AUDIT AND COMPLIANCE

FLORIDA POLYTECHNIC UNIVERSITY

ANNUAL REPORT

2025-26 FISCAL YEAR

Report No: FPU 2027-01

July 2026

In accordance with Board of Governors Regulations 4.002, 4.003, and Internal Auditing Standards, this report is presented to summarize the activities of University Audit and Compliance for the 2025-26 fiscal year.

Message from the Chief Audit Executive and Chief Compliance Officer

Board of Governors (BOG) Regulations[1] require that an annual report be prepared summarizing the activities of University Audit for the preceding year and that the chief compliance officer shall report at least annually on the effectiveness of the compliance and ethics program. This report is prepared in response to those BOG Regulations and summarizes both audit and compliance activity for the reporting period July 1, 2025, to June 30, 2026 (FYE26). Additionally, this report facilitates the proper oversight of both functions by the Audit and Compliance Committee.

The following accomplishments highlight the activity of University Audit and Compliance (UAC) during the reporting period:

- Completed and released six audit efforts/reports:
  - Report FPU 2025-01: Annual Report (FYE25)
  - Report FPU 2025-02: Risk Assessment and Work Plan (FYE26)
  - Report FPU 2025-05: Information Technology Controls Follow-up Review
  - Report FPU 2025-06: Performance Based Funding Data Integrity Audit (2025)
- Completed and released three compliance reports and/or planned projects:
  - Report FPU 2025-03: Compliance Program Plan (FYE25)
  - Report FPU 2025-04: Textbook Affordability (Fall 2024)
  - Report FPU 2025-07: Textbook Affordability (Spring 2025)
- Administered and disposed of 11 allegations or complaints reported to UAC via the hotline.
- Assisted with various consulting activities to enhance university operations.
- Performed an evaluation of the University's anti-fraud framework, conducted anti-fraud training, and presented risks and mitigation efforts to the Board.
- Obtained relevant educational training for both audit and compliance, as required.

This was the sixth year that Florida Poly was subject to the auditing and certification requirements related to Performance Based Funding (PBF). BOG Regulations require that this audit be completed and submitted to the BOG by March 1 of each year and such assurances are necessary for Florida Poly to secure PBF funding. UAC was able to complete and submit the required audit on time. UAC also completed audit projects related to Information Technology Controls and a review of Contractual Service Payments that both yielded several recommendations for enhanced controls.

In addition to completing the audit projects mentioned above, UAC was able to complete compliance monitoring efforts over textbook affordability for two different terms and assisted on various other consultative matters during the year. Looking forward to FYE27, UAC will be required to complete only

[1] Board of Governors Regulations 4.002 (State University System Chief Audit Executives) and 4.003 (State University System Compliance and Ethics Programs).

one required audit (performance-based funding) and therefore should have more flexibility to incorporate risk-based areas of concern into the audit and compliance plans. The Audit Committee has expressed a desire to incorporate at least one high risk area from the recent discussion on fraud risk.

I am very grateful for the opportunity to serve the University and the Board of Trustees and for their continued support of the audit and compliance functions. If you have any questions or need further information, please feel free to call me at (863) 874-8441.

David A. Blanton, CPA, CCEP
Chief Audit Executive and Chief Compliance Officer

Purpose and Mission

The mission of University Audit and Compliance (UAC) is to serve the University by recommending actions to assist them in achieving its strategic and operational objectives. This assistance includes providing recommendations to management of activities designed and implemented by management to strengthen internal controls, reduce risk to and waste of resources, and improve operations to enhance the performance and reputation of the University. In addition, UAC assists the Audit and Compliance Committee (AACC) in accomplishing their oversight responsibilities in accordance with Board of Governors guidelines and regulations.

Purpose of Internal Auditing

According to the Institute of Internal Auditors' (IIA) Global Internal Audit Standards:

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight and foresight. Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to best serve the public interest.

The IIA has issued revised standards and guidance over internal audit operations. These Standards were effective beginning in 2025 and are constantly being evaluated by UAC to ensure conformance. An external assessment of conformance is planned for the upcoming fiscal year.

