

Attachment AAC - 1

MILWAUKEE AREA TECHNICAL COLLEGE Advisory Audit Committee (AAC) Minutes

MATC ADMINISTRATION PRESENT Michael Sargent

GUESTS: Steven Henke, engagement senior manager, Virchow Krause & Co.

CALL TO ORDER

The regular quarterly meeting of the Advisory Audit Committee (the "Committee") of the Milwaukee Area Technical College (MATC) was held in open session on Tuesday, May 1, 2007, and called to order by Michael Sargent at 2:00 P.M. in the Board Room, Room M210, at the Milwaukee Campus of Milwaukee Area Technical College.

ROLL CALL

Present: Bonnie Baerwald, Tom Wieland, Robert Yahr

Excused: Bobbie Webber and William Hughes

COMPLIANCE WITH THE OPEN MEETINGS LAW

The Advisory Audit Committee meeting was noticed in compliance with the Wisconsin Open Meetings Law.

APPROVAL OF MINUTES: September 14, 2006 – Attachment AAC – 1

Motion Minutes to the September 14th, 2006 meeting of the Audit Advisory Committee were approved by consensus, as submitted.

APPROVAL OF MINUTES: February 8, 2007 – Attachment AAC – 2

Motion Minutes to the February 8th, 2007 meeting of the Audit Advisory Committee were approved by consensus, with revisions.

COMMENTS FROM THE PUBLIC / MISCELLANEOUS

None

ACTION ITEMS

None

DISCUSSION ITEMS

G-1 External Auditor Selection

Michael Sargent, vice president – Finance, reported that Administration issued a request for proposal relating to external auditing activities. Fifteen firms received the RFP. Virchow Krause, responded with a proposal. Pertaining to this proposal, Administration requests approval from the Advisory Audit Committee, FPO Committee, and District Board so that MATC may engage the services of Virchow Krause.

In response to a question by Bonnie Baerwald, Mr. Sargent stated that the Foundation has grown to a point where it manages four million dollars annually. This has caused an increased amount of work in relation to auditing and has therefore increased the cost of such services.

The Committee recommended that this item be moved forward to FPO as a discussion item, with the intention that FPO takes action on it.

G-2 Potential Audit and Accounting Implications – Tuition Remission

Mr. Sargent reported that Administration has not yet been able to reconcile remissions. He proposed that the Committee request an internal audit to resolve the issue.

Ms. Baerwald asked if Administration had resolved the issue of bad debts, a matter discussed at previous meetings. Mr. Sargent responded, stating that the internal audit would help to make further progress in this area. It would also provide an opportunity to chart the flow of receivables.

Members of the Committee support Administration conducting an internal audit.

G-3 Virchow Krause Audit Planning

Steven Henke of Virchow Krause provided the Committee with a handout detailing audit activities Virchow Krause would carry out should it be selected as MATC's FY2007-2008 external auditor. Following a meeting with Administration, the audit plan will be reformed, as needed, and a timeline will be established.

In response to a request by Tom Wieland, Virchow Krause will report back to the Committee concerning increased fees due to new auditing standards to be implemented during 2008. Virchow Krause will also supply MATC's legal counsel with a copy of the engagement letter.

Mr. Sargent stated that with multiple retirements taking place this year, the structure of MATC will have to be considered going forward. With this changing structure,

Advisory Audit Committee

Minutes of May 1, 2007

Michael Sargent asked that part of the audit plan include discussion of other post employment benefits and how MATC should address them in the future.

In response to a question by Mr. Wieland concerning progress made on issues raised in the FY2006-2007 management letter, Mr. Sargent provided the Committee with an update:

- An RFP has been issued for the implementation of a new Bookstore POS system. Mr. Sargent anticipates resolving the new system by September 1, 2007.
- Changes in the tracking and approval of time off from work have been implemented.
- A new system of handling cash in cafeterias has been implemented, bringing about frequent balancing of cash drawers.
- Donated capital in the Foundation has been accounted for.
- In the event of a budget modification, a resolution concerning that modification goes to the Board. Following approval, it is recorded in an appropriate journal entry.
- Administration continues to address the issue of OPEBs.
- Administration is strengthening the value of the Comprehensive Annual Financial Report, bringing to it more disclosure than required.
- Administration continues to address the issue of receivables:
 - MATC is working with collection activities with regard to Student debt.
 - There is a new employee in the Business Office dedicated to reviewing cash applications.
 - Every month, the Business Office goes through outstanding checks to reconcile them.

G-4 Survey of Committee Members – Special Advisor Position and Size of Committee

Before considering a special advisor, Bonnie Baerwalds suggested utilizing resources allocated to Advisory Audit for the purposes of an internal audit.

Mr. Sargent stated that he anticipated OPEBs being addressed in such an internal audit. He may also engage the Committee in deciding how to address this issue. A plan regarding OPEBs will be provided to the LAB and State after Board approval of the FY2007-2008 budget.

Michael Sargent discussed plans pertaining to an independent trust for benefits of retirees. He is considering altering assumptions to account for the rapid increase in health care costs.

Mr. Wieland requested an update of the Ethics Point program. Mr. Sargent reported that it is in the process of being implemented. Following the Virginia Tech tragedy, views of security have changed. It quickened the implementation of changes previously initiated by Doug Tripp, director – Public Safety, and Ethics Point.

Concerning the size of the Committee, it was suggested by Michael Sargent that the number of members remain at five, with two being members of the Board. Following a suggestion of a “spectator volunteer” by Mr. Wieland, Mr. Sargent asked that there be a succession plan, with appointments staggered, so terms end at different times. Mr. Sargent welcomed Committee recommendations of potential

Advisory Audit Committee

Minutes of May 1, 2007

members. Tom Wieland also expressed concerns about succession. He sees a smaller Committee being functional; however, he hopes members of the public may participate to allow for succession.

In response to a question by Bob Yahr, Michael Sargent stated that it is necessary for members to have knowledge of the public and private sectors.

G-5 FY2007-2008 Committee Schedule

The Committee tentatively agreed upon a FY2007-2008 schedule:

- August 2, 2007, 2:00PM
- November 12, 2007, 2:00PM
- February 7, 2008, 2:00PM
- April 24, 2008, 2:00PM

INFORMATION ITEMS

None

MISCELLANEOUS ITEMS

I-1 Communications & Petitions

None

OLD BUSINESS / NEW BUSINESS

Next Meeting: August 2, 2007 – 2:00 PM, M210

ADJOURNMENT

The Committee adjourned at 3:43 PM.

Respectfully Submitted,

Karen Esche-Eiff

Administrative Specialist - Finance