

The Education Trust Board of New Mexico

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March 13, 2024

The Honorable Joseph M. Maestas, P.E., CFE, New Mexico State Auditor
The New Mexico Office of the State Auditor
2540 Camino Edward Ortiz, Suite A,
Santa Fe, NM 87507

Re: Request for Public Comment on 2024's Notice of Changes to the State Audit Rule

During our review of the Notice of Changes to the State Audit Rule, we noted that the State Auditor's Office is proposing the following amendment in Section 2.2.2.8(F)(3) to amend and shorten the auditor rotation rule from eight (8) to six (6) years. We appreciate this opportunity to provide input on this proposed change.

Having a "rotation rule" contradicts and interrupts the natural selection process by agencies. This proposed limitation eliminates otherwise eligible firms that may be able to provide the audit services, at times specialized in certain audit and financial areas. By imposing such a rule, and in the current proposed rule a more restrictive time period, it works against the intent of the best firm being selected to provide audit services.

As you are likely aware, the firms approved to perform audits under this rule are limited in availability and, at times, limited in specialized areas of expertise. The Education Trust Board (ETB) oversees more than \$2 Billion in fiduciary assets/investments. The annual audit of ETB requires specific audit expertise. Only one firm responded for the prior audit RFP. If the one firm that responded is eliminated by no other criteria than this rule – we fear there will not be a qualified firm available to perform such services.

Additionally, though eight (8) years is also an arbitrary unnecessary limit – it at least allows for alignment with the state's 4-year Request For Proposal (RFP) period. The proposed six (6) year limit creates additional administrative effort on the agency, oversight agencies and approved audit firms, without any benefit in return.

Existing professional audit standards guide auditors and firms regarding independence. The proposed rule provides no benefit, and rather, wastes time, effort and precious resources of agency personnel. Further, the audit rule already includes safeguards that allows the Office of the State Auditor (OSA) to review and oversee its approved audit firms. Should there be a specific concern of the years of audit in

which a firm is engaged with a specific client, the OSA maintains authority and control to review such concerns outside of the arbitrary rotation rule.

I respectfully request your full consideration that the current length of rotation rule (8 years) not be modified as proposed. Further evaluation of the benefit of a rotation rule should be considered.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Natalie Cordova', with a stylized flourish at the end.

Natalie Cordova

Executive Director and CFO, NM Education Trust Board