

FINANCE COMMISSION OF TEXAS AUDIT COMMITTEE MEETING

Friday, April 25, 2025

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 21, 2025 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' 2025 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' 2025 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 Money Services Businesses 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 Office of Consumer Credit Commissioner's Texas Financial Education Endowment Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates
- G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund
- H. Discussion of 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 21, 2025

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m., on February 21, 2025, with the following members present:

Audit Committee Members in Attendance:

Kathleen Fields, Chairman
Roselyn "Rosie" Morris
David Osborn

Chairman Fields announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three (3) members present. *(0:22 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the December 13, 2024 Audit Committee Meeting	Rosie Morris made a motion to Approve the Minutes of the December 13, 2024 Audit Committee Meeting. David Osborn seconded, and the motion passed.	0:39 Start of Discussion 0:56 Vote
B. Review of Agencies' Activities 1. Officer of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Agency Name	No Action Required.	1:17 Start of Discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2025 First Quarter Investment Officer Reports 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	David Osborn made a motion to recommend that the Finance Commission Approve the Agencies' 2025 First Quarter Investment Officer Reports. Rosie Morris seconded, and the motion passed.	4:43 Start of Discussion 8:49 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2025 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' 2025 First Quarter Financial Statements. David Osborn seconded, and the motion passed.	9:13 Start of Discussion 15:53 Vote
E. 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.	16:15 Start of Discussion

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of New Texas Financial Education Endowment Fund Grant Advisory Committee Member Stefanie Beecoff	David Osborn made a motion to recommend that the Finance Commission Approve the Appointment of New Texas Financial Education Endowment Fund Grant Advisory Committee Member Stefanie Beecoff. Rosie Morris seconded, and the motion passed.	18:40 Start of Discussion 19:28 Vote
G. Discussion of the Activities of the Mortgage Grant Fund	No Action Required.	19:59 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 Required.	n/a

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Fields adjourned the meeting at 8:51 a.m. *(21:19 on the audio file).*

Kathleen Fields, 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, 2025

Auditor:	State Office of Risk Management (SORM)	Audit Report Date: February 14, 2025
Audit Area:	<i>Continuity of Operations Plan Review</i>	
Findings:	Status Update:	
None.	<i>Review was conducted in February 2025. Favorable feedback was provided with no findings or recommendations made.</i>	

Auditor:	Comptroller of Public Accounts	Audit Report Date: March 7, 2025
Audit Area:	<i>Follow-Up to September 2022 Post Payment Audit</i>	
Findings:	Status Update:	
Payroll	<i>In Progress. The Department verified all prior state service for active employees coincides with the information reported in the State Employment History Portal. The Department confirmed that the onboarding checklist was implemented in March 2024. One of the samples requested contained the onboarding checklist and was discussed with the audit team.</i>	
Purchase/Procurement, Payment Card and Contract Transactions	<i>Implemented / In Progress: A checklist was revised per auditors' recommendations to mitigate missing documentation and strengthen documentation processes.</i>	
Travel	<i>Implemented</i>	
Internal Control Structure	<i>In Progress: The Department attempts to fully comply with control structure. Due to the size of the agency and to maintain payment and accounting operations, full access removal was not possible for specific personnel within the division.</i>	

Auditor:	Garza /Gonzalez & Associates	Audit Report Date: March 2025
Audit Area:	<i>Money Services Businesses</i>	
Findings:	Status Update:	
None.	<i>None.</i>	

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

Auditor:	Texas Department of Public Safety	Audit Report Date: April 1, 2025
Audit Area:	<i>Access & Dissemination Policy and the CJIS Security Policy Review – Human Resources</i>	
Findings:	Status Update:	
<i>System Access</i>	<i>In Progress: The Department conducted a sub audit of its subscriptions on IT personnel and found three personnel needed to resubmit their fingerprints to properly subscribe to their accounts in FACT Clearinghouse.</i>	
<i>Name Based CHRI (Criminal History Record Information)</i>	<i>Implemented: CCH Forms were implemented immediately preceding the DPS audit meeting in February 2025.</i>	
<i>CHRI Policy and Procedures</i>	<i>In Progress: Agency drafting a CHRI policy to cover the various aspects of security, sanitations and destruction of electronic media, incident response with a reporting form.</i>	
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Auditor:	State Auditor’s Office	Audit Report Date: N/A
Audit Area:	<i>An Audit of the Department of Banking: A Self-Directed, Semi- Independent Agency</i>	
Findings:	Status Update:	
N/A	<i>Department received notification on January 16, 2025, and an entrance meeting was held on January 29, 2025. SAO team was onsite the week of March 24 conducting interviews.</i>	
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Auditor:	Texas Department of Public Safety	Audit Report Date: N/A
Audit Area:	<i>Access & Dissemination Policy and the CJIS Security Policy Review -Corporate</i>	
Findings:	Status Update:	
N/A	<i>Audit Review begins April 8, 2025.</i>	
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Auditor:	Garza /Gonzalez & Associates	Audit Report Date: N/A
Audit Area:	<i>Revenue Accounting Process</i>	
Findings:	Status Update:	
N/A	<i>Audit to begin the week of April 14, 2025.</i>	



A Follow-Up Audit of the Texas Department of Banking

**Audit Report #451F-24-01
March 7, 2025**

Glenn Hegar
Texas Comptroller of Public Accounts



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Executive Summary

Purpose and Scope





In October 2024, the Texas Comptroller of Public Accounts (Comptroller's office) completed a follow-up audit of the Texas Department of Banking (Department) to check the status of the open recommendations the Comptroller's office made in the most recent post-payment audit.

This audit was selected for follow-up using a risk-based approach and the significance of issues found during the recent full-scope audit. The follow-up audit scope is limited to verifying that the Department has designed and implemented controls to address issues noted in the previous audit unless auditors become aware of significant potential issues during planning or fieldwork.

The objectives of this follow-up audit were to determine whether the payroll, contracts, purchase/procurement, payment cards, travel, and system access recommendations made in the post-payment audit (audit report number 451-21-01) issued Sept. 8, 2022, were implemented and to determine whether the expenditures since March 2023 have complied with applicable state laws and rules concerning expenditures and with processing requirements of the statewide financial systems.

Background

The auditors consider recommendations:

-  **Implemented** when agency staff has provided sufficient and appropriate evidence to support all elements of the recommendation.
-  **In Progress** when the agency has specific plans to begin or has begun to implement the recommendation and intends to fully implement it.
-  **Not Implemented** when evidence does not show meaningful movement toward implementation, when no evidence of implementation has been provided, when implementation has started but is expected to take more time, so there has been no measurable progress yet, or when a new recommendation was issued within the last three months.
-  **Not Tested** when an agency did not process any transactions of the type that is tested during the audit period.

The audit methodology included reviewing the Department's corrective action plan and implementation timeline created in response to the post-payment audit. Auditors also selected samples of transactions, reviewed supporting documentation submitted by the Department, and met with agency staff.



Audit Results

The Department stated it continues to work on the outstanding recommendations.

Of the 14 recommendations selected for review:

- Three recommendations were implemented.
- Ten recommendations were in progress.
- One recommendation was not tested.



Detailed Information

Payroll

Auditors developed a sample of eight payroll transactions totaling \$31,850.79 to ensure the Department complied with the General Appropriations Act (GAA), [Texas Payroll/Personnel Resource \(FPP F.027\)](#), and pertinent statutes. Below is a list of previous payroll findings and the follow-up audit results.

September 2022 Audit Findings	September 2022 Audit Recommendations	August 2024 Testing	Implementation Status
Missing Verification of Prior State Employment/ Incorrect State Effective Service Date and Longevity Payment	<p>The Department should modify its policies and procedures to ensure the review of employment applications, including researching and contacting previous state agencies listed in the application to obtain the necessary information.</p> <p>The Department should also ensure staff verify prior state service even if the newly hired employee does not complete another required verification form. As part of its research, the Department should also review the Comptroller's State of Texas Employment History online application; see Texas Payroll/Personnel Resource, State of Texas Employment History Application. In addition, the Department should make an additional payment to the affected employee for the underpaid longevity.</p>	<p>Auditors reviewed eight employee transactions. An online prior state service verification was obtained but was not signed or dated for one employee. Also, a prior employer failed to complete a verification form for the same employee. Additionally, auditors were unable to test for state effective service date because two prior state service forms were not verified.</p> <p>There were no instances of incorrect longevity payment amounts.</p> <p>Additionally, there was no evidence the Department used an onboarding checklist at time of hire for seven of the employees in the sample. Per the Department, the checklist was updated in March 2024. An example of the newly implemented onboarding checklist was provided for one employee hired after March 2024.</p>	In Progress

Department Response

The Department agrees with the implementation status indicated. The Department verified that all prior state service for active employees coincides with the information reported in the State Employment History Portal. An internal review of prior state service for employees hired in 2024 was also conducted and verified for accuracy.

The Department confirms that the onboarding checklist was implemented in March 2024. One of the samples requested contained the onboarding checklist and was discussed with the audit team.



Purchase/Procurement, Payment Card and Contract Transactions

Auditors developed a sample of four purchase transactions totaling \$2,251.62, seven contracts totaling \$285,129.68, one solicitation totaling \$25,774.49, and three payment card transactions totaling \$3,336.30 to ensure the Department complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Below is a list of previous purchase findings and the follow-up audit results.

September 2022 Audit Findings	September 2022 Audit Recommendations	August 2024 Testing	Implementation Status
Missing Electronic State Business Daily (ESBD) Solicitation and Notice of Award	<p>The Department must ensure it posts on ESBD all procurements exceeding \$25,000, including those for professional services. The posting must remain at least for the minimum timeframe to allow interested providers to participate. In addition, a notification of award must be posted to ESBD after the contract is awarded, or a notice of non-award in the event no contract is awarded.</p> <p>For professional services contracts where a provider is selected based on Texas Government Code, Section 2254.003, the Department must obtain and maintain evidence that the chosen provider's fees are fair and reasonable and do not exceed the maximum provided by law.</p> <p>In addition, staff training programs and related documentation should include information on ESBD requirements. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.</p>	Auditors reviewed six transactions. There were no issues with the ESBD solicitation or Notice of Award postings.	Implemented
Incorrect Procurement Method Used	<p>The Department must ensure that purchases are made according to SPD and DIR designated procurement methods and consider offerings from set aside programs, statewide term contracts, DIR contracts, etc. before procuring items from other sources. If the Department uses a different method to purchase goods or services, it must retain appropriate documentation in the procurement file to justify the purchase.</p> <p>In addition, staff training programs and related documentation must include instructions to determine the most appropriate procurement method. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.</p>	Testing showed that the Department used an incorrect procurement method for three of the four transactions tested. There were no waivers in the files to justify not using Workquest, etc.	In Progress



September 2022 Audit Findings	September 2022 Audit Recommendations	August 2024 Testing	Implementation Status
Missing Statewide Procurement Division Delegation of Purchasing Authority	<p>The Department must ensure its staff obtains SPD delegation of authority prior to purchasing goods or services that fall outside of the pre-approved class of procurements delegated to agencies based on procurement type or amount. Contract values include the estimated dollar amount that the agency may be obligated to pay pursuant to the contract and all executed and proposed amendments, extensions and renewals of the contract.</p> <p>In addition, staff training programs and related documentation should include instructions to request SPD delegation of authority. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.</p>	During the follow-up audit period, there were no transactions for testing that were subject to these requirements.	Not Tested
Missing Documentation to Support Payments for Contracted Services	The Department must ensure sufficient documentation is maintained to support the legality and fiscal responsibility of each payment that results from a purchase document if the payment is made from the agency's funds. At a minimum, evidence is needed to perform a three-way match among the purchase agreement/work orders, invoice/receipt, and receiving report.	Testing showed that the Department did not have documentation to support payments for contracted services for two of the three transactions tested. The Department was not able to locate the respective contracts.	In Progress
Missing Centralized Master Bidders List (CMBL) Solicitation	<p>The Department must use the CMBL to ensure compliance with the rules and laws that govern Texas state government procurement and contract management practices. A dated copy of the CMBL solicitation results must be retained as evidence of the vendor search and included in the contract file.</p> <p>In addition, staff training programs and related documentation must include CMBL instructions. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.</p>	Auditors reviewed four transactions, but only two were tested for this requirement. In the first transaction, the emergency posting was sent to all applicable vendors on the CMBL. However, the completed CMBL list in the file was not dated. Testing of the second transaction showed an email confirming the solicitation announcement was sent to all applicable vendors on the CMBL and was located in the file.	In Progress



