

BOARD OF REGENTS
BRIEFING PAPER

1. Agenda Item Title: Contract Extension, External Audit

Meeting Date: February 28, 2014

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

The contract for external audit services was bid in November 2008. The Audit Committee interviewed two finalists and selected Grant Thornton LLP. The contract was for a three year term with renewal for another three year term. The renewal was exercised in June 2011. The current contract will expire at the completion of the June 30, 2014 financial statements.

Previously, the contract for external audit services has been extended beyond six years during the implementation of the current financial accounting system and the implementation of Governmental Accounting Standards Board (GASB) Statement No. 35, *BASIC FINANCIAL STATEMENTS—AND MANAGEMENT’S DISCUSSION AND ANALYSIS—FOR PUBLIC COLLEGES AND UNIVERSITIES—AN AMENDMENT OF GASB STATEMENT NO. 3*.

Deloitte was the contractor from July 1, 1986 through June 30, 1995. The extensions were due to the implementation of the (then) new financial accounting system. PricewaterhouseCoopers was the contractor from July 1, 1995 through June 30, 2005. The extensions through 2003 were due to the implementation of GASB Statement No. 35. PwC was also selected as a result of an RFP in 2003.

Bidding the external audit contract is a very time consuming process. Firm visits to each institution business office must be scheduled and staff review and assessment of the lengthy proposals are required. During implementation, institution personnel will not be available to spend adequate time on the bidding process. In addition, a change in external auditors is a time consuming process to provide extensive documentation and training of new audit personnel.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Extend the contract for external audit services with Grant Thornton, LLP for the period July 1, 2014 through June 30, 2017.

4. IMPETUS (WHY NOW?):

The external audit contract will expire at the completion of the June 30, 2014 financial statements. NSHE is in the process of selecting a vendor for a new financial accounting system to be implemented during 2014-15. The bidding process and possibly changing external auditors are very time consuming processes. Personnel at the institutions would not have adequate time to participate in the bidding process or possibly changing external audit firms while they are in the process of implementing the new financial accounting system.

5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- positive relationship with the external auditors, overall, institutions are happy with the services received
- contract renewal was discussed with the Business Officers Council at their September 4, 2013 meeting with favorable support
- fee increase is 3%, which is a reasonable increase

6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

-contract should be bid to determine whether fees are competitive
-contract should be bid to allow another firm to serve NSHE

7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

-bid contract for the period July 1, 2014 through June 30, 2017

8. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title #____ Chapter #____ Section #____
- Amends Current Board Policy: Title #__ Chapter #__ Section #____
- Amends Current Procedures & Guidelines Manual: Chapter #____ Section #____
- Other: _____
- Fiscal Impact: Yes____ No____
Explain: _____

Exhibit B



Audit Tax Advisory
 Grant Thornton LLP
 100 W Liberty Street, Suite 770
 Reno, NV 89501-1965
 T 775.786.1520
 F 775.786.7091
 www.GrantThornton.com

Fee Estimate Proposal

	Current Contract			Proposed		
	2012	2013	2014	2015	2016	2017
Consolidated financial statements for NSHE, including OMB Circular A-133 and NCAA audits for the University of Nevada, Reno and the University of Nevada, Las Vegas	\$ 545,000	\$ 545,000	\$ 545,000	\$ 561,500	\$ 561,500	\$ 561,500
Out-of-pocket expenses	48,000	48,000	48,000	49,500	49,500	49,500
Administrative charges	22,000	22,000	22,000	22,500	22,500	22,500
All-inclusive maximum fee for NSHE	<u>\$ 615,000</u>	<u>\$ 615,000</u>	<u>\$ 615,000</u>	<u>\$ 633,500</u>	<u>\$ 633,500</u>	<u>\$ 633,500</u>
Financial statements for the University School of Medicine Plan	\$ 110,000	\$ 111,500	\$ 113,000	\$ 116,500	\$ 116,500	\$ 116,500
UNSOM OMB Circular A-133 audit	-	18,500	18,500	19,000	19,000	19,000
Out-of-pocket expenses	9,100	9,100	9,100	9,500	9,500	9,500
Administrative charges	4,400	4,460	4,520	4,500	4,500	4,500
All-inclusive maximum fee for the University School of Medicine Plan	<u>\$ 123,500</u>	<u>\$ 143,560</u>	<u>\$ 145,120</u>	<u>\$ 149,500</u>	<u>\$ 149,500</u>	<u>\$ 149,500</u>
ALL-INCLUSIVE MAXIMUM FEE	<u>\$ 738,500</u>	<u>\$ 758,560</u>	<u>\$ 760,120</u>	<u>\$ 783,000</u>	<u>\$ 783,000</u>	<u>\$ 783,000</u>