November 3, 2011

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

A regular open meeting* of the ADVISORY AUDIT COMMITTEE of the Milwaukee Area Technical College District Board, Wisconsin, will be held in the BOARD ROOM, (ROOM M210), of the MILWAUKEE AREA TECHNICAL COLLEGE, 700 West State Street, Milwaukee, Wisconsin on WEDNESDAY, NOVEMBER 9, 2011, beginning at 2:00 P.M.*

The agenda for said meeting is presented as follows:

A. Roll Call

B. Compliance with the Open Meetings Law

C. Approval of Minutes, August 10, 2011, Attachment 1

D. Comments from the Public

E. Action Items
   None

F. Discussion Items
   1. Update on Internal Audit Plan
   2. Report of FY2010-2011 Audit Plan Activities
   3. Advisory Audit Committee Charter

G. Information Items

H. Old Business/New Business

Date of Next Meeting: Wednesday, February 15, 2012, MATC Board Room, M210

Committee Members: Ostermeyer, Royal, 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 414-297-6610 to schedule services at least 48 hours prior to the meeting.
CALL TO ORDER

The regular meeting of the Milwaukee Area Technical College District Board Advisory Audit Committee was held in open session on Wednesday, June 1, 2011, and called to order by Mr. Fred Royal at 12:05 p.m. in the Board Room, M210, at the Downtown Milwaukee Campus of Milwaukee Area Technical College.

ITEM A. ROLL CALL

Present: Fred Royal, Jr., Tom Wieland, and Robert Yahr.

Excused: Michael J. Ostermeyer

Staff: Dr. James Williams, Vice President, Finance

Terri Gayhart, Controller

Guests: Jeff Mueller, CPA, Titus

ITEM B. COMPLIANCE WITH THE OPEN MEETINGS LAW

Proper notice of the meeting had been given in compliance with the Wisconsin Open Meetings Law.

ITEM C. APPROVAL OF MINUTES, JUNE 1, 2011

Discussion Mr. Wieland advised adding to the role call the staff and invited guests who are present. Also item F-1-- FY2010-2011 External Audit Plan - Baker Tilly He clarified that his request was for the schedule of insurances to be included in the audit report.

Action Minutes approved by consensus with the necessary corrections.

ITEM D. COMMENTS FROM THE PUBLIC

None.
ITEM E. ACTION ITEMS

E-1 Tentative FY2011-12 Advisory Audit Committee Meeting Schedule

Motion: It was moved by Mr. Wieland, seconded by Dr. Yahr to approve Tentative FY2011-12 Advisory Audit Committee Meeting Schedule

Action: Motion Approved.

ITEM F. DISCUSSION ITEMS

F-1 Update on Internal Audit Plan

Discussion: Jeff Mueller of Titus gave an update on the status of the internal audit. He reported that the areas of focus for the fiscal year included: Student Services, Procurement, and IT (Datatel).

F-2 Status of FY2010-2011 Audit Plan Activities

Discussion: Terri Gayhart, controller reported the external auditors have begun the preliminary field work and are now waiting for the completion of the financial statements.

ITEM G. INFORMATION ITEMS

None.

ITEM H. OLD BUSINESS/NEW BUSINESS

Discussion: Mr. Wieland advised the committee should be reviewing the matrix and the charter for the committee. Mr. Royal suggested reviewing the charter at the next meeting. The committee agreed to hold a special meeting in September for the internal audit read-out.

Date of Next Meeting: Wednesday, November 9, 2011, 2:00 p.m., Regular Advisory Audit Committee Meeting, Downtown Milwaukee Campus, Board Room (M210).

Adjournment

The meeting adjourned at 12:32 p.m.

