internal controls:
 - i. The Initial Response Letter was reviewed and approved by the DCA.
 - ii. If required, a Summary was prepared and emailed to DOB personnel specified in the applicable Processing Manual for their input.
 - iii. If required, a Memo was prepared, reviewed by the DCA, and then approved by the Commissioner.
 - iv. The Approval Letter (or other decision letter) was reviewed by the DCA, and approved by the Commissioner or the DCA, in accordance with AM 2031.
 - v. For MSB applications, the applicable checklist was utilized.
4. Obtained an understanding of the Area's performance reporting methodology, and selected the following performance measures and metrics reported to the Finance Commission for testing by ensuring data agreed to supporting reports:
 - a. Fiscal year 2022 annual Outcome measures, as reported to the Finance Commission on October 28, 2022:
 - i. Percentage of Applications and Notices for Banks, Trust Companies, Money Service Businesses, and Check Verification Companies Processed within Statutory Time Periods.
 - b. Quarter 1, FY22 quarterly Output measures and metrics, as reported to the Finance Commission on February 17, 2023:
 - i. Number of Applications and Notices Processed for Banks, Trust Companies, Money Service Businesses, and Check Verification Companies.
 - ii. Background Checks Completed (metrics).
 - c. Applications and Notices Under Review as of January 31, 2023, as reported to the Finance Commission on February 17, 2023.
5. Reviewed access privileges granted to each CATS user account, and obtained justification for unusual accounts and/or privileges to assess reasonableness of the justification.
6. Obtained an understanding of the Area's filing fee reconciliation methodology, and selected the October 2022 and November 2022 reconciliations, to test for accuracy and evidence of the DCA's approval.

SUMMARY AND RELATED RATING OF OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

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

Summary of Findings & Recommendations and Related Ratings		
	Title	Rating
Finding No.		
1	Monitoring Overall Processing Time	High
2	Filing Processing Deviations	Low
Observation No.		
1	Finance Commission Reporting	—
2	CATS Reports	—
<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 <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.</p>		

OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	2/27/2023	Corporate Activities	<p>1. Monitoring Overall-Processing Time</p> <p>After an initial response letter is sent to the applicant, which in accordance with applicable TAC rules, is within 15 days after a filing is received, weeks or months may elapse (idle days) before the assigned CA is able to review additional submission of requested information from the applicant, to enable the CA to determine whether the application is officially accepted (“Filed”), as defined in TAC §15.1. Since the processing time requirement, as established by TAC rules, does not begin until the application is filed, these “idle days” are not closely monitored by the Area, nor are they considered in the processing time computation. This issue, combined with insufficient documentation of status updates, is primarily found in MSB Money Transmission (MSB-MT) license applications processing.</p> <p>Our testing of 17 filings, which included 3 MSB-MT applications, disclosed the following instances of long-outstanding MSB-MT applications:</p> <ul style="list-style-type: none"> • In 1 instance, DOB received additional information on 11/29/2022 that was requested in the initial response letter dated 11/15/2022. No other activity was logged in the CATS as of February 2023; and, according to the assigned CA, this was due to processing backlog. • In 1 instance, an initial response letter, dated 10/31/2022, was sent to the applicant requesting additional information; however, no further activity was logged in the CATS since that date to indicate whether the additional information was received, or that follow-up was attempted by the CA. <p>Various CATS reports; such as, the following, are available for monitoring such long-outstanding applications; however, they are not fully optimized nor utilized:</p> <ul style="list-style-type: none"> • The <i>MSB Pending Application Report</i> generates a list of all pending filings that could be used by management to identify long-outstanding filings. However, the report contains many “false” pending filings, which are incorrectly identified as pending by the report query. • The <i>Deadline for Acceptance For Filing Report</i> contains the Number of Days in Office (i.e., overall days) for each pending filing. However, the report is currently used only for monitoring the 15-day initial response time. <p>Recommendation</p> <p>We recommend that DOB —</p> <ol style="list-style-type: none"> a. Establish clear guidance and communicate management’s expectations to CAs, as related to the CATS documentation; including, frequency of documentation, and appropriate justification for long-outstanding filings. 	To achieve timely filing processing.

