

February 5, 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, FEBRUARY 11, 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, November 11, 2009 – Attachment AAC 1](#)

D. Comments from the Public

E. Action Items

None

F. Discussion Items

1. Baker Tilly Virchow Krause Update

A. [Review of Engagement Letter – Attachment AAC 2](#)

2. Routine Audit Program Update

3. [Committee Charter – Attachment AAC 3](#)

4. Committee Membership

5. Potential Audit and Accounting Implications

G. Information Items

H. Miscellaneous Items

1. Communications and Petitions

2. Information Items

I. Old Business/New Business

Date of Next Meeting: April 8, 2010, 2:00 p.m., 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
NOVEMBER 11, 2009**

CALL TO ORDER

The regular meeting of the Milwaukee Area Technical College District Advisory Audit Committee was held in open session on Wednesday, November 11, 2009, and called to order by Thomas Michalski at 3:30 p.m. in the Board Room, M210, at the Downtown Milwaukee Campus of Milwaukee Area Technical College.

ITEM A. ROLL CALL

Present: Tom Wieland, Thomas Michalski, Fred Royal

Excused: Michael Ostermeyer, Robert Yahr, and Peter Earl

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 12, 2009 – Attachment AAC-1

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

1. F-1 Baker Tilly Virchow Krause Update

Discussion Mr. John Knepel, partner, Baker Tilly Virchow Krause, and Mr. Steve Henke, senior manager, Baker Tilly Virchow Krause, anticipate issuing an unqualified opinion of the MATC FY2008-2009 audit. Mr. Wieland recommended that MATC include the college's insurance policy numbers in its final version of the FY2008-2009 Comprehensive Annual Financial Report.

Mr. Naushad Moolla, manager, Coleman and Williams, anticipates issuing an unqualified opinion of the MATC FY2008-2009 single audit. He stated further that Coleman and Williams determined last year's findings to have been appropriately corrected.

F-2 Routine Audit Program

Discussion Committee members discussed student receivables as an area for possible future investigation under a routine audit program. Mr. Michael Sargent, vice president, Finance, stated that increased regulations ought not place unnecessary barrier's between prospective students and an MATC education.

F-3 Audit of Athletics Update

Discussion Mr. Sargent reported that administration has issued an RFP for an audit of athletics. It will be brought to this month's FPO and District Board meetings for approval.

F-4 Potential Audit and Accounting Implications

Discussion Mr. Walter Lanier, assistant general counsel, recommended that the Advisory Audit Committee revisit its charter.

Mr. Wieland suggested that administration closely watch over employee other post-employment benefits payments.

ITEM G. INFORMATION ITEMS

ITEM H. MISCELLANEOUS ITEMS

H-1 Communications and Petitions

Mr. Sargent is working with the Higher Learning Commission to rework its accreditation scorecard so as to account for other post-employment benefits appropriately.

Milwaukee Area Technical College District Advisory Audit Committee

Minutes of November 11, 2009

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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).

Adjournment

The meeting adjourned at 4:37 p.m.

Respectfully Submitted,

Karen M. Esche-Eiff

Administrative Specialist, Finance



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January 8, 2010

Mr. Michael Sargent, Vice President, Finance
Milwaukee Area Technical College District
700 West State Street
Milwaukee, WI 53233-1443

Dear Mike:

The purpose of this letter is to update our understanding of the annual audit services which we provide for the College. **This letter does not change the level of service which we have provided to you in the past nor does it change the terms and conditions of the engagement except for the adjustments to the original quoted fee as outlined in the enclosed document.**

There is one new section to our engagement letter from the previous year. On page one a paragraph has been added relating to our access to information subject to Title II of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Also referenced in this paragraph as Addendum A is a Business Associate Agreement related to HIPAA. These items have been added as a result of the information we review and audit related to the College's self-insured health plan.

If you are in agreement with the above understanding, please sign one copy of the enclosed engagement letter and return it in the enclosed envelope. Please contact me at 414.777.5359 if you have any questions or concerns.

