1. Approval of October 9, 2014 minutes  
   Action Item

2. Discussion and Approval of Loyola University New Orleans Financial Statements for the year ended July 31, 2014  
   Action Item

3. Other Business

4. Executive Session with Deloitte & Touche, LLP

5. Executive Session with the Internal Auditor
MINUTES OF THE AUDIT COMMITTEE
OF THE BOARD OF TRUSTEES
October 9, 2014

PRESENT: N. John Simmons, Chair
Paul Soukup, S.J., Vice Chair (via teleconference)
Donald Faust, M.D.
Joseph E. Mahoney, Jr.
Virginia Angelico Tatum (via teleconference)
Steve Landry

ABSENT: Bentley Anderson S.J.

INVITED:
Lynn Hoffman, Internal Auditor, Executive Secretary (ex officio)
Arlene McCarthy
Jay Calamia
Tommy Screen
Bret Jacobs
Leon Mathes
Gita Bolt
Alex Reyes Rubio
Martha Alguera, Recording Secretary

Deloitte & Touche attendees:
Elaine Reyes
Kristi Sharp
Derek Evans

Meeting was called to order at 9:32 a.m. by John Simmons

1. ACTION ITEM #1: Approval of May 15, 2014 Minutes

Mr. Simmons asked for approval of minutes.

A motion was made and seconded. All were in favor and the minutes were approved.

2. Tommy Screen, Director of Government Relations Presentation

Mr. Screen passed out “Government Affairs Update” handout discussing Federal, State and local government affairs.

Mr. Screen presented on five major areas:

Federal Legislation/Update-113th Congress proposed 892 Higher Education bills and only 17 became law (2%)
I. Financial Aid Funding
- Annual fight in Congress which funds financial aid for universities and students which are Pell grants and campus based aid programs (SEOG, Federal Work Study & Perkins Loans). Pell grant recipients receive an average of $5,000. The “funding fight” could greatly affect Loyola students’ ability to pay tuition if there are significant cuts.
- Institutional Aid-Loyola is proud of the institutional aid we provide- 3,562 recipients received a total of $48M for an average of $13,000 per recipient.
- FY’15 Funding- House & Senate have yet to pass a bill and they will not probably until after the election.

II. Higher Education Act Reauthorization (HEA)
- Biggest piece of legislation to affect Higher Ed.
- Legislation last authorized in 2008, expired at the end of last year.
- Last time it was reauthorized, it took six years.
- Four main themes to be addressed by HEA will be:
  1) Affordability,
  2) Student Debt,
  3) Accountability, and
  4) Transparency.
- Proposed One Grant/One Loan Program by Tea Party members and Conservatives which eliminates campus based aid and Pell grants which would be a major impact on the University’s students. All SEOG would likely be combined into Pell grants instead.
- This would take away campus flexibility (grants and aids individualized) and would amount to a drastic cut.
- Highly unlikely One Grant/One Loan will pass but a compromise is likely where universities will have to increase the match on campus based aid increasing the overall cost to universities.

Mr. Calamia noted the great loss this would be to the University if Work Study was eliminated, the University would then have to employ individuals to fill the void of student workers.

Dr. Faust asked if this proposal would advantage cheaper schools vs more expensive schools to which Mr. Screen responded it is highly likely less expensive schools would see a rise in enrollment and this could be an issue nationwide.

- FAFSA forms (Student Aid Form) – The government is trying to simplify the FAFSA application by reducing it from 10 pages to two questions (this would hinder universities from individualizing aid). This would likely result in the University or State providing their own questionnaire.

- Regulatory Task Force - 21 university presidents and Dept. of Ed. officials taking a look at regulatory burden on colleges/universities and eliminate some.
- Accreditation-would make SACS accreditation a public process.
- Loyola Specific-Disaster Aid Program - Included in the 2008 Reauthorization. Single Loan program created after Hurricane Katrina. It is a low interest loan, not a federal grant and Mr. Screen feels this is something which needs to be retained in HEA.

