

A REQUEST FOR PROPOSALS

RFP # 2006-001-PS

**TO PERFORM THE ANNUAL AUDIT
OF THE NEW MEXICO OFFICE OF THE STATE
ENGINEER/INTERSTATE STREAM COMMISSION**

**STATE ENGINEER
John D. Antonio Jr., P.E.**

**Program Support
495 Old Santa Fe Trail
PO Box 25102
Santa Fe, New Mexico 87504-5102
(505) 827-6108**

May 23, 2005

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**LEGAL NOTICE
PROFESSIONAL SERVICES**

(As Published)
RFP NO. 2006-001-PS

The New Mexico Office of the State Engineer/Interstate Stream Commission (OSE/ISC) is soliciting qualified firms for Professional Services for:

Services Requested:
PROFESSIONAL AUDITING SERVICES

Request For Proposal package shall be in writing to:

Program Support
Office of the State Engineer/Interstate Stream Commission
Attn: Karla Archuleta
P.O. Box 25102
Santa Fe, New Mexico 87504-5102
(505) 827-6108 or Fax: (505) 827-4692

Or can be obtained via the Internet at the following address:

Online:
www.ose.state.nm.us

In order to be placed on the procurement distribution list for any request to written questions and to any RFP amendments, you must submit the Acknowledgement of Receipt Form by facsimile, or mail to the Program Support.

Questions:
Contact:
Dinah Sanchez
Finance Bureau Chief
P.O. Box 25102
Santa Fe, New Mexico 87504-5102
(505) 827-6109
Fax: (505) 827-4692

Proposals due on Tuesday, June 7, 2005, 2:00 P.M. Local Prevailing Time

PART 1 – PROJECT DESCRIPTION

A. PURPOSE

The Office of the State Engineer/Interstate Stream Commission (OSE/ISC) is requesting proposals from Independent Public Accountants (IPAs) to perform its annual audit for the fiscal year ending June 30, 2005, with the option to renew the contract for two additional subsequent fiscal years. These audits are to be performed in accordance with General Accepting Auditing Standards, (GAAS), the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) Government Auditing Standards, the provisions of the Federal Single Audit Act, Amendments of 1996 and Applicable Federal OMB Circulars, Audits of State and Local Governments. Audits must comply with the New Mexico State Auditor's Rule 2 NMAC 2.2, Regulations Governing the Audits of Agencies of the State of New Mexico.

B. ELIGIBLE ENTITIES

It is a mandatory requirement of the RFP that firms eligible to submit proposals under this RFP be licensed to do business in the State of New Mexico as a Certified Public Accountant AND be an approved IPA by the State Auditor through the submittal and approval of a "Firm Profile". All eligible entities must appear on the State Auditor's list of approved firms. If either of these requirements is not met the proposal will be rejected as not meeting the mandatory requirements of the RFP.

C. AGENCY OVERVIEWS

The Agency uses the following fund categories, fund types, and account groups:

- Governmental Fund – General Fund
- Fiduciary Funds – Trust and Agency Funds

- Account Groups
 - General Fixed Assets Account Group
 - General Long Term Debt Account Group

The Agency intends to comply fully with the requirements of GASB 34 for the fiscal year ended June 30, 2005. Although the Agency's accounting system still shows the above two account groups, for financial statement purposes these account groups will be considered as part of the general fund.

For state fiscal year ended June 30, 2005, the Agency's General Fund allocation is \$15,561,700.00, Special Revenue Funds are \$11,053,300.00, and other sources are \$73,441,206.00 for a total of \$100,056,206.00. Total Agency FTE's for fiscal year 2005 is approximately 332 Employees.

D. CONTRACT TERMS

The contract period will be from July 1, 2005, or when approved by the NM Department of Finance and Administration, whichever is later, through June 30, 2006, or upon submittal of the audit report, whichever is later. The Agency reserves the right to develop a multi-term contract through annual contract amendments, not to exceed a term of three years, including all extensions and renewals. The contract amendments shall be subject to approval by the State Auditor on an annual basis.