We appreciate the opportunity to continue to serve you.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

John A. Knepel

JAK/jv

Enclosure



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January 8, 2010

Milwaukee Area Technical College District
Board of Directors
c/o Mr. Michael Sargent, Vice President, Finance
700 West State Street
Milwaukee, WI 53233-1443

Dear Board of Directors:

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly", "we" or "our") as your auditors.

The purpose of this letter is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of the Milwaukee Area Technical College District (MATC).

We have entered into a subcontract agreement with Coleman & Williams, Ltd. (Coleman) for participation on this engagement. Coleman will perform the single audit work and sign the two single audit reports. Coleman is responsible for following applicable professional standards for that work.

Services and Related Report

We will audit the basic financial statements of MATC as of and for the year ended June 30, 2010. Upon completion of our audit, we will provide MATC with our audit report on the financial statements referred to above. If, for any reasons caused by or relating to the affairs or management of MATC, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

Coleman will audit the Schedules of Expenditures of Federal and State Awards for the year ended June 30, 2010. Upon completion of their audit, they will provide MATC with their audit report on the schedules referred to above.

In order to perform the professional services outlined, Baker Tilly Virchow Krause, LLP requires access to information subject to Title II of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Federal law requires Baker Tilly Virchow Krause, LLP to execute a Business Associate Agreement (BAA) prior to being granted this information. For your convenience, we have attached our firm standard BAA for your review and signature as Addendum A. Please execute and return a copy with this engagement letter, keeping the original BAA on file with your HIPAA compliance records.

Supplementary information also accompanies MATC's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements.

- > Combining and individual fund financial statements and schedules

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany MATC's basic financial statements. As part of our engagement, we will apply certain limited procedures to MATC's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- > Management's Discussion and Analysis
- > Schedule of Funding Progress and Employer Contributions – OPEB

The document will also include the following additional information that will not be subject to the auditing procedures applied in our audit of the basic financial statements, and for which our report will disclaim an opinion:

- > Letter of Transmittal
- > Statistical Section

We will also audit the separately issued financial statements of the Milwaukee Area Technical College WMVS – WMVT – TV, an enterprise fund of MATC, and issue our report on those financial statements.

Our Responsibilities and Limitations

The objective of a financial statement audit is the expression of an opinion on the financial statements. The objective also includes reporting on:

- > Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- > Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee or equivalent group charged with governance, management, specific legislative or regulatory bodies, federal and state awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We will be responsible for conducting that audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. Coleman will be responsible for conducting their audit in accordance with the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133 and the *State Single Audit Guidelines*, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, and other procedures Coleman considers necessary to enable them to express such an opinion and to render the required reports.

These standards require that we plan and perform our audit to obtain reasonable, rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management and the audit committee or equivalent group charged with governance of their responsibilities.

The audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and the audit committee or equivalent group charged with governance internal control matters that are required to be communicated under professional standards. We and Coleman will also inform you of any other matters involving internal control, if any, as required by *Government Auditing Standards*, OMB Circular A-133 and the *State Single Audit Guidelines*.

As required by OMB Circular A-133 and the *State Single Audit Guidelines*, Coleman will perform tests of controls to evaluate the effectiveness of the design and operation of controls that Coleman considers relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and major state award program. However, their tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in their report on internal control over compliance issued pursuant to OMB Circular A-133 and the *State Single Audit Guidelines*.

We may from time to time, and depending on the circumstances, use third-party service providers (e.g., to observe inventory, act as a specialist, or audit an element of the financial statements) in serving your account. We may share confidential information about you with these service providers, but are committed to maintaining the confidentiality and security of your information.

We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. An audit is not designed to detect errors or fraud that are immaterial to the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Our audit is not a guarantee of the accuracy of the financial statements and, therefore, is subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with auditing standards generally accepted in the United States of America may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to MATC, as appropriate, any such matters that we identify during our audit. Also, if required by *Government Auditing Standards*, we and/or Coleman will report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to parties outside of your organization.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of MATC's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 and the *State Single Audit Guidelines* require that Coleman also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Coleman's procedures will consist of the applicable procedures described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* for the types of compliance requirements that could have a direct and material effect on each of MATC's major programs. The purpose of those procedures will be to express an opinion on MATC's compliance with requirements applicable to each of its major programs in their report on compliance issued pursuant to OMB Circular A-133 and the *State Single Audit Guidelines*.

