

8.B.1 **2005-06 Audit Report** – (Action)
(Approve Recommendation from Finance Committee)

As a recipient of federal funding, SWWDB is required to have an independent audit conducted annual. The audit of fiscal year 2005-06 records was conducted by Wegner LLP CPAs and Consultants, Madison.

At the Finance Meeting held on November 6, Mr. David Odahl from Wegner LLP, presented the draft audit report for the fiscal year ended June 30, 2006.

Mr. Odahl will meet with the Finance Committee again immediately prior to the Board meeting to present the final Audit Report (**Attachment 1**), review the management letter (**Attachment 2**) and entertain questions. The management letter addresses three areas that can help SWWDB strengthen internal controls and improve operational efficiency. They are:

- SWWDB review its conflict of interest policy with a sample policy published by the Internal Revenue Service (IRS) to ensure that the current SWWDB policy is consistent with the IRS requirements.
- SWWDB should examine its financial reporting to ensure that it can properly track fundraising expenses reportable on the annual Internal Revenue Form 990.
- SWWDB should review its document destruction and whistle-blower policies to ensure compliance with the applicable provisions of the Sarbanes-Oxley Act.

Administration has prepared a response to the management letter (**Attachment 3**) and Annette Meudt, Director of Financial Operations will share that response with the Committee.

The Audit Report, management letter and the administration response will not be formally presented at the Board meeting. Board members interested in hearing a detailed review of the audit documents are encouraged to attend the Finance Committee meeting that begin at 4:00 p.m. at the Chalet Landhaus. Mr. Odahl will also be available at the meeting to answer board member questions.

It is expected that the Finance Committee will recommend approval of the 2005-06 Audit Report. Approval of the audit report is necessary so SWWDB staff can forward the report to the DWD in compliance with federal regulations.

Board action on the recommendation is requested.