The first completed audit report is due in the office of the State Auditor on or before December 15, 2005. Subsequent audit reports will be due in accordance with requirements of the State Auditor.

The contract will be awarded in accordance with the general terms of the attached standard State of New Mexico Audit Contract sample Appendix B in accordance with the requirements of this request.

E. SUMMARY SCOPE OF WORK

The Agency desires the auditor to perform the Scope of Work specified in the standard "State of New Mexico Audit Contract", a copy of which appears as Appendix B to this request for proposals.

The Contractor will prepare the fully adjusted and re-classified working trial balance, internal controls, audit of cash receipts and cash control, financial statements and notes and all supporting details. Financial and Compliance Audit of OSE/ISC. All offerors shall submit a cost proposal for such.

IPA's audit shall include an annual validation and verification of each agency's fixed asset inventory of agency-owned and long-term leased vehicles. The IPA shall forward the inventory and verification results to the General Services Department, Transportation Division in accordance with GSD Rule 88-101 and GSD Rule 90-202.

The firm selected must prepare the audit in accordance to General Accounting Standards Board (GASB) 34 as it relates to the audited financial statements, notes, schedules and reports.

The audit shall be conducted in accordance with generally accepted auditing standards, governments auditing standards, the provision of OMB Circular A-133, Single Audit Act and the State Auditor's Rules and Regulations.

The audit shall include a review of accounting and administrative controls over federal funds with determination of compliance with federal laws and regulations.

The audit shall be a fiscal and compliance audit of the combined financial statements and the combining of individual fund and account group financial statements, including compliance with pertinent major state statutes, rules and regulations.

F. CONTACT PERSON

It is the intent of the Agency that the RFP response process is open and fair and that the funds are allocated in a manner that provides the greatest possible benefit to New Mexico's residents. To insure that this occurs, the Project Manager, responsible for the conduct of this procurement is:

Dinah Sanchez, Finance Bureau Chief
Lew Wallace Building
495 Old Santa Fe Trail
P.O. Box 25102
Santa Fe, N.M. 87504-5102
(505) 827-6109
(505) 827-4692 Fax

Any inquiries or requests regarding this procurement should be directed to the Project Manager. Offerors may contact only the Project Manager regarding this procurement. Other state employees do not have the authority to respond on behalf of the Agency.

**PART II
CONDITIONS GOVERNING THE PROCUREMENT**

A. PROCUREMENT ACTIVITIES SCHEDULE

The following schedule lists the major Procurement activities. The Agency will make every effort to adhere to the schedule.

- | | | |
|----|--|-------------------------------|
| 1. | Issuance of RFP | May 23, 2005 |
| 2. | Proposal Due Date | June 7, 2005 |
| 3. | Proposal Evaluation | June 7, 2005-
June 8, 2005 |
| 4. | Procurement Recommendations Submitted to the State Engineer for Approval | June 9, 2005 |
| 5. | Contract Negotiations | June 10-13, 2005 |
| 6. | Contract Award Notification | As soon as practicable |
| 7. | Contract Effective Date | July 1, 2005 |

B. EXPLANATION OF PROCURMENT ACTIVITIES

1. ISSUE OF RFP

The RFP is being issued by the Office of the State Engineer/Interstate Stream Commission on May 23, 2005.

2. PROPOSAL DUE DATE AND SUBMISSION

Unless the Agency otherwise advises, proposals must be received for review no later than 2:00 p.m. prevailing time on Tuesday, June 7, 2005. Any proposal received after that time shall be rejected as not meeting the mandatory requirements of the RFP.

Offerors shall submit an original and four (4) copies of a completed proposal. Please label the original application (with original signature) as "Original" and submit all four copies for review to:

Karla Archuleta, Contract Specialist
Program Support
Office of the State Engineer
Lew Wallace Building
495 Old Santa Fe Trail
P.O. Box 25102
Santa Fe, N.M. 87504-5102
(505) 827-6108
(505) 827-4692 Fax

Receipt of proposals in any Agency other than the one stated above will not be considered as meeting the proposal deadline and will be rejected. All proposals received must comply with requested amount of copies or will be deemed non responsive.