Respectfully Submitted,

Erika N. Crosby
Administrative Specialist, Finance
1. **Overall purpose/objectives**
   The MATC Advisory Audit Committee (the “Committee”) is appointed by the MATC Board of Directors (the “Board”) to assist it in discharging the Board's oversight responsibilities. The Committee will assist the Board in its responsibility to oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Committee will also assist the Board in reviewing: 1) the effectiveness of the institution’s internal financial control and risk management systems; 2) the effectiveness of the internal audit function; 3) the independent audit process, including recommending the appointment and assessing the performance of the external auditor; and 4) the institution’s process for monitoring compliance with laws and regulations affecting financial reporting and its code of conduct. It is understood that all Committee activities will comply with applicable local, state, and federal laws, including but not limited to, open meetings and public records statutes. Additionally, the Committee will act in adherence to all applicable MATC Board policies and collective bargaining agreements.

2. **Authority**
   The Board authorizes the Committee, within the scope of its responsibilities, to:

   2.1 Perform activities within the scope of this MATC Advisory Audit Committee Charter (the “Charter”).

   2.2 Review and recommend the engagement of independent counsel and other advisers, as it deems necessary to carry out its duties.

   2.3 Have unrestricted access to members of management, faculty and employees as well as to all books, records, and facilities of the institution subject to aforesaid open meetings and public records laws.

   2.4 Evaluate procedures for the receipt, retention and treatment of complaints received from employees regarding accounting, internal accounting controls or auditing matters.

   2.5 Be directly responsible for recommending the appointment, compensation, retention and oversight of the work of the external auditor to the MATC Finance, Personnel and Operations (FPO) Committee and the MATC Board.

   2.6 Review and recommend for FPO Committee and MATC Board approval the policies for the provision of non-audit services by the external auditors and, when required, the framework for pre-approval of such services.

3. **Organization**

   **Membership**
   3.1 The Board will approve the appointment of the Committee members and the chairperson of the Committee will be as designated below in Paragraph 3.2.
3.2 The Committee will be comprised of the MATC FPO Committee Chair, who will serve as the Committee Chair and at least three (3) and no more than five (5) other members. All Committee members shall be independent. Members will be considered independent as long as they do not accept any consulting, advisory, or other compensatory fee from MATC and are not closely associated affiliated with MATC management, internal auditors, or external auditors. The Committee Chair may select member(s), at least one of whom has financial expertise, to serve as additional officers for the Committee, including but not limited to the position of Vice-Chair, to be numbered sequentially if more than one is selected.

3.3 A quorum of any meeting will be a majority of members of the committee.

3.4 Each non-MATC Board member should have skills and experience appropriate to public accounting and/or to the education or governmental sectors.

3.5 A majority of Committee members shall be “financially literate.” Financial literacy is defined as being able to read and understand fundamental financial statements.

3.5.1 If possible, include one member who is a “financial expert” as it is defined by Sarbanes: a “financial expert” is a person who has an understanding of generally accepted accounting principles and financial statements; the ability to assess the application of these principles in connection with accounting for estimates, accruals and reserves; an understanding of Committee functions; experience preparing, auditing, analyzing or evaluating financial statements, or experience actively supervising persons engaged in such activities; and an understanding of internal controls and procedures for financial reporting. The person must have acquired these attributes through one or more of the following: education or experience actually doing these functions or similar ones; actively supervising someone who is performing these functions or similar ones; experience overseeing or assessing the performance of companies or public accountants who are preparing, auditing or evaluating financial statements; or other relevant experience.

3.6 Each non-MATC Board member will be appointed for three-year terms of office and may serve for consecutive and/or multiple terms, which terms may be staggered after the initial term.

Meetings

3.8 All meetings will be held in accordance with Wisconsin Statutes Chapter 19, which governs open meetings and public records, including appropriate notice and posting provisions outlined therein.

3.9 A majority of the Committee will constitute a quorum for the transaction of business.

3.10 As part of its responsibility to foster open communication, the Committee shall provide sufficient opportunity for the independent external and internal auditors to dialogue with the Committee Chair and certain designated members of the Committee. The Committee Chair and certain designated members will have a
candid conversation with the independent external auditors and internal auditors at least once annually without management present. The independent external and internal auditors shall be invited to make presentations to the Committee as appropriate.