We are also responsible for determining that the audit committee or equivalent group charged with governance is informed about certain other matters related to the conduct of the audit, including (i) our responsibility under auditing standards generally accepted in the United States of America, (ii) an overview of the planned scope and timing of the audit, and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of MATC's

significant accounting practices, accounting estimates, and financial statement disclosures; (b) difficulties encountered in performing the audit; (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures; and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to MATC's financial statements or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts, and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that the audit committee or equivalent group charged with governance receives copies of certain written communications between us and management including written communications on accounting, auditing, internal control or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Management Responsibilities

MATC's management is responsible for the financial statements referred to above. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal and state awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements, schedule of expenditures of federal and state awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them. Management is responsible for establishing policies and procedures that pertain to the maintenance of adequate accounting records and effective internal controls over financial reporting, the selection and application of accounting principles, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting records, and for reporting financial information in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us in the management representation letter (i) about all known or suspected fraud affecting the entity involving: (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other

engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions.

Management is responsible for (i) adjusting the basic financial statements to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period under audit are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole, and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of your internal control over financial reporting that are reasonably likely to adversely affect your ability to record, process, summarize and report external financial data reliably in accordance with accounting principles generally accepted in the United States of America. Management also is responsible for identifying and ensuring that MATC complies with the laws and regulations applicable to its activities. Additionally, as required by OMB Circular A-133 and the *State Single Audit Guidelines*, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for Coleman's review before they begin final fieldwork.

As part of management's responsibility for the financial statements and the effectiveness of its system of internal control over financial reporting, management is responsible for making available to us, on a timely basis, all of your original accounting records and related information and for the completeness and accuracy of that information and your personnel to whom we may direct inquiries. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. Auditing standards generally accepted in the United States of America also require that we obtain written representations covering audited financial statements from certain members of management. The results of our audit tests, the responses to our inquiries, and the written representations, comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

Non-Attest Services

Prior to or as part of our audit engagement, it may be necessary for us to perform certain non-attest services including, but not limited to, preparing drafts of your financial statements and schedule of expenditures of federal and state awards and proposing general, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements and schedule of expenditures of federal and state awards. In addition, you will be required to review and approve the financial statements and approve that document prior to its issuance and have a responsibility in fact and appearance to make an informed judgment on that document.

We and Coleman will not perform any management functions or make management decisions on your behalf with respect to any non-attest services we or Coleman provide.

In connection with our performance of any non-attest services, you agree that you will:

- > Continue to make all management decisions and perform all management functions including approving all journal entries and general ledger classifications when they are submitted to you.
- > Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we and Coleman perform.
- > Evaluate the adequacy and results of the non-attest services we and Coleman perform.
- > Accept responsibility for the results of our non-attest services.
- > Establish and maintain internal controls, including monitoring ongoing activities related to the non-attest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your financial statements. We will notify you, in writing, of any matters that we believe you should be aware of and will meet with you upon request.

Other Documents

Auditing standards generally accepted in the United States of America require that we read any annual report that contains our audit report. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

If you intend to reproduce or publish the financial statements and make reference to our firm name in connection therewith, you agree to publish the financial statements in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing, and final materials before distribution.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

At the conclusion of the engagement, Coleman will complete the appropriate sections of the Data Collection Form that summarizes their audit findings. Coleman will also upload an electronic copy of the reporting package, certify the accuracy of the reporting package, and provide an electronic signature. It is management's responsibility to review and certify the reporting package and provide an electronic signature prior to submission of the reporting package to the Federal Audit Clearinghouse. It is management's responsibility to submit hard copies of the reporting package to any state or pass-through entities as appropriate. The Data Collection Form and the reporting package must be submitted to the Federal Audit Clearinghouse electronically within the earlier of thirty (30) days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. At the conclusion of the engagement, Coleman will provide to

management electronic copies of the Data Collection Form and the reporting package.

