

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

Friday, June 21, 2024

8:30 a.m.

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

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

- A. Review and Approval of the Minutes of the April 19, 2024 Audit Committee Meeting
- B. Review of Agencies' Activities
  - 1. Department of Savings and Mortgage Lending
  - 2. Texas Department of Banking
  - 3. Office of Consumer Credit Commissioner
- C. Discussion of the 2025 Budget Process
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's 2024 Payroll and Human Resources Report as Prepared and Presented by Garza/Gonzalez and Associates
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund
- F. Discussion of the Activities of the Mortgage Grant Fund
- G. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code

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

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

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**MINUTES OF THE  
AUDIT COMMITTEE MEETING  
Friday, April 19, 2024**

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m., on Friday, April 19, 2024, with the following members present:

**Audit Committee Members in Attendance:**

Phillip Holt, Interim Chairman (Chairman, Finance Commission of Texas)  
Roselyn “Rosie” Morris  
Marty Green

**Audit Committee Members Absent:**

Hector Cerna

Chairman Holt announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three (3) members present. (0:29 on audio file).

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the February 16, 2024 Audit Committee Meeting	Rosie Morris made a motion to Approve the Minutes of the February 16, 2024 Audit Committee Meeting. Marty Green seconded, and the motion passed.	0:44 Start of Discussion  0:58 Vote
B. Review of Agencies’ Activities 1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	No Action Required.	1:20  Start of Discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies’ 2024 Second Quarter Investment Officer Reports 1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	Rose Morris made a motion to recommend that the Finance Commission Approve the Agencies’ 2024 Second Quarter Investment Officer Reports. Marty Green seconded, and the motion passed.	4:21 Start of Discussion  6:25 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies’ 2024 Second Quarter Financial Statements 1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	Rosie Morris made a motion to recommend that the Finance Commission Approve the Agencies’ 2024 Second Quarter Financial Statements. Marty Green seconded, and the motion passed.	6:42 Start of Discussion  13:51 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
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.	14:10 Start of Discussion
F. Discussion of the Activities of the Mortgage Grant Fund	No Action Required.	16:36 Start of Discussion
G. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code	No Action Required.	n/a

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Holt adjourned the meeting at 8:47 a.m. (17:48 on the audio file).

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Phillip Holt, Interim Chairman, Audit Committee  
 Finance Commission of Texas

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Wendy Rodriguez, Deputy Commissioner  
 Texas Department of Banking

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Ruth Wright, Executive Assistant  
 Finance Commission of Texas

# Department of Savings and Mortgage Lending

## Audit Activities Report as of May 31, 2024

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**Auditor:** *Department of Information Resources – AT&T Cybersecurity Consulting*      **Audit Report Date:** *N/A*

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**Audit Area:** *Information Resources*

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**Findings:** *N/A*      **Status Update:** *In progress. Controlled Penetration Test and Web Application Vulnerability Scan performed on February 19, 2024.*

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**Auditor:** *Comptroller of Public Accounts*      **Audit Report Date:** *N/A*

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**Audit Area:** *Post-Payment and Procurement Audit*

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**Findings:** *N/A*      **Status Update:** *In progress. Field work began on March 18, 2024.*

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**Auditor:** *State Office of Risk Management*      **Audit Report Date:** *May 17, 2024*

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**Audit Area:** *Risk Management*

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**Findings:** *N/A*      **Status Update:** *Completed. Risk Management Program Review (RMPR) to be performed on May 17, 2024.*

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**Auditor:** *Garza/Gonzales and Associates*      **Audit Report Date:** *N/A*

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**Audit Area:** *Mortgage Grant Fund*

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**Findings:** *N/A*      **Status Update:** *In progress. Field work began on June 5, 2024.*

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# Risk Management Program Review Report

Department of Savings Mortgage Lending

May 17, 2024

**Conducted by:**  
Cynthia Stuart, Enterprise Risk Specialist





State Office of Risk Management

300 W. 15<sup>TH</sup>, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777  
(512) 475-1440, FAX (512) 370-9025 / WWW.SORM.STATE.TX.US

May 17, 2024

Hector Retta  
Commissioner  
Department of Savings Mortgage Lending  
State Finance Commission Building  
2601 S. Lamar Blvd.  
Austin, TX 78705

Agency #450

Re: Risk Management Program Review (RMPR)

Dear Commissioner Retta,

The State Office of Risk Management (SORM) conducted a Risk Management Program Review (RMPR) with the Department of Savings Mortgage Lending at the Finance Commission Building on May 17, 2024. The consultation was conducted under the authority of the Texas Labor Code, Title V, Subtitle A, Chapter 412, and is designed to assist state agencies with developing and implementing comprehensive risk management programs that meet the Texas Enterprise Risk Management (TERM) guidelines.

#### EXECUTIVE SUMMARY

The review period covered FY20 through February 2024. The following individuals participated during the RMPR:

- **State Office of Risk Management (SORM)**
  - Cynthia Stuart, Enterprise Risk Specialist
- **Department of Savings Lending (SML)**
  - Antonia Antov, Director of Operations
  - Steven Lang, Staff Services Officer III

The following SORM core mission areas were discussed:

- Workers' Compensation: SML submitted zero claims during the review period, FY20-February 2024.

- Property: SML has had no reportable property losses during the review period FY20-FY24.
- Insurance: SML is currently participating in the following lines of insurance: Property, Directors' & Officers' Liability, and Cyber.
- Continuity of Operations: SORM received and reviewed the SML Continuity of Operations Plan in 2015.
- Training: SML has participated in SORM's complimentary training, including Additional Duty Safety Officer (ADSO) Orientation and Personal Safety and Awareness training.

Noteworthy observations made during the consultation include the following:

- SML has an impressive workers' compensation loss history; having not experienced a compensable claim since 2016.
- SML continues to take a proactive approach to its risk management program. They encourage employees to take responsibility for creating a safe and healthy working environment for themselves, coworkers and the public.

Opportunities for improvement of the SML's risk management program and any action items are included in the attached report.

We hope you take a moment to complete our [Customer Service Survey](#) to let us know how we did during our visit. We appreciate your feedback to help us enhance future visits for our client agencies and institutions.

Please convey my sincere appreciation to the staff at SML for their cooperation and assistance during the consultation. If you have any questions or concerns regarding the information detailed in this report, please contact me by either phone at 512-936-1568 or email at [cynthia.stuart@sorm.texas.gov](mailto:cynthia.stuart@sorm.texas.gov).

Sincerely,



Cynthia Stuart  
Enterprise Risk Specialist  
State Office of Risk Management



cc: Antonia Antov



## OBSERVATIONS AND RECOMMENDATIONS

### I. GENERAL

A. The following items were reviewed and discussed during the RMPR:

1. Annual Financial Report for Fiscal Year ending August 31, 2023
2. Strategic Plan for FY2023-2027
3. FY2024 Personnel Policies
4. Employee Health & Safety Manual (September 2023)
5. Risk Management Policy (September 2023)
6. Contract Guide FY2024
7. SORM 200 Data
8. Agency Priorities

B. SML was designated as a Self-Directed Semi-Independent agency in 2009. This designation allows the SML to promptly address internal and external changes, including resolving claims and litigation. There are no risk management notes in the Annual Report.

C. The risk management policy recognizes the importance of the organization's human, fiscal, and physical resources. It details the agency's goals related to risk management and its efforts to protect its resources. SML performs risk assessments to determine the level of oversight and agency participation in contracts. It uses a Risk Assessment Matrix (RAM) to determine risk level. This allows the agency to make conscious decisions about the hazards and exposures created in contracts.

D. SML strives to promote a healthy environment and encourages a safety culture at the agency. The Employee Health & Safety Manual delineates the responsibilities of all staff. It identifies executive management's involvement as key to the success of the health & safety program. The involvement of upper management emphasizes the importance of safety to employees as they conduct the agency's business.

E. The manual assigns specific tasks to personnel in protecting the agency's human capital and physical assets. The manual uses federal regulations as its foundation for safety. Appendix A provides the health and safety publications resources. The agency's loss

history suggests that employees are making a conscientious effort to maintain a safe work environment for themselves and their coworkers. The Commissioner's safety policy statement is included in Appendix D, as this statement sets the tone for the manual moving it to the front of the manual would emphasize the agency's commitment to safety. **(OBSERVATION #24-05-01)**

- F. The Strategic Plan for Fiscal Years 2023 to 2027 outlines the agency's goal and various methods to fulfill its mission. It identifies the mortgage industry's challenges and the agency's approach to addressing them. COVID-19 reformed the mortgage industry, including removing physical office requirements for mortgage companies. The SML needs the ability to adapt to changes in the mortgage industry to ensure it can protect the interests of Texas consumers.
- G. According to the State Auditor's Office, Classified Employee Turnover for Fiscal Year 2023 Report, SML had a total agency turnover rate of 16.2%. This rate includes a 3.2% rate for Involuntary Separations, 9.7% for Voluntary Separations, and 3.2% for Retirements. These rates are based on an average annual headcount of 61.75. SML recognizes that loss of institutional knowledge would have a deleterious effect on the agency and impact its ability to accomplish its mission. The agency is addressing this concern through policies and procedures management that track employee job functions.
- H. The agency's risk management manual is contained in the Personnel Policy & Procedures Manual. Providing strong safety principles is a vital step in developing the safety conscience at the agency. Staff safety is paramount to management, and they have developed a safety philosophy demonstrated through their operations.
- I. The agency's accident investigation procedures are excellent and based upon root cause analysis in determining accident causation. SML has determined that the investigation, analysis, and review are critical to their safety program. This process takes an analytical rather than fault-finding approach to investigation. The agency recognizes that cultivating a supportive work environment will allow employees to achieve agency goals.

## II. **INSURANCE**

SORM reviewed and discussed SML participation in the SORM sponsored lines of insurance: Automobile, Property, and Directors' and Officers' with Cyber Endorsement.

- A. Automobile: SML does not own a fleet of state vehicles used in accordance with its duties. State business is occasionally conducted by employees operating their personally owned vehicles. SML has chosen to transfer this risk via an Auto Hired Non-Owned (HNO) insurance policy.

- B. Property: SML operations occur at 2601 N. Lamar Blvd in Austin. The SML owns a variety of Contents property in accordance with its operations. The SML has provided SORM the Maximum Possible Loss and Maximum Probable Loss values regarding their Contents property. SML purchases insurance to address this exposure.
- C. Directors' and Officers': Decisions made by SML and the SML itself may be subject to liability claims, including employment practices liability. Based on the nature of this kind of litigation, however, the quantification of this risk is complex. The agency purchases an insurance policy to address this risk.
- D. Cyber: This coverage enables businesses to transfer the costs involved with the recovery from a cyber-related security breach or similar events. This coverage may respond in the event of a network security failure, including data breaches, malware, ransomware attacks, and email compromises. This coverage is included as an endorsement of the agency's Directors' and Officers' policy.

### III. CONTINUITY OF OPERATIONS

SORM reviewed and discussed the following Continuity of Operations considerations.

- A. Continuity of Operations Plan: The SML last submitted its Continuity of Operations Plan to SORM in 2015. The agency is updating its COOP plan and expects to submit the COOP plan for review by the end of the year.
- B. Continuity Exercise Summary: The SML has not submitted a Continuity Exercise Summary to SORM. The agency is encouraged to submit an Exercise Summary to SORM as soon as possible.

### IV. RMPR OBSERVATIONS

- A. New Observations to maintain the efficiency of your Risk Management Program from this SORM consultation include the following:

#### 1. Observation 24-05-01 Risk Management- Policies & Procedures

The agency's Employee Health & Safety Manual is a dynamic document that establishes the foundation for the safety culture of SML. The agency has delineated the duties of executive management, risk manager/safety officer, supervisors, and employees. The support of the Commissioner is a vital element of the success of the agency's risk management and safety programs. The Commissioner's Safety and Health Policy Statement is included in the manual as Appendix D. The agency has

established the health and safety of employees as vitally important to the success of its mission. SORM believes it would be prudent to move the Commissioner's statement to the front of the manual to establish the importance of employee safety.

