

Comments and Feedback | 2019 Audit Rule Change

SN	Name of person/agency	Date	Comments
1	PERA	1/18/2019	Requests a waiver or that the requirements of NMAC 2.2.2.10 (Z)© and NMAC 2.2.2.10(Z)(d) related to the 2018 schedule of the Employer Allocations be removed.
2	Scott Northam, CPA	1/23/2019	<p>A 2.2.2.10.Q (3) (a) budgetary presentation is currently only for general and special revenue. However, proprietary fund budgets are also legally adopted and approved through DFA. Previous versions of the Audit Rule (2010 for example: 2.2.2.10.O (3)(c)) listed the proprietary funds budgets to be presented as SI. Legally adopted budgets for the agency should be presented per the State Audit Rule, not just the general and special revenue as it's written currently, the agency could potentially leave out the proprietary budgets, which could mislead readers.</p> <p>B 2.2.2.8.M & 2.2.2.10.M requires the sign-in sheet or a written statement from the Chairman or Treasurer to release final payment. A couple issues on that. Somebody could forge the IPA name on the sign in sheet and some agencies do not employ the sign-sheet method at their meetings. A meeting could be held where there would be a quorum and the Chairman or Treasurer not be present. My suggestion is to widen the authorized notification to include draft minutes of the meeting or a resolution and include any member of the governing authority body to be able to provide written notification, rather than just the Chair or Treasurer.</p>
3	Byron R. Manning, CPA	1/23/2019	<p>concerns regarding the proposed changes to the Audit Rule for the final payments and the method of getting to the final payments.</p> <p>Change made 2.2.2.8M.(5)-Section 12-6-14 NMSA 1978; the final progress payment of the contract amount will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the chairman or treasurer stating that IPA presented the audit report in an open meeting.</p> <p>Change made 2.2.10.M.(5)- The final progress payment of the contact amount will not be authorized by the OSA until he IPA has submitted the sign in sheet from the governing authority meeting or written notification from the chairman or treasurer stating that the IPA presented the audit report in an open meeting.</p>
4	Hamish Thomson, OSA	1/31/2019	Suggest a new sentence at the end of paragraph 2.2.2.15A.(2) " Definition of waste and abuse"; Sustainability, unlike waste or abuse, refers to governmental activities that maintain or enhance the ability of the entity to meet the needs of the present without compromising the ability of future generations to meet their own needs
5	Alan D. "A.J." Bowers, JR., CPA, CITP	2/1/2019	<p>A 2.2.2.8.L- Prior Written approval of engagements- expanded requirement of prior written approval by the state auditor for any type of financial affairs engagement.</p> <p>B 2.2.2.8.M & 2.2.2.10.M – Final progress payment – requirement that the final progress payment of the contract will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the Chairman or Treasurer state that the IPA presented the audit report in an Open Meeting.</p> <p>C 2.2.2.9.B – Vendor schedule, fund balance form and GASBS 77 disclosure template – removed the requirement to submit this data to the OSA</p> <p>D 2.2.2.9.B – Vendor schedule, fund balance form and GASBS 77 disclosure template – removed the requirement to submit this data to the OSA</p> <p>E 2.2.2.10.A – Vendor schedule – removed requirement to prepare a schedule of vendors.</p> <p>F 2.2.2.10.L – Summary of audit results – included requirement for a summary of audit results that includes the type of auditor report issued and whether categories of findings for internal control over financial reporting were identified.</p> <p>G 2.2.2.10.M – In person exit conference – removed exception for audits less than \$5,000.</p> <p>H 2.2.2.10.BB – GASBS 77 disclosure spreadsheet – removed requirement to use a template GASBS 77 disclosure spreadsheet and submit to the OSA.</p> <p>I 2.2.2.15.A – Fraud, waste or abuse reported to OSA – changed requirement that agencies respond to OSA-SID fact-finding inquiries from 21 days of receipt to five days of receipt.</p> <p>J 2.2.2.10.R(1)(b) – if budgeted expenditures exceed budgeted revenues (after prior-year cash balance and applicable federal receivables used to balance the budget), that fact shall be reported as a finding. This type of finding shall be confirmed with the agency's oversight entity (if applicable).</p>

