

**THE PENNSYLVANIA STATE UNIVERSITY  
BOARD OF TRUSTEES**

**COMMITTEE ON AUDIT AND RISK  
MINUTES OF MEETING  
VOLUME AR 35**

**April 28, 2022**

A meeting of the Committee on Audit and Risk was held via conference call on Thursday, April 28, 2022 at 7:30 a.m.

The following members, constituting a quorum, were present: Rakowich (Chair), Brown (Vice Chair), Black, Cairns, de Levie, Dunn, Lubrano, Pope and Schuyler. Also attending was the Governor's Representative Shipley. Constituent Representatives Lynch and Romig were present. Staff members present included Brautigam, Busges, Doncsecz, Dunham, Guadagnino, Harvey, Heist, Holleran, Kaluza, Lokman, Raab, Sitzabee, Stolberg, Teachey, Thorndike and Whitehurst; and from the audit firm of Deloitte & Touche, LLP Ben Gasbarre, and John Neary.

Chair Rakowich called the public meeting to order at 7:30 a.m.

Chair Rakowich called for a motion to approve the *Minutes* of the February 17, 2022 meeting of the Committee. A motion was put forward, seconded and approved unanimously.

Next, Chair Rakowich called on Dan Heist to review the Roles and Responsibilities Matrix. He updated the Committee on a few items within the matrix that will be delayed due to timing matters or are in-progress.

Sara Thorndike introduced Bill Raab, who started as Director of Risk Management and Chief Risk Officer. Bill was previously Assistant Vice President and Director of Risk Management for Utica National Insurance Group, in addition to teaching risk management at the university level. There was also an information update on Enterprise Risk Management.

Dan Heist reported that there were no changes made to the Committee Charter. A motion was put forward, seconded and approved unanimously.

For Review of the Risk Subcommittee Guidelines, Ted Brown reported that there were minor changes made to the guidelines and were posted to Diligent. A motion was put forward, seconded and approved unanimously.

Joe Doncsecz gave an update on the Office of Management and Budget Uniform Guidance Report. The audit is still being completed by Deloitte. The deadline has been extended for another six months. Penn State does not plan to take that much time. Deloitte is nearing completion of their procedures, so we hope to have it in the next meeting cycle for review. We are not late on this because of the extension for everyone. There was one weakness finding that will be carried over in this report, which was covered in detail with the Committee last year. Anticipate being done in May.

John Neary and Ben Gasbarre gave an update Client Service Plan provided by Deloitte. Covered topics were the engagement team and use of more efficient audit innovation tools. Will continue to move towards an automated and innovative process. John also stated that in addition to looking at significant risks, they will now be looking at risks pertaining to the key financial statement line items.

Trustee Brown made the suggestion that information and charts being talked about during the public meeting should be made available for public viewing during a public meeting. Deloitte made screen share documents available at this time.

Next, Dan Heist gave an update on Internal Audit. Results of Quality Service Assessments were discussed. Feedback is requested from audit clients at the end of every engagement. Surveys go to 1) Operating Management, people with whom auditors had the most interaction during the audit, and 2) Senior Management of the unit under audit. There was improvement, with average scores reaching 3.6 out of 4. An external validation of our internal assessment is done by an outside group every five years. The next one is due in the Fall of 2023.

Regarding the survey response rate, Trustee Brown noted that the low survey response rate is unacceptable, and we need to fix it. Trustee Pope also added that there may be some behind the scenes work that may be done to increase the response rate.

Dan Heist reported that there were no changes to the Internal Audit Charter. A motion was put forward, seconded and approved unanimously.

For the last item on the agenda, Joe Doncsecz gave an update on the review of NCAA Agreed-Upon Procedures Reports performed by Deloitte. Dan Heist gave an update on activity that Internal Audit has done with Athletics throughout this past year, 1) completed and issued an NCAA Compliance Report. Nothing of significance to report, and 2) an audit of game day operations, this year a wrestling match at Rec Hall. The report is still in process and when completed, it will be shared with Athletics management for response to the findings. Dan also mentioned that there is regular interaction with Athletics leadership and there is good communication in place.

Lynn Holleran, Deputy Athletic Director, presented an update on booster group checks and balances. Guidelines are established for these organizations that require many of these groups to establish leadership structures, submit annual reports, financial reports and are mandated to follow all Penn State policies and NCAA rules. Matt Stolberg, Associate Athletic Director for Compliance talked about checks and balances that exist on the compliance side with booster groups. Rick Kaluza, Senior Associate Athletic Director/CFO talked about audit procedures in place for the clubs.

Trustee questions were addressed, including one asking about booster clubs being able to be a source of funding for collectives. Lynn Holleran responded that they are looking into it.

Chair Rakowich concluded the meeting at 8:26 a.m.

The Committee met in Conference Session after the conclusion of the public meeting.

Respectfully submitted,

Thomas J. Penkala  
Associate Director, Office of the Board of Trustees