*Reference: SORM TERM (G), Section E, Employee Health & Safety, 5.3 Program Roles and Responsibilities*

- B.** There are no formal recommendations made during this Risk Management Program Review(RMPPR).





## Important SORM Resources

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[SORM Texas Enterprise Risk Management \(TERM\) Guidelines](#)

[Request Training](#)

[SORM Safety Videos](#)

[Workers' Compensation Healthcare Network](#)

## SORM Contact Information

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Main: (512) 475-1440

Toll-Free: (877) 445-0006

Website: [www.sorm.texas.gov](http://www.sorm.texas.gov)

### Other Contacts

James Cox	Chief of Strategic Programs	512-936-1527	<a href="mailto:James.Cox@sorm.texas.gov">James.Cox@sorm.texas.gov</a>
James LeGrand	Interim Director of Enterprise Risk	512-936-1555	<a href="mailto:James.LeGrand@sorm.texas.gov">James.LeGrand@sorm.texas.gov</a>
Shelby Hyman	COOP Task Force Leader, Director of Agency Relations	512-936-1457	<a href="mailto:Shelby.Hyman@sorm.texas.gov">Shelby.Hyman@sorm.texas.gov</a>
Heather Hernandez	Statewide Continuity Coordinator	512-936-1477	<a href="mailto:Heather.Hernandez@sorm.texas.gov">Heather.Hernandez@sorm.texas.gov</a>
Patrick Juren	Account Manager, Insurance Services	512-936-1521	<a href="mailto:Patrick.Juren@sorm.texas.gov">Patrick.Juren@sorm.texas.gov</a>
Jamell Collins	External Training Consultant	512-936-1512	<a href="mailto:Jamell.Collins@sorm.texas.gov">Jamell.Collins@sorm.texas.gov</a>

**Texas Department of Banking**  
**Audit Activities Report**  
**As of May 31, 2024**

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<b>Auditor:</b>	State Office of Risk Management (SORM)	<b>Audit Report Date:</b> <i>May 21, 2024</i>
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<b>Audit Area:</b>	<i>Risk Management Program Review</i>	
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<b>Findings:</b>	<b>Status Update:</b>	
<i>None.</i>	<i>No recommendations were noted.</i>	

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<b>Auditor:</b>	Texas Workforce Commission (TWC)	<b>Audit Report Date:</b> <i>April 11, 2024</i>
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<b>Audit Area:</b>	<i>Personnel Policies and Procedure System (PPPS) Review</i>	
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<b>Findings:</b>	<b>Status Update:</b>	
<i>None.</i>	<i>No findings. One recommendation which was incorporated prior to the report being finalized.</i>	

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<b>Auditor:</b>	Garza/Gonzalez & Associates	<b>Audit Report Date:</b> <i>May 22, 2024</i>
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<b>Audit Area:</b>	<i>Payroll and Human Resources Area</i>	
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<b>Findings:</b>	<b>Status Update:</b>	
Data Exchange (DEX) Access Deletion	<b>Completed.</b> <i>A separation checklist was created as of May 2024, that requires the HR staff member processing the separation to follow up on outstanding termination checklist items, for the departing employee. The termination and separation checklists will be filed in the departing employee's personnel file once they have been completed. By following this process, oversights such as the DEX access item noted, will be remedied. Furthermore, the Management Information Systems (MIS) Division added DEX as an onboarding/off-boarding item to be covered at each bi-weekly onboarding/offboarding meeting to review the completion status of each request.</i>	
Prior State Employment Verification.	<b>Completed.</b> <i>Human Resources implemented a new onboarding checklist in March 2024 which details the steps HR must take to verify prior state service for every new hire to ensure verification of prior service is performed.</i>	
Job Offer Checklist and Right to Opt-Out 401(K) Acknowledgement	<b>Completed.</b> <i>Human Resources created a checklist for new hire paperwork to ensure that all documents are completed and received from new employees prior to being filed in their personnel file. In addition, all HR checklists are required to be acknowledged for completeness and signed before they are filed as of May 2024.</i>	

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# Risk Management Program Review Report

Department of Banking

May 21, 2024

**Conducted by:**  
Cynthia Stuart, Enterprise Risk Specialist







State Office of Risk Management

300 W. 15<sup>TH</sup>, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777  
(512) 475-1440, FAX (512) 370-9025 / WWW.SORM.STATE.TX.US

May 21, 2024

Charles G. Cooper  
Commissioner  
Department of Banking  
State Finance Commission Building  
2601 S. Lamar Blvd.  
Austin, TX 78705

DOB #451

Re: Risk Management Program Review (RMPR)

Dear Commissioner Cooper,

The State Office of Risk Management (SORM) conducted a Risk Management Program Review (RMPR) with the Department of Banking at the Finance Commission Building on February 20, 2024. The consultation was conducted under the authority of the Texas Labor Code, Title V, Subtitle A, Chapter 412, and is designed to assist state agencies with developing and implementing comprehensive risk management programs that meet the Texas Enterprise Risk Management (TERM) guidelines.

#### EXECUTIVE SUMMARY

The review period covered FY20 through February 2024. The following individuals participated during the RMPR:

- **State Office of Risk Management (SORM)**
  - Cynthia Stuart, Enterprise Risk Specialist

The following SORM core mission areas were discussed:

- Workers' Compensation: DOB submitted zero claims during the review period, FY20-February 2024.
- Property: DOB has had no reportable property losses during the review period FY20-FY24.
- Insurance: DOB is currently participating in the following lines of insurance: Property, Directors' & Officers' Liability, and Cyber.

Commissioner Cooper

May 21, 2024

Page 3 of 8

- Continuity of Operations: SORM received and reviewed the DOB Continuity of Operations Plan in FY23.
- Training: DOB has participated in SORM's complimentary training, including Additional Duty Safety Officer (ADSO) Orientation and Personal Safety and Awareness training.

Noteworthy observations made during the consultation include the following:

- The agency implemented a new training program in June 2023 for new financial examiners. The program is a five-month program that covers capital, asset quality, management, earnings, liquidity, and sensitivity (CAMELS)
- DOB has not experienced a compensatory workers' compensation claim since 2019.
- DOB is aware of its risk profile and has purchased a stand-alone cyber policy to protect against costs involved with a cyber-related security breach.

Opportunities for improvement of the DOB's risk management program and any action items are included in the attached report.

We hope you take a moment to complete our [Customer Service Survey](#) to let us know how we did during our visit. We appreciate your feedback to help us enhance future visits for our client agencies and institutions.

Please convey my sincere appreciation to the staff at DOB for their cooperation and assistance during the consultation. If you have any questions or concerns regarding the information detailed in this report, please contact me by either phone at 512-936-1568 or email at [cynthia.stuart@sorm.texas.gov](mailto:cynthia.stuart@sorm.texas.gov).

Sincerely,



Cynthia Stuart  
Enterprise Risk Specialist  
State Office of Risk Management

cc: Wendy Rodriguez  
Sami Chadli  
Christopher Wood



## OBSERVATIONS AND RECOMMENDATIONS

### I. GENERAL

- A. The following items were reviewed and discussed during the RMPR:
1. Annual Report
  2. FY23-27 Strategic Plan
  3. Personnel Policy and Procedures Manual
  4. Finance Commission Internal Audit Plan For Fiscal Year 2023 (Department of Banking)
- B. DOB was designated as a Self-Directed Semi-Independent agency in 2009. This allows the DOB to promptly address internal and external changes, including resolving claims and litigation. Review of the agency's Annual Report for the Year Ended August 23, 2023, does not reveal any Claims or Judgements. Also, there are no risk management notes to the Financial Statement.
- C. DOB strives to promote a healthy environment and encourages a safety culture at the agency. The low frequency of claims suggests that employees are making a conscientious effort to maintain a safe work environment for themselves and their coworkers.
- D. The Strategic Plan for Fiscal Years 2023 to 2027 outlines the agency's goal and various methods to fulfill its mission. It identifies the challenges facing the banking industry over the next five years and how the agency will address those challenges. The DOB of banking needs to be able to adapt to changes in the banking industry to ensure it can protect the interests of Texas consumers.
- E. The agency has an internal training program. This is part of the investment the agency makes in its workforce. 62% of the agency's staff are assigned to the Bank and Trust Supervision Division. The agency invests an estimated \$300,000 in training financial examiners within the first four years of their employment. This is a substantial financial commitment on the agency's behalf to fulfill its mission.
- F. The agency strives to attract and retain personnel through competitive salaries, training, and promotion opportunities. The agency has recognized that the ability to cultivate a

supportive work environment for employees will allow them to achieve the agency's goals. Staff development is at the heart of the agency's ability to accomplish its goals.

- G.** According to the State Auditor's Office, Classified Employee Turnover for Fiscal Year 2023 Report, DOB had a total agency turnover rate of 20.3%. This rate includes a 3.3% rate for Involuntary Separations, 15.1% for Voluntary Separations, and 2% for Retirements. These rates are based on an average annual headcount of 150.75.
- H.** The agency's risk management manual is contained in the Personnel Policy & Procedures Manual. Providing strong safety principles is a vital step in developing the safety conscience at the agency. Staff safety is of paramount importance to management, and they have developed a safety philosophy demonstrated through their operations.
- I.** In addition to its regulatory function related to banking, DOB is responsible for Money Services Businesses, Prepaid Funeral Contract, and Perpetual Care Cemetery Examinations. Staff must stay abreast of state and federal regulatory changes in a field that is rapidly developing.
- J.** DOB recognizes that lost institutional knowledge would have a detrimental effect on its operations due to the size of the agency's workforce. Any loss of key personnel can impact the agency's ability to perform regulatory functions. DOB strives to promote working at the agency as a career and not simply employment. Competitive Promotional opportunities and salaries are vital to employee retention to prevent staff from being lured away to the private sector banking industry.

## II. INSURANCE

SORM reviewed and discussed DOB participation in the SORM sponsored lines of insurance: Automobile, Property, Cyber, and Directors' and Officers'.

- A. Automobile: DOB does not own a fleet of state vehicles used in accordance with its duties. State business is occasionally conducted by employees operating their personally owned vehicles. DOB has chosen to retain the risk associated with this exposure.
- B. Property: DOB operations occur at 2601 N. Lamar Blvd in Austin. DOB also has four satellite offices. The DOB owns a variety of Contents property in accordance with its operations. The DOB has provided SORM the Maximum Possible Loss and Maximum Probable Loss values regarding their Contents property. DOB purchases insurance to address this exposure.
- C. Directors' and Officers': Decisions made by DOB and the DOB itself may be subject to liability claims, including employment practices liability. Based on the nature of this kind of litigation, however, the quantification of this risk is complex. The agency purchases an insurance policy to address this risk.
- D. Cyber: This coverage enables businesses to transfer the costs involved with the recovery from a cyber-related security breach or similar events. This coverage will respond in the event of a network security failure, which can include data breaches, malware, ransomware attacks, and email compromises.

## III. CONTINUITY OF OPERATIONS

SORM reviewed and discussed the following Continuity of Operations considerations.

- A. Continuity of Operations Plan: The DOB last submitted its Continuity of Operations Plan to SORM in January 2023. The next plan submission is due in January 2025.
- B. Continuity Exercise Summary: The DOB last submitted its Continuity Exercise Summary to SORM in January 2024. The next Exercise Summary is due to be completed, with a submitted report to SORM, in January 2026.

