

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT
ADMINISTRATIVE SERVICES DIVISION
AUDIT SERVICES for FY06

REQUEST FOR PROPOSALS

RFP: 60-667-20-01579

RFP Issue Date: April 14th 2006

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INTRODUCTION

A. Purpose of Request for Proposal

The State of New Mexico's Environment Department is requesting proposals from independent public accountants (IPA's) to prepare and audit the Department's GAAP financial statements for the fiscal year ending June 30, 2006, as stated in NMAC 2.2.2 Audit Rule 2006 requirements for contracting and conducting audits of agencies, and to perform a financial and compliance audit of the Clean Water State Revolving Fund (CWSRF, fund 121) for the fiscal year ending June 30, 2006, based on the requirements of the United States Environmental Protection Agency (USEPA). The Department reserves the option of renewing the initial contract for two additional fiscal years pursuant to Section 13-1-150 NMSA 1978 and NMAC 2.2.2 AUDIT RULE 2006, REQUIREMENTS FOR CONTRACTING AND CONDUCTING AUDITS OF AGENCIES. The Audit Rule 2006 is posted on the State Auditor's web site and can be accessed at www.saonm.org.

B. Scope of Work

The scope of work shall consist of the financial affairs of the Department be thoroughly examined and audited by independent auditors approved by the Office of the State Auditor.

1. Elements to be included:

- Financial Statement Audit;
- Federal Single Audit;
- Financial statement preparation;
- Other provisions defined in #2; Audit of the department's Clean Water Revolving Loan Fund.

2. An audit of the Department's Clean Water State Revolving Loan Fund (CWSRF) shall be performed in accordance with 40CFR 35.3165 and in accordance with generally accepted government auditing standards that are usually defined, but not limited to those contained in the United States General Accounting Office publication "Government Auditing Standards" as revised. The audit report must be submitted to the EPA Office of the Inspector General within 30 days of its completion. The financial affairs of the CWSRF shall be thoroughly examined and audited as follows:

- a. Conduct a financial audit of the CWSRF fund records maintained at the Department.
- b. Review and recommend internal controls.
- c. Review financial and compliance requirements of all CWSRF federal capitalization grants.

- d. Conduct financial and compliance review of the CWSRF state funds.
- e. All reviews shall be in compliance with 40CFR 35.3165 (d) (1), (2), (3) and (4) and any amendments per USEPA Federal Regulations.
- f. Review the CWSRF year-end financial statements and include recommendations and financial formats adjustment requested by the USEPA Financial Manager.
- g. Review CWSRF loan disbursements, principle repayments, interest, investment interest and construction interest accruals.
- h. Provide the Department with written recommendations for improvements necessary to comply with federal and state requirements and in compliance with generally accepted accounting principles.
- i. Conduct a midpoint meeting, status reviews as requested and a final exit conference prior to report issuance.
- j. A draft report must be made available to the Department for review at least 2 weeks prior to the issuance of the final report, but no later than August 31, 2006.

The initial contract shall not become effective until approved by the Department of Finance and Administration and the State

The audit report for the CWSRF, fund 121 shall be delivered to the Department and the State Auditor on or before September 15, 2006.

C. Procurement Manager

The Department has designated a Procurement Manager who is responsible for the conduct of this procurement whose name, address, and telephone number are listed below.

Ms. Margaret Trujillo, Procurement Manager
New Mexico Environment Department
Financial Services Bureau
P.O. Box 26110
Santa Fe, New Mexico 87502
Telephone (505) 476-3689
FAX (505) 827-2413
e-mail: Margaret.Trujillo@state.nm.us

Any inquiries or requests regarding this procurement must be submitted to the Procurement Manager in writing. Inquiries and requests made to other state employees will not be answered. All responses to inquiries or requests regarding this procurement will be made in writing. All responses to inquiries will be available for review in hard copy at the Department's Santa Fe Office at the address noted above.

D. Protest Manager

The Department has designated a Protest Manager who is responsible for responding to protests regarding this procurement whose name, address and telephone number are listed below.

Mr. Russell Herrera, Protest Manager
New Mexico Environment Department
Financial Services Bureau
P.O. Box 26110
Santa Fe, New Mexico 87502
Telephone (505) 827-2615
FAX (505) 827-2413
e-mail: Russell.Herrera@state.nm.us

E. Definition of Terminology

These following terms used throughout this RFP, including appropriate abbreviations, shall have the following meanings:

"Agency" means any department, institution, board, bureau, court, commission, district or committee of the government of the state, including district courts, magistrate courts, district attorneys and charitable institutions for which appropriations are made by the legislature; every political subdivision of the state, created under either general or special act, which receives or expends public money from whatever source derived, including but not limited to counties, county institutions, boards, bureaus or commissions; municipalities; drainage, conservancy, irrigation or other special districts; school districts; and every office or officer of any of the above.

