

**BOARD OF REGENTS**  
EASTERN MICHIGAN UNIVERSITY

SECTION: 19

DATE:

March 20, 2007

**RECOMMENDATION**

**APPROVAL OF EXTERNAL AUDITORS**

**ACTION REQUESTED**

It is recommended that the Board of Regents approve the re-appointment of Plante & Moran PLLC as external auditors for a term not to exceed June 30, 2009. The audit engagement will include: audit of the University's basic financial statements, OMB Circular A-133 Supplementary Financial Reports, WEMU-FM Radio Station Financial Statements; audit of the University's Intercollegiate Athletics Program Agreed-Upon Procedures; review of the Crosswalks for the State of Michigan CAFR, and a review of the University's Form 990-T – Exempt Organization Business Income Tax Return. The Board authorizes the engagement letter be signed by the Vice President for Business and Finance and Treasurer.

**STAFF SUMMARY**

University Policy 11.1.5 Selection of External Auditor states that external auditor services shall be appointed on an annual basis and may be re-appointed for a period of five consecutive years. In March 2005, the Board approved the selection of Plante & Moran PLLC as the firm to provide external audit services to the University effective fiscal 2005. As of March 20, 2007 this re-appointment will represent the third year of the five-year maximum term.

**FISCAL IMPLICATIONS**

Annual audit fees are budgeted centrally except WEMU and MEDC, which are paid for by those areas directly. Central fees are expected to not exceed \$107,000 for fiscal year ending June 30, 2007 with no more than a cost of living index increase for the remaining two years.

**ADMINISTRATIVE RECOMMENDATION**

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

Effective Date	Date of Revision
11-15-78	1-28-81



# Policies, Rules And Regulations

Chapter Name	Chapter No.	Page
BUSINESS & FINANCIAL OPERATIONS	11.1.5	Page 1 of 1
Issue		
SELECTION OF EXTERNAL AUDITOR		

External auditors shall be appointed on an annual basis and may be reappointed for a period of five consecutive years. The same firm will, normally, not be reappointed after five consecutive years.

Prior to the appointment of a new external auditor, the administration shall invite proposals, conduct a formal evaluation, and recommend two firms for final consideration by the Board of Regents.

## Authority for Creation or Revision

Minutes of the Board of Regents, November 15, 1978; para. .2013M  
Minutes of the Board of Regents, January 28, 1981; para. .2345M



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February 28, 2007

Board of Regents  
Eastern Michigan University  
Ypsilanti, MI 48197

Attention: Chairperson of the Audit and Finance Committee

Dear Chairperson:

We continue to be complimented by Eastern Michigan University's selection of our firm to conduct the audit of its financial statements for the University's 2006-2007 fiscal year. We are sending this letter and the accompanying Professional Services Agreement, which is hereby incorporated as part of this engagement letter, to confirm our understanding of the nature and limitations of the services we will provide and the terms of our engagement with Eastern Michigan University ("University") to provide these services.

#### Scope of Services

We will audit Eastern Michigan University's basic financial statements, federal awards, and WEMU-FM Radio Station as of and for the year ended June 30, 2007. We will also perform an agreed upon procedures for the University's athletic programs to determine compliance with NCAA bylaw 6.2.3 and conduct a review of the Crosswalks for the State of Michigan CAFR as of and for the year ended June 30, 2007.

In addition, we will review the Eastern Michigan University's Form 990-T - Exempt Organization Business Income Tax Return.

If you require any additional services, including accounting, consulting or tax assistance, those services will be detailed in a separate engagement letter.

#### Timing of Services

We expect to begin fieldwork, complete our on-site audit work and issue our reports for each as follows:

Audit/Procedures to be performed	Estimated Date Fieldwork Begins	Estimated Date Fieldwork Ends	Estimated Report Issuance Date
Financial Statement Audit	June 4, 2007	August 24, 2007	September 14, 2007
Federal Program Audit (A-133)	June 4, 2007	August 24, 2007	September 14, 2007
NCAA Agreed-upon procedures	September 10, 2007	September 21, 2007	November 15, 2007
WEMU-FM Audit	September 10, 2007	September 21, 2007	November 15, 2007
Review of Crosswalks for State of Michigan CAFR	September 10, 2007	September 21, 2007	October 5, 2007

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Board of Regents  
Eastern Michigan University

February 28, 2007

**Fees and Payment Terms**

Our fee for these engagements, subject to the terms and conditions of the accompanying Professional Services Agreement, will be as follows:

