

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON AUDIT AND RISK
MINUTES OF MEETING
VOLUME AR 11**

February 23, 2017

A meeting of the Committee on Audit and Risk (the Committee) of the Board of Trustees was held on Thursday, February 23, 2017, at 8:30 a.m. in Room 221, Penn Stater Conference Center Hotel. The meeting was held pursuant to notice which was mailed to each of the members.

The following members, constituting a quorum, were present: Donald G. Cotner, Vice Chair; Edward B. Brown III; Valerie L. Detwiler; Walter C. Rakowich, Chair (via telephone); and, Elliott W. Weinstein. Also attending were staff members Joseph J. Doncsecz, Stephen S. Dunham, David J. Gray, Daniel P. Heist, Nicholas P. Jones, Michael J. Kubit, Gary W. Langsdale, and Donald J. Welch; and, Student Representative Marina P. Cotarelo was also in attendance as well as Edward Krzemien and Dave Rieth of the audit firm Deloitte & Touche.

PUBLIC MEETING 8:30 a.m.

Committee Chair Rakowich called the meeting to order.

A. Approval of Minutes from October 21, 2016 meeting

The Committee voted and approved the minutes of the October 21, 2016 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 and discussed the Audit Follow-Up Report as of December 31, 2016. Discussion included context status of the Eberly College of Science, and some extra central support will be needed for open audit findings as those open areas have to do with identity management. Central IT will work with Eberly during the first quarter of 2017. A suggestion was made to ensure a targeted end date is on the books for completion.

D. Information Technology Update

Nick Jones introduced Michael Kubit, Vice President for Information Technology and Chief Information Officer, and Don Welch, Chief Information Security Officer, to the Committee and shared some biographical background on each, prior to each making remarks.

E. Risk Management

Don Cotner and Gary Langsdale reviewed the work of the Subcommittee, including a review of risks assigned to various standing committees and the use of heat maps to view the severity of risks and probabilities. A generative discussion on the Top Five Barriers Facing Higher Education ERM Programs was facilitated by Gary Langsdale and was based upon recent participation in a conference call that Gary and Dan Heist had with principals from the Baker Tilley audit firm, which focused on the outcome of a higher-education on enterprise risk management that took place at North Carolina State and attended by university ERM practitioners. Topics of discussion included the role of Board members and administrators in the risk process, ERM vision, linking strategic issues and “crown jewels” to the ERM process, risks from common themes, and pushing ERM into the organization for further action, i.e., beyond the administrator role. A discussion also occurred on the use of consultants on risk assessment engagement.

F. Deloitte Engagement Letter

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

G. 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. It was noted that Ed Krzemien is in his last year of rotation, and that at a minimum Walt and Joe would have interviewed Ed’s replacement, and to the extent any committee member would want to similarly to do so as well could be considered.

The public meeting was adjourned at 9:35 a.m., at which time the Committee went into executive session.

Respectfully submitted,

Janine S. Andrews
Director
Office of the Board of Trustees