

**APPOINTMENT OF AN INDEPENDENT
PUBLIC ACCOUNTING FIRM**

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* (Audit Committee) 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.

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- G. Review and evaluate the qualifications, performance, and independence of the independent auditors, including an evaluation of 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.

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Following the FY2023 audit engagement, it was the appropriate time to competitively bid for 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 Proposal (RFP) was issued. Three proposals were received; Andrews Hooper Pavlik, Plante Moran, and Rehmann.

All three firms are highly qualified and each have experience with higher education clients. The Audit Committee recommends to the Board that Andrews Hooper Pavlik (AHP) be engaged as the University's independent auditor for FY2024 on the basis of their extensive experience with higher education clients, audit firm rotation after seven years with another independent auditor, and an overall lower cost fee schedule.

3. **Previous Board Action:** As a result of a competitive bid process, in February 2017, Plante & Moran (PM) was appointed as the University's independent public accounting firm for FY2017 and reappointed for FY2018, FY2019, FY2020, FY2021, FY2022 and FY2023.
4. **Budget Implications:** The audit engagement cost for FY2023 was \$110,900. The audit engagement cost for FY2024 is projected to be \$92,000; potential incremental costs relative to additional services that may be required will be discussed with management, if necessary.
5. **Educational Implications:** None.
6. **Personnel Implications:** None.
7. **University Reviews/Approvals:** This recommendation was formulated by the Controller's Office and reviewed by the Vice President for Finance and Administration, President, and Audit Committee.
8. **Recommendation:**
WHEREAS, the Board of Trustees' Audit Committee with university management conducted a competitive bid for an independent public accounting firm; and

WHEREAS, the Board of Trustees' Audit Committee is satisfied with the competitive bidding process and the selection of Andrews Hooper Pavlik as the Board of Trustees' independent public accounting firm; now, therefore, be it

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RESOLVED, that the Board of Trustees approves the appointment of Andrews Hooper Pavlik as the Board of Trustees' independent public accounting firm to conduct the FY2024 Audit at a projected cost of \$92,000; potential incremental costs relative to additional services that may be required will be discussed with management, if necessary; and, be it further

RESOLVED, that the Board of Trustees' Audit Committee is charged with reviewing and approving the relative engagement letters and audit scope; and, be it further

RESOLVED, that AHP 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

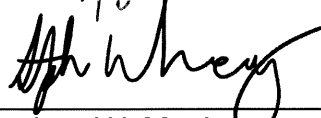
RESOLVED, that the Board of Trustees authorizes the Audit Committee Chair, President, Vice President for Finance and Administration, and their respective designees, to perform all acts and deeds and to execute and deliver all contracts, instruments and documents required by this resolution that are necessary, expedient and proper in connection with the Audits and the ongoing administration of the Audits; 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, 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:**
A. Audit Scope Letter

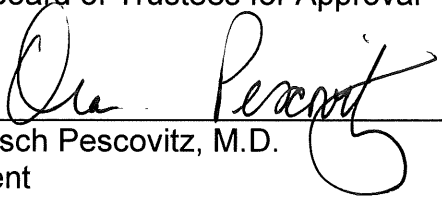
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Submitted to the President
on 4/8, 2024 by



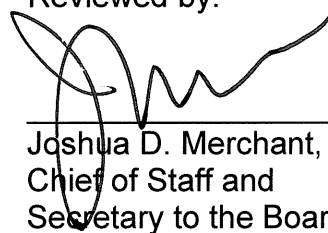
Stephen W. Mackey
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 4/10, 2024
to the Board of Trustees for Approval



Ora Hirsch Pescovitz, M.D.
President

Reviewed by:



Joshua D. Merchant, Ph.D.
Chief of Staff and
Secretary to the Board of Trustees

April 12, 2024

Audit Committee
Oakland University

This letter sets forth the planned scope of our audit of the financial statements of Oakland University (University) for the year ending June 30, 2024. Professional standards require that we provide you with the following information related to our audit.

Responsibilities

As stated in our engagement letter dated April 12, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the University's compliance with those requirements.

Supplementary Information

U.S. GAAP provides for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management's discussion and analysis and the OPEB information, which supplements the basic financial statements, is to apply certain limited procedures in accordance with auditing standards generally accepted in the

United States of America (GAAS). However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. These standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement.

