

THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES

COMMITTEE ON AUDIT AND RISK
MINUTES OF MEETING
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May 6, 2021

A hybrid meeting of the Committee on Audit and Risk was held in Dean's Hall of The Penn Stater Hotel and Conference Center, State College, PA, and via video conference, at 8:00 a.m. on Thursday, May 6, 2021.

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

Chair Rakowich called the meeting to order at 8:00 a.m.

A. Approval of *Minutes* from February 18, 2021

The Chair called for a motion to approve the *Minutes*. Anthony Lubrano so moved. Alice Pope seconded the motion. The Committee members voted unanimously to approve the *Minutes* of the February 18, 2021 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 except for one item that was deferred to June. A review of the External Audit Plan by Deloitte and Touche.

C. Annual Review of Committee Charter

Dan Heist reviewed the Committee Charter and noted that there were no changes. Brandon Short motioned to approve and Alice Pope seconded. The Committee unanimously voted to approve the Charter.

D. Review June 30, 2019, Office of Management and Budget Uniform Guidance Report

Joe Doncsecz, Corporate Controller and Sr. Vice President for Finance and Business reviewed the excerpts of the annual audit that covers all federal programs and expenditures. Joe noted that it was a clean audit. Specifically, the auditor notes stated that there were no material weaknesses, and no significant deficiencies.

E. Internal Audit Update

Dan Heist summarized the internal audit process which includes customer satisfaction surveys. The quality assurance assessment metrics dipped slightly but remained in the acceptable range. In a four-point scale, the department still received a rating above a three.

He also noted the importance of reviewing the internal audit charter and how it allows the internal audit department to work independently of Management as required by the Institute of Internal Auditing Standards. The Chair then called for a motion to approve report and the committee approved unanimously.

F. Intercollegiate Athletics (ICA) Monitoring Procedures

Joe Doncsecz provided an overview of the annual procedures testing required by NCAA *Bylaws* performed by Deloitte. He noted specifically that the report from Deloitte details the agreed-upon procedures performed over the University's internal controls and transactions. There are 19 revenue and 23 expenditures that are mandated by the NCAA. The report noted no exception in revenue or expenditures and therefore was a clean audit.

Dan Heist reviewed the internal audit process with Intercollegiate Athletics. He provided an overview of the internal audit for NCAA Compliance. He also provided an overview of a special audit on COVID-related refunds for tickets and the effect on points. Neither internal audit showed any irregularities and no NCAA compliance violations. He thanked Sandy Barbour and her team for the cooperation throughout the year.

Lynn Holleran, Deputy Director of Athletics, reviewed the Intercollegiate Athletics compliance work provided to the Booster groups regarding policies financial transactions. Rick Kaluza, Sr. Associate Athletic Director, provided more details regarding internal and external financial procedures. In particular, he noted that specific clubs were tested regularly to ensure Penn State, Big10, and NCAA compliance.

G. Enterprise Risk Management Update

Jennifer Santiago, Chief Risk Officer, provided an update on the University's Risk Management program. She noted that procedures and policies are being reviewed and updated across the University to better manage risk assessment capabilities and risk accountability. She noted that the Subcommittee on Risk met in February to review technology and people security risk management. She noted that future educational opportunities regarding Risk management would be available as developed.

H. Nittany Insurance Audit Engagement Letter

Joe Doncsecz asked for approval for the engagement of the auditor, Crowe Horwath, LLP for Nittany Insurance. A motion was provided to approve by Trustee Brown and seconded by Randy Black. The committee unanimously approved the engagement.

I. Adjournment of Public Meeting

Chair Rakowich noted that Trustee Don Cotner is moving off the Board and the Committee with this meeting the final meeting. He thanked Don for the number of years of service to the Committee and to the Board. After acknowledging Trustee Cotner, the Chair adjourned the public meeting at 8:42 a.m., at which time the Committee went into conference and executive session meeting individually and privately with Management, Internal Audit, and then themselves.

Respectfully submitted,

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