

April 6, 2010

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

A regular open meeting* of the MILWAUKEE AREA TECHNICAL COLLEGE DISTRICT BOARD **ADVISORY AUDIT COMMITTEE**, will be held in the **BOARD ROOM, ROOM M210**, of **MILWAUKEE AREA TECHNICAL COLLEGE, 700 WEST STATE STREET, MILWAUKEE, WISCONSIN** on **THURSDAY, APRIL 8, 2010**, 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 12, 2009 – Attachment AAC 1](#)

D. [Approval of Minutes, February 11, 2010 – Attachment AAC 2](#)

E. Comments from the Public

F. Action Items

None

G. Discussion Items

1. Routine Audit Program Report
2. [Report on Athletic Audit – Attachment AAC 3](#)
3. FY2009-2010 Audit Plan
4. IRS Audit - Payroll
5. Review of FY2010-2011 Activity Plan and Budget
6. [Review of Committee Charter – Attachment AAC 4](#)
7. [Committee FY2010-2011 Meeting Schedule – Attachment AAC 5](#)
8. Committee Membership
9. Potential Audit and Accounting Implications

H. Information Items

None

I. Miscellaneous Items

1. Communications and Petitions
2. Information Items

J. Old Business/New Business

Date of Next Meeting: TBD, MATC Board Room, M210

Committee Members: Ostermeyer, 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 414-297-6221 to schedule services at least 48 hours prior to the meeting.



AAC-1

**MILWAUKEE AREA TECHNICAL COLLEGE DISTRICT ADVISORY AUDIT COMMITTEE
MILWAUKEE, WISCONSIN
AUGUST 12, 2009**

CALL TO ORDER

The regular meeting of the Milwaukee Area Technical College District Advisory Audit Committee was held in open session on Thursday, August 12, 2009, and called to order by Peter Earle at 2:02 p.m. in the Board Room, M210, at the Downtown Milwaukee Campus of Milwaukee Area Technical College.

ITEM A. ROLL CALL

Present: Tom Wieland, Robert Yahr, and Peter Earle

Excused: Michael Ostermeyer

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, April 9, 2009 – Attachment AAC-1

Minutes of the April 9, 2009, meeting of the Advisory Audit Committee were approved by consensus.

ITEM D. COMMENTS FROM THE PUBLIC

None

ITEM E. ACTION ITEMS

None

ITEM F. DISCUSSION ITEMS

F-1 New Committee Member

Discussion Attorney Walter Lanier provided a professional background of new committee member, Attorney Michael Ostermeyer.

Milwaukee Area Technical College District Advisory Audit Committee

Minutes of August 12, 2009

Page 2

F-2 Advisory Audit Committee Charter Update – Attachment AAC-2

Discussion Attorney Lanier summarized obligations of the Advisory Audit Committee per its recently adopted charter.

F-3 Routine Audit Program

Discussion After discussion, it was suggested that there be a routine internal audit program established to evaluate areas of compliance and internal controls within the college in a proactive manner and, systematically, to fulfill the committee's obligations. It was also suggested that the committee meet more frequently to develop and implement the program. The committee confirmed that it has a budget for internal auditing.

F-4 Internal Audit of Athletics

Discussion Members of the committee agreed that there be an internal audit of athletics as part of the college-wide routine audit program.

F-5 Activity Plan and Budget Update – Attachment AAC-3

Discussion Mr. Michael Sargent provided an overview of cost-reduction initiatives to be implemented within the college.

F-6 Committee Membership

Discussion Mr. Sargent informed members of the committee that he continues to follow-up with individuals interested in serving on the Milwaukee Area Technical College District Advisory Audit Committee. It was suggested that individuals with diverse professional backgrounds be considered for membership.

F-5 Potential Audit and Accounting Implications

Discussion Mr. Sargent reported that Student Receivables continues to be an area of concern. Administration continues to monitor accounting related to that area.

ITEM G. INFORMATION ITEMS

ITEM H. MISCELLANEOUS ITEMS

H-1 Communications and Petitions

Milwaukee Area Technical College District Advisory Audit Committee

Minutes of August 12, 2009

Page 3

ITEM I. OLD BUSINESS/NEW BUSINESS

Date of Next Meeting: Wednesday, November 11, 2009, 3:25 p.m., Regular Advisory Audit Committee Meeting, Downtown Milwaukee Campus, Board Room (M210).

Adjournment

The meeting adjourned at 3:37 p.m.

