

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES**

**Agenda Item Summary Sheet**

**Committee:** Audit Committee

**Date of Meeting:** April 18, 2012

**Agenda Item:** Select External Audit Firms for College and University Financial Statement Audits

Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring  
 Information

**Cite policy requirement, or explain why item is on the Board agenda:**

Board Policy 1.A.2. Part 5, Subpart E charges the Audit Committee with oversight of external auditors. To fulfill that responsibility, it is necessary that the committee select external auditors to recommend for appointment by the full Board of Trustees.

**Scheduled Presenter(s):**

Beth Buse, Executive Director, Office of Internal Auditing

**Outline of Key Points/Policy Issues:**

- Two state universities and five community and technical colleges covered by this action have just completed three-year contracts with external auditors. New contracts are needed to engage external auditors for the next two years, according to the plan approved by the Board in January 2012. The scope of these audit services shall include an annual audit of the general financial statements.
- Board Policy 1A.2, Part 5, Subpart E. states that “An independent audit firm may not be appointed to a particular engagement for more than six consecutive years.” All three previous external audit firms were eligible to submit proposals.

**Background Information:**

- A competitive bidding process began in February to contract with an external auditor to provide External Auditing Services for fiscal years 2012 to 2013.
- Three firms submitted proposals to a Request for Proposal.

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD ACTION**

**SELECT EXTERNAL AUDIT FIRMS FOR  
COLLEGE AND UNIVERSITY FINANCIAL STATEMENT AUDITS**

**BACKGROUND**

In January 2012, the Board of Trustees approved a motion for the Office of Internal Auditing and the Finance Division to prepare a request for proposal (RFP) to solicit interest from external audit firms for financial statement audits for the two universities and five colleges with expired contracts for fiscal years 2012 and 2013.

Century College, Hennepin Technical College, Metropolitan State University, Minneapolis Community & Technical College, Normandale Community College, Rochester Community & Technical College, and Southwest Minnesota State University have just completed three-year contracts with external auditors. The Audit Committee, pursuant to Board Policy 1.A.2. Part 5, Subpart E, must select the external auditing firms to recommend to the full Board of Trustees for appointment. The Executive Director of Internal Auditing and the Vice Chancellor – Chief Financial Officer led an effort to identify external auditors that the Board of Trustees could select for new two-year contracts.

Board Policy 1A.2, Part 5, Subpart E. states that “An independent audit firm may not be appointed to a particular engagement for more than six consecutive years.” All three previous external audit firms were eligible to submit proposals.

The Office of Internal Auditing and the Finance Division prepared a RFP to solicit interest from external audit firms for financial statement audits for the two universities and five colleges with expired contracts for fiscal years 2012 and 2013. A copy of the RFP summary was published in the State Register on February 6, 2012. The RFP was distributed to 15 interested public accounting firms. The RFP sought external auditing firms interested in providing college and university external auditing services for fiscal years 2012 to 2013 for the institutions listed. The deadline for submitting proposals was March 5, 2012.

Three public accounting firms responded to the RFP and submitted proposals for the seven colleges and universities. The proposals were reviewed by the Executive Director and Deputy Director of Internal Auditing, the Vice Chancellor – CFO, other key administrators in the Finance Division, and the Chief Financial Officers from the seven institutions.

35 This group evaluated selection criteria cited in the RFP, in developing a recommendation for the  
 36 Audit Committee, which included the firm’s qualifications, their understanding of the objectives,  
 37 the proposed work plan and the proposal costs.

38

39 Based on the review group’s consideration of the selection criteria, it developed the  
 40 recommendation shown in Table 1 for the Audit Committee to consider.

41

**Table 1. Recommended Audit Firms for Fiscal Years 2012-2013**

42

43

College/University	Recommended Firm	Two Year Proposed Cost	Previous Two Years	% Change from 2011
Century College	Baker Tilly Virchow Krause*	\$52,600	\$55,000	-4.4%
Hennepin Technical College	Kern DeWenter Viere	\$47,500	\$48,875	-2.8%
Metropolitan State University	CliftonLarsonAllen	\$51,220	\$48,620	5.3%
Minneapolis Community & Technical College	CliftonLarsonAllen	\$53,430	\$50,830	5.1%
Normandale Community College	Kern DeWenter Viere	\$46,500	\$47,625	-2.4%
Rochester Community & Technical College	CliftonLarsonAllen	\$48,762	\$43,096	13.1%
Southwest Minnesota State University	CliftonLarsonAllen	\$48,406	\$43,096	12.3%
Package Price		\$348,418	\$337,142	3.34%

44

45 \* The Baker Tilly Virchow Krause proposal includes a maximum of \$2,500 for expenses for each fiscal year.

46

**RECOMMENDED COMMITTEE ACTION**

47

48 The Audit Committee recommends that the Board of Trustees approve the following motion:

49

**RECOMMENDED BOARD OF TRUSTEES MOTION**

50

51

52 The Board of Trustees approves the appointment of Baker Tilly Virchow Krause, LLP, Kern,  
 53 DeWenter, Viere, Ltd., and CliftonLarsonAllen, LLP to serve as external auditors for seven  
 54 colleges and universities. The firm of Baker Tilly Virchow Krause, LLP will serve as external  
 55 auditor for Century College. The firm of Kern, DeWenter, Viere, Ltd. will serve as external  
 56 auditor for Hennepin Technical College and Normandale Community College. The firm of  
 57 CliftonLarsonAllen, LLP will serve as external auditor for Metropolitan State University,  
 58 Minneapolis Community and Technical College, Rochester Community and Technical College  
 59 and Southwest Minnesota State University. The scope of these audit services shall include an  
 60 annual audit of the general financial statements of the above mentioned colleges and universities.  
 61 The term of these appointments begins upon execution of contracts and shall continue to fulfill  
 62 external auditing needs for fiscal years 2012 to 2013.

63

64

65 The Board of Trustees authorizes the Executive Director of Internal Auditing and the Vice Chancellor  
66 - Chief Financial Officer to negotiate contracts with Baker Tilly Virchow Krause, LLP, consistent  
67 with the terms contained in its proposal dated March 5, 2012, Kern DeWenter, Viere, Ltd., consistent  
68 with the terms contained in its proposal dated February 20, 2012, and CliftonLarsonAllen, LLP  
69 consistent with the terms contained in its proposal dated February 29, 2012.

70

71

72 *Date Presented to the Board of Trustee: April 18, 2012*