The audit documentation for this engagement is the property of Baker Tilly and Coleman and constitutes confidential information. However, pursuant to authority given by law or regulation, we and/or Coleman may be requested to make certain audit documentation available to federal or state agencies for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We or Coleman will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Baker Tilly and/or Coleman personnel. Furthermore, upon request, we or Coleman may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We and Coleman may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we and/or Coleman are required by law, regulation or professional standards to make certain documentation available to Regulators, the MATC hereby authorizes us to do so.

Government Auditing Standards require that we and Coleman provide you with a copy of our most recent external peer review reports and any letters of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our most recent peer review reports accompany this letter.

Release and Indemnification

Because of the importance of oral and written representations to an effective audit, the MATC releases Baker Tilly and its current, former or future partners, principals, employees, and personnel from any and all claims, liabilities, costs, and expenses attributable to any misrepresentation by management. Further, Baker Tilly and its current, former, or future partners, principals, employees, and personnel shall not be liable to MATC, whether a claim be in tort, contract or otherwise, including Baker Tilly's own negligence, for any amount in excess of the total professional fees paid by MATC under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services. In addition, in no event shall Baker Tilly and its current, former or future partners, principals, employees, and personnel be liable for any consequential, indirect, lost profit, punitive or similar damages relating to Baker Tilly's services provided under this engagement letter.

In addition, MATC agrees to indemnify and hold harmless Baker Tilly and its current, former or future partners, principals, employees, and personnel from any and all claims, liabilities, costs, and expenses relating to Baker Tilly's services under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services.

The terms of this section shall apply to any claims of any kind, including, but not limited to, contract, tort, or negligence of any party, including MATC or Baker Tilly.

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, MATC and Baker Tilly agree not to demand a trial by jury in any action, proceeding or counterclaim arising out of or relating to our services and fees for this engagement. Our services

shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

No action, regardless of form, arising out of the services under this agreement may be brought by either party more than three years after the act, event, or service that is the subject of such action; or more than one year after discovery of such act, error, or omission, whichever occurs first.

Timing and Fees

Completion of our work is subject to, among other things, 1) appropriate cooperation from MATC's personnel, including timely preparation of necessary schedules, draft financial statements and draft schedules of federal and state awards, 2) timely responses to our inquiries and 3) timely communication of all significant accounting and financial reporting matters. When and if for any reason MATC is unable to provide such schedules, financial statements and schedules of awards, information and assistance, Baker Tilly and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees. Such revisions will be set forth in the form of an attached "Amendment to Existing Engagement Letter."

Our all-inclusive fee for the services outlined in this letter will be \$68,975. Of this amount, \$13,795 or 20% of the quoted fee has been allocated to Coleman for their portion of the audit work. Invoices for these fees will be rendered each month as work progresses and are payable on presentation. A charge of 1.5% per month shall be imposed on accounts not paid within 30 days of receipt of our statement for services provided. In accordance with our Firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notice of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We may use temporary contract staff to perform certain tasks on your engagement and will bill for that time at the rate that corresponds to Baker Tilly staff providing a similar level of service. Upon request, we will be happy to provide details on training, supervision, and billing arrangements we use in connection with these professionals.

Our fees are based on known circumstances at the time of this agreement. Should circumstances change significantly during the course of this engagement, we will discuss with you the need for any revised audit fees. This can result from changes at your organization, such as the turnover of key accounting staff, the addition of new funds or significant federal or state programs, or changes that affect the amount of audit effort from external sources, such as new accounting and auditing standards that become effective that increase the scope of our audit procedures. This agreement currently includes all auditing standards through Statement on Auditing Standards (SAS) No. 115 – *Communicating Internal Control Related Matters Identified in an Audit*, all accounting standards through Governmental Accounting Standards Board (GASB) No. 56 – *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, and the current federal and state single audit guidance.