Respectfully Submitted,

Karen M. Esche-Eiff

Administrative Specialist, Finance



AAC-2

**MILWAUKEE AREA TECHNICAL COLLEGE DISTRICT ADVISORY AUDIT COMMITTEE
MILWAUKEE, WISCONSIN
February 11, 2010**

CALL TO ORDER

The regular meeting of the Milwaukee Area Technical College District Advisory Audit Committee was held in open session on Thursday, February 11, 2010, and called to order by Peter Earle at 2:00 p.m. in the Board Room, M210, at the Downtown Milwaukee Campus of Milwaukee Area Technical College.

ITEM A. ROLL CALL

Present: Tom Wieland, Robert Yahr, and Peter Earle (MATC director, Thomas Michalski, and MATC president, Dr. Michael Burke, were in attendance)

Excused: Michael Ostermeyer

ITEM B. COMPLIANCE WITH THE OPEN MEETINGS LAW

Michael Sargent, vice president, Finance, indicated that proper notice of the meeting had been given in compliance with the Wisconsin Open Meetings Law.

ITEM C. APPROVAL OF MINUTES, November 11, 2009 – Attachment AAC-1

Minutes approved by consensus. Minutes of the August 12, 2009, meeting of the Advisory Audit Committee will be reviewed at the committee's next meeting on April 8, 2010.

ITEM D. COMMENTS FROM THE PUBLIC

None

ITEM E. ACTION ITEMS

None

ITEM F. DISCUSSION ITEMS

F-1 Baker Tilly Virchow Krause Update - Review of Engagement Letter – Attachment AAC 2

Motion: It was moved by Mr. Wieland, seconded by Mr. Yahr, to engage Baker Tilly Virchow Krause for the performance of MATC fiscal year 2009-2010 audit services subject to investigation of the state of jurisdiction relative to entrance into the contract by Walter Lanier, assistant general counsel.

Action: Motion approved.

F-2 Routine Audit Program Update

Discussion Mr. Sargent reported that the audit of student athletics is underway. It is expected to be completed within forty-five days.

F-3 Committee Charter – Attachment AAC 3

Discussion Mr. Lanier provided an overview of the existing MATC Advisory Audit Committee Charter. Karen Esche-Eiff, administrative specialist, Finance, will incorporate updates made in the course of discussion. She will email the updated charter to committee members. This will be discussed at the committee's next meeting on April 8, 2010.

F-4 Committee Membership

F-5 Potential Audit and Accounting Implications

Discussion Members of the committee discussed audit work relating to the consolidated statement for the Corporation of Public Broadcasting, financial implications of MATC moving to a trimester schedule, as well as fund balances.

ITEM G. INFORMATION ITEMS

ITEM H. MISCELLANEOUS ITEMS

H-1 Communications and Petitions

ITEM I. OLD BUSINESS/NEW BUSINESS

Date of Next Meeting: Thursday, April 8, 2010, 2:00 p.m., Regular Advisory Audit Committee Meeting, Downtown Milwaukee Campus, Board Room (M210).

Milwaukee Area Technical College District Advisory Audit Committee

Minutes of February 11, 2010

Page 3

Adjournment

The meeting adjourned at 3:22 p.m.

Respectfully Submitted,

Karen M. Esche-Eiff

Administrative Specialist, Finance

Attachment AAC - 3

**Milwaukee Area Technical College
Internal Control Audit – Athletic Budget
For the Fiscal Years 2005 – 2009**

**Presented to the
Advisory Audit Committee**

April 8, 2010

DRAFT - for discussion purposes only

April 8, 2010

Advisory Audit Committee
Milwaukee Area Technical College
700 West State Street
Milwaukee, Wisconsin 53233

Dear Committee Members:

We have conducted our review of the activities and transactions related to Student Athletics for the fiscal years 2005 through 2009 per your request.

During the course of our review, we met with the following individuals to discuss and understand their role and the overall controls and procedures in place as it relates to the Athletic Department:

- Randy Casey – Coordinator of Athletics
- Michael Sargent – Vice President, Finance
- Karen Gebhard – Controller Assistant
- Terri Gayhart – Controller
- Archie Graham – Student Life Director
- Al Pinckney – Interim VP of Student Services

During these initial interview meetings, we discussed with each individual the current and past policy & procedures, flow of information and records and overall processes related to each person's area along with any concerns they may have had in their roles.

Additionally, transactions recorded within the Student Athletics accounts were reviewed along with the detailed supporting documentation reported during the same period.