See Part IV-A of this RFP for further information on Proposal Form

The receipt and registration of proposals shall be conducted in accordance with the New Mexico Procurement Code. A public log will be kept of the names of all offeror organizations, which submitted proposals. Pursuant to Section 13-1-116 NMSA 1978, the contents of any proposal shall not be disclosed to competing offerors during the proposal negotiation process.

Offerors submitting proposals may be afforded an opportunity for discussion and revision of proposals. Revisions may be permitted after submission of proposals and prior to award for the purpose of obtaining best and final offers.

3. EVALUATION PROCESS

The evaluation of proposals will be performed by an Evaluation Committee appointed by Agency Management. This process will take place June 7, 2005 through June 8, 2005. The evaluations shall be conducted in accordance with the evaluation plan specified in the RFP (See Part V – Proposal Evaluation).

During the time of the evaluations, the Project Manager may, at his/her option, initiate discussions with offerors who submit responses for the purpose of clarifying aspects of the proposals, but proposals may be accepted and evaluated without such discussion. Discussions may not be initiated by the offeror.

The contents of any proposal shall not be disclosed so as to be available to competing offerors during the negotiations process.

4. PROCUREMENT RECOMMENDATIONS

The Evaluation Committee will submit the procurement recommendation to Program Support (PS) for review on June 8, 2005. PS has approval authority of the recommendations. PS will submit the approved recommendation to the State Engineer, on or about June 9, 2005, who has the funding authority, and may, in the best interest of the Office of the State Engineer/Interstate Stream Commission, revise the funding recommendations.

5. CONTRACT NEGOTIATIONS

Contract negotiations will be conducted with the most advantageous offeror on June 10, 2005 through June 13, 2005. In the event that mutually agreeable terms cannot be reached within the time specified, the Agency reserves the right to undertake contract negotiations with the next most advantageous offeror without undertaking a new procurement process.

6. NOTIFICATION OF AWARD

The Agency will send a written notice of the procurement decision to each offeror as soon as practicable.

7. CONTRACT EFFECTIVE DATE

The contract will become effective July 1, 2005, or when signed by the New Mexico Department of Finance and Administration, whichever is later. All contracts are subject to the approval of the New Mexico Department of Finance and Administration.

PART III – GENERAL REQUIREMENTS

A. PRIME CONTRACTOR RESPONSIBILITY

Any contract that may result from this RFP shall specify that the prime contractor is solely responsible for fulfillment of the contract with the Agency. The Agency will make contract payments only to the prime contractor.

B. SUBCONTRACTORS

Any work that may result from this procurement must be performed by the prime contractor. Subcontracting work is not acceptable.

C. AMENDED PROPOSALS

An offeror may submit an amended proposal before the deadline for receipt of proposals. Such amended proposals must be complete replacements for a previously submitted proposal and must be clearly identified as such in a transmittal letter. Agency personnel will not merge, collage or assemble proposal materials.

D. OFFERORS RIGHTS TO WITHDRAW PROPOSAL

Offerors will be allowed to withdraw their proposals at any time prior to the deadline for receipt of proposals. The offeror must submit a written withdrawal request signed by the offeror's duly authorized representative addressed to the Contract Officer, identified in Part II, paragraph B.2.

E. CONFIDENTIALITY OF PROPOSALS

All submitted proposals are classified as competitive sealed proposals and shall not be disclosed to competing offerors during the negotiation process as required by the New Mexico Procurement Code. After the award of funds all proposals shall be open to the public inspection except any portions of a proposal for which the offeror has made a written request for confidentiality. If such a written request is made, the confidential data shall be readily separable from the proposal in order to facilitate eventual public inspection.