6	Matthew Bone- CLA	1/31/2019 A	2.2.2.8.L Prior written approval of engagements- expanded requirement of prior written approval by the state auditor for any type of financial affairs engagement.
	Change made		(2) An IPA may not enter into any type of financial affairs engagement (this includes waste and abuse related engagements) with a New Mexico governmental agency without first obtaining the prior written approval of the state auditor. This requirement applies both when the IPA is the annual auditor approved by OSA and when the IPA is not the agency's annual auditor. See Section 2.2.2.15 NMAC for the requirements to submit such reports to the OSA for review and release.
		B	2.2.2.8.M & 2.2.2.10.M Final progress payment- requirement that the final progress payment of the contract amount will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the Chairman or Treasurer stating that the IPA presented the audit report in an Open Meeting.
	Change made		(5) Section 12-6-14 NMSA 1978 (contract audits) provides that final payment under an audit contract may be made by the agency to the IPA only after the state auditor has determined, in writing, that the audit has been made in a competent manner in accordance with contract provisions and this rule. The final progress payment of the contract amount will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the chairman or treasurer stating that the IPA presented the audit report in an open meeting.
7	Brendan Miller- OSA	2/4/2019	Section 2.2.2.15.A.(6) reads, "The OSA may make inquiries of agencies as part of the fact-finding process performed by the OSA's special investigations division. Agencies shall respond to OSA inquiries within five (5) calendar days of receipt. IPAs shall test compliance with this requirement and report noncompliance as a finding in the annual financial and compliance audit report."
8	Anonymous	1/3/2019	Unless requested, eliminate the requirement, once an engagement is complete, to meet with the entire board of an entity since entrance and exit conference are already held with the member(s), not equal to a quorum
9	Anonymous	1/12/2019	Revise firm profile input for those IPAs interested in conducting agreed upon procedures only.

Note:

For full text of comments submitted refer to attached PDFs



PERA

Public Employees
Retirement Association
of New Mexico

James Maxon, MPA
Chair, County Member
Wayne Propst
Executive Director

P: (505) 476-9300
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Toll Free:
1 (800) 342-3422

INVESTED IN TOMORROW.

January 18, 2019

Brian S. Colón
State Auditor
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, NM 87507

Dear State Auditor Colón,

The Public Employees retirement Association (“PERA”) respectfully requests a waiver or that the requirements of NMAC 2.2.2.10(Z)(c) and of NMAC 2.2.2.10(Z)(d) related to the 2018 Schedule of Employer Allocations be removed.

For reasons listed below, we at PERA feel a waiver or the requirements are removed from State Auditor Rule.

Impact to PERA:

NMAC 2.2.10(Z)(c)

- The deferred outflows of resources and deferred inflows of resources are already provide in the schedules for each employer, as well as, the total amounts for each fund for the fiscal year.
- The note disclosure related to changes in collective deferred outflows of resources and deferred inflows of resources for each fund is currently not a requirement of GASB.
- The additional note disclosure does not provide any additional benefit for employers as they are presented at a summary level and the amounts related to employer specific deferred outflows of resources and deferred inflows of resources are provide in the report schedules.

NMAC 2.2.2.10(Z)(d)

- As administrators of a qualified governmental retirement plan, PERA is a unique agency, and finding an IPA that has experience in pension plans is a challenge in New Mexico.
- The PERA Board holds all funds and assets of the Public Employees Retirement system in trust for the sole and exclusive benefit of the members, retirees and other beneficiaries. N.M. Const. article XX, § 22(A); NMSA 1978, §10-11-123(B) (1987); NMSA 1978, §10-11-130(A) (2005). The Board has a fiduciary duty and responsibility for administration of the Trust Fund. Similarly,



NMSA 1978, 6-5-3, states that, “all expenditures have a public benefit or purpose, are necessary, and are consistent with the appropriation, the expenditures authority from the legislature and comply with the statute.”

