

This example letter should to be adapted by the auditor, depending on the type of agency being audited, the applicable funds, and the applicable audit findings. For additional report examples see <http://gaqc.aicpa.org/> and select “Government Auditing Standards Report Illustrations with SAS No. 115 Terminology.”

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (With Material Weaknesses, Significant Deficiencies, Reportable Instances of Noncompliance, and Other Matters Identified)

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, [the budgetary comparisons of the general fund and major special revenue funds](#), and the combining and individual funds [and related budgetary comparisons](#) presented as supplemental information of the *agency* as of and for the year ended June 30, 20XX, and have issued our report thereon dated *month day, 20XX*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *agency's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *agency's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying (*schedule of findings and responses or schedule of findings and questioned costs*), we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses [and other deficiencies that we consider to be significant deficiencies].¹

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *[schedule of findings and responses or schedule of findings and questioned costs]* to be material weaknesses. *[List the reference numbers of the related findings, for example, 20X1-1, 20X1-3, and 20X1-4].*

[A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying [schedule of findings and responses or schedule of findings and questioned costs] to be significant deficiencies. (List the reference numbers of the related findings, for example, 20X1-2 and 20X1-5)]¹

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *agency's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *[schedule of findings and responses or schedule of findings and questioned costs]* as items *[list reference numbers of the related findings, for example, 20X1-2 and 20X1-5].*

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying *[schedule of findings and responses or schedule of findings and questioned costs]* as findings 20X1-8 and 20X1-9.

The *agency's* responses to the findings identified in our audit are described in the accompanying *[schedule of findings and responses or schedule of findings and questioned costs]*. We did not audit *agency's* response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, *[identify the body or individuals charged with governance]*, others within the entity, *[identify the oversight agency, DFA, PED, HED]*, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]

¹ If no significant deficiencies are identified, the text within the brackets is omitted from the report.