

BOARD OF REGENTS  
BRIEFING PAPER  
**Agenda Item Title: Contract Extension, External Audit**  
**Meeting Date: June 8-9, 2017**

**BACKGROUND & POLICY CONTEXT OF ISSUE:**

The contract for external audit services was last 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 Audit Committee extended the contract for an additional 3 years at the Feb 2014 meeting. The current contract will expire at the completion of the June 30, 2017 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 Workday 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.

**SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:**

Extend the contract for external audit services with Grant Thornton, LLP for the period July 1, 2017 through June 30, 2020.

**IMPETUS (WHY NOW?):**

The external audit contract will expire at the completion of the June 30, 2017 financial statements. NSHE is in the process of implementing a new financial accounting system to go-live October 2017. 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.

**BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:**

- A generally positive working relationship with the external auditors throughout the system;
- Fee increase is reasonable (roughly 3% for the NSHE financial statement audit, uniform guidance audit and NCAA agreed-upon procedures), and would potentially be offset with Internal Audit assistance

**POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:**

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

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

- Bid contract for the period July 1, 2017 through June 30, 2020

**COMPLIANCE WITH BOARD POLICY:**

- Consistent With Current Board Policy: Title #\_\_\_\_ Chapter #\_\_\_\_ Section #\_\_\_\_
- Amends Current Board Policy: Title #\_\_\_\_ Article #\_\_\_\_ Section #\_\_\_\_
- Amends Current Procedures & Guidelines Manual: Chapter #\_\_\_\_ Section #\_\_\_\_
- Other:\_\_\_\_\_
- Fiscal Impact: Yes\_\_\_\_ No\_\_\_\_  
Explain:\_\_\_\_\_



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 Contract		
	2017	2018	2019	2020
Consolidated financial statements for NSHE, including Single Audit and NCAA Agreed-Upon Procedures for the University of Nevada, Reno and the University of Nevada, Las Vegas	\$ 561,500	\$ 578,500	\$ 578,500	\$ 578,500
Out-of-pocket expenses	49,500	51,000	51,000	51,000
Administrative charges	22,500	23,000	23,000	23,000
All-inclusive maximum fee for NSHE	<u>\$ 633,500</u>	<u>\$ 652,500</u>	<u>\$ 652,500</u>	<u>\$ 652,500</u>
Less use of NSHE internal audit (200 hours at \$105/hour)				
<i>**Actual hours to be determined based on availability of internal audit staff</i>	(21,000)	(21,000)	(21,000)	(21,000)
Estimated all-inclusive maximum fee for NSHE with use of internal audit staff	<u>\$ 612,500</u>	<u>\$ 631,500</u>	<u>\$ 631,500</u>	<u>\$ 631,500</u>
Financial statements for Integrated Clinical Services, Inc.	\$ 116,500	\$ 70,000	\$ 70,000	\$ 70,000
Out-of-pocket expenses	9,500	1,000	1,000	1,000
Administrative charges	4,500	2,800	2,800	2,800
All-inclusive maximum fee for Integrated Clincial Services, Inc.	<u>\$ 130,500</u>	<u>\$ 73,800</u>	<u>\$ 73,800</u>	<u>\$ 73,800</u>
Financial statements for UNLV Medicine	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
Out-of-pocket expenses	-	9,000	9,000	9,000
Administrative charges	-	4,000	4,000	4,000
All-inclusive maximum fee for the UNLV Medicine	<u>\$ -</u>	<u>\$ 113,000</u>	<u>\$ 113,000</u>	<u>\$ 113,000</u>
<b>ALL-INCLUSIVE MAXIMUM FEE</b>	<u><b>\$ 764,000</b></u>	<u><b>\$ 839,300</b></u>	<u><b>\$ 839,300</b></u>	<u><b>\$ 839,300</b></u>
Less use of NSHE internal audit (200 hours at \$105/hour)				
<i>**Actual hours to be determined based on availability of internal audit staff</i>	(21,000)	(21,000)	(21,000)	(21,000)
Estimated all-inclusive maximum fee with use of internal audit staff	<u>\$ 743,000</u>	<u>\$ 818,300</u>	<u>\$ 818,300</u>	<u>\$ 818,300</u>