September 2022 Audit Findings	September 2022 Audit Recommendations	August 2024 Testing	Implementation Status
Missing Written Approval to Supplement the Centralized Master Bidders List	<p>The Department must ensure it documents instances where non-CMBL vendors are included in procurements that otherwise require the use of CMBL vendors. This justification must include the executive director's approval and be included in the procurement file.</p> <p>In addition, staff training programs and related documentation should include instructions for supplementing the final bid list with non-CMBL vendors. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.</p>	Auditors reviewed four transactions, but only one was tested for this requirement. Testing of the transaction indicated the executive director approved a justification and staff included it in the procurement file.	Implemented
Missing Nondisclosure Agreements and Conflict of Interest Statements	<p>The Department must ensure all agency employees or officers involved in procurement or contract management (including evaluation committee members and technical advisors):</p> <ul style="list-style-type: none">• Sign nondisclosure agreements before engaging in evaluation committee activities.• Complete conflict of interest statement before initiating purchases and at any time during the procurement process or term of a contract. <p>These documents should be maintained as part of the agency's procurement records according to record retention requirements.</p> <p>In addition, staff training programs and related documentation should include instructions for completing nondisclosure agreements and conflict of interest statements. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.</p>	Auditors reviewed and tested two transactions. The Department did not provide documentation to support compliance for one of the two transactions.	In Progress
Missing Written Acknowledgement of Compliance with Procurement and Contract Management Guide	<p>The Department must ensure the contract manager or procurement director acknowledges in writing that the Department complied with its contract management guide and with the State of Texas Procurement and Contract Management Guide. The acknowledgement should be maintained in the procurement file according to record retention requirements.</p> <p>In addition, staff training programs and related documentation should include instructions for documenting the use of best value standards and other required agency reviews and approvals. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.</p>	Auditors reviewed and tested two transactions. The Department did not provide documentation to support compliance for one of the two transactions.	In Progress



September 2022 Audit Findings	September 2022 Audit Recommendations	August 2024 Testing	Implementation Status
Missing Required Contract Clauses	The Department must ensure all required clauses listed in the Texas Procurement and Contract Management Guide are included in its contracts and solicitations. Omitted required clauses or substantially altered language must be approved by the Department's legal counsel and the justification must be documented in the contract file.	Auditors reviewed one solicitation for the required contract clauses. The ownership/intellectual property clause was not mentioned.	In Progress
Missing Vendor Compliance Verifications	The Department must ensure all required vendor compliance verifications are conducted prior to any purchase and contract award, extension or renewal. Staff must retain records of these review results in the procurement file to show the verification requirements were met. In addition, staff training programs and related documentation should include instructions for performing vendor compliance verifications. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.	Testing of three payment card transactions showed compliance with the warrant hold check requirement for payment card transactions over \$500. The Department did not provide documentation showing staff conducted the vendor compliance verifications for one of three purchase transactions.	In Progress
Missing Pre-Award Vendor Performance Tracking System (VPTS) Check and Untimely VPTS Reporting	The Department must ensure procurement staff use VPTS before determining whether to award a contract to a vendor. Staff must retain records in the procurement file of the VPTS review results dated prior to contract award. When the total value exceeds \$25,000, the Department must also ensure the vendor's performance is assessed and reported to VPTS once a contract is completed or otherwise terminated. Similarly, if the contract value exceeds \$5 million, reports must be done at other required intervals. In addition, staff training programs and related documentation should include instructions on using and reporting to VPTS. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the State of Texas Procurement and Contract Management Guide.	Auditors reviewed and tested four transactions. The Department did not date the pre-award VPTS report check for one transaction, and it failed to conduct the same check for another transaction. The Department did not report the vendors performance to VPTS when the contract was completed for two transactions.	In Progress
Department Response			
<i>The Department agrees with the implementation status indicated for relevant items. For in-progress items, the Department also agrees with this status for relevant items. A checklist has been revised per auditors' findings and recommendations to mitigate missing documentation and strengthen documentation processes.</i>			



Travel

Auditors developed a sample of ten travel transactions totaling \$1,097.55 to ensure the Department complied with the GAA, [Textravel \(FPP G.005\)](#), and pertinent statutes. Below is a list of previous travel findings and the follow-up audit results.

September 2022 Audit Findings	September 2022 Audit Recommendations	August 2024 Testing	Implementation Status
Improper Payment of Non-Overnight Meals	The Department must provide increased training for staff who review travel vouchers to ensure that only eligible expenses are reimbursed. The Department must not reimburse employees for meal expenses when the travel is less than six hours outside of the designated headquarters.	Review and testing of ten travel transactions showed no exceptions.	Implemented
Department Response			
The Department agrees with the implementation status indicated.			

Internal Control Structure

Auditors reviewed certain limitations the Department placed on its accounting staff's ability to process expenditures. Auditors reviewed the Department's security in the Uniform Statewide Accounting System (USAS), Texas Identification Number System (TINS) and voucher signature cards that were in effect on June 17, 2024. Below are the previous findings for internal control structure along with the follow-up audit result.

September 2022 Audit Findings	September 2022 Audit Recommendations	August 2024 Testing	Implementation Status
Control Weakness Over Expenditure Processing	To reduce risk to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement. Auditors recognize that the Department converted to CAPPS in fiscal 2022, so there are no recommendations regarding USPS access. The Department should consider implementing the following recommendations:	Auditors observed that of the two employees with conflicts identified in the previous audit, one employee retired, and the other employee still had an access issue that was corrected during the audit. Additionally, auditors observed that a new employee had multiple security weaknesses related to the statewide financial systems and signature cards access. The security weaknesses for the two active employees mentioned above will be reviewed as part of a separate annual desk audit.	In Progress
CONTINUED ON NEXT PAGE			



September 2022 Audit Findings	September 2022 Audit Recommendations	August 2024 Testing	Implementation Status
Control Weakness Over Expenditure Processing (CONTINUED)	<ul style="list-style-type: none">• Limit user access to enter/change vouchers or release/approve batches in USAS.• Work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions.• Limit users with access to enter/change vouchers or release/approve batches in USAS to view only access in TINS (PTINS02). An individual must not be able to create or approve a payment and create or change a vendor profile/direct deposit information.• Limit users with access to approve paper vouchers (being on the signature card) to view only access in TINS (PTINS02). An individual must not be able to create or change a vendor/employee profile or direct deposit information and approve a payment.• Ensure that employees who can process a payment voucher in USAS/ approve a paper voucher (are on signature card), do not have the ability to change the warrant hold status of a vendor in TINS.• Ensure that employees with voucher/ payment entry/change/delete status in the Department's internal system are not able to approve/release payments in the internal system or in USAS. A supervisor or another employee should approve the vouchers in the internal system.		In Progress
Department Response			
<i>The Department agrees with the implementation status indicated. The Department tried to fully comply with this item as communicated to auditors. Unfortunately, due to the size of the agency and in order to maintain payment and accounting operations, full TINS access removal was not possible for relevant staff.</i>			



Appendix

Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this follow-up audit were to determine whether the recommendations made in the post-payment audit (audit report number 451-21-01) issued Sept. 8, 2022, were implemented.

Audit Scope

Auditors selected transaction samples of the Texas Department of Banking (Department) covering the open recommendations the Comptroller's office made in the most recent post-payment audit.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a follow-up audit and verify the Department has designed and implemented controls to address issues noted in the previous audit.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).



In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

Angelica Villafuerte, CGAP, CTCD, Lead Auditor

Anna Calzada, CTCD, CTCM

Tracy Bailey, CTCD, CTCM

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

Auditor: <i>Garza/Gonzalez</i>	Audit Report Date: <i>April 9, 2025</i>
Audit Area: <i>TREE Fund Investment Portfolio Administration</i>	
Findings: <i>None</i>	Status Update: <i>Complete</i>
Auditor: <i>AT&T (through DIR)</i>	Audit Report Date: <i>NA</i>
Audit Area: <i>Cybersecurity Framework Assessment</i>	
Findings: <i>NA</i>	Status Update: <i>In Progress</i>
Auditor: <i>Department of Public Safety</i>	Audit Report Date: <i>NA</i>
Audit Area: <i>HR Criminal History Audit</i> <i>Licensing Criminal History Audit</i>	
Findings: <i>NA</i>	Status Update: <i>In Progress</i>
Auditor: <i>Garza/Gonzalez</i>	Audit Report Date: <i>NA</i>
Audit Area: <i>Business Licensing</i>	
Findings: <i>NA</i>	Status Update: <i>Scheduled to begin in late spring/early summer 2025</i>
Auditor: <i>Department of Public Safety</i>	Audit Report Date: <i>May 18, 2022</i>
Audit Area: <i>Non-Criminal Justice Audit – Licensing</i>	
Findings: <i>Evaluate IT Access</i>	Status Update: <i>See HR Criminal History Audit Above</i>

Department of Savings and Mortgage Lending

Audit Activities Report as of March 31, 2025

Auditor:	<i>Comptroller of Public Accounts</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Post-Payment and Procurement Audit</i>	
Findings:	Status Update:	
<i>N/A</i>	<i>In progress. Pending preliminary report.</i>	
Auditor:	<i>State Auditor's Office</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Self-Directed Semi-Independent Audit</i>	
Findings:	Status Update:	
<i>N/A</i>	<i>In progress.</i>	
Auditor:	<i>Department of Information Resources</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Cybersecurity Framework Assessment</i>	
Recommendations:	Status Update:	
<i>N/A</i>	<i>In progress. Field work to be completed on April 4, 2025.</i>	
Auditor:	<i>Department of Public Safety</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>DPS Secure Site Audit</i>	
Recommendations:	Status Update:	
<i>N/A</i>	<i>In progress. Field work to be conducted on April 9, 2025.</i>	
Auditor:	<i>Garza/Gonzales and Associates</i>	Audit Report Date: <i>N/A</i>
Audit Area:	<i>Thrift Examinations</i>	
Recommendations:	Status Update:	
<i>N/A</i>	<i>Planned.</i>	

Texas Department of Banking Quarterly Investment Report
December 1, 2024 to February 28, 2025

Seized Prepaid Funeral Funds Held in <u>a Financial Institution</u>	Book Value at <u>November 30, 2024</u>	Interest Income <u>Received</u>	Trustee <u>Fees Paid</u>	Other <u>Deductions</u>	Other <u>Additions</u>	Book Value at <u>February 28, 2025</u>	<u>Financial Institution</u>	Investment <u>Type</u>	Maturity <u>Date</u>	Interest <u>Rate</u>
None	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		N/A	N/A	N/A
Total Seized Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				

Notes:

<u> /s/ Jesse Saucillo </u> Investment Officer	<u> 3/27/2025 </u> Date
<u> /s/ Sami Chadli </u> Investment Officer	<u> 3/31/2025 </u> Date

Trust-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2024 to February 28, 2025

<u>Book Value at November 30, 2024</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>(1) Other Deduction(s)</u>	<u>(2) Other Addition(s)</u>	<u>Book/Market Value at February 28, 2025</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,518,942.32	\$17,208.35	\$81.69	\$2,809.11		\$1,533,259.87	--	--	\$475.39

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$801,186.59	3/1/2025	4.31%	--
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2025	4.45%	\$234.08
Texas Bank Financial, Weatherford, Texas (CD)	\$246,992.73	12/24/2025	4.45%	\$120.45
American Bank of Commerce, Wolfforth, Texas (CD)	\$245,080.55	11/23/2025	4.50%	\$120.86
Subtotal	\$1,533,259.87			

(1) Other deduction includes \$2,809.11 in consumer restitution related to El Paso Mission Funeral Home, which was escheated to the Texas Comptroller of Public Accounts as abandoned property.

