

February 5, 2009

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, FEBRUARY 11, 2009**, beginning at **2:30PM*** 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, November 12, 2008 – Attachment AAC - 1](#)

D. Comments from the Public

E. Action Items

F. Discussion Items

1. External Audit Report – Virchow Krause
2. FY2009-2010 Activity Plan and Budget
- 3. [Committee Charter Review – Attachment 2](#)**
4. Risk Management and Safety Committee Update
5. Committee Membership
6. Potential Audit and Accounting Implications

G. Information Items

H. Miscellaneous Items

1. Communications and Petitions

I. Old Business/New Business

- Remaining FY2008-2009 Schedule
 - April 9, 2009, 2:00 p.m.

- * **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 ADVISORY AUDIT COMMITTEE
MILWAUKEE, WISCONSIN
NOVEMBER 12, 2008**

CALL TO ORDER

A regular meeting of the Milwaukee Area Technical College Advisory Audit Committee was held in open session on Wednesday, November 12, 2008, and called to order by Peter Earle at 2:34 p.m. in the Board Room, M210, at the Downtown Milwaukee Campus of Milwaukee Area Technical College.

ITEM A. ROLL CALL

Present: Bonnie Baerwald
Tom Wieland
Robert Yahr
Peter Earle

Excused: Lauren Baker

Absent: 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 14, 2008 – Attachment 1

Minutes to the August 14, 2008, meeting of the Advisory Audit Committee was approved, by consensus.

ITEM D. COMMENTS FROM THE PUBLIC

None

ITEM E. ACTION ITEMS

None

Milwaukee Area Technical College Advisory Audit Committee

Minutes of November 12, 2008

Page 2

ITEM F. DISCUSSION ITEMS

F-1 Guest Introduction

Discussion John Knepel, partner, Virchow Krause & Company, LLP, Steve Henke, senior manager, Virchow Krause & Company, LLP, and Naushad Moola, manager, Coleman & Williams, Ltd., introduced themselves to the Committee.

F-2 External Audit Report – Virchow Krause, LLP – Attachment 2

Discussion Mr. Knepel and Mr. Henke anticipate issuing an unqualified opinion of their MATC FY2007-2008 audit.

Mr. Michael Sargent, vice president, Finance, reported on changes to the process by which he and the MATC controller review and approve journal entries, allowing for increased documentation of Administration's already well established involvement in the process.

Mr. Knepel expects to address new ways of communicating with the MATC Board on the subject of the audit at the April meeting of the Advisory Audit Committee.

F-3 Single Audit Report – Coleman & Williams, Ltd. – Attachment 3

Discussion Mr. Moola reported that the single audit will contain no findings of noncompliance. A draft of the report will be made available to Administration shortly.

From 3:15 p.m. – 3:25 p.m., members of the Committee met independent of management as required by the Committee's charter.

F-4 Ethics Point Update

Discussion Mr. Sargent stated that it was the decision of the Administration not to go forward with Ethics Point at this time. After a determination is made as to what the issues that would be reported are and how the College would address those issues, Administration will reconsider the project.

F-5 Committee Charter Review – Attachment 4

Discussion Mr. Walter Lanier, assistant general counsel, will lead a discussion of the Committee's charter at the next meeting of the Committee.

Milwaukee Area Technical College Advisory Audit Committee

Minutes of November 12, 2008

Page 3

F-6 Committee Membership

Discussion Mr. Sargent reported that Administration continues to look in the community for future potential Advisory Audit Committee members. Per the suggestion of Mr. Lanier, prospective Committee member, Mr. Michael Ostermeyer, partner, Quarles & Brady, LLP, observed this meeting of the Advisory Audit Committee as a member of the public.

F-4 Potential Audit and Accounting Implications

Discussion Mr. Sargent reported that Administration continues to monitor student receivables and looks for new ways to recover past-due funds. He also discussed sustainable initiatives as a means to decrease operational costs as well as Administration's on-going commitment to the improvement of parking options for the members of the MATC community.

Mr. Lanier stated that the College's Risk Management and Safety Committee will be having its first meeting on November 13, 2008. He will provide an update at the next meeting of the Advisory Audit Committee.