Work to be completed	Fee
Financial statement audit including management letter and presentation to the Audit Committee (including out-of-pocket expenses)	\$ 70,000
Federal programs' audit in accordance with OMB Circular A-133	17,150
Review of the Crosswalks for the State of Michigan CAFR	2,675
WEMU-FM financial statement audits and Corporation for Public Broadcasting online review and certification	5,375
NCAA Agreed-Upon Procedures	9,150
Review of University Form 990T	2,150
Total	<u>\$ 106,500</u>

Invoices for these and other services and out-of-pocket costs will be rendered as services are provided and are due when received. In the event an invoice is not paid timely, a late charge in the amount of 1.25 percent per month will be added, beginning 30 days after the date of the invoice.

If you are in agreement with our understanding of this engagement, as set forth in this engagement letter and the accompanying Professional Services Agreement, please sign the enclosed copy of this letter and return it to us with the accompanying Professional Services Agreement.

Thank you for the opportunity to serve you.

Very truly yours,  
**PLANTE & MORAN, PLLC**

Robb Rose, CPA

Enclosure

Cc: Janice M. Stroh, Vice President for Business and Finance

Board of Regents  
Eastern Michigan University

February 28, 2007

**Agreed and Accepted**

We accept this engagement letter and the accompanying Professional Services Agreement, which set forth the entire agreement between Eastern Michigan University and Plante & Moran, PLLC with respect to the services specified in the Scope of Services section of this engagement letter.

Eastern Michigan University

\_\_\_\_\_  
Board of Regents

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

5

**Professional Services Agreement – Audit and Tax Services**  
**Addendum to Plante & Moran, PLLC Engagement Letter Dated February 28, 2007**

1. **Financial Statements** – The financial statements of Eastern Michigan University being audited by Plante & Moran, PLLC (referred to herein as "P&M", "we", "our" or "us") are to be presented in accordance with accounting principles generally accepted in the United States of America (GAAP), Eastern Michigan University (also referred to herein as "University", "you" or "your") management is responsible for the presentation of these financial statements, including compliance with the requirements of accounting principles generally accepted in the United States of America and the completeness and accuracy of the information presented and disclosed therein, as well as for the capability and integrity of University personnel responsible for University's underlying accounting and financial records.
2. **Objective of Audit of Financial Statements** – The objective of our audit is the expression of an opinion on the University financial statements specified in the accompanying engagement letter. We offer no guarantee, express or implied, that our opinion will be unqualified or that we will be able to form an opinion about these financial statements in the event that University's internal controls or accounting and financial records prove to be unreliable or otherwise not auditable. If our opinion is to be other than unqualified, we will discuss the reasons with University management in advance of the issuance of our report. If, for any reason, we are prevented from completing our audit or are unable to form an opinion on these financial statements, we may terminate our engagement and decline to issue our report.
3. **Audit Procedures** – Our audit of the financial statements will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include examination, on a test basis, of evidence supporting the amounts and disclosures in the University financial statements specified in this engagement letter. An audit in accordance with these standards involves judgment about the number of transactions to be tested and the overall approach to testing in each area. As a result, and because our audit will be designed to provide reasonable rather than absolute assurance that these financial statements are free from material misstatements, errors or fraud may exist and not be detected by our audit. In addition, our audit is not designed to detect errors or fraud that are immaterial to these financial statements. In recognition of these limitations, University acknowledges that our audit cannot guarantee that all instances of error or fraud will be identified.
4. **Government Auditing Standards** – Our audit of University's financial statements will be conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Under those *Government Auditing Standards*, we will make some assessments of University's compliance with laws, regulations and contract provisions. While those assessments will not be sufficient to identify all noncompliance with applicable laws, regulations and contract provisions, we will communicate all noncompliance conditions that come to our attention. Management is responsible for corrective action on audit findings, including preparation of a schedule of prior audit findings and corrective action plans, if necessary.