* 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>3/27/2025</u>
Investment Officer	Date
 <u>/s/ Sami Chadli</u>	 <u>3/31/2025</u>
Investment Officer	Date

Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
December 1, 2024 to February 28, 2025

<u>Book Value at November 30, 2024</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deduction(s)</u>	<u>Other Addition(s)</u>	<u>Book/Market Value at February 28, 2025</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,060,934.42	\$12,125.00	\$ 81.78			\$1,072,977.64	--	--	\$528.60

Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$827,977.64	3/1/2025	4.31%	--
Spring Hill State Bank, Longview, Texas (CD)	<u>\$245,000.00</u>	5/12/2025	5.25%	\$528.60
Subtotal	\$1,072,977.64			

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

<u>/s/ Jesse Saucillo</u> Investment Officer	<u>3/27/2025</u> Date
<u>/s/ Sami Chadli</u> Investment Officer	<u>3/31/2025</u> Date

Office of Consumer Credit Commissioner
Fiscal Year 2025 - 2nd Quarter

Residential Mortgage Loan Originator Recovery Trust Fund #3008

<u>Beginning Balance at</u> <u>11/30/2024</u>	<u>Additions /</u> <u>*(Deductions)</u>	<u>Interest Paid</u>	<u>Paid Bank Fees</u>	<u>Ending Balance at</u> <u>02/28/2025</u>	<u>Current</u> <u>Interest Rate</u>
\$ 226,440.63	\$ 7,750.00	\$ 2,465.39	\$ (52.88)	\$ 236,603.14	<u>4.31%</u>

Prepared By: /s/ Mridula Lekhak

Date: 04/02/2025

Investment Officer: /s/Mirand Diamond

Date: 4/3/25

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 2025 - 2nd Quarter**

Texas Financial Education Endowment Fund #3071								
	Beginning Balance at 11/30/2024	Additions	Interest Paid	Transfers	Grant Disbursements	Paid Bank Fees	Ending Balance at 02/28/2025	Current Interest Rate
Cash	\$ 1,131,631.88	\$ 107,492.48	\$ 12,333.50	\$ -	\$ (32,532.33)	\$ (7,636.88)	\$ 1,211,288.65	4.31%
Invested Portfolio	Beginning Balance at 11/30/2024	Additions	*Change in Value	Transfers	Transfer Out	Paid Fees	Ending Balance at 02/28/2025	
Cash in Bank	\$ 8,531.74	\$ -	\$ (8,531.74)	\$ -	\$ -	\$ -	\$ -	
Investments - STIF	906,827.87	-	(426,632.77)	-	-	-	480,195.10	
Investments - Short Term	-	-	-	-	-	-	-	
Interest & Dividends Receivable	3,840.72	-	3,435.10	-	-	-	7,275.82	
Trade Receivables	-	-	-	-	-	-	-	
Investments - Equities	2,094,497.45	-	1,088,658.68	-	-	-	3,183,156.13	
Investments - Alternatives	6,502,758.28	-	(630,009.01)	-	-	-	5,872,749.27	
Investments - Fixed Income	976,039.00	-	(53,443.84)	-	-	-	922,595.16	
Investments - Futures	-	-	-	-	-	-	-	
Investments - SWAPS, at Fair Value	(2,151.86)	-	6,745.01	-	-	-	4,593.15	
Total Assets-Invested Portfolio	\$ 10,490,343.20	\$ -	\$ (19,778.57)	\$ -	\$ -	\$ -	\$ 10,470,564.63	
Liabilities								
Accounts Payable	\$ (2,055.08)	-	\$ (3,671.54)	\$ -	\$ -	\$ -	\$ (5,726.62)	
Interest Payable	(2,915.11)	-	2,159.08	-	-	-	(756.03)	
Trade Payables	-	-	-	-	-	-	-	
Futures Contracts, at Fair Value	-	-	-	-	-	-	-	
Swaps, at Fair Value	-	-	-	-	-	-	-	
Total Liabilities	\$ (4,970.19)	\$ -	\$ (1,512.46)	\$ -	\$ -	\$ -	\$ (6,482.65)	
Total Net Fiduciary Assets-Invested Portfolio	\$ 10,485,373.01						\$ 10,464,081.98	
Total Endowment Funds	\$ 11,617,004.89						\$ 11,675,370.63	

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/ Mridula Lekhak

Date: 4/2/2025

Investment Officer: /s/ Mirand Diamond

Date: 4/3/2025

Department of Savings and Mortgage Lending

Investment Officer Report as of February 28, 2025

Recovery Fund

	Beginning Balance 12/1/2024	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 2/28/2025
Cash & Cash Equivalents	\$5,295,639.60	(204,840.00)	57,770.79	(365.90)	\$5,148,204.49
Mortgage Grant Program Balance (12/31/2021)					440,489.78
Mortgage Grant Program Balance (12/31/2022)					356,479.17
Mortgage Grant Program Balance (12/31/2023)					374,186.80
Mortgage Grant Program Balance (12/31/2024)					439,910.25
Recovery Balance					<u>\$3,537,138.49</u>

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	3/1/2025	4.37%	\$5,148,204.49	\$616.35
				<u>\$5,148,204.49</u>	<u>\$616.35</u>

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Chris Churchill

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 3/27/2025

Date: 3/27/2025

Department of Savings and Mortgage Lending

Investment Officer Report as of February 28, 2025

Mortgage Grant Fund

	Beginning Balance 12/1/2024	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 2/28/2025
Cash & Cash Equivalents	\$118,757.75	\$157,480.25	\$1,306.23	(\$37.50)	\$277,506.73

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase Agreements	3/1/2025	4.37%	\$277,506.73	\$33.22
				<u>\$277,506.73</u>	<u>\$33.22</u>

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Chris Churchill

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 3/27/2025

Date: 3/27/2025

**Texas Department of Banking
Operating Statement and Budget Analysis
For Period Ending February 2025**

	FY 2024 ACTUAL	FY 2025 BUDGET	QUARTER PERFORMANCE				FY 2025 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	34,909,256	\$33,902,880	\$9,780,602	\$9,953,494	(\$172,892)	101.8%	\$19,886,359	\$20,051,185	(\$164,826)	100.8%
Penalties - Bank & Trust Regulation	13,000	0	0	0	0	0.0%	0	0	0	0.0%
Non-Depository Supervision	3,682,995	4,571,913	1,192,903	1,161,819	\$31,083	97.4%	2,906,338	2,852,132	54,206	98.1%
Penalties - Non-Depository Supervision	639,810	154,600	89,300	1,900,979	(1,811,679)	2128.8%	173,600	2,521,612	(2,348,012)	1452.5%
Miscellaneous Revenues	1,187,727	1,226,400	312,100	299,726	12,374	96.0%	624,200	630,760	(6,560)	101.1%
TOTAL REVENUES	40,432,788	\$39,855,793	\$11,374,904	\$13,316,018	(\$1,941,114)	117.1%	\$23,590,497	\$26,055,689	(\$2,465,193)	110.4%
EXPENDITURES										
Personnel Costs										
Employee Compensation	20,709,898	\$25,790,757	\$6,173,970	\$5,675,360	\$498,611	91.9%	\$11,933,743	\$11,255,206	\$678,537	94.3%
Employee Benefits	5,811,230	6,955,025	1,700,888	1,556,565	144,323	91.5%	\$3,290,583	\$3,054,612	235,971	92.8%
Add'l Health/Retirement	287,502	370,731	92,267	80,931	11,336	87.7%	\$176,476	\$160,438	16,038	90.9%
Other Personnel Costs	604,725	944,261	73,166	77,936	(4,769)	106.5%	141,105	156,284	(15,179)	110.8%
Subtotal Personnel Costs	27,413,355	\$34,060,775	\$8,040,292	\$7,390,791	\$649,501	91.9%	\$15,541,907	\$14,626,540	\$915,367	94.1%
Travel										
In-State	1,398,826	\$1,691,339	\$353,394	\$319,819	\$33,575	90.5%	\$825,378	\$737,417	\$87,961	89.3%
Out-of-State	455,110	705,998	129,482	75,961	53,521	58.7%	274,713	203,174	71,539	74.0%
Subtotal Travel	1,853,935	\$2,397,337	\$482,876	\$395,779	\$87,097	82.0%	\$1,100,091	\$940,591	\$159,500	85.5%
Operating Costs										
Professional Fees	296,725	\$642,224	\$72,379	\$54,102	\$18,277	74.7%	\$140,565	\$120,253	\$20,311	85.6%
Consumables	93,511	64,327	17,648	27,115	(9,467)	153.6%	39,143	51,557	(\$12,414)	131.7%
Office Utilities	36,517	40,718	7,938	12,043	(4,105)	151.7%	27,198	30,940	(\$3,742)	113.8%
Rent - Building/Space	449,695	458,066	118,236	111,052	7,184	93.9%	269,601	259,940	\$9,661	96.4%
Rent - Equipment/Other	31,702	29,960	7,040	8,117	(1,077)	115.3%	12,780	13,605	(\$825)	106.5%
Communications	288,633	335,367	68,791	58,753	10,038	85.4%	149,364	146,035	\$3,329	97.8%
Information Technology	632,953	790,050	127,261	190,695	(63,434)	149.8%	374,756	438,189	(\$63,434)	116.9%
Employee Training	165,807	273,978	44,620	35,684	8,935	80.0%	92,586	83,343	\$9,242	90.0%
Misc. Operating Costs	571,405	762,992	124,815	117,571	7,244	94.2%	240,726	200,806	39,920	83.4%
Subtotal Operating Costs	2,566,949	\$3,397,681	\$588,727	\$615,131	(\$26,404)	104.5%	\$1,346,717	\$1,344,669	\$2,049	99.8%
Camp Hubbard Costs										
Land Acquisition	\$0	\$0	\$0	\$1,405,389	(\$1,405,389)	0.0%	\$0	\$1,405,389	(\$1,405,389)	0.0%
TOTAL EXPENDITURES	31,834,239	\$39,855,793	\$9,111,895	\$9,807,090	(\$695,195)	107.6%	\$17,988,716	\$18,317,189	(\$328,473)	101.8%
EXPENDITURES (OVER) / UNDER REVENUES	8,598,549	\$0	\$2,263,010	\$3,508,929	(\$1,245,919)		\$5,601,781	\$7,738,500	(\$2,136,719)	

Texas Department of Banking

Overview of Budget Variances for the Second Quarter of Fiscal Year 2025 - (Variances in excess of \$1,000 and 5% from budget are reported).

Penalties - Non-Depository Supervision – The variance is due to the higher than anticipated collected penalties primarily associated with regulatory non-compliance matters by money services businesses.

Employee Compensation and Benefits – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of February 28, 2025 are listed below:

Administrative	8
Examiners	34

Other Personnel Costs – The negative variance is due to unanticipated resignation lump sum payments and a return to work retiree surcharge that was not budgeted for.

Travel Breakdown

	In-State Travel	Out-of-State Travel
Regulatory Supervision	\$262,226	\$53,375
Development and Training	38,123	18,184
Other Regulatory Activities	15,874	4,402
Non-Employee	3,596	0
Total	\$319,819	\$75,961

In-State Travel – The positive variance is due to: (1) staff vacancies; (2) fewer conducted examinations than anticipated; and (3) training related travel that did not materialize.

Out-of-State Travel – The positive variance is due to: (1) staff vacancies; (2) fewer conducted examinations than anticipated; and (3) training related travel that did not materialize.

Professional Fees – The positive variance is due to an incorrectly budgeted item that was charged to a different expense category.

Consumables – The negative variance is due to an unanticipated server room split unit replacement.

Utilities – The negative variance is due to unbudgeted electric utility charges related to the recently acquired property.

Rent - Building/Space – The positive variance is due to lower than budgeted space rental expenditures.

Rent – Equipment/Other – The negative variance is due to unanticipated portable heater rentals. This variance was partially offset by audio/video expenditures that did not materialize.

Communications – The positive variance is due to: (1) a legislative service subscription expenditure reimbursement by the Office of Consumer Credit Commissioner and the Department of Savings and Mortgage Lending and (2) lower telecommunication charges than budgeted as based on historical trends.

Information Technology – The negative variance is due to the purchase of a higher capacity UPS (uninterruptible power supply) battery than planned.

Employee Training – The positive variance is due to staff vacancies and training related travel that did not materialize.

Misc. Operating Costs – The positive variance is due to: (1) a lower CSBS accreditation fee than budgeted and (2) downsizing an recruitment advertising service.

