

April 23, 2007

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 **TUESDAY, May 1, 2007**, beginning at **2:00PM**\* The agenda\*\* for said meeting is presented as follows:

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- A. Roll Call**
- B. Compliance with the Open Meetings Law**
- C. Approval of Minutes, September 14, 2006 – Attachment AAC - 1**
- D. Approval of Minutes, February 8, 2007 – Attachment AAC - 2**
- E. Comments from the Public**
- F. Action Items**
- G. Discussion Items**
  - 1. External Auditor Selection
  - 2. Potential Audit and Accounting Implications
    - i. Tuition Remission
  - 3. Virchow Krause Audit Planning
  - 4. Survey of Committee Members
    - i. **Special Advisor Position – Attachment AAC - 3**
    - ii. Size of Committee
  - 5. FY2007-2008 Committee Schedule
- G. Information Items**
- H. Miscellaneous Items**
  - 1. Communications and Petitions
- I. Old Business/New Business**
  - a. To Be Determined

\* 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.*

**Attachment AAC - 1**

**DRAFT**

**MILWAUKEE AREA TECHNICAL COLLEGE  
Advisory Audit Committee (AAC) Minutes**

**MATC ADMINISTRATION PRESENT**

Christy Brown  
Pablo Cardona  
Michael Gavin  
Michael Sargent  
Michael Walsh

**SPECIAL ADVISOR  
TO THE AAC:**

Craig Piotrowski, ASL Consulting

**GUESTS:**

John Knepel, Virchow, Krause & Company, LLP

**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 Thursday, September 14, 2006, and called to order by Chairperson Hughes at 8:58 A.M. in the Board Room, Room M210, at the Milwaukee Campus of Milwaukee Area Technical College.

**ROLL CALL**

**Present:** Bonnie Baerwald, William Hughes, Anne Szczygiel, Tom Wieland, Robert Yahr

**Excused:** Charlotte Sain, Bobbie Webber

**COMPLIANCE WITH THE OPEN MEETINGS LAW**

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

**APPROVAL OF MINUTES – May 4, 2006**

Motion It was moved by Anne Szczygiel, seconded by William Hughes, to approve the minutes of the May 4, 2006, Committee meeting, as submitted.

Action Motion Approved

**COMMENTS FROM THE PUBLIC / MISCELLANEOUS**

None

## ACTION ITEMS

None

## DISCUSSION ITEMS

### G-1 Internal Audit – Discuss Possible Area(s) of Concern

John Knepel reported that the internal controls audit commenced on August 28<sup>th</sup>, 2006, and will end on September 15<sup>th</sup>, 2006. Though there were no serious difficulties, he recommended that MATC study cash collection at its non-centralized cash points. Receipt of the initial audit report is expected by the end of next week. John asked to discuss the report during the November meeting of the Committee.

Michael Sargent commented on the issue of bad debts. The current tuition payment plan allows students to enroll after the first of three payments is made. When students fail to make subsequent payments, bad debts accrue. Currently, MATC is writing off about one million dollars in student receivables. Identification of underlying causes must, therefore, take place. Once a catalyst is determined, internal procedures can be formulated, reducing bad debts while not discouraging enrollment.

Bonnie Baerwald suggested that MATC engage the service of internal auditors to address the issue of bad debts.

William Hughes requested that there be a full board discussion concerning lost fees due to bad debts.

### G-2 IT Security

Michael Gavin reported that the IT Department partook in an audit which focused on internal and external vulnerability. Penetration tests showed that MATC had various high, medium, and low vulnerabilities. Those concerning Blackboard and COSMO were studied specifically. The final report will show how MATC fared in relation to other institutions.

Michael Gavin also discussed the IT Department's physical review of the computer room. Cameras were installed; however, only at **entrances** and exits so as not to focus them on individuals at work.

Michael Walsh noted that the department is exploring the possibility of installing cameras elsewhere for security purposes.

### **G-3 Survey of Committee Members**

While discussing results of a survey meant to clarify for new members the purpose of the Committee and the roles of Committee members, Anne Szczygiel suggested that an independent administrator provide Committee facilitation.

Craig Piotrowski, speaking on Charlotte Sain's behalf, suggested that one or two individuals should be hired for that purpose.

Michael Sargent noted that a number of factors ought to be considered before determining whether the internal audit position should be filled internally.

Craig Piotrowski asked that recommendations be brought to the November meeting.

### **G-4 Review and Modification of Committee Charter**

Discussion of this item was postponed to the next Committee meeting.

### **G-5 2006-07 Budget Document**

Michael Sargent commented on the preliminary June FY05-06 and July FY06-07 budgets. Concerning June revenues, MATC experienced reductions in state aid as well as reductions in tuition and fees due to declining enrollments. Offsetting these numbers in part was the strong year of growth within the Office of Corporate Learning.