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Corporate Activities
Internal Audit Report

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	2/27/2023	Corporate Activities	<p>Management’s Response</p> <p>The requirements for communicating the status of an application are in the Filing Processing Manual. The Manual was updated in March 2023 to require a status update at least monthly and include the reason for no change in the application status as appropriate. The Director of Corporate activities is responsible for ensuring that analysts adhere to expectations for updating the status of applications in CATS. The Corporate division is now holding weekly internal meetings to review the status of filings as detailed below.</p> <p>b. Improve management’s monitoring of long-outstanding filings; such as, utilizing and optimizing available CATS reports, and explore methods to capture and track “idle days” caused by backlog.</p> <p>Management’s Response</p> <p>Until such time as the volume of filings returns to a more manageable level, Corporate has established a weekly application meeting. This meeting is used to go over the status of filings, explore and remove roadblocks, provide extra assistance where possible, and generally work as a team to move filings to resolution in an expeditious manner.</p> <p>The Weekly Status Report is the primary tool used to monitor the status of all pending filings in Corporate. This report is sent weekly to management throughout the Department. This report includes the date the filing was received, when it was accepted for filing, and the current status. There are also other reports available for monitoring deadlines, MSB specific activity, and summary of pending filings, all of which include the filings received date to help monitor the length of time since a filing was received. Such reports are now being automatically sent weekly and monthly to applicable personnel using the Department’s report submission application called Maintenance for Automated Reports Generation (MARG). Through MARG, we have turned on additional reporting for managers and staff to better stay apprised of filings and Corporate activities generally.</p> <p>2. Filing Processing Deviations</p> <p>Our testing of a sample of 17 filings disclosed the following instances in which policies and procedures (a) were not consistently followed, (b) did not reflect current practice, or (c) were contradictory:</p> <p>a. In 1 instance, the \$500 branch flip notice fee was waived. Although the reason for the waiver, as documented in the CATS seemed reasonable, documentation was not available to verify the Commissioner’s approval, as required by DOB’s Administrative Memorandum (AM) 2031: <i>Delegation of Authority</i>.</p>	To ensure policies and procedures are up to date and filings are processed in a uniform manner.

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Internal Audit Report

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	2/27/2023	Corporate Activities	<p>b. In 1 instance, the Approval Letter for temporary license was signed by the DCA instead of the Commissioner, following current practice, but not in accordance with AM 2031. Also following current practice, a Summary for MSB temporary license application was not prepared, although required by the MSB Processing Manual.</p> <p>c. In 1 instance, an emergency branch closure exceeding 3 consecutive business days was approved by the DCA in accordance with AM 2031. However, the Administrative Operations Manual names the Commissioner as the approver.</p> <p>Recommendation</p> <p>We recommend that DOB and the Area continue their periodic review and revision to AM 2031 and Manuals to ensure they are up to date and reflect current practice.</p> <p>Management's Response</p> <p>By April 30, 2023, the Corporate division will meet with executive management and develop action plans to ensure current application approval practices, signature authority detailed in AM 2031, and Corporate Manual procedures are aligned.</p> <p style="text-align: center;">OBSERVATIONS</p> <p>1. Finance Commission Reporting</p> <p>The Area prepares Finance Commission reporting by utilizing standardized reports from the CATS and the Corporate Requests database, to ensure consistency over reporting periods. However, the following performance metrics are reported to the Finance Commission using only system-generated summary reports, which have not been validated with associated detail reports to ensure their accuracy:</p> <ul style="list-style-type: none"> • Background Checks Completed • Applications and Notices Under Review <p>NOTE: Based on our review of detailed reports that were manually generated for this audit, the system-generated summary reports that were used to prepare the metrics reported to the Finance Commission, were found to be substantially accurate.</p> <p>Recommendation</p> <p>We recommend that the Area periodically validate the accuracy of system-generated summary reports; such as, comparing information to underlying detail reports, to ensure reliability of the data reported to the Finance Commission.</p>	To ensure accurate performance information is reported to the Finance Commission.

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Corporate Activities

Internal Audit Report

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	2/27/2023	Corporate Activities	<p>Management's Response</p> <p>On February 28, 2023, a project was initiated to compare the various reports used to track and report pending filings. As part of the process, a detail report was created to identify the transactions reflected in the summary report used for Finance Commission reporting. The project identified a few data entry errors which were corrected. Additionally, the project identified and corrected discrepancies in how certain reports determine that a filing is "pending". Existing Area reports routinely provided to the Finance Commission are now supported by detail reports showing specific filings included in summary reports.</p> <p>2. CATS Reports</p> <p>We received the <i>Received Filings Report</i>, which is a standardized CATS report, for the period from 9/1/2022 to 1/31/2023, to make selections of filings for testing. Based on our review of the report, we observed gaps in sequential filing numbers. In consultation with the MIS department, the Area's management determined that 9 filings that should have been included had been excluded, and indicated that the omission was caused by query errors</p> <p>Additionally, while 2 MIS personnel and the DCA are able to delete filings from the CATS, there currently is not a standardized CATS Maintenance Report that allows management to periodically review and monitor filing deletions.</p> <p>Recommendation</p> <p>We recommend that the Area —</p> <ol style="list-style-type: none"> Re-evaluate accuracy of all frequently used CATS Reports; including, those used for Finance Commission reporting referenced in Observation 1 above. <p>Management's Response</p> <p>On February 28, 2023, a project was initiated to compare the various reports used to track and report pending filings as described in the management response to Observation 1 above. By April 30, 2023, each report used in CATS supporting Finance Commission and performance measure reporting will be validated for accuracy.</p> <ol style="list-style-type: none"> Consider updating the CATS reporting menu to include a deletion log as a CATS Maintenance Report, which will allow management to perform a periodic review of filing deletions. 	To ensure CATS reports provide accurate and useful information.