Land Acquisition – The negative variance is due to the Camp Hubbard land acquisition cost of \$2,761,079.00. This cost was shared by the Finance Commission agencies as such: Texas Department of Banking \$1,405,389.21, Office of Consumer Credit Commissioner \$723,402.70, Department of Savings and Mortgage Lending \$632,287.09.

TEXAS DEPARTMENT OF BANKING
Liquidity Report
For the Period Ending February 28, 2025

	Actual
Cash at Beginning of Period	\$32,259,670
Revenues Over (Under) Expenditures	3,508,929
Increase (Decrease) in Payables/Encumbrances	142,545
(Increase) Decrease in Receivables	(1,387,074)
Cash at End of Period	<u>\$34,524,069</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$0
Long-term facilities planning	8,969,818
Payables (net of receivables)	3,136,960
Lump Sums for Retirements	923,154
Program Funds	0
Other	0
Total Reserved Cash Balance	<u>\$13,029,933</u>
Unreserved Cash Balance:	
Future Operations	21,494,137
Total Unreserved Cash Balance	<u>\$21,494,137</u>
Total Cash Balance	<u>\$34,524,069</u>
Unreserved Cash/FY2025 Monthly Budget	6.47 months

Office of Consumer Credit Commissioner
Operating Statement and Budget Analysis
For the Quarter Ending February 28, 2025

	FY 2024 ACTUAL	FY 2025 BUDGET	QUARTER PERFORMANCE				FY 2025 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	\$ 2,230,988	\$ 1,975,150	\$ 1,428,386	\$ 893,249	\$ 535,137	62.5%	\$ 1,916,455	\$ 1,660,910	\$ 255,545	86.7%
Credit Access Industry	901,700	859,800	514,500	341,675	172,825	66.4%	792,830	628,500	164,330	79.3%
MVSF Industry	4,301,213	4,283,650	286,687	257,616	29,071	89.9%	3,696,723	3,849,778	(153,055)	104.1%
Pawn	732,927	752,385	5,156	4,550	606	88.2%	20,023	8,316	11,707	41.5%
Registered Entities	350,100	320,350	187,769	245,150	(57,381)	130.6%	265,391	319,365	(53,974)	120.3%
Penalties	50,305	-	0	84,368	(84,368)	0.0%	-	115,008	(115,008)	0.0%
Miscellaneous Revenue	783,106	663,500	165,875	182,769	(16,894)	110.2%	331,750	359,532	(27,782)	108.4%
TOTAL REVENUES	\$ 9,350,341	\$ 8,854,835	\$ 2,588,372	\$ 2,009,377	\$ 578,996	77.6%	\$ 7,023,173	\$ 6,941,409	\$ 81,764	98.8%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,973,604	\$ 5,642,194	\$ 1,400,312	\$ 1,294,184	\$ 106,128	92.4%	\$ 2,799,441	\$ 2,623,203	\$ 176,239	93.7%
Employee Benefits	1,627,303	1,781,341	445,335	418,713	26,622	94.0%	890,670	835,127	55,543	93.8%
Add'l Health/Retirement	73,518	84,633	21,158	19,393	1,766	91.7%	42,317	38,772	3,545	91.6%
Other Personnel Costs	69,457	117,494	29,373	59,285	(29,912)	201.8%	58,747	88,039	(29,292)	149.9%
Subtotal Personnel Costs	\$ 6,743,882	\$ 7,625,662	\$ 1,896,179	\$ 1,791,575	\$ 104,604	94.5%	\$ 3,791,175	\$ 3,585,140	\$ 206,035	94.6%
Travel										
In-State Travel	\$ 518,628	\$ 587,602	\$ 146,901	\$ 111,396	\$ 35,504	75.8%	\$ 293,801	\$ 246,903	\$ 46,898	84.0%
Out of State - Travel	17,355	27,052	6,763	9,921	(3,158)	146.7%	13,526	14,200	(674)	105.0%
Subtotal Travel	\$ 535,983	\$ 614,654	\$ 153,664	\$ 121,317	\$ 32,347	78.9%	\$ 307,327	\$ 261,103	\$ 46,225	85.0%
Operating Costs										
Professional Services & Fees	\$ 40,322	\$ 97,694	\$ 19,583	\$ 3,658	\$ 15,926	18.7%	\$ 49,727	\$ 28,260	\$ 21,468	56.8%
Consumables	6,883	4,800	1,200	1,198	2	99.8%	2,400	3,099	(700)	129.1%
Office Utilities	16,885	19,875	4,969	4,174	795	84.0%	9,938	8,605	1,333	86.6%
Rent - Building/Space	3,525	1,500	375	880	(505)	234.7%	750	880	(130)	117.3%
Rent - Equipment/Other	2,754	2,700	675	1,096	(421)	162.3%	1,350	1,771	(421)	131.2%
Communications	73,294	77,572	19,393	18,272	1,121	94.2%	38,786	38,856	(70)	100.2%
Information Technology	300,663	538,136	134,534	159,508	(24,974)	118.6%	269,067	251,100	17,967	93.3%
Employee Training	17,349	25,605	6,401	6,760	(359)	105.6%	12,802	6,825	5,977	53.3%
Misc. Operating Costs	264,307	291,941	112,510	61,900	50,610	55.0%	195,944	162,472	33,472	82.9%
Subtotal Operating Costs	\$ 725,983	\$ 1,059,822	\$ 299,640	\$ 257,445	\$ 42,195	85.9%	\$ 580,765	\$ 501,868	\$ 78,896	86.4%
Camp Hubbard Costs										
Land Acquisition		\$ 723,403	\$ 723,403	\$ 723,403	\$ -	100.0%	\$ 723,403	\$ 723,403	\$ -	100.0%
TOTAL EXPENDITURES	\$ 8,005,848	\$ 10,023,541	\$ 3,072,885	\$ 2,893,739	\$ 179,146	94.2%	\$ 5,402,669	\$ 5,071,514	\$ 331,155	93.9%
EXPENDITURES (OVER) / UNDER REVENUES	\$ 1,344,493	\$ (1,168,706)	\$ (484,512)	\$ (884,362)	\$ 399,850		\$ 1,620,503	\$ 1,869,895	\$ (249,392)	

Office of Consumer Credit Commissioner
Budget Variance Analysis
For the Quarter Ending February 28, 2025

Revenues: Overall revenues are 98.8% of the budget.

Consumer Lending (↓14%) – Regulated lenders received a greater renewal discount of 30%. A 20% discount had been budgeted.

Credit Access Industry (↓21%) – CABs renewed at a 76% renewal rate, significantly below the 94% predicted renewal rate.

Pawn (↓59%) – Fewer pawn applications have been received than anticipated, however the dollar amount of the impact is fairly small.

Registered Entities (↑20%) – Registered creditors that renewed exceeded the projected number of renewals by 9%. Late filing fees for registered creditors were 73% above projections. Refund anticipation loan facilitators filed new registrations applications at a rate of roughly 35% above expectations.

Misc Revenue (↑8%). Slightly higher interest rates than projected returned greater interest earnings.

Expenditures: Overall expenditures are 93.9% of the budget.

Expenditure Type	In-State	Out of State	Total
	FY25	FY25	
Regulatory Supervision	199,688	0	199,688
Development & Training	46,089	14,200	60,289
Non-Employee	1,125	0	1,125
Total	246,903	14,200	261,103

Travel (↓15%) – Turnover and more emphasis on enterprise level examinations has resulted in reduced costs, which is expected to continue in Q3 and Q4.

Professional Services (↓43%) – Certain expenses for accounting, legal and architectural services have not yet been incurred.

Information Technology (↓7%) – IT projects and purchases are slightly delayed; however, certain projects may ultimately be postponed beyond the fiscal year.

Employee Training Costs (↓47%) – Reimbursements of previously paid tuition costs by separating employees were credited in Q1 offsetting most of the incurred expenditures.

Miscellaneous Operating Costs (↓18%) - Building maintenance fees and court costs are less than anticipated. A digitization project has been put on hold. Lastly, SWCAP reimbursement is scheduled later in the fiscal year.

Office of Consumer Credit Commissioner
Liquidity Report
For the Quarter Ending February 28, 2025

	Actual
Cash at Beginning of Period	\$ 17,088,168
Revenues Over (Under) Expenditures	\$ (884,362)
Increase (Decrease) in Payables/Encumbrances	\$ 785,289
(Increase) Decrease in Receivables	\$ 31,597
Other source of funds (transfer)	\$ -
Cash at End of Period	<u>\$ 17,020,691</u>

Reserved Cash Balance:	
Building Maintenance/IT	\$ -
Long-term facilities planning	\$ 9,633,761
Payables (net of receivables)	\$ 1,658,371
Lump sums for Retirements	\$ 284,567
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	<u>\$ 11,576,699</u>
Unreserved Cash Balance:	
Future Operations	\$ 5,443,992
Total Unreserved Cash Balance	<u>\$ 5,443,992</u>
 Total Cash Balance	 <u>\$ 17,020,691</u>
 Unreserved Cash / FY 2025 Monthly Budget	 7.0

Department of Savings and Mortgage Lending

**Operating Statement and Budget Analysis
For the Quarter Ending February 28, 2025**

	FY2024 ACTUAL	FY 2025 BUDGET	QUARTER PERFORMANCE				FY 2025 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	\$ 4,871,914	\$ 4,053,722	\$ 1,024,910	\$ 1,131,186	\$ (106,276)	110.4%	\$ 2,064,153	\$ 2,264,837	\$ (200,684)	109.7%
Application Fees	3,800	16,000	4,000	2,600	1,400	65.0%	8,000	4,200	3,800	52.5%
Mortgage Industry										
Licensing Fees	4,934,296	5,609,170	2,190,862	2,444,365	(253,503)	111.6%	4,916,495	5,360,339	(443,844)	109.0%
Administrative Penalties	50,100	-	-	(1,278)	1,278	0.0%	-	25,104	(25,104)	0.0%
Misc. Revenues	787,288	617,110	161,125	2,143,759	(1,982,634)	1330.5%	314,625	2,322,482	(2,007,857)	738.2%
TOTAL REVENUES	\$ 10,647,398	\$ 10,296,002	\$ 3,380,897	\$ 5,720,633	\$ (2,339,736)	169.2%	\$ 7,303,273	\$ 9,976,962	\$ (2,673,689)	136.6%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 5,634,941	\$ 6,948,079	\$ 1,754,145	1,525,743	\$ 228,402	87.0%	\$ 3,347,789	3,043,955	\$ 303,834	90.9%
Employee Benefits	1,718,341	2,068,485	521,856	457,089	64,767	87.6%	996,809	897,985	98,824	90.1%
Add'l Health/Retirement	78,812	103,833	26,101	21,670	4,431	83.0%	49,974	43,014	6,960	86.1%
Other Personnel Costs	92,863	109,913	31,213	28,872	2,341	92.5%	55,593	51,396	4,197	92.5%
Subtotal Personnel Costs	\$ 7,524,958	\$ 9,230,310	\$ 2,333,315	\$ 2,033,374	\$ 299,941	87.1%	\$ 4,450,165	\$ 4,036,351	\$ 413,814	90.7%
Travel Costs										
In-State	116,113	\$ 176,500	\$ 44,125	34,661	\$ 9,464	78.6%	\$ 88,250	74,009	\$ 14,241	83.9%
Out-of-State	45,176	60,000	5,000	3,619	1,381	72.4%	20,000	15,058	4,942	75.3%
Subtotal Travel Costs	\$ 161,289	\$ 236,500	\$ 49,125	\$ 38,280	\$ 10,845	77.9%	\$ 108,250	\$ 89,066	\$ 19,184	82.3%
Operating Costs										
Professional Services	49,708	\$ 90,509	\$ 2,500	2,387	\$ 113	95.5%	\$ 36,259	35,426	\$ 833	97.7%
Consumables	5,790	8,500	2,125	2,193	(68)	103.2%	4,250	3,885	365	91.4%
Office Utilities	14,555	16,200	3,975	3,648	327	91.8%	7,875	7,521	354	95.5%
Rent - Space & Equipment	8,656	16,500	1,000	647	353	64.7%	12,000	9,737	2,263	81.1%
Communications	98,464	106,598	22,600	18,708	3,892	82.8%	70,398	67,034	3,364	95.2%
Information Technology	324,985	378,300	109,500	103,973	5,527	95.0%	211,650	211,878	(228)	100.1%
Employee Training	59,161	70,000	12,500	7,829	4,671	62.6%	25,000	17,091	7,909	68.4%
Misc. Operating Costs	126,337	142,585	34,995	33,740	1,255	96.4%	54,395	52,027	2,368	95.6%
Subtotal Operating Costs	\$ 687,656	\$ 829,192	\$ 189,195	\$ 173,124	\$ 16,071	91.5%	\$ 421,827	\$ 404,599	\$ 17,228	95.9%
Camp Hubbard Costs										
Land Acquisition	\$ -	\$ -	\$ -	\$ 632,287	(632,287)	0.0%	\$ -	\$ 632,287	(632,287)	0.0%
Subtotal Camp Hubbard Costs	\$ -	\$ -	\$ -	\$ 632,287	\$ (632,287)	0.0%	\$ -	\$ 632,287	\$ (632,287)	0.0%
TOTAL EXPENDITURES	\$ 8,373,903	\$ 10,296,002	\$ 2,571,635	\$ 2,877,065	\$ (305,430)	111.9%	\$ 4,980,242	\$ 5,162,304	\$ 450,225	103.7%
EXPENDITURES (OVER)/ UNDER REVENUES	\$ 2,273,496	\$ -	\$ 809,262	\$ 2,843,568	\$ (2,034,306)		\$ 2,323,031	\$ 4,814,659	\$ (2,491,628)	

Department of Savings and Mortgage Lending

Budget Variance Analysis

For the Quarter Ending February 28, 2025

Revenues: Overall revenues are 36.6% over budget.