ITEM G. INFORMATION ITEMS

None

ITEM H. MISCELLANEOUS ITEMS

H-1 Communications and Petitions

None

ITEM I. OLD BUSINESS/NEW BUSINESS

Date of Next Meeting: February 11, 2009, 2:30 p.m., MATC Board Room M210

Adjournment

The meeting adjourned at 4:15 p.m.

Respectfully Submitted,

Karen M. Esche-Eiff

Administrative Specialist, Finance

**Milwaukee Area Technical College (MATC)
Advisory Audit Committee Charter***

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 its 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 system; 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; 4) the institution’s process for monitoring compliance with laws and regulations affecting financial reporting and its code of conduct.

2. Authority

The Board authorizes the Committee, within the scope of its responsibilities, to:

- 2.1 Perform activities within the scope of its charter.
- 2.2 Engage 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.
- 2.4 Establish 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 the appointment, compensation, retention and oversight of the work of the external auditor.
- 2.6 Review and approve the policies for the provision of non-audit services by the external auditors [and, when required, the framework for pre-approval of such services].

* Note: The template for this charter was taken from:
Mattie, J. A., & McCarthy, J. H. (2004). *The changing role of the audit committee: Leading practices for colleges, universities and other not-for-profit educational institutions*. Retrieved February 9, 2005, from PricewaterhouseCoopers at:
http://www.pwcglobal.com/gx/eng/about/ind/edu/audit_committee_final_July2004.pdf.

3. **Organization**

Membership

- 3.1 The Board will nominate the Committee members and the chairman of the Committee.
- 3.2 The Committee will be comprised of the MATC Finance, Personnel and Operations Committee Chair, who will serve as the MATC Advisory Audit Committee Chair; the MATC Board Chair; and at least three (3) other members and all members shall be independent. Members will be considered independent as long as they do not accept any consulting, advisory, or other compensatory fee from the MATC and are not affiliated persons of MATC, its subsidiaries or management.
- 3.3 A quorum of any meeting will be four members.
- 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 Members will be appointed for a three-year term of office.

Meetings

- 3.8 Four (4) members of the Committee will constitute a quorum for the transaction of business.
- 3.9 As part of its responsibility to foster open communication, the Committee shall provide sufficient opportunity for the independent external and internal auditor to meet privately with the Committee. The Committee will meet 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.
- 3.10 Meetings shall be held not less than four times a year and should correspond with the organization's financial reporting cycle.
- 3.11 Special meetings may be convened as required.
- 3.12 The Committee shall maintain written minutes of its meetings.
- 3.13 The administrative assistant to the Committee shall:
 - 3.13.1 Circulate the agenda and supporting documentation to the Committee members a reasonable period in advance of each meeting.
 - 3.13.2 Circulate the minutes of meetings to members of the Board, members of the Committee, (and the internal audit director and the external auditor where appropriate).
 - 3.13.3 Convene a meeting upon receipt of a request by the external or internal auditors.
- 3.14 As a minimum, the chairman of the Committee [or another member of the Committee] shall attend the Board meeting at which the financial statements are approved.
- 3.15 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.
- 3.16 The Committee may invite others (e.g., the president, chancellor, chief financial officer, internal audit director and external audit engagement partner) to its meetings, as it deems appropriate.
- 3.17 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:

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 top 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 setting the 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 appropriately acted on.
- 4.30 Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately. Ensure that the auditors have access to the chairman 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 separately with the internal auditors to discuss any matters that the Committee or internal auditors believe should be discussed privately.
- 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.
- 4.40 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) widely communicated, 3) is easy to understand and implement, 4) includes a confidential mechanism for reporting code violations, 5) enforced, 6) includes a conflict of interest policy and guidelines, 6) includes the name of a 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) annual 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 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 regular basis.
- 4.50 Assess the achievement of the duties specified in the charter and report the findings to the Board.
- 4.51 Review the Committee charter annually and discuss any required changes with the Board.
- 4.52 Ensure that the charter is approved or re-approved by the Board annually.

Adoption of Charter

The Board of Directors adopted this charter on _____, 2005.