## IV. RMPR OBSERVATIONS AND RECOMMENDATIONS

- A. Closed Observations/Recommendations - The following recommendations were closed since the last RMPR:

- 21-06-01 Policy/Procedure/Training: ISO 31000 Training**
- 21-06-02 Policy/Procedure/Training – Risk Management and Safety Health Program**

**B.** No recommendations are being generated as a result of this Risk Management Program Review.





## Important SORM Resources

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[SORM Texas Enterprise Risk Management \(TERM\) Guidelines](#)

[Request Training](#)

[SORM Safety Videos](#)

[Workers' Compensation Healthcare Network](#)

## SORM Contact Information

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Main: (512) 475-1440

Toll-Free: (877) 445-0006

Website: [www.sorm.texas.gov](http://www.sorm.texas.gov)

### Other Contacts

James Cox	Chief of Strategic Programs	512-936-1527	<a href="mailto:James.Cox@sorm.texas.gov">James.Cox@sorm.texas.gov</a>
Shelby Hyman	COOP Task Force Leader, Director of Agency Relations	512-936-1457	<a href="mailto:Shelby.Hyman@sorm.texas.gov">Shelby.Hyman@sorm.texas.gov</a>
Heather Hernandez	Statewide Continuity Coordinator	512-936-1477	<a href="mailto:Heather.Hernandez@sorm.texas.gov">Heather.Hernandez@sorm.texas.gov</a>
Patrick Juren	Account Manager, Insurance Services	512-936-1521	<a href="mailto:Patrick.Juren@sorm.texas.gov">Patrick.Juren@sorm.texas.gov</a>
Jamell Collins	External Training Consultant	512-936-1512	<a href="mailto:Jamell.Collins@sorm.texas.gov">Jamell.Collins@sorm.texas.gov</a>

# Texas Workforce Commission

A Member of Texas Workforce Solutions

Bryan Daniel, Chairman  
Commissioner  
Representing the Public

Alberto Trevino III  
Commissioner  
Representing Labor

Joe Esparza  
Commissioner  
Representing Employers

Edward Serna  
Executive Director

VIA EMAIL ATTACHMENT

April 11, 2024

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

Re: CERTIFICATION LETTER - Texas Workforce Commission Civil Rights Division Review of Personnel Policies and Procedures System.

Charles G. Cooper,


The Texas Workforce Commission Civil Rights Division (the “Division”) has completed the review of the personnel policies and procedures system of your agency/institution of higher learning (“agency”) under Texas Labor Code §§ 21.451 – 21.456. Based on that review and your implementation of recommendations, I hereby certify that your agency’s system complies with Texas Labor Code Chapter 21.

**As specified in the Texas Labor Code, §21.454, your agency must submit a report to the Governor, the Legislature, the Legislative Budget Board, and the Civil Rights Division within 60 days. A sample report format is attached. Please provide an electronic copy of the report to the Civil Rights Division’s EEO Compliance Monitor.**

Although this review is now concluded, your agency is scheduled for its next review in six (6) years. The Division may advance or delay this schedule up to one year to account for the abolishment or combination of agencies and the creation of new agencies. In addition, if a risk assessment indicates a need for more frequent review, such review may be conducted pursuant to Texas Labor Code §21.453(a-1). Until your next review, we are available for technical assistance under Texas Labor Code §21.003(a)(5).

Thank you for the opportunity to work with your staff. If you have questions, please contact, Jessianna Marshall, EEO Compliance Monitor, at (737) 667-5960 or [jessianna.marshall@twc.texas.gov](mailto:jessianna.marshall@twc.texas.gov).

Sincerely,

  
Bryan Snoddy, Director  
Civil Rights Division

cc: Corina Moreno, Human Resources Specialist





**CIVIL RIGHTS DIVISION  
PERSONNEL POLICIES AND PROCEDURES  
REVIEW CHECKLIST**

**451 – Texas Department of Banking**  
2601 N. Lamar Blvd  
Austin, Texas 78705

Review Completed By: Jessianna Marshall, EEO Compliance Monitor

<b>PERSONNEL SELECTION POLICIES/WORKFORCE DIVERSITY PROGRAM</b>	<b>Chapter/Page</b>	<b>Yes/No Or N/A</b>
<p>1. <b><u>Workforce Diversity Program:</u></b> Workforce Analysis &amp; Recruitment Plan</p> <p>a. Has the agency/institute of higher learning conducted an analysis of its current workforce and compared the number of African Americans, Hispanic Americans and females in each job category to the available statewide civilian workforce to determine the percentage of exclusion or underutilization by each category? (TLC §§21.452 and 21.501) Must utilize the provided Workforce Utilization Analysis Tool.</p>	<p>Recruitment Workforce Diversity EEO Plan: pgs. 17-19 Appendix B</p>	<p>Yes</p>
<p>b. Based on the workforce analysis, or court ordered remedies, or supervised conciliation agreement, has the agency/institute of higher learning developed and implemented a plan to recruit qualified African Americans, Hispanic Americans and females based on Labor Code data analysis? (TLC §§21.452 and 21.502)</p>	<p>Recruitment Workforce Diversity EEO Plan: +pgs. 8-9 Appendix A</p>	<p>Yes</p>
<p>2. <b><u>Job Advertisements:</u></b></p> <p>Do sampled job advertisements refrain from indicating a preference, limitation, specification or discrimination based on race, color, national origin, religion, sex, age, or disability? (TLC §21.059(a))</p> <p>(If no, the agency must demonstrate an exception such that a bona fide occupational qualification exists for a preference, limitation or specification based on disability, religion, sex, national origin, or age to be in compliance. (TLC §21.059(b))</p>	<p>4-01.4  Hiring Samples</p>	<p>Yes</p>
<p>3. <b><u>Hiring Procedures:</u></b></p> <p>a. Has the agency/institute of higher learning published written selection procedures? (TLC §21.452)</p> <p>* For institutions of higher education, please provide policies for both faculty and staff throughout the checklist.</p>	<p>4-01</p>	<p>Yes</p>
<p>b. Do written selection procedures incorporate a workforce diversity program and ensure that all selection decisions are made only on lawful, job related, and non-discriminatory criteria? (TLC §21.452)</p>	<p>4-01.1, 4-01.3</p>	<p>Yes</p>

PERSONNEL SELECTION POLICIES/WORKFORCE DIVERSITY PROGRAM - Continued	Chapter/Page	Yes/No Or N/A
c. Does the policy include <u>clear guidance</u> (instruction on development and use) for an applicant screening device and selection matrix and require that matrices be used to objectively compare an applicant’s qualifications to the job advertisement and against other applicants for the position? (Best Practice)	4-01.3 HR 22 Job Posting and Hiring Procedure	Yes
d. Do procedures include <u>clear guidance on developing</u> interview questions that cover objective, job related criteria and provide information on the applicants’ knowledge and competencies to perform the job? (Best Practice)	4-01.3 HR 22 Job Posting and Hiring Procedure	Yes
e. Do procedures require a review of hiring actions for EEO compliance? (Best Practice)	4-01.1	Yes
f. Does the review of samples of hiring actions indicate that the agency implemented the selection procedures? (TLC §21.452).	Hiring Samples	Yes

**SECTION SUMMARY:** None

**Findings and Recommendations:** None

**Observations and Best Practices:** None

  x Certified as in compliance

       Certified as in compliance after implementing recommendations

       Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements

PERFORMANCE EVALUATION POLICY	Chapter/Page	Yes/No Or N/A
1. Has the agency developed and implemented a performance evaluation policy? (TLC §21.452)	6-01	Yes
2. Does <u>the policy</u> require development of a performance evaluation or similar document containing rating of an individual's work performance? (Best Practice) *For institutions of higher learning, it is a best practice to provide an evaluation of performance to all employees, however, short-term student workers will not factor into this requirement.	6-01, 06-04.1, 6-10.1	Yes
3. Does the policy require that the performance evaluation or similar document rate the individual's compliance with policies, procedures and work rules of the agency/institute of higher learning? (Best Practice)	6-10	Yes
4. Does <u>the policy</u> require that evaluations be based on objective, measurable, and consistently applied criteria? (Best Practice)	6-02.1, 6-03.1, 6-04.1	Yes
5. Does the policy provide guidance which effects the goal of objective, measurable, and consistently applied criteria? (Best Practice)	6-10	Yes
6. Does the policy require a review of performance evaluations for EEO compliance? (Best Practice)	6-04.1	Yes
7. Does the review of samples of performance evaluations indicate that the agency has implemented the procedures? (TLC §21.452)	Random Samples	Yes

**SECTION SUMMARY:**

**Findings and Recommendations:** None.

**Observations and Best Practices:** None.

  X Certified as in compliance

       Certified as in compliance after implementing recommendations

       Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements

<b>DISCIPLINARY ACTIONS POLICY</b>	<b>Chapter/Page</b>	<b>Yes/No Or N/A</b>
1. Has the agency developed and implemented a disciplinary actions policy? (Best Practice)	5-01	Yes
2. Does the policy require that disciplinary actions be based only on job performance and job-related conduct? (Best Practice; ex: disciplinary actions due to convictions for crimes unrelated to the job will result in a no)	5-01.2, 5-01.3	Yes
3. Does the policy require documentation (i.e., performance evaluation, counseling, etc.) of the employee's performance and/or conduct <u>which resulted in the disciplinary action?</u> (Best Practice)	5-02.2, 5-02.4	Yes
4. Does the policy prescribe progressive discipline <u>and provide criteria</u> for bypassing lesser disciplinary measures for severe misconduct? (Best Practice)	5-02.2, 5-02.3	Yes
5. Does the policy require a review of disciplinary actions for EEO compliance? (Best Practice)	5-02.4	Yes
6. Does the review of samples of disciplinary actions indicate that the agency has implemented the procedures? (Best Practice)	Random Samples	Yes

**SECTION SUMMARY:** None

**Findings and Recommendations:** None

**Observations and Best Practices:** None

(There is no compliance certification for the disciplinary action policy since all items are best practices.)

<b>WORKPLACE ACCOMMODATION POLICY</b>	<b>Chapter/Page</b>	<b>Yes/No Or N/A</b>
1. Has the agency/institute of higher education developed and implemented a workplace accommodation policy, to include a definition of “Disability,” that is consistent with Chapter 21, Texas Labor Code? (TLC §§21.128 and 21.002(6))	1-02, 1-02.2	Yes
2. Does the policy include provisions for the requesting employee with a disability ( <u>unless obvious</u> ) to provide reasonable documentation from an appropriate health care provider that describes a disability and the need for the accommodation? (Best Practice)	1-02.3	Yes
3. Does the policy include specific provisions describing the process for making reasonable workplace accommodations for qualified individuals with disabilities? (Best practice)	1-02.3, 1-02.4	Yes
4. Does the policy ensure that reasonable accommodations are made for persons with sincerely held religious beliefs? (TLC §21.108)	1-02.1 pg. 5	Yes
5. Does the policy ensure that reasonable workplace accommodations are made not only for individuals with disabilities, but also women affected by pregnancy? (Best Practices; Pregnancy Discrimination Act of 1978 No. 95-555, §7(r) of the Fair Labor Standards Act, & Young v. UPS, No. 12-1226 (3/25/15))  * Legally required accommodations may exceed those provided by family leave and accommodations for nursing mothers policies.	1-02.1	Yes
6. Does the review of samples of requests for accommodation indicate that the agency has implemented the procedures? (TLC § 21.452)	Random Samples	Yes

**SECTION SUMMARY:** TWC’s compliance monitor used an excerpt of this policy as an example that other agencies can use as reference to cover women affected by pregnancy and person’s with sincerely held religious beliefs.