"Contract" means an agreement for the procurement of items of tangible personal property, services, or professional services.

"Department" means the New Mexico Environment Department.

"Desirable": the terms "may", "can", "should", "preferably", or "prefers" identify a desirable or discretionary item or factor.

"Determination" means the written documentation of a decision of the Procurement Manager including findings of fact required to support a decision. A determination becomes part of the procurement file to which it pertains.

"Evaluation Committee" means a body appointed by the Department management to perform the evaluation of offeror proposals.

"Evaluation Committee Report" means a report prepared by the Procurement Manager and the Evaluation Committee for submission to the Department for contract award that contains all written determinations resulting from the conduct of the procurement requiring the evaluation of competitive sealed proposals.

"Finalist" means an offeror who meets all the mandatory specifications of the Request for Proposal and whose score on evaluation factors is sufficiently high to qualify that offeror for further consideration by the Evaluation Committee.

"Mandatory": the terms "must", "shall", "will", "is required", or "are required", identify a mandatory item or factor. Failure to meet a mandatory item or factor will result in the rejection of the offeror's proposal.

"Offeror" is any person, corporation, or partnership that chooses to submit a proposal.

"Person" means the state or any agency, institution or political subdivision thereof, any public or private corporation, individual, partnership, association, or other entity and includes any officer or governing or managing body of any political subdivision or public or private corporation.

"Procurement Code" means Chapter 13, Sections 13-1-28 to 13-1-199 NMSA 1978.

"Procurement Code Regulations" means General Services Department (GSD) Rule 93-601.

"Purchase Order" means the document which directs a contractor to deliver services pursuant to an existing contract.

"Request for Proposals" or "RFP" means all documents, including those attached or incorporated by reference, used for soliciting proposals.

"Responsible Offeror" means an offeror who submits a responsive proposal and who has furnished, when required, information and data to prove that its financial resources, production or service facilities, personnel, service reputation and experience are adequate to make satisfactory delivery of the professional services or items of tangible personal property described in the proposal.

"Responsive Offer" or "Responsive Proposal" means an offer or proposal, which conforms in all material respects to the requirements set forth in this Request for Proposal. Material respects of a request for proposals include, but are not limited to, price, quality, quantity or delivery requirements.

"State Purchasing Agent" or "SPA" means the purchasing agent for the State of New Mexico at GSD or a designated representative thereof.

Abbreviations include the following:

"AGA" means Accountability in Government Act
"AICPA" means American Institute of Certified Public Accountants
"ASD" New Mexico Environment Department Administrative Services Division
"ASD-FB" Administrative Services Division - Financial Services Bureau
"CFR" means Code of Federal Regulations
"CPA" means Certified Public Accountant
"CWSRF" means Clean Water State Revolving Loan Fund
"CPE" means Continuing Professional Education
"DFA" means Department of Finance and Administration
"FASB" means Financial Accounting Standards Board
"FDS" means Financial Data Schedule
"GAAP" means Generally Accepted Accounting Principles
"GAGAS" means Generally Accepted Governmental Auditing Standards
"GASB" means Governmental Accounting Standards Board
"GSD" means General Services Department
"IPA" means Independent Public Accountant
"IRC" means Internal Revenue Code
"NMAC" means New Mexico Administrative Code
"NMED" New Mexico Environment Department
"NMSA" means New Mexico Statutes Annotated
"OMB" means Office of Management and Budget
"State Auditor" means elected official, personnel of his office designated by him or independent by him
"RFP" Request for Proposal
"SAS" means Statement on Auditing Standards
"UFRS" means Uniform Financial Reporting Standards
"U.S. GAO" means U. S. General Accounting Office

F. Background Information

1. THE DEPARTMENT'S MISSION

The Department's mission is to preserve, protect, and perpetuate New Mexico's environment for present and future generations.