Governance and Charters

The Board of Governors (BOG) promulgated Regulations 4.001: *University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement,* 4.002: *State University System Chief Audit Executives*, and 4.003: *State University System Compliance and Ethics Programs*. In response to these BOG Regulations, the University structured and approved the following Florida Poly Charters:

- **Board of Trustees Audit and Compliance Committee (AACC) Charter**. The AACC Charter was adopted to provide for the various oversight responsibilities charged to the AACC.

- **Internal Audit Charter**. The Internal Audit Charter effectively establishes the position of Chief Audit Executive (CAE) and outlines the duties and responsibilities of the position.

- **Compliance and Ethics Charter**. The Compliance and Ethics Charter effectively establishes the Compliance function at the University and outlines the duties and responsibilities of the position, including the development of the University's Compliance and Ethics Program.

All three charters are required to be reviewed and approved for consistency with Board of Governors and university regulations, professional standards, and industry practices at least every three years. All three charters were last presented to the AACC for review and approval in September 2023 and will be presented for review and approval in 2026. All charters are available on the University's website under Board of Trustees/Committees/Governance, Audit & Compliance.

Internal Audit Activity (Audits, Reviews, and Consulting Activities)

The following summarizes the activity of the internal audit function for the period of July 1, 2025 to June 30, 2026:

- **UAC Annual Report – FYE25**. This report was prepared and presented to summarize the activities of University Audit and Compliance for the 2024-25 fiscal year. (Report FPU 2026-01)

- **Risk Assessment and Audit Plan**. Each year, the CAE prepares a Risk Assessment and Audit Plan that is presented to the AACC for approval. (Report FPU 2026-02)

- **Information Technology (IT) Controls Follow-up Review**. This review focused primarily on internal control deficiencies cited in the previous Auditor General Report over IT. The review indicated that appropriate corrective actions had been taken for all findings. (Report FPU 2026-05)

- **Performance Based Funding (PBF) Data Integrity Audit**. This audit was performed to determine whether the University has established appropriate controls to ensure the completeness, accuracy, and timeliness of data submissions to the BOG which supports the PBF metrics of the University as of September 30, 2025. The audit resulted in no reportable matters. (Report FPU 2026-06)

- **Contractual Services Payments Follow-up Review**: This follow-up review covered prior findings and was expanded to review procurement practices over such expenses. The review was focused on contracts initiated during FY26. The review resulted in several recommendations to enhance controls over contractual service payments. While most of the audit work was performed in

FYE26, the report was not released until early FY27. UAC is planning to conduct a follow-up review in FYE27 to ensure appropriate corrective action was taken.

AUDIT PLAN PROGRESS & RESOURCE UTILIZATION

Table 1 below provides a measure of actual progress against the BOT-approved audit work plan for FYE26:

Table 1
Audit Plan – FYE26
Actual Progress vs. Approved Audit Plan

#	Planned Audits/Risk	Area of Focus (i.e. processes/Controls)	Status
1	UAC Annual Report	To summarize the activities of University Audit for the year.	☑
2	UAC Risk Assessment & Audit Plan	To evaluate risk across the University and allocate audit resources to areas of risk that might benefit from audit assurance.	☑
3	PBF Data Integrity Audit	To determine whether the University has established adequate controls to properly report on the various metrics related to PBF.	☑
4.	IT Audit Follow-up	To determine whether controls have been properly implemented to adequately correct the IT security findings included in the Auditor General's "Information Technology Operational Audit".	☑
5.	Contractual Services Follow-up Review	To determine whether appropriate corrective action has been implemented to address concerns noted over contractual service payments, procurements, and contracts.	☑ (A)
6.	Global Internal Audit Standards Review	Self-assessment and gap analysis of changes required by new internal auditing standards.	X(B)
7.	Residential Housing Audit	To determine whether controls over the management of residential housing and the related collection and recording of revenues from these resources are properly designed and effective to ensure proper reporting and accounting.	X
☑	Planned audit or review completed.		
X	Planned audit or review not completed.		
(A)	Audit work performed in FY26 but report will be released in early FY27.		
(B)	Approved audit plan change reprioritized the Compliance review over the Audit review. This project will be completed in FY27.		

