

**Annual Report of Internal Audit and Compliance Activities**

**2022-2023**

**Distribution list: Prepared by:**

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NCF Board of Trustees Chief Audit Executive and Chief Compliance Officer

Board of Governors

**Introduction –**

Alexander G. Tzoumas assumed responsibilities as the new Chief Audit Executive (CAE) and Chief Compliance Officer (CCO) in December 2020. Mr. Tzoumas is responsible for all the Internal Audit, Compliance, Enterprise Risk Management, and Title IX Hearing activities. Mr. Tzoumas has brought the internal audit work in-house with the exception of the Performance Based Funding Audit and Penetration Testing. Mr. Tzoumas utilizes a risk-based audit program to identify and schedule audits of the highest risk areas of the university and its direct service organizations. Mr. Tzoumas accomplished the identification of high-risk areas through the implementation of a Committee of Sponsoring Organization (COSO) Enterprise Risk Management Program and a Certified Fraud Examiners Association published Fraud Risk Assessment. Mr. Tzoumas has also commenced the review of compliance with university regulations, Federal laws and state statutes while supporting the introduction of new regulations to assure compliance and conformity with the Florida State University System Board of Governors regulations and Federal Laws.

The following Annual Report of Internal Audit and Compliance Activities is intended to fulfill the Board of Governors (BOG) regulation 4.002 State University System Chief Audit Executives requirement that an annual report summarizing the activities of the Office for the preceding fiscal year be provided to the university President, Board of Trustees, as well as the State University System Board of Governors.

**Summary of Activities**

1. **Risk Management**
2. To support the achievement of the university’s strategic plan and develop a risk-based audit program, the Office of Internal Audit and Compliance (Office) maintained a COSO based Enterprise Risk Management (ERM) program which identifies and quantitively rates material risks to the achievement of the university’s key strategic objectives and presents management’s planned mitigation strategies. Changes to risk rankings are continuously monitored and provided to the Audit and Compliance Committee at each meeting. The ERM framework was implemented with zero cost to the university for external consultant support. The program includes risk assessments of the following key strategic objectives:

* Avoiding Adverse Legal Action
* Cyber Security Effectiveness
* Adequacy of Insurance Coverages
* Human Resources
* Code of Conduct and Regulatory Compliance
* Environmental Safety and Emergency Management
* Faculty Development
* Campus Facilities – Housing
* Revenue
* Business Continuity
* Economic and Political Risk
* Strategic Growth Initiatives
* Campus Safety and Security
* Financial Reporting

1. The Office worked with the President, CFO, Campus Police and AVP of Facilities to develop and implement a strategy to mitigate the risk of physical harm to senior executives. The security measures include the installation of panic alarms, cameras, and limited access to facilities after business hours. The CAE was appointed the head of the Cook Hall Security Committee.
2. **Compliance**
3. The Office worked with the Title IX Coordinator to create a Title IX Hearing Board. Mr. Tzoumas received advanced Title IX Hearing training and served as the Hearing Officer on two Title IX appeals.
4. The Office worked with management to provide campuswide Family Education Rights and Privacy Act (FERPA) training.
5. The Office formed a Red Flags Program compliance team to help assure the university had an effective identify theft prevention program in place.
6. The Office worked with Student Affairs to revise the Student Code of Conduct in compliance with changes required by House Bill 233 requiring intellectual freedom & viewpoint diversity.
7. In order to maintain a strong relationship with the Office of the Inspector General and Director of Compliance for the Board of Governor’s (BOG) Auditor General, and build a university culture of regulatory compliance, the Office worked with the Office of Reserve and Grants to implement the new House Bill 7017 requirements for monitoring Research Foreign Influence. Office also supported the filing of the required annual Foreign Gift Certification.
8. To support compliance with Board of Governors regulation 4.002, State University System Chief Audit Executive, the Office evaluated the university’s fraud risk by updating an enterprise wide Fraud Risk Assessment using the Association of Certified Fraud Examiners framework. The assessment was used to identify areas where additional internal controls and fraud prevention efforts were required. The Fraud Risk Assessment update found eight of the 15 processes showed improvement with the average score increasing from 86% to 90%. The Office will continue to work with management to implement effective internal controls and fraud prevention efforts to further decrease the risk of fraud.
9. The Office worked with management to understand the Florida Statutory considerations and data involved with the settlement of a faculty payroll dispute involving the 12-month faculty receiving a 27th paycheck during the 2020-2021 fiscal year.
10. The Office worked with General Counsel on the development of a New College of Florida Director Support Organizations regulation, no. 3-7001, to comply with the Board of Governor’s regulations no. 9.011, University Direct Support Organizations and Health Services Support Organizations, and Florida statute no. 1004.28, Direct-support organizations; use of property; board of directors; activities; audit; facilities.
11. The Office modified the university’s Allegation Intake, Investigation, and Discipline regulation, no. 3-3-4010, regarding procedures used to receive and investigate student complaints, including those involving Campus Police.
12. The Office worked with the Compliance Liaisons from fourteen departments to create an annual Compliance Partner Reports which highlight successes and challenges involved with achieving regulatory compliance requirements. The departments include: Academic Affairs, Communications, Counseling and Wellness Center, Enrollment and Financial Aid, Facilities, Finance, Human Resources, IT, Police, Procurement, Registrar, Research and Grants, Student Affairs, and Title IX.
13. The Office communicated the key aspect of the Whistleblower Hotline to the campus community.
14. The Office supported university efforts to comply with Florida State Records Retention requirements.
15. **Internal Audit & Control Activities**
16. The Office completed a detailed internal control evaluation of the Enrollment and Admissions Departments.
17. The Office performed a detailed internal control evaluation of the New College of Florida (NCF) Foundation Budget and Investment processes. The Office also devoted more than 40 hours to support the Board of Governor’s appointed Crowe accounting firm’s audits of both the New College Development Corporation (NCDC) and New College Foundation (NCF) to follow-up on open findings. Remediation of one of the Crowe NCF findings remains open.
18. Office retained Mauldin & Jenkins to perform the annual Performance-based Funding Program audit as of September 30, 2022 per BOG requirements. The audit approach was modified to rotate coverage of each of the metrics every three years at a substantial cost savings. While prior year audits had not identified submission errors, the current audit identified an error in the coding of upper-class and lower-class students. The reporting error was immediately corrected.

