

THE PROJECT THAT WAS PERFORMED

Internal Audit reviewed investments for UNT during the period August 2011 through October 2011. The project was part of the approved work plan and required by UNT Policy 11.5.

The objectives of the review were to:

1. Determine whether management of investment transactions is compliant with the Public Funds Investment Act (PFIA), Regents Rule 10.100, Regents Rule 10.300, and University Investment Policy 11.5;
2. Verify that Investments are adequately and appropriately inventoried and safeguarded; and
3. Review the recording and reporting of investment transactions for accuracy and compliance with the PFIA and with the State Higher Education Investment Reporting Requirements Report issued by the State Auditor's Office (SAO Report No. 02-058).

KEY OBSERVATIONS

Overall, we found that investments were safeguarded, diversified, and provided sufficient liquidity to meet the reasonable anticipated financial needs of the University. UNT is in compliance with the Public Funds Investment Act (PFIA), Regents Rule 10.100, Regents Rule 10.300, and University Investment Policy 11.5, and the state higher education investment reporting requirements.

Internal Audit's review included the following areas:

Compliance

- The UNT Regents Rules and investment policies were reaffirmed in August 2011 as disclosed on the UNT Investment Disclosure website.
- All investments were allowable and diversified according to the requirements set forth in the PFIA, Regents Rule 10.100, and Regents Rule 10.300, and University Investment Policy 11.5.
- Investment Officers attended the PFIA required training. A newly assigned assistant will be obtaining PFIA training.
- The list of approved brokers was approved by the Board of Regents.
- All brokers signed a certification to follow the guidelines of the Public Funds Investment Act and UNT Investment Policy.
- Investment information is reported on the University's Investment Disclosure web-site as required by the state higher education investment reporting requirements.

Inventory and Safeguarding

- All reported investments traced from the June 2011 Investment Report matched source documentation (e.g. safeguarding/trade confirmations, trade tickets, and safekeeping statements).
- All new fiscal year 2011 investment purchases reviewed were properly recorded.
- All Wells Fargo bank accounts had the authorized designated employee signature on file supported by a bank Certificate of Authority.
- Pledged collateral secured all bank deposits in an amount which exceeded the requirement for compliance with policy and law.

Reporting

- Internal Audit reviewed the quarterly Investment Report presented to the Board of Regents in August 2011. This report includes investment information as of May 31, 2011. During the course of this review, Internal Audit noted that the information presented for the prior period book and market values in the certificate of deposit section were not reported. This resulted from a clerical error in the transfer of the information from other reports to the quarterly investment report. With the exception of the information noted above, the Investment Report for the quarter ended May 31, 2011, is correct.
- State reporting requirements for higher education investing have been met.
- Portfolio yield was consistently greater than the yield on a US Treasury Note.

SUGGESTED MANAGEMENT ACTIONS

There were no suggested management actions.

Audit performed by: John McDermott, Internal Auditor III

For more information, contact us by email at internalaudit@unt.edu or by phone at 940.565.2153

REPORT PROVIDED TO THE FOLLOWING:

UNT System Board of Regents;
L. Jackson, Chancellor;
T. Pankratz, Vice Chancellor for Finance, UNT System;
V. Lane Rawlins, PhD, President;
A. Harris, Vice President for Finance and Administration;
J. Bush, Senior Associate Vice President for Finance;
C. Whitlock, Manager of Treasury Services;
D. Holdegraver, CIA, CFE, Chief Internal Auditor, UNT System;
Texas State Auditor's Office;
Governor's Office;
Legislative Budget Board;
Texas Comptroller of Public Accounts; and
Sunset Advisory Commission.