THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES

COMMITTEE ON AUDIT AND RISK
MINUTES OF MEETING
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A meeting of the Committee on Audit and Risk (the Committee) of the Board of Trustees was held via Zoom on Thursday, February 18, 2021, beginning at 3:00 p.m.

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

Chair Rakowich called the meeting to order at 3:00 p.m.

A. Approval of _Minutes_ from November 4, 2020

The Chair called for a motion to approve the *Minutes*. Brandon Short so moved. Alice Pope seconded the motion. The Committee voted unanimously to approve the *Minutes* of the November 4, 2020 meeting.

B. Roles and Responsibilities Matrix

Dan Heist, Director of Internal Audit, stated that the Committee was on track regarding all items on the roles and responsibilities matrix.

C. Review Deloitte & Touche, LLC Management Letter

Joe Doncsecz, Corporate Controller and Sr. Vice President for Finance and Business led the discussion of the review of the Deloitte & Touche Management Letter in conjunction with their consolidated financial statement audit. He noted that there were six new comments. Five comments were in the vein of Information Technology (IT). And section two was a comment regarding the closure and the remediation of a deficiency from last year's letter. He asked Rich Sparrow, Interim Chief Security Officer, from the Office of Information Security to first review the IT related comments.

Rich Sparrow began by summarizing three comments related to access creation and termination and the transition from legacy systems to more robust systems. He noted roles were created differently in LionPath and Workday compared to SIMBA regarding access management. In SIMBA, it was incorporated with the creation of the enterprise solution. However, LionPath and Workday have historically different ways of provisioning roles and access. And now will be retrofitted to work with the new Identity and Access Management system. He further noted that due to software and process upgrades systems are now in place to support strengthening password rules and complexities. Additionally, Rich stated pulling access and authorization decisions away from individual applications into a centralized place is allowing for more accountability.

Joe Doncsecz then summarized the final two comments by noting that enhancements were made to processes with regard to Penn State Health revenue reporting at the Penn State Health financial reporting level and at the consolidated subsidiary University level. He then noted the last comment

in the letter was an affirmation by the auditors of implemented actions with respect to non-binding pledges, the development data, and the roll-up into financial statements.

D. Information Technology Update

Don Welch, Vice President for Information Technology (IT) and Chief Information Officer, provided an update on three topics. He began by reviewing IT support of the University in transition to remote work and remote learning during the pandemic. Support included: providing necessary tools like ZOOM, training to use the tools, creating Wi-Fi hotspots (at University Park and Commonwealth campuses), and the loaning of equipment for students in need. Another significant contribution from IT included standing up a system capable of compiling results from various testing services with student contacts to perform contact tracing. The project partner for the health cloud initiative is reviewing the success factors so that they might share it with their other clients.

Don then provided a review of the strategic plan. The plan incorporates the entire University with the goals of advancing digital transformation, enable research, enable teaching and learning, and improve IT operational excellence.

Don then noted that an important objective of improving operational excellence is disaster recovery. IT now has a three-year phased Disaster Recovery plan. He noted that it will be a total of three years to have the plan completely in place and operating at 100%.

E. Review and Approval External Audit Engagement Letter

Committee Chair Rakowich noted that the Committee had been provided the materials for the proposed engagement of the external auditors for the fiscal year 2020-2021. It is year four of five as part of the letter of understanding with auditors Deloitte & Touche, LLP. Joe Doncsecz then noted some document details regarding the engagement roles and responsibilities, reports provided and fee structure. He then highlighted a few analytics in support of approving the engagement.

John Neary from Deloitte & Touche, LLP offered some comments regarding fee structure and how their firm has tried to build an investment in the relationship with the University. He noted the firm conducts their own internal benchmarking with other clients and has access to external data for environments of the University's size and complexity. He also offered some reflections on identifying areas of risk as a response Trustee Brown's question.

The Chair called for a motion to approve the Audit Engagement of Deloitte & Touche, LLP. Anthony Lubrano so moved. Ted Brown seconded. The Committee unanimously approved the engagement.

F. Adjournment

The public meeting was adjourned at 3:42 p.m., at which time the Committee went into conference and executive session meeting individually and privately with Management, Deloitte & Touche, LLP, and the Internal Audit Director, Dan Heist.

Respectfully submitted,

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