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State Auditor



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Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

MEMORANDUM TO ALL AGENCIES SUBJECT TO THE NEW MEXICO AUDIT ACT

FROM: TIMOTHY M. KELLER, STATE AUDITOR

DATE: MARCH 7, 2016

SUBJECT: NOTIFICATION - CONTRACTING FOR AUDIT AND AGREED-UPON PROCEDURE SERVICES FOR FISCAL YEAR 2016

In accordance with the Audit Act, Sections 12-6-1 through 12-6-14 NMSA 1978, you are hereby notified that your agency's fiscal year-end 2016 financial and compliance audit or agreed-upon procedures engagement is to be conducted by an independent public accountant (IPA). This year the Audit Rule (2.2.2.1 NMAC et seq.) reflects this Office's focus on increased accountability and enhanced accessibility to audit results. The Audit Rule contains new requirements including submission of fund balances in electronic form and other measures to make audits more relevant and purpose-driven.

This letter is your agency's authorization to seek proposals for the financial and compliance audit or agreed-upon procedures engagement in accordance with the Procurement Code (or home rule equivalent) and Section 2.2.2.8 NMAC "Requirements for Contracting and Conducting Audits of Agencies." Please note that the deadline for all agencies to submit their contracts to the Office of the State Auditor (Office) is available in 2.2.2.8.I of the 2016 Audit Rule - www.osanm.org/state-auditor-rule.

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. Detailed instructions on OSA-Connect are enclosed with this letter and have been sent electronically to the persons in your agency responsible for contracting. The Office will not be processing hard copy contracts and will not sign contracts. Instead, your agency's contract will be sent electronically for review and approval. The Office will transmit an approval or rejection letter to your agency, and if approved, your agency will obtain the necessary signatures. After the contract has been signed, your 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.

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. If an agency submits a contract to the Office for an IPA that was ineligible to perform that contract due to its restriction, the Office shall reject the contract.

The following items are currently available on our website at www.osanm.org to help you comply with the Audit Rule 2016 requirements during the IPA selection process:

- Schedule of Statewide Audit Rule Trainings for Governmental Agencies and IPAs** - These trainings provide the information governmental agencies and IPAs need in order to submit complete, correct information to the Office to obtain a contract for audit services or agreed upon procedures. You should have already received a schedule of the Audit Rule trainings. The Office recommends that each agency send appropriate personnel to at least one Audit Rule training. Representatives of the governing authority, top management, and employees of the finance division are encouraged to attend.

2540 Camino Edward Ortiz, Suite A, Santa Fe, New Mexico 87507
Local (505) 476-3800 * Fax (505) 827-3512
<http://www.saonm.org> * 1-866-OSA-FRAUD

- **Contract Log** - This log illustrates the prior year's 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.
- **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. The list includes IPAs who are subject to restrictions.

Please submit correspondence to the following address:

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

If you have any questions concerning how to procure your agency's auditor, please contact Frank Valdez at 505-476-3800.

NOTICE TO CHARTER SCHOOLS:

Certain government accounting standards determine whether a charter school is a component unit of the chartering entity (a school district or the Public Education Department (PED)). If a charter school is determined to be a component unit, then the charter school must be included in the financial statements of its sponsoring agency by discrete presentation. As a general rule, the audit of the charter school must be conducted by the same IPA firm that performs the audit of the school district or PED. Charter schools may request an exemption from this requirement through the agency of which the charter school is a component unit, in writing, as outlined in 2.2.2.10 NMAC. If the same IPA firm is used, the school district or PED is encouraged to include representatives of the charter schools in the IPA selection process pursuant to Section 2.2.2.8 NMAC.

NOTICE TO HOUSING AUTHORITIES:

A public housing authority that is a component unit (a separate legal entity) of its local government may choose to be audited separately from the audit of its local primary government. If a separate audit is conducted, the local primary government audit shall include the public housing authority audit and the audit need not be conducted by the same auditor who audits the financial affairs of the local primary government entity. Section 2.2.2.12 NMAC outlines the requirements the component unit housing authority and primary government must follow when a housing authority procures a separate audit. A public housing authority that is a department (not a separate legal entity) of a local government may not be audited separately from the audit of its local primary government. The housing authority's audit must be conducted by the same IPA that performs the audit of the local government. In accordance with the Audit Act, the Office has notified the local primary governments of the housing authority departments that their audits for the fiscal year ending June 30, 2016, are to be conducted by IPAs in accordance with 2.2.2 NMAC. According to Section 2.2.2.12 NMAC, the local government is encouraged to include representatives of the housing authority in the IPA selection process.