- PERA’s current Schedule of Employer Allocation report is audited and reviewed by an external auditor, CliftonLarsonAllen, who is an approved audit firm by the OSA.
- PERA’s Schedule of Employer Allocation report will also go through an additional review at the OSA.
- PERA Board have a fiduciary duty to protect the Fund from unnecessary expenditures. The concurring review for the 2017 Schedule of Employer Allocation costed the Fund an additional \$8,500 in unnecessary expenditures.
- The cost and time associated with PERA having to procure an IPA to complete a concurring review does not provide any additional benefit to the public and members.
- PERA’s staff and external auditor are qualified to prepare and review the employer’s allocation report before it is submitted to the OSA.
- PERA concurring reviewer for the 2016 Schedule of Employer Allocation and 2017 Schedule of Employer Allocation did not find any additional items and PERA had only minor comments on its okay to print communications from the OSA for its 2016 Schedule of Employer Allocation and 2017 Schedule of Employer Allocation.

Based on the foregoing, your consideration of the PERA’s request for waiver or that the requirements are removed from State Auditor Rule in NMAC 2.2.2.10(Z)(c) and NMAC 2.2.2.10(Z)(d) is appreciated.

Sincerely,



Anna Williams, CPA
Chief Financial Officer

To: scott.northam@tds.net
Cc: [Lynette Kennard](#)
Date: Wednesday, January 23, 2019 11:40:11 AM
Attachments: [image001.png](#)

Scott,

Thank you. I will add to the other comments for consideration.

Jack

From: scott.northam@tds.net [mailto:scott.northam@tds.net]
Sent: Wednesday, January 23, 2019 11:29 AM
To: Jack Emmons <Jack.Emmons@osa.state.nm.us>
Subject: comments on proposed audit rule

Jack,

I have some comments/suggestions on the proposed audit rule.

1. 2.2.2.10.Q (3) (a) budgetary presentation is currently only for general and special revenue. However, proprietary fund budgets are also legally adopted and approved through DFA. Previous versions of the Audit Rule (2010 for example: 2.2.2.10.O (3)(c)) listed the proprietary funds budgets to be presented as SI. Legally adopted budgets for the agency should be presented per the State Audit Rule, not just the general and special revenue. As it's written currently, the agency could potentially leave out the proprietary budgets, which could mislead readers.
2. 2.2.2.8.M & 2.2.2.10.M requires the sign-in sheet or a written statement from the Chairman or Treasurer to release final payment. A couple issues on that. Somebody could forge the IPA name on the sign in sheet and some agencies do not employ the sign-sheet method at their meetings. A meeting could be held where there would be a quorum and the Chairman or Treasurer not be present. My suggestion is to widen the authorized notification to include draft minutes of the meeting or a resolution, and include any member of the governing authority body to be able to provide written notification, rather than just the Chair or Treasurer.

Just thoughts.

Thanks.

Scott Northam CPA
Scott Northam, CPA, PC
1035 Mechem Drive
Ruidoso, NM 88345
575-258-5559, Fax 575-258-5570
scott.northam@tds.net (new email)
scott@scottnorthamcpa.com (still works)



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To report fraud, waste, or abuse in any public entity in New Mexico: Report online:
www.saonm.org Hotline: 1-866-OSA-Fraud



Manning Accounting and Consulting Services, LLC

January 23, 2019

Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, NM 87507

Jack Emmons,

We have some concerns regarding the proposed changes to the Audit Rule for final payments and the method of getting to the final payments.