Thrift Assessments – Amounts collected are 9.7% over budget due to higher than budgeted risk-weighted assets.

Thrift Application Fees – Amounts collected are 52.5% of budget due to lower application activity year-to-date.

Licensing Fees - Amounts collected are 9% over budget due to the higher than estimated volume of license renewal applications.

Miscellaneous Revenues – Actual amounts are significantly over budget, due to a multi-state settlement receipt of \$1,945,288.

Expenditures: Overall expenditures are 3.7% over budget.

Personnel Costs – The category is 9.3% under budget due to unfilled vacancies.

Travel – Travel costs incurred are 17.7% under budget due to lower volume of travel to exam locations and training events than budgeted.

Travel Breakdown – FY25			
Category	In-State	Out-of-State	Total
Regulation and Supervision	\$57,595.71	\$2,772.85	\$60,368.56
Development and Training	15,217.22	12,284.83	27,502.05
Other Regulatory Activities	787.40	0.00	787.40
Non-Employee Travel	408.31	0.00	408.31
Total	\$74,008.64	\$15,057.68	\$89,066.32

Employee Training – The category is 31.6% under budget due to unfilled vacancies.

Camp Hubbard Costs – The incurred costs for land acquisition were not budgeted for.

Department of Savings and Mortgage Lending

Liquidity Report For the Quarter Ending February 28, 2025

	ACTUAL
Cash at Beginning of Period	17,201,629
Revenues Over (Under) Expenditures	2,843,568
Revenues Over (Under) Expenditures PY	
Increase (Decrease) in Payables	602,587
(Increase) Decrease in Receivables	33,370
Cash at End of Period	<u>20,681,154</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	9,760,626
Payables (net of receivables)	1,422,818
Lump Sums for Retirements	223,371
Program Funds	-
Other	-
Total Reserved Cash Balance	<u>\$ 11,406,815</u>
Unreserved Cash Balance:	
Future Operations	<u>\$ 9,274,339</u>
Total Unreserved Cash Balance	<u>\$ 9,274,339</u>
Total Cash Balance	<u>\$ 20,681,154</u>
Unreserved Cash/FY2025 Monthly Budget	10.8 months

TEXAS DEPARTMENT OF BANKING
Austin, Texas

INTERNAL AUDIT REPORT

on

Money Services Businesses

Fiscal Year 2025



TEXAS DEPARTMENT OF BANKING
Austin, Texas

Internal Audit Report
on
Money Services Businesses

Fiscal Year 2025

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Garza/Gonzalez & Associates, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

We performed procedures to assess the effectiveness and efficiency of the Texas Department of Banking's (DOB) internal control structure over the Money Services Businesses (MSB) Area (Area), and its compliance with applicable chapters of the Texas Finance Code, relevant rules of the Texas Administrative Code, and the Area's established policies and procedures, for the four-month period ended December 31, 2024.

Our audit results indicate that DOB's internal control structure over the Area is adequate, with no instances of noncompliance identified.

We have discussed the audit results with various DOB personnel, and are available to provide further details if needed.

This report has been prepared by Garza/Gonzalez & Associates, LLC, an independent Certified Public Accounting firm, in accordance with Generally Accepted Government Auditing Standards (GAGAS), International Standards for the Professional Practice of Internal Auditing, and the Institute of Internal Auditors' Code of Ethics within the Professional Practices Framework.

*Garza/Gonzalez
& Associates, LLC*

February 26, 2025

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

TEXAS DEPARTMENT OF BANKING
Money Services Businesses (MSB)
Internal Audit Report

INTRODUCTION

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

DOB's primary functions are to:

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

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

2025 Internal Audit Plan

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

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

This report (Report No. 1) contains the results of the MSB Audit. Reports on the remaining internal audit areas and other functions to be performed will be issued upon completion.

EXECUTIVE SUMMARY

Background

Money transmission and currency exchange services (collectively, “money services”) in Texas are regulated under Texas Finance Code (TFC) Chapter 152, known as the Money Services Modernization Act (MSMA), which replaced TFC Chapter 151 effective September 1, 2023. The MSMA aims to standardize regulatory practices across states for improved supervision and reduced regulatory burdens. DOB is tasked with administering the MSMA through licensing, examination, investigation, and enforcement.

Additionally, DOB oversees compliance with TFC Chapter 160, which governs Digital Asset Service Providers (DASPs), also effective September 1, 2023. The statute only applies to DASPs that hold a Texas money transmitter license from DOB and meet either of the following criteria:

- Serve more than 500 digital asset customers in Texas; or,
- Hold at least \$10 million in customer funds.

DOB is accredited by the Conference of State Bank Supervisors’ (CSBS) Money Services Businesses (MSB) Accreditation Program. As of December 31, 2024, DOB licensed:

- 169 money transmitters (MTs), including 25 DASPs
- 22 currency exchangers (CEXs)

Organization

The Money Services Businesses (MSBs) Area (Area) operates within the Non-Depository Supervision Division (NDS), and is primarily responsible for examining and monitoring the compliance of MSBs licensed in Texas. The Director of NDS manages the Area and reports to the Commissioner.

Key personnel

- **Review Examiner:** Reports to the Director, primarily overseeing examinations, compliance monitoring, and performance reporting.
- **MSB Program Specialist:** Performs senior-level administrative tasks.
- **MSB Financial Examiners (FEs):** Located in Austin headquarters, Dallas, Houston, and San Antonio, conducting examinations and other tasks assigned by the Director.

The Supervisor Administrative Regulation Application (SARA) system is utilized to track, document, and report the Area’s activities.

MSB Examinations

The frequency of MSB examinations for MTs and CEXs is determined by DOB Supervisory Memorandum (SM) 1023. Each MSB licensee is assigned an examination frequency of 12, 18, or 24 months, based on the following risk factors to ensure higher-risk entities receive more frequent examinations:

- License type.
- Most recent examination rating.
- New licensee status (i.e., no or only one prior examination).

The determination of examination frequency and the calculation of the next examination due date are automated within the SARA system.

TEXAS DEPARTMENT OF BANKING

Money Services Businesses (MSB)

Internal Audit Report

The Director schedules examinations and assigns FEs using SARA's Scheduler Report, typically months in advance. While examinations are primarily scheduled based on calculated due dates, additional qualitative risk factors are also considered, including:

- Consumer complaints
- Information shared by other state and federal regulators
- Information received at least quarterly via Nationwide Multistate Licensing System & Registry (NMLS)

Examinations may be delayed if coordination with other state regulators is required for a joint examination.

Full-Scope Examinations Conducted (September 1, 2024 - December 31, 2024)	
Type of Examination	Number of Examinations
Independent (DOB only)	10
DOB-led Joint Examination	6
DOB-participated Joint Examination	12
Total	28

The Money Transmitter Regulators Association (MTRA) Workprograms are used for conducting all types of MT examinations, and consists of:

- **Joint Examination Workprograms:** Developed by MTRA and used by all participating state regulators.
- **Texas-Specific Procedures:** Performed by DOB FEs for all examination types.

Changes from the enactment of TFC Chapters 152 and 160 (effective September 1, 2023) have been incorporated into the Texas-specific Procedures. Separate Workprograms are used for CEX examinations, as CEX compliance requirements are significantly fewer than those for MT's.

Examination Rating

MSB license holders receive a confidential rating of 1 to 5 for each full-scope examination, with 1 representing the strongest overall condition. As outlined in SM 1022, DOB has adopted the Uniform Money Transmitters Rating System (MTRS) developed by MTRA, ensuring consistency among examinations led by either DOB or other state regulators. Limited scope examinations (typically conducted approximately 6 months after a 4- or 5-rated examination) are not assigned a rating.

Post-Examination Process

Report Preparation & Submission

After an MSB examination, the Examiner in Charge (EIC) drafts the Report of Examination (ROE) and a cover letter, then enters the examination summary into SARA. Workpapers and travel expense reports are submitted to Austin headquarters for processing.

Review and Approval

The ROE undergoes multiple levels of review and approval based on the assigned rating, as follows:

- Director – Reviews all ROEs, signing those rated 1, 2, or 3.
- Commissioner – Reviews all ROEs assigned a rating of 3, 4, or 5, and signs only those with a rating of 4 or 5 following the Director's final review.
- DOB-Led Joint Examinations – Participating state regulators also review the ROE.

TEXAS DEPARTMENT OF BANKING

Money Services Businesses (MSB)

Internal Audit Report

Workpaper Review

Workpapers for ROEs rated 4 or 5 undergo further review by the Review Examiner or an FE.

Corrective Actions & Monitoring

Licensees receiving an ROE with a rating of 3, 4, or 5, are required to take corrective actions and submit a written response to DOB addressing the identified deficiencies by the due date specified in the cover letter, typically within 30 days of the ROE issuance. These responses are monitored in SARA until they are reviewed by the EIC and approved by the Review Examiner, who determines whether the examination can be finalized (closed). Once finalized in SARA, the associated ROE and workpapers are locked to prevent further modifications.

Document Retention & Quality Control

Completed examination workpapers are archived into DOB's document management system for retention. A 100% quality control check is performed to verify that archived workpapers and embedded documents are accessible and legible, with completion documented in the Workpaper Imaging Log. The EIC is responsible for deleting confidential documents obtained during the examination that are not subject to retention. To ensure all post-examination steps are completed in a timely manner, the MSB Examination Processing Log and Administrative Assistant Tracking Form for Exam Reports are utilized to track and document the status of each examination.

Acceptance of Other States' ROEs

DOB may accept another state's ROE, as permitted under TFC Sec. 152.057, if the licensee meets the lower-risk criteria and additional conditions established in SM 1024. To facilitate this process, the Acceptance Workprogram is used to document the licensee's risk profile and evaluate the other state's ROE. The assigned FE is responsible for completing the Workprogram, preparing a written recommendation for acceptance, and submitting it, along with supporting documentation, to the Director for final approval.

During the period from September 1, 2024 to December 31, 2024, DOB accepted one ROE from another state.

Offsite Monitoring

The Director, Review Examiner, and assigned staff conduct various offsite monitoring activities throughout the year, including:

- Reviewing Annual Reports and NMLS quarterly Call Reports.
- Monitoring consumer complaints received by DOB.
- Tracking announcements and information-sharing initiatives from peer regulators including various CSBS and MTRA committees.

Annual Reports Review

MSB licensees are required to submit an Annual Report to DOB by July 1st each year, in accordance with TFC Sec. 152.107. Reports must include financial and nonfinancial information from the prior calendar year, along with financial statements (audited for MTs and either audited or unaudited for CEXs). New licensees that obtained their license during the current calendar year are exempt from this requirement until the following year.