Please note that our procedures do not constitute, in accordance with generally accepted auditing or other applicable professional standards, (1) an audit, review or compilation of historical financial statements or specified elements, accounts or items thereof, (2) an examination or compilation of any prospective financial information, (3) an appraisal of the Company and/or any assets or liabilities.

The results of our review are detailed in the attached report.

If you should require any additional details or information, we would be happy to respond to your request.

We truly value the opportunity to be a part of your team.

Sincerely,

Bruce Pistiner, CPA, CIA, CISA, MBA
Internal Audit Senior Consultant
Titus

Background

MATC has an Intercollegiate Athletic program that is funded by student fees. Each year the Student Senate establishes a student fee which funds three activities. These are Student Clubs, U-Pass and Parking and Student Athletics. In FY 2004, an internal control audit was conducted on the entire student life fund and its results and recommendations were presented to the MATC Board upon its completion.

Student Athletics is funded directly by student fees with budgeted annual funding requests developed by the Coordinator of Athletics and funding approval authorized by the voting members of the Student Senate. All activities fall within the domain of Student Services/Student Life.

The overall budgeting and approval process is formalized and follows the protocol and governance of the Student Life Committee comprising all campus locations with the guidance of the Director of Student Life. Final budgets require approval by the MATC Board of Directors

The Athletic program is sanctioned and governed by the National Junior College Athletics Association (NJCAA) and currently consists of the following eight sports:

- Men's Basketball
- Men's Baseball
- Men's Golf
- Men's Soccer
- Women's Basketball
- Women's Volleyball
- Women's Golf
- Women's Soccer (fall 2010 start)

The Athletic program has drawn recent attention regarding its transactional accountability during the period under audit. As a result, accounting structural changes have been made beginning with the 2010 academic year to improve internal controls and accountability. P-Card holders with the ability to charge the Student Athletics accounts have been limited to only one individual - - the Coordinator of Athletics.

Scope of Work

The current audit Scope of Work includes only those activities for Student Athletics during the audit period covering fiscal years 2005 through 2009.

This audit included an evaluation of the expenditures incurred during the audit period and included a review for proper documentation, approval and proper accounting treatment in compliance with MATC Board Policy and Procedures as related to the Student Athletics activities. Additionally, the following activities and processes were reviewed as part of our engagement:

- The budget preparation and approval process.
- The segregation of duties related to the initiation of purchase orders and payment for goods and services as they existed during the period being audited and as they currently exists.
- The internal controls related to accounting purchase with Student Athletic Funds.

Executive Summary

Based upon reported figures, Student Athletics totaled approximately \$3.8 million during the five year audit period and represented approximately 35% of the overall Student Services expenditures during the same period. Individual figures for each of the five years are shown in the table below:

	Student Life	Student Athletics	Total	Athletics as a Percentage of Student Life
2005	923,882	697,903	1,621,785	43.0%
2006	1,092,339	638,066	1,730,405	36.9%
2007	1,194,164	797,145	1,991,309	40.0%
2008	1,225,952	795,107	2,021,059	39.3%
2009	2,615,934	851,658	3,467,592	24.6%
	<u>7,052,271</u>	<u>3,779,879</u>	<u>10,832,150</u>	<u>34.9%</u>

It should be noted that while actual Student Athletics spending has increased over the time frame of the audit period, it has decreased as a percentage of the overall Student Services expenditures.

Disbursement transactions reviewed for the audit period consisted of both accounts payable vouchers and procurement card (Visa P-Card) activities. The overall transaction populations reported for each period were reconciled to the overall dollar amounts reported in the general ledger for the Athletics Department (account # 93404 within Fund 7). Each transactional population was stratified and individual transactions were selected for detailed testing based upon the nature or vendor of the expenditure.

Accounts payable vouchers represented 69% of the total number of transactions and 77% of the total dollar volume recorded during the five year audit period.

While the individual transactions reviewed were supported by proper approval and processing, a number of charges did not appear to be appropriately related to the activities of the Athletics Department (see Finding 1).

Additionally, supporting documentation for selected P-Card transactions for both 2008 and 2009 could not be located in order to complete the testing for these transactions. Accordingly, no review or evaluation could be made for these specific activities (see Finding 2).

Cash advances for travel related expenditures are processed through a standardized formal documented process and are monitored for completion and adherence to established procedures. A review of the spreadsheet used to monitor these advances found three instances in which "Advance Expense Reports" were not filed to support the travel advance during 2009 (see Finding 3).

