

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON AUDIT AND RISK
MINUTES OF MEETING
VOLUME AR 10**

October 21, 2016

A telephonic meeting of the Committee on Audit and Risk (the Committee) of the Board of Trustees was held on Friday, October 21, 2016, from 10:00-11:15 a.m. The meeting was held pursuant to notice which was mailed to each of the members.

The following members, constituting a quorum, were present: Donald G. Cotner, Vice Chair; Edward B. Brown III; Valerie L. Detwiler; Walter C. Rakowich, Chair; and, Elliott W. Weinstein. Also attending were staff members Joseph J. Doncsecz, Stephen S. Dunham, David J. Gray, Frank T. Guadagnino, Daniel P. Heist, Nicholas P. Jones and Gary W. Langsdale; and, Student Representative Marina P. Cotarelo was also in attendance as well as Jessica Chen, Edward Krzemien, and Craig Seland of the audit firm Deloitte & Touche.

PUBLIC MEETING 10:00 a.m.

Committee Chair Rakowich called the meeting to order.

A. Approval of Minutes from September 15, 2016 meeting

The Committee voted and approved the minutes of the September 15, 2016 meeting.

B. Roles and Responsibilities Matrix

Dan Heist reviewed the Roles and Responsibilities Matrix, an important guideline to make sure management is fulfilling its responsibilities and, likewise, that trustees are aware of their responsibilities.

C. Results of Committee Self-Assessment

Dan Heist reported that everyone had a copy of the self-assessment result information, and Chair Rakowich facilitated a conversation regarding the results. Among the conversation points, the need for education on both the audit and risk side was an important topic, and administration will look at opportunities for professional development for trustees. In addition, Chair Rakowich indicated he would like to meet with each member of the Committee for about 15 minutes to get any individual thoughts and perspectives on the operation of the Committee. Risk Subcommittee Chair Don Cotner provided perspectives on process oversight.

D. Review 2015-2016 Audited Financial Statements

Joe Doncsecz reviewed the 2015-2016 audited financial statements, including the draft of Deloitte's opinion, subject to acceptance by the Committee. Among the areas of information and discussion were the balance sheet review, statement of activities, statement of cash flows, and a review and context of various fluctuations. The audited financial statements were unanimously accepted on behalf of the Board.

E. Review Nittany Insurance and SERS Engagement Letters

Joe Doncsecz and Gary Langsdale provided an overview of Nittany Insurance, and the request to do audited financial statements, which will be done via engagement with a Vermont auditing firm at a cost of \$29,000. The Committee unanimously agreed to proceed with the engagement.

Joe Doncsecz provided context for a needed engagement letter for a validation audit, which is a cyclical process (not every year) and at the request of SERS, which will focus on various components, including census data. The Committee unanimously agreed to proceed with the auditing engagement at a cost of \$50,000.

F. Internal Audit September 30, 2016 Follow-Up Report

Dan Heist reviewed and discussed the Audit Follow-Up Report as of September 30, 2016. Discussion included context and timeline for the Eberly College of Science open issues as well as the monitoring process used by administration to ensure all items are addressed within eighteen months.

The public meeting was adjourned at 11:15 a.m., at which time the Committee went into executive session; in addition, an executive session was held at 9:30 a.m., immediately prior to the public meeting.

Respectfully submitted,

Janine S. Andrews
Director
Office of the Board of Trustees