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SOUTH CAROLINA
STATE BOARD OF FINANCIAL INSTITUTIONS

Budget and Operations Committee

MINUTES

Thursday, April 15, 2021

10:00 A.M.

via Webex Virtual Conference

The Budget and Operations Committee of the State Board of Financial Institutions met on April 15, 2021.

Members present (via virtual conference): Messrs. Pennington (Chairman), Conley, and Wright.

Others in attendance: Commissioner Ron Bodvake, Commissioner Rick Green, Deputy Commissioner Kathy Bickham, Deputy Commissioner Phyllis Wicker, Deputy General Counsel Shawn Eubanks, and Board Administrator Alicia Sharpe.

The April 15, 2021 Agenda was approved by General Consent.

The March 24, 2021 Committee Meeting Minutes were approved by General Consent.

There were no member **recusals or conflicts of interest** disclosed or identified.

Commissioner Green provided a high-level overview of the Banking division's items. The annual IT inventory, delayed due to remote work, is now complete. The small audit included both soft and hard assets and information assets. The division also completed documentation of their Third-Party Risk Management program. This included due diligence documentation of current processes and formalizing the program. The division is working on evaluating a digital document storage solution from a continuity and storage standpoint. Older documents are currently kept in hard copy in a secure location, but they are evaluating the cost to transition to an all-digital storage solution. The division has some equipment needs as shown in the budget, to include laptops and audio-visual equipment as the future of remote examinations is considered. The division is also evaluating and testing a new social engineering tool that will help to monitor and confirm that the team is doing what is expected of them. Testing has indicated excellent responses.

Kathy Bickham reviewed the *Quarterly Expenditure Analysis* handout provided to the Committee. Scott Conley stated that because of the significant reductions to include travel, it appears that the division has a cash carryforward of almost 50% of the projected expenses. He said that he hoped this surplus would be used to offset some level of the fees and an opportunity to help institutions that are struggling because of the low interest rate environment. Ms. Bickham stated that there have been discussions and the desire to offset some of the fees was one of the reasons the division has tried to keep expenditures down this year. Commissioner Green said that building the cash balance allows the division to provide a credit for the following year. Last year when the division was determining the supervisory fees, the cash balance was drawn down below what it has been historically. With the loss of two institutions, the division wanted to reduce the impact on the remaining ones.

Commissioner Green notified the Committee that the division had an employee test positive for COVID earlier in the week. The division has taken all necessary actions to remove any risks known in the agency to ensure everyone's safety. The employee has reported that they are doing well.

Scott Conley asked if the division is seeing an improvement in efficiencies and turnaround time of exams and reports in the remote exam process. Commissioner Green stated that there were difficulties at first going remotely as there was a communication lag that resulted in exams taking a little longer. He stated that there have been improvements over the last year as there is more comfort with technology, etc. but the process is still a little longer than it was pre-pandemic.

Scott Conley asked about expanding opportunities to hire in other parts of the state now that we have been in a remote environment. He stated that staff could have a designated day to drive to Columbia. Commissioner Green stated that the relationship and culture development is important for staff for an initial period of time and can be best established by being in the office more often. This would be more difficult if someone lives in Greenville, for example, as they wouldn't have the interaction.

Commissioner Bodvake provided an update for the Consumer Finance division. Two mortgage examiners have been hired and there are two second interviews scheduled this week for a license specialist. He stated that there has been an unforeseen number of mortgage loan originator applications. He shared the organizational chart handout provided to the Committee and stated that the division is almost fully staffed. In addition, the employee referral program has recently generated a referral that the division is interviewing.

Regarding IT updates, the division has updated the business continuity plan and the data classification plan is 75% completed. Also, the new examination database is in the beta testing phase with a 7/1 go live date.

Another project being implemented is Keymark, an Onbase and Sharebase database. There will be enhancements for keyword searches and the NMLS number search. This is projected to be completed next fiscal year.

Commissioner Bodvake reviewed the Quarterly Financial Report handout. Scott Conley made an observation that the division's projected cash carryforward is up to nearly 80% of expenditures and hoped there are plans to mitigate as the division does not need to have large carry forwards. Commissioner Bodvake stated that there will be discussions with the Treasurer regarding the schedule of fees for next year. The renewal fees are the fees that could be adjusted. A majority of the fees are being paid by the mortgage companies. He stated that he'd like to have another conversation with the Committee closer to budget submittals to determine the status of fees. The Commissioner stated that the division was not fully staffed and there was no travel, items that make up a lot of the additional expenses. Scott Conley asked if there was a state limit on how much funds can be retained for agencies that don't receive tax dollars. Commissioner Bodvake stated that a current proviso allows for carry over to the next fiscal year but would find out if there were dollar amount stipulations.

Executive Session

The Board voted unanimously to adjourn into Executive Session.

Deputy General Counsel Shawn Eubanks stated the reasons the Board entered Executive Session: to discuss proposed salary adjustments and to receive legal advice as needed.

The Board voted unanimously to end Executive Session.

There were no votes taken in the Executive Session except to exit Executive Session.

The next Committee meeting is scheduled for Thursday, July 22, 2021.

There being no further business, the meeting was adjourned by acclamation at **10:57 AM**.