MEMO TO: Chief Financial Officers and Independent Public Accountants Auditing State Agencies

FROM: Anthony I. Armijo
State Controller

Domingo P. Martinez
State Auditor

DATE: September 7, 2003

SUBJECT: Financial Control Division’s Notification to State Auditor

As you know, subsection 12-6-3C, NMSA, 1978, became effective July 1, 2003. The subsection reads as follows:

Annual financial and compliance audits of agencies under the oversight of the financial control division of the department of finance and administration shall be completed and submitted by an agency and independent auditor to the state auditor no later than sixty days after the state auditor receives notification from the financial control division to the effect that an agency’s books and records are ready and available for audit.

What is meant by “books and records are ready and available for audit” is subject to some interpretation. You have received letters from both the State Auditor and the Financial Control Division on this subject. This joint memorandum is intended to further clarify the issue.

However ambiguous the language in the subsection may or may not be, to comply with the law the Financial Control Division must establish a point in the record keeping cycle after which the sixty-day period begins. That point has been established by the Financial Control Division to be when an agency’s working trial balances have been prepared, reconciled with the prior year’s audited ending fund balances, reconciled to the Financial Control Division’s reports, and determined to be both thorough and accurate.

The Financial Control Division has directed each agency and asked its independent auditor to identify that point in an audit plan and schedule of deliverables agreed to by both the auditor and the agency. The audit plan and schedule of deliverables will establish when the sixty-day period will begin. This in essence allows the agency and the auditor to set an audit report due date, with one caveat: the sixty-day period after which the audit is due cannot end later than the audit due date established by the State Auditor, December 15th.
Drafting an audit plan and schedule of deliverables also allows the agency and auditor to set a workable schedule with considerable flexibility: in terms of the trial balances, it enables the agency and auditor to define through the audit plan and the schedule of deliverables what constitutes “thorough and accurate.” Consequently, it allows them to set milestones and due dates that are achievable by both the auditor and the agency.

However, with this flexibility comes commitment from the agency and the independent auditor. Both the State Auditor and the Financial Control Division expect the agency and the auditor to keep the commitments in the audit plan and schedule of deliverables by meeting all milestones and deadlines.

In line with this, the Financial Control Division and the State Auditor will monitor the progress of each audit. Monitoring activities will include, but not be limited to, the following: 1) prior to giving notice to the State Auditor that the books and records are ready for audit, the Financial Control Division will ask the agency’s independent auditor to confirm (concur) that the trial balances have been completed and meet the established criteria; 2) the Division will monitor throughout the audit process the delivery of the items listed in the schedule of deliverables; 3) the Division will confirm with the agency that the auditor in completing the audit according to the plan; and 4) the State Auditor will monitor throughout the audit process the completion of the milestones in the audit plan.

If you have any questions please call either the Office of the State Auditor (827-3500) or the Financial Control Division’s Office of the State Controller (827-3689). Thank you for your cooperation in establishing this new process.