We would expect to continue to perform our services under the arrangements discussed above from year to year, unless for some reason you or we find that some change is necessary. We will, of course be happy to provide MATC with any other services you may find necessary or desirable.

Other Matters

Baker Tilly is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the nature of the services we provide, non-CPA owners may be involved in providing services to you now or in the future.

Any additional services that may be requested and we agree to provide will be the subject of separate arrangements.

In the event we are requested or authorized by MATC, or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for MATC, MATC will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such a request.

Neither this engagement letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this engagement letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization, or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this engagement letter.

Our dedication to client service is carried out through our employees who are integral in meeting this objective. In recognition of the importance of our employees to Baker Tilly, it is hereby agreed that MATC will not solicit our employees for employment or enter into an independent contractor arrangement with any individual who is or was an employee of Baker Tilly for a period of twelve months following the date of conclusion of this engagement. If MATC violates this non-solicitation clause, MATC agrees to pay to Baker Tilly a fee of 30% of the hired individual's new annual compensation within 30 days of such event.

Baker Tilly Virchow Krause, LLP is a member of Baker Tilly International Limited. Each member firm of Baker Tilly International Limited is a separate and independent legal entity. Baker Tilly International Limited and its other members are not responsible or liable for any acts or omissions of Baker Tilly Virchow Krause, LLP. Baker Tilly Virchow Krause, LLP and subsidiaries are not responsible for or liable for any acts or omissions of any other member of Baker Tilly International Limited. Baker Tilly International Limited does not render any professional services and does not have an ownership or partnership interest in Baker Tilly Virchow Krause, LLP.

Baker Tilly International Limited is an English Company. Neither Baker Tilly International Limited nor any other member firm has a right to exercise management control over any other member firm. Baker Tilly Virchow Krause, LLP is not Baker Tilly International Limited's agent and does not have authority to bind Baker Tilly International Limited or act on Baker Tilly International Limited's behalf.

Board of Directors
Milwaukee Area Technical College District
January 8, 2010
Page 11

This engagement letter reflects the entire agreement between us relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence and understandings, whether written or oral. The agreement contained in this engagement letter shall survive the completion or termination of this engagement. If because of a change in MATC's status or due to any other reason, any provision in this agreement would be prohibited by, or would impair our independence under, laws, regulations, or published interpretations by governmental bodies, commissions, or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

The validity, construction, and enforcement of this engagement letter shall be determined in accordance with the laws of the State of Illinois, without reference to its conflicts of laws principles, and any action arising under this Engagement Letter shall be brought exclusively in the State of Illinois.

We appreciate the opportunity to be of service to the Milwaukee Area Technical College District.

If there are any questions regarding the engagement letter, please contact John A. Knepel, the engagement partner on this engagement who is responsible for the overall supervision and review of the engagement and determining that the engagement has been completed in accordance with professional standards. John is available at 414.777.5359.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Baker Tilly Virchow Krause, LLP

Enclosures

The services and terms set forth in the Engagement Letter are agreed to by:

Official Signature

Title

Date

ADDENDUM A

BUSINESS ASSOCIATE AGREEMENT BETWEEN BAKER TILLY VIRCHOW KRAUSE, LLP, and MILWAUKEE AREA TECHNICAL COLLEGE DISTRICT

Definitions

Catch-all definition: Terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in the Privacy Rule and the Security Rule.

- (a) Business Associate. "Business Associate" shall mean Baker Tilly Virchow Krause, LLP
- (b) Covered Entity. "Covered Entity" shall mean Milwaukee Area Technical College District.
- (c) Individual. "Individual" shall have the same meaning as the term "individual" in 45 CFR 164.501 and shall include a person who qualifies as a personal representative in accordance with 45 CFR 164.502(g).
- (d) Privacy Rule. "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR part 160 and part 164, subparts A and E.
- (e) Protected Health Information. "Protected Health Information" shall have the same meaning as the term "protected health information" in 45 CFR 160.103 and 45 CFR 164.501, limited to the information created or received by Business Associate from or on behalf of Covered Entity.
- (f) Required By Law. "Required By Law" shall have the same meaning as the term "required by law" in 45 CFR 164.501.
- (g) Secretary. "Secretary" shall mean the Secretary of the Department of Health and Human Services or his designee.
- (h) Security Rule. "Security Rule" shall mean Security Standards for the Protection of Electronic Protected Health Information at 45 CFR part 164, subpart C.

