

VII. STANDING COMMITTEES**B. Finance, Audit and Facilities Committee**Appointment of External AuditorsRECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents appoint:

KPMG as external auditor for the University Financial Report, the University of Washington Medical Center, Harborview Medical Center, UW Intercollegiate Athletics and UW Parking Services for four years ending June 30, 2010, with an option to extend in two year segments, through fiscal year ending, June 30, 2016.

BACKGROUND

Beginning several years ago, the University of Washington consolidated numerous external financial audits into a comprehensive audit of the University's financial statements. The current external audit contract, with KPMG, will expire with the audit of fiscal year ending June 30, 2006.

In June, 2006, an advisory committee convened to review the University's audit needs and oversee the selection process for external audit services. Committee members included the Treasurer of the Board of Regents; UW Controller; UW Director of Financial Accounting; the Senior Associate Athletic Director - Business & Finance for Intercollegiate Athletics; UW Assistant Director for Transportation Services; UW Director of Finance and Administration for Facilities Services; UW Medicine Associate Vice President and CFO; UWMC Finance Committee Chair; UWMC Associate Executive Director & CFO; UWMC Controller; Harborview Finance Committee Chair; Harborview CFO; Harborview Assistant Controller; UW Senior Director, Strategic Sourcing for Business Services; and the Director of Internal Audit.

A formal request for proposal was issued; 3 firms responded. Each audit firm was interviewed for all or a portion of the contract. The advisory committee considered the experience, technical skills, and responsiveness of the local audit team, the teams' staffing and experience on hospital audits and cost reporting issues, the firms' national expertise on higher education issues, accessibility of national advisors, the ability of the senior partners to provide Medical Center and University Board support, and the cost.

After careful review and discussion, the advisory committee recommended the selection of KPMG for the University Financial Report, UW Intercollegiate Athletics, UW Parking Services, UWMC and Harborview Medical Center.

While the cost of the proposed contract increases over current pricing, components of the cost proposal were less than other responding firms. In

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addition, the level of satisfaction with current audit services provided by KPMG, in addition to the firm's national presence, contributed to their selection.

The proposal has been reviewed and approved by the University administration. The UWMC (Board) Committee and the Harborview Medical Center Executive (Board) Committee concur with the appointment of KPMG to audit the medical centers, subject to approval by the University Board of Regents.

Enclosures

Comparison of Proposed 2007 Audit Fees for Finalists

Enclosure

	KPMG	Moss Adams	Peterson Sullivan	Current Contract	Proposed Contract
UW Financials					
Financial Statements	\$400,000	\$417,000	\$325,000	\$362,500	\$400,000
Athletics	\$52,800	\$53,600 (a)	\$45,600 (b)	\$50,800	\$52,800
Parking	\$14,400	\$19,500	\$15,000	\$13,600	\$14,400
Expenses	included	\$25,000	included	\$25,900	included
Total	\$467,200	\$515,100	\$385,600	\$452,800	\$467,200
Medical Centers					
UWMC	\$156,800	\$150,000		\$130,600	\$156,800
Consolidated Laundry	\$17,600	\$18,000		\$15,800	\$17,600
Service League	\$6,400	\$7,000		\$5,800	\$6,400
Harborview	\$152,000	\$157,500		\$134,300	\$152,000
Expenses	included	\$12,000		included	included
Total	\$332,800	\$344,500		\$286,500	\$332,800
Grand Total	\$800,000	\$859,600		\$739,300	\$800,000

(a) Fees for NCAA procedures and Husky Fever audit estimated by UW for comparability (\$149/hour x 180 hours).

(b) Fees for the Husky Fever audit estimated by UW for comparability (\$142/hour x 110 hours).

Comparison of Proposed 2007-2010 Audit Fees

Enclosure

Total Costs of Four Year Contract

	KPMG	Moss Adams	Peterson Sullivan	Proposed Contract
UW Financials				
Financial Statements	\$1,724,100	\$1,824,000	\$1,340,500	\$1,724,100
Athletics	\$227,700	\$224,500 (a)	\$185,400 (b)	\$227,700
Parking	\$62,100	\$85,300	\$61,500	\$62,100
Expenses	included	<i>\$106,000</i>	included	included
Total	\$2,013,900	\$2,239,800	\$1,587,400	\$2,013,900
Medical Centers				
UWMC	\$675,800	\$666,250		\$675,800
Consolidated Laundry	\$75,900	\$80,000		\$75,900
Service League	\$27,600	\$31,000		\$27,600
Harborview	\$655,200	\$699,250		\$655,200
Expenses	included	<i>\$50,175</i>		included
Total	\$1,434,500	\$1,526,675		\$1,434,500
Grand Total	\$3,448,400	\$3,766,475		\$3,448,400

(a) Fees for NCAA procedures and Husky Fever audit estimated by UW for comparability (\$149/hour x 180 hours).

(b) Fees for the Husky Fever audit estimated by UW for comparability (\$142/hour x 110 hours).