

**COMMITTEE ON AUDIT AND RISK  
BOARD OF TRUSTEES  
THE PENNSYLVANIA STATE UNIVERSITY**

**MINUTES OF MEETING**

**September 18, 2014**

A meeting of the Committee on Audit and Risk (the Committee) of the Board of Trustees was held in Room 219 of The Penn Stater Conference Center Hotel on Thursday, September 18, 2014 at 12:30 p.m. The meeting was held pursuant to notice which was mailed to each of the members.

The following members constituting a quorum, were present: Karen B. Peetz, Chair (by conference phone); Walter C. Rakowich, Vice Chair; Edward B. Brown III; Donald G. Cotner; Keith W. Eckel; and Albert L. Lord. Also attending were staff members Joseph J. Doncsecz, Daniel P. Heist, Gary W. Langsdale, Stephen Dunham, Regis Becker; and Jessica Chen and Tara Weiner of the audit firm Deloitte & Touche.

**PUBLIC MEETING 12:30 PM TO 1:15 PM**

Karen Peetz called the meeting to order and welcomed the public.

**A. Approval of minutes from May 8, 2014 meeting**

The Committee voted and approved the minutes of the May 8, 2014 meeting.

**B. Roles and Responsibilities Matrix**

Dan Heist reviewed the Roles and Responsibilities Matrix as it is set up through the end of the year.

**C. Results of Committee Self-Assessment Survey**

Chair Peetz led the discussion regarding the Self-Assessment Survey, noting some Committee members believe that not enough time is spent on addressing risks to the University. This led to a detailed discussion with respect to the proposed Subcommittee on Risk.

**D. Proposed Subcommittee on Risk Structure**

There was discussion regarding the number of risks that the Board oversees and the formation of a Subcommittee on Risk. Various topics with respect to the formation of the Subcommittee were discussed including the number of members of the subcommittee, how often it should meet, and the development of a charter. General Counsel Steve Dunham advised the formation of the Subcommittee would require a full Board vote as it requires a change in the Bylaws. The Subcommittee's charter could be approved by the Committee on Audit and Risk. The Office of the Vice President and General Counsel will help draft the language for the Charter.

**E. Enterprise Risk Management Update**

Gary Langsdale reviewed the 15 Risks that have been assigned to the Audit and Risk Committee, noting that all of them have been addressed by University Administration and that Risk Management is satisfied with how they have been addressed and continue to be addressed. Many of these Risks are ongoing and always will be.

Gary noted that the other 40 risks under review by Risk Council will all have been reviewed by the end of the year. University Leaders are accountable and taking action to mitigate all risks and manage them.

**F. Update on Status of External Financial Statement Audit**

Joseph Doncsecz reported on the status of the External financial Statement Audit which has been all positive, no problems to report.

**G. Engagement of Deloitte to Perform due Diligence Procedures on Proposed Hershey Medical Center and Pinnacle Health Transaction**

Joseph Doncsecz reported that we are in the process of doing our “Due Diligence” and have engaged Deloitte as consultants in the process. It was confirmed that there is no “conflict of interest” for Deloitte as their services in the process are consultant services not audit.

**H. Internal Audit Update**

Dan Heist reviewed the Summary of Audit Reports and discussed the Fiscal year 2013/2014 Audit Plan status.

The meeting was adjourned at 1:15 p.m.

Separate Executive Session was conducted with the Internal Audit Director, and Management.