



**New College of Florida Board of Trustees
Audit and Compliance Committee Meeting
September 30, 2024 at 2:30pm**

Meeting Agenda

- 1. Call to Order**
 - A. Confirm Public Notice of Meeting
 - B. Roll Call
 - Lance Karp, Chair
 - Mark Bauerlein
 - Matthew Spalding
 - Ron Christaldi
 - C. Establish Quorum

- 2. Consideration of Draft Minutes from June 7, 2024 Meeting**
 - A. **Committee Action:** Approve minutes.

- 3. Review the results of the Foundation Operating Deficit Investigation**
 - A. **Information Item:** Review the findings for the NC Foundation operating deficit and borrowing of restricted funds investigation.

- 4. Review State of Florida Auditor General Operational Audit Report**
 - A. **Information Item:** Review results of the Attorney General's Office Audit of the university's operations for the period from January through December 2022.

- 5. Review FY 2023-24 Annual Report of Office of Internal Audit and Compliance Activities**
 - A. **Information Item:** Review the activities of the Office of Internal Audit and Compliance during FY 2023-24.

- 6. Review the Annual Fraud Risk Assessment Update**
 - A. **Information Item:** Review the results of the annual Fraud Risk Assessment update using the Association of Certified Fraud Examiners framework.

- 7. Review Annual Drug-Free Workplace Act Notice**
 - A. **Information Item:** Discuss the Office of Internal Audit and Compliance memo to the university community in compliance with the requirements of the Drug-Free Schools and Communities Amendments of 1989 and the Drug-Free Workplace Act of 1988.

- 8. Review the Consumer Information Website Compliance Review**
 - A. **Information Item:** Review the results of the Consumer Information Website Compliance Review.

- 9. Review the Board of Governor's Office of Inspector General and Director of Compliance Report on Grandparent Tuition Waivers Program Compliance**
 - A. **Information Item:** Review the results of the Office of Inspector General's Compliance Review of the university's Grandparent Tuition Waivers program.

- 10. Review the Specialty License Plate & Voluntary Contribution Audit**
 - A. **Information Item:** Review the results of the audit performed by the Specialty License Plate & Voluntary Contribution Audit Unit of the Florida Highway Safety and Motor Vehicles.



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11. Review New College Foundation's Rothschild Investment Manager Internal Control Environment Report (Tabled at prior AC meeting)

- A. Information Item:** Review the results of an evaluation of Rothschild's Internal Control Environment report as requested by Foundation management.

Other Business

Adjournment



New College of Florida Board of Trustees Audit and Compliance Committee Draft Meeting Minutes for June 7, 2024

1. Call to Order

Chair Karp called the meeting to order at 9:02a.m. over a Zoom conference call. Roll call confirmed that a quorum was present. The Public Notice of the meeting was confirmed by Alexander Tzoumas.

Committee Members in Attendance:

Amy Reid
Lance Karp, Chair
Mark Bauerlein
Ron Christaldi
Debra Jenks, Ex Officio

Committee Members Not in Attendance:

Matthew Spalding

Other Board of Trustees in Attendance:

Olivia Mikkelsen

Participating University Staff: President Richard Corcoran; Chief Audit Executive (CAE)/Chief Compliance Officer Alexander G. Tzoumas; Provost Brad Thiessen; VP for Legal Affairs David Brickhouse; Chief of Staff Christie FitzPatrick; Chief Information Officer Ben Foss; Chief Human Resources Officer Erika Worthy; and Controller Melissa Shippee.

2. Consideration of Draft Minutes from February 9, 2024 Meeting

A. Committee Action: The February 9, 2024 Audit and Compliance Committee meeting minutes were submitted for approval. Motion to approve by Trustee Christaldi and second by Trustee Reid. Motion was unanimously approved.

3. Approve Compliance, Fraud Prevention and Ethics Program Plan Update

A. Committee Action: In accordance with Board of Governors regulation 4.003, State University Compliance and Ethics Programs, the Committee reviewed and approved the Compliance, Fraud Prevention and Ethics Program Plan Update. Motion to approve by Trustee Jenks and second by Trustee Reid. Motion was unanimously approved.

4. Approve FY 2024-25 Internal Audit and Compliance Work Plan

A. Committee Action: Approve the FY 2024-25 Internal Audit and Compliance annual work plan and budget. Motion to approve by Trustee Bauerlein and second by Trustee Jenks. Motion was unanimously approved.

5. Review Financial Audit for FY Ending June 30, 2023

A. Information Item: The CAE reviewed the annual State of Florida Auditor General's Financial Audit of the university's financial statements and pointed out the report once again identified zero financial reporting deficiencies.



New College of Florida Board of Trustees Audit and Compliance Committee Draft Meeting Minutes for June 7, 2024

6. Review Post-tenure Review Audit Report

A. Information Item: The CAE reviewed the results of the Post-tenure Review Audit Report prior to submission to the Board of Trustees. The internal audit was conducted in accordance with Board of Governors Regulation 10.003, Post-Tenure Faculty Review. Trustee Reid stated the changes outlined in the Board of Governors regulation were subject to faculty collective bargaining. Trustee Reid also expressed concern that the report did not adequately convey the faculty's views on the findings regarding quantitative measures, faculty leaves of absence, the discussion of student complaints, the use of a Likert scale, and faculty letters of recommendation. Trustee Reid requested an opportunity to discuss her report concerns with Mr. Tzoumas. Mr. Tzoumas noted management was working to incorporate the faculty's viewpoints in the remediation actions.

7. Review Student Government Financial Control Evaluation Report

A. Information Item: The CAE reviewed the Student Government Financial Control Evaluation Report. The CAE explained the engagement was conducted at the request of the Dean of Student Affairs in an effort to support the Student Government's creation of a workable budget and develop effective financial controls. The CAE noted the report had been discussed with student representative Trustee Mikkelsen.

8. Review Foundation's Rothschild Investment Manager Internal Control Environment Report

A. Information Item: Chair Karp tabled the review of the Rothschild's Internal Control Environment report pending the receipt of additional documentation from Rothschild.

9. Discussion of Safety in Private Spaces Act Certification

A. Information Item: The CAE discussed university's efforts to comply with House Bill 1521, Facility Requirements Based on Sex, also known as the Safety in Private Spaces Act. The university was able to meet the compliance requirements prior to the April 1, 2024 deadline. Trustee Reid expressed concern that her request for clarification of faculty responsibilities and a request for a map of all unisex campus bathrooms had not been satisfied. President Corcoran indicated he would meet with Trustee Reid to address her concerns.

10. Florida Department of Risk Management Report

A. Information Item: The CAE reviewed status of findings in the Florida Department of Risk Management Audit Report. All the findings had been remediated and the Audit had been closed by the Florida Department of Risk Management.

Closed Meeting for Trustees Only Begins Here

11. Review Back-up and Recovery Controls Evaluation Report

A. Information Item: The CAE reviewed the Back-up and Recovery Controls Evaluation Report. The attachments also included a Back-up and Recovery Process Narrative detailing process steps and integrated controls. The Chief Information Officer noted that the reported findings were close to being remediated and should be fully resolved by July 1, 2024.



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12. Review Department of Education Investigation Letter

- A. Information Item:** The CAE briefly reviewed an investigation closure letter from the Department of Education. President Corcoran assured Trustee Reid the university's marketing materials had all been updated.

13. Review of an April 8, 2024 Complaint from the Board of Governors Office of Inspector General

- A. Information Item:** The CAE discussed the status of a complaint received by the Board of Governors Office of the Inspector General on April 8, 2024. Trustee Reid expressed concern over the Athletics Department expenditures. The CAE indicated he would work with management to create a presentation highlighting Athletics Department expenditures for the Committee.

Other Business - There was no other business.

The meeting adjourned at 10:14a.m.



Office of Chief Audit Executive and Chief Compliance Officer

MEMORANDUM

TO: Lance Karp, Chair, Audit and Compliance Committee of the Board of Trustees

CC: Richard Corcoran, President
David Brickhouse, VP of Legal Affairs
Adam Kendall, Chair, Board of Directors for New College Foundation
Sydney Gruters, VP of Advancement and Executive Director New College Foundation

FROM: Alexander Tzoumas, Chief Audit Executive and Chief Compliance Officer

DATE: September 23, 2024

SUBJECT: Audit and Compliance Investigation

In accordance with your request, I have conducted an independent investigation into the facts and circumstances surrounding what appears to be a multimillion-dollar New College Foundation (NC Foundation) operating deficit, with particular attention to any improper use or “borrowing” of Restricted funds. The scope of my work included NC Foundation operating activity for the six fiscal years (FY) from July 1, 2017 through June 30, 2023. The scope also included NC Foundation fund balances and administrative overhead as of June 30, 2024. It should be noted that during the 2023 FY, the NC Foundation had reimbursed the New College of Florida (University) a total of \$50K of President Corcoran’s compensation. In addition, the present NC Foundation Executive Director was not appointed until March 2023 and all the executives and managers in place during the six-year period under review have subsequently been released from their employment. As such, the present NC Foundation administration was not responsible for the NC Foundation operating deficits and negative cash flows which occurred during the period under review.

Review of the Cherry Bekaert and Mauldin & Jenkins audited NC Foundation financial statements, and the general ledger activity as recorded in the NC Foundation’s Financial Edge Accounting system, for the six-year period under review shows the prior NC Foundation administration incurred operating deficits totaling \$9.6 million and negative cash flows from operating activities totaling \$8.2 million. (Please see Exhibit 1 line highlighted in orange and yellow) Operating deficits occur when the total of new contributions and fundraising revenues are less than the total amount of University program support and administrative overhead. In FY 2023 alone, the NC Foundation experienced a negative operating cash flow of \$4.4 million and overall net decrease in cash \$975K. (Please see Exhibit 1 lines highlighted in yellow) A net decrease in cash indicates the amount disbursed for University program support and NC

Foundation administrative overhead exceeded the total of all cash donations, investment income, and endowment fund withdrawals. The financial results for the six-year period reviewed indicate that the NC Foundation has moved away from the strategy of only expending investment income earned on the endowment fund to cover University program support and NC Foundation administrative overhead. The analysis of NC Foundation financial activity shows the amount withdrawn from the endowment fund exceeded the amount of investment income for five of the six years.

The following report details ongoing NC Foundation operating deficits, negative cash flows, material losses in endowment fund investments, exhausted operating reserves, and increases in administrative overhead over approved budgets. During FY 2022, negative cash flows and administrative overhead grew to the point where the prior NC Foundation administration, with the consent of the present NC Foundation Finance Committee Chair, used Restricted funds to cover administrative payroll and overhead. In FY 2023, the prior NC Foundation administration actually spent more on administrative overhead than the total amount of endowment funds allocated for administrative expenses plus all the Unrestricted cash donations collected during the year. (Please see Exhibit 1 line highlighted in purple) The administrative budget overages coupled with the inability to achieve Unrestricted fundraising goals ultimately resulted in a FY 2023 \$2.1 million deficit in Unrestricted funds. While the report details the consistent inability of prior administration to achieve its goals and adhere to the approved budget, it should be noted that during FY 2024, the new administration has been able to cut NC Foundation administrative salary overhead in half while more than tripling Unrestricted cash donations. In addition, sufficient transfers were made from the Restricted Expendable funds during FY 2024 to cover the FY 2023 \$2.1 million Unrestricted fund deficit. As such, for FY 2024, sufficient funds now appear to be on hand to cover all the Restricted fund balances.

One of the most concerning findings is that even though the prior NC Foundation's Board of Directors approved a higher-risk endowment fund investment strategy and sustained material endowment fund investment losses in multiple years, the prior NC Foundation administration continued to increase salary expense and administrative spending. In examining the NC Foundation financial system reports and financial statements provided to the NC Foundation Board of Directors during the period under review, it seems entirely possible the information provided may not have helped the average lay person understand the level of actual Restricted and Unrestricted fund cash flows that occurred each year. While year-end reports of cash expenditures were provided to the Board of Directors, they did not appear to provide a clear understanding of the actual Unrestricted cash donations received from donors that would be available for University program support and NC Foundation administrative overhead. Review of the materials provided to the NC Foundation Finance Committee revealed that complete administrative overhead budget to actual reports were only provided for the FY 2021. For the other five fiscal years reviewed, the Finance Committee appeared to receive only partial year administrative overhead budget to actual reports which compared partial year-to-date expenses to the full year budgets. As such, the finance information provided to the NC Foundation Board of Directors and Board Committees by the prior NC Foundation administration did not provide a clear understanding of the Unrestricted fund negative cash flows and administrative overhead budget overages being sustained during the six-year period reviewed.

It should be noted that the NC Foundation FY 2018 through 2022 annual budget reports, operating results, and financial statements were not submitted to the University's Board of

Trustees as required by Board of Governors regulation 9.011, University Direct Support Organizations and Health Services Support Organizations. It was not until an Office of Internal Audit report identified the non-compliance with Board of Governors regulation 9.011 and the new executive director was appointed that the NC Foundation submitted the required budget reports to the University's Board of Trustees for FY 2023.

Ultimately, the prior NC Foundation administration and lack of adequate oversight by the NC Foundation Board of Director's Finance and Audit Committees during the period reviewed placed the NC Foundation and University in a difficult position at the end of FY 2023. While the FY 2023 audited financial statements show there were adequate funds on hand for the \$26,532,875 in Restricted Nonexpendable Endowments, the \$2,103,213 deficit balance in Unrestricted funds implied there may have been inadequate funds on hand to cover the entire \$12,860,091 in Restricted Expendable donations.

Review of the email activity for both the prior NC Foundation Chief Financial Officer and Executive Director with the Chair of the NC Foundation Finance Committee revealed the Chair of the Finance Committee acknowledged his understanding that the Restricted funds were being transferred to cover NC Foundation administrative payroll and overhead. The fact that the Chair of the NC Foundation Finance Committee, who according to the NC Foundation Bylaws acts as the corporation Treasurer, condoned the use of Restricted funds placed the NC Foundation and University in a difficult position. The Restricted funds are donated to the NC Foundation with the understanding they will be used for the agreed upon purposes. Unless the donor provided authorization for their donation to be borrowed for administrative overhead, the NC Foundation use of these funds for administrative overhead may break its agreement with the donor. The NC Foundation is legally obligated to only utilize donations for the purpose which the donors intended. If for any reason the non-profit fails to honor the donor's wishes and utilizes the funds for other unintended purposes, the donor can demand a refund of his or her donation. The donor is also at liberty to sue the NC Foundation for misappropriation of funds or make a report against the charity at the Attorney General's office in the state where the non-profit is located.