F. PROPOSAL RFP CONFLICT

In the event an award is made a contract will be prepared by the Agency for the work described in the proposal. In the event of a conflict between the RFP and the offeror's proposal, the RFP shall control.

G. TERMINATION

This RFP may be canceled at anytime and any and all proposals may be rejected in whole or in part when the Agency determines it is in the best interest of the Agency. The Agency shall award contracts, which offer the best possibility for providing the services requested.

H. APPROPRIATION CONTINGENCY

Any contract awarded as a result of this RFP process may be terminated if sufficient appropriations or authorizations by the New Mexico Legislature or the federal government do not exist. Such termination will be communicated by sending written notice to the Contractor. The Agency's decision as to whether sufficient appropriation and authorizations are available will be accepted by the Contractor as final.

I. LEGAL REVIEW

The Agency requires that all offerors agree to be bound by the general requirements as listed in this part of the RFP. For this reason, it is strongly recommended that offerors have the general requirements contained herein reviewed with corporate counsel and that offeror concerns be brought to the attention of the Procurement Manager.

J. GOVERNING LAW

This procurement and any agreement with offerors that may result shall be governed by the laws of the State of New Mexico.

K. BASIS FOR PROPOSAL

Only information supplied by the Agency in writing through the Project Manager or in this RFP should be used in the preparation of proposals.

L. CONTRACT TERMS AND CONDITIONS

The contract between the Agency and the Contractor will follow the standard contract format as required by the State Auditor. The Agency reserves the right to negotiate with a successful offeror provisions in addition to those stipulated in this RFP. The contents of the RFP, as revised and/or supplemented, and the successful proposal will be incorporated into the contract. The contract will be subject to the review and approval of New Mexico Department of Finance & Administration (DFA) pursuant to Section 13-1-118 NMSA 1978, and DFA Rule 2 NMAC 40.2.

M. OFFEROR'S TERMS AND CONDITIONS

Offeror's must submit with the proposal a complete set of any additional terms and conditions, which they expect to have included in a contract negotiated with the Agency.

N. CONTRACT DEVIATIONS

Any additional terms and conditions, which may be the subject of negotiation, will be discussed only between the Agency and the successful offeror and shall not be deemed an opportunity to amend the offeror proposal. Additional terms and conditions will be defined with regard to product identification, required resources, time frames and costs as well as any other identified variable required to complete the task.

O. OFFEROR QUALIFICATIONS

The Evaluation Committee may make such investigation as necessary to determine the ability of the offeror to adhere to the requirements of this RFP and to the proposed services specified in the applicant proposal. The Project Manager will reject the proposal of any offeror who is not a responsible offeror or fails to submit a responsive offer as defined in Paragraph I.E. and Sections 13-1-83 and 13-1-85 NMSA 1978 of the New Mexico Procurement Code.

P. RIGHT TO WAIVE MINOR IRREGULARITIES

The Project Manager reserves the right to waive minor irregularities in proposals, which can be corrected without prejudice to other offerors. The Evaluation Committee also reserves the right to waive mandatory requirements provided that all of the responsive proposals failed to meet the same mandatory requirements the failure to do so does not otherwise materially affect the procurement. This right is at the sole discretion of the Evaluation Committee.

Q. CHANGE IN CONTRACTOR REPRESENTATIVES

The Agency reserves the right to negotiate a change in contractor representatives if the assigned representative is not, in the opinion of the Agency, meeting its needs adequately.

R. PROCUREMENT CODE

The Procurement Code, Sections 13-1-28 through 13-1-99 NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico Criminal Statutes impose felony penalties for illegal bribes, gratuities, and kickbacks.

S. ACKNOWLEDGEMENT OF AMENDMENTS

All offerors shall be notified, by return-receipt mail, of any amendment(s) to the RFP. The return receipt will serve as written acknowledgement of the receipt of all RFP amendments.

T. RECORDS RETENTION

The successful offeror shall maintain and allow access to determine records documenting services provided and expenses incurred for a minimum of three years after expiration of a contract.