**Findings and Recommendations:** None

**Observations and Best Practices:**

  x   Certified as in compliance

       Certified as in compliance after implementing recommendations

       Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements

<b>EEO POLICY INCLUDING SEXUAL HARASSMENT</b>	<b>Chapter/Page</b>	<b>Yes/No Or N/A</b>
1. <b>EEO Policy:</b> Has the agency developed and implemented an equal employment opportunity policy? (TLC §21.452; See also agency’s/institute of higher learning enabling legislation)	1-04.1 Administrative Memo 2002	Yes
a. Does the policy prohibit discrimination based on race, color, national origin, religion, sex, age, or disability? (TLC §21.051)	1-04.1 AM 2002 p.1	Yes
b. Does the policy explicitly prohibit discrimination based on sexual orientation and gender identity? (Best Practice; Bostock v. Clayton County, 590 US _ (2020))	1-04.2 AM 2002	Yes
c. Does the EEO policy require a training program that provides employees information regarding the agency’s policies and procedures relating to employment discrimination, including sexual harassment, and require that employees receive initial training no later than 30 days after their date of hire and supplemental training every two years? (TLC §21.010, 40 Tex. Admin. Code §819.24)  *For institutions of higher learning, it is a best practice to provide employment discrimination training to all employees, however, short-term student workers will not factor into this requirement.	1-04.2	Yes
d. What EEO/SH training curriculum does your agency use and has that curriculum been approved by the TWC Civil Rights Division (internally developed, another agency’s curriculum, or the CRD’s curriculum)? (TLC §§ 21.003(c), 21.010, 21.556; TAC §819.24)  * Provide training curriculum & certification or memo asserting agency’s use of CRD training materials.	See attached EEO training information	Yes
e. Does the EEO policy prohibit retaliation against a person who opposes a discriminatory practice, files a charge, testifies, assists, or participates in an investigative proceeding or hearing? (TLC §21.055; definition of retaliation in policy must identify every act of retaliation identified in the Labor Code)	1-04.1 AM 2002	Yes
2. <b>Sexual Harassment Policy:</b> Has the agency/institute of higher learning developed and implemented a sexual harassment policy? (TLC §21.452; Faragher v. City of Boca Raton, 118 S. Ct. 2275 (1999))	1-04.1 AM 2002 p.2	Yes
a. Does the policy clearly explain the prohibited conduct constituting “sexual harassment”? (Best Practice)	1-04.3 AM 2002 p. 2-3	Yes
b. Does the policy include a provision for distribution or communication of the policy to all employees? (Best Practice)	1-04.2	Yes
c. Has the agency/institute of higher learning developed and implemented complaint procedures? (Faragher v. City of Boca Raton, 118 S. Ct. 2275 (1999))	1-04.4 AM 2002 p.3	Yes
d. Do the complaint procedures allow employees to bypass harassing supervisors? (Best Practice)	1-04.4 AM 2002 p.3	Yes
<b>EEO POLICY INCLUDING SEXUAL HARASSMENT - Continued</b>	<b>Chapter/Page</b>	<b>Yes/No Or N/A</b>

e. Does the policy ensure that employees who make complaints of harassment or provide information relating to such complaints will be protected from retaliation? (Best Practice)	1-04.5 AM 2002 p.3	Yes
f. Does the policy ensure that the employer will protect the confidentiality of individuals bringing harassment complaints and does the policy explain to what extent that confidentiality will be protected? (Best Practice)	1-04.5 AM 2002 p.3	Yes
g. Does the complaint process provide for a prompt, thorough, and impartial investigation? (Best Practice; note, written timelines will ensure that the process is prompt)	1-04.5 AM 2002 p.3	Yes
h. Does the policy include procedures for instituting both immediate and appropriate corrective actions if prohibited conduct occurs? (TLC §21.142; immediate actions could include temporary reassignments or leave while an investigation is conducted)	1-04.5 AM 2002 p.3	Yes
i. Does the policy include procedures for continued monitoring of the circumstances surrounding the complaint to ensure the situation has been remedied? (Best Practice)	1-04.5	Yes
j. Does your policy provide information about reporting complaints to the TWCCRD and/or EEOC? (Best Practice; should include new 300-day statute of limitations for sexual harassment claims (TLC §21.202(a-1)))	N/A	No
3. Does the review of samples of personnel actions indicate that the agency/institute of higher learning has implemented the EEO/Sexual Harassment policies? (TLC §21.452)	Random Samples	Yes

**SECTION SUMMARY:** (See Below)

**Findings and Recommendations:** (See Below)

**Observations and Best Practices:** The Texas Department of Banking has updated its policy to provide information about reporting complaints to the TWCCRD and/or EEOC.

Certified as in compliance

Certified as in compliance after implementing recommendations

Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements

COMPENSATION POLICY	Chapter/Page	Yes/No Or N/A
1. Does the agency/institution of higher learning have a written compensation policy? (Best Practice)	4-10	Yes
2. Does the review of samples of merit increases (“raises”)/promotions/one-time merit payments (“bonuses”) indicate that the agency has implemented the policy? (Best Practice)	Random Samples	Yes

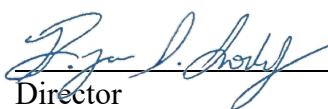
**SECTION SUMMARY:**

**Observations and Best Practices:**

(There is no compliance certification for the compensation policy since both items are best practices.)

  
 \_\_\_\_\_  
 EEO Compliance Monitor

Month Day, Year  
 April 4, 2024  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Director

Month Day, Year  
 April 8, 2024  
 \_\_\_\_\_  
 Date



**Texas Office of Consumer Credit Commissioner  
Audit Activities Report  
As of May 31, 2024**

<b>Auditor:</b> <i>Garza/Gonzalez</i>	<b>Audit Report Date:</b> <i>NA</i>
<b>Audit Area:</b> <i>Internal Audit – Examinations</i>	
<b>Findings:</b> <i>NA</i>	<b>Status Update:</b> <i>In Progress</i>
<hr/>	
<b>Auditor:</b> <i>DIR/AT&amp;T Cybersecurity Consulting</i>	<b>Audit Report Date:</b> <i>NA</i>
<b>Audit Area:</b> <i>Controlled Penetration Test and Web Application Vulnerabilities Scan</i>	
<b>Findings:</b> <i>NA</i>	<b>Status Update:</b> <i>Scheduled</i>
<hr/>	
<b>Auditor:</b> <i>State Office of Risk Management</i>	<b>Audit Report Date:</b> <i>February 28, 2024</i>
<b>Audit Area:</b> <i>On-Site Consultation</i>	
<b>Recommendation:</b> <i>Complete the Risk, Safety, &amp; Health Manual.</i>	<b>Status Update:</b> <i>Complete</i>
<i>Risk Manual - Institutional Knowledge</i>	<i>Complete</i>
<hr/>	
<b>Auditor:</b> <i>Department of Public Safety</i>	<b>Audit Report Date:</b> <i>May 18, 2022</i>
<b>Audit Area:</b> <i>Non-Criminal Justice Audit – Licensing</i>	
<b>Findings:</b> <i>Evaluate IT Access. IT should be fingerprinted or access should be limited.</i>	<b>Status Update:</b> <i>Pending. Coordinating with DPS and awaiting clarification.</i>



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

April 17, 2024

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

Re: Audit Delegation Request 451-2024-001

Dear Mr. Chadli:

In accordance with Texas Government Code, Section 321.020, and subject to the conditions listed in Attachment A, the State Auditor's Office delegates to the Finance Commission of Texas, the Department of Banking, the Department of Mortgage Lending, and the Office of Consumer Credit Commission (Agencies) the authority to employ a private auditor to provide internal audit services as described in your online request submitted April 9, 2024.

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

Sincerely,

*Charles H. Wilson*

Charles H. Wilson  
Risk Assessment Manager

Attachment



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



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



Phone:  
(512) 936-9500



Fax:  
(512) 936-9400



Internet:  
[www.sao.texas.gov](http://www.sao.texas.gov)



## Attachment A

This delegation of authority is subject to the following:

1. The services provided should be performed in accordance with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102).
2. This delegation of authority is for state fiscal year 2025.
3. The Agencies must notify the State Auditor's Office if an amendment to the contract substantially alters any contract terms, including, but not limited to, the scope of work to be performed and the term of the contract.
4. The Agencies must comply with applicable law, policies and procedures in the procurement of audit services, the expenditure of funds under the contract, and all other aspects of forming and administering the contract with the private auditor.
5. For any report resulting from a peer review of the private auditor that the private auditor receives after entering into the contract with the Agencies, the Agencies must ensure that the State Auditor's Office receives a copy of the report within ten (10) business days of receipt.
6. Any contracts entered into under this delegation of authority must include the following language: The state auditor may conduct an audit or investigation of any entity receiving funds from the state directly under the contract or indirectly through a subcontract under the contract. The acceptance of funds directly under the contract or indirectly through a subcontract under the contract acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, an entity that is the subject of an audit or investigation by the state auditor must provide the state auditor with access to any information the state auditor considers relevant to the investigation or audit.
7. The term contract, as used throughout Appendix A, is used interchangeably with any written agreement, including an engagement letter. Therefore, if the terms of the agreement are not set out in a contract, the engagement letter or other written agreement must still contain the language quoted in #6 above.

8. A signed copy of the contract and contract amendments must be provided to the State Auditor's Office within two weeks of execution. You may send it electronically to [auditdelegation@sao.texas.gov](mailto:auditdelegation@sao.texas.gov) or send a hard copy to the attention of Audit Delegation. Additionally, a copy of final audit reports must be provided to the State Auditor's Office upon completion. Texas Government Code, Section 2102.0091, requires that internal audit reports be filed with the State Auditor's Office, the Sunset Advisory Commission, the budget division of the Governor's Office, and the Legislative Budget Board not later than the 30th day after the date the report is submitted to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board. Internal audit reports may be sent to the State Auditor's Office electronically to [iacoordinator@sao.texas.gov](mailto:iacoordinator@sao.texas.gov) or a hard copy may be sent to the attention of the Internal Audit Coordinator. Please include the audit delegation request number 451-2024-001 with all submissions and related correspondence.

## 2025 Tentative Budget Timeline

Date	Action
June – July 2024	Agencies develop draft 2025 budgets
August 1, 2024	Draft budgets posted on agencies' websites and submitted to Finance Commission members
August 8, 2024	Conduct public hearing on draft budgets
August 16, 2024	Audit Committee and Finance Commission meetings to review draft budgets

**TEXAS DEPARTMENT OF BANKING**  
Austin, Texas

INTERNAL AUDIT REPORT

on

Payroll and Human Resources

Fiscal Year 2024



TEXAS DEPARTMENT OF BANKING  
Austin, Texas

Internal Audit Report  
on  
Payroll and Human Resources

Fiscal Year 2024

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

We performed procedures to assess the effectiveness and efficiency of the Texas Department of Banking's (DOB) internal control structure over the Payroll and Human Resources Area (Area); and, its compliance with the State Auditor's Office Texas Human Resources Management Statutes Inventory, and the Texas Comptroller's fiscal policies and procedures, as applicable to the Area; and, the Area's established policies and procedures, for the 7 months ended March 31, 2024.

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

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

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



April 19, 2024

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



**TEXAS DEPARTMENT OF BANKING**  
Payroll and Human Resources  
Internal Audit Report

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**INTRODUCTION**

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

DOB's primary functions are to:

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

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

**2024 Internal Audit Plan**

Following are the internal audit functions to be performed, as identified in DOB's 2024 Internal Audit Plan, dated January 23, 2024, and approved by the Audit Committee and Finance Commission on February 16, 2024:

- Risk Assessment & Preparation of the 2024 Internal Audit Plan
- Payroll and Human Resources Audit
- Trust Examinations Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the 2024 Internal Audit Annual Report
- Other Tasks

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

## EXECUTIVE SUMMARY

### Background

The Payroll functions are carried out by the Payroll Officer within the Administrative Services division, supervised by the Chief Financial Officer (CFO). Human Resources (HR) functions that impact payroll are primarily performed by the Senior HR Specialist, who is supervised by the HR Manager. Both the CFO and the HR Manager report to the Deputy Commissioner. State requirements specific to the Area are found in the State Auditor's Office (SAO) *Texas Human Resources Management Statutes Inventory* and the Texas Comptroller of Public Accounts' (CPA) *Texas Payroll/Personnel Resource*. Additionally, DOB has developed the *Personnel Policy and Procedures Manual*, which is accessible to all DOB employees via the intranet.

Some of the software applications used by the Area to perform its various functions, include the following:

- *Centralized Accounting and Payroll/Personnel System (CAPPS)*: DOB implemented the Core HR and Payroll module in July 2022. This includes HR, Payroll, position management, and Time and Labor (T&L) modules. CAPPS Recruit was also implemented by DOB in May 2023.
- *PERS*: An internally developed database storing employees' demographic and personnel actions information.
- *Document Manager*: DOB maintains personnel files electronically in Document Manager and in hard copy.

### Personnel Action Form (PAF)

DOB mandates that all personnel actions, such as hiring, promotion, merit increase, and termination, be consistently documented using a Personnel Action Form (PAF). Initiation of a PAF occurs through an internal memorandum to HR, which is prepared by the appropriate supervisor (referred to collectively as "supervisor") to justify the request, and must be approved by either the Commissioner or Deputy Commissioner. Once the internal memorandum is confirmed to be adequately supported and approved, and the employee is deemed eligible for the personnel action, the Senior HR Specialist generates a PAF in the PERS system using the information provided in the internal memorandum. Subsequently, the Senior HR Specialist obtains the original signature from the Deputy Commissioner or the Commissioner, who serve as the final approver of personnel actions.