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Internal Audit Report

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	2/27/2023	Corporate Activities	Management's Response CATS has been updated to log deletions of filings, and the CATS Maintenance Report has been updated to include the option to report deleted filings. Only the Director and programmers can delete a filing, which is then automatically recorded in the log for tracking. Furthermore, the Audit Trail Report section of the Administrative Operations Manual has been updated to reflect the inclusion of logs for filing deletions. The Audit Trail Report procedure provides for monthly review and comparison to source documents authorizing the change.	

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TFEE Report – April 21, 2023

F. ACTIVITIES RELATING TO THE TEXAS FINANCIAL ENDOWMENT FUND

The 2nd semi-annual grant reimbursements for the 2022-2023 cycle are being finalized and the semi-annual report is included in the packet. Reimbursements as of March 31st equal \$254,700.27, which is 62.3% of the 2022-2023 total award amount. TFEE materials continue to be reviewed and updated in anticipation of the summer opening of the 2024-2025 grant cycle, and staff are reviewing historical information and projections related to the Endowment Fund so that a recommendation may be made at the June Finance Commission Meeting regarding the 2024-2025 total award amount.

G. DISCUSSION OF AND POSSIBLE VOTE TO RECOMMEND THAT THE FINANCE COMMISSION TAKE ACTION ON THE APPOINTMENT OF NEW GRANT ADVISORY COMMITTEE MEMBER RACHEL PETERS

The recommendation is to appoint Raechel Peters as the Credit Access Business Representative to the Grant Advisory Committee (GAC). Raechel Peters would replace Deborah Reyes in this role and fill her unexpired term.

Raechel Peters is the Senior Vice President of Marketing at Community Choice Financial. She earned a Bachelor of Arts in Communication with an emphasis on Integrated Marketing Communication from Wichita State University.

Over the past decade, Raechel has worked with industry leaders to build integrated marketing programs from the ground up, create management councils that optimize strategic learning, and drive growth through enhanced globalization and technology. Raechel's extensive background in marketing and her experience as an effective team leader have earned her roles on international leadership teams, as well as recruitment by former employers.



2022-23 GRANT CYCLE
SEMI-ANNUAL REPORT No. 2

JULY 1, 2022 – DECEMBER 31, 2022

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Grant Advisory Committee

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

Grant Coordinator

Patricia Hord, Office of Consumer Credit Commissioner

2022-23 TFEЕ Grant Recipients

Austin Community College	Adult Financial Education & Capability
Building Financial Capacity Coalition	K-12 Financial Education & Capability
Easter Seals of Greater Houston	Financial Coaching
Family Services Association of San Antonio	Financial Coaching
FoolProof Foundation	K-12 Financial Education & Capability
Foundation Communities	Adult Financial Education & Capability
Girl Scouts of Northeast Texas	K-12 Financial Education & Capability
Goodwill Central Texas	Adult Financial Education & Capability
Houston Area Women’s Center	Financial Coaching
Metrocrest Services	Adult Financial Education & Capability
Prison Entrepreneurship Program	Adult Financial Education & Capability
RAISE Texas	Financial Coaching

Summary

The Texas Financial Education Endowment awarded 12 organizations an aggregate amount of \$409,000 in funds for program activities related to the 2022-23 grant cycle. These organizations promote and strengthen financial education and capability across Texas.

During the second reporting period (July 1, 2022 – December 31, 2022), grant funds were used to provide 5,798 hours of direct financial education training to 1,692 Texas consumers through group presentations and one-on-one financial coaching sessions.

Funds Disbursement to Date

Amount Awarded	\$409,000.00
Total Requested Amount for Reimbursement Request No. 1:	\$138,801.08
Reimbursement Requests (No. 2 July 1, 2022 – December 31, 2022)	
Austin Community College	\$30,585.00
Building Financial Capacity Coalition	\$4,731.25
Easter Seals of Greater Houston	\$10,000.00
Family Service Association of San Antonio	\$16,564.13
FoolProof Foundation	\$13,966.44
Foundation Communities	\$0.00
Girl Scouts of Northeast Texas	\$6,008.34
Goodwill Central Texas	\$5,812.01
Houston Area Women's Center	\$18,116.87
Metrocrest Services	\$10,000.00
Prison Entrepreneurship Program	\$13,712.44
RAISE Texas	\$4,519.58
Total Requested Amount for Reimbursement Request No. 2:	\$134,016.06
Total Requested Amount to Date:	\$272,817.14
% of Funds Expended to Date:	66.70%
Amount of Funds Remaining	\$136,182.86

Austin Community College

Austin Community College's (ACC) Student Money Management Office (SMMO) was established in 2016 and delivers quality financial literacy instruction and guidance at key points in students' academic careers. The purpose of their Gaining Momentum program is for the SMMO to provide financial education and capability support to Black ACC students.