U. REIMBURSEMENT

Payment to the Contractor shall be made upon satisfactory completion of the contracted work, as determined by the Agency and upon receipt of a detailed, certified statement of account submitted by the contractor for services rendered.

V. MANDATORY SPECIFICATIONS

1. GENERAL REQUIREMENTS

The purpose of the technical proposal is to demonstrate the qualifications, competency and capacity of the firms seeking to undertake an independent audit of the Agency in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

The technical proposal should address all points outlined in the request for proposals (including any multi-year audit information, excluding any cost information which should only be included in the cost proposal). The proposal should be prepared simply and economically, providing a straightforward, concise description of the offeror's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following items, numbers two through ten, must be

included. They represent the criteria against which the proposal will be evaluated.

2. INDEPENDENCE

The firm should provide an affirmative statement that it is independent of the Agency as defined by the U.S. General Accounting Office's Governmental Auditing Standards (1988). The firm should also list and describe the firm's (including any proposed subcontractor's) professional relationships involving the Agency for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm should provide an affirmative statement that the firm shall give the Agency written notice of any professional relationships entered into during the period of this agreement.

3. LICENSE TO PRACTICE IN NEW MEXICO

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice public accounting in New Mexico.

4. FIRM QUALIFICATIONS AND EXPERIENCE

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

If the Offeror is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm and any subcontractor shall also be required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm and any subcontractor shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm and any subcontractor shall provide information on the circumstances and status of any disciplinary action taken or pending against them during the past three (3) years with state regulatory bodies or professional organizations.

The firm and any subcontractor shall also provide a copy of the firm profile it has submitted to the NM State Auditor, in accordance with the NM State Auditor Rule 2 NMAC 2.2.

5. PROFESSIONAL LIABILITY INSURANCE

The IPA shall procure and maintain professional liability insurance covering error or omission committed during the term of the agreement. The IPA shall provide proof of such insurance to the State Auditor with the firm profile. The amount maintained should be commensurate with risk assumed.

6. WORKERS' COMPENSATION ACT

"A potential contractor or the Contractor agrees to comply with state laws and rules pertaining to workers' compensation coverage for its employees. If contractor fails to comply with the Workers' Compensation Act and applicable rules when required to do so, the contract may be canceled effective immediately."

PART IV – PROPOSAL RESPONSE FORMAT

A. PROPOSAL FORM REQUIREMENTS

Each offeror shall submit one proposal. The proposal shall be submitted as an original and four (4) copies. Each proposal must be typewritten on 8 ½ X 11 paper, if permissible, and charts, spreadsheets, etc. must be numbered. The Agency will not copy or collate proposals that are incomplete or unresponsive. All materials submitted in response to this RFP become the property of the State of New Mexico. Incomplete or unresponsive proposals will not be accepted under this RFP. The Agency shall make the final determination as to a proposal's completeness or responsiveness.

The proposal must be organized and indexed in the following format and must contain, at a minimum, all listed items in the sequences indicated.

- 1) Letter of Transmittal
- 2) Table of Contents
- 3) Proposal Summary
- 4) Qualifications and Experience
- 5) Technical Proposal
- 6) Cost Proposal (broken down for each of a three year proposal, as outlined in the 2005 State Audit Rule).

Within each section of the proposal, offerors should address the items in order in which they appear in this RFP.

Any proposal that does not adhere to this format, and which does not address each specification and requirement within the RFP may be deemed non-responsive and rejected on that basis. The Agency is not responsible for any costs incurred in the preparation or submission of a proposal.