The investigation also identified two instances of non-compliance with the Florida Sunshine Law which prohibits two or more members of a public Board of Directors from meeting to discuss a matter on which foreseeable action could be taken by the Board of Directors. In both instances, the Chair of the NC Foundation Finance Committee was involved.

Lastly, the Mauldin & Jenkins audited financial statements for both FY 2022 and 2023 included the following comment from prior NC Foundation management: "The Foundation has adequate funds on hand to pay invoices upon demand and approval." It should be noted that while the prior NC Foundation administration was providing their opinion that the NC Foundation had adequate funds on hand to pay invoices upon demand in the FY 2023 annual financial statement, the NC Foundation was experiencing material negative cash flows and a negative \$2.1 million balance in Unrestricted funds. During this period, the Chair of the Finance Committee was concurrently reporting to the NC Foundation Board of Directors that "accounts payable is up because we held off on some things".

The following are investigation findings regarding the financial activities and operating results of NC Foundation during the six-year period from fiscal year 2018 to 2023, prior to the University and NC Foundation administration currently in place.

Operating Deficits

Review of the NC Foundation audited financial statements for the six-year period under review showed the following:

- The NC Foundation accumulated a total of \$9.6 million in operating deficits over the six-year period where the NC Foundation's University program support plus administrative overhead exceeded the total amount of contributions and fundraising. (Please see Exhibit 1 line highlighted in orange) As such, the NC Foundation consistently relied upon withdrawals from the endowment fund to cover operating deficits with the exception of FY 2021 when the \$4 million Peterson contribution was received.
- In FYs 2022 and 2023, operating deficits were a record \$2.7 and \$3.7 million with negative cash flows of \$656K and \$975K. (Please see Exhibit 1 lines highlighted in orange and yellow) These operating deficit amounts and negative cash flows show that during these years the prior NC Foundation administration disbursed more than the combined total of all funding from contributions and fundraising activities, endowment investment income and sales of investments, and endowment funding withdrawals for University program support and administrative overhead.
- In FY 2023, the \$523,148 cost of fundraising exceeded the \$322,492 raised in Unrestricted funds by over \$200K. (Please see Exhibit 1 line highlighted in purple) As such, fundraising activities resulted in an Unrestricted fund negative cash flow.

Recommendation

In light of the years of operating deficits and negative cash flows, a reduction in NC Foundation administrative overhead and a change in administration would be recommended; however, the administration in place at the time has already been replaced. In addition, as reflected in the NC Foundation FY 2024 budget as approved by the NC Foundation Board of Directors and University's Board of Trustees, the new administration has already reduced Salaries and Benefits from the FY 2023 budget amount of \$1,615,086 to a FY 2024 budget amount of \$549,835. Total NC Foundation budgeted operating expenses have also been decreased from \$2,177,462 in FY 2023 to \$1,826,243 for FY 2024. With regard to University support, scholarships are budgeted to decrease from \$1,128,724 in FY 2023 to \$500,000 in FY 2024. Most importantly, the new administration has been able to fully restore the FY 2023 \$2.1 deficit in Unrestricted funds to a positive balance. As such, our only recommendation is for the new NC Foundation finance team to confirm the amounts on hand in all the Expendable Restricted funds agree with the written donor agreements on file. Such a reconciliation will reveal whether there are additional Expendable Restricted fund transfers still pending.

Administrative Overhead

Review of the endowment and non-endowment funding as approved by the NC Foundation Board of Directors for the six-year period under review showed the following:

- FY 2021 administrative overhead exceeded the annual Board authorized budget by \$115K. Simultaneously, Unrestricted contributions were budgeted at \$550K but only \$253K was

actually raised. The expense overage and fundraising shortfall represented a \$368K negative impact on Unrestricted cash flows.

- In FY 2022, administrative overhead exceeded the annual Board authorized budget by \$294K. Simultaneously, Unrestricted contributions were budgeted at \$500K but only \$390K was actually raised. Our review of materials indicates the NC Foundation Board of Directors was not provided full fiscal year actual to budget results for Unrestricted fundraising. The expense overage and fundraising shortfall represented a \$404K negative impact on Unrestricted cash flows.
- FY 2023 administrative overhead exceeded the annual Board authorized budget by \$30K. Simultaneously, Unrestricted contributions were budgeted at \$650K but only \$322K was actually raised. The expense overage and fundraising shortfall represented a \$358K negative impact on Unrestricted cash flows.
- While the Finance Committee of the NC Foundation Board of Directors was provided with an actual versus budget Functional report for FY 2021 and FY 2023, materials for the NC Foundation Finance Committee and NC Foundation Board of Director meetings (located on the NC Foundation shared drive) indicate that complete fiscal year actual to budget administrative expense reports for the other four years were not provided to the NC Foundation Board of Directors. We noted the NC Foundation Bylaws require the Finance Committee to monitor its performance against the Board of Directors approved budget and report findings to the NC Foundation Board of Directors. However, instead of providing full fiscal year actual to budget reports, the then NC Foundation Chief Financial Officer (CFO) provided the NC Foundation Board of Directors with budget reports that compared full year budget amounts to partial year-to-date actual amounts which misleadingly characterized actual expenditures as running below budget and did not disclose consistent underperformance in Unrestricted fundraising below budget.
- Administrative overhead exceeded the annual 2.25% endowment allocation for administration overhead for all six-years reviewed by an amount totaling \$1.4 million with \$542K of the overage occurring in FY 2023. (See Exhibit 1 line highlighted in brown) Spending above the endowment allocation for administrative overhead forces the NC Foundation to rely on Unrestricted contributions to cover administrative overhead.
- Total Administrative overhead increased by 81% over the six-year period while fundraising levels remained at essentially the same with the exception of FY 2021. Administrative overhead increased by 50% in FY 2023 while fundraising levels declined. (Please see Exhibit 1 line highlighted in pink)

Recommendation

As noted in the prior recommendation, a change in administration to address consistent spending above the approved administrative overhead budget and fundraising performance below established expectations would normally be recommended. However, the prior administrative team responsible for these above issues have already been replaced with the new administrative team that has made changes to reduce administrative overhead and materially improve Unrestricted fundraising results and cash flow. However, we would recommend that the NC Foundation Board of Directors be provided with quarterly budget to actual results so they can continuously monitor operating success and make adjustments in time to affect year-end results. These quarterly budget reports should provide a detailed comparison of actual expenditures year-to-date as well as Unrestricted fundraising results as compared to the year-to-date NC

Foundation Board of Director and University Board of Trustee approved budget amounts. Such an approach will require the NC Foundation finance team to develop monthly and/or quarterly budgets versus one annual budget.

Endowment Fund Investment Results

Review of the endowment fund over the six-year period revealed the following:

- During the six-year period reviewed, the endowment fund, including new donations and investment returns, increased a total of \$2.7 million from \$45.4 million to \$48 million, or 5.93%. (Please see Exhibit 1 line highlighted in gray) Even though the NC Foundation goal was to realize investment income above the amount of endowment funding allocated to University program support and administrative overhead, absent new contributions, the endowment fund principal would have decreased in value five of the six years reviewed due to consistent endowment withdrawals in excess of investment income. (Please see Exhibit 1 blue highlighted line)
- The NC Foundations' Net Position decreased in value in two of the six years. The FY 2020 Net Position decreased \$2.9 million due to investment losses during the pandemic year. The FY 2022 Net Position decreased by \$9.8 million due to \$7.1 million in investment losses and \$2.7 million in operating losses. (Please see Exhibit 1 green highlighted line)
- We note that whether the Net Asset Position was increasing or decreasing, NC Foundation prior administration consistently withdrew 3.25% for University programs and 2.25% for administrative overhead. The present administration has reduced the annual endowment withdrawal for University programs to 1.5%, which is more in line with the level of endowment portfolio investment income.

Recommendation

Considering the low level of growth in the Net Asset Position over the six-year period reviewed, which affects the ability of the NC Foundation to fund University programs and cover administrative overhead, we would normally recommend the consideration of a Request for Proposals (RFPs) to identify an investment management firm that may be able to provide higher and more consistent returns in endowment investments. However, the new NC Foundation administration and current Board of Directors have already called for RFPs and are presently in the process of selecting an investment management firm.

Other Contributors to Operating Deficits

The following added additional strain on the NC Foundation's operating deficit:

- During FY 2023, the previous NC Foundation administration refunded donor contributions without obtaining authorization from the NC Foundation Board of Directors, NC Foundation acting Executive Director, and University's President. We identified general ledger transactions totaling \$513,758 for the refund or rescinding of donations.
- The NC Foundation was paying 100% of the salaries of several partial University support personnel rather than a proportionate share of their salaries.
- In FY 2023, the NC Foundation incurred unplanned expenses for the severance payment and other compensation of prior University presidents.

Recommendation

Once again, the new University and NC Foundation administrations have recently worked together to reduce NC Foundation overhead by paying a proportionate share of the compensation for those NC Foundation personnel who also perform University functions. Those NC Foundation personnel who were involved in the refunding of donations have been released. As such, these other contributors to operating deficits should now be remediated.

Borrowing of Restricted Funds to Cover Operating Deficits

The following document the prior NC Foundation administration and the NC Foundation Chair of the Finance Committee knowingly borrowed Restricted funds to cover administrative overhead and operating deficits.

- Review of FY 2022 general ledger activity shows \$392K in transfers to the operating checking account from Restricted funds to cover operating payroll and operating expenses.
- During FY 2022, the Chair of the Finance Committee continuously received Statement of Position reports indicating the Foundation was experiencing operating deficits.
- During the June 10, 2022 NC Foundation Board meeting, the Chair of the Finance Committee informed the Board of a \$5 million deficit in endowment fund investments, total NC Foundation expenses were up, and revenues were down. Operating accounts payable were up because Foundation administration was holding off on some payments. During the same time period, per the annual Financial Statements for the period ending June 30, 2022 and June 30, 2023, NC Foundation prior administration was reporting “The Foundation has adequate funds on hand to pay invoices upon demand and approval.” It should be noted that while the NC Foundation provided their Management Discussion and Analysis opinion in the FY 2023 Financial Statements that the NC Foundation had adequate funds on hand to pay invoices upon demand, such an opinion was made while the NC Foundation was experiencing material negative cash flows and a negative \$2.1 million balance in Unrestricted funds.
- On December 5, 2022, the then NC Foundation CFO sent an email to the NC Foundation Chair of the Finance Committee confirming the Chair was aware of the use of \$200K of the Peterson Restricted funds to cover operating expenses. The Chair replied that he was aware of the transfer of the funds. The transfer was characterized as a short-term loan.
- FY 2023 emails from the prior NC Foundation CFO and Executive Director discuss the transfer of Restricted funds to cover a shortfall in NC Foundation payroll.
- In reviewing FY 2023 general ledger activity, we identified \$420K in interfund transfers to repay a Peterson Estate Fund with funds from the Clam Bake and a Capacity grant. We note Clam Bake donations are advertised as being for student scholarships.

Recommendation

As previously noted, we recommend the NC Foundation finance team confirm the amounts on hand in all the Expendable Restricted funds agree with the written donor agreement on file. We further recommend the NC Foundation Board of Directors confirm responsibility for the retention of an independent audit firm is assigned to the NC Foundation Audit Committee versus the NC Foundation Finance Committee, as indicated in the NC Foundation Bylaws.

Board of Directors Oversight

While documentation of prior NC Foundation Audit Committee meetings was on hand for the 2018 through 2021 FYs, the following indicates the NC Foundation Audit Committee did not meet to review the financial statements, financial controls, and operating condition of the NC Foundation during FYs 2022 and 2023 when operating deficits and negative cash flows were the highest.

- The prior Audit Committee meeting scheduled for October 4, 2022 was cancelled due to weather and never rescheduled.
- We could not locate minutes for the Audit Committee scheduled for January 19, 2023. We noted that the agenda we located for the meeting called for the approval of the October 4, 2022 meeting minutes; however, the October 4, 2022 meeting had been cancelled.

Recommendation

The new NC Foundation Audit Committee should meet quarterly to review the soundness of internal controls, external and internal audit reports, appropriate governance structure, and risk management activities of the NC Foundation.

Non-compliance with Sunshine Law

During the course of our investigation, two instances were identified where the Florida Sunshine Law was not adhered to by NC Foundation Board members.

- In February 2023, the Chair of the NC Foundation Finance Committee conducted an in-person meeting with another NC Foundation Board of Director and the prior NC Foundation CFO to discuss the refund of donations and sign a check refunding a donor \$247K. Such activity could clearly involve a future Board of Directors action. The meeting was not publicly noticed and minutes of the meeting were not created.
- In July 2024, the Chair of the NC Foundation Finance Committee called the new Chair of the NC Foundation Audit Committee to discuss the background of the prior NC Foundation Chief Financial Officer. A discussion regarding the prior CFO who was involved in discussions with the Chair of the Finance Committee regarding NC Foundation operating deficits, Restricted fund borrowing, and a number of other NC Foundation finance related matters could foreseeably become a Board matter for action. The meeting was not publicly noticed and minutes of the meeting were not created.

Recommendation

Considering the NC Foundation Chair of the Finance Committee's involvement in the borrowing of Restricted funds and involvement with meetings that do not appear to comply with the Florida Sunshine Law, we recommend the removal of the Chair of the Finance Committee and all those Board of Directors who had knowledge of the use of Restricted funds to cover NC Foundation administrative overhead.