The Gaining Momentum program strives to support consumer credit building and interest in financial capability by offering the following to participants at no cost: financial education, financial coaching, credit building incentives, debt reduction incentives and support (including asset building support). In addition, it intends to increase the financial well-being of participants (as measured by the United States Consumer Financial Protection Bureau's scale) and promote students' interest in supporting the long-term national outcome of increasing racial equity and closing the racial wealth gap.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$40,000

FUNDS REQUESTED THIS PERIOD: \$30,585 | TOTAL REIMBURSED YTD: \$30,585

Program Update

ACC's Gaining Momentum Program has proven successful with over 200 applicants for Cohort 2. Thirty-one students were selected and 26 successfully completed the program. Through 50 hours of direct contact, students reported consistent and frequent communication, content that was of interest and relevant to them, as well as executable concepts.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- 2 financial education workshops were delivered to 26 students
- 1 Racial Wealth Gap Forum was delivered to 30 participants (students and staff)
- \$13,000 in incentives was dispersed to students who successfully completed the program

Major Achievements

- 26 students received financial education, coaching, and support; completed key steps toward building credit and/or reducing debt; and gained awareness of both consumer credit issues and the Racial Wealth Gap
- 92% of Cohort 2 students demonstrated a knowledge gain on post-tests, and 71% of students from Cohort 1 reported an increase in feelings of well-being/knowledge gained

Biggest Challenges

- Program efficiencies were gained when two work study students (previous attendees) were hired to help facilitate program tasks and participant communication, which simultaneously reinforced their own financial wellness knowledge

Building Financial Capacity Coalition

Building Financial Capacity Coalition (BFCC) champions effective financial education for families in the Rio Grande Valley. Its mission is to foster community prosperity by enhancing the knowledge and skills that families need to improve their financial decision-making for both personal and small business finances.

The goal of BFCC's Money Smart Ambassador (MSA) Program is to collaborate with local independent school districts (ISD) in helping high school students complete the Train the Trainer curriculum, design and share financial literacy presentations, and participate in a Financial Literacy Summit. BFCC's Labor of Love (LOL) Student Program will identify at-risk students, especially young mothers enrolled in BFCC's participating districts, to participate in classroom trainings, receive guidance through FDIC Money Smart modules, attend job application and resume building workshops, and participate in life skills sessions.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

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

FUNDS REQUESTED THIS PERIOD: \$4,731.25 | TOTAL REIMBURSED YTD: \$15,000

Program Update

BFCC continued to work with MSA students and teachers from six Brownsville ISD (BISD) high schools and four Harlingen Consolidated ISD (HCISD) high schools. Previously, Summits were not held until April, making it difficult to showcase students' work at the end of the school year. Therefore, Train the Trainer sessions were held earlier this year (September and October) to allow for earlier Summits in the spring (February). Staff contacted information technology personnel from both school districts and from Texas Southmost College (TSC) to ensure proper recording of future program events.

Reporting Period Update (July 1, 2022 - December 31, 2022)

Program Activities

- 340 hours of direct contact were provided to 36 students and 13 teachers
- Labor of Love Financial Education Program is being planned for BISD's Lincoln Park High School

Major Achievements

- Train the Trainer Session held in Lower Rio Grande Valley with 8 Teachers/Mentors and 24 Money Smart Ambassador Students
- Train the Trainer Session held in Upper Rio Grande Valley with 5 Teacher/Mentors and 14 Money Smart Ambassador Students

Biggest Challenges

- Tracking program effectiveness becomes difficult after students graduate from high school, when they actually put their learning into practice; BFCC is working to remedy this

Easter Seals of Greater Houston

Easter Seals of Greater Houston (Easter Seals) has a 75-year history of working with vulnerable populations. Their team includes trainers certified through the U.S. Department of Housing and Urban Development, all of whom are certified financial coaches with extensive experience addressing the unique issues facing low income families and those stemming from disability. The purpose of their Financial Coaching for Low Income People with Disabilities program is to support financial coaching for Montgomery and Harris County high school and transition-aged youth with disabilities, in addition to low income people of all ages with a family member in the household who has a disability, or is a veteran.

With a focus on long-term change, the program's general goals are to increase knowledge, work with clients to set goals, and support clients in improving their financial stability. Specific goals are to help people understand credit and debt, while moving toward building assets and savings. Easter Seals will offer financial literacy and credit boot camp opportunities; assist with clear affordable rental/housing cost loads; and help break the cycle of poverty through homeownership opportunities.