2. THE DEPARTMENT'S GOALS AND OBJECTIVES

We, as custodians of our environment will:

A. Continue to meet our statutory responsibilities to protect the health of our citizens and environmental quality of the State of New Mexico

B. Focus our attention on the highest risk environmental problems

C. Deliver the best possible service at the lowest possible cost to our customers and will effectively manage our financial and human resources;

D. Implement innovative programs and operating procedures which help Department functions to be more efficient and cost effective, including reorganization, outsourcing, and privatizing where appropriate

E. Increase public understanding and awareness of environmental issues, promote health and workplace safety, and attain voluntary compliance wherever possible in preference to legal enforcement actions

F. Work with our congressional delegation, the U.S. Environmental Protection Agency, the State Legislature and the regulated community to amend statutes when necessary to benefit New Mexico;

G. Eliminate rules and regulations that have proven non-beneficial;

H. Emphasize pollution prevention, conservation and recycling programs that are founded on common sense and economic benefit; and

I. Encourage the use of cost-effective and innovative environmental technologies while working to promote New Mexico's environmental equipment and service sector.

The New Mexico Environment Department was established under the provisions set forth in the Department of the Environment Act by the 40th. Legislature, enacted July 1, 1991 (Laws of 1991, Chapter 25) NMSA 1978, Sections 9-74-1 thru 14.

The New Mexico Environment Department Secretary's Office is located in the Harold Runnels Building, 1190 St. Francis Drive, Santa Fe, NM.

II. CONDITIONS GOVERNING THE PROCUREMENT

This section of the RFP contains the schedule for the procurement, describes the major procurement events and the conditions governing the procurement.

A. Contract Terms and Conditions

A three-year contract is contemplated subject to annual review, the satisfactory negotiation of the terms (including a price acceptable to both the IPA and Department) the approval of the State Auditor and the annual availability of an appropriation. The Contract between the Department and the IPA will be in a form prescribed by the State Auditor. Copies of the sample State Auditor contract form are included with this RFP in Attachment B. Prospective IPA's must be willing to sign the standard contract form or their proposal will be considered unresponsive. *GAAP financial statements and audit report are to be completed by December 15, 2006.*

B. Proposal Discussion with Individual IPA's

The Department reserves the right to conduct discussions with IPA's who submit acceptable proposals. If such discussions are held, the Department may establish a common date for the submission of best and final offers.

C. Small and Minority Firms

In accordance with OMB Circular A-133, small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals shall have the maximum opportunity to participate in contracts awarded.

D. Amendments

This Request for Proposal (RFP) shall not be modified in any way except by written amendment. IPA's shall acknowledge receipt of all amendments in writing.

E. Cancellation

This RFP may be canceled or any or all proposals may be rejected in whole or in part whenever the Department determines such action is in its best interest.

F. Sequence of Events

The Procurement Manager will make every effort to adhere to the following schedule:

<u>Action</u>	<u>Responsibility</u>	<u>Date</u>
1. Issue RFP	Department	4/14/06
2. Return Acknowledgement Rec. Form	Potential IPA's	4/24/06
3. Deadline to Submit Questions	Potential IPA's	5/12/06
4. Response to Written Questions/RFP Amendments	Department	5/15/06
5. Submission of Proposal No later than 5:00 P.M., MST	IPA's	5/17/06
6. Proposal Evaluation	Evaluation Committee	tentative 5/19/06
7. Selection of Finalists	Evaluation Committee	tentative 5/24/06
8. Best and Final Offer From Finalists	Offeror	tentative 5/26/06
9. Recommendation to State Auditor		tentative 5/31/06
10. Finalize Contract Department,	IPA	tentative 6/15/06
11. Contract Award	Department	tentative 7/1/06
12. Protest Deadline	Offerors	tentative 7/16/06

G. Explanation of Events

The following paragraphs describe the activities listed in the sequence of events shown in Section II.F above.

1. Issue of RFP

The New Mexico Environment Department is issuing this RFP.

2. Return Acknowledge Receipt Form

Potential IPA's should hand deliver or return by facsimile or by registered or Certified mail the "Acknowledgement of Receipt of Request For Proposals Form" that accompanies this document (See Attachment A) to have their organization placed on the procurement distribution list. The form should be signed by an authorized representative of the organization, dated, and returned by close of business on April 24, 2006. The list will be used for the distribution of any written responses to follow-up questions or any RFP amendments. Failure to return the form shall signify receipt and rejection of the RFP and the IPA's name shall not appear on the distribution list.

3. Deadline to Submit Additional Written Questions

Potential IPA's may submit written questions as to the intent or clarity of this RFP until close of business on May 12, 2006. All written questions must be addressed to the procurement manager (See Section I.C, page 4).

