1. Approval of February 18, 2010 minutes  
   ACTION ITEM

2. Approval of April 8, 2010 minutes  
   ACTION ITEM

3. Update Fiscal Year 2010 Year End Audit with Deloitte & Touche  
   ACTION ITEM

4. Review and approve proposal of IT Review from LaPorte Sehrt Romig Hand  
   ACTION ITEM

5. Other Business

6. Executive Session with the Internal Auditor
PRESENT:
Barry D. LeBlanc, Chair
John J. Finan, Jr., Vice Chair via teleconference
Steve Barbas via teleconference
James A. “Jim” Caillier
Shawn Donnelley via teleconference
Lawrence W. Moore, S.J.
Suzanne Mestayer

ABSENT:
Robert A. “Bobby” Savoie
Kevin Wm. Wildes, S.J.
Leon Mathes

INVITED:
Jay Calamia, Vice President for Finance & Administration (ex officio)
Lynn Hoffman, Internal Auditor
Ric Bell
Kathleen Zuniga, Deloitte & Touche
Anne Favrot, Recording Secretary

The meeting was called to order at 9:07 a.m.

ACTION ITEM # 1: Approval of the November 23, 2009 Minutes.
Father Moore made a motion to approve the minutes of November 23, 2009 as amended with several suggestions by the committee chair. The motion was seconded and the minutes of November 23, 2009 were approved, as amended, without opposition.

AGENDA ITEM #2: Deloitte & Touche LLP Anticipated Billing for 2009-10 Services.
Ms. Zuniga of Deloitte and Touche presented Loyola’s anticipated billing for 2009-10 services statement to the committee. Loyola’s anticipated bill for the Financial Statement and A133 Audit was based on an estimated 720 audit hours, assuming a comparable level of support to that provided by the university in 2008-09. The levels of support were noted to include Loyola personnel from internal audit and financial affairs coordinating audit requests and confirmations, preparing net asset and investment rollforwards, input of trial balances, and preparation of crosswalk journal entries from fund accounting to SFAS 117, and preparation of first draft of financial statements/footnotes. Ms. Zuniga noted that last year Deloitte reduced the fees based on the additional support Loyola provided. The estimated hours and internal support were assumed to include no change to the number of major programs.
Estimated tax return fees were in process of being completed, but expected an increase in cost due to the additional time estimated generated by the new IRS Form 990 requirements.
**ACTION ITEM #3: Recommendation to Appoint Audit Firm for Fiscal Year ended July 31, 2010.**

Fr. Moore noted that Sarbanes-Oxley regulations (SOX) encouraged organizations to rotate their audit firms. Ms. Mestayer noted that as long as an organization rotated the partner identified on the management letter, for continuity purposes, the same audit firm could be maintained. Mr. Calamia said that the Association of Jesuit Colleges & Universities (AJCU) confirmed the need to maintain a schedule of partner rotation, while allowing the same firm to perform the audit. He further noted that Loyola had a history of healthy partner rotation for the past decade. The issue was tabled for discussion in the Executive Session.

Dr. Caillier made a Motion for the committee recommend to the Board that they appoint Deloitte & Touche, L.L.P., as Loyola’s audit firm for fiscal year ended July 31, 2010. The motion was seconded, and unanimously approved.

**AGENDA ITEM #4: Review IRS Form 990.**

Mr. Calamia presented the committee with updated information regarding Loyola’s IRS Form 990. After the committee has reviewed Loyola’s 990 a recommendation will go to the Full Board to review it. Language in IRS Form 990 recommends “its review as an action item to the Board of Trustees” in the final copy. Mr. Calamia made contact with a number of Jesuit Universities regarding the IRS question (pg. 6, # 10). Research yielded the results that most universities were assigning a committee to review the 990, either Finance or Audit, then the 990 was posted as a document to the Trustees website. Thus Loyola’s plan will be to post the 990 on the University website in PDF format for Trustees to log on and view it. Additionally paper copies of the 990 will be brought to the Board Meeting for Trustees to review on site.