Obligations and Activities of Business Associate

- (a) Business Associate agrees to not use or disclose Protected Health Information other than as permitted or required by the Agreement or as Required by Law.
- (b) Business Associate agrees to use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this Agreement.
- (c) Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Agreement.
- (d) Business Associate agrees to report to Covered Entity any use or disclosure of the Protected Health Information not provided for by this Agreement of which it becomes aware.
- (e) Business Associate agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Business Associate on behalf of Covered Entity, agrees to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such information.
- (f) Business Associate agrees to provide access, at the request of Covered Entity, within a reasonable amount of time (not to exceed 30 days from the request, unless infeasible to provide in such time, and Business Associate notifies Covered Entity of, and reasons for, the delay), to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 CFR 164.524.
- (g) Business Associate agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the Covered Entity directs or agrees to pursuant to 45 CFR 164.526 at the request of Covered Entity or an Individual, within a reasonable amount of time (not to exceed 30 days from the request, unless infeasible to provide in such time, and Business Associate notifies Covered Entity of, and reasons for, the delay).
- (h) Business Associate agrees to make internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to the Covered Entity, or to the Secretary, for purposes of the Secretary determining Covered Entity's compliance with the Privacy Rule.

Obligations and Activities of Business Associate (cont.)

- (i) Business Associate agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR 164.528.
- (j) Business Associate agrees to provide to Covered Entity or an Individual, within a reasonable time under the circumstances, information collected in accordance with Section (i) of this Agreement, to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR 164.528.
- (k) Effective April 21, 2005, Business Associate agrees to implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic PHI that it creates, receives, maintains, or transmits on behalf of Covered Entity.
- (l) Effective April 21, 2005, Business Associate agrees to ensure that any agent, including a subcontractor, to whom it provides electronic PHI also agrees to implement reasonable and appropriate safeguards to protect the confidentiality, integrity, and availability of the electronic PHI that it creates, receives, maintains, or transmits on behalf of Covered Entity.
- (m) Effective April 21, 2005, Business Associate agrees to report to Covered Entity any attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system of which it becomes aware.

Permitted Uses and Disclosures by Business Associate General Use and Disclosure Provisions

- (a) Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the Administrative Services Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Covered Entity or the minimum necessary policies and procedures of the Covered Entity.
- (b) Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate.
- (c) Except as otherwise limited in this Agreement, Business Associate may disclose Protected Health Information for the proper management and administration of the Business Associate, provided that disclosures are Required By Law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
- (d) Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information to provide Data Aggregation services to Covered Entity as permitted by 45 CFR 164.504(e)(2)(i)(B).
- (e) Business Associate may use Protected Health Information to report violations of law to appropriate Federal and State authorities, consistent with Sec. 164.502(j)(1).

Obligations of Covered Entity

- (a) Covered Entity shall notify Business Associate of any limitation(s) in its notice of privacy practices of Covered Entity in accordance with 45 CFR 164.520, to the extent that such limitation may affect Business Associate's use or disclosure of Protected Health Information.
- (b) Covered Entity shall notify Business Associate of any changes in, or revocation of, permission by Individual to use or disclose Protected Health Information, to the extent that such changes may affect Business Associate's use or disclosure of Protected Health Information.
- (c) Covered Entity shall notify Business Associate of any restriction to the use or disclosure of Protected Health Information that Covered Entity has agreed to in accordance with 45 CFR 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of Protected Health Information.

Permissible Requests by Covered Entity

Covered Entity shall not request Business Associate to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by Covered Entity.