Our audit of University's federal awards will be made in accordance with generally accepted auditing standards, standards for financial statement audits contained in *Government Auditing Standards*, Single Audit Act Amendments of 1996 (P.L. 104-156), and the provisions of Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
5. **Auditor Communications** – We are obligated to communicate certain matters related to our audit to those responsible for governance of University, including instances of error or fraud and significant deficiencies in internal control that we identify during our audit. We will communicate these matters to University management and the Audit Committee, and you acknowledge and agree that communication in this manner is sufficient for University's purposes. In certain situations, *Government Auditing Standards* requires disclosure of illegal acts to applicable government agencies. If such illegal acts are detected during our audit, we will make required disclosures regarding these acts to applicable government agencies.
6. **Accounting and Financial Records** – University agrees that it is responsible for providing us with accounting and financial records that are closed, complete, accurate, and in conformity with the requirements of GAAP, for providing schedules and analyses of accounts that we request, and for making all University financial records and related information available to us for purposes of our audit. Where we have provided estimates of the timing of our work and completion of our engagement and issuance of our report, those estimates are dependent on University providing us with all such accounting and financial records, schedules and analyses on the date our work commences. We will assess the condition of University's accounting and financial records, schedules and analyses of accounts prior to commencing our work. In the event that such records, schedules and analyses are not closed, complete, accurate or in conformity with GAAP, we may reschedule our work, including the dates on which we expect to complete our on-site procedures and issue our report.

6

**Professional Services Agreement – Audit and Tax Services**

In any circumstance where our work is rescheduled for the reasons set forth in the previous paragraph, we offer no guarantee, express or implied, that we will be able to meet any previously established deadlines related to the completion of our work or issuance of our report. Because rescheduling our work imposes additional costs on us, in any circumstance where we have provided estimated fees those estimated fees may be adjusted for the additional time we incur as a result of rescheduling our work. These additional fees will be determined based on the actual additional time that P&M staff expend because of the delay and will be included as an adjustment to our invoices related to this engagement. We agree to document and discuss excess time and fees with University management prior to submitting an invoice. University acknowledges and agrees that payment for all such adjustments will be made in accordance with the payment terms provided in this agreement.

In any circumstance where we have provided estimated fees, fixed fees or not to exceed fees, those estimated, fixed or not to exceed fees do not include accounting assistance, corrections to University's accounting and financial records or implementation of generally accepted accounting principles. If such services are provided in the course of our work on this engagement, additional fees for those services will be determined based on the actual time that P&M staff expend at our standard hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and included as an adjustment to our invoices related to this engagement. You acknowledge and agree that payment for all such adjustments will be made in accordance with the payment terms provided in this agreement.

7. **Internal Controls** – University is responsible for establishing and maintaining sound internal controls, including controls established for the purpose of preventing or detecting errors in financial reporting, preventing fraud or misappropriation of assets, and identifying and complying with applicable laws and regulations, including those applicable to federal awards, and with the provisions of contracts and grant agreements. As part of our audit, we will obtain an understanding of University's internal controls sufficient to plan our audit procedures. Our audit will not be designed to provide assurance on the design or operating effectiveness of University's internal controls or to identify all conditions that represent significant deficiencies in those internal controls. We will communicate all significant deficiencies in internal controls, instances of fraud or misappropriation of assets that come to our attention.
8. **Audit Adjustments** – We will recommend any adjustments to University's accounting records that we believe are appropriate. University management is responsible for adjusting University accounting records and financial statements to correct material misstatements and for affirming to us in writing that the effects of any unrecorded adjustments identified during our audit are immaterial, both individually and in the aggregate, to the University financial statements specified in this agreement.
9. **Management Representations** – University is responsible for the financial statements and federal awards being audited and the implicit and explicit representations and assertions regarding the recognition, measurement, presentation and disclosure of information therein. During the course of our audit, we will request information and explanations from University management regarding accounting and financial matters, including information regarding internal controls, operations, future plans and the nature and purpose of specific transactions. We will also require that management make certain representations to us in writing as a precondition to issuance of our report. Our audit procedures will be significantly affected by the representations and assertions we receive from management and, accordingly, false representations could cause material error or fraud to go undetected by our procedures. In view of this, you acknowledge and agree that we will not be responsible for any misstatements of the University financial statements being audited that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by University management and, as a condition of our engagement, you agree to indemnify and hold P&M and its partners, affiliates, and employees harmless from any and all claims, including associated attorneys' fees and costs, based on our failure to detect material misstatements in University financial statements to the degree they result from false or misleading representations made to us by any member of University management.
10. **Assistance** – As a condition of our engagement, University personnel will provide us, in a timely and orderly manner, with assistance and information we request during the course of our audit, including retrieval of records and preparation of schedules, analyses of accounts and confirmations. A written request for information to be provided will be submitted under separate cover and supplemented by additional written and verbal requests as necessary during the course of our audit. In addition, you will provide us with all information in your possession that has a material impact on any material transaction and that information will be complete, truthful and accurate.
11. **Use of Report** – If our report on the financial statements being audited is to be published in any manner or if you intend to make reference to Plante & Moran in a publication of any type, you agree to submit proofs of the publication to us for review prior to such publication and cooperate with us in our performance of any additional audit procedures we deem necessary in the circumstances, the nature and extent of which will be at our sole discretion. The cost of performing these procedures for the annual financial report are included in our base fee quote. You acknowledge and agree that fees for the work associated with the review of any other publication will be determined based on the actual time that P&M staff



7

**Professional Services Agreement – Audit and Tax Services**

expend at our standard hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and that payment for all such additional fees will be made in accordance with the payment terms provided in this agreement.