Related Changes:

2.2.2.8.M.(5) - Section 12-6-14 NMSA 1978 (contract audits) provides that final payment under an audit contract may be made by the agency to the IPA only after the state auditor has determined, in writing, that the audit has been made in a competent manner in accordance with contract provisions and this rule. The final progress payment of the contract amount will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the chairman or treasurer stating that the IPA presented the audit report in an open meeting. The state auditor's determination with respect to final payment shall be stated in the letter ~~{accompanying the release of the report to the agency}~~....

2.2.2.10.M.(4) - Once the audit report is officially released to the agency by the state auditor (by a release letter) and the required waiting period of five calendar days has passed, unless waived by the agency in writing, the audit report shall be presented by the IPA, to a quorum of the governing authority of the agency at a meeting held in accordance with the Open Meetings Act, if applicable. This requirement only applies to agencies with a governing authority, such as a board of directors, board of county commissioners, or city council, which is subject to the Open Meetings Act. The IPA shall ensure that the required communications to those charged with governance are made in accordance with AU-C 260.12 to 260.14. The final progress payment of the contact amount will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the chairman or treasurer stating that the IPA presented the audit report in an open meeting.

Issues and Concerns:

We believe that the proposed changes above are going to cause significant additional paperwork and delays for both the release of payments and the release of reports. We believe that the changes will also have a negative effect on small firms performing audits. The time between finishing an audit and the time to be paid the final 30% on an audit has grown significantly over the past two years, and this delay will delay it further by a significant amount of time.

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We will use our own experiences as examples of the issues we believe will be encountered.

For 2018, we had audits for school districts which were submitted to the OSA in the last week of October but didn't receive "Release Letters" until January. The quickest turnaround we had was approximately six weeks for any of our eight school Districts and the longest was just over two months. In almost every instance the final report went back into the OSA on the same day we got the "OK to Print" notification. So the minimum amount of time to be able to bill the final 30% of the audit averaged about seven weeks from the mailing of the audit report which is when the audit is at least 95% complete. The change you are now proposing could push that payment back a month or even more depending on timing of board meetings.

Delaying the ability for a firm to bill for services rendered for three months is asking a lot on the cash flow of small firms as we must still wait up to an additional month to get the payment from the entity making the total wait nearly four months in many instances.

The only way around this is for the firm to request payment for an additional 25% (up to the 95% allowed) at the time of getting the "OK to Print" notification. This requires getting the audit agency to sign-off on the payment, which most will be more than happy to do, and then sending that request to the OSA for approval. You are already buried in reports and OK to Print and Release Letter notifications and now you are just asking for another avalanche of requests to be processed which will only slow the entire process down more. From the auditee's perspective that means they are now going to process four payments (prelim, final, 95%, and final payment) on almost every audit instead of the three they are doing now.

Now let's look at some additional problems with the proposed change. During the DFA Budget Conference, OSA staff were asked whether the report to the board could be done telephonically, and they responded that yes they could be done so. Now it is stating it must be done in person, which is fine, as we have already been trying to do audit presentations to the boards in all instances possible before you mandated it this past year. We understood that as a responsibility of the auditor. We understand that not all firms had taken that as a responsibility, just as many still continue to do exit conferences on the last day of their field work in order to avoid coming back out when the report is completed. These things put the firms who try to do things properly at a financial disadvantage when bidding audits against those who cut those corners. We travel four times to every audit when possible. In many instances we replace a firm, or bid against a firm, that only travels once to the auditee. That's a real cost disadvantage. However, that's the only way to do a proper audit while following all requirements in our estimation.

Now, it appears that you are trying to punish those firms who try to do good audits and in the manner which they should be done because a few of the approved firms are shirking their responsibilities. Why do the actions of a few always disadvantage the many? It seems that the OSA could police those who have been lax in this regard rather than beating us all with the stick.

