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A Report on Compliance With Investment and Reporting Requirements Under the Public Funds Investment Act and Special Provision § 6(5)

Most agencies, higher education institutions, and community colleges subject to the Public Funds Investment Act (PFIA) provided compliance audit reports that demonstrated full or substantial compliance with PFIA. However, one higher education institution provided a report that demonstrated minimal compliance.

In addition, all higher education institutions and community colleges fully complied with Special Provision § 6(5)—*Special Provisions Relating Only to State Agencies of Higher Education*, Section 6, Subsection 5, pages III-293 through III-294, the General Appropriations Act (89th Legislature)—and State Auditor's Office requirements.

Figure 1 on the next page summarizes compliance and defines the compliance ratings.

This project was conducted in accordance with Texas Government Code, Section 2256.005 and Special Provisions Relating Only to State Agencies of Higher Education, Section 6, Subsection 5, pages III-293 through III-294, General Appropriations Act (89th Legislature).

COMPLIANCE WITH PFIA

All entities subject to PFIA submitted the required compliance audit reports. In addition, all but one entity fully or substantially complied with PFIA.

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Higher Education Institution Compliance | p. 6

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COMPLIANCE WITH SPECIAL PROVISION § 6(5) REQUIREMENTS

All higher education institutions and community colleges complied with Special Provision § 6(5) and State Auditor's Office requirements.

Higher Education Institution Compliance | p. 6

Community College Compliance | p. 8

For more information about this project, contact Audit Manager Kelley Ngaide or State Auditor Lisa Collier at 512-936-9500.

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Summary of Compliance Status

Figure 1

	Compliance with PFIA			Special Provision § 6(5)
Entity	**Full Compliance**	**Substantial Compliance**	**Minimal Compliance**	**Full Compliance**
Agencies	9	2	0	N/A
Higher Education Institutions	0	1	1	2
Higher Education Institutions (Subject to Special Provision § 6(5) and not PFIA)		N/A		7
Community Colleges	50	0	0	50

Ratings for Compliance with PFIA

Full Compliance: No findings were reported by internal or external auditors.

Substantial Compliance: Few findings were reported that may include one significant finding related to management controls or adherence to investment policies.

Minimal Compliance: Some findings were reported that were significant to management controls or adherence to investment policies.

Non-compliance: The required compliance report was not provided or contained many findings that were significant to management controls or adherence to investment policies.

Ratings for Compliance with Special Provision § 6(5)

Full Compliance: Investment reports, policies, and disclosures met all reporting requirements.

Substantial Compliance: Investment reports, policies, and disclosures met most reporting requirements with minor omissions.

Minimal Compliance: Investment reports, policies, and disclosures had some significant omissions.

Non-compliance: Investment reports, policies, and disclosures omitted all or most of the requirements.

Background Information

Public Funds Investment Act (PFIA)

PFIA requires certain agencies, higher education institutions, and community colleges to implement controls related to investment management and oversight, including controls related to investment policies, training, reporting, and investment-related contracts. The entities' internal or external auditors must test compliance with those requirements every two years and provide those audits to the State Auditor's Office.

The State Auditor's Office reviews those biennial compliance reports and assigns ratings to each entity based on the findings.

Special Provision § 6(5) in the General Appropriations Act (89th Legislature)

Higher education institutions (including universities, university systems, and community colleges) are subject to investment reporting requirements established in Special Provision § 6(5)—*Special Provisions Relating Only to State Agencies of Higher Education*, Section 6, Subsection 5, pages III-293 through III-294, General Appropriations Act (89th Legislature)—and those prescribed by the State Auditor's Office. Specifically, Special Provision § 6(5) and the State Auditor's Office requirements include the following:

- Submitting an annual investment report (prepared as prescribed by the State Auditor's Office).
- Publishing and disclosing investment information on its website, including investment reports, investment policies, investment advisors/managers, soft dollar agreements or other commission-based brokerage agreements[1], and associations with independent endowments or foundations.

[1] Those arrangements typically involve using brokerage commissions as a means of paying for other related investment services through credits of a portion of brokerage commissions paid, rather than through direct payments or using selected brokers who rebate a portion of the commission they receive on trades for the investor.