Late submissions incur a late fee of \$100 per business day, up to a maximum of 45 calendar days. If a licensee fails to submit the Report and pay any applicable late fees by the 45th day, the license will expire.

TEXAS DEPARTMENT OF BANKING

Money Services Businesses (MSB)

Internal Audit Report

To track compliance, the Program Specialist maintains an Annual Report Checklist spreadsheet that lists all licensees required to submit a report for that year. The review process includes the following steps:

1. The Program Specialist initially “prepares” each report by verifying its completeness and ensuring the accuracy of the licensee’s financial and nonfinancial information.
2. Prepared reports are assigned to an FE, who reviews them for completeness, accuracy, and financial compliance.
3. The Review Examiner conducts a final approval.

To document the review and approval process, an MT Annual Report Review Checklist or CEX Annual Report Review Form is completed for each licensee.

Financial Examiner Training

Newly hired FEs undergo a combination of required training courses and on-the-job training (OJT) under the supervision of a trainer FE. The trainer evaluates and documents the OJT progress for each examination step as the new FE advances through the stages, starting with observation, followed by performance with or without assistance by the trainer, until the FE is deemed proficient.

To be eligible for promotion to a higher classification, FEs must complete specific training courses designated by the Area.

Performance Measures

The Area is responsible for preparing and reporting the following key performance measures to the Finance Commission for fiscal year 2025:

- 01-02.01 (Outcome – Annual) - Percentage of Money Services Business Licensees Examined by NDS Within Required Timeframes
- 01-02.05 (Output – Quarterly) - Number of NDS Licensees Examined

These performance measures are based on examination data extracted from the SARA system.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this audit was to assess whether DOB's established policies, procedures, processes, and internal controls for the MSB area (Area) ensure effective and timely MSB examinations and compliance monitoring.

Scope

The scope of this audit was to review and/or test the selected functions and examinations performed within the Area during the 4-month period from September 1, 2024 to December 31, 2024 (audit period). Additionally, certain activities performed outside the audit period were reviewed and/or tested as necessary to assess the overall effectiveness and compliance within the Area.

Methodology

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

We performed procedures to achieve the objective of our audit, including:

1. Reviewed and obtained an understanding of the relevant laws and regulations in the Texas Finance Code and Texas Administrative Code, as applicable to the Area.
2. Reviewed the Area's written policies and procedures, supervisory memorandums, and supporting documents such as Workprograms, checklists, and logs; and, conducted interviews and walkthroughs to evaluate existing controls, processes, and current practices.
3. Assessed whether the Area's Digital Asset Service Provider (DASP) Procedures adequately address all new requirements in TFC Chapter 160 and are fully incorporated into the MT Work program.
4. Reviewed SARA's Roles and Rights Report (generated on February 4, 2025) and performed the following procedures:
 - a. Compared the listed users to the organizational chart to verify that access is restricted to authorized individuals only.
 - b. Compared user permissions and rights across similar job roles (e.g., administrators, financial examiners, and Corporate Activities division personnel) to ensure consistency.
5. Selected a sample of 7 out of the 28 MSB examinations conducted during the audit period and tested for the following attributes:
 - a. Completion of all required procedures in the applicable examination Workprogram, including the Texas-specific procedures.
 - b. Accuracy of examination ratings in SARA and the ROE.
 - c. All violations and other findings documented in the workpaper were included in the ROE.

TEXAS DEPARTMENT OF BANKING

Money Services Businesses (MSB)

Internal Audit Report

- d. Proper signature on the ROE and cover letter:
 - Signed by the Director if rated 1, 2, or 3.
 - Signed by the Commissioner if rated 4 or 5.
 - e. Completion of the ROE Processing Log, verifying:
 - i. Review and approval by the Director.
 - ii. Additional review by the Commissioner for ROEs with ratings of 3, 4, or 5.
 - iii. Deletion of examination documents submitted by the licensee via DOB's DEX file exchange system.
 - f. Tracking Form entry confirming deletion of confidential Bank Secrecy Act (BSA) information obtained during the examination.
6. Reviewed the only accepted ROE from another state during the audit period and tested for the following attributes:
 - a. Completion of all required procedures in the Acceptance Work program.
 - b. Accuracy of examination ratings in SARA and the ROE.
 - c. Preparation of a written recommendation for ROE acceptance, along with supporting documentation, by the assigned FE.
 - d. Approval of the acceptance by the Director.
 - e. If any criteria or conditions were waived, the Director provided a detailed justification.
7. Reviewed the 2024 Annual Report Checklist spreadsheet, which listed 188 licensees required to submit an Annual Report by July 1, 2024, and performed the following procedures:
 - a. Compared the licensees listed in the spreadsheet with the current active MSBs list (generated from DOB's website during the audit) to verify:
 - i. Licensees without an approved Annual Reports by August 15, 2024 were inactive by that date.
 - ii. All current active MSBs were included in the spreadsheet, unless they were licensed on or after January 1, 2024.
 - b. Randomly selected 12 Annual Reports from the spreadsheet and tested for the following attributes:
 - i. Completion of all sections in the Annual Report Review Checklist.
 - ii. [MT only] Accuracy of manually entered financial data in the Compliance Worksheet section in the MT Annual Report Review Checklist, ensuring consistency with the submitted Annual Report and the audited financial statements.
 - iii. Final approval of the Annual Report by the Review Examiner.

TEXAS DEPARTMENT OF BANKING

Money Services Businesses (MSB)

Internal Audit Report

8. Evaluated the Area's Key performance measures data collection and compilation methodology. Then, reviewed and verified the following Key performance measures against the supporting reports from SARA and confirmed approval by the Director:
 - 01-02.01 - *Percentage of Money Services Business Licensees Examined by NDS Within Required Timeframes* for fiscal year 2024, presented to the Finance Commission on October 25, 2024.
 - 01-02.05 - *Number of NDS Licensees Examined* (Quarter 1, Fiscal Year 2025), presented to the Finance Commission on February 21, 2025.
Note: This test focused only on numbers of NDS examinations attributed to MSBs.
9. Evaluated the training process and requirements for MSB FEs. For each current FE III or higher, reviewed the Personal Training Profile Report to determine whether they had completed the core curriculum courses required for their classification.

TEXAS DEPARTMENT OF BANKING

Money Services Businesses (MSB)

Internal Audit Report

**SUMMARY AND RELATED RATING OF
OBSERVATIONS/FINDINGS AND RECOMMENDATIONS**

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

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
-	None	-
<u>Description of Rating</u> 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. 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. 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. 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.		

TEXAS DEPARTMENT OF BANKING

Money Services Businesses (MSB)

Internal Audit Report

OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations
1	2/26/25	MSB	None.

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OFFICE OF CONSUMER CREDIT COMMISSIONER
Austin, Texas

INTERNAL AUDIT REPORT

on

TFEE Fund Investment Portfolio Administration

Fiscal Year 2025



Garza/Gonzalez & Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICE OF CONSUMER CREDIT COMMISSION
Austin, Texas

Internal Audit Report
on
TFEE Fund Investment Portfolio Administration
Fiscal Year 2025

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Garza/Gonzalez & Associates, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Finance Commission Members and
Audit Committee Members
Office of Consumer Credit Commissioner
Austin, Texas

We performed procedures to assess the effectiveness and efficiency of the Office of Consumer Credit Commissioner's (OCCC) internal control structure over the Texas Financial Education Endowment (TFEE) Fund Investment Portfolio Administration Area (Area). Additionally, we evaluated the Area's compliance with applicable laws and regulations outlined in the Texas Finance Code and Texas Administrative Code, as well as adherence to established policies and procedures for the four-month period ended December 31, 2024.

Our audit results indicate that OCCC's internal control structure over the Area is adequate, with no instances of noncompliance identified.

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

*Garza/Gonzalez
& Associates, LLC*

March 20, 2025

OFFICE OF CONSUMER CREDIT COMMISSIONER

TFEE Fund Investment Portfolio Administration

Internal Audit Report

INTRODUCTION

The Office of Consumer Credit Commissioner (OCCC) operates pursuant to Chapter 14 of the Texas Finance Code, and under the oversight of the Texas Finance Commission, who appoints the Consumer Credit Commissioner.

The OCCC's primary functions are to:

- Regulate fairly, efficiently, and effectively, addressing both consumers and creditors by enforcing Texas credit laws and licensing qualified lenders;
- Educate consumers and credit providers about their rights, remedies, and responsibilities;
- Communicate collaboratively with and encourage communication among the credit industry, consumer public, and the agency; and,
- Protect and safeguard consumers against abusive and deceptive lending practices.

OCCC was granted Self-Directed, Semi-Independent (SDSI) status during the 81st Legislative Session. As an SDSI agency, OCCC is not required to have their budget approved by the Legislature; instead, the Finance Commission determines its spending authority or limits. OCCC's operating funds are generated from fees assessed to regulated businesses, with no reliance on legislative appropriations.

2025 Internal Audit Plan

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

- Risk Assessment & Preparation of the 2025 Internal Audit Plan
- TFEE Fund Investment Portfolio Administration (*Required Periodic Audit*) Audit
- Business Licensing Audit
- Follow-up on Prior Year Internal Audits
- Preparation of the 2025 Internal Audit Annual Report
- Other Tasks

This report (Report No. 1) contains the results of the TFEE Fund Investment Portfolio Administration Audit. Reports on the remaining internal audit area and other functions to be performed will be issued upon completion.

OFFICE OF CONSUMER CREDIT COMMISSIONER

TFEE Fund Investment Portfolio Administration

Internal Audit Report

EXECUTIVE SUMMARY

Background

The Texas Financial Education Endowment (TFEE) Fund was established in 2011 by the 82nd Legislature and is administered by the Finance Commission of Texas through OCCC. The TFEE Fund supports statewide programs that promote consumer credit education, financial literacy, and asset-building opportunities.

In accordance with Texas Finance Code Section 14.113, the TFEE Fund is funded through an annual endowment fee, not to exceed \$200, assessed on each Credit Access Business (CAB) license holder and applicant. These funds are deposited in an interest-bearing account with the Texas Treasury Safekeeping Trust Company (TTSTC), a corporation under the Texas Comptroller of Public Accounts (Comptroller). The funds may be invested and reinvested under the prudent person standard as outlined in Section 11b, Article VII, of the Texas Constitution.

The Finance Commission administers all aspects of the TFEE Fund, including its grant program, funding, and policy decisions. The Audit Committee reviews investment reports, oversees TFEE administration, and recommends actions regarding the investment of funds. Each Finance Commission member is required to complete training on public funds investment oversight.

OCCC's Director of Licensing and Finance (Director) and Accounting staff are responsible for managing the TFEE Fund, including the administration of its investment portfolio.

OCCC Investment Policy

The administration of the TFEE Fund investments is governed by OCCC's Investment Policy, which is reviewed and approved annually by the Finance Commission. The most recent review and approval occurred on August 16, 2024. While the funds collected by OCCC are not subject to Chapter 2256 of the Government Code, known as the Public Fund Investment Act (PFIA), OCCC's Investment Policy aligns with PFIA investment requirements.

In accordance with OCCC's Investment Policy—

- 1) The Director serves as the agency's sole designated Investment Officer.
- 2) Not less than quarterly, the Investment Officer must prepare a signed, written investment report and submit it to the Finance Commission for review and approval. The report must reflect TFEE Fund activity for the reporting period, including beginning and ending investment and cash balances, deposits, interest earned, transfers, grant payments made, and bank fees paid.
- 3) Not less than once each biennium, the Investment Officer and other agency staff who perform investment-related activities must complete investment training. The Investment Officer must report the training status to the Finance Commission annually, at the same time the Investment Policy is submitted for review and approval.

OFFICE OF CONSUMER CREDIT COMMISSIONER

TFEE Fund Investment Portfolio Administration

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TTSTC Endowment Investment Policy

OCCC's Investment Policy for the TFEE Fund incorporates the TTSTC Endowment Investment Policy by reference. The TFEE Fund accounts are held at TTSTC in either an interest-bearing cash account or the investment account, with TTSTC managing the investment account in accordance with its Endowment Investment Policy.