### Hiring Process

#### *Job posting*

Job posting is centrally managed by HR. When the Commissioner or a designee decides to announce a job vacancy, HR, in coordination with the hiring supervisor, prepares a job announcement. Minimum qualifications are reviewed by executive management, the hiring supervisor, and HR to ensure they are appropriate and compliant with non-discrimination laws. In May 2023, DOB implemented the use of the CAPPS Recruit module for external job posting. Additionally, DOB posts jobs on Work-In-Texas, college placement centers, and online recruiting sites. Job announcements are posted for no less than 10 business days to ensure they reach an adequate pool of prospective applicants.

## TEXAS DEPARTMENT OF BANKING

Payroll and Human Resources

Internal Audit Report

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### *Screening and selection*

HR is responsible for screening all applications received during the posting period to identify applicants who meet the minimum qualifications. These qualified applicants are then forwarded to the hiring supervisor, who selects the top applicants to be interviewed. HR and the hiring supervisor jointly develop interview questions prior to interviews. The hiring supervisor compiles the scores from interviews and other job-related factors for each top applicant into a matrix. Subsequently, the hiring supervisor prepares a memorandum to the executive management recommending the hire of the applicant with the highest overall score. Concurrently, HR performs due diligence and other pre-employment procedures such as criminal history and reference checks. Upon approval by the executive management, and upon receiving clear background check results, HR sends an offer letter to the selected applicant, and if accepted, creates a PAF.

### *Onboarding*

A newly hired employee attends a New Employee Orientation (NEO) on the first day of employment. HR is responsible for ensuring that the new employee completes all required employment-related paperwork and is enrolled in required HR training. HR also verifies the new employee's employment eligibility and prior state service history. All new employees are given self-service access to CAPPs, which allows them to complete certain documents such as IRS W-4 and direct deposit forms directly in the system.

During the period from September 1, 2023, to March 31, 2024, DOB hired 24 new employees.

### Timekeeping Process

The timesheet in CAPPs is used to enter time and leave (T&L) data and track employees' activities. Each week, all DOB employees are required to report all time worked and leave time taken in CAPPs. The timesheet then requires approval by the employee's supervisor. The Senior HR Specialist is responsible for ensuring that all weekly time sheets are entered and approved. If a supervisor or the Senior HR Specialist adds or corrects a T&L entry, the employee receives an automated CAPPs notification email. Various T&L-related tracking functionalities, such as leave balances, the 6-month continuous service requirement for using annual leave, and cumulative FMLA hours, are automated in CAPPs.

### Payroll Processing

Payroll is processed in accordance with CPA guidelines and pay schedules consist of two payment types: monthly (on-cycle) and supplemental (off-cycle). On-cycle payments generally represent regular salary and other recurring payments such as Benefits Replacement Pay (BRP), Longevity Pay, and non-overnight travel reimbursements. Off-cycle payments generally represent lump-sum payments of unused vacation to separated employees and must be supported by a properly approved PAF.

To initiate monthly payroll processing, the Payroll Officer coordinates with HR to ensure that HR and T&L entries in CAPPs are complete. Subsequently, the Payroll Officer generates multiple reports from CAPPs to identify and resolve any errors. The Payroll Officer compares each employee's pay, categorized by pay type (base pay, longevity pay, etc.), in the trial payroll register to those in the prior month to ensure that all changes are supported by a PAF or a non-overnight travel voucher. The same verification is also performed by HR staff before the payroll register is finalized or "Confirmed." After verifying sufficient funding, the Payroll Officer transmits the payroll file to the Standardized Payroll/Personnel Reporting System (SPRS) and notifies an approver to approve the payroll. The approver, another accountant in the Administrative Services division, does not have the rights to process payroll. The Payroll Officer documents the completion of these procedures in the On-cycle and Off-cycle Checklists developed by the CPA. Subsequently, the Payroll Officer signs all PAFs for the pay period, returns them to HR, and obtains a copy.

### Performance Evaluation

DOB employees undergo performance evaluation annually, which are typically performed in early spring. The evaluation is jointly conducted by the appraising supervisor and the employee to assess job performance, establish performance standards, and clarify expectations. DOB utilizes the NEOGov application to facilitate this process. The director, serving as the Approving Official, is responsible for reviewing and, if necessary, approving personnel action recommendations such as promotions based on performance appraisals.

### Employee Separation

Employees should provide two weeks' notice to their director when leaving the agency. The resignation letter is then forwarded from the director to HR, which is responsible for initiating and overseeing the termination process. HR prepares a PAF and coordinates with other departments to complete offboarding procedures. A standard Transition Letter Template is used by HR to ensure that all necessary information is communicated to the departing employee.

During the period from September 1, 2023, to March 31, 2024, 14 employees separated from DOB.

### Reporting

The implementation of CAPPS has automated various reporting to third-party state agencies, including the Comptroller's Office, State Auditor's Office, and Texas Workforce Commission. The Area is only responsible for verifying the accuracy of these reports. Additionally, the Area is tasked with preparing and reporting the following performance measures to the Finance Commission for fiscal year 2024:

- [KEY] 01-05.01 Percentage of Regular Employees Separated from the Agency
- 01-05.02 Percentage of Regular Employees Separated from the Agency (Excluding Retirements)

## AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

### Objective

The objective of the audit was to assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place within the Payroll and Human Resources Area (Area), and to ensure compliance with applicable state requirements.

### Scope

The scope of this audit encompassed the review of the Area's policies, procedures, and processes, as well as the testing of selected functions performed by the Area to ensure compliance with established policies, procedures, and applicable state requirements during the period from September 1, 2023 to March 31, 2024 (audit period).

### Methodology

The audit methodology included reviewing 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 obtained and/or reviewed the following documentation:

- A. SAO's *Texas Human Resources Management Statutes Inventory, 2024-2025 Biennium*.
- B. CPA's *Texas Payroll/Personnel Resource*.
- C. Organizational charts applicable to the Area.
- D. DOB's Personnel Policy and Procedures Manual and select HR procedures.
- E. Checklists, templates, and standard forms.
- F. DOB's fiscal year 2024 salary schedule.
- G. Listing of active employees as of March 31, 2024, and employees separated during the audit period.
- H. Selected Posting Files, NEO documents, and PAFs.
- I. Final payroll register for the months from August 2023 to March 2024.

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

1. Obtained and reviewed the applicable state requirements as established by the CPA and the SAO.
2. Obtained and reviewed DOB's written policies and procedures. Additionally, conducted interviews and walkthroughs to gain an understanding of controls, processes, and current practices in place over the Area.
3. Selected 8 of the 24 new hires, 6 of the 14 separations, 8 of the 25 promotions, and 2 of the 7 reclassifications during the audit period (including 1 employee who was hired and separated), and performed the following procedures:
  - a. Ensured the PAF was signed by HR, the Payroll Officer, and the Deputy Commissioner.
  - b. Ensured justification for the hiring and promotion was documented in an internal memo prepared by the supervisor and approved by the executive management.

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### Payroll and Human Resources

#### Internal Audit Report

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- c. For new hires and promotions to a posted job, ensured a selection matrix was prepared by the supervisor and justified the selection.
  - d. Traced the “current” (before) and the “new” salary in the payroll registers for the applicable months to the PAF.
  - e. Ensured the employee’s base salary was within the range established in DOB’s fiscal year 2024 salary schedule.
  - f. For prorated salaries of new hires and separations, traced the number of hours in the payroll register to the PAF.
  - g. Ensured a Termination Checklist was completed for separations.
  - h. Reviewed new employees’ NEO documents for the following contents, as considered applicable:
    - i. Applicable checklist completed by HR.
    - ii. Fingerprinting, E-Verify, and credit checks, as applicable.
    - iii. State employment history check and verification.
    - iv. Employment references from former employers.
    - v. Offer letter.
    - vi. Employee’s acknowledgement of their receipt of the following information:
      - Employee Handbook.
      - Prohibited political activities.
      - Ability to opt out of enrollment in a 401(k) plan.
4. Selected 2 of the 7 months during the audit period and performed the following procedures related to payroll processing:
- a. Ensured On-cycle and Off-cycle Checklists were completed and retained along with the corresponding final (“Confirmed”) payroll registers.
  - b. Verified that changes from the prior month in the On-cycle payroll register were supported by a PAF or other supporting documentation for the following pay types:
    - Regular Pay
    - One-time Merit Pay
    - Travel Reimbursement<sup>1</sup>
    - Benefit Replacement Pay
  - c. Ensured all payments in the off-cycle payroll register were supported by a PAF.
5. Obtained user rights reports for the Document Manager, PERS, and CAPPs HR/Payroll, and compared the rights to the employee listing and/or the organizational charts to assess the reasonableness of the rights granted in relation to the respective employee’s job title.

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<sup>1</sup> Our audit procedure was limited to tracing the total reimbursement to the travel voucher total. Adherence to travel policy, including the accuracy and reasonableness of the travel voucher, was not tested, as it was outside the scope of this audit.

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6. Selected IRS Form 941 reporting for Q4 (October – December) 2023, verified timely filing, and traced the amounts in Form 941 to the *CAPPS 941 Quarterly Federal Tax Return Report* for the reporting period.
7. Traced the Quarter 2, Fiscal Year 2024 performance measures, 01-05.01 and 01-05.02, as of February 29, 2024, as reported to the Finance Commission on April 19, 2024, to the source documentation.

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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
1	Data Exchange (DEX) Access Deletion	Medium
2	Prior State Employment Verification	Low
3	Job Offer Checklist and Right to Opt-Out 401(k) Acknowledgement	Low
Observation No.		
None		

Description of Rating

A finding is rated *Priority* 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 *High* 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 *Medium* 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 *Low* if the audit identified strengths that support the audited entity’s ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.



OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	4/19/2024	Payroll & HR	<p><b>1. Data Exchange (DEX) Access Deletion</b></p> <p>DOB’s financial examiners are granted access to regulated entities’ confidential examination documents through DEX, a data sharing platform. During testing of the selected 6 separated employees, we identified 1 instance where the Termination Checklist indicated that a former examiner’s access to the DEX was not deleted until 69 days after the separation date.</p> <p><b>Recommendation</b>                      We recommend that DOB enhance current procedures to ensure that critical offboarding procedures are identified, given priority, and receive higher oversight.</p> <p><b>Management’s Response</b></p> <p>Management agrees with the recommendation. A separation checklist has been created, as of May 2024, that requires the HR staff member processing the separation to follow up on outstanding termination checklist items for the departing employee. The termination and separation checklists will be filed in the departing employee’s personnel file once it has been completed. By following this process, oversights such as the DEX access item noted, will be remedied. Furthermore, Management Information Systems (MIS) Division added DEX as an onboarding/offboarding item to be covered at each bi-weekly meeting where they review the completion status of each request.</p> <p><b>2. Prior State Employment Verification</b></p> <p>State agencies, including DOB, are required by the Texas Payroll/Personnel Resource to research whether their employees have previous state employment. Although DOB generated the State of Texas Employment History Report for the 8 new hires tested, in 1 instance, verification was not performed for an employee’s prior service status with an institute of higher education (IHE) identified in the Report.</p> <p>Note: This instance did not have an effect to the employee’s longevity pay.</p> <p><b>Recommendation</b></p> <p>We recommend that DOB ensures the full implementation of the new Onboarding Checklist, which became effective March 2024 and incorporates specific prior service verification steps.</p> <p><b>Management’s Response</b></p> <p>Management recognizes the prior state service verification oversight. As noted, Human Resources implemented a new onboarding checklist in March 2024 which details the steps HR must take to verify prior state service for every new hire to ensure verification is performed.</p>	<p>Unauthorized access to regulated entity’s restricted information.</p> <p>Inaccurate calculation of lifetime state service credit.</p>

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
1	4/19/2024	Payroll & HR	<p><b>3. Job Offer Checklist and Right to Opt-Out 401(k) Acknowledgement</b></p> <p>DOB is required by Texas Government Code §609.5025(h) to inform new hires of their automatic enrollment in a 401(k) account and their right to opt out of the enrollment, as well as to maintain a record of the employee’s acknowledgement of receipt of that information. Among the 8 new hires tested, we identified 1 instance where DOB could not provide the acknowledgement signed by the new hire. Therefore, we were unable to determine whether the employee received the information during the NEO. Additionally, DOB could not provide a completed Job Offer Checklist for this employee, documenting completion of pre-employment checks conducted by HR.</p> <p><b>Recommendation</b></p> <p>We recommend that DOB ensure checklists, including the recently implemented Onboarding Checklist, are completed in their entirety to document each required step’s completion, and are retained in the employee’s personnel files.</p> <p><b>Management’s Response</b></p> <p>Management acknowledges the oversight. The Human Resources Specialist responsible for records created a checklist for new hire paperwork to ensure that all documents are completed and received from new employees prior to being filed in their personnel file. In addition, all HR checklists are required to be acknowledged for completeness and signed before they are filed as of May 2024.</p>	Noncompliance with Government Code §609.5025 and DOB procedure.

