<table>
<thead>
<tr>
<th>Time</th>
<th>Action Item</th>
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<tbody>
<tr>
<td>9:30-9:40</td>
<td>Approval of March 7, 2013 minutes</td>
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<tr>
<td>9:40-9:50</td>
<td>Annual review and approval of the Internal Audit Charter</td>
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<tr>
<td>9:50-10:05</td>
<td>Review IRS Form 990</td>
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<tr>
<td>10:05-10:10</td>
<td>Recommend to Board of Trustees to Review IRS Form 990</td>
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<tr>
<td>10:10-10:35</td>
<td>Legal and Compliance</td>
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<tr>
<td>10:35-10:45</td>
<td>Review and approve Audit Committee Charter to move to Executive/Trusteeship Committee</td>
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<tr>
<td>10:45-10:50</td>
<td>Internal Audit Update Fiscal Year 2012 – 2013, including discussion of any significant Audit or Accounting issues</td>
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<tr>
<td>10:50-10:55</td>
<td>Risk Assessment - Summary of Responses to Questionnaires</td>
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<tr>
<td>10:55-11:05</td>
<td>Internal Audit Plan Fiscal Year 2013 - 2014</td>
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<tr>
<td>11:05-11:10</td>
<td>Form of Communication for Committee</td>
</tr>
<tr>
<td>11:10-11:15</td>
<td>Other Business</td>
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<tr>
<td>11:15-11:30</td>
<td>Executive Session with the Deloitte &amp; Touche</td>
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<tr>
<td>11:30-11:45</td>
<td>Executive Session with the Internal Auditor</td>
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**Note(A)** - For the Board of Trustees, the Form 990 will be posted on the Board of Trustees’ website for their review.
MINUTES OF THE AUDIT COMMITTEE
OF THE BOARD OF TRUSTEES
May 16, 2013

PRESENT:
N. John Simmons, Chair
Paul Soukup, S.J., Vice Chair
Virginia Angelico-Tatum
Donald Faust, M.D.
Floyd Malveaux, M.D. via teleconference

ABSENT:
Kevin Poorman

INVITED:
Lynn Hoffman, Internal Auditor, Executive Secretary (ex officio)
Gita Bolt
Arlene McCarthy
Jay Calamia
Leon Mathes
Ric Bell
Debbie Bergeron, Recording Secretary

Deloitte & Touche attendees:
Joe Farris
Elaine Reyes
Kristi Sharp
Pete Vernaci

The meeting was called to order at 9:34 a.m. by John Simmons.

1. ACTION ITEM #1: Approval of March 7, 2013 Minutes
Mr. Simmons asked for approval of the minutes. All were in favor, and the minutes were approved.

2. ACTION ITEM #2: Annual Review and Approval of the Internal Audit Charter
Mr. Simmons asked if there were any questions regarding the charter. Fr. Soukup asked why there was no connecting link on the organization chart to the Vice President for Finance and Administration. Mr. Calamia explained that at one time there was a connection because there was a closer relationship to the internal auditor, but it was decided that it was best to have a complete separation. Mr. Simmons then asked for a motion to approve the charter. A motion was made, all were in favor, and the charter was approved.

3. Review IRS Form 990
Mr. Simmons asked if there were any questions regarding Form 990. Fr. Soukup asked if the time period covered is 2011-2012. Mr. Mathes stated yes, that the period ends 7-31-2012. Fr. Soukup then asked if the statement was out of order. Ms. Sharp responded that it was not out of order, that Part 1 is related to Statement 1 so it falls in reference to the statement itself.

4. ACTION ITEM #3: Recommend to Board of Trustees to Review IRS Form 990
Mr. Simmons asked for a motion to present Form 990 to the Board of Trustees for their review. A motion was made, all were in favor, and the motion was approved.
5. **Legal and Compliance**

**A. Compliance Matrix and Proposed Compliance Project Plan for 2013-14**

A compliance calendar handout was distributed. Ms. McCarthy stated that they have a good handle on most of the compliance policies. Ms. Bolt stated that they are establishing a process wherein reporting will be directed to one area although it may need modification at some point. She also noted that it is important that the individual named will have the authority to follow through with the process. Mr. Mathes mentioned that there are a few ad hoc reports like the W-9 that should be included as well.