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$40,000

FUNDS REQUESTED THIS PERIOD: \$10,000 | TOTAL REIMBURSED YTD: \$20,000

Program Update

During this reporting period, Easter Seals provided 2,000 direct contact hours and served 256 individuals. As their low-income, first-time homebuyers struggled to qualify for very modest homes, counselors worked with lenders to access more financial assistance and ensure families were placed in affordable mortgages. Rising inflation increased clients' need for basic financial education and coaching.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- 45 clients received individual counseling and 246 received financial education services
- Counselors used mortgage projection tools early in the counseling process to help clients establish realistic ideas of affordable housing based on debt-to-income ratios

Major Achievements

- Home purchases exceeded expectations as 10 of 19 clients were able to purchase homes
- Counselors worked with county staff to revise purchase guidelines, making more allowances for lower-income families to find a home in their purchase price range

Biggest Challenges

- Rising interest rates made obtaining mortgages a challenge, so clients focused on debt reduction

Family Service Association of San Antonio

The Family Service Association of San Antonio (FSA) was founded in 1903 with the mission of empowering individuals and families to transform their lives and strengthen their community. Its Financial Empowerment Center was established over eight years ago and has partnered with such organizations as the City of San Antonio, United Way of San Antonio, and Bexar County, since its inception.

The goal of FSA's Financial Empowerment Services program is to increase economic opportunities for low-income families and individuals. The project was developed to assist participants in overcoming barriers such as minimal educational attainment, insufficient job skills, and ineffective support systems that contribute to a lack of individual employability and perpetuate intergenerational cycles of poverty. The program will provide financial capability to 1,000 individuals through one-on-one financial counseling focused on: reducing debt, increasing credit scores, savings, banking, and wealth building.

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$40,000

FUNDS REQUESTED THIS PERIOD: \$16,564.13 | TOTAL REIMBURSED YTD: \$24,356.71

Program Update

In the second half of 2022, FSA provided financial counseling to 475 individuals through 1,275 counseling sessions. 109 individuals increased their credit scores by 35 points, 120 participants reduced their debt by 10%, and 26 individuals saved 2% of their annual income. FSA has found that retention and multiple financial counseling sessions are key to participant success in achieving their goals. FSA has a good track record with retention and has increased their per person session rate from 3 to 4.8 sessions.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- 45 clients received pre-homeownership counseling, and one of those clients purchased a home
- Staff utilize the Center for Medicaid Services Model Social Determinants of Health screening questions in the agency enrollment process, enabling counselors to provide wrap-around services when appropriate

Major Achievements

- FSA continues to have strong programmatic achievements and participants achieve high outcomes in a relatively short period of time

Biggest Challenges

- Covid-19 has created barriers for families, requiring FSA to address emergency needs to create stability while assisting clients in working toward their financial goals

FoolProof Foundation

FoolProof Foundation (FoolProof) was created because a 12-year-old boy working three jobs was the only kid in an audience full of adults being counseled on money problems. He was not there with his parents; he was there to learn tips to help his parents and to learn tips to keep him from making the same mistakes his parents had made. Like that boy, about 29 million children in the U.S. are living in a low-income, poor, or deep-poverty family. All of these children and their families are at greater risk for abuses in the financial marketplace. FoolProof's aim has been to develop resources for the underserved to learn consumer skills.

FoolProof's goal is to support a comprehensive professional development (PD) program promoting access to financial education for teachers of grades 5-12 located throughout Dallas County. Existing relationships with administrators in Dallas ISD will be leveraged to coordinate, plan, and execute four PD sessions, thus onboarding 120 new teachers and increasing curriculum usage in Texas by 2,200 students.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION CAPABILITY

GRANT TERM: ONE YEAR | AMOUNT AWARDED: \$29,000

FUNDS REQUESTED THIS PERIOD: \$13,966.44 | TOTAL REIMBURSED YTD: \$25,876.34

Program Update

By the end of the second reporting period, FoolProof served a total of 2,762 Texas students, a 15% increase over the 2,392 students served during the previous school year, and provided 1,175 hours of direct contact to 23 teachers/administrators. During this term, staff focused on relationship-building throughout Dallas ISD, which paid off with professional development sessions in December where attendees saw that FoolProof will be available to support teachers regardless of district staffing changes. Work in Dallas opened new channels throughout the state that will enable FoolProof staff to help rural educators gain the same access to quality teacher professional development as the urban school districts.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- Professional development sessions were administered to teachers on December 13-14, 2022
- Three new program modules were added at the end of 2022, and student usage increased

Major Achievements

- 23 additional teachers and administrators were onboarded during the second reporting period
- Providing on-demand support has helped endear FoolProof to local teachers

Biggest Challenges

- Expanding to a broader focus will allow for regional and statewide training events, thus growing FoolProof's reach while reducing the negative impacts of calendar/staff changes in a single district

Foundation Communities

As the largest nonprofit provider of affordable housing in Central Texas, Foundation Communities (FC) was established in 1990 with a mission to create housing where individuals and families succeed. They have established significant partnerships with more than 50 nonprofits and community groups.