4. Response to Written Questions/RFP Amendments

Written responses to any written questions and any RFP amendments will be distributed on May 15, 2006 to all potential IPA's who appear on the procurement distribution list. An Acknowledgement of Receipt Form will accompany the distribution package. The form should be signed by the IPA's representative, dated, and hand-delivered or returned by facsimile or by registered or certified mail by the date indicated thereon. Failure to return this form shall constitute a presumption of receipt and withdrawal from the procurement process. Therefore, the IPA's organization name shall be deleted from the procurement distribution list.

5. Submission of Proposal

IPA'S MUST SUBMIT FIVE COPIES OF THE IPA'S PROPOSALS. ALL IPA PROPOSALS MUST BE RECEIVED FOR REVIEW AND EVALUATION BY THE PROCUREMENT MANAGER OR DESIGNEE NO LATER THAN 5:00 PM MOUNTAIN STANDARD TIME ON MAY 17, 2006. Proposals received after this deadline will not be accepted. The date and time will be recorded on each proposal. Proposals must be hand delivered or mailed to the procurement manager at the address listed on the following page. Proposals must be sealed and labeled "**RFP # 60-667-20-01579 - GAAP FINANCIAL STATEMENTS AND FINACIAL AND COMPLIANCE AUDIT**" on the outside of the package to clearly indicate that they are in response to the request for proposals. Proposals submitted by facsimile will not be accepted.

**Margaret Trujillo
Procurement Manager
New Mexico Environment Department
Purchasing Rm #S4051
P.O. Drawer 25110
1190 ST Francis Drive
Santa Fe, NM 87502**

A public log will be kept of the names of all IPA's that submitted proposals. Pursuant to Section 13-1-116 NMSA 1978, the contents of any proposal shall not be disclosed to competing IPA's prior to contract award.

6. Proposal Evaluation

An evaluation committee appointed by agency management will perform the evaluation of proposals. This process will take place between May 19, 2006, and May 24, 2006, (tentative). During this time, the procurement manager may initiate discussions with IPA's who submit responsive or potentially responsive proposals for clarifying aspects of the proposals, but proposals may be accepted and evaluated without such discussion. Discussions SHALL NOT be initiated by the IPA's.

7. Selection of Finalists

The Evaluation Committee will select the finalist IPA's by May 24, 2006, (tentative). Only finalists will be invited to participate in the subsequent steps of the procurement.

8. Best and Final Offers from Finalists

Finalist will be given the opportunity to clarify or amend their best and final offer no later than May 26, 2006, (tentative).

9. Recommendation To State Auditor

The Department will recommend an IPA to the State Auditor by May 31, 2006, (tentative).

10. Finalize Contract

The contract will be finalized with the most advantageous IPA by June 15, 2006, (tentative). In the event that mutually agreeable terms cannot be reached within the time specified, the Agency reserves the right to finalize a contract with the next most advantageous IPA without undertaking a new procurement process.

11. Contract Award

After review of the Evaluation Committee Report, the recommendation of the Department's management and State Auditor approval, the Department will award the contract on July 1, 2006, (tentative). This date is subject to change at the discretion of the Department. The award is subject to appropriate State approvals.

12. Protest Deadline

Any protest by an offeror must be timely and conform to NMSA 1978, Section 13-1-172 and other applicable procurement regulations. The fifteen (15) day protest period for responsive offerors shall begin on the day following the contract award and will end at the close of business, fifteen (15) days thereafter. Protests must be written and must include the name and address of the protester and the RFP number. It must also contain a statement of grounds for protest including appropriate supporting exhibits, and it must specify the ruling requested from the State Purchasing Agent. The protest must be delivered to the Protest Manager for this procurement at the following address.

Russell Herrera, Protest Manager
Administrative Services Division / Purchasing Bureau
1190 St. Francis Drive
Santa Fe, New Mexico 87505
Mailing Address:
New Mexico Environment Department
P.O. Drawer 26110
Santa Fe, NM 87502-0110

III. GENERAL REQUIREMENTS

A. Form of Proposals

Proposals must at a minimum contain the information listed below. All requirements below except proposed cost (item 8) relate to the proposal pertaining to the fiscal year ending June 30, 2006.

1. Name, address, and phone number of the IPA.
2. An updated profile of the firm
3. A statement that the IPA agrees to provide all the services and adhere to all the requirements of this RFP.
4. A statement of the IPA's general background and resources and whether the IPA is a

certified public accountant licensed to do business in New Mexico.

5. A statement of the IPA's relevant experience and expertise in auditing of public funds, including the following:

- Years of experience of on-site audit manager;
- Proposed audit team's years of experience auditing similar departments;
- Proposed audit team's total years of experience;
- Proposed audit team's years of experience preparing and auditing GASB Statement 34/35 financial statements; and,
- Proposed audit team's compliance with N.M. C.P.E requirements.

