

Audit Committee Entrance Conference

Paul Dietmann, Chair-Audit
Alan Langeteig, Past Chair
Kathy Cromey, Chair-Planning & Development, Treasurer
Melanie Bruins
Todd Kearney
Dave Robinson

September 12, 2019
8:30 a.m. to 9:30 a.m.

Workforce Development Board
3513 Anderson Street, Suite 104
Madison, WI 53704-2607

Members Present: Paul Dietmann, Chair

Via Phone: Dave Robinson, Todd Kearney

Staff Present: Seth Lentz, Lameece Tyne, Chris Ziegel

Guests Present: Jean Christensen, Wipfli

Agenda Item 1 – Introductions and Announcements

Dietmann welcomed everyone and called the meeting to order at 8:35 a.m.. Dietmann noted that the meeting was properly noticed however a quorum could not be established and that no motions or voting will occur until a quorum is recognized. The meeting convened with reports only.

Agenda Item 2 – Review and Approval of the December 7, 2018 Meeting Minutes

Due to the absence of a quorum, approval of the minutes was deferred to the next full committee meeting.

Agenda Item 3 – Annual Agency-wide Audit Entrance Conference

Christensen commented that the upcoming audit is for year ending June 30, 2019 and the audit will begin on September 16, 2019. Michelle Knutson and Aaron Hochkammer will be the auditing team from Wipfli. WIOA will be the main program tested in the audit as federal program testing is required for any federal program administered totaling over \$750,000 and requires testing every three (3) years. WIOA is our only federal program over \$750,000. The State of WI also requires program testing for programs administered totaling over \$250,000 and this year's testing will be the local Youth Apprenticeship program.



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The programs are tested for compliance requirements that are set by the state and federal government. The federal government enacted a compliance supplement change for this year. Prior years had 14 different tests which were combined and tapered down to twelve (12) elements. This year, effective for June 30, 2019, the Office of Management and Budget (OMB) specified only six (6) of the criteria could be selected for auditors to test with the election for additional auditing within areas of concern. For example, Energy Assistance programs do not require testing on allowable cost. This risk-based approach is taken as few concerns lie within the area of selected programs. This will not change any of our testing as the compliance supplement change did not affect the WIOA program.

Christensen noted there were no prior year findings or management letter comments, and we continue to be a low-risk auditee. Christensen inquired on any potential fraud or concerns of areas to focus testing on. Lentz responded no findings on areas of concerns or potential fraud.

Robinson noted the last Audit Exit conference contained a reference for a line-of-credit to be available based on the liquidity disclosure requirement that started last year and inquired if any action has been taken. Lentz mentioned no action has been taken. Tyne added all expenses are based on direct cost reimbursement and each grant requires a different process when requesting money. We have not had any issues that would require a line-of-credit.

Robinson requested confirmation from Wipfli this practice is suitable. Christenson noted that we have around \$20,000-\$30,000 of liquid assets at the end of the year to cover needs going into the new year and that funds can be utilized to cover any unexpected need. The decision is one for the organization to make as it creates potential exposure if the state or federal government were to shut down for an extended period of time.

Tyne mentioned that if this situation were to happen, we would instruct our contractors to halt incurring costs. In addition, the state imposes a limit to three-days' worth of cash on hand which does not make the line-of-credit any more feasible than our current setup.

Robinson suggested this risk exposure be addressed in written form. Tyne responded we will perform a review of our fiscal policy to verify written form has been established and iterated this has been done previously per the direction of the state as they have funds on hand we could potentially draw from.

Christenson continued with upcoming accounting changes.

The *Net Asset* classification will be broken out into *Net Asset with Donor Restriction* and *Net Asset without Donor Restriction*. We do not have any temporarily- or permanently-restricted net assets where this split would be applicable.

There will be the addition of a *Functional Expenses* statement, or foot note, where expenses are detailed out by natural category such as salaries, subcontractors, or occupancy. Prior years incorporated a functional statement of activities where expenses were disclosed by program type such as Adult,

Dislocated Worker, or Youth. This new addition can be relayed via functional expense statement(s) or footnotes.

There will be liquidity disclosure which incorporates recording value to liquid assets (cash or assets that are easily convertible to cash in the next twelve (12) months) and compare the amount to any obligations outstanding.

If we are issuing comparative financial statements, the *Functional Expenses* statement and liquidity disclosure can be for a single year. We do not have to perform a comparative of these items. We can adopt a new standard and apply retrospectively with the exception of certain omissions that are allowed for by the standard.

There will be two (2) new changes applicable to future audits.

The first is revenue recognition and accounting for grants which will go into effect for audit year December 31, 2019. This affects all organizations, and not just non-profit organizations, and looks at how an organization recognizes revenue on exchange transactions. Grants are considered contributions, not exchange transactions, thus will affect us to a minimal extent.

The second will focus on contributions and any restrictions or barriers that relate. Government grants will not be affected as this change is geared more toward organization grants.

Accounting for leases will need to be put onto the financial statement. This change will be effective December 15, 2020 for leases applicable on June 30, 2022. Dietmann inquired if this applies to leases longer than one (1) year and Christenson confirmed. Tyne added we already have a lease schedule and do not hold any other capital leases.

Christenson mentioned most of the information needed has already been uploaded from Tyne and proceeded to inquire on the date set for the Audit Exit conference. Lentz mentioned the meeting is set for December 4, 2019 and bear's resemblance to last year's timing in regards to our annual meeting.

Christenson mentions the audit isn't finalized until the board has approved the audit and opened the conversation up for any questions. No questions were raised.

Agenda Item 4 - Adjournment

With no additional business for the Committee, Dietmann moved to adjourn at 9:05 a.m.

Adjourned: 9:05 a.m.

Respectfully Submitted:

Francis Langer
Board Secretary



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Workforce Development Board of South Central Wisconsin, Inc.

Attachment for Board Records:

- Audit Committee Meeting Minutes from December 7, 2018
- Wipfli Audit Agenda



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