

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON AUDIT AND RISK
MINUTES OF MEETING
VOLUME AR 6**

February 25, 2016

A meeting of the Committee on Audit and Risk (the Committee) of the Board of Trustees was held in Magnolia Room A, The Hershey Lodge, Hershey, Pennsylvania, on Thursday, February 25, 2016 at 7:30 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: Walter C. Rakowich, Chair (via telephone); Edward B. Brown III, Vice Chair; Albert L. Lord; Keith E. Masser; and, Matthew W. Schuyler. Also attending were staff members Eric J. Barron, Nicholas P. Jones, Joseph J. Doncsecz, David J. Gray, Stephen S. Dunham, Frank T. Guadagnino, Daniel P. Heist, and Gary W. Langsdale. Jessica Chen and Edward Krzemien of the audit firm Deloitte & Touche were also in attendance.

PUBLIC MEETING 7:30 a.m.

Committee Chair Rakowich called the meeting to order.

A. Approval of minutes from October 30, 2015 meeting

The Committee voted and approved the minutes of the October 30, 2015 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. Internal Audit Follow Up Report

Dan Heist reviewed the Internal Audit Follow-Up Report (as of December 31, 2015). Discussion occurred regarding the EMS efforts, which are in process, with substantial progress having been made. Committee members expressed appreciation for the efforts of those involved in marshalling that item, noting that it seems to be on a good path.

D. IT Update – Current Structure/Interim Leadership

Nick Jones provided an update on the current structure of ITS and the organization's leadership, noting that he and David Gray are collaborative in their approach in this area of focus. Nick reviewed structural adjustments, including the new Office of Information Security, a separate unit from the University's ITS organization that will also include Security Operations and Services (formerly part of ITS) under its umbrella. This office is under the leadership of Andrew Sears, dean of the College of Information Sciences and Technology, who is serving as interim chief information security officer (CISO). Nick indicated that a search firm will be used for the search, which is being chaired by John Yen, Professor of Information Sciences and Technology. Nick also noted that with the departure of Kevin Morooney, who accepted a position with Internet2, Matt Decker is currently serving as Interim Vice Provost for Information Technology.

E. Subcommittee on Risk

Gary Langsdale provided an update, including that the Subcommittee will be holding a meeting on March 15, 2016.

F. Deloitte Management Letter and Management Responses

Joe Doncsecz noted the Deloitte management letter and management responses that were provided in Committee materials provided in advance. The Committee discussed the deficiencies, in particular definitions and certain interpretive matters.

G. Review and Approval of Deloitte Engagement Letter

Joe Doncsecz reviewed the Engagement Letter, which was unanimously recommended by the Committee for approval of the full Board.

H. Annual Letter to DeLoitte

Joseph Doncsecz reviewed the annual letter to Deloitte addressing partner rotation, record retention of audit work papers, conflict of interest, and fraudulent influence.

Following adjournment of the public meeting, the Committee went into executive session.

Respectfully submitted,

Janine S. Andrews
Director
Office of the Board of Trustees