

1 SENATE BILL 246

2 **52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

3 INTRODUCED BY

4 Steven P. Neville

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7  
8 FOR THE LEGISLATIVE FINANCE COMMITTEE

9  
10 AN ACT

11 RELATING TO AUDITS; DOUBLING THE THRESHOLD AMOUNTS FOR REQUIRED  
12 AUDITS.

13  
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

15 SECTION 1. Section 12-6-3 NMSA 1978 (being Laws 1969,  
16 Chapter 68, Section 3, as amended) is amended to read:

17 "12-6-3. ANNUAL AND SPECIAL AUDITS--FINANCIAL  
18 EXAMINATIONS.--

19 A. Except as otherwise provided in Subsection B of  
20 this section, the financial affairs of every agency shall be  
21 thoroughly examined and audited each year by the state auditor,  
22 personnel of the state auditor's office designated by the state  
23 auditor or independent auditors approved by the state auditor.  
24 The comprehensive annual financial report for the state shall  
25 be thoroughly examined and audited each year by the state

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1 auditor, personnel of the state auditor's office designated by  
2 the state auditor or independent auditors approved by the state  
3 auditor. The audits shall be conducted in accordance with  
4 generally accepted auditing standards and rules issued by the  
5 state auditor.

6 B. The examination of the financial affairs of a  
7 local public body shall be determined according to its annual  
8 revenue each year. All examinations and compliance with  
9 agreed-upon procedures shall be conducted in accordance with  
10 generally accepted auditing standards and rules issued by the  
11 state auditor. If a local public body has an annual revenue,  
12 calculated on a cash basis of accounting, exclusive of capital  
13 outlay funds, federal or private grants or capital outlay funds  
14 disbursed directly by an administrating agency, of:

15 (1) less than [~~ten thousand dollars (\$10,000)~~]  
16 twenty thousand dollars (\$20,000) and does not directly expend  
17 at least fifty percent of, or the remainder of, a single  
18 capital outlay award, it is exempt from submitting and filing  
19 quarterly reports and final budgets for approval to the local  
20 government division of the department of finance and  
21 administration and from any financial reporting to the state  
22 auditor;

23 (2) at least [~~ten thousand dollars (\$10,000)~~]  
24 twenty thousand dollars (\$20,000) but less than [~~fifty thousand~~  
25 ~~dollars (\$50,000)~~] one hundred thousand dollars (\$100,000), it

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1 shall comply only with the applicable provisions of Section  
2 6-6-3 NMSA 1978;

3 (3) less than [~~fifty thousand dollars~~  
4 ~~(\$50,000)~~] one hundred thousand dollars (\$100,000) and directly  
5 expends at least fifty percent of, or the remainder of, a  
6 single capital outlay award, it shall submit to the state  
7 auditor a financial report consistent with agreed-upon  
8 procedures for financial reporting that are:

9 (a) focused solely on the capital outlay  
10 funds directly expended;

11 (b) economically feasible for the  
12 affected local public body; and

13 (c) determined by the state auditor  
14 after consultation with the affected local public body;

15 (4) at least [~~fifty thousand dollars~~  
16 ~~(\$50,000)~~] one hundred thousand dollars (\$100,000) but not more  
17 than [~~two hundred fifty thousand dollars (\$250,000)~~] five  
18 hundred thousand dollars (\$500,000), it shall submit to the  
19 state auditor, at a minimum, a financial report that includes a  
20 schedule of cash basis comparison and that is consistent with  
21 agreed-upon procedures for financial reporting that are:

22 (a) narrowly tailored to the affected  
23 local public body;

24 (b) economically feasible for the  
25 affected local public body; and

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1 (c) determined by the state auditor  
2 after consultation with the affected local public body;

3 (5) at least [~~fifty thousand dollars~~  
4 ~~(\$50,000)~~] one hundred thousand dollars (\$100,000) but not more  
5 than [~~two hundred fifty thousand dollars (\$250,000)~~] five  
6 hundred thousand dollars (\$500,000) and expends any capital  
7 outlay funds, it shall submit to the state auditor, at a  
8 minimum, a financial report that includes a schedule of cash  
9 basis comparison and a test sample of expended capital outlay  
10 funds and that is consistent with agreed-upon procedures for  
11 financial reporting that are:

12 (a) narrowly tailored to the affected  
13 local public body;

14 (b) economically feasible for the  
15 affected local public body; and

16 (c) determined by the state auditor  
17 after consultation with the affected local public body;

18 (6) at least [~~two hundred fifty thousand~~  
19 ~~dollars (\$250,000)~~] five hundred thousand dollars (\$500,000)  
20 but not more than [~~five hundred thousand dollars (\$500,000)~~]  
21 one million dollars (\$1,000,000), it shall submit to the state  
22 auditor, at a minimum, a compilation of financial statements  
23 and a financial report consistent with agreed-upon procedures  
24 for financial reporting that are:

25 (a) economically feasible for the

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1 affected local public body; and

2 (b) determined by the state auditor  
3 after consultation with the affected local public body; or

4 (7) [~~five hundred thousand dollars (\$500,000)~~]  
5 one million dollars (\$1,000,000) or more, it shall be  
6 thoroughly examined and audited as required by Subsection A of  
7 this section.

8 C. In addition to the annual audit, the state  
9 auditor may cause the financial affairs and transactions of an  
10 agency to be audited in whole or in part.

11 D. Annual financial and compliance audits of  
12 agencies under the oversight of the financial control division  
13 of the department of finance and administration shall be  
14 completed and submitted by an agency and independent auditor to  
15 the state auditor no later than sixty days after the state  
16 auditor receives notification from the financial control  
17 division to the effect that an agency's books and records are  
18 ready and available for audit. The local government division  
19 of the department of finance and administration shall inform  
20 the state auditor of the compliance or failure to comply by a  
21 local public body with the provisions of Section 6-6-3 NMSA  
22 1978.

23 E. In order to comply with United States department  
24 of housing and urban development requirements, the financial  
25 affairs of a public housing authority that is determined to be

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1 a component unit in accordance with generally accepted  
2 accounting principles, other than a housing department of a  
3 local government or a regional housing authority, at the public  
4 housing authority's discretion, may be audited separately from  
5 the audit of its local primary government entity. If a  
6 separate audit is made, the public housing authority audit  
7 shall be included in the local primary government entity audit  
8 and need not be conducted by the same auditor who audits the  
9 financial affairs of the local primary government entity.

10 F. The state auditor shall notify the legislative  
11 finance committee and the public education department if:

12 (1) a school district, charter school or  
13 regional education cooperative has failed to submit a required  
14 audit report within ninety days of the due date specified by  
15 the state auditor; and

16 (2) the state auditor has investigated the  
17 matter and attempted to negotiate with the school district,  
18 charter school or regional education cooperative but the school  
19 district, charter school or regional education cooperative has  
20 not made satisfactory progress toward compliance with the Audit  
21 Act.

22 G. The state auditor shall notify the legislative  
23 finance committee and the secretary of finance and  
24 administration if:

25 (1) a state agency, state institution,

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1 municipality or county has failed to submit a required audit  
2 report within ninety days of the due date specified by the  
3 state auditor; and

4 (2) the state auditor has investigated the  
5 matter and attempted to negotiate with the state agency, state  
6 institution, municipality or county but the state agency, state  
7 institution, municipality or county has not made satisfactory  
8 progress toward compliance with the Audit Act."

9 SECTION 2. EFFECTIVE DATE.--The effective date of the  
10 provisions of this act is July 1, 2015.