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Joseph M. Maestas, P.E., CFE  
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*Via email: [christopher.hall@osa.nm.gov](mailto:christopher.hall@osa.nm.gov)*

We appreciate the opportunity to submit these comments. Below are our proposed amendments and requests for clarification regarding the draft Audit Rule.

#### **2.2.2.7 Definitions**

1. We noticed that various acronyms removed from the definitions that are still in use throughout the rule. There should be additional consideration to add some acronyms or whether the remainder of the rule should be reviewed to omit references to acronyms no longer defined.

#### **2.2.2.8 F (3)/2.2.28 G (1) (b) Audit Rule Rotation**

CLA opposes the proposed changes to the Auditor Rotation Rule under 2.2.2.8 F (3)/2.2.28 G (1) (b) from 8 years to 6 years. We respectfully request that this proposed change be reconsidered. CLA believes that this change would have negative implications, primarily including an increased risk of untimely audits and increased audit fees for entities. Some examples of the factors that would have negative implications include the following:

- There are numerous entities in which their FY23 audit was their 6<sup>th</sup> or 7<sup>th</sup> consecutive year with their auditor and may have already been in process of planning on using their existing auditor for the next 1-2 years to complete the 8 year period. This change would trigger an immediate rotation.
- A proposed rule change issued in February 2024, with a possible April 2024 finalization, will cause a significant compression of the procurement process in FY24. This will add an additional administrative burden to numerous entities, in which many are already facing staffing shortages. In addition, this will put more entities at risk of untimely audits due to the untimely and/or unplanned procurement process.
- The ability to remain consistent with IPA helps with the knowledge transfer and audit efficiencies. Lack of continuity of personnel at a government does not allow for efficiencies. More frequent auditor rotations will increase audit costs. Additional time and effort are needed for a first-year audit engagement due to the learning curve. Efficiencies are built with learned knowledge, over time.

- The change in the rotation rule will increase the frequency of the issuance of RFPs, which will impact both the entities and the IPAs. For the entities, the procurement process is an involved process that requires more resources of that entity, that is unnecessary when the current procurement allows a 4-year period on professional services. For the IPAs, responding to an RFP is a time-consuming process in which we prepare numerous proposals in the March-April timeframe. The increase in RFPs because of change in the rotation rule will place an additional burden on IPAs, which will be one of the factors to consider when evaluating which RFPs we respond to. This could contribute to a lack of competitiveness and increased costs for the entities.
- The RFP process delays the timing of a fully executed contract, which does not allow the performance of interim/preliminary work until after the end of the fiscal year. The ability to perform interim/preliminary, prior to July 1, is essential for timely submissions of audit reports. More frequently issued RFPs will result in more audits being started in July or later, increasing the risk of an untimely audit.
- In addition, as drafted, it is not clear as to what services are referenced under this rule/section.

CLA has evaluated and discussed this proposed change with internal and external stakeholders and has not identified any positive outcomes or benefits with this change. Instead, CLA believes that this change would create an environment that is less attractive to IPAs and would increase the administrative burden on state and local government entities in the state.

Therefore, CLA respectfully requests that the Office of the State Auditor defer any modification to the auditor rotation rule at this time and consider connecting with various stakeholders to evaluate the implications of a proposed change.

#### **2.2.2.10 J. (21) The New Mexico opioid allocation agreement**

1. Please elaborate the compliance expectations. There is more than one agreement that includes an allocation to NM.

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