April 8, 2024

Sydney Gruters, Executive Director and Vice President of Advancement

New College Foundation

Re: Rothchild & Co Internal Control Environment Report

**Background:**

During Internal Audit’s January 18, 2024 follow-up on the Foundation Investment and Budget Process Control Audit report dated December 23, 2023, it was noted that the New College (NC) Foundation’s Audit and Compliance Committee had not yet assessed the Rothschild & Co Internal Control Environment (ICE) report dated April, 2023. The Audit and Compliance Committee’s assessment was intended to confirm the ICE report provided adequate assurance the Rothschild & Co control environment was appropriately designed and operating effectively. The ICE report was being provided by Rothchild & Co in lieu of the U.S. industry standard System and Organization Controls (SOC) evaluation report that U.S. investment and banking firms are required to provide their clients. Since Rothschild & Co is a France based investment company, the firm is not required to provide the standard SOC report for their clients.

Since the Audit and Compliance Committee had not been reformed at the time of the follow-up, NC Foundation management requested the New College of Florida Chief Audit Executive perform an evaluation of the ICE Report. The Chief Audit Executive evaluated the report and found the report was not prepared by independent external auditors but rather the Rothschild & Co Wealth Management UK Risk Team. It was noted the UK Risk Team reports to a Supervisory Committee of the Board of the Company. The majority of the members of the Supervisory Committee are Rothschild & Co executives and not independent Board members. In reviewing the content of the ICE report, it was noted there were brief discussions of the design of the internal control environment but zero references to the results of actual internal control effectiveness testing. As such, the ICE report did not provide the standard SOC evaluation opinion confirming the reliability and effectiveness of the operating or information system control environments.

**Engagement Objectives:**

As requested by the NC Foundation Executive Director, the objective of the engagement was to evaluate the effectiveness of the Rothschild & Co Internal Control Environment report as a proxy for the standard SOC evaluation report.

**Scope:**

The scope of the ICE report evaluation was the April 2023 ICE report.

# Procedures Performed:

The consulting engagement was conducted in accordance with the Institute of Internal Auditors guidelines. Procedures performed included correspondence with Rothschild & Co management personnel, research of the Rothschild & Co Corporate Governance website materials, and a detailed review of the April 2023 ICE report.

**Consulting Engagement Determinations:**

After reviewing the ICE report, the Chief Audit Executive has concluded the report is not an acceptable proxy for a SOC evaluation report. The report is not performed by independent auditors reporting to an independent body. The report preparation and content do not include the actual testing of the effectiveness of internal controls over client statements, client private information, or the reporting of investment results or valuations. As such, the NC Foundation is not receiving the same level of assurance with the ICE report as it would with the U.S. standard SOC evaluation report. The absence of an independent evaluation of internal controls materially increases the risks of inaccurate investment statements, inaccurate investment valuations, misappropriation of investments, and unauthorized changes to investments.

Respectfully,

Alexander G. Tzoumas, CIA, CISA, CFE, CRMA, CDPSE

Chief Audit Executive & Chief Compliance Officer, NCF