In terms of expenses, faculty salaries were over budget due to increased faculty costs in expanding programs such as healthcare. In general, however, salaries were close to budget, with significant savings in almost all categories other than instructional. Michael Sargent also noted a decrease in HMO premiums.

Michael Sargent reported on a modification in accounting for the cost of undiminished pension for early retirees. Historically, Milwaukee Area Technical College recognized expenses for undiminished retirement when the invoices were received from the Wisconsin Retirement System (WRS). By accruing expense during the year of retirement, there is a more correct recognition of the liability. The result of this change in practice will be an increase in aid-able cost and more timely recognition of the liability.

Preliminary budget information for July indicates that MATC will be ahead of Budget and will experience a growth in reserves. The Administration, according to Michael Sargent, has been taking part in saving activities.

### **G-6 Other Post-Employment Benefits**

Michael Sargent raised concerns over MATC's future ability to raise taxes. Early numbers for equalized values show that the Milwaukee District's value grew 11%, which is 2% more than the state average. He also discussed decreases in full-time enrollment and increases in TID dollars. The resulting loss in state aid will be about

\$500,000.

**G-7 EthicsPoint Proposal**

Michael Sargent stated that Administration is ready to contract with EthicsPoint to implement an anonymous tipster program at MATC. Questions concerning the maintenance of confidentiality and the handling of information, nevertheless, remain. Currently, it is proposed that the Legal and CFO's offices will share the responsibility.

**INFORMATION ITEMS**

**H-1 Legislative Audit Bureau Personnel Policies & Practices Audit Update  
(Discussion of H-1 followed that of G-3)**

Pablo Cardona reported that the LAB has requested information pertaining to employee compensation (including paid leave benefits), leave usage and accumulation, sabbaticals, cash settlements, and buy-outs. Since the middle of May, the LAB has asked for additional information, especially concerning leave benefits and vacation usage, making sure that MATC is accounting that information correctly. The final report is expected after elections.

**H-2 Enrollment**

Michael Sargent described that enrollment is down four and six percent between program and non-program. The decline continues in business with increases in healthcare. It seems that the Redefine Smart Campaign is helping to increase enrollment.

**H-3 WICPA Article**

Craig Piotrowski shared this article the Committee.

**MISCELLANEOUS ITEMS**

**I-1 Communications & Petitions**

None

**OLD BUSINESS / NEW BUSINESS**

Next Meeting: November 9, 2006 – 9:00am

**ADJOURNMENT**

The Committee adjourned at 11:20 a.m.

**TRANSITIONAL MEETING BETWEEN NEW AND OLD VICE CHAIRS (FOLLOWS REGULAR MEETING)**

William Hughes, Robert Yahr, and Craig Piotrowski decided to meet at the Greendale District Office on October 4, 2006, at 3:30 PM, providing that Charlotte Sain is available.

**ADJOURNMENT**

This meeting adjourned at 11:40 a.m.

Respectfully Submitted,

*Karen Esche*

Administrative Specialist - Finance

**Attachment AAC - 2**

**DRAFT**

**MILWAUKEE AREA TECHNICAL COLLEGE  
Advisory Audit Committee (AAC) Minutes**

**MATC ADMINISTRATION PRESENT** Christy Brown  
Michael Sargent

**GUESTS:** Jeannette Bell

**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 Thursday, February 8, 2007, and called to order by Vice Chair, Robert Yahr at 9:10 A.M. in the Board Room, Room M210, at the Milwaukee Campus of Milwaukee Area Technical College.

**ROLL CALL**

**Present:** Anne Szczygiel, Tom Wieland, Robert Yahr

**Excused:** Charlotte Sain, Bobbie Webber, Bonnie Baerwald, 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 14<sup>th</sup>, 2006 meeting of the Audit Advisory Committee will be brought before the Committee on May 3<sup>rd</sup>, 2007 for approval.

Action

**COMMENTS FROM THE PUBLIC / MISCELLANEOUS**

None

## **ACTION ITEMS**

None

## **DISCUSSION ITEMS**

### **G-1 External Audit Report – Attachments AAC – 2, 3, and 4**

When discussing the CAFR, Michael Sargent, vice president – Finance, detailed two receivable areas which Administration is working to improve. Those areas pertain to student receivables and contract revenue. Concerning student receivables, students must pay or make arrangements to pay MATC debts prior to reenrollment. In December, student receivables surprisingly grew, and enrollment began to rebound from the initial decline. Relating to contract revenue, all activity relating to billing in this area has been consolidated in one position. This was done in an effort to reduce error.

In response to Mr. Wieland's question about availability of student aid, Mr. Sargent stated that more students than those of the previous year qualified, but grants to fund the aid were not received.

