## LOYOLA UNIVERSITY NEW ORLEANS
### AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

**Thursday May 16, 2013**  
Monroe Library, 1st Floor, Seminar Room 2  
9:30 a.m.

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</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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<td></td>
<td>A. Compliance: Updated (if revised), e.g., Compliance Matrix and Proposed Compliance Project Plan for 2013-14</td>
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<td>B. Combined Ethics/Whistleblower/Retaliation Policy Update</td>
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<td>C. Fraud Investigation Policy Update</td>
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<td>D. Amended By-Laws update</td>
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<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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<td>10:50-10:55</td>
<td>Risk Assessment - Summary of Responses to Questionnaires</td>
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<td>10:55-11:05</td>
<td>Internal Audit Plan Fiscal Year 2013 - 2014</td>
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<td>11:05-11:10</td>
<td>Form of Communication for Committee</td>
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<td>11:10-11:15</td>
<td>Other Business</td>
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<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.
The meeting was called to order at 9:36 a.m. by Fr. Soukup. Mr. Simmons joined the meeting after Item #1.

1. **ACTION ITEM #1: Approval of November 8, 2012 Minutes.**
   Fr. Soukup asked for approval of the minutes. All were in favor, and the minutes were approved.

2. **Deloitte & Touche, LLP discuss plan for 2012-2013.**
   Kristi Sharp, engagement partner, began a discussion regarding the engagement letter and 2013 audit plan. Fr. Soukup inquired and Ms. Sharp stated that in Item #3 of Appendix E – Assignment and Subcontracting and, specifically, the phrase “related University” should read “related entity.”

   Ms. Sharp then referred everyone to the booklet on the Power Point presentation which was distributed and noted that the key members of the team from the prior year will be returning this year.

   Ms. Sharp discussed the opinions which will be expressed by the auditing firm as the result of the audit.

   Ms. Sharp noted that several factors are considered in determining the scope of the audit, including their knowledge of Loyola and any findings or issues that may have been identified in the prior year, significant accounts, areas of potential material risk and internal controls (However, they do not render an opinion on internal controls.). Mr. Simmons asked that the committee be informed of any noted weaknesses and suggestions for improvements which result from the audit.

   Ms. Sharp stated that materiality for testing is based on their judgment and evaluation of what readers of the financial statements may consider material.
Ms. Elaine Reyes then began an explanation of the key audit areas: (1) potential management override of controls (They will involve a data specialist to help them identify and analyze unusual or irregular journal entries.); (2) valuation of alternative investments (Values are not readily determinable on the level one and level two investments which are approximately 10% of the total investment portfolio.); and (3) allowance for doubtful accounts for student receivables ($1.8M at the end of last year).

Ms. Reyes noted that their fee would remain the same as the prior year at $95,000. She said that the schedule for completing the audit is also similar to the previous year. The planning procedure and interim testing will take place in August, and then in September, the year-end work will be conducted. The target date to complete the financial statement audit and A133 audit is October 25 with presentation of findings to follow in November.

Ms. Reyes then referred to Appendix A: Accounting Pronouncements on Pages 9 and 10. She stated that the pronouncement on Page 10 relates to fair value disclosure under ASU 2011-04, and that FASB is assessing whether or not they should pull back in relation to public disclosures. She said that there may be some effect as the University could be exempt from certain disclosures.

3. ACTION ITEM #2: Recommendation to appoint audit firm for fiscal year ended July 31, 2013.
Fr. Soukup made a motion to appoint Deloitte & Touche as the University’s auditors for the fiscal year ended July 31, 2013. The motion was seconded by Dr. Faust, and was approved by all. Dr. Faust asked about the departmental procedure for purchases and wondered if all checkbooks at the university are audited. Mr. Mathes interjected that there is a centralized cash disbursement system, and everyone must follow the process of submitting proper documentation and obtaining a purchase order, etc. No individual department has a checkbook.

4. Legal and Compliance.

The new compliance officer, Arlene McCarthy, was introduced. She has been practicing law for over 20 years, including 12 years of compliance experience. Most of her experience is as a government attorney in general and administrative law at the Federal Energy Regulatory Commission. She said that this was a time that coincided with the collapse of Enron, and she became responsible for compiling the largest database of investigative documents at that agency. It was also the same year that Sarbanes-Oxley was enacted, and she worked on ethics and compliance. She was at the Department of Education for five years where she worked on education policies and EEO matters. In addition, she spent time at the Department of Agriculture where the promotion of products and their regulation made her sensitive to dealing with conflicts of interest. While at the White House, she worked with the Obama administration vetting presidential nominees.