Another issue is timing of board meetings. In December we received Release Letters for four districts. One had already had their December board meeting, and the other three – Maxwell, Tucumcari, and Zuni – had their board meetings on the same night, one on the Colorado border, one on the Texas border, and one on the Arizona border. If a firm must go to each of them in person, it would take three months to just do these three audit presentations. Is it a good policy to delay the presentation and acceptance of the audit

for an additional three months? We arranged to do all three that night via telephone, which still took a lot of coordination. To dispel this as an exception, in January we had Cimarron, Springer, and Wagon Mound board meetings all on the same night. Fortunately these were closer together, but we could still only make two of them in person and did the third from the car. Again, it took a lot of coordination to make it work, but they didn't have to wait three months either to get their audit reports.

Many school districts have their one board meeting a month on the very same day as evidenced above. A small firm can't be in multiple places on the same night. The on-site manager should be the one doing the presentation as they are the one who has worked with the entity and knows the facts best to present to the board. Many small firms here in New Mexico really do have the impression that both the AICPA and the OSA are trying to implement rules and regulations meant to force small firms out of attestation work. I really hope not. Maybe it's just that rule makers haven't thought through many of the issues that may arise when a simple thing like this is proposed.

Solutions:

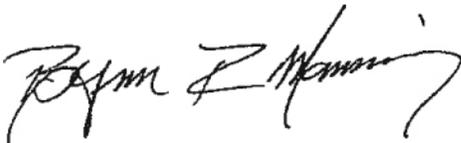
If we have complaints we should also have recommended solutions. Here are our recommendations:

Progress billing – If the above changes are instituted delaying final payment until after proving board presentation, allow up to 95% to be billed upon submittal of the “Final” PDF version of the report after receiving the “OK to Print” without any additional approvals from the client or the OSA. The audit is basically completed at that time. This will prevent a lot of additional paperwork for the OSA to approve these payments when the work has evidence that it is done. The final 5% can be paid after presentation to the board. (We would still prefer to allow payment of all upon release letter and the OSA police those who aren't doing board presentations, but we could live with this compromise.)

Board presentations – We believe the OSA should allow telephonic presentation of the audit to the board. Every additional item added to audit procedures and every additional travel requirement increases the cost of audits to the state agencies. Some of us will still choose to do them in person when possible, but you can't expect any small firm that has very many audits to do them all in person when board dates conflict so much. New Mexico is a very large state and requires a significant amount of time to travel from one end to the other. Additionally, most of these presentations are going to be done during the December to February time frame which puts us all on the roads during potential bad weather, not always a good situation.

I thank you for your consideration of these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Byron R. Manning". The signature is fluid and cursive, with a long horizontal stroke at the end.

Byron R. Manning, CPA
Manning Accounting and Consulting Services, LLC

From: [Hamish Thomson](#)
To: [Jack Emmons](#)
Cc: [Chelsea Martin](#); [Natalie Cordova](#); [Lynette Kennard](#)
Subject: Audit Rule Comment
Date: Thursday, January 31, 2019 9:45:05 AM

Hi Jack:

I suggest a new sentence at the end of paragraph 2.2.2.15A.(2) "Definitions of waste and abuse":

Sustainability, unlike waste or abuse, refers to governmental activities that maintain or enhance the ability of the entity to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainability, just like fraud, waste or abuse, is a matter of our professional judgment for the purpose of bringing an issue to the attention of management or their auditor. In either case the referral is in the context of management's, or their auditor's, risk assessment. Management may, or may not, take any action. An auditor may expand their procedures, or not.

This draft sustainability language is consistent with letters we have written and sent, including some currently drafted. Our range of responses to alleged waste or abuse will be strengthened by a reference to sustainability in NMAC 2.2.2.15A.(2).

Regardless of whether this suggestion is included in the 2019 Audit Rule, there will still be instances where our professional judgment indicates that we use the term sustainable in our letters. Government Auditing Standards 3.61 states "Professional judgment includes exercising reasonable care and professional skepticism. Reasonable care includes acting diligently in accordance with applicable professional standards and ethical principles."

This proposed Audit Rule change enhances our objectivity and clarity, removing ambiguity, in our exercise of reasonable care by providing balance to the accusatory tone of "waste and abuse".