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Per Cheery Bekaert and Maulding & Jenkins Audited Financials

Fiscal Year End	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	Six Year Total
Operating Revenues							
Contributions / Restricted Donations	\$ 1,400,229	\$ 2,145,978	\$ 2,071,097	\$ 5,816,247	\$ 1,914,399	\$ 1,678,723	\$ 15,026,673
Fundraising Activities / Sponsorships	\$ 239,082	\$ 27,213	\$ 214,800	\$ 3,182	\$ 58,750	\$ 197,321	\$ 740,348
Fundraising Activities / Unrestricted Donations	\$ 623,581	\$ 376,044	\$ 176,085	\$ 253,268	\$ 389,228	\$ 322,492	\$ 2,140,698
Other Revenue	\$ -	\$ 157,842	\$ 20,744	\$ 54,710	\$ 98,429	\$ 76,673	\$ 408,398
Total Operating Revenue	\$ 2,262,892	\$ 2,707,077	\$ 2,482,726	\$ 6,127,407	\$ 2,460,806	\$ 2,275,209	\$ 18,316,117
Operating Expenses							
Scholarships	\$ 3,182,616	\$ 1,080,659	\$ 1,001,361	\$ 1,227,290	\$ 1,694,296	\$ 1,663,488	
Enhancements for Programs			\$ 974,044	\$ 1,051,139	\$ 1,169,932	\$ 1,637,986	
University Support		\$ 2,416,566	\$ 987,951	\$ 1,163,123	\$ 1,319,176	\$ 1,185,315	
Total University Program Support	\$ 3,182,616	\$ 3,497,225	\$ 2,963,356	\$ 3,441,552	\$ 4,183,404	\$ 4,486,789	
General and Administrative	\$ 582,251	\$ 619,003	\$ 670,790	\$ 747,998	\$ 721,381	\$ 959,474	
Fundraising	\$ 236,731	\$ 253,708	\$ 300,320	\$ 230,491	\$ 268,363	\$ 523,148	50%
Total Administrative Operating Expenses	\$ 818,982	\$ 872,711	\$ 971,110	\$ 978,489	\$ 989,744	\$ 1,482,622	81%
Total Support & Operating Expense	\$ 4,001,598	\$ 4,369,936	\$ 3,934,466	\$ 4,420,041	\$ 5,173,148	\$ 5,969,411	\$ 27,868,600
Operating Surplus/(Deficit)	\$ (1,738,706)	\$ (1,662,859)	\$ (1,451,740)	\$ 1,707,366	\$ (2,712,342)	\$ (3,694,202)	\$ (9,552,483)
Cash Flow From Unrestricted "Fundraising" Activities							
Cash Flow from Operating Activities	\$ (475,906)	\$ (1,272,857)	\$ (1,311,679)	\$ 1,935,768	\$ (2,652,969)	\$ (4,414,325)	\$ (8,191,968) Fundraising in 2023
Net Increase (Decrease) in Cash	\$ 304,418	\$ 424,824	\$ 719,199	\$ 1,573,438	\$ (656,582)	\$ (975,603)	\$ (1,632,185)
Nonoperating Revenues							
Investment Income	\$ 904,041	\$ 3,043,710	\$ 2,487,577	\$ 258,766	\$ 136,940	\$ 269,214	\$ 7,100,248
Unrealized Gain (Loss) on Investments	\$ 29,298	\$ (1,987,862)	\$ (1,377,395)	\$ 3,186,277	\$ (8,875,230)	\$ 3,855,455	\$ (5,169,457)
Realized Gain (Loss) on Investments	\$ 1,361,221	\$ 1,169,322	\$ (2,599,008)	\$ 6,170,922	\$ 1,557,425	\$ 1,042,402	\$ 8,702,284
Changes in Trust Agreement Value	\$ (33,873)	\$ (1,180)	\$ 17,571	\$ (44,072)	\$ 46,196	\$ (30,885)	\$ (46,243)
Total Nonoperating Gain (Loss)	\$ 2,260,687	\$ 2,223,990	\$ (1,471,255)	\$ 9,571,893	\$ (7,134,669)	\$ 5,136,186	\$ 10,586,832
Percentage Gain or Loss on Investments		-1.8%	-8.6%	21.5%	-13.2%	10.8%	
Additions to Permanent Endowments	\$ 9,572	\$ 649,114	\$ 47,768	\$ 459,195	\$ 42,825	\$ 1,142,107	\$ 2,350,581
Net Assets Position							
Investment in Capital Assets		\$ 849,093	\$ 797,375	\$ 860,534	\$ 822,658	\$ 774,684	
Restricted Funds Balance	\$ 45,353,354	\$ 45,170,721	\$ 42,089,329	\$ 51,319,654	\$ 42,797,375	\$ 49,392,966	
Unrestricted Funds Balance	\$ 580,209	\$ 387,732	\$ 645,345	\$ 3,104,119	\$ 1,860,089	\$ (2,103,213)	
Total Net Position	\$ 45,933,563	\$ 46,407,546	\$ 43,532,049	\$ 55,284,307	\$ 45,480,122	\$ 48,064,437	
Net Increase (Decrease) in Net Asset Position	\$ 557,849	\$ 473,983	\$ (2,875,497)	\$ 11,752,258	\$ (9,804,185)	\$ 2,584,315	\$ 2,688,723
Net Assets Plus Endowment Funding	\$ 47,587,937	\$ 49,424,894	\$ 46,580,159	\$ 57,885,814	\$ 48,554,694	\$ 50,462,332	
Endowment and Non-Endowment Funding Approved by Board							
University Program Rate Applied - 3.25%	\$ 1,148,339	\$ 2,225,536	\$ 2,216,279	\$ 1,769,681	\$ 2,238,459	\$ 1,457,607	\$ 11,055,901
Administration/Operations Expense - 2.25% (1.5% for 2018)	\$ 506,035	\$ 791,812	\$ 831,831	\$ 831,826	\$ 836,113	\$ 940,288	
Total Endowment Funding	\$ 1,654,374	\$ 3,017,348	\$ 3,048,110	\$ 2,601,507	\$ 3,074,572	\$ 2,397,895	\$ 15,793,806
Unrestricted Fundraising	\$ 623,581	\$ 253,708	\$ 300,320	\$ 230,491	\$ 268,363	\$ 523,148	
Total Expenditures Above Endowment Funding and Fundraising	\$ (1,723,643)	\$ (1,098,880)	\$ (586,036)	\$ (1,588,043)	\$ (1,830,213)	\$ (3,048,368)	\$ (9,875,183)
Total Operating Expenses Above Approved Allocation Plus Unrestricted Gifts	\$ 310,634	\$ 295,145	\$ 36,806	\$ 106,605	\$ 235,597	\$ (219,842)	\$ 764,945
Total Endowment Funding above Operating Revenue	\$ 608,518	\$ (310,271)	\$ (565,384)	\$ 3,525,900	\$ (613,766)	\$ (122,686)	\$ 2,522,311
Total Endowment Funding above Investment Income	\$ (750,333)	\$ 26,362	\$ (560,533)	\$ (2,342,741)	\$ (2,937,632)	\$ (2,128,681)	\$ (8,693,558)
Total Administrative Overhead Above Endowment Funding	\$ (312,947)	\$ (80,899)	\$ (139,279)	\$ (146,663)	\$ (153,631)	\$ (542,334)	\$ (1,375,753)

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2025-002
July 2024

NEW COLLEGE OF FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2022, Dr. Patricia Okker served as President of New College of Florida and the following individuals served as Members of the Board of Trustees:

Mary Ruiz, Chair	Grace Keenan from 5-1-22 ^b
Ronald A. Christaldi, Vice Chair	Charlene "Charlie" J. Lenger
Mark Aesch	Dr. Matthew Lepinski from 7-1-22 ^a
Felipe Colòn	Sofia Lombardi through 4-30-22 ^b
Dr. David Harvey through 6-30-22 ^a	Dr. Sarah S. Mackie
Garin C. Hoover	Dr. James Stewart
Dr. Lance Karp	

^a Faculty Senate Chair.

^b Student Body President.

Note: Two Trustee positions were vacant for the entire 2022 calendar year.

The team leader was Sehrish Ladhani, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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NEW COLLEGE OF FLORIDA

SUMMARY

This operational audit of New College of Florida focused on selected University processes and administrative activities and included a follow-up on the finding noted in our report No. 2021-009. Our operational audit disclosed the following:

Finding 1: University controls over contracts and related payments could be enhanced.

Finding 2: The University did not always make timely efforts to collect payments from students with delinquent accounts.

Finding 3: Contrary to State law, the University disbursed extra compensation payments to University faculty and contributed to the Florida Retirement System for extra compensation prohibited by State law.

Finding 4: The University exceeded the State law remuneration limits for a University president and an administrative employee.

Finding 5: University controls over purchasing card use need improvement.

Finding 6: The University needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of construction management entity general conditions costs, which totaled \$171,261 or 16 percent of the Career and Internship Program Expansion Project costs.

Finding 7: University records did not always demonstrate that subcontractors were appropriately licensed before they commenced work on University construction projects.

BACKGROUND

New College of Florida (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (BOG). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the BOG appoints 5 citizen members. The members are confirmed by the Florida Senate and serve staggered 5-year terms. The Faculty Senate Chair and Student Body President are also members.

The BOG establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and BOG Regulations. The University President is selected by the Trustees and confirmed by the BOG. The University President serves as the Executive Officer and the Corporate Secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

FINDINGS AND RECOMMENDATIONS

Finding 1: Vendor Services

University regulations¹ require vendor invoices to contain the description of services rendered in sufficient detail to identify them as the services listed in the contract or purchase order. University purchasing procedures require University personnel to reconcile vendor invoices to contracts or purchase orders before payments are made. When vendor overcharges and related overpayments are identified, it is important for the University to take prompt action to ensure that the overpayments are appropriately resolved.

In June 2022, the University contracted with a vendor to provide disaster recovery services during declared emergencies based on an invitation to negotiate (ITN) with another State university. Through the end of the 2022 calendar year, the University authorized vendor disaster recovery services and related costs totaling \$534,113.²

As part of our audit, we examined University records supporting the vendor services during September through December 2022, along with the University payments totaling \$533,113 for those services. We found that the University did not always reconcile vendor invoice costs to University-authorized costs before payments were made or timely process corrected invoices and credit memos provided by the vendor. Specifically, on December 16, 2022, the University made a payment totaling \$497,018 based on vendor invoices for services and related costs; however, certain invoices included duplicate charges totaling \$9,166 for debris disposal services and fuel. In addition, certain invoice costs exceeded University-authorized costs, including overcharges totaling \$5,552 for staff member and debris disposal services. Consequently, University overpaid the vendor by \$14,718.

According to University personnel, the University Office of Emergency Management received corrected invoices to remedy the overcharges of \$5,552 before the December 16, 2022, payment; however, the corrected invoices were not promptly submitted to the University Accounts Payable (AP) Department. Subsequent to our inquiry, in July 2023 the vendor provided a \$5,552 credit memo to the University Office of Emergency Management. However, the University AP Department was not provided the corrected invoices or the credit memo for processing until October 2023 when the vendor issued another credit memo for the duplicate charges totaling \$9,166 and reimbursed the University for all overpayments.

Without the effective employment of University purchasing procedures and the timely processing of corrected invoices and credits issued by vendors, there is an increased risk for vendor overpayments to occur without timely detection and resolution.

Recommendation: The University should enhance procedures to ensure that vendor invoices reconcile to contracts or purchase orders before payments are made and that prompt action is taken to appropriately resolve vendor overpayments.

¹ University Regulation 3-1015 – *Prompt Payment and Payment Scheduling*.

² The University authorized the disaster recovery services through issuance of a purchase order and two subsequent change orders during the 2022 calendar year. The total amount authorized exceeded the amounts expended by \$1,000.

Finding 2: Delinquent Student Accounts Receivable

State law³ provides that the University shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency in collecting delinquent accounts. State law further provides that the University may adopt regulations to implement this process, including restrictions on the release of transcripts, awarding of diplomas, and access to other University resources and services.

University procedures require that student accounts be placed on hold until student debt is paid in full to prevent the release of transcripts, grades, and enrollment certificates as well as prevent graduation, class registration, and access to additional University resources or services. According to University personnel, they monitor delinquent accounts each week and contact students with outstanding balances by e-mail and telephone to discuss their balances and arrange payments. In addition, University procedures require a letter requesting payment be mailed to students who have an outstanding balance for 90 days (90-day letter). If there is no response within 30 days after the 90-day letter is mailed, the student account must be sent to a collection agency.

To evaluate the sufficiency of University controls over delinquent student accounts receivable, which totaled \$163,626 for 173 students as of December 22, 2022, we examined University records for 30 selected student accounts with delinquent balances totaling \$130,917. We found that the accounts for:

- 3 students with outstanding balances totaling \$18,606 had not been sent to a collection agency although the accounts had been outstanding 154, 85, and 68 days or an average of 102 days after the 90-day letter was mailed.
- 9 students with outstanding balances totaling \$32,978 were not sent to a collection agency until 156 to 437 days, an average 312 days, after the 90-day letter was mailed to the students.
- 7 students had outstanding balances that totaled \$33,886; however, the University did not mail 90-day letters to the students requesting payment until 23 to 242 days, an average of 121 days, after the letters were required to be mailed.

University efforts to collect students accounts receivable were deficient mainly because University-established collection procedures were not always followed. Absent adherence to established procedures, amounts due may remain uncollected for extended periods increasing the risk that the amounts will not be collected and will have to be written off.

Recommendation: University personnel should comply with established collection procedures for delinquent student accounts receivable by timely requesting payments from students and referring applicable accounts to collection agencies.

Finding 3: Extra Compensation

State law⁴ prohibits the University from making extra compensation payments to employees after services have been rendered or contract made and provides that any policy, ordinance, rule, or resolution designed to implement a bonus scheme must base the award of a bonus on work performance; describe

³ Section 1010.03, Florida Statutes.

⁴ Section 215.425, Florida Statutes.

the performance standards and evaluation process by which a bonus will be awarded; notify all employees of the policy, ordinance, rule, or resolution before the beginning of the evaluation period on which a bonus will be based; and consider all employees for the bonus.

Florida Department of Management Services (DMS) rules⁵ define compensation and provide that a payment made in addition to an employee's regular salary that does not increase the employee's base rate of pay is not considered compensation and shall not be reported to the Florida Retirement System (FRS) as salary for retirement purposes. DMS rules⁶ also provide for the calculation of retirement benefits for an FRS member's average final compensation and specify what compensation is to be included in the average final compensation.