Given the limited resources of UAC, and the amount of time necessary to effectively perform the responsibilities of both the audit and compliance functions at the University, mandated audits were prioritized. As noted above in Table 1, apart from the annual report and audit plan, three audit focus areas were completed from the prior plan year (PBF audit, IT follow-up and Contractual Service follow-up). Most other UAC resources were reallocated to the compliance function and investigations which are detailed in Table 5 of this report.

TABLE 2
COMPARISON OF APPROVED PLAN HOURS TO ACTUAL HOURS – FYE26

Activity	Plan Hours	Actual Hours	Difference	% Difference
Administrative	220	119	(101)	-34.1%
Audit	944	897	(47)	-7.0%
Compliance	300	393	93	5.3%
Investigative	120	158.5	38.5	-12.5%
Consulting	160	77	(83)	-4.5%
Training	120	113.5	(6.5)	20.0%
Totals	1,864	1,758	(106)[2]	-5.7%

As reflected in Table 2 above, UAC's time for audit, administrative time, and consulting efforts were significantly less than planned. These variances are attributable to greater efficiencies on the PBF audit, assistance from OGC in the preparation for Board meetings, a reduction in consulting requests, and a reduction in operational meetings attended by UAC.

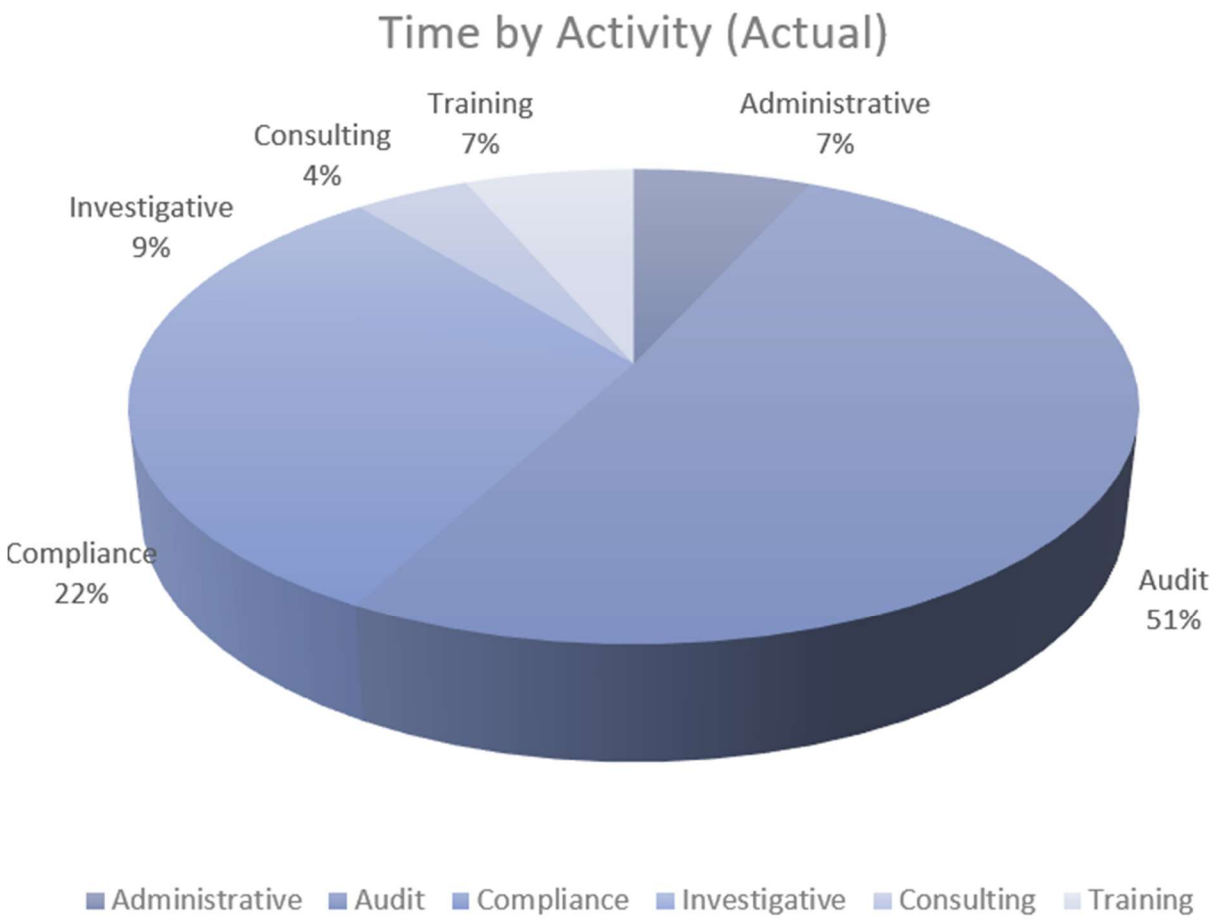
TABLE 3
COMPARISON OF ACTUAL HOURS – CURRENT AND PRIOR PERIODS

Activity	FYE24	FYE25	FYE26	Difference	% Difference
Administrative	202	145	119	(26)	-21.8%
Audit	554	867	897	30	3.3%
Compliance	523.5	337	393	56	14.2%
Investigative	292	105	158.5	53.5	33.8%
Consulting	96	137.5	77	(60.5)	-78.6%
Training	122	144	113.5	(30.5)	-26.9%
Totals	1,789.5	1,789.5	1,758	(54)	-3.0%

As reflected in Table 3, the most significant variances from year-to-year were increases in compliance and investigative efforts, that were offset with reductions in consulting, training, and administrative time. As noted from the introduction to this annual report, audit reports were completed for the PBF audit, IT Follow-up, and a Contractual Service Payments Follow-up Review.

The following graph depicts actual hours by activity for the 2025-26 fiscal year:

[2] Differences in total planned versus total actual hours is primarily the result of more personal time off than planned and additional discretionary holidays granted resulting in less direct time charged to audit and compliance activities.



Other Mandatory Disclosures – Audit and Compliance

UAC adheres to the Global Internal Audit Standards (*Standards*) adopted by the Institute of Internal Auditors. Those *Standards* and University Audit's Charter require certain other annual disclosures as follows:

