

August 11, 2010

NOTICE TO RESIDENTS OF THE MILWAUKEE AREA
TECHNICAL COLLEGE DISTRICT, WISCONSIN

A regular open meeting* of the MILWAUKEE AREA TECHNICAL COLLEGE DISTRICT BOARD **ADVISORY AUDIT COMMITTEE**, will be held in the **BOARD ROOM, ROOM M210**, of **MILWAUKEE AREA TECHNICAL COLLEGE, 700 WEST STATE STREET, MILWAUKEE, WISCONSIN** on **THURSDAY, AUGUST 12, 2010**, beginning at **2:00 p.m.** - The agenda** for said meeting is presented as follows:

The agenda for said meeting is presented as follows:

A. Roll Call

B. Compliance with the Open Meetings Law

C. [Approval of Minutes, April 8, 2010 – Attachment AAC 1](#)

D. Comments from the Public

E. Action Items

F. Discussion Items

1. Welcome of New CFO
2. FY2009-2010 Audit Plan and Potential Accounting Implications
3. [Committee Discussion on Development of Internal Audit Plan \(Advisory Audit Committee Charter Matrix\) - Attachment AAC – 2](#)
4. Committee Membership

G. Information Items

H. Old Business/New Business

Date of Next Meeting: November 11, 2010, 2:00 p.m., MATC Board Room, M210

Committee Members: Ostermeyer, Wieland, and Yahr

* **Other members of the MATC Board may be present, although they will not be participating as members of this committee. This meeting may be conducted in part by telephone. Telephone speakers will be available to allow the public to hear those parts of the proceedings that are open to the public.**

** **Action may be taken on any agenda item, whether designated as an action item or not. Agenda items may be moved into Closed Session for discussion when it becomes apparent that a Closed Session is appropriate under Section 19.85 of the Wisconsin Statutes. The Committee may return into Open Session to take action on any item discussed in Closed Session.**

Reasonable accommodations are available through the ADA Office for individuals who need assistance. Please call 414-297-6221 to schedule services at least 48 hours prior to the meeting.



AAC-1

**MILWAUKEE AREA TECHNICAL COLLEGE DISTRICT ADVISORY AUDIT COMMITTEE
MILWAUKEE, WISCONSIN
April 8, 2010**

CALL TO ORDER

The regular meeting of the Milwaukee Area Technical College District Advisory Audit Committee was held in open session on Thursday, April 8, 2010, and called to order by Peter Earle at 2:00 p.m. in the Board Room, M210, at the Downtown Milwaukee Campus of Milwaukee Area Technical College.

ITEM A. ROLL CALL

Present: Michael Ostermeyer, Tom Wieland, Robert Yahr, and Peter Earle

Guests: John Knepel, partner, Baker Tilly, Steve Henke, senior manager, Baker Tilly, Bruce Pistiner, consultant, Titus, Bill Judd, senior director, Titus, and Randy Casey, director, Student Athletics.

Mr. Fred Royal, director, and Dr. Michael Burke, president, were also in attendance.

Excused: None

ITEM B. COMPLIANCE WITH THE OPEN MEETINGS LAW

Karen Esche-Eiff, administrative specialist, Finance, indicated that proper notice of the meeting had been given in compliance with the Wisconsin Open Meetings Law.

ITEM C. APPROVAL OF MINUTES, August 12, 2009 – Attachment AAC-1

Minutes approved by consensus.

ITEM D. APPROVAL OF MINUTES, February 11, 2010 – Attachment AAC-2

Minutes approved by consensus.

ITEM E. COMMENTS FROM THE PUBLIC

None

ITEM F. ACTION ITEMS

None

ITEM G. DISCUSSION ITEMS

G-1 Routine Audit Program

Discussion: Walter Lanier, assistant general counsel, stated that as he works to refine the committee's matrix of responsibilities, as outlined in its charter, he works simultaneously to determine a schedule of potentially auditable items. Dr. Michael Burke, president, expressed a desire to examination routinely those areas which may present exposure. Members of the committee will discuss MATC's current lack of an internal audit function at their next meeting.