The Office also worked with management to help forecast the level of 2022-2023 performance for each of the ten metrics. Management is working to develop and implement a strategy to improve performance and achieve the minimum funding levels required to earn $4.9 million in funding.

1. The Office assisted the State of Florida Auditor General with the completion of the annual Financial Statement Audit.
2. The Office assisted the State of Florida Auditor General with the completion of the tri-annual Operational Audit.
3. The Office assisted the State of Florida Auditor General with the completion of the Federal Awards Audit.
4. The Office assisted the State of Florida Auditor General with the completion of the bi-annual Financial Aid Audit. The Office also assisted university management with the clearing of findings reported in the prior Auditor General’s Statewide Student Financial Assistance Audit report.
5. The Office supported management’s efforts to clear the recommendations for improvement with the Office of the Registrar presented in The American Association of Collegiate Registrars and Admissions Officers (AACRAO) Consulting report. One area of particular concern was FERPA compliance issues which have been resolved.
6. The Office completed the Florida State required Driver and Vehicle Information Data Base (DAVID) Audit which enables the university to continue to have access to vehicle owner identification and information used to prevent parking abuse and assure student safety.
7. The Office performed an Institute of Internal Auditors self-assessment to support the Board of Governors required Peer Review of the Office. External independent peer review is scheduled to be completed in July 2023.
8. The Office coordinated an independent expert external penetration test to confirm controls and precautions to protect university systems and data from unauthorized access were effective.
9. The Office evaluated the results of the Service Organization Control Audit for the cloud-based Azure and Dynamics 365 systems where the university’s Banner general ledger, payroll, and accounts receivable applications is housed.
10. Performed a follow-up on all prior audit findings to confirm timely remediation in accordance with management’s responses.
11. **Investigations**
12. The Office completed an investigation of student admissions discrimination and inequity. An employee was released for circumventing the Admissions Review Board when inappropriately denying student applications.
13. The Office received a complaint concerning the selection of a university mascot and confirmed the appropriate protocol was used to select a mascot.
14. The Office investigated a complaint Board of Trustee meeting materials had not been provided timely in advance of the meeting. While some meeting materials were not provided until the morning of the meeting, the Sunshine Act does not prescribe a timeframe for the provision of material other than a “reasonable” period of time. General Counsel indicated meeting material would be provided in a timelier manner going forward.
15. The Office received a complaint the New College Foundation was using restricted funds to cover the portion of the university personnel renumeration that was over the limit allowed by State Statute 1012.976, Remuneration of state university employees; limitations.
16. **Management Assists**
17. The Chief Audit Executive sat on the search committee for the selection of General Counsel.
18. The Chief Audit Executive sat on the search committee for the selection of the Registrar.
19. Developed a risk-based analysis of the university’s deferred maintanence per request by Board of Trustees’ Chair, President, and VP of Finance and Administration.
20. **Administration**
21. In order to maintain a strong understanding of current auditing and compliance issues, trends, and best practices, the Chief Audit Executive (CAE) completed seventy-eight hours of continuing education. After completing the required level of continuing education, the CAE renewed the Certified Internal Auditor, Certified Fraud Examiner, Certified Data Privacy Solutions Engineer, Certified Information Systems Auditor and Certificate in Risk Management Assurance designations for another year.
22. In order to assure the compliant and effective operation of the Audit and Compliance Committee of the Board of Trustees, the Office managed the creation of meeting minutes, public postings, and agendas; as well as fulfilling committee member requests and inquiries.

**Contact Information**

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