6. A statement of the IPA's relevant experience in the area of government financial accounting and reporting, financial compliance and single audits, including names of clients and jobs performed.

7. A statement of the IPA's relevant experience and expertise in the area of cost estimating and auditing construction projects, risk financing activities, unemployment claim payments, pension and retirement funds and computer based information systems, etc.

8. The proposal must include a breakdown of the total audit cost by fiscal year (Refer to Attachment C, page 28, included with this RFP).

B. Right to Withdraw Proposal

IPA's will be allowed to withdraw their proposals at any time prior to the deadline for receipt of proposals. The IPA must submit a written withdrawal request signed by the IPA's duly authorized representative addressed to the procurement manager. The approval or denial of the withdrawal request received after the deadline for receipt of the proposals is governed by the applicable procurement regulations.

C. Number Of Responses

Only one proposal shall be submitted by each offeror for final consideration.

D. Number Of Copies

Offerors shall deliver one original and five (5) identical copies of their proposal to the person and location specified in Section I, Paragraph C on or before the closing date and time for receipt of proposals.

E. Number Of Pages In The Proposal

The proposal shall be limited to fifteen (15) pages in length, including figures. Documentation regarding required attachments, references, project staff and corporate experience, and all cost forms are exempt from this page limitation requirement.

F. Proposal Format

Responses consisting solely of marketing material will be deemed non-responsive and will be rejected on that basis.

All proposals must be typewritten on standard 8 1/2 x 11 paper (larger paper is permissible for charts, spreadsheets, maps, etc.) and placed within a binder with tabs delineating each section. The appropriate supporting forms provided to the offeror in the Attachments to this RFP must be completed. Completeness, clarity and brevity should be emphasized.

2. Letter of Transmittal

Each proposal must be accompanied by a letter of transmittal. The letter of transmittal **MUST**:

- a) identify the submitting organization;
- b) identify the name and title of the person authorized by the organization to contractually obligate the organization;
- c) identify the name, title and telephone number of the person authorized to negotiate the contract on behalf of the organization;
- d) identify the names, titles and telephone numbers of persons to be contacted for clarification;
- e) explicitly indicate acceptance of the Conditions Governing the Procurement ;
- f) be signed by the person authorized to contractually obligate the organization;
- g) acknowledge receipt of any and all amendments to this RFP.

IV. EVALUATION AND NOTIFICATION

A. Evaluation of Proposals

Award of the contract shall be made to the IPA whose proposal is most advantageous to the Department. Award will be based on the evaluation criteria listed below as set forth by the State Auditor's Office. Please note, that regardless of the overall score, a serious deficiency in any one criterion may be grounds for rejection.

1. Capability of Firm:

Points;

- a. The firm has the resources to perform the type and size of audit required.
of firm team members and total hours available.
0-5
- b. The firm meets independence standards to perform your audit.
0-2
- c. External Quality Control Review (Peer Review).
 - i. Peer review results: Obtain most recent copy of the external quality control
0-10
Review report including letter of comments
 - ii. Report received _____ Unmodified 6-19 Modified 1-5
0-10
If report is less than modified (adverse) Firm does not qualify.
 - iii. Results of reference checks and agency's prior experience with firm
0-3
(check should include timeliness, planning, technical expertise, etc.

2. Work Requirements and Audit approach

- a. Knowledge of audit objectives, agency needs, and product to be delivered.
0-5
- b. Proposal of bid contains a sound technical plan and realistic estimate of time
0-5
to complete major segments of the audit: planning; interim fieldwork; fieldwork;
and reporting. Start Date: _____ End Date: _____
- c. Plans for using agency staff, including internal auditors.
0-3
- d. If the proposal or bid is for a multi-year contract, approach for planning and
0-2
the work efforts of subsequent years.

3. Technical Experience

- a. Governmental audit experience of on-site manager.
0-10
Name of on-site manager _____

Team audit experience:

Specialization in your type of agency (e.g. state agencies, schools,
0-10
Hospitals, counties, cities, etc.)

ii. GASB 34 and 35 experience.

0-7

iii. Experience with Housing Authorities

0-4

iv. Experience with Charter Schools

0-4

b. Attendance at continuing professional education seminars or meeting on
0-5
auditing, accounting and regulations directly related to state and local
government audits and the agency.

