

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

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: March 16, 2010

Agenda Item: Select Principal External Audit Firm

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 crucial that the committee select external auditors to recommend for appointment by the full Board of Trustees.

Scheduled Presenter(s):

John Asmussen, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

- Kern DeWenter Viere has just completed its three-year contract as the principal auditor for the system. A new contract is needed to engage an external auditor for the next three years.
- 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.” Kern DeWenter Viere has been the principal auditor for six consecutive years and will not be eligible to bid during this contracting cycle.

Background Information:

- A competitive bidding process began in January to contract with an external auditor to provide System-wide External Auditing Services for fiscal years 2010 to 2012.
- Three firms submitted proposals to a Request for Proposal.

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MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION
SELECT PRINCIPAL EXTERNAL AUDIT FIRM

BACKGROUND

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 firm of Kern DeWenter Viere has served as principal system auditor for six consecutive years and is not eligible to be reappointed. 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.”

The Executive Director of Internal Auditing and the Vice Chancellor – Chief Financial Officer have led the process to identify an external auditing firm that the Board of Trustees could appoint to the role of principal system auditor. A request for proposals (RFP) was published in the State Register on January 25, 2010. The RFP sought external auditing firms interested in providing System-wide External Auditing Services for fiscal years 2010 to 2012. The deadline for submitting proposals was February 25, 2010.

Three public accounting firms responded to the RFP and submitted proposals. The proposals were reviewed by representatives of the Office of Internal Auditing and the MnSCU Finance Division. This group evaluated the proposals based on the selection criteria cited in the RFP.

Based on the review group’s consideration of the selection criteria, it recommends that the firm of LarsonAllen be appointed to serve as principal system auditor for fiscal years 2010 to 2012. LarsonAllen has provided external auditing services for several System colleges and universities over the past years. They have consistently provided high quality services to the System. Also, the price quotation in their proposal was 20% lower than the prices quoted by the other two firms.

RECOMMENDED COMMITTEE ACTION

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

RECOMMENDED BOARD OF TRUSTEES MOTION

The Board of Trustees approves the appointment of LarsonAllen to serve as principal external auditor for the Minnesota State Colleges and Universities. The principal auditor is responsible for providing audit services of the following:

- System-wide financial statements,

- Revenue Fund financial statements, and
- Federal Financial Assistance.

The term of this appointment begins upon execution of contracts and shall continue to fulfill external auditing needs for the three fiscal years from June 30, 2010 through 2012. The Board of Trustees authorizes the Executive Director of Internal Auditing and the Vice Chancellor/Chief Financial Officer to negotiate contracts with LarsonAllen consistent with the terms contained in its proposal dated February 23, 2010.

Date Presented to the Board of Trustee: March 16, 2010