

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

**Agenda Item Summary Sheet**

**Committee:** Audit Committee

**Date of Meeting:** April 19, 2005

**Agenda Item:** Appointment of External Auditors for Six Individual College & University 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 selecting 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 six colleges and universities 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.
- The institutions preferred to continue with the same firms for three more years; rather than incurring the added time and expense of switching to a new firm

**Background Information:**

- The board adopted an external audit plan in January 2005 that calls for annual financial statement audits of each state university and the largest two-year colleges.

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

**BOARD INFORMATION**

**APPOINTMENT OF EXTERNAL AUDITORS FOR SIX INDIVIDUAL COLLEGE &  
UNIVERSITY FINANCIAL STATEMENT AUDITS**

**BACKGROUND**

In January 2005, the Board of Trustees adopted an external audit plan that called for annual financial statement audits for each state university and the largest two-year colleges. The six colleges and universities covered by this action have just completed three-year contracts with external auditors. The three-year contracts for all six institutions have expired. 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 hold 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.

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 February 6, 2006. The RFP was distributed to interested public accounting firms and the Legislative Auditor. The RFP sought external auditing services for six institutions on an annual basis for a three-year period from July 1, 2005 to June 30, 2008. The deadline for submitting proposals was March 3, 2006.

Six 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 Chief Financial Officers from the six institutions. The reviewers agreed to recommend that the Board of Trustees select the following firms for these audits:

- The firm of Larson, Allen, Weishair & Co., LLP be selected to audit Century College. This institution was satisfied with the quality of past service provided. The firm submitted a competitive cost proposal. This firm also is currently responsible for auditing the state universities in Mankato, Moorhead and Winona.
- The firm of Kern, DeWenter, Viere, Ltd. be selected to audit Rochester Community and Technical College and Southwest Minnesota State University. These institutions were satisfied with the quality of past service provided. The firm submitted a competitive cost proposal. This firm also is currently responsible for auditing Bemidji State University

and Minnesota State Community and Technical College, as well as being the principal auditor for the system-wide audits.

- The firm of Virchow, Krause and Company, LLP be selected to audit Hennepin Technical College, Metropolitan State University and Minneapolis Community and Technical College. These institutions were satisfied with the quality of past service provided. The firm submitted a competitive cost proposal. This firm is currently responsible for auditing St. Cloud State University.

The average estimated annual cost for each audit would be about \$24,400. The cumulative audit fees for these six audits will represent an annualized increase of approximately 5% each year since the initial contracts were executed in fiscal year 2002.

### **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 three public accounting firms, Larson, Allen, Weishair & Co., LLP, Kern, DeWenter, Viere, Ltd., and Virchow, Krause and Company, LLP to serve as external auditors for six colleges and universities. The firm of Larson, Allen, Weishair & Co., LLP, will serve as external auditor for Century College. The firm of Kern, DeWenter, Viere, Ltd., will serve as external auditor for Rochester Community and Technical College and Southwest Minnesota State University. The firm of Virchow, Krause and Company, LLP will serve as external auditor for Hennepin Technical College, Metropolitan State University and Minneapolis Community and 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, 2005 to June 30, 2008.

The Board of Trustees authorizes the Executive Director of Internal Auditing and the Vice Chancellor/Chief Financial Officer to negotiate contracts with Larson, Allen, Weishair & Co., LLP, consistent with the terms contained in its proposal dated February 24, 2006, Kern DeWenter, Viere, Ltd., consistent with the terms contained in its proposal dated February 14, 2006, and Virchow, Krause and Company, LLP, consistent with the terms contained in its proposal dated February 28, 2006.

*Date Presented to the Board of Trustee: April 18, 2006*