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

The first reporting period for the 2024-2025 grant cycle ends June 30, 2024, with semi-annual reports and reimbursement requests due at the end of July. To date, all grantees have met virtually with the Grant Coordinator and are making progress toward their goals. Final impact reports for the 2022-2023 TFEF grantees will be due at the end of July, with some one-year grantees having already submitted their reports.

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## Mortgage Grant Fund Activities Report — June 5, 2024

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

The third semi-annual reporting period ends June 30, 2024. The semi-annual reports and reimbursement requests for this reporting period are due July 30, 2024. The total reimbursed for the second semi-annual period is \$148,055.94 which is 47% of the 2023-2024 total award amount.

The Mortgage Grant Advisory Committee (MGAC) reviewed the MGF materials in May, and the materials are being updated for the MGF 2025-2026 grant cycle.

The timeline for the 2025-2026 MGF grant cycle is:

#### 2025-2026 MGF Grant Projected Timeline

<b>June 2024</b>	MGF application period opens June 24, 2024
<b>August 2024</b>	MGF application submission deadline on August 30, 2024
<b>September 2024</b>	MGAC Conflict of Interest Forms are due
<b>October 2024</b>	MGAC members will review and score applications in the beginning of the month and meet with the Commissioner and Grant Coordinator to discuss and recommend applicants for the 2025-2026 MGF grant cycle at the end of the month.
<b>December 2024</b>	MGF Award Announcements are made on the MGF webpage
<b>January 2025</b>	New Grantee Orientation Webinar The 2025-2026 MGF Grant Cycle Begins

### Discussion of and possible vote to recommend that the Finance Commission Audit Committee take action on the revised Mortgage Grant Fund Administration Manual

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

1. Revised manual to align with MGF grant program’s purpose, priorities, goals, strategies, and guidelines.
2. Updated formatting to mirror SML’s new format
3. Defined the program’s application process, reporting requirements, and non-allowable expenditures.

Additionally, there were minor edits related to grammar and formatting.

**Recommended Action:** The SML Commissioner requests that the Audit Committee approve the revised MGF Grant Administration Manual.

**Recommended Motion:** I move that the Audit Committee recommend that the Audit Committee approve the revised MGF Grant Administration Manual for the 2025-2026 Grant Cycle.

# Mortgage Grant Administration Manual

Effective: 10/28/2022

Revised: 06/05/2024

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## PURPOSE

The Mortgage Grant Administration Manual (MGAM)'s purpose is to establish the policies and procedures for the administration of the Mortgage Grant Fund (MGF) grant program.

### Background

The MGF was established by the 87th Texas Legislature by enactment of Texas Finance Code Chapter 156, Subchapter G. The MGF is also governed by SML's administrative rules (regulations) contained in 7 Texas Administrative Code Chapter 51, Subchapter E. The MGF is funded primarily by excess revenue transferred from the Recovery Fund (Texas Finance Code Chapter 156, Subchapter F) and penalties collected by SML. Funds distributed from the MGF are only used for the purposes set forth in Texas Finance Code Section 156.554.

## ADMINISTRATION AND INVESTMENT

The Commissioner, as manager of the MGF, manages the fund in accordance with Texas Finance Code Chapter 156, Subchapter G.

The MGF is subject to the written Investment Policy adopted by SML.

## ROLES AND RESPONSIBILITIES

### Finance Commission (FC)

- a) May request reports from the Commissioner regarding the status and activities of the MGF.
- b) Makes recommendations to the Commissioner as appropriate.

### Finance Commission Audit Committee (AC)

- a) Proposes program amendments to the Commissioner, including amendments to the MGAM.
- b) Approves the MGAM, and any amendments to the MGAM.
- c) Receives periodic reports from the Commissioner regarding the status and activities of the MGF grant program and makes recommendations to the Commissioner as appropriate.

### Department of Savings and Mortgage Lending (SML) Commissioner (Commissioner)

- a) Serves as manager of the fund and grant coordination oversight.
- b) Administers all aspects of the fund, which includes the deposit, transfer, disbursement, allocation, investment, and reinvestment of assets of the MGF.

- c) Maintains financial records of revenue and expenditures.
- d) Appears at hearings or judicial proceedings related to the fund.
- e) Allocates funds to the MGF grant program each grant cycle.
- f) Reviews and approves recommendations regarding program improvements.
- g) Develops program objectives and identifies methods to support mortgage financial education to consumers regarding mortgage loans.
- h) Appoints members to the Mortgage Grant Advisory Committee (MGAC).
- i) Determines the final selection of grant recipients and award amounts.

### Grant Coordinator

- a) Works under the direction and oversight of the Commissioner.
- b) Provides reports and presentations regarding the status of the grant program and Grantee activities.
- c) Acts as liaison between Grantees and the MGAC.
- d) Makes recommendations based on observed program needs to the MGAC and the Commissioner.
- e) Ensures compliance with the records retention policy.
- f) Recommends policy and procedure amendments to ensure successful and effective implementation of the grant program.
- g) Makes recommendations concerning MGAC membership.
- h) Publicizes and promotes MGF grant application opportunities.
- i) Ensures consistency with the Texas Grant Management Standards (TxGMS) adopted by the Texas Comptroller of Public Accounts.
- j) Maintains the MGF webpages, located on the SML website, with program information and materials.

### Mortgage Grant Advisory Committee (MGAC)

- a) Recommends program improvements to the Commissioner and Grant Coordinator.
- b) Considers potential amendments to the MGAM.
- c) Evaluates potential candidates for appointment to the MGAC.
- d) Monitors ongoing grant awards to determine compliance.
- e) Reviews and recommends potential grant recipients for the MGF grant program to the Commissioner and Grant Coordinator.

## MORTGAGE GRANT ADVISORY COMMITTEE POLICY

### Composition

- a) The MGAC serves in an advisory role to the Commissioner and Grant Coordinator concerning administration of the fund and the grant awards to be made from the fund as stated in 7 Texas Administrative Code § 51.404.
- b) The MGAC consists of no more than six members with varied experience in mortgage lending, mortgage financial education, or grant administration. The list below is not all-inclusive, and the Commissioner reserves the right to include other appropriate backgrounds.
  - (1) Mortgage Loan Financial Education Consultant – informs the group of existing programs and advocates for the needs of the mortgage financial education community.
  - (2) Educational Consultant – understands best practices for impacting education. Assesses the program proposals for effective measures of knowledge gained.
  - (3) Office of Consumer Credit Commissioner (OCCC) Representative – Recommended by OCCC to advocate for programs that include mortgage loan education concerning loans or transactions regulated by the OCCC (secondary mortgage loans, home equity loans, residential property tax loans, and manufactured housing loans).
  - (4) Grant Administrator – Objectively assesses, evaluates, and makes recommendations regarding the grant administration process.
  - (5) Consumer Advocate – Advocates for consumers based on community engagement and needs assessment.
- c) The MGAC designates, through a majority vote, one MGAC member to serve as the presiding officer at MGAC meetings.

### Conflict of Interest

- a) Members may not derive any personal profit or gain, directly or indirectly, by participating with the MGF.
- b) Members must attest to the MGAC Conflict of Interest Policy annually, prior to participating in the Grantee selection process and program discussions.
- c) Members must disclose to the Grant Coordinator any personal or professional interests that may pose a potential conflict and must refrain from participating in any discussion related to the conflict of interest or funding decisions.

- d) Members must refrain from obtaining applicant or Grantee information for personal or private solicitation purposes at any time during the term of their appointment.

### Appointment and Terms

- a) Prospective MGAC members are recommended by the MGAC and appointed by the Commissioner.
- b) Each MGAC member is appointed to a four-year term that corresponds with grant cycles. The Commissioner may establish shorter or longer terms to maintain staggered terms. MGAC members take office immediately following their appointment.
- c) In the event of an MGAC vacancy due to a regularly expired term or vacancy during an unexpired term, the Commissioner appoint a new MGAC member(s).

### Meetings

- a) Meetings are attended by:
  - (1) the Commissioner;
  - (2) the Grant Coordinator;
  - (3) MGAC Members; and
  - (4) any other participant(s) invited by the Commissioner.
- b) The MGAC meets during the grant cycle for the following purposes. This list is not all-inclusive.
  - (1) Providing consultation and technical assistance to the Grant Coordinator.
  - (2) Assisting with major project management decisions associated with awarded grants, including:
    - i. evaluating and recommending candidates for the MGF grant program to the Commissioner and Grant Coordinator;
    - ii. monitoring Grantee project's unspent funds and associated funding; and
    - iii. offering input, interviewing, and recommending new MGAC members to the Commissioner and Grant Coordinator.
  - (3) The MGAC makes recommendations to the Commissioner and Grant Coordinator for MGAC membership, consideration of specific award allocations, termination of grant agreements for noncompliance, and amendments to program policies and procedures.

## **MORTGAGE GRANT FUND OVERSIGHT**

MGF grant funds are used to support the priority and goals for the MGF grant program set by the Commissioner. The priority of the grant fund is to promote financial literacy that enables Texans to secure home ownership.

### Audits

The Commissioner, AC, or FC may request an internal or external audit to examine compliance if and when deemed necessary.

### Reimbursement Requests

- a) Are executed pursuant to the grant agreement.
- b) Are based upon satisfactory compliance and performance outcomes.

## **MAXIMUM GRANT AWARDS**

- a) The Commissioner determines the funding available and allocated to each of the purposes of Finance Code § 156.554(b).
- b) The aggregate award amount is determined by the Commissioner prior to each grant cycle.

## **PROCESS OVERVIEW**

### Intention

The MGF may have one competitive grant cycle every two years. Announcements for grant proposals are made available after the June Texas Finance Commission meeting, with submissions due by the end of August of every even numbered year.

### Stage 1 – Administration

- a) The MGAC and Grant Coordinator provide the Commissioner with policy recommendations based on observed program needs.
- b) The Grant Coordinator 1) develops and revises forms for the Grant Application; Grant Agreement; grant reports; and evaluation and tracking tools; 2) establishes the timeline for the grant cycle; and 3) publicizes opportunities to apply for a grant from the MGF.

### Stage 2 – Policy Development and Implementation

- a) The MGAC provides recommendations to the Commissioner to approve program development and to approve program modifications.
- b) Upon Commissioner's approval, the Grant Coordinator ensures all administrative and Grantee documentation are in place for grant

announcements, such as applications, webinars, grant reports, grant agreements, and policies and procedures; and updates the MGF webpage accordingly.

### Stage 3 – Grantee Selection

- a) The Grant Coordinator receives and prepares applications for the first phase of screening by: confirming eligibility, ensuring applications are complete and have been timely submitted, logging applicant information, conducting a risk assessment, and submitting to the MGAC for evaluation.
- b) The MGAC evaluates applications and provides recommendations to the Commissioner upon review of the MGF budget, grant structure, number of awards and amounts to be funded, method of funding and reporting requirements.
- c) The Commissioner reviews recommendations from the MGAC and selects award recipients.
- d) After selections have been made, the Grant Coordinator sends each applicant an award letter or letter of regret. The Grant Coordinator sends grant recipients a grant agreement for their review and signature. The grant agreement must be fully executed by the Commissioner, or designee, and the Grantee, before grant activities may begin.