Chapter 1

Entities' Compliance with PFIA and Special Provision § 6(5) Requirements

All compliance reports that were due by the statutory due date of January 1, 2026, were provided to the State Auditor's Office. All entities except one fully or substantially complied with the Public Funds Investment Act (PFIA).

Some higher education institutions and community colleges were not in full compliance with Special Provision § 6(5)—*Special Provisions Relating Only to State Agencies of Higher Education*, Section 6, Subsection 5, pages III-293 through III-294, General Appropriations Act (89th Legislature)—at the beginning of the project. However, the entities were able to make corrections that met all reporting requirements prior to completion of this report.

The investment and deposit amounts reported are based on information the entities provided, and procedures were not performed to verify the accuracy of those amounts.

Agency Compliance with PFIA

Of the 11 agencies subject to PFIA, 9 submitted reports that demonstrated **full compliance**. Two submitted reports that demonstrated **substantial compliance**:

- School for the Blind and Visually Impaired.
- Texas Access to Justice Foundation (nonprofit established by the Supreme Court of Texas).

Figure 2 on the next page contains each agency's compliance and total market value of investments and deposits, as well as detailed findings for the two agencies that demonstrated substantial compliance with PFIA.

Figure 2

Agencies' Compliance and Market Value of Investments and Deposits as of August 31, 2025

Agency	Market Value of Investments and Deposits
Full Compliance with PFIA	
Board of Law Examiners	$5,342,759
Department of Criminal Justice[2]	$63,775,994
Department of Housing and Community Affairs	$3,577,601,035
Department of Transportation[2]	$699,990,000
State Bar of Texas[3]	$88,815,887
State Affordable Housing Corporation	$206,856,498
Treasury Safekeeping Trust Company	$50,015,081,080
Trusteed Programs Within the Office of the Governor	$12,189,035
Water Development Board	$3,901,509,631
Substantial Compliance with PFIA	
School for the Blind and Visually Impaired	$1,507,847
Substantially Compliant with PFIA Due to the following Findings by Agency's Internal or External Auditor: 1. *The Certificate Deposit (CD) rates template did not include interest rate quotes related to the CD purchased on September 27, 2024. Therefore, it could not be determined whether more than one quote was obtained.* 2. *The Investment Officer nor the Alternate Investment Officer completed the required training during the state fiscal biennium under audit (September 2023 through August 2025).*	
Texas Access to Justice Foundation (nonprofit established by the Supreme Court of Texas)	$181,515,326
Substantially Compliant with PFIA Due to the following Findings by Agency's Internal or External Auditor: 1. *One investment officer did not attend a training session* [on responsibilities related to PFIA] *within six months of assuming duties.* 2. *A report on section 2256.007* [on required investment training] *was not delivered to the Board of Directors within 180 days of the last day of the 2025 regular session of the legislature.* 3. *The December 2024 quarterly investment report was submitted to the Board of Directors more than one quarter after issuance.* 4. *Deposits in one bank account exceeded* [Federal Deposit Insurance Corporation] *FDIC limits at 31 January 2025 and 31 August 31 2025.*	
Total Market Value of Investments and Deposits	**$58,754,185,092**

Sources: Annual financial reports or bank statements and investment holdings reports. See Appendix 1 for details.

[2] Amount includes investments and deposits that are subject to PFIA and exclude investments held in TexPool Prime that are managed by the Texas Treasury Safekeeping Trust Company and included in that agency's total investment amount.

[3] Investment amounts for the State Bar of Texas are reported as of May 31, 2025, which is the end of the agency's fiscal year.

For definitions of compliance ratings, see Figure 1.

Higher Education Institution Compliance

The nine higher education institutions subject to Special Provision § 6(5) were all compliant. Additionally, 2 of those higher education institutions were subject to PFIA because they had total endowments of less than $150 million in book value as of September 2017. Specifically:

- Texas State Technical College System provided a report that demonstrated **substantial compliance** with PFIA.
- Texas Southern University provided a report that demonstrated **minimal compliance** with PFIA.

