

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

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: March 16, 2011

Agenda Item: Select External Auditors for Institutional 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 crucial 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:

- The five state universities and one community and technical college covered by this action have just completed three-year contracts with external auditors. New contracts are needed to engage external auditors 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.” Baker Tilly Virchow Krause has been the external auditor for St. Cloud State University for six consecutive years and will not be eligible to bid for that university during this contracting cycle.

Background Information:

- A competitive bidding process began in January to contract with an external auditor to provide External Auditing Services for fiscal years 2011 to 2013.
- Seven firms submitted proposals to a Request for Proposal.

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

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| BOARD ACTION |
| SELECT EXTERNAL AUDITORS FOR INSTITUTIONAL FINANCIAL STATEMENT AUDITS |

BACKGROUND

Bemidji State University; Minnesota State Community & Technical College; Minnesota State University, Mankato, Minnesota State University Moorhead; St. Cloud State University; and Winona State University have just completed three-year contracts with external auditors. The Executive Director of Internal Auditing and the Vice Chancellor – Chief Financial Officer have led an effort to identify external auditors that the Board of Trustees could select for new three-year contracts. The Board of Trustees holds the ultimate responsibility, though, for selecting 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.

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.” St. Cloud State University has had the same auditing firm for six consecutive years. The firm of Baker Tilly Virchow Krause will not be eligible to bid on the same university during this contracting cycle.

The Office of Internal Auditing and the Finance Division prepared a request for proposals (RFP) to solicit interest in these six audits. A copy of the RFP summary was published in the State Register on January 31, 2011. The RFP was distributed to interested public accounting firms. The RFP sought external auditing firms interested in providing systemwide external auditing services for fiscal years 2011 to 2013. The deadline for submitting proposals was February 24, 2011.

Seven public accounting firms responded to the RFP and submitted proposals to some or all of the six colleges and universities.

Information on the proposals recommended for consideration will be delivered to the committee members prior to the March 16, 2011 meeting. Materials will also be made available to the public at the committee meeting.

Date Presented to the Board of Trustee: March 16, 2011