Term and Termination

- (a) Term. The Term of this Agreement shall be effective as of the date signed below, and shall terminate when all of the Protected Health Information provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy Protected Health Information, protections are extended to such information, in accordance with the termination provisions in this Section.
- (b) Termination for Cause. Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:
 - (1) Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Agreement, as well as the Administrative Services Agreement, if Business Associate does not cure the breach or end the violation within a reasonable time specified by Covered Entity;
 - (2) Immediately terminate this Agreement, as well as the Administrative Services Agreement if Business Associate has breached a material term of this Agreement and cure is not possible; or
 - (3) If neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.
- (c) Effect of Termination.
 - (1) Except as provided in paragraph (2) of this section, upon termination of this Agreement, for any reason, Business Associate shall return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information. Notwithstanding the foregoing, if the Parties enter into a professional service relationship pursuant to which Baker Tilly Virchow Krause, LLP provides services to the Covered Entity, Baker Tilly Virchow Krause, LLP shall be permitted to retain its work papers relating to such services and to retain within such work papers such Protected Health Information of the Covered Entity as is necessary to substantiate the services, subject to the obligations of this Agreement.
 - (2) In the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon notification to Covered Entity, to be made as soon as is reasonably possible, that return or destruction of Protected Health Information is infeasible, Business Associate shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information.

Miscellaneous

- (a) Indemnification. Business Associate shall defend and hold Covered Entity harmless from all claims, liabilities, damages, or judgments involving a third party which are finally determined to have arisen solely from the Business Associate's material failure to meet any of its obligations under this Business Associate Agreement.
- (b) Regulatory References. A reference in this Agreement to a section in the Privacy Rule means the section as in effect or as amended.
- (c) Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule and the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191.
- (d) Survival. The respective rights and obligations of Business Associate under Section (c) of the Term and Termination portion of this Agreement shall survive the termination of this Agreement.

Miscellaneous (cont.)

- (e) Interpretation. Any ambiguity in this Agreement shall be resolved to permit Covered Entity to comply with the Privacy Rule.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of January 8, 2010.

BAKER TILLY VIRCHOW KRAUSE, LLP

MILWAUKEE AREA TECHNICAL COLLEGE
DISTRICT

Signature: John Knepel

Signature: _____

Name: John Knepel

Name: _____

Title: Partner

Title: _____

Date: 1/8/10

Date: _____



System Review Report

To the Partners of
Baker Tilly Virchow Krause, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Baker Tilly Virchow Krause, LLP (formerly known as Virchow, Krause & Company, LLP) (the firm) applicable to non-SEC issuers in effect for the year ended March 31, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*, audits of employee benefit plans, and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Baker Tilly Virchow Krause, LLP applicable to non-SEC issuers in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Baker Tilly Virchow Krause, LLP has received a peer review rating of *pass*.

Cherry, Bekaert & Holland, LLP

Cherry, Bekaert & Holland, L.L.P.
October 13, 2009

**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 the Board's 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 systems; 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; and 4) the institution’s process for monitoring compliance with laws and regulations affecting financial reporting and its code of conduct. It is understood that all Committee activities will comply with applicable local, state, and federal laws, including but not limited to, open meetings and public records statutes. Additionally, the Committee will act in adherence to all applicable MATC Board policies and collective bargaining agreements.

2. Authority

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

- 2.1 Perform activities within the scope of this MATC Advisory Audit Committee Charter (the “Charter”).
- 2.2 Review and recommend the engagement of 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 subject to aforesaid open meetings and public records laws.
- 2.4 Evaluate 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 recommending the appointment, compensation, retention and oversight of the work of the external auditor to the MATC Finance, Personnel and Operations (FPO) Committee and the MATC Board.
- 2.6 Review and recommend for FPO Committee and MATC Board approval the policies for the provision of non-audit services by the external auditors and, when required, the framework for pre-approval of such services.

3. Organization

Membership

- 3.1 The Board will approve the appointment of the Committee members and the chairperson of the Committee will be as designated below in Paragraph 3.2.