### Stage 4 – Manage Grant and Measure Progress

- a) In collaboration with the MGAC, the Grant Coordinator develops a strategy for ongoing grant management and to ensure reports are timely submitted.
- b) Funding is dependent on program impact and compliance.
- c) The Grantee is responsible for tracking and reporting program progress, as well as assessing and communicating program success, challenges, and impact.
- d) The Grant Coordinator provides technical assistance to Grantees and offers opportunities for regular consultation.
- e) The Grantee submits a final report summarizing the impact, results, and consumer follow-up surveys (longitudinal report, due six months after program completion).
- f) Program evaluation addresses issues of non-compliance, identifies risks, and recommends specific deliverables.
- g) The MGAC makes recommendations to remedy issues of non-compliance.

## FUNDING PRIORITIES AND GOALS

### Priorities

This section identifies priorities that support statewide mortgage financial education and consumer credit building activities that lead to tangible improvements in financial health, enabling consumers to obtain and maintain mortgage loans. With recommendations from MGAC, the Commissioner selects where the program's efforts will focus prior to the start of a new grant award cycle.

### Goals

The type of activities (goals) that support the MGF grant program are those that:

- a) Identify and support financial literacy education;
- b) Counseling that leads to homeownership; and
- c) Train-the-trainer programs relating to goals (a) and (b) above.

These activities must provide financial literacy that leads to home ownership by working directly with members of the community without financial prejudice.

Key areas to financial literacy that lead to home ownership include the following topics:

- a) Budgeting and saving
- b) Building and improving credit
- c) Investment - homeownership
- d) Debt management

## PRE-AWARD REQUIREMENTS

### Organizational Eligibility

Non-profit organizations, governmental organizations, schools, for-profit entities impacting Texans, and auxiliary mortgage loan activity companies (see Appendix A, Definitions) licensed by SML are eligible to apply for grant funding. Other than auxiliary mortgage loan activity companies, eligibility is not open to financial service providers, or any entities regulated by the Finance Commission of Texas.

### Program Criteria and Grant Application

- a) The Program Guidelines and Instructions for application submission are posted on the [MGF webpage](#), located on the SML website.
- b) An Applicant's program must accomplish the following:
  - (1) Align with MGF goals or strategies.

- (2) Demonstrate effective evaluative tools and metrics, including the ability to collect and report required data in the semi-annual report.
  - (3) Predict or provide evidence of program impact.
  - (4) Provide longitudinal evidence of performance and outcomes at the end of the grant cycle including the ability to demonstrate adequate return on investment and documented strategic goals.
- c) Applicants must read and follow all application guidelines and instructions.
  - d) Applications that do not comply with the guidelines and instructions on the MGF webpage are not considered.
  - e) Meeting eligibility criteria and timely submission of a Grant Application does not guarantee award of a grant in any amount.

### Application Submission

- a) Applicants may apply via mail or email. Documents submitted by email receive an automatic date stamp upon receipt; this “digital” date stamp provides sufficient and accurate evidence of timely submission. Documents received by regular mail are stamped with a date received on the day the document is physically received.
- b) A new grant programming cycle opens on January 1 of every odd-numbered year. The application submission period occurs in the even-numbered year preceding the grant programming cycle.
- c) Applicants may apply for a grant programming cycle of 1) one year, beginning on January 1 and ending December 31 of every odd-numbered year, or 2) two years, beginning on January 1 of every odd-numbered year and ending December 31 of the following even-numbered year.
- d) The Grant Coordinator confirms receipt via email to Applicants, of Grant Applications received. Applications are only accepted on or before the due date. Late or incomplete applications are not considered.

### Application Review and Selection Process

- a) Funding consideration is given to organizations whose programs align with MGF grant program priorities and goals. Successful applicants must demonstrate evidence-based programming that increases financial education, literacy, and capability that leads to long-term, tangible improvements in financial health that would enable the consumer to obtain and maintain a mortgage loan.
- b) The application review and selection process consist of the following steps.
  - (1) The Grant Coordinator collects and reviews each application for eligibility.



- (2) The Grant Coordinator conducts a risk assessment.
  - (3) The Grant Coordinator submits eligible applications to the MGAC for evaluation.
  - (4) The MGAC evaluates applications and recommends funding for programs.
  - (5) The Commissioner makes the final selections of award recipients and award amounts.
- c) Upon completion of the competitive application and review process, the Grant Coordinator sends each applicant an award letter or letter of regret no later than the end of December of the year preceding the grant cycle year.

### Public Records

- a) Texas Public Information Act: All information, documentation, and other materials submitted are subject to public disclosure under the Texas Public Information Act (Texas Government Code Chapter 552).
- b) A full list of individuals and organizations selected for an award is published on the MGF webpage, located on the SML website.
- c) Information may be publicly available and published online (MGF webpage, SML website, or Finance Commission website).

## **POST-AWARD REQUIREMENTS**

### Grant Agreements

- a) Grant Agreement has the meaning assigned in Appendix A, Definitions.
- b) Once a Grantee has been selected, and prior to initiating any grant-funded activities, the Grantee and the Commissioner or the Commissioner's designee, must sign the Grant Agreement.
- c) The terms of the grant award are defined in the Grant Agreement and end either one or two years after the grant has been awarded unless it ends earlier in accordance with another provision.
- d) Expenses incurred before the beginning or after the Grant Agreement ends are not eligible for reimbursement.
- e) Grantee must collect required data and report grant-funded activities until the end of the grant cycle unless otherwise specified by the Grant Agreement.

### Mortgage Grant Fund's (Grantor) Obligation

- a) The Grantor reimburses the Grantee for actual, allowable, and allocable costs incurred by the Grantee pursuant to the Grant Agreement up to the maximum amount of the grant award.

- b) The Grantor is not obligated to pay unauthorized costs. The Grantee must obtain prior written approval from Grantor, if the Grantee anticipates any of the following:
  - (1) altering the scope of the grant;
  - (2) adding funds to previously unapproved budget categories;
  - (3) changing funds in any awarded budget category by more than 10% of the total amount awarded; or
  - (4) adding new line items to any awarded budget category.
- c) The Grantor's maximum liability under the Grant Agreement is the "Amount Awarded."
- d) Reimbursement of awarded funds is not an entitlement or right. Reimbursement depends on, among other things, strict compliance with all terms, conditions, and provisions of the Grant Agreement.
- e) The Grantor monitors a Grantee's performance and expenditures. The Grantor may conduct virtual or on-site audits of grant programs.

### Grantee's Obligation

- a) Grantee may use grant funds only to create, deliver, or expand the Grantee's financial education programs within the State of Texas.
- b) Grantee must use grant funds in accordance with all the following:
  - (1) all applicable federal and state laws and regulations;
  - (2) Grantee's application;
  - (3) the terms of the Grant Agreement;
  - (4) the MGAM; and
  - (5) any other guidelines and instructions as posted on the MGF webpage for the applicable grant cycle.
- c) Grantee must cooperate fully with the Grantor.
- d) Grantee must notify the Grantor within 30 days of discovering any significant changes or events occurring during the term of Grant Agreement that could potentially impact the progress or outcome of the grant program, including, but not limited to, the following changes:
  - (1) Grantee's management personnel
  - (2) Physical or mailing address
  - (3) Loss of funding

- (4) Changes to Grantee's non-profit status with the Internal Revenue Service, if applicable
- e) Failure to give the required 30-day notice of significant change or events is grounds for termination of the Grant Agreement.
- f) The Grantee's fiscal and programmatic management includes accountability for all funds and materials received from the Grantor; compliance with Grantor's rules, policies, and procedures, as well as applicable federal and state laws and regulations; and correction of fiscal and program deficiencies identified through self-evaluation or the Grantor's monitoring processes.
- g) Grantee must develop, implement, and maintain all the following:
  - (1) financial management and control systems that include appropriate financial planning, including the development of budgets that adequately reflect all functions and resources necessary to carry out authorized activities and the adequate determination of costs;
  - (2) financial management systems, including accurate and complete payroll, accounting, and financial reporting records;
  - (3) cost source documentation such as receipts, bills, invoices, and statements;
  - (4) effective internal and budgetary controls to trace the use of MGF funds specifically and separately from other funds used to support the same program;
  - (5) documentation evidencing determination of reasonableness, allocation of costs, and timely and appropriate audits and resolution of any findings; and
  - (6) annual financial statements, including statements of financial position, activities, and cash flows, prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) or other recognized accounting principles deemed acceptable to the Grantor.
- h) Grantee must submit reimbursement requests using the semi-annual report. Each reimbursement request must contain legible supporting documentation for all amounts shown in the request.
- i) Grantee must comply with all laws, regulations, requirements, and guidelines applicable to a Grantee providing services to the State of Texas, as these laws, regulations, requirements, and guidelines currently exist and as they are amended throughout the term of the Grant Agreement.
- j) If a Grantee fails to use grant funds to create, deliver, or expand financial education, literacy, and capability building programs as described in the Grantee's application, the Grantor reserves the right to do one or more of the following:

- (1) terminate the Grant Agreement;
- (2) withhold the grant funds;
- (3) require that the Grantee refund grant funds received;
- (4) submit an amended report to the Coordinator; and
- (5) determine that the Grantee is ineligible for future awards from the MGF.

### Grantee's Reporting Requirements

- a) MGF Semi-Annual Report: Grantee must submit the completed MGF Semi-Annual Report covering the period of January 1<sup>st</sup> through June 30<sup>th</sup>, no later than July 30<sup>th</sup>; and covering the period of July 1<sup>st</sup> through December 31<sup>st</sup>, no later than January 30<sup>th</sup> of each grant year. This report includes the reimbursement requests.
- b) Supporting documentation: Grantee must submit legible supporting documentation for all expenditures with the submission of the MGF Semi-Annual Report. Examples of supporting documentation include but are not limited to:
  - (1) Pay stubs covering the hours and days worked **on MGF related activities** during the reimbursement request period.
  - (2) Dated and itemized invoices, receipts, and contracts indicating services were rendered and payment was made during the semi-annual reporting period.
- c) MGF Personnel Time Tracker: Grantee must use and submit the MGF Personnel Time Tracker provided by the Grantor and submit the tracker and pay stubs, with their MGF Semi-Annual Report only if submitting for reimbursement of salaries, wages, or fringe. Pay stubs may be redacted to remove personal information.
- d) Sign-In Sheets: Grantees who offer mortgage financial education programs must submit copies of sign-in sheets, physical or electronic, listing the name or initials of attendees, and title, date, and length of the education course. The MGF does not prescribe a format for sign-in sheets and accepts any format submitted by Grantee so long as it contains the information listed in this section.
- e) Inventory Report: Grantee must submit a current inventory report listing all equipment purchased with grant funds. The MGF does not prescribe a format for inventory reports and accepts any format submitted by Grantee so long as it contains the following information: item, date of purchase, cost, where the equipment is being used (location of the property), percentage of time the equipment is being used for the program; and make, model, and serial number, if applicable.

- f) MGF Budget or Goal Change Request: Grantee must submit the MGF Budget or Goal Change Request immediately if the Grantee requests a +/-10% change to any approved budget category or their goals.
- g) MGF Longitudinal Report: Grantee must submit this report to the Grantor no later than six months after the end of the grant cycle or as otherwise stated in the Grant Agreement.
- h) Pre- and Post- Program Surveys: Survey data is included in and is submitted with each MGF Semi-Annual Report. Grantee must also submit the completed surveys to the Grant Coordinator. Surveys may be completed on paper or using an electronic survey mechanism such as Survey Monkey, provided by the Grant Coordinator. Surveys should be provided to persons who attend the supported MGF program prior to the class, seminar, or similar event (pre-program survey), and after completion of the class, seminar, or similar event (post-program survey).
- i) The Grantee must promptly answer any questions by the Grantor, whether in writing or otherwise, in connection with the reports presented to the Grantor.
- j) If Grantee fails to comply with any of the reporting requirements as set forth in the MGAM, Grantor may do one or more of the following:
  - (1) terminate the Agreement;
  - (2) withhold Grant reimbursements;
  - (3) require that Grantee refund Grant reimbursements;
  - (4) require that Grantee submit amended report(s) to Grantor; and
  - (5) determine that Grantee is ineligible for future MGF grant awards.
- k) If the Grantee exhausts all funds prior to the completion of the grant term the Grantee is obligated to continue to track, and report grant related activities for the remaining duration of the term outlined in the Grant Agreement.

