

# **Stephen F. Austin State University**

## **Public Funds Investment Act Audit**

**As of August 31, 2023**

**Audit Report 24-202**



## **Department of Audit Services**

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## **EXECUTIVE SUMMARY**

The Department of Audit Services has completed an audit of the Public Funds Investment Act (PFIA). The University funds subject to the PFIA as of August 31, 2023 was \$206,441,217.15. A breakdown of University funds subject to the PFIA is reflected in *Background*.

### **AUDIT OBJECTIVE**

The audit objectives were to gain assurance for the following:

- The University was in compliance with the PFIA;
- The University was in compliance with the General Appropriations Act (GAA), 87<sup>th</sup> Legislature, Article III, Section 6, Rider 5, Investment Reports and reporting requirements as prescribed by the State Auditor's Office (SAO).

### **SCOPE**

The audit scope included investments subject to PFIA as of August 31, 2023 and related investment activities for the period June 1, 2021 to August 31, 2023.

### **SUMMARY OF AUDIT RESULTS**

We gained assurance that the University was generally in compliance with the PFIA and the GAA, 87<sup>th</sup> Legislature, Article III, Section 6, Rider 5, Investment Reports, and related reporting requirements prescribed by the SAO as of August 31, 2023.

Per the SAO reporting requirements, Audit Services is required to disclose in the audit report "a detailed description of all instances of noncompliance that were identified as a result of the compliance audit procedures performed, regardless of the assessed materiality of any such noncompliance, and, if available, all responses to any audit findings that agency management provided to its auditor." The audit identified no instances of noncompliance.

### **ACKNOWLEDGMENTS**

We appreciate the assistance provided to us during our audit by the Division of Finance and Administration.



Jane Ann Bridges, CPA, CIA, CFE  
Chief Audit Executive  
Stephen F. Austin State University

**DETAILS OF AUDIT**

**BACKGROUND**

The Department of Audit Services has completed an audit of the University’s compliance with the PFIA, Government Code Chapter 2256. The audit is required as follows:

“... at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency’s established investment policies. The compliance audit shall be performed by the agency’s internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor.” [TGC 2256.005(n)]

The GAA, 87<sup>th</sup> Legislature, Article III, Section 6, Rider 5 Investment Reports, states, “The governing board of each educational institution named in this Article shall file with the State Auditor, Comptroller of Public Accounts, Legislative Board, and the Governor an annual report of all investment transactions involving endowment funds, short-term and long-term investment transactions in a method prescribed by the State Auditor’s Office.”

For the period under review, SFA Policy 3.21, *Investments*, provided guidance for investment activity in accordance with the PFIA. The policy stated, “The vice president for finance and administration is responsible for investment management decisions and activities. The vice president for finance and administration delegates the day-to-day management of the investment activities to the associate vice president of financial and administrative services or the director of administrative services.”

As of August 31, 2023, the University had investments as follows:

Investment	Operating	Quasi	Bond	Endowment	Total
Interest Bearing Bank	\$ 51,399,326.84	\$ -	\$ -	\$ -	\$ 51,399,326.84
TexasCLASS	\$ 78,809,011.63	\$ 7,589,400.71	\$ 4,178,038.47	\$ 15,892,266.61	\$ 106,468,717.42
TexasDAILY	\$ 725.10	\$ -	\$ 21,908,582.18	\$ -	\$ 21,909,307.28
TexasFIT	\$ 9,872,810.44	\$ -	\$ 8,404,927.95	\$ -	\$ 18,277,738.39
TexPool Prime	\$ -	\$ -	\$ 4,922,643.91	\$ -	\$ 4,922,643.91
State Treasury	\$ 3,463,223.31	\$ -	\$ -	\$ -	\$ 3,463,223.31
Cash in Bank	\$ -	\$ -	\$ -	\$ 260.00	\$ 260.00
Texas A&M	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 143,545,097.32	\$ 7,589,400.71	\$ 39,414,192.51	\$ 15,892,526.61	\$ 206,441,217.15

On September 1, 2023, Stephen F. Austin State University (SFA) became part of the University of Texas System (UTS). As part of UTS, the University’s investment activity will be managed by UTS through the University of Texas/Texas A&M Investment Management Company (UTIMCO).

Allowed by Texas Education Code (TEC) Section 51.0031(c-1), SFA has contracted with Texas A&M to manage investments since September 2013. As of August 31, 2023, investments that were with Texas A&M have been transferred back to the University. The University expects to transition all funds to UTIMCO by the end of Fiscal Year 2024.

**AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY**

The audit objectives were to gain assurance for the following: the University was in compliance with the PFIA; and the University was in compliance with the GAA, 87<sup>th</sup> Legislature, Article III, Section 6, Rider 5, Investment Reports and related reporting requirements as prescribed by the State Auditor's Office. The audit scope included investments subject to PFIA as of August 31, 2023 and related investment activities for the period June 1, 2021 to August 31, 2023.

We performed our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards (GAGAS)*. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The audit methodology consisted of performing a risk assessment; reviewing applicable policies, procedures, laws, and best practices; interviewing appropriate University personnel; relying on knowledge from previous PFIA audits; testing for compliance; and performing other procedures as deemed necessary.

The audit criteria included:

- Texas Government Code Chapter 2256, Public Funds Investment Act;
- Texas Government Code Chapter 2257, Collateral for Public Funds;
- General Appropriations Act, 87<sup>th</sup> Legislature, Article III, Section 6, Rider 5, Investment Reports;
- Texas State Auditor's Office Higher Education Institution Reporting Requirements in Accordance with Article III, Section 6, Rider 5;
- University policies and procedures;
- Other higher education investment guidelines and best practices.