



State of New Mexico
STATE INVESTMENT COUNCIL

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March 6, 2024

Joseph M. Maestas, P.E., State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507

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

Dear State Auditor Maestas:

I have reviewed the changes to the State Audit Rule proposing the following amendment; "amend and shortens the auditor rotation rule from eight (8) to six (6) years." As the CFO of the New Mexico State Investment Council for the past twelve years, I would like to share the following comments which I hope will be helpful.

During the last RFP process for external audit services in early 2021, the proposal requirements were lengthened from 3 years to 4 years based upon the auditor rotation requirements being changed from six (6) to eight (8) years. Now we are potentially going back to the original six (6) years without any recognition that we have received a proposal in 2021 for a 7th year, which is for fiscal year 2024.

My biggest concern is that during and subsequent to the pandemic there appears to be challenges within state government and the accounting profession, in general, to maintain adequate staffing for accounting positions. The fact that our beautiful state is so large and spread out doesn't help. Going back to the six (6) year rotation requirement is potentially going to add more uncertainty to an already difficult situation which will likely increase risk and potentially cause delays while costing more. This is especially true during the earlier years of a new auditor relationship.

I would also raise the question of whether there is any evidence that reducing the rotation requirement, as recommended, reduces risk? Being in the accounting profession for over 40 years, I am not aware of such a study. In fact, most studies prove that the opposite is true.

Your consideration of my comments is greatly appreciated.

Respectfully submitted,

A handwritten signature in black ink that reads "Brent H. Shipp".

Brent H. Shipp, CPA, CFA, CAIA
Chief Financial Officer