The University determined that, during the 2020-21 academic year, the 9-month faculty members who were paid over 12 months were inadvertently paid an additional biweekly salary payment, which collectively totaled \$250,596. To equalize those payments with the compensation of 9-month faculty members paid over 9 months, the Board approved a non-recurring, one-time lump-sum (extra compensation) payment to the 9-month faculty paid over 9 months, hired prior to August 1, 2021, and still employed with the University on June 1, 2023. On July 28, 2023, the University disbursed payments totaling \$96,267 to the 25 eligible employees. Since the payments were made after the employees had rendered services, did not increase the employees' base rate of pay, and did not meet the statutory requirements of a bonus, the payments represent extra compensation prohibited by State law.

In addition, although the payments did not increase the employees' base rate of pay and, therefore, were not compensation under DMS rules, the University reported the extra compensation payments to the FRS as regular compensation. The University also forwarded employee contributions totaling \$10,191 and \$4,964, respectively, to the FRS and the State University System Optional Retirement Program (SUSORP). As a result, the University overreported employee compensation for retirement purposes and made inappropriate contributions to the FRS and SUSORP.

Recommendation: The University should follow State law and abstain from making extra compensation payments to employees after services have been rendered. In addition, the University should enhance procedures to ensure that compensation payments that do not increase an employee's base rate of pay are not reported to the FRS and SUSORP as salary for retirement purposes.

Finding 4: Remuneration Limits

State law⁷ provided that a State university president and administrative employees may not receive more than \$200,000 in annual remuneration⁸ from public and appropriated State funds, respectively. State law⁹ does not prohibit the University from providing additional compensation to the President and the

⁵ DMS Rule 60S-6.001(6), (11) and (16), Florida Administrative Code.

⁶ DMS Rules, Chapter 60S-4, Florida Administrative Code.

⁷ Sections 1012.975(3), and 1012.976(2), Florida Statutes (2022). Effective July 1, 2023, Chapter 2023-95, Section 7, increased the threshold in Section 1012.976(2), Florida Statutes, from \$200,000 to \$250,000.

⁸ Remuneration means salary, bonuses, and cash-equivalent compensation paid to a State University President or employee for work performed, excluding health insurance and retirement benefits. Cash-equivalent compensation means any benefit that may be assigned an equivalent cash value.

⁹ Sections 1012.975(2), and 1012.976(3), Florida Statutes.

University administrative employees in excess of the \$200,000 limitation from other funds that are not public or appropriated State funds, respectively. State law also provides that this limit does not apply to certain University teaching faculty or medical school faculty or staff.

During the 2021-22 and 2022-23 fiscal years, the University made remuneration payments totaling \$1.2 million to two University presidents and an interim president and \$10.5 million to 183 administrative employees. As part of our audit, we examined University records supporting remuneration payments to the three University presidents and payments totaling \$462,407 to the only two administrative employees with remuneration exceeding \$200,000. We found that:

- For the 2021-22 fiscal year, the University paid remuneration totaling \$390,391 to the University President, including \$236,073 paid from public funds, which exceeded the statutory limitation by \$36,073.
- On January 31, 2023, the Board amended the University President contract and terminated her employment. As authorized by the amended contract, on February 1, 2023, the former President commenced a 12-month sabbatical at her January 31, 2023, base salary and benefits. For the 2022-23 fiscal year, the University paid remuneration totaling \$384,868 to the former President, including \$231,092 paid from public funds, which exceeded the statutory limitation by \$31,092.
- For the 2022-23 fiscal year, the University paid an administrative employee \$218,874 from State appropriated funds, which exceeded the statutory limitation by \$18,874.

In response to our inquiries, University personnel indicated that management agreed that the Foundation should have reimbursed the University for the public or State appropriated funds in excess of the \$200,000 limitation paid to the employees. In addition, University personnel indicated that the University is developing internal control procedures to reduce the risk of a recurrence of the oversight. As of June 18, 2024, no reimbursements had been received from the Foundation for the excess remuneration paid from public and appropriated State funds.

Recommendation: The University should ensure that remuneration of President and administrative employees paid from public and State appropriated funds, respectively, do not exceed the limits established by State law.

Finding 5: Purchasing Cards

The University administers a purchasing card (P-card) program, which gives employees the convenience of purchasing low-cost items directly from merchants without going through the purchase order process. University procedures and the *Cardholder Manual (Manual)* prohibit P-card use for certain expenditures such as food and catering services, computers, laptops and tablets, and goods and services from independent contractors. In addition, P-cards are subject to the same purchasing rules and regulations that apply to other University purchases.

The *Manual* also requires that P-card accounts be discontinued immediately upon notification of employment termination. Although the University had not established procedures for canceling P-cards during employment terminations, the Human Resources Department typically provides for P-card cancellations by notifying the Procurement Department by e-mail as soon as they are aware that an employee is leaving.

During the 2022 calendar year, the University processed 3,397 P-card transactions totaling \$585,171. To determine the propriety of these transactions, we examined University records supporting 30 selected P-card transactions totaling \$50,585 by 22 cardholders. We found that, contrary to the *Manual*, 7 P-card transactions totaling \$9,340 were for food and catering services, computers, laptops and tablets, and goods and services from independent contractors. In response to our inquiry, University personnel indicated that the prohibited purchases were processed as they were deemed to be in the best interest of the University and an appropriate use of funds. Notwithstanding, although we requested, University records were not provided to demonstrate the authority for these P-card purchases. Subsequent to our inquiry, in December 2023 the University updated the *Manual* to authorize the Director of Procurement to make exceptions on prohibited P-card purchases deemed to be in the best interest of the University.

In addition, to determine whether the University promptly canceled P-cards for the 28 cardholders who terminated employment during the 2022 calendar year, we examined University records for 18 selected cardholders. We found that the University did not cancel the P-cards for 6 cardholders until 8 to 83 days, an average of 25 days, after the cardholders' employment termination dates. In response to our inquiry, University personnel indicated that the untimely P-card cancellations occurred because e-mails were not sent to the Procurement Department. Subsequent to our inquiry, in August 2023 the Chief Information Systems Officer indicated that the Procurement Department was added to the employment termination e-mail distribution list.

While our examination of University records disclosed that P-card transactions were for University purposes, our procedures cannot substitute for management's responsibility to implement appropriate controls over P-card use. Prohibited P-card purchases and the untimely cancellation of P-cards increase the risk for P-cards to be misused and may limit the University's ability to satisfactorily resolve disputed charges.

Recommendation: The University should continue efforts to ensure that P-cards are only used for authorized purposes. In addition, the University should establish procedures to ensure that P-cards are promptly canceled upon a cardholder's employment termination.

Finding 6: General Conditions Costs

Guaranteed maximum price (GMP) contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts. For GMP contracts that include general conditions costs, appropriate policies and procedures include, for example, documented:

- Comparisons of proposed general conditions costs with those of similar projects, including similar projects at other universities.
- Negotiations with the construction management entity (CME) to determine a reasonable amount for total budgeted general conditions costs.
- Verifications that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME-paid invoices.

- Verifications that general conditions costs for which reimbursement is requested are reimbursable costs as identified in the GMP contract.

The Career and Internship Program Expansion Project GMP contract provided for general conditions costs, such as compensation and relocation expenses of certain CME personnel and general operating supplies and expenses, to be billed in even monthly installments. The general conditions costs totaled \$171,261 or 16 percent of the total Project costs, which were established through the GMP and change orders approved during the 2022 calendar year.

According to University personnel, when a GMP proposal is received, the general conditions items and related costs are reviewed and compared to the size and scope of the project. If the general conditions do not appear reasonable, the CME is asked to review and resubmit the GMP until a reasonable GMP is established. Once the University has issued a purchase order for a GMP and the CME submits a pay application for payment, University staff review the pay application to verify the general conditions are in accordance with the contract and the GMP. However, University personnel indicated that the general conditions negotiation and payment processes are not documented.

Our examination of University records supporting general conditions costs totaling \$66,161 for the Career and Internship Program Expansion Project disclosed that the University was billed based on a percentage of work progress to actual hours for CME personnel construction labor costs without support for the labor costs. In response to our inquiry, University personnel indicated that the GMP contract did not specify how general conditions costs are to be paid and that this will be specified in new contracts executed after October 2023. Also, University policies and procedures did not require records to document the methodology used and factors considered in negotiating general conditions and related costs. The absence of established policies and procedures contributed to the lack of available records to support the general conditions costs negotiations and payment processes.

Absent effective negotiation of general conditions costs and monitoring of detailed documentation, such as CME payroll records, substantiating the amounts of general conditions costs included in CME payment requests, the University may be limited in its ability to determine the propriety of those costs and to realize cost savings associated with general conditions costs in GMP contracts.

Recommendation: The University should:

- **Establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs included in GMP contracts. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating these costs, such as comparisons of proposed general conditions costs with those of similar projects at other universities.**
- **Ensure that GMP contracts specify the payment terms for general conditions costs and require CMEs to provide sufficient detailed documentation to support and substantiate the general conditions costs for which the CME seeks reimbursement.**
- **Maintain records to evidence the receipt and review of sufficiently detailed documentation supporting general conditions costs included in the CME payment requests.**

Finding 7: Subcontractor Licenses

State law¹⁰ provides that a CME must consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law¹¹ also establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors.

University personnel indicated that, while the University had not established policies or procedures for verifying subcontractor licenses, the University Facilities Department requires, and construction contractors provide, the list of subcontractors before the contractor applies for a permit. Once a permit application is received, the University Project Manager reviews the Department of Business and Professional Regulation Web site to verify that the listed subcontractors are properly licensed for the proposed services on the project; however, this review is not documented. Further, the CME agreements provide that the CMEs must keep on file a copy of the license for every subcontractor performing any portion of the work, as well as maintain a log of all such licenses, and that a copy of the subcontractor licenses shall be provided to the University prior to commencement of work.

The Caples Mansion Phase 2 and the Career and Internship Program Expansion Projects included services totaling \$1.4 million provided by 17 subcontractors required to be licensed. University records indicated that the University verified the licenses of 4 of the subcontractors before they commenced work on University facilities. University personnel indicated that they verified the licenses of the other 13 subcontractors; however, due to oversights, documentation of that verification was not maintained. Subsequent to our inquiry, University personnel obtained and provided for our examination the 13 subcontractors' license information.

Absent timely documented verifications that subcontractors are appropriately licensed, the University has limited assurance that the subcontractors who will be working on University facilities meet the qualifications to perform the work for which they are engaged.

Recommendation: The University should establish procedures to document that subcontractors are properly licensed before they commence work on University facilities. Such procedures could include documented verification of the University online license searches or appropriate evidence of the CME subcontractor license verification process.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for finding included in our report No. 2021-009.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant

¹⁰ Section 1013.45(1)(c), Florida Statutes.

¹¹ Chapter 489, Florida Statutes.

information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2023 through January 2024 in accordance with generally accepted government auditing standards. Those 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 findings and conclusions based on our audit objectives.

This operational audit focused on selected University processes and administrative activities.

For those areas, our audit objectives were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2021-009.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records, as well as events and conditions, occurring during the audit period of January 2022 through December 2022 and selected University actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these

records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, University policies and procedures, and other guidelines, and interviewed University personnel to obtain an understanding of applicable processes and administrative activities.
- Reviewed University information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security access, systems development and maintenance, user authentication, and disaster recovery.
- Evaluated the appropriateness of the University's comprehensive IT disaster recovery plan during the audit period and determined whether it had been recently tested.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- From the population of 40 payments totaling \$71,906 during the audit period to the University direct-support organization (DSO), examined University records supporting 9 payments totaling \$41,762 to determine whether the transactions were as described in Section 1004.28(1)(a)2. and (2), Florida Statutes.
- Examined University records to determine whether bank account reconciliations were timely prepared, reconciled, and approved.
- From the population of 173 recorded student accounts receivable totaling \$163,626 as of December 22, 2022, examined University records supporting 30 selected student accounts with outstanding balances totaling \$130,917 to evaluate the sufficiency of University controls over, and University efforts to collect, delinquent student accounts receivable.
- From the population of 18 student accounts receivable written off and totaling \$44,668 for the 2021-22 fiscal year, reviewed University records for 4 selected student accounts with outstanding balances totaling \$33,706 to determine whether write-offs of uncollectible accounts were properly authorized and deemed uncollectible only after appropriate collection efforts were made in accordance with Section 1010.03, Florida Statutes.
- From the population of 757 students classified as Florida residents during the 2022 Spring, Summer, and Fall Terms, reviewed University records for 30 selected students to determine whether student status and residency determinations complied with Section 1009.21, Florida Statutes.
- Examined University records supporting vendor contracts providing food services and bookstore auxiliary operations that generated revenues for the audit period totaling \$279,271 and \$5,192, respectively, to determine whether the University properly monitored compliance with the contract terms for fees, insurance, and other provisions.
- From the population of compensation payments totaling \$44.4 million made to 656 employees during the audit period and compensation payments made to 65 employees hired during period January 1, 2023, through June 5, 2023, selected payments totaling \$103,214 made to 30 employees and examined the related payroll and personnel records to determine whether the

rate of pay was accurate, employment contracts were valid, employees met the required qualifications, performance evaluations were completed, leave records were accurate, and supervisory personnel reviewed and approved employee reports of time worked. Also, for 7 selected new hires, we examined University records to determine whether personnel records evidenced that the position was properly advertised; new hires had the necessary qualifications, degrees, and experience for the positions based on the position descriptions; a background screening was obtained prior to the new hire's first day of employment; and completed and approved personnel action forms were on file.

