A telephonic meeting of the Committee on Audit and Risk (the Committee) of the Board of Trustees was held on Thursday, June 1, 2018. The meeting was held pursuant to Notice which was emailed to each of the members.

The following members, constituting a quorum were present: Edward “Ted” B. Brown, and Ryan J. McCombie, Walter C. Rakowich, Chair (presiding), and Elliott W. Weinstein. Also attending were staff members: Joseph J. Doncsecz, Stephen S. Dunham, Frank T. Guadagnino, David J. Gray, Gary J. Grgurich, Daniel P. Heist, Nicholas P. Jones, Michael J. Kubit, Gary W. Langsdale, and Donald J. Welch. In attendance from the audit firm Deloitte & Touche, were Jessica Chen and Edward Krzemien. Others in attendance representing Intercollegiate Athletics were Sandy Barbour, Matthew Stolberg, Lynn Holleran, and Rick Kaluza.

Chair Rakowich called the meeting to order.

A. **Approval of minutes from February 22, 2018 meeting**

   The Committee voted and approved the minutes of the February 22, 2018 meeting.

B. **Roles and Responsibilities Matrix**

   Dan Heist reviewed the Roles and Responsibilities Matrix and noted that they will have covered all of the roles and responsibilities as outlined by the Charter of the committee at the conclusion of the meeting.

C. **Annual Review of Committee Charter**

   Dan Heist reviewed the updates for the Operating Guidelines for the Audit and Risk committee, noting that the Charter was updated to reflect the Committee’s duties with respect to monitoring certain matters pertaining to Intercollegiate Athletics, as well as a change in the order of certain responsibilities. The Committee voted and approved the Operating Guidelines as updated.


   Joe Doncsecz reviewed the results of the current audit and shared that the opinions on financial reporting, internal control, and major federal programs were all “clean.” There were no material weaknesses, no significant deficiencies, with the University deemed a low-risk auditee.
E. **Intercollegiate Athletics (ICA) Monitoring Procedures**

Lynn Holleran gave an overview of the oversight of booster groups at Penn State, followed by Matt Stolberg who spoke about policies and procedures as it related to NCAA rules. Rick Kaluza then focused on the financial aspects of the booster clubs. Finally, Joe Doncsecz summarized the report presented as mostly a clean report with one minor finding based on a compliance exception. Dan Heist then stated Internal Audit has an excellent working relationship with ICA and the ongoing testing they do annually for not only booster clubs, but components of ICA.

F. **Update from Risk Subcommittee**

Gary Langsdale reported on the progress made in respect to the peer review recommendations from the review conducted last summer.

He also summarized the discussion held in subcommittee in regard to 78 club sports and the process used to identify and quantify risks. The subcommittee unanimously agreed that it was a detailed and thorough process and a noteworthy update.

G. **Internal Audit Update**

Dan Heist communicated that industry standards for internal audit departments requires a quality assurance program. As part of that program, it is essential to have an external assessment every five years. The next five year review is coming June 30, 2018. It was recommended that the 2018 assessment be conducted as a peer review. The peers would be chosen from other higher education institutions. It was further recommended to hire an external company (outside of our peers) for the assessment five years from now.

The public meeting was adjourned at 11:05 a.m. Following the public meeting, the Committee met in Executive Session to discuss privileged matters.

Respectfully submitted,

Shelly Zeigler-Byers  
Administrative Assistant  
Board of Trustees