1. Approval of February 10, 2011 minutes  
   ACTION ITEM

2. Annual approval of the Internal Audit Charter  
   ACTION ITEM

3. Audit Update Fiscal Year 2010 – 2011, including the discussion of significant Audit or Accounting issues, if any

4. Audit Plan Fiscal Year 2011 - 2012

5. Other Business

6. Executive Session with the Internal Auditor
MINUTES OF THE AUDIT COMMITTEE
OF THE BOARD OF TRUSTEES
February 10, 2011

PRESENT:
James A. “Jim” Caillier (phone)
John Finan, Vice Chair
Barry D. LeBlanc, Chair
Suzanne Mestayer
Lawrence W. Moore, S.J.
N. John Simmons, Jr.

ABSENT:
Shawn Donnelley
Robert A. “Bobby” Savoie

INVITED:
Gita Bolt
Jay Calamia
Lynn Hoffman
Bret Jacobs
Leon Mathes
Kathleen Zuniga, Deloitte & Touche
Tammy Jackson, Recording Secretary

The meeting was called to order at 9:05 a.m.

ACTION ITEM #1: Approval of the November 11, 2010 Minutes.
Mr. LeBlanc, Ms. Zuniga, and Mr. Mathes noted changes to be made to the minutes. Fr. Moore made motion to approve minutes with changes, Mr. John Finan seconded. No opposition.

AGENDA ITEM #2: Deloitte & Touche, LLP. Anticipated billing for 2010-2011 services. Ms. Kathleen Zuniga, lead audit director for Loyola’s account, directed the committee to the document that summarizes the proposed fees for the upcoming year. Planning for the audit begins in May, interim work is done in June and July, come back in September for final, and October for reporting. Ms. Zuniga noted that there is a decrease in the fees charged by Deloitte & Touche for audit next fiscal year. It will not be the same audit next year, but will be more of a risk based approach as it relates Loyola’s specific risks. There will be additional staffing hours, but their firm will absorb the costs. Ms. Mestayer noted that this is not the first decrease Deloitte & Touche has taken, and appreciates this reduction. Ms. Zuniga noted that the new methodology has more specificity around linking controls and risks. Fr. Moore asked if Loyola will be forced to disclose the legal liabilities/lawsuits. Ms. Zuniga said there is still deliberation regarding that, but she anticipates there will be more disclosure. Mr. Calamia noted that hopefully it will not be applicable for this fiscal year because the settlements will be complete before next fiscal year begins. Mr. Finan stated he was pleased with the reduction in fees, but also ask if there is anything more Deloitte & Touche can do to further reduce the fees. Ms. Zuniga said this is her 3rd year and is always trying to find ways to cut costs, but has reduced the cost as much as possible at this point.

ACTION ITEM #3: Recommended to appoint audit firm for Fiscal Year ended July 31,
2011.
There was discussion regarding whether the University should solicit audit proposals from other firms. Discussion ensued regarding the benefits and cost efficiencies of a continuing audit firm. Ms. Mestayer suggested that Deloitte & Touche’s policy of rotating the “engagement partner” periodically is intended to address the concern that the audit firm would potentially develop a lack of independence over time. The committee agreed that solicitation of a proposal from another audit firm was not needed at this time.

Mr. Jim Caillier made a motion to approve Deloitte & Touche as Loyola’s audit firm for fiscal year July 31, 2011, Fr. Moore seconded. No opposition. Mr. LeBlanc asked if there were any discussions and Mr. Finan asked if there is a multi-year agreement and if there is a policy for choosing audit firms. Mr. Calamia said it is discussed yearly, usually prior to the Audit Committee meeting. There is no policy in place for choosing firms.

AGENDA ITEM #4: Presentation of IT Review by Lisa Horselski, IT Audit Manager, LaPorte Sehrt Romig Hand.
Mr. LeBlanc said this item would be delayed since Ms. Horselski could not be in attendance, but Mr. Bret Jacobs, Vice Provost for IT and CIO, has been asked to attend to answer any questions.