B. PROPOSAL FORMAT

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 person to be contacted for clarification;
- d) explicitly indicate acceptance of all requirements of RFP;
- e) explicitly indicate acceptance of the requirement to sign the standard contract form of the State Auditor if awarded a

contract under this RFP. Omission of this assurance from the transmittal letter is grounds for rejecting the proposal as unresponsive;

- f) be signed by the person authorized to contractually obligate the organization;
- g) acknowledge receipt of any and all amendments to the RFP;
- h) be on official business letterhead

If the offeror is unwilling to comply with any terms, conditions or other requirements of the RFP, the offeror must so indicate here as well as in the Section of the Proposal in which the objections are discussed. All offerors will clearly describe and explain any proposed deviations from or changes to the RFP for consideration by the Agency in the appropriate section of the proposal and in the Transmittal letter. If in the body of the proposal the offeror indicates either lack of response or technical noncompliance with the RFP, the proposal may be rejected by the Evaluation Committee notwithstanding any assurances in the Technical Letter.

C. PROPOSAL SUMMARY

The summary shall be included by offerors to provide the Evaluation Team with an overview of the technical and business features of the proposal. It should provide broad understanding of the overall proposal and the firm's general background and resources. Offeror shall describe how contract changes or other changes requested by the Agency will be handled within the offeror's organization (i.e. delegation of decisions are rendered promptly, etc.)

PART V – PROPOSAL EVALUATION

A. WEIGHTED EVALUATION FACTORS AND POINTS

As shown in Appendix A of the State Auditor's Requirements for Contracting and Conducting Audits of Agencies, the audit contract proposals will be evaluated on the following weighted evaluation factors:

- Capability of firm (maximum of 30 points)
- Work requirements and audit approach (maximum of 15 points)
- Technical expertise (maximum of 40 points)
- Firms strengths or weaknesses (maximum of 5 points)
- Cost (maximum of 10 points)

The Agency's evaluation committee will hold strictly to the Audit Contract Proposal Evaluation form, which appears on pages 86 and 87 in the 2005 State Auditor Rule. The completed forms will be submitted to the State Auditor, along with a letter conveying the Agency's recommendation of selection of the auditor. The Agency must wait approval of this recommendation before contract negotiations can begin.

OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
AUDIT SERVICES REQUEST FOR PROPOSALS

APPENDICES

Appendix A. ACKNOWLEDGMENT OF RECEIPT FORM

**OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
AUDIT SERVICES REQUEST FOR PROPOSALS**

In acknowledgment of receipt of this Request for Proposals, the undersigned agrees that he/she has received a complete copy of the RFP, beginning with the title page and table of contents, and ending with Appendix D.

The acknowledgment of receipt should be signed and returned to Karla Archuleta no later than close of business on May 31, 2005. Only potential offerors who elect to return this form 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:	
ADDRESS:		
CITY:	STATE:	ZIP CODE:
PHONE NO.:	FAX NO.:	
EMAIL ADDRESS:		

Firm does/does not (circle one) intend to respond to this Request for Proposals.

SIGNATURE:	DATE:
------------	-------

The name and address indicated above will be used for all correspondence related to this Request for Proposals.

RETURN THIS FORM TO:

Karla Archuleta
Office of the State Engineer/
Interstate Stream Commission
495 Old Santa Fe Trail
PO Box 25102
Santa Fe, New Mexico 87504-5102
Phone: (505) 827-6108
FAX: (505) 827-4692

**Appendix B. SAMPLE AUDIT CONTRACT
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
AUDIT SERVICES REQUEST FOR PROPOSALS**

**STATE OF NEW MEXICO
AUDIT CONTRACT**

This CONTRACT is made and entered into this _____ day of _____, 2005, 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, 2004 through June 30, 2005**:

- 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 (*GASB Statement No. 41, Budgetary Comparison Schedules—Perspective Differences an amendment of GASB Statement No. 34*) must be audited and included in the auditor's opinion (AAG-SLV 14.51);
- Supplemental Information (SI) that must be audited and included in the auditor's opinion (AAG-SLV 14.51), 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;
 - 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; and

- A schedule of changes in assets and liabilities for any agency funds as required by Section 2.2.2.10.BB.(2) of NMAC.