*Jeannette Bell arrives at 9:21AM.*

During the external audit, Virchow Krause identified several areas of operation to improve. Concerning the cafeteria, Administration will be implementing a new system of handling money in order to decrease the frequency of drawer shortages.

### **G-2 Survey of Committee Members – Attachment AAC - 5**

Members of the Committee noted Charlotte Sain's desire for a Special Advisor and postponed further discussion of this item to the next meeting of the Committee.

Tom Wieland voiced his concern for the lack of attendance at Committee meetings. Christy Brown, executive vice president, will bring a revised charter before the Committee in May to address concerns identified.

### **G-3 2006-07 Budget Document – Attachment AAC-6**

Michael Sargent reported that in the month of September, equalized values increased, reducing MATC income by \$500,000. In conjunction with reductions in state aid and tuition and fees due to FTE declines, MATC continued to operate at a deficit. Keeping positions open following an individual's retirement or transfer and reductions in salaries due to fewer students and class sections have somewhat aided in reducing this shortfall in revenue.

Concerning retirement benefits, Administration changed its accounting practice to address undiminished pension in the period during which the individual retired. This year, Administration underestimated the amount to accrue by \$300,000.

Mr. Sargent noted a \$1,000,000 favorable balance in supplies. With adequate

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inventories, Administration anticipates a decrease in this area for FY2008. Mr. Sargent also noted a favorable balance in contracted service; however, he reported that MATC is over budget in rental accounts. He indicated several programs utilizing off-campus space, include the welding program.

Michael Sargent stated that he is working with individuals in Public Television to determine the cause of PTV's revenue shortfall. Other enterprise activities, with the exception of Milwaukee Enterprise Centers, appear to be running at levels better than anticipated.

In an effort to improve all activities related to food at MATC, a team composed of individuals from Culinary Arts and Food Service was created. Mr. Sargent is hopeful that the team will generate creative projects which will prove beneficial to MATC. He also discussed the success of OCL activities, specifically that of a program aimed at the education of prison inmates.

**G-4 Other Post-Employment Benefits**

**G-5 Projected Accounting and Auditing Issues**

Mr. Sargent stated that his largest concern pertains to OPEBS and union contracts, as Administration and union representatives have not yet completed negotiations. He also stated that contracts would be retroactive to July 1, 2006.

**G-6 EthicsPoint – Attachment AAC - 7**

Michael Sargent report that MATC entered into a contract with EthicsPoint. For two months, activities relating to the project have slowed due to the lack of an MATC employed web designer. Materials were distributed amongst members of the Committee for their information concerning this discussion item.

**G-7 Potential Audit and Accounting Implications**

**INFORMATION ITEMS**

None

**MISCELLANEOUS ITEMS**

**I-1 Communications & Petitions**

Christy Brown distributed two Journal Sentinel articles amongst Committee members: *MATC Lacks Big Business on its Board* and *MATC Tenants Face Crackdown*. It was requested that members of the Committee be sent articles

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featuring activities at MATC.

**OLD BUSINESS / NEW BUSINESS**

Next Meeting: May 3, 2007 – 9:00am, M210

**ADJOURNMENT**

The Committee adjourned at 11:55 a.m.

Respectfully Submitted,

*Karen Esche*

Administrative Specialist - Finance

**In response to the November agenda discussion item (F.i.) – Special Advisors Position – reporting directly to the Board:**

I would like to propose the following as possible responsibilities:

**Coordinator and Information Liaison to the AAC:** This person would facilitate AAC meetings and communications – including but not limited to chair/vice chair meetings, auditor meetings and related communications.

**Participation in the Budget Process**

**Preliminary Audit Work:** Would work with departments to prepare for audits

**Special Audit Projects:** Following the Internal Controls Audit, a recommendation was made to study cash collection at MATC's non-centralized cash points and the issue of bad debts. These types of audits could be performed by this position. It would also be very valuable to have someone in-house to conduct "sensitive topic" audits, such as suspected theft or misappropriation. This position could also assist in the creation, implementation, monitoring, coordination and communication of the results of the Tipster Program.

**Follow up to Auditors recommendations:** When audit recommendations are made – who follows up on the process/or lack thereof of the recommendations and reports these findings to the board?

**Custom reports for the Board/AAC:** If special reports are needed to communicate information to the Board and or AAC this position could create them.

**Update Internal Controls:** As policies, procedures and technology changes, internal controls need to be reviewed and updated if needed. This position could perform this function.

**Create internal audits programs:** To reduce the time and expense of our internal auditors, this position could be responsible for conducting regular mini-audits of certain critical functions and selected departments.

Your response is welcomed

*Charlotte Y. Cannon - Sain*  
*Lead Tax/E31 Compliance Officer*