- Evaluated University policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and University policies. Specifically, from the population of 59 employees who separated from University employment during the audit period and were paid \$416,068 for terminal leave, we selected 12 employees with terminal leave payments totaling \$255,703 and examined the supporting records to determine compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined the two employee contracts with severance pay provisions executed during the audit period to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- Examined University records for the 15 employees who received severance payments totaling \$579,066 to determine whether the severance payments complied with Section 215.425(4), Florida Statutes, and University regulations.
- Examined University records for the three University presidents who received remuneration totaling \$1.2 million during the 2021-22 and 2022-23 fiscal years to determine whether the amounts paid complied with the limit established in Section 1012.975(3), Florida Statutes.
- From the population of 183 administrative employees who received remuneration totaling \$10.5 million during the 2022-23 fiscal year, examined University records for 2 selected administrative employees who received remuneration totaling \$462,407 to determine whether the amounts paid complied with the limit established in Section 1012.976(2), Florida Statutes.
- Examined the employment contracts and University records supporting sabbatical or professional development leave and evaluated the reasonableness of such provisions.
- Examined University records supporting bonus payments totaling \$736,225 made to 303 University employees during the audit period to determine whether the University complied with the requirements of Section 215.425(3), Florida Statutes.
- Examined University records supporting extra compensation payments totaling \$96,267 made to 25 employees in July 2023 to determine whether the payments complied with Section 215.425, Florida Statutes, and whether amounts reported, and associated contributions totaling \$15,155, to the Florida Retirement System complied with Department of Management Services, Division of Retirement, Rule 60S-6.001(6), (11), and (16), Florida Administrative Code.
- Examined University records to determine whether selected expenses were reasonable; correctly recorded; adequately documented; for a valid University purpose; properly authorized and approved; in compliance with applicable laws, rules, contract terms, and University policies and whether applicable vendors were properly selected. Specifically, from the population of expenses totaling \$22.6 million for the audit period, we examined University records supporting:
 - 30 selected payments for general expenses totaling \$83,477.
 - 30 selected payments for contractual services totaling \$1 million.
- From the population of 3,397 purchasing card (P-card) transactions totaling \$585,171 during the audit period, examined University records supporting 30 selected P-card transactions totaling

\$50,585 to determine whether the P-card program was administered in accordance with University policies and procedures and the transactions were for University purposes.

- From the population of 28 P-cardholders who terminated employment with the University during the audit period, examined records for 18 cardholders to determine whether the University timely canceled the cardholders' P-cards.
- From the population of 46 P-cards issued during the audit period, examined records for 20 P-cards to determine if the employee had accepted the card and conditions for its use, and if there was a signed agreement on file.
- From the population of payments totaling \$3.5 million made for five major construction projects in progress during the audit period, selected four payments totaling \$857,159 related to two major construction projects with contract amounts totaling \$3.2 million and examined University records to determine whether the payments were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws and rules.
- Reviewed documentation related to two major construction projects with total construction costs totaling \$1.9 million during the audit period to determine whether the University's process for selecting design professionals and construction managers was in accordance with Section 287.055, Florida Statutes; the selection process of subcontractors was adequately monitored; the Trustees had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance, the University ensured subcontractors were licensed, and construction funding sources were appropriate.
- From the population of 858 students receiving non-Federal financial aid totaling \$5.3 million during the audit period, selected 30 students who received non-Federal financial aid totaling \$496,341, and examined University records to determine whether the financial aid was disbursed to eligible students in accordance with the provisions of the grantor.
- Determined whether the University maintained a minimum carryforward balance of at least 7 percent of its State operating budget and prepared a spending plan for balances in excess of the 7 percent minimum balance as required by Section 1011.45, Florida Statutes.
- Reviewed the University's Capital Improvement Plan submitted to the Board of Governors (BOG) and used for the legislative budget request to determine whether the Plan was completed in accordance with BOG instructions.
- Reviewed the contract, purchase orders, invoices, payments totaling \$533,113, and other University records supporting debris removal services performed by a vendor during the 2022 calendar year under the authority granted by a declared state of emergency.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Office of the President

July 16, 2024

Ms. Sherrill F. Norman, CPA
State of Florida – Auditor General
Claudia Denson Pepper Building, Suite G74
111 W. Madison Street
Tallahassee, Florida 32399-1450

Re: Response to 2024 Operational Audit Report Findings

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the New College of Florida (University) is required to submit a written statement of explanation concerning the findings and its actual or proposed corrective actions.

In the attachment provided, please find the University's responses to each of the Operational Audit Report preliminary and tentative findings. The response summarizes the control issue, your recommendation, and the University's response. Should you have any questions, please contact Alex Tzoumas, Chief Audit Executive at (941) 487-4441.

We appreciate the thoroughness and professionalism of the Auditor General's team in examining the University's internal controls, compliance with Florida statutes, and financial processes. The resulting recommendations will support the University's efforts to maintain a strong control environment, compliance with all Florida statutes, and efficient financial operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Corcoran", written over a horizontal line.

Richard Corcoran
President, New College of Florida

NEW COLLEGE OF FLORIDA 2024 OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS RESPONSE

Finding 1: University controls over contracts and related payments could be enhanced.

Recommendation: The University should enhance procedures to ensure that vendor invoices reconcile to contracts or purchase orders before payments are made and that prompt action is taken to appropriately resolve vendor overpayments.

Management's Response: The University agrees with the finding. The personnel involved with environmental health and safety, as well as emergency management, rarely approve disaster response invoices for payment. As such, the risk of processing error increases. In order to avoid a recurrence of the oversight, the Chief of Staff and Chief Financial Officer have enhanced procedures by reorganizing the responsibilities for invoice processing and payment approval such that only experienced finance personnel are involved in the process.

Finding 2: The University did not always make timely efforts to collect payments from students with delinquent accounts.

Recommendation: University personnel should comply with established collection procedures for delinquent student accounts receivable by timely requesting payments from students and referring applicable accounts to collection agencies.

Management's Response: The University agrees with the finding. As indicated by the finding, the University has collection procedures in place to collect delinquent funds in accordance with State statutes. However, due to the hardship caused by the pandemic, the University relaxed its policies to afford impacted students an opportunity to recover from the impact of the pandemic. The University has returned to its pre-pandemic established procedures. As such, collection activities will occur as detailed in those procedures.

Finding 3: Contrary to State law, the University disbursed extra compensation payments to University faculty and contributed to the Florida Retirement System for extra compensation prohibited by State law.

Recommendation: The University should follow State law and abstain from making extra compensation payments to employees after services have been rendered. In addition, the University should enhance procedures to ensure that compensation payments that do not increase an employee's base rate of pay are not reported to the FRS and SUSORP as salary for retirement purposes.

Management's Response: The University agrees with the finding. While the circumstances around the extra compensation were extremely unusual, to assure compliance with Florida statutes going forward the Human Resources Department now reports to the Office of General Counsel. In addition,

NEW COLLEGE OF FLORIDA 2024 OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS RESPONSE

the university is evaluating changes in its payroll system that will prevent a recurrence of the unusual circumstances.

Finding 4: The University exceeded the State law remuneration limits for a University president and an administrative employee.

Recommendation: The University should ensure that remuneration of President and administrative employees paid from public and State appropriated funds, respectively, do not exceed the limits established by State law.

Management Response: The University agrees with the finding. The University experienced high turnover in both the New College Foundation and its Budget Office. The University has changed its budgeting process such that executive compensation is apportioned to the appropriate funding source when personnel are initially set up in the system for each fiscal year. The change will ensure the University does not advance amounts in excess of the Florida Statute limits. With regard to the previous excess remuneration, the University recovered the remuneration in excess of the allowable amounts from the New College Foundation as of June 26, 2024.

Finding 5: University controls over purchasing card use need improvement.

Recommendation: The University should continue efforts to ensure that P-cards are only used for authorized purposes. In addition, the University should establish procedures to ensure that P-cards are promptly canceled upon a cardholder's employment termination.

University Response: The University agrees with the finding. The Director of Procurement now reviews all policy exceptions and officially authorizes appropriate exceptions in writing. With regard to timely P-card terminations, the Procurement Department is now receiving the termination notification email. In addition, the University has hired a P-card Manager to more closely monitor activity and has centralized the off-boarding process in the Office of Human Resources to ensure timely notification to all departments.

Finding 6: The University needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of construction management entity general conditions costs, which totaled \$171,261 or 16 percent of the Career and Internship Program Expansion Project costs.

Recommendation: The University should:

- Establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs included in GMP contracts. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating these costs, such as comparisons of proposed general conditions costs with those of similar projects at other universities.

NEW COLLEGE OF FLORIDA 2024 OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS RESPONSE

- Ensure that GMP contracts specify the payment terms for general conditions costs and require CMEs to provide sufficient detailed documentation to support and substantiate the general conditions costs for which the CME seeks reimbursement.
- Maintain records to evidence the receipt and review of sufficiently detailed documentation supporting general conditions costs included in the CME payment requests.

University Response: The University agrees with the finding. As indicated in the finding, University policies and procedures did not require records to document the methodology used and factors considered in negotiating general conditions and related costs. The University has added a Procurement Specialist position to scrutinize and document general conditions cost negotiations, including the methodology used and factors considered.

Finding 7: University records did not always demonstrate that subcontractors were appropriately licensed before they commenced work on University construction projects.

Recommendation: The University should establish procedures to document that subcontractors are properly licensed before they commence work on University facilities. Such procedures could include documented verification of the University online license searches or appropriate evidence of the CME subcontractor license verification process.

University Response: The University agrees with the finding. The University's will develop written procedures for the advance verification of subcontractor licenses and the new Procurement Specialist will use those procedures to preserve more complete documentation of advance license verifications. As the finding indicates, we would like to note that all subcontractors were confirmed to be licensed in accordance with State Law.

NEW COLLEGE OF FLORIDA 2024 STATE OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS EVALUATION

Finding 1: University controls over contracts and related payments could be enhanced.

Finding Timeline: Per the Audit Report: “As part of our audit, we examined University records supporting the vendor services during **September through December 2022.**” “Specifically, on **December 16, 2022**, the University made a payment totaling \$497,018 based on vendor invoices for services and related costs; however, certain invoices included duplicate charges totaling \$9,166 for debris disposal services and fuel.

Responsible Manager: The Director of Environmental Health and Safety (EH&S), who at the time reported to the Chief Financial Officer, approved the invoices. The Chief Financial Officer reported to President Okker at the time and is no longer with the university and the Director of EH&S no longer approves invoices for payment. The Director of EH&S now reports to the Vice President for Legal Affairs & Human Resources.

Materiality Level: Overpayment amounts involved totaled \$14,718 which were fully recovered. As such, there was zero loss of funds for the State or University.

Management’s Response: The University agrees with the finding. The personnel involved with environmental health and safety, as well as emergency management, rarely approve disaster response invoices for payment. As such, the risk of processing error increases. In order to avoid a recurrence of the oversight, the Chief of Staff and Chief Financial Officer have enhanced procedures by reorganizing the responsibilities for invoice processing and payment approval such that only experienced finance personnel are involved in the process.

Finding 2: The University did not always make timely efforts to collect payments from students with delinquent accounts.

Finding Timeline: Per the Audit Report: “To evaluate the sufficiency of University controls over delinquent student accounts receivable, which totaled \$163,626 for 173 students as of **December 22, 2022.**”

Responsible Manager: The Associate Controller, who at the time reported to the Controller and Chief Financial Officer, implemented the Collection policy change. The Chief Financial Officer, who reported to Pat Okker at the time, is no longer with the university and the Director of EH&S no longer approves invoices for payment. The Director of EH&S now reports to the Vice President for Legal Affairs & Human Resources.

Materiality Level: Delinquent balances totaled \$130,917.

NEW COLLEGE OF FLORIDA 2024 STATE OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS EVALUATION

Management's Response: The University agrees with the finding. As indicated by the finding, the University has collection procedures in place to collect delinquent funds in accordance with State statutes. However, due to the hardship caused by the pandemic, the University relaxed its policies to afford impacted students an opportunity to recover from the impact of the pandemic. The University has returned to its pre-pandemic established procedures. As such, collection activities will occur as detailed in those procedures.

Finding 3: Contrary to State law, the University disbursed extra compensation payments to University faculty and contributed to the Florida Retirement System for extra compensation prohibited by State law.

Finding Timeline: Per the Audit Report: "The University determined that, during the **2020-21 academic year**, the 9-month faculty members who were paid over 12 months were inadvertently paid an additional biweekly salary payment, which collectively totaled \$250,596." "To equalize those payments with the compensation of 9-month faculty members paid over 9 months, the Board approved a non-recurring, one-time lump-sum (extra compensation) payment to the 9-month faculty paid over 9 months, **hired prior to August 1, 2021**, and still employed with the University on June 1, 2023." "On **July 28, 2023**, the University disbursed payments totaling \$96,267 to the 25 eligible employees."

Responsible Manager: The Human Resources Department notified the faculty of a potential overpayment issue in 2021. After three years of debate, on January 23, 2023, the Chief Financial Officer, Chief Human Resources Officer, then President Okker decided to pay the 9-month faculty an amount over their agreed contract rate to settle the faculty dispute. To assure compliance with Florida State regulations going forward, the Chief Human Resources Officer now reports to the Vice President for Legal Affairs & Human Resources.

Materiality Level: Payments to 9-month faculty over their agreed upon contract amount in violation of statutory limits totaled \$96,267.

Management's Response: The University agrees with the finding. While the circumstances around the extra compensation were extremely unusual, to assure compliance with Florida statutes going forward the Human Resources Department now reports to the Office of General Counsel. In addition, the University is evaluating changes in its payroll system that will prevent a recurrence of the unusual circumstances.

Finding 4: The University exceeded the State law remuneration limits for a University president and an administrative employee.

Finding Timeline: Per the Audit Report: "For the **2021-22 fiscal year**, the University paid remuneration totaling \$390,391 to the University President." "On **January 31, 2023**, the Board amended the University President contract and terminated her employment." "**For the 2022-23**

NEW COLLEGE OF FLORIDA 2024 STATE OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS EVALUATION

fiscal year, the University paid an administrative employee \$218,874 from State appropriated funds, which exceeded the statutory limitation by \$18,874.”

Responsible Manager: Payroll personnel reported to the Chief Human Resources Officer (CHRO). At the time of the State Audit, the CHRO reported to the President. The compensation in question pertained to past President Okker and interim President Theissen. None of the remuneration limit violations pertain to the present administration. To assure compliance with Florida State regulations going forward, the Chief Human Resources Officer now reports to the Vice President for Legal Affairs & Human Resources.

Materiality Level: All remuneration amounts paid above State limits have been recovered from the New College Foundation. As such there is zero loss of funding to the State or University.

Management Response: The University agrees with the finding. The University experienced high turnover in both the New College Foundation and its Budget Office. The University has changed its budgeting process such that executive compensation is apportioned to the appropriate funding source when personnel are initially set up in the system for each fiscal year. The change will ensure the University does not advance amounts in excess of the Florida Statute limits. With regard to the previous excess remuneration, the University recovered the remuneration in excess of the allowable amounts from the New College Foundation as of June 26, 2024.

Finding 5: University controls over purchasing card use need improvement.

Finding Timeline: Per the Audit Report: The activity reviewed occurred “during the **2022 calendar year**.”