Ms. Bolt stated that there will be six deputies on campus who will be trained in the areas of sexual harassment and the Clery Act. Student training will also be included.

**B. Combined Ethics/Whistleblower/Retaliation Policy Update**

Ms. Bolt reported that the Ethics/Whistleblower Policy will be presented to the Cabinet next month. The retaliation policy is still with the Senate.

**C. Fraud Investigation Policy Update**

The fraud policy along with the minors on campus policy and those mentioned above will be bundled and sent to the Senate for their first meeting next fall.

**D. Amended Bylaws Update**

Ms. Hoffman stated that the Audit Committee bylaws (charter) were reviewed against the university bylaws resulting in a final version which is presented today. Mr. Simmons asked about the notation on Page 25 of university bylaws regarding eliminating restrictions on the Executive Committee from incurring indebtedness. Ms. Bolt stated that Fr. Larry Moore informed her that the language was included when the university owned WWL and there were so many properties that they wanted the whole Board to make decisions rather than solely the Executive Committee. There are certain issues that still remain within the power of the full Board, such as disposition of real estate, conferral of degrees, etc., but approval of contracts with costs can get approved by the Executive Committee. Fr. Soukup stated that this seemed to be a protective measure if action was needed between meetings of the full Board.

Mr. Simmons asked about the status of the hotline. Ms. Bolt replied that she reviewed and returned the contract from The Network and should have the phone number by next week. The system should be up and running for the summer.

(Ms. McCarthy left the meeting at this point.)

6. **Review and Approval of Audit Committee Charter**

Mr. Simmons noted that the charter had been discussed previously, and since there were no questions, he asked for a motion to approve the Audit Committee charter. A motion was made, all were in favor, and the motion was approved. The charter will be submitted to the Board in the fall.

7. **Internal Audit Update – Fiscal Year 2012-2013**

Ms. Hoffman gave the following update:

- The university financial statements were audited and were unqualified.
- Both the A133 and EZ audit filing were submitted.
- The Forms 990 and 990T have been completed. The Gillis Long Poverty Center audit of 12/31/12 is also complete. There were no issues.
• Relative to LIM students in the state of Kentucky, the state needs to insure that Loyola’s surety bond coverage is in excess of unearned tuition. A letter was sent to the state indicating same. There were no issues.
• The risk assessment process is ongoing. The risk assessment survey was sent to all auditable units in January. The majority have been received.
• Projects are in the draft report stage. These include Institutional Research, Government Relations, and Study Abroad (undergraduate and law).

Ms. Hoffman shared the following issues that she is addressing:
• Institutional Research is 99% complete. A meeting is necessary to discuss some issues with the Provost although it is not an issue with Institutional Research. Last fall incorrect data was reported to U. S. World and News Report regarding student debt. The data came from PowerFaids which is a new system that was implemented the previous year. However, the previous year’s data on student debt had not been entered into the system. Ms. Hoffman will meet with the Provost to discuss measures that can be taken to insure that data is correct before being shared as well as when entered into the system.
• Ms. Hoffman stated that she is working with Kathy Gros, Director of Registration Services, to insure that her staff is aware of what constitutes sensitive data and that emails containing sensitive data are encrypted. Mr. Simmons asked if there is an email system that has the ability to recognize social security and credit card numbers in an email and block the communication of the numbers. Ms. Hoffman responded that she would investigate.
• Managers for the Study Abroad Program are not reconciling their accounts. They are not aware of the funds in the account, and in addition, the programs are not posted to the students’ accounts so there is no systematic trace to track payments. Dr. Faust asked if this is due to a computer problem. Ms. Hoffman responded no, that it just seems to need to be programmed correctly because there are some student accounts that reflect the transactions but it is not consistent. The process must also be improved. The Director of the Study Abroad Program will work with Judy Vogel, Student Finance Director, and Leon Mathes to correct these problems. Six review letters were sent to the program managers to inform them of their individual issues so that they can reconcile their accounts.
• The Study Abroad Program has turned into two different audits – undergraduate and law school. Due to issues that have been discovered, Ms. Hoffman stated that she will closely examine the LaNasa scholarship.
• Test work has been completed for Government Relations, and the report will be submitted to Tommy Screen for his comments. The report will then be finalized.

