TO: Agency CFOs
FROM: Ricky A. Bejarano
SUBJECT: Executive Order 2012-004
Financial Audit Questionnaire
DATE: April 2, 2012

Attached is a copy of Executive Order 2012-004 signed by Governor Martinez on March 7, 2012. Please review the Executive Order carefully. The Executive Order applies to all agencies and other entities that fall under the Executive’s purview (for example, this excludes independently elected offices, the judiciary and district attorneys’ offices, and legislative agencies.)

Also attached is a Financial Audit Questionnaire. Please email to me your responses to this questionnaire by no later than Friday, April 6, 2012. Please ensure that your responses are as detailed as necessary in order to avoid the necessity of follow-up questions from the Financial Control Division and further delays in your submission/recommendation of an audit firm to the Office of the State Auditor.

Please contact me with any questions or concerns. Thank you for your cooperation.
EXECUTIVE ORDER 2012-004

CONCERNING ANNUAL AUDIT CONTRACTS
BETWEEN INDEPENDENT PUBLIC ACCOUNTANTS AND
STATE AGENCIES UNDER THE OFFICE OF THE GOVERNOR

WHEREAS, the Audit Act, NMSA 1978, Chapter 12, Article 6, requires the financial affairs of every agency to be thoroughly examined and audited each year; and

WHEREAS, annual audits are a keystone of public accountability and transparency; and

WHEREAS, subject to the rules and approval of the State Auditor, NMSA 1978, Section 12-6-14(A) empowers a State agency designated by the State Auditor for audit by an independent auditor to “enter into a contract with an independent auditor of its choice”; and

WHEREAS, for annual audits to achieve their maximum beneficial effect, it is imperative that State agencies follow best practices when selecting independent public accountants and that the audit contract’s scope be adequate; and

WHEREAS, to ensure that State agencies under the Office of the Governor meet these objectives, it is necessary to empower a single entity to oversee the selection of independent public accountants and development of audit contracts prior to State Auditor approval; and

WHEREAS, given its statutory responsibilities, including the compilation of the State’s comprehensive annual financial report, and knowledge of State agencies, the Department of Finance and Administration Financial Control Division is uniquely well-suited for this role.

NOW, THEREFORE, I, Susana Martinez, Governor of the State of New Mexico, by virtue of the authority vested in me by the Constitution and Laws of the State of New Mexico, do hereby order the following:

1. Definitions. As used in this Executive Order:
A. "annual audit" means the annual examination and audit of the financial affairs of a State agency required by NMSA 1978, Section 12-6-3(A);
B. "audit contract" means a contract between a State agency and an IPA for one or more annual audits;
C. "FCD" means the Financial Control Division of the Department of Finance and Administration;
D. "IPA" means independent public accountant;
E. "RFP" means a request for proposals issued to procure an IPA to conduct one or more annual audits; and
F. "State agency" means any department, institution, board, bureau, commission, district or committee of State government under the Office of the Governor.

2. **FCD Powers Concerning Annual Audits to be Performed by an IPA.**

A. The FCD Director or designee must review and approve:
   i. prior to the issuance of a RFP by a State agency, the evaluation criteria, including the weight to be given each criterion, to be used by a State agency to select an IPA, the proposed scope of work to be included in the RFP, and the composition of the evaluation committee to be used to evaluate proposals submitted in response to the RFP;
   ii. the IPA selected by a State agency before the IPA is submitted to the State Auditor for approval; and
   iii. audit contracts and any amendments thereto before the audit contract or amendment is signed by the State agency and IPA and submitted to the State Auditor for approval.

B. In order to ensure IPA independence, capability, and expertise, the FCD Director or designee may:
   i. require a State agency to select a new IPA and/or issue a RFP to select an IPA to conduct an annual audit, regardless of whether an existing audit contract could be permissibly extended to include the annual audit; and
   ii. establish a maximum number of consecutive annual audits that an IPA may perform for a State agency.

C. FCD may establish such policies and procedures as may be necessary or advisable to implement this Executive Order.

3. **Cooperation of State Agencies.** All State agencies shall cooperate fully with FCD to implement this Executive Order.

4. **Relationship between this Executive Order and Requirements for Contracting and Conducting Audits of Agencies.** This Executive Order shall not be construed as allowing anything expressly prohibited by 2.2.2 NMAC, as such may be amended and recompiled.

**THIS EXECUTIVE ORDER** supersedes any other previous orders, proclamations, or directives in conflict. This Executive Order shall take effect immediately and shall remain in effect until such time as the Governor rescinds it. This Executive Order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in
equity by any party against the State, its agencies, instrumentalities, or entities, its officers, employees, or agents, or any other person.

SIGNED AT THE EXECUTIVE OFFICE THIS 7TH DAY OF MARCH 2012.

WITNESS MY HAND AND THE GREAT SEAL OF THE STATE OF NEW MEXICO.

SUSANA MARTINEZ GOVERNOR

ATTEST:

DIANNA J. DURAN SECRETARY OF STATE
1. Is your agency required to issue a Request for Proposal (RFP) for the FYE 6/30/2012 financial audit? If the answer is 'no,' please proceed to Question 2.
   a. If yes—has the agency issued the RFP for the FYE 6/30/2012 financial audit?
   b. What is the status of the RFP issued?

2. What Independent Public Accountant (IPA) conducted the FYE 6/30/2011 financial audit for the agency? In addition to the IPA, please note:
   a. the partner responsible for the audit;
   b. the most senior audit manager on site during the financial audit field work; and,
   c. please note the number of years that the current IPA has conducted the agency audit.

3. For FYE 6/30/2012, does the agency desire to contract with the IPA that conducted the FYE 6/30/2011 financial audit? If yes, please submit a justification along with a copy of the FYE 6/30/2011 audit contract.

4. Did the agency amend the 6/30/2011 financial audit contract? If yes, please submit a copy of the amendment with the original audit contract.

5. Who is the agency-designated representative/liaison with the IPA?

6. Does the agency have an established audit committee? If so, please list the members and their positions.