

Policy: **Appointment of Independent Auditors & Conduct of Independent Audit**

Responsible for Policy: Administration & Finance

Policy Number: **G-2**

Most recent approval date: July 2015

**Policy Statement**

New York State law requires that community college records and accounts be audited annually by an independent certified public accounting firm. Finger Lakes Community College shall establish requirements for appointment of the College's independent auditors and the conduct of the audit in compliance with state and federal laws and regulations. The independent auditor shall report directly to the Audit and Enterprise Risk Management Committee of the Board of Trustees.

The Audit and Enterprise Risk Management Committee's oversight role shall include, without limitation, a review and discussion with the administration and the independent auditor of:

- a) Significant financial reporting issues and judgments made in connection with the preparation of the College's financial statements;
- b) Clarity of financial disclosures made by the College;
- c) development, selection and disclosure of critical accounting assumptions or estimates, the analyses of alternative assumptions or estimates, and the effect of such estimates on the College's financial statements;
- d) Potential changes in applicable accounting conventions and the effect such changes would have on the College's financial statements;
- e) Significant changes in accounting principles, financial reporting policies and internal controls implemented by the College;
- f) Significant litigation, contingencies and claims against the College and material accounting issues that require disclosure in the College's financial statements;
- g) Information regarding any "second" opinions sought by the administration from the Independent Auditor with respect to the accounting treatment of a particular event or transaction;
- h) College administration compliance with College processes, procedures and internal controls;
- i) Adequacy and effectiveness of the College's internal accounting and financial controls and the recommendations of the administration and the Independent Auditor for the improvement of accounting practices and internal controls;
- j) Difficulties encountered by the Independent Auditor in the course of the audit, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with the administration; and
- k) Material written communications between the Independent Auditor and the administration, such as any management letter or schedule of unadjusted differences.

**Reason for Policy**

The College's independent auditor must be appointed in accordance with the procedures set forth in this policy. The policy also sets forth the respective roles of the FLCC Board of Trustees and its Finance & Facilities Committee and the College administration in connection with the conduct of the annual audit.

**Applicability of the Policy**

Members of the FLCC Board of Trustees, College officers and employees responsible for finance and audit functions should be familiar with this policy.

**Definitions**

Audit and Enterprise Risk Management Committee: the FLCC Board of Trustees Audit and Enterprise Risk Management Committee as it may be duly constituted from time to time.

Independent Auditor: the independent certified public accounting firm selected by the Audit and Enterprise Risk Management Committee and approved by the Board of Trustees to conduct the College's annual audit, in accordance with this Policy

**Related Documents**

- NYS Education Department regulations: 8 NYCRR Part 602.1 (c)

**Review date/action taken (requires Board of Trustees approval):**

- May 2010: original approval date
- Fall 2012: no revisions
- July 2015: BOT committee name change only

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**Procedures**

Appointment of Independent Auditor

The Vice President of Administration & Finance shall request proposals from qualified certified public accounting firms to audit the accounts and records of the College. All submitted proposals will be reviewed by the members of the Finance & Facilities Committee in consultation with the Vice President of Administration & Finance and other members of the College administration as deemed necessary or appropriate. In reviewing proposals, the Finance & Facilities Committee shall consider among other criteria, the qualifications, performance and independence of prospective auditors (including considering whether the prospective auditors' quality controls are adequate and whether any provision of non-audit services to the College is compatible with maintaining each prospective auditor's independence), taking into account the recommendations of the Vice President of Administration & Finance and other members of the administration.

The Finance & Facilities Committee will recommend appointment of its selected audit firm to the full Board of Trustees, and the Board will be responsible for authorizing the appointment of the audit firm as the College's independent auditor for a specific duration to be determined by the Board. In the event the Board of Trustees does not approve the Finance & Facilities Committee's recommended firm, the Finance & Facilities Committee may either (a) recommend an alternate firm from among those that submitted proposals, or (b) re-solicit proposals. The independent auditor shall serve at the pleasure of the Board, may be discharged by the Board at any time subject to the terms of an approved contract for services and shall be discharged by the Board upon recommendation of the Finance & Facilities Committee.

Conduct of Audit

The College Controller shall be responsible for coordinating the auditors' work schedule. The Vice President of Administration & Finance shall be directly responsible for the oversight of the work of the independent auditor during the conduct of the audit (including resolution of disagreements between the administration and the Independent Auditor regarding financial reporting).

The Vice President of Administration & Finance and other members of the administration as deemed necessary or appropriate shall work with the Independent auditor under the oversight of the Finance & Facilities Committee to plan the scope, staffing and conduct of the audit and to determine that the College's financial statements and disclosures are complete and accurate in accordance with applicable accounting principles, conventions, laws, rules and regulations consistently applied and fairly present, in all material respects, the financial condition of the College.

**Forms/Online Processes**

- None

**Appendix**

- None

**Review date/action taken:**

- May 2010: original effective date
- Fall 2012: no revisions
- July 2015: no revisions