## **RECORDKEEPING AND MONITORING**

### Duty to Maintain Records

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

### Record Retention

- a) For a period of three years after the end of the grant cycle, or until full and final resolution of all audit or litigation matters that arise after the expiration of the term, whichever is later, Grantee must maintain any records that are necessary to fully disclose the extent of services provided under the Grant Agreement. There are no exceptions to this requirement.
- b) The three-year count begins on the date the Grant Coordinator provides notification to the Grantee that all administrative functions have been closed out for the grant cycle. The notification includes language advising the Grantee that the retention period has started, and disposition instructions of equipment purchased, using grant funds, during the grant cycle.

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

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

### Audits and Investigations

- a) Acceptance of grant funds under the Grant Agreement acts as acceptance of the authority of the Grantor to conduct an audit or investigation in connection with grant funds.
- b) The Grantee agrees to cooperate fully with the Grantor and the State Auditor's Office, or their successors, in the conduct of any audit or investigation, including providing all records requested.
- c) The Grantee must ensure that this clause concerning the authority to audit the funds received by the Grantee is included in any subcontract it awards.
- d) Any audit of records may be conducted at Grantee's principal place of business or a location of the Grantee's operations during the Grantee's normal business hours.

### Disallowance of Grant Funds

The Grantee is liable to the Grantor for any costs disallowed as a result of an audit or investigation, and must, upon demand, immediately reimburse the Grantor for

disallowed costs. See Grant Agreement Termination and Adverse Actions for more information.

## **RISK ASSESSMENTS**

- a) The MGF Risk Assessment is a risk-based monitoring system applicable to MGF Applicants and each Grantee, used to analyze a program's potential risk levels and establish effective monitoring processes.
- b) The Grant Coordinator performs a risk assessment for each Applicant after the completed application is received and before the MGAC reviews the application.
- c) The Grant Coordinator performs a risk assessment for each Grantee approximately halfway through their grant cycle.
  - (1) Grantees on a one-year grant cycle undergo a risk assessment approximately six months into their grant cycle.
  - (2) Grantees on a two-year grant cycle undergo a risk assessment approximately one year into their grant cycle.
- d) The Grant Coordinator may conduct subsequent additional analyses as needed to ensure the Grantee's program meets the requirements of the grant.
- e) Monitoring actions are taken based on the low-risk, moderate-risk, or high-risk assessment provided by the risk assessment.
- f) Grantee is required to provide explanations to the Grant Coordinator, upon request and within 5 business days (business days are considered Monday through Friday) of the request, on how the Grantee plans to minimize risks identified by the assessment.
- g) Grantees are not automatically disqualified based on their risk level or if their risk level increases from a prior risk assessment. The risk level is considered when establishing effective monitoring practices. Higher risk levels may warrant increased scrutiny to ensure the program goals are met.

## **USE OF GRANT FUNDS AND PROPERTY**

### Disbursement of Grant Funds

- a) Payments are made on a reimbursement basis after the Grantor receives the Grantee's Semi-Annual Report, including receipts and invoices for all expenditures and accompanying reports.
- b) Receipts and invoices must match the funds requested on Grantee's initial budget, unless otherwise approved in writing by the Grantor.

### Allowable Expenditures

- a) Grantees may use the grant funds only for allowable expenditures as identified in the Grantee's application and authorized agreement pursuant to the Texas Grant Management Standards (TxGMS) adopted by the Texas Comptroller of Public Accounts pursuant to Chapter 783 of the Texas Government Code.
- b) Grant funds may not be used for general operating or capital expenditures (e.g., real estate, or any item with a useful life of more than one year and valued over \$5,000).
- c) Grantees must produce proof of payment (stamped paid invoices or receipts) of all allowable expenditures.
- d) All costs must be directly attributable to the project that is the subject of the Grant Agreement.

### **Salaries**

Salary costs are reimbursed for direct program activity only. Any salary expenses sought for reimbursement must be accurately recorded. Grantees must submit timesheets with specific duties performed in relation to grant activity for salary to be considered for reimbursement. This documentation is submitted with the Semi-Annual Report.

### **Consultant Services**

- a) Grantees normally are expected to utilize the services of their own officers or employees to the maximum extent in managing and performing the activities supported by the MGF grant award. Where it is necessary for a Grantee to contract for the services of persons who are not its officers or employees, it is expected to do so in accordance with its own written organizational standards.
- b) If the need for consultant services is anticipated, the proposal narrative should provide appropriate rationale, and the summary proposal budget should estimate the amount of funds that may be required for this purpose. To the extent possible, consultant rates should show separate amounts for actual services and each of the components of the rate (such as fringe benefits, indirect costs, and other expenses).
- c) Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. However, payment for a consultant's services may not exceed more than 20% of actual award.



- d) In determining the allowable costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant.
- (1) The nature and scope of the service rendered in relation to the service required
  - (2) The necessity of issuing a sub-award for the service considering the organization's capability in the particular area
  - (3) The past pattern of such costs, particularly in the years prior to the grant award
  - (4) The impact of government contracts and grants on the organization's total activity (e.g., what new problems have arisen)
  - (5) The service can be performed more economically by employment rather than by consulting
  - (6) The qualifications of the person rendering the service and the normal/customary fees charged and received by the person for comparable services
  - (7) The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation and termination provisions)
  - (8) The extent to which the costs would be allowable if performed directly by the Grantee

### Travel Expenditures

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

- with the Comptroller. Mileage to and from ordinary in-town errands are not reimbursed.
- d) Mileage is consistent with state reimbursement rates set by the Comptroller and is subject to change. Refer to TxGMS for conditions related to all travel, lodging, and food related reimbursement expenses. Refer to the Comptroller for specific travel allowances, definitions, and restrictions.
  - e) Parking is eligible for reimbursement if it is incurred in connection with official MGF related business.
  - f) Grantees are encouraged to compare airline costs and use the least costly option available, also considering the efficiency of such travel and employee compensation. To be reimbursed for airline travel a Grantee must submit receipts that contain the following information: Grantee (employee) name, airline, cost of airfare, travel dates, destinations, ticket number, and seating class. Grantees must also show proof of payment for airfare.

## Property

### **Use of Property**

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

### **Records of Property**

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

### **Purchase of Equipment; Title Upon Termination**

- a) Grantee may not give any security interest, lien or otherwise encumber any item of equipment purchased with grant funds.
- b) Grantee must permanently identify all equipment purchased using grant funds with appropriate tags or labels affixed to the equipment.
- c) Grantee must maintain a current inventory of all equipment, or assets acquired using grant funds and always make said inventory available to Grantor upon request. Grantee must administer a program of maintenance, repair, and protection of equipment or assets to ensure the full availability and usefulness of the equipment or assets.
- d) If the Grantee is indemnified, reimbursed, or otherwise compensated for any loss of, destruction of, or damage to the assets obtained using grant funds, it must use the proceeds to repair or replace such equipment or assets. To the

extent that Grantor reimburses Grantee for its purchase of equipment and supplies using grant funds, upon termination of the Grant Agreement, title to or ownership of all purchased equipment and supplies, at the sole option of Grantor, will remain with Grantor.

## Intellectual Property

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

## Non-allowable Expenditures

Grantees may not use grant funds for any of the following (this is not an exhaustive list):

- a) Advertising, except for hiring and contracting (does not include information sharing and promotion critical to program implementation);
- b) Alcoholic beverages;
- c) Any salary or compensation for an elected or appointed city, county, or state government official;
- d) Costs incurred outside the project period;
- e) Fundraising;
- f) Mortgage payments;

See Appendix 7, Selected Items of Cost Supplement Chart, in the [Texas Grant Management Standards \(TxGMS\)](#) for more information. The Grant Coordinator is available to address questions regarding expense eligibility.

## Unlawful use of Grant Funds

- a) Grantor may require a refund of grant funds already disbursed to Grantee if one or more of the following events occur.
  - (1) Grant funds are misused
  - (2) Grant funds are used in an illegal manner
  - (3) Grant funds are used for non-allowable expenses

- (4) Grantee violates the terms or conditions of the Grant Agreement
  - (5) Grantor discovers that Grantee made any misrepresentations to Grantor in obtaining the grant award.
- b) This provision is not exclusive of other grounds for withholding or requiring the refunding of funds, or any other remedy, civil or criminal, which may be available to Grantor.

## GRANT AGREEMENT TERMINATION AND ADVERSE ACTIONS

### Grant Agreement Termination

#### **Termination for Convenience**

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

#### **Termination for Cause**

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

#### **No Reimbursement Upon Termination**

In the event of termination of the Grant Agreement, Grantor will make no further disbursement of grant funds to Grantee beyond those already approved at the time of termination, and Grantee specifically waives all rights to any of such funds.

## Adverse Actions

### **Misuse of Grant Funds**

If a Grantee fails to comply with reporting requirements or use grant funds to create, deliver, or expand financial education, literacy, and capability building programs as described in the Grantee's application, the Grantor may do one or more of the following:

- a) terminate the Grant Agreement;
- b) withhold grant funds;
- c) require that Grantee refund grant funds received;
- d) submit an amended report to the Coordinator; and
- e) determine that Grantee is ineligible for future awards from the MGF.

### **Refund of Grant Funds**

The Grantor may require the Grantee to refund grant funds already disbursed to the Grantee if one or more of the following events occur. This provision is not exclusive of other grounds for withholding or requiring the refunding of funds, or any other remedy, civil or criminal, which may be available to Grantor.

- a) Grant funds are misused.
- b) Grant funds are used in an illegal manner.
- c) Grant funds are used for non-allowable expenses.
- d) The Grantee violates the terms or conditions of the Grant Agreement.
- e) The Grantor discovers the Grantee made any misrepresentations to Grantor in obtaining the grant award.

### **Tax Delinquent Status**

If the Texas Comptroller of Public Accounts or Texas Secretary of State (SoS) forfeits a Grantee's right to transact business in Texas because the Grantee is in a tax delinquent status with the SoS, the Grantor may do one or more of the following:

- a) Terminate the Grant Agreement.
- b) Suspend the Grant Agreement until Grantee restores its right to transact business in Texas.
- c) Take any other action provided for in the Grant Agreement.

## **DISPUTE RESOLUTION – MEDIATION; NONCOMPLIANCE ACTIONS**

- a) To the extent authorized by law, Grantor and Grantee may use a dispute resolution process before pursuing termination or litigation.
- b) Grantor and Grantee may sign an amended Grant Agreement or noncompliance action plan agreeing to the amended terms.
- c) The noncompliance action plan may include increased communications between Grantor and Grantee, site visits, audits, and additional reporting requirements.
- d) The dispute may be mediated by a mutually acceptable third party.
- e) If mediation occurs, Grantor and Grantee (without using funds derived from the MGF) will pay all costs of any mediation equally.
- f) Grantor's participation in any mediation or nonbinding dispute resolution process will not be construed as a waiver (by Grantor) of any of the following:
  - (1) any rights, privileges, defenses, remedies, or immunities available to Grantor as an agency or governmental unit of the State of Texas, or otherwise available to Grantor;
  - (2) Grantor's termination rights; or
  - (3) other termination provisions or expiration dates of the Grant Agreement.

## DEFINITIONS

**Auxiliary mortgage loan activity company:** has the meaning assigned by [Finance Code § 156.002](#).

**Financial education, literacy, and capability:** acquired consumer behaviors and knowledge that lead to tangible improvements in financial health, enabling the consumer to obtain and maintain a mortgage loan.

**Grant Agreement:** the written contract between the Grantor and Grantee governing the terms and conditions of the grant award.

**Grantee:** a recipient of Mortgage Grant Funds awarded pursuant to a fully executed Grant Agreement.

**Grantor:** the Department of Savings and Mortgage Lending (SML) and the Mortgage Grant Fund. The Commissioner may authorize one or more persons, including the Grant Coordinator, to perform any action that the Commissioner is authorized to perform as Grantor under the Grant Agreement.