

Order No. 2022-023

IN THE MATTER OF:

INOVA PAYROLL LLC

IRVING, TEXAS

§
§
§
§
§
§

BEFORE THE BANKING

COMMISSIONER OF TEXAS

AUSTIN, TRAVIS COUNTY, TEXAS

CONSENT ORDER

On this day, the matter of Inova Payroll LLC (“Respondent”) was submitted to me, Charles G. Cooper, Banking Commissioner of the State of Texas (“Commissioner”), for consideration and action.

1. Respondent is an Irving, Texas based payroll services provider that offers payroll processing to employer-clients.
2. The Texas Department of Banking (Department) has jurisdiction over Respondent and the subject matter of this proceeding pursuant to *Texas Finance Code* (Finance Code) Chapter 151 (Chapter 151). The Commissioner has the authority to issue this Consent Order (Order) and to assess administrative penalties pursuant to Finance Code §§ 151.706 and 151.707.
3. Respondent has been properly notified of its right to an administrative hearing under Chapter 151.
4. The undersigned representative of Respondent has full authority to enter into and bind Respondent to the terms and conditions of this Consent Order.
5. The statutory provisions at issue in this matter include, but are not limited to, Finance Code §§ 151.301, 151.302, 151.702, 151.706, and 151.707.
6. Any violation of this Order could subject Respondent to additional regulatory or enforcement actions authorized by Chapter 151 and other provisions of Texas law. Nothing in this Order diminishes the regulatory or enforcement powers of the Department, the

Commissioner, or the Finance Commission of Texas under Chapter 151 or other applicable law.

7. For purposes of this proceeding, Respondent knowingly and voluntarily waives:
 - a. Service upon Respondent of this Order;
 - b. The right to present defenses to the allegations in this proceeding;
 - c. Notice and hearing prior to imposition of this Order;
 - d. The filing of proposed findings of fact and conclusions of law;
 - e. The issuance of a proposal for decision by an administrative law judge;
 - f. The filing of exceptions and briefs with respect to such proposal for decision;
 - g. Any review of this Order by the Texas Finance Commission; and
 - h. Judicial review of this Order as provided by *Texas Government Code* § 2001.171 et seq., and any other challenge to the validity of this Order.
8. Respondent and the Commissioner agree to this Order solely for the purpose of this proceeding, and without Respondent admitting or denying any violations of law or regulations. This Order does not constitute an admission by Respondent that Chapter 151 or a rule adopted, or order issued under Chapter 151 has been violated.
9. The Commissioner has considered this matter and finds as follows:
 - a. Respondent provides payroll processing, payroll tax payment and human resources solutions to employer-clients in Texas. In providing this service, Respondent receives funds from employer-clients and later distributes those funds to employer-client's employees and/or taxing authorities. On September 8, 2022, Respondent obtained a temporary money transmission license from the Department.

- b. Under Finance Code § 151.301(b)(4), money transmission means “the receipt of money or monetary value by any means in exchange for a promise to make the money or monetary value available at a later time or different location.” The Finance Code defines engaging in the business of money transmission as receiving compensation or expecting to receive compensation, directly or indirectly, for conducting money transmission. Finance Code § 151.302(b). The Department has determined that the Respondent is engaged in licensable activity because Respondent receives an employer-client’s funds in exchange for a promise to make the funds available at a later time or different location.
- c. Finance Code § 151.302(a) provides that “a person may not engage in the business of money transmission or advertise, solicit, or represent that the person that engages in the business of money transmission” without a license unless it is an authorized delegate of a license holder, is excluded from licensure under Chapter 151, or has been granted an exemption under Chapter 151.
- d. As described above, the Department has concluded that: (i) Respondent is conducting money transmission in Texas; (ii) prior to September 8, 2022, Respondent was neither licensed by the Department nor determined by the Department to be excluded from licensure under Chapter 151; and (iii) Respondent is not an authorized delegate of a license holder. Consequently, the Commissioner finds that Respondent has violated Finance Code § 151.302.
- e. As required by Finance Code § 151.707(d), the Commissioner has considered the seriousness of the violations, Respondent’s compliance history, and Respondent’s good faith in attempting to comply with Chapter 151.

- f. Based on these findings and based on the representations made by Respondent as to the volume of transactions and length of time it has been conducting an unlicensed money transmission business in Texas, the Commissioner finds that a penalty of \$96,815.54 is appropriate.
10. Respondent has agreed to comply with the terms that are set out in the Order below.
11. Nothing in this Order shall prohibit Respondent from obtaining a money transmission license from the Department in the future.
12. This Order does not restrict the Department with respect to any enforcement action or other recourse regarding any other violations by Respondent not now known to the Department that come to the attention of the Department. Nothing herein shall be construed to limit Respondent's right to contest any future finding or determination of non-compliance.
13. Respondent consents to the issuance of this Consent Order and agrees to comply with the terms that are set out in the ORDER below.

ORDER

1. It is hereby ORDERED, ADJUDGED and DECREED that within 30 days of the effective date of this Order, Respondent will pay \$96,815.54 to the Department as an administrative penalty under Texas Finance Code § 151.707.
2. Respondent will make a good faith effort to fulfill all the requirements to obtain a permanent license to conduct money transmission in Texas as detailed in Chapter 151 of the Finance Code. In the event that Respondent elects to withdraw its license application or Respondent's license application is suspended pursuant to Finance Code § 151.204, determined abandoned pursuant to 7 Texas Administrative Code § 33.13(g)(1), or denied pursuant to Finance Code § 151.205, Respondent will do the following:

- a. Within 15 days of said withdrawal, suspension, abandonment, or denial, notify Respondent's existing Texas customers that it will cease providing money transmission services to them. This notification must be made in writing, and a copy of the notice must be sent contemporaneously to the Department;
- b. Within 60 days of said withdrawal, suspension, abandonment, or denial, cease and desist from engaging in the unauthorized business of money transmission in Texas and return Texas customer funds held by Respondent to its Texas customers; and
- c. Within seven days of achieving full compliance with this paragraph, confirm to the Department in writing that Respondent has ceased all unlicensed activities in Texas.

EFFECTIVE DATE

This Order is effective on the date signed by the Commissioner and is final and non-appealable as of that date.

Signed this 25th day of January, 2023.

/s/ Charles G. Cooper
Charles G. Cooper
Banking Commissioner of the State of Texas

AGREED AND APPROVED AS TO FORM AND SUBSTANCE:

Inova Payroll LLC

/s/ Michael S. McKeown
By: Michael S. McKeown, CFO
Date: January 20, 2023

APPROVED AS TO FORM:

/s/ Stephen C. Speck
Stephen C. Speck
Assistant General Counsel
Texas Department of Banking
Date: January 25, 2023