

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

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: March 19, 2008

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):

John Asmussen, 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.” Four of the institutions have had the same auditing firm for six consecutive years. Those firms will not be eligible to bid on the same institutions during this contracting cycle.

Background Information:

- A competitive bidding process began in January to contract with an external auditor to provide external audit service for six colleges and universities for fiscal years 2008 to 2010.
- Five firms submitted proposals to a Request for Proposal.

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

BOARD ACTION

**SELECT EXTERNAL AUDITORS FOR
INSTITUTIONAL FINANCIAL STATEMENT AUDITS**

BACKGROUND

The Bemidji State University; Minnesota State University, Mankato, Minnesota State University Moorhead; St. Cloud State University; Winona State University and Minnesota State Community & Technical College 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.” Four of the institutions have had the same auditing firm for six consecutive years. Those firms will not be eligible to bid on the same institutions during this contracting cycle.

The MnSCU Office of Internal Auditing and the MnSCU 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 28, 2008. The RFP was distributed to interested public accounting firms. The RFP sought external auditing services for six institutions on an annual basis for a three-year period from July 1, 2008 to June 30, 2010. The deadline for submitting proposals was February 28, 2008.

Five public accounting firms responded to the RFP and submitted proposals to some or all of the six institutions. Three firms submitting proposals have prior experience with auditing MnSCU institutions. The proposals were reviewed by the Executive Director of Internal Auditing, the Vice Chancellor – CFO, other key administrators in the MnSCU Finance Division, and the Chief Financial Officers from the six institutions. The reviewers agreed to recommend that the Board of Trustees select the following firms for these audits:

- Kern, DeWenter, Viere, Ltd. to audit Minnesota State University Moorhead, Minnesota State University, Mankato, and Winona State University. This firm was previously responsible for auditing Bemidji State University and Minnesota State Community & Technical College for the prior six years and was ineligible to be appointed as the auditor for those same institutions for another contract cycle.

- Virchow, Krause and Company, LLP to audit St. Cloud State University, Bemidji State University, and Minnesota State Community & Technical College. This firm was previously responsible for auditing St. Cloud State University and is recommended to be reappointed as its auditor for three more years; rather than incurring the added time and expense of switching to a new firm.

In fiscal year 2007, the average estimated annual cost for each audit was about \$37,100, including fees and reimbursable expenses. The estimated annual cost for fiscal year 2008 is about \$35,300, representing an estimated decrease of approximately 5% per year.

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 Kern, DeWenter, Viere, Ltd., and Virchow, Krause and Company, LLP to serve as external auditors for six colleges and universities. The firm of Kern, DeWenter, Viere, Ltd. will serve as external auditor for Minnesota State University Moorhead, Minnesota State University, Mankato, and Winona State University. The firm of Virchow, Krause and Company, LLP will serve as external auditor for St. Cloud State University, Bemidji State University, and Minnesota State Community & Technical College. The scope of these audit services shall include an annual audit of the general financial statements of the above mentioned colleges and universities. The term of these appointments begins upon execution of contracts and shall continue to fulfill external auditing needs for the three fiscal years from July 1, 2008 to June 30, 2010.

The Board of Trustees authorizes the Executive Director of Internal Auditing and the Vice Chancellor/Chief Financial Officer to negotiate contracts with Kern DeWenter, Viere, Ltd., consistent with the terms contained in its proposal dated February 14, 2008, and Virchow, Krause and Company, LLP, consistent with the terms contained in its proposal dated February 28, 2008.

Date Presented to the Board of Trustee: March 19, 2008