- Organizational Independence: The Internal Audit Charter effectively establishes the position of Chief Audit Executive (CAE) and provides for a dual-reporting relationship of the CAE to promote independence and objectivity. In this dual-reporting relationship, the CAE reports functionally to the AACC and administratively to the President. In addition, to further promote independence the Charter specifies that the CAE is not authorized to perform any operational duties, initiate or approve accounting transactions or the selection of vendors, or direct the activities of any University employee.
- Impairments to Independence or Objectivity: Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. Objectivity is an unbiased mental attitude that allows internal auditors to

perform engagements in such a manner that they believe in their work product and that no quality compromises are made. During the reporting period, there were no impairments to the independence or objectivity of UAC.

- Disclosure of Nonconformance: When nonconformance with the *Standards* impacts the overall scope or operation of the internal audit activity, such matters must be disclosed to senior management and the board. During the reporting period, there were no such instances of nonconformance with the *Standards*.
- Management's Response to Unacceptable Risks: When the CAE concludes that management has accepted a level of risk that may be unacceptable to the university, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the Board. For the audit period, no such matters were noted or required to be reported to senior management or the Board.
- Quality Assurance and Review (QAR) Program: A QAR program is designed to enable an evaluation of the internal audit activity's conformance with the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The *Standards* require ongoing internal reviews as well as an external QAR. An external QAR is required to be conducted every five years. The University's first-ever QAR was completed in September 2022 and resulted in conformance at the highest level with IIA Standards and the IIA's Code of Conduct. The next external QAR is required to be completed by September 2027 and will be evaluated using the revised IIA Global Internal Audit Standards.
- Restrictions or Barriers to Information: The University Audit Charter requires that the Chair of the Audit and Compliance Committee is to be notified of any unresolved restriction, barrier, or limitation to obtaining necessary information to perform UAC's duties. No such restrictions or barriers have been encountered by UAC.

