

## THE PROJECT THAT WAS PERFORMED

We performed the annual review of investments during the period of November 2011 through December 2011. The annual review was included in the Board approved work plan for fiscal year 2011 and required by UNTHSC policy 10.102.

The objectives of the review were to:

1. Determine whether investment transactions are managed in accordance with UNTHSC Investment Policy and the Public Funds Investment Act (PFIA);
2. Verify that investments are adequately and appropriately 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 UNTHSC. UNTHSC is in compliance with the Public Funds Investment Act (PFIA), and UNTHSC policy 10.102, and the state higher education investment reporting requirements except for one investment disclosure reporting requirement.

Internal Audit's review included the following areas:

### Compliance

#### Substantial Compliance

- The UNTHSC investment policies were reaffirmed in August 2011 as disclosed on the UNTHSC Investment Disclosure website.
- The portfolio was properly diversified and liquid, and investments were in compliance with the provisions outlined by the PFIA and UNTHSC policy.
- All investments in the portfolio were authorized by policy.
- The Investment Officers and the Board of Regents have complied with the training requirements outlined in the PFIA.
- Entities that sell investments to the Center have certified implementation of reasonable procedures and controls to prevent imprudent investment activities.
- The average yield for the portfolio was equal to or greater than the average treasury yield for fiscal year 2011.
- The Center Investment Policy complies with requirements of the PFIA.

## Compliance Issue

- The August 31, 2011 UNTHSC Quarterly Investment report was not posted to the UNTHSC website in the timeframe prescribed by the State Auditor's Office. The report was subsequently posted by UNTHSC on November 29, 2011.

## Inventory and Safeguarding

- New purchases and maturities were appropriately documented and reviewed.
- Employees with signature authority were properly designated and were current employees.
- Bank deposits were adequately secured by pledged collateral and state or federal guaranties except when federal funds for financial aid was received, and when a transfer was received from the State Comptroller's office related to a canceled voucher. The amount was transferred back to the State within two business days.
- Wire transfer policies and transactions were appropriate and information was secure.
- Transactions were conducted through Board approved broker agencies.
- Investments were held in the name of the "University of North Texas Health Science Center at Fort Worth."
- Neither the Investment Officer nor his designee had a personal or business interest that conflicted with their official job duties related to investment activities and responsibilities

## Reporting

- The February 28, 2011, quarterly report and the August 31, 2011, annual and quarterly investment reports were reviewed for accuracy. All amounts, including market value, book value, and interest earned, were traced to UNTHSC records and third party supporting documentation. All information reported was materially accurate.
- The reports were in accordance with the PFIA.
- State Auditor's Office reporting requirements, which include posting to the investments website and investment disclosure, were followed, except the compliance issue to publish the August 2011 quarterly report within the required timeframe.

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**REPORT PROVIDED TO THE FOLLOWING:**

UNT System Board of Regents  
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