Once proposed budgetary funds have been approved, detailed monitoring and results for individual sports disbursements were not feasible with the accounting architecture in existence during the audit period (see Finding 4).

No physical inventory listing of previously or currently acquired equipment is evidenced (see Finding 5).

While no college funds are used for Student Athletics, expenditures represent approved funding of student activity fees which can vary from documented allowable expenditures for MATC business purposes. No formal listing of these allowable differences exists to provide proper guidance or authorization (see Finding 6).

Eligibility for athletics participation is governed by the National Junior College Athletic Association (NJCAA) rules. While detailed records are maintained by the Coordinator of Athletics, no formal audit or review is performed independently or proactively (see Finding 7).

See the following "Summary of Findings" section of this report for a detailed description and discussion of each item.

DRAFT - for discussion purposes only

Summary of Findings

DRAFT - for discussion purposes only

Finding 1 - Non Athletic Items Charged to Athletics – Procurement Cards

Issue:

Procurement Card (P-Card) transactions sampled for the academic years 2005 – 2007 contained a number of purchases charged to the Athletics Department (#93404) totaling approximately \$27,500 that were clearly documented as being purchased for Student Life activities as follows:

- Stereo equipment for the student union
- Speakers & replacement speakers for the student union
- Gaming computer for the student union
- CD music for orientation
- Amex gift cards for the Grand Ball
- Camera for the Student Government Conference
- Mac computer software (no Mac computers are used in Athletics)
- Foosball tables for the Mequon campus
- Private screening for the Fahrenheit 9/11 movie
- Milwaukee Bucks tickets for “MATC night” open to all campuses & students, etc.
 - While it was stated that the tickets were sold to students in order to attend the event in which a scholarship award was being presented to the MATC Foundation, a review of the cash receipts during this timeframe could not identify any related deposits.

Each of these transactions in total was approved by authorized personnel, as evidenced by supervisor signatures, on the “MATC Purchasing Card Transaction Log Envelope”. However, the individual supporting documentation for each line item charged did not justify the charge to Student Athletics. As a result, funds were spent and charged to Student Athletics that did not represent athletic activities and Student Life did not receive charges for its related activities.

Cause:

P-Card transactions default to a specific account number that is assigned to the individual cardholder at the time the P-Card is authorized and issued. P-Card holders have a two-week opportunity to reconcile and notify the Business Office of any re-coding adjustments deemed necessary. If no re-coding notification is received, the related charge will remain in the assigned default account. Any journal entry reclassification can be made after the two-week period if requested.

These charges were incurred by the Director of Student Life whose P-Card defaulted to Student Athletics during the 2005 – 2007 period. No re-coding was requested.

Recommendation:

P-Card default accounts codes should be formally reviewed periodically, or when changes to personnel roles have changed to insure that appropriate accounting treatment is in place and related transactions are charged to the correct account.

Note: Beginning with the 2010 fiscal year, P-Card holders with the ability to charge the Student Athletics accounts have been limited to only one individual - - the Coordinator of Athletics

Management Response:

During the period 2005-2007, individuals assigned to Student Athletics were also responsible for Student Life. While the P-Card procedures required that the proper accounts be applied before payment, a number of items were not correctly coded. When administration became aware of Student Athletics absorbing charges for Student Life, new audit and processing procedures were implemented. This has resulted in the current practice.

DRAFT - for discussion purposes only

Finding 2 – Missing Supporting Documentation

Issue:

P-Card transactions for 2008 and 2009 selected for sample testing could not be located by the Business Office during the audit engagement.

Per discussion with the Controller, the P-Card transactions were previously pulled-by the Business Office (Vice President, Finance) and Purchasing in order to conduct a prior internal review of these charges. The current whereabouts of these P-Card envelopes (MATC Purchasing Card Transaction Log Envelope) is currently unknown.

- Selected transactions for audit sample testing were specifically targeted to vendors that were questionable with regards to their Athletics Department validity i.e. (Best Buy, Sony Direct, and Verizon Wireless).
- The Controller indicated that a secondary sample selection containing the same P-Card holders would most likely result in the same condition (documents missing) since it would have been part of the original internal review population.
- A review of the remaining P-Card transactions for the 2008 – 2009 period consisted mostly of lodging and travel related activities.

Accordingly, no review or evaluation could be made for these originally selected specific transactions for 2008 and 2009.

Cause:

The activities surrounding the Internal Review of the selected P-Card transactions have removed the P-Card documentation from their normal filing system. Additionally, no evidentiary system to track or monitor documentation locations or custody exists.