Compliance & Ethics Program Activity

BOG Regulation 4.003, *State University System Compliance and Ethics Programs (CEP)* requires each university to establish a CEP and complete an external review of the CEP's design and effectiveness and identify any recommendations for improvement, as appropriate. In June 2022, the final report for the review of Florida Poly's CEP was completed and issued in accordance with BOG Regulation 4.003. The review was completed by an external assessment team utilizing criteria established by the SUS Compliance Consortium to evaluate the CEP's conformance with BOG requirements and Federal Sentencing Guidelines for an effective CEP. The results of the external review disclosed general conformance with each of the 16 areas considered. UAC is currently in the process of obtaining its second external review and expects completion of this review in FY27.

The following summarizes the activity of the Compliance function for FYE26:

- **Compliance and Ethics Program Plan**. Each year, the CCO prepares a Compliance & Ethics Program Plan (Plan) that is presented to the AACC for approval. The 2025-26 Plan was presented to and approved by the AACC in September 2025. Table 5 below provides a measure of actual progress against the BOT-approved Plan for FYE26:

Table 5
Compliance & Ethics Program Plan – FYE26
Actual Progress vs. Approved Plan

#	Planned Area of Focus	Status/Comments
1	General Compliance Activities/Investigations	☑
2	Trainings & Communication	☑
3	Textbook Affordability Monitoring Review (Fall 2025)	☑
4	Textbook Affordability Monitoring Review (Spring 2026)	☑
5	Conflicts of Interest Review	X (A)
5	Consult: Foreign Influence Reporting	Ongoing (B)
6	Consult: Fraud Awareness	☑ (C)
☑	Planned area of focus in progress or completed.	
X	Planned audit or review not completed in Plan year.	
(A)	In progress, expected to be released in FY27.	
(B)	UAC assisted on a consultative basis rather than performing monitoring.	
(C)	UAC collaborated with Risk Management to review the anti-fraud risk framework and to conduct anti-fraud training for the University community.	

University Compliance has given thought as to how it can be more effective with respect to providing coverage for planned areas of focus and has determined that greater efficiencies would be achieved by issuing Compliance Monitoring Reports for each of the planned focus areas approved by the AACC. These reports provide slightly less assurance than an audit report but allow UAC to provide greater coverage of selected areas of risk. Additionally, ongoing monitoring

of various transactions is performed by UAC to identify potential areas of concern or noncompliance.

- **Compliance and Ethics Hotline**. The "Compliance and Ethics Hotline" was established to report suspected or actual instances of noncompliance, fraud, waste, or abuse directly to the CAE/CCO. The Hotline provides various methods of reporting including an on-line form, telephone, fax, or direct mailing to a local post office box for completely anonymous reporting. These reporting mechanisms are publicized on the university website and promoted in trainings conducted by UAC.
- **Board Trainings/Orientations**. The CCO participates in individual orientation sessions for new Trustees to familiarize them with the duties and responsibilities of the audit and compliance functions at the university. During FY26, 6 such orientation sessions were conducted with new trustees.
- **Allegations and Investigations**. Allegations are reported to UAC through the Compliance and Ethics Hotline, written correspondence (letters and email), telephone calls, referrals from the Board of Governors Inspector General, referrals from the Chief Inspector General from the State's Executive Office of the Governor (EOG), and other sources. During the reporting period, UAC received 11 allegations, complaints, or concerns from which no investigative reports were issued by UAC. One allegation was incorporated into a planned follow-up review on contractual services. All other matters were referred to management for corrective action and/or did not warrant further investigative effort.
- **Employee Trainings/Orientations**. The CCO participates in orientation sessions for new employes to familiarize them with University expectations toward ethical conduct; compliance with laws, rules and regulations; and reporting options. During FY26, 2 such orientation sessions were conducted with new employees. Additionally, fraud awareness training sessions were conducted collaboratively with University Risk Management on 2 dates.

Allegations can be classified and analyzed for patterns of behavior to determine whether UAC needs to commit future resources in order prevent or correct recurring concerns. For instance, certain matters can be potentially remediated with either additional training or an in-depth audit designed to address such concerns. Based on an analysis of the reported nature of allegations for FYE26, no particular area rises to the level of high risk warranting such remedial efforts. However, control deficiencies cited in the review over contractual service payments were discussed with Procurement and the University Controller for remediation.