Figure 3 on the next page contains nine higher education institutions' compliance and market value of investments and deposits, as well as detailed findings for the two higher education institutions that demonstrated substantial and minimal compliance with PFIA.

Figure 3

Higher Education Institutions' Compliance and Market Value of Investments and Deposits as of August 31, 2025[4]

University	Market Value of Investments and Deposits
Full Compliance with Special Provision § 6(5); Not Subject to PFIA Requirements	
Texas A&M University System	$8,557,006,781
Texas State University System	$970,497,639
Texas Tech University System	$4,774,397,489
Texas Woman's University System	$401,582,925
The University of Texas System	$99,439,804,564
University of Houston System	$2,727,978,461
University of North Texas System	$1,232,155,370
Full Compliance with Special Provision § 6(5); Substantial Compliance with PFIA	
Texas State Technical College System	$157,274,094
Substantially Compliant with PFIA Due to the following Finding by the University's Internal or External Auditor: • *[For one CD] an incorrect maturity date and interest rate was reported on the May 31, 2025, Quarterly Investment Report.*	
Full Compliance with Special Provision § 6(5); Minimal Compliance with PFIA	
Texas Southern University	$120,214,952
Minimally Compliant with PFIA Due to the following Findings by University's Internal or External Auditors: • *Management did not fully complete [two] quarterly investment summary reports.* • *Monthly reconciliations were not performed in a timely manner to adjust the general ledger and reflect activity in the endowment funds held at US Bank.* *Texas Southern University did not provide Chase Bank, US Bank, or Atlantic Consulting Group statements/reports and did not provide all of the quarterly investment reports requested. General ledger accounting records were also not provided. [Internal auditors] were unable to perform audit procedures required to ensure compliance with the PFIA.* • *One of the four quarterly summary investment reports prepared by management did not include the required statement of compliance with Generally Accepted Accounting Principles.*	
Total Market Value of Investments and Deposits	**$118,380,912,275**

Source: Annual investment reports as of August 31, 2025, provided by the higher education institutions.

For definitions of compliance ratings, see Figure 1.

[4] Amounts exclude investments held in TexPool and TexPool Prime that are managed by the Texas Treasury Safekeeping Trust Company (those are reported in Figure 2).

Community College Compliance

All 50 community college compliance reports demonstrated **full compliance** with PFIA. In addition, all community colleges were in **full compliance** with Special Provision § 6(5) related to posting investment information on their websites. Figure 4 identifies community colleges' compliance and total market value of investments and deposits.

Figure 4

Community Colleges' Compliance and Market Value of Investments and Deposits as of August 31, 2025[5]

Community College	Market Value of Investments and Deposits
Full Compliance with PFIA and Special Provision § 6(5)	
Alamo Colleges District	$289,776,895
Alvin College	$36,843,320
Amarillo College	$10,937,633
Angelina College	$19,508,821
Austin Community College District	$404,744,435
Blinn College District	$77,168,295
Brazosport College	$106,870,841
Central Texas College	$8,596,157
Cisco College	$12,580,352
Clarendon College	$23,524,213
Coastal Bend College	$17,937,979
College of the Mainland	$506,881,849
Collin College	$597,187,861
Dallas College	$78,796,111
Del Mar College	$134,633,125
El Paso Community College	$2,366,836
Frank Phillips College (Borger Junior College District)	$32,940,847
Galveston College	$29,529,761
Grayson College	$150,995,148
Hill College	$18,870,550

[5] Amounts exclude investments held in TexPool and TexPool Prime that are managed by the Texas Treasury Safekeeping Trust Company (those are reported in Figure 2).