Ms. Hoffman reported that Samantha Weller (the student worker) is working on NAIA compliance, athletics, expense test work, and parking services.

Dr. Malveaux asked whether or not the Internal Audit Office audits the externally funded research at the university. Ms. Hoffman stated that she has done a six-account audit on the grant monies or funds from outside forces but Tootie Buisson, Senior Financial Analyst, has final approval on check request processing of expenses. Ms. Buisson reviews it against any contracts from which the expenses are being paid. Ms. Hoffman said that the NAIA compliance and athletic and wellness audit have many six accounts which she will look into, and she will be focused on athletics for transaction test work. Mr. Simmons asked about the amount of grant money for faculty research received by the university. Mr. Calamia responded that it is in the area of a few hundred thousand dollars.

Ms. Hoffman reported on next year’s plan, stating that she will be looking at risk assessment units. She said that this is the end result of surveys that were sent out. The top three (Development and
Annual Giving, Institutional Research, and Grants and Research) have already been audited within the last few years. She has not yet looked at Admissions and Facilities/Operations. She noted that petty cash was an issue a couple of years ago. Also, she will be reviewing NAIA title non-compliance.

Mr. Simmons stated that Internal Audit should determine if there are any potential areas or processes with $1M± impact. For instance, the university is focused on the enrollment process, including the allocation of financial aid. He suggested to Fr. Wildes that Internal Audit and the Audit Committee may be able to assist with reviewing the process and making suggestions. He then inquired if there was anything else for next year. Ms. Hoffman responded that she will focus on the Small Business Development Center.

Mr. Simmons asked if the planning hours were for both her and Samantha Weller, her student assistant. Ms. Hoffman responded that the hours were hers alone, and she will need to check with Samantha regarding her hours. Fr. Soukup asked if there was any reason for adjusting the hours for the A133 this year, indicating that last year it was 79 but has now been reduced to 60 hours. He asked if she possibly had a better handle on it, and she responded that she did.

8. Risk Assessment – Summary of Responses to Questionnaires
Ms. Hoffman reported that risk assessment is ongoing. She has received most of the responses on the risk assessment survey. There were 40-45 questions with weighted averages. The answers have a value of 1, 3, or 5. The higher the number, the higher the risk is. It is sorted by risk total. For example, The Center for Intercultural Understanding is a low risk. High risk would be Development and Annual Giving. Fr. Soukup asked if she used a subjective judgment. She responded that the survey is objective, however, she did not put 1, 3, or 5 on the survey so no one could indicate it to be low or high risk. Answers had to be selected using the choices given. Fr. Soukup asked for an example. Ms. Hoffman said she looks for turnover, at its significance or if it exists at all.

The proposed plan for 2013-14 had been reviewed at the last Committee meeting and certain aspects discussed as part of the 2012-13 project status. There were no further questions or discussion regarding the internal audit plan.

10. Form of Communication for Committee
Committee members agreed that electronic communication is their mode of choice but in the event a paper copy is needed, Ms. Hoffman should be informed and will provide it.