Consulting and Advisory Activity

UAC provides consulting and advisory services which are intended to provide advice and guidance on a wide variety of topics related to compliance, internal controls, reporting, and business practices. This includes reviewing current practices, researching and interpreting policies and procedures, and responding to routine inquiries. UAC also serves as a liaison with external auditors. During the reporting period, UAC assisted with the following consultative projects:

- Internal controls/compliance/best practices
- Review of the Annual Financial Report
- Fraud prevention and detection
- Foreign Influence Controls and Reporting
- Foundation Internal Controls
- Compliance with New Legislative Changes
- Statement of Financial Interests (FCOE Form 1) Reporting & Comon Errors
- Miscellaneous advisory services on a variety of other topics

During the current reporting period, UAC responded to a total of 34 consulting and/or advisory requests that accounted for approximately 4 percent of UAC's resources.

Professional Development and Certifications

UAC maintains active memberships and attends training and continuing professional education seminars from the following professional organizations:

- Institute of Internal Auditors (IIA)
- Association of College and University Auditors (ACUA)
- Society of Corporate Compliance and Ethics (SCCE)
- American Institute of Certified Public Accountants (AICPA)
- State University Audit Council (SUAC)
- SUS Compliance Consortium

UAC meets regularly with other State University System CAE's in SUAC and CCO's in the Compliance Consortium to discuss emerging issues and exchange knowledge for best practices related to audit and compliance. Both groups continued to hold periodic virtual meetings to discuss common relevant issues, best practices, and trends in audit and compliance. Additionally, both groups met in person during FY26.

As noted in Table 3, the CAE/CCO's activities included 113 hours for training, which translated into 53.5 continuing professional educational (CPE) hours and/or CEU credits. Certain trainings (e.g. SUAC and the Consortium) and all travel to and from trainings are charged as training hours; however, they do not qualify for CPE/CEU credits. Training obtained during the fiscal year met the requirements set forth by the Institute of Internal Auditors, the AICPA, the University Audit Charter, the Society for Corporate Compliance and Ethics, and the University Compliance Charter.

The CAE/CCO is licensed as a Florida Certified Public Accountant (CPA) and a Certified Compliance & Ethics Professional (CCEP)®. A CCEP designation is awarded to someone with knowledge of relevant regulations and expertise in compliance processes sufficient to assist organizations with their legal obligations, and someone who promotes organizational integrity through the operation of effective compliance programs. Both professional certifications require a certain amount of professional development to maintain licensure.

Key Performance Indicators (KPIs) – Audit & Compliance

Key Performance Indicator	FYE21	FYE22	FYE23	FYE24	FYE25	FYE26	Comments
Total reports released	9	9	8	7	9	7	
Number of audits/reviews completed	1	2	2	1	4	2	
Percentage of audit effort	31.6%	42.4%	38.8%	31.0%	50.0%	51.0%	
Compliance Monitoring Reports Issued	3	4	3	3	2	2	
Number of allegations addressed	2	9	6	8	8	11	
Number of investigative reports released	0	0	0	0	1	0	
Number of consults/compliance inquiries	80	82	64	38	49	34	
Number of certifications held by UAC staff	2	2	2	2	2	2	CPA, CCEP
Training sessions conducted by UAC	1	0	0	0	0	4	
Audit experience (years)	31	32	33	34	35	36	
Compliance professional experience (years)	3	4	5	6	7	8	

KPI's are incorporated into this annual report for both audit and compliance to facilitate better AACC oversight. UAC welcomes the addition of any additional suggested metrics.

Compliance Message

Compliance and ethics begins with you because of the difference your decisions can make. When a concern is identified by anyone, it is important that the university is able to respond to the matter and correct the issue. Your choice to report the matter (or to do nothing) will have a significant impact on the university – and this is just one way that compliance and ethics begins with you.

UNIVERSITY AUDIT & COMPLIANCE
HOTLINE REPORTING OPTIONS:

EMAIL: dblanton@floridapoly.edu
PHONE: 863.874.8441
MAIL: PO BOX 1808/EATON PARK FL/33840*
WEBSITE REPORTING FORM: SEE UAC WEBPAGE
IN PERSON: USOC 1023

*This option allows for complete anonymity in reporting any concern. (For all other options, UAC will attempt to maintain anonymity to the extent possible).