

External Audit Services

Board of Regents
Audit Committee
March 12, 2009

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Presentation Overview

- Background
- Review Recommendations Related to External Auditor Selection Process
 - *Request for Proposal*
 - *Evaluation Criteria*
 - *Evaluation Committee and Board Participation*
 - *Timeline*



Background

- Historically awarded 5 year contracts, 3 year with two year options to extend
- Prior to FY 2002, incumbent firms were not allowed to re-bid
- Effective FY 2002, incumbent firms allowed to re-bid due to contraction in market
- Past audit firms:
 - Coopers & Lybrand FY 1991 – FY 1996
 - Deloitte & Touche FY 1997 – FY 2004
 - Larson Allen FY 2005 – FY 2009



Background cont.

- Sarbanes-Oxley issued in 2002 requiring partner rotation every 5 years
- In 2003 National Association of College and University Business Officers (NACUBO) issued *The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education*, which recommends partner rotation every 7 years
- Consideration of partner rotation for upcoming auditor selection process



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Request for Proposal

- Management recommends a formal Request for Proposal process be used to identify and select the University's External Auditor
- Recommended contract would be for three fiscal years (FY 2010 – FY 2012) with the University's option to extend the contract for two additional fiscal years (FY 2013 – FY 2014)
- RFP process utilized to evaluate qualifications and service of potential firms and solicit best price



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Evaluation Criteria

- Qualification of the firm and audit staff;
- Relative continuity and turnover of the staff;
- Higher education experience of the firm's staff;
- Experience with OMB Circular A-133 audits of federal financial assistance;
- Experience with regulatory cost accounting principles, including A-21 and federal Cost Accounting Standards;
- Experience with NCAA athletics examinations;



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Evaluation Criteria cont.

- Knowledge and experience auditing in a Peoplesoft/ Oracle enterprise environment;
- Knowledge and experience with the COSO internal control framework;
- Training opportunities available to U of M personnel through the firm;
- Suitability of the audit workplan;
- Cost;
- The firm's commitment to the University's small business and community economic development goals.



Evaluation Committee

- An evaluation committee is recommended with participation from University departments that have the most knowledge of the audit process and interact most directly with the external auditors.

Representation to include:

- Controller's Office
- Accounting Services
- Office of Internal Audits
- Sponsored Project Administration
- Office of Student Finance
- Office of Investments and Banking



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Board Participation and Approval

- By University policy,
 - the Board has reserved to itself authority to approve selection of external public accountants
 - the Audit Committee shall recommend for Board approval the engagement and related fees of the independent auditor
- Management will work with the Chair of the Audit Committee to develop the process for Audit Committee involvement and approval



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Timeline

- RFP Issued: November 2009
- Proposals Due: December 2009
- Initial Evaluations: December 2009
- Respondent Presentations and Negotiations: January 2010
- Final Evaluations: January 2010
- Regents Approval: February 2010
- Anticipated Date of Award: March 2010



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Discussion/Questions?



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