



# CREDIT UNION COMMISSION AUDIT COMMITTEE MEETING

*Credit Union Department Building  
914 East Anderson Lane  
Austin, Texas*

**March 10, 2022  
1:00 p.m.**

## **AGENDA**

This meeting of the Texas Credit Union Commission's Audit Committee will be held at the Credit Union Department Building at 914 E. Anderson Ln., Austin, Texas 78752 and is open to the public. Only onsite testimony will be allowed; however, the meeting will be transmitted live through a link on the Department's webpage at [www.cud.texas.gov](http://www.cud.texas.gov) on the day of the meeting, March 10, 2022 at 1:00 p.m.

An electronic copy of the agenda is now available at [www.cud.texas.gov](http://www.cud.texas.gov) under Credit Union Commission, Commission Meetings, along with a copy of the meeting materials. A recording of the meeting will be available after March 17, 2022. To obtain a recording, please contact Isabel Velasquez at 512-837-9236.

*Public comment on any agenda item or issue under the jurisdiction of the Credit Union Commission is allowed. Unless authorized by a majority vote of the meeting quorum, the comments of any persons wishing to address the Commission will be limited to no more than ten (10) minutes.*

**The Committee may discuss and/or take action regarding any item on this agenda.**

<b><u>TAB</u></b>	<b><u>PAGE</u></b>
<b>A.</b> Call to Order (1:00 p.m.) – Chair James Minge	<b>3</b>
1. Ascertain Quorum	
2. Appoint Recording Secretary	
3. Invitation for Public Input	
4. Acknowledge Guests	
<b>B.</b> Receive and Approve Minutes of the Audit Committee Meeting on June 29, 2021	<b>6</b>
<b>C.</b> Discussion, Consideration and Potential Action of Internal Auditing Services Contract	<b>11</b>
<b>D.</b> Annual Internal Risk Assessment Report	<b>14</b>
<b>E.</b> Future Meetings: Agenda Items, Arrangements, and Dates	<b>22</b>

## **Adjournment**

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

**Meeting Recess:** In the event the Committee does not finish deliberation of an item on the first day for which it was posted, the Committee might recess the meeting until the following day at the time and place announced at the time of recess.

**Meeting Accessibility:** Under the Americans with Disabilities Act, the Credit Union Commission will accommodate special needs. Those requesting auxiliary aids or services should notify Joel Arevalo, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752--(512) 837-9236, as far in advance of the meeting as possible.

A

# **CALL TO ORDER**

## **TEXAS CREDIT UNION COMMISSION AUDIT COMMITTEE**

### **Members**

- *Jim Minge, Chair*
- *Kay Swan, Vice Chair*
- *Liz Bayless*
- *Karyn Brownlee*
- *Yusuf Farran, Ex-officio*

### **Legal Counsel**

- *Nancy Elmilady*

### **Staff**

- *John J. Kolhoff*
- *Cheli Castro*
- *Isabel Velasquez*

# **FUTURE COMMITTEE MEETING DATES**

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**The committee meets on an “as needed” or “subject to the call of the chair” schedule. If a meeting is necessary, it would normally be held the day before a regularly scheduled commission meeting.**

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B

## **AUDIT COMMITTEE MEETING MINUTES**

A draft copy of the minutes of the Committee's meeting held on June 29, 2021 is located under ***TAB B***.

**RECOMMENDED ACTION:** The Department requests that the Committee approve the minutes as presented.

**RECOMMENDED MOTION:** I move that the minutes of the Committee's June 29, 2021 meeting be approved as presented.

**CREDIT UNION COMMISSION AUDIT COMMITTEE  
MEETING MINUTES  
(Via video/teleconference only)  
914 East Anderson Lane, Austin, Texas  
June 29, 2021**

**A. CALL TO ORDER** – Chairman James Minge called the meeting to order at 9:02 a.m. via audio/videoconference pursuant to Chapter 551 of the Government Code. Other members present included Kay Swan, Liz Bayless, and Karyn Brownlee. Assistant Attorney General Melissa Juarez was in attendance to serve as legal counsel. Staff members in attendance were John J. Kolhoff, Commissioner, and Cheli Castro, Staff Services Officer. Isabel Velasquez was appointed as recording secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted with the Secretary of State (**June 21, 2021, TRD#2021003712 and 2021003713**).

**❖ INVITATION FOR PUBLIC INPUT FOR FUTURE CONSIDERATION**

– Chairman Minge invited public input for future consideration by the committee. There was none.