To clarify a content question it was noted that a Cayman Islands account was listed in the 990 (See pg. 5, 4b). Loyola had no Operating Accounts which fit into that category. If any securities held in the Endowment included investment companies that had a single holding in the Caymen Islands, even if not domiciled in the Islands, they were required to be reported. Ms. Zuniga verified that Loyola has comingled funds, which was the reason for that listing.

Mr. Leblanc asked about the audited financial statements in the tax return, such as the Twomey Print Shop, which generated non-Loyola revenue (See p. 4). To clarify for the committee, the Twomey Print Shop was responsible for executing printing jobs for Churches, as well as making letterhead, posters and more. Crosswalk entity status as an off-line entity was used to record this.

Some discussion ensued regarding the total revenues [Regarding Supplemental Schedule D, 4, XII]. Reconciliation was completed by Deloitte on this section, regarding Financial Statements. The section below covered reconciliation of revenues, including a couple of items as unrealized gains on investments. Mr. Calamia updated the committee regarding the federally required changes for colleges and universities.

a. **Governance** [Section VI, Section B., #12.]; in an effort by the federal government to focus on governance organizations are required to have a signed conflict of interest policy for each of its Trustees. Loyola’s Board of Trustees completed one for each member in summer of 2009, at the suggestion of the Audit Committee.
b. ‘Whistleblower Policy’: a written policy was clarified and is now posted as a part of Loyola’s Human Resources manual.

c. ‘Document Retention and Distribution Policy’: a written document retention and distribution policy was adopted in the Financial Affairs and Purchasing areas; the shortest policy was for 6 months, although certain items were to be kept a lifetime (for example: cancelled checks, audits, and W2s).

d. **Endowment Funds**: previously, valuation of the Endowment was not part of 990, although now it is included. [See Schedule D, Supplemental Financial Statements, part 2, part V].

e. **Salary Reporting**: the 990 required the five Highest Paid Individuals be reported as such. Note that the Dean of the Law School was typically the highest paid among university employees.

f. **Schedule of Contributors** [See Schedule B1, the Schedule of Contributors, part 1.]; this information was legally privileged, and has been withheld from the public seeking to review Loyola’s tax return. Normally, anyone who asked to see the tax return could do so, although, contributor information was not included in the copy kept in Loyola’s library for public access.

Upcoming National Association of College University Business Officers (NACUBO) and Jesuit Business Officers meetings are expected to feature the current 990 requirements as topics of discussion.

**ACTION ITEM #5: Recommendation to Board of Trustees to Review IRS Form 990.**

Ms. Mestayer suggested that a separate letter be sent to the Trustees communicating their role to review Loyola’s IRS Form 990. The letter should be sent prior to the March 11, 2010 Board meeting, in order that the Trustees review be completed prior to the 990 filing date, April 15th.

Ms. Hoffman was charged with drafting the letter to state that in compliance with new IRS rules, the Audit committee has already reviewed the 990, and that the Board members review of the form will be an action item, to be completed at the full Board meeting.

Father Moore made a motion for the Board to Review Loyola’s IRS Form 990, which was seconded by Dr. Caillier. The Motion passed unanimously. The motion included a separate mailing to the Board members to assure their ability to review and vote on Loyola’s IRS 990 as an action item at the full Board meeting on March 11, 2010.

**Agenda Item #6: Review and Discuss Major Risks & Risk/Control Assessment Reconciliation, Methodology, Questionnaire/Survey and Worksheet.**

Ms. Hoffman provided the committee with an Audit Committee Risk Assessment Table. Outline of Major Risks, as noted in a memo from the September 2009 meeting, were compared and cross referenced on the new table. In addition, each risk was identified as to the resulting control. For example, OSHA regulations were checked via conversation with Mr. Fleming and Mr. Oehlke of Physical Plant, regarding the removal of asbestos. Mr. LeBlanc said the Board could clearly have confidence that the committee’s identified list of risks had been scheduled.

Ms. Hoffman presented a Risk Assessment Methodology letter, which identified auditable units, giving the section of origin and the responsible individual, such as Academic Affairs, with
oversight from the Provost. Approximately 56 units were listed. An exception would be an item such as the Express card, which was accepted in several areas, and thus would have several departments and contacts listed.

