

February 13, 2020

Brian S. Colón, Esq.
New Mexico State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, NM 87507

Dear Mr. Colón:

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 2020 and wanted to provide our comments on the proposed changes as noted below:

- 2.2.2.12 (C)(3)(d) – This section has been deleted and may be replaced with a schedule to specifically address risks associated with school activity funds.
 - Our recommendation is to follow the reporting model under GASB Statements No. 34 and 84. Under these statements, custodial funds (which would include school activity funds) are to be reported in the Statement of Changes in Fiduciary Net Position as part of the basic financial statement and a Combining Statement of Changes in Fiduciary Net Position as part of the SI subject to an AU-C 725 opinion. The Combining Statement will have the funds broken out with the related revenue and expenditures at the fund level (which for most districts) is the school or activity level.

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

- 2.2.2.8 (F)(3) – We noted that the removal of the “not to exceed three years” language related to multiple year proposals. Is there a clarification needed on the amount of years not to exceed or can an entity request multiple year proposals for up to the six year rotation rule?
- 2.2.2.10 (A)(2)(e)(iv) – With the implementation of GASB Statement No. 84 and removal of subsection 2.2.2.10 (X), this would be removed.
- 2.2.2.10 (J)(17) – Should the language relating to NMRHCA contributions have been updated to reflect remittance in the same fashion that sections (6)&(7) were related to PERA and ERB?
- 2.2.2.10 (M)(1) – With the increased use of technology, is there a way to consider additional flexibility or methods of conducting the exit conference?

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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,

A handwritten signature in blue ink, appearing to read "Alan D. Bowers, Jr.", written in a cursive style.

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