



State of New Mexico
OFFICE OF THE STATE AUDITOR

Hector H. Balderas
State Auditor

Carla C. Martinez
Deputy State Auditor

October 30, 2012

To: New Mexico State Agency CFO's and IPA's

From: Hector Balderas
NM State Auditor

Handwritten signature of Hector Balderas in black ink, consisting of stylized initials.

RE: Financial Reporting Directive

This directive is being issued pursuant to 12-6-3 NMSA 1978, which provides that "audits shall be conducted in accordance with generally accepted auditing standards and rules issued by the State Auditor".

The Department of Finance and Administration (DFA) has commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State Diagnostic of Cash Control*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. These reports are available on the DFA website (http://www.nmdfa.state.nm.us/Cash_Control.aspx).

For purposes of each state agency's FY12 Financial Audit, each agency should, at a minimum, do the following:

1. Provide copies of the referenced reports to the agency's Independent Public Accountant (IPA) performing the FY12 audit;
2. Explain to the agency's IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
3. Disclose in the agency's notes to the financial statements the facts about the statewide cash reconciliation as of June 30, 2012, and what the agency's policies and procedures were during FY12 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2012.

For purposes of each state agency's FY12 Financial Audit, at a minimum, each agency's IPA shall:

1. Test whether the agency performed the procedures the agency claims that if performed with respect to cash reconciliations;
2. Determine what the risk is of misstatement in the specific agency's cash accounts; and
3. Identify whether there is evidence the agency's cash balances have been misstated. If necessary the auditor should include a finding regarding agency cash and/or qualify the opinion on the agency's cash.

If you have any questions, please contact Natalie Cordova at 505-476-3800 or via email at natalie.cordova@osa.state.nm.us.