4. Firm Strengths and Weaknesses

Specify _____
0-5

5. Cost;

Lowest Cost Proposal \$ _____ / Subtotal this proposal \$ _____ = _____
X 10 = Points Awarded _____

Max 10

B. Binding Signature

The original signature of the IPA or any employee or officer who has the authority to bind the IPA. The signature shall be executed and dated as follows:

Dated this _____ day of _____, 2006

Name of IPA: _____

By: _____

Title: _____

The person whose signature appears above is authorized to contractually bind this firm.

C. Date Audit May Commence

The selected IPA may commence audit work anytime after the contract has been signed. The Department expects to have a signed contract July 1, 2006, (tentative). It also expects to turnover, to the IPA, adjusted trial balances for all its funds September 2, 2006 (tentative).

D. Notice

The Procurement Code, Section 13-1-28 NMSA, 1978 imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities, and kickbacks.

ATTACHMENT A

Acknowledgment of Receipt Form

REQUEST FOR PROPOSALS

AUDIT SERVICES FOR FY06

In acknowledgment of receipt of this Request for Proposal the undersigned agrees that they have received a complete copy, beginning with the title page and table of contents, and ending with Attachment C, consisting of a total of 28 pages.

The acknowledgment of receipt should be signed and returned to the Procurement Manager no later than 5:00 pm Mountain Standard Time on April 24, 2006. Only potential offerors who elect to return this form completed with the indicated intention of submitting a proposal will receive copies of all offeror written questions and the Agency's written responses to those questions as well as RFP amendments, if any are issued.

FIRM: _____

REPRESENTED BY: _____

TITLE: _____ PHONE NO: _____

E-MAIL _____ FAX NO: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP CODE _____

SIGNATURE: _____ DATE: _____

This name and address will be used for all correspondence related to the Request for Proposal.
Firm does/does not (circle one) intend to respond to this Request for Proposals.

Ms. Margaret Trujillo
New Mexico Environment Department
Harold Runnels Building
Purchasing Bureau, Room #S4051
1190 St. Francis Drive
Santa Fe, New Mexico 87502
Phone: (505) 476-3689 Fax: (505) 827-2413

ATTACHMENT B

Sample Audit Contract

Contract No. _____

**STATE OF NEW MEXICO
AUDIT CONTRACT**

This CONTRACT is made and entered into this _____ day of _____, 2006, by and between the «**ANAME**» hereinafter referred to as the Agency and «**IPA**», hereinafter referred to as the Contractor.

IT IS MUTUALLY AGREED BETWEEN THE PARTIES:

1. SCOPE OF WORK (Include in Section 25 any expansion of scope)

The Contractor shall conduct a financial and compliance audit of the following applicable statements and schedules of the Agency for the period from July 1, 2006 through June 30, 2007:

- **Basic Financial Statements** consisting of the government-wide financial statements, fund financial statements, budgetary comparison statements for the general fund and major special revenue funds (per GASB 34 footnote 53), and the notes to the financial statements;
- **Required supplemental information (RSI)**, if applicable, consisting of Budgetary comparison schedules for the general fund and major special revenue fund data presented on a fund, organization, or program structure basis because the budgetary information is not available on the GAAP fund structure basis for those funds (*Proposed Statement of GASB Budgetary Comparison Schedules—Perspective Differences an amendment of GASB Statement No. 34*) must be audited and included it in the auditor’s opinion (AAG-SLV 14.51);
- **Supplemental Information (SI)**, if applicable, consisting of :
 - component unit fund financial statements and related combining statements (if there are no separately issued financial statements on the component unit per AAG-SLV 3.20);
 - combining financial statements; and
 - individual fund budget comparison statements for remaining funds that have a legally adopted budget (including proprietary funds) that did not appear as basic financial statement budget comparisons for the general fund or major special revenue funds, or

as RSI as described above.

This SI must be audited and included it in the auditor's opinion (AAG-SLV 14.51)

The contractor shall apply certain limited procedures to the following required supplemental information (RSI) (if applicable) and report deficiencies in or the omission of required information in accordance with the requirements of SAS AU 558.06.

- **The Management Discussion and Analysis (MD&A);**
- **RSI data required by Statements 25 and 27 regarding pension plans and post employment healthcare plans administered by defined benefit pension plans; and**
- **Schedules derived from asset management systems (GASB 34 paragraphs 132 to 133).**

Such audit shall be conducted in accordance with auditing standards generally accepted in the United States of America, government auditing standards, OMB Circular A-133, and *Requirements for Contracting and Conducting Governmental Audits* (2.2.2 NMAC).

2. DELIVERY AND REPRODUCTION

A. In order to meet the delivery terms of this Contract, the Contractor shall deliver to the State Auditor «**M__of_Rpts**» copies of the Agency's audit report 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.

