

## PROJECT PERFORMED

We performed the annual review of UNTHSC investments. The annual review was included in the Board approved work plan for fiscal year 2013 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 AND MANAGEMENT ACTIONS

In August 2012, the Board approved new System policy 08.2000, "Investment of System Funds," which supersedes UNTHSC Policy 10.102, "Investment Policy." In February 2012, under the direction of the Board, UNTHSC moved funds to the UNT System Long Term Investment Pool (LTP). This move was made in anticipation of the approval of the new System investment policy. Not all investments in the LTP complied with UNTHSC's investment policy, but they do comply with the new System investment policy.

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 the state higher education investment reporting requirements.

Internal Audit's review included the following areas:

### 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, UNTHSC policy, and UNT System Policy.
- All investments in the portfolio were authorized by policy or the Board.
- 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 2012.
- The Center Investment Policy complies with requirements of the PFIA.

### Inventory and Safeguarding

- Employees with signature authority were properly designated and were current employees.
- Bank deposits were adequately secured by pledged collateral and state or federal guaranties.
- 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 disclosed any personal or business interest that conflicted with their official job duties related to investment activities and responsibilities.

### Reporting

- The August 31, 2012, 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.

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