**B. COMMITTEE CHARTER AND PURPOSE** – Commissioner Kolhoff explained that the purpose of the Audit Committee is to implement and oversee an independent audit program of the Department's financial reporting process. Furthermore, the Committee's purpose and in addition to any other responsibilities that may be assigned to from time to time by the Commission, the Committee will have additional responsibilities and duties:

- Recommend to the Commission for approval of the development, implementation and performance monitoring of an independent audit plan.
- Recommend to the Commission for approval and oversight of appropriately qualified vendors to audit the Department.

- Encourage and facilitate cooperation between auditors hired by the Commission and auditors assigned by other state agencies to audit the Department.
- Recommend to the Commission for approval a solicitation document, a vendor, or a contract for auditing services only if the solicitation document, vendor's proposal, or the proposed contract, as applicable, includes a clause that requires the selected vendor to cooperate with an auditor assigned by a state agency to audit the Department, and only if it includes any other clauses required by the Commission.

After a brief discussion, the Committee took no action.

**C. PROCUREMENT PROCESS** – Commissioner Kolhoff highlighted the requirements included in the meeting packet outlining the Government Code that relates to professional and consulting services as well as defining the scope and specification requirements needed. Mr. Kolhoff reported that currently we do not have an acquisition plan ready for the Committee to review since we want to be sure that we are going in the right direction before formalizing the acquisition plan, with the next step after that being to put out a bid/Request for Proposal (RFP).

After a lengthy discussion, the Committee took no action.

**D. Audit Delegation Request 469-2021-001** – Commissioner Kolhoff reported on the letter included in the meeting packet from the State Auditor's Office delegating to the Department the authority to employ a private auditor to provide internal audit services. Mr. Kolhoff further explained that in accordance with the Government Code, anytime you bring in an internal auditor you have to seek a delegation of authority by the State Auditor's Office, and that moving forward with



this process, a request has been already been submitted on behalf of the Committee and the delegation approved by the State Auditor's Office.

After a lengthy discussion, the Committee took no action.

**E. Draft Acquisition Plan Internal Audit Services** – Commissioner Kolhoff suggested the Committee might want to meet before the Commission meeting on August 27 to review and approve the acquisition plan. After a brief discussion, Mrs. Swan made a motion for the Committee to meet on August 16 @ 11:00 am. Mrs. Bayless seconded the motion and the motion carried.

## **ADJOURNMENT**

Without objection, the meeting was adjourned at 9:42 a.m.

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Jim Minge  
Chair

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Isabel Velasquez  
Recording Secretary

### **Distribution:**

Legislative Reference Library

C

## **REQUEST FOR INTERNAL AUDITOR SERVICES CONTRACT**

### **C. Discussion, Consideration and Potential Action of Internal Auditing Services Contract.**

**BACKGROUND:** As part of the sunset review process, a recommendation was made asking the Department to initiate an internal audit program that exceeds statutory requirements for an Agency of the Department's size and nature. Department management and the Commission agreed to implement a program and formed an Audit Committee, whose first meeting was held in June 2021. The Audit Committee has been working with Commissioner Kolhoff to initiate the required procurement process. Thereafter, the Department solicited bids for qualified Respondents and subsequently received bids from Respondents for review of the Department's requirements and qualifications posted in the solicitation.

**RECOMMENDED ACTION:** The Department requests that the Committee recommend to the Commission to approve and adopt staff's recommendation regarding awarding the internal auditor contract.

**RECOMMENDED MOTION:** I move that the Committee recommend that the Commission approve staff's recommendation regarding awarding the internal auditor contract.

**ADDITIONAL MATERIAL WILL BE SUPPLIED AT  
THE MEETING**

D

## **INTERNAL RISK ASSESSMENT REPORT**

### **D. Department's Annual Risk Assessment Report for FY 2022 as Required by Section 2102.004, Government Code.**

**BACKGROUND:** Section 2102.013 of the Texas Government Code requires state agencies which meet certain requirements to conduct a formal risk assessment each year and submit the assessment to the State Auditor's Office. The Department has completed the internal risk review and has prepared the required written assessment of the risks for submission to the State Auditor's Office.

**RECOMMENDED ACTION:** The Department requests that the Audit Committee recommend Commission approval of the 2022 Internal Risk Assessment Report to authorize its submission to the State Auditor's Office.

**RECOMMENDED MOTION:** I move that the Audit Committee recommend to the Commission approve the Department's Internal Risk Assessment Report for FY 2022 to authorize its submission to the State Auditor's Office.