11. Other Business
Ric Bell, Director of Risk Management, was introduced by Mr. Simmons and asked to give an overview of what he does. Mr. Bell stated that he has been with Loyola since 1997 and spends most of his time insuring that the university has the proper insurance coverage. He said that liability is always a concern, and the university has at least eight different liability policies, among them a media policy, a foreign liability policy including foreign worker’s compensation, and a professional liability policy for attorneys and faculty. The educational legal liability is a D & O policy for various different claims related to an educational institution. United Educators provides the policy. There is seamless coverage linked with the general insurance policy. He said that a large percentage of his time is spent on the property coverage side, especially since Katrina. Mr. Bell stated that he meets with legal counsel periodically to evaluate the policies and continually consults with departments on events and programs that they are considering. For example, there are many risks associated with the Executive MBA programs in Honduras and Hong Kong so coverage must thoroughly be evaluated.
Fr. Soukup then asked if there is an increased level of risk as enrollment of students with disabilities rises. Mr. Bell responded that it does increase exposure for the faculty, administration and the institution. He said the response to this issue should be additional training for faculty and review of our threat assessment process. He added that there is a behavioral intervention team in Student Affairs who will intervene to see how to best help a student. He said that the assessment process has grown out of workplace violence, and we must constantly adapt our response. Ms. Bolt added that there is an increased risk with new federal regulations on how to handle a student who may be likely to harm him/herself without violating his/her civil rights. A balance must be found between protecting both the student and the university community.

Dr. Faust asked if the university has parameters for traveling to places that may be unsafe or off limits. Mr. Bell responded that although there are no specific parameters, some guidance comes from the insurance companies. The State Department has security guidelines as well.

Mr. Simmons asked about the premium dollars for insurance coverage. Mr. Bell stated it is a little under $3M which includes everything – property, casualty, worker’s comp. The insured value on the property is $325M.

12. Executive Session with Deloitte & Touche
All agreed that an Executive Session was not necessary.

Ms. Sharp reported that she met with Ms. Hoffman and Mr. Mathes to become proactive on the audit plan. They will focus on costs that are being capitalized related to the construction and capital interest in association with construction costs as well as timing and when procedures will be performed. She said that she will be receiving an updated schedule of federal expenditures from Tootie Buisson. Regarding A133 monies, they will determine if there are any modifications to be made based on expenses through April 30th.

Ms. Sharp said that they will be on site in August for a few weeks and then again on September 19th. There will also be a round table discussion on June 19th to focus on the health care arena plus one more date in the future specifically for universities (which will be conducted locally).

Mr. Vernaci added that the 990 will be signed electronically before the June 15 date. There have been a number of changes in reporting for exempt institutions, and he noted that Mr. Mathes has done an excellent job responding to the changes.

Ms. Sharp mentioned that there is a group from Boston that Ms. Bolt could contact to discuss compliance, if she wishes.

Mr. Simmons suggested that a topic of concern be given to Deloitte and Touche possibly once a year for their feedback. Mr. Calamia stated that is already being done as his office is discussing the expected fall enrollment shortfall with them to get their perspective.

Mr. Simmons asked for a motion to officially approve the Deloitte and Touche engagement letter. A motion was made, all were in favor, and the motion passed.

13. Executive Session with Internal Auditor
The committee went into Executive Session with Internal Auditor, Lynn Hoffman. There were no items of concern which resulted from this discussion.

14. Adjournment
There being no further business, the meeting was adjourned at 10:55 a.m.
Loyola University New Orleans
Internal Audit Charter

Purpose

The Internal Audit Department’s function is to be an independent appraisal function established within the University to review activities as a service to management and the Board of Trustees. The objective of the position of Internal Auditor is to assist managers of all units of the University in the effective discharge of their responsibilities by furnishing them with independent objective appraisals, analyses, recommendations, counsel, and information for improving the activities reviewed. Internal auditing is intended to be a protective and constructive link between policy making and operational levels.

In performing these functions, the Internal Auditor has no direct responsibility or authority over any activities reviewed. Therefore, the internal audit review and appraisal does not relieve persons in the University of the responsibilities assigned to them.