Hamish

To report fraud, waste, or abuse in any public entity in New Mexico: Report online:
www.saonm.org Hotline: 1-866-OSA-Fraud

January 31, 2019

C. Jack Emmons
Deputy State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507

Mr. Emmons,

We appreciate the hard work and thought that goes into updating the State Audit Rule every year and we thank you for the opportunity to participate in the process. Our firm has reviewed the proposed changes to the NM State Audit Rule for 2019 and wanted to provide our comments on the proposed changes as noted below:

- 2.2.2.8.L – Prior written approval of engagements – expanded requirement of prior written approval by the state auditor for any type of financial affairs engagement.
 - Our recommendation is to not change this from its current format which is to obtain approval for fraud related engagements. The change to any type of financial affairs engagement is far reaching and doesn't seem needed for nonaudit clients or fraud procedures as the entities in the State of NM are already following procurement requirements and could create burden on the entities and the Office of the State Auditor.
- 2.2.2.8.M & 2.2.2.10.M – Final progress payment – requirement that the final progress payment of the contract will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the Chairman or Treasurer state that the IPA presented the audit report in an Open Meeting.
 - Our recommendation is to not change the payment from its current form. The holding of payment until after the presentation to the governing body could be multiple months from the completion of the audit and could create unnecessary cash flow challenges, especially with smaller firms, in order to continue to operate.
 - We would further recommend that only one meeting (either the exit conference or the presentation to the government body) be required to be in person and the use of video conference technology could be used for the other in order to keep costs down for the auditees. This is in correlation with our recommendations on proposed changes to 2.2.2.10M (in person exit conference).
- 2.2.2.9.B – Vendor schedule, fund balance form and GASBS 77 disclosure template – removed the requirement to submit this data to the OSA
 - We think this is a good and welcomed change by the office.
- 2.2.2.10.A – Vendor schedule – removed requirement to prepare a schedule of vendors.
 - We think this is a good and welcomed change by the office.

- 2.2.2.10.L – Summary of audit results – included requirement for a summary of audit results that includes the type of auditor report issued and whether categories of findings for internal control over financial reporting were identified.
 - We would recommend providing a sample of what the OSA would require related to this summary.
- 2.2.2.10.M – In person exit conference – removed exception for audits less than \$5,000.
 - As noted above, we would recommend allowing either the exit conference or the presentation to the governing body (for all audits, not just those less than \$5,000) to be conducted via technology (video conference, conference call, etc.) in order to manage the cost for auditees. We do believe the OSA should encourage meetings both meetings to be conducted in person, but not make it a requirement.
- 2.2.2.10.BB – GASBS 77 disclosure spreadsheet – removed requirement to use a template GASBS 77 disclosure spreadsheet and submit to the OSA.
 - We think this is a good and welcomed change by the office.
- 2.2.2.15.A – Fraud, waste or abuse reported to OSA – changed requirement that agencies respond to OSA-SID fact-finding inquiries from 21 days of receipt to five days of receipt.
 - We believe this should remain as the current 21 days as 5 days is a very short turnaround and could lead to the OSA not getting as complete or relevant of information as sometimes these inquiries can require substantial inquiry and research.

In addition, when looking at the State Audit Rule and areas of question that have arisen in the course of public practice, we had the additional following recommendation:

- 2.2.2.10.R(1)(b) – if budgeted expenditures exceed budgeted revenues (after prior-year cash balance and applicable federal receivables used to balance the budget), that fact shall be reported as a finding. This type of finding shall be confirmed with the agency's oversight entity (if applicable).
 - We recommend updating this language as this doesn't address budgets that are on the modified accrual basis of accounting.

Again, we appreciate the opportunity to contribute to the process of updating the State Audit Rule and continuing to partner with the Office of the State Auditor in order to better serve the citizens of the State of NM. We also thank you and everyone at the office for consideration of our thoughts and for your time and service to our state.

Please contact me if you have any questions.