Responsible Manager: The Procurement Department is responsible for monitoring University purchasing card (P-card) activity and reports to the Chief Financial Officer. At the time, the Chief Financial Officer reported to President Okker. The Chief Human Resources Officer (CHRO) is responsible for the timely notification of all departments of the employee terminations. During the time period reviewed by the State auditors, the CHRO reported to President Okker. To assure comprehensive and timely reporting of employee terminations to all affected departments going forward, the CHRO now reports to the Vice President for Legal Affairs & Human Resources.

Materiality Level: All P-card disbursements were an appropriate use of State funds. As such, there was zero loss to the State or University.

University Response: The University agrees with the finding. The Director of Procurement now reviews all policy exceptions and officially authorizes appropriate exceptions in writing. With regard to timely P-card terminations, the Procurement Department is now receiving the termination notification email. In addition, the University has hired a P-card Manager to more closely monitor

NEW COLLEGE OF FLORIDA 2024 STATE OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS EVALUATION

activity and has centralized the off-boarding process in the Office of Human Resources to ensure timely notification to all departments.

Finding 6: The University needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of construction management entity general conditions costs, which totaled \$171,261 or 16 percent of the Career and Internship Program Expansion Project costs.

Finding Timeline: Per the Audit Report: “The general conditions costs totaled \$171,261 or 16 percent of the total Project costs, which were established through the GMP and change orders approved during the **2022 calendar year.**”

Responsible Manager: The Facilities Management Department was responsible for monitoring and documenting contractor general condition costs and reported to the Chief Financial Officer. At the time, the Chief Financial Officer reported to President Okker. To improve oversight of the Facilities Management Department, the AVP of Facilities Management now reports to the Chief of Staff.

Materiality Level: It does not appear that the University was overcharged for general condition costs in excess of the amounts permitted by the contract. As such, there was zero loss of funding to the State or University.

University Response: The University agrees with the finding. As indicated in the finding, University policies and procedures did not require records to document the methodology used and factors considered in negotiating general conditions and related costs. The University has added a Procurement Specialist position to scrutinize and document general conditions cost negotiations, including the methodology used and factors considered.

Finding 7: University records did not always demonstrate that subcontractors were appropriately licensed before they commenced work on University construction projects.

Finding Timeline: Per the auditor’s request for information, the period audited for construction project subcontractors was the **2022 calendar year.**

Responsible Manager: The Facilities Management Department was responsible for monitoring and documenting subcontractor licensing and reported to the Chief Financial Officer. At the time, the Chief Financial Officer reported to President Okker. To improve oversight of the Facilities Management Department, the AVP of Facilities Management now reports to the Chief of Staff.

Materiality Level: It does not appear any of the subcontractor were unlicensed or that the State or University incurred any additional expense as the result of the absence of subcontractor licensing documentation on file.

University Response: The University agrees with the finding. The University’s will develop written procedures for the advance verification of subcontractor licenses and the new Procurement

NEW COLLEGE OF FLORIDA 2024 STATE OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS EVALUATION

Specialist will use those procedures to preserve more complete documentation of advance license verifications. As the finding indicates, we would like to note that all subcontractors were confirmed to be licensed in accordance with State Law.



New College

THE HONORS COLLEGE of Florida

Annual Report of Internal Audit and Compliance Activities

Fiscal Year 2023-2024

Distribution list:

Richard Corcoran, President
NCF Board of Trustees
Board of Governors

Prepared by:

Alexander G. Tzoumas, CIA, CFE, CISA, CRMA, CDPSE
Chief Audit Executive and Chief Compliance Officer

Introduction –

Alexander G. Tzoumas assumed responsibilities as the new Chief Audit Executive (CAE) and Chief Compliance Officer (CCO) for the New College of Florida 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

I. Risk Management

1. 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) maintains a COSO based Enterprise Risk Management (ERM) program. The ERM program identifies and quantitatively 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
2. The Office worked with the President and CFO to add a revenue process narrative to the ERM program which will support the development and maintenance of a competitive and compliant model to increase revenues from a variety of sources to support the university's strategic plan, objectives and mission, expand university recognition, and fund opportunities for continuous growth.

II. Compliance

1. Supported the Office of Prevention and Health Promotion with publishing of the annual Drug Free Schools and Campuses Act notice. The notice informs the university community of resources that support a drug and alcohol-free campus, as well as regulations and sanctions involved with drug and alcohol use.
2. The Chief Compliance Officer served as the Title IX Hearing Board for a hearing and provided the Audit and Compliance Committee Trustees with Title IX training.
3. The Office worked with management to provide campuswide Family Education Rights and Privacy Act (FERPA) training.
4. The Office supported the Red Flags Program compliance team to help assure the university has an effective identify theft prevention program in place.
5. The Office worked with Student Affairs and university legal counsel to revise the Student Code of Conduct in compliance with changes required by House Bill 1521 on facility Requirements based on Sex. The Office also worked with administration to implement the related Board of Governors regulation 14.010, Designation of Restrooms and Changing Facilities. A university community notification was drafted and distributed by the Office to assure everyone was aware of the new statute and regulation.
6. 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. The Office also supported the filing of the required annual Foreign Gift Certification.

7. 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.
8. 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.
9. The Office communicated the key aspect of the Whistleblower Hotline to the campus community.
10. The Office supported university efforts to comply with Florida State Records Retention requirements.
11. The Office updated the Compliance, Fraud Prevention and Ethics Program Plan as required by Board of Governors Regulation, 4.003 State University Compliance and Ethics Programs.
12. The Office worked with the Office of General Counsel and Human Resources to enhance compliance with the Federal Equal Opportunity Act in support of Federal contracts, financial aid, and grant awards.
13. The Office supported Human Resources, Financial Services, Admissions, and Financial Services with records retention and destruction compliance in accordance with the State of Florida General Records Schedule for Public Universities and Colleges publication effective 2023.
14. The Office confirmed the accuracy of functionality of information and links to information on the Consumer Information website.

15. The Office supported the Board of Governors Office of the Inspector General and Director of Compliance with a Grandparent Tuition Waivers Compliance Review (i.e. compliance with BOG Regulation 7.008).
16. The Office reviewed and reported to the Audit and Compliance Committee on the Department of Education investigation of the university's marketing materials.
17. The Office completed and filed the annual Specialty License Plate Funds Report as required by the Florida Department of Highway Safety and Motor Vehicles' Bureau of Motor Services.

III. Internal Audit & Control Activities

1. The Office completed the Instructional Evaluation audit of student reviews of university faculty.
2. The Office completed a detailed internal control evaluation of the Post Tenure Faculty Review process in accordance with Board of Governors Regulation 10.003, Post-Tenure Faculty Review.
3. The Office performed a follow-up audit on the internal control evaluation of the New College of Florida (NCF) Foundation Budget and Investment processes. The follow-up included an evaluation of the Rothschild & Co. Internal Control Environment report provided in lieu of the U.S. industry standard System and Organization Controls (SOC) evaluation report.
4. The Office managed Mauldin & Jenkins annual Performance-based Funding Program Audit dated September 30, 2023, as per Board of Governors 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 2023-2024 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 full state performance funding.

5. The Office assisted the State of Florida Auditor General with the completion of the annual Financial Statement Audit.

6. The Office assisted the State of Florida Auditor General with the completion of the tri-annual Operational Audit and responses to the audit report findings
7. The Office assisted the State of Florida Auditor General with the completion of the Federal Awards Audit.
8. 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.
9. The Office performed an Institute of Internal Auditors self-assessment to support the Board of Governors required Peer Review of the Office. The external independent peer review was completed in July 2023.
10. The Office performed an information technology systems Back-up and Recovery process control evaluation with the support of the Chief Information Officer.
11. The Office performed a follow-up on all prior audit findings to confirm timely remediation in accordance with management's responses.
12. The Office worked with management to remediate the findings reported by the Department of Financial Services Bureau of Risk Management and Loss Prevention Audit Report issued on April 20, 2023.

IV. Investigations

1. The Office completed an investigation of a complaint involving the termination of an employee without cause. The employee felt the termination was related to their expression of compliance issues. The complaint was determined to be neither significant nor credible.
2. The Office completed an investigation of a complaint concerning the inappropriate use of state appropriations, use of rollover funds, use of state appropriations for student housing repair, inappropriate payment of incentive bonuses, inappropriate scholarship awards, violations of Admissions policy, inappropriate use of state appropriations for Athletics, and the President's inappropriate granting of an honorary degree. The complaint was determined to be neither significant nor credible; however, an Athletics compliance audit was scheduled on the Internal Audit Work Plan for the 2024-25 fiscal year.
3. The Office completed an investigation of a complaint concerning the inappropriate denial of tenure. The complaint was determined to be neither significant nor credible.

4. The Office completed an investigation of two complaints concerning the termination of two Foundation employees for cause. The reasons for termination were found to be well documented. The complaint was determined to be neither significant nor credible.
5. The Office completed an investigation of a complaint concerning a violation of the Federal Educational Rights and Privacy Act (FERPA), American Library Association Code of Ethics, and New College Regulations. The complaint was determined to be neither significant nor credible.
6. The Office completed an investigation of a complaint concerning a Board of Trustee's involvement in faculty recruiting. The complaint was determined to be neither significant nor credible.

V. Management Assists

1. The Chief Audit Executive evaluated the Internal Control Environment report from Rothschild & Co, the New College (NC) Foundation investment manager, at the request of the NC Foundation Executive Director.
2. The Office performed an evaluation of Student Government financial controls at the request of the then Dean of Students.
3. The Office supported the evaluation of decentralized financial controls being performed by the department fiscal liaisons to confirm duties were adequately segregated and controls were being performed in the most effective and efficient manner.
4. The Office supported the development of a Minors on Campus protocol to limit university liability.
5. The Office supported management's compliant implementation of the Recruitment Retention bonus program.
6. The Office worked with the Finance Department to revise the Collection Policy in accordance with Florida statutes and Board of Governors regulations.
7. The Office worked with the Office of Research Programs and Services and Procurement Department to enhance procurement processes.

VI. Administration

1. The Office worked with the Office of General Counsel and Audit Committee Chair to update and reapprove the Board of Trustees' Audit and Compliance Committee Charter in accordance with Florida Statutes and Board of Governor regulations 4.001, 4.002 and 4.003.

2. The Office worked with the Office of General Counsel and Audit Committee Chair to update and reapprove the Office of Internal Audit and Compliance Charter in accordance with Florida Statutes and Board of Governor regulations 4.001, 4.002 and 4.003.
3. In order to maintain a strong understanding of current auditing and compliance issues, trends, and best practices, the Chief Audit Executive (CAE) completed seventy-four hours of continuing education. After completing the required level of continuing education, the CAE renewed the Certified Internal Auditor, Certified Fraud Examiner, Certificate in Risk Management Assurance, Certified Data Privacy Solutions Engineer, and Certified Information Systems Auditor designations for another year.
4. 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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COSO 2013: Fraud Risk Assessment Audit and Compliance Committee


August 23, 2024

By Alexander Tzoumas, CRMA

COSO Framework

- Committee of Sponsoring Organizations Framework Principle
 - The organization considers the potential for fraud in assessing risks to the achievement of objectives.
 - Incorporates the concept of fraud risk assessment.
 - Considerations related to various types of fraud, including fraudulent financial reporting, fraudulent nonfinancial reporting, misappropriation of assets, safeguarding of assets, management override, and corruption.
 - Evaluating incentives, pressures, opportunities, attitudes, and rationalizations.

Fraud Risk Assessment

- Source: Association of Certified Fraud Examiners (ACFE)
 - Serves as a benchmark to measure our progress
 - Initial assessment was a compilation of management's self assessments and internal audit control design evaluations
 - Multiple remediation actions in progress
 - Certain items within management's risk appetite
 - Will evaluate progress on a semi-annual basis
- 

Comparison of 2023 Assessment to 2024 Results

- Areas with Lowest Scores

- Module 4: Skimming Schemes (prior year 82% improved to 86%)

- Identifies opportunities to enhance segregation of duties, audit trail, and fraud detection efforts. Smaller departments have limited personnel and thus segregation options.

Discontinued acceptance of cash.

- Module 5: Cash Larceny Schemes (prior year 76% improved to 86%)

- Identifies opportunities to enhance segregation and rotation of duties, as well as additional audit trails. Smaller departments have limited personnel and thus segregation and rotation options. **Discontinued acceptance of cash.**

- Module 14: Conflicts of Interest (prior year 67% remains at 75%)

- Additional efforts are needed to proactively identify vendor fraud or abuse.

FY 23-24 Vendor Audit In-process. Should improve to 100%.

Comparison of 2023 Assessment to 2024 Results

- Average total score increased from 90% to 92%
- Module 14 – Conflict of Interest showed largest improvement (Was 64% improved to 75%)
 - Procurement has centralized several key controls.
- Module 5 – Cash Larceny Schemes showed 2nd largest improvement (Was 76% improved to 86%)
 - Cash receipts are reconciled to change in receivables and bank deposits. Cash acceptance further reduced.
- Module 6 – Check Tampering Schemes showed 3rd largest improvement (was 95% improved to 100%)
 - Rotation of duties now occurs on a random basis.