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 _____ copies of the Agency's audit report no later than **sixty days** after the Financial Control Division of the Department of Finance and Administration (FCD of DFA) provides the State Auditor with notice that the agency's books and records are ready and available for audit. The FCD mandates that each agency, with the help of its independent auditor, identify a schedule of audit deliverables and agree to milestones for the audit to ensure that the agency's books and records are ready and available for audit and the auditor delivers services on time. The sixty days to the audit deadline will be based on the schedule of deliverables and milestones; however, the deadline **cannot extend beyond December 15, 2005**. (Section 12-6-3, NMSA 1978 as amended by House Bill 219)

B. After the State Auditor's Office has officially released the audit report by the issuance of a release letter, 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:

- 1. Financial statement audit
 - 2. Federal single audit
 - 3. Financial statement preparation
 - 4. Other nonaudit services like depreciation schedule updates
 - 5. Other (i.e. housing authority or other component units)
- Gross Receipts Tax

Amounts

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 is in effect for one (1) year from the date of award. If this contract is being awarded based on a multi-year proposal, this contract may be extended on a year-to-year basis by mutual agreement of both parties and the approval of the State Auditor at the same price, terms and conditions as stated on the proposal.

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 party 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 receiving 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

All information provided to or developed by the Contractor from any source whatsoever 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 AND REPORT USE

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. The Agency and the State Auditor may post the audited financial statements on their respective websites. The Contractor agrees that the Department of Finance and Administration Financial Control Division is free to use the audited financial statements in the statewide Comprehensive Annual Financial Report (CAFR) and that the auditor's report will be relied upon during the audit of the statewide CAFR.

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 2003 Revision*, issued by the Comptroller General of the United States, 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 by the independent public accountant 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 & MANAGEMENT REPRESENTATION LETTERS

The Contractor shall prepare a written and 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 Office of the State Auditor (Office), a copy of the engagement letter and list of client prepared documents and delivery dates established within 10 days of the entrance conference.

The Contractor shall submit to the Office, along with the audit report, by the due date, a copy of the following documents: the management representation letter required by SAS 85; the passed adjustments

required by SAS 89; and a completed Preliminary Review Guide available at www.osa.state.nm.us. If copies of the engagement and management representation letters, the list of passed adjustments, and the completed Preliminary Review Guide have not been received by the Office with the audit report, or before it is submitted, the audit report will not be considered received by the Office. If applicable, the report will be considered late and not in compliance with the requirements of Section 2.2.2.9.A of 2.2.2 NMAC.

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

The Financial Control Division of the Department of Finance and Administration (FCD, DFA) mandates that each agency, with the help of its independent auditor, identify a schedule of deliverables and agree to milestones for the audit to ensure that the agency's books and records are ready and available for audit and the auditor delivers services on time. The sixty days to the audit deadline will be based on the schedule of deliverables and milestones; however, the deadline cannot extend beyond December 15. This requirement does not prevent the auditor from performing interim audit work prior to receipt of the DFA notice of agency preparedness. Once the agency and auditor have certified to the FCD of DFA that the agency's books and records are ready and available for audit, if the auditor or agency find that the scheduled audit deliverables or agreed upon milestones are not accomplished timely and there is a possibility the audit report will be late, the auditor or agency shall immediately write a dated letter to the State Auditor describing the problems. The FCD of DFA must be sent a photocopy of the letter.

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

BY: _____
TITLE: _____
DATE: _____

BY: _____
TITLE: _____
DATE: _____

This Contract has been approved by:

STATE AUDITOR

This Contract has been approved by:

DEPT. OF FINANCE & ADMINISTRATION

BY: _____
DOMINGO P. MARTINEZ, CGFM

BY: _____
STATE CONTRACTS OFFICE

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. 05 -

SAMPLE

Appendix C. EVALUATION FORM

**OFFICE OF THE STATE ENGINEER
AUDIT SERVICES REQUEST FOR PROPOSALS**

NEW MEXICO STATE AUDITOR'S OFFICE

**Audit Contract Proposal Evaluation Form
Part One**

Name of Agency _____
 Agency Contact _____ Phone # _____
 Audit Firm Name _____ Date Completed _____