3.11 Meetings shall be held not less than four times a year and should correspond with the organization’s financial reporting cycle.

3.12 Special meetings may be convened as required, subject to the statutory notice provisions.

3.13 The Committee shall maintain written minutes of its meetings.

3.14 After consultation with the members, the administrative assistant to the Committee shall:

3.14.1 Circulate the agenda and supporting documentation to the Committee members a reasonable period in advance of each meeting.

3.14.2 Circulate the approved minutes of meetings to members of the Board, members of the Committee, and the internal and external auditors.

3.14.3 Convene a meeting upon receipt of a request by the external or internal auditors, subject to statutory notice and posting provisions.

3.15 As a minimum, the chairperson of the Committee or the chair’s designee from the Committee shall attend the Board meeting at which the financial statements are approved.

3.16 The Committee should meet with in-house legal counsel on a regular basis. A meeting with outside legal counsel should be held if it is deemed necessary.

3.17 The Committee may invite others (e.g., the president, chief financial officer, internal audit director, and external audit engagement partner) to its meetings, as it deems appropriate.

3.18 The Committee may want to consider requesting special reports on topics that may enhance their understanding of the institution’s activities. For example, topics could include: capital projects management, new business initiatives, technology, and other initiatives that affect internal controls.

4. **Roles and responsibilities**

With regard to each topic listed below, the Committee will, where applicable:

**Internal controls**

4.1 Evaluate whether management is setting the appropriate “control culture” by communicating the importance of internal controls.

4.2 Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.
4.3 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 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 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 Evaluate the overall effectiveness of the risk management framework.

4.7 Evaluate whether management is setting the appropriate tone at the senior level by communicating the importance of the management of risk.

4.8 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 Review significant accounting and financial reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial report.

4.10 Oversee the financial reporting process implemented by management.

4.11 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 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 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 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.

4.15 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 Obtain reports concerning financial fraud resulting in losses in excess of $10,000 or involving a member of senior management.

4.19 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 Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.

4.21 Review the findings of any examinations by regulatory agencies.

Working with independent external auditors

4.22 Have the independent external auditor report directly to the Committee.

4.23 Review of the professional qualifications of the independent external auditor (including the background and experience of the engagement partner and auditing personnel).

4.24 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 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 Be responsible for reviewing the recommended compensation of the external auditor.

4.27 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 Review required communications from the external independent auditors.
4.28.2 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 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 Ensure that significant findings and recommendations made by the external auditors and management’s proposed response are received, discussed and acted on appropriately.

4.30 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 Review policies for the provision of non-audit services by the external auditor.

4.32 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, if any, 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.
4.40 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 Ensure procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

4.43 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 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 Require appropriate disclosure of related party transactions, including an annual accounting.

**Reporting responsibilities**

4.46 Regularly update the FPO Committee and the MATC Board about Committee activities and make appropriate recommendations.

4.47 Ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business.

4.48 Prepare any reports requested by the Board (e.g., a report on the Committee’s activities).

**Evaluating performance**

4.49 Evaluate the Committee’s own performance, both of individual members and collectively, on a periodic basis.

4.50 Assess the achievement of the duties specified in the Charter and report the findings to the Board.

4.51 Review the Charter annually and discuss any required changes with the Board.

4.52 Ensure that the Charter is approved or re-approved by the Board when required.

**Insurance and expense reimbursement**

5.1 Liability insurance of MATC will cover Committee members for their activities on behalf of the College as outlined in this Charter.

5.2 Expenses incurred by Committee members in carrying out their roles and responsibilities consistent with this Charter will be reimbursed by MATC consistent with the MATC District Board Policy B0901, Travel and Expense Reimbursement.
Adoption of Charter
The MATC Board of Directors adopted this Charter on ______________, 2009.

__________________________________________
Lauren Baker, Chairperson of the District
Attest:

___________________________________
Fred Royal, Secretary of the District

Recorded this __________, 2009.

___________________________________
Fred Royal, Secretary of the District