Ms. Hoffman also presented an Annual Management Risk Assessment Survey to the committee. The following sections were included: Financial significance/Change in Budgets, Previous Audit Results, Regulatory Oversight, Personnel/Systems Changes, Risk Assessments (Impact/Probability). Another document was a legal size spread sheet chart with room to record survey results. Results were graded in a weighted average, and tabulated to show that a higher number would equate to a higher risk. For example, areas with lots of change, higher budgets, or lots of regulatory oversight would be considered higher risk than most.

Committee members asked if the exhibits were part of best practices standards. Ms. Hoffman noted that it was hard to find precedents, although she considered three. The current documents represent her compilation of source materials, and Loyola precedents. For example, the Audit Committee Risk Assessment was an internal document in Financial Affairs used by Mr. Mathes and Mr. Calamia. However, Ms. Hoffman included other risks and combined objective and subjective measures to yield her results. She sent surveys to all the areas being assessed, except for the final four listed, the Boggs Center, the Small Business Development Center, Express Cards and Automobiles. The surveys were sent “confidentially”, with the respondent being the Director of the Auditable unit.

Some discussion ensued about the challenges of asking the Director of an auditable unit to answer questions about the respective Vice President of that area. Ms. Hoffman noted that if a pattern emerged of respondents with similar critiques in an area, it could indicate red flags for future reference. Ms. Zuniga supported the idea that having written responses could indicate areas where further discussion in person would be helpful. Ms. Hoffman further noted that the survey had helped her to engage the university community in her work, prompting introductions and conversations with many employees from all areas of the university. In addition, the surveys were originally sent to each Vice President in December to ask if they had any changes to suggest, before being distributed university wide.

Committee members suggested that additional attention be given to the way various functions were associated with individual levels of risk. Mr. Finan noted that considering those extra layers of ‘risk level’ in the analysis would make the survey a more accurate tool.

Ms. Mestayer, Mr. LeBlanc and the entire committee congratulated Ms. Hoffman on her thorough follow up response to the earlier committee discussion of risk assessment and audit controls.

AGENDA ITEM #7: Other Business.
Additional note was made of the tremendous opportunity for abuse contained in technology applications and how those risks must be mitigated through IT department controls. It was agreed that separate audits of those functions should be considered and given extra weight.
There being no other business guests were excused and the committee members moved into Executive session with Deloitte & Touche, L.L.P. at 10:15 a.m.

AGENDA ITEM #8: Executive Session with Deloitte & Touche, LLP.
Committee members met in Executive session with Deloitte & Touche, L.L.P.

AGENDA ITEM #9: Executive Session with the Internal Auditor.
Deloitte representatives were excused, as Committee members met in Executive session with the Internal Auditor, Ms. Hoffman.

All business in the executive session being concluded the meeting was ended at 10:58 a.m.
PRESENT: Barry D. LeBlanc, Chair  
John J. Finan, Jr., Vice Chair via teleconference  
Lawrence W. Moore, S.J. 

ABSENT: Steve Barbas  
James A. “Jim” Caillier  
Shawn Donnelley  
Robert A. “Bobby” Savoie  
Kevin Wm. Wildes, S.J. 

INVITED:  
Jay Calamia  
Leon Mathes  
Ric Bell  
Lisa Horzelski, of LaPorte, Sehrt, Romig, Hand  
Anne Favrot, Recording Secretary  

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

ACTION ITEM # 1: Approval of the February 18, 2010 Minutes.  
Mr. LeBlanc noted there were no changes for the Minutes of February 18, 2010. Since the committee was lacking a quorum the minutes of February 18, 2010 will be formally approved at the next committee meeting.  

ACTION ITEM #2: Annual Approval of Audit Committee Charter.  
Mr. LeBlanc provided the committee a copy of the updated Audit Committee Charter, as approved by the full Board of Trustees in November 2009. The members present recommended that the Audit Committee Charter be approved by the Board of Trustees at the May 2010 meeting.  

ACTION ITEM #3: Annual Approval of the Internal Audit Charter.  
Ms. Hoffman presented the Internal Audit Charter to the committee, noting the only change was to list Mr. LeBlanc as chair of the committee. The committee members present made a recommendation that the Board of Trustees approve the charter at the May 2010 meeting.  