G-2 Report on Athletic Audit – Attachment AAC 3

Discussion Bill Judd, senior director, Titus, and Bruce Pistiner, consultant, Titus, presented the details of findings and recommendations expressed in their report on the athletic audit. Mr. Michael Sargent, vice president, Finance, presented management's responses to those findings and recommendations. At the request of Mr. Earle, Mr. Judd and Mr. Pistiner will make a similar presentation at the next meeting of the FPO Committee.

Mr. Royal departed at 2:44 p.m.

G-3 FY2009-2010 Audit Plan

Discussion John Knepel, partner, Baker Tilly, and Steve Henke, senior manager, Baker Tilly, presented their proposed schedule for going forward with the FY2009-2010 audit. They will provide the committee with an update at its next meeting.

G-4 IRS Audit – Payroll

Discussion: Mr. Sargent stated that Milwaukee Area Technical College was randomly selected by the Internal Revenue Service (IRS) as one of sixty-nine municipalities to undergo an audit. He provided an overview of the IRS' tentative schedule with regards to this activity.

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G-5 Review of FY2010-2011 Activity Plan and Budget

Discussion Mr. Sargent reported that administration continues to work towards achieving a balanced budget for the District Board's final approval in June.

G-6 Review of Committee Charter – Attachment AAC 4

Discussion: It was requested that items for the committee to address per its charter appear on agendas going forward as items for discussion

G-7 Committee FY2010-2011 Meeting Schedule – Attachment AAC 5

Discussion: The proposed meeting schedule was adopted by consensus.

G-8 Committee Membership

Discussion: Mr. Sargent noted the interest of one individual to join the committee. Mr. Sargent will follow-up with this potential member.

G-9 Potential Audit and Accounting Implications

Discussion: Mr. Sargent reported that receivables have improved since the last meeting of the committee. He anticipates that re-establishment of deregistration will aid in continuing this trend.

ITEM H. INFORMATION ITEMS

ITEM I. MISCELLANEOUS ITEMS

I-1 Communications and Petitions

ITEM J. OLD BUSINESS/NEW BUSINESS

Date/Time of Next Meeting: Thursday, August 12, 2010, 2:00 p.m., Regular Advisory Audit Committee Meeting, Downtown Milwaukee Campus, Board Room (M210).

Adjournment

The meeting adjourned at 4:05 p.m.

Respectfully Submitted,

Karen M. Esche-Eiff

Administrative Specialist, Finance

Internal controls		
4.1	A	Evaluate whether management is setting the appropriate “control culture” by communicating the importance of internal controls.
4.2	A	Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.
4.3	A	Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
4.4	A	Evaluate the overall effectiveness of the internal control framework and consider whether management has implemented recommendations made by the internal and external auditors.
4.5	A	Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.
		Risk management
4.6	Winter	Evaluate the overall effectiveness of the risk management framework.
4.7	A	Evaluate whether management is setting the appropriate tone at the senior level by communicating the importance of the management of risk.
4.8	Fall	Inquire of management, the internal auditor, and the independent external auditor about significant risks or exposures to the institution and how these are being managed.
		Financial reporting and disclosures
4.9	All	Review significant accounting and financial reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial report.
4.10	All	Oversee the financial reporting process implemented by management.

4.11	All	Review as applicable: 1) the interim financial statements, 2) the annual financial statements, 3) the annual report, and 4) the audit report on federal awards that is required under Office of Management and Budget.
4.12		Review management's process for ensuring the transparency of the financial statements and the completeness and clarity of the disclosures.
4.13	Fall	Meet with management and the external auditors to review the financial statements, the key accounting policies, the reasonableness of significant judgments, and the results of the audit.
4.14	Fall & Spring	Discuss with the independent external auditor the alternative treatments of financial information within generally accepted accounting principles as well as the ramifications of the use of such alternative treatments.
4.15	Fall	Confirm with management and the independent external auditor that the annual financial statements disclose all material off-balance sheet transactions, arrangements, obligations, and other relationships of the institution with unconsolidated entities, or with people that may have a material effect on financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses.
4.16	Fall	Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor. Resolve disagreements between management and the external auditor.
		Compliance with laws and regulations
4.17		Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
4.18	All	Obtain reports concerning financial fraud resulting in losses in excess of \$10,000 or involving a member of senior management.