**III. Sexual Assault Legislation**
- High profile effort to curb problem on campuses.
- Four major requirements:
  1) New campus resources- Advisors and Training (Loyola currently has),
  2) Accountability,
  3) Transparency - Mandatory surveys and federal list of schools w/investigations, and
  4) Penalties - Up to 1% of operating budget vs. Title IV, Clery Act violation from $35K to $150K

Mr. Mahoney asked how big of an issue this was on campus. Ms. Bolt responded that Loyola’s numbers in comparison with other schools are low and Loyola does not have an unusually high number of complaints.

**IV. Administration’s Rating Proposal**
- Proposal, not meant as a numerical rating system but focus on data such as:
  Completion-not just access
  Starting salaries of graduates
  Average loan debt ($23K for Loyola students)
  Percentage of institutional aid
  True cost of attendance
- Concerns:
  Value proposition
  Different institutional types
- Timeline - Released in late ’14 or early ’15; to be ready for the ‘15/’16 school year

**V. Tax Legislation**
- Charitable IRA Tax Deduction- Allows those 70½ and older to donate up to $100K to Loyola without having to count it as taxable income. It lapsed at the end of 2013. House passed bill making it permanent.

**State Government Update- Topics presented were the following:**
- SARA (State Authorization & Reciprocity Agreements)- Makes online accreditation process easier. Applications will be available in early 2015.
- WISE Fund - $40M fund for public universities to align their programs better with state workforce needs in 4 & 5 * jobs - STEM. etc., based on formula set up by regents.
- Sexual Assault Awareness- Task force set up. Legislation similar to 2015 session.
- TOPS task force- 21 member panel to study review of program, debate each and every session. While Gov. Jindal is in office there will be no changes to the Tops program.
• Update on Aid to Independents-Capitation- State program which pays Loyola for educating Louisiana residents, zeroed out for last five to six years. Loyola is currently looking for re-capitation.

Mr. Screen mentioned TOPS was for the students, capitation is for the institution.

Local Government Update - Topics presented were the following:

• Non-Profit taxing- Council president exploring taxation of non-profits in New Orleans. Mayor Landrieu does not want to tax the Archdiocese. The idea of PILOTS (Payments in Lieu of Taxes) might be an option.
• Comprehensive Zoning Ordinance- To be adopted by City Council. Loyola has played a role in this to protect the University as far as future developments.

3. Bret Jacobs, Vice Provost for IT and CIO - Data Security

Mr. Jacobs began with an overview of IT at Loyola, he stated the following:
• IT is part of Academic Affairs.
• IT provides support for:
  1. Administrative platforms across campus (student records, finance, human resources)
  2. Specialty systems
  3. Web based systems (email/website)
  4. Telecommunications
  5. Client services and help desk
  6. Student computing labs
• Student Records now also reports to IT.
• Loyola has 39 FTEs.

Mr. Jacobs went on to discuss types of threats faced:
• Physical Threats
  1. Fire
  2. Loss of power
  3. Physical intrusion
  4. Loss of plant (continuity plan)

Mr. Simmons asked where our recovery facility is and how the site is staffed. Mr. Jacobs stated it is located in Wooddale, IL, outside of Chicago, and no actual staff is necessary. IT has scripted the recovery of all of the major systems. The staff at the recovery site is paid to recover the system.

• Internal Threats
  Human - Accidental or deliberate release of info

• External Threats
  1. Networking and internet
  2. Phishing
  3. Denial of service
  4. Soft vulnerabilities
5. E-mail (willingly sharing confidential information)

Dr. Faust asked if Loyola students email can be monitored. Mr. Jacobs and Ms. Bolt responded that students can be monitored, but are not. In instances of students abusing email privileges, their email is discontinued.

Ms. Bolt asked about an individual sending out Social Security info. Mr. Jacobs responded that the system recognizes Social Security and credit card number formats and should mask this info.

6. Virus and malware intrusion

Mr. Simmons asked if our system can track when individuals access and download/copy certain information. Mr. Jacobs responded that we do not have this ability.

Mr. Simmons asked how many people have access to Social Security numbers. Mr. Jacobs stated over a hundred people have access through the CWID (Campus Wide ID System)

Mr. Jacobs went on to explain the Network Security Overview Chart and discussion ensued.

