

## ANNUAL REPORT 2023-24 FISCAL YEAR

**Report No: FPU 2025-01**

**July 2024**

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 2023-24 fiscal year.

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*Message from the Chief Audit Executive and Chief Compliance Officer*

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Board of Governors (BOG) Regulations<sup>1</sup> 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, 2023, to June 30, 2024 (FYE24). 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 three audit efforts/reports:
  - Report FPU 2024-01: Annual Report (FYE23)
  - Report FPU 2024-02: Risk Assessment and Work Plan (FYE24)
  - Report UAC 2024-05: Performance Based Funding Data Integrity Audit (2023)
- Completed and released four compliance reports and/or planned projects:
  - Report FPU 2024-03: Compliance Program Plan (FYE24)
  - Report FPU 2024-04: Textbook Affordability (Fall 2023)
  - Report FPU 2024-06: Textbook Affordability (Spring 2024)
  - Report FPU 2024-07: Safety in Public Spaces Act
- Administered and disposed of 8 allegations or complaints reported to UAC via the hotline.
- Assisted with various consulting activities to enhance university operations.
- Obtained relevant educational training for both audit and compliance, as required.

This was the fourth 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 timely complete and submit the required audit, which consumed a significant portion of UAC's resources for the reporting period. Continued efficiencies on completing this annually recurring audit are expected going forward.

In addition to completing the PBF data integrity audit, UAC was able to complete monitoring efforts over textbook affordability for two different terms, a monitoring review over the newly required Safety in Public Spaces Act, and assist on various other consultative matters during the year. Looking forward to

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<sup>1</sup> Board of Governors Regulations 4.002 (State University System Chief Audit Executives) and 4.003 (State University System Compliance and Ethics Programs).

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FYE25, UAC will again be principally driven by certain external requirements (e.g. performance-based funding audit, a statutorily required audit of foreign influence, and follow-up on various external audits).

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

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***Purpose and Mission***

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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.

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***Definition and Role of Internal Auditing***

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According to the Institute of Internal Auditors (IIA):

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." Under the IIA "Three Lines of Defense" model, Internal Audit serves as "the third line of defense" as noted below:

- The first line of defense is provided by front line staff and operational management. The systems, internal controls, the control environment and culture developed and implemented by these business units are crucial in anticipating and managing operational risks.
- The second line of defense is provided by the risk management and compliance functions. These functions provide the oversight and the tools, systems and advice necessary to support the first line in identifying, managing, and monitoring risks.
- The third line of defense is provided by the internal audit function. This function provides a level of independent assurance that the risk management and internal control framework is working as designed.

The IIA has issued revised standards and guidance over internal audit operations. These Standards are effective in 2025 and will be evaluated by UAC to ensure conformance.

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***Governance and Charters***

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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:

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- **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.

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

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The following summarizes the activity of the internal audit function for the period of July 1, 2023 to June 30, 2024:

- **UAC Annual Report – FYE23.** This report was prepared and presented to summarize the activities of University Audit and Compliance for the 2022-23 fiscal year. (Report FPU 2024-01)
- **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 2024-02)
- **Performance Based Funding 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, 2023. The audit resulted in no reportable matters.

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**AUDIT PLAN PROGRESS & RESOURCE UTILIZATION**

Table 1 below provides a measure of actual progress against the BOT-approved audit work plan for FYE24:

<b>Table 1 Audit Plan – FYE24 Actual Progress vs. Approved Audit Plan</b>			
#	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. Follow-up of prior PBF audit observations.	☑
4.	Foundation Follow-up	To determine whether controls have been properly implemented to adequately correct the segregation of duties finding in the Crowe “Review of Internal Controls for University Direct Support Organizations”.	X (A)
5.	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”.	X (A)
6.	Asset Accountability	To determine whether appropriate controls exist to adequately account for University capital asset acquisitions (for both capitalized assets and highly desirable assets under the capitalization threshold).	X
☑	Planned audit or review completed.		
X	Planned audit or review not yet completed.		
(A)	In progress. Carried into FYE25 audit plan.		

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, two audit focus areas were completed from the prior plan year (PBF audit). Most other UAC resources were reallocated to the compliance function and investigations which are detailed in Table 5 of this report.

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**TABLE 2  
COMPARISON OF APPROVED PLAN HOURS TO ACTUAL HOURS – FYE24**

Activity	Plan Hours	Actual Hours	Difference	% Difference
<b>Administrative</b>	220	202	(18)	-8.2%
<b>Audit</b>	840	554	(286)	-34.0%
<b>Compliance</b>	400	523.5	123.5	30.9%
<b>Investigative</b>	120	292	172	143.3%
<b>Consulting</b>	156	96	(60)	-38.5%
<b>Training</b>	120	122	2	1.7%
<b>Totals</b>	1,856	1,789.5	(66.5) <sup>2</sup>	-3.6%

As reflected in Table 2 above, UAC's time for audit efforts was significantly less than planned. Due to the uncertain nature and frequency of investigative activities, planned hours are very difficult to predict. The variance in audit hours directly relates to the deferral of planned audit projects into FYE25. Nevertheless, these plan hours were redirected primarily to investigative activities.