In an audit of financial statements, the auditor's judgment as to matters that are material to users of financial statements is based on consideration of the needs of users as a group; the auditor does not consider the possible effect of misstatements on specific individual users, whose needs may vary widely. Misstatements, whether resulting from errors or irregularities, are considered to be material only if their magnitude, individually or in aggregate with others, are such that a user group relying on the presentation of your financial statements would be influenced by their inclusion or omission. Judgments about materiality are made in light of surrounding circumstances, and involve both qualitative and quantitative consideration. Materiality is applied on an annual basis. Materiality is a concept that applies to the engagement and client overall.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Our risk assessment procedures for the June 30, 2024 audit will include a study and evaluation of the University and its environment, including the system of internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards and other significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We will address the risk assessment related to fraud by making inquiries of the Audit Committee, management, and others within the University; evaluating fraud programs and controls; completing comprehensive checklists; and gathering other information (financial and other) to help us develop fraud risk factors that will be referenced during our fieldwork and wrap-up procedures.

Our planned scope for the June 30, 2024 audit is based on our understanding of the University developed during prior audits, pre-engagement planning, and our experience as auditors of other similar institutions. We recognize that all institutions are unique and each year presents new challenges, new accounting and auditing issues, and new reporting requirements that must be considered. Accordingly, our current year audit plan will address these issues in order to meet the needs of Oakland University.

We will begin performing pre-engagement planning and our interim procedures the week of May 20, 2024. Year-end procedures are scheduled to begin the week of August 5, 2024.

Summary of Accounting and Auditing Issues, Significant Risks, and Other

Significant Risks

We have identified the following significant risks of material misstatement as part of our audit planning. The first two are required under professional standards.

- Management override of internal control
- Improper revenue recognition
- Compliance with Federal Programs

These are areas that we have identified through our understanding of your industry or as part of our planning procedures. We have designed our audit approach taking into consideration these risks.

We have also identified the following items that may be of interest to you:

Internal Controls

As part of our audit, we will obtain an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of further audit procedures to be performed and not to provide an opinion on internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies in the design or operation of internal control. However, during the audit, if we become aware of such significant deficiencies or other significant matters related to the financial statements, we will communicate them in a separate letter.

Use of Internal Audit

We anticipate being able to use some of the work of your internal audit function to assist us in obtaining audit evidence. As part of our external audit procedures, if applicable, we will test a sample of the internal audit work performed and perform other procedures we deem necessary.

Specialized Skills, Specialists, or Experts used in the Audit

During planning of our audit procedures, we determined that as part of our audit team, we will utilize an individual with specialized skills to assist in our risk assessment procedures related to the general information technology environment of the University.

Other Matters

We would be pleased to discuss any matters you believe would be significant to the audit or that we should be aware of. These matters may include, but not be limited to the following:

- Governance related matters
- Communications from regulatory bodies
- Internal control matters
- Fraud risks
- Recent legal, regulatory, or accounting related matters

New Accounting Pronouncements

We will review all new accounting pronouncements and any future accounting pronouncements that may have an effect on the University. It is management's responsibility to ensure the University applies all accounting pronouncements correctly in the financial statements. We will assist management with the adoption of accounting pronouncements and keep them informed of those that may apply to the University.

Other Services Provided

In addition to our audit of the financial statements of Oakland University for the year ended June 30, 2024, we will also perform the following services:

- Audit of major federal program grants or awards in accordance with the Uniform Guidance. Major programs as defined by the Uniform Guidance will be determined during our planning procedures. We will issue all required reports as defined in the Uniform Guidance.
- Procedures required by the State of Michigan and the report on the supplementary information related to inclusion of the University's financial information in the State's annual comprehensive financial report.
- An agreed-upon procedures report as required by the NCAA Financial Audit Guidelines to assist the University in complying with NCAA Bylaw 20.2.4.17.1.
- Procedures related to the review of Form 990T.

Independence

We have reviewed our relationship with the University and the services we perform. We confirm that we are independent with respect to Oakland University and its related entities.

Staffing

Services provided by AHP to Oakland University will be performed by the following team of professionals:

Greg Soule – Engagement Partner responsible for overall services to Oakland University

Randy Morse – Independent Review Partner

Julie Pfeifle – Tax Partner

Chas Bruske – Audit Manager in charge of day-to-day fieldwork

Additional staff

This is intended solely for the use of the Board of Trustees, Audit Committee, and management of Oakland University, and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to serving the auditing needs of Oakland University and would be pleased to discuss our approach to the audit and respond to any questions you may have.

Sincerely,

Andrews Hooper Pavlik PLC