

**Agendum
Oakland University
Board of Trustees Formal Session
February 13, 2017**

APPOINTMENT OF AN INDEPENDENT AUDITOR

A Recommendation

1. **Division and Department:** Finance and Administration, Controller's Office
2. **Introduction:** The *Charter of the Audit Committee of the Oakland University Board of Trustees* (Charter) provides that the Audit Committee is advisory to the Board of Trustees (Board) with the following duties and responsibilities in connection with the University's independent auditors. The Audit Committee shall:
 - A. Recommend to the Board of Trustees the appointment, compensation, retention, oversight and termination of all independent auditors.
 - B. Recommend to the Board of Trustees all terms of and fees for audit services, audit-related services, tax services, and other services to be performed for the University by any independent auditors.
 - C. Ensure that the independent auditors prepare and deliver with each engagement letter a written statement representing to the Audit Committee that the auditor is independent in regards to the University and any related parties.
 - D. Be provided annually with a copy of the auditor's peer review report and related letter of comments and recommendations.
 - E. Ensure that the independent auditors of the University-wide financial statements shall submit to the University, annually, a formal written statement of the fees billed for each of the following categories of services rendered by the independent auditors: (i) audit services; (ii) tax services; and (iii) all other services rendered by the independent auditors for the most recent fiscal year, in the aggregate and by each category of service.
 - F. Review the independent auditors' University-wide, written audit plan prior to the commencement of the audit and discuss audit scope, staffing, locations, and reliance upon Management, internal audit and general audit approach with the Audit Committee.
 - G. Review and evaluate the qualifications, performance, and independence of the independent auditors, including an evaluation of

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the lead partner of the independent auditors and an evaluation of whether the independent auditors' quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditors' independence. The Audit Committee's evaluation of the independence of the independent auditors shall be made with respect to standards of independence set forth in any applicable accounting and financial standards, laws and regulations. The Audit Committee shall consider the opinions of Management and internal auditors in its evaluation.

- H. Ensure the appropriate rotation of the lead audit partner having primary responsibility for the audit and audit partner responsible for reviewing the audit. The Board of Trustees require a rotation of the lead partner after five years with an introduction to the new lead partner during the fifth year of the current lead partner. In the case of extenuating circumstances (change in leadership, systems, processes, etc.), the Audit Committee can choose to extend the current lead partner for a period not to exceed two additional years.
- I. Consider, whether, in order to assure continuing auditor independence, there should be a change in the audit firm itself. Audit services shall be competitively bid every six years. In the case of extenuating circumstances (change in leadership, systems, processes etc.), the Audit Committee can recommend that the current audit contract be extended for a period not to exceed two additional years. Assessment of the audit firms responding will be based on both quantitative and qualitative factors as determined by the Audit Committee.
- J. Receive and act upon any report from the independent auditors regarding any internal control deficiencies and the response from Management thereto.
- K. Recommend approval of any non-audit services by any independent auditors.

Following the FY2016 financial statements audit, the Audit Committee determined it was appropriate to competitively bid audit services, audit-related services, tax services, and other services to be performed for the University by an independent auditor, as required by the Audit Committee's Charter. Therefore, a Request for Proposals (RFP) was issued. Three proposals were received; Andrews Hooper Pavlik, Plante & Moran, and Rehmann. After a preliminary

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review of the proposals, the Audit Committee determined Andrews Hooper Pavlik and Plante & Moran would be interviewed. A proposal fee comparison is included as Attachment A.

The interviews were conducted by:

Ronald E. Robinson, Audit Committee Chair
Melissa Stolicker, Audit Committee Member
John W. Beaghan, Vice President for Finance and Administration and Treasurer to the Board of Trustees
James L. Hargett, Assistant Vice President and Controller
Gerriann Reimann, Associate Controller
David P. Vartanian, Director of Internal Audit
Paula S. Reyes, Director of Purchasing

The Audit Committee was impressed with both finalists, however, the Committee recommends to the Board that Plante & Moran be engaged as the University's independent auditor for FY2017 on the basis of their extensive experience with higher education clients, both in Michigan and regionally and the opportunity, after ten years with another independent auditor, to get a different perspective on the University's financial position.

3. **Previous Board Action:** As a result of a competitive bid process, Andrews Hooper Pavlik was appointed by the Board as the University's independent auditor for FY2007, and reappointed annually through FY2010. As a result of another competitive bid process, Andrews Hooper Pavlik was reappointed by the Board as the University's independent auditor for FY2011, and reappointed annually through FY2016.
4. **Budget Implications:** The independent auditor engagement cost for FY2016 was \$80,745. The independent auditor engagement cost for FY2017 is projected to be \$87,700.
5. **Educational Implications:** None.
6. **Personnel Implications:** None.
7. **University Reviews/Approvals:** This recommendation was formulated by the Board's Audit Committee.
8. **Recommendation:**
WHEREAS, the Board of Trustees' Audit Committee conducted a competitive bid for an independent auditor; and

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WHEREAS, as a result of a thorough review of proposals, extensive interviews, and check of references; now, therefore, be it

RESOLVED, that the Board of Trustees approves the appointment of Plante & Moran as the Board of Trustees' independent auditor for FY2017 at a projected cost of \$87,700; and, be it further

RESOLVED, that Plante & Moran will report the results of its annual examination of Oakland University's financial statements in draft form to the Board of Trustees' Audit Committee and in final form to the Board of Trustees; and, be it further

RESOLVED, that the Board of Trustees authorizes the Audit Committee Chair, President, Vice President for Finance and Administration and Treasurer to the Board of Trustees, and their respective designees, to perform all acts and deeds and to execute and deliver all contracts, instruments and documents required by this resolution that are necessary, expedient and proper in connection with the audit services, audit-related services, tax services, and other services to be performed for the University by the independent auditors and the ongoing administration of the audit services, audit-related services, tax services, and other services to be performed for the University by the independent auditors; and, be it further

RESOLVED, that said contracts, instruments and documents shall be reviewed by and be in a form acceptable to the Vice President for Legal Affairs and General Counsel prior to execution, and be in compliance with the law and with University policies and regulations and conform to the legal standards of the Vice President for Legal Affairs and General Counsel.

9. **Attachments:** Attachment A - Independent Auditor Proposal Fee Comparison

Recommended on February 13, 2017
to the Board of Trustees for Approval by



Ronald E. Robinson
Chair, Board of Trustees Audit Committee

**Oakland University
Independent Auditor Proposals
Fee Comparison
FY2017**

Attachment A

Andrews Hooper Pavlik	\$80,745
Plante & Moran	\$87,700
Rehman	\$69,368