


**MICHIGAN STATE**  
**U N I V E R S I T Y**

February 3, 2010

**MEMORANDUM**

**To:** Trustee Audit Committee

**From:** Fred L. Poston 

**Subject:** Postponement of Auditor Rotation and Reappointment of Auditors

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Audit Committee recommend to the Board of Trustees that the next formal request for auditor bids, originally scheduled for Fall 2011 (for the 2011-12 audit) under current University policy on rotation of auditors, be postponed until Fall 2013 (for the 2013-14 audit).

In addition, the Trustee Audit Committee recommends to the Board of Trustees that Plante & Moran, PLLC be reappointed as the University's external auditors for the fiscal years 2010-11, 2011-12, and 2012-13, provided service, and terms and conditions continue to be satisfactory. The recurring audit fees proposed by Plante & Moran for this period would be established and locked-in at this time and represent minimal increases from the 2009-10 fees:

2010-2011 = \$309,500 (1.0% increase)

2011-2012 = \$314,750 (1.7% increase)

2012-2013 = \$320,900 (2.0% increase)



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Non-recurring fees (related to MSU's EBSP conversions) during this period are estimated by Plante & Moran to be \$15,000 and would be incurred beginning with the 2010-11 fiscal year. This estimate is based on Plante & Moran's experience with technology conversions. Actual non-recurring fees will be based on actual hours incurred.

**BACKGROUND**

At varying dates beginning January 1, 2011, the University will be implementing new Enterprise Business Systems which currently include Kuali Financial System (KFS) and SAP (HR/Payroll). Fiscal year 2010-11 represents Plante & Moran's final fiscal year as auditors under the current auditor rotation policy. Given the significant amount of time devoted to the implementation by management and the audit impact of a major technology conversion, it is in the best interest to the University to postpone the rotation of auditors until fiscal year 2013-14 and reappoint Plante & Moran as auditors for the period indicated above. This will allow for continuity with the current audit team throughout the implementation process to assist in ensuring an efficient audit process and better align MSU's limited staff resources to focus on system related work loads. (see attachment 1 for more details).

cc: D. Brower, T. Luccock, K. Lindahl, G. Deppong, G. Klein, J. Thelen

# MICHIGAN STATE UNIVERSITY

January 21, 2010

TO: Fred Poston  
 FROM: David Brower  
 SUBJECT: **POSTPONEMENT OF AUDITOR ROTATION/REAPPOINTMENT OF AUDITORS**

The current policy on rotation of external auditors calls for an eligibility cycle of six years, provided price, service, and terms and conditions are satisfactory. Upon completion of the six year eligibility cycle, a formal Request for Proposal (RFP) process is required to be conducted to evaluate other auditing firms. The incumbent auditing firm may be reappointed for a second consecutive six year eligibility cycle; however, the lead partner of the engagement would need to be changed by the auditing firm for the re-appointment term.

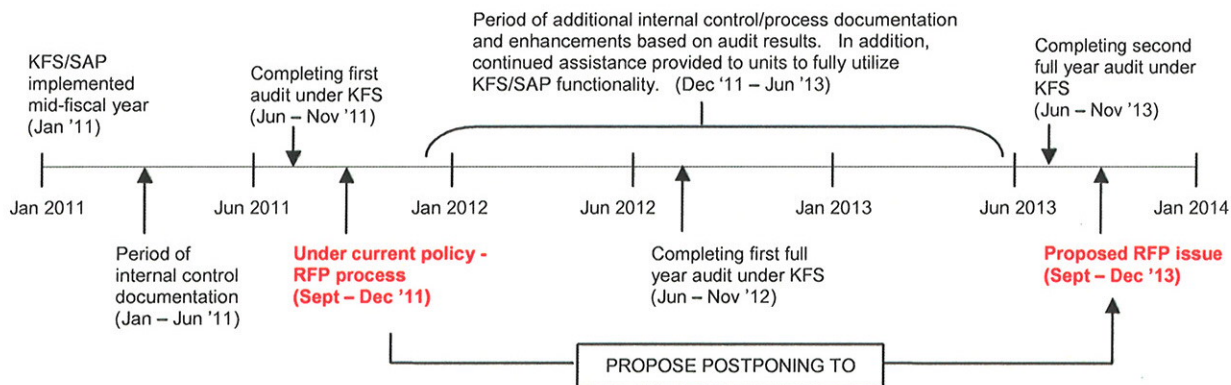
Fiscal year 2009-10 represents Plante & Moran's fifth year under the current cycle as auditors of the University. Their final year under current policy would be the 2010-11 fiscal year, which represents the fiscal year of implementation of EBSP systems.

Based on the timing (outlined below) of the implementation of EBSP systems and the extensive amount of effort that staff, in conjunction with our auditors, will need to devote to documenting internal controls and carefully considering all audit impacts related to a major technology conversion, we recommend that it is in the best interest to the University to postpone the current external auditor policy for a period of two years and reappoint Plante & Moran as auditors for the fiscal years 2010-11, 2011-12, and 2012-13. This will allow for continuity with the current audit team throughout the implementation process and better align MSU's limited staff resources to focus on system related work loads. Various system enhancement stages will extend past Fall 2012 as new MSU controls and processes will continue to be evaluated by the auditors in the audit of the first full year post-implementation (fiscal year 2011-12). During this time and well into fiscal year 2012-13, appropriate enhancements are expected to be made to allow departmental staff across all units to fully utilize the functionality of the new systems. We propose to delay the RFP process until Fall 2013 (for the 2013-14 fiscal year).



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In addition, a significant feature of this recommendation is that the University would be able to lock-in the recurring audit fees charged by Plante & Moran for this period. The proposed fees represent minimal increases from the 2009-10 fees (1% - 2%). These increases are well below the average increases for the last five years of 3.5%.