Mr. Jacobs presented the Intrusion Detection and Prevention Palo Alto Firewall report which focused on where the attack was coming from, who was being attacked and what type of attack occurred.

IT is investigating new service from Palo Alto Network called the ‘WildFire” Service which provides real time analysis and blocking of new unknown threats.

Mr. Jacobs presented the Bandwidth Monitoring graph- Network monitors all internet bandwidth going in and out of campus. If thresholds are surpassed, staff is notified by text.

Mr. Jacobs referenced the Campus Wide Device Monitoring Picture which keeps track of all devices on campus. Staff is notified by text of any issues

Annual Financial Audit (includes IT review) was presented, which looks at the following:

- Review of System Controls
- Review of Physical Security
- Review of off-site recovery planning and tests
- Review of password policies and practices
- Review of Server Administrative access
- Review of IT financial accounting processes

Mr. Jacobs presented Areas of Future focus:

- Security training for existing personnel
- Contract for external security scans
- Exploration of new technologies
- Development and training for IT staff
- Development of more robust action plan if breach occurs
- Development of Information Security Specialist position within IT
Discussion ensued on the presentation.

Mr. Simmons stated he would like the Cyber Security presentation shown to the entire board.

4) Update on Compliance Calendar (Office of General Counsel)

Ms. McCarthy passed out “Update on Compliance Calendar”.

Ms. McCarthy stated the Clery Act is under a microscope right now. It involves reporting sexual abuse crimes and campus authorities will be trained on this.

Ms. McCarthy stated an addition to the chart, a local ordinance on Automated External Defibrillator ordinance. The Compliance officer has not been announced.

Mr. Simmons asked to be updated on Hotline activity on a quarterly or monthly basis.

5. Update Fiscal Year 2014 Year End Audit with Deloitte & Touche

Mr. Evans discussed the following points:

- All items were received from management in a timely manner. Internal Audit assisted with trial balance and A133.
- The last piece of A133 is the controls work which will be completed next week.
- Still testing fourth quarter activity on income statement. Most of activity was tested over the summer.
- Finishing investment testing for Level 2 and 3.

Mr. Evans stated Deloitte is on track.

Mr. Simmons asked if Investment Schedule was on track this year, Ms. Sharp responded yes they were on track and thanked management.

Ms. Reyes discussed the following handouts:

- *Understanding your performance/Higher Education Benchmark* - Service provided by Deloitte; this is a study in which Loyola could be benchmarked against other universities in seven different areas.
- *Higher Education is Evolving* - Speaks to attracting and retaining students
- *Audit Committee Brief*

6. Internal Audit Update

Ms. Hoffman discussed the following: *(See Internal Audit Projects Plan-FY 2014-2015 handout)*
1) Internal Audits/Reviews (Based on Risk Assessment)
   a) Follow up on Monroe Library Audit (Led by Ms. Rubio)
   b) Summer Abroad Programs ’14 - Students from prior years had overpaid or had not paid enough. Students’ grades from Ireland have not been turned in yet and Audit is waiting to issue report.

2) Revenue Recognition Audit on:
   a) Bookstore - All transactions for 4 months will be audited
   b) Sodexo - Reports on how meal plans and Wolfbucks have been used
   c) Residence Hall
   d) Student Records

Ms. Rubio stated she will be doing the following in regards to Monroe Library Audit:
   • Reviewing the bills for FY ’13--FY ‘15
   • Reviewing list of outstanding receivables
   • Internal control on library acquisitions

Mr. Simmons asked if 75 hours would be enough for the Sodexo and bookstore audits. Ms. Hoffman stated probably not and they would discuss separately.

7. Other Business

Mr. Simmons stated next Audit Committee meeting will be November 7, 2014 and those not present can teleconference in.

No other business was discussed.

8. Executive Session with Deloitte & Touche

The Audit Committee members went into Executive Session with Deloitte and Touche representatives.

9. Executive Session with the Internal Auditor

The Audit Committee members went into executive session with Internal Auditor, Lynn Hoffman.

10. Adjournment

There being no further business the meeting was adjourned at 11:45 a.m.