- 3.2 The Committee will be comprised of the MATC FPO Committee Chair, who will serve as the Committee Chair and at least three (3) and no more than five (5) other members. All Committee members shall be independent. Members will be considered independent as long as they do not accept any consulting, advisory, or other compensatory fee from MATC and are not closely associated affiliated with MATC management, internal auditors, or external auditors. The Committee Chair may select member(s), at least one of whom has financial expertise, to serve as additional officers for the Committee, including but not limited to the position of Vice-Chair, to be numbered sequentially if more than one is selected.
- 3.3 A quorum of any meeting will be a majority of members of the committee.
- 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 Each non-MATC Board member will be appointed for three-year terms of office and may serve for consecutive and/or multiple terms, which terms may be staggered after the initial term.

Meetings

- 3.8 All meetings will be held in accordance with Wisconsin Statutes Chapter 19, which governs open meetings and public records, including appropriate notice and posting provisions outlined therein.
- 3.9 A majority of the Committee will constitute a quorum for the transaction of business.
- 3.10 As part of its responsibility to foster open communication, the Committee shall provide sufficient opportunity for the independent external and internal auditors to dialogue with the Committee Chair and certain designated members of the Committee. The Committee Chair and certain designated members will have a

candid conversation 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.

- 3.11 Meetings shall be held not less than four times a year and should correspond with the organization's financial reporting cycle.
- 3.12 Special meetings may be convened as required, subject to the statutory notice provisions.
- 3.13 The Committee shall maintain written minutes of its meetings.
- 3.14 After consultation with the members, the administrative assistant to the Committee shall:
 - 3.14.1 Circulate the agenda and supporting documentation to the Committee members a reasonable period in advance of each meeting.
 - 3.14.2 Circulate the approved minutes of meetings to members of the Board, members of the Committee, and the internal and external auditors.
 - 3.14.3 Convene a meeting upon receipt of a request by the external or internal auditors, subject to statutory notice and posting provisions.
- 3.15 As a minimum, the chairperson of the Committee or the chair's designee from the Committee shall attend the Board meeting at which the financial statements are approved.
- 3.16 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.
- 3.17 The Committee may invite others (e.g., the president, chief financial officer, internal audit director, and external audit engagement partner) to its meetings, as it deems appropriate.
- 3.18 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, where applicable:

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 senior level 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 reviewing the recommended 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 acted on appropriately.
- 4.30 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 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 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, if any, 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) 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 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 Require appropriate disclosure of related party transactions, including an annual accounting.

Reporting responsibilities

- 4.46 Regularly update the FPO Committee and the MATC 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 periodic basis.
- 4.50 Assess the achievement of the duties specified in the Charter and report the findings to the Board.
- 4.51 Review the Charter annually and discuss any required changes with the Board.
- 4.52 Ensure that the Charter is approved or re-approved by the Board when required.

5. Insurance and expense reimbursement

- 5.1 Liability insurance of MATC will cover Committee members for their activities on behalf of the College as outlined in this Charter.
- 5.2 Expenses incurred by Committee members in carrying out their roles and responsibilities consistent with this Charter will be reimbursed by MATC consistent with the MATC District Board Policy B0901, Travel and Expense Reimbursement.

Adoption of Charter

The MATC Board of Directors adopted this Charter on _____, 2009.

Lauren Baker, Chairperson of the District
Attest:

Fred Royal, Secretary of the District

Recorded this _____, 2009.

Fred Royal, Secretary of the District

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 senior level 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.
4.16	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 recommending 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 acted on appropriately.
4.3	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	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 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	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) 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	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	Require appropriate disclosure of related party transactions, including an annual accounting.
	Reporting responsibilities
4.46	Regularly update the FPO Committee and the MATC 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 periodic basis.

4.5	Assess the achievement of the duties specified in the Charter and report the findings to the Board.
4.51	Review the Charter annually and discuss any required changes with the Board.
4.52	Ensure that the Charter is approved or re-approved by the Board when required.