B. After the State Auditor's Office has officially released the audit report the Contractor shall deliver _____ copies of the audit report to the Agency. Every member of the Agency's governing authority shall receive a copy of the report.

C. The Agency, upon delivery of its audit report, shall submit the required copies of the data collection form, audit report and corrective action plan to the federal clearinghouse designated by OMB and each federal awarding agency when the schedule of findings and questioned costs disclose audit findings directly related to federal awards.

D. Unjustified failure to deliver the audit report in accordance with Sections 1 and 2 above shall constitute a material breach of Contract.

E. A material breach of any of the terms of this Contract shall be grounds for immediate termination of this Contract. Contractors knowingly making false statements, false assurances or false disclosures will be automatically disqualified from contracting for audit services with the State of New Mexico. The State Auditor on behalf of the Agency or the Agency may seek damages and any other further relief to which it is entitled from the Contractor for such material breach.

3. COMPENSATION

A. The Agency shall pay to the Contractor an amount not to exceed _____ dollars
(\$_____) for services rendered under this contract.

B. Total Compensation will consist of the following:

Amounts

1. Financial statement audit
2. Federal single audit
3. Financial statement preparation
4. Other (Audit of the Clean Water State Revolving Loan Fund)
Gross Receipts Tax
Total Compensation

C. The Agency shall pay the Contractor the New Mexico Gross Receipts Tax invoiced by the Contractor.

D. Payment shall be made in accordance with Section 12-6-14 NMSA 1978 and 2.2.2 NMAC, Section 2.2.2.8.J. Based upon demonstration of work in progress, the State Auditor may authorize progress payments to the Contractor, but only for work that has already been completed.

4. TERM

This Contract shall not become effective until approved by the Department of Finance and Administration and the State Auditor pursuant to Section 12-6-14 NMSA 1978. This Contract shall terminate on **June 30, 2006**.

5. TERMINATION

This Agreement may be terminated, without cause, by either of the parties hereto upon written notice delivered to the other party at least 10 days prior to the intended date of termination. By such termination, neither part may nullify obligations already incurred for performance or failure to perform prior to the date of termination. *THE PROVISION IS NOT EXCLUSIVE AND DOES NOT WAIVE OTHER LEGAL RIGHTS AND REMEDIES AFFORDED THE STATE IN SUCH CIRCUMSTANCES AS CONTRACTOR'S DEFAULT/BREACH OF CONTRACT.* If terminated by the Agency under this paragraph, Contractor shall be entitled to be compensated for work performed prior to termination. If terminated by Contractor under this paragraph, Contractor shall repay to Agency the full amount of any progress payments for work performed under the terms of the Contract.

6. STATUS OF CONTRACTOR

The Contractor, his agents and employees are **independent** contractors performing professional services for the Agency and are not employees of the Agency. The Contractor, his agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles or any other benefits afforded to employees of the Agency as a result of this Contract.

7. ASSIGNMENT

The Contractor shall not assign or transfer any interest in this Contract or assign any claims for money due or to become due under this Contract.

8. SUBCONTRACTING

The Contractor shall not subcontract any portion of the services to be performed under this Contract without the prior written approval of the Agency and the State Auditor. The Contractor may subcontract only with certified public accountants who have submitted a complete firm profile as defined in 2.2.2 NMAC, Section 2.2.2.8.H. The contract shall be amended to specify the portion subcontracted, who will sign the report(s) and how the subcontractor will be paid.

9. RECORDS AND AUDIT

The Contractor shall maintain detailed time records which indicate the date, time, and nature of services rendered. These records shall be subject to inspection by the Agency and the State Auditor. The Agency and the State Auditor shall have the right to audit billings both before and after payment. Payment under this Contract shall not foreclose the right of the Agency or the State Auditor on behalf of the Agency to recover excessive or illegal payments.

10. RELEASE

The Contractor, upon final payment of the amount due under the Contract, releases the State Auditor, the Agency, its officers and employees and the State of New Mexico from all liabilities, claims, and obligations whatsoever arising from or under this Contract. The Contractor agrees not to purport to bind the State of New Mexico to any obligation not assumed herein by the State of New Mexico, unless the Contractor has express written authority to do so, and then only within the strict limits of that authority. This paragraph does not release the Contractor from any liabilities, claims or obligations whatsoever arising from or under this Contract.

11. CONFIDENTIALITY

Any information provided to or developed by the Contractor in the performance of this Contract shall be kept confidential and shall not be made available to any individual or organization by the Contractor without the prior written approval of the Agency and the State Auditor.