The goal of FC's Building Pathways to Financial Wellness program is to connect an estimated 800 low-income clients to a variety of tools including: one-on-one financial coaching, group classes and workshops, credit-building opportunities (Rent Reporting), and loan repayment (Fresh Start Loans).

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$20,000

FUNDS REQUESTED THIS PERIOD: \$0 | TOTAL REIMBURSED YTD: \$11,873.39

Program Update

During the recent grant term, Building Pathways to Financial Wellness served 317 clients in Financial Coaching and collected pre- and post-surveys from 225 clients. Rent Reporting expanded from five to eight properties and enrolled 36 new residents. The biggest lesson learned during this reporting period was from the results of the resident survey; 70% of respondents said that despite the high cost, they want to buy homes in Austin. Therefore, FC has begun searching for organizations and programs that support home buying and has created a plan to bring those programs to rent reporters.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- 16 volunteers completed approximately 20 hours of training, including eight to ten hours of financial topics and soft skills training, a nine-hour deep dive on credit, and a two-hour live session to recap and practice
- 27 volunteers completed 515 appointments with clients during the reporting period
- An "outreach season" for Financial Wellness is being planned for late spring of 2023

Major Achievements

- 76% of clients who set goals made progress toward or completed their goals
- FC is developing partnerships with organizations that provide opportunities for affordable housing, to complement the rent reporting program and move clients toward homeownership

Biggest Challenges

- The rent reporting partner's data software malfunctioned by not reporting 40% of enrolled residents' data to the credit bureaus and not providing accurate data about credit score changes

Girl Scouts of Northeast Texas

The mission of Girl Scouts of Northeast Texas (GSNETX) is to build girls of courage, confidence, and character who make the world a better place. Their financial literacy program is designed to empower girls to take the lead in their lives as they learn about personal finances through age-appropriate activities. This will be a sister course to the Girl Scout Cookie Program entrepreneurship educational sessions which focus on goal setting, decision making, money management, people skills, and business ethics.

GSNETX plans to engage 3,500 girls (in grades K-8) in a comprehensive development program focused on personal financial education. The ultimate goal will be to prepare girls for the future by providing hands-on activities to build skills and knowledge for managing their personal finances. GSNETX plans to take existing curriculum and update it for middle school girls, to add more hands-on activities, and to align the skills being developed with the 2021 new Entrepreneurship badges released by Girl Scouts of the USA.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$40,000

FUNDS REQUESTED THIS PERIOD: \$6,008.34 | TOTAL REIMBURSED YTD: \$10,023.02

Program Update

During the second reporting period, 891 girls in grades K-8 have registered for the financial literacy sessions. GSNETX continues to deliver the programs in collaboration with 30 program partners that include 27 schools and 3 nonprofit organizations. Girls participated in fun, hands-on activities related to real life scenarios as they learned about money, budgets, and planning for expenses which impact their own lives. Making choices around financial impacts also helped girls learn more about the importance of financial planning and how it will impact their lives as they grow older.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- 30 individuals were directly trained and provided 279 hours of direct contact to participants
- Staff ensured that sessions were aligned with the Texas Essential Knowledge and Skills (TEKS)

Major Achievements

- Middle school girls were challenged to host a dance on a budget, including quoting some local vendors and decorators; this engaged their teamwork as they sought the best use of funds
- Several girls gained new perspectives about the importance of budgeting/saving during sessions focused on needs over wants and remaining in budget

Biggest Challenges

- Terms like “Financial Literacy” intimidated the girls, so staff avoided such words

Goodwill Central Texas

For six decades, Goodwill Central Texas (Goodwill) has relentlessly focused on a single goal, "transforming generations by empowering people through education, career training, and work". Believing that education and work are the only true pathways out of poverty, they seek to provide opportunities for community members facing obstacles to sustainable employment: people with disabilities, people lacking education, people with criminal backgrounds, people facing homelessness, and youth lacking opportunity.

The goal of the Goodwill Match Program (Goodmatch) is to assist 60 participants with developing a budget, becoming banked, and building savings. The program will leverage an existing partnership with University Federal Credit Union (UFCU), offering matched and incentivized funds to individuals who meet established financial education, goal setting, and saving criteria.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$40,000

FUNDS REQUESTED THIS PERIOD: \$5,812.01 | TOTAL REIMBURSED YTD: \$20,000

Program Update

During the second reporting period, 54 participants were enrolled in the Goodmatch program and staff anticipate reaching the target goal of 60 by March 2023. Participation in this program is tied to the individual's employment at Goodwill Central Texas. To date, 18 employees have left Goodwill employment prior to completing the match goal of \$500 (usually for a better opportunity). Since this leaves Goodwill with unused match funds, the remaining money may be combined to create additional enrollment opportunities.