Recommendation:

Efforts should be made to locate the misplaced documentation. Additionally, consideration should be given to the development of a “check-out” system when original supporting documents are requested along with formal follow-up activities to ensure timely and proper return and filing of all supporting documents within the Business Office.

Management Response:

The P-Card envelopes were requested for an internal review. They were to be returned to storage. We are unable to locate them as they were not refilled properly. Administration continues to look for the missing P-card envelopes.

Finding 3 – Advance Expense Reports Not Filed

Issue:

The Business Office maintains an Excel spreadsheet on a shared drive within the Business Office that reports all cash advances and the completion and filing of the related “Advance Expense Report”. A review of the spreadsheets for the audit period found three instances where Expense Reports were not filed in support of travel cash advances during 2009 as follows:

Date	Check #	Amount	Payee	Event
1/20/09	201066	\$660	Carl Morency	Men’s Basketball 2/04/09 – LaCrosse, WI
4/07/09	201349	\$810	Carrie Grulke	Men’s Baseball 4/15/09 – LaCrosse, WI
4/28/09	201405	\$810	Carrie Grulke	Men’s Baseball 4/30/09 – Madison, WI

Formal and documented procedures do exist for cash travel advance authorization and processing in order to ensure that any cash travel advance is appropriate. However, the required “Advance Expense Report” serves to document and support the actual disbursement to each traveling participant. Without this documentation, there is no true way of validating that advanced funds were utilized for their intended and authorized purpose. Per previously adopted procedures, these Advance Expense Reports should include a signed roster of all participants indicating their receipt of funds and participation in the approved event.

Cause:

Cash Advance recipients (payees) have failed to file required expense report documentation and numerous follow-up requests from the Business Office for same.

Recommendation:

Formal follow-up procedures should include a management escalation process to ensure that required documentation is received within a timely manner.

Management Response:

These advances occurred during the period when responsibility for Student Athletics was being transferred. The Business Office staff has reconciled all but \$220.00 of the questioned advances. The Athletics cash advance procedures have been changed and this situation will not reoccur.

Finding 4 – Lack of Budgetary Reporting Structure

Issue:

Once proposed budgetary funds have been approved, detailed monitoring and results for individual sports disbursements were not feasible with the accounting architecture in existence during the audit period.

Accordingly, no financial or budgetary review or evaluation could be made to specific expenditures for any individual sport activity.

Cause:

General ledger accounts are developed to meet the informational needs of financial report users. Previous actions viewed approved budgetary funds available for Student Athletics as a whole and that funding, once approved, was available for any activity within the department.

Recommendation:

Account structure changes have been placed in service and should continue to evolve as informational reporting requirements and user needs change. Periodic review of accounting structures and reports should be made to ensure that they continue to meet users' requirements.

Note: Beginning with the academic year 2010, the accounting architecture has been modified so as to provide specific individual accounts for each individual sport and its related disbursements i.e. (a sub account exists within the Athletics Department account for each sport encompassing the Athletics Department - - men's & women's basketball, volleyball, baseball, golf, etc).

Overall, this change provides stronger internal controls given the new transparency to the disbursements than in previous periods.

Management Response:

As Administration investigated the budget procedures of Student Athletics, it began to implement changes in procedure. Randy Casey and Jason Nygard were instrumental in developing the new practices which are greatly improved over prior procedures.

Finding 5 – Lack of Equipment Inventory Records

Issue:

No inventory listing, or physical inventory count, of previously or currently acquired equipment is evidenced.

A prior audit review of the internal accounting controls, policies and procedures of the Student Activity Fund for the 2003 and 2004 academic year reported similar findings. Recommendations for maintaining a list of all purchases greater than \$200/unit cost and an annual physical inventory of listed items were not fully implemented by MATC.

Cause:

Personnel changes, or limited resources over the years, may have contributed to the ultimate discontinuance or full implementation of the physical inventory processes.

Recommendation:

The previous audit recommendation and procedures should be reviewed along with the establishment of appropriate guidelines for physical inventory listings or counts.

In order to maintain proper internal controls and safeguard the assets of MATC, a physical inventory listing should be maintained along with a formal program to validate the existence of listed assets on a consistent and regular basis.

Management Response:

The WTCS Financial Accounts Manual, and MATC's procedure requires tracking assets in excess of \$5,000.00. Tracking assets of a lower dollar amount would require resources beyond those currently available.