12. PRODUCT OF SERVICES; COPYRIGHT

Nothing produced, in whole or in part, by the Contractor under this Contract shall be the subject of an application for copyright by, or on behalf of, the Contractor.

13. CONFLICT OF INTEREST

The Contractor warrants that he presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under this contract. The Contractor certifies that the requirements of the Governmental Conduct Act, Sections 10-16-1 through 10-16-18 NMSA 1978, regarding contracting with a public officer or state employee have been followed.

14. INDEPENDENCE

The Contractor affirms and represents their independence from the Agency in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, 1994 revision, as amended January 25, 2002, and 2.2.2.8 I of 2.2.2 NMAC. The Contractor shall notify the State Auditor and the Agency immediately if any impairment of independence occurs or may occur during the period of this Agreement.

15. AMENDMENT

This Contract shall not be altered, changed, or amended except by prior written agreement of the parties and approval of the State Auditor. **The engagement letter and/or any documentation included with the engagement letter shall not be interpreted to amend the contract.**

16. SCOPE OF CONTRACT

This Contract incorporates all of the agreements, covenants, and understandings between the parties hereto concerning the subject matter hereof. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Contract.

17. APPLICABLE LAW

This Contract shall be governed by the Laws of the State of New Mexico.

18. AGENCY BOOKS AND RECORDS

The Agency is responsible for maintaining control of all books and records at all times and the Contractor shall not remove any books and records from the Agency's possession for any reason.

19. APPROPRIATIONS

The terms of this Contract are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico for the performance of this Contract. If sufficient appropriations and authorization are not made by the Legislature, this Contract shall terminate upon written notice being given by the Agency to the Contractor. The Agency's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final.

20. NOTICE

The Procurement Code, Sections 13-1-28 through 13-1-199 NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

21. EQUAL OPPORTUNITY COMPLIANCE

The Contractor agrees to abide by all Federal and State laws, rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws, rules and regulations, and executive orders of the Governor of the State of New Mexico, the Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Contract. If the Contractor is found to be not in compliance with these requirements during the life of this Contract, the Contractor agrees to take appropriate steps to correct these deficiencies.

22. WORKING PAPERS

A. The working papers are to be retained for a minimum of three years from the date shown on the opinion letter of the audit report, or longer if requested by the federal cognizant agency for audit, oversight agency for audit, pass through-entity or the State Auditor. The State Auditor and his designee shall have access to the working papers at the discretion of the State Auditor.

B. When requested by the State Auditor's Office, the original or clear legible copies of all working papers shall be delivered to the State Auditor's Office.

C. The working papers of a predecessor independent public accountant are to be made available to a successor independent public accountant in accordance with SAS No. 84. Any costs incurred are to be borne by the requestor.

23. ENGAGEMENT LETTER

The Contractor shall prepare a **dated** engagement letter which will identify the specific

responsibilities of the Agency and the Contractor per 2.2.2 NMAC, Section 2.2.2.8.M. The Contractor shall furnish the State Auditor, a copy of the engagement letter and list of client prepared documents and delivery dates established within 10 days of the entrance conference.

24. DESIGNATED ON-SITE STAFF

The Contractor's on-site individual auditor responsible for supervision of work and completion of the audit is _____. The Contractor shall notify the Agency and the State Auditor, in writing, of any changes in staff assigned to perform the audit.

25. OTHER PROVISIONS

IN WITNESS WHEREOF, the parties have executed this Contract as of the date first written above.

«ANAME»

«IPA»

BY: _____

BY:

TITLE: _____

TITLE:

DATE: _____

DATE:

This Contract has been approved by:

This Contract has been approved by:

**STATE AUDITOR
ADMINISTRATION**

DEPT. OF FINANCE &

BY: _____

BY:

**DOMINGO P. MARTINEZ, CGFM
OFFICE**

STATE CONTRACTS

DATE: _____

DATE:

The records of the Taxation and Revenue Department reflect that the Contractor is registered with the Taxation and Revenue Department of the State of New Mexico to pay gross receipts and

compensating taxes.

ID No. _____

By: _____

Date: _____

STATE AUDITOR CONTRACT NO. **06 - «Agency Number»**

ATTACHMENT C

Audit Cost Breakdown

1st Year

1st Year

2nd Year

2nd Year

	Hours	Cost	Hours	Cost
Financial Statement Audit				
Federal Single Audit				
Financial Statement Preparation				
GASB 34/35 Implementation				
Other				
Sub Total				
Gross Receipts Tax				
Total Compensation				