4.19	All	Obtain regular updates from management and the organization's legal counsel regarding compliance matters that may have a material impact on the organization's financial statements or compliance policies.
4.20	Fall	Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
4.21	All	Review the findings of any examinations by regulatory agencies.
Working with independent external auditors		
4.22	Fall	Have the independent external auditor report directly to the Committee.
4.23	Winter	Review of the professional qualifications of the independent external auditor (including the background and experience of the engagement partner and auditing personnel).
4.24	Winter	Consider the independence of the auditor as well as potential conflicts of interest.
		Also assess the independence of the independent external auditor under Government Auditing Standards.
4.25	Winter	Review on an annual basis the performance of the external auditors and make recommendations to the Board for their appointment, reappointment or termination.
4.26	Winter	Be responsible for recommending the compensation of the external auditor.
4.27	Winter	Review the proposed audit scope and approach for the current year in light of the institution's present circumstances and changes in the regulatory environment.
4.28		At the end of the audit:
4.28.1	Fall	Review required communications from the external independent auditors.

4.28.2	Fall & Winter	Discuss with the external auditor the quality and appropriateness of the institution's accounting policies as well as the consistency of their application and the degree of aggressiveness or conservatism in applying them.
4.28.3	Fall & Winter	Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
4.29	Fall	Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed and acted on appropriately.
4.3	All	Meet with the external auditors to discuss any matters that the Committee or auditors believe need additional attention, subject to open meetings laws. Ensure that the external auditors have access to the Chair and Vice Chair(s) of the Committee when required.
4.31	All	Review policies for the provision of non-audit services by the external auditor.
4.32	Winter	Ensure that the organization has appropriate policies regarding the hiring of audit firm personnel for senior positions after they have left the audit firm.
Working with internal auditors		
4.33		Review the independence, qualifications, activities, resources and structure of the internal audit function and ensure no unjustified restrictions or limitations are made.
4.34		Review and concur with the appointment, reassignment, promotion or dismissal of internal auditors.

4.35		Review the effectiveness of the internal audit function and ensure that it has appropriate standing within the organization. Discuss with the external auditor the standard of work of internal audit staff.
4.36		Meet with the internal auditors to discuss any matters that the Committee or internal auditors believe need additional attention, subject to open meetings laws. Ensure that the internal auditors have access to the Chair and Vice Chair(s) of the Committee when required.
4.37		Ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and appropriately acted on.
4.38		Review the proposed internal audit plan for the coming year [or the multi-year plan] and ensure that it addresses key areas of risk and that there is appropriate coordination with the external auditor.
4.39		Receive prior to each meeting a summary of findings from completed internal audits and the status of implementing related recommendations.
4.4		Receive a progress report on the internal audit plan with explanations for any deviations from the original plan.
4.41		Review periodically the internal audit charter for necessary changes.
		Complaints and ethics
4.42	All	Ensure procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

4.43	Spring	Review the code of conduct to ensure that it: 1) is easy to access, 2) is widely communicated, 3) is easy to understand and implement, 4) includes a confidential mechanism for reporting code violations, 5) is enforced, 6) includes a conflict of interest policy and guidelines, 6) includes whom to contact for questions.
4.44	Spring	Review the conflict of interest policy to ensure that: 1) the term “conflict of interest” is clearly defined, 2) guidelines are comprehensive, 3) signoff is required, and 4) potential conflicts are adequately resolved and documented.
4.45	Spring	Require appropriate disclosure of related party transactions, including an annual accounting.
		Reporting responsibilities
4.46	All	Regularly update the FPO Committee and the MATC Board about Committee activities and make appropriate recommendations.
4.47	All	Ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business.
4.48	All	Prepare any reports requested by the Board (e.g., a report on the Committee’s activities).
		Evaluating performance
4.49	Summer	Evaluate the Committee’s own performance, both of individual members and collectively, on a periodic basis.
4.5	Summer	Assess the achievement of the duties specified in the Charter and report the findings to the Board.

4.51	Summer	Review the Charter annually and discuss any required changes with the Board.
4.52	Summer	Ensure that the Charter is approved or re-approved by the Board when required.