**TABLE 3  
COMPARISON OF ACTUAL HOURS – CURRENT AND PRIOR PERIODS**

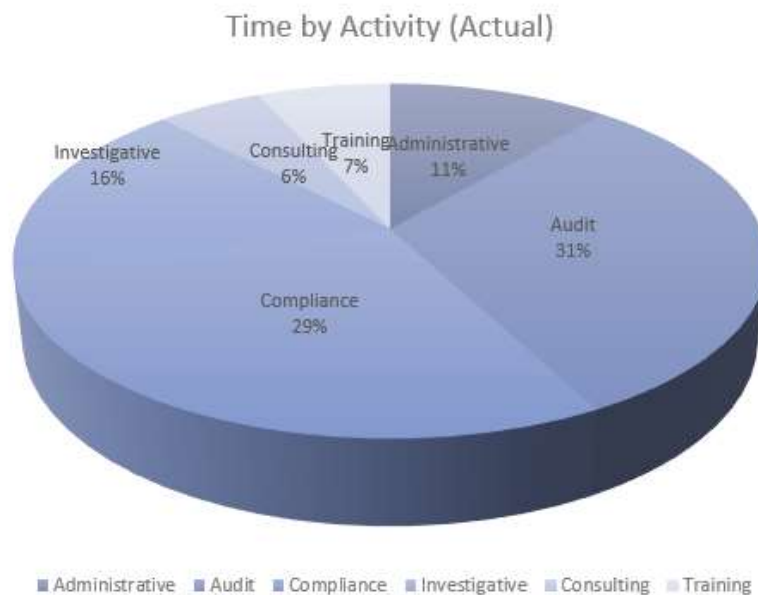
Activity	FYE22	FYE23	FYE24	Difference	% Difference
<b>Administrative</b>	219	235	202	(33)	-14.0%
<b>Audit</b>	758.5	715	554	(161)	-22.5%
<b>Compliance</b>	484	577.5	523.5	(54)	-9.4%
<b>Investigative</b>	87	45.5	292	246.5	541.8%
<b>Consulting</b>	157.5	149.5	96	(53.5)	-35.8%
<b>Training</b>	83.5	118.5	122	3.5	3.0%
<b>Totals</b>	1,789.5	1,841	1,789.5	(51.5)	-2.8%

As reflected in Table 3, the most significant variances from year-to-year were reductions primarily in audit, compliance, and consulting efforts, that were offset with increases to investigative activities.

<sup>2</sup> Differences in total planned versus total actual hours is primarily the result of more personal time off than planned (resulting in less direct time charged).

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The following graph depicts actual hours by activity for the 2023-24 fiscal year:



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***Other Mandatory Disclosures – Audit and Compliance***

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UAC adheres to the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing (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 Code of Ethics or 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 either the Code of Ethics or the *Standards*.



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- 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 Standards. An interim self-assessment is planned for FYE25.
- 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.

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***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.

The following summarizes the activity of the Compliance function for FYE24:

- **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 2023-24 Plan was presented to and approved by the AACC in September 2023. Table 5 below provides a measure of actual progress against the BOT-approved Plan for FYE24:

<b>Table 5</b> <b>Compliance &amp; Ethics Program Plan – FYE24</b> <b>Actual Progress vs. Approved Plan</b>		
#	Planned Area of Focus	Status/Comments
1	General Compliance Activities/Investigations	☑
2	Trainings & Communication	☑
3	Textbook Affordability Monitoring Review (Fall 2023)	☑
4	Textbook Affordability Monitoring Review (Spring 2024)	☑
5	Consult: Foreign Influence Reporting	Ongoing (A)
6	Safety in Public Spaces Act Monitoring Review	☑
7	Consult: Fraud Awareness	X - In-progress (B)
☑	Planned area of focus in progress or completed.	
X	Planned audit or review not completed in Plan year.	
(A)	UAC assisted on a consultative basis rather than performing monitoring. Required audit in FYE25.	
(B)	UAC working with the newly established Director of Risk Management to address this area.	

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

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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.
- **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 8 allegations, complaints, or concerns from which no investigative reports were issued by UAC. One allegation was outsourced to an outside investigator and the final report is currently pending release. All other matters were referred to management for corrective action and did not warrant further investigative effort.

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 FYE24, no particular area rises to the level of high risk warranting such remedial efforts.

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***Consulting and Advisory Activity***

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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
- Miscellaneous advisory services on a variety of other topics

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During the current reporting period, UAC responded to a total of 38 consulting and/or advisory requests that accounted for approximately 5 percent of UAC's resources.

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***Professional Development and Certifications***

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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 FYE24.

As noted in Table 3, the CAE/CCO's activities included 122 hours for training, which translated into 69 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)<sup>®</sup>. 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.

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*Key Performance Indicators (KPIs) – Audit & Compliance*

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<b>Key Performance Indicator</b>	<b>FYE20</b>	<b>FYE21</b>	<b>FYE22</b>	<b>FYE23</b>	<b>FYE24</b>	<b>Comments</b>
Total reports released	8	9	9	8	7	
Number of audits completed	2	1	2	2	1	PBF audit
Percentage of audit effort	27.7%	31.6%	42.4%	38.8%	31.0%	
Compliance Monitoring Reports Issued	0	3	4	3	3	
Number of allegations addressed	18	2	9	6	8	
Number of investigative reports released	4	0	0	0	0	One outsourced investigation in progress
Number of consults/compliance inquiries	138	80	82	64	38	
Number of certifications held by UAC staff	2	2	2	2	2	CPA, CCEP
Training sessions conducted by UAC	4	1	0	0	0	
Audit experience (years)	30	31	32	33	34	
Compliance professional experience (years)	2	3	4	5	6	

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 to KPIs presented.

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***Compliance Message***

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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](mailto:dblanton@floridapoly.edu)

**FAX:** 863.874.8509

**PHONE:** 863.874.8441

**MAIL:** PO BOX 1808/EATON PARK FL/33840\*

**WEBSITE REPORTING FORM:** SEE UAC WEBPAGE

**IN PERSON:** LTB 1146 at POLY SOUTH

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