



State of New Mexico
OFFICE OF THE STATE AUDITOR

MEMORANDUM TO INDEPENDENT PUBLIC ACCOUNTANTS APPROVED BY THE STATE AUDITOR

FROM: TIMOTHY M. KELLER, STATE AUDITOR

DATE: MARCH 7, 2016

SUBJECT: NOTIFICATION - CONTRACTING FOR AUDIT OR AGREED UPON PROCEDURES SERVICES FOR FISCAL YEAR 2016

In accordance with the Audit Act, Sections 12-6-1 through 12-6-14 NMSA 1978, the Office of the State Auditor (Office) has notified the agencies whose audits will not be conducted directly by the Office to seek proposals for audits of Fiscal Year 2016. This year the Audit Rule and the audit contracts reflect this Office's focus on increased accountability and enhanced accessibility to audit results. The Audit Rule contains new requirements that include submission of fund balance data in electronic form, testing on the School Personnel Act and other requirements aimed at making audits more relevant and purpose-driven.

This year all audit contracts will be submitted through the OSA-Connect Online Portal (www.osa-app.org). In addition, all local public bodies that fall under the tiered system will be able to submit a certification or contract for an agreed-upon procedures engagement through OSA-Connect. The deadline for all agencies to submit their draft contracts to the Office using the online OSA-Connect system are available in 2.2.2.8.I of the 2016 Audit Rule. The Office will not be processing hard copy contracts and will not sign contracts. Instead, each agency's contract will be sent electronically for review and approval. The Office will transmit an approval or rejection letter to each agency, and if approved, the agency will obtain the necessary signatures. After the contract has been signed, the agency will send an electronic copy of the signed contract to the Office for our records. As was the case with paper contracts, rejected contracts will move to the end of the processing queue. If you believe that you will need access to the OSA-Connect system in order to process contracts on behalf of your clients, please contact Frank Valdez at Frank.Valdez@osa.state.nm.us or (505) 476-3800.

Through the annual review of IPA firms, some IPAs have been restricted or disqualified from governmental audit work in the State of New Mexico under the Audit Rule. It is the responsibility of each IPA to notify existing and potential clients of restrictions.

The following items are currently available on our website at www.osanm.org:

- Schedule of Statewide Audit Rule Trainings for Governmental Agencies and IPAs** - These trainings provide the information IPAs need in order to submit complete, correct information to the Office to contract for audit services or agreed upon procedures engagements. You should have already received a schedule of the trainings. The Office recommends that each IPA firm send appropriate personnel to at least one Audit Rule training course. Representatives of all agencies are also encouraged to attend.
- Contract Log** - This log illustrates the prior year audit fees by agency, as reflected in the Office's records. The list is provided for information purposes only and is not intended to set the fee for any agency's audit.
- 6 Year and 12 Year Agency Listings** - These lists indicate the agencies and firms that have completed the sixth year and twelfth year of a particular annual audit contract. Please review NMAC Section 2.2.2.8 for the details of the auditor rotation rule, and note that the six-year rotation rule contains some exceptions.

- **Progress Billing Form** – Please copy the form onto your IPA letterhead.
- **List of Approved IPAs** – This list includes IPAs who submitted firm profiles and were approved by the Office to conduct financial audits and/or agreed upon procedures engagements. Inclusion on this list does not mean that an IPA is free from restriction.

Except for re-submitted rejected reports, the Office will not accept audit reports by e-mail. Rather, the agency or auditor must submit an organized bound hardcopy of the draft audit report for the Office to review. The submitted hardcopy of the report must be postmarked by the audit report's due date or delivered to the Office by 5:00 p.m. on the report's due date. Section 2.2.2.9.B NMAC requires the following: "Unfinished or excessively deficient reports will not satisfy this requirement; such reports will be rejected and returned to the IPA and the Office may take action in accordance with Subsection C of Section 2.2.2.13 NMAC." Please note that if a report is rejected and the audit report is re-submitted after the report due date, the IPA must include a late audit finding. Review of a re-submitted, previously rejected reports will not be prioritized ahead of review of other reports. We encourage all firms to ensure a quality review has been performed on all audit reports prior to being submitted to the Office. Finally, when the Office indicates to the IPA and the agency that the audit report review is complete and that the final report should be submitted to the Office, the IPA or the agency must submit to the Office along with the final hardcopies all of the other materials required in Section 2.2.2.9.B NMAC.

Please submit audit reports or other correspondence to the following address:

Office of the State Auditor
2540 Camino Edward Ortiz, Suite #A
Santa Fe, New Mexico 87507