The TFEE Fund is one of 12 endowment funds managed by TTSTC. The Comptroller oversees investments decisions authorized through TTSTC, with input from the Comptroller's Investment Advisory Board (IAB) and oversight by TTSTC Investment Committee, which consists of TTSTC's executive management. Endowment portfolios are diversified across multiple asset classes, with a goal of achieving long-term, stable returns.

Each calendar quarter, TTSTC prepares the Endowment Portfolio Review, and an independent third party prepares the Endowment Performance Report. These reports are submitted to the Comptroller, the IAB, and the Investment Committee. Additionally, TTSTC's annual financial reports undergo an independent audit.

Every biennium, a TTSTC representative presents an investment update to the Finance Commission. The Finance Commission also reviews the OCCC Investment Policy annually to ensure alignment with the TTSTC Endowment Investment Policy.

TFEE Fund Cash and Investment Accounts Management

OCCC collects annual endowment fees from new CAB license applicants, and renewing CAB license holders each December. The majority of CAB payments are processed through OCCC's licensing system, the Application, Licensing, Examination, Compliance System (ALECS), where endowment fees are assigned a unique object code to differentiate them from other fees. A small number of CAB entities submit check payments, which OCCC staff manually process via a lockbox or at headquarters.

Collected endowment fees are initially deposited into OCCC's Operating account at TTSTC. Periodically, these funds are transferred to the TFEE Fund Cash account, also at TTSTC. Transfers are made via TTSTC's online banking portal, which requires dual approval from the Commissioner and the Director. Four authorized OCCC staff members, the Commissioner, Director, and two accountants, have unique user IDs and security tokens to access the portal.

On a monthly basis, an accountant reconciles the TFEE Fund Cash account and reviews TTSTC's financial statements to monitor balances and activities. The same information is used to prepare quarterly investment reports. These reconciliations and reports are reviewed and approved by the Director or, in their absence, by the Commissioner.

Additionally, not less than annually, the Director reviews TTSTC's Endowment Performance report and Endowment Portfolio Review report to monitor investment performance and net asset balances. The Director also evaluates the Distribution Calculation spreadsheet, which computes a 20-quarter moving average of the TFEE Fund investment balance to determine the upcoming fiscal year's grant distribution.

The Director periodically assesses the TFEE Fund's Cash and Investment account balances to determine whether excess funds should be invested. The target Cash account balance is set at 10% of the total TFEE Fund balance plus grant awards scheduled for disbursement in the fiscal year. If additional investments are warranted, the Director presents an analysis to the Commissioner, who upon approval, submits a signed instruction letter to TTSTC to authorize the investment.

For the 4 months ended December 31, 2024, no contributions were made from the Cash account to the Investment account.

OFFICE OF CONSUMER CREDIT COMMISSIONER

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The table below presents the TFEE Fund's Cash and Investment account balances as of the end of the 1st quarter of fiscal year 2025. As shown, the Cash account balance consists solely of repurchase agreements, while investments include Short-Term Investment Funds, and long-term investments in equity, alternatives, fixed income, and SWAPS, all of which are authorized under OCCC's Endowment Policy.

TFEE FUND CASH & INVESTMENT ACCOUNT BALANCES	
Asset Type	Ending FY 2025 1st Quarter
Cash & Cash Equivalents	
Repurchase Agreements	\$ 1,131,631.88
Total Cash & Cash Equivalents	\$ 1,131,631.88
Investments	
Cash in Bank	\$ 8,531.71
Short-Term Investment Fund	906,827.87
Other Short-Term Assets	3,840.72
<i>Long-Term Investments</i>	
Equities	2,094,497.45
Alternatives	6,502,758.28
Fixed Income	976,039.00
SWAPS, at Fair Value	(2,151.86)
Total Investments	\$ 10,490,343.20
Liabilities	
Accounts Payable	(2,055.08)
Interest Payable	(2,915.11)
Total Liabilities	\$ (4,970.19)
Investments, net	\$ 10,485,373.01
Total Endowment Fund, net	\$ 11,617,004.89

Source: Cash balance was obtained from TTSTC Portfolio Asset Summary and Investments and liabilities balances were obtained from TTSTC Statement of Fiduciary Net Position.

From September 2024 to December 2024, OCCC collected a total of \$180,800 in TFEE fees.

Disbursements

TFEE funds are disbursed only for the purposes outlined in Finance Code Sec. 393.628, through the TFEE grant program. Upon proper approval of a semi-annual expense reimbursement request from a grantee, the senior accountant submits a request through the TTSTC portal for funds to be transferred from the TTSTC Cash account to a Special Revenue Fund, as established by the Comptroller, for disbursement. The Disbursement Request Form is printed and retained as supporting documentation, along with the corresponding journal voucher. Once funds are disbursed, staff updates the Grant Disbursement Log with the grantee's name, disbursement date, amount disbursed, warrant number, and date the warrant was mailed.

From September 2024 to December 31, 2024, a total of \$67,712 was disbursed to 4 grantees.

OFFICE OF CONSUMER CREDIT COMMISSIONER

TFEE Fund Investment Portfolio Administration

Internal Audit Report

Audit Objective, Scope, And Methodology

Objective

The objective of the audit was to determine OCCC's compliance with applicable state laws, rules, and established policies and procedures related to the administration of the Texas Financial Education Endowment (TFEE) Fund investment portfolio (Area).

Scope

The scope of our audit was the Area's activities and transactions conducted during the 4-month period from September 1, 2024 through December 2024 (audit period).

Methodology

The audit methodology included a review of applicable laws and regulations; OCCC's established policies and procedures, and other internal and external documentation; and, interviews and correspondence with the Director of Licensing and Finance.

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

- a. Texas Finance Code Sec. 14.113, *Texas Financial Education Endowment*; Texas Constitution, Article 7, Section 11b; Government Code Chapter 2256, *Public Funds Investment Act*, and, Title 7 of Texas Administrative Code Chapter 7, *Texas Financial Education Endowment Fund*, and Rule §83.3010 *Fees*.
- b. OCCC's policies and procedures, to include:
 - 1) OCCC Investment Policy, effective August 16, 2024.
 - 2) TFEE & Recovery Procedure Manual.
- c. Other policies and procedures, to include:
 - 1) TTSTC Investment Policy Statement for Texas Endowment Funds, January 2025.
 - 2) Finance Commission Policies and Procedures, February 2025.
- d. Sample worksheets utilized by the Area, to include:
 - 1) Bank Reconciliation Template
 - 2) Grant Reimbursement Log
 - 3) Investment Report Template
 - 4) Grant Reimbursement Report Template
- e. TTSTC Audits and Reports, to include:
 - 1) Fiscal year 2024 audited annual financial report and accompanying Conduct of Audit report.
 - 2) *Endowment Portfolio Review* for third quarter, 2024 calendar year.
 - 3) *Endowment Performance* report as of August 31, 2024.
- f. Investment Advisory Board meeting minutes for the 2024 calendar year.
- g. OCCC Investment Report for first quarter, and supporting documentation consisting of TTSTC Statement of Fiduciary Net Position and Cash account statements.
- h. Cash account monthly reconciliations for the months of September 2024 through December 2024.
- i. Investment training certificates for applicable OCCC staff, including the investment officer.
- j. Endowment fee collection reports for the audit period.

OFFICE OF CONSUMER CREDIT COMMISSIONER

TFEE Fund Investment Portfolio Administration

Internal Audit Report

- k. Supporting documentation for TFEE disbursements paid during the audit period, which included Grant Reimbursement Request Forms, journal vouchers, TTSTC Disbursement request forms, and the Grant Reimbursement Log.

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

1. Reviewed and updated our understanding of applicable state laws, regulations, and OCCC's policies and procedures related to the administration of the TFEE Fund investment portfolio.
2. Reviewed OCCC's Investment Policy to ensure it aligns with the best practices of public fund investment programs, specifically comparing it to the requirements of Government Code 2256, Public Funds Investment Act (PFIA).
3. Reviewed the 1st Quarter investment report presented to the Finance Commission's Audit Committee and performed the following procedures:
 - (1) Traced beginning and ending balances, additions/deletions during the reporting period, and interest rate, to source documents originated from TTSTC which included TTSTC financial statements and monthly statements.
 - (2) Assessed compliance with OCCC Investment Policy, Section 6, *Reporting*.
4. Reviewed the August 16, 2024 meeting minutes for the Audit Committee and Finance Commission to ensure OCCC's Investment Policy is reviewed and approved annually.
5. Reviewed investment training certificates for applicable OCCC staff to assess compliance with OCCC Investment Policy, Section 11, *Investment Training*.
6. Reviewed TTSTC's audited annual financial report and report on the conduct of the audit for fiscal year 2024, along with the Investment Advisory Board meeting minutes from 4 meetings held in calendar year 2024 to assess the effectiveness of internal controls and oversight over TTSTC's endowment investments, and evaluated whether OCCC's reliance on these controls and oversight is appropriate.
7. Obtained the TFEE Cash account monthly bank reconciliations for the months from September 2024, November 2024, and December 2024 and performed the following procedures:
 - (1) Traced the amounts in the reconciliations to TTSTC's monthly statements.
 - (2) Agreed the beginning balance to prior-month ending balance.
 - (3) Recomputed ending balances to ensure accuracy.
 - (4) Assessed OCCC's adherence to its established bank reconciliation procedures.
8. Compared actual TFEE Endowment fee collections to an expectation, based on the number of CAB licensees, to evaluate reasonableness of the collection recorded by the Area.
9. Reviewed supporting documentation for the TFEE disbursements made in September 2024 and October 2024 and performed the following procedures:
 - (1) Agreed amounts to the respective TTSTC statements, and TTSTC disbursement request forms.
 - (2) Ensured disbursements agreed to approved Grant Reimbursement Request Forms.
 - (3) Ensured amounts were recorded on the Grant Disbursement Log.

OFFICE OF CONSUMER CREDIT COMMISSIONER

TFEE Fund Investment Portfolio Administration

Internal Audit Report

**SUMMARY AND RELATED RATING OF
OBSERVATIONS/FINDINGS AND RECOMMENDATIONS**

As OCCC'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 Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
-	None	-
<u>Description of Rating</u> 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. 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. 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. 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.		

OFFICE OF CONSUMER CREDIT COMMISSIONER

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OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations
1	3/20/2025	TFEE Fund Investment Portfolio Administration	None.

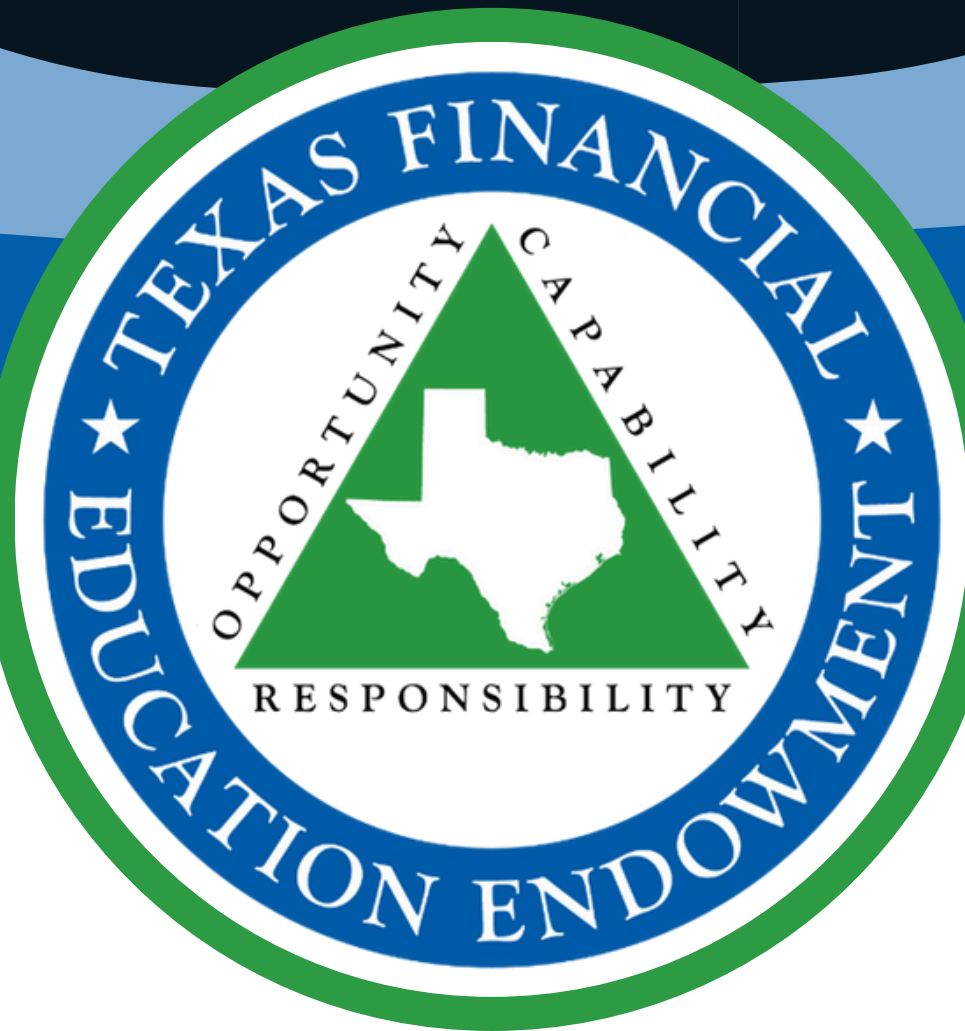


Texas Financial Education Endowment (TFEE)