2023 – 2024 Assessment Scores

2023 Assessment (June)	Module 1 - Employee Assessment	Module 2 - Management/ Key Employee Assessment	Module 3 - Physical Controls to Deter Employee Theft and Fraud	Module 4 - Skimming Schemes	Module 5 - Cash Larceny Schemes	Module 6 - Check Tampering Schemes	Module 7 - Cash Register Schemes
# of Questions	34	34	12	24	18	20	18
# Answered Favorably	30	29	12	18	13	19	12
# Answered Unfavorably	3	4	0	4	4	1	1
# N/A	1	1	0	2	1	0	5
Fraud Score	91%	88%	100%	82%	76%	95%	92%
2022 Fraud Score (Feb)	88%	85%	100%	64%	71%	90%	85%
2023 Fraud Score (June)	91%	88%	100%	82%	76%	95%	92%
Difference	3%	4%	0%	29%	8%	6%	9%
2024 Assessment (Aug)	Module 1 - Employee Assessment	Module 2 - Management/ Key Employee Assessment	Module 3 - Physical Controls to Deter Employee Theft and Fraud	Module 4 - Skimming Schemes	Module 5 - Cash Larceny Schemes	Module 6 - Check Tampering Schemes	Module 7 - Cash Register Schemes
# of Questions	34	34	12	24	18	20	18
# Answered Favorably	30	30	12	18	12	20	12
# Answered Unfavorably	3	3	0	3	2	0	1
# N/A	1	1	0	3	4	0	5
Fraud Score	91%	91%	100%	86%	86%	100%	92%
2023 Fraud Score (June)	91%	88%	100%	82%	76%	95%	92%
2024 Fraud Score (June)	91%	91%	100%	86%	86%	100%	92%
Difference	0%	3%	0%	5%	12%	5%	0%

2023 - 2024 Assessment Scores (Continued)

Module 8 - Purchasing and Billing Schemes	Module 9 - Payroll Schemes	Module 10 - Expense Schemes	Module 11 - Theft of Inventory and Equipment	Module 12 - Theft of Proprietary Information	Module 13 - Corruption Schemes	Module 14 - Conflicts of Interest	Module 15 - Fraudulent Financial Reports	Total
23	19	7	27	12	13	6	27	294
21	15	7	22	11	12	4	26	251
2	3	0	1	0	1	2	1	27
0	1	0	4	1	0	0	0	16
91%	83%	100%	96%	100%	92%	67%	96%	90%
91%	83%	100%	85%	100%	92%	67%	93%	86%
91%	83%	100%	96%	100%	92%	67%	96%	90%
0%	0%	0%	13%	0%	0%	0%	4%	5%
Module 8 - Purchasing and Billing Schemes	Module 9 - Payroll Schemes	Module 10 - Expense Schemes	Module 11 - Theft of Inventory and Equipment	Module 12 - Theft of Proprietary Information	Module 13 - Corruption Schemes	Module 14 - Conflicts of Interest	Module 15 - Fraudulent Financial Reports	Total
23	19	7	27	12	13	6	27	294
21	15	7	22	11	12	6	26	254
2	3	0	1	0	1	2	1	22
0	1	0	4	1	0	0	0	20
91%	83%	100%	96%	100%	92%	75%	96%	92%
91%	83%	100%	96%	100%	92%	67%	96%	90%
91%	83%	100%	96%	100%	92%	75%	96%	92%
0%	0%	0%	0%	0%	0%	13%	0%	2%

Annual Notice 2024

TO: New College of Florida Faculty, Staff, and Students

SUBJECT: New College of Florida's Drug-Free Schools and Communities Act Annual Notification

DATE: August 27, 2024

New College of Florida intends to support a safe and productive living, learning, and working environment for all faculty, staff, and students. To that end, our institution is a Drug-and Alcohol-Free Workplace and prohibits the illicit possession and/or use of drugs and alcohol on campus.

The Drug-Free Schools and Communities Amendments of 1989 and the Drug-Free Workplace Act of 1988 require institutions of higher education to distribute the following information on an annual basis. Please take a moment to read this notification and click on the relevant links. The notification contains information about the following:

1. Standards of Conduct
2. Legal Sanctions and Penalties
3. Health Risks
4. Resources
5. Discipline
6. Appendix

1. Standards of Conduct

New College of Florida (NCF) is committed to providing a campus environment free from the abuse, illegal use, and possession of controlled substances; the unlawful possession and use of alcohol; and the use of smoke and tobacco products on campus. Students who work for NCF may be covered by employee policies. The following is a list of applicable NCF regulations and policies pertaining to a drug-free environment; the possession, service, or consumption of alcohol; and the prohibition on the use of smoke and tobacco products on campus. These policies apply to all on-campus activities and off-campus activities officially sponsored by NCF, including student-sponsored social activities and professional meetings attended by employees.

- [6-3004 Alcohol and Other Drugs](#)
- [3-4021 Drug- and Alcohol-Free Workplace](#)
- [3-4020 Smoking in Buildings](#)
- [Student Event Host Policy](#)
- [Housing Contract 2024-2025 \(Appendix A\)](#)

2. Legal Sanctions and Penalties

Federal, state, and local laws outlaw possession, use and distribution of illegal drugs, including but not limited to cocaine, heroin, LSD, PCP, marijuana, and other narcotic drugs. Additionally, these laws prohibit possession and use of alcohol by underage persons, distribution of alcohol to underage persons, sale of alcohol without a license, and driving under the influence of alcohol or illicit substances.

Penalties for violation of drug laws include fines, imprisonment, and other restrictions and removal of civil liberties and privileges. If any unlawful distribution of drugs gives rise to the unlawful death of a human being, it is punishable as a capital felony. Penalties for violation of alcohol laws may include the revocation of driving privileges, fines, and imprisonment. A student or employee who violates the 6-3004 Alcohol and Other Drugs policy is subject both to the institution's sanctions and to criminal sanctions provided by federal, state, and local law. Additionally, students with criminal convictions have limited eligibility for federal student aid.

Following is a list of important local and state statutes:

- Sarasota County Ordinances
 - [Chapter 6 – Alcoholic Beverages](#)
 - [Chapter 86 – Offenses and Miscellaneous Provisions – Division 3. – Prohibited Drugs](#)
- Florida Statutes
 - [Chapter 561: Beverage Law: Administration](#)
 - [Chapter 562: Beverage Law: Enforcement](#)
 - [Chapter 563: Beer and Malt Beverages](#)
 - [Chapter 564: Wine](#)
 - [Chapter 565: Liquor](#)
 - [Chapter 856: Drunkenness; Open House Parties; Loitering; Prowling; Desertion](#)
 - [Chapter 893: Drug Abuse Prevention & Control](#)
- Financial Aid
 - [Impact on Financial Aid due to Criminal Convictions](#)

3. Health Risks

The use of alcohol and drugs can result in the following health concerns:

Drug	Health Risks
Alcohol	<ul style="list-style-type: none">● Alcohol use disorder● Liver disease● Heart disease● Depression● Stroke● Stomach bleeding● Sleep disorders● High blood pressure

	<ul style="list-style-type: none"> ● Increased risk of drowning and injuries from violence, falls, and motor vehicle crashes ● Increased risk of oral cancers and female breast cancer
Cannabis/Marijuana	<ul style="list-style-type: none"> ● Slowed reaction time ● Problems with balance and coordination ● Increased heart rate and appetite ● Problems with learning and memory ● Anxiety ● Chronic cough ● Frequent respiratory infections
Hallucinogens (Ketamine, LSD, Psilocybin)	<ul style="list-style-type: none"> ● Problems with attention, learning, and memory ● Raised blood pressure ● Dangerously slowed breathing ● Depression ● Ulcers ● Kidney problems ● Loss of appetite ● Tremors ● Frightening flashbacks ● Paranoia ● Mood swings ● Muscle weakness
MDMA (Ecstasy/Molly)	<ul style="list-style-type: none"> ● Sharp rise in body temperature leading to kidney failure or death ● Long lasting confusion ● Depression ● Problems with attention, memory, and sleep ● Increased anxiety
Tobacco	<ul style="list-style-type: none"> ● Increased blood pressure, breathing, and heart rate ● Exposes lungs to a variety of chemicals. Vaping also exposes lungs to metallic vapors created by heating the coils in the device ● Increased risk of cancer, especially lung cancer when smoked and oral cancers when chewed ● Chronic bronchitis ● Emphysema ● Heart disease ● Leukemia ● Cataracts ● Pneumonia

Note: Data from National Institute on Drug Abuse (September, 2023). Retrieved from: <https://nida.nih.gov/research-topics/commonly-used-drugs-charts>

4. Resources:

- **Immediate Need/Emergency:**

For immediate assistance due to the danger associated with drugs or alcohol, please contact the NCF Police Department. From an on-campus phone, dial 4210; from any other phone, dial 487-4210. Information about [Medical Amnesty - Section 5](#).

- **University Education & Prevention:**

Counseling and Wellness Center (CWC) is located on the Bayfront Campus. The CWC offers counseling services, victim advocate services, student health services, case management, and health promotion services. Students can reach out for consultations and appointments. The contact information for CWC is: 941-487-4254, wellness@ncf.edu, <https://www.ncf.edu/cwc/>, 24/7 Crisis Hotline (941-487-4254, Option 2).

ESPYR (Employee Assistance Program) is available 24/7 and is a free benefit that provides information, training, health education, short-term counseling services to employees, and more. To access online services, visit www.espyr.com and request the login information, or contact ESPYR by calling 800-869-0276.

- **Off Campus Intervention & Treatment:**

[Tobacco Free Florida's Area Health Education Center](#)

[Smart Recovery](#)

[Moderation Management](#)

[Alcoholics Anonymous](#)

[Narcotics Anonymous](#)

[Suncoast NA](#)

Centerstone: 941-782-4600, <https://centerstone.org/>

Mindsol Wellness Center: 941-256-3725, <https://mindsolsarasota.com/>

Substance Abuse and Mental Health Services Administration National Helpline
Free, confidential, 24/7, 365-day-a-year treatment referral and information service (in English and Spanish) for individuals and families facing mental and/or substance use disorders: 1-800-662-HELP (4357)

5. Discipline

NCF will impose sanctions on students and employees consistent with local, State, and Federal law up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct.

- **Employees**

In accordance with the 3-4021 [Drug- and Alcohol-Free Workplace](#), 3-4014 [Disciplinary Action](#), and 3-4007 [Misconduct](#) policies or the Collective Bargaining Agreement (as applicable), employees shall be subject to appropriate disciplinary action by College authorities as set forth in the applicable rules and laws governing such actions. Actions may include a written reprimand, suspension, or dismissal.

- **Students**

In accordance with 6-3005 NCF [Student Code of Conduct](#) and the Student Conduct Process and Procedures, when a student allegedly violates the 6-3004 Alcohol and Other Drugs policy or the related provisions in the Student Code of Conduct, they will be referred to the Division of Student Affairs, which will handle the matter in accordance with established procedures. The Office of Student Affairs will investigate and determine responsibility and if determined, sanctions will be imposed. NCF may make disclosures to the parent of a student regarding the student's violation of any federal, state, or local law, or any rule or policy of the institution, governing the use or possession of alcohol or a controlled substance without the student's consent, if it is determined that the student committed a disciplinary violation with respect to that use or possession.

6. Appendix

- **A - Housing Contract 2024-2025**

- 5. g.

- Authorized New College of Florida personnel may enter assigned rooms for routine procedures such as cleaning, pest control, and maintenance replacement (e.g. air filters or fire alarm checks). When possible, 24-hour written notice to occupants will be given via email for these purposes. All rooms will be inspected at least twice per semester before, during, or after scheduled closures and/or breaks. If a violation of the code of conduct has been identified during a room/suite inspection, authorized New College of Florida personnel will document and/or confiscate the violation and follow up via email with the resident(s) regarding the alleged violation. Authorized New College of Florida personnel may return within 30 days to conduct a follow up inspection at the discretion of the Director of Housing and Residence Life or Designee. College officials may enter a room without notification when a clear and present danger exists to students and/or property, to recover stolen property, and when there is a

clear and present violation of the College's drug and alcohol policy or State law, as identified by College officials and the Police.

- 5. i.
 - No open flames, no smoking, vaping, candles, flexible extension cords, drug paraphernalia, deep fryers, gas powered appliances/vehicles, toaster ovens, hot plates, or other open element appliances are allowed in residential or common areas. Smoking and vaping are NOT permitted on campus. Students may NOT smoke in doorways, balconies or entrance ways of any dorm. Rooms/Suites identified as having been smoked in will be repainted and furniture professionally cleaned. The cost for this service will be billed to the resident's student account. Students found smoking/vaping on campus may receive a warning for the first offense and may be fined for each subsequent violation. This includes any cigarette containers left out in front of an assigned residential space.
- 14.
 - FERPA and Drugs/Alcohol. New College of Florida may make disclosures to the parent of a student regarding the student's violation of any federal, state, or local law, or any rule or policy of the institution, governing the use or possession of alcohol or a controlled substance without the student's consent, if it is determined that the student committed a disciplinary violation with respect to that use or possession. (See 34 CFR 99.31(15)). Refer to <https://www.ncf.edu/life-at-new/safety-conduct/> for policies, procedures, and other announcements.



Office of Chief Audit Executive and Chief Compliance Officer

Date: August 13, 2024

To: Richard Corcoran, President
New College of Florida
Sent via email to rcorcoran@ncf.edu

From: Alexander G. Tzoumas, Chief Audit Executive and Chief Compliance Officer

Subject: Consumer Information Webpage

Dear President Corcoran,

The university maintains a Consumer Information website in accordance with the Higher Education Act of 1965. The website serves to provide the public, university students, counselors, and regulators with information on the New College of Florida's academic programs, accreditation, governing agencies, cost of education, availability of financial aid, regulations, general course information and university performance facts.

On a periodic basis, but at least annually, the Office of Internal Audit and Compliance confirms the functionality of the Consumer Information website links and content relative to regulatory requirements. The review of website functionality and content overtime shows the need for a designated manager to be assigned responsibility for the ongoing monitoring of the website. The latest review of website functionality revealed multiple link errors. The content review identified the need to add a link to the university's Conflict of Interest regulation, inclusive of the unbiased processing of Financial Aid applications.

The Director of Communications has offered to assume responsibility for a quarterly confirmation of the Consumer Information website links. We are working with the Financial Aid Department and the Office of Legal Counsel to develop a Conflict of Interest regulation which meets regulatory requirements and can be linked to the Consumer Information website. Once the Conflict of Interest regulation update is completed, we will submit the document for the usual Board of Trustee approval.

cc: Christie FitzPatrick, Chief of Staff
David Brickhouse, VP for Legal Affairs
Nathan March, Director of Communications

**Compliance Review:
Grandparent Tuition Waivers
Program Implementation,
Board of Governors
Regulation 7.008(3)(t)**



Prepared by
The State University System of Florida
Board of Governors
Office of Inspector General and Director of Compliance
(OIGC Project No. 24-005)

August 16, 2024

Introduction

In accordance with the *Office of Inspector General and Director of Compliance 2023-2024 Work Plan*, we conducted a compliance review related to the Board of Governors Office's (Board Office) oversight and monitoring of the Grandparent Tuition Waivers program implementation under Board of Governors Regulation 7.008, paragraph (3)(t).