Evaluation Criteria		Points	Points Awarded
Section I. <u>Capability of Firm</u>			
A) The firm has the resources to perform the type and size of audit required. # of firm team members _____ Total audit hours available _____		0-5	
B) The firm meets independence standards to perform your audit.		0-2	
C) External Quality Control Review (Peer Review) 1. Peer review results: Obtain most recent copy of the external quality control review report including letter of comments 2. - Opinion received _____ Unmodified 10 Modified 5 If report is less than modified (adverse) STOP HERE. FIRM DOES NOT QUALIFY. 3. Results of reference checks and agency's prior experience with firm (check should include timeliness, planning, technical expertise, etc.).		0-10	
D) Organization and completeness of proposal or bid.		0-10	
		0-3	
Section I Total			
Section II. <u>Work Requirements & Audit Approach</u>			
A) Knowledge of audit objectives, agency needs, and product to be delivered.		0-5	
B) Proposal or bid contains a sound technical plan and realistic estimate of time to complete major segments of the audit: planning; interim fieldwork; fieldwork; and reporting. Start Date _____ End Date _____		0-5	
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 conducting the work efforts of subsequent years.		0-2	
Section II Total			
Section III. <u>Technical Experience</u>			
A) Governmental audit experience of on-site manager Name of on-site manager _____		0-10	
B) Team audit experience: 1. Specialization in your type of agency (e.g., state agencies, schools, hospitals, counties, cities, etc.) 2. GASB 34 and 35 Experience 3. Experience with component units (housing authorities, charter schools, foundations)		0-10	
C) Attendance at continuing professional education seminars or meetings on auditing, accounting and regulations directly related to state and local government audits and the agency.		0-5	
		0-5	
Section III Total			
Section IV. <u>Firm Strengths or Weaknesses</u>			
Specify _____		0-5	
Section IV Total			
Total All Sections			

Submit a copy of this form for the proposal selected to the State Auditor along with the Agency recommendation letter.

Appendix D. COST PROPOSAL FORM

**OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
AUDIT SERVICES REQUEST FOR PROPOSALS**

New Mexico State Auditor's Office
Agency Audit Contract Proposal Evaluation Form
Part Two

Name of Agency	Phone #
Agency Contact	
Audit Firm	

Cost is to be evaluated ONLY upon completion of Part One of this two-part evaluation form. Evaluate cost separately for the top THREE CHOICES ONLY from Part One. ADD parts One and Two in making your FINAL recommendation.

EVALUATION CRITERIA		
COST	Maximum Points	Points Awarded
Award a maximum of 10 points		
Lowest Cost Proposal \$ _____ / (divided by) Subtotal This Proposal \$ _____ = _____ <small>(if this is a multi-year proposal, divide the total lowest cost for the three years by total cost for the three years on this proposal)</small> x 10 = Points Awarded _____	10	
Multi-Year Proposal Y <input type="checkbox"/> (_____ year of _____ year proposal) N <input type="checkbox"/>		

BREAKDOWN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	1 st Year Hours FYE 6/30/____	1 st Year Cost FYE 6/30/____	2 nd Year Hours FYE 6/30/____	2 nd Year Cost FYE 6/30/____	3 rd Year Hours FYE 6/30/____	3 rd Year Cost FYE 6/30/____
Financial Statement Audit	_____	_____	_____	_____	_____	_____
Federal Single Audit	_____	_____	_____	_____	_____	_____
Financial Statement Preparation	_____	_____	_____	_____	_____	_____
Other (i.e. housing authorities, charter schools)	_____	_____	_____	_____	_____	_____
SUB TOTAL	_____	_____	_____	_____	_____	_____
Gross Receipts Tax		_____		_____		_____
TOTAL COMPENSATION		=====		=====		=====

SCORE	Maximum Points	Points Awarded
SCORE, Part One: Bring forward score from Part One of Evaluation Form	90	
FINAL SCORE	100	

Evaluated By

Name and Title	Date
Name and Title	Date
Name and Title	Date