MEMORANDUM

**TO: AGENCIES SUBJECT TO THE NEW MEXICO AUDIT ACT
INDEPENDENT PUBLIC ACCOUNTING FIRMS**

FROM: TIMOTHY KELLER, STATE AUDITOR



DATE: FEBRUARY 25, 2016

SUBJECT: AUDIT RULE TRAINING NOTIFICATION

The Office of the State Auditor will be making presentations regarding the Audit Rule throughout the State in March and April 2016. The Audit Rule training is designed for governmental agency employees and independent public accountant (IPA) firm representatives. **The Office recommends that each agency and IPA firm send appropriate personnel to the Audit Rule training course.** Representatives of the governing authority, top management, contracting personnel and employees of the finance division are encouraged to attend. Your agency will need to register online at www.saonm.org/statewide_training for one of the free training session listed in the attached document.

Each constituent in attendance may earn 3 hours of CPE credit for attending the core Audit Rule training, held from 9 a.m. to noon. In addition, this year, the Office is offering full-day trainings in three locations: Albuquerque, Santa Fe and Ruidoso. The additional sessions will be held from 12:30 to 5 p.m., and include separate tracks for contracting professionals, IPAs and agency business and finance professionals. CPE will be available for certain sessions. A tentative training schedule is enclosed; afternoon training topics may be subject to change.

Audit Rule 2016 - The 2016 Audit Rule will be available on the OSA's website on March 1, 2016. The official effective date of the Audit Rule will be March 15, 2016.

Notification for bid or Request for Proposal (RFP) services - The 2016 official notification for bid or RFP services will be sent out by March 1, 2016.

If you have trouble registering please contact Art Baca at (505) 476-3800 for assistance. If you have any other questions, please feel free to contact our office.

Enclosure

2016 Audit Rule Trainings

Date	Location	Format
March 8, 2016 Tuesday	Truth or Consequences Civic Center, 400 W. 4th Ave.	Morning only
March 15, 2016 Tuesday	Albuquerque UNM Student Union Building, Ballrooms A, B & C 1 University of New Mexico	Full Day
March 21, 2016 Monday	Taos Taos County Administration Building, 105 Albright St.	Morning only
March 23, 2016 Wednesday	Gallup El Morro Events Center, 210 South Second St.	Morning only
March 29, 2016 Tuesday	Ruidoso Ruidoso Convention Center, 111 Sierra Blanca Dr.	Full Day
April 4, 2016 Monday	Santa Fe Santa Fe Community College, 6401 Richards Ave.	Full Day
April 5, 2016 Tuesday	Santa Fe Santa Fe Community College, 6401 Richards Ave.	Full Day
April 8, 2016 Friday	Clovis Clovis Carver Library, Ingram Room, 700 N Main	Morning only

Schedule for Morning Only (order subject to change)

Time	Sessions
9:00 – 9:30	Opening Remarks, Last Year in Review and Year Ahead by Auditor Keller
9:30 – 10:15	Contracting overview and demonstration
10:15 – 10:30	Break
10:30 – 11:15	Changes to Audit Rule Overview and Consistency in Findings
11:15 – noon	Special Investigations Year in Review and Working with the OSA Special Investigations Division

Schedule for Full Day (order subject to change)

Time	Sessions		
9:00 – 9:30	Opening Remarks, Last Year in Review and Year Ahead by Auditor Keller		
9:30 – 10:00	Contracting overview		
10:00 – 10:15	Break		
10:15 – 10:45	Changes to Audit Rule Overview		
10:45 – 11:30	Special Investigations Year in Review and Working with SID		
11:30 – 12:30	Lunch Break		
	Track A: For contracting professionals	Track B: For IPAs	Track C: For Agency Finance and Business Personnel
12:30 – 1:30	Online Contracting Portal Demonstration and Hands-On “Lab”	GASB 68 – Financial Reporting Issues	Best Practices and Pitfalls - Payroll and Related Liabilities
1:30 – 2:30		New Uniform Circular	Best Practices and Pitfalls - State Law Compliance
2:30 – 2:45	Break		
2:45 – 3:45	Amendments and special contracts	Common report deficiencies and consistency of findings	Best Practices and Pitfalls - Budgetary and Grant Compliance
3:45 – 4:45	Best practices in auditor procurement	New audit requirements and schedules	Risk advisories and trends in SID