

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON AUDIT AND RISK
MINUTES OF MEETING
VOLUME AR 23**

October 25, 2019

A telephonic meeting of the Committee on Audit and Risk (the Committee) of the Board of Trustees was held, on Friday, October 25, 2019 at 11:00 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 Rakowich, Chair (presiding); Edward Brown III, Vice Chair; Cynthia Dunn, Alice Pope, and Brandon Short. Also attending were President Eric Barron (*Ex Officio*), William Shipley (*Ex Officio*), Joseph Doncsecz, Stephen Dunham, David Gray, Frank Guadagnino, Daniel Heist, Jennifer Santiago, Richard Sparrow, and Donald Welch; and Faculty Senate Representative Douglas Wolfe. Also, in attendance from the audit firm Deloitte was John Neary and Edward Krzemien.

PUBLIC MEETING 11:00 a.m.

Chair Rakowich called the meeting to order.

A. Approval of Minutes from September 12, 2019

The Committee voted and approved the minutes of the September 12, 2019 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. Dan noted one item changed in the Matrix. It was the responsibility shown as "Meet with Internal Auditor" on the Matrix. He further noted that due to time restraints at the last meeting and in lieu of talking with the full committee he had a separate conversation with Chair Rakowich directly after the meeting.

C. Review 2018-2019 Audited Financial Statements

Joe Doncsecz reviewed the 2018-2019 audited financial statements, including the draft of Deloitte's opinion, subject to acceptance by the Committee. He noted that it was a clean opinion. And Deloitte has audited the financial statement. It reflects a strong growth and a positive operating performance. Among the areas of information and discussion were the balance sheet review, statement of activities, statement of cash flows, and a review and context of various fluctuations, reclassifications and three new accounting standards. He noted that revenues had flattened, and that tuition revenue had declined; and, they were offset by commonwealth appropriations. And further indicated that institutional aid had increased by 16 million dollars. He also noted that there was an error in the prior year

financial statements and that it has been corrected. It was determined that the error was not material to last year or this year's statement. An explanation regarding post-retirement obligations and how they are stated on the books was provided. The audited financial statements were unanimously accepted on behalf of the Board.

D. IT Update

Don Welch gave an update on the Information Technology modernization project. Efforts are focused on three broad areas: reducing our IT risks, reducing costs for IT, and increasing capabilities to support the strategic plan. He listed four objectives to accomplish this strategic goal: implement better tracking procedures to determine the financial benefits and track other financial activities like cost avoidance and transferring to mission; increase capability to support the strategic plan like mobile application and application streaming and improving operational efficiencies; effectively manage IT governance.

E. Adjournment

The public meeting was adjourned at 11:52 a.m., at which time the Committee went into conference and executive session. An executive session was also held from 10:00-11:00 a.m.

Respectfully submitted,

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