- 12. Securities Offerings** – Our audit does not contemplate, and does not include, any services in connection with any offering of securities, whether registered or exempt from registration. In the event you elect to incorporate or make reference to our report in connection with any offering of debt securities and request our consent to such incorporation or reference, you acknowledge and agree that we will perform additional procedures, the nature and extent of which will be at our sole discretion, that additional fees for such work will be determined based on the actual time that P&M staff expend at our standard hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and that payment for all such additional fees will be made in accordance with the payment terms provided in this agreement and included as an adjustment to our invoices related to this engagement.
- 13. Tax Return Preparation** – We will not prepare any tax returns or filings. If you require additional tax services, including tax consulting or preparation of additional tax returns, those services will be detailed in a separate engagement letter. You agree that the nature and extent of the tax return preparation services that we will provide, as outlined in this paragraph, are sufficient for your purposes.

University is solely responsible for all management decisions and management functions required for the preparation of its tax returns. Our responsibility is to review the tax return based on information you provide. We may advise you about possible tax positions or elections, but all final decisions about such matters are your responsibility. You have designated Timothy Griffith to oversee the tax services we will provide. University recognizes and acknowledges that it has the final responsibility for its tax return, and, accordingly, University agrees it will review it carefully before filing to determine that the return is, to the best of its knowledge and belief, true, correct and complete.

University also recognizes and acknowledges that the tax return services do not include any assessment or evaluation of internal controls, which are the responsibility of management, and cannot be relied upon to disclose any fraud, defalcation, or other irregularities that may exist.

- 14. Tax Records** – Our tax return review services do not include review or preparation of contemporaneous or other substantiating documents that may be required by applicable taxing authorities. University's management is responsible for establishing and maintaining appropriate documentation and substantiation of expenditures and tax positions in accordance with the requirements of those taxing authorities, including the requirement of U.S. Treasury Regulations Section 1.6001-1(c) that every organization exempt under Internal Revenue Code (IRC) Section 501(a) keep permanent records that are sufficient to support the items included on its annual information return. You acknowledge and agree that taxing authorities may impose tax, interest, or penalties if required documentation is not maintained and that we assume no responsibility for any such assessments or penalties.

For example, and not by way of limitation, our tax return preparation services do not include review or preparation of substantiating documentation required by:

- Internal Revenue Code Section 4958, regarding excess benefit transactions
- Internal Revenue Code Section 501(c)(3), regarding existence or calculation of lobbying expenditures and private school nondiscrimination notifications
- Internal Revenue Code Section 511, regarding unrelated business income tax

At the end of our tax return preparation services, we will return all of your original tax records to you. You should retain all documents and other data that form the basis of income and deductions. This documentation may be necessary to prove the accuracy and completeness of your tax returns in the event that they are selected for an examination by a taxing authority.

- 15. Taxing Authority Audits** – University's tax returns and filings may be subject to audit by applicable taxing authorities. We provide no guarantee, express or implied, of the outcome of any audit or any other determination by a taxing authority with respect to the tax returns listed in the accompanying engagement letter. In the event that such tax returns are selected for examination by a taxing authority, we are available to represent the University in such an examination at an additional charge. Our fee for the tax return preparation services covered by this agreement does not include representation in any examination or responding to other inquiries by taxing authorities.
- 16. Confidentiality, Ownership and Retention of Workpapers** – During the course of this engagement, P&M and P&M staff may have access to proprietary information of University, including, but not limited to, information regarding trade secrets, business methods, plans, or projects. We acknowledge that such information, regardless of its form, is confidential



## Professional Services Agreement – Audit and Tax Services

and proprietary to University, and we will not use such information for any purpose other than our audit or disclose such information to any other person or entity without the prior written consent of University.

In some circumstances, we may use third-party service providers to assist us with our audit services. In order to enable these service providers to assist us in this capacity, we must disclose information to these service providers that is relevant to the services they provide. Disclosure of such information to these service providers shall not constitute a breach of the provisions of this agreement.

