

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

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: March 17, 2009

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 two state universities and five two-year 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 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.” All six 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.
- Proposing a contract option for Normandale Community College for fiscal years 2010 and 2011.

Background Information:

- A competitive bidding process began in February to contract with an external auditor to provide external audit service for seven colleges and universities for fiscal years 2009 to 2011.
- Six firms submitted proposals to a Request for Proposal.

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BOARD ACTION
SELECT EXTERNAL AUDITORS FOR INSTITUTIONAL FINANCIAL STATEMENT AUDITS

BACKGROUND

Century College, Hennepin Technical College, Metropolitan State University, Minneapolis Community and Technical College, Rochester Community and Technical College and Southwest Minnesota State University have just completed three-year contracts with external auditors. At its January meeting, the audit committee approved the contract option to solicit external auditing services for Normandale Community College for fiscal years 2010 and 2011. 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.” Six of the institutions have had the same auditing firms 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 audits. A copy of the RFP summary was published in the State Register on February 2, 2009. 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, 2009 to June 30, 2011, with a contract option for Normandale Community College from July 1, 2010 to June 30, 2011. The deadline for submitting proposals was February 27, 2009.

Six public accounting firms responded to the RFP and submitted proposals to some or all of the seven institutions.

Information on the proposals recommended for consideration will be delivered to the committee members prior to the March 17, 2009 meeting. Materials will also be made available to the public at the committee meeting.

Date Presented to the Board of Trustee: March 17, 2009