Mr. Jacobs noted that most of Ms. Horselski’s observations were leaning towards making their job a little easier in case they re-engage in documentation and some were clean-up oriented. For example, the fund raising program used is Razors Edge, all documentation refers to a server called RE7, which to IT means “Razors Edge 7,” but Ms. Horselski asked that they enhance their documentation to clarify naming. A review was done on all the accounts on the system and she asked that IT look at two groups, Student Activities and Student Activities 2, to see if they could be combined. Mr. Jacobs said that in some cases, they have different access and cannot be combined. Ms. Horselski asked IT to review, but this is not a security issue. There were some groups in the system with only one user and she asked IT to review them as well to see if they could be combined. IT has a user access form for all systems except access requests, so Ms. Horselski asked that they consider adding this on their centralized form. She asked that the password attempts before lockout from the system be lowered from 10 attempts to 3-5. For campus card system, she asked if the logging system kept track if someone is allowed access or is deleted, he will check into that, but not sure the current system has that capability. She found that user naming conventions were not consistent and suggested that a standardized methodology (i.e., Bret Jacobs would be bjacobs on system, etc.). E-discovery is a record and retention policy, which is not an IT policy, but it has to do with document retention and document destruction. The location of information was not noted, Ms. Horselski said it needs to state where the records are housed. The policy for document destruction does not say that a licensed destructor shall be used for paper records, but Loyola is presently using Shred-It, so asked that this be stated in the policy. Ms. Horselski also asked that we consider a form to be used to document the destruction of records, but there are numerous bins around campus to put documents in to be destroyed, so this may not be possible for certain documents. But, a department like Admissions, for example, could probably document which documents they are going to destroy. Ms. Zuniga asked if there is protection against, for instance if laptop is stolen, so that no personal information can be accessed. Mr. Jacobs stated that all university laptops purchased must have hardware encryption on them. This ensures if laptop is lost or stolen, even removing the hard drive from the laptop
and trying to read it externally, no information could be accessed because of the encryption. Mr. Jacobs concern is for those employees who use thumb drives and take information home. Ms. Horselski recommended that IT embark on an education program for faculty and staff about what it means to keep our data safe, etc. and he has started this process. Mr. LeBlanc noted that in the Summary of Work Performed, there are two things that are missing, but are listed in the Scope of Work, they are: To Review Off-Site Storage Procedures and The Media used for Backups. Mr. Jacobs said this work was performed, but Ms. Horselski had no observations/findings. Under the campus card system, the proposal states she reviewed “Processing Control Totals for Reconciliation with Input Control Totals”, but Mr. Jacobs was not sure what she performed in these areas. Mr. LeBlanc, directed committee to the same item under Razors Edge, “Processing Control Totals for Reconciliation with Input Control Totals”. However, Mr. Jacobs was not sure if this was performed either. Mr. Finan asked if the committee could get a status report once these recommendations were complete and if Mr. Jacobs agrees/disagrees with findings/recommendations. Mr. Finan also asked Mr. Jacobs if any penetration testing had been done on the system, but Ms. Zuniga stated that Deloitte & Touche performs these functions during their audit report. Mr. Jacobs said that periodically IT will engage a 3rd party firm to perform penetration tests on the system.

