

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Audit Committee

Date: April 23, 2014

Title: Select External Audit Firm(s) for Systemwide External Auditing Services

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

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

A competitive bidding process began in February to contract with an external auditor to provide system-wide external auditing services for fiscal years 2014 to 2016.

Six firms submitted proposals to a Request for Proposal.

Scheduled Presenter(s):

Beth Buse, Executive Director, Office of Internal Auditing
Laura King, Vice Chancellor of Finance/CFO

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

BOARD INFORMATION

**SELECT EXTERNAL AUDIT FIRM(S)
FOR SYSTEMWIDE EXTERNAL AUDITING SERVICES**

BACKGROUND

In January 2014, 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. This RFP solicited external audit services for nine financial statements audits for fiscal years 2014, 2015 and 2016, A-133 compliance audits of federal student financial aid for fiscal years 2014, 2015, 2016, and completion of NCAA Agreed Upon Procedures at six universities for fiscal year 2015. Specific work in scope includes:

- Systemwide financial statement audit
- Revenue Fund financial statement audit
- Bemidji State University financial statement audit
- Metropolitan State University financial statement audit
- St. Cloud State University financial statement audit
- Winona State University financial statement audit
- iSeek Solutions financial statement audit
- Itasca Community College Student Housing Funds financial statement audit
- KVSC Radio 88.1 (St. Cloud State University Enterprise Fund) financial statement audit
- Federal Student Financial Aid Cluster (A-133)
- NCAA Agreed Upon Procedures for fiscal year 2015 for Bemidji State University, Minnesota State University, Mankato, Minnesota State University Moorhead, Southwest Minnesota State University, St. Cloud State University, and Winona State University

The Audit Committee, pursuant to Board Policy 1.A.2. Part 5, Subpart E, must select the external auditing firm(s) to recommend to the full Board of Trustees for appointment.

28 The Executive Director of Internal Auditing and the Vice Chancellor – Chief Financial Officer
29 have led a process to identify external auditing firm(s) to recommend to the Board of Trustees
30 for the above system audits. A request for proposals (RFP) was published in the State Register
31 on February 18, 2014. In addition, the RFP was distributed to 16 interested public accounting
32 firms. The RFP sought external auditing firms interested in providing systemwide external
33 auditing services for fiscal years 2014 to 2016, as described above. In addition, the RFP
34 requested firms to submit pricing parameters if additional college and university audits were
35 requested. The RFP stated that proposals could be submitted for all components, a package of
36 components, or for individual components. The deadline for submitting proposals was March
37 13, 2014.

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39 Six public accounting firms responded to the RFP and submitted proposals. Four of the firms
40 submitted package pricing on all components, as well as individual components. Two additional
41 firms submitted proposals only on select components contained in the RFP.

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43 The proposals were reviewed by representatives of the Office of Internal Auditing, MnSCU
44 Finance Division, and Academic and Student Affairs Division. This group evaluated the
45 proposals based on the selection criteria cited in the RFP, which included the qualifications of
46 the firm and its personnel, understanding of proposed objectives, the proposed work plan, and
47 cost detail.

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49 The group determined that there was a distinct pricing advantage to select a single external
50 auditing firm to complete all components included in the RFP. Because of this, the group
51 focused its review on the four proposals that contained a package for all components contained
52 in the RFP.

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54 In evaluating these four proposals against the selection criteria, it was determined that one of the
55 four proposals did not meet the requirements set out in the RFP and could no longer be
56 considered. In evaluating the other three proposals, the group determined that an auditing firm's
57 experience in higher education beyond the MnSCU system would bring greater perspective and
58 valuable information to the audit process.

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60 Based on its evaluation of the selection criteria, the review group recommends that the firm of
61 CliftonLarsonAllen be appointed to serve as systemwide external auditor for the Minnesota State
62 Colleges and Universities for fiscal years 2014 to 2016. CliftonLarsonAllen has extensive
63 experience in serving higher education institutions and higher education systems across the
64 country. In addition, the firm has extensive experience with the MnSCU system, including
65 serving as the external auditor for the systemwide audit for the past four years and several system
66 colleges and universities over the past twelve years. The firm has consistently provided high
67 quality services to the system.

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70 **RECOMMENDED COMMITTEE ACTION**

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

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74 **RECOMMENDED BOARD OF TRUSTEES MOTION**

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76 The Board of Trustees approves the appointment of CliftonLarsonAllen to serve as the
77 systemwide external auditor for the Minnesota State Colleges and Universities.

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79 The term of this appointment begins upon the execution of a contract and shall continue to fulfill
80 external auditing needs for the three fiscal years from June 30, 2014 through 2016. The Board of
81 Trustees authorizes the Executive Director of Internal Auditing and the Vice Chancellor/Chief
82 Financial Officer to negotiate a contract with CliftonLarsonAllen consistent with the terms
83 contained in its proposal dated March 6, 2014.

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95 *Date Presented to the Board of Trustees: April 23, 2014*

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