Board of Directors – Surplus Lines Stamping Office of Texas
Finance and Audit Committee Meeting

September 24, 2019

Location: Hillwood – 3000 Turtle Creek Blvd, Dallas, TX 75219

Agenda Item 1 – Call to order, establishment of a quorum

Kyle Bolls, VP, Finance, called the Finance and Audit Committee to order on September 24, 2019, at 1:03 p.m.

Board members in attendance:  
Lorrie Cheshier  
Charles Gillenwater  
Kyle Streetman  
Peter Harrison  
Penni Nelson

Term Expirations:
12/31/2019

A quorum was established by Penni Nelson.

Staff members in attendance:

Kyle Bolls – VP of Finance/Interim Executive Director  
Denisse Orellana – VP of Human Resources  
Tara Mitchell – VP of Technology  
Ashley Corpus – Administrative Project Specialist  
Marcelina Gutierrez – Receptionist  
Toby Pick – Operations Manager  
Christian Robinson – Financial Analyst

Counsel in attendance:

Alex Gonzales – Duane Morris LLP

Others in attendance:

Shirley Bowler – Texas Surplus Lines Reporter & Insurance News

Agenda Item 2 – Selection of consulting firm to complete RFQ, and may be the subject of formal action

Kyle Bolls stated he and SLTX staff researched several consulting firms to assist with the creation of an RFQ regarding the Internal Controls Audit and Board Governance Review. Bolls indicated that many of the firms were not able to adhere to the timeline presented. Bolls further added that SLTX obtained a quote from Weaver and Tidwell, L.L.P.
Bolls recommended the engagement of Weaver and Tidwell to prepare an RFQ seeking an internal controls auditor, who shall also conduct a related full financial examination of SLTX expenses and accounts for the last three years. The fee for preparing the RFQ shall be capped at $7,500, and the proposed RFQ shall be presented to the Finance and Audit Committee within 7 days. The RFQ shall be additionally approved by the Commissioner of Insurance or his delegate. The RFQ shall require the audit to be completed by the December 9, 2019, Finance and Audit Committee meeting. The final selection of the auditor will be made by the Board of Directors on October 7, 2019, subject to the approval of the Commissioner of Insurance or his delegate.

Peter Harrison made a motion.
Charles Gillenwater seconded.
The motion passed unanimously.

Kyle Streetman asked if the company creating the RFQ should be allowed to bid for the position as well.

Penni Nelson and Kyle Streetman stated they did not anticipate any issues with Weaver and Tidwell bidding for the audit.

**Agenda Item 3 – Determination of the scope and details of the scheduled IT Security Audit**

Bolls discussed the scope and details of the IT Security Audit with RSM. Bolls stated the process will have several phases. The first phase will be for the auditors to become familiar with the SLTX staff and all IT systems. A web application penetration test will also be conducted as a first step. Bolls opened the floor to the committee members for questions or comments.

Streetman inquired if there were specific options or “packages” to choose from regarding the scope of the audit.

Bolls stated the audit was personalized to fit SLTX’s need. He noted the audit selected included a penetration test, which provides a more in-depth analysis.

Bolls stated phase two will require an application architectural review. The review will assess internal networks and determine best practices for the organization. Bolls opened the floor to any questions or comments.

The committee had no additional comments.

Phase three will review controls of the system work. Bolls stated internal controls will be assessed and the permissions given to SLTX staff will be reviewed.

Lorrie Cheshier asked if the IT Security Audit will require approval from the Texas Department of Insurance Commissioner.

Alex Gonzales responded by stating the IT Security Audit is a separate issue from the Internal Controls Audit.

Bolls discussed technical support as an additional element in the IT Security Audit. This portion will include making any corrections/guidelines for the SLTX staff and an executive summary.

Bolls recommended accepting the scope for the IT Security Audit as defined by the security services scope provided by RSM with a max dollar threshold of $50K.
Peter Harrison made a motion.
Penni Nelson seconded.
The motion was passed unanimously.

Agenda Item 4: Selection of a consulting firm to assist with the Board and SLTX Governance Review

Bolls stated SLTX researched several consulting firms to conduct a Board Governance Review. Bolls further mentioned that the short timeline was an issue, just as it was for the Internal Controls Audit. Weaver and Tidwell was the only firm that responded to the request and sent a quote for their services. Bolls asked if there were any questions or comments.

Bolls recommend the engagement of Weaver and Tidwell to prepare an RFQ seeking a corporate governance consultant to conduct an in-depth review of SLTX and SLTX Board governance issues, to include recommendations for addressing any deficiencies and for implementing best practices. The fee for preparing the RFQ shall be capped at $5,000, and the proposed RFQ shall be presented to the Finance and Audit Committee within 6 days and published within 7 days. The final selection of a consultant shall be made by the Chair of the Board, subject to Board veto, as soon as practicable. The RFQ shall require a report to be presented to the full Board by December 10, 2019.

Peter Harrison made a motion.
Kyle Streetman seconded.
The motion passed unanimously.

Agenda Item 5: Motion to adjourn the meeting

Peter Harrison made a motion.
Kyle Streetman seconded.
The motion passed unanimously.
The meeting adjourned at 1:29 p.m.

Rosemarie Marshall, Secretary