Reporting Period Update (July 1, 2022 - December 31, 2022)

Program Activities

- Staff continue to assist applicants with opening bank accounts, signing up for budget classes, and enrolling in the program
- UFCU plans to bring financial ambassadors onsite to assist participants with the Plan U app

Major Achievements

- Combined total average participant savings increased from \$1,295.97 to \$5,333.61
- 67 participants were served, and 14 new individuals enrolled in the program

Biggest Challenges

- Monthly check-ins need to be prioritized to ensure participants are completing additional financial literacy classes on the UFCU Plan U app, though access to technology seems to be an issue

Houston Area Women's Center

The Houston Area Women's Center (HAWC) works to end domestic and sexual violence and supports all people in building safe and healthy lives through advocacy, counseling, education, shelter, and support services. For survivors of domestic violence, financial abuse is the largest barrier to achieving self-sufficiency; batterers limit access to finances, so many survivors lack the job and financial management skills needed to free themselves from dependency on the abuser.

The goal of HAWC's Financial Empowerment Program is to advance the financial capability of 100 survivor participants. A key program objective is for participants to establish and reach a financial goal by learning about financial empowerment through ongoing, one-on-one coaching. Another key objective is for participants to increase their financial knowledge by attending a two-year class consisting of five sessions each, twice per year. The class will be delivered (in both Spanish and English) through workshops on financial empowerment, and success will be measured through pre- and post-learning surveys.

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$40,000

FUNDS REQUESTED THIS PERIOD: \$18,116.87 | TOTAL REIMBURSED YTD: \$35,485.55

Program Update

During the second reporting period, the Bilingual Case Manager of Economic Empowerment services delivered in-house financial education, literacy, and asset-building programs to provide clients with a set of acquired behaviors and knowledge that introduces them to long-term, tangible improvements in financial health. HAWC continues to have in-person classes available three times a month in both English and Spanish and leverage its partnership with The Women's Resource Program to provide a strategic and broader spectrum of economic conversations and access to one-on-one financial coaching services.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- Program staff are working to create a formal partnership with Workforce Solutions to facilitate the provision of services to Youth Adult clients ages 16 – 24

Major Achievements

- 98 individuals were served through 605 direct contact hours
- 14 participants established/raised credit scores, and 9 participants established/increased savings

Biggest Challenges

- The Bilingual Case Manager position was open as of December 2022; however, direct services will be provided by the Manager of Economic Empowerment Services until the position is filled

Metrocrest Services

For over 50 years, Metrocrest Services (Metrocrest) has offered programs (in Carrollton, Farmers Branch, Addison, Coppell in Dallas County, and Dallas in Denton County) for individuals, families, and seniors that lead to self-sufficiency and holistically end generational poverty. After helping clients meet their acute, initial needs, Metrocrest works on long-term solutions for moving clients out of poverty through a successful model of bundled programming.

Metrocrest's Financial Empowerment component serves extremely-low to low-income residents in its area and is crucial to helping families construct a stable foundation for the future. The program's goal is to serve 1,181 individuals, specifically through increased credit scores and savings.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: ONE YEAR | AMOUNT AWARDED: \$20,000

FUNDS REQUESTED THIS PERIOD: \$10,000 | TOTAL REIMBURSED YTD: \$20,000

Program Update

In the second reporting period, Metrocrest's focus shifted from increasing senior/financial education classes to ensuring financial independence for its Financial Empowerment families. Staff planned to reintroduce financial education classes to families in the community with a six-part series focusing on ways to budget and banking responsibly. One-on-one coaching continued both virtually and in-person. Due to inflation, much of the financial coaching focused on adjusting to the higher cost of goods, rent, and utilities. This allowed Metrocrest to help families maintain financial gains, and no families faced housing insecurities despite a 30% rental rate increase in the area. Additionally, two staff from the Workforce and Housing departments completed an intensive three-month WINGS financial coaching training to provide basic financial education to families.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- 31 individuals received financial education, and 11 individuals participated in financial coaching
- 66 hours of direct contact resulted in participants' having an average \$1,318.67 increase in savings

Major Achievements

- Funding and collaboration efforts with North Texas Food Bank and other local financial institutions are poised to open program access to an additional 2,000 families

Biggest Challenges

- Challenges included program transition and limited staff funds, which made accepting new financial coaching clients difficult

Prison Entrepreneurship Program

Prison Entrepreneurship Program (PEP) emphasizes an inside-out approach that combines character and leadership development, family reconciliation, business education, and the power of a positive peer group. PEP's eSchool program works with men both in-prison and post-release to help support lasting financial independence with the long-term goal of decreasing recidivism (return to prison). eSchool 101 is PEP's entry-level education program for clients during the first 150 days after release from prison, and focuses on such topics as: building resumes, debt, net worth, building credit, etc. eSchool 200 serves clients who have graduated from eSchool 101 and want to learn more about small business management.

