Committee: Audit Committee
Board of Trustees: 

Agenda Item: Audit Contract for Principal Systemwide Auditor

Proposed Policy Change x 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
Steve Wischmann, Partner, Kern, DeWenter, Viere

Outline of Key Points/Policy Issues:

➢ The principal auditor is responsible for auditing the systemwide and Revenue Fund financial statements and satisfying the audit requirements related to federal financial assistance.

Background Information:

➢ A competitive bidding process began in January to contract with an external auditor to serve as the principal auditor for fiscal years 2007 to 2009.
➢ Four firms submitted proposals to a Request for Proposal.
BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD INFORMATION

AUDIT CONTRACT FOR PRINCIPAL SYSTEMWIDE AUDITOR

BACKGROUND

The principal external auditor is responsible for auditing the systemwide financial statements, Revenue Fund financial statements, and federal financial assistance. The certified public accounting firm of Kern, DeWenter, Viere, Ltd has served as the principal external auditor for the past three years, but its contract has expired. The Executive Director of Internal Auditing and the Vice Chancellor – CFO initiated a competitive bidding process to contract with an external auditor to serve as the principal auditor for fiscal years 2007 to 2009.

A request for proposal was circulated widely in January 2007 and solicited proposals from prospective principal external auditors. Four qualifying proposals were received by the February 28, 2007, deadline. The lowest cost proposal was submitted by the incumbent principal auditor, Kern, DeWenter, Viere. The contract cost represents an increase of about 17% from the prior contract period. The increase reflects the need for additional information technology audit coverage (work formerly conducted by the Legislative Auditor). The proposed cost is still less than the amounts paid under the original audit contract from fiscal years 2001-2003. Figure 1 shows the history of the audit costs for the principal auditor.

![Figure 1: Principal Audit Contract Costs FY 2001-2006 Actual & 2007-2009 Proposed](chart.png)
The Executive Director of Internal Auditing and the Vice Chancellor – CFO and their senior staff members have reviewed the four proposals. They are satisfied that the firm of Kern, DeWenter, Viere has performed effectively in the role as MnSCU principal auditor. For that reason, and because the firm submitted the most favorable contract price, the Executive Director of Internal Auditing and the Vice Chancellor- CFO recommend that the contract of Kern, DeWenter, Viere be renewed for principal auditor services for fiscal years 2007 – 2009.

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 to serve as principal external auditor for the Minnesota State Colleges and Universities. The principal auditor is responsible for providing audit services of the following:

- System-wide financial statements,
- Revenue Fund financial statements, and
- Federal Financial Assistance.

The term of this appointment begins upon execution of contracts and shall continue to fulfill external auditing needs for the three fiscal years from June 30, 2007 through 2009.

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 consistent with the terms contained in its proposal dated February 28, 2007.

Date Presented to the Board of Trustee: April 18, 2007