

Texas Water Development Board



Review of Quarterly Investment Reports

Project #2021.05

December 2020

Executive Summary

We evaluated the Texas Water Development Board's (TWDB) fiscal year 2020 quarterly investment reports to determine whether they complied with Texas Government Code, Section 2256.023, Internal Management Reports of the Public Funds Investment Act (Act).

Our review found that the fiscal year 2020 quarterly investment reports were completed in compliance with the Act and consisted of the specific attributes required by Section 2256.023. The agency's reports were signed by the investment officers and included a description of the investment position, a summary statement for pooled funds, as well as the book and market values of each separately invested asset at the end of each reporting period. In addition, the reports were prepared and presented to the Board and the Executive Administrator within a reasonable time period after the end of each quarter.

Background

The Public Funds Investment Act governs the investment activities of state agencies and local governments in Texas. The Act requires that the quarterly investment reports, prepared by the agency's investment officers, be formally reviewed annually by an independent auditor and the results of the review be reported to the agency's governing body. The TWDB investment policy assigns the annual review of the quarterly investment reports to the Internal Audit Division.

The TWDB investment policy designates the Chief Financial Officer, the Development Fund Manager, and the Director of Accounting as the agency's investment officers. The investment officers are responsible for preparing and presenting the quarterly investment reports to the Board and the Executive Administrator, as prescribed by Section 2256.023 of the Act.

As of August 31, TWDB had an investment portfolio of approximately \$3,074,352,223. The investments included cash, money market funds, commercial paper, repurchase agreements, and a variety of federal, state, and local securities. These investment resources represented the various funds and accounts maintained by the Board and Texas Water Resource Finance Authority in administering its financial assistance programs.

Objectives, Scope, and Methodology

Objective

The objective of the review was to determine whether the agency's quarterly investment reports complied with Texas Government Code, Section 2256.023, Internal Management Reports of the Public Funds Investment Act (Act).

Scope and Methodology

The scope of the review covered fiscal year 2020 (September 1, 2019 to August 31, 2020) and was limited to funds managed by the Board.

The methodology consisted of a review of the following documentation:

- Public Funds Investment Act (Texas Government Code, Section 2256.023).
- TWDB investment policies and internal procedures.
- Board memos, meeting minutes, agendas, and related agency correspondence.
- Quarterly investment reports.
- The biennial compliance audit and the annual review of quarterly investment reports.

Tests and procedures included the following:

- Conducting interviews with management and staff.
- Reviewing each quarterly investment report to identify the specific attributes required by Section 2256.023.
- Evaluating related memos, meeting minutes, agendas, and related agency correspondence presented to the Board.

This engagement was conducted in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These 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. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

The audit team consisted of:

Michelle Cooper, CGAP, CFE, CICA
Nicky Carter, CICA
Nicole Campbell, CIA, CISA

Detailed Results

Our review found that fiscal year 2020 quarterly investment reports were completed in compliance with the Public Funds Investment Act and consisted of the specific attributes required by Section 2256.023, as outlined below.

The reports included:

- Detail of the agency's investment position.
- Signatures of each investment officer.
- A summary statement for pooled funds.
- Book and market values of each separately invested asset at the end of the reporting period by asset and fund type.
- Maturity dates for each separately invested asset.
- Fund types for each individual investment was acquired.
- A statement regarding compliance of the investment portfolio as it relates to the TWDB investment policy and strategies and the Act.

In addition, the reports were prepared and presented to the Board and the Executive Administrator within a reasonable time period after the end of each quarter, and the results of the review of fiscal year 2020 quarterly investment reports were reported to the Board within the annual requirement prescribed in Section 2256.023.

Closing

We would like to express our appreciation to all of the management and personnel for their cooperation and assistance provided to the internal audit staff during this review. For questions or additional information concerning this report, please contact Nicole Campbell at (512) 463-7978.

Report Distribution

Internal Distribution

Board's Office

Peter M. Lake, Chairman
Kathleen Jackson, Board Member
Brooke T. Paup, Board Member
Tara Rejino, Chief of Staff to Chairman Lake
Jennifer White, Chief of Staff to Board Member Jackson
Patrick Lopez, Chief of Staff to Board Member Paup

Executive Administrator's Office

Jeff Walker, Executive Administrator
Amanda Lavin, Assistant Executive Administrator

Program Area

Rebecca Trevino, Chief Financial Officer

External Distribution

Legislative Budget Board

audit@lbb.state.tx.us

Governor's Office of Budget, Planning, and Policy

budgetandpolicyreports@gov.texas.gov

State Auditor's Office

iacordinator@sao.state.tx.us