

Question and Answer

1. Question: Section I.C. on page 4 of the RFP states that "the Agency will prepare fully adjusted working trial balances and notes and all supporting details." Are any of these financial statement schedules prepared by STO or does STO intend for the auditor to prepare the financial statements as was done in the prior year?

Answer: Historically, STO has prepared financial statements and schedules using Excel. The auditor and STO collaborate to put together the notes to the financials. STO recently acquired FX Engagement software to further advance its ability to be in sync with the auditor's review and analysis of trial balances.

2. Question: Has the Agency taken action to prepare for the implementation of GASB 84?

Answer: STO is ready to implement GASB 84 at any point; however, the State of New Mexico's Financial Annual Report (FAR), which has reporting for over 130+ other agencies, has not implemented an early adoption. As a result, STO will maintain reporting levels to ensure uniform reporting and consistency associated with the State's FAR as it impacts the State's credit rating.

3. Question: Did the Agency receive COVID relief funding during fiscal year 2021? If so, what was the approximate dollar amount?

Answer: STO did not receive any COVID relief funds directly to support agency operations.

4. Questions: What is the Agency's expectation of the auditor with respect to working in-person vs. remotely/electronically?

Answer: The pandemic environment has certainly provided challenges. The FY20 audit was conducted primarily from an electronic standpoint as a majority of STO transactions are recorded via electronic means. The only point at which an auditor had to be on premises was to physically test HR employee files and review driver logs. Any interviews, audit entrance and audit exit meetings were conducted virtually. STO has further adopted electronic means since the telework environment to provide electronic records so that a physical presence would not be necessary to ensure the safety of all parties involved.

5. Question: What parts of the audit generally cause the most challenge or difficulty?

Answer: For the most part, STO's audit is straightforward. The auditor must understand that STO operates as the State's bank, pay agent and is one of the five investing agencies for the State. The auditor must possess a thorough understanding of investment accounting and STO's current investment policy.

6. Question: What is most important to the Agency when considering a new auditor?

Answer: STO's goal, as the State's bank, is to ensure dependability to provide liquidity for the State while maintaining public trust and transparency. STO seeks an IPA that would implement thorough testing to examine all facets of STO's operations to ensure independent compliance, public confidence, and consultative feedback when necessary.

7. Question: Section III.B.1.b on page 23 of the RFP states IPAs are to return "One (1) ORIGINAL proposal" then goes on to say "The electronic copies of the Cost Proposal CANNOT be emailed." Please specify if you would like one (or more) electronic copies of the cost proposal, and if you would like to receive hard copies of the cost proposal in addition to the original.

Answer: To clarify, for the **Technical Proposal** itself, STO is requiring 1 original and 2 copies with 1 electronic copy of the Technical Proposal saved on to a USB. The **Cost Proposal** will be 1 original proposal (paper) that will be in a sealed envelope separate from the Technical Proposal. **No electronic Cost Proposals will be accepted** as the Cost Proposals will be unsealed and recorded separately after all Technical Proposals are reviewed.

8. Question: Does STO hold any hard-to-value or alternative investments that involve timing lags to receive fair value measurements from the investment manager or custodian? If so, when is this information typically available?

Answer: No, STO does not hold any hard-to-value, alternative or exotic investments. STO primarily holds securities consisting of U.S. treasuries, agencies and bonds. As such, market value information on these types of securities are readily available.

9. Question: The investment policy includes mention of security lending arrangements. Will STO have any security lending contracts or arrangements in place at June 30, 2021?

Answer: No, there are no security lending arrangements anticipated at 6/30/2021.