AGENDA ITEM #5: Review IRS Form 990.
Mr. Mathes reviewed Form 990 and discussed key points with the committee. The form states it is for 2009, but is for the fiscal year ending July 31, 2010. On Line 3 and 4, talks about voting members of the board and independent voting members, this refers to Fr. Wildes, Fr. Rogers & Fr. Moore. At bottom of the page, and throughout the tax return, the net asset numbers agree with the audited financial statements. Mr. LeBlanc asked if he could have a copy of the reconciliation, but Mr. Mathes explained that it is actually in the tax return. Fr. Moore asked a question on Page 3, 14A, and felt that should be changed to yes, but Mr. Mathes believes Loyola did not reach a certain threshold of activity, he will report back. Mr. LeBlanc asked about Page 2, Part 3 at the bottom where the components of program service expenses were reconciled, he asked if this will be in reconciliation and Mr. Mathes said it would be. Leon directed committee to Page 4, Question 28B, there is an instance where one of our key employees or relative was employed or received compensation and it is disclosed in Schedule L. Page 5, 4B, Cayman Islands is not an operating account of the university it is through the endowment fund and we have no control over that. On Page 6, Section B, Line 11, that is what we are doing here today, it documents that the Audit Committee reviews 990 and presents it to the Board as an item that the committee has reviewed it and also made available to the full Board for them to view. Fr. Moore, pointed out on Page 6, Section 8, 6 and 7A/B, answers should be yes. Mr. Mathes referred to Section C and said that the 990 is public record and is on reserve in Monroe Library in addition to being available upon request (i.e., requests come from Chronicle of Higher Education, etc.). Replacement Page 10, all of the replacement pages are related to a key employee, Jo Ann Moran Cruz, that was not included in the original draft because of a mix up on her name. Mr. LeBlanc went back to Page 9, Line 8, Statement of Revenue, 1C, fund raising. Mr. Mathes explained he believes this fund raising was tickets, etc., but he will research and report back. Page 11, Mr. Mathes pointed out that these numbers are in agreement with the audit, this is just a balance sheet. Schedule B, is the contributors schedule and does not have to be part of the public record. Schedule D, Page 4, those three sections show how reconcile from revenue to the audit. Mr. LeBlanc said he would like a copy of the reconciliation because of a
few questions and Mr. Mathes said he would send it to him. Schedule O is the disclosure of this process and review of 990. Mr. LeBlanc noted that on the bottom of the page, it states that it is publicly available. Ms. Mestayer asked if Loyola has been audited in the past 5 years, Mr. Calamia answered by saying Loyola has only been audited one time in the past 42 years and that was in late 1980’s.

AGENDA ITEM #6: Recommend to Board of Trustees to Review IRS Form 990.
Fr. Moore moved that the committee recommend 990 to the Board for its review, Mr. Caillier seconded the motion. No opposition.

Mr. Calamia asked Ms. Hoffman to brief the committee on how she notifies the Trustees. She explained that following the Audit Committee meeting, she sends a letter informing them of the process regarding the 990. They will receive this letter prior to the next Board of Trustees meeting.

AGENDA ITEM 7: Other Business.
No other business.

AGENDA ITEM #8: Executive Session with the Internal Auditor.
The committee went into Executive Session.
Purpose

The Internal Audit Department 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 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.
Approved:
Reverend Kevin Wm. Wildes, S. J.
President
Loyola University New Orleans

Date

Barry D. LeBlanc
Chairman, Audit Committee
Loyola University New Orleans

Date

Lynn Hoffman
Director, Internal Audit
Loyola University New Orleans

Date
Board of Trustees

President

Audit Committee

Vice President for Finance & Administration

Director, Internal Audit
### Loyola University New Orleans
### Internal Audit Projects Update - Fiscal Year 2010 - 2011
### April 2011

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<th>Category</th>
<th>Status</th>
<th>Risk Level</th>
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<td>Financial Audits</td>
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<td>University Financial Statements</td>
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<td>University Tax Returns - 990, 990T</td>
<td>Complete - No Issues</td>
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<td>Gillis Long Poverty Law Center</td>
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<td>Internal Audit Projects Fiscal Year 2009 - 2010</td>
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<td>Residence Hall Occupancy</td>
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<td>ID Card Operation, e.g., building access, meal plan, etc.</td>
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<td>Travel Expense</td>
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<td>Major Gifts</td>
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<td>Special Projects (i.e. Management requests, training etc.)</td>
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<td>Cell Phone Expense Compilation</td>
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**Note:**

Risk Level:
- H - High
- M - Medium
- L - Low

S/U: Satisfactory or Unsatisfactory conclusion