A. Ethics Policy
Ms. Gita Bolt stated that the ethics policy was revised in 2009. It is an ethics whistle blower policy combined with a retaliation policy. The retaliation policy has been submitted to the faculty Senate for review. All policies will be presented to the Board as a package. Mr. Simmons asked about the timing for Senate approval. Ms. Bolt responded that it depends on the issue. For example, it took six months to gain approval on the sexual harassment policy. Mr. Simmons asked if a matrix could be provided to the Board on who must approve which policies, and Ms. Bolt responded that she could provide that.

B. Draft policies: Whistleblower; Retaliation; Fraud Investigation
Ms. Bolt stated that she is working on a fraud investigation policy. The university does not
have a formal, written policy if there is an issue with money. Her office is also working on a minors-on-campus policy. She said that there are five policies which must pass through the faculty Senate. Ms. Bolt does not think that all policies will be approved by May but hopes they will be approved by the October Board meeting.

C. Ethics Hotline Preliminary Proposal
Ms. Bolt has selected The Network to handle the university’s hotline. Calls will be monitored, and the Board will be provided detailed reporting of the calls and reported issues.

D. Compliance

i. Compliance Matrix draft
Ms. Bolt distributed a compliance matrix as well as a compliance calendar. She stated that they looked at every federal law impacting higher education. For each, Ms. McCarthy has identified the responsible department, what needs to be done, and reporting timelines. Based on the compliance matrix, they have prioritized two high risk areas: Campus Safety/Clery Act and Dear Colleague (which is Title IX, sexual harassment). These have been identified based primarily on the reputation risk to the institution of non-compliance. The Clery Act has a financial impact because under Clery, the Department of Education can fine an institution up to $35,000 per violation. It mandates that the institution record and report all crime on and near the campus, which include drugs, alcohol, theft, etc. In addition, similar incidents occurring on public property in close proximity to the campus, such as at Tulane, must also be reported. The report is due every October 1st. Ms. McCarthy will test to insure that incidents are logged properly and timely. Currently, Clery Act incidents are handled by the university police department. Ms. Bolt said that they will review whether or not it should stay with the university police and/or chief or if it should be delegated to another individual. Fr. Soukup asked if the information is shared with Tulane. Ms. Bolt responded that it is. She stated that when a BOLO (be on the lookout) is sent, sometimes it is related to an incident on Tulane’s campus.

Ms. Bolt confirmed that a compliance requirement is considered a high priority based on its potential frequency or severity or both. She said that Ms. Hoffman and Ms. McCarthy will work together and will look at risks other than financial risks. Mr. Simmons then asked about the priority list, if she could summarize mitigating controls which would be helpful for the Board. She responded that she could. Fr. Soukup then asked if there is protection for the Study Abroad program as well. Ms. Bolt stated that the Clery Act applies to that program also. She said that the risk manager trains everyone in this program. Mr. Simmons asked when the assessment process would be finished. Ms. Bolt said that she hoped by to present it to the Board by the end of the year. Mr. Simmons asked Ms. Bolt to provide a summary of the general risk assessment so that the Board can begin the process of reviewing it and providing input.

ii. Compliance Work Plan draft
Mr. Simmons asked, and Ms. Bolt agreed, to prepare and provide a proposed Compliance Project Plan for 2013-14.

5. Internal Audit’s Audit Plan Progress.
Ms. Hoffman reported that she is wrapping up the audit of the Office of Institutional Research and Effectiveness. Currently, she said that they are focused on the risk assessment surveys. 55% of
what was received has been entered. Study Abroad is 75% complete. Ms. Hoffman stated that Katie, the work study student, has been working on both law school and undergraduate Study Abroad programs. The financial piece will be audited at 100% because they have difficulty comprehensively budgeting and tracking the programs.

Ms. Hoffman continued by informing the committee that the filings for the A133 are complete. The audit for Gillis Long Poverty Center will begin next Tuesday. Justin Scallan, an outside auditor, will conduct the audit. In addition, he will write a letter to the state of Kentucky to prove that the university has bonds to cover on unearned income. Remaining audits are for Parking Services and NAIA Title IX compliance which is for athletics and government relations. Katie will be completing the Study Abroad audit. She is an accounting major who will be leaving to get her Masters in Accounting. Next week, Ms. Hoffman said that she will post online for another accounting student. She would like to hire someone for 10-15 hours a week before Katie leaves.

Internal Audit’s project plan for next year will be presented at the next meeting in May.

6. Other Business
The 990 will be available for review in May. The university restated certain information provided to *U.S. News and World Report* for college rankings. Data generated from our new system regarding average financial aid provided to students was inaccurate. Mr. Simmons has discussed our procedures with Fr. Wildes and Provost Manganaro. They have ensured him that appropriate levels of review will be instituted to preclude this type of problem in the future.

7. Executive Session with Deloitte & Touche.
The committee went into Executive Session with Deloitte & Touche. There were no items of concern which resulted from these discussions.

8. 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.

9. Adjournment
The meeting was adjourned.