

## Attachment AAC - 1

### 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 Controls – Discuss Possible Area(s) of Concern

John Knepel reported that internal controls portion of the annual audit commenced on August 28th, 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 audit report is expected by the end of next week. John asked to discuss it 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 faired 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