Community College	Market Value of Investments and Deposits
Houston City College	$393,887,159
Howard College	$34,688,263
Kilgore College	$24,311,054
Laredo College	$125,372,707
Lee College	$69,754,756
Lone Star College System	$426,348,729
McLennan Community College	$34,908,271
Midland College	$72,189,695
Navarro College	$34,009,230
North Central Texas College	$11,287,183
Northeast Texas Community College	$14,278,584
Odessa College	$71,396,450
Panola College	$59,073,716
Paris Junior College	$9,347,375
Ranger College	$7,912,481
San Jacinto College	$127,803,299
South Plains College	$32,109,745
South Texas College	$451,227,132
Southwest Texas College	$17,880,086
Tarrant County College	$954,756,266
Temple College	$67,171,012
Texarkana College	$40,551,593
Texas Southmost College	$107,341,017
Trinity Valley Community College	$38,590,148
Tyler Junior College	$24,924,412
Vernon College	$11,209,158
Victoria College	$2,013,900
Weatherford College	$103,815,684
Western Texas College	$41,692,321
Wharton County Junior College	$38,945,492
Total Market Value of Investments and Deposits	**$6,009,487,947**

Source: Annual investment reports as of August 31, 2025, provided by the community colleges.

For definitions of compliance ratings, see Figure 1.

Appendix 1

Objectives, Scope, and Methodology

The following members of the State Auditor's staff performed the project:

- Alex Franklin, CFE, MPP (Project Manager)
- Makoa Shibuya
- Bianca F. Pineda, CIA, CISA, CFE, CGAP (Quality Control Reviewer)
- Kelley Ngaide, CIA, CFE (Audit Manager)

Objectives

The objectives of this project were to:

- Determine whether state agencies and higher education institutions complied with the Public Funds Investment Act (PFIA) requirement to submit a compliance report to the State Auditor's Office (SAO) by January 1, 2026.
- Determine whether higher education institutions complied with Special Provision § 6(5)—*Special Provisions Relating Only to State Agencies of Higher Education*, Section 6, subsection 5, pages III-293 through III-294, the General Appropriations Act (89th Legislature)—and reporting requirements as prescribed by the SAO on its website.

Scope

The scope of this project included PFIA compliance audit reports required to be submitted by January 1, 2026. In addition, the scope included investment reports, policies, and disclosures required by Special Provision § 6(5) and the SAO for fiscal year 2025.

Methodology

The project methodology included:

- Identifying entities subject to PFIA (Texas Government Code, Chapter 2256) and investment reporting requirements (Article III, Special Provision § 6(5)) of the General Appropriations Act (89th Legislature).
- Reviewing entities' most recent compliance audit reports and evaluating the reported results.
- Reviewing higher education institutions' and community colleges' websites to determine if they included the required investment reports, policies, and disclosures.
- Compiling entities' investment and deposit balances as of August 31, 2025. Agencies subject to PFIA provided the following financial reporting information:
  - Unaudited annual financial reports: Department of Criminal Justice, School for the Blind and Visually Impaired, Trusteed Programs Within the Office of the Governor, and Water Development Board.
  - Audited annual financial reports: Board of Law Examiners, Department of Housing and Community Affairs, Department of Transportation, State Bar of Texas, Texas State Affordable Housing Corporation, and Treasury Safekeeping Trust Company.
  - Bank statements and investment holdings reports: Texas Access to Justice Foundation.

Auditors did not perform any information technology work. It is important to note that the entities provided the information reviewed in this report and that the State Auditor's Office did not independently verify that information.

This project was not an audit, and the information in this report was not subject to all the tests and confirmations that would be performed in an audit. However, the information in this report was subjected to certain quality control procedures to ensure accuracy.

Appendix 2

Related State Auditor's Office Reports

Figure 5

Report Number	Report Name	Release Date
24-020	*A Report on Agencies', Higher Education Institutions', and Community Colleges' Compliance with Public Funds Investment Act and Rider 5, General Appropriations Act, Reporting Requirements*	August 2024
22-034	*A Report on Agencies', Higher Education Institutions', and Community Colleges' Compliance with Public Funds Investment Act and Rider 5, General Appropriations Act, Reporting Requirements*	June 2022
21-023	*A Report on Agencies', Higher Education Institutions', and Community Colleges' Compliance with Public Funds Investment Act and Rider 5, General Appropriations Act, Reporting Requirements*	June 2021

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Entities Listed in Report

This report was distributed to the boards, chancellors, presidents, and executive directors of the agencies, higher education institutions, and community colleges listed in this report.