PEP's goal is to create a comprehensive strategy to increase its graduation rate from eSchool 101 to fifty percent of enrolling students achieving graduation within six months, enhancing the pipeline of students eligible to enroll in eSchool 200. PEP will pilot and finalize its eSchool 201 curriculum, addressing entrepreneurship topics to serve the emerging pipeline of newly graduated eSchool 101 and 200 alumni, and creating standardization across three "campuses" (Dallas, Houston, and virtual learning).

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEAR | AMOUNT AWARDED: \$40,000

FUNDS REQUESTED THIS PERIOD: \$13,712.44 | TOTAL REIMBURSED YTD: \$29,617.13

Program Update

During the second reporting period, 389 individuals were directly served through 41 courses. PEP held its Bell and Estes Fall Business Plan Competitions, where over 40 executive volunteers helped participants with business plans ranging from lawncare to cake decorating. PEP also hosted their 2022 HOPE Summit: Restoring Hope to Returning Citizens, which brought together local business leaders, non-profit organizations, and government officials to discuss the state of criminal justice reform in Texas and share best practices from across the country.

Program Activities

- 41 participants established or raised credit scores by an average of 6%
- 43 participants established or increased savings by an average of \$387
- 3 participants reduced the use of consumer loan products and/or other debt

Major Achievements

- The PEP Collider, America's first and only second-chance incubator and accelerator, held its Grand Opening Ceremony in October 2022

Biggest Challenges

- Many clients continue to struggle with moving into traditional financial structures

RAISE Texas

RAISE Texas (RAISE) is a coalition of 1,500 organizations and individuals united around the common goal of advancing equitable policies and programs that foster financial security and economic mobility for low- and moderate-income Texans. RAISE has two full-time staff, a team of community leaders from 13 Texas regions, and a 14-member Board of Directors (experts in financial coaching/services to asset building).

Based on coalition feedback and research showing a need for financial coaching curriculum that teaches core competencies in financial education, as well as cultural competence and an understanding of the racial wealth divide, RAISE will develop its Financial Education Curriculum Component for Training Financial Coaches, emphasizing increased expertise in financial subject matter. The curriculum will be tested, piloted, and evaluated by 25 coaches; revisions will be completed and a final curriculum package will be made available for use in conjunction with trainings focused on financial coaching skills in Texas.

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: ONE YEAR | AMOUNT AWARDED: \$30,000

FUNDS REQUESTED THIS PERIOD: \$4,519.58 | TOTAL REIMBURSED YTD: \$30,000

Program Update

During the second reporting period, RAISE implemented curriculum feedback they had received from a diverse group of experts and financial coaches during the previous reporting period. Staff beta tested the curriculum at a one-day training in October and conducted pre- and post-tests with participants; this was followed by a survey one month after the training to assess the impact of learning on their financial capability work with clients. Staff also sought feedback from participants throughout the one-day training to assess effectiveness and identify areas for improvement.

Reporting Period Update (July 1, 2022 – December 31, 2022)

Program Activities

- 25 individuals were directly instructed on six topics, through eight hours of direct contact

Major Achievements

- Coaches stated they wanted more training in the following areas: debt consolidation, investments, retirement, debt management and collections, and estate planning
- Beta testing showed the need for increased training time; therefore, the revised curriculum encompasses a six-part webinar series, totaling 12 hours of training

Biggest Challenges

- Scheduling the training for coaches took longer than anticipated; this was resolved by partnering with Pathfinders and The Women's Center in Fort Worth to accommodate an October date

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Mortgage Grant Fund (MGF) Activities Report

April 7, 2023

Activities relating to the Mortgage Grant Fund

Commissioner Hector Retta and Mortgage Grant Coordinator (MGC) Andrea Herrera hosted the inaugural orientation meeting with all the Grantees on February 9th and 10th. Grantees were welcomed to the program, and performance measures and reporting requirements were presented and discussed.

Additionally, the MGC performed the initial risk assessment for each grantee based on the following factors: 1) award amount; 2) length of time the Grantee has existed; 3) length of time the program has existed; and 4) the score on the initial applicant screening. The risk level guides the MGC when establishing effective monitoring practices. Monitoring includes periodic online meetings for the MGC and each grantee to discuss accomplishments, challenges, and next steps. The MGC conducted meetings in late March and early April.

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