

THE PROJECT THAT WAS PERFORMED

Internal Audit reviewed investments for UNT Dallas during the period August 2011 through October 2011. The project was part of the approved work plan and required by UNT Dallas Policy 10.007.

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 10.007;
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 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 UNT Dallas investments were safeguarded, diversified, and provided sufficient liquidity to meet the reasonable anticipated financial needs of the University. UNT Dallas is in compliance with the Public Funds Investment Act (PFIA), Regents Rule 10.100, Regents Rule 10.300, UNT Dallas Investment Policy 10.007, and the state higher education investment reporting requirements except for two investment disclosure reporting requirements.

Internal Audit's review included the following areas with observations noted.

Compliance

Substantial Compliance

- The UNT Regents Rules and investment policies were reaffirmed during the August 2011 Board of Regents meeting.
- 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 UNT Dallas Investment Policy 10.007.
- Investment Officers attended the PFIA required 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 Dallas Investment Policy.

Compliance Issues

- On September 13, 2011, an investment disclosure web-site for UNT Dallas was not established with the required information in the timeframe prescribed by the State Auditor's Office. Subsequent to this date, the site was created.
- The UNT Dallas investment disclosure web-site does not include required contact information for the foundation.

Inventory and Safeguarding

- All reported investments traced from the June 2011 Investment Report matched source documentation (e.g. account statements.)
- All new fiscal year 2011 investment purchases reviewed were properly recorded.
- All bank accounts had the authorized designated employee signature on file with a Wells Fargo Certificate of Authority.

Reporting

- Internal Audit reviewed the UNT Dallas quarterly Investment Report information presented to the Board of Regents in August 2011. This report includes investment information as of May 31, 2011, and the information reported appears reasonable and accurate.
- State reporting requirements for higher education investing have been met based on review by Internal Audit of on-line investment disclosure web-site on October 27, 2011, except the compliance issue to document a response on ones web-site regarding endowment or foundation association.
- Portfolio yield was consistently greater than the yield on a US Treasury Note.

SUGGESTED MANAGEMENT ACTIONS

1. Ensure that information on the UNT Dallas investment disclosure web-site is complete, accurately reported in a timely manner, appropriately linked to supporting documentation, and in compliance with the state higher education investment reporting requirements.
2. Contact the State Auditor's Office, if necessary, for explanation or clarification of the expected state higher education investment reporting requirements pertaining to electronic (web-site) investment disclosure reporting.

Management committed to action plans related to each suggested management action above.

Audit performed by: John McDermott, Internal Auditor III

Key Points
Annual Investments Review
Audit No. 11-002 UNT Dallas

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

The detailed Observations Report including management's responses and action plans is attached for your convenience.

REPORT PROVIDED TO THE FOLLOWING:

UNT System Board of Regents;
L. Jackson, Chancellor;
T. Pankratz, Vice Chancellor for Finance, UNT System;
J. Price, PhD, President (UNT Dallas);
W. Usry, Chief Financial Officer and Vice President Finance and Administration (UNT Dallas)
B. Lewis, Controller (UNT Dallas)
C. Whitlock, Manager of Treasury Services, UNT;
D. Holdegraver, CIA, CFE, Chief Internal Auditor, UNT System;
Texas State Auditor's Office;
Governor's Office;
Legislative Budget Board, and
Sunset Advisory Commission.

Observations
with
Management's
Responses

**Annual Investments Review
Audit No. 11-002 - UNT Dallas**

Donald W. Holdegraver, CIA, CFE
Chief Internal Auditor

Susan Edwards, CIA, CFE, CICA
Director of Internal Audit

December 15, 2011

■ INVESTMENT DISCLOSURE WEB-SITE REPORTING

What We Found

Per review by Internal Audit of the UNT Dallas web-site regarding investment disclosure the following issues were noted:

- a. *On September 13, 2011, an investment disclosure web-site for UNT Dallas was not established with the required information in the timeframe prescribed by the State Auditor's Office. Subsequent to this date, the site was created.*
- b. *The available on-line UNT Dallas investment disclosure web-site on October 13, 2011, did not include a required response to a state higher education investment reporting requirement question pertaining to endowment or foundation association. The investment disclosure web-site as of December 2, 2011, indicates the University is associated with the University of North Texas Foundation, but required contact information on the foundation is not posted on the web-site.*

Why the Issue is Important

The state higher education investment reporting requirements report issued by the State Auditor's Office describes the investment disclosure reporting requirements. These requirements are in place to assure that an institution's investment information is adequately disclosed, accurately presented, and supported. Not having the required information on one's web-site reflects non-compliance with state higher education investment reporting requirements (SAO Report No. 02-058). These requirements include the requirement to publish investment information fewer than 90 days after the end of each quarter or 7 days after the investment report is presented to the institution's board whichever occurs first. In addition, per the Texas Government Code, Section 2256.023 an institution must publish on their web-site the entire quarterly investment report.

What is Causing the Issue

Oversight -- The UNT Dallas investment disclosure web-site was not established on-line in time to comply with state higher education investment reporting requirements (chapter 2.2).

What is Expected or Required

It is expected that an institution's investment disclosure web-site is in compliance with state higher education investment reporting requirements. These requirements pertain to providing the following: A response to required investment information questions (Chapter 1.3), posting of the institution's investment policy (chapter 1.4), reporting quarterly investment report information (chapter 2.2), posting of Investment Audit Reports and Annual Investment Reports, noting contact reference information, and etc. Rider 5, page III-231, the General Appropriations Act (77th Legislature), and the Public Funds Investment Act require institutions to report certain information regarding their investments. Rider 5 and the PFIA Act require the State Auditor's Office to prescribe the method and manner for reporting this information.

What We Suggest

Suggested Management Action for Wayne Usry, Chief Financial Officer and Vice President of Finance and Administration (UNT Dallas):

1. Ensure that information on the UNT Dallas investment disclosure web-site is complete, accurately reported in a timely manner, appropriately linked to supporting documentation, and in compliance with state higher education investment reporting requirements.
2. Contact the State Auditor's Office, if necessary, for explanation or clarification of the expected state higher education investment reporting requirements.

Implementation will ensure compliance with the PFIA and the state higher education investment reporting requirements pertaining to investment disclosure.

**What Action Management
Commits to Do**

Agreement, UNT Dallas management will add the required Foundation contact information to our Investment Disclosure webpage. UNT Dallas will also review the Investment Disclosure webpage content, on a quarterly basis, to ensure compliance. Finally, UNT Dallas management will contact the State Auditor's Office when necessary for further explanation or clarification of investment reporting requirements. The Foundation contact information was communicated to our website developer on December 14, 2011.

Expected Implementation Date: December 14, 2011.

Individual Responsible for Implementation: Barry Lewis, Controller