Sincerely,



Alan D. "A.J." Bowers, Jr., CPA, CITP
Partner
Carr, Riggs, & Ingram, LLC

From: [Bone, Matthew](#)
To: [Natalie Cordova](#); [Jack Emmons](#)
Subject: Proposed Rule Changes
Date: Thursday, January 31, 2019 12:17:14 PM

Natalie/Jack –

I know you all are in a transition period, so I wanted to send a few comments to both of you regarding the upcoming hearing for the proposed changes. I noticed several positive changes (such as removing the requirements of submitting the excel templates), thank you for the consideration on these items and the proposed changes. However, there were 2 proposed changes that I trust there were valid reasons and rationale that triggered the changes, but I think in both situations they add an unnecessary administrative burden to all parties (IPA, OSA and agency), in addition to the impact on our business as an IPA that I respectfully request a re-consideration on these proposed changes.

Thank you,
Matt Bone

Proposed Change

2.2.2.8.L Prior written approval of engagements- expanded requirement of prior written approval by the state auditor for any type of financial affairs engagement.

(2) An IPA may not enter into **any type of financial affairs** engagement (this includes waste and abuse related engagements) with a New Mexico governmental agency without first obtaining the prior written approval of the state auditor. This requirement applies both when the IPA is the annual auditor approved by OSA and when the IPA is not the agency's annual auditor. See Section 2.2.2.15 NMAC for the requirements to submit such reports to the OSA for review and release.

Comment regarding the proposed change: I understood the need to have fraud related engagements getting approval by OSA, I have been neutral on the non-attest engagements when we are the auditor (as we are required to document and maintain our independence already), but to require all engagements to go through OSA whether we are the IPA or not, seems to add an unnecessary administrative burden and process on the IPA, the agency and the OSA. How will this be enforced for contractors that perform these type of consulting engagements but are not on the OSA approved vendor list because they don't perform audits? We would just request that you re-consider this proposed change.

Proposed Change

2.2.2.8.M & 2.2.2.10.M Final progress payment- requirement that the final progress payment of the contract amount will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the Chairman or Treasurer stating that the IPA presented the audit report in an Open Meeting.

(5) Section 12-6-14 NMSA 1978 (contract audits) provides that final payment under an audit contract may be made by the agency to the IPA only after the state auditor has determined, in writing, that the audit has been made in a competent manner in accordance with contract provisions and this rule. **The final progress payment of the contract amount will not be authorized by the OSA until the IPA has submitted the sign in sheet from the governing authority meeting or written notification from the chairman or treasurer stating that the IPA presented the audit report in an open meeting.**

Comment regarding the proposed change: The current payment process only allows us to get paid 69% until

released, which in some cases means that we are unable to get paid for 31% of the work we performed several months after the work was done. Which I understand the need to hold some of the contract payments until the report is deemed in conformity and officially released, but I would recommend changing this to 90% until released (I know that the rule currently allows a request for an exemption, but it is an administrative process that impacts all parties involved). With this proposed change, there are times when a board doesn't have a meeting for another 4-6 weeks after the release, thus we would need to defer our payment for that much longer, which could indicate getting paid for work performed 3-4 months after the performance.

Let me provide several examples:

- 1) Education Trust Board – the majority of the work was performed in August/September, with a portion in October as we completed our QC process. The report was submitted October 31. This wasn't released until January 9. The next board meeting they asked for us to come present is next Thursday (Feb 7). After this meeting, we would need to have the treasurer submit a notification indicating we held the meeting in open session, then we can send the invoice, which by the time it goes through our billing process and to the State, it's likely the end of February before we get paid 31% of our contract that we did work for 4-5 months earlier.
- 2) New Mexico Lottery – We performed the work the later part of August and first week in Sept. We submitted to OSA October 11, 2018. The report wasn't released until December 3, 2018. They do 6 meetings a year, thus we had to wait until Mid – January to present to the board. Which we would be another 4-5 months after the work was completed before we can receive payment.



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