AGENDA ITEM #4: Audit Update Fiscal Year 2009-2010, including the discussion of significant Audit or Accounting Issues, if any.  
Ms. Hoffman updated the committee on the completed Internal Audit Projects for Fiscal Year 2009-10. The University Financial Statements, A-133 Filing, eZ-Audit filing, and University Tax returns (990, 990T) were complete with no issues. The Internal Audit was in progress for the Gillis Long Poverty Law Center. Risk Assessment including Compliance Assessment was ongoing. Areas where the audit was completed and reviewed were the Cell Phone Review, Major Risk/Control Assessment Reconciliation, Research, Create & Implement New Risk Assessment Methodology, Create Risk Assessment Questionnaire/Survey, Compile & Analyze Risk Assessment Surveys and
Gift Pledge Recording, which was tested during the year end audit. The Cell Phone Expense Compilation review was in progress. Areas where the Internal Audit was expected to roll over into the next fiscal year were in the Residency Hall Occupancy and ID Card Operations reviews. Audits from Fiscal Year 2008-09 completed were University Owned Vehicles [Issues found], and Danna Center: Income [Issues found].

Regarding cell phones, Ms. Hoffman will send to Fr. Wildes the Cell Phone Expense Compilation Report when completed, giving him background on categories of eligible positions [for example, Level I, everyone on the Emergency Management team would need a Blackberry, or Level II, those who need cell phone service, but not e-mail]. The report should help address issues of consistency, fairness, and fiscal responsibility within the organization, and encourage a reduction of expenditures.

Regarding University Owned vehicles, Mr. Calamia assured the committee that any positions currently assigned a vehicle would not keep that benefit when the position would be replaced. Departments with University provided vehicles, such as University Ministry and Biology, would continue to receive the benefit.

**AGENDA ITEM #5: Audit Plan Fiscal Year 2010-2011.**
Ms. Hoffman presented an Audit plan for Fiscal Year 2010-11 based on 1,740 hours of work. Ms. Hoffman will use 375 hours to complete the Financial Audits, which include the University year end financial statements, A-133 filing, and Gillis Long Poverty Center. Risk assessment and Compliance assessment was estimated to take two weeks, for 75 hours. Meeting Planning (90 hrs.), Training (40 hrs.), Special Projects (300 hrs.), Internal Audits/Reviews (750 hrs.), and Follow Up on Outstanding Items (110 hrs.) completed the sub-total with an estimated 1,365 hours, for approximately 1,740 hours.

Improvements were made to the Risk Assessment survey. The survey was edited to be more directly associated with number values to improve the objective measure of risk. An example of the Special Projects would be the cell phone review. Ms. Hoffman found many cell phone overages were being routinely exceeded by the same individuals, evidence that they needed a new phone plan. The cell phone audit was originally proposed by Mr. Calamia asking Father Wildes to have a policy and procedures review for cell phone usage to reduce expenses.

Internal Audits and Reviews were meant to include all meal plans, any usage of a swipe card, travel expenses, and major gifts [an area of high risk]. Mr. LeBlanc noted that in view of an upcoming Capital Campaign it would be important to have ongoing reviews conducted of this area. Mr. Calamia noted there were special risks associated with donations of non liquid assets such as antiques or jewelry, etc. Typically the items would be appraised and sold. Fr. Moore seconded the need to create a clear paper trail and secure storage location [currently the University maintains a safe for such donations], in protection of Loyola’s reputational risk. Ms. Hoffman noted additional risks exist in travel expense reimbursements. Airlines have conspired to assist passengers in writing tickets that appear to be coach, for upgraded first class seats. Regular review and audit of all travel expense receipts will continue.

**Agenda Item #6: Discuss IT Review with Lisa Horzelski, IT Audit Manager, LaPorte Sehrt Romig Hand.**
Ms. Hoffman presented Ms. Horzelski, the IT Audit Manager of LaPorte Sehrt Romig Hand, of Baton Rouge to the Audit committee members. Mr. LeBlanc noted the committee decided in executive session at the last meeting that since Loyola’s Internal Audit scope was limited, the university should select a outside firm for Loyola’s IT Audit. The committee further decided that the IT auditor should be a different firm than was used to audit Loyola’s Financial Statements. The committee asked for an explanation of what would be involved in an IT Audit, and will make recommend-ations for action at a later date.