TFEE Report – April 25, 2025


ACTIVITIES RELATING TO THE TEXAS FINANCIAL ENDOWMENT FUND

The 2nd semi-annual grant reimbursements for the 2024-2025 cycle are finalized and the semi-annual report is included in this packet. The award amount reimbursed to date is \$295,852.16, which is 40.2% of the 2024-2025 total award amount. Staff continue reviewing TFEE materials to be updated in anticipation of the 2026-2027 grant cycle, which opens in June 2025. Past data and future projections are being evaluated to inform the recommendation concerning the total award amount for 2026-2027 at the June Finance Commission meeting.



⋮ **2024-2025 GRANT CYCLE** ⋮

— **SEMI-ANNUAL REPORT NO.2** —
JULY 1, 2024 - DECEMBER 31, 2024



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Center



Grant Advisory Committee

Laura Rosen, Consumer Advocate Representative
Roselyn Morris, Finance Commission Representative
Laura Nassri Warren, Finance Commission Representative
Linda Davis-Demas, Financial Education Consultant
Stefanie Beecoff, Credit Access Business Representative

Grant Coordinator

Treshayla Wilson, Office of Consumer Credit Commissioner

2024-2025 TFE Grant Recipients

Center for Transforming Lives	Financial Coaching
Foundation Communities	Adult Financial Education & Capability
Girl Scouts of Northeast Texas	K-12 Financial Education & Capability
Grace After Fire	Adult Financial Education & Capability
Houston Area Women's Center	Financial Coaching
My Possibilities	Adult Financial Education & Capability
Panhandle Community Services	Adult Financial Education & Capability
Pockets Change	K-12 Financial Education & Capability
RAISE Texas	Financial Coaching
Region One Education Service Center	Adult Financial Education & Capability

2024-2025 Grant Summary

The Texas Financial Education Endowment awarded 10 organizations an aggregate amount of \$735,700 in funds for program activities related to the 2024-2025 grant cycle. These organizations promote and strengthen financial education and capability across Texas.

During the second reporting period (July 1, 2024 – December 31, 2024), grant funds were used to provide more than 1,400 hours of direct financial education training to over 4,000 Texas consumers through group presentations and one-on-one financial coaching sessions.

TFEE Progress	Amount Awarded: \$735,700
Reimbursement Requests No.2	(January 1, 2024 – June 30, 2024)
Center for Transforming Lives	\$33,242.67
Foundation Communities	\$11,934.05
Girl Scouts of Northeast Texas	\$20,822.90
Grace After Fire	\$20,027.93
Houston Area Women's Center	\$17,606.85
My Possibilities	\$12,731.00
Panhandle Community Services	\$0.00
Pockets Change	\$30,419.20
RAISE Texas	\$2,638.17
Region One Education Service Center	\$32,532.33
Total Requested Amount for Reimbursement No.2:	\$181,955.10
Total Requested Amount to Date:	\$295,852.16
% of Funds Expended to Date:	40.2%
Amount of Funds Remaining:	\$439,847.84

Center for Transforming Lives



The goal of the Center for Transforming Lives Financial Coaching program is to improve the overall short-term and long-term financial health of the participants and their families as evidenced by achieving objectively measured financial indicators. By providing families with financial coaching and access to CTL's comprehensive wrap around services, Center for Transforming Lives aims to disrupt the generational cycle of poverty and launch thousands of families upon the path of financial independence.

Center for Transforming Lives worked one-on-one with individuals to set goals and create action plans aimed at increasing income, improving credit, and increasing debt. CTL successfully enrolled 70 new participants in financial coaching, and 60 participants established or improved their credit with an average 23-point increase. Additionally, the program provided 479 hours of direct coaching.

Program Type:
Financial Coaching

Grant Term:
2 year

Amount Awarded:
\$60,000

**Funds Requested
this period:**
\$33,242.67

Foundation Communities



The purpose of Foundation Communities (FC) Financial Wellness programming is to provide low-income clients and their families with tools and support to build and strengthen their financial capability. The Financial Wellness programming is part of FC's Prosper Centers – a larger suite of services that includes Tax Help, College Hub and Health Coverage. Prosper Centers provide free tax preparation, support to enter and finance higher education, and enrollment in affordable health insurance programs, creating a one-stop-shop for services that create pathways toward greater financial health.

In the second reporting period, Foundation Communities achieved significant milestones, serving 136 clients. Six participants successfully established or increased their savings, with an average growth of \$1,548. Foundation Communities financial coaching program has a proven impact on financial capability, and six of their clients reduced their reliance on consumer loans or other debts.

Program Type:
**Adult Education &
Capability**

Grant Term:
2 year

Amount Awarded:
\$60,000

**Funds Requested
this period:**
\$11,934.05

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. GSNETX plans to engage 5,000 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.

During the reporting period, GSNETX made meaningful progress through successful initiatives such as providing Rally Kits to service units, hosting Cookie University, and organizing a Cookie Rally for new troops. These activities engaged 3,125 individuals, exceeding the organization's goals for this second cycle.



Grace After Fire



Grace After Fire (GAF) recognizes that there is a growing need for assistance overcoming barriers frequently encountered by women veterans. GAF's mission is to provide the means for women veterans to gain knowledge, insight and self-renewal. GAF's goal is to invest in the future of women veterans by giving them a direct path from active duty to transition the whole family into their next chapter in their new community. The organization seeks to provide collaboration with financial educators from FDIC certified professionals to provide financial education through FDIC Money Smart Program.

Since the last reporting period, Grace After Fire was able to assist 39 women veterans through their newly named Services & Transition Assistance for Resilient Sisters (STARS) program. GAF hosted two workshops and received great feedback, allowing them to foster partnerships and build rapport with their participants.



Houston Area Women's Center



The Houston Area Women's Center (HAWC) serves thousands of women, children and families each year escaping domestic violence, sexual assault or sex trafficking. For survivors of domestic violence, financial abuse is the largest barrier to achieving self-sufficiency. The goal of HAWC's Economic Empowerment Program is to advance the financial capability of 225 survivor participants. A key program objective is to support survivors with information and tools to empower them to establish self-determined lives and financial independence, free from violence.

HAWC provided financial coaching to 122 clients, with over 235 hours of direct interaction with participants. To date, 17 clients have actively embraced the Match Savings Program, which allows them to develop effective savings plans, maintain disciplined budgets, and understand the power of savings as a foundation for financial security.



My Possibilities



My Possibilities (MP) seeks to pioneer a financial education program for adults with intellectual or developmental disabilities (IDD) and their caregivers. Traditional financial education often falls short in addressing their unique learning needs. MP's program features tailored curriculum, one-on-one support, and caregiver involvement with a focus on essential financial life skills through adaptive learning methods. MP will collaborate with its Employment Innovations School that helps adults with IDD complete vocational training and gain integrated employment at a competitive wage.

Over the course of this reporting timeframe, My Possibilities introduced foundational financial education, benefitting 96 unique participants through 162 total hours of instruction, and continues to promote financial confidence and management skills. MP added two new classes: Basics of Budgeting and Math Review, which began in October of 2024.



Panhandle Community Services



The mission of Panhandle Community Services (PCS) is to work as a community leader and partner in the Texas Panhandle to change the lives of low-income people by bridging the gap from poverty to self-sufficiency. PCS's Financial Empowerment program seeks to provide robust, comprehensive financial education to their predominantly low-income client base across a diverse array of programs, specifically clients within the EITC/VITA tax preparation programs, and in Family Development programs. In conjunction with the Career Coaching program, PCS seeks to serve 150 individuals/families through standalone, robust financial empowerment programs within the first year.

There is no activity to report this period; however, Panhandle Community services is on track to begin its initiatives next reporting phase.



Pockets Change



Pockets Change's mission is to build intergenerational financial resilience with students, families, and educators. Pockets Change believes financial education is about much more than numbers, it's a means for self-care and social justice. In partnership with Here for Good Texas and Morphing Minds, Pockets Change seeks to increase financial education in Texas. Over the grant period, Pockets Change plans to empower a minimum of 400 students through in-person and virtual workshops. Its award-winning Hip Hop & Finance online curriculum and virtual professional development will be accessible to all Texas educators. This program will give Texas students access to personal finance education, impetus to discuss their relationship with money, and incentive to share their feelings with other youth as they prepare songs for the annual Hip Hop FinFest.

Pockets Change continues to expand its immersive Hip Hop FinFest programs. During the span of this review cycle, the organization reached a total of 283 students, educators, and community members through workshops, professional development and the online HipHop FinFest concert replay.



RAISE Texas (RAISE) is a coalition of 1,500 organizations and individuals united around the common goal of advancing policies and programs that foster financial security and economic mobility for low- and moderate-income Texans. With support from TFEU in 2022, RAISE Texas developed a curriculum to help coaches provide individualized support for clients, building financial subject matter expertise. This grant will use that curriculum to train 150 financial coaches and develop, update, and distribute two tools to help consumers navigate short-term loans and credit building.

In the second half of 2024, RAISE focused on updating their tools that help Texans with a credit score below 600 access short-term loans at suitable interest rates. These resources were distributed in-person at the 2025 RAISE Texas Summit, and will be distributed digitally as well. Additionally, RAISE prepared for the launch of its 2025 series.



Region One Education Service Center



Region One Education Service Center(ROESC)delivers training and consulting assistance to thousands of educators and provides a wide range of services to local school systems to enhance the education they are providing students at the local level. Through the Region One Money Empowerment program, 1,500+ at-risk college adults and parents will receive financial training. The overall program goal is to assist participants in either reducing credit card/loan debt or improving their credit score within a four-month time frame.

The Region One Money Empowerment program had another successful reporting period through December 2024, advancing the organization’s mission to train adults in fostering positive financial well-being. Notable progress includes the successful execution of 17 scheduled college classroom visits, which were carried out seamlessly with no significant obstacles. ROESC reached and provided services to 210 adults within its targeted demographic.



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Mortgage Grant Fund Activities Report — March 31, 2025

Activities Relating to the Mortgage Grant Fund (MGF)

As previously reported in the February meeting of the Finance Commission, the 2023-2024 MGF grant cycle concluded on December 31, 2024. Final figures from the last semi-annual reporting period are now available. The final reimbursement, \$138,145.94, was approved and disbursed. This brought the grant cycle total disbursements to \$516,766.85, representing approximately 90% of the \$576,176 originally awarded. One grantee's agreement was terminated for noncompliance for failing to adhere to reporting requirements, and the organization has been added to the list of those ineligible for future grant funding.

For the 2025-2026 MGF grant cycle, the Grant Coordinator has completed touch-base calls with all moderate-risk grantees, as outlined in the Mortgage Grant Administration Manual. No additional risk factors were identified. The Grant Coordinator is also participating in the rule review of the Texas Administrative Code, Chapter 51, Subchapter F, which governs the MGF program, for potential areas of clarification.