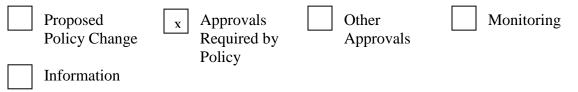
MINNESOTA STATE COLLEGES AND UNIVERSITIES BOARD OF TRUSTEES

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



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

1 **BACKGROUND** 2

3 In January 2012, the Board of Trustees approved a motion for the Office of Internal Auditing and

4 the Finance Division to prepare a request for proposal (RFP) to solicit interest from external

5 audit firms for financial statement audits for the two universities and five colleges with expired

6 contracts for fiscal years 2012 and 2013.

7

8 Century College, Hennepin Technical College, Metropolitan State University, Minneapolis

9 Community & Technical College, Normandale Community College, Rochester Community &

10 Technical College, and Southwest Minnesota State University have just completed three-year

11 contracts with external auditors. The Audit Committee, pursuant to Board Policy 1.A.2. Part 5,

12 Subpart E, must select the external auditing firms to recommend to the full Board of Trustees for

13 appointment. The Executive Director of Internal Auditing and the Vice Chancellor – Chief

14 Financial Officer led an effort to identify external auditors that the Board of Trustees could select

15 for new two-year contracts.

16

17 Board Policy 1A.2, Part 5, Subpart E. states that "An independent audit firm may not be

18 appointed to a particular engagement for more than six consecutive years." All three previous

- 19 external audit firms were eligible to submit proposals.
- 20

21 The Office of Internal Auditing and the Finance Division prepared a RFP to solicit interest from

22 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

26 university external auditing services for fiscal years 2012 to 2013 for the institutions listed. The

- 27 deadline for submitting proposals was March 5, 2012.
- 28

29 Three public accounting firms responded to the RFP and submitted proposals for the seven

30 colleges and universities. The proposals were reviewed by the Executive Director and Deputy

31 Director of Internal Auditing, the Vice Chancellor – CFO, other key administrators in the

32 Finance Division, and the Chief Financial Officers from the seven institutions.

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

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

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

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47 **RECOMMENDED COMMITTEE ACTION**

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

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51 **RECOMMENDED BOARD OF TRUSTEES MOTION**

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53 The Board of Trustees approves the appointment of Baker Tilly Virchow Krause, LLP, Kern, 54 DeWenter, Viere, Ltd., and CliftonLarsonAllen, LLP to serve as external auditors for seven 55 colleges and universities. The firm of Baker Tilly Virchow Krause, LLP will serve as external 56 auditor for Century College. The firm of Kern, DeWenter, Viere, Ltd. will serve as external 57 auditor for Hennepin Technical College and Normandale Community College. The firm of 58 CliftonLarsonAllen, LLP will serve as external auditor for Metropolitan State University, 59 Minneapolis Community and Technical College, Rochester Community and Technical College 60 and Southwest Minnesota State University. The scope of these audit services shall include an 61 annual audit of the general financial statements of the above mentioned colleges and universities. 62 The term of these appointments begins upon execution of contracts and shall continue to fulfill 63 external auditing needs for fiscal years 2012 to 2013.

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