Background

During the 2021 legislative session, the Florida Legislature approved a bill¹ establishing a new tuition waiver program to be adopted and implemented by the State University System of Florida (SUS) Board of Governors (Board). This new waiver program would allow high-performing, non-Florida students to attend a Florida public university and pay in-state tuition rates if they have a grandparent who meets Florida residency requirements. The waiver encourages eligible students to consider pursuing their higher education degrees in Florida at significant cost savings to them.

The Board approved an amendment to its *Fee Waivers* regulation² on September 1, 2021, to include the new grandparent tuition waiver program. The waiver program allows the waiver of the out-of-state fee beginning with the fall semester 2022 academic term. Eligible students must have college-entrance test scores in the 89th national percentile on the SAT (or an equivalent ACT or CLT score), enroll in the first fall academic term after their high school graduation, and be continuously enrolled full-time each fall and spring semester for the duration of their undergraduate program. As statutorily required, students must provide a written declaration³ attesting to the student's familial relationship to the grandparent, and the grandparent must provide proof of Florida residency.⁴ The waiver applies to 110 percent of the number of required credit hours for the student's undergraduate degree program.

Grandparent tuition waivers granted each year may not exceed 350 for all SUS universities combined. Each year, the Board Office determines the waiver allocations for each university to use for admitted and eligible students, based on each university's student enrollment. Throughout the summer preceding the fall term for the new cohort of waiver recipients, Board Office staff monitor the number of waivers awarded, as well as any additional demand across the SUS. They reallocate any unused waivers to universities where the demand is higher so that all waivers are used. Universities are required to report information on the grandparent tuition waivers awarded each year to the Board.

¹ House Bill 1261 to amend section 1009.26, Florida Statutes, *Fee Waivers*

² Board of Governors Regulation 7.008, paragraph (3)(t)

³ Pursuant to section 92.525(2), Florida Statutes

⁴ Section 1009.21(1), Florida Statutes, *Determination of Resident Status for Tuition Purposes*

Waiver Awards Information

For the first year⁵ of the grandparent tuition waiver program implementation, 300 of the 350 allotted waivers were awarded. For the second year, all 350 waivers were awarded and eligible students at several universities⁶ were added to waiting lists in the event additional waivers became available through student attrition or reallocation of allotted waivers.

The following chart (Figure 1) shows the total number of grandparent tuition waivers awarded by each university for the first two years of the waiver program.⁷ The University of Florida has awarded the most waivers in the past two years at 313; Florida State University has awarded 148; and the University of Central Florida has awarded 101.

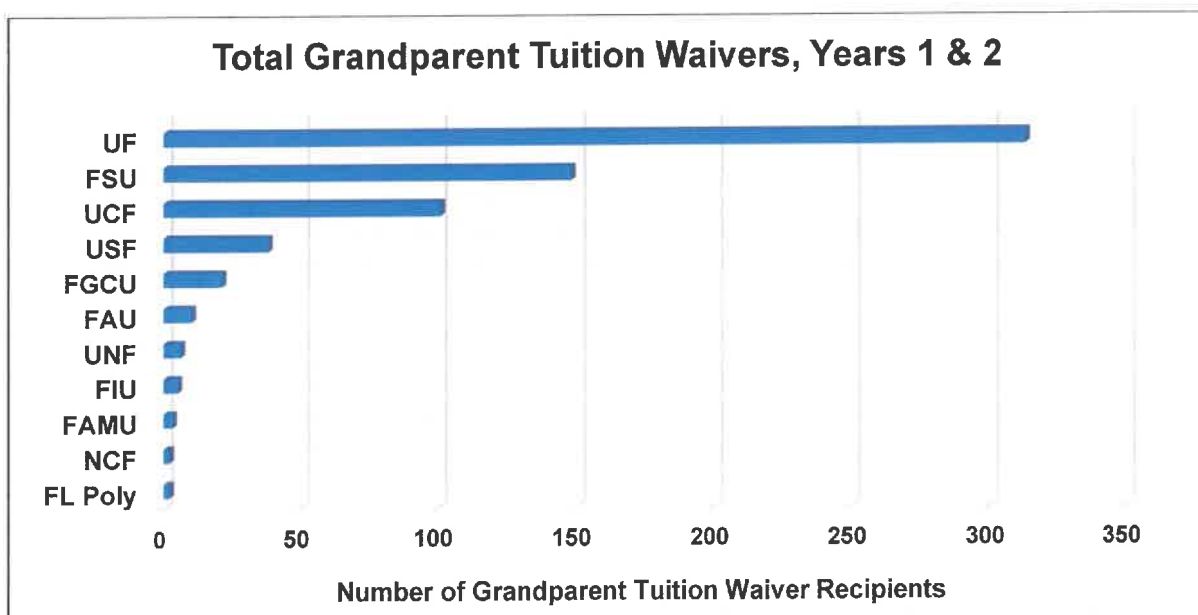


Figure 1: Grandparent Tuition Waiver recipients by university for the fall 2022 and fall 2023 cohorts combined. Data provided by the Board of Governors Office of Data Analytics.

As shown in the map below (Figure 2), the grandparent tuition waiver program has attracted students from all over the United States. The highest number of students came from New York (102), New Jersey (73), and Georgia (72).

⁵ Board of Governors Regulation 7.008(3)(t)1.(d) states the grandparent tuition waiver program is to begin with students who initially enroll in the 2022 fall academic term.

⁶ The University of Florida, Florida State University, and the University of Central Florida

⁷ The University of West Florida has not yet awarded grandparent tuition waivers.

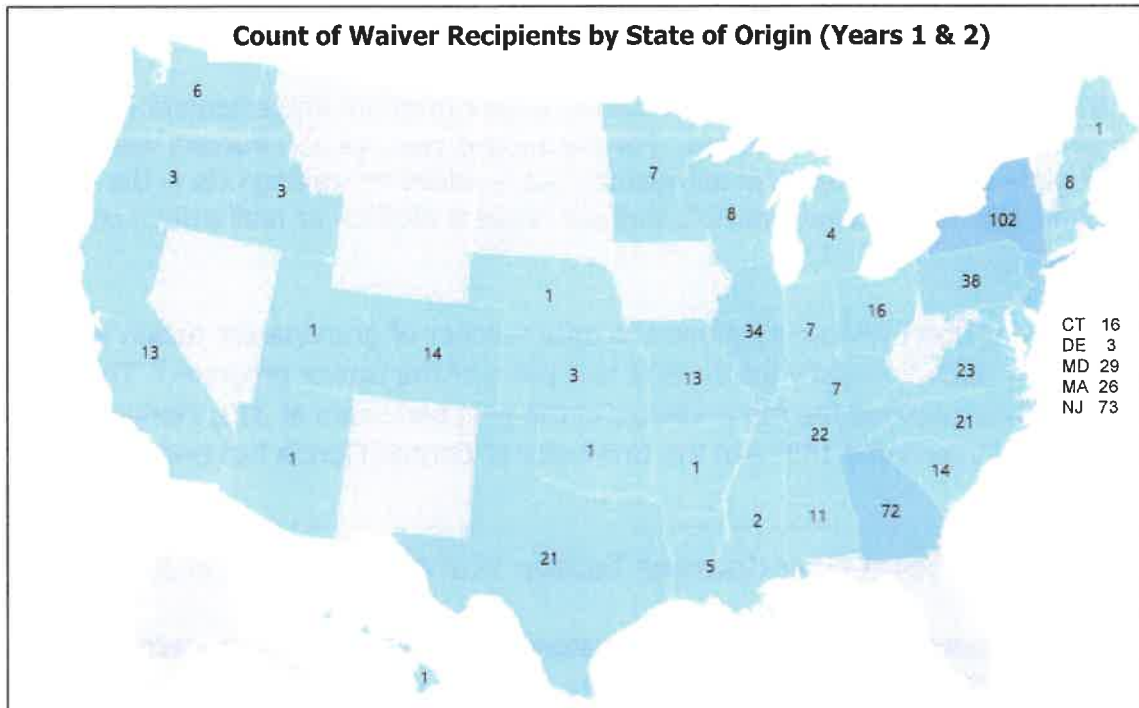


Figure 2. State of origin of grandparent tuition waiver recipients for the fall 2022 and fall 2023 cohorts.⁸ Data provided by the Board of Governors Office of Data Analytics.

Data collection for the third year of the grandparent tuition waiver program has begun for the 2024-2025 academic year. Preliminary data as of May 2024 indicates that all waivers will again be used this year, and the number of universities with waiting lists has increased from three in the second year to six for the upcoming (third) year.

Results

The Board Office’s finance and administration staff have worked closely with universities for the past two years on the waiver program’s implementation in accordance with Legislative intent. They developed guidance documents for prospective and current parents and students as well as for universities regarding the admissions application process and maintaining recipient eligibility for this waiver program for the student’s entire program of studies. During our review, staff were able to explain each reallocation rationale and demonstrated a clear understanding of the considerations necessary to ensure the maximum use and fair distribution of the annual waiver allotment.

We selected a sample of grandparent tuition waiver recipients from each university to test for compliance with the statutory eligibility requirements. As part of this testing, we requested from the universities a copy of the familial attestation for each of the recipients

⁸ Data shown is incomplete for the 2023-2024 cohort. Universities will report spring 2024 data later this summer, which is not expected to differ much from the cohort data reported for the fall 2023.

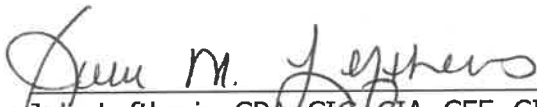
in our sample. All grandparent tuition waiver recipients sampled were compliant and eligible for the waiver except one, which was awarded in error during the first year of the program. The university has revised its eligibility determination process to ensure that all eligibility criteria are met for future awards.

Based on our review, we found the Board Office's and universities' implementation of the grandparent tuition waiver program to be well adopted and in compliance with state law and Board of Governors regulation.

Acknowledgements

We wish to thank Board Office management and staff, as well as university staff, for their cooperation and assistance which contributed to the successful completion of this compliance review.

Respectfully submitted by:



Julie Leftheris, CPA, CIG, CIA, CFE, CISA
Inspector General and Director of Compliance

Appendix A

Excerpts, Board of Governors Regulation 7.008, *Waivers and Exemptions of Tuition and Fees*, paragraph (3) and subparagraph (t), *Waiver for Resident Grandparent*:

(3) The following categories of tuition and fee exemptions and waivers are established pursuant to Florida Statute and are considered mandatory:

...

(t) Waiver for Resident Grandparent –

1. A state university shall waive the out-of-state fee for a student who:

(a) Has a grandparent who is a legal resident as defined in s. 1009.21(1), F.S. For purposes of this subsection, the term “grandparent” means a person who has a legal relationship to a student’s parent as the natural or adopted parent or legal guardian of the student’s parent.

(b) Earns a high school diploma comparable to a Florida standard high school diploma, or its equivalent, or completes a home education program.

(c)

(1) Achieves an SAT combined score no lower than the 89th national percentile on the SAT;

(2) Achieves an ACT score concordant to the required SAT score in sub-subparagraph (a), using the latest published national concordance table developed jointly by the College Board and ACT, Inc.; or

(3) If a state university accepts the Classic Learning Test (CLT) for admission purposes, achieves a CLT score concordant to the required SAT score specified in sub-subparagraph (a), using the latest published scoring comparison developed by Classic Learning Initiatives.

(d) Beginning with the students who initially enroll in the 2022 fall academic term and thereafter, enroll as a full-time undergraduate student at a state university in the fall academic term immediately following high school graduation.

2. The waiver under this subsection is applicable for up to 110 percent of the number of required credit hours of the degree program for which the student is enrolled.

3. Before waiving the out-of-state fee, the state university shall require the student or the student’s parent, if the student is a dependent child, to provide a written

declaration pursuant to section. 92.525(2), F.S., attesting to the student's familial relationship to a grandparent who is a legal resident and any other corroborating documentation required by the Board of Governors. A state university is not required to independently verify the statements contained in each declaration if the signatory declares it to be true under the penalties of perjury as required by section. 92.525(2), F.S. However, the state university may refer any signed declaration suspected of containing fraudulent representations to law enforcement.

4. Beginning with students who initially enroll for the 2022-2023 academic year or thereafter, a state university shall, within the nonresident student enrollment system-wide, prioritize the enrollment of a student who is granted a fee waiver under this subsection over an out-of-state student who is not eligible for an out-of-state fee waiver if the students have substantially similar academic and other credentials used in determining admission to the state university.

5. Fee waivers granted pursuant to this subsection may not exceed 350 students system-wide each academic year; the Chancellor will determine the maximum number of waivers for this program per institution.

6. For purposes of this program, fees shall be those associated fees specified in Board Regulation 7.001 Tuition and Associated Fees.



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Tallahassee, FL 32399-0400
Phone: (850) 245-0466
Email: BOGInspectorGeneral@flbog.edu
Website: www.flbog.edu



Office of Chief Audit Executive and Chief Compliance Officer

Date: August 13, 2024

To: Richard Corcoran, President
New College of Florida
Sent via email to rcorcoran@ncf.edu

From: Alexander G. Tzoumas, Chief Audit Executive and Chief Compliance Officer

Subject: Specialty License Plate & Voluntary Contribution Audit Unit

Dear President Corcoran,

The New College of Florida and New College Foundation (Foundation) were recently audited by the Specialty License Plate & Voluntary Contribution Audit Unit of the Florida Highway Safety and Motor Vehicles. The audit was intended to confirm the university's and Foundation's use of the annual license plates fees for the fiscal year ending June 30, 2023 complied with Florida Statutes 320.08056 and 320.08058, *Specialty License Plates*.

The audit determined that: "Based on our review, the reported annual use fees and expenditures appear to be in compliance with Sections 320.08056 and 320.08058, Florida Statutes." While the audit reported zero findings, the auditor did recommend the university and Foundation develop written policy/procedures for the use of Specialty License Plate funds to help assure ongoing compliance with the requirements of the Special License Plate statutes. As such, we will work with the university and Foundation to develop the recommended written policy/procedures.

We would like to thank Shan-Mei, the new Chief Financial Officer of the Foundation, for her timely and complete support during the audit and ongoing efforts to ensure compliance with the Florida Statutes.

cc: Shan-Mei, New College Foundation CFO
Sydney Gruters, New College Foundation Executive Director