Ms. Horzelski presented the firm of LaPorte Sehrt Romig Hand [LaPorte] as members of the professional associations IIA and ASAACA. [See presentation materials provided.] Ms. Horselski noted the firm’s experience auditing SAS70 Readiness, Type I and Type II reporting. They routinely perform IT audits and Risk and Controls Consulting. LaPorte would be able to run tests of the following Loyola IT systems: FRS, LORA, HRS & SRS, Campus Card System and Blackboard. Additional requests from Ms. Hoffman included an examination of Raiser’s Edge software to audit Institutional Advancement systems. Ms. Horzelski noted that her firm looked at global processes and made recommendations based on their findings. Policies and Procedures were reviewed, backups were confirmed [for example, how were they being performed, and who was checking on them, who might have permission to alter the backup schedule, etc.]. Alternate sites, vendor management, and service level agreements, would be reviewed. Segregation issues and Help Desk procedures would also be examined. Procedures not performed during an IT audit would include: Penetration testing, vulnerability scans (Internal & External), Social Engineering attacks, and Source Code reviews. LaPorte’s deliverables would include a report comparing findings to “good practices” settings, and making recommendations based on cost and feasibility. In addition, they issue a Management Letter with comments, observations, risk assessment and more detailed recommendations.

Mr. Calamia asked if the audit would cover both methods for transmitting information; over the network itself via the mainframe, and internet or web based. Ms. Horzelski said it would, noting that remote access was a major source of attacks on computer systems. Having a secure way to maintain remote access was a major concern for disaster recovery situations. Telephone and telecommunications systems would not typically be included in the audit.

Mr. Finan noted that his firm’s experience suggested that the system operator who understood the controls best was often a major point of risk. He suggested that making the business process owner accountable for the gates in the technology and using a process to mitigate risk was very reasonable.

Some discussion ensued regarding areas most vulnerable to compromise. Ms. Horzelski suggested the first steps to take would involve examining applications, processes, and segregation of duties. For example in an HR setting, checking to make sure terminated people are gone, and that staff transferred to different departments have forfeited old access permissions.

Mr. Calamia asked for an estimate of how long it would take to perform this type of assessment/audit, the number of people needed to do so, and the cost to the university. Ms. Horzelski estimated approximately 3-4 weeks duration from the start of field work to the
final report. A discussion ensued about when the best time to begin such a study would be. Currently the university was implementing a new Financial Aid module, aimed to match all Payment Card Industry standards. This process will be ongoing through Sept. /Dec. 2010. Therefore it would be best started after this point. Ms. Horzeliski anticipated hours required would be 160 professional hours, and 80 staff hours for an approximately 200-300 hour range. Estimated cost would be approximately $10-30 thousand range. Mr. Calamia noted that the beginning of the spring semester would be the best time for Bret Jacobs, Director of IT, to host the required auditors, etc. The next step will require Mr. LeBlanc to update Fr. Wildes on the proposal. The committee chair thanked Ms. Hoffman for her work, and directed the extra copies of the presentation be mailed to absent Audit committee members for their review.

AGENDA ITEM #7: Other Business.
Mr. LeBlanc and Mr. Finan noted it would be prudent to discuss this process with another fairly large regional firm to find comparison bids, for example from Price Waterhouse and/or Postlethwaite & Netterville, a Baton Rouge firm. Regional firms have been gaining credibility in the marketplace, and were typically more economical than national firms to hire. Mr. Finan suggested that to do a baseline assessment then allows the university to have the IT audit updated and tested every 2-3 years. The committee agreed to consult with Fr. Wildes, and Ms. Mestayer, and then alert Dr. Kvet, recognizing that the audit will rely on Mr. Jacobs, Loyola’s Director of IT, having the available time to participate in the project.

There being no other business guests were excused and the committee members moved into Executive session with the Internal Auditor, Ms. Hoffman, at 11:25 a.m.

AGENDA ITEM #8: Executive Session with the Internal Auditor.
Committee members met in Executive session with the Internal Auditor, Ms. Hoffman. All business in the executive session being concluded the meeting was ended.