Professional standards require that we create and retain certain workpapers for engagements of this nature. All workpapers created in the course of this engagement are and shall remain the property of Plante & Moran, PLLC. We will maintain the confidentiality of all such workpapers as long as they remain in our possession.

Both University and Plante & Moran, PLLC acknowledge, however, that we may be required to make our workpapers available to regulatory authorities or by court order or subpoena. Further, in compliance with *Government Auditing Standards*, our working papers will be made available to federal award program representatives at our offices during normal business hours during our audit and for a period of three years after the issuance of our report. Disclosure of confidential information in accordance with requirements of regulatory authorities or pursuant to court order or subpoena shall not constitute a breach of the provisions of this agreement. In the event that a request for any confidential information or workpapers covered by this agreement is made by regulatory authorities or pursuant to a court order or subpoena, we agree to inform University in a timely manner of such request and to cooperate with University should you attempt, at your cost, to limit such access. This provision will survive the termination of this agreement.

We reserve the right to destroy, and it is understood that we will destroy, workpapers created in the course of this engagement in accordance with our record retention and destruction policies, which are designed to meet all relevant regulatory requirements for retention of workpapers. P&M has no obligation to maintain workpapers other than for its own purposes or to meet those regulatory requirements.

Upon University's written request, we may, at our sole discretion, allow others to view any workpapers remaining in our possession if there is a specific business purpose for such a review. We will evaluate each written request independently. You acknowledge and agree that we will have no obligation to provide such access or to provide copies of our workpapers, without regard to whether access had been granted with respect to any prior requests. We agree that we will not unreasonably withhold access to our workpapers.

17. **Fee Estimates** – In any circumstance where we have provided estimated fees, fixed fees or not to exceed fees, these estimated, fixed or not to exceed fees are based on information provided by University regarding the nature and condition of its accounting, financial and tax records, the nature and character of transactions reflected in those records, and the design and operating effectiveness of its internal controls. In the event that the actual work required for this engagement varies from our estimates due to undisclosed or unforeseen facts regarding these matters, our estimated fees will be adjusted for the additional time we incur as a result. Any additional fees will be determined based on the actual time that P&M staff expend at our standard hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and included as an adjustment to our invoices related to this engagement. We agree to document and discuss excess time and fees with University management prior to submitting an invoice. You acknowledge and agree that payment for all such adjustments will be made in accordance with the payment terms provided in this agreement.
18. **Payment Terms** – Our invoices for audit services are due upon receipt. In the event any of our invoices are not paid in accordance with the terms of this agreement, we may elect, at our sole discretion, to suspend work until we receive payment in full for all amounts due or terminate this engagement. In the event that work is suspended, for nonpayment or other reasons, and subsequently resumed, we offer no guarantee, express or implied, that we will be able to meet any previously established deadlines related to the completion of our audit work or issuance of our audit report upon resumption of our work.
19. **Termination of Engagement** – After the date of our report on the financial statements, we have no obligation to make any further or continuing inquiry or perform any other auditing procedures with respect to the audited financial statements covered by our report, unless new information which may affect the report comes to our attention. If we become aware of information that relates to these financial statements but was not known to us at the date of our report, and that is of such a nature and from such a source that we would have investigated it had it come to our attention during the course of our audit, we will, as soon as practicable, undertake to determine whether the information is reliable and whether the facts existed at the date of our report. In this connection, we will discuss the matter with University management and request cooperation in whatever investigation and modification of the financial statements may be necessary. Additional fees for such work will be determined based on the actual time that P&M staff expend at our standard hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred and included as an adjustment to our invoices related to

4

**Professional Services Agreement – Audit and Tax Services**

this engagement, and you acknowledge and agree that payment for all such additional fees will be made in accordance with the payment terms provided in this agreement.

This agreement may be terminated by either party upon written notice. Upon notification of termination, our services will cease and our engagement will be deemed to have been completed. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination of this engagement.

- 20. National Collegiate Athletic Association Procedures** – Specific agreed-upon procedures will be performed to meet the NCAA requirements. The engagement to apply agreed-upon procedures will be performed in accordance with standards established by the American Institute of Certified Public Accountants and the NCAA Financial Audit Guidelines. The purpose of these procedures is to assist the University in evaluation of its compliance with NCAA Bylaw 6.2.3. for its athletic programs. Because the procedures do not constitute an audit in accordance with generally accepted auditing standards, we will not express an opinion on the athletic programs of the University.

- 21. Governing Law** – This agreement shall be governed by and construed in accordance with the laws of the State of Michigan.

**End of Agreement – Audit and Tax Services**