Authority

The Internal Auditor is authorized to direct a broad, unrestricted, comprehensive program of internal auditing and operations analysis within the University. The Internal Auditor examines and evaluates the adequacy and effectiveness of the administrative and management control systems provided by the University to direct its activities toward the accomplishment of its objectives in accordance with University policies and procedures. In accomplishing these activities, the Internal Auditor is granted full, free, and unrestricted access to all University functions, records, information, property, and personnel of the particular activity that he/she has been assigned to audit; in this connection, it is not envisioned, for instance, that the Internal Auditor would have access to personnel matters or tenure deliberations. Departments and activities under review are required to render every possible assistance that will facilitate the progress of the audit. The Internal Auditor shall exercise discretion and assure the confidentiality of all audit matters.

Responsibilities

The Internal Auditor is responsible for:

1. Determining that the overall system of internal control and the controls in each activity under the audit are adequate, effective, and functioning.

2. Ascertaining the extent of compliance with established policies, procedures, plans, and laws.

3. Reviewing operations, programs, procedures, and records for their adequacy to accomplish intended objectives and goals.

4. Ascertaining the reliability and appropriateness of reports and data developed within the University.

5. Appraising the audited unit’s quality of performance in carrying out assigned responsibilities.

6. Ascertaining the extent to which University resources are accounted for, safeguarded, and used economically, effectively, and efficiently.
7. Conducting special examinations at the request of management, including the reviews of representations made by persons outside the University.

8. Reviewing any frauds, embezzlements, and defalcations in the University.


10. Recommending operating improvements designed to safeguard and conserve University resources, promote University objectives, reduce costs, and ensure compliance with government laws and regulations.

11. Reviewing implementation of recommendations.

12. Conducting reviews of the internal operations of any organizational unit or function as are necessary to accomplish the above listed objectives.

Organizational Status

1. The Director of Internal Audit is charged with the duty of managing the internal audit function of the University. The Director of Internal Audit has direct access to the President. The Director of Internal Audit reports directly to Audit Committee of the Board of Trustees. The Director of Internal Audit works with the Vice President for Business and Finance for administrative, logistic, and external audit planning purposes.

2. The Director of Internal Audit is expected to attend Audit Committee meetings, and is responsible for notifying and meeting with the President and/or Audit Committee directly at any time if such action is necessary to protect the University’s interests. Activity reports highlighting significant audit findings and recommendations including significant deviations from the approved audit work schedule, staffing plans, and financial budgets should be submitted at least every six months to the President and/or Audit Committee.

3. In order to enhance independence of the Internal Auditor, the President and the Audit Committee of the Board of Trustees should concur in the appointment and removal of the Internal Auditor.

4. The President shall prepare the Internal Auditor’s annual evaluation. Annually, the President will review the Auditor’s evaluation in executive session with the Audit Committee.

5. The Internal Auditor shall receive a copy of each report of the Certified Public Accountants and will also receive copies of any management response to such reports.

6. The internal and external audit work should be coordinated to ensure adequate audit coverage and to avoid duplicate efforts.

7. The Internal Auditor should maintain an independent mental attitude and not subordinate to others his judgment on audit matters.

8. The Internal Auditor should not perform nonaudit work, except under extreme circumstances for short period of time after appropriate discussion with the President and/or Audit Committee.
Reports and Following Up

Findings and recommendations will be discussed with representatives of the audited organization. The auditee will ordinarily be shown an advance draft of the report for review, comment, and appropriate action. A final written report is distributed to the President and to the respective vice president and department head.

As deemed appropriate by the Internal Auditor, a written reply from the audited department may be required within 30 days from receipt of the report. This reply must describe any action that has been taken or is planned as a result of the review. When there is disagreement with the recommendations, the reply should give the reasons – thus providing the basis for decision at the vice presidential level. Communications expressing disagreement can be incorporated as a part of the final report after discussion with the administrators of the audited unit has failed to provide reconciliation. Replies should be addressed to the President with a copy to the respective vice president and department head.

The final audit report and management reply will be made available to the President, external auditors and the Audit Committee as appropriate and/or upon request from the President, external auditors and the Audit Committee.
Board of Trustees

President

Vice President for Finance &

Audit Committee

Director, Internal Audit