**Small Agency Risk Assessment - Fiscal Year 2022**  
**Activities from Brainstorming - Credit Union Department**

1	perform regular and remedial credit union examinations	13	purchasing (equipment, supplies, services)	25	approve/ deny applications	37	maintain security of office building	49	
2	monitor credit unions	14	report to state agencies	26	pay bills	38	work with federal regulator(s)	50	
3	answer questions from credit unions and public	15	prepare, edit and issue examination reports	27	maintain financial records	39	work with state regulating agencies	51	
4	hire employees	16	manage office paperwork	28	prepare/submit financial reports to applicable parties	40	prepare for new programs	52	
5	maintain employee policies & records	17	comply with state/ federal regulations	29	maintain the agency's server, desktop/laptop computer security	41	maintain NASCUS accreditation	53	
6	manage employees	18	respond to credit union member complaints (of credit union and agency)	30	cybersecurity-raising awareness and educating users	42	maintain building and its infrastructure	54	
7	manage/monitor examiner travel	19	manage computer system, including hardware and software	31	maintain agency website	43	maintain all agency's asset inventory	55	
8	manage examination schedule	20	issue interpretations and opinions	32	Meet the IT requirements of the agency and all stakeholders	44	maintain agency's consumable supply inventory	56	
9	meet with industry representatives	21	review, revise rules	33	Inventory and maintain database of IT infrastructure and IT assets	45	Maintain Risk Management program	57	
10	hold Commission & committee meetings	22	publishing rules	34	maintain agency procedures and policies	46	Maintain Continuity of Operations Plan	58	
11	hold public hearings	23	provide new rules to credit unions	35	report to Legislature	47		59	
12	report to Commission	24	receive, review, & publish applications	36	draft legislation	48		60	

**Small Agency Risk Assessment - Fiscal Year 2022**  
**Consolidated Activities - Credit Union Department**

CONSOLIDATED ACTIVITIES	PRIORITIZED CONSOLIDATED ACTIVITIES
Finance and Accounting	1 Perform Cost-Effective Comprehensive Examinations of Credit Unions
Purchasing	2 Process, Investigate, and Evaluate Applications
IT Infrastructure and cybersecurity	3 Finance and Accounting
Human Resources Management	4 IT Infrastructure and cybersecurity
Process, Investigate, and Evaluate Applications	5 Purchasing
Complaints and Education	6 Human Resources
Perform Cost-Effective Comprehensive Examinations of Credit Unions	7 Complaints and Education
	8



## Small Agency Risk Assessment - Fiscal Year 2022

### Risk Assessment Table - Pre-Controls - Credit Union Department

[illegible]

**Small Agency Risk Assessment - Fiscal Year 2022**  
**Risk Management Table - Credit Union Department**  
**Consolidated Activity**

<div> <div>RISKS →</div> <div>CONTROL STEPS ↓</div> </div>									
	Inconsistent enforcement	Employee turnover/ inexperienced staff/morale issues	Inconsistent exam procedures/ exam integrity	Loss of Agency Credibility	Lack of adequate training for staff	Failure of CUs	Failure to meet deadlines	Loss of CUs as low cost financial institutions	
Standardized exam software program	x		x	x	x	x	x		
Review of all exam reports by Department (random sample reviewed by Field Supervisors)	x		x	x	x	x	x	x	
NASCUS accreditation & annual review	x		x	x	x	x		x	
Joint oversight with deposit insurer	x		x	x	x	x		x	
Training program (including OTJ training and specialized courses)	x	x	x	x	x	x	x	x	
Regular employee performance evaluations	x	x	x	x	x		x		
Quarterly monitoring of CU financial data by both field and office staff	x	x	x	x	x	x		x	
Periodic rule review by Commission	x		x	x		x		x	
Career ladder/merit raises		x		x					
Experienced management oversight	x	x	x	x	x	x	x	x	
Examiner's Guide	x		x	x	x	x		x	
Performance measures	x			x	x		x		
Management information systems	x		x	x	x	x	x		
Technology tools for field examiners	x	x	x	x	x	x	x	x	



### Risk Assessment Table - Post-Controls - Credit Union Department

19

Small Agency Risk Assessment - Fiscal Year 2022  
Significant Changes in  
Risk Assessment - Credit

<b>NEW Activities, Risks, and/or Controls from Prior Year Submission</b>  <b>List by Consolidated Activity</b>	Annual Fire alarm system inspection was completed.
	Completed SORM Physical risk management audit of the Credit Union Department building. Findings and recommendations were implemented.

E

## **NEXT MEETING AND ADJOURNMENT**

**E. Discussion of and Vote to Establish Date for Next Committee Meeting.**

**BACKGROUND:** If necessary, the next regular meeting of the Committee will be scheduled at this meeting.

**ADJOURNMENT**