

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON AUDIT AND RISK
MINUTES OF MEETING
VOLUME AR 29**

November 4, 2020

A meeting of the Committee on Audit and Risk (the Committee) of the Board of Trustees was held via Zoom on Wednesday, November 4, 2020, beginning at 8:30 a.m.

The following members, constituting a quorum, were present: Walter Rakowich, Chair (presiding); Edward Brown III, (Vice Chair); Donald Cotner, Cynthia Dunn, Anthony Lubrano, Stanley Rapp, and Brandon Short. Also attending were William Shipley (*Ex Officio*) and Faculty Senate Representative Bonj Szczygiel. Also present were Joseph Doncsecz, Steve Dunham, David Gray, Frank Guadagnino, Shannon Harvey, Daniel Heist, Nick Jones, Jennifer Santiago, Richard Sparrow, and Donald Welch; Also, in attendance from the audit firm of Deloitte & Touché, LLP was Stephen Delaney, Benjamin Gasbarre, and John Neary.

Chair Rakowich called the meeting to order at 8:30 a.m.

A. Approval of Minutes from September 17, 2020

The Committee voted unanimously to approve the *Minutes* of the September 17, 2020 meeting.

B. Roles and Responsibilities Matrix

Dan Heist, Director of Internal Audit, noted that the matrix heading showed October because the meeting had to be postponed to today, November 4th. After today's meeting all items of roles and responsibilities would be on track including all the financial statement actions.

C. Review and Approval of 2019-2020 Audited Financial Statements

Joe Doncsecz, Corporate Controller and Sr. Vice President for Finance and Business reviewed the audited financial statements for fiscal year 2019-2020. He noted that the independent auditor gave the statements a clean opinion.

He summarized that the 2020 statements reflected growth of the University's balance sheet and a positive operating performance. He noted that the major transaction that impacted the balance sheet statement was the University's pre-funding agreement with the State Employees Retirement System (SERS). This agreement impacted the overall net assets due to accounting rules for multi-employer pension plans. He stressed that although net assets are down the University will realize tremendous savings as a result of the 30-year string of credits to SERS.

He also noted that the operating margin had declined slightly in part due to COVID. The pandemic negatively impacted operations at Penn State Health and in auxiliary self-supporting enterprises due to the March through June lockdown and its significant impact on their operations. Although down it is still a very strong position when benchmarked to our peers.

Of note is that the University's Operating Margin, Spendable Cash and Investment to Operations, and Total Cash and Investments to Total Debt benchmarks remain healthy and consistent with peer benchmarks in higher education.

Upon completion of the review, the Committee voted unanimously to approve the financial statements.

D. Discussion and Approvals – Risk Subcommittee’s Operating Guidelines

Jennifer Santiago, Assistant Vice President and Chief Risk Officer, provided an update on the Risk Subcommittee’s Operating Guidelines. She noted that it was deferred from the last meeting until this meeting and needed formal approval. The motion to approve the Risk Subcommittee Operating Guidelines passed unanimously.

The public meeting was adjourned at 9:04 a.m., at which time the Committee went into conference and executive session meeting individually and privately with Management, Deloitte, and the Internal Audit Director, Dan Heist. An executive session was also held from 8:00 a.m.- 8:30 a.m.

Respectfully submitted,

Shelly Zeigler-Byers
Administrative Support
Office of the Board of Trustees