DRAFT - for discussion purposes only

Finding 6 – Differences in Allowable Accounts Payable Expenditures for Athletics are not Documented

Issue:

While no college funds are used for Student Athletics, expenditures represent approved funding of student activity fees which can vary from documented allowable expenditures for MATC business purposes. No formal listing of these allowable differences exists to provide proper guidance or authorization.

Example:

Lodging – during a cursory review of voucher transactions for lodging, a detailed lodging invoice indicated a room charge for a “movie” that was included in the overall total submitted for reimbursement. Such “miscellaneous expenses’ are not reimbursable unless they are “... business-related and fully justified...” (MATC Administrative Regulation & Procedures BB 0901.E. 2e). This miscellaneous charge may be considered allowable for Athletics travel, but is not supported by current Business Travel and Expense Reimbursement policies.

Cause:

No formal listing of allowable differences between Student Athletics expenditures and MATC Business activities exists to provide proper guidance and authorization for athletics related expenditures and payment processing.

Recommendation:

Differences between established MATC Business Policies and Procedures and allowable Student Athletics expenditure practices should be formally established, reviewed and communicated to ensure that only appropriate charges and transactions are recorded to the Student Athletics accounts.

Management Response:

Administration will work with Student Life and Student Athletics to prepare procedures regarding expenditures unique to those operations when compared to the College’s operations.

Finding 7 – Eligibility for athletics participation

Issue:

Eligibility for athletics participation is governed by the NJCAA rules. While detailed records are maintained by the Coordinator of Athletics, no formal validation or review is performed independently or proactively.

Recommendation:

Consideration should be given to the establishment of an oversight review function within a college organization. This organization's role should provide a control, review and testing function on a regular and on-going basis to ensure that student athletics participants maintain all eligibility requirements and that eligibility recordkeeping is complete, accurate and retained in accordance to NJCAA guidance.

Management Response:

Administration concurs with the recommendation and will work with the Athletics Board to ensure that eligibility records are received annually.

DRAFT - for discussion purposes only

Internal controls		
4.1	A	Evaluate whether management is setting the appropriate “control culture” by communicating the importance of internal controls.
4.2	A	Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.
4.3	A	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	A	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	A	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	Winter	Evaluate the overall effectiveness of the risk management framework.
4.7	A	Evaluate whether management is setting the appropriate tone at the senior level by communicating the importance of the management of risk.
4.8	Fall	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	All	Review significant accounting and financial reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial report.
4.10	All	Oversee the financial reporting process implemented by management.

4.11	All	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	Fall	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	Fall & Spring	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	Fall	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.
4.16	Fall	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	All	Obtain reports concerning financial fraud resulting in losses in excess of \$10,000 or involving a member of senior management.

4.19	All	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	Fall	Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
4.21	All	Review the findings of any examinations by regulatory agencies.
Working with independent external auditors		
4.22	Fall	Have the independent external auditor report directly to the Committee.
4.23	Winter	Review of the professional qualifications of the independent external auditor (including the background and experience of the engagement partner and auditing personnel).
4.24	Winter	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	Winter	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	Winter	Be responsible for recommending the compensation of the external auditor.
4.27	Winter	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	Fall	Review required communications from the external independent auditors.

4.28.2	Fall & Winter	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	Fall & Winter	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	Fall	Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed and acted on appropriately.
4.3	All	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	All	Review policies for the provision of non-audit services by the external auditor.
4.32	Winter	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] 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.
4.4		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	All	Ensure procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

4.43	Spring	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	Spring	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	Spring	Require appropriate disclosure of related party transactions, including an annual accounting.
		Reporting responsibilities
4.46	All	Regularly update the FPO Committee and the MATC Board about Committee activities and make appropriate recommendations.
4.47	All	Ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business.
4.48	All	Prepare any reports requested by the Board (e.g., a report on the Committee’s activities).
		Evaluating performance
4.49	Summer	Evaluate the Committee’s own performance, both of individual members and collectively, on a periodic basis.
4.5	Summer	Assess the achievement of the duties specified in the Charter and report the findings to the Board.

4.51	Summer	Review the Charter annually and discuss any required changes with the Board.
4.52	Summer	Ensure that the Charter is approved or re-approved by the Board when required.

Attachment AAC - 5

**Tentative FY2010-2011 MATC District Board Advisory Audit
Committee Meeting Schedule**

Thursday, August 12, 2010	2:00PM	M210
Thursday, November 11, 2010	2:00PM	M210
Thursday, February 10, 2011	2:00PM	M210
Thursday, April 7, 2011	2:00PM	M210